



For Private Circulation to the Equity Shareholders of the Company only

UNITED BREWERIES LIMITED

(Originally incorporated on May 13, 1999 as UB Infrastructure Projects Limited as a public limited company under the Companies Act, 1956. The name was changed to UB Beer Limited on July 31, 2001; subsequently the name of the Company was changed to United Breweries Limited on August 7, 2002)

Registered Office: UB Anchorage, 100/1, Richmond Road, Bangalore - 560 025. Tel: (080) 2227 2806 / 2227 2807
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(The registered office of the Company was shifted from No.1/1, Vittal Mallya Road, Bangalore-560 001 to No.1, Vittal Mallya Road, Bangalore-560 001 effective August 20, 2002 and now to the above address effective March 26, 2004.)

LETTER OF OFFER

ISSUE OF 2,13,84,724 (TWO CRORE THIRTEEN LACS EIGHTY-FOUR THOUSAND SEVEN HUNDRED AND TWENTY-FOUR ONLY) REDEEMABLE OPTIONALLY CONVERTIBLE PREFERENCE SHARES OF RS.100/- EACH FOR CASH AT PAR AGGREGATING RS.213,84,72,400 (TWO HUNDRED AND THIRTEEN CRORE EIGHTY FOUR LACS SEVENTY TWO THOUSAND FOUR HUNDRED ONLY) TO THE EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF 6 (SIX) ROCPS FOR EVERY 5 (FIVE) EQUITY SHARES HELD ON AUGUST 27, 2004 (i.e. THE RECORD DATE).

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors on page no. i to xx carefully before taking an investment decision in this Offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Offer including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity shares of the Company are listed on The Stock Exchange, Mumbai (Designated Stock Exchange), The Ahmedabad Stock Exchange Association Limited, The Bangalore Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited, The Cochin Stock Exchange Association Limited, The Delhi Stock Exchange Association Limited, The Hyderabad Stock Exchange Association Limited, The Ludhiana Stock Exchange Association Limited, The Madras Stock Exchange Association Limited. The Company has received in-principle approvals from these Stock Exchanges for listing of ROCPS on May 27, 2004, May 21, 2004, May 18, 2004, May 28, 2004, May 19, 2004, May 31, 2004, May 19, 2004, May 19, 2004, and May 17, 2004 respectively.

LEAD MANAGER TO THE ISSUE



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REGISTRARS TO THE ISSUE



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ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR RECEIVING OF REQUESTS FOR SPLIT FORMS	ISSUE CLOSSES ON
September 16, 2004	October 4, 2004	October 18, 2004

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Abbreviations

Act	The Companies Act, 1956 and amendments thereto
ABDL	Associated Breweries and Distilleries Limited
AGM	Annual General Meeting
Articles / AOA / MOA / AoA	Memorandum and Articles of Association of the Company
ASE	The Ahmedabad Stock Exchange Association Limited
AY	Assessment Year
BgSE	The Bangalore Stock Exchange Association Limited
BIFR	Board for Industrial and Financial Reconstruction
Board	Board of Directors
BSE	The Stock Exchange, Mumbai (Designated Stock Exchange)
CAF	Composite Application Form
CEO	Chief Executive Officer
CDSL	Central Depository Services (India) Limited
Collection Centre	As defined in SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amended thereafter
Crone	10 Million
CSE	The Calcutta Stock Exchange Association Limited
CoSE	The Cochin Stock Exchange Association Limited
Depositories	NSDL and CDSL
DgSE	Designated Stock Exchange (i.e. The Stock Exchange, Mumbai - BSE)
DSE	The Delhi Stock Exchange Association Limited
DP	Depository Participant
ECB	External Commercial Borrowings
EGM	Extra-ordinary General Meeting
Equity Shareholder (s)	Equity shareholders of the Company whose names appear as: <ul style="list-style-type: none"> • Beneficial owners as per the list to be furnished by the depositories in respect of the equity shares held in the electronic form and • On the Register of Members of the Company in respect of the equity shares held in physical form at the close of business hours on the Record Date i.e. August 27, 2004, and to whom this Offer is being made
Equity Shares	Equity shares of UBL
EUR	Euro
E & Y report / Ernst and Young report	Report of September 2003 on the beer industry prepared by Ernst & Young Pvt. Limited on behalf of All India Brewers Association
FCNR	Foreign Currency Non-Resident
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and any amendments thereto
FI	Financial Institution
FII	Foreign Institutional Investors registered with SEBI under applicable laws
FIPB	Foreign Investment Promotion Board
FY	Financial Year
Gol	Government of India
GBP / Pound	Great Britain Pound
HL	Hectolitres
HSE	The Hyderabad Stock Exchange Association Limited
ITAT	Income Tax Appellate Tribunal
Investment Agreement	Agreement entered between UBL, S&N and UBHL on May 16, 2002
Issue/Offer/Rights Issue	The present rights issue of preference shares i.e. issue of 2,13,84,724 ROCPS of Rs.100/- each for cash at par on rights basis to the existing equity shareholders of the Company in the ratio of six ROCPS for every five Equity Shares held on Record Date
IT Act	The Income Tax Act, 1961 and amendments thereto
JV Agreement	Joint Venture Agreement
KL	Kilolitres
Lacs / Lakhs / lacs	100 thousand
Lead Managers to the Issue	Ambit Corporate Finance Private Limited

LoF/LOO/Offer Document	this Letter of Offer dated August 28, 2004
LSE Ltd.	The Ludhiana Stock Exchange Association Limited Limited
MABL	McDowell Alcobev Private Limited (formerly known as McDowell Alcobev Limited)
MBDL	Mangalore Breweries and Distilleries Limited
MoA	Memorandum of Association
mn/mln	Million (10 Lacs)
MSE	The Madras Stock Exchange Association Limited
MT	Metric Ton
NAV	Net Asset Value
NCT	National Capital Territory
NCPS	Non Convertible Preference Capital
NR	Non-Resident
NRE	Non-Resident External
NRI	Non-Resident Indian
NRO	Non-Resident Ordinary
NSDL	National Securities Depository Limited
OCBs	Overseas Corporate Bodies
PAC / persons acting in concert with Promoter as declared to stock exchanges in the shareholding pattern of UBL	United Breweries (Holdings) Limited, McDowell and Company Limited, Mallya Private Limited, Kamsco Industries Private Limited, The Gem Investment and Trading Company Private Limited, Devi Investments Private Limited, Pharma Trading Private Limited and Vittal Investments Private Limited
PAN	Permanent Account Number
POA	Power of Attorney
Promoter Group	Companies forming part of the promoter group of UBL, as disclosed on page no.15
RBI	Reserve Bank of India
Rs.	Indian Rupees
Record date	August 27, 2004
Registrars	Alpha Systems Private Limited
Rights Entitlement	The number of ROCPS that an equity shareholder is entitled to under this Letter of Offer in proportion to his/her/its existing shareholding in the Company as on the Record Date
RoC	Registrar of Companies
ROCPS	Redeemable Optionally Convertible Preference Shares
Scheme of Arrangement	Scheme of demerger of beer business of UBHL into UBL approved by the High Court of Karnataka on July 4, 2002 in the Company Application no. 82 of 2002
SEBI	The Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 read with amendments thereto
SEBI (SAST) Regulations / SAST / Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
S&N	Scottish & Newcastle Plc, a company incorporated in the United Kingdom, a major international Brewer and / or its nominee / subsidiary, as may be relevant to the context
UB Group	An Indian conglomerate promoted by Dr. Vijay Mallya which has presence in diverse sectors
UBL / the Company / the Issuer	United Breweries Limited
UBHL	United Breweries (Holdings) Limited
UTI	Unit Trust of India
Variegate	Variegate Trading Limited
VRS	Voluntary Retirement Scheme

In this Letter of Offer, all references to "Rs." refers to Rupees, the lawful currency of India, "USD" or "US\$" refers to the United States Dollar, the lawful currency of the United States of America, "GBP" or "Pounds" refers to the Great Britain Pounds, the lawful currency of the United Kingdom. References to the singular also refer to the plural and one gender also refers to any other gender wherever applicable.

Risk Factors envisaged by the Management and Proposals to address the risks

The investors should carefully consider the following risk factors together with all other information including this Letter of Offer in evaluating the Company and its business before making any investment decision. Any projections, forecasts and estimates contained herein are forward-looking statements and are based on certain assumptions that the Company considers reasonable. This Letter of Offer contains forward-looking statements that involve risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as "may", "believes", "will", "expect", "anticipate", "estimate", "continue", "proposed", "plan", "likely", or such similar words. The Company's actual results could differ from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the following Risk Factors and elsewhere in this Letter of Offer. Neither the Company nor the Lead Managers or their respective affiliates has any obligation to update, or otherwise revise, any statements, including revisions, if any, to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

This Letter of Offer also includes statistical and other data regarding the Indian brewing industry. This data was obtained from internal reports of the Company and other sources that the Company and the Lead Managers believe to be reliable. However its accuracy and completeness is not guaranteed and its reliability cannot be assured. Neither the Company nor the Lead Managers have independently verified such data.

Internal to the Company

1. The Company has made a profit of Rs.278 Lacs for the year ended on March 31, 2004. However, on consolidating the results as per Accounting Standard 21, the Company has incurred a loss of Rs.1,228.77 Lacs for the financial year ended March 31, 2004. For the year ended March 31, 2003, the Company made a profit of Rs.144 Lacs. However, after taking into account the consolidation of results as per Accounting Standard 21, the Company has incurred a loss of Rs.898.82 Lacs. All figures are after considering the effect of extraordinary items. Further, the networth of the Company as on March 31, 2004 is Rs.3,651.44 Lacs and as on March 31, 2003 is Rs.3,369.29 Lacs. However, on consolidating the results as per Accounting Standard 21, the networth of the Company is Rs.1,964.90 Lacs as on March 31, 2004 and Rs.(622.70) Lacs as on March 31, 2003.

Management's proposal to address the risk: The losses on consolidation are on account of the losses of its subsidiaries. However, the performance of the subsidiaries is improving and losses of these subsidiaries are reducing. The details of their accounts are given on page no.112 of the Auditors Report.

2. The Company's investments in its subsidiaries, ABDL and MBDL, have been carried in the balance sheet at cost though the net worth of these companies stood fully eroded even as on March 31, 2004. ABDL had incurred a loss of Rs.789.07 Lacs for the year ended March 31, 2003 and has further incurred loss of Rs.608.96 Lacs for the year ended March 31, 2004. The networth of ABDL was Rs.(2,621.73) Lacs as on March 31, 2004 and Rs.(2,197.59) Lacs as on March 31, 2003. MBDL had incurred a loss of Rs.276.63 Lacs for the year ended March 31, 2003 and has further incurred loss of Rs.294.78 Lacs for the year ended March 31, 2004. The networth of MBDL was Rs.(1,944.97) Lacs as on March 31, 2004 and Rs.(1,650.64) Lacs as on March 31, 2003. The auditors of the Company have qualified their report for the period ended March 31, 2002, March 31, 2003 & March 31, 2004 and have expressed their inability to opine on the possible impairment / diminution of the value of investments in subsidiary companies having carrying value aggregating Rs.6,353.89 Lacs and on the non-provision in accounts, including ultimate recoverability, of amounts due from subsidiaries and corporate guarantees given on behalf of such subsidiaries aggregating Rs.8,580.86 Lacs in view of the continuing losses incurred by these companies. For details of the qualifications investors are requested to refer to page no.94 of this LoF.

Management's proposal to address the risk: The Company has made strategic investments in its subsidiaries, ABDL and MBDL for the purpose of scaling up the production capacities, based on independent valuations. The units owned by these companies are located in two of the most critical and profitable markets for the Company, namely, Maharashtra and Karnataka. The Company has made advances to these subsidiaries to augment their capacities and fund their operations as their capacities are mainly used for supply of the Company's brands in the critical markets in which their manufacturing units are located. Considering the profile of brands of ABDL and the inherent strengths and business potential of both these subsidiaries, the management is confident of turning around these companies in course of time.

3. As per Companies Act, 1956, preference shares can be redeemed only out of the distributable profits of the Company or out of fresh issue of shares. The ability of the Company to redeem the ROCPS issued through this LoF is therefore subject to the Company's ability to generate distributable profits till the end of the tenor of ROCPS or raise fresh capital.

Management's Proposal to address the risk: The Company will comply with the provisions of law at the time of redemption.

4. Attention of the investors is drawn towards the fact that the Company has not declared dividend since incorporation due to non-availability of distributable profits. The payment of dividend on ROCPS is subject to availability of distributable profits, as provided in the Act.

Management's proposal to address the risk: The Company will comply with the provisions of Law at the time of declaring and payment of dividend.

5. Uncertainty of conversion: ROCPS issued through this LoF can be converted at any time during the tenor of the instrument, at the option of the Company leading to uncertainty regarding the timing of conversion, if any. For details of the terms of conversion and terms of the instrument, investors are requested to refer to page no.20 of this LoF.

Management's proposal to address the risk: The decision to convert or redeem ROCPS shall be taken after taking into account all factors like financial position of the Company, market conditions, ability of the Company to raise further capital, funding requirements etc. It is not possible to have any concrete proposal at this stage to address this risk.

6. Uncertainty of conversion price: In the event of conversion, the price at which the ROCPS would be converted, at the shareholder's option, be either the closing market price of the equity share of the Company on BSE as on the date when the Board of Directors of the Company meet to consider and decide for conversion ('Relevant Market Price') or conversion price as determined by the 'Independent Valuation' process described on page no.21 ('Independent Valuation Price') or lower of Relevant Market Price and Independent Valuation Price, subject to the relevant SEBI guidelines in this regard and in force at the time of conversion. The investor will have to decide his option as regards the pricing for conversion at the time of application for ROCPS. The shareholder will have to indicate his option for conversion price by ticking on any one of the three relevant boxes in the Composite Application Form. By default, the conversion price will be lower of Relevant Market Price and Independent Valuation Price. However, shareholders should note that once they exercise their option, as regards the conversion price, they will not be able to change it subsequently. Therefore the conversion price is not known at the time of making the investment decision. Further, once the Company decides for conversion, the ROCPS will be compulsorily converted into Equity Shares of the Company and the investors will not get any redemption. For details of the terms of conversion and terms of the instrument, investors are requested to refer to page no.20 of this LoF.

Management's proposal to address the risk: It is not possible to have any concrete proposal at this stage to address the risk associated with pricing. In order to benefit the shareholders, the Company has provided that unless otherwise opted by the shareholder, the conversion price will be lower of Relevant Market Price and Independent Valuation Price. The terms of the ROCPS were approved unanimously by the shareholders of the Company in the EGM held on January 21, 2003 and subsequently modified by the Board/Committee of Directors as authorized by the resolution.

7. Though, as an added comfort to ROCPS holders, Variegate Trading Limited, a subsidiary of UBHL, has agreed to grant a put option to the ROCPS holders of this Issue (whereby the ROCPS holders would have the option to sell a part or whole of their ROCPS to Variegate Trading Limited, as mentioned in the terms of present Issue on page no.22), the investors should note that the issued share capital of the company was Rs.5 Lacs (for FY 2004 and FY 2003) and Rs.20 (for FY 2002). For details of the financials of Variegate Trading Limited, investors are requested to refer to page no.165. It will be observed that Variegate will require significant augmentation in its financial resources to honour its potential obligations under the put option, if the put option were to be exercised by ROCPS holders. Further investors may note that this put option would be backed by a corporate guarantee of UBHL wherein UBHL would extend such financial assistance to Variegate as may be required to enable it to fulfill its obligations under the put option. UBHL

has incurred a loss of Rs.3,056 Lacs for the year ending March 31, 2004 and a loss of Rs.16,048 Lacs for the year ending on March 31, 2003. The networth of UBHL, as on March 31, 2004 was Rs. (2,566.29) Lacs. On consolidating the accounts as per Accounting Standard 21, the loss of UBHL was Rs. 6,330.46 Lacs for the year ended March 31, 2004 and loss of Rs.10,308.57 Lacs for the year ended March 31, 2003.

Management's proposal to address the risk: Variegate Trading Limited is a wholly owned subsidiary of UBHL. UBHL is intrinsically an asset rich company. Hence, the management is confident that the put option/ corporate guarantee obligations, if exercised/ called upon, would be honoured comfortably by Variegate/ UBHL.

8. The Company and MABL (in which the Company holds 40% equity) entered into a Brewing Capacity Sharing Agreement dated August 26, 2003 to share their respective brewing capacities with each other (please refer to page no.67 of this document). The breweries covered under this arrangement, include the brewery of Empee Breweries Limited ("EBL"), the shares of which have been acquired by MABL from the erstwhile promoters on 21st May, 2002. Certain land and brewery of EBL was transferred to EBL by Empee Distilleries Limited. Litigations have been initiated by financial institutions against Empee Sugars and Chemicals Ltd., Empee Distilleries Limited, EBL, Mr. M. P. Purshottaman (the erstwhile promoter of EBL) for recovery of amounts due and also challenging the sale of EBL shares. Please refer to page no.213 for more details of the litigations. The matter is sub-judice and if the outcome is not favourable to MABL, the same may adversely affect the aforesaid transactions. Consequently, the commitments made by MABL to UBL under the aforesaid Brewing Capacity Sharing Agreement may also get affected as far as they pertain to the supplies to be made from the EBL brewery, which may in turn have an adverse effect on the business operations of the Company.

Management's proposal to address the risk: Debt Recovery Tribunal order to the defendants to maintain status-quo in respect of the shares proposed to be transferred to the third parties or to make any payment restraining was passed only on 30th May, 2002 and the same was served on MABL on 4th June, 2002. Much prior to the date of the order, MABL had completed the sale transaction and had made payment of the purchase price. Further, the Company has made adequate capacities available through contract brewing arrangement with other local brewers in Tamilnadu. Therefore, the requirement of beer can be met without any disruption.

9. Financial data for the Company is available for two full years only. Comparable performance data for the previous years are not available. The predominant business of the Company has been acquired through demerger from UBHL in 2001 and therefore previous years' figures prior to 2001 are not comparable.

Management's proposal to address the risk: The directors, in their report to the shareholders (forming part of the annual report for FY 2003) under the section Management Discussion & Analysis have compared the results with comparable figures of the corresponding period of the previous year (FY 2002).

10. The present requirement of funds has not been appraised by banks / FIs and is based on the estimates of the Company. The funds proposed to be raised through the present Issue would be utilized at the discretion of the Board of the Directors of the Company and are not subject to monitoring by any independent agency. One of the objects of the present Issue is to lend to UBHL, a group company, for the purpose of retiring UBHL's high cost debt. Rs.12,500 Lacs out of the total issue size of Rs.21,384.72 Lacs i.e. 58.5% is proposed to be used in this manner. The loan of Rs. 12,500 Lacs to UBHL is covered by a pari-passu second charge over the specified assets of UBHL as agreed in the memorandum of agreement dated June 30, 2003 for advancing loan upto Rs.17,500 Lacs to UBHL by UBL. UBHL is currently incurring losses, this could affect its ability to service this loan from UBL. Further, the loan to UBHL has already been disbursed out of the proceeds of the Bridge Loan. The loan outstanding from UBHL as on March 31, 2004 is Rs.16,000 Lacs. The Bridge Loan was due for repayment on June 30, 2004. The same has now been rolled over and is due for repayment on September 30, 2004.

Management's proposal to address the risk: The Company proposed this fund raising for repayment of high cost debt of the Company and loan to UBHL for reducing their debt burden as per obligations cast in the Scheme of Arrangement. This was approved unanimously by the members of the Company at the Extraordinary General Meeting of the Company held on January 21, 2003. Since the Company has availed Bridge Loan which has been utilized towards the objectives of present Issue, the proceeds of this Issue would be used to retire the Bridge Loan. The Company has not envisaged any expansion or diversification project and hence appraisal has not been carried out by any bank or institution. The Bridge Loan since has been rolled over pending completion of Rights Issue.

11. As on March 31, 2004, the outstanding debtors that are greater than six months old aggregate Rs.1,023 Lacs. Of these, approximately Rs.824.09 Lacs (81%) are considered doubtful and provision for the same has been made by the Company in its accounts. For details of the same, investors are requested to refer to page no.105 of this LoF.

Management's proposal to address the risk: The provisions for doubtful debtors are made as a prudent accounting policy while efforts are on to realize the debts to the extent possible.

12. London Draft Pubs Private Limited (LDPPL), a subsidiary of ABDL, was engaged in business of beer dispensing units. During the last two years, after the takeover of holding company (ABDL) by UB Group, no activities are being carried-on in LDPPL. LDPPL has incurred a loss of Rs.0.88 Lacs for the year ended March 31, 2004 and has made a profit of Rs.0.52 Lacs for the year ended March 31, 2003. The networth of LDPPL was Rs.(5.71) Lacs as on March 31, 2004 and Rs.(4.84) Lacs as on March 31, 2003.

Management's proposal to address the risk: The Group is of the view that business of beer dispensing units is not a focus activity.

13. London Pilsner Breweries Private Limited (LPBPL), a subsidiary of ABDL, has not commenced operations till date.

Management's proposal to address the risk: The operations will be commenced at an appropriate time as deemed fit by the management.

14. The input costs of the products of the Company may increase. In case the Company is not able to pass on such increase in the costs to the consumers because of competition or otherwise, it may impact the profits of the Company.

Management's proposal to address the risk: The Company is constantly endeavoring to procure raw materials at the lowest prices using its experience of the market, relationships with the suppliers and economies of scale enjoyed. The Company will also follow a prudent product pricing policy.

15. Any failure to keep abreast with the latest trends in the brewing industry may adversely affect the competitiveness and the ability of the Company to develop newer generation products.

Management's proposal to address the risk: The Group has been in this business for over 5 decades and has a significant market share. The Company is constantly scanning the environment for developments related to market perceptions, consumer preferences, competition, regulations etc.

16. The Company's sustained growth depends on its ability to attract and retain skilled personnel. Failure of the Company to attract and retain skilled personnel could adversely affect the Company's growth prospects.

Management's proposal to address the risk: The Company has a well developed human resources policy and is constantly making efforts to develop and retain its employees. In the past, the Company has been able to retain a significant part of its manpower talent and the attrition rates have been low.

17. The Equity Shares of the Company are not being traded on any of the stock exchanges where they are listed, except on BSE and thinly traded on the stock exchange at Kolkata. The average volume of the shares traded on BSE is approximately 9,423 shares per trading day for the period October 23, 2002 to July 30, 2004.

Management's proposal to address the risk: The total volume of the shares traded on BSE since October 23, 2002, the day trading permission was granted by BSE, till July 30, 2004 has been 42,21,541 shares which constitutes approximately 24% of the equity capital of the Company. BSE where the shares of the Company are traded most frequently has been chosen as the designated stock exchange. The shareholders located across the country can avail the facility of nationwide terminals available for BSE.

18. UBL falls under distillation and brewing of alcoholic drinks industry which, under the existing Foreign Direct Investment policy of GoI, requires approval of FIPB and RBI for any foreign investment. Therefore, the allotment of ROCPS pursuant to this Rights Issue to non-resident shareholders – NRIs, FIIs, OCBs etc. would need approval from FIPB and RBI. The allotment of Equity Shares to non-residents pursuant to conversion of ROCPS would also be subject to availability of applicable statutory approvals including approvals of FIPB and RBI.

Management's proposal to address the risk: It will be the responsibility of the concerned shareholder(s) to ensure that they have the requisite approvals to invest in and hold the investment in ROCPS and equity shares to be allotted upon conversion. Even if the allotment of ROCPS or issuance of equity shares, upon conversion, to some non-resident shareholder is delayed or is not possible due to non-availability of such approvals, the issuance of shares upon conversion to shareholders who have the requisite approvals or who do not need such approvals will not be held-up.

19. SEBI (SAST) Regulations require that any person who acquires voting rights in excess of the limits specified in SEBI (SAST) Regulations is required to make an open offer to buy shares, to the minimum extent specified, from the public shareholders. Any holder of ROCPS who is allotted equity shares upon conversion will be required to make such an open offer in terms of SEBI (SAST) Regulations. Investors are advised to note that ROCPS holders may become entitled to vote on every resolution in a general meeting of shareholders if the Company defaults in payment of dividend, as specified in the Companies Act. There could be implications of such entitlement to vote under SEBI (SAST) Regulations. Investors are advised to seek legal advice from their respective legal advisors on the implications under SEBI (SAST) Regulations for their investment in ROCPS.

20. According to the Investment Agreement entered into between the Company, UBHL and S&N, S&N has been given affirmative rights on certain key issues. The decision on these matters can only be taken with the affirmation of S&N. Some of the matters requiring affirmation by S&N include changes in the MoA/AoA of the Company, issue of ordinary shares or any financial instrument with any option of conversion or any right of conversion in any form, any material changes in the nature and extent of the Company's principal business. Therefore S&N also has affirmative rights in respect of raising of further capital for redemption of ROCPS. For details of the terms of the Investment Agreement, investors are requested to refer to page no.58 of this LoF.

Management's proposal to address the risk: The Company has a multifaceted financial, marketing and technical tie-up with S&N. In addition, as S&N would themselves be a significant subscriber to this ROCPS issue, the management is confident that S&N would act in the interests of ROCPS holders.

21. The Company has raised Bridge Loans from Rabo India Finance Private Limited against the proceeds of this Issue. The amount of Bridge Loan outstanding as on date is Rs.20,000 Lacs.

Management's proposal to address the risk: The same will be repaid out of the proceeds of the Issue. Investors are requested to refer to page no.43 for the major terms and conditions of Bridge Loan.

22. The ECB loan aggregating Rs.5,000 Lacs taken by the Company from Scottish Courage Ltd., a subsidiary of S&N, gives an option to the lender to convert the loan into equity shares of the Company on terms and conditions that may be mutually agreed between the Lender and the Company subject to any approvals that may be required from any regulatory authority.

Management's proposal to address the risk: The ECB loan of Rs.5,000 Lacs was taken by the Company in due compliance and in conformity with the relevant guidelines bearing no. A.P (DIR) Series Circular No.10 dated September 5, 2000 issued by the Reserve Bank of India. The management believes that if and when the loan is converted, such a conversion of debt into equity will only augment the Company's ability at the time of redemption, if any, of ROCPS.

23. The Promoters and PACs have informed the Company that they shall not participate in the present Rights Issue of ROCPS. They have also agreed to renounce their Rights entitlement of ROCPS in favour of the strategic partner in the Company – Scottish & Newcastle Plc or its nominees. No information regarding intention to subscribe is available from other Promoter Group companies –Aventis Pharma Limited and Herbertsons Limited.

Management's proposal to address the risk: Promoters & PACs presently hold 49.88% of the equity of the Company and they intend to renounce their holding in favour of the strategic partner to strengthen the alliance. The holding of other Promoter Group companies is 0.19%.

24. The Company has applied for and is yet to receive the renewal of its brewing license at its unit at Ponda in Goa. Renewals from respective Pollution Control Boards for its units at Nacharam in Hyderabad and Ponda in Goa are yet to be received. If the renewals are not obtained it may adversely affect the financial position of the Company.

Management's proposal to address the risk: The Company has received a letter from the excise authorities that the request for renewal of brewery license at its unit at Ponda in Goa is under active consideration for renewal. The Company is following-up for these consents / renewals.

25. The Company is dependent on the brewing contracts entered into with other breweries to the extent of beer quantity contracted from such breweries. The Company's owned brewing capacity is 21,73,180 HL and contracted brewing arrangement is 13,94,880 HL. The Company is therefore exposed to the inability of any of these breweries to supply beer due to any reasons, including non-renewal of brewing licenses. These brewing contracts are also terminable by either party by giving due notice as per the terms of the contract. Further details of the contract arrangement are given on page no.66. Investors are advised to refer to page no.66 for break-up of production details from owned breweries and contracted breweries.

Management's proposal to address the risk: In case of such an eventuality, the Company can either try to utilise the brewing capacity available with other breweries in the same area or increase production in its owned / other contracted breweries.

26. Some of the trademarks / brands of the Company are pending registration. These trademarks are listed in the Scheme of Arrangement – which forms a material document available for inspection as a part of this Issue.

Management's proposal to address the risk: The applications for registration of these trademarks / brands have already been made with the Trademarks Registry. The Company has subsequently obtained registration for the 4 brands in various classes and has also secured design registration for bottles. The Company has also made applications for fresh registrations of brands.

27. The Company is dependent on 3 suppliers for its requirement of malt – a major raw material for manufacture of beer.

Management's proposal to address the risk: There are few domestic suppliers who can supply malt in large quantities required to cater to the substantial requirements of companies like UBL. Therefore this risk is as such applicable to the entire domestic beer industry.

28. Besides UBL, there are a number of Promoter Group companies - ABDL, MBDL, LPBPL, LDPPL, McDowell Alcobev Private Limited, GMR Beverages & Industries Ltd., Empee Breweries Ltd., Inertia Industries Limited, Castle Breweries Limited, United Breweries Nepal Pvt. Ltd. and UB Global Corporation

Ltd. that are into the same line of business i.e. brewing and sale of beer. Given the intense competition in this market, there could be a potential conflict of interest amongst the group companies.

Management's proposal to address the risk: UBL is of the view that this would result in consolidation of market share of the UB Group thereby maintaining a dominant position.

29. The Company is contemplating closure of its brewery unit at Cherthala, Kerala.

Management's proposal to address the risk: In view of the un-economic size of the brewery unit situated at Cherthala, Kerala, the management is contemplating closure of the same. Necessary discussions for seeking concurrence for the closure with Government authorities and Labour Union are underway. However, there is no certainty about the closure at this point of time. This unit contributes approximately 3% to 5% of the production from owned brewing units of the Company. In case the plant is closed down, the Company would either utilise the brewing capacity available with other breweries in the same area or increase production in its owned / other contracted breweries.

30. Contingent liabilities and commitments of the Company, as on March 31, 2004 and as certified by the auditors:

A	Commitments	(Rs. In Lacs)
I	Estimated amount of contracts remaining to be executed on capital account and not provided for	550.67
II	Liability for a put option for investment in a subsidiary, not provided pending investment, though the option has been exercised*	2,627.41
III	Infusion of funds through preference capital - JV	2,000.00
	Total	5,178.08
B	Contingent Liabilities	
I	Sales Tax demands under appeal #	81.86
II	Excise Duty / Customs Duty demands under appeal #	102.86
III	Claims against the Company not acknowledged as debt #	970.99
IV	Future commitments for hire charges payable on hire purchase / lease	106.38
V	Letter of Credit outstanding	208.92
VI	Guarantees given by the company: -	
	On behalf of subsidiaries	4,465.00
	On behalf of third parties	2,838.93
VII	Consideration payable to the erstwhile promoters of ABDL withheld against possible tax benefits if any availed by ABDL towards its future profits	323.00
	Total	9,097.94

In the opinion of the management the above demands/claims are not sustainable in law and accordingly, do not call for a provision in the accounts.

* UB General Investments Limited (a subsidiary of UBHL) has, under an Agreement with the erstwhile promoters of ABDL, granted a put option to the erstwhile promoters of ABDL under which UBGIL is required to acquire 35% of the shares of ABDL at an aggregate price of Rs.20.47 crores. Since the Company has acquired the shares of ABDL from UB General Investments Limited, it is obligated to honour the put option when exercised by the erstwhile promoters of ABDL. The erstwhile promoters of ABDL have exercised the put option vide letter dated February 24, 2003 and the Company had up to 180 days time to pay the put option price and acquire the 35% equity of ABDL. The put option is backed

by a corporate guarantee given by UBHL. The Company has not made this payment so far. The management is in discussion with the holders of put option to work out a mutually acceptable rescheduling of the liability. The holders of put option have agreed for the rescheduling of the liability provided the revised put option price, as may be agreed upon, is paid to them. The Company has sought its members' approval for the revised put option price (not exceeding Rs.3,500 Lacs).

31. Litigations against the Company & its subsidiaries

Investors are requested to refer to page no.182 of this LoF.

32. Litigations against the Promoters

Investors are requested to refer to page no.205 of this LoF.

33. Litigations against directors

C.L. Jain:

Criminal case - Siris Limited in which Mr. C. L. Jain was an independent non whole-time director, had executed a hire purchase agreement on September 30, 1995 with ITC Classic Finance Limited (since merged with ICICI which was later merged with ICICI Bank) for the equipments known as Electrostatic Precipitator Systems, which were simultaneously leased to APSEB with their concurrence and a Power of Attorney favouring ITC Classic Finance to even collect lease rentals directly from lessee APSEB. However the installments of Rs.14,76,680 p.m. were not paid by the said company after December 30, 1999 and up to August 30, 2001. Therefore ICICI Bank has filed this complaint against the said company in which Mr. C. L. Jain is made a party as Accused-8 although he resigned from the Board of this company in May 1997. Summons has been issued but trial not yet commenced. The complainant has prayed for punishment for the offences u/s 406 and 420 of Indian Penal Code.

Kalyan Ganguly:

Criminal case - Gandhi Smaraka Samithi has filed a CRP No. 95/2003 before the II Addl. Sessions Judge, Guntur, against the order passed by the I Addl. Munsiff Magistrate, Narasa Rao Pet, Andhra Pradesh dismissing the complaint filed by them in CFR No.138/03, alleging that an advertisement has been published in a newspaper called 'Vaartha' on 30.11.2002 in connection with 'Kingfisher Power Soda' and for action u/s 292 & 293 of the IPC. Mr. Ganguly has been made Defendant 3 in the capacity of Managing Director of United Breweries Ltd. The relief sought for is to set aside the order passed by the I Addl. Munsiff Magistrate in CFR No.138/2003. Matter posted for hearing.

S. R. Gupte:

Criminal case - He has been made party to a suit filed by M.C.C. Investment & Leasing Company Ltd. against Carew Pharmaceuticals Ltd & others. The suit is filed at 5th MMC, Kolkata in 1999 under reference no. C/4654/99 u/s 138 & 141 of the Negotiable Instruments Act, 1881. The company had issued two cheques for Rs.2,25,144 each in favour of M.C.C. Investment & Leasing Company Ltd. which were dishonoured. Mr. S R Gupte was the Vice Chairman of the company and is also made a party to the suit filed by M.C.C. Investment & Leasing Company Ltd. Mr. S. R. Gupte is no longer a director of the company. C.R.R. no. 557 of 2002 was filed before the High Court, Calcutta for quashing of the proceedings against him and stay has been granted by the Kolkata High Court till the disposal of the Revisional Application. The matter is sub-judice.

Criminal case - Torrent Cables Ltd., Ahmedabad has filed a criminal complaint bearing number 1999/ 2003, u/s 406 & 420 of IPC in the MM Court No.13, Ahmedabad against UB Engineering Ltd. and others, wherein Mr. S. R. Gupte is accused no.2. The case pertains to non payment of Rs.11.39 Lacs payable by UB Engineering Ltd to Torrent Cables Ltd. towards supply of materials. Summons have been issued to all the accused returnable on April 9, 2004. The settlement is under process. Next hearing is in October 2004.

Criminal case - Apna Sahakari Bank has filed cases for dishonour of four cheques of Rs.38.50 lacs each u/s138 of Negotiable Instruments Act against UB Engineering Limited, director – Dr. Vijay Mallya, Mr. S. R. Gupte, Mr. S. D. Lalla, M. N. S. Vasant, Mr. D. S. Shevde & employees Mr Abhijit Roy and Mr A S Bhide

("Accused"). The cheques were issued for repayment of Loan taken by the Company from the said Bank. Trial is yet to commence.

V. K. Rekhi:

Criminal case - Mr. Madhav Prakash Sadana, Director of Sadana Brothers Pvt. Ltd. ("Sadana Brothers") filed a criminal complaint under the IPC before the T.I. Police Station, M P Nagar, Bhopal in respect of alleged non payment of an amount of Rs.25.06 Lacs from the UB Group – Spirits Division allegedly furnished as security deposit by Sadana Brothers. After investigating the case, the Police came to the conclusion that the complaint was civil in nature and no criminal case could be registered in the matter. Mr. Sadana, Director, Sadana Brothers, filed a criminal suit under the IPC in the Court of Chief Judicial Magistrate, Bhopal. Mr. V. K. Rekhi, Director, is also a party to the said suit. A hearing took place in January 2004 and the Magistrate ordered that the M.P. Nagar Police should be given a copy of the complaint made to the Court upon payment of fee by the complainants. In its order, the Court directed the police to inquire into the complaint u/s 156(3) of the IPC and if a cognizable offence was found to have been committed prima facie, register a case and forward a copy of the FIR to the Court. The Court has sought the report on the entire action taken.

For litigations against Dr Vijay Mallya, director, who is also the Promoter of the Company, investors are requested to refer to page no.205 of this LoF.

34. Litigations against Promoter Group companies

Please refer to page no.210 of this LoF.

35. Defaults of the Company, Promoter Group Companies: Please refer to page no.273 under the section Outstanding Litigations, Defaults, Adverse Events and Material Developments.

36. Interest of promoters / directors / key management personnel

The promoters of UBL or any of the members of the promoter group or any of the group companies of the promoter/ promoter group or any ventures promoted by the promoters/promoter group are interested in UBL to the extent of equity shares held by them in UBL and to the extent of the benefits arising out of their shareholding and to the extent as disclosed in the related parties transactions' as appearing later in this LoF.

The directors of the Company are interested to the extent of their remuneration, fees, if any, payable to them for attending meetings of the Company and reimbursement of expenses and to the extent of equity shares of UBL held by them or their relatives and associates or held by the companies, firms and trust in which they are interested as directors, members, partners, and / or trustees, and to the extent of benefits arising out of such shareholding. In addition, the Company's directors other than a Managing Director or Director(s) in the whole-time employment of the Company, may at the discretion of the Board of the Company be paid every year a remuneration up to one per cent (1%) of the net profits of the Company, which amount may be apportioned among themselves in any manner they deem fit.

The key management personnel have no interest in the Company other than dividends received from the Company in respect of their shareholding (if any), reimbursement of expenses incurred or normal remuneration or benefits and profit sharing plan and commission on profits received from the Company, if any. The details of the profit sharing plans are given on page no.84.

37. Investors may note that arising out of an adjudication proceedings initiated by SEBI, a penalty of Rs.10,000/- each was imposed, in May 2003, on UB General Investments Limited (a subsidiary of UBHL and a promoter group company) and another company Feedback Computers Pvt. Limited – for non-compliance of Regulation 3(3) of the Takeover Code in the matter of acquisition of shares of Inertia Industries Limited through preferential allotment. UB General Investments Limited was formerly called United Breweries (Holdings) Limited. The penalty has been paid by UB General Investments Limited and Feedback Computers Pvt. Limited.

38. Notice was issued to Dr. Vijay Mallya, McDowell & Company Ltd., UBHL, Devi Investments Pvt. Ltd., Vittal Investments and others by the Adjudicating & Enquiry Officer under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. It was alleged that Dr. Vijay Mallya,

along with persons acting in concert with him, acquired shares of Herbertsons Ltd. in violation of the SEBI (SAST) Regulations and also did not make the necessary disclosures which violated Regulations 6(1), 6(3), 8(1) and 8(2) of SEBI (SAST) Regulations, 1994 and 1997 and consequently, were liable for penalty under Section 15A & 15H of SEBI Act, 1992.

39. Loss making Promoter Group companies: The following are the Promoter Group companies that have incurred losses exceeding Rs.100 Lacs for the year ended March 31, 2004:

(Rs.in Lacs)

Sr. No.	Name of the Company	Losses for the year ended March 31, 2004
1.	United Breweries (Holdings) Limited	3,055.74
2.	Inertia Industries Limited	8,969.26
3.	UB Engineering Limited	1,747.00*
4.	McDowell Alcobev Private Limited	1,563.70
5.	Associated Breweries & Distilleries Limited	608.95
6.	Mangalore Breweries & Distilleries Limited	176.99
7.	United Racing & Bloodstock Breeders Limited	275.06
8.	UB General Investments Limited	470.79

*unaudited

40. The following companies belonging to the Promoter Group have negative networth / have been referred to BIFR upon complete erosion of their networths:

Referred to BIFR:

- ABDL
- Castle Breweries Limited
- Inertia Industries Limited
- MBDL

Have negative networth:

- UB General Investments Limited
- UB Information & Consultancy Services Limited
- United Breweries (Holdings) Limited*

*As per the notes to accounts of UBHL for 2003-04, the value of land under property development as carried in the books exceeds the original cost by Rs.16,607 Lacs and the market value of quoted investments as on the Balance Sheet date was significantly higher than its book value by Rs.18,287 Lacs, the Company's networth is positive

Pursuant to the order dated January 15, 2004, the BIFR has recommended winding up of the Castle Breweries Limited and has referred the same to High Court of Calcutta. The matter came up for hearing before the High Court of Calcutta on May 17, 2004, on which date the Court stated that Castle Breweries Ltd. is wound up under the provisions of the Companies Act, 1956 and directed the Official Liquidator to take possession of the assets forthwith. The affairs of company now vests with the Official Liquidator and the assets/liabilities etc. also vest with him, till the affairs of the company are scrutinized.

41. Related party transactions, details of loans/advances written off/rolled over: The Company has entered into certain related party transactions. The details of the same are given on page no.xiv. The details of loans/advances written off/ rolled over from related parties are given on page no.xix.

42. Investors may note that Mr. C. L. Jain, director of UBL, is also a director on another company that is engaged in securities related business on whom penalties, monetary or otherwise, have been levied by stock exchange. These penalties mostly pertain to short delivery, custodial trades rejection, processing charges, interest on margin shortage, non-segregation of books of accounts on transactions with sub-brokers before registration, short sales, issuance of contract notes other than the prescribed format, late submission of client data, erroneous reporting of margins collected in Futures & Options segment, late/non-submission of margin certificate, penalty for dealing with intermediaries, non-execution of member constituent agreement, incomplete 'know your client' forms, non-issue of risk disclosure in the prescribed format, delay/non-payment of dividends, non provision of client margin report data, etc.
43. Listing refusal of securities/ non-compliance with listing agreement by Promoter Group companies: Please refer to the section 'Associate / Subsidiaries/ Promoter Group Companies' appearing on page no.151.
44. Details of penalties imposed by SEBI or any regulatory authority on Promoter, Promoter Group Companies: Please refer to the section 'Outstanding Litigations' appearing on page no.182.
45. Previous issue made by listed group companies ventures and shortfall in performance vis a vis promise made: Please refer to the section 'Promises versus Performance In Respect Of Previous Issues' on page no.174.

External to the Company

1. The beer Industry is heavily regulated by Government. The business of the Company is subject to the regulations of State Government policy on excise. Changes in the fiscal policies of Government could have an adverse impact on the profitability of the Company. A significant change in the Government liberalization and deregulation policies could affect business and economic conditions in India and the business of the Company in particular. Adverse changes in other regulation such as the distribution norms may affect the operations of the Company. States may individually decide to impose prohibition on the sale of alcoholic beverages, including beer, as has been done in the past.

Management's Proposal to address the risk: This is a risk applicable to the entire industry.

2. Beer industry is witnessing high level of competition as the domestic players gear up to compete for a larger share of the market. The entry of multinationals in the domestic brewing business has led to increased competition. Growing competition may force the Company to reduce the prices of its products and services, which may reduce its revenues and margins and/or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations. Competition may also increase if tariff barriers on imported beer are lowered.

Management's Proposal to address the risk: Despite competition and entry of multinationals, the Company has a dominant position in the beer market with leading market share. The Company aims to keep abreast with the dynamic business scenario and has broad-based its product mix by introduction of new products. However, the Company can give no assurance these measures would be sufficient for achieving a sustainable business model.

3. The beer industry has a negative perception in the Indian cultural context. This leads to circumstances like ban on advertising of alcoholic beverages in the print / TV media, which is not conducive to business development.

Management's Proposal to address the risk: This is a risk applicable to the entire industry.

4. Evolving beer industry standards, changing customer preferences and new product introductions have an important impact on Company's business. The Company's success depends on its ability to keep pace with these changes. The Company may not successfully address these developments on a timely basis, and even if addressed, the Company's products may not be successful in the market place. In addition, products developed by competing companies may make the Company's products less competitive.

Management's Proposal to address the risk: This is a risk applicable to the entire beer industry.

5. Beer business is seasonal in nature with the sales volume dipping during the period July to January each year because of monsoon and cold weather conditions.

Management's Proposal to address the risk: This is a risk applicable to the entire beer industry.

6. Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which the Company imports its raw materials and/ or to which its products are exported, will have an impact on the Company's profitability. Similarly, any adverse movement in the exchange rate may have corresponding effect on the export realisation / cost of imports and consequently affect the Company's profitability.

Management's Proposal to address the risk: Whenever such policy changes affect the Company's business, the Company would work towards complying with or reckoning the policy changes and adopt appropriate strategies to sustain the effects on its business.

7. Floods, earthquakes, terrorist attacks and other acts of violence or war / destruction involving India and other countries where the Company sells its products / imports its raw materials could adversely affect the Company's business. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately affect the Company's business, financial conditions and results of operations.

Management's Proposal to address the risk: The consequences of any of the above are unpredictable, and the Company may not be able to foresee events that could have a material adverse effect on its business, financial condition or results of operations.

8. Risk of volatility in the share price: Future announcements concerning the Company or its competitors, rupee depreciation or appreciation vis-à-vis major international currencies, significant currency movements in markets where Company exports its products, import tariffs in India and in countries where the Company exports its products, domestic duties and taxes, volatility in the domestic and international financial markets, media reports relating to the Company and its businesses, changes in product preferences, successes of various products, success in new marketing programmes, performance of the Company in untested overseas markets and changes in regulations in those countries, consolidation in the brewing industry, unanticipated increases in wage bills, changes in sourcing pattern of raw materials and arrangements with contract brewing agencies, changes in government policies, economic downturn, transportation or labour unrest, changes in market and customer practices in overseas markets, adverse movements in working capital requirements, variation in the Company's operating results or changes in earnings estimates by analysts as well as market conditions could cause the price of the listed securities of the Company to substantially fluctuate. The Company can provide no assurances that there will be active and/or sustained trading in the Equity Shares of the Company or the price at which such shares will be traded.

Notes to risk factors:

1. The Company has changed its name from UB Infrastructure Projects Limited to UB Beer Limited on July 31, 2001 and then to United Breweries Limited on August 7, 2002. The erstwhile United Breweries Limited changed its name to Kingfisher Properties and Holdings Limited and then to United Breweries (Holdings) Limited.
2. Average cost per share to the Promoter Group is Rs.77.44/- per share. For details, investors are referred to point no.10 of notes to capital structure.
3. Net worth of the Company as on March 31, 2004 is Rs.3,651.44 Lacs and as on March 31, 2003 is Rs.3,369.29 Lacs (net of miscellaneous expenditure not written off) and on consolidating the results as per Accounting Standard 21, the networth of the Company is Rs.1,964.90 Lacs as on March 31, 2004 and Rs.(622.70) Lacs as on March 31, 2003 and the size of the Issue is Rs.21,384.72 Lacs.
4. The book value of the equity shares of the Company as on March 31, 2004 is Rs.20.49 per share and as on March 31, 2003 is Rs.18.90.
5. The total number of shareholders are 39,827 as on August 28, 2004.
6. Investors are advised to refer to "Basis of Issue Price" on page no.179 before investing in this Issue.
7. In addition to the proposed investments to be made by S&N in UBL; S&N, through its Indian subsidiary Scottish & Newcastle India Private Limited, has also made investments in other UB group companies. Investors are requested to refer to page no.55 for details of the investments.
8. Investors may note that in the event of oversubscription, allotment shall be made with the approval of DgSE.

9. The promoters, relatives and directors have not undertaken any transactions in the Equity Shares of the Company for the last six months.
10. Investors may note that Messrs Price Waterhouse, Chartered Accountants were appointed as statutory auditors of the Company in place of Messrs Deloitte Haskins & Sells, Chartered Accountants at the AGM held on September 26, 2003 since Messrs Deloitte Haskins & Sells had not offered themselves for re-appointment as statutory auditors of the Company on account of re-allocation of various audits within their firm.
11. Details of Loans and Advances made to person(s) / Companies in which directors are interested, as on March 31, 2004, are as follows:

Particulars	March 31,2004 Rs. Lacs
United Breweries (Holdings) Limited	16,000.00
Mangalore Breweries & Distilleries Limited (MBDL)(refer note below)	1,181.70
Associated Breweries & Distilleries Limited (ABDL)(refer note below)	2,934.16
Total	20,115.86

Note: ABDL & MBDL are subsidiaries of the Company and these advances are interest free and there is no stipulation with regard to repayment.

12. As on March 31, 2004, the dues to Small Scale Undertakings (SSIs) exceeding 30 days aggregates Rs.157.66 Lacs. The names of the SSIs where the dues outstanding for more than 30 days and exceeding Rupees one Lac are as follows:

Sr. No	Name of Party	Amount Rs. in Lacs
1	Mittal Punch & Pack Pvt. Ltd.	33.07
2	Pranath Packaging Industries	10.71
3	Kwality Offset Printers	15.84
4	Aditya Packwell	13.06
5	The Shreyans Packing	2.42
6	Package Industries	6.95
7	Progressive Press Private Ltd.	8.57
8	Nahar Packages	7.68
9	Pawan Packaging Industries	3.95
10	Avasas Pack	1.03
11	Maneca Industries	2.15
12	Aravind Industries	8.72
13	Sri Bhavani Industries	4.86
14	Mayanak Commercial Pvt. Ltd.	4.67
15	Emcee Crowns	8.07
16	Arrow Head Packaging Pvt. Ltd.	2.83
17	Unision packaging Industries	1.05
18	Supreme Pack & Co.	4.39
19	Rising Packaging	1.69
20	Jatansons Packaging Industries	2.65
21	Cubic Cortons	4.06
22	Dhanlakshmi Packaging	5.43
23	Shaha Pack & Print	1.30
24	Kurian Color Packs	2.51
	Total	157.66

13. Other ventures of Promoters have no business interests / other interests in the Company save and except that the Company has entered into certain related party transactions as shown below:

Details of related party transactions 1.04.2003 to 31.03.2004

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Purchase of Goods	3,990.50 119.21 1,424.04	69.65% 2.08% 24.86%	Associated Breweries & Distilleries Ltd. Inertia Industries Ltd. McDowell Alcobev Private Ltd.
	Sub Total	5,533.75	96.59%	
2	Sale of Brands	300.00	25.62%	McDowell Alcobev Private Ltd.
	Sub Total	300.00	25.62%	
3 a	Receipts against rendering Services	1,127.40 18.27 100.08 369.91 69.26	13.53% 1.56% 1.20% 4.44% 5.91%	Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd. Empee Breweries Ltd. GMR Beverages & Industries Ltd. McDowell Alcobev Private Ltd.
	Sub Total	1,684.92	26.64%	
3 b	Guarantee Commission	8.57 28.58 2.42	21.66% 72.23% 6.12%	Associated Breweries & Distilleries Ltd. Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd.
	Sub Total	39.57	100.00%	
4	Payment against rendering Services	127.19 279.76 161.00	1.44% 3.17% 1.83%	Inertia Industries Ltd. McDowell Alcobev Private Ltd. United East Bengal Football Team Pvt. Ltd.
	Sub Total	567.95	6.44%	
5	Finance (Including loans and Equity contribution in cash or in kind)	893.39 (96.81) (89.72) (361.30) 63.05 (248.36)	3.51% Not Significant Not Significant Not Significant Not Significant Not Significant	Associated Breweries & Distilleries Ltd. Mangalore Breweries & Distilleries Ltd. McDowell Alcobev Private Ltd. Empee Breweries Ltd. GMR Beverages & Industries Ltd. Inertia Industries Ltd.
	Sub Total	160.25	3.51%	
6	Remuneration to Managing Director	111.77 14.09	3.74% 7.16%	Remuneration paid to Mr. Kalyan Ganguly Paid to Mrs. S. Ganguly – Towards rent for residence
	Sub Total	125.86	10.90%	
7	Sale of Raw Materials	17.80 20.39	Not Significant Not Significant	Mangalore Breweries & Distilleries Ltd. Associated Breweries & Distilleries Ltd.
	Sub Total	38.19		
8	Purchase of Investments	4,557.77	41.74%	McDowell Alcobev Private Ltd.
	Sub Total	4,557.77	41.74%	
9	Sale of investments	2,443.47	22.38%	Inertia Industries Ltd.
	Sub Total	2,443.47	22.38%	
10	Purchase of Assets	8.43	Not Significant	Associated Breweries & Distilleries Ltd.
	Sub Total	8.43		
11	Sale of Assets	2.48	Not Significant	Mangalore Breweries & Distilleries Ltd.
	Sub Total	2.48		

Transaction other than as prescribed under Accounting Standard 1.04.2003 to 31.03.2004

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Receipt against rendering service	1,117.18 95.96	94.97% Not Significant	United Breweries (Holdings) Ltd. McDowell & Company Ltd.
	Sub Total	1,213.14	94.97%	
2	Payment against rendering service	14.24 55.58 72.00 458.84 0.80 0.03	0.16% 0.50% 0.82% 24.85% Not Significant Not Significant	Asian Age Holdings Ltd. UB Engineering Ltd. United Racing & Bloodstock Breeders Ltd. McDowell & Company Ltd. UB Information & Consultancy Services Ltd. UB Electronic Instruments Ltd.
	Sub Total	601.49	26.33%	
3	Finance / Short Term Loans (Including loans and equity contribution in cash or in kind)	15,274.17 93.97 (2,233.09) 10.67	59.99% 0.37% 28.76% 0.04%	United Breweries (Holdings) Ltd. UB Global Corporation Ltd. McDowell & Company Ltd. United Breweries Nepal Pvt. Ltd.
	Sub Total	13,145.72	89.16%	
4	Sale of Finished Goods	439.42	0.92%	UB Global Corporation Ltd.
	Sub Total	439.42	0.92%	
5	Assets purchased	98.85	Not Significant	McDowell & Company Ltd.
	Sub Total	98.85		
6	Sitting fees paid to Directors Mr. S R Gupte Mr. V K Rekhi Mr. A K Ravi Nedungadi Mr. Atul Munim Mr. C L Jain Dr. Neville Bain	0.62 0.93 1.46 0.14 0.78 0.15	Not Significant Not Significant Not Significant Not Significant Not Significant Not Significant	
	Sub Total	4.08		
7	House Rent Mr. N K Mittal Mr. Shekhar Ramamurthy Mr. P. A. Murali Mr. Joseph Noronha Mr. Govind Iyengar	3.87 8.85 7.81 5.31 0.72	1.97% 4.50% 3.97% 2.70% 0.37%	Paid to Vizanar Properties Paid to Mr. Ramamurthy Paid to Mrs. R. Murali (wife of Mr. Murali) Paid to Mrs. B Noronha (wife of Mr. Noronha) Paid to Mrs. G. Lakshmi (wife of Mr. Iyengar)
	Sub Total	26.56	13.51%	

Sl. No.	Nature of Transaction	Value	Significance %	Party
8	House Deposit			
	Mr. Shekhar Ramamurthy	4.38*	Not Significant	Rental Deposit Paid to Mr. Ramamurthy
	Mr. P. A. Murali	2.53*	Not Significant	Rental Deposit Paid to Mrs. R Murali (wife of Mr. Murali)
	Mr. Joseph Noronha	2.00*	Not Significant	Rental Deposit Paid to Mrs. B. Noronha (wife of Mr. Noronha)
	Mr. Govind Iyengar	2.16	Not Significant	Rental Deposit Paid to Mrs. G. Lakshmi (wife of Mr. Iyengar)
	Mr. Kalyan Ganguly	1.31*	Not Significant	Rental Deposit Paid to Mrs. S Ganguly (wife of Mr. Ganguly)
	Sub Total	12.38		

* Differential Rental Deposit paid during the year

During the quarter ended June 2004, the Company has subscribed Rs.1000 Lacs to the preference capital of McDowell Alcobev Private Limited (earlier known as McDowell Alcobev Ltd.), the Joint Venture with Scottish & Newcastle Plc.

Details of Related party transactions - 1.04.2002 to 31.03.2003

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Purchase of finished goods	3,103.08 363.67	78.97% 9.26%	Associated Breweries & Distilleries Ltd. Inertia Industries Ltd.
	Sub Total	3,466.75	88.23%	
2 a	Receipts against rendering Services	322.86 214.14 214.85 445.12	3.83% 2.54% 2.55% 5.28%	Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd. Empee Breweries Ltd. GMR Beverages & Industries Ltd.
	Sub Total	1,196.97	14.20%	
2 b	Guarantee Commission	8.57 26.08 17.73	16.36% 49.79% 33.85%	Associated Breweries & Distilleries Ltd. Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd.
	Sub Total	52.38	100.00%	
3	Payment against rendering services	324.75 152.00	3.72% 1.74%	Inertia Industries Ltd. United East Bengal Football Team Pvt. Ltd.
	Sub Total	476.75	5.45%	
4	Finance / Short Term loans (Including loans and equity contribution in cash or in kind)	1,139.11 113.42 48.08 288.02 35.35	11.58% 1.15% 0.64% 3.86% 0.47%	Mangalore Breweries & Distilleries Ltd. Associated Breweries & Distilleries Ltd. Empee Breweries Ltd. GMR Beverages & Industries Ltd. Inertia Industries Ltd.
	Sub Total	1,623.98	17.71%	
5	Purchase of Investment	4.55 4.99	0.05% 0.06%	Mangalore Breweries & Distilleries Ltd. McDowell Alcobev Private Ltd.
	Sub Total	9.54	0.11%	
6	Remuneration to Managing Director	84.60 12.71		Remuneration paid to Mr. Kalyan Ganguly Paid to Mrs. S Ganguly – Towards rent for residence
	Sub Total	97.31	3.48%	

Transaction other than as prescribed under Accounting Standard

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Receipts against rendering of services	50.33 10.00 6.55 118.76	Not Significant Not Significant Not Significant Not Significant	UB Global Corporation Ltd. UB Engineering Ltd. Asian Age Holdings Ltd. McDowell & Company Ltd.
	Sub Total	185.64		
2	Payment against rendering services	0.80 522.87	Not Significant 19.18%	UB Information & Consultancy Services Ltd. McDowell & Company Ltd.
	Sub Total	523.67	19.18%	
3	Finance / Short Term loans (Including loans and equity contribution in cash or in kind)	1637.01 0.02 0.55 122.43 128.47	16.64% Not Significant Not Significant 1.24% 1.31%	United Breweries (Holdings) Ltd. Asian Age (South) Ltd. UB Electronics Instruments Ltd. United Breweries Nepal Private Ltd. UB Global Corporation Ltd.
	Sub Total	1888.48	19.19%	
4	Advance for Services Rendered	(20.00)	Not Significant	McDowell & Company Ltd.
	Sub Total	(20.00)		
5	Sitting Fees paid to Directors Mr. S. R. Gupte Mr. V. K Rekhi Mr. A. K. Ravi Nedungadi Mr. Atul Munim Mr. C. L. Jain Mr. Ashok Wadhwa	0.51 0.55 0.75 0.21 0.08 0.27	Not Significant	
	Sub Total	2.37		
6	House Rent Mr. N. K. Mittal Mr. Shekhar Ramamurthy Mr. P. A. Murali Mr. Joseph Noronha	5.41 6.35 5.34 4.16	0.53% 0.62% 0.52% 0.40%	Paid to Vizanar Properties Paid to Mr. Ramamurthy Paid to Mrs. R. Murali (wife of Mr. Murali) Paid to Mrs. B. Noronha (wife of Mr. Noronha)
	Sub Total	21.26	2.06%	
7	House Deposit Mr. Shekhar Ramamurthy Mr. P. A. Murali Mr. Joseph Noronha Mr. Kalyan Ganguly	0.30* 1.45* 1.04* 2.28*	0.01% 0.03% 0.02% 0.05%	Rental Deposit Paid to Mr. Ramamurthy Rental Deposit Paid to Mrs. R. Murali (wife of Mr. Murali) Rental Deposit Paid to Mrs. B. Noronha (wife of Mr. Noronha) Rental Deposit Paid to Mrs. S. Ganguly (wife of Mr. Ganguly)
	Sub Total	5.07	0.12%	

* Differential Deposit paid during the Year

Details of Related party transactions - 1.08.2001 to 31.03.2002

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Sale of Goods	165.15	0.69%	UB Global Corporation Ltd.
	Sub Total	165.15	0.69%	
2	Receipts against rendering of services	164.47	46.46%	Inertia Industries Ltd.
	Sub Total	164.47	46.46%	
3	Payment against rendering services	390.57 457.29	6.14% 7.19%	UB Global Corporation Ltd. Inertia Industries Ltd.
	Sub Total	847.86	13.34%	
4	Financing (Including loans and equity contribution in cash or in kind)	19.82 620.23 73.23 134.39	0.26% 8.09% 1.75% 1.75%	Mangalore Breweries & Distilleries Ltd. Associated Breweries & Distilleries Ltd. United Breweries Nepal Pvt. Ltd. Inertia Industries Ltd.
	Sub Total	847.67	11.05%	
5	Purchase of Investments	4,635.04 1,714.27 2,443.47 0.01	52.69% 19.49% 27.78% Not Significant	Associated Breweries & Distilleries Ltd. Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd. McDowell Alcobev Private Ltd.
	Sub Total	8,792.79	99.96%	

Transaction other than as prescribed under Accounting Standard

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Receipts against rendering of services	55.61	5.34%	McDowell & Company Ltd.
	Sub Total	55.61	5.34%	
2	Payment against rendering services	3.42 11.08 149.38	0.06% 0.18% 14.33%	Asian Age Holdings Ltd. Asian Age South Ltd. McDowell & Company Ltd.
	Sub Total	163.88	14.57%	
3	Balance in various accounts transferred upon Demerger (Debit)	31246.30		United Breweries (Holdings) Ltd.
	Balance in various accounts transferred upon Demerger (Credit)	(31164.08)		United Breweries (Holdings) Ltd.
	Balance in various accounts transferred upon Demerger (Net)	82.22		United Breweries (Holdings) Ltd.
4.	House Rent			
	Mr. N. K. Mittal	5.37	0.72%	Rent Paid to Viznar Properties
	Mr. Shekhar Ramamurthy	2.79	0.37%	Rent Paid to Mr. Ramamurthy
	Mr. P. A. Murali	4.79	0.64%	Rent Paid to Mrs. R. Murali (wife of Mr. Murali)
	Mr. Joseph Noronha	3.72	0.50%	Rent Paid to Mrs. B. Noronha (wife of Mr. Noronha)
	Sub Total	16.67	2.23%	

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
5.	House Deposit			
	Mr. N. K. Mittal	5.48	0.16%	Paid to Vizanar Properties
	Mr. Shekhar Ramamurthy	6.12	0.18%	Deposit Paid to Mr. Ramamurthy
	Mr. P. A. Murali	3.96	0.11%	Deposit Paid to Mrs. R. Murali (wife of Mr. Murali)
	Mr. Joseph Noronha	3.18	0.09%	Deposit Paid to Mrs. B. Noronha (wife of Mr. Noronha)
	Mr. Kalyan Ganguly	10.83	0.31%	Deposit paid to Mrs. S. Ganguly (wife of Mr. Ganguly)
	Sub Total	24.09	0.85%	

Note: The Lease Rent also includes rent paid for the period prior to Demerger of erstwhile United Breweries Limited into the Company and Lease Deposits paid are transferred to the Company upon demerger. Significance in % terms mentioned hereinabove represents the proportion of the transaction in relation to the total of such identical transactions.

Details of unsecured loans from related parties: (availed in March 2004)

Particulars	Amount (Rs. Lacs)	Repayment Schedule	Rate of Interest
McDowell & Company Limited	2,000.00	2 years from the date of loan with no pre-payment penalty	10.75% p.a.

Details of advances written off / provision made for doubtful debts from related parties:

Particulars	March 31, 2004 (Rs. Lacs)
Advances written off:	Nil
Provision for doubtful advances:	
United Breweries Nepal Pvt. Limited.	10.67
Castle Breweries Limited	322.00
Total (A)	342.67
Others-unrelated parties (B)	24.85
Total (A)+(B)	367.52

Note: Provision for advances to Castle Breweries Ltd amounting to Rs.321.80 Lacs considered under non recurring item.

Breakup of Sundry Debtors from related parties:

Particulars	March 31, 2004 (Rs. Lacs)
Related parties:	
McDowell Alcobev Private Limited and its subsidiaries	37.85
Total (A)	37.85
Others-unrelated parties (B)	7,379.10
Total (A)+(B)	7,416.95

In addition to the above and in terms of the joint venture agreement with S&N for MABL, as against the commitment made, UBL advanced Rs.2,000 Lacs as subscription money towards 0% convertible redeemable preference shares of Rs.100 each in the month of February 2004 and March 2004.

The details are as follows:

Date of allotment	March 31, 2004
Coupon rate	0%
Terms of conversion into Equity	Each CRPS will be converted into non-voting equity shares on or before May 7, 2005
Conversion price	Rs. 87.95

The share certificates were physically received by UBL vide letter dated June 11, 2004 from McDowell Alcobev Private Limited.

Further, during the quarter ended June 2004, the Company has subscribed Rs.1,000 Lacs to the preference capital of McDowell Alcobev Private Limited (earlier known as McDowell Alcobev Ltd.).

Details of roll over of any liability of the Company:

Name of Lender	Amount Rolled Over	Date since when default	Reason for default	Date of rollover / rescheduling of Loan	Terms and conditions for rollover/ rescheduling	Repayment Schedule	Rate of Interest
Rabo India Finance Pvt. Ltd.*	20,000 Lacs	Not Applicable	Not Applicable	June 21, 2004	Same as those of Original Loan	On or before September 30, 2004	8.5%

* Rolled over till September 30, 2004.

Other liabilities rolled over:

Notices of Put Option by the erstwhile promoters of Associated Breweries & Distilleries Limited: The erstwhile promoters of Associated Breweries & Distilleries Limited vide their letters dated February 24, 2003, have exercised their "Put Option" totally aggregating 35% of the issued equity share capital of Associated Breweries & Distilleries Limited in terms of the Shareholders Agreement dated January 19, 2001. The Company is required to acquire the option shares in terms of the Deed of Adherence within a period of 90 days from the date of Put Option, at a consideration of Rs.2,047 Lacs and further pay interest at the Prime Lending Rate of State Bank of India if acquired after 90 days but before 180 days. The Company has not yet acquired the option shares. The management is in discussion with the holders of put option to work out a mutually acceptable rescheduling of the liability. The holders of put option have agreed for the rescheduling of the liability provided the revised put option price, as may be agreed upon, is paid to them. The Company has sought its members' approval for the revised put option price (not exceeding Rs.3,500 Lacs).

Highlights

- Significant share of the beer market of about 39% by UBL alone (Source: Company estimate)
- Contract brewing tie-ups in place
- National presence with Company brands available through out the country
- Well known brands like "Kingfisher Lager", "Kingfisher Strong", "Kalyani Black Label Lager", "UB Premium Ice", "UB Export" and "London" range
- Ability to cater to all segments of beer market
- Strategic alliance with S&N

Dear Equity Shareholder(s),

Pursuant to the resolution passed at the meeting of board of directors of the Company on December 21, 2002 and the extra-ordinary general meeting of the Company held on January 21, 2003, it has been decided to make the following offer to the equity shareholders of the Company:

Issue of 2,13,84,724 (Two crore thirteen lacs eighty-four thousand seven hundred and twenty-four only) Redeemable Optionally Convertible Preference Shares of Rs.100/- each for cash at par aggregating Rs.213,84,72,400 (Two hundred and thirteen crore eighty four lacs seventy two thousand four hundred only) to the equity shareholders on Rights Basis in the ratio of 6 (Six) ROCPS for every 5 (Five) equity shares held on August 27, 2004 (i.e. the Record Date).

I. General Information

Name and Address of Registered Office of the Company

UNITED BREWERIES LIMITED

(Originally incorporated on May 13, 1999 as UB Infrastructure Projects Limited as a public limited company under the Companies Act, 1956. The name was changed to UB Beer Limited on July 31, 2001; subsequently the name of the Company was changed to United Breweries Limited on August 7, 2002)

Registered Office:

UB Anchorage,
100/1, Richmond Road, Bangalore - 560 025.
Tel: (080) 2227 2806 / 2227 2807
Fax: (080) 2212 7212 / 2222 9488,
E-mail: rightsissue@ubmail.com
Website: www.kingfisherworld.com
Cable: **UBEEGEE**

The registered office of the Company was shifted from No.1/1, Vittal Mallya Road, Bangalore-560 001 to No.1, Vittal Mallya Road, Bangalore-560 001 effective August 20, 2002 and to the above address effective March 26, 2004.

Important

1. This offer is applicable only to those Equity Shareholders whose names appear as beneficial owners in respect of the equity shares held in the electronic form and on the Register of Members of the Company in respect of the equity shares held in physical form as on August 27, 2004 i.e. the Record Date.
2. Your attention is drawn to RISK FACTORS appearing on page no.i to xx of this Letter of Offer.
3. Please read this LoF and the instructions contained therein and in the Composite Application Form ('CAF') carefully, before filling in the CAF. The instructions contained in the CAF are an integral part of this LoF and must be carefully followed. Application is liable to be rejected for any non-compliance with the terms of the LoF or the CAF.
4. All enquiries in connection with this LoF or CAF should be addressed to the Registrars to the Issue, quoting the registered folio number / Depository Participant (DP) Number and Client ID Number and the CAF numbers, as mentioned in the CAF.

Eligibility for the Issue:

The Company is an existing company listed on The Stock Exchange, Mumbai (Designated Stock Exchange), The Ahmedabad Stock Exchange Association Limited, The Bangalore Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited, The Cochin Stock Exchange Association Limited, The Delhi Stock Exchange Association Limited, The Hyderabad Stock Exchange Association Limited, The Ludhiana Stock Exchange Association Limited and The Madras Stock Exchange Association Limited. This Issue, being a rights issue, is exempt from the eligibility norms in terms of Clause 2.4.1 (iv) of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereto ("SEBI Guidelines"). The Company, its promoter(s), its directors or any of the Company's associate or group companies, person(s) in control of the body corporate forming part of the Promoter Group and companies in which the directors of the Company are associated as director(s) or promoter(s) have not been prohibited from accessing the capital market under any order or direction passed by SEBI or any other regulatory authority except that one of the Promoter Group companies - Herbertsons Limited - has advised that its wholly owned subsidiary BDA Limited is under the exclusive control of Kishor Chhabria Group and hence no information has been given for them.

The Company has received 'in-principle' approvals from the stock exchanges where the ROCPS are proposed to be listed. The dates of receipts of the approvals are as under:

Name of the Stock Exchange	Date of receiving 'In-Principle' Approval
The Stock Exchange, Mumbai (Designated Stock Exchange)	May 27, 2004
The Ahmedabad Stock Exchange Association Limited	May 21, 2004
The Bangalore Stock Exchange Association Limited	May 18, 2004
The Calcutta Stock Exchange Association Limited	May 28, 2004
The Cochin Stock Exchange Association Limited	May 19, 2004
The Delhi Stock Exchange Association Limited	May 31, 2004
The Hyderabad Stock Exchange Association Limited	May 19, 2004
The Ludhiana Stock Exchange Association Limited	May 19, 2004
The Madras Stock Exchange Association Limited	May 17, 2004

Government Approvals

The Company can undertake the present activities and the activities proposed by it in view of the present approvals and no further approvals from any Government Authorities / RBI are required by the Company to undertake the present activities and the proposed activities except as stated herein. The Company has already obtained / applied for renewal of brewing licenses and certificates from Pollution Control Boards of the respective states for its seven brewing units for the year 2003-04. The Company has applied for and is yet to receive the renewal of its brewing license for its unit at Ponda in Goa and renewals from respective Pollution Control Boards for its units at Nacharam in Hyderabad and Ponda in Goa.

The Company will take necessary steps, if any, at the appropriate time, to obtain any other government / statutory clearances for activities required to be undertaken.

Non-resident shareholders may note that as per extant regulations, all non-resident shareholders will require FIPB /RBI approval for obtaining allotment in this Rights Issue. Obtaining such approvals will be the responsibility of the respective shareholder(s). Non-resident shareholders are advised to seek advice from their respective advisors for taking necessary steps in this regard.

DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE OFFER DOCUMENT TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MERCHANT BANKER, AMBIT CORPORATE FINANCE PRIVATE LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, AMBIT CORPORATE FINANCE PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 13, 2004, IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- "I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE;**
- II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;**

WE CONFIRM THAT:

- (A) THE OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; and**
- (C) THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**

III. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THIS LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID."

The Lead Manager has confirmed to SEBI vide their letter dated August 18, 2004 that all observations made by SEBI vide their letter no CFD/PR/ISSUES/16134/2004 dated July 22, 2004 have been incorporated in the LoF.

THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER(S) ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.

Disclaimer with respect to Jurisdiction

This LoF has been prepared under the provisions of Indian Law and the applicable rules and regulations there under. The distribution of the LoF and the offering of the securities on a rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons into whose possession this LoF may come are required to inform themselves about and observe such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Bangalore, India only.

Disclaimer Clauses of the Stock Exchanges

The Stock Exchange, Mumbai (Designated Stock Exchange)

The Stock Exchange, Mumbai ('the Exchange', BSE - Designated Stock Exchange - DgSE) has pursuant to its letter dated May 27, 2004, given its permission to the Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which the Company's securities issued in terms of this Issue are proposed to be listed. The Exchange has scrutinized the Letter of Offer for their limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- (a) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- (b) warrant that the Company's securities will be listed or will continue to be listed on the Exchange; or
- (c) take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

The Ahmedabad Stock Exchange Association Limited (ASE)

As required, a copy of this LoF has been submitted to ASE. ASE, vide its letter dated May 21, 2004, has given its permission to the Issuer to use the Exchange's name in this LoF as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized LoF for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by ASE should not in any way be deemed or construed that the LoF has been cleared or approved by ASE; nor does it in any manner warrant certify or endorse the correctness or completeness of any of the contents of the LoF, nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer or warrant that this Company's securities will be listed or will continue to be listed on ASE.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the exchange whatsoever by reason of any loss, which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

The Bangalore Stock Exchange Association Limited

The Stock Exchange Bangalore ('BgSE'), vide its letter dated May 18, 2004, has given its permission to the Company to use the name of the Exchange in this offer document as one of the Stock Exchanges on which the Company's securities are listed. BgSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BgSE does not in any manner –

warrant, certify or endorse the correctness or completeness of any of the contents of this offer document

warrant that this Company's securities will be listed or will continue to be listed on BgSE

take any responsibility for the financial or other soundness of this Company, promoters, management or any scheme or project of this Company;

And it should not be, for any reason be deemed or construed that this offer document has been cleared or approved by BgSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BgSE, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated in the offer document or any other reason whatsoever.

The Calcutta Stock Exchange Association Limited

The Calcutta Stock Exchange ('Exchange'), vide its letter dated May 28, 2004, has given its permission to the Company to use the name of the Exchange in the Offer Document as one of the stock exchange on which the Company's securities are proposed to be listed. The Exchange has scrutinized this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner –

- warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- warrant that the Company's securities will be listed or will continue to be listed on this Exchange; or
- take any responsibility for the financial or other soundness of this Company, its promoters, management or any scheme or project of this Company;

and it should not be, in any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted in the Offer Document or any other reason whatsoever.

The Delhi Stock Exchange Association Limited

The Delhi Stock Exchange ('Exchange'), vide its letter dated May 31, 2004, has given its no objection to the Company to use the name of the Exchange in this Offer Document as one of the stock exchange on which the Company's securities are proposed to be listed. The Exchange has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company and has also relied on the in principle approval given by the Stock Exchange, Mumbai and the Bangalore Stock Exchange. The Exchange does not in any manner –

- Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document
- Warrant that this Company's securities will be listed or will continue to be listed on this Exchange
- Take any responsibility for the financial or other soundness of this Company, its promoters, management or any scheme or project of this Company;

And it should not be, in any reason be deemed or construed that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted in the Offer Document or any other reason whatsoever.

The Hyderabad Stock Exchange Association Limited

The Hyderabad Stock Exchange Association Limited (HSE) has pursuant to its letter dated May 19, 2004, given its no objection to use the name of the Exchange in this Offer Document as one of the stock exchanges on which the Company's securities are proposed to be listed. The HSE has scrutinized this Letter of Offer for their limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The HSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
2. warrant that this Company's securities will be listed or will continue to be listed on HSE; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

And it should not for any reason be deemed or construed that this Offer Document has been cleared or approved by the HSE. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against HSE, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated in the Offer Document or for any other reason whatsoever.

The Madras Stock Exchange Association Limited

The Madras Stock Exchange Association Limited ('Exchange'), vide its letter dated May 17, 2004, has given its no objection to the Company to use the name of the Exchange in this Offer Document as one of the stock exchange on which the Company's securities are proposed to be listed. The Exchange does not in any manner –

- Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document
- Warrant that this Company's securities will be listed or will continue to be listed on the Exchange
- Take any responsibility for the financial or other soundness of this Company, its promoters, management or any scheme or project of this Company;

It should not be, in any reason be deemed or construed that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Caution

The Company, the Lead Manager and the Experts/Advisers accept no responsibility for statements made otherwise than in the LoF or in the advertisements or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at their own risk.

All information shall be made available by the Lead Managers and the Issuer to the shareholders and no selective or additional information would be made available for a section of the shareholders or investors in any manner whatsoever including at presentations, research or sales reports etc. In addition to the Lead Manager, the Company is also obliged to update the Offer Document and keep the public informed of any material changes till the listing and trading commencement of the ROCPS offered through this Issue. As mentioned on page no.59 of this document, S&N has conducted a limited due-diligence exercise before entering into the Investment Agreement.

Filing of Letter of Offer

A copy of the draft LoF is filed with SEBI at their office at Mumbai for its observations and SEBI has issued its observations. The draft LoF was also filed with the stock exchanges at Mumbai, Ahmedabad, Bangalore, Cochin, Chennai, Delhi, Hyderabad, Kolkata and Ludhiana for their observations. The final LoF, with a copy of the material contracts and documents, has been filed with The Stock Exchange, Mumbai (BSE being the Designated Stock Exchange).

Impersonation

As a matter of abundant caution, the attention of the investor is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

“Any person who -

- (a) makes in a fictitious name, an application to a Company for acquiring, or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot, or register any transfer of, shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years.”

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having being returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount (i.e. forty two days from the date of closure of the Issue), the Company shall pay interest as per sub-section (2) and (2A) of Section 73 of the Companies Act 1956.

The Issue will become undersubscribed after considering the number of ROCPS applied as per entitlement plus additional ROCPS (i.e. ROCPS applied for over and above the rights entitlement including application by renounees).

Renunciation

This Issue shall be deemed to include a right exercisable by you to renounce the ROCPS offered to you either in full or in part in favour of any other person or person(s) subject to the approval of the Board. For further details on renunciation, investors are requested to refer to page no.26 of this LoF.

Allotment / Refund/Interest in case of delay in allotment/refund

The Company will issue and dispatch Letter(s) of Allotment/Preference Share Certificate(s) and/or Letter(s) of Regret along with Refund Orders, if any, credit the allotted securities to the beneficiary account within a period of 6 weeks from the date of closure of the subscription list. Such refund orders, in the form of cheque or pay order, marked "A/c Payee", would be drawn in the name of a sole/first applicant and the refund orders will be payable at par. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall, as stipulated under Section 73(2A) of the Companies Act, 1956, pay that money with interest at the rate of 15% p.a. Letter(s) of Allotment/Refund Order(s) above the value of Rs.1,500 will be dispatched by Registered Post / Speed Post to the sole/first applicant's address. However, Refund Orders for values not exceeding Rs.1,500 shall be sent to the applicants under postal certificate at the applicant's sole risk at his address. Adequate funds would be made available by the Company to the Registrars to the issue for this purpose.

Dispatch of Letter(s) of Allotment/ Preference Share Certificates/Refund Orders and demat credit would be completed and allotment and listing documents shall be submitted to the stock exchanges within 2 working days of finalisation of the basis of allotment.

In case the Company issues Letter(s) of Allotment, the Preference Share Certificate(s), if applicable will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment which would be exchanged later for Preference Share Certificate(s).

For Non Resident Applicants, refunds, if any, will be made as under:

Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Mumbai, India, refunds will be made in convertible foreign exchange (net of bank charges/commission) equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount. The exchange risk on such refunds shall be borne by the concerned applicant and the Company shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/ NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.

Listing

The existing equity shares of the Company are listed on The Stock Exchange, Mumbai (Designated Stock Exchange), The Ahmedabad Stock Exchange Association Limited, The Bangalore Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited, The Cochin Stock Exchange Association Limited, The Delhi Stock Exchange Association Limited, The Hyderabad Stock Exchange Association Limited, The Ludhiana Stock Exchange Association Limited, The Madras Stock Exchange Association Limited.

The Company has received "in-principle" approval from the Designated Stock Exchange on May 27, 2004. The Company will make applications to the stock exchanges for permission to deal in and for an official quotation in respect of the ROCPS arising from this Issue. If the permission to deal in and for an official quotation of the ROCPS is not granted by the stock exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this LOO. If such money is not repaid within eight days after the Company becomes liable to repay it (i.e. 42 days after closure of the Issue), then the Company and every director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest as

prescribed under subsections (2) and (2A) of Section 73 of the Act.

Dealing in ROCPS

The equity shares of the Company are being traded in dematerialized form. The Company has an agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) dated August 29, 2002 and September 24, 2002 respectively and its equity shares bear the ISIN No. INE686F01017. The current Issue of ROCPS will be traded in Demat mode only.

Issue Programme

The subscription list will open at the commencement of banking hours and will close at the closure of banking hours on the date mentioned below or such extended date (subject to maximum of 60 days) as may be determined by the Board of Directors of the Company.

Issue Opens on : September 16, 2004

Issue Closes on : October 18, 2004

Last date for receiving request for split forms : October 4, 2004

ISSUE MANAGEMENT TEAM

LEAD MANAGER TO THE ISSUE

Ambit Corporate Finance Private Limited

Ambit RSM House, 449, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013
Tel: (022) 3982 1819
Fax: (022) 3982 3020
Email : UBL_Rights@ambitpte.com

REGISTRAR TO THE ISSUE

Alpha Systems Private Limited

30, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram,
Bangalore – 560 003
Tel. : +91 80 2346 0815 - 18
Fax : +91 80 2346 0819
Email : alfint@vsnl.com

AUDITORS TO THE COMPANY

M/s. Price Waterhouse,

Mittal Tower, 10th Floor, C wing
47/6 M G Road
Bangalore - 560 001
Tel : +91 80 25587231 / 39
Fax : +91 80 25588751

LEGAL ADVISORS TO THE ISSUE

Kanga & Co.

Readymoney Mansion,
Veer Nariman Road,
Mumbai 400 001
Tel: + 91 22 5633 2288, Fax: +91 22 5633 9656/57

BANKERS TO THE ISSUE

Citibank, N.A.

Prestige Meridian
30, M G Road
Bangalore – 560 001

The Federal Bank Limited

Sanu Palace, PVS Junction
M G Road, Kodialbail
Mangalore - 575003

PRINCIPAL BANKERS TO THE COMPANY

Citibank, N.A.

Prestige Meridian
30, M G Road
Bangalore – 560 001

Bank of Baroda

Kempegowda Road
Bangalore – 560 009

The Federal Bank Limited

Chundakkayil Complex
Manjukulam Road, Palaghat, Kerala

Punjab National Bank

Centenary Building, 28, M.G. Road,
Bangalore – 560 001

State Bank of Travancore

M M Hills, Vartha Bhavan
Tippu Sultan Palace Road
P O Box no 1808, Chamarajpet
Bangalore – 560 018

Apart from the above banks with whom the Company enjoys either overdraft or term loan facilities, the Company also has current accounts with various other banks for business needs.

Compliance Officer & Company Secretary

Mr. Govind Iyengar
Company Secretary
United Breweries Limited
UB Anchorage,
100/1, Richmond Road,
Bangalore - 560 025
Tel: +91 80 2227 2806/07
Fax: +91 80 2212 7212, +91 80 2222 9488
Email: rightsissue@ubmail.com

NOTE: The investor should contact the Compliance Officer or the Registrars to the Issue in case of any pre-issue/post issue related problems such as non-receipt of letters of allotment/ preference share certificates/refund orders etc.

Credit rating and trustees

This being an Issue of ROCPS, credit rating or appointment of trustees is not required and hence not obtained.

Underwriting / Standby arrangements

The present issue is not underwritten; however under the terms of the Investment Agreement entered into by the Company with S&N, S&N shall, under the Rights Issue of the Company and relying on (amongst other things) the several representations, warranties covenants and undertakings contained in the Agreement, subscribe in cash for up to 20,000,000 ROCPS at Rs.100 each including its entitlement under the Rights Issue and all ROCPS renounced in its favour by any shareholder and which remain unsubscribed in one or more series as may be agreed between the Company and S&N, making a maximum aggregate price of Rs.2000 million. The Company has not entered into any standby arrangements except as mentioned under the sub - head '**Conversion**' as described in the **Salient Features of the Investment Agreement** on page no.60.

In view of the strategic alliance constituting S&N's investment into a joint venture with the Company, global distribution arrangement of Kingfisher, license arrangement for S&N brands in India, technical assistance and the large investment agreed to be made by S&N in the Company, S&N would be granted a put option in respect of the ROCPS by Variegate Trading Limited, a wholly owned subsidiary of UBHL and such put option would be guaranteed by UBHL. The same put option and the corporate guarantee would be available to all ROCPS holders. For further details regarding the put option and corporate guarantee, please see page no.22.

Important

The Issuer and the Lead Managers are obliged to update the Letter of Offer and keep the public informed of any material changes till the listing and commencement of trading of the ROCPS offered through this Issue.

II. Capital Structure of the Company

As on March 31, 2004	Nominal Value (Rs)	Aggregate Value (Rs)
Authorised Share Capital		
3,00,00,000 Equity Shares of Rs.10/- each	30,00,00,000	30,00,00,000
2,20,00,000 Preference Shares of Rs.100/- each	2,20,00,00,000	2,20,00,00,000
Issued Subscribed and Paid -up Share Capital		
1,78,20,603 Equity Shares of Rs.10/- each	17,82,06,030	17,82,06,030
Present Issue of ROCPS being offered through this LoF		
2,13,84,724 Redeemable Optionally Convertible Preference Shares	2,13,84,72,400	2,13,84,72,400
Paid Up Share Capital after Issue (before conversion)		
1,78,20,603 Equity Shares of Rs.10/- each	17,82,06,030	17,82,06,030
2,13,84,724 Redeemable Optionally Convertible Preference Shares	2,13,84,72,400	2,13,84,72,400
Paid Up Share Capital after Issue and Conversion	@	@
Share Premium Account		
Before the Issue	23,97,04,201	23,97,04,201
After the Issue	@	@

@ It is not possible to estimate the share capital and share premium (if any) after conversion, at this stage since the conversion price is not known. The ROCPS itself is also optionally convertible and can also be fully redeemed (subject to the terms as mentioned on page no.20 under the heading 'Terms of the Present issue'). In such an event, there will not be any change in the equity capital or share premium upon redemption. However, on completion of the Issue, the Company intends to write off the Issue expenses against the share premium account and the same will get reduced accordingly. For details, investors can also refer to the Capitalisation Statement shown as part of the Auditors Report.

There would be no change in the share premium account immediately after the issue (except to the extent as stated above) but before conversion of ROCPS. Share premium may be created if ROCPS are converted into equity shares at a price higher than the face value of equity shares.

Notes to Capital Structure:

- 1) The Authorised Capital of the Company has been increased from Rs.18,00,00,000/- divided into 1,80,00,000 Equity Shares of Rs.10/- each to Rs.2,50,00,00,000 divided into 3,00,00,000 Equity Shares of Rs.10/- each and 2,20,00,000 Preference Shares of Rs.100/- each. The shareholders' approval for the increase in Authorised Share Capital has been obtained at the Annual General Meeting of the Company held on September 30, 2002.
- 2) Upon the coming of effect of the Scheme of Arrangement, the shareholders of the demerged company i.e. United Breweries (Holdings) Ltd were allotted shares in the resulting company i.e. United Breweries Ltd in the ratio of four equity shares in the resulting company of Rs.10/- each credited as fully paid-up in cash for every ten shares of Rs.10/- each held by the members in the demerged company.
- 3) In accordance with the provisions of the scheme and concurrently and as an integrally connected part of the scheme the issued, subscribed and paid-up capital of UBHL was reduced by Rs.15,09,39,710/- (Fifteen Crore Nine Lacs Thirty Nine Thousand Seven Hundred Ten only), and the reduction was effected by reducing the paid-up capital by Rupees Four per equity share of Rs.10 /- each, simultaneously with the reduction of share capital, equity shares so reduced were consolidated into equity shares of Rs.10/- each.
- 4) Since the Issue is a Rights Issue, Promoters' contribution and lock-in provisions are not applicable.
- 5) The Company has not issued any warrants, options or convertible loans or any convertible debentures. However, the ECB from Scottish Courage Limited gives an option to the lender to convert the loan into equity shares of the Company on terms and conditions that may be mutually agreed between the lender and the Company subject to any approvals that may be required from any regulatory authority.
- 6) There are no 'buyback', 'standby' or similar arrangement for the purchase of securities offered through this LoF by the Company, Promoters, Directors and the Lead Managers other than as mentioned on page no.22.

7) ROCPS offered through this Issue shall be fully paid-up on allotment and full amount i.e. Rs.100/- per ROCPS is payable on application.

8) **Share capital history of the Company**

Sr. No.	Date of allotment	No. of shares	Method of allotment	Allottees	Face Value	Issue Price
1.	13.05.1999	7	Subscription to MoA	PAC	10.00	10.00
2.	31.07.2001	27,26,625	Cash*	PAC	10.00	230.69
3.	22.08.2002	1,50,93,971	Cash**	Shareholders of UBHL (including Promoter Group companies)	10.00	10.00
	Total	1,78,20,603				

* UBHL had lent money to UBL for acquiring shares of ABDL, MBDL and Inertia Industries Limited. The loan granted by UBHL was subsequently converted into the equity shares of UBL based on the valuation done by valuers.

** pursuant to the scheme of arrangement (demerger) four new equity shares of Rs.10/- each were issued as fully paid-up in UBL for every ten equity shares of Rs.10/- each fully paid up held in UBHL with a corresponding reduction in the share capital by Rs.4 per equity share of Rs.10/- each of UBHL and hence are considered as issued in cash.

9) **Promoter Group shareholding and its build-up**

The total Promoter Group shareholding in UBL, as on August 28, 2004 is 89,22,450 shares representing 50.07%, as follows:

	No of shares	% of total equity capital
Promoter i.e. Dr Vijay Mallya (Singly or jointly with relatives)	19,21,826	10.78%
PAC (please see break-up below)	69,67,394	39.10%
Other entities of the Promoter Group		
Aventis Pharma Limited	33,212	0.19%
Herbertsons Limited	18	-
Total	89,22,450	50.07%

The build-up is as follows:

Sr. No.	Date of allotment/ acquisition	No. of shares	Method of allotment	Face Value	Issue Price/ acquisition price
1.	13.05.1999	7	Subscription to MoA	10.00	10.00
2.	31.07.2001	27,26,625	Cash	10.00	230.69
3.	22.08.2002	61,95,818	Cash*	10.00	10.00
	Total	89,22,450			

* pursuant to the scheme of arrangement (demerger) four new equity shares of Rs.10/- each were issued as fully paid-up in UBL for every ten equity shares of Rs.10/- each fully paid up held in UBHL with a corresponding reduction in the share capital by Rs.4 per equity share of Rs.10/- each of UBHL and hence are considered as issued in cash.

The shares acquired were fully paid shares at the time of allotment/ acquisition.

PAC, who are holding shares in UBL, comprise of the following:

As on August 28, 2004

Sr. No.	Name	Shares held	%
1	United Breweries (Holdings) Limited	27,26,632	15.30%
2	McDowell and Company Limited	17,53,334	9.84%
3	Mallya Private Limited	8,80,800	4.94%
4	Kamsco Industries Private Limited	8,80,800	4.94%
5	The Gem Investment and Trading Company Private Limited	3,88,362	2.18%
6	Devi Investments Private Limited	1,67,337	0.94%
7	Pharma Trading Private Limited	1,36,293	0.77%
8	Vittal Investments Private Limited	33,836	0.19%
	Total	69,67,394	39.10%

Prior to demerger of the beer business from UBHL to UBL, UBL was a 100% subsidiary of UBHL. In the advertisement issued by UBL in terms of the clause 8.3.5.4 of SEBI DIP Guidelines in October 2002, the Company had announced Dr. Vijay Mallya, Kamsco Industries Private Limited, Gem Investment & Trading Company Pvt. Ltd., Pharma Trading Company Pvt. Ltd., Devi Investments Pvt. Ltd., Mallya Pvt. Ltd., McDowell & Company Ltd., UBHL, UB Distilleries Ltd., and Seven Seas Distillery Ltd as the Promoters of UBL.

Subsequently, based on a legal opinion obtained by the Company, UBL has re-classified its promoters and now Dr. Vijay Mallya and his family members are being declared as promoters of the Company and others are being declared as Persons Acting in Concert. Further, based on a legal opinion obtained by the Company, Seven Seas Distillery Ltd. is not included in Persons Acting in Concert.

Further, by way of a letter dated September 8, 2003, UB Distilleries Limited has informed the Company that they were the founders of erstwhile UBL (now UBHL) and consequent to demerger and as discussed with the Company, they would like to disassociate themselves from the demerged UBL and that they would like to await UBL's concurrence on the disposal of their shareholding in UBL. The Company has not replied to UB Distilleries Limited letter and has, by way of letter dated September 26, 2003 informed stock exchanges that UB Distilleries Limited is no longer to be treated as a company acting in concert with the UB Group and based on legal opinion obtained in this regard has submitted a revised shareholding pattern with all stock exchanges where the shares of the Company are listed eliminating the name of UB Distilleries Limited from the list of PAC. UB Distilleries Limited holds 19,296 equity shares of UBL representing 0.11% of the listed equity capital of UBL.

10) Cost per share to the Promoter / PAC

The Scheme of Arrangement provided for issue and allotment of four new equity shares of Rs.10/- each credited as fully paid-up in UBL for every ten equity shares of Rs.10/- each fully paid up held in UBHL with a corresponding reduction in the share capital by Rs.4 per equity share of Rs.10/- each of UBHL.

The cost of investment in UBL is as follows:

$$\frac{\text{Net Book value of Assets transferred upon demerger to UBL}}{\text{Net worth of the UBHL immediately before demerger}} = \frac{\text{Rs. mn } 584.134^*}{\text{Rs. mn } 1713.156^*} = 0.35 \text{ Rounded off to Rs.4 per share}$$

* as on August 1, 2001

Cost of investments in UBHL pursuant to demerger and issue of shares of UBL

If cost of acquisition in UBHL prior to demerger is	Rs. 100.00
Cost of acquisition in UBL will be	Rs. 40.00
Cost of acquisition in UBHL will be	Rs. 60.00

Accordingly, the cost per share to the Promoter Group is Rs.10/- per share for the 61,95,818 shares acquired pursuant to demerger.

Earlier, UBHL, one of the PAC, acquired 27,26,625 shares at a cost of Rs.230.69 per share and subscribed to 7 shares at Rs.10 per share. Therefore the average cost of acquisition per share to the Promoters/PAC is Rs.77.44.

11) Lock-in details of the shares: None of the shares held by the Promoter Group/ PAC are locked-in except for 27,26,632 Equity Shares held by UBHL are locked-in for a period of three years with effect from October 17, 2002 upto October 16, 2005.

12) The names of the natural persons in control (holding 10% or more voting rights) or are on the Board of the Board of Directors of any body corporate forming part of promoters group are as follows: -

Name of persons holding 10% or more voting rights are as follows:

Name of the company	Name of the natural person
United Breweries (Holdings) Ltd.	Dr Vijay Mallya
The Gem Investment & Trading Co. Pvt. Ltd.	Dr. Vijay Mallya, Ms. Ritu Mallya
Pharma Trading Co. Pvt. Ltd.	Dr. Vijay Mallya, Ms. Ritu Mallya
Devi Investments Private Ltd.	Dr. Vijay Mallya, Mr. Neeraj Rawal
Vittal Investments Private Ltd.	Dr. Vijay Mallya, Mr. P.G. Govindan Mr. Sreenivasulu Reddy
Cineblitz Productions Pvt. Ltd.	Dr. Vijay Mallya
United East Bengal Football Team Pvt. Ltd.	Dr. Pranab Dasgupta Mr. Santosh Bhattacharya
United Racing & Bloodstock Breeders Ltd.	Mr. Sreenivasulu Reddy
Asian Age Holdings Limited	Mr. M J Akbar Mr. T V Venkatarama Reddy
Inertia Industries Limited	Mr. Rakesh Sahai Chawla * – in his capacity as Trustee of Inertia Employees Stock Option Trust
Triumph Distillers & Vintners Pvt. Ltd	Mr. Deepak Roy

*Rakesh Sahai Chawla is an independent person and not part of promoter group

Names of persons on the Board of Directors of any body corporate forming part of Promoter Group are as follows:

Name of the Body Corporate	Board of Directors
UB Electronic Instruments Ltd.	Mr. S R Gupte, Mr. Deepak Anand, Dr. C N Rao, Mr. P Subramani
UB Global Corporation Ltd.	Mr. S R Gupte, Mr. Deepak Anand, Mr. P Subramani, Mr. Indur Hirani, Mr. S. Ramanujam
UB Holdings (SA) Proprietary Ltd.	Dr. Vijay Mallya, Mr. R L Appelbaum, Mr. S S Gandhi, Mr. J Ramachandran
UB Information & Consultancy Services Ltd.	Mr. P Subramani, Mr. Deepak Anand, Mr. Madhu K Swamy
UB Infrastructure Projects Limited	Mr. P Subramani, Mr. S Ramanujam, Mr. Madhu K. Swamy
UB Pharmaceuticals Ltd.	Mr. P N Venugopalan, Mr. V S Venkataraman, Mr. S R Sreenivasa, Mr. V Parameshwaran
Kingfisher.Com Limited	Mr. P Subramani, Mr. K Sethuraman, Mr. R N Pillai
UB Transit Systems Ltd.	Mr. P Subramani, Mr. S Ramanujam, Mr. Madhu K. Swamy
United Breweries Nepal Private Ltd.	Dr. Vijay Mallya, Mr. S R Gupte, Mr. Kalyan Ganguly, Mr. V K Rekhi, Mr. P D Thapa, Mr. S D Lalla, Mr. Vinod Kumar, Mr. J K Gupta
United Breweries (Holdings) Ltd.	Dr. Vijay Mallya, Mr. Shrikant Ruparel, Mr. Mani Narayanaswami, Mr. N Srinivasan, Mr. P A Murali, Mr. Harish Bhat, Mr. R N Pillai
Variegate Trading Ltd.	Mr. S R Ainapur, Mr. P L Murugappan, Mr. R N Pillai, Mr. K Sethuraman
Associated Breweries & Distilleries Ltd.	Dr. Vijay Mallya, Mr. S R Gupte, Mr. Kalyan Ganguly, Mr. S D Lalla, Mr. Sharad Dalmia, Ms. Mehroo Irani, Ms. Zenia Lawyer, Ms. B B Chenoy

Name of the Body Corporate	Board of Directors
Mangalore Breweries & Distilleries Ltd.	Mr. Kalyan Ganguly, Mr. A Harish Bhat, Mr. P A Murali Mr. M R Srinivasan
London Draft Pubs Pvt. Ltd.	Mr. Shekhar Ramamurthy, Mr. Sharad Dalmia, Mr. A K Das, Ms. Mehroo Irani, Ms. Zenia Lawyer, Ms. B B Chenoy
London Pilsner Breweries Private Ltd.	Mr. N K Mittal, Mr. Sharad Dalmia, Mr. A K Das, Ms. Mehroo Irani, Ms. Zenia Lawyer, Ms. B B Chenoy
Herbertsons Ltd.	Dr. Vijay Mallya, Mr. S R Gupte, Mr. V K Rekhi, Mrs. Ritu Mallya, Mr. K R Chhabria, Mr. S D Lalla , Mr. S K Diwanji, Mr. C L Jain, Mr. N Srinivasan, Mr. S S Gandhi
UB International Trading Ltd.	Mr. M S Balasubramanian, Mr. Deepak Anand, Mr. Shivender Singh, Mr. Indur Hirani, Mrs. Jayashree Sudarshan
Mangalore Chemicals & Fertilizers Ltd.	Dr. Vijay Mallya, Mr. D P Mehta, Mr. S R Gupte, Mr. N. Gokulram, Mr. K. Jairaj, Mr. Mani Narayanaswami, Mr. Padamchand C Jain, Mr. Pratap Narayan
Inertia Industries Ltd.	Mr. S R Gupte, Mr.R.N. Pillai, Mr. C L Jain, Mr. R K Jain, Mr. Kalyan Ganguly, Mr. P Subramani, Mr. Vasant Narkar
Asian Age Holdings Ltd.	Dr. Vijay Mallya, Mr. S R Gupte, Mr. M J Akbar, Mr. Venkatarama Reddy T V, Mr. Shubashchandra
UB Engineering Ltd.	Mr. S R Gupte, Mr. R K Dighe, Mr. S D Lalla, Mr. D R Desai
United Van Der Horst Ltd.	Dr. C Janakiram , Mr. P K Daruwalla, Mr. Anup Singh, Mr. A Raghunathan, Mr. J M Kieviet
Baramati Grape Industries Ltd.	Mr. A. Harish Bhat, Mr. Yezdi Acidwala, Mr. V K Rekhi, Mr. S D Lalla, Mr. S S Hiremath, Mr. P G Pawar, Mr. R D Pawar, Mr. M R Jadhav, Mr. Navratan Dugar, Mr. Ashok Capoor, Mr. R K Nale
Aventis Pharma Ltd.	Dr. Vijay Mallya, Mr. Alexandre de Carvalho, Mr. S R Gupte, Mr. A K Ravi Nedungadi, Mr. J M Gandhi, Mr. M Lienard, Mr. J Silvestre, Mr. F Martinez, Mr. Arnaud Ponsin (alternate to Mr. F Martinez), Mr. A Peychaud, Mr. M G Rao (alternate to Mr. A Peychaud), Dr. S. Bhattacharya (alternate to Mr. J Silvestre)
Castle Breweries Ltd.	Mr. P Subramani, Mr. K K Batra, Mr. V Parameshwaran Mr. Jayant Basu
United Racing & Bloodstock Breeders Ltd.	Dr. Vijay Mallya, Mr. P K Daruwala, Mrs. Rekha Mallya, Mr. T S Narayana Rao, Mr. V Shashikanth, Mr. Zeyn Mirza
UB Pharma (E.A) Ltd.	Mr. Ramesh M Shah, Mr. Pranab Ganguli
Cardboard Industries Ltd.	Mr. V S Venkataraman, Mr. V Parameshwaran, Mr. K Prakash
UB General Investments Ltd.	Mr. S R Gupte, Mr. Mani Narayanaswami, Mr. Kalyan Ganguly, Mr. Deepak Anand, Mr. P Subramani
The Asian Age (South) Ltd.	Mr. Mani Narayanaswami, Mr. V Parameshwaran, Mr. Madhu K Swamy
Face One Models Pvt. Ltd.	Mr. P Subramani, Mr. S D Lalla, Mr. A Raghunathan

Name of the Body Corporate	Board of Directors
MWP Ltd.	Mr. P Subramani, Mr. S Ramanujam, Mr. P A Murali
Vittal Investments Pvt. Ltd.	Mr. M R Doraiswamy Iyengar, Mr. S Ramanujam, Mr. P G Govindan
McDowell & Company Ltd.	Dr. Vijay Mallya, Mr. S R Gupte, Mr. V K Rekhi, Mr. Doraiswamy Iyengar, Mr. P K Kakodkar, Mr. B M Labroo
GMR Beverages & Industries Ltd.	Mr. R K Jain , Mr. Peter Ellis, Mr. Sridhar Rengan, Mr. L D Bhargava
McDowell Alcobev Private Limited	Dr. Vijay Mallya, Mr. S R Gupte (alternate to Dr. Mallya), Mr. A K Ravi Nedungadi, Mr. R K Jain, Dr. Neville Bain, Mr. John Hunt
Empee Breweries Limited	Mr. R K Jain, Mr. Sridhar Rengan, Mr. L D Bhargava, Mr. Peter Ellis, Mr. N Ranganathan
United East Bengal Football Team P. Ltd.	Dr. Vijay Mallya, Mr. Kalyan Ganguly, Mr. Shekhar Ramamurthy, Mr. S K Saha, Mr. Amit Sen, Mr. Hemant Mehta, Dr. Pranab Dasgupta, Mr. Kalyan Majumdar, Dr. Santi Ranjan Dasgupta, Mr. Santosh Bhattacharya, Mr. Shyamal Roy
Kaveri Investments Pvt. Ltd.	Mr. P G Govindan, Mr. S Ramanujam
The Gem Investment & Trading Company Private Limited	Dr. Vijay Mallya, Ms. Lalitha Mallya, Mr. T R Ghosh, Mr. S D Lalla
Pharma Trading Company Private Limited	Dr. Vijay Mallya, Ms. Lalitha Mallya, Mr. T R Ghosh, Mr. S D Lalla
Mallya Private Limited	Dr. Vijay Mallya, Ms. Lalitha Mallya, Mr. T R Ghosh, Mr. S D Lalla
Kamsco Industries Private Limited	Dr. Vijay Mallya, Ms. Lalitha Mallya, Mr. T R Ghosh, Mr. S D Lalla
Devi Investments Private Limited	Mr. P K Daruwalla, Mr. Neeraj Rawal, Mr. A Raghunathan, Mr. P G Govindan, Mr. K Subramani
WIE Estate Development Limited	Mr. R K Dighe, Mr. U K Madhavan, Mr. G M Bapat
McDowell International Brands Limited	Mr. V K Rekhi, Mr. V S Venkataraman, Mr. A Harish Bhat
McDowell Nepal Limited	Dr. Vijay Mallya, Mr. V K Rekhi, Mr. A K R Nedungadi, Mr. Ashwin Malik, Mr. A Harish Bhat, Mr. A R Banerjee, Mr. Bhakta Bir Singh Tuladhar, Mr. G L Manandhar, Mr. Rajesh Bir Singh Tuladhar, Mr. V N Taneja
Phipson Distillery Limited	Mr. N Dugar, Mr. A Harish Bhat, Mr. I P Suresh Menon
McDowell India Spirits Limited	Mr. A Harish Bhat, Mr. I P Suresh Menon, Mr. R N Pillai
Triumph Distillers & Vintners Private Limited	Mr. Deepak Roy, Mr. A K Ravi Nedungadi, Mr. S D Lalla, Mr. A Harish Bhat, Mr. V S Venkataraman, Mr. Ashok Kumar Mehra
Asian Opportunities & Investments Ltd.	Mr. Aravindakshan Variath, Mr. Gul Mohammad Khan, Mr. Raghunand Sukumaran, Mr. Couldip Basanta Lala, Mr. Fareed Soreefanq
Cineblitz Productions Pvt. Limited	Mr. S D Lalla, Mr. P Subramani, Mr. A Raghunathan, Mr. V. Shashikanth
Kingfisher Airlines Limited	Dr. Vijay Mallya, Mr. S. R. Gupte, Mr. A. K. Ravi Nedungadi, Mr. R. N. Pillai
United Distilleries India Limited	Mr. V K Rekhi, Mr. N Dugar, Mr. R. N. Pillai, Mr. R. L. Rajah, Mr. John George, Mr. Rodney Pereira

A brief description of the nature of activities of these companies is as follows:

	Name of the Body Corporate	Nature of activities
1.	UB Electronic Instruments Ltd.	Sale & Service of Biomedical Equipments and EPABX systems
2.	UB Global Corporation Ltd.	Exports of Beer, Leather Goods etc.
3.	UB Holdings (SA) Proprietary Ltd.	Investments Holding
4.	UB Information & Consultancy Services Ltd.	Computer Software development, process control instruments and Telecommunication
5.	UB Infrastructure Projects Limited	Infrastructure facilities
6.	UB Pharmaceuticals Ltd.	Manufacturing & marketing of Pharma Products
7.	Kingfisher.Com Limited	Software, website development (Application under Section 560 of Companies Act, made to ROC for striking off the name)
8.	UB Transit Systems Ltd.	Elevated Light Rail Transport System Project
9.	United Breweries Nepal Private Ltd.	Manufacturing & marketing of Beer
10.	United Breweries (Holdings) Ltd.	Investment Holdings & Property development
11.	Variegate Trading Ltd.	Merchandise, traders, imports & exports in merchandise products
12.	Associated Breweries & Distilleries Ltd.	Manufacturing & marketing of Beer
13.	Mangalore Breweries & Distilleries Ltd.	Manufacturing & marketing of Beer
14.	London Draft Pubs Pvt. Ltd.	Servicing of Beer dispensing units
15.	London Pilsner Breweries Private Ltd.	Manufacturing & marketing of Beer
16.	Herbertsons Ltd.	Manufacturing & marketing of Liquor
17.	UB International Trading Ltd.	Manufacture of Leather Shoes
18.	Mangalore Chemicals & Fertilizers Ltd.	Manufacturing and marketing of Fertilizers & Chemicals
19.	Inertia Industries Ltd.	Manufacturing & marketing of Beer
20.	Asian Age Holdings Ltd.	Newspaper publishers
21.	UB Engineering Ltd.	Engineering services & contractors
22.	United Van Der Horst Ltd.	Restandardising, reconditioning, remanufacturing, equipment rentals and parts exchange service
23.	Baramati Grape Industries Ltd.	Manufacturing & marketing of liquor and wines
24.	Aventis Pharma Ltd.	Manufacturing and marketing of pharmaceutical products
25.	Castle Breweries Ltd.	Manufacturing & marketing of Beer
26.	United Racing & Bloodstock Breeders Ltd.	Thoroughbred breeding and racing
27.	UB Pharma (E.A) Ltd.	Dealing in pharmaceutical products
28.	Cardboard Industries Ltd.	Manufacturing of Corrugated boxes and packaging materials (Application under Section 560 of Companies Act, made to ROC for striking off the name)
29.	UB General Investments Ltd.	Investment Holdings

	Name of the Body Corporate	Nature of activities
30.	The Asian Age (South) Ltd.	News Paper Publishers
31.	Face One Models Pvt. Ltd.	Modelling agency, selection and training of models
32.	MWP Ltd.	Marketing of Alcoholic Beverages
33.	Vittal Investments Pvt. Ltd.	General trading and agency
34.	McDowell & Company Ltd.	Manufacturing & marketing of Liquor
35.	GMR Beverages & Industries Ltd.	Manufacturing & marketing of Beer
36.	McDowell Alcobev Private Limited	Marketing & Distribution of Beer
37.	Empee Breweries Limited	Manufacturing & marketing of Beer
38.	United East Bengal Football Team P. Ltd.	Conducting football matches & sponsors of football matches
39.	Kaveri Investments Pvt. Ltd.	Investment holdings
40.	The Gem Investment & Trading Company Private Limited	Investment holdings
41.	Pharma Trading Company Private Limited	Investment holdings
42.	Mallya Private Limited	Investment holdings
43.	Kamsco Industries Private Limited	Investment holdings
44.	Devi Investments Private Limited	Investment holdings
45.	WIE Estate Development Limited	Estate development
46.	McDowell International Brands Limited	Trading in Lifestyle products
47.	McDowell Nepal Limited	Manufacturing & marketing of Liquor
48.	McDowell India Spirits Limited	Marketing of Liquor
49.	Phipson Distillery Limited	Marketing of Liquor
50.	Triumph Distillers & Vintners Private Limited	Marketing of Liquor and other non-alcoholic beverages
51.	Asian Opportunities & Investments Ltd.	Dealing in Potable Alcohol
52.	Cineblitz Productions Pvt. Limited	Production of cine films and publication of magazines
53.	Kingfisher Airlines Limited	Air transport operations
54.	United Distillers India Limited	Bottling scotch whisky

One of the Promoter Group companies - Herbertsons Limited - has advised that its wholly owned subsidiary BDA Limited is under the exclusive control of Kishor Chhabria Group and hence no information for the same has been disclosed.

UBHL has received approval from the Reserve Bank of India to sell its entire shareholding in its wholly owned subsidiary United Breweries Nepal Private Limited. Consequently, upon disposal of its holding by UBHL, United Breweries Nepal Pvt. Ltd. shall cease to be part of the Promoter Group.

Except as stated above, none of the Company's associate or group companies, person(s) in control of the body corporate forming part of the Promoter Group have been prohibited from accessing the capital market under any order or direction passed by SEBI or any other regulatory authority.

13) The Company, its promoter(s), its directors or any of the Company's associate or group companies and companies in which the directors of the Company are associated as director(s) or promoter(s) have not been prohibited from accessing the capital market under any order or direction passed by SEBI or any other regulatory authority.

14) Name of the top ten shareholders
(as on August 28, 2004)

Sr. No.	Name of the shareholder	No. of shares	%
1	United Breweries (Holdings) Limited	27,26,632	15.30%
2	Dr. Vijay Mallya	19,21,826	10.78%
3	McDowell & Company Limited	17,53,334	9.84%
4	Arisaig Partners (Asia) Private Limited A/c ARIS	16,11,316	9.04%
5	Oppenheimer Funds Inc a/c – Oppenheimer	14,72,725	8.26%
6	Kamsco Industries Private Limited	8,80,800	4.94%
7	Mallya Private Limited	8,80,800	4.94%
8	Platinum Asset Management Limited a/c Platinum Asia Fund	5,40,875	3.04%
9	Life Insurance Corporation of India	5,14,706	2.89%
10	Pacific Select Fund a/c – Emerging Markets Portfolio A Series of the Pacific Select Fund	4,05,000	2.27%

Name of the top ten shareholders
(Ten days prior – August 18, 2004)

Sr. No.	Name of the shareholder	No. of shares	%
1	United Breweries (Holdings) Limited	27,26,632	15.30%
2	Dr. Vijay Mallya	19,21,826	10.78%
3	McDowell & Company Limited	17,53,334	9.84%
4	Arisaig Partners (Asia) Private Limited A/c ARIS	16,11,316	9.04%
5	Oppenheimer Funds Inc a/c – Oppenheimer	14,72,725	8.26%
6	Kamsco Industries Private Limited	8,80,800	4.94%
7	Mallya Private Limited	8,80,800	4.94%
8	Platinum Asset Management Limited a/c Platinum Asia Fund	5,40,875	3.04%
9	Life Insurance Corporation of India	5,14,706	2.89%
10	Pacific Select Fund a/c – Emerging Markets Portfolio A Series of the Pacific Select Fund	4,05,000	2.27%

Name of ten largest shareholder two years prior to the date of the LoF:
(as on August 28, 2002)

Sr. No.	Name of the shareholder	No. of shares	%
1	Kingfisher Properties & Holdings Ltd	27,26,632	15.30%
2	Dr. Vijay Mallya	19,21,826	10.78%
3	McDowell & Company Limited	17,53,334	9.84%
4	Arisaig Partners (Asia) Private Limited A/c ARIS	12,89,336	7.24%
5	Kamsco Industries Private Limited	8,80,800	4.94%
6	Mallya Private Limited	8,80,800	4.94%
7	Oppenheimer Funds Inc a/c – Oppenheimer	7,81,290	4.38%
8	Life Insurance Corporation of India	5,14,706	2.89%
9	The Gem Investment & Trading Company Pvt Ltd	3,88,362	2.18%
10	Credit Suisse First Boston A/c Kallar Kahar Investment Ltd	3,44,122	1.93%

- 15) As mentioned on page no.42 under the heading 'Particulars of the Issue' in this LoF, part of the issue proceeds would be used to advance funds to retire debts of UBHL, a Promoter Group company. Since the Company has already availed Bridge Loan and made the advance to UBHL, the issue proceeds would actually be used to extinguish the Bridge Loan liability. Except that no part of the issue proceeds is to be paid as consideration to promoters, directors, key management personnel, associate or group companies.

16) During the last six months, there has been no transaction in the securities of the Company that have been undertaken / financed directly or indirectly by the promoters, promoter group, their relatives and associates and the directors of the Company.

17) Shareholding Pattern before and after the Issue is as under:

Category	Existing (As on August 28, 2004)		After the Present Issue [§] @	
	No. of shares	%	No. of Shares	%
Promoters	19,21,826	10.78	19,21,826	10.78
Promoter Group / Persons Acting in Concert	70,00,624	39.29	70,00,624	39.29
Sub-Total (A)	89,22,450	50.07	89,22,450	50.07
Financial Institutions and Banks	5,22,366	2.93	5,22,366	2.93
Mutual Funds & UTI	4,41,484	2.48	4,41,484	2.48
Other Private Corporate Bodies	4,27,542	2.40	4,27,542	2.40
NRIs / OCBs / FIIs	52,15,641	29.27	52,15,641	29.27
UB Group Employee Welfare Trust	22,560	0.13	22,560	0.13
Other Trust	8,562	0.05	8,562	0.05
Indian Public	22,59,998	12.68	22,59,998	12.68
Sub-Total (B)	88,98,163	49.93	88,98,163	49.93
Total (A) + (B)	1,78,20,603	100.00	1,78,20,603	100.00

§ The shareholding pattern does not change now as the securities are Redeemable Optionally Convertible Preference Shares and would change only on conversion, if any.

@ It is not possible to estimate the equity share capital and the equity shareholding after conversion, at this stage since the conversion price is not known. The ROCPS itself is also optionally convertible and can also be fully redeemed (subject to the terms as mentioned on page no.20 under the heading 'Terms of the Present issue'). In such an event of full redemption, there will not be any change in the equity share capital upon redemption.

18) As per Notification No. FEMA 20/2000-RB dated May 3, 2000 (as amended from time to time) and the subsequent circulars issued by the RBI vide A. P. (DIR Series) Circular No. 14 dated September 16, 2003, any issue of securities of the Company on rights basis including the additional subscription / applications and/ or securities acquired under renunciation of rights by Non-Residents including NRIs/ OCBs would require prior permission of the FIPB / RBI. However, the rights ROCPS would be subject to the same conditions, including restrictions in regard to repatriability as are applicable to the original shares against which rights ROCPS are issued. It may be noted that investment by NRIs on non-repatriation basis would not require RBI approval. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of ROCPS, payment of interest/dividend etc. to the non resident Shareholders.

19) The Company has raised Bridge Loans from Rabo India Finance Private Limited aggregating to Rs.25,000 Lacs against the proceeds of this Issue. This amount of Rs. 25,000 Lacs also covers the ECB funding by Scottish Courage Limited (**SCL**), a subsidiary of S&N. Subsequent to disbursement of ECB by SCL, the Company has paid back an amount of Rs.5,000 Lacs to Rabo India, thereby reducing the Bridge Loan outstanding to Rs.20,000 Lacs and the same will be repaid out of the proceeds of the Issue. Investors are requested to refer to page no.43 for the major terms and conditions of Bridge Loan.

20) The Company does not have any revaluation reserve. The Company has not issued any shares for consideration other than cash or out of the revaluation reserve at any point of time.

21) There are no outstanding warrants, securities convertible into shares, other instruments with a right to convert into shares or outstanding employee stock options. The ECB loan aggregating Rs.5,000 Lacs taken by the Company from Scottish Courage Ltd, a subsidiary of S&N gives an option to the lender to convert the loan into equity shares of the Company on terms and conditions that may be mutually agreed between the Lender and the Company subject to any approvals that may be required from any regulatory authority. Investors may please note that one of the conditions of the External Commercial Borrowings (ECB) raised by the Company from S&N permits S&N to convert its ECB into equity shares of the Company on the happenings of certain events of default. The same are listed on page no.57 of the LoF. The Company has passed a resolution in its AGM held on September 30, 2002 for introducing an Employee Stock Option Scheme titled "UBL Employee Stock Option Scheme – 2002" for the employees of the Company and its subsidiaries. The Company has also framed an employee stock option scheme, effective date of the scheme being March 1, 2003. However, the Company has as on date not granted any option.

- 22) The shares of the Company were listed on the stock exchanges on various dates during September – November 2002, as disclosed on page no.46. After that no shares have been allotted on firm basis or through private placement. Prior to listing, the Company has allotted shares to the promoter group and to the shareholders of UBHL as mentioned at point no. 8 and 9 above. The Company has not bought back its equity shares since incorporation.
- 23) No further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner will be made by the Company during the period commencing from submission of the LoF with SEBI till the ROCPS referred to in this LoF have been listed or application money is refunded in case of failure of the Issue.
- 24) The strategic partner S&N shall, under the Rights Issue of the Company and relying on (amongst other things) the several representations, warranties covenants and undertakings contained in the Investment Agreement signed with the Issuer, subscribe in cash for up to 20,000,000 ROCPS at Rs.100/- each being its entitlement under the Rights Issue and all ROCPS renounced in its favour by any shareholder or which remain unsubscribed in one or more series as may be agreed between the Company and S&N, making a maximum aggregate price of Rs.20,000 Lacs.
- 25) The Company presently does not have any intention or proposal to alter its capital structure within a period of six months from the date of opening of the Issue, by way of split/consolidation of the denominations of shares or further issue of shares whether preferential or otherwise.
- 26) The Company had 39,827 Equity Shareholders as on August 28, 2004
- 27) At any given point of time there shall be only one denomination for the Equity Shares of the Company and the Issuer shall comply with such disclosure and accounting norms as may be prescribed by SEBI from time to time.
- 28) As part of the Investment Agreement, S&N had agreed to purchase 500 Equity Shares of the Company before the record date of this Rights Issue. These shares have since been purchased by Scottish & Newcastle India Pvt. Limited.
- 29) The Promoter and PACs vide their letter(s) (subsequently re-confirmed) as detailed below have informed the Company that they shall not participate in the present Rights Issue of ROCPS. They have also agreed to renounce their Rights entitlement of the said ROCPS in favour of the strategic partner in the Company - S&N or its nominees. There is no information available from the two Promoter Group companies holding shares in UBL – Aventis Pharma Limited and Herbertsons Limited.

Sr. No.	Name	Shares held	%	Letter date Re-confirmed date
1	Dr. Vijay Mallya	19,21,826	10.78%	March 4, 2004 July 27, 2004
2	United Breweries (Holdings) Limited	27,26,632	15.30%	February 27, 2004 July 29, 2004
3	McDowell & Company Limited	17,53,334	9.84%	February 24, 2004 August 9, 2004
4	Mallya Private Limited	8,80,800	4.94%	March 25, 2004 July 29, 2004
5	Kamsco Industries Private Limited	8,80,800	4.94%	March 25, 2004 July 29, 2004
6	The Gem Investment and Trading Company Private Limited	3,88,362	2.18%	March 25, 2004 July 29, 2004
7	Devi Investments Private Limited	1,67,337	0.94%	March 24, 2004 July 30, 2004
8	Pharma Trading Private Limited	1,36,293	0.76%	March 25, 2004 July 29, 2004
9	Vittal Investments Private Limited	33,836	0.19%	March 23, 2004 July 29, 2004

- 30) If, as a result of allotment of ordinary shares to S&N or as a result of a subsequent change in any law or regulation in the case of conversion of ROCPS, S&N is required to make an open offer then, the Promoter Group of the Company shall be entitled to participate (as an acquirer or party acting in concert) in such open offer together with S&N i.e. the promoter Group and S&N will acquire the shares under the open offer from public shareholders. The Promoter Group shall not be entitled to participate in such Open Offer (as an acquirer or party acting in concert) in case the open offer is triggered due to an event of default.

III. Terms of the Present Issue

Authority for the Present Issue

The present Rights Issue has been authorised by the Board of Directors of the Company at their meeting held on December 21, 2002 and by the shareholders of the Company at its extraordinary general meeting held on January 21, 2003.

Basis of Offer

The shareholders whose names appear as beneficial owners in respect of the shares held in the electronic form and on the Register of Members of the Company in respect of the shares held in physical form on August 27, 2004 the Record Date, shall be entitled to the ROCPS offered on rights basis in the ratio of **Six** ROCPS for cash at par for every **Five** Equity Share(s) held by them on the Record Date.

Entitlement

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an Equity Shareholder of the Company on August 27, 2004 you are entitled to the number of ROCPS, in the ratio of **Six** ROCPS for cash at par for every **Five** Equity Share(s), as shown in Part 'A' of the enclosed CAF.

Fractional Entitlements

On applying the Rights ratio, the rights entitlement may contain certain fractional entitlements, in such case the fractional rights entitlement will be rounded off to the next higher integer. The resulting shortfall in allotment of shares, if any, shall be adjusted against the entitlement of the promoter, namely Dr. Vijay Mallya.

Principal Terms of the Issue

The ROCPS now being offered are subject to the terms of this LoF, the CAF, the MoA/AoA of the Company, the approvals from the Stock Exchanges where equity shares of the Company are listed, GoI, approvals under FEMA, approvals from RBI and FIPB, the Companies Act, 1956, such terms and conditions as may be incorporated in the letter of allotment / preference share certificate, the guidelines for Disclosure and Investor Protection issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/ or other statutory authorities and bodies from time to time, the provisions of the Depositories Act, 1996 to the extent applicable and any other legislative enactments and rules as may be applicable and introduced from time to time.

The terms of the ROCPS being offered under this Issue, as approved by the shareholders in the EGM held on January 21, 2003 and as modified by the Board / Committee of Directors of the Company, in terms of the authority given by the shareholders vide the resolution passed in the EGM held on January 21, 2003, are presented below:

1. Tenor of ROCPS

Maximum Tenor of 5 years from the date of allotment

2. Rate of Dividend

Up to 24 months from the date of allotment	5.00 % p.a.
25 to 36 months from the date of allotment	7.50 % p.a.
37 to 48 months from the date of allotment	8.00 % p.a.
49 to 60 months from the date of allotment	8.50% p.a.

The above dividend is payable on half yearly basis on September 30th and March 31st respectively. The dividend would be appropriately pro-rated depending on the date of issue of ROCPS. The dividend is cumulative, which means that if the Company is not able to pay dividend on ROCPS in any period the same would be payable whenever the Company is in a position to declare dividend on ROCPS.

3. Redemption

At the option of the Company at any time during or at the end of the tenor of the ROCPS.

Premium on redemption / conversion

Period from the date of allotment	Redemption Premium
Between 25 th and 36 th month from the date of allotment	12.50 %
Between 37 th and 48 th month from the date of allotment	17.50 %
Between 49 th and 60 th month from the date of allotment	22.50 %
Upon completion of the tenor of ROCPS	22.50 %

The Company can redeem the ROCPS in more than one tranches subject to the condition that the redemption shall be applicable pro-rata to all ROCPS holders and not to some ROCPS holders selectively. The remaining ROCPS would continue to be outstanding and governed by the terms mentioned herein. The ROCPS would also be entitled to premium, on the amount being converted, if any, on a pro-rata basis till the date of conversion.

4. Conversion of ROCPS into Equity shares

- Option to the holders of ROCPS to convert into Equity Shares of Rs.10 each after the tenor of ROCPS. Please refer below for details on the conversion price options.
- Conversion at the option of the holders of the ROCPS if the Company fails to redeem the ROCPS on due date (end of the tenor of ROCPS) and upon failure of the put option and corporate guarantee mechanism (as detailed below). Please refer below for details on the conversion price options.
- Conversion at the option of the Company at any time prior to the end of the tenor.
- Shareholders should also note that once the Company decides for conversion, the ROCPS will be compulsorily converted into Equity Shares of the Company and the investors will not get any redemption. Please refer below for details on the conversion price options.
- Equity Shares allotted upon conversion shall rank pari passu in all respects with the existing Equity Shares of the Company.

Shareholders may note that ROCPS will be entitled to dividend accrued but not paid till the date of conversion. The total amount outstanding on ROCPS would be equal to face value of ROCPS and redemption premium payable, if any, and dividend accrued but not paid till the date of conversion.

It is clarified that the ROCPS holders have the option to convert only in case of default in redemption at the end of the tenor of ROCPS or default in payment of dividend on due date (please refer the section on Default Conversion Mechanism below) and upon failure of the put option and corporate guarantee mechanisms. The Company has the option to redeem or convert throughout the tenor of the ROCPS.

In case the conversion price leads to fractional entitlements, such entitlement would be rounded-off to the nearest lower integer and the balance amount will be paid to the ROCPS holders.

Conversion price options:

Conversion price will be, subject to the relevant SEBI guidelines in this regard and in force at the time of conversion, at the shareholder's option either:

- Option I: The closing market price of the equity share of the Company on BSE as on the date when the Board of Directors of the Company meet to consider and decide for conversion ('Relevant Market Price'); OR
- Option II: Conversion price as determined by the 'Independent Valuation' process described on page no.21 below ('Independent Valuation Price'); OR
- Option III: Lower of Relevant Market Price and Independent Valuation Price.

By default, the conversion price will be Option III. The Company will also accept shareholder's requests if they wish to opt for Option I or Option II independently at the time of application for the ROCPS. However, shareholders should note that once they exercise their option, as regards the conversion price, they will not be able to change it subsequently.

The shareholder will have to indicate his option for conversion price by ticking on any one of the three relevant boxes in the Composite Application Form.

Independent Valuation

For the purposes of conversion of ROCPS, the process of valuation by Independent Valuers would be as follows:

The Company shall appoint an independent valuer of international repute (who would also be registered with SEBI as a category I merchant bank or a firm of chartered accountants having at least 10 years of experience) within 30 days of decision to convert or an event of default which may lead to conversion of ROCPS. Simultaneous with the decision, the Company shall call a meeting of the ROCPS holders, by giving due notice, where the ROCPS holders will appoint another independent valuer (registered with SEBI as a category I merchant bank or a firm of chartered accountants having at least 10 years of experience). The second valuer to be selected by the ROCPS holders would be appointed through a simple majority (in value terms) at the ROCPS holders' meeting. ROCPS holders would be able to nominate valuers of their choice for selection through voting at the meeting.

Both valuers will independently determine the fair value of the Company's equity shares taking into account all relevant factors including the market price in the preceding period but without considering any control premium. Each valuer will be asked to submit valuation report within 14 days of appointment.

If the determination of fair value between the two valuers differs by more than 10%, then the valuers shall within 7 days thereafter consult an independent third party (who shall be the president of the Institute of Chartered Accountants of India) with a request to forthwith nominate a third independent valuer to determine the fair value within 14 days of reference. Upon such determination, the average of the two closest determinations of fair value of the three calculated fair values shall be the fair value and shall be binding on the Company as well as ROCPS holders.

This price shall be communicated to all the ROCPS holders.

Put Option and Corporate Guarantee

In view of the strategic alliance constituting S&N's investment into a joint venture with the Company, global distribution arrangement of Kingfisher, license arrangement for S&N brands in India, technical assistance and the large investment agreed to be made by S&N in the Company, S&N would be granted a put option in respect of the ROCPS by Variegate Trading Limited, a wholly owned subsidiary of UBHL and such put option would be guaranteed by UBHL. The same put option and the corporate guarantee would be available to all holders of ROCPS.

The board of directors of UBHL, in the meeting held on September 26, 2003 have nominated Variegate as the entity to be bound by the put option arrangements with the holders of ROCPS. In respect of the corporate guarantee, UBHL's board of directors have also resolved, in the same meeting, to extend such financial assistance, at the time of ROCPS holders exercising the put option, as may be required including funding or securing a loan to Variegate, to enable Variegate to fulfil its obligations under the put option exercised by ROCPS holders.

The board of directors of Variegate Trading Limited, in the meeting held on September 27, 2003 have resolved that subject to the approval of the members of the company and such other approvals as may be required in this connection, the company do grant a put option to the holders of ROCPS to be issued by UBL and in the event of default in redemption of ROCPS by UBL or default in payment of dividend by UBL, the company be authorised to purchase the ROCPS from the ROCPS holders at a price comprising of the face value, unpaid dividends and redemption premia, if any, payable. Further, the members of Variegate, in their meeting held on September 27, 2003, while consenting to the grant of the put option, authorised the board of directors to borrow an amount not exceeding Rs.350 crores for the purposes of purchasing the ROCPS from ROCPS holders, in the event of the put option being exercised. In the same meeting the members of Variegate also accorded the consent of the company to the board of directors to make investments of the company's funds to acquire up to 213,84,724 ROCPS in the share capital of UBL.

Consequently, in the event of default in redemption of ROCPS by the Company at the end of the tenor of ROCPS or in the event of default of payment of dividend (as mentioned below), the ROCPS holders would have the option to sell a part or whole of their ROCPS holding to Variegate Trading Limited and Variegate Trading Limited will have the obligation to purchase the same at a price consisting of the face value, unpaid dividends and redemption premium (if any payable) from the ROCPS holders. In terms of the corporate guarantee provided by UBHL, UBHL would provide the funding support to Variegate to fulfil its obligations under the put option. This corporate guarantee can be invoked by the ROCPS holders if Variegate Trading Limited fails to honour the put option within 7 days.

Variegate is a subsidiary of UBHL. For details of the financials of Variegate and UBHL, investors are requested to refer to page nos.165 and 151 respectively. It will be observed that Variegate will require significant augmentation in its financial resources to honour its potential obligations under the put option. Investors are also requested to refer to risk factor no. 7 on page no.ii.

For both the put option and the corporate guarantee to be legally effective, the ROCPS holders will be required to complete the documentation which would be sent to them together with the letters of allotment/ ROCPS certificate/ letter of intimation in this Rights Issue.

Default Conversion Mechanism

If the Company defaults in redemption on due date including default in redemption at the time of conversion at the option of the Company, then the ROCPS holders can exercise the put option on a part or whole of their ROCPS holding on Variegate Trading Limited, as mentioned above. If Variegate Trading Limited fails to honour its commitment under the put option, within 7 days of exercise of the put option, the ROCPS holders can invoke the corporate guarantee provided by UBHL.

If UBHL also fails to honour its obligations under the corporate guarantee, within 7 days, then ROCPS holders shall have the right to call upon the Company to convert their ROCPS holding into equity shares. The Company shall allot

such number of equity shares as may be determined based on the conversion price as opted by the shareholders. Please refer page no.21 for details on the conversion price options. To clarify, the number of equity shares allotted in case of such default conversion, would be equal to the total amount outstanding on ROCPS (face value + redemption premium, if any, payable + dividend accrued but not paid) divided by the valuation per share, as determined based on the conversion price as opted by the shareholders. Please refer page no.21 for details on the conversion price options.

For the purposes of the above, default in redemption refers to the inability of the Company to pay to the ROCPS holder any or a combination of more than one of the following payments, at the end of the tenor of ROCPS:

- Redemption of full or part of the face value
- Premium payable on redemption
- Dividend accrued and payable at the time of redemption

If the Company fails to pay dividend at the agreed rates on the due dates (i.e. March 31st or September 30th) then the Company will hold a meeting of ROCPS holders, within 45 days from the relative payout date, to vote on whether to defer payment of the dividend or trigger Default Conversion Mechanism or not. No resolution to defer payment of dividend shall be effective unless holders of ROCPS representing not less than 50% of the ROCPS (in value terms) at such EGM shall have voted in favour of the deferment. The resolution passed by the ROCPS holders, by simple majority (in value terms), in this respect would be binding on the Company. If the Company fails to hold such a meeting within 45 days, or if no resolution to defer payment of dividend is passed, this will be treated as an event of default (whether or not the dividend has been paid in the meantime) entitling the ROCPS holders to exercise the put option on a part or whole of their ROCPS holding on Variegate Trading Limited, as mentioned above. If Variegate Trading Limited fails to honour its commitment under the put option within 7 days of exercise of the put option, the ROCPS holders can invoke the corporate guarantee provided by UBHL. If, UBHL also fails to honour its obligations under the corporate guarantee, within 7 days, then ROCPS holders shall have the right to call upon the Company to convert their ROCPS holding into equity shares. The Company shall allot such number of equity shares as may be determined based on the conversion price as opted by the shareholders. Please refer page no.21 for details on the conversion price options.

If the Company defaults in redemption of ROCPS then on the next working day following the end of the tenor of ROCPS, the Company shall intimate the ROCPS holders so that they can take steps to exercise their rights under the Default Conversion Mechanism.

Investors should note that as per the terms of the Investment Agreement, S&N also has the right to call back its proposed investment in ROCPS, under specific events of default (as detailed under the section 'Salient Features of the Investment Agreement' on page no.62). If the Company fails to return the investment, S&N shall be entitled, by notifying the Company in writing, to convert all or any of its ROCPS and all dues into such number of ordinary equity shares of the Company at the fair value calculated in the manner stated above (i.e. 'Independent Valuation Price'). Notwithstanding, what is mentioned above, the Company shall redeem or convert the ROCPS of all holders if S&N (or its nominees) calls upon the Company to do so in respect of its ROCPS holding. The pricing for conversion for all other ROCPS holders will be based on conversion price option chosen at the time of application for ROCPS. Please refer page no.21 for details on the conversion price options.

If, as a result of allotment of ordinary shares upon conversion of the ROCPS to S&N, S&N's shareholding in the Company exceeds 15 %, under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 or as a result of a subsequent change in any law or regulation, S&N is required to make an Open Offer then, the Promoter Group of the Company shall be entitled to join S&N in making the open offer, as an acquirer or person acting in concert. This entitlement is not available to the Promoter Group in the event of default conversion.

The Company shall issue notices, when the ROCPS holders become entitled to exercise their rights under the Default Conversion Mechanism and such notices will be sent individually to ROCPS holders who appear on the register of ROCPS holders as on the record date of relevant payment through post. Once the ROCPS holders become entitled to exercise their rights under the Default Conversion Mechanism, such rights would remain valid, and can be exercised at any time, till the ROCPS are redeemed or converted, in full and together with all payments due in respect of the ROCPS. Any failure on the part of the Company to send such notice(s) or non-receipt of such notice(s) by ROCPS holders would not affect the rights of ROCPS holders under the Default Conversion Mechanism, in any manner. Notwithstanding, what is mentioned above, default by the Company on redemption of ROCPS at the end of the tenor or in the event of default in payment of dividend, ROCPS holders having voted in favour of Default Conversion Mechanism, would automatically construe that ROCPS holders have exercised their Put Option and Variegate shall take all necessary actions to acquire ROCPS from the holders. Similarly, non-payment of the appropriate consideration by Variegate within 7 days time would automatically construe that the corporate guarantee

provided by UBHL has been invoked. There will be no selective acquisition of ROCPS under the put option granted by Variegate and / or the corporate guarantee provided by UBHL. Notwithstanding, what is mentioned above, Variegate shall acquire the ROCPS of all holders by remitting the necessary payment, if they acquire ROCPS from any ROCPS holder irrespective of whether the ROCPS holders have exercised the put option and / or invoked the corporate guarantee.

Further, if some ROCPS holder(s) (being entitled to do so) fail to exercise the Put Option on Variegate and / or fail to invoke the corporate guarantee provided by UBHL while some others proceed to do so and the same leads to a situation of default conversion then the conversion shall also be applicable to those ROCPS holders who failed to exercise the Put Option or failed to invoke the corporate guarantee provided by UBHL.

Mechanism for redemption / conversion

The Company has the right to convert or redeem the ROCPS issued under the terms of this Letter of Offer at any point during the tenor of the ROCPS or at the end of the tenor. For this purpose, the decisions would be taken by the Board of Directors of the Company. A record date will be announced immediately after the decision of redemption / conversion. The record date, as far as possible, will be fixed at least 30 days before the redemption date. The Company will pay the dividend up to the date of redemption / conversion on a pro-rata basis and the premium due on redemption. Upon redemption, ROCPS, to the extent redeemed, shall stop carrying all rights. The closing market price of the Equity Share of the Company on BSE as on the date when the Board of Directors of the Company meet to consider and decide for conversion will be taken as the 'Relevant Market Price' for conversion.

All the ROCPS holders whose name appears on the Register of ROCPS holders on the record date will only be entitled to receive the redemption & premium proceeds, any accrued or unpaid dividend and equity shares allotted upon conversion, if any. In case of joint holders, redemption cheques will be issued in the name of the first holder only. In case if the investors have transacted in the security (bought or sold) in physical mode, the buyer of the ROCPS is requested to send the ROCPS to the Registrar and Share Transfer Agent of the Company with duly executed transfer deed and ensure that the ROCPS are transferred in his / her name before the record date. Otherwise, redemption and premium proceeds will be paid to the seller and not to the buyer. In such a case, claims in respect of the redemption and premium proceeds shall be settled inter se amongst the parties and no claim or action shall lie against the Company or the Registrars.

The ROCPS holders have the option to convert their ROCPS holding into equity shares of the Company in case of default in redemption at the end of the tenor of ROCPS, in terms of the Default Conversion Mechanism.

If any ROCPS remain outstanding 60 days prior to the end of their tenor then to ensure that the ROCPS holders get their redemption proceeds or converted equity shares (or a combination), as the case may be, in a timely manner, the Company's board of directors shall take a decision regarding conversion or redemption of the outstanding ROCPS at least 60 days before the end of the tenor of the ROCPS and announce a suitable record date for the purposes of redemption / conversion, as the case may be. Further, in such case, the process of independent valuation will be initiated 60 days prior to the end of tenor of the ROCPS. The outcome of this valuation will be used for the purposes of determining the conversion price till the end of the tenor, including in the case of conversion arising out of any default in redemption at the end of the tenor.

Other terms

All notices to ROCPS holders will be made public through the stock exchanges and the newspapers, as is applicable in case of equity shares.

All other notices related to conversion and / or redemption shall also be sent individually to ROCPS holders through post.

In the circumstances where the Company needs to allot equity shares upon conversion, the Company would reclassify its authorised capital to the desired level at the relevant point in time.

Over and above such terms and conditions, the shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to issue of capital and listing of securities issued from time to time by SEBI, the Government of India, RBI and/or other authorities.

Issue Price

Each ROCPS is of the face value of Rs.100/- and is being offered at par.

Terms of Payment

Full amount i.e. Rs.100/- per ROCPS is payable on application

Where an applicant has applied for additional ROCPS and is allotted lesser number of ROCPS than applied for, the excess application money paid will be refunded.

Ranking of ROCPS

This is the first issue of ROCPS by the Company. Equity Shares allotted upon conversion, if any, shall rank in all respects *pari passu* with the existing equity shares of the Company including dividend on equity shares.

Rights of ROCPS holders under the present Issue

- 1) Right to receive dividends on the ROCPS till conversion / redemption;
- 2) Right to receive accrued sums of monies, including redemption premium;
- 3) Right to receive equity shares of the Company on conversion, if any;
- 4) Rights under the Default Conversion Mechanism, including exercise of put option granted by Variegate and invoking the corporate guarantee provided by UBHL;
- 5) Right to opt for conversion of ROCPS into Equity Shares upon default in redemption at the end or default in payment in dividend on due date, subject to the terms mentioned in this LoF through the process of Independent Valuation, but subject to Guidelines / Regulations framed by SEBI or other Regulatory Authorities, in this regard, and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board;
- 6) Right to entitlement for any further issue of equity shares issued by way of bonus/rights by the Company on the converted portion, through reservations of shares. The shares so reserved will be issued at the time of conversion of the ROCPS, if any. Further, this issue will be on the same terms on which the bonus/rights issue was made;
- 7) Subject to the extant provisions of Section 87 of the Companies Act, 1956, right to be entitled to vote on every resolution placed before the Company at any meeting if the dividend due or any part of such dividend remains unpaid for a period of not less than two years preceding the date of commencement of the meeting;
- 8) ROCPS may have all or any terms or combination of terms varied in accordance with applicable laws in force from time to time including but not limited to terms and conditions in relation to payment of dividend, premia on redemption, prepayment and any payments whatsoever, as the Board may determine and including terms for issue of additional ROCPS or variation of the conversion price of the ROCPS during the duration of the ROCPS if such a change is required due to change in legislation. Such variation(s), if any, would be placed before the ROCPS holders for their approval;
- 9) In addition to the above, the ROCPS holder will also have the rights conferred on a preference shareholder by the Companies Act, 1956 as amended and any other applicable regulations.

However, investors may please also note the following:

- 1) Issue of any ordinary shares is covered under the clause of 'Reserved Matters' requiring an affirmative vote by S&N as per the Investment Agreement signed between the Company, S&N and UBHL (Please refer page no.59) . However, issue of equity shares upon conversion of ROCPS shall not require an affirmative consent of S&N.

Shareholders should note that S&N has rights and privileges vis-à-vis the Company under the ECB Loan Agreement and Investment Agreement, brief particulars of which are mentioned on page no.55 in this document.

Odd Lots

The entitlement of number of ROCPS for each shareholder would be rounded off to the next higher integer (as mentioned under 'Fractional Entitlements' on page no.20). The ROCPS would be traded in dematerialised form and the minimum trading lot for ROCPS will be one ROCPS. Therefore there would not be any odd lots generated at the time of allotment.

Further issue / secured borrowings/ bonus issue / rights issue

The Company shall be entitled, from time to time, to make further issue(s) of equity shares, bonds, ROCPS and/ or other instruments to the public, members of the Company and/ or any other person(s) and/ or raise further loans, advances, deferred credit and/ or avail of further financial and/ or guarantee non-fund based facilities from financial institutions, banks and/ or any other person(s) on the security of the said properties/ assets as may be decided by the Company, from time to time, and having such ranking and on such terms and conditions as may be agreed to by the Company.

However, further issue of any ordinary shares or any financial instrument with any option of conversion or any right of conversion in any form by the Company are subject of 'Reserved Matters' which require affirmative vote of the S&N nominee director, as mentioned on page no.56 and page no.59 of this LoF. Similarly, further borrowings that cause the gearing or interest cover of the Company to exceed the ratios, on an annualised basis, agreed between S&N & the Company and creation of further charge on the properties mortgaged under the ECB loan require affirmative vote of the S&N nominee director.

Acceptance of Offer

You may accept and apply for the ROCPS offered hereby to you wholly or in part by filling in Part "A" of the enclosed CAF and submit the same along with the payment of application money to any of the Bankers to the Issue or to any of their designated branches or at the Collection Centres specified on the reverse of the CAF on or before the close of banking hours on October 18, 2004. The Board or Share Transfer Committee of the Company authorized, in this behalf by the Board of Directors of the Company will have the power to extend the last date for receipt and acceptance of the CAF for such period as it may deem fit but in no case will the offer for subscribing to the Issue be kept open for more than sixty (60) days.

If for any reason, whatsoever, the CAF together with the amount payable is not received by the Bankers to the Issue or to any of their designated branches or at the Collection Centres specified on the reverse of the CAF on or before the close of banking hours on October 18, 2004 or such extended date as may be determined by the Board or the Share Transfer Committee of the Company authorized in this behalf by the Board of Directors, the offer contained in the LoF shall be deemed to have been declined.

The Company will not be liable for any postal delays and any application received by mail after closure of the issue date will be returned to the applicants. The date of mailing by the applicant and / or the date of Demand Draft / Banker's Cheque will not be the criteria for acceptance.

Applicants in centres not covered by the branches of the collecting banks can send their CAF together with the cheques drawn on a local bank at Bangalore/ demand draft payable at Bangalore to the Registrars to the Issue by registered post and Company will bear the bank charges for purchase of demand draft and postal charges. The bank/postal charges deducted upfront should be indicated separately in the CAF and the evidence thereof should be attached along with the CAF.

Additional ROCPS

You are eligible to apply for additional ROCPS over and above the number of ROCPS you are entitled to, provided you apply for all the ROCPS to which you are entitled without renouncing them, in whole or in part, in favour of any other person(s).

The application for additional ROCPS shall be considered and allotment shall be made at the absolute discretion of the Board or the Share Transfer Committee of the Company authorized in this behalf by the Board of Directors having the power to reject any such application for additional ROCPS without assigning any reason and in the event of over subscription, the allotment will be subject to the clause mentioned under "Basis of Allotment" and shall be made with the approval of the Stock Exchange, Mumbai (BSE). The allotment of additional ROCPS will be made as far as possible on an equitable basis with reference to the number of Equity Shares held by you as on the Record Date. If you desire to apply for additional ROCPS, please indicate your requirement by filling in the number of additional ROCPS in Block II of Part A of the enclosed CAF.

Renouncee(s) will have the right to apply for additional ROCPS, provided they have agreed to subscribe to the extent of complete number of ROCPS renounced in their favour.

Renunciation

This Issue shall be deemed to include a right exercisable by you to renounce the ROCPS offered to you either in full or in part in favour of any other person or person(s) subject to the approval of the Board. Such renounees can be Indian Nationals (including minor through their natural/legal guardian) / limited companies incorporated under and governed by the Companies Act, 1956, statutory corporations / institutions, trusts (registered under the Indian Trust Act, 1882), societies (registered under the Societies Registration Act, 1860 or any other applicable laws) provided that such trust / society is authorised under its constitution/bye laws to hold ROCPS in a company and cannot be a partnership firm, foreign nationals or nominees of any of them (unless approved by RBI or other relevant authorities) or to any person situated or having jurisdiction where the offering in terms of this LoF could be illegal or require compliance with securities laws of such jurisdiction or any other persons not approved by the Board.

Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to other Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to Resident Indian(s) is subject to the renouncer(s) / renounee(s) obtaining the approval of the FIPB and/ or necessary permission of the RBI under the Foreign Exchange Management Act, 1999 (FEMA) and other applicable laws and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approval are liable to be rejected.

The Board reserves the right to reject the request for allotment to renounees in its sole and absolute discretion without assigning any reasons thereof. As stated earlier, the Promoters and PACs have informed the Company that they shall not participate in the present Rights Issue of ROCPS. They have also agreed to renounce their Rights entitlement of the said ROCPS in favour of the strategic partner in the Company - S&N or its nominees. Further, the strategic partner S&N shall,

under the Rights Issue of the Company and relying on (amongst other things) the several representations, warranties covenants and undertakings contained in the Investment Agreement signed with the Company, subscribe in cash for upto 20,000,000 ROCPS, including its entitlement under the Rights Issue and all ROCPS renounced in its favour by any shareholder and which remain unsubscribed in one or more series as may be agreed between the Company and S&N, making a maximum aggregate price of Rs.2,000 million.

Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Bankers to the Issue or to any of their designated branches or at the Collection Centres specified on the reverse of the CAF with the Form of Renunciation (Part B of the CAF) duly filled in shall be conclusive evidence for the Company of the person(s) applying for ROCPS in Part C to receive allotment of such ROCPS. Renouncee(s) will have the right to apply for additional ROCPS. Part A must not be used by the renouncee(s) as this will render the application invalid. Renouncee(s) will have no right to renounce any ROCPS in favour of any other person.

Procedure for Renunciation

(a) To renounce the whole offer:

If you wish to renounce this offer in whole, please complete Part B of the CAF. In case of joint holders, all joint holders must sign this part of the CAF in the same order as per the specimen signatures recorded with the Company. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of joint renouncees, all joint renouncees must sign this part of the CAF.

(b) To renounce in part:

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of one or more renouncees, the CAF must be first split by applying to the Registrar to the Issue, Alpha Systems Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003. Please indicate your requirement for Split Forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue, Alpha Systems Private Limited, so as to reach them latest by the close of business hours on October 4, 2004. On receipt of the required number of split forms from the Registrar, Alpha Systems Private Limited, the procedure as mentioned in para (a) above shall have to be followed.

(c) Change and/or introduction of additional holders:

If you wish to apply for ROCPS jointly with any other person, or persons, not more than 3, who is/are not already joint holders with you, it shall amount to renunciation and the procedure as stated above shall have to be followed. Even a change in the sequence of the joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed viz. Part B & C of the CAF will have to be filled in.

Renunciation by a resident Shareholder to a non-resident is subject to the Renouncee(s)/Renouncer(s) obtaining the necessary approval of the FIPB and / or necessary permission of the RBI under FEMA and the said permission should be attached to the CAF, failing which the application will be rejected. In case of Non-Residents renouncing their rights without consideration, a declaration to that effect should be attached to the CAF, failing which the application is liable for rejection.

Your attention is drawn to the fact that the Company will not consider application for allotment of any ROCPS renounced in favour of:

- i. more than three persons as joint holders (including the first holder), in case of renouncees
- ii. a partnership firm
- iii. an Hindu Undivided Family
- iv. a Trust or Society (unless such trust or society is registered under the Societies Registration Act, 1860 and it is authorised under its Memorandum and Articles of Association and/or its Rules and Bye Laws to hold shares/ROCPS in a Company)
- v. a minor (unless application is made through a guardian)

Please also note the following:

- Part A must not be used by any person(s) in whose favour this Offer has been renounced, this will render the application invalid.
- Only the person(s) to whom this letter of offer has been addressed and NOT a renouncee shall be entitled to obtain split forms.

(a) Split Forms

- Split forms cannot be re-split
- Only the person to whom the offer is made and not the renounee(s) shall be entitled to obtain split forms
- Requests for split forms should be sent to the Registrars to the issue, not later than October 4, 2004 by filling in Part D of the CAF
- Requests for split forms will be entertained only once

However, any right of renunciation is subject to the express condition that the Board of Directors of the Company shall be entitled in its absolute discretion to reject the request for allotment from the renounees without assigning any reason thereof.

Splitting of Composite Application Forms

Request for Split Forms should be sent to the Registrar to the Issue Alpha Systems Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560003 before the closure of business hours on or before October 4, 2004 by filling in Part D of the CAF along with entire CAF. Split Forms cannot be re-split. The renounee(s) shall not be entitled to Split Form(s).

Instructions for equity shareholders for making valid applications

(a) How to Apply

Applications should be made only on the CAF which are provided by the Company. The applications should be completed in all respects before submission to the Bankers to the Issue or their designated branches or the Collection Centres as they appear on the reverse of the CAF. As explained in the INSTRUCTIONS indicated in the CAF, the forms of the CAF should not be detached under any circumstances otherwise the application is liable to be rejected.

OPTIONS AVAILABLE	ACTION REQUIRED
<ol style="list-style-type: none"> 1. Accept whole or part of the ROCPS offered to you without renouncing the balance 2. Accept your entitlement in full and apply for additional ROCPS 3. Renounce all the ROCPS offered to you to one person (joint renounees are deemed as one person) without your applying for any of the ROCPS offered to you. 4. Accept a part of your entitlement and renounce the balance or part of it to one or more persons. OR Renounce your entitlement or part of it to one or more persons. (Joint renounees are deemed as one person). 	<p>Indicate in Block III of Part A the number of ROCPS</p> <p>If you accept all the ROCPS offered to you in Block II, you may apply for additional ROCPS. Indicate in Block IV the additional ROCPS required.</p> <p>Fill in and sign Part B indicating the number of ROCPS offered to you, ROCPS renounced in Block VII and handover the entire form to the renounee. The renounee must fill in and sign Part C.</p> <p>Fill in and sign Part D for the required number of split forms and take the action as indicated below:</p> <ol style="list-style-type: none"> a) For the ROCPS, if any, which you want to subscribe, fill in and sign Part A of one Split Application Form b) For the ROCPS you want to renounce, fill in and sign Part B in the required number of Split Application Forms c) Each of the renounee should then fill in and sign Part C of the respective Split Application Forms for the ROCPS accepted by the renounee. d) Send the entire CAF to the Registrars
<p>Option for Conversion Price</p>	<p>Conversion price will be, subject to the relevant SEBI guidelines in this regard and in force at the time of conversion, at the shareholder's option either:</p> <ul style="list-style-type: none"> ● Option I: The closing market price of the equity share of the Company on BSE as on the date when the Board of Directors of the Company meet to consider and decide for conversion ('Relevant Market Price'); or

OPTIONS AVAILABLE	ACTION REQUIRED
	<ul style="list-style-type: none"> ● Option II: Conversion price as determined by the 'Independent Valuation' process described on page no.21 above ('Independent Valuation Price'); or ● Option III: Lower of Relevant Market Price and Independent Valuation Price. <p>By default, the conversion price will be Option III.</p> <p>The Company will also accept shareholder's requests if they wish to opt for Option I or Option II independently at the time of application for the ROCPS. However, shareholders should note that once they exercise their option, as regards the conversion price, they will not be able to change it subsequently.</p> <p>The shareholder will have to indicate his option for conversion price by ticking on any one of the three relevant boxes in the Composite Application Form.</p> <p>Shareholders may note that, once the Company decides for conversion, the ROCPS will be compulsorily converted into Equity Shares of the Company.</p>

On receipt of the split forms:

- a) For the ROCPS you are accepting fill-in and sign Part A.
- b) For the ROCPS you are renouncing fill in and sign Part B indicating no. of ROCPS renounced.

Each of the renounees should then fill in and sign Part C of the respective split application form for the ROCPS by him/her.

Notes:

- The last date for receipt of requests for split application forms is October 4, 2004
- Part A of the CAF must not be used by any person(s) in whose favour this entitlement has been renounced. This will render the application invalid.
- While applying for or renouncing ROCPS, joint holders must sign in the same order and as per the specimen signatures registered with the Company.
- Renounee(s) is/are not entitled to a split form.
- The last date for submission of completed forms with remittance is October 18, 2004.
- Shareholders cannot utilise both Part A and Part B simultaneously i.e. accepting the offer as well as renouncing the offer. If all the parts are filled in, in that case, the allotments will be made under Part B and C i.e. to the renounee only and the entry in Part A shall be ignored.
- Please check the number of shares registered in your name. In case of any discrepancy in the number of shares held by you as appearing in the CAF, the Company shall be entitled to amend the same on the basis of the entry in the Register of Members.
- The CAF contains space for indicating number of ROCPS subscribed for in demat and physical ROCPS or both. The shareholders are requested to fill the relevant blocks. No separate applications for demat and physical is to be made. If such applications are made, the applications will be treated as multiple applications and rejected accordingly.
- In case of partial allotment, allotment will be done in demat option for the ROCPS sought in demat and balance, if any, will be allotted in physical ROCPS.

For applicants residing at places other than designated Bank Collection Centres.

Shareholders / Renounees residing at places other than the cities where the bank collection centers have been opened should send their completed CAF by registered post to **Alpha Systems Private Limited**, along with bank drafts (net of bank charges and registered post charges) payable at Bangalore in favour of "**(Name of the Bank) - A/c UBL - Rights Issue**" and crossed "**A/c Payee only**" (e.g.: "**Citibank N.A. -A/c UBL - Rights Issue**" or "**Federal Bank – A/c UBL – Rights Issue**", as the case may be) and crossed "**A/c Payee only**" so that the same are received on or before Closure of the Issue (i.e.October 18, 2004).

The Company and the Bankers to the Issue will not be liable for any postal delays and applications received through mail after the closure of the Issue, are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned above.

The CAF along with application money must not be sent to the Company or the Lead Managers to the Issue or the Registrar to the Issue except as mentioned above. The applicants are requested to strictly adhere to these instructions.

Application on Plain Paper

In case the CAF is misplaced by the applicant, the applicant may request the Registrar to the Issue, **Alpha Systems Private Limited**, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the original and duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored.

Shareholder who has neither received the original CAF(s) nor is in a position to obtain the duplicate CAF(s) may make an application to subscribe to the Rights Issue on plain paper, along with an Account Payee Cheque / demand draft payable at Bangalore to be drawn in favour of "Citibank N.A.- A/c UBL - Rights Issue" and marked "A/c Payee" for residents shareholders and for non-resident shareholders, it should be accompanied with an Account Payee Cheque / demand draft payable at Mumbai to be drawn in favour of "Citibank N.A.- A/c UBL - Rights Issue – Non Residents" and marked "A/c Payee" and send the same by Registered Post directly to the Registrar to the Issue, **Alpha Systems Private Limited**, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 so as to reach them on or before the closure of the Issue. The envelope should be superscribed "UBL - Rights".

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company should contain the following particulars:

1. Name in full of the shareholder including joint-holders
2. Address of sole / first holder as registered with the Company
3. Registered Folio No./DP ID Number, DP Name and Client ID Number
4. Number of Shares held as on August 27, 2004 (Record Date)
5. Certificate numbers and Distinctive numbers, if held in physical form
6. Number of ROCPS to which entitled
7. Number of ROCPS applied for, out of entitlement
8. Number of additional ROCPS applied for, if any
9. Total number of ROCPS applied for
10. Total Amount payable on application @ Rs.100/- per ROCPS
11. Allotment option either in physical or demat mode with Client ID number, DP name & DP ID number in case demat mode of allotment is preferred.
12. Particulars of Cheque/Draft enclosed
13. Savings/Current Account Number and Name and Address of the Bank for refund purposes
14. PAN/GIR number and Income Tax Circle/Ward/District of the sole/all the joint applicants where the application is for ROCPS of a value of Rs.50,000/- or more
15. In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch.
16. Signature of shareholders including the jointholders in the same order as appearing in the records of the Company
17. Investors will have to state their option for conversion price. i.e

Conversion price will be, subject to the relevant SEBI guidelines in this regard and in force at the time of conversion, at the shareholder's option either:

- Option I: The closing market price of the equity share of the Company on BSE as on the date when the Board of Directors of the Company meet to consider and decide for conversion ('Relevant Market Price'); or
- Option II: Conversion price as determined by the 'Independent Valuation' process described on page no.21 above ('Independent Valuation Price'); or
- Option III: Lower of Relevant Market Price and Independent Valuation Price.

By default, the conversion price will be Option III. The Company will also accept shareholder's requests if they wish to opt for Option I or Option II independently at the time of application for the ROCPS. However, shareholders should note that once they exercise their option, as regards the conversion price, they will not be able to change it subsequently.

The shareholder will have to indicate his option for conversion price by stating clearly at the time of applying on plain paper.

Shareholders may note that, once the Company decides for conversion, the ROCPS will be compulsorily converted into Equity Shares of the Company.

Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilise the CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of any one or both the applications. The Company shall refund such application amount to the applicant without any interest thereon.

Mode of Payment

The completed CAF (duly signed by all joint holders, if any), together with the cheque/demand draft for the amount payable on application at the rate of Rs.100/- per ROCPS should be forwarded to any of the Bankers to the Issue or their designated branches or the Collection Centres as mentioned in the CAF, on or before October 18, 2004. Application(s) will not be accepted by the Lead Manager to the Issue or by the Company directly at any of their offices.

(i) Resident Shareholders

Only one mode of payment should be used. Payment must be made at the rate of Rs.100/- per ROCPS by Cash or Cheque/Demand Draft drawn on any Bank (including a Co-operative Bank) which is situated at and is a member or sub-member of the Bankers Clearing House in the city/town at which the CAF is submitted. A separate cash amount or cheque/demand draft, must accompany each CAF. Outstation/post-dated cheques or demand drafts and postal/money orders will not be accepted and CAFs accompanied by such cheques/demand drafts/order are liable to be rejected. Payments in cash to the registrars will not be accepted. Returned cheques shall not be represented and the accompanying application will not be considered.

The Cheque/Demand Draft accompanying the application must be drawn in favour of "_____ Bank - A/c UBL - Rights Issue" (e.g. "Citibank N.A. - A/c UBL - Rights Issue") and crossed "Account Payee Only". You are requested to mention the Folio number, Client ID / DP ID (as may be applicable) and the CAF number on the reverse of the Cheque/Demand Draft. If a Cheque or Demand Draft is drawn on a bank that is not participating in clearing, the CAF accompanying such Cheque/Demand Draft shall, at the discretion of the Board, be liable to be rejected.

No person shall make an application for subscription to ROCPS in cash, if on the date of making the application, the applicant has any deposit or loan (including Debentures) whether originally paid in cash or otherwise remaining unpaid (whether payment has fallen due or not) which by itself or taken together with the present application is Rs.20,000/- or more, in terms of Section 269 SS of the Income Tax Act, 1961.

Particulars of applicant's Savings Bank/Current Account must be given in the space provided for in the CAF, so as to enable the Registrars to print the same on the refund order, if any. Applications without such details are liable to be rejected.

Where the application is for ROCPS of the total value of Rs.50,000/- or more, the applicant or in the case of application in joint names, each of the applicants should mention his/her Permanent Account No./GIR No. allotted under the Income Tax Act, 1961. In case where the Permanent Account No./GIR No. has not been allotted, the fact of non-allotment should be mentioned in the Application Form. Without this information, the Application Form will be considered incomplete and will be liable to be rejected.

A separate cheque or bank draft must accompany each application form. All application forms duly completed together with cash/cheque/demand draft for the amount payable on application at Rs.100/- per ROCPS must be submitted before the close of the Subscription List to the Bankers to the Issue named herein or to any of their designated branches or the Collection Centres mentioned on the reverse of the CAF and NOT to the Company, the Lead Managers to the issue or the Registrars to the Issue.

However, only the plain paper application and application by post (in case there is no branch of the issuing bank at the place of submitting the application) may be submitted to the Registrars to the Issue. Applicants should indicate the Folio number and CAF number on the reverse of the cheque/demand draft through which the payment is made.

Shareholders residing at places other than the Collection Centres as mentioned in the CAF and applicants who wish to send their applications by post are requested to send their applications directly to the Registrars to the Issue together with their Demand Draft drawn in favour of "Citibank N.A. - A/c UBL – Rights Issue" payable at Bangalore so as to reach them on or before the closure of the Issue. In such cases, the applicants may make payment net of Demand Draft and postal charges, since these charges will be borne by the Company. In the interest of the members, it is advised that such applications be sent by Registered Post. The Company is not responsible for any postal delay/loss in transit on this account.

No receipt will be issued for the application money. However, the Bankers to the Issue and / or their branches / Collection Centres receiving the applications will acknowledge the receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each CAF.

For further instructions the investors are requested to read the CAF carefully while applying for the shares.

(d) Procedure for payment by means of Stockinvest

Individual investors and mutual funds may note that in terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of application money has been withdrawn.

(ii) Non-Resident Shareholders including NRIs/OCBs/FIIs

Applications received from Non-Resident Indian(s)/Persons of Indian Origin resident abroad/OCBs/non-residents/FIIs/foreign shareholders, for allotment of ROCPS shall be, *inter-alia*, subject to the conditions as may be imposed from time to time by the FIPB and Reserve Bank of India in the matter of refund of application moneys, allotment of ROCPS, issue of letters of Allotment/ Preference Share Certificates, payment of interest, dividends etc. As per extant regulations, all non-resident shareholders will require FIPB /RBI approval for obtaining allotment in this rights issue. Obtaining such approvals will be the responsibility of the respective shareholder(s). Non-resident shareholders are advised to seek advice from their respective advisors for taking necessary steps in this regard.

As per Notification No. FEMA 20/2000-RB dated May 3, 2000 (as amended from time to time) and the subsequent circulars issued by the RBI vide A. P. (DIR Series) Circular No. 14 dated September 16, 2003, any issue of securities of the Company on rights basis including the additional subscription / applications and/ or securities acquired under renunciation of rights by Non-Residents including NRIs/ OCBs would require prior permission of the FIPB / RBI. However, the rights ROCPS would be subject to the same conditions, including restrictions in regard to repatriability as are applicable to the original shares against which rights ROCPS are issued. It may be noted that investment by NRIs on non-repatriation basis would not require RBI approval.

The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of ROCPS, payment of interest/dividend etc. to the non resident Shareholders.

Whether the application being made for the ROCPS is on repatriation/non-repatriation basis, a separate cheque/demand draft must accompany each CAF. All instruments must be crossed "Account Payee only" and drawn in favour of "Citibank N.A. -A/c UBL-Rights Issue – Non Resident". You are requested to mention the folio number and the CAF number on the reverse of the cheque/demand draft.

The source for making investment by Non-Resident Indian(s)/Persons of Indian Origin resident abroad/OCBs/non-residents/FIIs/foreign shareholders will depend on whether the Equity Shares held by them and the ROCPS to be allotted to them are on repatriation or non-repatriation basis.

On Repatriation basis

Payment is to be made by such NRIs/OCBs/FIIs/Foreign Investors in any of the following modes:

- a) Indian Rupee Draft purchased from abroad drawn on any bank in India and made payable at Mumbai or
- b) Cheques drawn on Non-Resident External Account (NRE Account) with any Bank at Mumbai or
- c) Indian Rupee Draft purchased out of NRE/FCNR accounts maintained anywhere in India and payable at Mumbai.
- d) Payments through NR(O) a/c will not be permitted
- e) Payments by FIIs must be paid through the Special NR Rupee Account
- f) Applicants seeking allotment of the ROCPS on repatriation basis should note that the payments for such allotment have to be made through external source only and that the payments through NRO accounts shall not be permitted.
- g) In case of applications by overseas companies and other corporate bodies owned predominantly by Non-Resident Individuals of Indian nationality/origin, a certificate in the prescribed form OAC/OAC-1 from an overseas auditor/chartered accountant/certified public accountant should be submitted along with the application.
- h) In case of NRIs who remit their application money through Indian rupee drafts from abroad, refunds, payment of interest and other disbursements, if any, will be made in the relevant foreign currencies at the rate of exchange prevailing at such time subject to the permission of the RBI. The Company will not be liable for any loss on account of exchange fluctuations for converting their rupee amount in any foreign currency. In case of those NRIs who remit their application money from funds in NRE/FCNR accounts, refund, payment of interest and other disbursements, if any, shall be credited to such account, details of which account should be furnished in the appropriate column of the CAF.

- i) In case where repatriation benefit is available, dividend and sales proceeds derived from the investment in ROCPS can be remitted outside India, subject to tax, as applicable according to Income-tax Act, 1961.

Non-repatriation basis

Payments are to be made by such NRIs either as mentioned above or by Cheques drawn on NRO/NRE/FCNR/NRSR/NRNR A/c at Mumbai or Rupee Demand Draft purchased out of NRO/NRE/FCNR/NRSR/NRNR A/c maintained anywhere in India, but payable at Mumbai. In such cases, refund, dividend, interest and other disbursement, if any, will be payable in Indian Rupees only.

Whether the application being made for the ROCPS is on repatriation/non-repatriation basis, a separate cheque/demand draft must accompany each CAF. All instruments must be crossed "Account Payee only" and drawn in favour of "Citibank N.A. - A/c UBL - Rights Issue – Non Residents". You are requested to mention the folio number and the CAF number on the reverse of the cheque/demand draft.

The application should be accompanied by a non-repatriation undertaking as per the forms prescribed by RBI. In case shares are allotted on non-repatriation basis, the dividend/sale proceeds of the shares cannot be remitted outside India

An account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting FCNR/NRE/NRO accounts or Foreign Inward Remittance Certificate (FIRC) from the authorized dealers along with the CAF otherwise the application may be considered incomplete and liable for rejection. Payment by way of cash shall not be accepted.

In no circumstances should the CAF be delivered to the Lead Managers to the Issue or to the Company.

General

1. Please read the instructions printed on the enclosed CAF carefully
2. Application should be made on the printed CAF, provided by the Company except as mentioned under the head 'Application on Plain Paper' in the LOO and should be complete in all respects.
3. A CAF found incomplete with regard to any of the particulars required to be given therein, and/or which is not completed in conformity with the terms of this LoF is liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any.
4. The CAF must be filled in English and the names of all the applicants, details of occupation address, father's/husband's name must be filled in block letters.
5. Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the Constitution of India. Signatures other than in the aforesaid languages or thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
6. In case of an application under Power of Attorney or by a body corporate or by a society, a certified true copy of the relevant Power of Attorney or relevant resolution or authority to make investment and sign the application along with the copy of the memorandum and articles of association and/or bye laws must be lodged with the Registrars to the Issue **Alpha Systems Private Limited**, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 giving reference of the serial number of the CAF not later than closure of the Issue. In case the above referred documents are already registered with the Company, the same need not be furnished again. However, the serial number of registration or reference of the letter, vide which these papers were lodged with the Company/Registrar must be mentioned just below the signature(s) on the application. **In no case should these papers be attached to the application submitted to the Bankers to the Issue.**
7. The shareholders must sign the CAF as per the specimen signature recorded with the Company. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renouces, the number of applicants should not exceed three.
8. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant at the address given in the CAF.
9. In case a Non-resident or NRI shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
10. **Bank Account Details: It is mandatory for the applicant to mention the applicant's savings bank/current account number and the name of the bank with whom such account is held in the space provided in the CAF, to enable the Registrars to the Issue, to print the said details in the refund orders after the name of the payees. Such applications not containing the above details are liable to be rejected.**

11. PAN/GIR Number: Where an application for allotment of ROCPS individually is for a total value of Rs.50,000/- or more i.e. the total number of ROCPS applied for multiplied by the issue price is Rs.50,000/- or more, the applicant or in case of applications in joint names, each of the applicants, should mention the applicants Permanent Account Number (PAN) allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number under the Income Tax Circle/Ward/District. In case where neither the PAN nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the CAF. CAF without this information will be considered incomplete and will be liable to be rejected.
12. Payment by cash: No person shall make an application for subscription to ROCPS in cash, if on the date of making the application, the applicant has any deposit or loan (including Debentures) whether originally paid in cash or otherwise remaining unpaid (whether payment has fallen due or not) which by itself or taken together with the present application is Rs.20,000/- or more, in terms of Section 269 SS of the Income Tax Act, 1961.
13. All communication in connection with application for the ROCPS, including any change in address of the shareholders should be addressed to the Registrars to the Issue, **Alpha Systems Private Limited**, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 quoting the name of the first/sole applicant shareholder, folio number and CAF number.
14. Split Forms cannot be re-split.
15. Only the person or persons to whom ROCPS have been offered and not renouncee(s) shall be entitled to obtain Split Forms.
16. As per section 109A of the Act, the sole applicant / joint applicants may nominate, in the prescribed manner, a person to whom his ROCPS in the Company shall vest in the event of his death.
17. An applicant cannot make an application for that number of securities exceeding the number of securities being offered through this Rights Issue.

Any dispute or suit or action or proceeding arising out of or in relation to this Letter of Offer or in respect of any matter or thing contained therein and any claim by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court in Bangalore.

Nomination facility to the Investor

The applicant may indicate the name of the nominee in the CAF, in respect of the ROCPS that may be allocated to him or for the existing shares. As per Section 109A of the Companies Act, 1956 and Notification No. G.S.R. 836(E) dated 24.10.2000 amending form 2B i.e. nomination form under the Companies (Central) Government's General Rules and Forms, 1956, only individuals applying as Sole Applicants/Joint Applicants can nominate, in the prescribed manner, a person to whom his share in the Company shall vest in the event of his death. Non-individuals including society, trust, body corporate, partnership firm, holder of power of attorney cannot nominate. In terms of the said section, the following facility is available for nomination in respect of ROCPS to individuals:

1. You may, at any time, nominate, in Form 2B prescribed under the Companies (Central Government) General Rules and Forms, 1956, a person to whom your ROCPS, shall vest in the event of your death.
2. Where the ROCPS are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the ROCPS shall vest in the event of death of all the joint holders.
3. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such ROCPS where a nomination made in the prescribed manner purports to confer on any person the right to vest the ROCPS, the nominee shall, on the death of the holder of ROCPS or as the case may be, on the death of the joint holders become entitled to all the rights of the ROCPS or as the case may be, all the joint holders, in relation to such ROCPS to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

Where the nominee is a minor, it shall be lawful for the holder of the ROCPS to make the nomination to appoint, in the prescribed manner, any person to become entitled to ROCPS in the event of his death, during the minority.

A nomination shall stand rescinded upon a sale of ROCPS by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the Registrar and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, 1956, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, 1956, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the ROCPS; or

- b. to make such transfer of the ROCPS, as the deceased holder could have made

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the ROCPS, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the ROCPS, until the requirements of the notice have been complied with.

Option to Receive the Right ROCPS in dematerialised Form

The Equity Shares of UBL are been traded in dematerialised mode. The Company has an agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) dated August 29, 2002 and September 24, 2002 respectively. Its Equity Shares bear the ISIN No. INE686F01017. The current Issue of ROCPS being offered to the Shareholders on a Rights Basis will also be traded in the dematerialised form on the relevant stock exchanges.

Applicants may note that they have the option to subscribe to the ROCPS in demat or physical form, or partly in demat and partly in physical form, in the same application. In case of partial allotment, allotment will be first done in demat form, and the balance, if any, will be allotted in physical form. Investor can opt for this facility by filling up the relevant particulars in the CAF.

No separate application for demat and physical is to be made. If such applications are made, the application for the physical ROCPS will be treated as multiple applications and are liable to be rejected.

The investors who wish to trade the ROCPS allotted to them through this Rights Issue on the stock exchanges are advised to opt for receiving these ROCPS in dematerialised form.

Procedure for opting for this facility for allotment of ROCPS arising out of this issue in electronic form is as under:

1. Open a Beneficiary Account with any Depository Participant (care should be taken that the Beneficiary Account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In case of joint holding, the Beneficiary Account should be opened carrying the names of the holders in the same order as with the Company). In case of investors having various folios in the Company with different joint holders, the investors will have to open separate accounts for such holdings. This step need not be adhered to by those shareholders that have already opened such Beneficiary Account(s).
2. For shareholders holding shares in dematerialised form as on Record date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Shares by way of credit to such account the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of ROCPS arising out of this issue can be received in a dematerialised form even if the original equity shares of the Company are not dematerialised. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the shareholders and the names are in the same order as in the records of the Company.
3. Responsibility for correctness of applicant's age and other details given in the CAF vis-à-vis those with the applicant's Depository Participant would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be same as registered with the applicant's Depository Participant.
4. If incomplete/incorrect Beneficiary Account details are given in the CAF or where the investor does not opt for to receive the ROCPS in dematerialised form, the Company will issue ROCPS in the form of physical certificate(s).
5. The ROCPS allotted to investors opting for dematerialised form, would be directly credited to the Beneficiary Account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrars to the Issue but the confirmation of the credit of the ROCPS to the applicant's Depository Account will be provided to the applicant by the applicant's Depository Participant.

Renounees can also exercise this option to receive ROCPS in the dematerialised form by indicating in the relevant block and providing the necessary details about their Beneficiary Account.

6. It may be noted that shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL.

Dividend or other benefits with respect to the shares held in dematerialised form would be paid to those ROCPS holders whose names appear in the list of beneficial owners given by the DP to UBL as on record date.

Option to receive jumbo certificate

Shareholders opting to receive ROCPS in physical mode will have an option to receive one consolidated preference share certificate for all the ROCPS allotted to them in this offer, if the shareholder exercises the option by filling up the relevant box provided in the CAF.

Basis of Allotment

The basis of allotment shall be finalised by the Board of Directors of the Company or Share Transfer Committee of the Company authorised in this behalf by the Board of Directors.

1. The Board of Directors or the Share Transfer Committee as the case may be will proceed to allot the shares with the approval of the Stock Exchange, Mumbai (BSE), in the following order of priority:
 - a) Full allotment to the equity shareholders who have applied for their rights entitlement either in full or in part and also to the renounees who have applied for ROCPS renounced in their favour either in full or in part (subject to other provisions contained under the paragraph titled "Renunciation").
 - b) Allotment to the equity shareholders who having applied for their full rights entitlement of ROCPS offered to them have applied for additional ROCPS provided there is a surplus available after full allotment under (a) above and shall be at the absolute discretion of the Board or the Share Transfer Committee of the Company authorised in this behalf by the Board and the decision of the Board or the Share Transfer Committee shall be final and binding. The allotment of such additional ROCPS will be made as far as possible on an equitable basis with reference to the number of equity shares held by them on the Record Date in consultation with the BSE, as part of the Issue and not preferential allotment.
 - c) To the renounee(s) who having applied for all the ROCPS renounced in their favour and have also applied for additional ROCPS, provided there is surplus available after making full allotment under (a) and (b) above. The allotment of such additional ROCPS will be made on a proportionate basis at the sole discretion of the Board/ Share Transfer Committee but in consultation with the Designated Stock Exchange, as a part of the Rights Issue and not preferential allotment.
2. In the event of oversubscription against the Rights Issue, allotment will be considered on an equitable basis with reference to the number of equity shares held on the Record Date, within the overall size of the Rights Issue at the sole discretion of the Board but in consultation with the Designated Stock Exchange. No oversubscription shall be retained by the Company. Even in the event of undersubscription, the allotment will be made in consultation with the Designated Stock Exchange.
3. After taking into account the full allotment under 1(a), 1(b) and 1(c) above, if there is any unsubscribed portion, the Issue shall be deemed to be "undersubscribed" within the meaning of Regulation Number 3(1) (b) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Allotment in terms of 1(b) and 1(c) shall not result in the change of control of Management.
4. After taking into account the allotments made under 1(a), 1(b) and 1(c) above, if there is still any undersubscription, the unsubscribed portion shall be disposed off by the Board of Directors or Share Transfer Committee of the Company authorised in this behalf by the Board upon such terms and conditions and to such person/persons and in such manner as the Board/Share Transfer Committee may in its absolute discretion deem fit, as a part of Rights Issue and not preferential allotment. Further, such application for subscription to the undersubscribed portion, if made by existing shareholders, are not liable to be treated as multiple applications.

Unsubscribed ROCPS

The unsubscribed portion, if any of the ROCPS offered to the shareholders, after considering the application for Rights/renunciation and additional ROCPS, as above, shall be disposed of by the Board or Share Transfer Committee of the Company authorized in this behalf by the Board of Directors of the Company at their full discretion and absolute authority, in such a manner as they think most beneficial to the Company and the decision of Board or Share Transfer Committee of the Company in this regard will be final and binding.

The word "undersubscribed" in point 1(b) above shall mean undersubscribed as defined in regulation 3(1) (b) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Disposal of Applications and Application Money

The Board reserves the right to reject applications in case the application is not made in terms of this LoF. In case an application is rejected in full the whole of the application money received will be refunded to the first named applicant and where an application is rejected in part, the excess application money will be refunded to the first named applicant within 6 weeks from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay of refund of application money by more than 8 days after the Company becomes liable to pay (i.e. forty two days after the closure of Issue), the Company will pay interest for the delayed period at the rate prescribed under sub-section (2) and (2A) of Section 73 of the Act.

The subscription moneys received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied DgSE with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

Allotment / Refund/Interest in case of delay in allotment/refund

The Company will issue and dispatch Letter(s) of Allotment/ Preference Share Certificate(s) and/or Letter(s) of Regret along with Refund Orders, if any, credit the allotted securities to the beneficiary account within a period of 6 weeks from the date of closure of the Subscription List. Such refund orders, in the form of cheque or pay order, marked "A/c Payee" and would be drawn in the name of a sole/first applicant and the refund orders will be payable at par. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall, as stipulated under Section 73(2A) of the Companies Act, 1956, pay that money with interest at the rate of 15% p.a. Letter(s) of Allotment/ Refund Order(s) above the value of Rs.1,500 will be dispatched by Registered Post / Speed Post to the sole/first applicant's address. However, Refund Orders for values not exceeding Rs.1,500 shall be sent to the applicants under postal certificate at the applicant's sole risk at his address. Adequate funds would be made available by the Company to the Registrars to the Issue for this purpose.

Dispatch of Letter(s) of Allotment/ Preference Share Certificates/Refund Orders and demat credit would be completed and allotment and listing documents shall be submitted to the stock exchanges within 2 working days of finalisation of the basis of allotment.

In case the Company issues Letter(s) of Allotment, the Preference Share Certificate(s), if applicable will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment which would be exchanged later for Preference Share Certificate(s).

For Non Resident Applicants, refunds, if any, will be made as under:

Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Mumbai, India, refunds will be made in convertible foreign exchange (net of bank charges/commission) equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupee amount. The exchange risk on such refunds shall be borne by the concerned applicant and the Company shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/ NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.

Undertaking by the Company

The Company undertakes that:

- a) that the complaints received in respect of the Issue shall be attended to by the Issuer Company expeditiously and satisfactorily;
- b) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalisation of basis of allotment;
- c) that the Issuer Company shall apply in advance for the listing of equities on the conversion of ROCPS;
- d) that the funds required for despatch of refund orders/allotment letters/ certificates by registered post shall be made available to the Registrars to the Issue by the Company;
- e) that the certificates of the securities/refund orders to the non-resident Indians shall be despatched within specified time.
- f) that no further issue of securities shall be made till the securities offered through this offer document are listed or till the application moneys are refunded on account of non-listing, undersubscription, etc.

Utilisation of Issue Proceeds

The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied DgSE with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

The Board of Directors undertakes that

- a) all monies received out of issue of ROCPS shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73;
- b) details of all monies utilised out of the Issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilised; and
- c) details of all unutilised monies out of the issue of ROCPS, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilised monies have been invested.

Investors may please note that the Company has raised Bridge Loan from Rabo India Finance Private Limited as stated on page no.43 of this LoF. Accordingly, the Issue proceeds will be utilized to repay the Bridge Loan.

IV. Tax Benefits

The Company has been advised by Price Waterhouse, Chartered Accountants vide their certificate dated June 25, 2004, in connection with this Rights Issue that under the current provisions of the Income Tax Act, 1961, (hereinafter referred to as "IT Act") and other applicable tax laws, for the time being in force, the following tax benefits and deduction will, *inter-alia*, be available, subject to the fulfillment of the respective requirements of the relevant provisions.

However, all Shareholders are advised to consult their own tax advisors as to the tax implications on investment in their individual case.

Quote

We hereby certify that the enclosed annexure states the tax benefits available to United Breweries Limited (the "Company") and its shareholders under the provisions of the Income Tax Act, 1961 and other direct tax laws currently in force.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A shareholder is advised to consider in his own case the tax implications of an investment in the shares.

J. Majumdar
Partner
Membership Number – F51912

For and on behalf of
Price Waterhouse
Chartered Accountants

Bangalore
25th June, 2004

Tax Benefits

A. To the Company - Under the Income Tax Act, 1961

- In accordance with and subject to the provisions of section 32 of the Income Tax Act, 1961 ('IT Act'), the company would be entitled to claim depreciation on tangible and intangible assets as specified under the provisions of the Act.
- Under section 35 of the IT Act and subject to the conditions specified therein, the company would be entitled to deduction in respect of expenditure (both capital and revenue) laid out or expended on Scientific Research related to the business.
- In accordance with and subject to the provisions of section 36(1)(iii) of the IT Act, the company would be entitled to claim deduction in respect of interest paid on capital borrowed for the purposes of its business.
- In accordance with and subject to the conditions specified in section 80HHC of the IT Act, the company would be entitled to deduction of:
 - 30% for Financial Year 2003-04; and
 - Nil for the Financial Year 2004-05 and onwardsof the profits derived from the export of goods, if any, for the relevant financial year, computed in accordance with the provisions of the said section.
- In accordance with Section 10 (34) of the IT Act, dividend income referred to in Section 115-O of the IT Act are exempt from tax in the hands of the Company.
- Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares by the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer in eligible bonds (to be held for a minimum period of 3 years) issued by -
 - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
 - National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
 - Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.

- ❑ Under section 54ED of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(36) of the Act], if any, arising on the transfer of listed securities or units by the Company, will be exempt from capital gains tax if the capital gains are invested in equity shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer.

B. To the Members of the Company - Under the Income Tax Act, 1961

B.1 Resident Members

- ❑ In accordance with Section 10 (34) of the IT Act, dividend income referred to in Section 115-O of the IT Act are exempt from tax in the hands of the shareholder.
- ❑ Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(36) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer in eligible bonds (to be held for a minimum period of 3 years) issued by
 - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
 - National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
 - Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.
- ❑ Under section 54ED of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(36) of the Act] if any, arising on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gains are invested in equity shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer.
- ❑ In accordance with section 54F of the IT Act and subject to the conditions and restrictions mentioned therein, long term capital gains [in cases not covered under section 10(36) of the IT Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax, if the net sale proceeds from such shares are utilised for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- ❑ Unless otherwise exempt, long term capital gains (i.e., if shares are held for a period exceeding 12 months) arising on transfer of shares of the Company, as and when they are listed, shall be taxed under section 112 of the IT Act and other relevant provisions of the IT Act, at the rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48 or at 10% (plus applicable surcharge) without indexation, at the option of the shareholder.

B.2 Non-Resident Indians/ Non Residents Members [Other than FII's and Foreign venture capital investors].

- ❑ In accordance with Section 10 (34) of the IT Act, dividend income referred to in Section 115-O of the IT Act are exempt from tax in the hands of the shareholder.
- ❑ Under the first proviso to section 48 of the IT Act, a non-resident who has invested in the shares of the company in convertible foreign exchange (as per the exchange control regulations) is entitled to protection from fluctuations in the value of rupee vis-à-vis the foreign currency in which the investment was originally made. The capital gain/ loss in such a case is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares. However, cost indexation benefits will not be available in such a case.
- ❑ Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(36) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer in eligible bonds (to be held for a minimum period of 3 years) issued by -
 - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

- National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
- Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.
- Under section 54ED of the IT Act and subject to the conditions and to the extent specified therein, long term capital gains [not covered under section 10(36) of the Act], if any, arising on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gains are invested in equity shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer.
- Under section 54F of the IT Act, long term capital gains [not covered under section 10(36) of the IT Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer (subject to exchange control regulations).
- Unless otherwise exempt, long term capital gains (i.e., if shares are held for a period exceeding 12 months) arising on transfer of shares in the Company, as and when they are listed, shall be taxed under section 112 of the IT Act and other relevant provisions of the IT Act, at the rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48 (indexation not available if the investment is made in foreign currency and subject to exchange fluctuation benefits under the first proviso to section 48) or at 10% (plus applicable surcharge) without indexation, at the option of the shareholder.
- A non-resident Indian (i.e., an individual who is a citizen of India or person of Indian origin but is a non resident) has an option to be governed by the provisions of Chapter XII-A of the IT Act, viz., "Special Provisions Relating To Certain Incomes of Non-Residents", in terms of which -
 - Under section 115E of the IT Act, where shares in the company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months shall [in cases not covered under section 10(36) of the IT Act] be concessionaly taxed at the flat rate of 10% (plus surcharge) but without indexation benefit and protection against foreign exchange fluctuation.
 - Under provisions of section 115F of the IT Act, long term capital gains [not covered under section 10(36) of the IT Act] arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.
 - Under provisions of section 115G of the IT Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.
- Under section 115-I of the IT Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the IT Act declaring therein that the provisions of the chapter shall not apply to him for that assessment year and if he does so the provisions of the said chapter shall not apply to him and the other provisions of the Act shall apply instead.

B. 3 Foreign Institutional Investors (FIIs)

- In accordance with Section 10 (34) of the IT Act, dividend income referred to in Section 115-O of the IT Act are exempt from tax in the hands of the shareholder.
- The income by way of short term capital gains or long term capital gains [not covered under section 10(36) of the IT Act] realized by FIIs (notified by the Central Government) on sale of shares in the company would be taxed at the following rates as per section 115AD of the IT Act.
 - Short term capital gains – 30% (Plus applicable surcharge)
 - Long term capital gains – 10% (Plus applicable surcharge) but without indexation / fluctuation benefits
(Shares held in a company would be considered as a long-term capital asset provided they are held for a period exceeding 12 months.)

B. 4Venture Capital Companies/ Funds/ Mutual Funds

- In terms of section 10(23D) of the IT Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorised by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.

C. Benefits to Members of the Company under the Wealth Tax Act, 1957

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence, Wealth Tax Act will not be applicable.

D. Benefits to Members of the Company under the Gift Tax Act, 1958

Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift Tax.

Scope Limitation

- Our comments are based on the law as of date. Tax rates mentioned above are those which are currently applicable. Tax laws are subject to changes from time to time and as such any changes may affect the advice contained in our opinion. We have no responsibility to update our advice for events and circumstances occurring after the date of this opinion, unless specifically requested by you.
- In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be subject to any further benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
- Tax advice is a matter of interpretation of law and is based on our experience with the tax authorities. Accordingly, it cannot be said with certainty that the tax authorities would accept the opinion expressed above.
- In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

Unquote

V. Particulars of the Issue

Objects of the Issue

The main objects of the present Issue are:

Purpose	Amount (Rs. in Lacs)
Debt repayment	8,884
Loan to UBHL	12,500
Total Proceeds	21,384

UBL and UBHL have entered into a Memorandum of Agreement dated June 30, 2003 which governs the terms of the loan of upto Rs.17,500 Lacs to be granted by UBL to UBHL. Any loan to UBHL, in excess of Rs.12,500 Lacs shall be out of sources of funds other than the ROCPS issue, including the ECB availed by the Company. The salient features of this memorandum of agreement are as follows:

- UBL has agreed to grant a term loan of upto Rs.17,500 Lacs to UBHL to enable UBHL to clear certain liabilities by way of repayment of term loans to banks / financial institutions, including some of its high cost borrowings.
- The term of the loan shall be five years. The said term of five years for this purpose shall commence from the date of drawal of the loan by UBHL. UBHL shall repay the loan amount through a single bullet payment at the end of the loan period. Pursuant to the Memorandum of Agreement entered into between UBL and UBHL, the Company has given loan of Rs.16,000 Lacs to UBHL on July 3, 2003.
- As and by way of security for the loan UBHL has created a second charge over its specified assets as agreed and the security so created shall continue till the loan to UBL is discharged.
- UBHL shall pay interest to UBL on the term loan availed of at the rate specified by UBL, such rate not to exceed 12% per annum. During the period of the term loan UBHL shall pay interest in such manner as may be mutually agreed between the parties. UBL reserves the right to revise the rate of interest based on the cost of funds in its hands subject however to the upper limit of 12% p.a. UBHL would be liable to pay default interest at 2% above the agreed rate for the period of default. The loan to UBHL is presently given at a rate of 9.5% representing the cost of Bridge Loan.
- The following shall be construed as defaults committed by UBHL:
 - utilization of the loan for purposes other than that for which it has been granted
 - default in payment of interest in accordance with the mutually agreed schedule,
 - if any situation or circumstances have arisen, which in the opinion of UBL may make it impossible for UBHL to fulfil its obligations under the agreement
 - if UBHL has taken or suffered any action for its reorganisation, liquidation or dissolution or if a receiver or liquidator has been appointed for all or any part of the assets of UBHL
 - default in repayment of the loan at the end of the tenure
- At any time during the tenure of the loan, UBL may recall the entire loan with interest by giving UBHL written notice of three months. Similarly, UBHL shall be entitled to repay the loan together with interest before the expiry of the five year tenure by giving UBL three month's notice in writing
- It is agreed that UBHL or its subsidiaries shall not take any action or enter into any commitment in respect of matters like any change in the Memorandum and Articles of Association, issue of any ordinary shares or any financial instrument with any option of conversion, disposal or further encumbering or transfer of any assets charged in favour of UBL, further borrowings, material changes in UBHL's business, voluntary liquidation, any material related party transactions otherwise than in the ordinary course of business, declaration of bonus or dividend otherwise than under an agreed policy or in excess of distributable profits arising in the year in question etc without the express consent in writing from UBL

The payment of loan of Rs.16,000 Lacs to UBHL has been effected out of the Bridge Loan availed by the Company (for disclosures regarding Bridge Loan, please see below). The loan outstanding from UBHL as on March 31, 2004 is Rs.16,000 Lacs.

Bridge Loan:

Pending the completion of documentation formalities with S&N / its nominees and as also due to depressed market conditions, the Company could not launch the Rights Issue immediately after getting the same approved in the EGM held on January 21, 2003. However, to reduce the burden of high cost debt on the Company's financials and meet the objects of the present Issue, the Company has raised Bridge Loan on August 3, 2003 from Rabo India Finance Private Limited (RIF) aggregating Rs. 25,000 Lacs. This amount of Rs.25,000 Lacs also covers the ECB funding to be provided by S&N (please refer page no.55). Subsequent to the disbursal of the ECB by S&N, the Company has paid back an amount of Rs.5,000 Lacs to RIF on August 13, 2003, thus reducing the outstanding Bridge Loan to Rs.20,000 Lacs. The proceeds of this Issue would be used to retire the Bridge Loan. The major terms and conditions for the Bridge Loan are as follows:

- Facility : Bridge Finance Facility.
The Facility is offered to the Company (the "Borrower") pending infusion of funds by Scottish & Newcastle Plc. (S&N) by way of subscription to Rights Issue and External Commercial Borrowing (ECB) of UBL, together aggregating to INR 2.5 bln ("Infusion").
- Facility Amount : Upto Rs.2,500,000,000/- (Rupees two billion five hundred million only).
(since reduced to Rs.2,000,000,000/- after repayment of Rs.500,000,000, as mentioned above)
- Purpose : To prepay high cost debt.
- Tenor : Upto six months from the date of first drawdown or completion of Infusion, whichever is earlier.
- Interest Rate & Payment : Interest rate of 8.5% p.a. to be reset quarterly.
Subject to the aforesaid, the Lender shall, with prior written notice to the Borrower, have full right and discretion to alter the Interest rate payable by the Borrower to the Lender, in accordance with any directions of the Reserve Bank of India or any other statutory authority in this regard.
- Interest Payment Date : Interest shall be payable on repayment/prepayment of the Facility by the Borrower.
- Overdue Rate : An additional charge of at least 2.00% per annum over the stipulated Interest Rate shall be applicable on all amounts outstanding beyond the stipulated Tenor or on failure to complete the required documentation.
- Security / Protection : The Facility will constitute direct and unconditional obligations of the Borrower in favour of the Lender, secured by:
- Unconditional and Irrevocable Guarantee from Rabobank UK to be invoked in the event of non performance by S&N as defined under Event(s) of Default under Annexure III, Clause I(a) backed by Counter Indemnity from S&N for the Facility Amount upto Rs.2,500,000,000/- (Rupees Two Billion Five Hundred Million only).
 - Undertaking from UBL to utilize the proceeds of the Rights Issue and ECB for repayment of RIF Bridge Finance Facility and to put together appropriate mechanism in this regard as may be required by RIF.
 - Undertaking from S&N to provide all necessary assistance to UBL so that the proceeds of the Rights Issue and ECB for repayment of RIF Bridge Finance Facility.
- The Facility will be additionally secured by **second** charge on land, buildings and all other fixed assets pertaining to UBL's breweries, situated at Ludhiana, Hyderabad, Taloja, Goa, Pallakad, Kalyani, Cherthala and Associated Breweries & Distilleries Ltd's brewery situated at Navi Mumbai, subject to NOC from working capital consortium of bank who have existing second charge on these assets.
- The security in favour of RIF will be created simultaneously with creation of security by UBL in favour of S&N or its security agent. The security will be released on completion of Infusion i.e. S&N providing ECB of Rs.50,000 Lacs to UBL and subscribing to ROCPS of upto Rs.20,000 Lacs under the proposed Rights issue of UBL; and UBL repaying RIF's Bridge Finance Facility from the proceeds thereof.
- Principal Repayment : Bullet, at the end of the Tenor.
- Mandatory Prepayment : The Facility Amount and all amounts related thereto shall be mandatorily prepaid/ repaid upon completion of Infusion.
- Facility Management Fee : 0.5% of the Facility amount of Rs.2,500,000,000/- to be paid on first drawdown of the Facility

Other terms and conditions : In addition hereto, the Facility is subject to General Terms and Conditions, Covenants and Representations & Warranties, and Events of Default and Remedies which form part of the agreement.

Some of the important clauses of General Terms and Conditions, Covenants and Representations & Warranties and Events of Default and Remedies are as follows:

- Notwithstanding the terms of the Bridge Loan and in conformity with its normal business practice, RIF reserves the right to review the Facility or any of the terms and conditions thereof or any other documents or security relating thereto.
- The Borrower has undertaken that, so long as the Facility Amount remains outstanding and until the full and final payment of all money owed by the Borrower to RIF, it will not without prior written approval of the Lender, pay any dividends, during an Event of Default.
- Non performance by S&N to subscribe to the Rights Issue of UBL reflecting the key terms contained in the Notice calling the EGM of shareholders of UBL dated 21st December 2002 and approved by the shareholders on 21st January 2003 would be considered as an event of default.
- UBL has agreed that subject to the security to be created in favour of S&N, without prior written approval of the Lender, it will not create or allow to be created any security or privilege or right or preference for the benefit of any third party over any or all of its assets, any retention of title, clause, opinion or any third party right, beyond those authorised under the Facility.

Note: The bridge loan has been rolled over on previous due dates and is now due for repayment on September 30, 2004.

The break-up of Issue expenses are as follows:

Sr. No.	Particulars	Amount (Rs. In Lacs)
1	Issue Management fees	60.00
2	Registrars fees	3.00
3	Legal, Consultancy & Advisory fees, Certification & Audit fees	477.46
4	Fees to SEBI	2.50
5	RoC fees for increase in authorized capital	125.59
6	Printing & Postage	46.00
7	Advertisement fees, Listing fees to stock exchanges for ROCPS & Miscellaneous expenses	55.00
	Total	769.55

Working capital:

The assessed working capital details of the Company are as follows:

(Rs. In Lacs)

Particulars	March- 2003	March- 2004	March- 2005
Total Current Assets	17,920	17,967	20,160
Other Current Liabilities	10,079	8,216	9,274
Working Capital Gap	7,841	9,751	10,886
Net Working Capital	3,137	4,251	4,886
Assessed Bank Finance	4,704	5,500	6,000

Note: The above working capital assessment is made by the Consortium of Bankers as per their assessment norms / norms laid down by RBI for assessment of CMA data submitted by the Company. Hence the figures mentioned in March - 2003 above are figures assessed by the Bank as allowable under their norms and shall not match with Balance Sheet figures.

Break –up of the current assets and current liabilities are as follows:

(Rs. In Lacs)

Particulars	March 31, 2004	March 31, 2003
Current Assets		
Inventories:		
Raw Materials	579.37	626.72
Stores and Spares	1,018.29	762.23
Finished Goods	2,098.72	1,645.95
Goods-In-Transit	221.05	168.58
Sundry Debtors	7,416.95	7,462.68
Cash and Bank Balances	1,561.41	1,138.84
Other Current Assets	3.12	3.63
Loans and Advances	25,461.03	9,836.59
Total Current Assets (A)	38,359.94	21,645.22
Current Liabilities		
Sundry Creditors	14,144.61	15,665.67
Interest accrued but not due	1,380.09	1,457.12
Acceptances	762.91	1,621.09
Provisions		
Gratuity / Leave Encashment Payable	471.38	583.68
Total Current Liabilities (B)	16,758.99	19,327.56
Net Current Asset (A - B)	21,600.95	2,317.66

The Working Capital is financed by Consortium of Bankers.

VI. The Company, Management and Project

Brief History

UBL was originally incorporated as a public limited company on May 13, 1999 in Karnataka under the name and style of "UB Infrastructure Projects Limited". The Company was originally incorporated to carry out the business of infrastructure facilities and other allied activities. The name of the Company was subsequently changed to UB Beer Limited, on July 31, 2001, in view of the Scheme of Arrangement proposed to be entered into between United Breweries (Holdings) Limited (erstwhile United Breweries Limited) and the Company. The erstwhile UBL was the holding company of the Company and in terms of the Scheme of Arrangement, the brewing business carried on by erstwhile UBL in its various undertakings and/or units located at Taloja, Cherthala, Palakkad, Hyderabad, Ponda, Kalyani and Ludhiana, save and except the unit located at Bangalore, but including trade marks, trade names, brands, domain names and contract brewing rights on a going concern basis including all units of administrative properties relating to or necessary for the aforesaid units are transferred to and now vest in the Company. As part of the Scheme of Arrangement 1,50,93,971 shares were allotted to the shareholders of UBHL. Please refer to page no.48 for details of the Scheme of Arrangement.

The paid up share capital was Rs.2.72 crores prior to demerger of UBHL beer business into the Company and subsequent to the allotment of equity shares consequent upon demerger, the paid up capital of the Company stands at Rs.17.83 crores with approximately 42,890 shareholders as on August 1, 2003.

The Honourable High Court of Karnataka has approved the scheme of arrangement on July 4, 2002 and the equity shares upon allotment in the Company are now listed on all the stock exchanges where the equity shares of erstwhile UBL were listed- BSE, ASE, BgSE, CSE, CoSE, DSE, HSE, LSE, MSE.

After allotment of shares of the Company, pursuant to the approval of the scheme of demerger by the High Court, the Company made applications for listing of the equity shares at all stock exchanges where the shares of UBHL were listed. This application was made in terms of the provisions of clause 8.3.5.1 of the SEBI Guidelines. The Company received approval for listing of its equity shares from the stock exchanges on the following dates:

Stock Exchange	Listing approval for equity shares obtained on
The Stock Exchange, Mumbai (Designated Stock Exchange)	October 23, 2002
The Ahmedabad Stock Exchange Association Limited	November 8, 2002
The Bangalore Stock Exchange Association Limited	October 17, 2002
The Calcutta Stock Exchange Association Limited	September 18, 2002
The Cochin Stock Exchange Association Limited	October 21, 2002
The Delhi Stock Exchange Association Limited	October 23, 2002
The Hyderabad Stock Exchange Association Limited	October 23, 2002
The Ludhiana Stock Exchange Association Limited	October 21, 2002
The Madras Stock Exchange Association Limited	October 25, 2002

In terms of the Scheme of Arrangement, the name of the Company has been changed to United Breweries Limited. The Registrar of Companies has issued a fresh Certificate of Incorporation consequent upon change in the name of the Company on August 7, 2002.

Main Objects of the Company

The objects clause of the Memorandum of Association of the Company enables it to undertake the activities for which the funds are being raised in the present Issue. Furthermore, the activities the Company has been carrying out until now is in accordance with the objects of the MoA. The main objects of the Company as set out in its Memorandum of Association, *inter alia* are:

- 1 (a) To carry on the business of Brewers and Malsters in all its branches and to consolidate all brewery related activities. To carry on all or any of the business of hop merchants and growers, timber merchants and growers, malt factors, corn merchants, wine and spirit merchants, either as exporters or importers and distillers, coopers and bottlers, bottle makers, bottle stopper makers, potters, manufacturers of and dealers in aerated mineral waters and other drinks licensed vicutallers, beer house keepers, yeast dealers, grain and produce growers, sellers and driers, isinglass merchants and printers.
- (b) Primarily and without prejudice to the generality of the other objects of the Company, to purchase or otherwise acquire and take over as going concerns the businesses of Brewers and otherwise heretofore carried on.

2. To purchase and take over, manage, control, undertake or otherwise acquire any business, either in part or in entirety, carried on by any individual, firm, joint family or company which is in accordance with the objects mentioned herein and in particular to purchase or otherwise acquire from such business right, properties and assets including plants, machinery, lands, buildings, goodwill, liabilities and obligations to pay the vendors in suitable manner.
3. To trade and carry on business as manufacturers of and dealers in all kinds of beer, ales and the like: to trade and carry on the business in the like manner as brewers, malsters and hop growers; ale, stout and porter merchants, agents and distributors; barley and general raisers, importers, driers and merchants; manufacturers of and dealers in yeast, finings, isinglass and other drawers, requisites.

The objects incidental or ancillary to the attainment of the main objects *inter-alia* are as follows:

Clause No.

- 33 To lend and advance money or to give credit to such persons or Companies, and on such terms as may seem expedient and, in particular, to customers and others having dealings with the Company and to guarantee the performance of any contract or obligation and the payment of money of or by any such persons or Companies and generally to give guarantees and indemnities; but not to do banking as defined in Banking Regulation Act, 1949.
- 34 To invest and deal with the moneys of the Company not immediately required in such manner as from time to time be determined.
- 35 To receive money on deposit or loan and borrow or raise money in such manner as the Company shall think fit, and in particular, by the issue of Debentures or and to secure the payment of any money borrowed, raised or owing by mortgage, charge, or lien upon all or any of the property or assets of the Company (both present and future), including its uncalled Capital, and also by a similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other person or Company of any obligation undertaken by the Company or any person or Company as the case may be; acceptance of deposits as per Regulations specified under Section 58(A) of the Companies Act, 1956.
- 37 To draw, make, accept, endorse, discount, execute and issue Bills of Exchange, Promissory Notes, Bills of Lading, Warrants, Debentures and other negotiable or transferable instruments or securities; subject to the provisions of the Banking Regulation Act, 1949.

Changes in the Memorandum of Association of the Company

Since incorporation of the Company, following changes have been incorporated in the Memorandum after approval by the members:

- 1) The Company had vide a special resolution passed at an extra-ordinary general meeting on July 25, 2001 altered the provision of its Memorandum of Association. The change that was made to the Memorandum is as follows:
 - 1 a) To carry on the business of Brewers and Maltsters in all its branches and to consolidate all Brewery related activities. To carry on all or any of the business of hop merchants and growers, timber merchants and growers, malt factors, corn merchants, wine and spirit merchants, either as exporters or importers and distillers, coopers and makers, potters, manufacturers of and dealers in aerated and mineral waters and other drinks, licensed victuallers, beer house keepers, yeast dealers, grain and produce growers, sellers and driers, isinglass merchants and printers.
 - b) Primarily and without prejudice to the generality of the other objects of the Company, to purchase or otherwise acquire and take over as going concerns the businesses of Brewers and otherwise heretofore carried on.
2. Change of Name:

“The name of the Company was changed from UB Infrastructure Projects Limited to UB Beer Limited”
3. Alteration of Memorandum of Association:

The Authorised Share Capital of the Company is Rs.3,00,00,000 (Rupees Three Crore only) divided into 30,00,000 (Thirty Lacs) Equity Shares of Rs.10 (Rupees ten) each.
- 2) The Company had vide a special resolution passed at an Extraordinary General Meeting on January 30, 2002 altered the provision of its Memorandum of Association. The change that was made to the Memorandum is as follows:

“The name of the Company was changed from UB Beer Limited to United Breweries Limited”;

“A. Existing Clause 4(a) and (b) of the main objects of the Company be renumbered as Clause 1(a) and (b) as under:

1(a): To carry on the business of Brewers and Maltsters in all its branches and to consolidate all Brewery related activities. To carry on all or any of the business of hop merchants and growers, timber merchants and growers, malt

factors, corn merchants, wine and spirit merchants, either as exporters or importers and distillers, coopers and bottlers, bottle makers, bottle stopper makers, potters, manufacturers of and dealers in aerated and mineral waters and other drinks licensed victuallers, beer house keepers, yeast dealers, grain and produce growers, sellers and driers, isinglass merchants and printers.

(b): Primarily and without prejudice to the generality of the other objects of the Company, to purchase or otherwise acquire and take over as going concerns the businesses of Brewers and otherwise heretofore carried on.

B. Existing Clause Nos. 1 to 3 of the main objects of the Company be deleted and the following be substituted therefore as Clause Nos. 2 and 3 as under:

2. To purchase and take over, manage, control, undertake or otherwise acquire any business, either in part or in entirety, carried on by any individual, firm, joint family or company which is in accordance with the objects mentioned herein and in particular to purchase or otherwise acquire from such business right, properties and assets including plants, machinery, lands, buildings, goodwill, liabilities and obligations to pay the vendors in suitable manner.

3. To trade and carry on business as manufacturers of and dealers in all kinds of beer, ales and the like; to trade and carry on business in the like manner as brewers, maltsters and hop growers, ale, stout and proter merchants, agents and distributors; barley yeast, finings, isinglass and other drawers, requisites.

C. The following Clause be added as Clause 44 after Clause 43 under "The Incidental or Ancillary to the attainment of the Main Objects":

44. To carry on the business of all permissible commercial and residential activities including real estate and development in all its branches, to any lands, buildings, purchase and take on lease and otherwise, acquire any lands, buildings and structure or interest of all rights including air rights therein and to develop such lands, buildings and structures. To construct, let out, sub-let, furnish and carry on all or any of the functions or properties of flats, maisonnettes, dwelling houses, shops, offices, clubs, railway yards, sheds, service stations, garages, advertisers, tourist houses, hotels, theatres, tourist houses and restaurants. To act as agents general agents, land owners, estate owners, property agents, advertising agents and agencies of any other type."

3) The Company had vide a special resolution passed at a Court convened meeting dated, April 3, 2002, of the Equity Shareholders of the Company (for the Scheme of Arrangement) altered the provision of its Memorandum of Association. The change that was made to the Memorandum is as follows:

"The name of the Demerged* Company shall be changed to "Kingfisher Properties & Holdings Limited" and the name of the Resulting^ Company shall be changed to "United Breweries Limited".

**erstwhile UBL now known as UBHL*

^present UBL i.e. Issuer Company

4) The Company had vide a special resolution passed at an Extra-ordinary General Meeting on June 7, 2002 altered the provision of its Memorandum of Association. The change that was made to the Memorandum is as follows:

"The Authorised Share Capital of the Company is Rs.18,00,00,000 (Rupees Eighteen Crore only) divided into 1,80,00,000 (One Crore Eighty Lacs) Equity Shares of Rs.10 (Rupees ten) each."

5) The Company had vide a special resolution passed at an Annual General Meeting on September 30, 2002 altered the provision of its Memorandum of Association. The change that was made to the Memorandum is as follows:

"The Authorised Share Capital of the Company is Rs.2,500,000,000 (Rupees two billion five hundred million only) divided into 30,000,000 (thirty million) equity shares of Rs.10 each and 22,000,000 (twenty-two million) preference shares of Rs.100 each."

Scheme of Arrangement

The following are the extracts of the Scheme of Arrangement that was approved by the shareholders of UBHL and UBL and subsequently approved by the Honourable High Court of Karnataka vide its order dated July 4, 2002. The appointed date for the scheme was August 1, 2001. In the following section UBL (erstwhile UB Beer Limited) is referred to as the "Resulting Company" and UBHL (erstwhile United Breweries Limited) is referred to as "Demerged Company". The brewery business carried on by UBHL (except its Bangalore unit but including all trade marks, brands, permits, licenses, employees, financial assets, records, properties, assets, liabilities etc.), which was demerged into UBL through this court scheme is referred to as "Demerged Undertaking". All the business, investments and the divisions of the Demerged Company other than the Demerged Undertaking is referred to as "Remaining Business". The effective date for the scheme is July 4, 2002.

- With effect from the Appointed Date, all the estate, assets, rights, title and interest including accretions and appurtenances of the Demerged Undertaking as set forth in the Scheme of Arrangement at their closing book values as on July 31, 2001 shall, subject to the provisions of this clause in relation to the mode of vesting and pursuant to Section 394 (2) of the Act, be transferred to and vested in or be deemed to have been transferred to and vested in the Resulting Company as a going concern so as to become as and from the Appointed Date, the estates, assets, rights, title and interest of the Resulting Company. The movable assets of the Demerged Undertaking, including cash and bank balances, shall become the property of the Resulting Company as an integral part of the undertaking.
 - All assets acquired by the Demerged Company after the Appointed Date and prior to the Effective Date for operations of the Demerged Undertaking shall also stand transferred to and vested in the Resulting Company, upon the coming into effect of the Scheme.
 - The transfer and vesting of the Demerged Undertaking, shall be subject to the existing securities, charges and mortgages, if any subsisting, over or in respect of the property and assets or any part thereof relating to the Demerged Undertaking.
- b) Provided however, any reference in any security documents or arrangements (to which UBL is a party) to the assets of the Demerged Undertaking offered or agreed to be offered as security for any financial assistance or obligations, shall be construed as reference only to the assets pertaining to the undertaking of the Demerged Undertaking as are vested in the Resulting Company, by virtue of the aforesaid clauses to the end and intent that such security, charge and mortgage shall not extend or deemed to extend to any assets of the Resulting Company unless specifically agreed to by the Resulting Company with such secured creditors and subject to the consents and approvals of the existing secured creditors of the Resulting Company. Provided further that the securities, charges and mortgages (if any subsisting) over and in respect of the assets of any part thereof of the Resulting Company shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such security, charges or mortgages to the end and intent that such securities, charges or mortgages shall not extend or deemed to extend to any of the assets of the Demerged Undertaking vested in the Resulting Company under this Scheme unless specifically agreed to by UBL with such secured creditors of the Resulting Company and subject to the consents and approvals of the existing secured creditors, if any, of the Demerged Undertaking of UBL. Provided also that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Demerged Company which shall vest in the Resulting Company by virtue of this Scheme and the Resulting Company shall not be obliged to create any further or additional security therefor after the arrangement has become operative.
- a) Upon the coming into effect of the Scheme, the following liabilities and obligations of the Demerged company as on the Appointed Date, shall be deemed to have been transferred to the Resulting Company and to the extent they are outstanding on the Effective Date shall without any further act or deed be and stand transferred to the Resulting Company and shall become the liabilities and obligations of the Resulting Company which shall undertake to meet, discharge and satisfy the same :
 - i) the liabilities which arose out of the activities or operation of the Demerged Undertaking; and
 - ii) such of the general or multipurpose borrowings of the Demerged Company as identified by the Board of Directors of the Demerged Company and which in the aggregate stand in the same proportion in which the value of the assets transferred to the Resulting Company bear to the assets of the Demerged Company on the Appointed Date.
 - b) Where any of the liabilities and obligations of the Demerged Company as on the Appointed Date deemed to be transferred to the Resulting Company have been discharged by the Demerged Company after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Resulting Company and all loans raised and used and all liabilities and obligations incurred by the Demerged Company for the operations of the Demerged Undertaking after the Appointed Date and prior to the Effective Date shall be deemed to have been raised, used or incurred for and on behalf of the Resulting Company and to the extent they are outstanding on the Effective Date, shall also without any further act or deed be and stand transferred to the Resulting Company and shall become the liabilities and obligations of the Resulting Company which shall undertake to meet, discharge and satisfy the same.
 - c) The transfer of the general or multipurpose borrowings in terms of sub-clause (a) (ii) above shall be without prejudice to any agreements or arrangements including in respect of security entered into between the Demerged Company and the lenders existing on the Appointed Date which shall continue in full force notwithstanding that the liability for repayment of principal and payment of interest is taken over by the Resulting Company. The Demerged Company shall make repayments of such principal amounts and payments of interest thereon on behalf of the Resulting Company, and the Resulting Company shall be under obligation to place the Demerged Company in funds at the relevant time so as to enable the Demerged Company to make payment to the lenders.

- d) Where any amounts are raised or received either towards borrowings or advance against preference share capital by the Demerged Company for the operations in or utilisation by or restructuring of the existing loans in the Resulting Company arising from strategic alliance entered into after the Appointed Date but prior to the Effective Date, shall be deemed to have been for and on account of the Resulting Company and to the extent they are outstanding on the Effective Date shall also without any further act or deed be and stand transferred to the Resulting Company and shall become the liabilities and obligations of the Resulting Company, which shall undertake to meet, discharge, allot and/or satisfy the same, as the case may be.
- All the assets and liabilities of the Demerged Undertaking shall be transferred at the values appearing in the books of the Demerged Company immediately before the demerger which are set forth in the Scheme of Arrangement.
 - a) Upon the coming into effect of this Scheme and subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Demerged Undertaking to which the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible, and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect on or against or in favour, as the case may be, of the Resulting Company and may be enforced as fully and effectually as if, instead of the Demerged Company, the Resulting Company had been a party or beneficiary or obligee thereto.
 - b) The Resulting Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, execute deeds, confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which the Demerged Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. The Demerged Company will, if necessary, also be a party to the above. The Resulting Company shall, under the provisions of this Scheme, be deemed to be authorised to execute any such writings on behalf of the Demerged Company and to carry out or perform all such formalities or compliances referred to above on the part of the Demerged Company to be carried out or performed.
 - (a) The Resulting Company undertakes to engage, on and from the Effective Date, all employees of the Demerged Company relating to and/or necessary for the Demerged Undertaking or necessary for the Resulting Company to independently carry on its business, and which employees are in the employment of the Demerged Company as on the Effective Date (the "Transferred Employees"), on the same terms and conditions on which they are engaged by the Demerged Company, without any interruption of service as a result of the Demerger. The Resulting Company undertakes to continue to abide by any agreement/settlement entered into by the Demerged Company in respect of the Demerged Undertaking. The Resulting Company agrees that for the purpose of payment of any compensation, gratuity and other terminal benefits, the past services of the Transferred Employees with the Demerged Company shall also be taken into account, and agrees and undertakes to pay the same as and when payable.
 - (b) In so far as the existing provident fund trusts, gratuity fund and pension and/or superannuation fund trusts created by the Demerged Company for its employees (including the Transferred Employees) are concerned, the part of the funds referable to the Transferred Employees shall be continued for the benefit of the Transferred Employees pursuant to this Scheme in the manner provided hereinafter. The Resulting Company shall have the obligation to take all necessary steps to set up its own trust fund as soon as practicable. Until such time that the Resulting Company creates its own trust fund, the Resulting Company may, subject to necessary approvals and permissions, if any, continue to contribute in respect of the Transferred Employees to the relevant trust fund of the Demerged Company, till the time the Resulting Company creates its own trust fund, the contributions pertaining to the Transferred Employees shall be transferred to the trust fund created by the Resulting Company.
 - Upon the coming into effect of the Scheme, all legal or other proceedings by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted in future (whether before or after the Effective Date) in respect of any matter arising before the Effective Date and relating to the Demerged Undertaking shall be continued and enforced by or against the Resulting Company after the Effective Date.
 - With effect from the Appointed Date and up to and including the Effective Date:
 - a) the Demerged Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Demerged Undertaking and stand possessed of all the estates, assets, rights, title and interest of the Demerged Undertaking for and on account of, and in trust for, the Resulting Company;
 - b) all profits accruing to the Demerged Company, or losses arising or incurred by it (including the effect of taxes if any thereon), relating to the Demerged Undertaking shall for all purposes, be treated as the profits, taxes or losses, as the case may be, of the Resulting Company;

- The Demerged Company hereby undertakes that it will from the Appointed Date up to and including the Effective Date preserve and carry on the Demerged Undertaking with diligence, prudence and agrees that it will not, without the consent of the Resulting Company, alienate, charge or otherwise deal with or dispose of the Demerged Undertaking or any part thereof or recruit new employees (in each case except in the ordinary course of business) or conclude settlements with union or employees or undertake substantial expansion of the Demerged Undertaking, other than expansions which have already been commenced.
- The transfer and vesting of the assets, liabilities and obligations of the Demerged Undertaking under Clause 3 & 4 and the continuance of the proceedings by or against the Resulting Company under Clause 8 hereof shall not affect any transactions or proceedings already completed by the Demerged Company on and after the Appointed Date to the end and intent that, subject to Clause 10, the Resulting Company accepts all acts, deeds and things done and executed by and/or on behalf of the Demerged Company as acts, deeds and things done and executed by and on behalf of the Resulting Company.
- All legal or other proceedings by or against the Demerged Company under any statute, whether pending on the Appointed Date or which may be instituted in future whether or not in respect of any matter arising before the Effective Date and relating to the Remaining Business (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining Business) shall be continued and enforced by or against the Demerged Company.
- With effect from the Appointed Date and up to and including the Effective Date, the Demerged Company:
 - (a) shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Remaining Business for and on its own behalf;
 - (b) all profits accruing to the Demerged Company thereon or losses arising or incurred by it including the effect of taxes (including advance taxes paid), if any, thereon relating to the Remaining Business shall, for all purposes, be treated as the profits, taxes or losses, as the case may be, of the Demerged Company.

Reorganisation of Capital

The provisions of this part shall operate notwithstanding anything to the contrary in this Scheme or in any other instrument, deed or writing.

Section "A"

- In view of the demerger, and as an integral part of the Scheme, the capital of the Demerged Company and Resulting Company shall be restructured and bifurcated in the manner set out in Sections "B" and "C" below.

Section "B"

- Upon the coming into effect of the Scheme and in consideration for the demerger of the Demerged Undertaking, including the transfer and vesting thereof in the Resulting Company pursuant to Part II of the Scheme, the Resulting Company shall, without any further act or deed and without any further payment, issue and allot on a proportionate basis to each member of the Demerged Company whose name is recorded in the register of members of the Demerged Company on the Record Date, in the ratio (the "Entitlement Ratio") of **4 (Four)** Equity Shares in the Resulting Company of Rs.10/- each credited as fully paid-up in cash for every **10 (Ten)** Equity Shares of Rs.10/- each fully paid up held by such member in the Demerged Company. The Convertible Warrants outstanding on the Appointed Date in the records of the Demerged Company shall not be entitled to the issue and allotment on pro-rata basis under the Scheme to the shares in the Resulting Company.
- In view of the demerger and other related provisions of this Scheme and concurrently and as an integrally connected part of the Scheme and upon the coming into effect of this Scheme, with effect from the Appointed Date, the issued, subscribed and paid-up capital of the Demerged Company shall be reduced by Rs.15,09,39,710/- (Fifteen Crore nine Lacs thirty-nine thousand seven hundred ten only), and that such reduction shall be effected by reducing the paid-up capital by Rupees four per equity share of Rs.10 each of the Demerged Company, which have been issued and are outstanding.
- Simultaneously with the reduction of share capital of the Demerged Company in accordance with sub-clause above, equity shares so reduced shall be consolidated into equity shares of Rs.10/- each.
- In case any member's shareholding in the Demerged Company is such that such member becomes entitled to a fraction of one share of the Demerged Company on such consolidation as mentioned above, the Demerged Company shall not issue fractional share certificate(s)/ entitlements to such member but shall consolidate the fractions and issue the consolidated shares to a trustee nominated by the Board of Directors of the Demerged Company who shall sell the shares and distribute the net sale proceeds to such members in proportion to their respective fractional entitlements.

Subsequent to vesting of the brands in UBL upon grant of Scheme of Arrangement, UBL has received registration of 4 brands in various classes and has also secured design registration for bottles. The Company has also made applications for fresh registrations of brands.

Further, the UB Group's Corporate Label Mark containing the PEGASUS of FLYING HORSE has also been transferred to the Company. The erstwhile United Breweries Limited {now United Breweries (Holdings) Limited (UBHL)} had applied for registration of this Label Mark along with FLYING HORSE PEGASUS in all the 34 Classes in the year 1998 and the same is pending for registration although the application has been made. The Company has passed an enabling Board resolution to restore the Corporate Logo of the UB Group back to UBHL in all classes except class 32 pertaining to Beer and class 33 pertaining to alcoholic beverages which is the business of the Company.

Subsidiaries of UBL:

UBL has the following subsidiaries:

1. Associated Breweries & Distilleries Limited (ABDL)
2. London Drafts Pubs Private Limited, subsidiary of ABDL
3. London Pilsner Breweries Private Limited, subsidiary of ABDL
4. Mangalore Breweries & Distilleries Limited (MBDL)

None of the above four companies are listed on any stock exchanges. ABDL and MBDL are referred to BIFR upon complete erosion of their network. Further details of the above companies are given on page no.166.

Profile about the Promoter.

Dr. Vijay Mallya, 48, was elected as Chairman of erstwhile United Breweries Limited [now United Breweries (Holdings) Limited] by shareholders, following the demise of his father in 1983, at the young age of 28.

Prior to being entrusted with the responsibilities of a conglomerate, Dr. Mallya worked for the American Hoechst Corporation in the U.S.A. and in the U.K. Since 1980, he assisted his father, then Chairman of the UB Group in managing the important brewing and spirits divisions.

Upon assuming the position of chairman in October 1983, Dr. Mallya initiated the process of defining a corporate structure with performance accountability, inducting professional management and streamlining businesses. The UB Group is focused on increasing value for its stakeholders through its various operating businesses.

Dr. Mallya was appointed as an additional director of the Company on March 30, 2002. Post de-merger of the brewing business of erstwhile United Breweries Limited [now United Breweries (Holdings) Limited] into the Company, the Shareholders of the Company at their meeting held on September 30, 2002 have appointed Dr. Mallya as a director and chairman of the Company who shall not be liable to retire by rotation so long as Dr. Mallya either by himself or along with his relatives or associates or Companies owned and /or controlled by him, holds not less than 15% of the subscribed equity capital of the Company.

The Voter Identity Number of Dr. Vijay Mallya is DKV1116243 and the Driving License Number is A1520495.

Dr. Mallya has received awards both in India and overseas. He has also been conferred a Doctorate of Philosophy in Business Administration, by the Southern California University, Santa Ana, CA, USA in 1997. He has also been nominated as a Global Leader for Tomorrow by the World Economic Forum during their annual meeting at Davos in 1995.

Dr. Mallya is a Member of Parliament, Council of the States of the Republic of India.

At the time of filing the draft offer document with BSE, ASE, BgSE, CSE, CoSE, DSE, HSE, LSE, MSE, the Permanent Account Number, Bank Account Number and Passport Number of Dr. Vijay Mallya have also been submitted to these Stock Exchanges - BSE, ASE, BgSE, CSE, CoSE, DSE, HSE, LSE, MSE

Strategic alliance with S&N

UBHL (formerly United Breweries Limited) had decided to induct a strategic partner for technology, marketing, global distribution and financial inputs from a major International Brewer. In order to facilitate the entry of such an International brewer, a corporate restructuring programme for demerger of the Beer and non-Beer business had to be initiated, The need for such a strategic alliance was primarily driven by the objective to de leverage the erstwhile United Breweries Limited (now United Breweries (Holdings) Limited) from its huge high cost debt burden by using the expected inflow of funds from the strategic partner.

UBL entered into a definitive agreement for a strategic alliance with S&N, a leading International brewer, for a multifaceted financial, marketing and technical tie-up. The funds to be infused by S&N would also be used to bring down the debt both in UBL and UBHL.

S&N - Background & Business:

(Source: website of S&N- www.scottish-newcastle.com)

S&N was incorporated on January 14, 1931 and is having its registered office at 33 Ellersly Road, Edinburgh EH12 6 HX. It is one of Europe's leading brewers and in the top 10 by sales volume in the world. It is part of the FTSE 100 and is listed on the London Stock Exchange. Its headquarters are in Edinburgh. S&N's primary business interest is international brewing, offering leading brands in a number of European markets and beyond. In the financial year 2002-03, S&N's profit before tax, exceptional items and amortisation of goodwill was £657.9m. S&N was one of Britain's leading pub, bar and restaurant operators. On October 6, 2003 S&N informed the London Stock Exchange about the sale of their managed pubs, restaurants and lodges business.

S&N operates through directly-owned subsidiaries in the UK, France, Belgium, Finland and Portugal. S&N also owns 50% of a joint venture with Carlsberg Breweries covering Russia, Ukraine and the Baltic countries of Estonia, Latvia, Lithuania and Kazakhstan. Across all these businesses, its international brand exports business and its own group functions, S&N employs 50,000 people. In new, high-growth emerging markets, S&N has also started creating partnerships with local companies, either by taking strategic stakes or participating in joint ventures.

S&N's beer business consists of:

- Scottish Courage Limited - head office in Edinburgh, UK
 - including Scottish Courage Brands Limited (off-trade beer), Waverley (wines and spirits), Beamish & Crawford (Eire)
- Brasseries Kronenbourg - head office in Strasbourg, France
 - including Elidis Boissons Services, nationwide beverages distribution business
- Alken-Maes - head office in Waarloos, Belgium
- Sociedade Central de Cervejas - head office in Vialonga (Lisbon), Portugal
- Hartwall - head office in Helsinki, Finland
- BBH - joint venture, 50 per cent owned by S&N, head offices in Helsinki, Finland/Bromma, Sweden.
- S&N International - brand exports business, head office in Edinburgh, UK
- Partnerships - Bangalore, India and Athens, Greece

S&N has a leading position in 14 countries in Europe and Asia: UK, Ireland, France, Belgium, Portugal, Finland, Greece, Russia, Estonia, Latvia, Lithuania, Ukraine Kazakhstan and India.

S&N is number 1 in 3 of the top 6 European beer markets: UK, France and Russia.

S&N has 3 of the top 10 European beer brands: Foster's, Kronenbourg and Baltika.

S&N expects to expand into a market-leading position in Western Europe through focused brand building and pursuit of cost efficiency. It is also planning to use this as a platform for selective developments into high growth emerging markets. S&N intends to enter into new markets with experienced partners holding strong market positions

Financial Highlights of Scottish and Newcastle

In million Pounds and Rs. in Lacs
except for per share data

Year Particulars	Dec-03 £m Rs Lacs	Apr-03 £m Rs Lacs	Apr-02 £m Rs Lacs	Apr-01 £m Rs Lacs	Apr-00 £m Rs Lacs	Apr-99 £m Rs Lacs
Turnover: Group and share of joint ventures	3,958 32,12,792	4,985.6 37,68,709.77	4,199.2 29,95,381.74	4,353.9 29,28,454.91	3,581.9 24,32,510.20	3,328.9 22,92,473.62
Operating profit of the Group and joint ventures before exceptional items and amortization of goodwill	454 3,68,521	657.9 4,97,319.11	538.9 3,84,409.23	568.0 3,82,039.64	500.4 3,39,827.49	475.9 3,27,732.34
Profit/(loss) before taxation after exceptional items and amortization of goodwill	100 81,172	284.6 2,15,134.55	347.0 2,47,522.73	(230.2) (1,54,833.67)	262.0 1,77,927.27	323.7 2,22,918.59
Profit/(loss) after taxation after exceptional items and amortization of goodwill	43 34,904	177.4 1,34,100.03	231.7 1,65,276.71	(283.0) (1,90,347.22)	206.8 1,40,440.30	241.3 1,66,173.18
Share capital	179 1,45,298	171.0 1,29,262.15	129.6 92,446.53	129.5 87,102.35	124.7 84,685.23	135.5 93,313.16
Share premium and reserves	2,721 22,08,692	2,949.9 22,29,885.46	1,840.6 13,12,940.47	1,855.6 12,48,085.84	2,065.3 14,02,569.39	2,052.7 14,13,608.28
Minority interests – non-equity	— —	— —	151.6 1,08,139.62	151.9 1,02,168.70	— —	— —

Note: Figures in Bold indicate amount in million Pounds and figures in normal font style represent amount in Rupees Lacs

Year	Dec-03	Apr-03	Apr-02	Apr-01	Apr-00	Apr-99
Particulars	pence Rupees	pence Rupees	pence Rupees	pence Rupees	pence Rupees	Pence Rupees
Basic earnings/(loss) per 20p ordinary share – pence	3.1 1.05	16.9 5.33	30.4 9.03	(47.1) (13.20)	33.4 9.46	39.0 11.19
Diluted earnings per 20p ordinary share, excluding exceptional items and amortisation of goodwill – pence	27.7 9.37	41.6 13.10	43.7 12.99	43.0 12.05	47.9 13.57	47.1 13.52

Note: Figures in Bold indicate amount in Pence and figures in normal font style represent amount in Rupees

Conversion is based on the RBI reference rates on the dates as follows:

Year	Dec-03	Apr-03	Apr-02	Apr-01	Apr-00	Apr-99
Date of reference rate	December 31, 2003	April 30, 2003	April 30, 2002	April 30, 2001	May 2, 2000	May 3, 1999
Rupee equivalent of 1 pound	81.1721	75.5919	71.3322	67.2605	67.9117	68.8658

S&N's investments

S&N, through its Indian company, Scottish & Newcastle India Private Limited ("S&N India"), has made investments of Rs.17,740 Lacs in a joint venture with the UB Group and Accra Investments Private Limited ("Accra"). In addition, S&N has agreed to invest upto Rs.20,000 Lacs in UBL by way of subscription to ROCPS through this rights issue and has already disbursed Rs.5,000 Lacs by way of ECB.

Various steps have been taken towards implementation of the above association between S&N and the UB Group in India.

For the purposes of S&N investment in the joint venture, MABL which was earlier a 100% subsidiary of the Company, is now a joint venture company between UBL, S&N India and Accra. UBL and S&N India hold 40% each in MABL while Accra holds 20%. Subsequently, MABL has entered into licensing agreements with UBL for "Kalyani Black Label Strong" brand and acquired the "Bullet" brand from UBL.

Further, S&N has advanced Rs.1,340 Lacs to MABL by way of interest free shareholder loans and UBL has agreed to advance Rs.3,000 Lacs by way of interest free shareholder loans by December 31, 2003. Further, each of UBL and S&N shall advance to MABL by way of interest free shareholder loans of Rs.1,000 Lacs by May 8, 2004. All shareholder loans shall be converted to non-voting shares of the MABL at the end of 24 months from the Completion.

As against the above commitment, UBL advanced Rs.2,000 Lacs as subscription money towards 0% convertible redeemable preference shares of Rs.100 each in the month of February 2004 and March 2004. The details are as follows:

Date of allotment	March 31, 2004
Coupon rate	0%
Terms of conversion into Equity	Each CRPS will be converted into non-voting equity shares on or before May 7, 2005
Conversion price	Rs.87.95

The share certificates were physically received by UBL vide letter dated June 11, 2004 from McDowell Alcobev Private Limited.

Further, during the quarter ended June 2004, the Company has subscribed Rs. 1,000 Lacs to the preference capital of McDowell Alcobev Private Limited (earlier known as McDowell Alcobev Ltd.).

The shareholders' agreement between the partners contains provisions for board representation, management, veto rights, transfer of shares, etc.

Details of investment made by S&N in MABL:

Nature of the security	No. of shares	Face Value (Rs.)	Issue Price (Rs.)	Aggregate Issue Price (Rs.)	Date of allotment
Equity Shares	61,40,000	10	87.95	54,00,00,000	May 8, 2003
0% Series 'A' Cumulative Redeemable Preference Shares	11,00,00,000	100	100	1,10,00,00,000	May 8, 2003
0% Series 'B' Cumulative Redeemable Preference Shares	13,40,000	100	100	13,40,00,000	May 8, 2003
Total				1,77,40,00,000	

Developments post formation of the joint venture - MABL:

Scottish Courage Limited ("SCL"), a subsidiary of S&N, has granted a loan of Rs.5,000 Lacs to the Company by way of an ECB. The Loan Agreement was entered into on July 21, 2003 and the loan was disbursed on August 13, 2003.

Salient Features of the Loan Agreement between SCL (the "Lender") and the Company (the "Borrower") for the ECB loan are as under

Purpose:

The Loan shall be utilised by the Borrower towards:

- payment of the Borrower's debts and accrued interest on debts;
- purchase of plant and machinery from UBHL
- repayment by the Borrower of an existing advance from UBHL to the extent of Rs.25,00,00,000/-;
- to advance by way of loan or investment in loan stock or preference stock to UBHL to enable the payment of its debt including accrued interest thereon to procure the release of charges in favour of the banks and lenders over the mortgaged properties and other properties hypothecated/pledged; and
- the balance will be utilised to finance the fixed assets and working capital requirements for expanding the Borrower's business activities.

Repayment and cancellation

Repayment: The Borrower shall repay the Loan to the Lender in full, together with interest and other monies due, in United States dollars (“USD”) through a single repayment at the end of the Term or on the occurrence of an Event of Default, whichever is earlier.

Prepayment: The Borrower may, with the prior written consent of the Lender and subject to Reserve Bank of India approval and other required approvals, prepay the Loan in full in USD (together with interest and other monies due) on any interest payment date.

Cancellation: The Lender may re-call the Loan at any time in the event of a breach of specified clauses, a breach of undertaking or covenant or on the occurrence of an Event of Default.

Conversion: Subject to any approvals from any regulatory authority, the Loan may be converted into ordinary voting shares of the Borrower on the terms and conditions that may be mutually agreed between the Lender and the Borrower.

Payment of Interest: The Borrower shall pay interest on the Loan in USD at the rate equal to 2% over the 6 month USD London Interbank Official Rate (LIBOR) per annum and payable six monthly in arrears during the Term of the Loan. In the event of default with respect to interest payment or repayment of ECB, the Borrower shall pay default interest in USD at the rate of 6 month USD LIBOR + 4% per annum.

Covenants

Amongst other covenants, The Company has agreed that:

- In the event the present auditors should cease to be the auditors of the Borrower for any reason, the Borrower shall appoint another firm of independent public accountants from among the “top ten” auditors worldwide or their Indian associates, as the auditors of the Borrower.
- The Borrower shall not change its Memorandum and Articles of Association in any manner, which would be inconsistent with the provisions of the agreement so far as it is permissible by law.
- During the Term of the Loan, the Borrower shall not call in or seek repayment of the loan of Rs.160 million granted by the Borrower to ABDL.

Security

The repayment of the Loan including all interest, default interest, reasonable costs, charges and expenses for the recovery of the Loan or realization of the Security or otherwise relating to the Loan is to be secured by

- charges on the properties and assets of the Borrower,
- charges on the properties and assets of ABDL excluding three unitanks which are hypothecated to Zoroastrian Bank,
- charges on the properties and assets of MBDL
- pledge of certain shares held by the Borrower in its subsidiaries and joint venture:
- a first charge by way of equitable mortgage on the Mortgaged Properties comprising of the whole of the immovable properties and breweries of ABDL and a first charge by way of hypothecation of ABDL’s existing moveable plant and machinery, excluding three unitanks which are hypothecated to Zoroastrian Bank;
- a first charge by way of equitable mortgage on the Mortgaged Properties comprising of the whole of immovable properties and breweries of MBDL of the assets including its moveable plant and machinery of MBDL upon repayment of existing loans and release of existing charges;

Additional Rights to the Lender:

Till the loan is repaid, the Lender has the right to appoint one director (“Lender Director”) on the Board of the Borrower whose presence shall be necessary to form a quorum when any business on the following matters (“Reserved Matters”) is to be transacted:

- any changes to the Memorandum and Articles of Association of the Borrower;
- the issue of any ordinary shares or any financial instrument with any option of conversion or any right of conversion in any form;

- the disposal or transfer, of any of the assets charged in favour of the Lender or part thereof or any of the assets of the business or part thereof in excess of Rs.10 million per item into either a separate company, a subsidiary or to any other person;
- the agreed gearing being exceeded (“Gearing Ratio”) or the agreed interest cover not being met on an annualised basis;
- any material changes in the nature and extent of the Borrower’s principal business of brewing and distribution of beer;
- any liquidation or dissolution of the Borrower;
- any mortgages or other charges over the Mortgaged Properties or Pledged Shares;
- any material related party transactions including any transactions with any members of the promoter group of the Borrower or any guarantee arrangements outside the Gearing Ratio otherwise than in the ordinary course of business or at arms length;
- the declaration of bonus or distributions to shareholders otherwise than under an agreed policy or in excess of distributable profits arising in the year in question;

In the case of the subsidiaries of the Borrower, the Lender consent will be required only where, such matters or events shall have a material adverse effect on the business of the Borrower and its subsidiaries as a whole or, on the Mortgaged Properties or the Pledged Shares.

The amended Memorandum and Articles of Association of the Borrower shall provide that the matters stated under ‘Restricted Matters’ above, are incorporated in the Articles of Association to the extent legally permissible.

Main events of default

Failure to Pay: The Borrower fails to pay any sum due from it under any of the Loan Documents at the time unless the Borrower satisfies the Lender that the failure is solely due to administrative error and payment is made in such circumstances within three Business Days of its due date.

Misrepresentation: Any representation or statement made by the Borrower in any of the Loan Documents or in any notice or other document, certificate or statement delivered or to be delivered by it pursuant hereto or in connection herewith is or proves to have been incorrect or misleading when made.

Insolvency and Rescheduling: The Borrower is unable to pay its debts as they fall due, commences negotiations with any one or more of its creditors constituting majority in value with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or composition with its creditors or is declared a sick company under the Sick Industrial Companies (Special Provisions) Act, 1985.

Winding up: The Borrower takes any corporate action or other steps are taken or legal proceedings are started before any statutory authority or a court of law for its winding up, dissolution, administration or re-organization or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any or all of its revenues and assets.

Ownership of the Borrower: The Promoter Group’s direct or indirect shareholding in the Borrower falls below 26% of the paid up equity capital of the Borrower or the Promoter Group loses control of the management of the Borrower.

Agreement with an International Brewer: The Borrower or any of its Subsidiaries or Associates enters into any agreement with an International Brewer, whether by way of investment in the Borrower or any of its Subsidiaries or Associates, joint venture, licensing or distribution of brands (other than contract brewing arrangements for which the Lender’s prior written approval shall have been obtained) or transfer of technology of a substantial nature in construction of breweries other than with the Subsidiary of a brewing development consultancy of an International Brewer. Provided that the Borrower may only enter into such an agreement where the Lender is not able to offer like services on similar terms and where the Borrower has offered the Lender an opportunity to match such terms.

Investment Agreement

The investment of S&N in UBL is governed by the provisions of the binding Investment Agreement executed between the Company, S&N and UBHL on May 16, 2002.

Salient Features of Investment Agreement between UBL, UBHL and S&N are as follows:

The Agreement has been entered into between United Breweries Limited (“the Company”) (then UB BEER LIMITED), SCOTTISH & NEWCASTLE PLC (S&N) and UBHL (then UNITED BREWERIES LIMITED) pursuant to S&N agreeing to invest directly, or through a subsidiary company, a maximum of Rs.250 crores in the Company through a combination of ROCPS of Rs.200 crores and to loan by way of an External Commercial Borrowing (“ECB” or the “Loan”) of the USD equivalent of Rs.50 crores (together “the Investment”) on the terms and conditions contained in the Agreement (Investment Agreement).

S & N Investment

- S&N shall purchase upto 500 equity shares of the Company and the Company shall record the name of S&N as a shareholder in its Register of Members. (Pursuant to this, S&N India has purchased 500 equity shares of the Company). The Company shall then take immediate steps to float the rights issue for the ROCPS. S&N shall, under the rights issue of the Company and relying on (amongst other things) the several representations, warranties covenants and undertakings contained in the Agreement, subscribe in cash for upto 20,000,000 ROCPS at Rs.100 each being its entitlement under the rights issue and all ROCPS renounced in its favour by any shareholder (or which remain unsubscribed in one or more series as may be agreed between the Company and S&N, making a maximum aggregate price of Rs.2000 million (the “ROCPS Subscription Price”) and the Company, against such payment, shall allot and issue to S&N, ROCPS credited as fully paid. The details and terms of the ROCPS shall be in the agreed terms. Further, S&N shall be at liberty to bring in the ROCPS Subscription Price in advance in one or more tranches.
- S&N, relying on (amongst other things) the several representations, warranties, covenants and undertakings contained in the Agreement, shall lend to the Company a sum in USD equivalent to Rs.50 crores by way of a Loan, subject to agreed terms and conditions.
- Equitable mortgage is to be created by the Company to secure the ECB and all other amounts due or which become due under the Agreement or the Loan Agreement. Certain properties and assets of the Company are to be mortgaged to S&N, together with the pledge of equity shareholding of the Company in ABDL and McDowell Alcobev Private Limited, in favour of S&N. In addition, UBL has committed not to recall the loan of Rs.160 million granted to ABDL until S&N has been fully repaid.

Use of investment proceeds

The Company and S&N have agreed that the proceeds from S&N's Investment shall, be used for the following purpose:

- to advance by way of loan or investment in loan stock or preference stock to UBHL to enable the payment of its debt including accrued interest thereon to procure the release of charges of the banks and lenders over the mortgaged properties and other properties hypothecated / pledged
- payment of debts and accrued interest on debts.
- purchase of plant and machinery from UBHL
- repayment of existing advance from UBHL
- the balance will be utilised to finance the fixed asset and working capital requirements of expanding the Company's activities.

The Company and S&N shall, within 12 months of execution of the Agreement, enter into good faith discussions to arrive at a definitive agreement in relation to the licensing and distribution of the Kronenbourg brand in India. In the event, that, within such time such definitive agreement has not been reached, the Company shall be at liberty to seek a licensing, distribution or brewing agreement with such other International Brewer. If it should choose to do so, it shall be considered as an event of default, and S&N shall be entitled to repayment in terms of the Agreement.

Major Company covenants

- ROCPS and all dues shall have been fully redeemed before the repayment of the Loan and that the mortgaged properties and pledged shares shall continue to remain mortgaged / hypothecated until the entire dues owing to S&N have been fully repaid.
- In the event of a shortfall in the amount repayable to S&N upon the enforcement and realisation of S&N's security, it shall ensure the repayment to S&N of such shortfall by sale of other assets or breweries and/or sale of shares or other means.

- In the event the auditors of the Company cease to be the auditors of the Company for any reason, the Company would appoint another firm of independent public accountants from among the “top ten” worldwide or their Indian associates.
- So long as S&N shall remain entitled to exercise any right to convert the ROCPS into equity shares under the Agreement, the Company shall maintain in authorised and un-issued form that number of shares which is sufficient to meet in full the conversion of ROCPS’s rights under the Agreement.
- The Company shall not change its Memorandum and Articles of Association in any manner which would be inconsistent with the provisions of the Agreement so far as it is permissible by law.

S&N Director

So long as S&N’s Investment shall continue in the Company, S&N shall have the right to appoint one director to the Board of Directors of the Company, who can be changed only with the consent of S&N.

Conduct and proceedings of the board

The Board shall not be quorate where any business specified under ‘Reserved Matters’ below is proposed to be transacted unless the S&N Director is present at that meeting.

Reserved Matters

It is agreed that neither the Company itself, nor its subsidiaries nor the Company’s Board, nor a committee thereof, (whether at a board meeting or at a committee meeting or by circular resolution or otherwise) nor its Managing or Whole-time or Executive Director shall take any action or enter into any commitment in respect of any of the matters specified below except upon the affirmative vote of the S&N Director or his alternate appointed by the S&N:

- any changes to the Memorandum and Articles of Association of the Company;
- the issue of any ordinary shares or any financial instrument with any option of conversion or any right of conversion in any form;
- the disposal or transfer, of any of the assets charged in favour of S&N or part thereof or any of the assets of the business or part thereof in excess of Rs.10 million per item into either a separate company, a subsidiary or to any other person;
- the agreed gearing being exceeded or the agreed interest cover not being met on an annualised basis as set out in the Loan Agreement;
- any material changes in the nature and extent of the Company’s principal business of brewing and distribution of beer;
- any liquidation or dissolution of the Company;
- any mortgages or other charges over the mortgaged properties or pledged shares;
- any material related party transactions including any transactions with any members of the Promoter Group or any guarantee arrangements outside the Gearing Ratio otherwise than in the ordinary course of business or at arms length;
- the declaration of bonus or distributions to shareholders otherwise than under an agreed policy or in excess of distributable profits arising in the year in question;

Provided however that in the case of the subsidiaries of the Company, S&N’s consent will be required only where, such matters or events shall have a material adverse effect on the business of the Company and its subsidiaries as a whole or, on the mortgaged properties or the pledged shares.

The amended Memorandum and Articles of Association of the Company shall provide that the matters stated under ‘Reserved Matters’ above are incorporated in the Articles to the extent legally permissible.

S&N shall have the right to at any time on reasonable notice appoint a firm of qualified advisors to inspect records, registers and documents in relation to the Mortgaged Properties and the Pledged Shares and inspect the records (save for financial records, except in so far such records relates to the Mortgaged Properties and Pledged Shares) in order to confirm compliance with the Agreement at such reasonable times and as often as S&N may reasonably request. S&N shall, at its cost, have the right to visit and inspect the facilities of the Company at such reasonable times and as often as S&N may reasonably request.

Warranties

- The Company acknowledges that S&N has conducted a limited due diligence on the Company and has entered into the Agreement on the basis of representations and warranties as set out in the Agreement.

- The Company acknowledges that S&N is relying on the accuracy of the representations and warranties as set out in the Agreement.

Right of Termination

If prior to Completion:

It shall be found that any of the warranties was, when given, or will be or would be, at Completion (as if they had been given against at Completion) not complied with or otherwise untrue or misleading and if such breach is capable of remedy and is not remedied within 30 days of S&N giving notice thereof to the company S&N shall be entitled (in addition to and without prejudice to all other rights or remedies available to it and its successors in title including the right to claim damages) by notice in writing to the Company to terminate the Agreement. Failure to exercise this right shall not constitute a waiver of any other rights of S&N or its successors in title arising out of any breach of Warranty; or

In the event the company fails to make payment of any installment of the Loan and/or ROCPS's the same shall be considered a material breach of the Agreement.

Repayment

Subject to conversion provisions and the terms of issue of the ROCPS, at the end of the Term, the company shall redeem all ROCPS in full and repay the Loan in full within 60 days upon being called upon by S&N by notice in writing. Failure by the Company shall be considered to be a material breach of the Agreement. During the agreed period of 60 day period, the Promoter Group shall be at liberty to deposit with S&N in cleared funds all sums owing or due to S&N in relation to the ROCPS and Loan. In such event, such deposit shall be treated as an absolute discharge of all sums owing by the company and S&N shall undertake to do all acts necessary for transferring its Investment to the Promoter Group or as it may direct.

Conversion

The ROCPS shall be converted by the company into shares of the company, subject to the receipt of Regulatory Approvals,

- (a) by mutual agreement between the company and S&N ("Agreed Conversion"); or
- (b) at S&N's option if UBHL or its wholly owned subsidiary fails to purchase the ROCPS pursuant to the Put Option and the UBHL corporate guarantee within 7 days of S&N exercising its Put Option.

Fair Value for conversion

Upon S&N notifying the Company of its intention to convert its ROCPS into shares, (in the event of Default Conversion) or upon agreement between S&N and the company (in the event of Agreed Conversion), the Company and S&N shall within 7 days of such notification each proceed to appoint an independent Investment Bank to determine the fair value of the equity shares of the Company, taking into account all relevant factors including the market price in the preceding period. Each Bank shall make their determination of fair value within 14 days of reference. If the determination of fair value between the Banks differs by more than 10%, then the Banks shall within 7 days thereafter consult an independent third party (who shall be the President of the Institute of Chartered Accountants of India) who shall forthwith nominate a third independent Bank or International Bank to determine the fair value within 14 days of reference. Upon such determination, the average of the two closest determinations of fair value of the three calculated fair values shall be the fair value and shall be, in the absence of manifest error, final and binding on the Parties. On conversion, S&N shall, subject to , be entitled to such number of new equity shares (not exceeding 26% of the Company's equity capital) calculated at the fair value as shall be equal to the face value of the ROCPS including premium together with accrued interest or unpaid dividend thereon. In determining the fair value such independent Banks shall act as experts and not as arbitrators and the determination reached shall reflect a minority stake in the company and shall not include any control or bid premium.

Allotment of equity shares on conversion

On Agreed Conversion, such shares as are not more than 26% of the then issued and subscribed equity capital of the company shall stand allotted to S&N and such number of ROCPS thereon shall be treated as automatically extinguished on such conversion. The value of the balance number of ROCPS as are not converted on the conversion date shall be repaid to S&N within 30 days of the conversion date.

On Default Conversion, S&N shall be entitled, by notifying the company in writing, to convert all or any of its ROCPS and all dues into such number of ordinary shares of the company at the fair value calculated in the manner stated in the Agreement above provided however that the number of shares to be issued to S&N consequent upon such conversion shall not be limited to 26%.

Open Offer on Agreed Conversion

If, as a result of allotment of ordinary shares to S&N as or as a result of a subsequent change in any law or regulation in the case of Agreed Conversion, S&N is required to make an Open Offer then, the Promoter Group of the Company shall be entitled to participate (as an acquirer or party acting in concert) in such Open Offer together with S&N. For the

avoidance of doubt, in the event of Default Conversion, the Promoter Group shall not be entitled to participate in such Open Offer.

Conversion of loan

- Subject to the Required Approvals from any Regulatory Authority, if any, S&N may at its option, by notifying the company of its intention to do so in writing, convert the Loan into such ordinary shares of the company. The provisions of allotment of equity shares on conversion mentioned above shall apply mutatis mutandis to the conversion of the Loan into shares.
- The Company shall take such steps and pass such resolutions to give effect to the conversion of the ROCPS into equity shares by S&N. The shares so allotted on conversion will rank pari passu in all respects with the existing equity shares of the Company and shall rank for dividend as may be declared by the Company.
- In the case of an Agreed Conversion, the Company and S&N shall enter into fresh joint venture agreements for, inter alia, regulating their relationship as shareholders in the company on terms to be mutually agreed. Pending such fresh agreements or until completion of all conversion formalities in the case of Default Conversion, the Agreement shall not be terminated or deemed to be terminated and S&N shall be entitled to continue to enjoy all the rights and privileges conferred under the Agreement.

S&N to be kept informed

- The Company undertakes to keep informed, consult and advise S&N at all times, on issues, which are likely to affect the value of S&N's Investment including details of any major litigation or other proceedings being commenced against the Company or UBHL, within 15 days of the Company or UBHL becoming aware of such litigation or proceedings.
- S&N shall have the right to be kept informed, consult with and advise the management of the company with regard to any material developments in or affecting the company's business with its CEO and CFO.
- The company shall keep S&N informed of the financial performance of the Company and shall provide S&N with audited financial statements within three months of the end of the relevant annual accounting period, an annual summary budget within one month after the beginning of each fiscal year, a monthly report on any factors materially and adversely affecting or which might materially and adversely affect the company's business and operations or its financial condition including gearing ratio and interest cover statements, copies of all financial statements, forecasts and projections prepared for the Board, including gearing ratio and interest cover statements all notices, minutes, proxy materials, consents and correspondence and other material provided to the Directors including quarterly management accounts which will include a report on current compliance with the agreed gearing and interest rate cover.

PUT OPTION

S&N's right

S&N shall have the right to sell and put all or part of its ROCPS (including any accrued or unpaid dividend thereon) to UBHL or to a wholly owned subsidiary of and nominated in writing by UBHL on the terms of the Put Option Agreement in agreed terms ("Put Option") if the Company has failed to repay the Loan and redeem the ROCPS within 60 days from receipt of notice in that behalf from S&N; or

UBHL to nominate subsidiary

UBHL shall immediately prior to completion nominate a wholly owned subsidiary of UBHL who shall enter into the Put Option Agreement at Completion. Upon exercise of the Put Option by S&N, the UBHL subsidiary shall make payment within 7 days following the date upon which the notice is served by S&N in accordance with the Put Option. In the event that there are any delays in payment then interest on the outstanding amounts shall be payable at a rate of three month US LIBOR plus 3% compounded quarterly calculated in US Dollar terms;

UBHL agrees and undertakes that it shall be jointly and severally liable with the UBHL subsidiary under the Put Option

Corporate Guarantee

In consideration of the Company's obligations under the Agreement UBHL shall give S&N simultaneously with the execution of the Put Option Agreement, execute a corporate guarantee in the agreed terms for an amount equivalent to the ROCPS subscription price and accrued and unpaid dividend and interest thereon. The Corporate Guarantee shall remain in force until the Put Option is fully exercised or it is waived by S&N in writing.

Failure to purchase

If UBHL or its nominated subsidiary fails to fulfill their obligations and/or is unable to purchase S&N's ROCPS within the period of 7 days of S&N exercising its put option under the Agreement, S&N shall have the right to invoke the Corporate Guarantee given by UBHL in its favour.

Termination and Events of Default

Termination by agreement

The Agreement may be terminated by the mutual consent of the company and S&N expressed in writing.

Events of Default

An Event of Default shall be deemed to occur, on the occurrence of any of the following events:

- If the Company, or UBHL are declared insolvent or bankrupt or makes a composition with its creditors under the Act;
- If a trustee or receiver is appointed to take over the assets or the business or the undertaking of the Company or UBHL;
- Governmental action debarring the Company from carrying on business on rendering it impossible to transact the business of the company, for a substantial time; or
- If a substantial portion of the assets, property, revenues or business of the Company is confiscated or expropriated by the Government (Central or State) of India or any governmental agency or third party in India; or
- If the Company or UBHL is declared a sick company under the Sick Industrial Companies (Special Provisions) Act, 1983; or
- If a petition for winding up of the Company or UBHL is admitted and effective steps not taken promptly by the Company or UBHL to have such petition withdrawn or dismissed; or
- If the Company or any of its subsidiaries or Associates shall enter into any agreement with an International Brewer whether by way of investment in the Company or any of its Subsidiaries or Associates, joint venture, licensing or distribution of brands (other than contract brewing arrangements for which S&N's prior written approval shall have been obtained or, transfer of technology of a substantial nature in the construction of breweries other than with the subsidiary of brewing development consultancy of an International Brewer. Provided that the company may only enter into such an agreement where S&N is not able to offer like services on similar terms and where the company has offered S&N an opportunity to match such terms;
- If the Company fails to redeem the ROCPS and all dues at the end of their term or fails to repay the loan in as agreed; or
- If the Company fails to pay any dividend interest or other moneys due under the term of the ROCPS or the loan;
- If the Company or UBHL commits any breach of the terms and conditions of the Agreement or the Loan Agreement, the Mortgage, the Pledge Agreement or the Put Option, and has failed to rectify the breach (if it is remediable) within sixty (60) days from the date of written notice by S&N requiring it to cure such breach.

Consequences of Event of Default

- Upon the occurrence of an Event of Default, S&N may by notice in writing to the Company, require the Company forthwith to repay the loan and redeem the ROCPS in full, inclusive of unpaid/accrued dividend.
- In the event that all moneys due have not been repaid within 7 days of the notice referred to therein, S&N may at its option forthwith proceed to exercise its Put Option. On default of the Put Option granted by the UBHL subsidiary, S&N shall be entitled to invoke the Corporate Guarantee and thereafter exercise its rights of conversion and/or enforcement of its security.
- The taking of action hereunder whatever reasons shall be without prejudice to the right of any party against the other parties then accruing or accrued in respect of the event giving rise to such termination or otherwise under the Agreement.
- In addition to any rights or remedies provided to S&N under the Agreement if S&N has not been repaid in full as agreed or if the UBHL subsidiary or UBHL has failed to comply with its obligations under the Put Option or the Corporate Guarantee within the agreed period or any period specified in the Corporate Guarantee, it may, at its option, proceed to realise its security over the mortgage over the mortgaged properties and enforce the pledges over the pledged shares and to take such steps as it may think fit to enforce its security by selling or causing such mortgaged properties and pledged shares to be sold in order to recover the investment. In the event of any shortfall from the sale of the mortgaged properties, the Company shall take the necessary steps to complete an agreement for sale to S&N or its nominee of additional specified assets of the company equivalent in value for the balance amount of the Investment.
- **Conflict with the Articles**
In the event of any conflict between the terms of the Agreement and the amended Articles, the provisions of the

Agreement shall prevail and the Parties shall procure that the Articles shall be amended to such extent as S&N may require in order that such conflict be removed so far as it is permissible by law.

- **Expiry of Agreement**

The Agreement shall expire and (save for pre-existing material breaches) be of no further force only once S&N has disposed of all investment in the Company and has received full payment for the same.

Present Business of UBL

The Company's core business is in manufacture, marketing and distribution of beer since the transfer and vesting of the brewing business in terms of the Scheme of Arrangement. UBL is a player in the beer industry owning a number of popular beer brands.

Beer is a popular beverage. Beer is made from natural ingredients like barley malt, cane sugar, water and aromatic flowers (hops). Special preservatives help this natural process – even the alcohol in beer evolves naturally from the starch and sugars in the raw ingredients.

The Company's brand portfolio includes "Kingfisher Lager", "Kingfisher Strong", "Kalyani Black Label Lager", "UB Premium Ice", "Charger Extra Strong" etc.

Prior to demerger of its business, the erstwhile United Breweries Limited has received the following awards

1. Kingfisher Premium bagged the gold medal for packaged beer at the Australian International Beer Awards 2002;
2. Kingfisher Strong bagged the bronze medal for packaged beer at the Australian International Beer Awards 2002;
3. Kingfisher Premium bagged the bronze medal at the New Zealand Hop Marketing Board International Beer Awards 2002;
4. Kingfisher Premium Silver medal at the New Zealand Hop Marketing Board International Beer Awards 2000;
5. Kingfisher Premium Bronze medal at the packaged beer at the Australian International Beer Awards, 2000 & 2001;

Manufacturing Process

Brewing can be defined as the production of beer from malted barley, hops, yeast and water, with or without the addition of other carbohydrate materials. There are six broad steps in the production of beer. It starts with the preparation of a hot liquid extract or *wort* from barley malt. This is referred to as *mashing*. This extract is then boiled with hops to impart the characteristic bitter flavour and then fermented with yeast. The fermented wort is then matured and filtered to produce a clear beer, which is filled into bottles, cans or kegs.

Mashing

The basic raw material of conventional brewing is malted barley, which can be described as lightly roasted sprouted barley. This malt is first milled into a fine powder referred to as grist and fed into a large vessel called the mash tun where it is mixed with hot water at around 65 degree celsius to form slurry or mash during which the slurry is stirred with a set of paddles provided in the vessel. At the end of this time, the saccharified mash is transferred into another vessel called the lauter tun (lauter in German means to clarify), which is equipped with a perforated base much like a coffee percolator. This retains the spent mash and allows the clear extract (wort) to filter through – this wort is then collected in another vessel traditionally referred to as the wort kettle. The mash tun – wort lauter tun and wort kettle are typically housed adjacent to each other in a section of the brewery known as brewhouse.

Boiling

Along with hops, the bittering ingredient in a beer recipe, the extract or wort in the kettle is boiled with either direct steam or steam coils. At the end of this, the hops are separated from the wort through a strainer or a hop back. They may also be separated in a whirlpool separator, so called because the wort is led into the vessel in a tangential flow that creates a whirlpool effect. The hops pile up in the centre of the vortex and the wort is then decanted off.

Fermentation

The hopped wort is subsequently cooled to fermentation temperatures, which is generally between 7-15 degree celsius depending on the type of beer to be produced. It is aerated with compressed air to provide oxygen for fermentation, pitched or mixed with the chosen yeast and then transferred into large fermentation tanks for the yeast to act. Typically, lagers are fermented between 7-9 degree celsius and ales between 10-15 degree celsius. The process of fermentation generally takes six to ten days during which the yeast multiplies and vigorously ferments the wort sugars to produce ethyl alcohol and carbon dioxide. At the end of fermentation, the yeast either rises to the top in the case of ales, or settles to the bottom as in the case of lager beers, and gas production slows down. The yeast is then separated either by skimming off or by drawing off from the bottom as the case might be and the fermented wort or beer, as it is now called, is transferred into a conditioning or maturation tank.

Maturation

This is the step where ales and lagers are differentiated. Ales are traditionally conditioned in wooden casks. But it is now also being carried out in stainless steel tanks where the residual yeast is induced to carry out secondary fermentation by priming the beer with sugar. This secondary fermentation is generally carried out at 15 degree celsius for a period of 7 - 10 days by which time it generates more carbonation after which it is sent for filtration.

In the case of lagers, the fermented beer is chilled to 0 degree celsius and transferred to lager tanks where it matures under chilled conditions for three to four weeks. During this time, a number of biochemical transformations take place to impart stable flavour characteristics to the beer and remove many of the undesirable flavours that develop during fermentation.

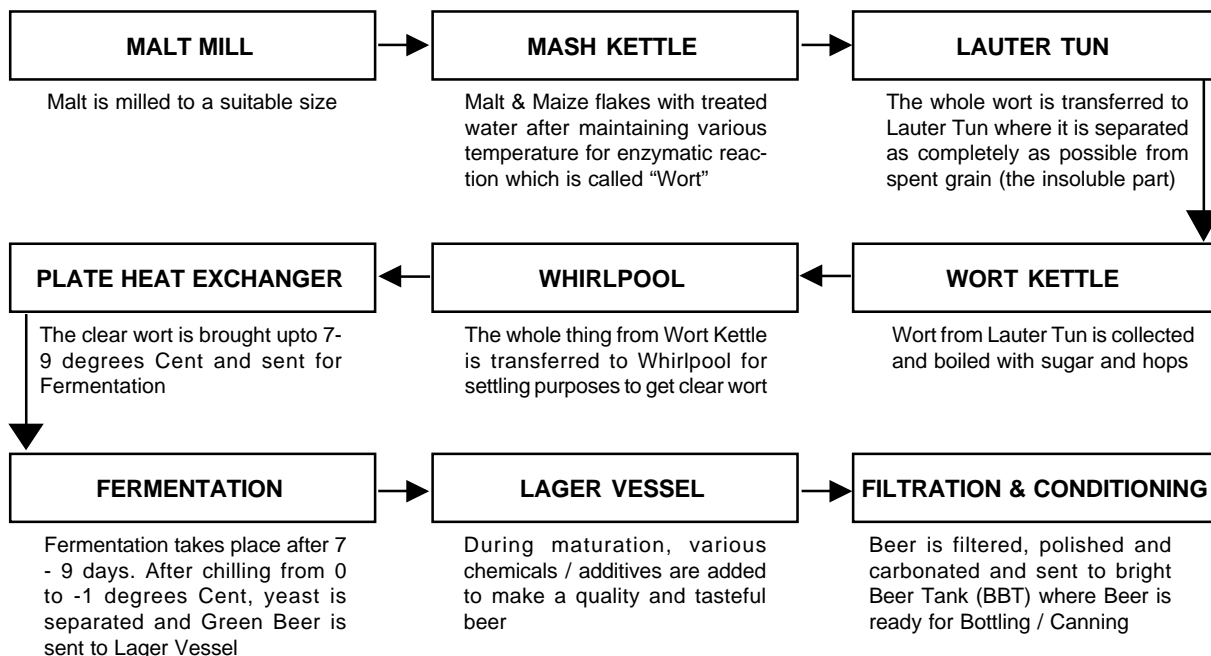
Filtration

At the end of conditioning or maturation, the beer is subjected to a process of filtration to produce clear amber liquid. This is generally carried out in two steps: a coarse filtration to remove the suspended yeast cells, and a fine filtration to remove all particulate matter. Typically, brewers use diatomaceous earth or Kieselgurh as the filtration medium. This is a special porous earth composed of siliceous marine fossils largely found on the South African shoreline. The filtration equipment used for the purpose is varied and ranges from plate and frame filters to leaf or candle filters. Many breweries also use an intermediary centrifuging step for yeast removal to augment the filtration process. Traditionally, yeast removal was brought about by the use of Isinglass or fish collagen typically obtained by dissolving swim bladders of sturgeon or cartfish in tartaric acid. A practice that is still seen in most of the British, Australian, Asian and South American breweries. In North America, tannic acid extracted from the bark of the wattle tree, is the preferred yeast clarifier. Modern brewing technology has dispensed with traditional filtration systems in favour of membrane filters and synthetic yeast clarifiers.

Packaging

The finished or filtered beer is now ready for packaging either in bottles, cans or kegs. Most beers packaged in bottles and cans are heated to 60 degree celsius, a process called pasteurization in order to kill all surviving micro-organisms. Kegged or draught beers are generally unpasteurized if consumed locally but bulk pasteurized if a few days' transportation and handling are involved.

Illustrative beer manufacturing process



Manufacturing facilities - owned and contracted

Licensed Capacity : 21,73,180 HL (Annual Report 03-04)
 Installed Capacity per annum : 19,05,000 HL (Annual Report 03-04)
 Production capacity : 21,73,180 HL (as certified by the excise departments of various states)

As per the recent certifications obtained from the excise departments of various states, the present production capacities of all the units of UBL are 21,73,180 HL. As per the norms laid down by the respective excise departments, the Company would not be in a position to manufacture beer in excess of the 21,73,180 HL.

Breweries owned by United Breweries Limited

Sl. No.	Name and Address of the Brewery	License expiry date	Annual production capacity*
1.	United Breweries Limited- application is in the name of Bombay Breweries, Plot No. M-1, MIDC Industrial Area, Taloja – 410 208 Dist. Raigad, Maharashtra	Renewed upto 31.05.2005	600,000 HL
2.	United Breweries Limited Vernad, Cherthala – 688 623 Kerala	Renewed upto 31.03.2005	63,180 HL
3.	United Breweries Limited Kanjikode West P.O.Palakkad – 678 623 Kerala	Renewed upto 31.12.2004	400,000 HL
4.	United Breweries Limited Nacharam Industrial Area, Nacharam Hyderabad – 501 507 Andhra Pradesh	Renewed upto 31.03.2005	295,000 HL
5.	United Breweries Limited Post Box No. 3, Bethora, Ponda Goa – 403 401	Valid upto 31.03.2004**	165,000 HL
6.	United Breweries Limited Vittal Mallya Road Kalyani West Bengal – 741 235	Renewed upto 31.12.2004	250,000 HL
7.	United Breweries Limited Focal Point Area, Ludhiana –141 001 Punjab	Valid upto 31.12.2010	400,000 HL

*as certified by the excise departments of various states

** applied for renewal for the year 2004-2005

In view of the un-economic size of the brewery unit situated at Cherthala, Kerala, the management is contemplating closure of the same. Necessary discussions for seeking concurrence for the closure with Government authorities and Labour Union are underway. However, there is no certainty about the closure at this point of time. This unit contributes approximately 3% to 5% of the production from owned brewing units of the Company. In case the plant is closed down, the Company would either utilise the brewing capacity available with other breweries in the same area or increase production in its owned / other contracted breweries.

Capital Expenditure to increase production capacity:

As an on going exercise, the Company incurs capital expenditure at its various units for enhancing the productivity, quality upgradation and capacity expansion. In view of enhanced production, capital expenditure is also incurred for effective storage. During the current year capital expenditure is proposed to be incurred by the Company at its units located at Taloja and Hyderabad for capacity expansion whereas in Kalyani and Palakkad, capital expenditure is proposed to be incurred for Effluent Treatment Plant. Capital Expenditure is also proposed to be incurred at Palakkad and Goa for quality upgradation and effective storage. Budgeted approval of Rs.987 Lacs for the current year has been granted by the Board and shall be spent by the Company subject to evaluation. During the year ended March 31, 2004, capital expenditure was incurred for upgradation of Effluent Treatment Plant with advanced hybrid reactors at Palakkad, Hyderabad, and Taloja units of the Company. Upgraded heat exchangers were also installed at Palakkad unit.

Capacity utilization:

The following table provides for the installed capacity, actual production and the capacity utilization for the previous three years (as obtained from the Annual Reports of the respective years).

Product: Beer

Figures in HL

Particulars	2000-01*	2001-02	2002-03**	2003-04
Licensed capacity	7,81,231	7,92,731	16,43,180	21,73,180
Installed capacity	16,47,360	9,43,500	16,50,000	19,05,000
Actual production	14,84,163	9,85,059	12,62,025	13,06,636
Capacity utilization (%)	90.10%	104.40%	76.49%	68.59%

* taken from the annual report of UBHL (prior to demerger)

** Comparative figures for the Year ended March 2003, have been restated in the audited Balance sheet for the year ended March 2004 based on excise certification

Note: The Licensed capacity mentioned above is as per the Licenses issued by the Government of India under the Industries Development and Regulation Act (ID&R). Since the Beer Industry is now being controlled and regulated by the respective state governments, the licensed capacity is no longer required to be amended under the ID&R Act and the respective state governments allow enhancement of capacities/renew licenses on a yearly basis. Hence there is a difference between the Licensed and Installed capacity.

The Installed capacity mentioned above is the estimated capacity which the equipments can produce per annum in normal circumstances, having regard to Excise restrictions / regulations laid down by respective State Governments. Among other factors, the state-of-the art equipment and efficiency of the manufacturing facilities of the Company, expansion of the production capacities, subsequent lifting of restrictions by Excise departments of respective State Governments the Company could achieve the production more than the Installed capacity for the year ended March 2002 and March 2003.

Break-up of production from owned breweries and contracted breweries:

Particulars	Year 2000 – 2001		Year 2001 – 2002		Year 2002 – 2003		Year 2003 – 2004	
	Actual (HL)	%	Actual (HL)	%	Actual (HL)	%	Actual (HL)	%
From Owned Breweries	14,84,163*	74.46	9,85,059	59.43	12,62,025	53.31	13,06,636	49.38
From Contracted Breweries	5,09,146*	25.54	6,72,344	40.57	10,50,493	45.43	13,39,650	50.62
Total	19,93,309	100	16,57,403	100	23,12,518	100	26,46,286	100

Note:

- * These figures pertain to erstwhile United Breweries Limited, now United Breweries (Holdings) Limited prior to de-merger of brewing business into the Company. Figures pertaining to owned breweries are as per audited balance sheets.
- In terms of the Brewing & Distribution Agreement between the Company and the Contract Breweries, the Company receives Royalty/Marketing service charges for licensing the brands for production and sale after meeting the variable cost of production and fixed profit margin to be retained by the contract brewery.

Contract Brewing Arrangements:

Sl. No.	Name of the Brewery	Brewery Address	Date of Agreement	Period	Contracted capacity p.a. (as per Agreement)
1.	Karnataka Breweries & Distilleries Pvt. Limited	20 th Mile, Tumkur Road, Bangalore 560 073	01.04.2001	5 years	3,12,000 HL
2.	Mangalore Breweries & Distilleries Limited	Plot No. 310, 311, 322(E) Industrial Area, Baikampady, New Mangalore 575 011 Karnataka	02.04.2001	10 years	1,50,000 HL
3.	Blossom Industries Limited	Village Jani Vankad, Nani Daman, Daman– 396 210	01.07.2001	5 years	70,200 HL

4.	Vinedale Distilleries Limited	Gaganpahad, Bangalore Highway, Hyderabad 509 323	18.07.2000	5 years	9,360 HL
5.	Associated Breweries & Distilleries Limited	D-103/104, TTC Indl. Area, Nerul Node Navi Mumbai 400 706	15.02.2001	10 years	1,63,800 HL
6.	Superior Industries Limited	No. 13/1, Mathura Road, Faridabad, Haryana – 121 003	26.03.1999	20 years	1,02,960 HL
7.	Mohan Goldwater Breweries Limited	Mohan Meakin Road, Daliganj, Lucknow Uttar Pradesh–226 020	08.03.2000	7 years	39,000 HL
8.	Inertia Industries Limited	Haryana Brewery: Main Jaipur Highway, Village Joniawas, Dharuhera, Rewari 122 106 Haryana Maharashtra Brewery: Plot No. L-10, MIDC, Waluj Indl. Area, Aurangabad 431 136 Maharashtra	06.10.2003	5 years	74,880 HL (includes both Breweries)
9.	Rainbow Breweries Limited	RICO Industrial Area Shiwar, Dist. Sawai Madhopur, Rajasthan 322 704	20.10.2001	5 years	46,800 HL
10.	GMR Beverages & Industries Limited	Bantupalli Village, Ranasthalam Mandal, J.R. Puram, P.O. Srikakulam Dist. 532 407, Andhra Pradesh	07.03.2002	5 years	46,800 HL
11.	Tripti Alcobrew Limited	Village Mahatoli, Banmore, District Morena, Madhya Pradesh	10.10.2002	3 years	46,800 HL
12.	Som Distilleries & Breweries Limited	Village Rojrachak, Dist: Raisen, Madhya Pradesh	14.01.2003	3 years	46,800 HL
13.	Empee Distilleries Limited	Kuthambakkam, Nazerathpet P.O., Tiruvallur District Tamil Nadu – 602 107	06.03.2002	5 years	62,400 HL
14.	Empee Breweries Limited	New Industrial Development Area, Menonpara Road, Kanjikode, Palakkad 678 621, Kerala	23.12.2002	5 years	32,760 HL
15.	Winsome Breweries Limited	Village Sareh Khurd, Tehsil Tijara, District Alwar, Rajasthan	27.01.2004	5 years	1,63,800 HL

Subsequently, on August 26, 2003, the Company has entered into capacity sharing agreement with MABL in terms of which, UBL and MABL have agreed to supply beer as per each other's requirements for a period of five years as detailed below:

Supplies to be made by UBL (in cases per annum):

	Year 1	Year 2	Year 3	Year 4	Year 5
Name of the Brewery	01.04.2003 to 31.03.2004	01.04.2004 to 31.03.2005	01.04.2005 to 31.03.2006	01.04.2006 to 31.03.2007	01.04.2007 to 31.03.2008
Punjab	3,00,000	3,60,000	3,60,000	3,60,000	3,60,000
Karnataka	3,30,000	4,50,000	5,60,000	7,40,000	7,40,000
West Bengal*	4,45,000	–	–	–	–
Maharashtra**	2,22,000	2,22,000	2,22,000	2,22,000	2,22,000
Total	12,97,000	10,32,000	11,42,000	13,22,000	13,22,000

* the supply from brewery in West Bengal will be only for a period up to March 31, 2004 or until brewery arrangement with Castle Breweries Ltd. is ready, whichever is earlier

** the quantities are on an exchange basis from MABL's brewery at Aurangabad (Inertia Industries Ltd.) over and above the breweries of Empee, GMR and Inertia

Supplies to be made by MABL (in cases per annum):

	Year 1	Year 2	Year 3	Year 4	Year 5
Name of the Brewery	01.04.2003 to 31.03.2004	01.04.2004 to 31.03.2005	01.04.2005 to 31.03.2006	01.04.2006 to 31.03.2007	01.04.2007 to 31.03.2008
GMR	12,00,000	24,00,000*	24,00,000	24,00,000	24,00,000
Empee	15,00,000	15,00,000	15,00,000	15,00,000	15,00,000
Aurangabad (Inertia)	3,60,000	3,60,000	3,60,000	3,60,000	3,60,000
Dharuhera (Inertia)	6,00,000	6,00,000	6,00,000	6,00,000	6,00,000

*increased vide supplemental agreement dated April 1, 2004

In addition, the Company has also entered into an Operational Management-cum-Conducting Agreement on January 27, 2004 whereby UBL will operate and manage the manufacturing facilities for manufacture of beer at the unit of Winsome and can manufacture upto a maximum of 1,63,800 HL of beer p.a. The agreement is for a period of five years effective from February 8, 2004.

The Company has entered into a Licensing and Distribution Agreement on May 24, 2004 with Independent Liquor (NZ) Limited. In terms of the said agreement, the licensee has an exclusive license to manufacture and package the products and to market, distribute and sell the product within the territory of Australia and New Zealand for a period of five years with annual target volumes as mentioned below:

Contracted Capacity per annum (in HL)

Year	Australia	New Zealand
Year 1	4,680	3,120
Year 2	9,360	4,680
Year 3	11,700	6,240
Year 4	14,040	7,020
Year 5	15,600	7,800

(Note: 100,000 cases = 7800 HL)

Apart from the water and power supplied by the respective State Governments / corporations etc, most of the breweries, owned by the Company and the Breweries with whom the Company has Contract Breweries Agreements, have their own sources of water and power to take care of the shortfall in supply of water and power.

Project details with Balaji Distilleries

The Company has entered into a project agreement with Balaji Distilleries Limited (BDL) on November 11, 2002. Balaji Distilleries is in the process of setting up a brewery in Tamil Nadu and has approached the Company to continue the project and complete the setting up of full fledged brewery. For the purpose both the parties have entered into a project agreement. The agreement, among other things, provides for the following:

- UBL shall, on behalf of BDL, approach Banks/FIs etc to obtain financial assistance for the project and may also advance monies to BDL for the same purpose.
- Upon the brewery becoming fully operational, UBL shall have the exclusive right to operate the brewery and produce any of the brands owned by UBL or any of its subsidiary/associate companies.
- UBL shall pay the royalties / marketing service charges at mutually agreed rates.
- BDL shall formulate a scheme of arrangement (demerger) within eighteen months of entering into this memorandum of understanding for splitting of its business into two separate entities to reflect the distillery (demerged company) and brewery business (resulting company) separately in each such demerged entities. Upon demerger, BDL shall offer to UBL a minimum stake of 26% in the equity of the resulting company.

- e) UBL would undertake the project within a period of one year from the date of the agreement.
f) Either party can terminate the agreement by giving written notice of six months.
g) The agreement shall be valid for a period of fifteen years from the date of execution of the agreement.

Details of the contracted capacity and actual off-take are as follows:

Sr. No.	Name of Contract Brewery	Contracted Capacity (HL)	Actual Off-take (HL)				
			2000-01	2001-02	2002-03	2003-04	2004-05 (upto 30.06.04)
1	Karnataka Breweries & Distilleries Pvt. Limited	3,12,000	2,58,617	2,96,456	4,71,826*	4,59,342	1,31,196
2	Mangalore Breweries & Distilleries Limited	1,50,000	-	82,286	1,08,646	1,35,642	45,630
3	Blossom Industries Limited	70,200	35,055	67,733	1,02,702*	1,22,070	44,304
4	Vinedale Distilleries Limited	9,360	23,755	19,306	-	-	-
5	Associated Breweries & Distilleries Limited	1,63,800	-	63,341	96,218	1,11,696	33,228
6	Superior Industries Limited	1,02,960	4,347	43,228	78,026	68,640	27,222
7	Mohan Goldwater Breweries Limited	39,000	30,777	36,684	33,869	39,624	16,614
8	Inertia Industries Limited (Daruhara & Aurangabad units)	1,01,400	-	2,608	13,570	42,042	6,786
9	Rainbow Breweries Limited	46,800	-	1,148	11,365	19,266	1,404
10	GMR Beverages & Industries Limited	46,800	-	1,951	81,320*	91,260	55,224
11	Tripti Alcobrew Limited	46,800	-	-	6,509	10,374	-
12	Som Distilleries & Breweries Limited	46,800	-	-	3,609	16,926	12,870
13	Empee Distilleries Limited	62,400	-	-	39,959	48,438	12,168
14	Empee Breweries Limited	32,760	-	-	2,876	7,410	-
15	Narang Breweries Limited		22,541	-	-	-	-
16	Rajasthan Breweries Limited		25,933	-	-	-	-
17	Rochees Breweries Limited		87,113	-	57,602	31,044	-
18	Impala Breweries & Distillers Limited		21,008	-	-	-	-
19	Balaji Distilleries Limited	-	-	-	-	1,32,366	66,222
20	Winsome Breweries Limited	1,63,800	-	-	-	3,510	24,648
	Total	13,94,880	5,09,146	6,72,344	10,50,493	13,39,650	4,77,516

Note:

- *Actual off take in these cases are more than contracted capacities in view of availability of excess capacities with these breweries which was made available to the Company and utilized by the Company on mutually agreed terms.
- Presently there is no contract arrangement with breweries listed at Sr. Nos. 15 to 18 above.
- The Company has entered into a Brewing & Distribution Agreement with Inertia Industries Limited for a period of 5 years with a contracted capacity of 74,880 HL in view of expiry of earlier Brewing & Distribution Agreement.
- Pursuant to clause 2(g) of the Project Agreement with Balaji Distilleries Limited, the Company has lifted 1,32,366 HL during the year 2003-04 and 66,222 HL of beer upto June 2004.

Raw Materials

Major raw material is barley malt. Barley being an agricultural product, procured by the supplier of malt in season and they ensure supplies all through the year. The major suppliers are Barmalt (India) Private Limited and The Malt Company (India) Limited.

In order to meet the requirements of large quantities of malt for the purpose of brewing its beers, the Company had entered into a Lease Agreement with Maltex Malsters Limited on April 1, 1998 and was revised on January 29, 2003 for a period of 10 years.

Other major raw materials are hops, sugar and maize flakes. While hops are imported, other materials are available locally and are being procured by the breweries wherever they are located, at judicious prices.

Details of sourcing of major packing/raw materials/imported materials: -

Item	Sourced from
Malt	India
Hops	Germany and Czech Republic
Maise Flakes/ Rice Flakes	India
Sugar	India
Intermediates like Enzymes, Chemicals etc	India
Filter aids, Filter Sheets	India
Packing Materials like Labels / Bottles / Cartons	India
Packing Materials like Labels ,Cans, Foils	Germany, Thailand, Dubai

All the imported items are under Open General License and do not fall under restricted items

Raw Material Consumption

The raw material consumption over the past five years is shown below:

Name Of Raw Material	Quantity In Tonnes					Value (Rs. Lacs)				
	2000^	2001^	2002*	2003	2004	2000^	2001^	2002*	2003	2004
Malt	16,046	18,345	9,946	17,055	17,438	2,453.70	2,746.14	1,422.83	2,272.65	2,730.67
Brewing Materials	5,058	6,028	4,901	6,102	7,759	947.30	1,117.45	483.25	1,133.84	1,228.64
Other Materials	-	-	-	-	-	289.30	731.59	212.75	831.26	676.94

* Please note figures for 2002 are for eight months (August 2001 to March 2002) with effect from the appointed date for demerger

^ pertains to UBHL – beer division (prior to demerger)

Imports

Major imported components include raw materials and spares, details of the same for the last five years are presented below:
Rs. in Lacs

	2000^	2001^	2002*	2003	2004
Raw Materials	167.00	255.54	207.46	448.28	244.61
Components	394.98	366.14	500.29	895.20	1,156.43

* Please note figures for 2002 are for eight months (August 2001 to March 2002) with effect from the appointed date for de merger

^ pertains to UBHL – beer division (prior to demerger)

Research and Development Activities

The Central Technical Cell (CTC) of the Company carries out the Quality Assurance activities. It monitors the quality of the finished products, its processes and in general, monitors the Quality Assurance functions of the individual units spread across the country.

Some of the analytical functions of the CTC are given below:

Raw materials received (such as malt, rice flakes, maize flakes, broken rice, hops, sugar, processed chemicals, processed additives, sugar, etc) at the brewing units are collected randomly and sent to CTC for analysis. CTC, after receipt, checks the samples and confirms that they match with the specifications.

In addition to the above analytical work carried out, CTC also monitors the process practices of the individual units. The following reports are received on a monthly basis from the units which enable monitoring the process followed at the units.

1. Product Audit Report - This highlights the grist for the various brands, brew length, brew house yields, processing methods, temperature regime and monitoring of gravity in fermentation, lagering regime, filtration, process additives used along with the dosage rates as well as the quality of the final product.

2. Product Quality Monitoring graph – (monthly report) – The unit analyses each batch of beer being bottled and the values obtained are plotted in a graphical form. This provides key information on the trends of the quality of the product during a particular month.
3. Quality Index reports – (monthly report) – CTC is monitoring the quality of beer through a system of Quality Index. This system takes into consideration both the specification range as well as the target range of specifications of the product. The Quality Index is monitored at the units for the products as well as at the CTC for the samples received from the units.
4. Raw material and packaging materials report – (monthly report) – The acceptance and rejection status of the raw and packaging materials based on the quality of the material received at the units is compiled on a monthly basis and reported to CTC as a part of the corrective action taken by the units in ensuring quality.
5. QCMR Reports – (monthly report) – This has been done to monitor and improve the quality assurance levels in the bottling hall. Data is obtained from the bottling line and warehouse on the dirty, scuffed, bottles with foreign particles, poor designing labels, etc. The daily reports are compiled at the unit and reported to CTC. Corrective actions are suggested by CTC.

In addition to the above, CTC has also been carrying the following:

1. New Product Development – A number of new products have been developed by CTC. As a part of the new product development, concepts are worked upon, various processes and analytical data obtained, the product is subjected to taste testing and required changes are made. The product is also subjected to market research before scale up operations.
2. Training – As a part of percolating quality awareness to the units, CTC has been training the Quality Assurance personnel including chemists, microbiologists, quality assurance managers and brewers. The training module includes hands-on-training in the various international methods of analysis of beer, raw materials, water, process additives, packaging materials, microbiology and problems related to process parameters in the areas of fermentation, filtration and bottling.

Human Resources

The Company has been recruiting the best talent in the Industry. The Company recruits trainees from premier Management Institutes in the country every year with a view to developing young talent. The attrition rate in the Company is minimal.

Break-up of the employees as on June 30, 2004 is as follows:

Category / Department	Execs	JMC*	Staff	Work-men	Contract / Casual	Total
Manufacturing	65	48	16	372	410	911
Technical	52	32	4	341	109	538
Sales/Marketing	83	70	NIL	NA	NA	153
Finance	31	17	3	1	NA	52
Human Resource	13	12	8	7	39	79
Total	244	179	31	721	558	1,733

*JMC: - Junior Management Cadre

The Company follows a practice of settlement of wages for the workers at various breweries arrived through conciliation after a charter of demands is given by the union & the management also submits its counter demands. In doing so, the Company interacts with both internal & external unions and the term for such settlements varies from 3 years to 5 years.

During the last 5 years, there has not been a single day of production loss due to any industrial unrest. There have been harmonious industrial relations across all our units.

Effluent Treatment Facilities

The brewery waste water (effluent) discharged from various sections contains a large number of organic components and nutrient salts, which leads to consumption of dissolved oxygen and the eutrophication of the water. The effluent water is characterized by its BOD (Biological Oxygen Demand), COD (Chemical Oxygen Demand) & TSS (Total Suspended Solid) levels.

Extensive waste water treatment process has been designed & operated to ensure the stringent requirements of pollution control boards. Biological wastes water treatment is the core process of the brewery effluent treatment.

Treatment process:

Brewery waste water treatment typically comprises:

- 1) Grit Chamber
- 2) Equaliser
- 3) Anaerobic Digester

- 4) Aerobic system
- 5) Clarifier (sludge settling tank)
- 6) Sludge Drying Beds

Anaerobic Digester is a modern technology applied to brewery waste water treatment with moderate BOD loads. Compared to aerobic treatment this is less energy consuming and compact system. However anaerobic treatment cannot totally replace the aerobic rather it can be supplemented during the capacity expansion. The same has been installed at UB Ludhiana unit during its capacity expansion project and same is under commissioning.

Grit Chamber / Bar Screen:

The brewery effluent flows through this small chamber fitted with coarse mesh. The primary function of this section is to trap the grits (spent malt) , paper labels/ pulp & other suspended matters. Also this activity reduces the chances of transfer pumps from clogging.

Equalizer:

The equalizing tank is mainly a collection tank to maintain a homogenous load. For mixing in the equalization tank necessary piping, coarse bubble diffusers and air blower are provided. From the equalization tank the equalized wastewater is pumped to the activated sludge process tanks / high efficiency anaerobic hybrid digester by use of feed pumps.

Aerobic System

Depending upon the strength of the effluent either single stage or two stage aerobic treatments based on activated sludge process is used for further treatment of anaerobically treated waste water or as a first stage treatment for low strength waste waters.

Aerobic treatment is being achieved by using any one of the following: surface aerators, diffusers, lamella type, bio-towers etc., The basic principle is to supplement the DO levels.

Surface aerators: These aerators are fixed just above the water level.

Fine bubble diffused aeration tanks: These tubular arrangements with fine pore membranes are fitted at the base of the tank structure with air distributors.

Anaerobic digester:

(Upflow Anaerobic Sludge Blanket Reactor (UASB))

UASB is a suspended growth type reactor. The effluent is pumped into the reactor and is distributed through a unique distribution system ensuring uniform distribution of effluent throughout the sludge blanket.

The micro-organisms which are in the form of sludge blanket act upon the organic impurity and generate bio-gas. The liquid alongwith biogas generated in the reactor and sludge particles rise to the top of the UASB reactor.

A three phase separator located in the upper portion of the reactor, separates out gas, liquid and sludge particles. The bio-gas is collected in domes and transported for further utilisation based on the economics or flared. Suspended solids settle back into the sludge blanket, retaining valuable bacterial population. Liquid overflows the effluent gutter for further treatment i.e towards aeration tank.

Clarifier / sludge settling tank:

After the activated sludge treatment, the overflow of the aeration tank is pumped to the clarifier tank. This is basically settling tank with conical bottom where the sludge settles.

The clear treated water free from any suspended particles / organic compounds flows from the periphery channel of the clarifier. The outlet water of the clarifier is treated output of the brewery effluent treatment plant – reused for gardening /horticulture. The excess water is discharged in the streams adjacent to the brewery.

Sludge drying beds:

The slurry from the conical bottom of the clarifier tank is periodically withdrawn and sent back to the aerator for maintaining the valuable micro-organism mass level. The excess slurry is pumped to the sludge drying beds which are rectangular shallow tanks filled with multi grade pebbles in layers from bottom topped with river sand. This arrangement acts as filter which retains the sludge at the top allowing the clear water to flow through the filter media and finally let out from the bottom drain pipe. The fully charged Drying Bed is allowed to completely dry for 5 to 6 days, as the residual moisture evaporates.

The dried sludge cakes are removed from the beds and the top sand bed is cleaned for the next charge. Dried sludge is being used as agro manures.

Summary:

Thus the Brewery effluent containing BOD (900 to 1200 mg/ litre), COD (1800 to 2500 mg/ litre) levels are treated and the discharge after such treatment is within the typical pollution control board norms of BOD (<30mg/litre), COD(<250mg/litre) and TSS(<100mg/litre).

The Company has breweries in seven locations across India. The Company has received renewals / applied for renewals from the respective Pollution Control Boards as per the following details:

Sr. No.	Plant	Renewed upto	Letter no.
1.	United Breweries Limited- application is in the name of Bombay Breweries Plot No. M-1, MIDC Industrial Area, Talaja – 410 208 Dist. Raigad, Maharashtra	31.05.2005	Consent No: BO/ROMM/Raigad/16492001 dated 30.07.2001
2.	United Breweries Limited Vernad, Cherthala – 688 623 Kerala	31.12.2005	Consent No. PCB/A/R2/931 /2000 dated 14.2.2003
3.	United Breweries Limited Kanjikode West, P.O.Palakkad – 678 623, Kerala	31.12.2004	Renewal dated 18.6.2002
4.	United Breweries Limited Nacharam Industrial Area, Nacharam, Hyderabad – 501 507 Andhra Pradesh	31.3.2004*	Consent no. PCB/ZOH/A/ 2003 dated 21.07.2003
5.	United Breweries Limited Post Box No. 3, Bethora, Ponda, Goa – 403 401	31.01.2004*	Consent Letter No.:5/74/88-PCB/206 dated 18.04.2002
6.	United Breweries Limited Vittal Mallya Road, Kalyani, West Bengal – 741 235	31.12.2004	Consent Letter No: C-006953 Memo No: 092 -1A-35-2000 dated 17.02.2004
7.	United Breweries Limited Focal Point Area, Ludhiana –141 001, Punjab	31.12.2010	Consent no: LDH – II / APC / 95 - 10 / R (398) 838 dated 30.12.96

* Applied for renewal

Working capital arrangements:

The Company enjoys the following working capital facilities:

(Rs.in Lacs)

Name of the Bank	Fund based facilities	Non-fund based facilities	Total
Citibank N.A.	485.00	100.00	585.00
Bank of Baroda	1,000.00	1,000.00	2,000.00
The Federal Bank Limited	1,700.00	–	1,700.00
Punjab National Bank	1,500.00	500.00	2,000.00
State Bank of Travancore	750.00	275.00	1,025.00
Total	5,435.00	1,875.00	7,310.00

Security:

- a) the whole of the Current Assets of the Borrower namely stock of raw materials, stocks in process, semi-finished and finished goods, stores and spares not relating to plant and machinery (consumable stores and spares), bills receivable and book debts and all other current assets, both present and future, whether now lying loose or in cases or which are now lying or stored in or about or shall hereinafter from time to time during the continuance of the security of these presents be brought into or upon or to be stored or be in or about UBL's factories, premises and godowns situated at Chertala (Kerala), Palghat (Kerala), Hyderabad (Andhra Pradesh), Bethora Ponda (Goa), Kalyani (West Bengal), Talaja (Maharashtra), Ludhiana (Punjab) and also at various depots / warehouses and such other places all over India or wherever else the same may be or be held by any party to the order of disposition of UBL or in the course of transit or on high seas or on order or delivery, howsoever and wheresoever in the possession of UBL and either by way of substitution or addition.

b) Second charge on immovable properties of UBL together with the buildings and other structures thereon, and all plant and machinery attached to the earth or permanently fastened to anything attached to earth.

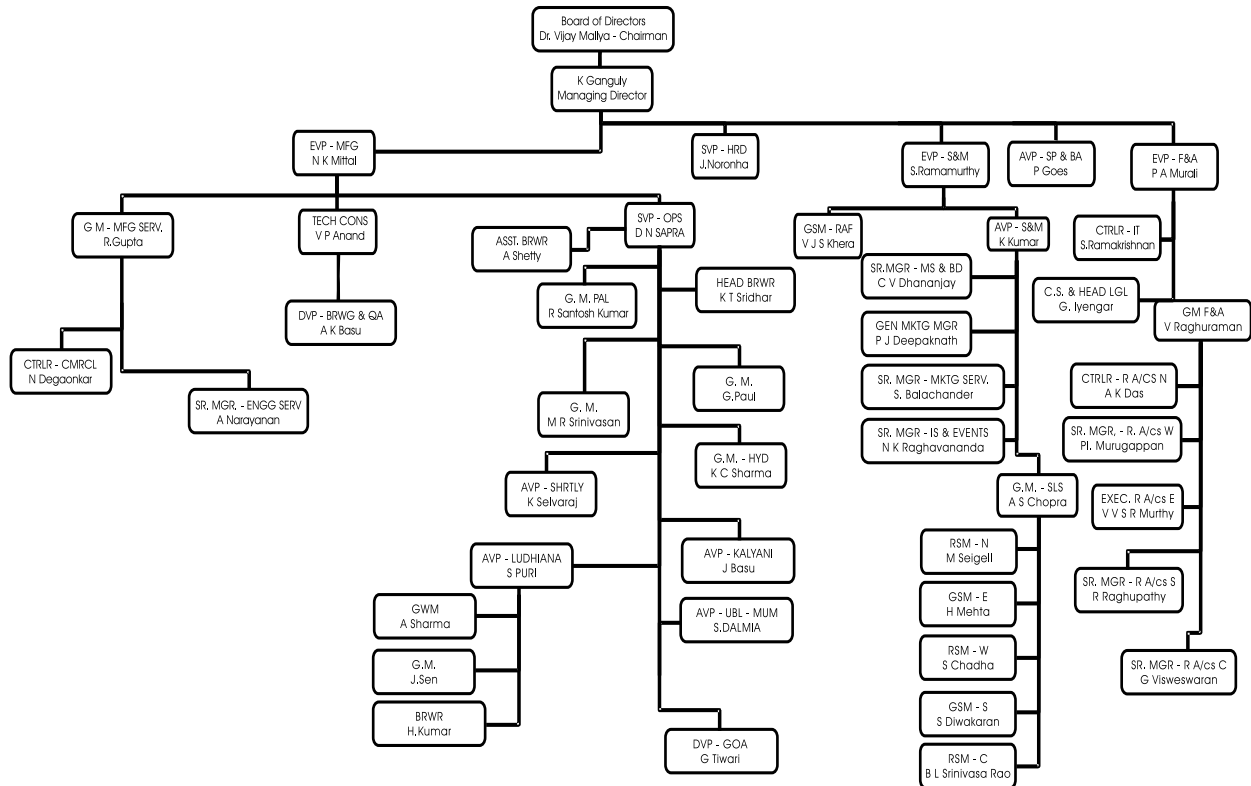
Interest:

Interest shall be charged on the outstanding in the said account(s) at such rate as may be determined by the said banks from time to time and if such rate or rates is or are linked to the Commercial Bank Advance Rate, then the effective rate of interest on such account(s) shall correspondingly stand changed on account of any revision therein from the date of any revision.

Corporate Structure and Management

The organisation structure of the Company is as follows:

ORGANISATION CHART



LEGEND

EVP-EXECUTIVE VICE PRESIDENT, SVP-SENIOR VICE PRESIDENT, DVP-DIVISIONAL VICE PRESIDENT, AVP-ASSISTANT VICE PRESIDENT, GEN. MGR./GM-GENERAL MANAGER, CONT.- CONTROLLER, GWM-GENERAL WORKS MANGER, C.S. - COMPANY SECRETARY, GSM-GENERAL SALES MANAGER, RSM-REGIONAL SALES MANAGER, SR. MGR- SENIOR MANAGER, EXE-EXECUTIVE, S&M-SALES & MARKETING, MFG-MANUFACTURING, ENGG-ENGINEERING, F&A-FINANCE & ACCOUNTS, HRD-HUMAN RESOURCE DEVELOPMENT, SP&BA-STRATEGIC PLANNING & BUSINESS ANALYSIS.

NOTE

IN THE ORG. STRUCTURE, THE UNIT HR, ENGINEER AND BREWING HEADS REPORT FUNCTIONALLY TO THE CORPORATE HR, ENGINEERING, AND BREWING HEADS RESPECTIVELY. THE UNIT FINANCE HEAD REPORT FUNCTIONALLY TO THE REGIONAL ACCOUNTS HEAD. ADMINISTRATIVELY ALL REPORT TO THE UNIT HEAD.

Board of Directors

The Company is managed by a Board consisting of 8 directors. The day-to-day operations of the Company are being looked after by Mr. Kalyan Ganguly, the Managing Director of the Company. Mr. Kalyan Ganguly has 24 years of experience in the industry. He is assisted by a team of qualified professionals in various functional areas like production, marketing, finance etc.

The Board of Directors of the Company is as mentioned below:

Name, Father's name, Age, Designation, Occupation	Residential Address	Qualifications	List of Other Directorships
<p>Dr. Vijay Mallya S/o Late Mr. Vittal Mallya 48 years Chairman Industrialist</p>	<p>6, Bulkley Avenue Sausalito California 94965 U.S.A</p>	<p>Ph.D. in Business Administration</p>	<ol style="list-style-type: none"> 1. Herbertsons Ltd.- Executive Chairman 2. United Breweries (Holdings) Ltd. 3. McDowell & Company Ltd. 4. Mangalore Chemicals & Fertilizers Ltd. 5. Aventis Pharma Ltd. 6. Bayer CropScience Ltd. 7. Associated Breweries & Distilleries Ltd. 8. Kamsco Industries Private Ltd. 9. Mallya Private Ltd. 10. McDowell Alcobev Private Ltd. 11. Pharma Trading Company Private Ltd. 12. The Gem Investment & Trading Company Pvt. Ltd. 13. AsianAge Holdings Ltd. 14. Indian Premier Football Association Ltd. 15. United East Bengal Football Team Pvt. Ltd. 16. United Mohun Bagan Football Team Pvt. Ltd. 17. United Racing and Bloodstock Breeders Ltd. 18. Bangalore Turf Club Ltd. 19. Motor Sports Association of India 20. Ashoka Restaurants (South Africa) (Pty) Ltd. 21. Catamaran Corporation Inc. 22. Connectics Pte Ltd. 23. Galaxy Industries Ltd. 24. Galaxy International Ltd. 25. Galaxy Overseas Holdings Ltd. 26. Jenson & Nicholson (Singapore) Pte Ltd. 27. Kingfisher America Inc. 28. The Cape Milner SA (Pty) Ltd. 29. UB Resorts Management SA (Pty) Ltd. 30. Lake Kyle Holdings (Pty) Ltd. 31. Mabula Game Reserve (Pty) Ltd. 32. Mabula Investments (Pty) Ltd. 33. Marinscope Inc. 34. Mendocino Brewing Company 35. Millionaire Media & Ecom S.A. (Pty) Ltd. 36. McDowell Nepal Ltd. 37. Pacific Blitz Inc. 38. Specialty Beer Investments Inc. 39. UB Emirates LLC 40. UB Gulf FZE 41. UB International Ltd. 42. UB International Holdings Ltd. 43. UB Management Services Ltd. 44. UB Resorts Holdings SA (Pty) Ltd. 45. UB South Africa (Pty) Ltd. 46. UB Textiles (South Africa) (Pty) Ltd. 47. UBICS Inc. 48. UBSN Limited 49. United Breweries of America Inc 50. United Breweries Nepal Private Ltd. 51. United Breweries Singapore Pte Ltd. 52. United Breweries & Distilleries (Pacific) Pte Ltd.

Name, Father's name, Age, Designation, Occupation	Residential Address	Qualifications	List of Other Directorships
			53. United National Breweries (SA) Ltd. 54. United Wineries of America 55. Vantage Investments Pte Ltd. 56. Wotan Pte Ltd. 57. UB Holdings SA (Pty) Ltd. 58. Imbali Holdings (Pty) Ltd. 59. Kingfisher Airlines Limited
Mr. Kalyan Ganguly S/o Mr. Kalidas Ganguly 52 years Managing Director Company Executive	Flat 302, III Floor Brigade Lavelle - I, Lavelle Road, Bangalore - 560 001	1. Post Graduate Diploma in Business Management (XLRI) 2. Advance Management Programme (Harvard Business School) 3. Executive Development Programme in Marketing (Harvard Business School)	1. Mangalore Breweries & Distilleries Ltd. 2. Associated Breweries & Distilleries Ltd. 3. Malteser Malsters Ltd. 4. UB General Investments Ltd. 5. United Breweries Nepal Private Ltd. 6. Indian Premier Football Association Ltd. 7. UBSN Ltd. 8. United National Breweries (SA) (Pty) Ltd. 9. United East Bengal Football Team Pvt. Ltd. 10. Inertia Industries Limited
Mr. Subhash Raghunath Gupte S/o Late Mr. Raghunath Gupte 65 years Director Company Executive	77, 2 nd Cross, Lavelle Road, Bangalore -560 001	Chartered Accountant	1. AsianAge Holdings Ltd. 2. Associated Breweries & Distilleries Ltd. 3. Aventis Pharma Ltd. 4. BDA Ltd. 5. Herbertsons Ltd. 6. Inertia Industries Ltd. 7. Mangalore Chemicals & Fertilizers Ltd. 8. McDowell & Company Ltd. 9. McDowell Alcobev Private Ltd. 10. Rifa Publications Pvt. Ltd. 11. UB Electronic Instruments Ltd. 12. UB Engineering Ltd. 13. UB Global Corporation Ltd. 14. UB General Investments Ltd. 15. United Breweries Nepal Private Ltd. 16. United National Breweries (SA) Ltd. 17. United Helicharters Private Limited 18. United National Breweries (SA) Limited 19. Kingfisher Airlines Limited
Mr. Vijay Kumar Rekhi S/o Mr. Madanlal Rekhi 58 years Director Company Executive	"Camelot" Apartment No.203, No.4, Kingston Road, Ulsoor, Bangalore – 560 042	1. Post Graduate in Economics 2. Masters in Business Administration (Indian Institute of Management, Ahmedabad)	1. McDowell & Company Ltd 2. Herbertsons Limited 3. United Distillers India Ltd. 4. Baramati Grape Industries Ltd. 5. McDowell International Brands Ltd. 6. McDowell Nepal Ltd. 7. United Breweries Nepal Private Ltd. 8. United National Breweries (SA) Ltd.
Mr. A. K. Ravi Nedungadi S/o Mr. A. K. Peethambaran Nedungadi 46 years Director Company Executive	Flat No.103, Delphi - III, Prestige Acropolis 20, Hosur Road Bangalore – 560 029	1. Chartered Accountant 2. Cost Accountant	1. Aventis Pharma Ltd. 2. McDowell Alcobev Private Ltd. 3. Bayer CropScience Ltd. 4. McDowell Nepal Ltd 5. Idea Streamz Consultants Pvt. Ltd 6. Triumph Distillers & Vintners Pvt. Ltd. 7. Pie Education Ltd. 8. Millenia Vision Advertising (Pvt) Ltd. 9. Wotan Pte. Ltd. 10. Kingfisher Airlines Ltd.

Name, Father's name, Age, Designation, Occupation	Residential Address	Qualifications	List of Other Directorships
Mr. Atul Munim S/o Late Mr. Bachubhai Munim 69 years Director Solicitor	C-52, Darshan Apts. Mt. Pleasant Road, Mumbai - 400 026	Graduate in Law	1. Lord India Chemical Products Private Ltd. 2. LMJ Equipments Trading Company Private Ltd. 3. Asian Star Limited 4. McLube Asia Private Ltd.
Mr. C. L. Jain S/o Late Mr. Meghraj Jain 70 years Director Chartered Accountant	13/B/2 Woodlands, Peddar Road, Mumbai - 400 026	1. Chartered Accountant 2. Company Secretary 3. Chartered Institute of Management Accountants, London 4. Chartered Institute of Secretaries and Administrators, London, 5. Institute of Management, London	1. Shasun Chemicals and Drugs Ltd. 2. RPG Life Sciences Ltd. 3. Herbertsons Ltd. 4. Brescon Corporate Advisors Ltd. 5. Practical Financial Services Pvt. Ltd. 6. Vulcan Financial Consultants Pvt. Ltd. 7. Inertia Industries Limited 8. Asit C. Mehta Investment Intermediaries Ltd.
Dr. Neville Clifford Bain S/o Mr. Charles Alexander Bain 63 years Nominee Director (nominated by S&N / its nominees as per the provisions of Investment and ECB Loan Agreements) Consultant	Hightrees Cavendish Road, St. George's Hill, Weybridge, Surrey KT13 0JX England	1. Master of Commerce, 2. Bachelor in Accountancy and Economics 3. Doctorate in Law 4. Fellow Chartered Accountant 5. Fellow Cost and Management Accountant 6. Fellow Chartered Secretary	1. Hogg Robinson Plc 2. Farnborough Holdings Ltd. 3. Scottish Newcastle Plc 4. McDowell Alcobev Private Ltd. 5. Biocon Ltd. 6. Syngene Ltd. 7. Nutrinovator Ltd. 8. Neville Bain Developments Ltd.

None of the Directors are relatives of each other.

All the Directors have confirmed that there are no pending litigations / disputes or criminal / civil prosecution against them, except for those mentioned under litigations on page no.204.

Brief Profile of the Board of Directors

Dr. Vijay Mallya is a well known industrialist and is the Chairman of the UB Group. Dr. Mallya took over the reins of the United Breweries Group in 1983 at the young age of 28 and since then the Group has grown into a multi-national business conglomerate. Dr. Mallya has received awards both in India and overseas. He has also been conferred a Doctorate of Philosophy in Business Administration, by the Southern California University, Santa Ana, CA, USA in 1997. He has also been nominated as a Global Leader for Tomorrow by the World Economic Forum during their annual meeting at Davos in 1995. Dr. Vijay Mallya is a Member of Parliament, Council of the States of the Republic of India. Dr. Mallya has been appointed as a Director and Chairman of the Company by the Shareholders at their meeting held on September 30, 2002, who shall not be liable to retirement by rotation so long as Dr. Mallya either by himself or along with his relatives or associates or Companies owned and /or controlled by him, holds not less than 15% of the subscribed equity capital of the Company. .

Mr. Kalyan Ganguly started his career with Reckitt & Coleman India Limited and subsequently in 1979 joined the Spirits Division of the UB Group. Mr. Ganguly joined the Board of UBL on March 30, 2002 and was elevated to the position of the Managing Director of the Company from August 9, 2002. Before being appointed on the Board and later as Managing Director of the Company, Mr. Ganguly was leading the Brewery business as President of the Breweries Division. Mr. Ganguly has contributed towards growth and development of Kingfisher Brand. Mr. Ganguly has also participated in various workshops where he has been able to acquire relevant knowledge and contribute significantly towards enhancing India's position among countries having significant brewing operations.

Mr. Ganguly is entrusted with powers of management and is responsible for the general conduct and management of the business and affairs of the Company subject to the superintendence, control and supervision of the board of directors of the Company.

Mr. Subhash Raghunath Gupte, has worked with Caltex India Limited from 1964 for 5 ½ years in various capacities. Mr. Gupte joined Air India in 1969 and worked for 24 years in various positions in India & abroad. He was promoted as Director of Finance in May 1988 and also took charge as Director-Human Resources Development in August 1988. He was also entrusted with the functions of Deputy Managing Director at the same time. He took over in the acting capacity as Chairman and Managing Director of Air India from July 17, 1990 and also Chairman of Hotel Corporation of India till November, 1991. During his tenure with Air India, he was on the Board of Air Mauritius and Indian Airlines and was Deputy Chairman and Vice President of Airline Mutual Insurance based in Bermuda. He was a Member of International Air Transport Association (IATA) Executive and Financial Committees and Fuel Trade Group. He was also a Director on the Board of Pacific Asia Travel Association.

Mr. Gupte joined the United Breweries Group in March 1992 as Executive Vice Chairman. He is on the Board of a number of Public Limited Companies.

Mr. Vijay K. Rekhi has over 35 years varied experience in both operational and policy-making positions within and outside the UB Group. Since April 1996, he is President of the UB Group Spirits Division and Managing Director of McDowell & Co. Ltd.

His earlier assignments within the UB Group included the positions of Regional Director for overseas operations, CEO of Phipson & Co. Ltd., India and Director – Marketing & Sales, Herbertsons Limited. Prior to joining the UB Group, he held the position of All India Sales & Marketing Head of Polson Limited, India, and Head of the Sales function in Cable Marketing Co. Ltd., India.

Mr. Rekhi has successfully completed a 16 week programme on export management from the International Trade Centre, Geneva, Switzerland; a 12 week Advanced Management Programme (ISMP) of the Harvard Business School, USA and a seminar on Leading Organizational Change at the Wharton School, USA.

Apart from being a director on the boards of several companies in the UB Group, he has also held the position of chairman of trade associations like “Society for Alcohol-Related Policy Initiative” (SARPI), “Association of Distillers, Brewers & Vintners of India” (ADBVI), and “Confederation of Indian Alcoholic Beverage Companies” (CIABC).

Mr. A. K. Ravi Nedungadi, started his career with Macneill & Magor Ltd., as Regional Accounts Manager and was involved in overall redesigning of the company’s Management Information System and worked in the company for 6 years. He then joined Pentagon Fasteners Limited as Assistant Vice President – Finance, where he was instrumental in achieving a turn around for the company. He was appointed by Financial Institutions to conceive and manage financial rehabilitation. After a stint of 1 ½ years in Computer Point Limited as Chief Financial Officer, he joined the UB Group as a Financial Officer and was promoted as a Group Corporate Treasurer. Mr. A. K. Ravi Nedungadi was promoted as a Group Finance Director of UB International Limited where he worked for 5 years. He is presently the President & CFO of the UB Group overseeing the Finance function of the entire Group.

Mr. Atul Munim is a senior partner of Messrs Bachubhai Munim & Company, Advocates & Solicitors, Mumbai, one of the leading Solicitor Firms in the country.

Mr. Chhaganlal Meghraj Jain is also a Member of Institute of Chartered Secretaries & Administrators, London, Chartered Institute of Management Accountants, London, Institute of Management, London, qualified chartered accountant and a company secretary. Mr. Jain has very rich and vast experience in the field of finance and accounts, acquired over 38 years of working experience with various organizations including ICI, Hindustan Lever Limited, Hoechst India Limited and later President of Ceat Asset Management Limited. He was a visiting faculty Member of the Bajaj Institute of Management and other Institutes for two decades. He was also the Chairman of the Banking and Finance Committee of the Bombay Chamber of Commerce and Industry for the period of 4 years (1992-96).

Dr. Neville Bain is a Company Director, consultant and an author of management books. He has worked internationally for 27 years, first with Cadbury Schweppes plc in financial and general management in New Zealand, Australia, South Africa and the United Kingdom and having been Managing Director of the world-wide confectionery, was appointed Deputy CEO. He then joined Coats Viyella plc as Group Chief Executive Officer for 6 years, before embarking on a portfolio career.

He is Chairman of Hogg Robinson plc and a non-executive director of S&N both of which are based in the U.K. He completed his extended term of office as chairman of Consignia plc (formerly The Post Office) at the end of December 2001.

Mr. Bain is also a member of the Council of the Institute of Directors and Chairman of their Audit Committee in U.K. and a member of the Council for Excellence in Management and Leadership, also in United Kingdom.

Details of the payment made to the Directors of the Company during the last financial year:

Remuneration/sitting fees paid to all the directors on the Board during 01.04.2003 to 31.03.2004 is given below:

Name of the Director	Business relationship with the Company, if any	Relationships with other directors	Gross remuneration* (Rs.)	Sitting fees (Rs.)	Total (Rs.)	Number of shares owned in the Company
Dr. Vijay Mallya	Chairman	Not Related	NIL	NIL	NIL	19,21,826#
Mr. Kalyan Ganguly	Managing Director	Not Related	125,86,220	NIL	125,86,220	1,680
Mr. Subhash Raghunath Gupte	Director	Not Related	NIL	62,000	62,000	NIL
Mr. Vijay Kumar Rekhi	Director	Not Related	NIL	93,000	93,000	NIL
Mr. A. K. Ravi Nedungadi	Director	Not Related	NIL	1,46,000	1,46,000	NIL
Mr. Atul Munim	Director	Not Related	NIL	14,000	14,000	NIL
Mr. CL Jain	Director	Not Related	NIL	78,000	78,000	NIL
Dr. Neville Bain	Director	Not Related	NIL	15,000*	15,000*	*

* Dr. Neville Bain has been appointed director on June 30, 2003

None of the directors have been paid commissions on profits of the Company so far.

the shareholding of Dr. Vijay Mallya includes Shares held in joint names also.

Details of Loans and advances given to the directors as on March 31, 2004

Name of the Director	Amount Outstanding (Rs. in Lacs)
Dr. Vijay Mallya	NIL
Mr. Kalyan Ganguly	1.46
Mr. Subhash Raghunath Gupte	NIL
Mr. Vijay Kumar Rekhi	NIL
Mr. A. K. Ravi Nedungadi	NIL
Mr. Atul Munim	NIL
Mr. C L Jain	NIL
Dr. Neville Bain	NIL*

* appointed on June 30, 2003

Details of the terms and service contracts of the directors of the Company:

Name of the Director	Date of expiration of the current terms of Office	Details of service contracts with the Company
Dr. Vijay Mallya	Note 1	Nil
Mr. Kalyan Ganguly	August 8, 2007	<ol style="list-style-type: none"> Salary: Rs.383,300 per month, with such increments as may be determined by the Board of Directors of the Company, from time to time as per the Rules of the Company. Special Allowance: Special Allowance at the rate of 50% of the Basic Salary. This will be taken into account for calculation of Provident Fund, Gratuity, Superannuation Benefits and Performance evaluation payment. Performance Evaluation Payment: of such percentage of Basic Salary plus Special Allowance per annum as may be evaluated by the Management, based on performance, in accordance with the Rules of the Company, in this regard.

Name of the Director	Date of expiration of the current terms of Office	Details of service contracts with the Company
		<p>4. Perquisites :</p> <p>i) Housing: Furnished / Unfurnished residential accommodation or House Rent Allowance of 50 per cent of salary in lieu thereof. The expenditure incurred on gas, water, electricity and furnishings shall be valued as per the Income Tax Rules, 1962.</p> <p>ii) Medical Reimbursement: Expenditure incurred by Mr. Kalyan Ganguly and his family, in accordance with the Rules of the Company.</p> <p>iii) Leave Travel Concession: For self and family, once in a year incurred in accordance with the Rules of the Company.</p> <p>iv) Soft Furnishing Allowance: Rs.33,000 per month with such increases as may be determined by the Management of the Company from time to time.</p> <p>v) Club Fees: Fees of Clubs subject to a maximum of two Clubs. This will include admission and life membership fees.</p> <p>vi) Personal Accident Insurance: Premium as per the Rules of the Company.</p> <p>vii) Provident Fund: Company's contribution to Provident Fund shall be as per the Rules of the Company.</p> <p>viii) Superannuation Fund/ Annuity: Company's contribution to Superannuation Fund shall be in accordance with the Rules of the Company.</p> <p>ix) Gratuity: Payable in accordance with the Rules of the approved Fund of the Company as applicable.</p> <p>x) Encashment of Leave not availed of: As per the Rules of the Company.</p> <p>xi) Provision of a car and telephone at the residence: As per the Rules of the Company.</p> <p>xii) Such other benefits, amenities, facilities and perquisites as per the Rules of the Company as applicable to senior executives and as may be permitted by the Board of Directors, to the Managing Director.</p> <p>All perquisites and allowances shall be valued as per Income-Tax Rules, 1962 as amended from time to time. Provided that the remuneration payable to Mr. Kalyan Ganguly (including salary, special allowance performance evaluation payment, perquisites, benefits, amenities and facilities) shall be subject to the provisions laid down in Sections 198 and 309 and Schedule XIII of the Companies Act, 1956 or any other Statutory provision, modification or re-enactment thereof and shall be subject to the approval of the Central Government. In the event of absence or inadequacy of profits in any financial year, the remuneration by way of salary, special allowance, performance evaluation payment, perquisites, benefits, amenities and facilities payable to Mr. Kalyan Ganguly shall be subject to the provisions prescribed under the Companies Act, 1956 and the Rules made there under or any statutory modification or re-enactment thereof.</p>
Mr. Subhash Gupte	September 30, 2003	Nil
Mr. Vijay Kumar Rekhi	September 30, 2003	Nil
Mr. A. K. Ravi Nedungadi	September 30, 2004	Nil
Mr. Atul Munim	September 30, 2004	Nil
Mr. C. L. Jain	September 30, 2005	Nil
Dr. Neville Bain	Note 2	Nil

Note 1: Pursuant to the resolution passed by the Company at its AGM held on September 30, 2002, Dr. Vijay Mallya will hold the office of Director and Chairman of the Company so long as he, either by himself or along with his relatives or associates or companies owned and /or controlled by him, holds not less than 15% of the subscribed equity capital of the Company and will not be liable to retire by rotation and shall not be required to hold any qualification Shares.

Note 2: Being a nominee director of S&N / its nominees, Dr. Neville Bain is not liable to retire by rotation. Dr Bain has been appointed as a director on the Board of the Company as per the provisions of the Investment Agreement and ECB Loan Agreement.

Changes in the Directors and Auditors of the Company during the last 3 years

There have been no changes in the Board of Directors in the last three years other than as follows:

Name of the Director	Date of appointment	Date of Resignation	Reason
Mr. Morris Mathias	13.05.1999	28.04.2002	Expired
Mr. P. Subramani	13.05.1999	20.08.2002	Resigned
Mr. S. Ramanujam	13.05.1999	20.08.2002	Resigned
Mr. L. Ranganathan	13.05.1999	30.03.2002	Resigned
Dr. Vijay Mallya	30.03.2002	—	Appointed As Additional Director
Mr. Kalyan Ganguly	30.03.2002	—	Appointed As Additional Director Appointed As Managing Director on 09.08.2002
Mr. S. R. Gupte	09.08.2002	—	Appointed As Additional Director
Mr. A. K. Ravi Nedungadi	09.08.2002	—	Appointed As Additional Director
Mr. V. K. Rekhi	09.08.2002	—	Appointed As Additional Director
Mr. Ashok Wadhwa	09.08.2002	21.12.2002	Resigned
Mr. Atul Munim	09.08.2002	—	Appointed As Additional Director
Mr. C. L. Jain	27.01.2003	—	Appointed As Additional Director
Dr. Neville Bain	30.06.2003	—	Appointed As Nominee Director (nominated by S&N)

The appointments of the above additional directors were regularized by the members of the Company at the respective AGMs held after their appointment.

Changes in the auditors of the Company during the last three years

There have been no changes in the Auditors of the Company in the last three years other than as follows:

Name of the Auditors	Date of appointment	Date of Resignation	Reason
M/s Fraser & Ross	May 13, 1999	September 30,2000	Not offered for reappointment due to reorganization of their firm
S.N. Balasubramanya	September 30, 2000	September 22, 2001	Relinquished Office due to pre occupation
M/s. Deloitte Haskins & Sells	September 22, 2001	September 26, 2003	Not offered for reappointment due to reallocation of various audits within their firm
M/s. Price Waterhouse	September 26, 2003	Not Applicable	Appointed in place of M/s. Deloitte Haskins & Sells

The changes in auditors have taken place with effect from the conclusion of the respective general meeting.

Nature and Interest of promoters and Directors in the Company:

The promoters of UBL or any of the members of the promoter group or any of the group companies of the promoter / promoter group or any ventures promoted by the promoters/promoter group are interested in UBL to the extent of equity shares held by them in UBL and to the extent of the benefits arising out of their shareholding and to the extent as disclosed in the related parties transactions' as appearing later in this LoF.

The directors of the Company are interested to the extent of their remuneration, fees, if any, payable to them for attending meetings of the Company and reimbursement of expenses and to the extent of equity shares of UBL held by them or their relatives and associates or held by the companies, firms and trust in which they are interested as directors, members, partners, and / or trustees, and to the extent of benefits arising out of such shareholding. In addition, the Company's directors other than a Managing Director or Director(s) in the whole-time employment of the Company, may at the discretion of the Board of the Company be paid every year a remuneration up to one percent (1%) of the net profits of the Company, which amount may be apportioned among themselves in any manner they deem fit.

Corporate Governance Initiatives

The Board has constituted Committees of Directors to deal with matters which need quick decisions and timely monitoring of the activities falling within their terms of reference. The Company has also complied with SEBI guidelines in respect of Corporate Governance introduced in April 2000 specially with respect to broad basing of the board of directors and constituting the various committees as required. The Promoter & the Company has complied with applicable provisions of Takeover Regulations and clause 40A/40B of the Listing Agreement since the allotment of shares as per the Scheme of Arrangement.

The Board Committees formed are as follows:

Audit Committee:

The Company has established an independent Audit Committee comprising of Mr. A. K. Ravi Nedungadi, Mr. CL Jain and Mr. Atul Munim as members of the Committee. The Chairmanship of the Committee is vested with Mr. CL Jain.

The Committee oversees the financial reporting process, disclosure requirements and matters relating to internal control system. The Committee also reviews periodically the financial accounts, adequacy of internal audit function, compliance with accounting standards and other areas within its terms of reference as under:

- i) Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is sufficient and credible;
- ii) Recommending the appointment of Statutory Auditors, fixation of Audit fee and approval for payment of any other services;
- iii) Reviewing with management the quarterly, half yearly and annual financial statements before submission to the Board, focusing primarily on :
 - Any changes in accounting policies and practices;
 - Major accounting entries based on exercise of judgement by the management;
 - Qualifications in draft audit report;
 - Significant adjustments arising out of audit;
 - The going concern assumption;
 - Compliance with accounting standards;
 - Any related party transactions, i.e. transactions of the Company of the material nature with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large.
- iv) Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- v) Reviewing the adequacy of internal audit function including structure, coverage and frequency of internal audit;
- vi) Discussing with internal auditors on any significant findings and follow up;
- vii) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board;
- viii) Discussing with external auditors before the audit commences, the nature and scope of audit as well as conducting post audit discussion to ascertain any area of concern;
- ix) Reviewing the Company's financial and risk management policies.
- x) To look into the reasons for substantial defaults in the payment to depositors, shareholders (in case of non-payment of declared dividends), debenture holders and creditors.

Share Transfer Committee:

The Share Transfer Committee comprises of Mr. S. R. Gupte, Mr. Kalyan Ganguly, Mr. V. K. Rekhi, Mr. A. K. Ravi Nedungadi and Mr. Atul Munim. The Chairmanship of the Committee is vested with Mr. S. R. Gupte. The terms of reference are as under:

- (i) To monitor the transfer, transmission and transposition of the Equity Shares of the Company;
- (ii) Issue of duplicate share certificates, in lieu of certificates lost or misplaced;
- (iii) Issue of new share certificates in lieu of certificates torn, mutilated, cages for transfer filled up etc;
- (iv) Consolidation and sub-division of share certificates;
- (v) To oversee compliance of the norms laid down under the Depositories Act, 1996;
- (vi) To appoint/ remove Registrars and Transfer Agents;
- (vii) To oversee compliance of the norms laid down under the Tripartite Agreement with NSDL / CDSL;
- (viii) Perform all such acts and deeds, matters and things as it may in its absolute discretion deem necessary, expedient, desirable, usual or proper and to settle any question, dispute, difficulty or doubt that may arise in regard to the matters arising out of the aforesaid acts;
- (ix) Such other terms as may be prescribed by the Board from time to time.

In order to facilitate prompt and efficient service to the Shareholders all the transactions in connection with transfer, transmission, issue of duplicate certificates, etc., have been entrusted to Alpha Systems Private Limited, Registrars and Transfer Agents and the same shall be processed on fortnightly basis and placed before the Committee.

Investor's Grievance Committee:

The Company has constituted Investors' / Shareholders' Grievance Committee comprising of Mr. Atul Munim, Mr. V. K. Rekhi and Mr. S. R. Gupte as members. The Committee is chaired by Mr. Atul Munim.

The terms of reference for the Committee includes *inter-alia* to specifically look into the redressing of shareholders and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The Committee is empowered to operate in terms of the provisions of the listing agreement and/or the provisions as prescribed under the Companies Act, 1956 and other related regulations.

Remuneration / Compensation Committee:

The Company has constituted a Remuneration / Compensation Committee comprising of Mr. S. R. Gupte, Mr. V. K. Rekhi and Mr. CL Jain. The Committee is chaired by Mr. CL Jain.

The Committee is authorised *inter-alia*:

- (i) to deal with matters related to compensation by way of salary, perquisites, benefits, etc., to the WholeTime Directors of the Company and set guidelines for the salary, performance, pay and perquisites to other senior employees;
- (ii) to formulate and implement Employee Stock Option Scheme to employees.Key Managerial Personnel

The key managerial personnel of the Company as on August 28, 2004 were as follows:

Name, Age (Date of joining)	Unit	Designation	Qualification	Work Experience	Exp. With UBL	Nature of Duties	Previous Experience
Mr. N. K. Mittal 53 (20.12.1990)	CORP- MFG	Exec. Vice President - Manufacturing	B.Tech- Mech. Engg (IIT)	32	13	In-charge of the manufacturing operations of the Company's units and overseeing the manufacturing operations of contract breweries manufacturing Company's brands	McDowell & Company Limited
Mr. Shekhar Ramamurthy 43 (15.05.1989)	CORP - S&M	EVP - Sales & Marketing	B.Tech. (Civil); PGDM(IIM)	17	15	Head of the Sales and Marketing functions, formulation and implementation of marketing and sales' strategies	Herbertsons Limited
Mr. P. A. Murali 46 (05.07.1993)	CORP - FIN	EVP - Finance & Accts	B.Com, A.C.A	23	11	In-charge of Finance & Accounts, overseeing Secretarial & Legal functions.	Mendocino Brewing Co., Inc, USA
Mr. Joe Noronha 49 (15.06.1991)	CORP - HR	SVP – Human Resources Development	B.Com., PGD -PMIR (XLR)	27	13	In-charge for all activities relating to Human Resource (HR) functions, strategic planning relating to HR and related functions	East India Hotels, Goa
Mr. Govind Iyengar 37 (05.02.2001)	Secretarial & Legal	Company Secretary	B.Com, ACS	15	3	In-charge of Secretarial and Legal related matters of the Company	Citurgia Biochemicals Limited

None of the key managerial personnel are relatives of each other. As on August 28, 2004 all the employees named above were on the rolls of the Company as permanent employees.

With effect from August 1, 2001 all the above employees were transferred from erstwhile United Breweries Limited [now United Breweries (Holdings) Limited] to the Company in view of Demerger.

Compensation, Loans and Advances and Shareholding of Key Managerial Personnel:

The aggregate compensation paid to, loans and advances outstanding during the last FY 2003-04 and 3 months ended June 30, 2004 (*figures in italics font*) and shareholding of the key managerial personnel in the Company as on June 30, 2004 is as follows:

Name	Unit	Designation	Number of shares owned in the Company	Compensation paid during FY 2003-04 3 months ended June 30, 2004 (<i>figures in italics</i>) (Rs. in Lacs)	Amount Outstanding (Rs. in Lacs)	Remarks
Mr. N. K. Mittal	CORP-MFG	Exec. Vice President - Manufacturing	NIL	33.76 <i>10.64</i>	0.60 (as on Jun-04)	Furniture Loan
Mr. Shekhar Ramamurthy	CORP - S&M	EVP - Sales & Marketing	NIL	35.28 <i>9.30</i>	Nil	Nil
Mr. P. A. Murali	CORP - FIN	EVP - Finance & Accts	NIL	30.95 <i>8.41</i>	0.54 (as on Jun-04)	Furniture Loan
Mr. Joe Noronha	CORP - HR	SVP - Human Resources Development	80	22.35 <i>5.70</i>		
Mr. Govind Iyengar	Secretarial	Company Secretary	NIL	6.97 <i>2.06</i>	Nil	Nil

The officers of UBL have no interest in the Company except to the extent of their remuneration (including benefits which may arise out of profit sharing plan formulated by the Company for its officers) and reimbursement of expenses and to the extent of any equity shares held by them in the Company and to the extent of benefits arising out of such shareholding.

Details of payments / deposits being made by the Company for the benefit of the key managerial personnel

Name	Unit	Designation	Land-Lord/Lady	Relationship with employee	Rent p.m. (Rs. in Lacs)	Deposit (Rs. in Lacs)
Mr. N. K. Mittal	CORP-MFG	Exec. Vice President – Manufacturing	Vizanar Properties	N.A.	0.48	5.48
Mr. Shekhar Ramamurthy	CORP - S&M	EVP - Sales & Marketing	Self	—	0.90	10.80
Mr. P. A. Murali	CORP - FIN	EVP - Finance & Accts	Rukmani Murali	Spouse	0.81	9.74
Mr. J. Noronha	CORP - HR	SVP - Human Resources Development	Bernadette Noronha	Spouse	0.52	6.22
Mr. Govind Iyengar	Secretarial	Company Secretary	G Jenbagalakshmi	Spouse	0.18	2.16

The Company does not have any bonus or profit sharing plan exclusively for the key managerial personnel. However, to focus on improving the profit objective of the Company and to promote team work, the Company has a profit sharing plan for all its executives. As per the profit sharing plan, if the profit achieved is above the budgeted profit, a part of the incremental profit (profit over and above the budgeted profit) is distributed among all the executives as per the agreed ratio.

Changes in Key Managerial personnel in the last one year (other than superannuation)

Name	Designation	Date of change	Reason
Mr. N. K. Mittal	Exec. Vice President - Manufacturing	August 1, 2001	Transferred to UBL pursuant to the Scheme of Arrangement for demerger
Mr. Shekhar Ramamurthy	Exec. Vice President - Sales & Marketing	August 1, 2001	Transferred to UBL pursuant to the Scheme of Arrangement for demerger
Mr. P. A. Murali	Exec. Vice President - Finance & Accts	August 1, 2001	Transferred to UBL pursuant to the Scheme of Arrangement for demerger
Mr. Joe Noronha	Sr. Vice President - Human Resources Development	August 1, 2001	Transferred to UBL pursuant to the Scheme of Arrangement for demerger
Mr. Govind Iyengar	Company Secretary	May 16, 2002	Appointed as Company Secretary of the Company

Brief Profile of the Key Managerial Personnel

Mr. N K Mittal:

Mr. Mittal is a B.Tech. in Mechanical Engineering from Indian Institute of Technology, Delhi. Mr. Mittal has been with the UB Group since 1990. Initially Mr. Mittal joined McDowell & Co. Ltd. as General Manager at its Distillery at Rosa. Later on he rose to the position of Divisional Vice President and was with McDowell & Co. Ltd. till April 1999. In May 1999, Mr. Mittal took over the charge as Divisional Vice President – Manufacturing in erstwhile UBL and was promoted as an Executive Vice President – Manufacturing in July 1999. Post Demerger of Brewing business, Mr. Mittal was transferred to the Company. Presently Mr. Mittal is working in the capacity of Executive Vice President – Manufacturing and is in-charge of the manufacturing operations of the entire Company carried out at all its seven owned units. Mr. Mittal is also looking after the manufacturing operations of the Contract Breweries where the Beer Brands of the Company are presently being manufactured under contract.

Mr. Shekhar Ramamurthy:

Mr. Shekhar is a Bachelor of Technology (Civil) from Indian Institute of Technology, Delhi and has also done his Post-graduate Diploma in Management from Indian Institute of Management, Calcutta. Mr. Shekhar joined the UB Group in 1989 as Executive Planning and Co-ordination. He was then transferred to McDowell & Co. Ltd. as a Product Manager in May 1990. He was promoted as a Group Product Manager in April 1992 and was promoted as a Controller – Marketing in October 1994. He was later on transferred to Herbertsons Limited in January 1997 and then transferred to erstwhile United Breweries Limited as Divisional Vice President – Sales and Marketing in October 1999. Post Demerger of Brewing business, Mr. Shekhar was transferred to the Company. Presently he is the Executive Vice President – Sales and Marketing heading the Sales and Marketing function of the entire Company. Prior to joining the United Breweries Group, Mr. Shekhar was working with Lintas India Limited till October 1989.

Mr. Joseph Noronha:

Mr. Noronha is a Bachelor of Commerce (Hons.) and has also done his Post-graduate Degree in Personnel Management and Industrial Relations with Xavier's Labour Relations Institute in Jamshedpur. Mr. Noronha joined erstwhile United Breweries Limited in July 1991 as Senior Manager – Personnel and Administration and was looking after the Company's Unit located at Goa. In August 1995, he was transferred to Bangalore and presently working in the capacity of Senior Vice President – HRD. Mr. Noronha has the credit of getting National Merit Scholarship and has won many prizes in general proficiency. Post Demerger of Brewing business, Mr. Noronha was transferred to the Company. Prior to joining erstwhile United Breweries Limited, Mr. Noronha was working with the Oberoi Bogmalo Beach, Goa.

Mr. P A Murali:

Mr. Murali is a Chartered Accountant and joined the UB Group in the year 1993 as Senior Manager – Finance at the Company's Unit located at Taloja, Bombay. He was transferred to the Company's Head Office at Bangalore in the year 1994. Later on he rose to the position of General Manager when he was seconded to take care of the Finance function of the UB Group's Brewery investments / operations in the U.S.A and promoted as Senior Vice President & CFO thereafter. After a period of 4 years in the U.S.A., Mr. Murali returned to United Breweries Limited, Bangalore as Divisional Vice President – Finance and promoted as Executive Vice President – Finance & Accounts looking after the entire Finance and Accounts function of the Company. Mr. Murali is also presently involved in major strategic decisions of the Company. Post Demerger of Brewing business in to the Company Mr. Murali was transferred to the Company.

Mr. Govind Iyengar:

Mr. Govind Iyengar joined erstwhile United Breweries Limited in February 2001 as Deputy Company Secretary to look after the Secretarial matters of the Company. Prior to joining UBL, he was working with Citurgia Bio-Chemicals Limited, a Bombay Dyeing Group Company in Mumbai as a Company Secretary. Upon Demerger of the brewing business of the erstwhile UBL into the Company, Mr. Iyengar was promoted as the Company Secretary of the Company. Presently he is looking after the Secretarial functions of the Company.

VII. Industry, Market and Competitive Environment

Beer Market

The market is made up of regional beer markets – North America, Europe, Asia, Africa, Latin America, Australia – each with its own dynamics and cultural preferences. As a result, there is no dominant global brewer – rather, there are a number of international brewers with strong regional positions.

India produces approximately 6 million hectolitres of beer from around 57 Breweries spread across the country (Source: Ernst and Young report) with around 84 million cases in 2003-04 being sold.(Source: Company estimate)

The breweries industry is a concentrated industry. For instance, UBL accounts for nearly 39 per cent of the total sales (UBL Annual Report for FY 2002-03). The Company controls 21 of the country's around 57 breweries (Source: Ernst and Young report). United Breweries and Shaw Wallace share approximately 66 per cent of the beer market (Source: Ernst and Young report). The total beer market was around 82 million cases for 2002-03 (Source: Company estimate) and the Company estimates it to be around 84 million cases in 2003-04. The market has grown at a CAGR of 8.7% per annum between 1996 and 2002 (Source: Ernst and Young report).

The per capita consumption stands at a low 0.6 ltr per annum, compared to the world average of 25 ltr (source: Ernst and Young report). The Beer industry still forms a small portion of the entire market at about 17%, compared to Indian Made Foreign Liquor at 25% and Country Liquor at 58%. Almost 70% of the population in India, (i.e. over 700 Million people) being below the age of 34, indicates the potential for increase in the demand for beer.(Source: Company estimates). Beer in India is categorized into mild beer (<5% alcohol), strong beer (5-8%) and draught beer, as fresh keg beer. In the last six years, the strong beer market has grown with a CAGR of 13% (Source: Company estimates) and accounts for 63% of the beer market (Source: Company estimates), while that of lager beer had a CAGR of 2% (Source: Company estimates).

This has prompted the launch of many new brands in the strong-beer segment. Draught beer is popular mostly in cities such as Bangalore and Mumbai. However, with a limited shelf life, draught beer volumes are limited, and proximity to a large market is essential.

To a large extent, the industry operates like companies in the FMCG sector. Being part of the food processing industry, brand-building is crucial. This is especially true of a more competitive environment. Volumes in the industry depend on the consumer's habits. This would mean regular purchases. A regular purchase would mean that if a consumer is attracted to a certain brand, the volumes would be regular. The industry is seasonal in nature with the summer season being the busiest.

Unlike the worldwide trend where beer is considered as a beverage and is available in department stores, in India it is clubbed with hard liquor and is subject to high duties.

The full potential of the industry has been held back because of a variety of regulatory constraints. Most significantly the regulation and taxation of beer with lower alcohol content is being clubbed with that of spirits. Universally beers and wines are treated on a different footing, both in regard to the taxation, as well as in respect of availability, where it is cross lined with soft drinks. The high tax rates have greatly hampered the growth of Beer Industry in India. Excessive taxation has led to increased prices which encourage growth of cheap and illicit liquor. Tax on alcoholic beverages is high and most of the State Governments are averse to any change. This is manifested in the fact that taxes on alcoholic beverages collectively form the second largest revenue for State Governments.

Harmonisation of tax structure across states and change in the present system of taxation wherein tax incidence based on alcohol content rather than advalorem basis would help in improving the position of Beer Industry in India.

On account of government regulations, policies and a host of other legal formalities, a brewery in India, despite having a potential to expand capacity, is not able to do so. For instance, in terms of total production capacities, India lags far behind than other beer producing nations. 57 breweries currently operating in India have a total production capacity of about 12.6 million hectolitres. On the other hand, in South Africa, SAB Miller owns and operates just 7 breweries with a total production capacity of 31.7 million hectoliters.(Source: Ernst and Young report) Low capacity and even low capacity utilization has made most of these breweries economically unviable.

The level of government regulation, in the form of taxes, is very high. This has an effect on the consumption pattern. In addition, certain states prohibit the transfer of products to other states. From the point of view of costs, logistics is the key factor. One of the main problems faced by manufacturers of both breweries and distilleries is their ability to reach the consumer. To overcome these restrictions, the leading players are trying to set up manufacturing units in a number of states.

To understand more on this, it is essential to understand the market's structure. Some states, such as Maharashtra, Andhra Pradesh and Tamil Nadu, are major beer consumers (Company estimates). Of the total market size of 84 million cases (Source: Company estimates), these three states consume close to 40.5 million cases (Source: Company estimates) — about 48 per cent of the market.

UBL has a significant presence across the entire country. In India, the beer and liquor industries receive a common treatment in terms of government policies and regulations. The brewery industry is also under licensing. Currently beer manufacturing requires licencing from the State Government.

With the entry of multinationals, domestic majors have also formed alliances to bring in well-known foreign players who would otherwise find the cost of duplicating the marketing network and production facilities as an entry barrier. Various states have their own restrictions as a result of which foreign majors are operating only in selected markets. Then again, companies cannot produce in one state and sell in another because they are considered different markets, unless requisite export and import fees are paid. This means a definite price disadvantage for such brands.

Companies have to manage their capacities well in a current situation of overcapacity. Competition in the beer industry is heating up with many international players likely to set up shop in India. However, subsequent to the removal of quantitative restrictions (QRs) as per the World Trade Organisation norms, no major shift has taken place resulting in increased sale of imported brands. This is probably due to central excise and special duties levied on imports.

The major competitors of UBL in the beer industry are Shaw Wallace and Mohan Meakins. The beer manufacturing business of Shaw Wallace is being carried through an unlisted company namely SKOL Breweries Limited. In May 2003, Shaw Wallace entered into a joint venture with SAB Miller Group for the beer business. Since the company is an unlisted one, authentic information regarding the production and financials are not available. Beer production information of Mohan Meakin Limited as per their Annual Reports is as follows:

Product Name	Year-Month	Unit	Production	Sales Quantity	Sales (Rs in Lacs)
Beer	2003-03	KL	24,698.00	26,900.00	8,344
Beer	2002-03	KL	24,142.00	26,094.00	7,484
Beer	2001-03	KL	27,915.00	28,341.00	6,740

Segmental bifurcation of the financials of the above two companies for the beer and non-beer business is not available and hence the same is not given.

Recent trends and development

There has been a gradual shift towards strong beer. This started in the 1990s and continues till now.

Year	Salience	
	Mild	Strong
94-95	62%	38%
95-96	60%	40%
96-97	55%	45%
97-98	51%	49%
98-99	46%	54%
99-00	42%	58%
00-01	40%	60%
01-02	38%	62%
02-03	38%	62%
03-04	37%	63%

Source: Company estimates

In the western markets, beer is treated more as a beverage because of its low alcohol content and mild beer is preferred to strong beer. However, the consumption pattern in India is slightly different. There is more demand for beer with higher alcohol content. Given the similar nature of the duty structure, beer is sometimes dearer than hard liquor. Thus, regular drinkers look for "value-for-money" purchases in the form of stronger beer.

Company's Marketing Arrangement

State	Marketing arrangement
Delhi	Company sales team supported by marketing agent who also handles depot operations including finance
Rajasthan	Company sales team supported by marketing agent who also finances operations
Uttar Pradesh	Company sales team manage the entire operation
Uttaranchal	Operation run by marketing agent
Punjab	Company sales team supported by distributor manage the operation
Chandigarh	Company sales team manage the operation with Depot facilities provided by marketing agent
J & K	Company sales team supported by marketing agent who also finances operations
Himachal Pradesh	Company sales team manage the operation with Depot facilities provided by marketing agent
Haryana	Company sales team supported by marketing agent who also finances the operation
Calcutta	Operations managed by Company sales team with Distributors network
West Bengal	Operations managed by Company sales team with Distributors network
Assam	Operations managed by Company sales team with Distributors network and Company Depot
Meghalaya	Operations managed by Company sales team with Distributors network
Tripura	Operations managed by Company sales team with Distributors network
Orissa	Company supplies to Govt. Depots – Operations managed by Company sales team supported and partly financed by marketing agent who also provides Office infrastructure locally
Bihar	Operations managed by Company sales team with support of marketing agent who part finances the operation and provides depot facilities
Jharkhand	Operations managed by Company sales team with support of marketing agent who part finances the operation and provides depot facilities
Mumbai	Operations managed by Company sales team with Distributors network and depot managed by Company
Maharashtra	Operations managed by Company sales team with Distributors network and depot managed by marketing agent, who also finances depot operations
Goa	Operations managed by Company sales team with Distributors network
Daman	Operations managed by Company sales team supported by marketing agent
Diu	Operations managed by Company sales team with Distributors network
Madhya Pradesh	Distribution by Govt. Corporation- Direct operation
Chhattisgarh	Distribution by Govt. Corporation- Direct operation
Kerala	Operations managed by Company sales team with support from marketing agent, Distribution by Govt. Corporation
Karnataka	Operations managed by Company sales team
Tamil Nadu	Operations managed by Company sales team, Distribution by Govt. Corporation
Pondicherry	Operations managed by Company sales team with Distributors network
Andhra Pradesh	Operations managed by Company sales team with support from marketing agents who part finance the operation, Distribution by Govt. Corporation

Existing Market Strategy

The focus of marketing has been to build brands - brands which would ensure a high growth in volume, a steady increase in market share as well as be strong enough to take on competition, both international and local.

The portfolio of UBL's beer business has Kingfisher as its flagship brand. The Company has launched the new look Kingfisher with the "flying bird" across various markets. The launch was backed by various marketing inputs in the form of Promotional Materials, merchandise and innovations like branded elevators all sporting the "Its flying" theme. Kingfisher is the largest beer brand in India, with a volume of 28.8 million cases in 2003-04 (out of the estimated 84 million cases Indian Beer market). Kingfisher Lager has a volume of 18.8 million cases in 2003-04 and Kingfisher Strong, the strong beer line extension, has reached a volume of 7.7 million cases (in 2002-03) in just 4 years since launch in 1999. Kingfisher Lager is by far the leader in the low alcohol beer segment, whilst Kingfisher Strong is the second largest player in the high alcohol beer segment (Company estimates).

Kingfisher has been positioned as a young, exciting and fun beer, epitomized by its powerful statement - "The King of Good Times". All communication on the brand has been consistent with its positioning.

There has been a steady stream of marketing inputs- both in terms of quality and quantity, over the years. Kingfisher is associated with sports in a big way- cricket, football, motor racing and horse racing. This has added a dimension of speed and style to the brand image.

UB Export, a hitherto declining brand, has been revamped in the last year. In what has turned out to be a great innovation, UB Export was launched in a pint bottle in Karnataka, with distribution modelled along soft drinks. The low priced, well supported launch has met with success- the brand has achieved a volume of 2.3 million cases in 2003-04.

Ice Beer, a niche, premium, youth brand continues to enjoy good franchise in the metro markets and has been launched in the metros of Hyderabad and Delhi this year.

London No. 1 strong is being used as a fighter strong beer brand and has met with good success in the markets of Kerala and Karnataka and is expected to widen its geographical base in the coming years.

The portfolio is thus large and varied and the effort is to ensure that the Company occupies all segments (irrespective of today's size) and attempt to be leader in each segment. The Company alone has a market share of 39% (Source: Company estimates) in the beer market and the brands, nurtured and strengthened continually, shall ensure consolidation of leadership.

The Company has entered into a Licensing and Distribution Agreement on May 24, 2004 with Independent Liquor (NZ) Limited. In terms of the said agreement, the licensee has an exclusive license to manufacture and package the products and to market, distribute and sell the product within the territory of Australia and New Zealand for a period of five years with annual target volumes as mentioned below:

Contracted Capacity per annum (in HL)

Year	Australia	New Zealand
Year 1	4,680	3,120
Year 2	9,360	4,680
Year 3	11,700	6,240
Year 4	14,040	7,020
Year 5	15,600	7,800

(Note: 100,000 cases = 7800 HL)

Company's distribution and pricing

Types of Market

Based on the involvement of the government in the distribution and pricing of beer in each state the market can be broadly classified into three types:

- Government Market
- Auction Market
- Open Market

Government Market

In a government market, the respective state government is the wholesale distributor of beer and acquires beer directly from

manufacturers based on an annual tender system, via its own agencies. Thus, the government controls the price at which beer is procured from them manufacturer. This beer could then be retailed through private vends (e.g., Tamil Nadu, Andhra Pradesh) or a combination of Government and private vends (e.g., Kerala, Delhi).

Auction Market

In auction markets, the state is bifurcated into smaller areas. The government, at regular intervals (typically annually), auctions the right to distribute and retail beer and liquor in these areas during a specified period, to private parties. This auction is based on the minimum guaranteed tariff payment to the government over the specified period.

Wholesale operations and retail outlets are owned/ operated only by those parties that win the auction for that particular area. These private parties that win the auction negotiate with beer manufacturers to acquire beer at competitive prices. Typically, all auction winners enter into inter-se arrangements to procure beer at most competitive prices, and retail the same at relatively higher prices to recover minimum guarantees committed by them to the government during the auction process.

Open Market

In this market, there is little or no government intervention in the pricing and distribution of beer. The manufacturers sell beer to the wholesaler/distributor who in turn sells it to the retail outlets. Pricing is free and is determined by market forces. The government issues wholesale/ retail licenses for a fee. However, in certain markets, new licenses are not freely available.

State-wise Market Structure

State	Type of Market	Wholesaler/Distributor	Retailer
South India			
Karnataka	Government	Wholesale licenses freely available, imports and distribution through Govt. only	Private, Licensed Annually
Kerala	Government	Government	Retail by Government only Government/private bars (annual licence)
Tamil Nadu	Government	Government	Private retail, Annual licence
Andhra Pradesh	Government	Government	Private retail, Annual licence
Pondicherry	Open	Licensed	Private retail, Annual licence
Andaman	Government	Government	Government
West India			
Maharashtra	Open	Licensed. Freely available	Existing licenses are transferable, annual licence
Goa	Open	Licensed. Freely available	Existing licenses are transferable, annual licence
Daman & Diu	Open	Licensed. Freely available	Private retail, Annual licence
Madhya Pradesh	Auction	Distribution by Government	Retails auctioned annually
Chhattisgarh	Auction	Distribution by Government	Retails auctioned annually
Gujarat	Prohibition	-	Permitted at star hotels
North India			
Delhi	Government	From Company depot to govt. and private retail outlets	Government/private retail and private bars
Rajasthan	Auction	Wholesale by auction	Retail clubbed with wholesale for auction
Punjab	Auction	Wholesale by auction	Retail clubbed with wholesale for auction
Haryana	Auction	Wholesale by licence	Retail clubbed with wholesale for auction
Uttar Pradesh	Open	Licensed. Freely available	Existing licenses are transferable
Uttaranchal	Government	Distribution by Govt.	Retail licence on annual fee. Allotment by lottery
Himachal Pradesh	Auction	Wholesale by licence	Retail auctioned
Jammu & Kashmir	Open	Licensed. Freely available	Existing licenses are transferable
Chhattisgarh	Auction	Wholesale by licence	Retail by auction
East India			
West Bengal	Open	Licensed annually	Existing licenses are transferable
Orissa	Government	Government	Retail auctioned annually
Bihar	Auction	Wholesale licensed annually	Retail by annual auction
Jharkhand	Auction	Wholesale licensed annually	Retail by annual auction
North East States	Open	Licensed. Freely available	Existing licenses are transferable

There are also small players who have developed well-established regional brands. With the demand for beer on the rise and the opening up of the industry to foreign companies, most global brewers are likely to set their sights on India.

UBL's Sales Volume – Brandwise

(000'DoZ)

BRANDS	97-98	98-99	99-00	00-01	01-02	02-03	03-04
Kingfisher Family	13892	15287	14517	16240	17234	18508.7	18796.9
Sunlager	1						
UB Export lager beer	1926	1440	881	707	733	1956	2313.4
Kalyani Black Label premium lager beer	3320	2827	1630	1649	1357	1164	946.9
London Pilsner Lager	Nil	Nil	Nil	Nil	215	139.7	208.7
San Miguel beer	Nil	Nil	Nil	Nil	59	Nil	Nil
Flying Horse Royal lager beer	44	14	16	17	17	Nil	19.5
Taj Mahal lager beer	80	81	97	92	97	107	99.9
Kalyani Black Label export beer		39	9	7	5	15	Nil
Maharaja Premium Indian Pilsner	Nil	Nil	Nil	Nil	35	Nil	16.7
Regular / Premium	19263	19688	17150	18712	19752	21890.4	22402.0
Kingfisher strong premium beer			2033	4101	5552	7751	10016.0
UB Export strong beer				162	65	29	Nil
UB ICE premium beer		103	111	342	360	361	212.7
London No1 Strong					298	458	477.2
Kalyani Black Label strong beer	702	1082	1017	*	*	*	*
Charger Extra strong beer	452	382	192	*	*	*	*
Bullet Super Strong beer	1194	1442	1380	*	*	*	*
STRONG	2348	3009	4733	4605	6275	8599	10705.9
TOTAL	21611	22697	21883	23317	26027	30442.7	33107.9

Note: * brands transferred / licensed

Company's Marketing Tie-ups

State-wise Distribution Network

State	Type of Market	Distribution Channel
Delhi	Retail by Govt.	Brewery – Company Depot – Retail / Institutions / Clubs
Rajasthan	Wholesale and Retail Auction	Brewery – Wholesale – Retail / Institutions / Clubs
Uttar Pradesh / Uttaranchal	Open Distribution by Govt.	Brewery–Company Depot – Wholesale – Retail / Institutions / Clubs (Brewery also supplies directly to wholesale)
Punjab	W/S and Retail Auction	Brewery – Depot - Wholesale – Retail / Institutions / Clubs
Chandigarh	Auction	Brewery – Dist. – Wholesale – Retail / Institutions / Clubs
Jammu & Kashmir	Open	Brewery – Company Depot – Wholesale – Retail / Institutions / Clubs
Himachal Pradesh	Auction	Brewery – Company Depot – Wholesale – Retail / Institutions /Clubs
Haryana	Auction	Brewery – Wholesale – Retail / Institutions / Clubs
West Bengal	Open	Brewery – Dist. – Wholesale - Retail / Institutions / Clubs. Distributor can supply to Retail / Institutions / Clubs directly also
North East States	Open	Brewery – Co depot - Bonders – Retail / Institutions / Clubs Brewery can directly supply to Bonders also
Orissa	Dist. by Govt.	Brewery – Corporation Depots – Retail / Institutions / Clubs
Bihar	Auction	Brewery – Company Depot – Wholesale – Retail / Institutions / Clubs

State	Type of Market	Distribution Channel
Jharkhand	Open	Brewery – Company Depot – Wholesale – Retail / Institutions / Clubs
Maharashtra	Open	Brewery – Company Depot – Dist – Retail / Institutions / Clubs
Goa	Open	Brewery – Dist. – Retail / Institutions / Clubs
Daman	Open	Brewery – Dist. – Retail / Institutions / Clubs
Diu	Open	Brewery – Dist – Retail / Institutions / Clubs
Madhya Pradesh / Chattisgarh	Auction	Brewery – Govt. Depot – Retail / Institutions/Clubs
Kerala	Dist. by Govt.	Brewery – Corporation Depots – Retail / Institutions / Clubs
Karnataka	Distribution by Govt.	Brewery – KSBCL (Wholesale) – Retail / Institutions / Clubs
Tamil Nadu	Dist. by Govt.	Brewery – Corporation Depots – Retail / Institutions / Clubs
Pondichery	Open	Brewery – Super Dist. – Wholesale – Retail / Institutions / Clubs
Andhra Pradesh	Dist. by Govt.	Brewery – Corporation Depots – Retail / Institutions / Clubs

Exports

The Company's products are exported indirectly through UB Global Corporation Limited a subsidiary of UBHL. The Company currently does not have any export obligations, however its tie-up with S&N, which has a long established track record of distribution of third party brands, will be employed for the international distribution of 'KINGFISHER'. The Company has also entered into a Licensing and Distribution Agreement on May 24, 2004 with Independent Liquor (NZ) Limited (ILL). In terms of the said agreement, ILL has an exclusive license to manufacture and package the products and to market, distribute and sell the products of the Company within the territory of Australia and New Zealand for a period of five years.

SWOT analysis

Strengths

- Significant share of the Beer market of about 39% by UBL alone (Source: Company estimate)
- Contract brewing tie-ups in place
- National presence with company brands available throughout the country
- Well known brands like "Kingfisher Lager", "Kingfisher Strong", "Kalyani Black Label Lager", "UB Premium Ice", UB Export and "London" range

Weakness

- Large capacities may lead to a problem of over capacity in winter/rainy seasons
- Dominant single brand, Kingfisher
- Over leveraged position leading to short term cash flow problems

Opportunities

- Growing beer market
- Any deregulation in the excise policies with reference to taxation and duty on beer which could drastically push up the demand for beer
- Tie-up with S&N to open export opportunities

Threats

- The level of taxes, is very high which could render beer unaffordable
- Advertising and marketing restrictions
- Entry of foreign liquor majors may affect existing market share

Business strategy

The Company is planning the following business strategy for future growth namely:

- UBLs strategy is to continue to grow ahead of the domestic brewery market and increase its market share from current 39% to 50% over the next 4-5 years. Brewery acquisitions are a part of this overall strategy.
- The growth rates will be driven by brewing arrangement in mainstream markets. Launch of product variants, stronger push to Kingfisher Strong, re-launch of certain acquired brands, etc., also form part of overall strategy.
- Introduction of S&N's global brands in India and thereby expand its product range and cater to the niche segment. As the market evolves, price segmentation will create a sizeable niche in the top end segment. This segment is likely to attract international brand and UBL shall be present with an appropriate brand.
- Leverage S&N's well established global distribution network for overseas distribution of "Kingfisher" brand. This will make available the brand in various countries and will make the brand popular. It will also ensure wider distribution of "Kingfisher" across the globe.
- As part of its business strategy, the Company will continue to explore opportunities to acquire / consolidate (including merger/ amalgamation) with its group companies / other companies to retain its market leadership in beer business and to enhance the interests of its stakeholders.

VIII. Financial Performance of the Company

Auditor's Report

To

The Board of Directors
United Breweries Limited
UB Anchorage, 100/1 Richmond Road
Bangalore - 560 025.

Dear Sirs,

We have examined the Financial Information of United Breweries Limited (the Company) for the five financial years ended 31st March, 2004 as attached to this report, stamped by us for identification, which has been prepared in accordance with –

- Paragraph B(1) of Part-II of Schedule II of the Companies Act, 1956 (the Act) and amendments thereof;
- Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the Guidelines) issued by the Securities and Exchange Board of India (SEBI) and the amendments thereon issued by SEBI;
- The instructions dated 15th June 2004 received from the Company requesting us to carry out work in connection with the Letter of Offer being issued by the Company for its Rights Issue of 21,384,724 Redeemable Optionally Convertible Preference Shares in the Company ('Issue') of Rs.100 each aggregating to Rs.2,138,472,400.

A Financial information of :

1 The Company

We have examined the attached 'Statement of Assets and Liabilities' (Attachment I-A) of the Company as at 31st March 2000, 2001, 2002, 2003, 2004 and the attached 'Statement of Profit and Loss Account' (Attachment I-B) for each of the periods / years ended on those dates, together referred to as 'Summary Statement' read with adjustments which have been carried out for the purpose of the Letter of Offer as set out in Note 1 of Attachment I-D and subject to non-adjustments as set out in Note 2.B of Attachment I-D.

The summary statements for the years ended 31st March 2000, 2001, 2002, 2003 have been extracted from the financial statements audited by other auditors as detailed below and have been approved by the Board of Directors and by the members at the respective Annual General Meetings of the Company:

Year ended 31 st March	Auditors
2000 and 2001	S N Balasubramanya, Chartered Accountant
2002 and 2003	Deloitte Haskins & Sells, Chartered Accountants

The summary statements for the year ended 31st March, 2004 have been extracted from the financial statements for the year ended 31st March, 2004 as adopted by the Board of Directors on 25th June, 2004 and audited by us.

- 1.1. Provision has not been made in the accounts for possible loss arising on account of diminution in the value of certain long term investments having carrying value aggregating to Rs. 6,353.87 lakhs which the management has considered as temporary in nature, having possible impact on the financial results for the year, the extent of which cannot be currently ascertained.
- 1.2. Provision has not been made in the accounts toward amounts due from subsidiaries and Corporate Guarantees on behalf of such subsidiaries aggregating to Rs. 8,580.86 lakhs that may not ultimately be recovered or may be enforced.

2 Subsidiaries

- We have examined the attached 'Statements of Adjusted Assets and Liabilities' (SAAL) and the attached 'Statements of Adjusted Profit and Loss Account' (SAPL) of the Subsidiary Companies listed below from the relevant financial year in which these companies became subsidiaries of the Company.

The summary statements for the years ended 31st March 2002, 2003 have been extracted from the financial statements audited by other auditors as detailed below and have been approved by the Board of Directors and by the members at the respective Annual General Meetings of the Company. The summary statements for the year ended 31st March 2004 have been extracted from the financial statements for the year ended 31st March 2004 and audited by auditors as detailed below.

Auditor (s)	Period of audit/examination	SAAL - Attachment ref	SAPL- Attachment ref
Mangalore Breweries & Distilleries Limited			
Fraser & Ross, Chartered Accountants	All periods reported except year ended 31 st March, 2004	II-A	II-B
Price Waterhouse, Chartered Accountants	Year ended 31 st March, 2004		
Associated Breweries & Distilleries Limited			
Fraser & Ross, Chartered Accountants	All periods reported except year ended 31 st March, 2004		
Price Waterhouse, Chartered Accountants	Year ended 31 st March, 2004	III-A	III-B
London Draft Pub Private Limited			
Amogh M Ghaisas, Chartered Accountant	For period ended 31 st March, 2002.	IV-A	IV-B
Lakhani & Lakhani, Chartered Accountants	For the year ended 31 st March, 2003 and 2004.		
London Pilsner Breweries Private Limited			
Amogh M Ghaisas, Chartered Accountant	For period ended 31 st March, 2002	V-A	The company has not commenced operations till date and, accordingly, there is no Profit & Loss account for any period/ year.
Lakhani & Lakhani, Chartered Accountants	For the year ended 31 st March, 2003 and 2004.		

- All the above companies were subsidiaries of United Breweries Limited since 30th July, 2001.
- Since the financial statements of the above subsidiaries are not available as on the date of investment, the financial statements for the period from 1st April, 2001 onwards till 31st March, 2004, have been included in the abovementioned statements.

3 Consolidated Company

We have examined the attached 'Consolidated Statement of Assets and Liabilities' (Attachment VI-A) as at 31st March, 2002, 2003, 2004 and the attached 'Consolidated Statement of Profit and Losses' (Attachment VI-B) for each of the year ended on those dates, together referred to as 'Consolidated Summary Statements', read together with the adjustments which have been carried out for the purposes of the Letter of Offer as set out in Note 1 of Attachment VI-D.

The consolidated summary statements for the years ended 31st March, 2002, 2003 have been extracted based on the financial statements audited by Deloitte Haskins and Sells, Chartered Accountants and the consolidated summary statements for year ended 31st March 2004 has been extracted from the financial statements audited by us.

The financial statements of McDowell Alcobev Limited (MAL) and its subsidiaries were not included in the consolidated financial statements for the years ended 31st March 2002 and 31st March, 2003 since, in the opinion of the management, the control in the subsidiary was temporary in nature. Consequent to the Subscription Agreement entered into with Scottish & Newcastle Plc., Accra Investments Private Limited and the Company, MAL has since ceased to be a subsidiary of the Company with effect from 8th May, 2003. For the year ended 31st March, 2004, the unaudited consolidated financial statements of MAL and its subsidiaries as provided by the MAL's management, has been considered as a joint venture in accordance with the requirements of AS-27 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India.

The consolidated financial statements of MAL do not include amounts relating to Inertia Industries Limited as the shares have not been transferred in the name of MAL as explained in Note 15 of Attachment VI-D of this report.

The consolidated summary statements are based on the financial statements of the subsidiaries audited as detailed in Paragraph A 2 above, MAL and its subsidiaries mentioned in the paragraph above and of the United East Bengal Football Team Private Limited which is an associate, audited by Mookerjee Banerjee & Co., Chartered Accountants.

Our audit of the financial statements for the period / year referred to in Paragraph A1 to A3 above comprise of audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the year, other than the year ended 31st March, 2004, did we perform audit tests for the purposes of expressing an opinion and as such we express no opinion thereon.

Based on our examination of these summary statements, we confirm that:

- a. There are no restatements in the summary statements, subject to the non-adjustment of diminution in the value of investments and recoverability of advances as explained in note B3 of Attachment I-D in respect of the Company, to reflect the significant accounting policies (Attachment I-C) as adopted by the Company
- b. There are no regroupings, adjustments made in the summary statements.

B Dividends

We confirm that the Company has not paid / proposed any dividends on equity shares in respect of each of the financial periods / years ended 31st March 2000, 31st March 2001, 31st March 2002, 31st March, 2003 and 31st March, 2004 and the Company had no other class of issued and paid-up shares during those periods/years.

C Other financial information

We have examined the following financial information relating to the Company, proposed to be included in the Letter of Offer, as approved by Board of Directors of the Company and attached to this report:

- (i) Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth, enclosed as Attachment I-E.
- (ii) Capitalisation statement as at 31st March, 2004 of the Company, enclosed as Attachment I-F.
- (iii) Statement of tax shelter, enclosed as Annexure I-G.
- (iv) Details of items of other income, enclosed as Annexure I-H.

In our opinion the financial information of the Company as mentioned in paragraphs (A) to (C) above, read with respective significant accounting policies, after making groupings and adjustments and subject to non adjustment of certain matters as stated in Attachments I-D, have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines of SEBI.

This report is intended solely for your information and for inclusion in the Letter of Offer in connection with the Issue by the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

J. Majumdar

Partner

Membership Number – F51912

For and on behalf of

Price Waterhouse

Chartered Accountants

Bangalore

Date: 25th June, 2004

ATTACHMENT I-A

{As per Schedule XI, clause 6.18.7(b)(vi), Ch 6 of SEBI (Disclosure & Investor Protection) Guidelines}

STATEMENT OF ASSETS AND LIABILITIES [United Breweries Limited]

Assets and liabilities of the Company as at the end of each financial year commencing from the date of incorporation on 13th May 1999, read with significant accounting policies (Refer Attachment I-C below), after making groupings and adjustments and subject to non-adjustment of certain matters as stated in notes to accounts (Refer Attachment I-D below) are set out below.

As at	Note Reference	31 st March, 2000	31 st March, 2001	31 st March, 2002 Rs. Lakhs	31 st March, 2003	31 st March, 2004
A. Fixed Assets:						
Gross Block		-	-	7,076.33	9,127.31	10,836.31
Less: Accumulated Depreciation		-	-	(375.51)	(898.55)	(1,560.41)
Add: Capital works in progress		0.32	4.79	39.81	168.58	1,825.20
Net Block		0.32	4.79	6,740.63	8,397.34	11,101.10
B. Investments	7	-	-	8,795.87	8,603.74	10,918.68
C. Current Assets, Loans and Advances						
Inventories		-	-	2,787.65	3,203.48	3,917.43
Sundry Debtors	8	-	-	5,511.82	7,462.68	7,416.95
Cash & Bank Balances		20.00	15.97	1,256.81	1,138.84	1,561.41
Loans, advances & other current assets	9	3.37	3.48	7,678.67	9,840.22	25,464.15
		23.37	19.45	17,234.95	21,645.22	38,359.94
D. Deferred Tax Asset	11			449.99	219.07	109.30
Total Assets: A+B+C+D		23.69	24.24	33,221.44	38,865.37	60,489.02
E. Liabilities and Provisions						
Secured Loans	4	-	-	(13,076.29)	(16,166.40)	(31,913.25)
Unsecured Loans	5	-	-	(2,861.09)	(2.12)	(7,765.34)
Current Liabilities and Provisions		(24.39)	(24.94)	(14,079.48)	(19,327.56)	(16,758.99)
Deferred credits	4	-	-	-	-	(400.00)
Total Liabilities and Provisions		(24.39)	(24.94)	(30,016.86)	(35,496.08)	(56,837.58)
F. Net Worth		(0.70)	(0.70)	3,204.58	3,369.29	3,651.44

As at	Note Reference	31 st March, 2000	31 st March, 2001	31 st March, 2002 Rs. Lakhs	31 st March, 2003	31 st March, 2004
G. REPRESENTED BY						
Share Capital	3	*	*	1,782.06	1,782.06	1,782.06
Reserves - Securities Premium		-	-	2,397.04	2,397.04	2,397.04
Less: Miscellaneous expenditure		(0.70)	(0.70)	(35.20)	(14.39)	(9.84)
Less: Debit balance in Profit and Loss		-	-	(939.32)	(795.42)	(517.82)
NET WORTH		(0.70)	(0.70)	3,204.58	3,369.29	3,651.44

* Represents Capital of Rs.70

ATTACHMENT I-B

{As per Schedule X, clause 6.18.7(b)(iv)(b) , Ch 6 of SEBI(Disclosure & Investor Protection)Guidelines}

STATEMENT OF PROFITS AND LOSSES [United Breweries Limited]

The profits/losses of the Company for the financial years/period commencing from the date of incorporation on 13th May 1999 to 31st March 2004, read with significant accounting policies (Refer Attachment I-C below), after making groupings and adjustments and subject to non-adjustment of certain matters as stated in notes to accounts (Refer Attachment I-D), are set out below:

For the period/year ended	31 st March, 2000*	31 st March, 2001*	31 st March, 2002 Rs. Lakhs	31 st March, 2003	31 st March, 2004
A. INCOME					
Sale of Products manufactured			24,040.24	37,733.47	40,716.55
Sale of Traded goods			-	4,511.88	6,791.05
Total Sales			24,040.24	42,245.35	47,507.60
Less: Excise Duty			(6,607.09)	(11,139.95)	(10,472.62)
			17,433.15	31,105.40	37,034.98
Income from Services			3,314.08	8,430.04	8,332.99
Increase/ (Decrease) in Inventories			(316.57)	301.77	320.57
Other Income			319.48	847.33	1,291.35
Total			20,750.14	40,684.54	46,979.89
B. EXPENDITURE					
Materials Consumed			7,779.04	15,188.39	18,693.37
Purchase of traded goods			-	3,929.32	5,729.26
Personnel expenses			1,791.58	2,799.78	2,986.28
Selling and promotion expenses			6,022.13	8,740.47	8,817.27
Other expenses			4,385.53	5,556.79	6,094.08
Depreciation			375.60	537.64	668.56
Deferred revenue expenses			147.25	20.81	4.55
Interest / Finance charges (Net)			1,638.32	3,454.73	3,245.09
Total			22,139.45	40,227.93	46,238.46
C. Net Profit / (Loss) before tax and non – recurring item			(1,389.31)	456.61	741.43
Taxation (Including Deferred tax)			449.99	(230.93)	(142.03)
D. Net Profit / (Loss) before non – recurring item			(939.32)	225.68	599.40
Non – recurring Item (Net of Tax)			Nil	(81.78)	(321.80)
E. Net profit / (Loss) after non-recurring item			(939.32)	143.90	277.60

Notes:

1. *The Company commenced its present business from 1st August, 2001 consequent to the demerger as referred to in Note 13 of Attachment I D and therefore, there are no Profit & Loss Accounts for the period prior to 1st August, 2001.

ATTACHMENT I-C [United Breweries Limited]

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation of Financial Statements:

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the Generally Accepted Accounting Principles (GAAP) applicable in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates:

The preparation of the Financial Statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the Financial Statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

3. Revenue Recognition:

Revenue from sale of goods is recognised in accordance with the terms of sale, on despatch from the Breweries/warehouses of the Company, and is net of trade discount but includes Excise Duty. Income from brand franchise is recognised at contract rates on sale/production of the branded products by the franchisees. Dividend Income is recognised when the Company's right to receive is established.

4. Borrowing Costs:

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is probable that they will result in future economic benefits to the Company while other borrowing costs are expensed.

5. Fixed Assets:

The cost of Fixed assets taken over on demerger have been determined with reference to their book values (excluding revaluation) on July 31, 2001 as appearing in the books of United Breweries (Holdings) Limited.

Fixed assets acquired on or after August 1, 2001 are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

Fixed assets acquired under hire purchase/installment credit schemes are capitalised at cost. Fixed assets taken on finance lease prior to March 31, 2001 are not capitalised.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable value.

6. Investments:

Investments being long term in nature, are stated at cost. Cost includes expenses such as professional/legal charges relating to acquisition/subsorption. Diminution in value of investments, if considered permanent, is provided for.

7. Inventories:

Raw Materials and Stores and spare parts are valued at cost on FIFO basis. Cost includes freight, taxes and duties.

Work-in-process and finished goods are valued at the lower of cost and realisable value including Excise Duty. Cost includes all direct costs and applicable production overheads.

8. Foreign Currency Transactions:

Foreign Currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign currency liability contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the cost of the asset.

9. Depreciation:

Depreciation on Fixed assets is determined using Straight Line Method based on the rates prescribed under schedule XIV of the Companies Act, 1956.

Leasehold Land is amortised over the period of lease.

10. Deferred Revenue Expenditure:

The Voluntary Retirement Scheme is amortised over a period of 60 months.

11. Employee Benefits:

- a. Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year-end and funded into gratuity fund maintained by Life Insurance Corporation of India except in respect of certain units, where such provisions, though made, are not funded.
- b. Contributions to Pension and Superannuation Funds are made to separate trust funds.
- c. Leave encashment benefit to employees is determined on actuarial basis and provided for.

12. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

13. Contingent Liabilities:

All known liabilities, wherever material, are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

ATTACHMENT I-D

NOTES TO THE SUMMARY STATEMENTS [United Breweries Limited]

1. Changes in Accounting Policies during the last 4 years (Adjusted as applicable to Company in accordance with the Guidelines and clarifications given by SEBI)

A. There were no changes in the accounting policies over the relevant years under report.

2. Non Adjustment / Regroupings

A. Change in accounting policies

There were no changes in the accounting policies over the relevant years under report. For the quarter ended 30th June, 2003, the Company absorbed the expenses on intangible items as on 1st April, 2003 in the Profit and Loss account as per Accounting Standard 26 'Intangible Assets'. However, as per the clarification issued by the Institute of Chartered Accountants of India, the policy followed upto 31st March, 2003 was reinstated. Consequently, there is no change in the accounting policy in this regard.

B. Qualifications in the Auditors' Report

B 1 In respect of the period ended 31st March, 2002, the auditors have stated their inability to express an opinion on the possible impairment of the value of investments in subsidiary companies referred to in Note 3 (b) of the financial statements for the year ended 31st March, 2002, with a carrying value of Rs.6,349.31 Lakhs which is reproduced below:

“**Note 3 (b)** The Company has made strategic investments in Associated Breweries & Distilleries Limited (ABDL) and Mangalore Breweries & Distilleries Limited (MBDL) during the year for the purpose of scaling up the production capacities, based on independent valuations. Considering the brand profile of ABDL and the inherent strengths and business potential of both these subsidiaries, the Management is confident of turning around these companies in course of time and therefore these investments have been carried in the balance sheet at cost though the net worth of these companies have been fully eroded”.

B 2 In respect of the year ended 31st March, 2003, the auditors have stated their inability to express an opinion on the diminution in the value of investments of Rs.6,353.86 Lakhs, and the recoverability of advances of Rs.3,319.29 Lakhs referred to in Notes 2 (b) and 3 (d) respectively of the financial statements for the year ended 31st March, 2003, in view of the continuing losses incurred by these companies, which is reproduced below:

“**Note 2 (b)** The Company has made strategic investments in Associated Breweries & Distilleries Limited (ABDL) and Mangalore Breweries & Distilleries Limited (MBDL) for the purpose of scaling up the production capacities, based on independent valuations. Considering the brand profile of ABDL and the inherent strengths and business potential of both these subsidiaries, the Management is confident of turning around these companies in course of time and therefore these investments have been carried in the balance sheet at cost though the net worth of these companies have been fully eroded”.

“**Note 3 (d)** Advances include an aggregate sum of Rs.3,319.29 Lakhs paid to ABDL and MBDL referred to in note 2 (b) [reproduced above], which are interest free and there is no stipulation with regard to repayment”.

B 3 In respect of the year ended 31st March, 2004, the auditors have commented with regard to diminution in value of investments in subsidiaries amounting to Rs.6,353.87 Lakhs, non recoverability with regard to advances to subsidiaries amounting to Rs.4,115.86 Lakhs and liability towards guarantee given on behalf of subsidiaries amounting to Rs.4465.00 Lakhs, the extent of loss, if any, is not ascertainable currently, referred to in Notes 3 (b) of the financial statements for the year ended 31st March 2004, which is reproduced below:

“Note 3 (b) -

The Company, as a part of its on-going efforts to establish substantial market leadership in the brewing industry acquired majority shareholding in Mangalore Breweries and Distilleries Limited, Karnataka (MBDL) and Associated Breweries and Distilleries Limited, Maharashtra (ABDL) at a cost of Rs.635,387 thousands. Having regard to the strategic nature of these investments, the Company proposes to invest further sums to enhance shareholding and capacities in both the subsidiaries.

The Company has also made advances of Rs. 411,586 thousands (2003: Rs. 331,929 thousands) [Refer Note 4(c) below] to and given guarantees of Rs. 446,500 thousands (2003: Rs. 348,351 thousands) [Refer Note 9(g) below] on behalf of ABDL and MBDL.

Both MBDL and ABDL had accumulated losses at the time of acquisition. As at March 31, 2004, the net worth of both subsidiaries have been fully eroded.

However, the existing efforts by the Company are bearing results with the subsidiaries making a positive Earnings Before Interest and Depreciation/Amortisation during the year under review.

Considering the improvement in performance and given the critical markets and the leadership that the Company enjoys in these markets, the financial health of these subsidiaries is expected to significantly improve. Therefore, no provision is considered necessary at this stage in respect of the aforementioned amounts.”

3. DETAILS OF SHARE CAPITAL

As at		31 st March 2002	31 st March 2003	31 st March 2004
Particulars		Rs. Lakhs		
Authorised Capital:				
Equity shares of Rs 10 Each				
As at 31 st March, 2000:	10,00,000 nos.	300.00	3,000.00	3,000.00
As at 31 st March, 2001:	10,00,000 nos.			
As at 31 st March, 2002:	30,00,000 nos.			
As at 31 st March, 2003:	3,00,00,000 nos.			
As at 31 st March, 2004:	3,00,00,000 nos.			
Redeemable Optionally Convertible Preference Shares of Rs.100 Each		Nil	22,000.00	22,000.00
As at 31 st March, 2002:	NIL			
As at 31 st March, 2003:	2,20,00,000 nos.			
As at 31 st March, 2004:	2,20,00,000 nos.			
Total		300.00	25,000.00	25,000.00
Issued, Subscribed and Paid up				
Equity Shares of Rs 10 Each		272.66	1,782.06 *	1,782.06
As at 31 st March, 2000:	7 nos.			
As at 31 st March, 2001:	7 nos.			
As at 31 st March, 2002:	27,26,632 nos.			
As at 31 st March, 2003 :	1,78,20,603 nos.			
As at 31 st March, 2004 :	1,78,20,603 nos.			
Share capital Pending allotment: 1,50,93,971 Equity Shares of Rs.10 each		1,509.40	Nil	Nil
As per the scheme of demerger, the Company allotted the said equity shares to the shareholders of United Breweries (Holdings) Limited during the financial year 2002-03				
Total		1,782.06	1,782.06	1,782.06

* Change arising out of demerger

4. SECURED LOANS :

Financier	Amount outstanding as at			Repayment Schedule	Rate of Interest	Securities Offered
	31 st March, 2002	31 st March, 2003	31 st March, 2004			
Rs. Lakhs						
ICICI Bank Limited – Term Loan	6,500.00	6,500.00	Nil	Quarterly, along with interest. Repayment ended on 30th June, 2003	12.50%	The Whole of the movable and immovable properties at brewery units at Chertala, Taloja, Goa, Hyderabad and Ludhiana, as first charge. Pledge of investments in McDowell & Co Limited, Mangalore Chemicals and Fertilizers Limited, Aventis Pharma Limited and Aventis Crop Science Limited held by United Breweries (Holdings) Limited and investments in United Breweries (Holdings) Limited held by McDowell & Company Limited
Rabo India Finance Private Limited – Term Loan	2,000.00	1,500.00	500.00	Quarterly @ Rs.250.00 Lakhs – last installment falling due in September, 2004	15.00%	Pledge of Investments in Mangalore Breweries & Distilleries Limited held by the Company and a first Charge on movable and immovable properties held at Palakkad unit
The Federal Bank Limited – Term Loan	Nil	181.28	34.31	Quarterly @ Rs.3.44 Lakhs - Last installment falling due in September 2005.	17.00% & 14.50%	Hypothecation of assets purchased for enhancement of capacity at Hyderabad unit and computer hardware
Hire Purchase Liability	184.84	106.75	105.46	Monthly installments. Last installment falling due in Nov. 2008.	Not Applicable	Hypothecation of asset under hire purchase
Citibank – Term Loan	Nil	2,000.00	2,000.00	Repayable within 3 years. Moratorium of 1 year - moratorium expired in February, 2004. First installment in May, 2004, Last installment in Feb. 2006	MIBOR +3%	Commitment to create a charge on additional fixed assets procured during 2002/ 2003 by August 2003
Consortium Bankers working capital	4,391.45	5,878.37	4,473.48	On demand	Range: 13.5% to 15.75%	Hypothecation of stock in trade, stores, raw materials and book debts. Second charge on the fixed assets of the company.
Rabo India Finance Private Limited.	Nil	Nil	20,000.00	Repayable by 30 th September 2004 or completion of ROCPS whichever is earlier	8.5%	Bridge loan against Standby Letter of Credit by Scottish & Newcastle Plc.
External Commercial Borrowing	Nil	Nil	4,800.00	Repayable in August, 2008	Range: 4.7% to 9.1%	First charge by way of equitable mortgage on all the immovable & movable assets of the company and its subsidiaries
Deferred credits: Alfa Laval India Ltd.			400.00	Tenor – 36 Months – Repayable in 24 monthly installments starting from June, 2005 and ending on May, 2007	10%	Hypothecation of equipments supplied under the scheme
	13,076.29	16,166.40	32,313.25			

Note: As per the Scheme of Demerger, the Secured Loans attributable/allocated to the Company have been taken over, subject to securities, mortgages and charges existing on the date of demerger.

5. UNSECURED LOANS:

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004	Repayment Schedule	Rate of Interest
Particulars	Rs. Lakhs				
1. Bank Overdraft - Interest Free	199.66	2.12	738.05	[On Demand]	Nil
2. United Breweries (Holdings) Limited Due on Demerger - Interest free	2,661.43	Nil	Nil	Outstanding as at 31st March 2002. Since repaid	Nil
3. The Bank of Rajasthan Ltd	Nil	Nil	1,499.92	Rs. 1,200 Lakhs repayable in September 2004 and Rs.300 Lakhs repayable in October 2004	9.5%
4. I L & FS Limited	Nil	Nil	3,527.37	Moratorium 18 Months. Repayment effective from May 2005 – Rs 83.33 Lakhs per month.	9.5%
5. McDowell & Company Ltd	Nil	Nil	2,000.00	Inter corporate Deposit . Repayable on 24 th February 2006.	10.75%
Total	2,861.09	2.12	7,765.34		

6. COMMITMENTS & CONTINGENT LIABILITIES

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
A COMMITMENTS			
I Estimated amount of contracts remaining to be executed on capital account and not provided for	27.09	63.14	550.67
II Liability for a put option for investment in a subsidiary, not provided pending investment, though the option has been exercised	2,047.00	2,047.00	2,627.41
III Commitment as per Joint Venture agreement to place funds in the form of Preference Capital.	Nil	Nil	2,000.00
Total	2,074.09	2,110.14	5,178.08
B CONTINGENT LIABILITIES			
I Sales Tax demands under appeal *	25.66	212.41	81.86
II Excise Duty / Customs Duty demands under appeal *	49.20	35.33	102.86
III Claims against the Company not acknowledged as debt *	98.68	1,053.71	970.99
IV Future commitments for hire charges payable on hire purchase/lease	1,119.67	334.50	106.38
V Letter of Credit outstanding	238.08	258.99	208.92
VI Guarantees given by the Company:			
- On behalf of subsidiaries	3,308.00	3,483.51	4,465.00
- On behalf of third parties	3,904.45	6,678.38	2,838.93
VII Consideration payable to the erstwhile promoters of ABDL withheld against possible tax benefits if any availed by ABDL towards it's future profits	Nil	Nil	323.00
Total	8,743.74	12,056.83	9,097.94

* In the opinion of the management the above demands/claims are not sustainable in law and accordingly, do not call for a provision in the accounts.

7. INVESTMENTS (Long Term Unquoted, unless otherwise stated) :

As at Particulars including Class of Shares	31 st March, 2002			31 st March, 2003			31 st March, 2004		
	Shares Nos.	Face Value Rs. Lakhs	Cost	Shares Nos.	Face Value Rs. Lakhs	Cost	Shares Nos.	Face Value Rs. Lakhs	Cost
In Government Securities & Trustee Securities – Fully Paid									
National Saving Certificates		2.07	2.07		0.58	0.58		1.54	1.54
Trade Investments in Fully Paid Shares									
Inertia Industries Limited [Equity]	2,24,27,987	2,242.80	2,443.47	2,24,27,987	2,242.80	2,443.47	—	—	—
Non-Trade Investment									
HRB Employees Co-Operative Society		1.00	1.00		1.00	1.00	—	—	—
United East Bengal Football Team Private Limited [Equity]	—	—	—	4,999	0.50	0.50	4,999	0.50	0.50
In Subsidiary Companies - Fully paid Shares									
Associated Breweries & Distilleries Limited [Equity]	2,60,000	260.00	2,095.04	2,60,000	260.00	2,095.04	2,60,000	260.00	2,095.04
Associated Breweries & Distilleries Limited [Preference]	25,40,000	2,540.00	2,540.00	25,40,000	2,540.00	2,540.00	25,40,000	2,540.00	2,540.00
Mangalore Breweries & Distilleries Limited [Equity]	97,14,180	971.42	1,714.28	97,95,180	979.52	1,718.83	97,95,180	979.52	1,718.83
McDowell Alcobev Limited [Equity]	80	0.01	0.01	50,000	5.00	5.00	61,40,000	614.00	2,562.77
McDowell Alcobev Limited [Preference]							18,00,439	1,800.44	2,000.00
		8,795.87			8,804.42			10,918.68	
Less: Provision for diminution in value of investments		—			(200.68)			—	
NET INVESTMENTS		8,795.87			8,603.74			10,918.68	
Additions during the year									
United East Bengal Football Team Private Limited [Equity]				4,999	0.50	0.50			
Mangalore Breweries & Distilleries Limited [Equity]				81,000	8.10	4.55			
McDowell Alcobev Limited [Equity] *				49,920	4.99	4.99	60,90,000	609.00	2,557.77
National Savings Certificate								1.00	1.00
McDowell Alcobev Limited [Preference]							18,00,439	1,800.44	2,000.00
HSBC Mutual Fund/Cash Fund/ Templeton growth Plan							14,20,00,000	1,420.00	1,420.00
Total Additions					10.04			5,978.77	
Disposals during the year									
National Savings Certificates					1.50	1.50		0.04	0.04
Inertia Industries Limited (Net of provision for diminution)							2,24,27,987	2,242.80	2,443.47
HSBC Mutual Fund/Cash Fund/ Templeton growth Plan							14,20,00,000	1,420.00	1,420.00
HRB Employees Co-Operative Society								1.00	1.00
Total Disposals					1.50			3,864.51	

Market Value of Investments

Rs. in Lakhs

As at Particulars	31st March, 2002		31st March, 2003		31st March, 2004	
	COST	MARKET VALUE	COST	MARKET VALUE	COST	MARKET VALUE
Market Value of Investments						
Quoted Investments	2,443.47	2,074.59	2,443.47	717.69	—	—
Unquoted Investments	6,352.40		6,360.94		10,918.68	—
Total	8,795.87	2,074.59	8,804.41	717.69	10,918.68	—

Notes:

Investments in shares of subsidiaries have been pledged/given on lien for availing loans by the Company / Subsidiary / Associate and other companies as per the Scheme of Demerger.

*McDowell Alcobev Limited has since ceased to be a subsidiary of the Company with effect from 8th May 2003 consequent to the Subscription Agreement entered into with Scottish & Newcastle Plc., and Accra Investments Private Limited by the Company. The investment in equity shares of McDowell Alcobev Limited by the Company, have been pledged with Scottish & Newcastle Plc as at 31st March 2004.

8. SUNDRY DEBTORS:

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Unsecured (Unconfirmed)			
Debts outstanding for a period exceeding six months			
Considered Good	1,148.66	325.80	198.91
Considered Doubtful	403.87	785.25	824.09
	1,552.53	1,111.05	1,023.00
Less: Provision	(403.87)	(785.25)	(824.09)
	1,148.66	325.80	198.91
Other debts - Considered good	4,363.16	7,136.88	7,218.04
Total	5,511.82	7,462.68	7,416.95

Other Debts include Rs. 296.75 Lakhs which is due from a company whose brewery facilities are being utilized by the Company for the production of Company's brands of Beer under contract brewery arrangements. We are given to understand that the company has made a reference to the BIFR being a sick company. The management is confident of recovery of dues from the continued business operations of the company.

9. LOANS, ADVANCES AND OTHER CURRENT ASSETS:

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Prepaid expenses	699.98	804.89	871.05
Due from United Breweries (Nepal) Private Limited	413.10	647.52	Nil
Other advances	937.44	757.91	688.00
Due from United Breweries (Holdings) Limited	—	—	16,000.00
Associated Breweries & Distilleries Limited (refer note(a) below)	1,927.35	2,040.78	1,181.70
Mangalore Breweries & Distilleries Limited (refer note(a) below)	125.68	1,278.51	2,934.16
Deposits with excise authorities	104.61	27.31	79.24
Contract Brewing deposits (refer Note(b) &(c) below)	2,800.00	3,450.00	2,950.00
Other deposits	670.51	833.30	760.00
Total	7,678.67	9,840.22	25,464.15

The above advances include

- (a). The referred companies are subsidiaries of the Company and these advances are interest free and there is no stipulation with regard to repayment.
- (b). Amount represents deposits with three companies whose brewery facilities are being utilised by the Company for production of Company's brands of beer under contract brewery arrangements.
- (c). Contract brewing deposits also include an amount of Rs.1,000 Lakhs (Rs.500 Lakhs as at 31st March, 2003) advanced to a brewing company whose brewing facilities are being utilised. The said company has made a reference to the Board for Industrial Financial Restructuring (BIFR) being a sick company.

10. RELATED PARTY DISCLOSURE UNDER AS – 18

i. Name of the related parties:	Related Party During		
	31st March, 2002	31st March, 2003	31st March, 2004
a) Holding Company			
United Breweries (Holdings) Limited [Formerly Kingfisher Properties & Holdings Limited]	Yes	Note 1	Note 1
b) Subsidiaries [S]:			
Mangalore Breweries & Distilleries Limited	Yes	Yes	Yes
Associated Breweries & Distilleries Limited	Yes	Yes	Yes
London Draft Pubs Private Limited*	Yes	Yes	Yes
London Pilsner Breweries Private Limited*	Yes	Yes	Yes
McDowell Alcobev Limited	Yes	Yes	Note 6
Empee Breweries Limited#	Note 2	Yes	Note 6
GMR Beverages & Industries Limited#	Yes	Yes	Note 6
* Subsidiaries of Associated Breweries & Distilleries Limited			
# Subsidiaries of McDowell Alcobev Limited			
c) Associates [A]:			
Inertia Industries Limited	Yes	Yes	Note 6
United East Bengal Football Team Private Limited	Note 3	Yes	Yes
d) Fellow Subsidiary [FS]:			
UB General Investments Limited [Formerly, United Breweries (Holdings) Limited]	Yes	Note 4	Note 4
UB Global Corporation Limited	Yes	Note 4	Note 4
e) Key Management Personnel and relative: (KMP)			
Mr Kalyan Ganguly	Not Applicable	Yes	Yes
Mrs.Suparna Bakshi Ganguly wife of Mr.Kalyan Ganguly (relative of KMP)	Not Applicable	Yes	Yes
Name of the related parties:			
	31st March, 2002	31st March, 2003	31st March, 2004
f) Joint Venture (JV)			
McDowell Alcobev Limited	Not Applicable	Not Applicable	Note 6
g) Subsidiaries/Associates of Joint Venture (SAJV)			
Empee Breweries Limited	Not Applicable	Not Applicable	Note 6
GMR Beverages & Industries Limited	Not Applicable	Not Applicable	Note 6
Inertia Industries Limited	Not Applicable	Not Applicable	Note 6

Note 1: United Breweries (Holdings) Limited was the holding company pending allotment of equity shares to other shareholders pursuant to the scheme of demerger for the financial year ended 31st March, 2002. Post issuance of equity shares to the other shareholders in Financial Year 2002-03, the said company is no longer a holding company/related party of the Company.

Note2: Empee Breweries Limited was acquired during Financial Year 2002-03.

Note 3: Investment in United East Bengal Football Team Private Limited was made during Financial Year 2002-03.

Note 4: UB General Investments Limited [Formerly United Breweries (Holdings) Limited] and UB Global Corporation Limited are subsidiaries of United Breweries (Holdings) Limited and accordingly fellow subsidiaries of the Company for the year ended 31st March, 2002 alone.

Note 5: During Financial Year 2001-02, there were no monetary transactions with the KMP and relative of the KMP accounted for in the Company.

Note 6: McDowell Alcobev Limited has ceased to be a subsidiary of the Company with effect from 8th May, 2003 consequent to the 'Subscription Agreement' entered into with Scottish & Newcastle and Accra Investments Private Limited. Accordingly, for the year ended 31st March, 2004, McDowell Alcobev Limited and it's subsidiaries, Empee Breweries Limited and GMR Beverages & Industries Limited are disclosed as Joint Venture and Subsidiary of Joint Venture respectively for the purpose of this statement. Consequent to the 'Subscription Agreement' referred to above, the Company has sold it's investments in Inertia Industries Limited to McDowell Alcobev Limited and accordingly, for the year ended 31st March, 2004, the transactions relating to Inertia Industries is disclosed as an Associate of the company till the date of disposal of investment into McDowell Alcobev Limited.

For the period ended	31 st March 2002			31 st March 2003			31 st March 2004				
	S	A	FS	S	A	KMP	S	A	KMP	JV	SAJV
	Rs.Lakhs										
Purchase of Goods	—	—	—	3,103.08	363.67	—	3,990.50	119.21	—	1,424.04	—
Sale of Goods	—	—	165.15	—	—	—	—	—	—	—	—
Sale of Brand	—	—	—	—	—	—	—	—	—	300.00	—
Receipts against rendering services	—	164.47	—	1,017.48	231.87	—	1,164.55	20.69	—	69.26	469.99
Sale of Raw Materials	—	—	—	—	—	—	38.19	—	—	—	—
Payments against rendering services	—	457.29	390.57	—	476.75	—	—	288.19	—	279.76	—
Finance ® (Including Loans & other transaction in cash or in kind)	713.30	134.39	—	1,588.63	35.35	—	796.58	(248.36)	—	(89.72)	(298.25)
Purchase of investments	6,342.53	—	2,443.47	9.54	—	—	—	—	—	4,557.77	—
Remuneration	—	—	—	—	—	97.31*	—	—	125.86*	—	—
Sale of investments	—	—	—	—	—	—	—	2,443.47	—	—	—
Purchase of Assets (Net)	—	—	—	—	—	—	5.95	—	—	—	—
Guarantees & collaterals	Refer Point B.VI of Note 6 of Attachment I-D										
Amount due from/(to) respective related party as at year/ period end	2,066.76	224.01	125.55	3,655.38	346.70	—	4,115.86	98.34	1.46	(89.72)	37.85

Note: The transactions of vesting of the brewery undertaking pursuant to the Scheme of demerger is excluded for this purpose.

* Includes payment to relative of KMP Rs.14.09 Lakhs.(Rs.12.71 Lakhs for the year ended March 31 ,2003).

® Figures in brackets indicates amounts received.

11. DEFERRED TAX - DISCLOSURE UNDER AS – 22.

For the period / year ending	As at 31 st March, 2002	As at 31 st March, 2003	As at 31 st March, 2004*
Particulars	Rs.Lakhs		
Difference between book and tax depreciation	(161.71)	(424.59)	(750.95)
Tax Loss	546.12	434.15	640.77
Doubtful debts	65.58	200.85	219.48
43B disallowances	—	8.66	—
Deferred tax asset/(Liability)	449.99	219.07	109.30

[The deferred tax liability/assets as shown above, are as recognised in the books of account]

* These are provisional numbers and final amount will be ascertained at the time of filing of return

12. The Company was originally formed to carry out business of infrastructure facilities and other allied activities, commenced its beer business after the demerger with effect from 1st August, 2001 and hence, the break up of the corresponding figures for the earlier year, if any, being insignificant have not been furnished in Notes 3, 6, 9, 10 and 11 of this Attachment.

13. DEMERGER

As per the scheme of arrangement (referred to as the scheme of demerger) between Kingfisher Properties & Holdings Limited (KPHL – Now called United Breweries (Holding) Limited) and UB Beer Limited, now called United Breweries Limited (UBL) approved by the High Court of Karnataka vide its order dated 4th July, 2002, the Brewery Undertaking comprising of the various units located at Talaja, Cherthala, Palakkad, Hyderabad, Goa, Kalyani and Ludhiana save and except the unit located at Bangalore but including brands and contract brewing rights were transferred to and vested in the Company as a going concern with effect from 1st August 2001. Accordingly:

- All the assets and Liabilities attributable/allocable to the Brewery Undertaking were taken over at the values appearing in the books of KPHL before demerger.
- The Company allotted 1,50,93,971 equity shares of Rs.10 each to the Shareholders of KPHL in the ratio of four equity shares of Rs. 10 each in UBL for every ten shares of Rs. 10 each held in KPHL.
- The excess of the liabilities over the assets taken over by the Company in excess of the share capital to be issued amounting to Rs.3,620.29 Lakhs was adjusted against the Share Premium Account.
- The operations of the Brewery Undertaking for the period from 1st August, 2001 have been reflected in these statements as those relating to the Company.
- The name of Company was changed to United Breweries Limited from UB Beer Limited, during 2002 – 2003, pursuant to the Scheme of Demerger.

14. A binding agreement has been reached between the Company and Scottish & Newcastle Plc., a leading European brewing company for placement of a sum of Rs.20,000 Lakhs by way of Redeemable Optionally Convertible Preference shares (ROCPS).

15. SEGMENT REPORTING

The Company is engaged in the business of manufacture, purchase and sale of beer in India including licensing of brand, which constitutes a single business segment.

16. There are no outstanding dues exceeding seven years, requiring transfer to the Investor Education and Protection Fund under section 205 C of the Companies Act 1956 as at the end of any of the reported years.

17. The information provided in the Attachments above have been extracted from the audited annual financial statements for the years ended 31st March, 2002, 31st March, 2003 and 31st March, 2004, Other supplementary information presented in the Attachments (I-A to I-H) are as certified by the management.

ATTACHMENT I-E [United Breweries Limited]

KEY ACCOUNTING RATIOS

As at Particulars	31 st March, 2002			31 st March, 2003			31 st March, 2004		
	Numerator	Denominator	Ratio	Numerator	Denominator	Ratio	Numerator	Denominator	Ratio
Earnings per share	<i>Profit (Loss) after tax (Rs. Lakhs)</i>	<i>Weighted average number of shares (Nos.Lakhs)</i>	<i>Rs.</i>	<i>Profit (Loss) after tax (Rs.Lakhs)</i>	<i>Weighted average number of shares (Nos.Lakhs)</i>	<i>Rs.</i>	<i>Profit(Loss) after tax (Rs.Lakhs)</i>	<i>Weighted average number of shares (Nos.Lakhs)</i>	<i>Rs.</i>
Nominal Value per share			10.00			10.00			10.00
Basic	(939.32)	27.27	(34.45)	143.90	115.31	1.25	277.60	178.21	1.56
Diluted	(939.32)	178.21	(5.27)	NA	NA	NA	NA	NA	NA
Return on Net worth	<i>Profit (Loss) after tax (Rs. Lakhs)</i>	<i>Net worth at the year end</i>	<i>%</i>	<i>Profit (Loss) after tax (Rs. Lakhs)</i>	<i>Net worth at the year end</i>	<i>%</i>	<i>Profit (Loss) after tax (Rs.Lakhs)</i>	<i>Net worth at the end of the period</i>	<i>%</i>
	(939.32)	3,204.58	(29.31%)	143.90	3,369.29	4.27%	277.60	3,651.44	7.60%
Net Asset Value per share (Rs)	<i>Net worth at the year end</i>	<i>No. of shares at the end of the year</i>	<i>Rs.</i>	<i>Net worth at the year end</i>	<i>No. of shares at the end of the year</i>	<i>Rs.</i>	<i>Net worth at the period end</i>	<i>No. of shares at the end of the period</i>	<i>Rs.</i>
Nominal Value per share			10.00			10.00			10.00
Basic	3,204.58	27.27	117.51	3,369.29	178.21	18.90	3,651.44	178.21	20.49
Diluted	3,204.58	178.21	17.98	NA	NA	NA	NA	NA	NA

Note 1: Weighted average number of shares

- a. The weighted average number of shares used in the above table are as given below.

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Basic	Allotted shares. 27,26,632 Nos.	Refer Sub Note b. below.	Allotted shares. 1,78,20,603 Nos.
Diluted	Allotted shares.27,26,632 Nos. + 1,50,93,971 Nos. Pending allotment pursuant to the demerger	NA	NA

- b. Weighted average number of shares as at 31st March, 2003

Outstanding during the period	No. of Shares	Period (Months)	No. of shares X Period
1st April, 2002 to 31st August, 2002	27,26,632	5	13,633,160
1st September, 2002 to 31st March, 2003	1,78,20,603	7	124,744,221
		12	138,377,381
Weighted average number of shares = 13,83,77,381 / 12 (Months)			11,531,448
Nos. Rounded off to Lakhs			115.31

ATTACHMENT I-F [United Breweries Limited]

{As per Schedule XIII, clause 6.18.7(iii), Ch 6 of SEBI (Disclosure & Investor Protection) Guidelines}

CAPITALISATION STATEMENT

Particulars	Pre Issue	As Adjusted	Ref
	as at 31 st March, 2004	For Issue	
	Rs. Lakhs		
Short Term Debt	28,281.06	8,281.06	
Long Term Debt	11,797.53	11,797.53	
Total Debt	40,078.59	20,078.69	
Share Holders Funds			
Share Capital	1,782.06	23,166.78	Note 1
Reserves net of Revaluation reserve & Misc. Expenditure	1,869.38	1,099.82	Note 2
Total Share Holders' Fund	3,651.44	24,266.60	
Long Term Debt / Equity [Times]	3.23	0.49	
Note 1			
Share Capital [Pre Issue]		1,782.06	
Issue Proceeds		21,384.72	
Share Capital [Post Issue]		23,166.78	
Note2			
Reserves [Pre Issue]		1,869.37	
Less:			
a. Fees for Increase of authorised capital of the Company	(125.59)		
b. Issue expenses [management estimate]	(643.96)	(769.55)	
Reserves [Post Issue]		1,099.82	

Note: The issue proceeds, issue expenses and utilisation of the proceeds of the issue are as given by the management and are not verifiable by the auditor's.

ATTACHMENT I –G [United Breweries Limited]

{As per Schedule XII, clause 6.18.7(viii), Ch 6 of SEBI (Disclosure & Investor Protection)Guidelines}

TAX SHELTER STATEMENT

Particulars	Rs. in Lakhs		
	Year ended		Period ended
	31st March, 2002	31st March, 2003	31st March, 2004*
Profit/(Loss) as per Profit and Loss account	(1,389.31)	374.83	419.63 @
Tax at Notional Rate	Nil	137.75	150.54
Add: Difference between tax depreciation and book depreciation	(439.48)	(791.79)	(852.38)
Add: VRS claim u/s 35DD	(4.54)	(4.54)	4.55
Add: 43B and 40A(7) disallowance (Net)		(421.17)	123.27
Add: Others (Net)	1.35	(6.17)	400.35
	(442.67)	(1,223.67)	(324.21)
Less:43B and 40A(7) disallowance (Net)	42.04	—	(150.00)
Less: Provision for Doubtful debts/advances	178.48	304.28	
Less: Deferred Revenue claimed in earlier years	147.25	20.81	(4.39)
Less: Provision for Diminution in value of Investments		200.67	
Less: Donations		60.15	
	367.77	585.91	(154.39)
Net addition/(benefit)	(74.90)	(637.76)	(478.60)
Tax Savings	27.53	234.38	171.70
Business Profit/(Loss) for tax purposes	(1,464.21)	(262.93)	(58.97)
Carry forward loss as per return		(1,464.21)	(1,727.14)
Cumulative carry forward loss	(1,464.21)	(1,727.14)	(1,786.11)

* These are provisional numbers and final amount will be ascertained at the time of filing of return

@ Due to non availability of carry forward book depreciation, tax under Minimum Alternate Tax is applicable – MAT Rs. 32.26 Lakhs.

ATTACHMENT I-H [United Breweries Limited]

OTHER INCOME

For the Years/period Ending	31 st March, 2002	31 st March, 2003	31 st March, 2004	Nature
Particulars	Rs. Lakhs			
Sale of Spent Malt/ Cullet	259.69	349.12	528.29	Recurring
Guarantee Commission	16.09	52.38	39.57	Recurring
Royalty on Brands	11.37	190.16	101.49	Recurring
Manufacturing Contribution	28.00	86.05	57.38	Recurring
Sundry Income	4.33	19.65	62.11	Non recurring
Provision no longer required	—	149.97	79.15	Non recurring
Sale of Brand	—	—	300.00	Non recurring
Refund of sales tax			123.36	Non recurring
Total	319.48	847.33	1,291.35	

ATTACHMENT II-A

{As per Schedule XI, clause 6.18.7(b)(vi), Ch 6 of SEBI(Disclosure & Investor Protection)Guidelines}

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

[Mangalore Breweries and Distilleries Limited]

Assets and Liabilities of the Company as at the end of each financial year, commencing from the relevant financial year in which the Company became a subsidiary of United Breweries Limited (Financial year ended 31st March 2002), read with significant accounting policies (Refer Attachment II-C below), after making groupings and adjustments and subject to non-adjustment of certain matters as stated in notes to accounts (Refer Attachment II-D below) are set out below.

As at	Note Reference	31 st March, 2002	31 st March, 2003	31 st March, 2004
Rs. Lakhs				
A. Fixed Assets:				
Gross Block		2,405.12	2,620.62	2,704.43
Less: Accumulated Depreciation		(738.71)	(921.36)	(1,209.16)
Add: Capital work in progress		Nil	63.63	-
Net Block		1,666.41	1,762.89	1,495.27
B. Investments		0.10	0.10	0.10
C. Current Assets, Loans and Advances				
Inventories		138.90	166.48	248.16
Sundry Debtors		0.24	87.84	916.64
Cash & Bank Balances		5.27	0.76	0.70
Loans and Advances		40.43	57.03	83.35
Other Current Assets		0.10	0.11	0.11
		184.94	312.22	1,248.96
Total Assets		1,851.45	2,075.21	2,744.33
D. Liabilities and Provisions				
Secured Loans	5	(2,215.96)	(2,027.49)	(2,803.58)
Unsecured Loans	6	(607.74)	(1,278.50)	(1,181.70)
Current Liabilities and Provisions		(402.21)	(419.86)	(704.02)
		(3,225.91)	(3,725.85)	(4,689.30)
E. Net Worth		(1,374.46)	(1,650.64)	(1,944.97)
F. Represented by				
Share Capital	4	998.00	998.00	998.00
Less: Miscellaneous Expenditure		(2.68)	(2.23)	(1.78)
Less: Debit balance in Profit and Loss Account	2B	(2,369.78)	(2,646.41)	(2,941.19)
Net Worth		(1,374.46)	(1,650.64)	(1,944.97)

ATTACHMENT II-B

{As per Schedule X, clause 6.18.7(b)(iv)(b), Ch 6 of SEBI (Disclosure & Investor Protection) Guidelines}

STATEMENT OF ADJUSTED PROFIT AND LOSS [Mangalore Breweries and Distilleries Limited]

The Profits/Losses of the Company for financial years, commencing from the financial year in which the Company became a subsidiary of United Breweries Limited [Financial year ended 31st March, 2002], read with significant accounting policies (Refer Attachment II-C below), after making groupings and adjustments and subject to non-adjustment of certain matters as stated in notes to accounts (Refer Attachment II-D) are set out below:

For the year ended	Note Reference	31 st March, 2002	31 st March, 2003	31 st March, 2004
Rs.Lakhs				
A. INCOME				
Sale of Products manufactured		1,579.97	2,828.22	6,958.09
Less: Excise Duty		(73.32)	(464.79)	(3,075.40)
		1,506.65	2,363.43	3,882.69
Increase / (Decrease) in Inventories		17.96	24.52	11.25
Other Income		22.39	19.06	38.84
Total		1,547.00	2,407.01	3,932.78
B. EXPENDITURE				
Materials Consumed		1,015.16	1,335.60	2,091.77
Personnel Expenses		66.14	90.71	118.22
Selling and promotion expenses		283.14	627.22	1,291.17
Other expenses		178.02	161.26	172.55
Depreciation		211.10	182.66	296.14
Deferred Revenue Expenditure		0.44	0.45	0.45
Interest / Finance charges (Net)		332.38	285.74	257.26
Total		2,086.38	2,683.64	4,227.56
C. Net Profit / (Loss) before tax & extraordinary items				
		(539.38)	(276.63)	(294.78)
Taxation (Including Deferred tax)		Nil	Nil	Nil
D. Net profit / (Loss) before extraordinary items				
		(539.38)	(276.63)	(294.78)
E. Extraordinary Items (Net of Tax)				
		Nil	Nil	Nil
Net Profit / (Loss) after extraordinary items		(539.38)	(276.63)	(294.78)
% of holding by Parent Company		97.34%	98.15%	98.15%

Note: Since the losses applicable to the minority, if the financial statements of the subsidiary were to be consolidated with the parent Company, exceeds the minority interest in the equity of the subsidiary Company; the losses as above are attributable to the parent Company.

ATTACHMENT II-C

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

[Mangalore Breweries and Distilleries Limited]

1. Basis of Presentation of Financial Statements:

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the Generally Accepted Accounting Principles (GAAP) applicable in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates:

The preparation of the Financial Statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the Financial Statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

3. Revenue Recognition:

Revenue from sale of goods is recognised in accordance with the terms of sale, on despatch from the Breweries/ warehouses of the Company, and is net of trade discount but includes Excise Duty.

4. Borrowing Costs:

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is probable that they will result in future economic benefits to the Company while other borrowing costs are expensed.

5. Fixed Assets:

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

Fixed assets acquired under hire purchase/installment credit schemes are capitalised at cost. Fixed assets taken on finance lease prior to March 31, 2001 are not capitalised.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable value.

6. Investments:

Investments being long term in nature, are stated at cost. Cost includes expenses such as professional/legal charges relating to acquisition/subsorption. Diminution in value of investments, if considered permanent, is provided for.

7. Inventories:

Raw Materials and Stores and spare parts are valued at cost on FIFO basis. Cost includes freight, taxes and duties.

Work-in-process and finished goods are valued at the lower of cost and realisable value including Excise Duty. Cost includes all direct costs and applicable production overheads.

8. Foreign Currency Transactions:

Foreign Currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign currency liability contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences relating to fixed assets are adjusted in the cost of the asset.

9. Depreciation:

Depreciation on Fixed assets is determined using Written Down Value based on the rates prescribed under schedule XIV of the Companies Act, 1956.

10. Preliminary Expenses:

Preliminary Expenses incurred is written-off over a period of 10 years from the date of commercial production.

11. Employee Benefits:

- a. Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year-end.
- b. Contributions to Pension and Superannuation Funds are made to separate trust funds.
- c. Leave encashment benefit to employees is determined on actuarial basis and provided for.

12. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

13. Contingent Liabilities:

All known liabilities, wherever material, are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

ATTACHMENT II-D

NOTES TO SUMMARY STATEMENTS [Mangalore Breweries and Distilleries Limited]

1. Changes in Accounting Policies during the reported years (Adjusted as applicable to Company in accordance with the Guidelines and clarifications given by SEBI)

- A. The Company had applied a rate of depreciation on its factory building, which was higher than that prescribed under Schedule XIV of the Companies Act, 1956. On a revision of such depreciation rate in the financial year 2001-02, the excess amount of Rs.24.41 Lakhs was written back to the profit & loss account of the said year. In the above statement, the write back of excess depreciation has been reduced from the debit balance in the Profit & Loss account.
- B. There were no other changes in the accounting policies over the relevant years under report.

2. Non Adjustment / Regroupings:

A. Change in Accounting Policies:

The effects of change in accounting policy have been adjusted as per details provided in Note 1.A above.

B. Qualifications in the Auditors' Report

- B.1** In respect of the year ended 31st March, 2002, the auditors have reported that the accompanying financial statements have been prepared on the assumption that the Company will continue as a going concern based on the management's perception and in view of the continuing operating and financial support received from the parent Company, as referred in Note 1 of the financial statements for the year ended 31st March 2002. Accordingly, these financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might result, should the Company be unable to continue as a going concern. The said note 1 is reproduced below.

"Note 1: The Company has incurred losses aggregating to Rs. 2,369.78 Lakhs as on 31st March, 2002 as against the paid-up share capital of Rs. 998.00 Lakhs. The shares of the Company were acquired by UB Group only on 23rd March, 2001 and based on the turnaround strategy adopted by the Group the losses have substantially reduced and the management projects that the Company will generate cash profits during the year ending 31st March, 2003. Based on the above, and in view of the continuing operating and financial support received from the parent Company, the management believes that the Company will continue as a 'going concern' and thereby realize its assets and discharge its liabilities in the normal course of its business."

- B.2** In respect of the year ended 31st March, 2003, the auditors have reported that the accompanying financial statements have been prepared on the assumption that the Company will continue as a going concern based on the management's perception and in view of the continuing operating and financial support received from the parent Company, as referred in Note 1 of the financial statements for the year ended 31st March, 2003. Accordingly, these financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might result, should the Company be unable to continue as a going concern. The said Note 1 is as reproduced below.

"Note 1: The Company has incurred losses from the inception aggregating to Rs 2,646.41 Lakhs as at 31st March, 2003 as against the paid-up share capital of Rs.998.00 Lakhs. The shares of the Company were acquired by UB Group, only on 23rd March, 2001 and based on the turn around strategy adopted by the Company, the losses have substantially reduced and management projects that the Company will generate profits in future. Based on the above, and in view of the continuing operating and financial support received from the parent Company, the management believes that the Company will continue as a 'going concern' and thereby realize its assets and discharge its liabilities in the normal course of its business.'

- B.3.** In respect of the year ended 31st March, 2004, the auditors have reported that the financial statements have been prepared on a fundamental assumption of 'going concern' although, the company has negative net worth of Rs.1,944.97 Lakhs. Consequently, the net assets have not been restated at their realisable values and the impact of this adjustment if any is presently not ascertainable.

Note on the financial position of the Company as included in the financial statements for the ended 31st March, 2004 is reproduced here -: "Note 1: The Company has incurred losses from the inception aggregating to Rs. 2,941.19 Lakhs as at 31st March, 2004 as against the paid-up share capital of Rs. 998.00 Lakhs. The shares of the Company were acquired by UB Group, only on 23rd March, 2001 and based on the turn around strategy adopted by the Company, the losses have substantially reduced and management projects that the Company will generate profits in future. Based on the above, and in view of the continuing operating and financial support received from the parent Company, the management believes that the Company will continue as a 'going concern' and thereby realize its assets and discharge its liabilities in the normal course of its business."

- 3.** The Company has intimated the Board for Industrial and Financial Reconstruction (BIFR), under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company did not propose to opt for any rehabilitation package from its lenders/creditors, and therefore sought for a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending clarification, no action has been taken in this regard.

4. Details of Share Capital

As At	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Authorised Capital:			
Equity shares of Rs.10 Each	1,000.00	1,000.00	1,000.00
As at 31 st March 2002: 10,000,000 Nos			
As at 31 st March 2003: 10,000,000 Nos			
As at 31 st March 2004: 10,000,000 Nos			
Issued, Subscribed and fully paid-up			
Equity Shares of Rs.10 Each	998.00	998.00	998.00
As at 31 st March, 2002: 9,980,000 Nos.			
As at 31 st March, 2003: 9,980,000 Nos.			
As at 31 st March, 2004: 9,980,000 Nos.			

5.. Secured Loans:

Particulars	Type	Amount outstanding As at			Repayment Schedule	Rate of Interest
		31 st March, 2002	31 st March, 2003	31 st March, 2004		
		Rs. Lakhs				
The South Canara District Central Co-Op. Bank Limited	Term	1,772.40	1,698.78	1,953.63	Hypothecation of Fixed assets of the company including land and Building and future additions. Repayment of monthly Installment of Rs.26.55 Lakhs per month. Against a loan of Rs.600 Lakhs, Rs.150 Lakhs per quarter is repayable effective 30 th June, 2005. Guaranteed by UBL	11.50%
The South Canara District Central Co-Op Bank Limited	Working Capital	443.56	328.71	849.95	First charge on current assets of the company Excluding loans and advances payable on demand Guaranteed by UBL	10.50%
Total		2,215.96	2,027.49	2,803.58		

6. Unsecured Loans

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
From Holding Company [Interest free, no stipulation as to the repayment]	607.74	1,278.50	1,181.70
Total	607.74	1,278.50	1,181.70

7. Contingent Liabilities:

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Estimated amount of contracts remaining to be executed on capital account	1.29	0.30	-
Guarantee given by the Company to the Excise Department	21.00	2.00	-
Claims against the Company not acknowledged as debts	100.13	100.13	148.00
Total	122.42	102.43	148.00

8. Taxes on Income:

The timing differences arising on account of accumulated depreciation and business losses up to the year ended 31st March, 2004, results in net deferred tax asset as per Accounting Standard 22 – Accounting for Taxes on Income. As a prudent measure, the net deferred tax asset relating to the above periods have not been recognized in the accounts.

9. Segmental Reporting:

The Company is predominantly engaged in the business of manufacture, purchase and sale of Beer in India, which constitutes a single business segment.

10. Related Party Disclosures under AS 18:

i) Name of the related parties:

Holding Company: United Breweries Limited

Fellow Subsidiary: Associated Breweries & Distilleries Limited.

Key Management Personnel: Mr. M. R. Srinivasan

ii) Transaction with related parties during the year:

For the year ended	31 st March, 2002	31 st March, 2003	31 st March, 2004
			Rs. Lakhs
With Holding Company:			
Payment against rendering services	Nil	348.94	1,155.98
Finance (Repayment to Holding company)		684.49	96.81]
Amount due to Holding Company	607.74	1,278.50	1,181.70
Purchase of Goods			17.80
Assets Purchased		63.11	2.48
With Key Management Personnel:			
Remuneration paid	Nil	10.81	13.89
Asset sold to a fellow Subsidiary	Nil	Nil	71.20

11. There are no outstanding dues exceeding seven years requiring transfer to the Investor Education Protection fund under section 205C of the Companies Act, 1956, as at the end of any of the reported periods / years.

12. The information provided in the Attachments above have been extracted from the audited annual financial statements for the years ended 31st March 2002, 31st March 2003, and 31st March 2004. Other supplementary information presented in the above Attachments are as certified by the management.

ATTACHMENT III-A

{As per Schedule XI, clause 6.18.7(b)(vi), Ch 6 of SEBI(Disclosure & Investor Protection)Guidelines}

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

[Associated Breweries and Distilleries Limited]

Assets and Liabilities of the Company as at the end of each financial year, commencing from the relevant financial year in which the Company became a subsidiary of United Breweries Limited (Financial year ended 31st March, 2002), read with significant accounting policies (Refer Attachment III-C below), after making groupings and adjustments and subject to non-adjustment of certain matters as stated in notes to accounts (Refer Attachment III-D below) are set out below:

As at	Note Reference	31 st March, 2002	31 st March, 2003	31 st March, 2004
				Rs.Lakhs
A. Fixed Assets:				
Gross Block		1,726.26	1,369.70	1,358.36
Less: Accumulated Depreciation		(361.21)	(343.41)	(399.72)
Add: Capital work in progress		Nil	31.09	62.10
Net Block		1,365.05	1,057.38	1,020.74
B. Investments	7	0.73	5.60	5.60
C. Current Assets, Loans and Advances				
Inventories		654.62	780.04	840.19
Sundry Debtors		92.81	208.42	116.42
Cash & Bank Balances		27.11	8.46	1.48
Loans and Advances	8	897.38	284.02	284.65
		1,671.92	1,280.94	1,242.74
Total Assets		3,037.70	2,343.92	2,269.08

D. Liabilities and Provisions				
Secured Loans	4	(709.82)	(757.35)	(734.24)
Unsecured Loans	5	(2,421.75)	(2,476.17)	(2,964.23)
Current Liabilities and Provisions		(1,499.45)	(1,307.99)	(1,192.34)
		(4,631.02)	(4,541.51)	(4,890.81)
E. Net Worth		(1,593.32)	(2,197.59)	(2,621.73)
F. Represented by				
Share Capital	3	2,940.00	2,940.00	2,940.00
Less: Miscellaneous expenditure		(732.60)	(547.79)	(362.97)
Less: Debit balance in Profit and Loss				
Account	2B	(3,800.72)	(4,589.80)	(5,198.76)
Net Worth		(1,593.32)	(2,197.59)	(2,621.73)

ATTACHMENT III-B

{As per Schedule X, clause 6.18.7(b)(iv)(b), Ch 6 of SEBI(Disclosure & Investor Protection)Guidelines}

STATEMENT OF ADJUSTED PROFIT AND LOSS [Associated Breweries and Distilleries Limited]

The Profits/Losses of the Company for three financial years, commencing from the relevant financial year in which the Company became a subsidiary of United Breweries Limited [Financial year ended 31st March 2002], read with significant accounting policies (Refer Attachment III-C below), after making groupings and adjustments and subject to non-adjustment of certain matters as stated in notes to accounts (Refer Attachment III-D) are set out below:

For the year ended	Note Reference	31 st March, 2002	31 st March, 2003	31 st March, 2004
Rs.Lakhs				
A. INCOME				
Sale of Products manufactured		2,084.92	3,560.90	4,203.48
Less: Excise Duty		(950.90)	(1,655.08)	(1,989.12)
		1,134.02	1,905.82	2,214.36
Increase/ (Decrease) in Inventories		369.83	(64.18)	(58.01)
Other Income		33.00	44.27	79.16
Total		1,536.85	1,885.91	2,235.51
B. EXPENDITURE				
Materials Consumed		1,104.05	1,463.77	1,827.67
Personnel Expenses		311.72	266.04	304.45
Selling and promotion expenses		52.68	278.70	223.74
Other expenses		610.60	176.30	121.63
Depreciation		80.83	60.03	60.73
Deferred Revenue Expenditure		198.89	184.81	184.81
Interest / Finance charges (Net)		195.91	169.65	121.42
Total		2,554.68	2,599.30	2,844.45
C. Net Profit / (Loss) before tax and extraordinary items		(1,017.83)	(713.39)	(608.94)
Taxation (Including Deferred tax)		Nil	Nil	Nil
D. Net Profit / (Loss) before extraordinary items		(1,017.83)	(713.39)	(608.96)
Extraordinary Items (Net of Tax)		Nil	(75.68)	Nil
E. Net profit / (Loss) after extraordinary items		(1,017.83)	(789.07)	(608.96)
% of holding by Parent Company		65.00%	65.00%	65.00%

Note: Since the losses applicable to the minority, if the financial statements of the subsidiary were to be consolidated with the parent Company, exceeds the minority interest in the equity of the subsidiary Company; the losses as above are attributable to the parent Company.

ATTACHMENT III-C

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

[Associated Breweries and Distilleries Limited]

1. Basis of Presentation of Financial Statements:

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the Generally Accepted Accounting Principles (GAAP) applicable in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2. Use of Estimates:

The preparation of the Financial Statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the Financial Statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

3. Revenue Recognition:

Revenue from sale of goods is recognised in accordance with the terms of sale, on despatch from the Breweries/ warehouses of the Company, and is net of trade discount but includes Excise Duty. Dividend Income is recognised when the company's right to receive dividend is established.

4. Borrowing Costs:

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is probable that they will result in future economic benefits to the Company while other borrowing costs are expensed.

5. Fixed Assets:

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

Fixed assets acquired under hire purchase/installment credit schemes are capitalised at cost. Fixed assets taken on finance lease prior to March 31, 2001 are not capitalised.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable value.

6. Investments:

Investments being long term in nature are stated at cost. Cost includes expenses such as professional/legal charges relating to acquisition/subsorption. Diminution in value of investments, if considered permanent, is provided for.

7. Inventories:

Raw Materials and Stores and spare parts are valued at cost on FIFO basis. Cost includes freight, taxes and duties.

Work-in-process and finished goods are valued at the lower of cost and realisable value including Excise Duty. Cost includes all direct costs and applicable production overheads.

8. Foreign Currency Transactions:

Foreign Currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign currency liability contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences relating to fixed assets are adjusted in the cost of the asset.

9. Depreciation:

Depreciation on Fixed assets is determined using Straight Line Method based on the rates prescribed under schedule XIV of the Companies Act, 1956.

Leasehold Land is amortised over the period of lease.

10. Miscellaneous Expenditure:

Expenses incurred on sponsorship and product launch and the payments under the Voluntary retirement scheme are amortised over a period of five years during which period the company expects enhanced operating performance and optimum utilization of manpower.

Preliminary Expenses incurred is written-off over a period of 10 years from the date of commercial production.

11. Employee Benefits:

a. Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year-end.

- b. Contributions to Pension and Superannuation Funds are made to separate trust funds.
- c. Leave encashment benefit to employees is determined on actuarial basis and provided for.

12. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

13. Contingent Liabilities:

All known liabilities, wherever material, are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

ATTACHMENT III-D [Associated Breweries and Distilleries Limited]

NOTES TO SUMMARY STATEMENTS

1. Changes in Accounting Policies during the reported years (Adjusted as applicable to Company in accordance with the Guidelines and clarifications given by SEBI)

A. There were no changes in the accounting policies over the relevant years under report.

2. Non Adjustment / Regroupings:

A. Change in Accounting Policies:

NIL.

B. Qualifications in the Auditors' Report:

B.1 In respect of the period ended 31st March, 2002, the auditors have reported that the accompanying financial statements have been prepared on the assumption that the Company will continue as a going concern based on the management's perception and in view of the continuing operating and financial support received from the parent Company, as referred in Note 1 of the financial statements for the year ended 31st March, 2002. Accordingly, these financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might result, should the Company be unable to continue as a going concern. The said Note 1 is reproduced below.

"Note 1: The Company has incurred losses aggregating to Rs. 3,800.72 Lakhs as on 31st March, 2002 as against the paid-up share capital of Rs. 2,940.00 Lakhs. The shares of the Company were acquired by UB Group only on 19th January, 2001 and based on the turnaround strategy adopted by the Group, the losses have reduced compared to the previous years and considering the brand equity and its inherent strengths, the management projects that the Company will generate profits in future. Based on the above and in view of the continuing operating and financial support received from the parent Company, the management believes that the Company will continue as a 'going concern' and thereby realise its assets and discharge its liabilities in the normal course of its business."

B.2 In respect of the period ended 31st March, 2003, the auditors have reported that the accompanying financial statements have been prepared on the assumption that the Company will continue as a going concern based on the management's perception and in view of the continuing operating and financial support received from the parent Company, as referred in Note 1 of the financial statements for the year ended 31st March, 2003. Accordingly, these financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that might result, should the Company be unable to continue as a going concern. The said Note 1 is reproduced below.

"Note 1: The Company has incurred losses aggregating to Rs. 4,589.80 Lakhs as on 31st March 2003 as against the paid-up share capital of Rs. 2,940.00 Lakhs. The shares of the Company were acquired by UB Group only on 19th January, 2001 and based on the turnaround strategy adopted by the Group, the losses have reduced compared to the previous years and considering the brand equity and its inherent strengths, the management projects that the Company will generate profits in future. Based on the above and in view of the continuing operating and financial support received from the parent Company, the management believes that the Company will continue as a 'going concern' and thereby realise its assets and discharge its liabilities in the normal course of its business. The Company has intimated the Board for Industrial and Financial Reconstruction (BIFR) during the year, under section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company does not

propose to opt for any rehabilitation package from its lenders/creditors, and therefore sought for a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending clarification, no action has been taken in this regard.

B.3 In respect of the period ended 31st March, 2004, the auditors have reported that the financial statements have been prepared on a fundamental assumption of 'going concern' although, the company has negative net worth of Rs.2,621.73 Lakhs. Consequently, the net assets have not been restated at their realisable values and the impact of this adjustment, if any, is presently not ascertainable.

Note on the financial position of the company as included in the financial statements for the year ended 31st March 2004 is reproduced here: "Note 2: The Company has incurred losses aggregating to Rs. 5,198.76 Lakhs as on 31st March 2004 as against the paid-up share capital of Rs. 2,940.00 Lakhs. The shares of the Company were acquired by UB Group only on 19th January 2001 and based on the turnaround strategy adopted by the Group, the losses have reduced compared to the previous years and considering the brand equity and its inherent strengths, the management projects that the Company will generate profits in future. Based on the above and in view of the continuing operating and financial support received from the parent company, the management believes that the Company will continue as a 'going concern' and thereby realise its assets and discharge its liabilities in the normal course of its business".

3. Share Capital:

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Authorised Capital:			
Equity shares of Rs.100 Each:	600.00	600.00	600.00
As at 31 st March, 2002: 600,000 Nos.			
As at 31 st March, 2003: 600,000 Nos.			
As at 31 st March, 2004: 600,000 Nos.			
16% Cumulative Redeemable Preference Shares of Rs.100 Each:	2,540.00	2,540.00	2,540.00
As at 31 st March, 2002: 2,540,000 Nos.			
As at 31 st March, 2003: 2,540,000 Nos.			
As at 31 st March, 2004: 2,540,000 Nos.			
Total	3,140.00	3,140.00	3,140.00
Issued, Subscribed and fully paid up			
Equity shares of Rs.100 Each:	400.00	400.00	400.00
As at 31 st March, 2002: 400,000 Nos.			
As at 31 st March, 2003: 400,000 Nos.			
As at 31 st March, 2004: 400,000 Nos.			
Of the above 260,000 Nos are held by United Breweries Limited (the holding company)			
16% Cumulative Redeemable Preference Shares of Rs.100 Each:	2,540.00	2,540.00	2,540.00
As at 31 st March, 2002: 2,540,000 Nos.			
As at 31 st March, 2003: 2,540,000 Nos.			
As at 31 st March, 2004: 2,540,000 Nos.			
Of the above, 660,000 shares are redeemable in March 2006, 880,000 shares are redeemable in March, 2007 and 1,000,000 Shares are redeemable in March, 2008. All the preference shares are held by United Breweries Limited (the holding Company)			
Total	2,940.00	2,940.00	2,940.00

4. Secured Loans:

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004	Repayment Schedule	Rate of Interest	Assets Charged
Particulars	Rs. Lakhs					
Consortium Bankers [Working Capital Loan]	595.78	678.65	692.40	On Demand	14.75% to 15%	Secured by hypothecation of Stock In Trade, Stores, Raw Material, Plant & Machinery and Book debts
Zoroastrian Co-Op Bank [Term Loan]	114.04	78.70	41.84	Rs.8.50 Lakhs Payable Quarterly	13.50%	Secured by a first charge on 2 nos. Unitanks [Part of Plant and Machinery] funded by the loan.
Total	709.82	757.35	734.24			

5. Unsecured Loans:

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Due to Holding Company [Interest Free, No stipulation as to repayment]	1,925.53	2,040.78	2,934.17
Bakhtavkar Construction Company [Interest free, no stipulation as to repayment]*	151.12	150.06	30.06
UB General Investments Limited	345.10	285.33	—
Total	2,421.75	2,476.17	2,964.23

* Company where Directors are Interested

6. Contingent Liabilities

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
a) Sales Tax demands under appeal	0.90	0.90	0.90
b) Income Tax demands under appeal	6.84	6.84	5.47
c) Claims against the Company not acknowledged as debt	54.00	49.00	43.00
d) Liability on bills discounted by the Holding Company	Nil	192.88	Nil
e) Dividend on Cumulative preference shares not provided for (relates to years ended March 31, 2002, March 31, 2003 and March 31, 2004 due to inadequacy of profits)	406.40	812.80	1,219.20
f) Future commitments for lease rental	0.15	Nil	Nil
g) Guarantees given by the company			5.00
	468.29	1,062.42	1,273.57

(In the opinion of the management, the above demands/claims are not sustainable in law and accordingly, do not call for provision in the accounts)

7. Investments:

As at Particulars including class of shares	31 st March, 2002			31 st March, 2003			31 st March, 2004		
	No. of shares	Rs. Lakhs Face Value	Cost	No. of shares	Rs. Lakhs Face Value	Cost	No. of shares	Rs. Lakhs Face Value	Cost
IN GOVERNMENT & TRUSTEE SECURITIES:									
National Savings Certificate		0.10	0.10		0.10	0.10		0.10	0.10
NON TRADE:									
Zoroastrian Co-op Bank [Equity]	2,000	0.50	0.50	2,000	0.50	0.50	2,000	0.50	0.50
In subsidiary Companies in fully paid shares:									
a. London Pilsner Breweries Private Limited [Equity] *	300	0.03	0.03	50,000	5.00	5.00	50,000	5.00	5.00
b. London Draft Pubs Private Limited [Equity] **	10,000	1.00	0.10	50,000	5.00	4.10	50,000	5.00	4.10
Total		0.73			9.70			9.70	
Less: Provision for diminution in value of investments		Nil			(4.10)			(4.10)	
Total		0.73			5.60			5.60	
*Additions during the period [Equity]	300	0.03	0.03	49,700	4.97	4.97	Nil	Nil	Nil
** Additions during the period [Equity]	NIL	NIL		40,000	4.00	4.00	Nil	Nil	Nil

8. Loans and Advances

Loans and advances as on 31st March 2004 include an amount of Rs 182.33 Lakhs due from subsidiary companies, of which Rs 11.85 Lakhs is considered doubtful and is fully provided for.

9. Asset held for disposal:

The Company has discontinued production of canned beer. Accordingly canning equipment, hitherto classified as Plant and Machinery, has been valued, by an independent valuer, at the net realisable value and disclosed as asset held for disposal. The difference between the book value and the realisable value of assets has been charged to income, as diminution in the value of assets held for disposal in 2002-03.

10. Accounting for taxes on Income

The timing difference relating mainly to depreciation for the period up to 31st March 2004 and to depreciation and business loss for the period ended 31st March 2004, result in net deferred tax assets, as per Accounting standard 22 - Accounting for Taxes on Income. As a prudent measure, the net deferred tax asset relating to the above periods have not been recognised in the accounts

11. Related Party Disclosure [Under AS – 18]

- i) **Name of the related party**
 - a) **Holding Company: (HC)**
United Breweries Limited
 - b) **Subsidiaries:(S)**
London Draft Pubs Private Limited
London Pilsner Breweries Private Limited
 - c) **Fellow Subsidiary:(FS)**
Mangalore Breweries & Distilleries Limited
 - d) **Key Management Personnel:(KMP)**
Mr. Sharad Dalmia

Rs. in Lakhs

ii) Transactions with Related Parties

For the years ended Particulars	31 st March, 2002			31 st March, 2003			31 st March, 2004			
	HC	S	KMP	HC	S	KMP	HC	S	FS	KMP
Sale of Goods	1,861.29			3,105.34			3,990.50			
Payment against rendering of services	3.50			8.57			8.57			
Finance (including loans & equity contributions in cash or kind)	1,929.83			709.38			893.38			
Purchase of goods							20.39			
Purchase of Investments					8.97					
Sale of fixed assets							8.43			
Remuneration			9.32			9.02				
Amount due to respective related party as at year end	1,925.53			2,040.78			2,934.17			
Amount due from respective related party as at year end	—	203.70		193.42			182.33			

12. Segmental Reporting

The Company is predominantly engaged in the business of manufacture, purchase and sale of beer in India, which constitutes a single business segment.

13. The company has intimated the Board for Industrial and Financial Reconstruction (BIFR) during the year, under section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company does not propose to opt for any rehabilitation package from its lenders/creditors, and therefore sought for a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending clarification, no action has been taken in this regard.
14. There are no outstanding dues exceeding seven years, requiring transfer to the Investor Education and Protection Fund under section 205 C of the Companies Act, 1956 as at the end of any of the reported years.
15. The information provided in the Attachments above have been extracted from the audited annual financial statements for the years ended 31st March, 2002, 31st March, 2003, and 31st March, 2004. Other supplementary information presented in the above Attachments are as certified by the management.

ATTACHMENT IV-A

{As per Schedule XI, clause 6.18.7(b)(vi), Ch 6 of SEBI (Disclosure & Investor Protection) Guidelines}

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES [London Draft Pubs Private Limited]

Assets and Liabilities of the Company as at the end of each financial year commencing from the relevant financial year in which the Company became a subsidiary of United Breweries Limited (Financial year ended 31st March, 2002), read with significant accounting policies (Refer Attachment IV-C below), and notes to accounts (Refer Attachment IV-D) are set out below.

As at	Note	31 st March, 2002	31 st March, 2003	31 st March, 2004
	Reference	Rs. Lakhs		
A. Fixed Assets:				
Gross Block		25.70	25.70	25.70
Less: Accumulated Depreciation		(18.58)	(19.58)	(20.43)
Less: Revaluation Reserve		Nil	Nil	Nil
Add: Capital work in progress		Nil	Nil	Nil
Net Block		7.12	6.12	5.27

As at	Note	31 st March, 2002	31 st March, 2003	31 st March, 2004
	Reference	Rs. Lakhs		
B. Investments	4	0.50	0.50	0.50
C. Current Assets, Loans and Advances				
Inventories		Nil	Nil	Nil
Sundry Debtors		Nil	Nil	Nil
Cash & Bank Balances		0.25	0.34	0.41
Loans and Advances		0.63	0.24	0.24
		0.88	0.58	0.65
Total Assets		8.50	7.20	6.42
D. Liabilities and Provisions				
Secured Loans		Nil	Nil	Nil
Unsecured Loans	3	(17.24)	(11.85)	(11.94)
Current Liabilities and Provisions		(0.22)	(0.19)	(0.19)
		(17.46)	(12.04)	(12.13)
E. Net Worth		(8.96)	(4.84)	(5.71)
F. Represented by				
Share Capital	2	1.00	5.00	5.00
Less: Miscellaneous expenditure		—	—	—
Less: Debit balance in Profit and Loss Account		(9.96)	(9.84)	(10.71)
Net Worth		(8.96)	(4.84)	(5.71)

100% of the Equity Shares of the Company are held by the Holding Company

ATTACHMENT IV-B

{As per Schedule X, clause 6.18.7(b)(iv)(b), Ch 6 of SEBI (Disclosure & Investor Protection) Guidelines}

STATEMENT OF ADJUSTED PROFIT AND LOSS [London Draft Pubs Private Limited]

The Profits/Losses of the Company for three financial years commencing from the financial year in which the Company became a subsidiary of United Breweries Limited [Financial year ended 31st March 2002], read with significant accounting policies (Refer Attachment IV-C below), and notes to accounts (Refer Attachment IV-D) are set out below.

For the year ended	31 st March, 2002	31 st March, 2003	31 st March, 2004
	Rs. Lakhs		
A. INCOME			
Sale of Products manufactured	Nil	Nil	Nil
Less: Excise Duty	Nil	Nil	Nil
	—	—	—
Increase / (Decrease) in Inventories	Nil	Nil	Nil
Other Income	3.12	1.59	0.07
Total	3.12	1.59	0.07
B. EXPENDITURE			
Raw Material Consumed	Nil	Nil	Nil
Personnel Expenses	Nil	Nil	Nil
Selling and promotion expenses	Nil	Nil	Nil
Other expenses	4.85	0.08	0.10
Depreciation	2.37	0.99	0.85
Interest / Finance charges (Net)	0.08	-	-
Total	7.30	1.07	0.95

For the year ended	31 st March 2002	31 st March 2003	31 st March 2004
C. Net Profit / (Loss) before tax & extraordinary items	(4.18)	0.52	(0.88)
Taxation (Including Deferred tax)	Nil	Nil	Nil
D. Net Profit / (Loss) before extraordinary items	(4.18)	0.52	(0.88)
Extra-ordinary Items (Net of Tax)	Nil	Nil	Nil
E. Net profit / (Loss) after extraordinary items	(4.18)	0.52	(0.88)

ATTACHMENT IV-C [London Draft Pubs Private Limited]

SIGNIFICANT ACCOUNTING POLICIES

- The accounts are maintained on mercantile basis under the historical cost convention.
- Fixed assets are stated at cost of acquisition less depreciation.
- Depreciation on fixed assets is provided on written down value based on Schedule XIV Companies Act, 1956.
- Investment made by the company are at cost.

ATTACHMENT IV-D [London Draft Pubs Private Limited]

NOTES TO SUMMARY STATEMENTS

- There have not been any changes in the accounting policies for the financial years under report. Further, there are no qualifications for the financial years under report by the auditors'.
- Share Capital**

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Authorised Capital:			
Equity shares of Rs 10 Each	10.00	10.00	10.00
As at 31 st March, 2002 : 100,000 Nos.			
As at 31 st March, 2003 : 100,000 Nos.			
As at 31 st March, 2004: 100,000 Nos.			
Issued, Subscribed and fully paid up			
Equity shares of Rs 10 Each	1.00	5.00	5.00
As at 31 st March, 2002 : 10,000 Nos.			
As at 31 st March, 2003 : 50,000 Nos.			
As at 31 st March, 2004: 50,000 Nos.			

All the shares are held by Associated Breweries and Distilleries Limited.

3. Unsecured Loans

The whole of the unsecured loans are from Associated Breweries and Distilleries Limited, the Holding Company. The loans are interest free and there are no stipulations as to repayment.

4. Investments

Investments are at cost in 2,000 Fully paid-up unquoted equity shares of Zoroastrian Co-op. Bank as at 31st March, 2002, 31st March, 2003 and 31st March, 2004

- The information provided in the Attachments above have been extracted from the audited annual financial statements for the years ended 31st March, 2002, 31st March, 2003, and 31st March, 2004. Other supplementary information presented in the above Attachments are as certified by the management.

ATTACHMENT V-A

{As per Schedule XI, clause 6.18.7(b)(vi), Ch 6 of SEBI (Disclosure & Investor Protection) Guidelines}

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

[London Pilsner Breweries Private Limited]

Assets and Liabilities of the Company as at the end of each financial year commencing from the relevant financial year in which the Company became a subsidiary of United Breweries Limited (Financial year ended 31st March 2002), read with significant accounting policies (Refer Attachment V-B below), and notes to accounts (Refer Attachment V-C) are set out below.

As at	Note Reference	31 st March, 2002	31 st March, 2003	31 st March, 2004
Rs. Lakhs				
A. Fixed Assets:				
Gross Block		185.79	185.87	186.63
Less: Accumulated Depreciation		Nil	Nil	Nil
Less: Revaluation Reserve		Nil	Nil	Nil
Add: Capital work in progress		Nil	Nil	Nil
Net Block		185.79	185.87	186.63
B. Investments		Nil	Nil	Nil
C. Current Assets, Loans and Advances				
Inventories		Nil	Nil	Nil
Sundry Debtors		Nil	Nil	Nil
Cash & Bank Balances		0.07	0.07	0.07
Loans and Advances		Nil	Nil	Nil
		0.07	0.07	0.07
Total Assets		185.86	185.94	186.70
D. Liabilities and Provisions				
Secured Loans		Nil	Nil	Nil
Unsecured Loans	4	(186.46)	(181.57)	(182.33)
Current Liabilities and Provisions		Nil	Nil	Nil
		(186.46)	(181.57)	(182.33)
E. Net Worth		(0.60)	4.37	4.37
F. Represented by				
Share Capital	3	0.03	5.00	5.00
Less: Preliminary expenses		(0.63)	(0.63)	(0.63)
G Net Worth		(0.60)	4.37	4.37

100% of the Equity Shares of the Company are held by the Holding Company Associated Breweries & Distilleries Ltd.

ATTACHMENT V-B [London Pilsner Breweries Private Limited]

SIGNIFICANT ACCOUNTING POLICIES

1. The accounts are maintained on mercantile basis under the historical cost convention.
2. Fixed assets are stated at cost of acquisition.

ATTACHMENT V-C [London Pilsner Breweries Private Limited]

NOTES TO SUMMARY STATEMENTS

1. There have not been any changes in the accounting policies for the financial years under report. Further, there are no qualifications for the financial years under report by the auditors'.
2. The Company has not commenced operations till date, and accordingly there are no Profit & Loss accounts for any years.

3. Share Capital :

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Authorised Capital:			
Equity shares of Rs 10 Each	100.00	100.00	100.00
As at 31 st March, 2002: 10,00,000 Nos.			
As at 31 st March, 2003: 10,00,000 Nos.			
As at 31 st March, 2004: 10,00,000 Nos.			
Issued, Subscribed and fully paid up			
Equity shares of Rs 10 Each	0.03	5.00	5.00
As at 31 st March, 2002: 300 Nos.			
As at 31 st March, 2003: 50,000 Nos.			
As at 31 st March, 2004: 50,000 Nos.			

All the paid up shares are held by Associated Breweries and Distilleries Limited (Holding Company)

4. Unsecured Loans :

The whole of the unsecured loans are from Associated Breweries and Distilleries Limited, the Holding Company. The loans are interest free and there are no stipulations as to repayment.

5. The information provided in the Attachments above have been extracted from the audited annual financial statements for the years ended 31st March, 2002, 31st March, 2003 and 31st March, 2004. Other supplementary information presented in the above Attachments are as certified by the management.

ATTACHMENT VI-A

{As per Schedule XI, clause 6.18.7(b)(vi), Ch 6 of SEBI (Disclosure & Investor Protection) Guidelines}

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES [United Breweries Limited, its Subsidiaries and Joint Venture]

The Consolidated statement of Assets and Liabilities of the Company, its Subsidiaries and Joint Venture as at the end of each financial year commencing from 1st April 2001, read with significant accounting policies (Refer Attachment VI-C below), after making groupings and adjustments and subject to non – adjustment of certain matters as stated in notes to accounts (Refer Attachment VI-D below) are set out below.

As at	Note Ref	31 st March, 2002	31 st March, 2003	31 st March, 2004			
				Rs.Lakhs			
		UBL & its Subsidiaries	UBL & its Subsidiaries	UBL & its Subsidiaries	Share of Joint Venture	Elimination	Total
A. Fixed Assets:							
Gross Block		11,343.90	13,253.82	15,035.31	5,401.45	Nil	20,436.76
Less: Accumulated Depreciation		(1,494.01)	(2,182.90)	(3,189.74)	(931.70)	Nil	(4,121.44)
Add: Capital work in progress		115.12	338.69	1,963.44	76.42	Nil	2,039.86
Net Block		9,965.01	11,409.61	13,809.01	4,546.17	Nil	18,355.18
B. Investments (Net of goodwill arising on consolidation of Associate Company)	10	2,447.76	2,250.57	4,565.51	166.31	(4,562.77)	169.05
C. Goodwill		6,192.24	6,204.21	6,204.22	1,933.51	375.97	8,513.70
D. Current Assets, Loans and Advances							
Inventories		3,581.17	4,150.01	4,780.29	442.87	Nil	5,223.16
Sundry Debtors		5,604.87	7,758.93	8,450.01	551.07	(37.85)	8,963.23
Cash & Bank Balances		1,289.52	1,148.47	1,564.07	476.70	Nil	2,040.77
Loans, advances & other current assets		6,348.58	6,680.78	21,759.82	6,401.88	(357.78)	27,803.92
		16,824.14	19,738.19	36,554.19	7,872.52	(395.63)	44,031.08

As at	Note Ref	31 st March, 2002	31 st March, 2003	31 st March, 2004			
		Rs.Lakhs					
		UBL & its Subsidiaries	UBL & its Subsidiaries	UBL & its Subsidiaries	Share of Joint Venture	Elimination	Total
E. Deferred Tax Asset (Net)	18	449.99	219.06	109.30	-	-	109.30
Total Assets: A+B+C+D +E		35,879.14	39,821.64	61,242.23	14,518.51	(4,582.43)	71,178.31
F. Liabilities and Provisions							
Secured Loans	7	(16,002.07)	(18,951.24)	(35,851.07)	(6,122.32)	Nil	(41,973.39)
Unsecured Loans	8	(3,357.88)	(437.50)	(7,795.40)	Nil	Nil	(7,795.40)
Current Liabilities and Provisions		(16,449.15)	(21,055.60)	(18,655.54)	(1,184.71)	395.63	(19,444.62)
Total Liabilities and Provisions		(35,809.10)	(40,444.34)	(62,302.01)	(7,307.03)	395.63	(69,213.41)
G. NET WORTH		70.04	(622.70)	(1,059.78)	7,211.48	(4,186.80)	1,964.90
As at	Note Ref	31 st March, 2002	31 st March, 2003	31 st March, 2004			
		Rs.Lakhs					
		UBL & its Subsidiaries	UBL & its Subsidiaries	UBL & its Subsidiaries	Share of Joint Venture	Elimination	Total
REPRESENTED BY							
Share Capital	6	1,782.06	1,782.06	1,782.06	6,270.18	(2,414.44)	5,637.80
Reserves		2,397.94	2,397.94	2,397.94	2,762.26	(1,772.36)	3,387.84
Less: Miscellaneous expenditure		(771.11)	(565.04)	(375.24)	(25.98)	Nil	(401.22)
Less: Debit balance in Profit and Loss account		(3,338.85)	(4,237.66)	(4,864.54)	(1,794.98)	Nil	(6,659.52)
NET WORTH		70.04	(622.70)	(1,059.78)	7,211.48	(4,186.80)	1,964.90

Notes:

1. Mangalore Breweries and Distilleries Limited, Associated Breweries and Distilleries Limited, London Draft Pubs Private Limited and London Pilsner Breweries Private Limited became subsidiaries of United Breweries Limited with effect from 30th July, 2001 pursuant to the demerger referred to in Note 13 of Attachment VI-D. Accordingly, the Consolidated Statement of Assets and Liabilities as at 31st March, 2002, 31st March, 2003 and 31st March, 2004 have been prepared in compliance with Accounting Standard (AS) 21 'Consolidated Financial Statements' and AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, which include amounts for the Company and its subsidiaries. The Statement of Assets and Liabilities as at 31st March 2000 and 31st March, 2001 are not consolidated in view of the Company not having any subsidiaries as on those dates.
2. McDowell Alcobev Limited became a subsidiary of United Breweries Limited with effect from 30th March, 2002. The Financial Statements of McDowell Alcobev Limited and its subsidiaries are not included in the Consolidated Statement of Assets and Liabilities as at 31st March, 2002 and 31st March, 2003, since, in the opinion of the Management, the control was temporary in nature. McDowell Alcobev Limited has since ceased to be a subsidiary of the Company pursuant to the 'Subscription Agreement' entered into by United Breweries Limited with Scottish & Newcastle Plc and Accra Investments Private Limited with effect from 8th May, 2003, from which date McDowell Alcobev Limited (MAL) became a Joint Venture of United Breweries Limited. Accordingly, the Consolidated Statement of Assets & Liabilities as at 31st March, 2004, includes the unaudited consolidated financial statements of the Joint Venture and its subsidiaries as provided by the MAL's management, in compliance with AS 27 'Financial Reporting of interests in Joint Ventures'.
3. The Consolidated Statement of Assets & Liabilities as at 31st March, 2002 and 31st March, 2003 do not include the share of income of one of its associates, Inertia Industries Limited, since, in the opinion of the management, the investment in the associate is intended to be temporary in nature. During the quarter ended 30th June 2003, the Company sold the investment in equity shares of Inertia Industries Limited to Mc Dowell Alcobev Limited. The consolidated statement of Assets & Liabilities as at 31st March, 2004 also do not include the group's share of income of

Inertia Industries Limited, since the same has not been included in the Consolidated Financial Statements of Mc Dowell Alcobev Limited and its subsidiaries as at that date for reasons stated in Note 15 of Attachment VI – D below.

ATTACHMENT VI-B

{As per Schedule X, clause 6.18.7(b)(iv)(b), Ch 6 of SEBI (Disclosure & Investor Protection) Guidelines}

CONSOLIDATED STATEMENT OF PROFITS AND LOSSES [United Breweries Limited, its Subsidiaries and Joint Venture]

The consolidated statement of profits/losses of the Company, its Subsidiaries and Joint Venture for the financial years commencing from the date of incorporation on 13th May 1999 to 31st March 2004, read with significant accounting policies (Refer Attachment VI-C below), after making groupings and adjustments and subject to non-adjustment of certain matters as stated in notes to accounts (Refer Attachment VI-D), are set out below:

For the period/year ended	Note Ref	31 st March,		31 st March, 2004			
		2002	2003	Rs.Lakhs			
		UBL & its Subsidiaries	UBL & its Subsidiaries	UBL & its Subsidiaries	Share of Joint Venture	Elimination	Total
A. INCOME							
Sale of Products manufactured		28,729.35	44,661.84	52,566.76	3,190.38	Nil	55,757.14
Sale of Traded goods		Nil	869.54	2,071.53	Nil	Nil	2,071.53
Total Sales		28,729.35	45,531.38	54,638.29	3,190.38	Nil	57,828.67
Less: Excise Duty		(7,631.31)	(12,290.85)	(15,537.12)	Nil	Nil	(15,537.12)
		21,098.04	33,240.53	39,101.17	3,190.38	Nil	42,291.55
Income from Services		3,314.08	8,107.18	7,205.59	Nil	Nil	7,205.59
Increase (Decrease) in Inventories		71.23	272.56	406.00	16.65	Nil	452.65
Other Income		400.92	877.09	1,372.28	462.86	Nil	1,835.14
Total		24,884.27	42,497.36	48,085.04	3,669.89		51,754.93
B. EXPENDITURE							
Materials Consumed		9,898.24	17,987.76	22,567.19	2,084.29	Nil	24,651.48
Purchase of traded goods		Nil	826.24	1,749.10	Nil	Nil	1,749.10
Personnel expenses		2,169.44	3,156.54	3,408.95	174.01	Nil	3,582.96
Selling and promotion expenses		6,357.96	9,323.52	9,205.05	Nil	Nil	9,205.05
Other expenses		6,201.75	7,953.73	6,477.96	937.63	Nil	7,415.59
Depreciation		669.90	781.32	1,026.28	398.15	Nil	1,424.43
Deferred revenue expenses		346.59	206.06	189.80	7.99	Nil	197.79
Interest / Finance charges (Net)		2,166.69	2,854.82	3,623.76	663.94	Nil	4,287.70
Total		27,810.57	43,089.99	48,248.09	4,266.01	Nil	52,514.10
C. Net Profit / (Loss) before tax & Non- Recurring items		(2,926.30)	(592.63)	(163.05)	(596.12)	Nil	(759.17)
Taxation (Including Deferred tax)		449.99	(231.33)	(142.03)	(5.77)	Nil	(147.80)
D. Net Profit / (Loss) before Non- Recurring items		(2,476.31)	(823.96)	(305.08)	(601.89)	Nil	(906.97)
Non- Recurring item (Net of Tax)		Nil	(81.78)	(321.80)	Nil	Nil	(321.80)
E. Loss Transferred to Minority interest		369.94	281.29	Nil	Nil	Nil	Nil
F. Movement during the year		Nil	(274.37)	Nil	Nil	Nil	Nil
G. Minority Interest Absorbed		(1,226.71)	Nil	Nil	Nil	Nil	
E. Net profit / (Loss) after Non- Recurring items		(3,333.08)	(898.82)	(626.88)	(601.89)	Nil	(1,228.77)

Notes:

1. Mangalore Breweries and Distilleries Limited, Associated Breweries and Distilleries Limited, London Draft Pubs Private Limited and London Pilsner Breweries Private Limited became subsidiaries of United Breweries Limited with effect from 30th July, 2001 pursuant to the demerger referred to in Note 13 of Attachment VI-D. Accordingly, the Consolidated Statement of Profit and Losses for the years ended 31st March, 2002, 31st March, 2003 and 31st March, 2004 have been prepared in compliance with Accounting Standard (AS) 21 'Consolidated Financial Statements' and AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India which include amounts for the Company and its subsidiaries. The Statement of Profit and Losses for the year ended 31st March, 2000 and 31st March, 2001 are not consolidated in view of the Company not having any subsidiaries as on those dates.
2. McDowell Alcobev Limited became a subsidiary of United Breweries Limited with effect from 30th March, 2002. The Financial Statements of McDowell Alcobev Limited and its subsidiaries are not included in the Consolidated Statement of Profit and Losses for the years ended 31st March, 2002 and 31st March, 2003, since, in the opinion of the Management, the control was intended to be temporary in nature. McDowell Alcobev Limited has since ceased to be a subsidiary of the Company pursuant to the 'Subscription Agreement' entered into by United Breweries Limited with Scottish & Newcastle Plc and Accra Investments Private Limited with effect from 8th May 2003, from which date McDowell Alcobev Limited became a Joint Venture of United Breweries Limited. Accordingly, the Consolidated Statement of Profit and Losses for the year ended 31st March 2004, includes the consolidated financial statements of the Joint Venture and its subsidiaries in compliance with AS 27 'Financial Reporting of interests in Joint Ventures'.
3. The Consolidated Statement of Profits and Losses for the years ended 31st March, 2002 and 31st March, 2003 do not include the share of income of one of its associates, Inertia Industries Limited, since, in the opinion of the management, the investment in the associate was intended to be temporary in nature. During the quarter ended 30th June, 2003, the Company sold the investment in equity shares of Inertia Industries Limited to McDowell Alcobev Limited. The consolidated statement of Profits and Losses for the year ended 31st March, 2004 also do not include the group's share of income of Inertia Industries Limited, since the same has not been included in the Consolidated Financial Statements of McDowell Alcobev Limited and its subsidiaries as at that date for reason stated in Note 15 of Attachment VI – D below.
4. The Company commenced its present business from 1st August, 2001 consequent to the demerger as referred to in Note 12 of Attachment VI-D and, therefore, there are no Profit & Loss Accounts for the periods prior to 1st August, 2001.

ATTACHMENT VI-C [United Breweries Limited, its Subsidiaries and Joint Venture]

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Consolidation:

The Financial Statements of the Subsidiaries and the Joint Venture (JV) used in the consolidation are drawn up to the same reporting date as that of the parent company, i.e., year ended March 31, 2004.

Basis of Presentation of Financial Statements:

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the Generally Accepted Accounting Principles (GAAP) applicable in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The preparation of the financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

2. Principles of Consolidation:

- i) The financial statement of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditure after eliminating intra group balances and intra group transactions.
- ii) The financial statements of the parent Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances, except that depreciation in Mangalore Breweries & Distilleries Limited (MBDL), London Draught Pubs Private Limited and London Pilsner Breweries Private Limited have been determined using Written Down Value Method, instead of straight line basis followed by others.

- iii) The financial statement of the JV has been consolidated on a line by line basis for the proportionate share in the JV, by adding together the book values of like items of assets, liabilities, income and expenditure after eliminating our share of intra group balances as per the books of the company and intra group transactions.
- iv) Goodwill represents the difference between the group's share in the networth and the cost of acquisition of a subsidiary and JV at each point of time of making the investment in the subsidiary and JV. Goodwill arising on consolidation is not amortised. Negative goodwill is recognised as capital reserve on consolidation.
- v) Investments in Associate Companies have been accounted under the Equity Method as per Accounting Standard 23. Under the Equity Method of accounting, the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for the post acquisition change in the investor's share of net asset of the Investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee.

3. Revenue Recognition:

Revenue from sale of goods is recognised in accordance with the terms of sale, on despatch from the Breweries/warehouses of the Company, and is net of trade discount but includes Excise Duty. Income from brand licensing is recognised at contract rates on sale/production of the branded products by the Contract Breweries. Dividend income is recognised when the Company's right to receive is established.

4. Borrowing Costs:

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is probable that they will result in future economic benefits to the Company while other borrowing costs are expensed.

5. Fixed Assets:

The cost of Fixed assets taken over on demerger have been determined with reference to their book values (excluding revaluation) on July 31, 2001, as appearing in the books of United Breweries (Holdings) Ltd.

Fixed assets acquired on or after August 1, 2001 are stated at their original cost of acquisition and subsequent improvement thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

Fixed assets acquired under hire purchase/installment credit schemes are capitalised at cost. Fixed assets taken on finance lease prior to March 31, 2001 are not capitalised.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realizable value.

6. Investments:

Investments being long term in nature, are stated at cost. Cost includes expenses such as professional/legal charges relating to acquisition/subsorption. Diminution in value of investments, if considered permanent, is provided for.

7. Inventories:

Raw Materials and Stores and spare parts are valued at cost on FIFO basis. Cost includes freight, taxes and duties.

Work-in-process and finished goods are valued at the lower of cost and realisable value including Excise Duty. Cost includes all direct costs and applicable production overheads.

8. Foreign Currency Transactions:

Foreign Currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign currency liability contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the cost of the asset.

9. Depreciation:

Depreciation on Fixed assets is determined using Straight Line Method based on the rates prescribed under schedule XIV of the Companies Act 1956 except in Mangalore Breweries & Distilleries Ltd. (MBDL), London Draught Pubs Private Ltd. and London Pilsner Breweries Private Ltd. where it is determined using Written Down Value Method.

Leasehold Land is amortised over the period of lease.

10. Deferred Revenue Expenditure:

Expenses incurred on product launch is amortised over a period of 60 months in Associated Breweries & Distilleries Ltd (ABDL) and the payments under the Voluntary Retirement Scheme are amortised over a period of 60 months. Preliminary expenses are amortised over a period of 120 months.

11. Employee Benefits:

- Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year end and funded into gratuity fund maintained by Life Insurance Corporation of India except in respect of ABDL, where such provisions, though made, are not funded.
- Contributions to Pension and Superannuation Funds are made to separate trust funds.
- Leave encashment benefit to employees is determined on actuarial basis and provided for.

12. Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

13. Contingent Liabilities:

All known liabilities, wherever material, are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

ATTACHMENT VI-D

NOTES TO THE SUMMARY STATEMENTS [United Breweries Limited, its Subsidiaries and Joint Venture]

1. Changes in Accounting Policies during the last 4 years (Adjusted as applicable to Company in accordance with the Guidelines and clarifications given by SEBI).

There were no changes in the accounting policies over the relevant years under report.

2. Non Adjustment / Regroupings.

A. Change in Accounting Policies

There were no changes in the accounting policies over the relevant years under report. For the quarter ended 30th June, 2003, the Company absorbed the expenses on intangible items as on 1st April, 2003 in the Profit and Loss account as per Accounting Standard 26 'Intangible Assets'. However, as per the clarification issued by the Institute of Chartered Accountants Of India, the policy followed upto 31st March 2003 was reinstated. Consequently, there is no change in the accounting policy in this regard.

B. Qualifications in the Auditors' Report

B1. In respect of the year ended 31st March, 2002, the auditors have stated their inability to express an opinion on the possible impairment in the value the goodwill amounting to Rs.6,192.24 Lakhs arising on consolidation.

B2. In respect of the year ended 31st March, 2003, the auditors have stated their inability to express an opinion on the possible impairment in the value the goodwill amounting to Rs.6,204.22 Lakhs arising on consolidation.

Note 4 of the Notes to financial statements of the years ended 31st March, 2002 and 31st March, 2003, the management's response to the auditors' qualifications are reproduced below

"The parent company has made strategic investments in Associated Breweries & Distilleries Limited and Mangalore Breweries & Distilleries Limited for the purpose of scaling up the production capacities, based on independent valuations. Considering the brand profile of ABDL and the inherent strengths and business potential of both these subsidiaries, and reduced losses on year on year basis, the Management is confident of turning around these companies in course of time even though the net worth of these companies have been fully eroded. Based on this, no provision has been considered for any diminution in the value of investments of these companies in the books of the parent company, thereby retaining the carrying value of the goodwill."

3. The Consolidated Financial Statement (CFS) present the consolidated accounts of United Breweries Limited with its following subsidiaries, associates and joint-venture:

Name of the Subsidiary	Ownership Percentage			Country of Incorporation
	31 st March, 2002	31 st March, 2003	31 st March, 2004	
Associated Breweries & Distilleries Limited (ABDL)	65.00	65.00	65.00	India
London Draft Pub Private Limited (Subsidiary of ABDL)	100.00	100.00	100.00	India
London Pilsner Breweries Private Limited (Subsidiary of ABDL)	100.00	100.00	100.00	India
Mangalore Breweries & Distilleries Limited (MBDL)	97.34	98.15	98.15	India

Name of the Associate				
United East Bengal Football Team Private Limited (UEBFPL)	Nil	50.00	50.00	India
Joint Venture				
McDowell Alcobev Limited (<i>refer Note 4 below</i>)	100.00	100.00	40.00	India

4. McDowell Alcobev Limited became a subsidiary of United Breweries Limited with effect from 30th March 2002. The Financial Statements of McDowell Alcobev Limited and its subsidiaries are not included in the Consolidated Financial Statements as at 31st March 2002 and 31st March, 2003, since in the opinion of the Management, the control was temporary in nature. McDowell Alcobev Limited has since ceased to be a subsidiary of the Company pursuant to the 'Subscription Agreement' entered into by United Breweries Limited with Scottish & Newcastle Plc and Accra Investments Private Limited with effect from 8th May, 2003, from which date, McDowell Alcobev Limited became a Joint Venture of United Breweries Limited. Accordingly, the Consolidated Financial Statements as at 31st March, 2004, include the unaudited consolidated financial statements of the Joint Venture and its subsidiaries, as provided by MAL's management, in compliance with AS 27 'Financial Reporting of interests in Joint Ventures'.
5. The group evaluates the carrying value of its Goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired for diminution, other than temporary. The group has currently reassessed the circumstances that could indicate the carrying amount of Goodwill may be impaired. As a consequence of such reassessment, the management believes that the expected revenues and earnings of the acquired entities are sustainable in the foreseeable future, and there is no need for writing down the goodwill.

6. Details of Share Capital

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
Authorised Capital:			
Equity shares of Rs 10 Each	300.00	3,000.00	3,000.00
As at 31 st March, 2000: 10,00,000 nos.			
As at 31 st March, 2001: 10,00,000 nos.			
As at 31 st March, 2002: 30,00,000 nos.			
As at 31 st March, 2003: 3,00,00,000 nos.			
As at 31 st March, 2004: 3,00,00,000 nos.			
Redeemable Optionally Convertible Preference Shares of Rs 100 Each	Nil	22,000.00	22,000.00
As at 31 st March, 2002 : NIL			
As at 31 st March, 2003 : 2,20,00,000 nos.			
As at 31 st March, 2004 : 2,20,00,000 nos.			
Total	300.00	25,000.00	25,000.00
Issued, Subscribed and Paid up			
Equity Shares of Rs 10 Each	272.66	1,782.06 *	1,782.06
As at 31 st March 2000: 7 nos			
As at 31 st March, 2001: 7 nos			
As at 31 st March, 2002: 27,26,632 nos.			
As at 31 st March, 2003: 1,78,20,603 nos.			
As at 31 st March, 2004: 1,78,20,603 nos.			
Share capital Pending allotment: 1,50,93,971 Equity Shares of Rs.10 each			
As per the scheme of demerger, the Company allotted the said equity shares to the shareholders of United Breweries (Holdings) Limited during the financial year 2002-03	1,509.40	Nil	Nil
Preference Share Capital of Joint Venture (40%)	NA	NA	3,855.74
Total	1,782.06	1,782.06	5,637.80

* Change arising out of demerger.

7. SECURED LOANS

Particulars	As at 31 st March, 2002	As at 31 st March, 2003	As at 31 st March, 2004	Repayment Schedule	Rate of Interest	Securities Offered
		Rs.Lakhs				
ICICI Bank Limited - Term Loan	6,500.00	6,500.00	Nil	Quarterly, along with interest. Repayment ended on 30th June 2003	12.50%	The Whole of the movable and immovable properties at our brewing units at Chertala, Taloja, Goa, Hyderabad and Ludhiana, as first charge. Pledge of investments in McDowell & Co. Limited, Mangalore Chemicals and Fertilizers Limited Aventis Pharma Ltd. and Aventis Crop Science Limited held by United Breweries (Holdings) Limited and Investments in United Breweries (Holdings) Limited held by McDowell & Company Limited.
Rabo India Finance Private Ltd- Term Loan	2,000.00	1,500.00	500.00	Quarterly@ of Rs.250.00 Lakhs – Last installment falling due in September, 2004.	15.00%	Pledge of Investments in Mangalore Breweries & Distilleries Limited held by the Company and a first charge on movable and immovable properties held at our unit at Palakkad.
The Federal Bank Limited- Term Loan	Nil	181.28	34.31	Quarterly@ of Rs.3.44 lakhs – Last installment falling due in September, 2005	17.00% & 14.50%	Hypothecation of assets purchased for enhancement of capacity at Hyderabad and computer hardware.
Hire Purchase Liability [UBL]	184.84	106.75	105.46	Monthly installment Last installment falling due in November, 2008.	Not Applicable	Hypothecation of asset under hire purchase
Particulars	As at 31 st March, 2002	As at 31 st March, 2003	As at 31 st March, 2004	Repayment Schedule	Rate of Interest	Securities Offered
		Rs.Lakhs				
Citibank - Term Loan	Nil	2,000.00	2,000.00	Repayable within 3 year moratorium of 1 year - moratorium expires in February, 2004. First installment in May, 2004, Last installment in Feb, 2006.	MIBOR + 3%	Commitment to create a charge on additional fixed assets procured during 2002 / 2003 by August 2003.
Consortium Bankers - Working capital (UBL)	4,391.45	5,878.37	4,473.48	On demand	Range: 13.5% to 15.75%	Hypothecation of stock in trade, stores, raw materials and book-debts. Second charge on the fixed assets of the company.

Rabo India Finance Private Ltd. (UBL)	Nil	Nil	20,000.00	Repayable by 30 th September, 2004 or completion of ROCPS which ever is earlier.	8.5%	Bridge loan against SBLC by Scottish & Newcastle Plc.
External Commercial Borrowing (UBL)	Nil	Nil	4,800.00	Repayable in August, 2008	Range: 4.7 % to 9.1%	First charge by way of equitable mortgage on all the immovable & movable assets of the company and it's subsidiaries
Alfa Laval India Ltd.	Nil	Nil	400.00	Tenor – 36 Months – Repayable in 24 monthly installments starting from 1.6.05 ending on 1.5.07	10 %	Hypothecation of equipments supplied under the scheme
The South Canara District Central Co-op Bank Limited - Term Loan	1,772.40	1,698.78	1,953.63	Repayment of monthly installment of Rs.26.55 Lakhs per month. Against a loan of Rs.600 Lakhs , Rs.150 lakhs per quarter is repayable effective June, 30, 2005.	11.50%	Hypothecation of fixed assets of the Company including land and building and future additions. Guaranteed by the Holding Company.
The South Canara District Central Co-op Bank Limited - Working Capital	443.56	328.71	849.95	On demand	10.50%	First Charge on current assets of the Company excluding loans and advances payable on demand. Guaranteed by the Holding Company.
Particulars	As at 31st March, 2002	As at 31st March, 2003	As at 31st March, 2004	Repayment Schedule	Rate of Interest	Assets Charged
	Rs.Lakhs					
Consortium Bankers [Working Capital Loan]	595.78	678.65	692.40	On Demand	14.75% to 15%	Secured by hypothecation of Stock In Trade, Stores, Raw Material, Plant & Machinery and Book debts
Zoroastrian Co-Op. Bank [Term Loan]	114.04	78.70	41.84	Rs.8.50 Lakhs Payable Quarterly	13.50%	Secured by a first charge on 2 nos. Unitanks [Part of Plant and Machinery] funded by the loan.
UTI Bank Limited – Vehicle loan [40% share of Joint Venture]	NA	NA	22.09	On demand	14.75%	Secured by first charge on assets under hire purchase
District Industries Centre, Palakkad Kerala (Includes principal amount outstanding Rs. 3.37 Lakhs and Interest Overdue Rs.1.88 Lakhs) [40% share of Joint Venture]	NA	NA	4.35	On demand	6% on overdue amount.	Land

Rabo Fincancial Services Private Limited - Term Loan [40% share of Joint Venture].	NA	NA	6,095.88	Tenure of 8 years from 1st August, 2003. 18 months moratorium from the said date.	10.60%	Secured by a charge on all movable and immovable assets of the wholly owned subsidiary of MAL: Empee Breweries Limited [EBL]. Further secured by a pledge of shares of EBL.
Total	16,002.07	18,951.24	41,973.39			

8. UNSECURED LOANS

As at	31 st March 2002	31 st March 2003	31 st March 2004	Repayment Schedule	Rate of Interest
Particulars	Rs. Lakhs				
1. Bank Overdraft - Interest Free	199.66	2.12	738.05	[On Demand]	Nil
2. United Breweries (Holdings) Limited Due on Demerger - Interest Free	2,661.43	Nil	Nil	Outstanding as at 31st March, 2002. Since repaid	Nil
3. Bhaktavkar Construction Company	151.12	150.06	30.06	No stipulation towards repayment	Nil
4. UB General Investments Limited	345.10	285.32	Nil	No stipulation towards repayment. Will be transferred to UB Holdings Ltd through United Breweries Ltd.	Nil
5. I L & FS Ltd.	NA	NA	3,527.37	Moratorium 18 Months. Repayment effective from May 2005 – Rs 83.33 Lakhs per month.	9.5%
6. The Bank of Rajasthan Ltd.	NA	NA	1,499.92	Rs.1,200 Lakhs repayable in September 2004 and Rs.300 Lakhs repayable in October, 2004	9.5%
7. McDowell & Company Ltd	Nil	Nil	2,000.00	Inter corporate Deposit. Repayable on 24 th February 2006.	10.75%
Total	3,357.31	437.50	7,795.40		

Note: Unsecured Loans in Joint Venture: Nil.

9. COMMITMENTS & CONTINGENT LIABILITIES

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004
Particulars	Rs. Lakhs		
A COMMITMENTS			
I Estimated amount of contracts remaining to be executed on capital account and not provided for	28.38	63.44	550.67
II Liability for a put option for investment in a subsidiary, not provided pending investment, though the option has been exercised	2,047.00	2,047.00	2,627.41
III Infusion of funds through preference capital	NA	NA	2,000.00
Total	2,075.38	2,110.44	5,178.08

B CONTINGENT LIABILITIES

I Sales Tax demands under appeal *	26.56	213.30	82.76
II Excise Duty / Customs Duty demands under appeal *	49.20	35.33	102.86
III Claims against the Company not acknowledged as debt *	252.80	1,202.84	1,161.99
IV Future commitments for Interest/Lease rental payable on deferred credits / lease	1,119.67	334.50	106.38
V Letter of Credit Outstanding	238.08	258.99	208.92
VI Guarantees given for loans availed by the Company/ Subsidiaries/Associates	7,212.45	10,161.89	7,308.93
VII Dividend on Cumulative preference shares placed with Associated Breweries and Distilleries Limited. Not provided for (relates to years ended 31 st March 2002, 31 st March 2003 and 31 st March 2004 due to inadequacy of profits)	406.40	812.80	1,219.20
VIII Income tax demands under appeal *	6.84	6.84	5.47
IX Guarantees given by Mangalore Breweries and Distilleries Limited to the excise department	21.00	2.00	Nil
X Consideration payable to the erstwhile promoters of ABDL withheld against possible tax benefits if any availed by ABDL towards it's future profits	NA	NA	323.00
Total	9,333.00	13,028.49	10,519.51

Note:

* In the opinion of the management the above demands/claims are not sustainable in law and accordingly, do not call for a provision in the accounts.

The above statement does not include any contingent liability relating to MAL and its subsidiaries for the year ended 31st March 2004.

10. INVESTMENTS (Long Term Unquoted unless otherwise stated):

As at	31 st March, 2002	31 st March, 2003	31 st March, 2004		
Particulars	Rs.Lakhs				
	UBL & its Subsidiaries	UBL & its Subsidiaries	UBL & its Subsidiaries	Share of Joint Venture	Elimination Total
Government Securities:					
National Savings Certificates	3.28	0.78	1.74		1.74
Trade:					
Inertia Industries Limited	2,443.47	2,443.47	Nil		Nil

Non Trade:						
Zorstrian Co-op. Bank Limited	Nil	1.00	1.00			1.00
McDowell Limited & United Breweries Limited Employees Co-op society	1.00	1.00	Nil			Nil
McDowell Alcobev Limited	0.01	5.00	4,562.77	166.31 *	(4,562.77)	166.31
	2,447.76	2,451.25	4,565.51	166.31	(4,562.77)	169.05
Less: Provision for diminution in value of investment	Nil	(200.68)				-
Total	2,447.76	2,250.57	4,565.51	166.31	(4,562.77)	169.05

Note: Investments are shown net of Goodwill arising on consolidation of Associate/Joint Venture

* Our share in Joint Venture's investments

11. ADVANCES INCLUDE:

- Deposit of Rs. 195,000 with three companies whose brewery facilities are being utilised by the Company for production of Company's brands of Beer under contract brewery arrangements.
- Rs. 100,000 paid in earlier years to a company whose brewery facilities are being utilised by the Company for the production of Company's brands of Beer under contract brewery arrangements. The said company has made a reference to the Board for Industrial and Financial Reconstruction (BIFR), being a sick company. The management proposes to recover / adjust the advances from the Company based on the brewery operations carried out by them.
- Expenses of Rs. 57,442 representing issue expenses namely registrar/lead manager/audit fees/legal/advisory fees, relating to ROCPS which, according to a legal opinion obtained, is proposed to be adjusted against Securities Premium Account on completion of issue formalities.

12. DEBTORS:

Debtors - Others include Rs. 296.75 Lakhs which is due from a company whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. As stated in note 10 (b) above, the said company has made a reference to the BIFR, being a sick company. The management is confident of recovery of dues from the continued business operations of the company.

13. DEMERGER:

As per the scheme of arrangement (referred to as the scheme of demerger) between Kingfisher Properties & Holdings Limited (KPHL – Now called United Breweries (Holding) Limited) and UB Beer Limited, now called United Breweries Limited (UBL) approved by the High Court of Karnataka vide its order dated 4th July, 2002, the Brewery Undertaking comprising of the various units located at Taloja, Cherthala, Palakkad, Hyderabad, Goa, Kalyani and Ludhiana save and except the unit located at Bangalore but including brands and contract brewing rights were transferred to and vested in the Company as a going concern with effect from 1st August, 2001. Accordingly:

- All the assets and liabilities attributable/allocable to the Brewery Undertaking were taken over at the values appearing in the books of KPHL before demerger.
- The Company allotted 1,50,93,971 equity shares of Rs.10 each to the Shareholders of KPHL in the ratio of four equity shares of Rs. 10 each in UBL for every ten shares of Rs. 10 each held in KPHL.
- The excess of the liabilities over the assets taken over by the Company in excess of the share capital to be issued amounting to Rs.3,620.29 Lakhs was adjusted against the Share Premium Account.
- The operations of the Brewery Undertaking for the period from 1st August 2001 have been reflected in these statements as those relating to the Company.
- The name of Company was changed to United Breweries Limited from UB Beer Limited, during 2002 – 2003, pursuant to the Scheme of Demerger.

- A binding agreement has been reached between the Company and Scottish & Newcastle Plc., a leading European brewing company for placement of a sum of Rs.20,000 Lakhs by way of Redeemable Optionally Convertible Preference shares (ROCPS).

15. On the basis of the decision taken at the Board meeting of MAL, the JV, on May 15, 2003 and approval of members of MAL under section 372A of the Companies Act, 1956, obtained at Extraordinary General Meeting held on that date, MAL entered in to a Share Purchase Agreement (SPA) with United Breweries Limited (UBL), Feedback Computers Private Ltd. (Feedback) and Accra Investments P. Ltd., (Accra) to acquire an aggregate of 28,360,853 equity shares of Inertia Industries Limited (Inertia) representing 51.753% of issued capital of Inertia at a price Rs.10 per share, aggregating to Rs. 2,836.09 Lakhs.

The SPA triggered the provisions of Regulations 10 and 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, and on May 19, 2003, MAL issued a Public Announcement to acquire a further 13,699,985 Equity Shares representing 25% of the issued Equity Capital and 25.04% of the Voting Capital of Inertia, for Cash at a price of Rs.10 per fully paid equity share and Rs.5 per partly paid equity share (Rs.5/- paid-up).

In terms of Regulation 28(2) of the SEBI Regulations, MAL has deposited an amount of Rs.342.50 Lakhs being 25% of the total purchase consideration payable under the Open Offer, in an Escrow Account opened with Citibank N.A

The Open Offer announced by MAL was conditionally cleared by SEBI on March 31, 2004. As required, an Undertaking was given to SEBI stating that the SPA will be kept on hold till the unlisted shares of Inertia are listed on the Stock Exchanges.

The Open Offer, which opened on April 22, 2004, was subsequently revised by MAL to acquire 35% of the paid-up capital of Inertia in terms of Regulation 26 of the SAST, the Offer closed on May 21, 2004. MAL acquired 14,266,860 shares representing 26% of the paid-up Equity Share Capital of Inertia in the Open Offer. The shares acquired in the Open Offer are still in the process of transfer and the investment shall be recognised in the books of the MAL on the completion of the transfer. The results of Inertia have not been considered for consolidation by MAL and, consequently, by the Company.

16. The Board of MBDL has intimated the Board for Industrial and Financial Reconstruction (BIFR), under section 15 of Sick Industrial Companies (Special Provisions) Act, 1985. MBDL does not propose to opt for any rehabilitation package from its lenders/creditors and therefore has sought a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending the clarification, no action has been taken in this regard.
17. The Board of Associated Breweries & Distilleries Limited (ABDL) has intimated the Board for Industrial and Financial Reconstruction (BIFR), during the year 2002-03, under section 15 of Sick Industrial Companies (Special Provisions) Act, 1985. ABDL does not propose to opt for any rehabilitation package from its lenders/creditors and therefore has sought a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending the clarification, no action has been taken in this regard.

18. DEFERRED TAX DISCLOSURE UNDER AS – 22

For the period / year ending	As at 31 st March, 2002	As at 31 st March, 2003	As At 31 st March, 2004 *		
Particulars	Rs.Lakhs				
	UBL & its Subsidiaries	UBL & its Subsidiaries	UBL & its Subsidiaries	Share of Joint Venture	Total
Difference between book and tax depreciation	(161.71)	(424.59)	(750.95)	Nil	(750.95)
Tax Loss	546.12	434.14	640.77	Nil	640.77
Unabsorbed depreciation	—	—			
Doubtful debts/ Advances	65.58	200.85	219.48	Nil	219.48
43B disallowances	—	8.66	Nil	Nil	Nil
Deferred Revenue & Miscellaneous Expenditure	—				
Deferred tax asset/(Liability)	449.99	219.06	109.30	Nil	109.30

[The deferred tax(liability)/assets as shown above, are as recognised in the books of account]

* These are provisional numbers and final amount will be ascertained at the time of filing of return.

19. RELATED PARTY DISCLOSURE UNDER AS – 18

i. Name of the related parties:	Related Party During		
	31 st March, 2002	31 st March, 2003	31 st March, 2004
a) Holding Company United Breweries (Holdings) Limited [Formerly Kingfisher Properties & Holdings Limited]	Yes	Note 1	Note 1
b) Subsidiaries [S]: Mangalore Breweries & Distilleries Limited (MBDL) Associated Breweries & Distilleries Limited (ABDL) London Draft Pubs Private Limited* London Pilsner Breweries Private Limited* McDowell Alcobev Limited Empee Breweries Limited# GMR Beverages & Industries Limited# * Subsidiaries of Associated Breweries & Distilleries Limited # Subsidiaries of McDowell Alcobev Limited	Yes Yes Yes Yes Yes Note 2 Yes	Yes Yes Yes Yes Yes Yes Yes	Yes Yes Yes Yes Note 6 Note 6 Note 6
c) Associates [A]: Inertia Industries Limited United East Bengal Football Team Private Limited	Yes Note 3	Yes Yes	Note 6 Yes
d) Fellow Subsidiary [FS]: UB General Investments Limited [Formerly, United Breweries (Holdings) Limited] UB Global Corporation Limited	Yes Yes	Note 4 Note 4	Note 4 Note 4
e) Key Management Personnel and relative: [KMP] Mr. Kalyan Ganguly Mrs.Suparna Bakshi Ganguly wife of Mr.Kalyan Ganguly (relative of KMP) Mr. M R Srinivasan - Director MBDL Mr. Sharad Dalmia – Director ABDL	Not Applicable Not Applicable Not Applicable Not Applicable	Yes Yes Yes Yes	Yes Yes Yes Yes
Name of the related parties:	Related Party During		
	31.03.2002	31.03.2003	31.03.2004
f) Joint Venture (JV) McDowell Alcobev Limited	Not Applicable	Not Applicable	Note 6
g) Subsidiaries/Associates of Joint Venture [SAJV] Empee Breweries Limited GMR Beverages & Industries Limited Inertia Industries Limited	Not Applicable Not Applicable Not Applicable	Not Applicable Not Applicable Not Applicable	Note 6 Note 6 Note 6

Note 1: United Breweries (Holdings) Limited was the holding company pending allotment of equity shares to other shareholders pursuant to the scheme of demerger for the financial year ended 31st March, 2002. Post issuance of equity shares to the other shareholders in Financial Year 2002-03, the said company is no longer a holding company/ related party of the Company.

Note2: Empee Breweries Limited was acquired during Financial Year 2002-03.

Note 3: Investment in United East Bengal Football Team Private Limited was made during Financial Year 2002-03.

Note 4: UB General Investments Limited [Formerly United Breweries (Holdings) Limited] and UB Global Corporation Limited are subsidiaries of United Breweries (Holdings) Limited and accordingly fellow subsidiaries of the Company for the year ended 31st March 2002 alone.

Note 5: During Financial Year 2001-02, there were no monetary transactions with the KMP and relative of the KMP accounted for in the Company.

Note 6: McDowell Alcobev Limited has ceased to be a subsidiary of the Company with effect from 8th May, 2003 consequent to the 'Subscription Agreement' entered into with Scottish & Newcastle Plc and Accra Investments Private Limited. Accordingly, for the year ended 31st March, 2004, McDowell Alcobev Limited and its subsidiaries, Empee Breweries Limited & GMR Beverages & Industries Limited are disclosed as Joint Venture and Subsidiaries of Joint Venture respectively for the purpose of this statement. Consequent to the 'Subscription Agreement' referred to above, the Company has sold its investments in Inertia Industries Limited to McDowell Alcobev Limited and accordingly, for the year ended 31st March 2004, Inertia Industries Limited is disclosed as an Associate of the Joint Venture for The purpose of this statement.

ii. Transactions with related parties

For the period ended	31st March, 2002			31st March, 2003			31st March, 2004			
Particulars	FS	A	KMP	FS	A	KMP	A	KMP	JV	SAJV
	Rs.Lakhs									
Purchase of Goods	—	—	—	—	363.67	—	119.21	—	—	—
Sale of Goods	165.15	—	—	—	—	—	—	—	—	—
Sale of Investments	—	—	—	—	—	—	2,443.47	—	—	—
Receipts against rendering services	—	164.47	—	659.97	231.87	—	20.69	—	—	—
Payments against rendering services	390.57	457.29	—	—	476.76	—	288.19	—	—	—
Finance (Including Loans & Equity contribution in cash or in kind)	—	134.39	—	336.10	35.35	—	(248.36)	—	—	—
Purchase of investments	—	2,443.47	—	—	—	—	—	—	—	—
Remuneration	—	—	—	—	—	117.14*	—	139.75*	—	—
Guarantees & collaterals	Refer Point B.VI of Note 6 of Attachment I-D									
Amount due from/(to) respective related parties as at year/period end	125.55	224.01	—	336.09	346.70	—	98.34	1.46	—	—

Note: The transactions of vesting of the brewery undertaking pursuant to the Scheme of demerger are excluded for this purpose.

* Includes payment made to relative of KMP of Rs .12.71 Lakhs for financial year ended 31st March, 2003 & Rs.14.09 Lakhs for the year ended 31st March, 2004

20. SEGMENT REPORTING

The Company is engaged in the business of manufacture, purchase and sale of beer in India including licensing of brand, which constitutes a single business segment

21. There are no outstanding dues exceeding seven years, requiring transfer to the Investor Education and Protection Fund under section 205 C of the Companies Act, 1956, as at the end of any of the reported years.
22. The information provided in the Attachments above have been extracted from the audited consolidated financial statements for the years ended 31st March, 2002, 31st March, 2003, and 31st March, 2004. Other supplementary information presented in the above Attachments are as certified by the management.

Principal Terms of Loans and Assets charged as security

Financier	Amount outstanding as at			Repayment Schedule	Rate of Interest	Securities Offered
	31 st March, 2002	31 st March, 2003	31 st March, 2004			
	Rs. Lakhs					
ICICI Bank Limited – Term Loan	6,500.00	6,500.00	Nil	Quarterly, along with interest. Repayment ended on 30th June 2003	12.50%	The Whole of the movable and immovable properties at brewery units at Chertala, Taloja, Goa, Hyderabad and Ludhiana, as first charge. Pledge of investments in McDowell & Co Limited, Mangalore Chemicals and Fertilizers Limited, Aventis Pharma Limited and Aventis Crop Science Limited held by United Breweries (Holdings) Limited and investments in United Breweries (Holdings) Limited held by McDowell & Company Limited
Rabo India Finance Private Limited – Term Loan	2,000.00	1,500.00	500.00	Quarterly @ Rs.250.00 Lakhs – last installment falling due in September 2004	15.00%	Pledge of Investments in Mangalore Breweries & Distilleries Limited held by the Company and a first Charge on movable and immovable properties held at Palakkad unit
The Federal Bank Limited – Term Loan	Nil	181.28	34.31	Quarterly @ Rs.3.44 Lakhs - Last installment falling due in September 2005.	17.00% & 14.50%	Hypothecation of assets purchased for enhancement of capacity at Hyderabad unit and computer hardware
Hire Purchase Liability	184.84	106.75	105.46	Monthly . installments Last installment falling due in Nov 2008.	Not Applicable	Hypothecation of asset under hire purchase
Citibank – Term Loan	Nil	2,000.00	2,000.00	Repayable within 3 years. Moratorium of 1 year - moratorium expired in February 2004. First installment in May 2004, Last installment in Feb 2006	MIBOR +3%	Commitment to create a charge on additional fixed assets procured during 2002/ 2003 by August 2003

Financier	Amount outstanding as at			Repayment Schedule	Rate of Interest	Securities Offered
	31 st March, 2002	31 st March, 2003	31 st March, 2004			
	Rs. Lakhs					
Consortium Bankers working capital	4,391.45	5,878.37	4,473.48	On demand	Range: 13.5% to 15.75%	Hypothecation of stock in trade, stores, raw materials and book debts. Second charge on the fixed assets of the company.
Rabo India Finance Private Limited.	Nil	Nil	20,000.00	Repayable by 30 th September 2004 or completion of ROCPS which ever is earlier	8.5%	Bridge loan against Standby Letter of Credit by Scottish & Newcastle Plc.
External Commercial Borrowing	Nil	Nil	4,800.00	Repayable in August 2008	Range: 4.7 % to 9.1%	First charge by way of equitable mortgage on all the immovable & movable assets of the company and its subsidiaries
Deferred credits: Alfa Laval India Ltd.			400.00	Tenor – 36 Months – Repayable in 24 monthly installments starting from June 2005 and ending on May 2007	10 %	Hypothecation of equipments supplied under the scheme
	13,076.29	16,166.40	32,313.25			

Note: As per the Scheme of Demerger, the Secured Loans attributable/allocated to the Company have been taken over, subject to securities, mortgages and charges existing on the date of demerger.

Guarantees given by the Company

The list of guarantees given by the Company as on March 31, 2004 is as follows:

(Rs.in Lacs)

Sl. No.	Name of the Body Corporate for whom the Guarantee is given	Name of the Institution to whom the Guarantee is given	Amount of Guarantee	Date on which Guarantee provided	Security available with the Lender
1.	Mangalore Breweries & Distilleries Limited (MBDL)	South Canara District Central Co-operative Bank Limited	2,108	27.03.01	Charge over Assets of MBDL supported by Corporate Guarantee
2.	Mangalore Breweries & Distilleries Limited	South Canara District Central Co-operative Bank Limited	500	04.10.01	Charge over Assets of MBDL supported by Corporate Guarantee
3.	Associated Breweries & Distilleries Limited (ABDL)	Central Bank of India	857	07.04.03	Hypothecation of stocks and Charge over Assets of the Company
4.	Mangalore Breweries & Distilleries Limited	South Canara District Central Co-operative Bank Limited	1,000	26.12.03	Charge over Assets of MBDL supported by Corporate Guarantee
	TOTAL		4,465		

Note: :Guarantees mentioned at Sl. Nos. 1 to 2 above have been issued by erstwhile United Breweries Limited. On account of De-merger, the liability, if any, on the same will devolve upon the Company.

Guarantees given by the Company on behalf of third parties (including guarantees issued by banks at the request of the Company)

(Rs.in Lacs)

	Name of the Body Corporate for whom the Guarantee is given	Name of the Institution to whom the Guarantee is given	Amount of Guarantee	Date on which Guarantee provided	Security available with the Lender
1.	Balaji Distilleries Limited	Alfa Laval (India) Limited	516.06	02.12.02	Equipment procured under deferred credit facility
2.	McDowell & Company Limited (Counter Guarantee provided to McD for Guarantee issued by them on our behalf)	Rabo India Finance Private Limited	2,000.00	13.03.03	Properties of the Company at Palakkad (Kerala)
3.	Bank of Baroda	The Chief Electrical Engineer – Government of Goa	15.00	01.04.1999 Renewed periodically	Counter Indemnity provided by the Company
4.	Bank of Baroda	The Asst. Engineer, PWD – Goa	4.05	21.01.1999 Renewed periodically	- do -
5.	Bank of Baroda	The Southern Railway – payment of Railway Freight by Credit Notes	2.50	30.05.1996 Renewed periodically	- do -
6.	Bank of Baroda	The Commissioner of Excise – Rajasthan	13.00	08.11.1997 Renewed periodically	- do -
7.	Bank of Baroda	The Commissioner of Excise – Rajasthan	6.00	08.11.1997 Renewed periodically	- do -
8.	Bank of Baroda	The Chief Electrical Engineer – Government of Goa	7.00	25.09.1998 Renewed periodically	- do -
9.	State Bank of Travancore	The West Bengal Electricity Board	10.42	20.07.1999 Renewed periodically	- do -
10.	United Bank of India	The Superintendent of Prohibition and Excise – Alibag	1.00	19.01.2001 Renewed periodically	- do -
11.	Bank of India	The Electricity Department, Government of Goa	30.40	08.03.2001 Renewed periodically	- do -
12.	State Bank of Hyderabad	The Governor of Punjab	30.00	16.06.2001	- do -
13.	State Bank of Hyderabad	The Commissioner of Excise, Maharashtra	10.00	18.10.2002	- do -
14.	Bank of Baroda	The Commissioner of Excise – AP	5.00	28.02.2003	- do -
15.	Bank of Baroda	The Commissioner of Excise – AP	3.00	28.02.2003	- do -
16.	Bank of Baroda	The District Magistrate & Collector, Govt. of West Bengal, Nadia Excise Department	10.00	26.02.2003	- do -

	Name of the Body Corporate for whom the Guarantee is given	Name of the Institution to whom the Guarantee is given	Amount of Guarantee	Date on which Guarantee provided	Security available with the Lender
17.	Bank of Baroda	Regional Officer, Maharashtra Pollution Control Board	0.50	20.03.2003	- do -
18.	State Bank of Hyderabad	Rochees Breweries Limited, Rajasthan	100.00	09.05.2003	- do -
19.	HDFC Bank	Commissioner of Excise, Government of Goa, Panaji	1.59	18.08.2003-	Counter Indemnity not provided
20.	Bank of Baroda	Commissioner of Excise, Udaipur, Rajasthan	75.00	07.01.2004	Counter Indemnity provided
	TOTAL		2,840.52		

Bank Guarantees mentioned at Sl. Nos. 3 – 12 have been issued at the request of erstwhile United Breweries Limited. Upon De-merger the liability, if any, on the same will devolve upon the Company. Bank Guarantee at Sl. No.19 has been shown in Accounts under the head 'Excise Demands'

Details of roll over of any liability of the Company:

Name of Lender	Amount Rolled Over	Date since when default	Reason for default	Date of rollover / re scheduling of Loan	Terms and conditions for rollover / rescheduling	Repayment Schedule	Rate of Interest
Rabo India Finance Pvt. Ltd*	20,000 Lacs	Not Applicable	Not Applicable	June 21, 2004	Same as those of Original Loan	On or before September 30, 2004	8.5%

* Rolled over till September 30, 2004.

Other liabilities rolled over:

Notices of Put Option by the erstwhile promoters of Associated Breweries & Distilleries Limited: The erstwhile promoters of Associated Breweries & Distilleries Limited vide their letters dated February 24, 2003, have exercised their "Put Option" totally aggregating 35% of the issued equity share capital of Associated Breweries & Distilleries Limited in terms of the Shareholders Agreement dated January 19, 2001. The Company is required to acquire the option shares in terms of the Deed of Adherence within a period of 90 days from the date of Put Option, at a consideration of Rs.2,047 Lacs and further pay interest at the Prime Lending Rate of State Bank of India if acquired after 90 days but before 180 days. The Company has not yet acquired the option shares. The management is in discussion with the holders of put option to work out a mutually acceptable rescheduling of the liability. The holders of put option have agreed for rescheduling of the liability provided the revised put option price (not exceeding Rs.3,500 Lacs) is paid to them. The Company has sought its members' approval for the revised put option price.

Details of unsecured loans from related parties: (availed in March 2004)

Particulars	Amount Rs. Lacs	Repayment Schedule	Rate of Interest
McDowell & Company Limited	2,000.00	2 years from the date of loan with no pre-payment penalty	10.75%

Details of Loans and Advances to related parties:

Particulars	March 31, 2004 Rs. Lacs
United Breweries (Holdings) Limited	16,000.00
Mangalore Breweries & Distilleries Limited (MBDL) (refer note below)	1,181.70
Associated Breweries & Distilleries Limited (ABDL) (refer note below)	2,934.16
Total	20,115.86

Note: ABDL & MBDL are subsidiaries of the Company and these advances are interest free and there is no stipulation with regard to repayment.

Details of advances written off / provision made for doubtful debts from related parties:

Particulars	March, 31 2004 Rs. Lacs
Advances written off:	Nil
Provision for doubtful advances:	
United Breweries Nepal Pvt. Limited.	10.67
Castle Breweries Limited	322.00
Total (A)	342.67
Others-unrelated parties (B)	24.85
Total (A)+(B)	367.52

Note: Provision for advances to Castle Breweries Ltd. amounting to Rs.321.80 Lacs considered under non recurring item

Breakup of Sundry Debtors from related parties:

Particulars	March, 31 2004 Rs. Lacs
Related parties:	
McDowell Alcobev Private Limited and its subsidiaries	37.85
Total (A)	37.85
Others-unrelated parties (B)	7,379.10
Total (A)+(B)	7,416.95

IX. Management Discussion and Analysis of Operations and Financial Conditions

The beer business of UBHL (erstwhile United Breweries Ltd), which was incorporated on March 23, 1915 was demerged into UB Beer Ltd. (erstwhile UB Infrastructure Projects Ltd incorporated on May 13, 1999) with effect from August 1, 2001. Upon approval of the demerger by the Honourable High Court of Karnataka, UB BEER Ltd. was renamed as "United Breweries Limited".

The focused beer entity has finalized three audited financials for the year ended March 31, 2002, March 31, 2003 and for the year ended March 31, 2004. The synopsis of the financials is as under

Rs.Lacs

	Audited Financial year ended			Un audited Period ended	
	31.3.04	31.3.03	31.3.02*	30.6.04	30.6.03
Gross Sales	55,841	50,675	27,354	17,270	15,117
Duties & Taxes	12,543	12,380	6,607	3,705	3,293
Gross Sales net of duties & taxes	43,298	38,295	20,747	13,565	11,824
Purchase of Finished Goods	5,729	5,729		1,496	1,141
Net Sales Revenue (NSR)	37,569	34,366	20,747	12,069	10,683
Other Income	1,291	847	319	196	369
Operating Expenses	(34,205)	(30,644)	(19,751)	(10,558)	(9,127)
PBIDT	4,655	4,569	1,315	1,707	1,925
Interest and Finance charges (Net)	(3,245)	(3,455)	(2,329)	(804)	(861)
PBDT	1,410	1,114	(1,014)	903	1,064
Depreciation	(669)	(538)	(376)	(202)	(168)
PBT	741	576	(1,390)	701	896
Non recurring expenses	(322)	(201)			
PBT - Operations	419	375	(1,390)	701	896
Taxation	(32)			(38)	
Deferred Tax Asset/(Liability)	(109)	(231)	450	(253)	(320)
PAT	278	144	(940)	410	576

* The financials for the year ended March 31, 2002 has the operating results of the beer business only for a period of 8 months as the demerger of the brewing business was effective August 1, 2001. The results of the year ended March 31, 2003 are not comparable with those of the year ended March 31, 2002 since the figures for the year ended March 31, 2002 represents the operating results of beer business for only 8 months. The analysis that is provided below relating to the period ended March 31, 2002 is for full year so that they are comparable.

Volumes and Market shares:

These particulars have been provided on a 12 month basis, so that they are comparable.

Year ended	Volume Lac cases	Market Share
31.03.02	261	34%
31.03.03	305	37%
31.03.04	331	39%

During the year ended March 31, 2004, the Company's brands grew by 9% while the industry registered a growth of 3%. In the strong beer segment, the Company registered a growth of 24%.

During the 3 months ended June 30, 2004, the growth was 6% compared to the previous year quarter ended June 30, 2003. The volume achieved during the current quarter was at 107 lac dozens, compared to 101 lac dozens during the previous year. The industry recorded a growth of 3% in the quarter ending June 30, 2004.

During the period April 1, 2003 to December 31, 2003, the Company achieved a volume of 239 Lac cases, as compared to 224 Lac cases in the corresponding period of the previous year thereby registering a growth of 7%, while the Industry de-grew by 3 %.

During the 9 months ended December 31, 2003, UBL registered a growth of 23 % over the corresponding 9 months period of the last year in the strong beer segment, which was mainly attributable to the Kingfisher Strong Beer.

Sales

The net sale for the financial year 2002-03 represents a growth of 11% over the comparable previous year.

The net sales for 03/04 grew by 9% compared to previous year, which is in line with the volume growth.

The net sales of Rs. 12,069 lacs for the quarter ended June 30, 2004 represents a growth of 13% over the comparable previous year quarter, while the volume growth was 6%, essentially due to price increase taken in certain markets in order to compensate for the cost push.

Cost of goods sold

During the year ended March 31, 2003, the cost to NSR stood at 48%, as against 43% for the full financial year ended March 31, 2002.

The total cost of goods stood at Rs.18,372 Lacs (49% of NSR) for the year ended March 31, 2004 as against Rs.14,876 Lacs (43% of NSR) for the year ended March 31, 2003. The variation is essentially on account of increase in bottle prices due to shortage of bottles and consolidation in the glass industry leading to hardening of both new and old bottle prices. In addition, the increase is also on account of change in product mix in favour of strong beer by 1%. The Company was able to partially recover the cost increase through price revisions in certain markets.

However it is expected that the increase in bottle prices would continue till the supply- demand mismatch is corrected. It is expected that the bottle prices may not ease at least for the next 12 to 15 months till adequate new bottles are purchased by manufacturers to increase the second hand bottles pool of this industry. This is borne by the fact that the cost of goods sold for the quarter ended June 30, 2004 was at Rs.6,186 lacs (51% of NSR) compared to Rs.5,116 lacs (48% of NSR) for the quarter ended June 30, 2003.

Staff cost

The personnel cost was at Rs.14.66 per doz for the year ended March 31, 2003 as compared to Rs.13.86 per doz of the previous year (2002), which represents a 6% increase to compensate for inflation.

The personnel cost stood at Rs.15.55 per doz for the year ended March 31, 2004 as against Rs.14.66 per dozen for the year ended March 31, 2003, registering an increase of 6% over last year, which is line with the inflation trend.

For the quarter ended June 30, 2004, the personnel cost increased by 6% compared to the previous year quarter ended June 30, 2003.

Advertising & sales promotion

The spends during the year ended March 31, 2002 towards brand promotion stood at Rs.3,350 Lacs while it was at Rs.2,850 Lacs towards trade schemes on a full year basis.

The brand promotion expense for the year ended March 31, 2004 was Rs.3,388 Lacs, (9% of NSR) compared to the previous year amounting to Rs.3,460 Lacs, (10% of NSR) a reduction of 1%, to compensate for increase in variable cost, as the Company could not pass on the entire cost push to the market. The trade schemes were at Rs.3,282 Lacs, as against Rs.3,440 Lacs. We have achieved a planned reduction in our trade scheme expenditure, which helped to offset the increase in cost of inputs. We continue to spend significantly on our flagship brand 'Kingfisher', in order to sustain our leadership position.

The same trend continued in the quarter ended June 30, 2004, towards above the line spends while, there has been an increase in spends related trade schemes in view of severe competition in certain markets.

The Company has launched the new look Kingfisher with the "flying bird" across various markets. The launch was backed by various marketing inputs in the form of promotional materials, merchandise and innovations like branded elevators all sporting the "Its flying" theme.

Profit before interest, lease rentals, depreciation and taxes (PBIDT)

The declared PBIDT for the operating period ended March 31, 2002 was low at Rs.1,315 Lacs, since the peak season profitability was with the residual company now known as United Breweries (Holdings) Ltd on account of demerger.

PBIDT for FY 2004 was Rs.4,655 Lacs as against Rs.4,569 Lacs for FY 2003. While the volumes increased the PBIDT did not increase due to unprecedented increase in cost of goods sold as explained above. The company could not pass on the cost push in entirety to the customers since 60% of the Company's volumes are supplied to State owned corporations where the desired price increases could not be achieved.

Since the trend in increase of bottle cost continued during the quarter ended June 30, 2004, the PBIDT was under pressure at Rs.1,707 lacs as compared to Rs.1,925 lacs for the quarter ended June 30, 2003.

Interest and Finance charges:

The Interest and Finance charges are showing a trend due to favourable conditions in financial markets. The interest and finance charges stood at Rs.3,245 Lacs for the year ended March 31, 2004 as against Rs.3,455 Lacs for the year ended March 31, 2003. The interest charges are expected to reduce significantly post the infusion of preference capital in the form of ROCPS.

The favourable market conditions helped the Company to continue showing an improved trend during the quarter ended June 30, 2004 representing a cost of Rs.804 lacs as against Rs.861 Lacs of previous year.

Profit before and after tax

In view of the brewing activity being only for 8 months in the year ending March, '02, the profits are not comparable between the financial years ending March, '02 and March, '03.

Due to a moderate increase in PBIDT and reasonable reduction in interest cost, off set by an increase in Depreciation on account of Capital Expenditure towards the end of the Previous Year, the PBT stood at Rs.741 lacs for the year ended March 31, 2004 as against Rs. 576 lacs for the previous year. However the PBT after considering the non recurring expenses was at Rs.419 lacs as against Rs.375 lacs relating to the previous year.

The PBT for the quarter ended June 30, 2004 was low at Rs.701 lacs as against Rs.896 lacs of the previous year due to increased cost push on account of bottles.

The Profit After Tax during FY 2004 was at 278 lacs as against Rs.144 lacs relating to the previous year ended March 31, 2003, in spite of substantial cost push during the year.

The PAT for the quarter ended June 30, 2004 was at Rs.410 lacs as compared Rs.576 lacs for the quarter ended June 30, 2003.

Trends:

The Company expects a gradual deregulation of the brewing industry making beer more accessible and affordable across a broader spectrum. While the progress towards the deregulation has been slow, given the demographics of the country which is skewed in favour of the youth whose preference is for consumption of low alcohol beverage, such as beer, the beer industry will witness substantial growth for years to come.

Uncertainties:

While the fundamental drivers to the growth are in place, Government regulations in the form of taxation levels, restriction in communication and entry of foreign competition, will have a bearing on the development of the market in future. The recent consolidation of the glass container industry has resulted in a sharp escalation to input costs in this vital area of packaging.

Opportunities:

The demographic profile in the country and the low penetration beer consumption in comparison to international parallels offers the expectation of substantial and sustainable growth in demand for beer in the next several years.

Threats:

The increasing entry of foreign competition in the market could be a potential future threat though the Company is taking proactive steps to ensure its continued dominance in the industry.

Seasonality:

The demand for beer is seasonal in nature with 30% of total volumes being sold in the first quarter summer months. The second and third quarters of the year, constitute traditional low season and together account for 40% of annual volumes. The consumption of beer is unevenly spread across the country with a geographic distribution of North 20%, East 8%, West 26% and South 46%. While the seasonality for a beer business, is an Industry factor, the Company is making efforts through promotional and awareness campaigns to de-emphasize the extent of seasonality and encourage consumption of beer even during the monsoons.

Other stake holder profile:

Malt being the major raw material, the source of supply is concentrated with 3 major suppliers. In order to protect the Company's interest, the company is continuously progressing towards identifying contract malting arrangement, which are cost effective and ensure continuous supplies. As regards customers, fifty per cent of the market is in south and the Company deals with only 4 customers, who are Government owned distributors.

Material Events:

Other than what is discussed here, there are no material events that have occurred after the last Audited Balance Sheet which may have any adverse effect on the financial position of the Company. Further in the opinion of the Directors there are no circumstances which have arisen since the date of the last financial statements disclosed in the Letter of Offer which may materially and adversely affect or is likely to affect the trading or profitability of the Company or value of its assets, or its ability to discharge its liabilities within the next 12 months.

Dependence on Customers:

The Company does not depend on a single or few customers. However around 60% of the distribution of the product is through Government distribution set up.

Activities Having Impact:

The Company was originally incorporated in May 1999 with an object of carrying out business of infrastructure and other allied activities. Subsequently the main objects of the Company were changed in the year 2001 to carry on the business of Brewing. In terms of the Scheme of Arrangement (Demerger) approved by the Hon'ble High Court of Karnataka, the Brewing business of erstwhile United Breweries Limited (now known as United Breweries (Holdings) Limited) carried on in its various undertakings located at Talaja, Palakkad, Cherthala, Hyderabad, Ponda, Kalyani and Ludhiana have been transferred to and vest in the Company thereby making this Company a dedicated Brewing entity.

The subsidiaries of the Company, MBDL and ABDL had accumulated losses at the time of acquisition. As at March 31, 2004, the net worth of both subsidiaries have been fully eroded. However, the Company proposes to invest further sums to enhance shareholding and capacities in both these subsidiaries having regard to the strategic nature of these investments. The Company has also made advances of Rs. 4,115.86 Lacs (2003: Rs. 3,319.29 Lacs) to and given guarantees on behalf of ABDL and MBDL. However, the existing efforts by the Company are bearing results with the subsidiaries making a positive Earnings Before Interest and Depreciation/Amortisation during the year ended March 31, 2004. Considering the improvement in performance and given the critical markets and the leadership that the Company enjoys in these markets, the financial health of these subsidiaries is expected to improve.

The Company has invested / continues to invest in the equity shares and other financial instruments of McDowell Alcobev Private Limited in terms of the Joint Venture Agreement between the Company, S&N, and Accra Investments Limited in view of which McDowell Alcobev Private Limited ceased to be a subsidiary of the Company. This change in any case has not affected any business relationship or the profitability of the Company, since the Company continues to enjoy the contract brewing facilities, which was being utilized prior this change in status.

X. Associate / Subsidiaries/ Promoter Group Companies

Details of Promoter Group Companies

Please refer to page no.15 for a list of Promoter Group companies in terms of Explanation II to clause 6.4.2.1 (k) of SEBI Guidelines. In terms of clause 6.9(a) of SEBI Guidelines, the financial information in respect of the top 5 listed companies is disclosed below: Neither the Promoter nor any of the Promoter Group companies have been detained as willful defaulters by RBI / Government authorities and there are no violation of securities laws committed by them in the past or pending against them except to the extent as individually mentioned below.

United Breweries (Holdings) Limited

(Formerly Kingfisher Properties & Holdings Limited)

The company was incorporated on March 23, 1915 under the Indian Companies Act, 1913. Consequent to the demerger, the beer business was transferred to UBL and the present activities of UBHL consist of carrying on the business of development of real estate of its land/s and investments.

The audited financial highlights of the company are as under:

(Rs. in Lacs)

For the year	31.03.2002	31.03.2003	31.03.2004
Share Capital	2,290.50*	2,290.50*	2,264.09
Reserves	14,272.74	7,680.51	7,680.51
Sales	18,774.62	2,700.82	585.00
Profit After Tax	(4,139.53)	(16,048.00)	(3,055.74)
Earnings Per share (Rs.)	(18.28)	(70.88)	(13.50)
Net Asset value (Rs. per share)	70.25	1.07	(11.33)

* includes amounts against convertible warrants issued. The warrants expired in June 2003 and the holders did not exercise the conversion option

Qualification in the Auditors Report for the year ended March 31, 2004:

Attention is invited to:

- The company has prepared the financial statements on 'going concern' basis, despite full erosion of its net-worth (Refer Note 1(a) of Schedule 11);
- The financial viability of the company would depend upon the successful completion of the joint real estate development referred to in Note 1(b) of Schedule 11;
- The company has not considered and provided for the possible diminution in the value of investment in an overseas subsidiary having a carrying value of Rs.638 Million. The diminution in the value has not been ascertained in the absence of an independent valuation of the investment;
- Note 4(b) of Schedule 11, regarding the non-consideration of and non-provision for the decline in the value of certain long-term investments in a subsidiary and other companies having a carrying value of Rs.244.5 Million, whose net-worth are fully eroded;
- The company has considered the arrears of management fees of Rs.234.3 Million due from an overseas subsidiary including Rs.46.5 Million pertaining to the current year, as good and recoverable even though these amounts are long overdue.

Material / Significant Notes on accounts for the year ended March 31, 2004 *inter-alia* are: (from the Annual Report of the company)

1(a) The financial statements for the year reflect a negative net worth. However, as the value of land under property development as carried in the books exceeds the original cost by Rs.1,660.7 Million and the market value of quoted investments as on the Balance Sheet date was significantly higher than its book value by Rs.1,828.7 Million, the company's net worth is significantly positive.

1(b) The company entered into an agreement with Prestige Estates Projects Private Limited (Prestige) under which Prestige will complete the construction of "UB cITy", located on Vittal Mallya Road, Bangalore. The development will be entirely funded by Prestige and the company will be entitled to 55% of the constructed space in consideration of the

transfer of 45% of the property to Prestige. The property development is under implementation and on completion substantial revenue would accrue to the company.

3. In terms of the subsisting agreement with United National Breweries (SA) (Pty) Limited, a stipulated annual management fee is receivable from an overseas subsidiary. The amount which has fallen in arrears up to 31.3.04 amounts to Rs.234.3 Million, of which Rs.44 Million has since been received. The amount receivable has also been confirmed by that company. The management is, therefore, of the opinion that the outstanding management fee is considered good and recoverable and the said amount will be repatriated in terms of the approval granted by the Reserve Bank of India.
4. Fixed Assets
 - a) During the year, the parent company sold 'UB House' and 'UB Crescent' and the net surplus arising therefrom (Rs.425.0 Million) is being included in the Profit & Loss Account.
 - b) A review of the market value of the erstwhile brewery land was undertaken by an approved valuer and based on his report dated August 1, 2001, the value of the land was restated at Rs.1,990 Million with a corresponding adjustment to the Fixed Assets Revaluation Reserve. The balance in the revaluation reserve after adjustment for disposal of land by the parent company amounts to Rs.1,660.7 Million as on 31.3.04.
7. Following the proceedings before the Debt Recovery Tribunal (DRT) and the High Court of Karnataka, the company accepted its guarantee obligations in respect of an erstwhile associate company (Rs.496.85 Lacs) and the liability against certain facilities availed from a Bank by an erstwhile wholly-owned subsidiary (Rs.472.48 Lacs). These amounts have been considered in the accounts.
8. The un-amortised portion of Deferred Revenue Expenditure carried over to the current financial year has been written-off in line with Accounting Standard AS 26 issued by the Institute of Chartered Accountants of India, resulting in an overstatement of loss for the year Rs.9.9 Million.
9. A binding agreement has been reached between the parent company, jointly with United Breweries Limited (UBL) and Scottish & Newcastle Plc. a leading European brewing company for placement of a sum of Rs.2 Billion by way of Redeemable Optionally Convertible Preference Shares (ROCPs) through a "Rights" Issue into UBL. It has been agreed that as and when the infusion of Preference Capital into UBL is consummated, a 'Put Option' exercisable under certain circumstances of default by UBL shall be granted to the holders of ROCPs by Variegate Trading Limited, a wholly owned subsidiary.

Under the terms of the agreement, upon the grant of such a 'Put Option', the parent company shall extend a corporate guarantee for the due performance of obligations under the 'Put Option', by Variegate Trading Limited, the subsidiary.

UBHL has issued a guarantee in favour of the original promoters of Associated Breweries & Distilleries Limited (ABDL) for a put option of their holdings to the tune of 35% on United Breweries Limited, the resulting company for Rs.20.47 crores and an indemnity as per shareholders agreement for payment of consideration to the original promoters upon ABDL availing Income Tax benefit on the past losses against the future profits of the company with an over all cap of Rs.3.23 crores.

The company has not made any public or rights issue of shares in the preceding three years. However, the business of the company was demerged to UBL and the shareholders of the company were allotted shares in UBL with a proportionate reduction in the share capital. For further details investors are requested to refer to the paragraph on Demerger and Scheme of Arrangement on page no.48. The shares of the company are / were listed on ASE, BSE, BgSE, CnSE, CSE, DSE, HSE, LSE and MSE. The company has made applications for voluntary delisting of its shares from ASE, LSE, MSE, HSE, DSE, CSE and CnSE pursuant to the special resolution passed by the company at its last Annual General Meeting. Ahmedabad, Hyderabad, Cochin, Ludhiana, Madras and Delhi Stock Exchanges have confirmed the delisting and confirmation is awaited from the rest of the stock exchanges.

The listing of the securities of the company has never been refused at any time by any stock exchanges. There has been no default of any kind of the Listing Agreement. No penalty of any kind including suspension of trading have been imposed on the company by SEBI or any other stock exchange or any other authority in India or abroad. The equity shares of the company are being traded in demat mode. Arising out an adjudication proceedings initiated by SEBI, a penalty of Rs.10,000/- each was imposed, in May 2003, on UB General Investments Limited (a subsidiary of UBHL) and another company Feedback Computers Pvt. Limited – for non-compliance of Regulation 3(3) of the Takeover Code in the matter of acquisition of shares of Inertia Industries Limited through preferential allotment. UB General Investments Limited was formerly called United Breweries (Holdings) Limited. UB General Investments Limited and Feedback Computers Pvt. Limited have paid the said penalty to SEBI.

The market prices of shares during the preceding six months on BSE are as follows:

Month	Closing High (Rs.)	Closing Low (Rs.)	Close (Rs.)
Feb-04	41.15	30.80	39.05
Mar-04	40.05	36.00	38.45
Apr-04	43.05	37.85	37.85
May-04	39.95	33.50	34.80
Jun-04	35.00	30.50	33.85
Jul-04	34.35	30.60	33.30

Source: www.bseindia.com

Note: High – highest closing price during the month, Low – lowest closing price during the month, Close – closing price at the end of the last trading day of the month.

The highest and lowest closing market prices of shares during the preceding six months are Rs.43.05 and Rs.30.50 respectively.

The closing market price on the date immediately before the date of filing the LoF with BSE i.e. on August 27, 2004 is Rs.29.95.

The shareholding pattern of the company as on June 30, 2004 is as follows:

Name	% of holding
1 Indian Promoters	40.84
2 Institutional Investors	
a Mutual Funds and UTI	4.43
b Banking, Financial Institutions/Insurance Companies /FII's (Central/State Govt. Institutions, Non-Govt. Institutions)	30.17
3 Others	
a Private Corporate Bodies	5.96
b Indian Public	17.66
c NRIs / OCBs	0.73
d Any other	0.21

Source: www.bseindia.com

McDowell & Company Limited (Formerly known as McDowell Spirits Limited)

The company was incorporated on March 31, 1999. The erstwhile McDowell & Company was merged into McDowell Spirits Limited and was renamed as McDowell & Company Limited. The company's main business is manufacturing, brewing, distilling and blending all sorts of liquor.

The audited financial highlights of the company are as under:

(Rs. in Lacs)

For the year	31.03.2002	31.03.2003	31.03.2004
Share Capital	5,172.00	5,172.00	5,172.00
Reserves	20,970.67	21,115.16	22,082.87
Sales	80,892.98	91,381.44	99,410.53
Profit After Tax	1,576.94	1,311.42	2,134.64
Earnings Per Share (Rs.)	3.05	2.54	4.13
Net Asset value (Rs. per share)	50.55	50.83	52.70

Qualification in the Auditors Report for the year ended March 31, 2004:

Attention is invited to:

- a) Note 5(a) on Schedule 17. No provision has been made in accounts towards receivables from certain toll manufacturers aggregating Rs.3,765 Lacs (2003: Rs.3,858 Lacs) that may not ultimately be recoverable, having possible impact on the financial results for the year, the extent of which currently cannot be ascertained.

- b) Note 6 on Schedule 17. Provision has not been made in the accounts for possible loss arising on account of diminution in the value of certain long term investments having carrying value aggregating Rs. 3,576.31 Lacs (2003: Rs.2,840.14 Lacs) which the management has considered as temporary in nature, having possible impact on the financial results for the year, the extent of which currently cannot be ascertained.

Material / Significant Notes on accounts for the year ended March 31, 2004 *inter-alia* are: (from the Annual Report of the company)

Investments.

- a) Carrying cost of investment in United Breweries (Holdings) Limited (UBHL) as at March 31, 2004 amounting to Rs.2,840.14 Lacs substantially exceeded net worth of and the market value of shares in UBHL, respectively. However, considering the intrinsic value of the investments along with the value of proposed real estate development activities being planned by UBHL, the management is of the opinion that such erosion in net worth / decline in market value of shares of UBHL is purely temporary in nature and hence, no provision is considered necessary for the same.
- b) Carrying value of investments in Asian Age (Holdings) Limited (AAHL) as at March 31, 2004 amounting to Rs.736.17 Lacs substantially exceed net worth of the company. However, considering the strategic nature of investments on media as well as future prospects of AAHL and the value that are likely to be generated from the investments, the management is of the opinion that such decline is purely temporary in nature and hence, no provision is considered necessary.

The company has not made any public or rights issue of shares in the preceding three years. The shares of the company got listed on the exchanges pursuant to the merger between McDowell Spirits Limited and McDowell & Company Limited as the erstwhile McDowell & Company Limited was a listed company. The shares of the company are listed on ASE, BSE, BgSE, CSE, DSE, MSE and NSE.

The listing of the securities of the company has never been refused at any time by any stock exchanges. There has been no default of any kind of the Listing Agreement. No penalty of any kind including suspension of trading have been imposed on the company by SEBI or any other stock exchange or any other authority in India or abroad. The equity shares of the company are being traded in demat mode.

The market prices of shares during the preceding six months on BSE are as follows:

Month	Closing High (Rs.)	Closing Low (Rs.)	Close (Rs.)
Feb-04	57.00	49.25	54.65
Mar-04	59.80	52.45	54.45
Apr-04	63.90	55.55	57.30
May-04	59.35	43.35	46.10
Jun-04	48.90	43.25	46.55
Jul-04	56.50	44.55	55.10

Source: www.bseindia.com

Note: High – highest closing price during the month, Low – lowest closing price during the month, Close – closing price at the end of the last trading day of the month.

The highest and lowest closing market prices of shares during the preceding six months are Rs.63.90 and Rs.43.25 respectively.

The closing market price on the date immediately before the date of filing the LoF with BSE i.e. on August 27, 2004 is Rs. 66.10.

The shareholding pattern of the company as on June 30, 2004 is as follows:

Name	% of holding
1 Indian Promoters	42.47
2 Institutional Investors	
a Mutual Funds and UTI	6.57
b Banking, Financial Institutions/Insurance Companies /FII's (Central/State Govt. Institutions, Non-Govt. Institutions)	5.25
4 Others	
a Private Corporate Bodies	4.56
b Indian Public	38.18
c NRI's / OCB's	2.97

Source: www.bseindia.com

Herbertsons Limited

The company was incorporated on September 29, 1936. The company's main business is manufacture of liquor. There are no business relationships with UBL.

The audited financial highlights of the company are as under: -

For the year	(Rs. in Lacs)		
	31.03.2002	31.03.2003	31.03.2004
Share Capital	952.21	952.21	952.21
Reserves	3,310.15	3,385.70	3,605.61
Sales	21,396.07	25,397.23	28,675.97
Profit After Tax	447.86	203.82	434.43
Earnings Per share (Rs.)	4.70	2.14	4.56
Net Asset value (Rs. per share)	44.76	45.56	47.87

Material / Significant Notes on accounts for the year ended March 31, 2004 *inter-alia* are: (from the Annual Report of the company)

Attention is invited to:

- i) Note No.4 regarding certain Capital Work-in-Progress of Rs.405.90 Lacs remaining unadjusted for a considerable period of time.
- ii) Note No.2(a) regarding the non-availability of audited accounts of BDA Limited, the wholly owned subsidiary company, for the year ended 31st March, 2000, 31st March, 2001, 31st March, 2002, 31st March, 2003 and March 31, 2004, and non-consideration of the expenses of Rs.134.96 Lacs incurred by the subsidiary as per their audited accounts for the year ended 31st March, 1999 and Rs.103.11 Lacs being additional expenses incurred up to 31st March, 2002, as per the accounts referred to in the above note, for want of information.
- iii) Note No.5 (ii)(c) regarding non-consideration of the diminution in the value of investment in the subsidiary and Note No.7(a)(I) regarding considering advance of Rs.1,522.16 Lacs to the subsidiary (including interest arrears of Rs.470.56 Lacs) as good and recoverable in spite of erosion of its net worth as per the audited accounts for the year ended 31st March, 1999. The auditors of the subsidiary company, on the accounts so far audited by them, have made a disclaimer in regard to the true and fair view of the state of affairs.
- iv) Note No.2(b) regarding the non-availability with the company of the share certificates of the wholly-owned subsidiary, BDA Limited, for our verification.
- v) Note No.5(ii)(a) and 5(ii)(b) regarding not considering the diminution in the value of Rs.45.76 Lacs of quoted investments and Rs.26.03 Lacs of unquoted investments, considering the same as temporary in nature.
- vi) Note Nos.7(a) (ii) and 7(b) regarding overdue advances amounting to Rs.8.56 Lacs and debts and advances aggregating Rs.1,673.03 Lacs receivable from two toll manufacturers who are under financial restructuring and,
- vii) Note No.8(a) regarding assets leased to a distillery amounting to Rs. 278.12 Lacs and Note 8 (b) regarding debts and advances aggregating to Rs.1,131.82 Lacs receivable from a distillery the ownership of which now vests with the Bihar Government and considering the amount recoverable from the previous owners of the Distillery and transferring a sum of Rs.530.00 Lacs to Contingency Reserve to meet an eventual shortfall, if any, in the realization of the said dues.
- viii) We are unable to form an opinion regarding the quantum, of the ultimate shortfall in the realisability of the value of capital work-in-progress, investments, debtors and advances referred to above.
- ix) The company has given interest free advances of Rs.751.60 Lacs and interest bearing advance of Rs.300 Lacs to the wholly owned subsidiary in respect of which there is no stipulation as to the payment of the principal amount. Interest due of Rs.470.56 Lacs which is under dispute, is yet to be received (vide 4(ii) of our main report).
- x) In respect of other loans and advances in the nature of loans given by the company, including those to employees, the parties are generally repaying the principal amount as stipulated and are also generally regular in the payment of interest wherever applicable, except certain overdue advances of Rs.8.56 Lacs outstanding as on 31st March, 2003 (vide 4(v) of our main report).

B. Notes On Accounts:

1. The interim order dated 1st December, 1999, which restrained the company from holding Annual General Meetings was continued by the order dated 28th September, 2001, of the Honourable Division bench of the High Court of Mumbai and

the order dated 11th December 2002 of the Honourable Supreme Court of India. Accordingly, no Annual General Meeting could be held to place the audited accounts of the company for the financial year ended 31st March, 1999 to the financial year ended 31st March, 2003 before the shareholders for their consideration and approval. Special Leave Petitions were filed before the Supreme Court of India against the said order of the Honorable Division bench of the High Court of Mumbai. The Supreme Court, by its order dated April 16, 2003, has adjourned the matter sine die. The constitution of the Board of Directors also continues to be the same.

- 2(a) The company has not received Audited Financial Results from BDA Limited, its subsidiary and hence the accounts have not been taken note of by the Board of Directors of the holding company.

As per the latest audited accounts for the year ended 31st March, 1999, the net worth of the subsidiary company is fully eroded. The auditors of the subsidiary company have expressed their inability to comment on certain items and further stated that due to the uncertainties arising therefrom, they are unable to form an opinion as to the true and fair view of the state of affairs of the company and also as to whether the balance sheet and the profit and loss account give the information required by the Companies Act, 1956 in the manner so required.

Further, as per Note 25 in Schedule 18 to the above audited accounts for the year ended 31st March, 1999 it is noted that BDA Limited, the wholly owned subsidiary company, has incurred certain expenses aggregating to Rs.13,496,000 on behalf of the Company, for which no authorisation was given to the subsidiary and there are no claims or debit advices which have been raised so far. In the absence of any information as to the nature of the expenses incurred, the same have not been recognised in the accounts of the Company.

- 2(b) The share certificates relating to the wholly-owned subsidiary, BDA Limited, could not be repossessed by the company and the matter is before the High Court of Mumbai for specific performance.

- 8(a) Leased assets include machineries of net value of Rs 27,811,772 given on lease to UB Distilleries Ltd, who owned a distillery, which distillery is now vested with the Government of Bihar. The Company has moved the Court for repossession of the leased machineries. Pending decision on the above case, the assets continue to be shown at cost and depreciation is provided at applicable rates.

- 8(b) Sundry Debtors and Loans and advances include Rs.286.82 Lacs (2003-Rs. 345.56 Lacs) and Rs. 845 Lacs (2003 –Rs. 845 Lacs) respectively from the above-said company whose net worth is completely eroded. The distillery unit, initially a part of the sugar mill, was sold to UB Distilleries Ltd. in 1982. The Government of Bihar passed an ordinance in 1985 to take over the sugar mill and made it applicable retroactively. As a consequence, the Bihar Government claimed that the sale of the distillery to the company was non-este and the distillery stood acquired along with the sugar mill.

On an ongoing litigation since 1986 between the distillery company and the Government of Bihar, by an order dated February 18, 2003, the Supreme Court has held that the ownership, possession, power and control of the distillery will vest with the sugar unit taken over by the Bihar Government from the appointed date under the above said Undertakings Act. The distillery company has since filed a case against the sellers, who were the owners of the sugar mill at the time of acquisition, for repayment of the consideration together with interest. In the opinion of the management, the amounts due from the distillery will be recovered in full, out of the compensation the distillery will be receiving from the sellers. As a measure of prudence a sum of Rs. 530 Lacs has been transferred to contingency reserve in the previous year out of the profits of that year to meet the eventual shortfall, if any, in the realization of the above debts and advances.

- 8 (c) In addition there is a claim of Rs. 351.37 Lacs from an associate company towards transactions with the above distillery company which has not been accepted pending submission of details by the associate company.

The company has not made any public or rights issue of shares in the preceding three years. The shares of the company are listed on BSE, Ahmedabad, Delhi and Bangalore.

The Company has not complied with Clause 49 I(A) of BSE, DSE & ASE listing agreements and Clause 51 I(A) of BgSE listing agreement. These clauses deal with the composition of the board of directors, in particular with respect to executive / non-executive directors and independent directors. The company has informed that they are unable to comply with this requirement due to the ongoing litigation regarding the composition of the board because of which AGMs of the company have not been held for the financial year ended March 31, 1999 onwards till date.

Further, the company has not complied with clauses 49 VI(D) and 47(c) of BSE, DSE & ASE listing agreements and clause 51 VI(D) and 46 (c) of BgSE which deals with delegation of powers of share transfer to an officer or committee or to registrar & share transfer agents and certificate from a practicing company secretary certifying that the transfers / sub-division / consolidation / renewals etc have been effected within the stipulated time period, and the same is made available to the stock exchange. The company has informed that in view of the circumstances comprising the ongoing legal proceedings in relation to control of the company, the Company Law Board has ordered that until further orders all

decisions are to be taken by the board of directors. In these circumstances, all matters relating to share transfer etc. are being decided upon by the full board of directors and not by the share transfer committee. Hence, the company believes that it is not in a position to comply with the applicable requirements of the listing agreements.

The company's shares were trading under 'permitted to trade' category of NSE. This permission was withdrawn by NSE. The company, then applied for listing of its shares at NSE, the same was declined by NSE on the grounds that the company does not satisfy listing criteria of the exchange.

Except as stated above, the listing of the securities of the company has never been refused at any time by any stock exchanges and there has been no default of any kind of the Listing Agreement. No penalty of any kind including suspension of trading have been imposed on the company by SEBI or any other stock exchange or any other authority in India or abroad. The company's name was included in the SEBI's list for compulsory trading in demat mode. The company filed an application for exemption which is still pending. Since, the shares of the company were not dematerialized; SEBI has advised the stock exchanges that the company's shares be traded only under the "trade for trade settlement" and hence the shares are traded only in physical form.

The market prices of shares during the preceding six months on BSE are as follows:

Month	Closing High (Rs.)	Closing Low (Rs.)	Close (Rs.)
Feb-04	*	*	*
Mar-04	*	*	*
Apr-04	92.90	92.90	92.90
May-04	*	*	*
Jun-04	102.35	97.50	102.35
Jul-04	*	*	*

*no trading reported

Source: www.bseindia.com

Note: High – highest closing price during the month, Low – lowest closing price during the month, Close – closing price at the end of the last trading day of the month.

The highest and lowest closing market prices of shares during the preceding six months are Rs.102.35 and Rs.92.90 respectively.

The closing market price on the date immediately before the date of filing the LoF with BSE i.e. on August 27, 2004 is Rs.124.30.

The shareholding pattern of the company as on June 30, 2004 is as follows:

Name	% of holding
1 Indian Promoters	28.55
2 Institutional Investors	
a Mutual Funds and UTI	0.19
b Banking, Financial Institutions/Insurance Companies /FII's (Central/State Govt. Institutions, Non-Govt. Institutions)	0.10
4 Others	
a Private Corporate Bodies	48.66
b Indian Public	22.48
c NRI's / OCB's	0.02

Source: www.bseindia.com

Notes to shareholding pattern:

- Indian Promoters includes a further 3,47,400 shares (3.65%) lodged with the company for registration of transfer by McDowell & Company Ltd., a part of the promoter group. Registration of transfer of these shares is pending.
- 6,76,984 shares lodged by Phipson Distillery Ltd, consequent upon the counter offer which is subject to the orders of the Hon'ble Supreme Court of India have not been reckoned in the Promoters Holding as the transfer of these shares will depend upon orders of the Hon'ble Supreme Court of India.

Pursuant to the order dated August 1, 2003 of Securities Appellate Tribunal, Mr. K. R. Chhabria and Mr. M. D. Chhabria have made a public offer to the shareholders of the company, as per the provisions of SEBI (SAST) Regulations. UB Group, through McDowell & Company Ltd with Phipson Distillery Ltd, had announced a competitive bid as per SEBI (SAST) Regulations. The offer and counter offer have since been completed and payments made to the shareholders concerned by the offerors/ counter offerors in respect of valid acceptances. Mr. Kishore Chhabria has lodged 43,743 shares tendered in the open offer with HL for registration in his name. Phipson Distillery Limited has lodged 6,76,984 shares tendered in the counter offer, with HL for registration in its name. HL has, on legal advice, deferred consideration of transfer of the above shares lodged with it. Kindly also refer to the litigations section of UBHL (page no.262) for other details pertaining to the litigation related to control of the company.

Aventis Pharma Limited:

The company was incorporated on 2nd May, 1956 under the name Hoechst Fedco Pharma Private Limited. The name was changed to Hoechst Pharmaceuticals Private Limited with effect from 31st March, 1959. The word 'Private' was removed from the name of the company with effect from 19th April 1961 pursuant to Section 43A of the Companies Act, 1956. The name of the company was changed to Hoechst India Limited with effect from 13th June, 1984. The name was thereafter changed to Hoechst Marion Roussel Limited with effect from 1st January, 1996 and to Aventis Pharma Limited with effect from 11th July, 2001. The company is engaged in the manufacture of pharmaceuticals. The company has no business relationship with United Breweries Limited. There are no common pursuits between Aventis Pharma Limited and United Breweries Limited.

The audited financial highlights of the company are as under:

(Rs. in Lacs)

For the year	2001	2002	2003
Share Capital	2,303	2,303	2,303
Reserves (excl. Revaluation Reserve)	19,336	21,760	27,061
Sales	59,230	66,660	70,610
Profit After Tax	6,660	6,110	9,860
Earnings Per Share (Rs.)	28.92	26.53	42.80
Net Asset value (Rs. per share)	93.96	104.49	127.50

There were no important/significant notes of the Auditors as mentioned in the Auditors' Report for the aforesaid three years.

The company has not made any public or rights issue of shares in the preceding three years. The shares of the company are listed on BSE and NSE.

The listing of the securities of the company has never been refused at any time by any stock exchanges. The company has complied with all the requirements of the Listing Agreement. No penalty of any kind including suspension of trading have been imposed on the company by SEBI or any other stock exchange or any other authority in India. The equity shares of the company are being traded in demat mode.

The market prices of shares during the preceding six months on BSE are as follows:

Month	Closing High (Rs.)	Closing Low (Rs.)	Close (Rs.)
Feb-04	731.45	638.15	683.90
Mar-04	722.00	644.70	722.00
Apr-04	776.25	693.75	760.60
May-04	818.55	686.10	722.90
Jun-04	758.95	691.05	758.95
Jul-04	791.15	727.90	791.15

Source: www.bseindia.com

Note: High – highest closing price during the month, Low – lowest closing price during the month, Close – closing price at the end of the last trading day of the month.

The highest and lowest closing market prices of shares during the preceding six months are Rs.818.55 and Rs.638.15 respectively.

The closing market price on the date immediately before the date of filing the LoF with BSE i.e. on August 27, 2004 is Rs.798.70.

The shareholding pattern of the company as on June 30, 2004 is as follows:

Name	% of holding
1 Promoters	
a Indian Promoters	10.28
b Foreign Promoters	50.10
2 Institutional Investors	
a Mutual Funds and UTI	8.50
b Banking, Financial Institutions/Insurance Companies (Central/State Govt. Institutions, Non-Govt. Institutions)	18.80
3 Others	
a Private Corporate Bodies	2.26
b Indian Public	9.00
c NRI's / OCB's	1.06

Source: www.bseindia.com

UB Engineering Limited

The company was incorporated on June 12, 1970. The company's main business is heavy electrical and mechanical erection activities. There are no business relationships with UBL.

The audited financial highlights of the company are as under:

For the year	31.03.2001	31.03.2002	31.03.2003
Share Capital	1,232.61	1,232.61	1,232.61
Reserves	3,013.13	2,847.75	2,490.24
Total Income	20,546.86	13,748.08	12,199.25
Profit After Tax	(1,306.02)	(1,613.00)	(107.64)
Earnings Per Share (Rs.)	(10.60)	(13.08)	(1.66)
Net Asset value (Rs. per share)	27.67	12.21	10.10

(Rs. in Lacs)

Material / Significant Notes on accounts for the year ended March 31, 2003 *inter-alia* are: (from the Annual Report of the company)

Investment and Liability in Joint Venture for-

Investment in Qatar: The company had entered into a Memorandum of Understanding with Construction Development Company, Doha to participate in the joint business venture in the form of a Limited Liability Company to be named as UBE Qatar W.L.L (UBEQ) to perform contract work, trading and provide services in Qatar. The company's share of contribution as per the Understanding of QR 245,000 as capital was provided by a financial facility from the Construction Development Company against the corporate guarantee of the company.

RBI vide their letter dated November 22, 2001 have not approved the said joint venture arrangement and accordingly, during the year ended on 31.03.2002, the relevant entries were passed reversing the investment entry. Joint Venture parties have thus, ceased their interests in the entity.

Investment in Kuwait: The company has 49% equity interest in UB Engineering Kuwait Company, Kuwait, K.S.C (Closed), a joint venture with Thuwainy Trading Company, Kuwait. The termination of the said joint venture, by transfer of shares held by the company and adjustment of the dues payable to the joint venture partner there against, is pending requisite approval from R.B.I. This, in effect the parties to this joint venture have ceased their interest in the entity.

The company has not made any public or rights issue of shares in the preceding three years. The shares of the company are listed on BSE, PSE and NSE.

The listing of the securities of the company has never been refused at any time by any stock exchanges. The company has complied with all the requirements of the Listing Agreement except the publication of quarterly results/filing of Limited Review Report for the quarters ended June 30, 2003 and September 30, 2003 pursuant to clause 41, which remained inadvertently. No penalty of any kind including suspension of trading have been imposed on the company by SEBI or any other stock exchange or any other authority in India. The equity shares of the company are being traded in demat mode.

The market prices of shares during the preceding six months on BSE are as follows:

Month	Closing High (Rs.)	Closing Low (Rs.)	Close (Rs.)
Feb-04	4.70	3.83	4.20
Mar-04	4.83	3.01	4.83
Apr-04	5.35	3.70	3.99
May-04	4.88	2.88	3.21
Jun-04	3.40	2.82	3.00
Jul-04	3.44	2.82	3.15

Source: www.bseindia.com

Note: High – highest closing price during the month, Low – lowest closing price during the month, Close – closing price at the end of the last trading day of the month.

The highest and lowest closing market prices of shares during the preceding six months are Rs.5.35 and Rs.2.82 respectively.

The closing market price on the date immediately before the date of filing the LoF with BSE i.e. on August 27, 2004 is Rs.3.43.

The shareholding pattern of the company as on June 30, 2004 is as follows:

Name	% of holding
1 Indian Promoters	34.74
2 Institutional Investors	
a Mutual Funds and UTI	5.92
b Banking, Financial Institutions/Insurance Companies (Central/State Govt. Institutions, Non-Govt. Institutions)	3.51
3 Others	
a Private Corporate Bodies	4.10
b Indian Public	49.48
c NRI's / OCB's	2.26

Source: www.bseindia.com

Inertia Industries Limited

The company was incorporated on October 21, 1989. The company's main business is manufacture of beer. UBL has a contract brewing agreement with Inertia Industries Ltd.

The audited financial highlights of the company are as under:

(Rs. in Lacs)

For the year	31.03.2002	31.03.2003	31.03.2004
Share Capital	5,475.55	5,475.55	5,475.55
Reserves	30.96	30.96	30.95
Sales	5,088.34	6,702.53	7,597.25
Profit After Tax	(1,097.54)	(2,885.53)	(8,969.26)
Earnings Per Share (Rs.)	(2.00)	(5.27)	(16.37)
Net Asset value (Rs. per share)	1.98	(3.27)	(18.16)

Material / Significant Annexure to Auditors Report / Notes on accounts for the year ended March 31, 2004 *inter-alia* are: (from the Annual Report of the company)

The accumulated losses of the company as at 31st March, 2004 exceed fifty percent of its net worth and the company has incurred cash losses during the current and immediately preceding financial year.

Pursuant to McDowell Alcobev Limited's (MAL) acquisition of 51.753% of the equity shares (transfer of such shares has been kept on hold as per undertaking given to Securities and Exchange Board of India (SEBI) by MAL) of the company. MAL has expressed its intentions to raise finance / capital in compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. MAL has made an open offer on April 22, 2004 to acquire 25% of the equity capital of the company, which was revised to upto 35% of equity capital of the company pursuant to public announcement dated May 15th 2004. On completion of the formalities, MAL will hold in aggregate 77.784 % of the equity share capital of the company.

Pursuant to the same the accounts have been prepared on a 'going concern basis' despite continued losses and erosion of equity.

The Company has formed an Employee Stock Option Plan (ESOP) trust to which an interest free advance of Rs. 620 Lacs has been given in earlier years. The trust purchased shares of the company and as at March 31, 2004, holds 6,115,351 (Previous Year 6,115,351) equity shares of the company. The company is in the process of preparing the ESOP scheme.

Sales Tax Deferment:

The Company's unit at Dharuhera was eligible to defer sales tax collections under the sales tax deferment scheme of Haryana State Government. The entitlement certificate was, however, cancelled by the Deputy Excise & Taxation Commissioner due to alleged non-compliance of terms and conditions of the scheme. Accordingly, the department had initiated proceedings for recovery of sales tax deferment of Rs. 98.19 Lacs from 1994-95 to 1996-97 and interest thereon of Rs. 47.70 Lacs. Pursuant to above, a writ application was filed by the company in the Punjab and Haryana High Court against the order of the Tribunal to pay the aforesaid amounts. The Court has referred the matter back to Sales Tax Tribunal for reconsideration. The matter is pending before the Tribunal and meanwhile the Unit has continued to defer the sales tax collections till 24th September, 2002, and there are no deferred sales tax outstanding as on 31-03-2004. Any additional liability on account of interest, arising on this account will be provided on final settlement of the matter.

The company has not made any public or rights issue of shares in the preceding three years. The company has made preferential issue of 2,38,00,000 equity shares in 2001. The shares of the company are listed on BSE, DSE, ASE, Jaipur SE and CSE.

Note on Open Offer of Inertia Industries Ltd:

On the basis of the decision taken by MABL at its Board meeting held on May 15, 2003 and approval of its members u/s 372A of the Companies Act, 1956 obtained at the Extra-ordinary General Meeting held on that date, MABL entered into a Share Purchase Agreement (SPA) with UBL, Feedback Computers Private Ltd.(Feedback) and Accra Investments Pvt. Ltd. (Accra), to acquire an aggregate 2,83,60,853 equity shares of the company representing 51.753% of the issued capital of the company at a price of Rs.10 per share aggregating Rs.2,836.08 Lacs. The SPA triggered the provisions of Regulations 10 and 12 of SEBI Takeover Code and on May 19, 2003, MABL made a Public Announcement to acquire a further 1,36,99,985 equity shares representing 25% of the issued equity capital and 25.04% of the voting capital of the company, for cash price at Rs.10 per fully paid equity share and Rs.5 per partly paid equity share (Rs.5 paid-up).

In terms of Regulation 28(2) of the SEBI Takeover Code, MABL had deposited an amount of Rs.342.50 Lacs being 25% of the total purchase consideration payable under the open offer, in an escrow account opened with Citibank N.A. The open offer was conditionally cleared by SEBI wherein MABL had to give an undertaking stating that the SPA will be kept on hold till the unlisted shares of the company are listed on the stock exchanges. The open offer was subsequently revised by MABL to acquire 35% of the paid up capital. MABL acquired 1,42,66,860 representing 26% of the paid-up capital. The shares acquired are still in the process of transfer.

The company has stated that it has complied with all requirements of the listing agreements except as stated below:

a) Non-listing of securities of Inertia:

On DSE: Listing applications for listing of 7,71,700 and 2,38,00,000 equity shares are pending with DSE. In respect of 7,71,700 equity shares, the company has submitted all documents/information sought by DSE. However, the listing approval response of DSE is awaited. As regards listing of 2,38,00,000 equity shares, DSE has advised the company to submit listing approval of stock exchange having nationwide terminals (BSE). However, these shares are not listed on BSE. Once BSE accords its listing approval, the same will be forwarded to DSE.

On BSE: Listing applications for listing of 1,26,59,500, 62,51,100 and 2,38,00,000 equity shares allotted on preferential basis in the years 1995, 1999 and 2001 respectively are pending with BSE. BSE has sought additional documents in respect of listing of 1,26,59,500 and 62,51,100 equity shares, which are being compiled for submission. As regards listing of 2,38,00,000 equity shares, BSE shall list the same once shares allotted prior to year 2001 are listed on the exchange.

On Jaipur Stock Exchange (JSE): Listing applications for listing of 2,38,00,000 equity shares are pending with JSE. JSE has advised the company to submit the listing a permission of DSE to enable them to grant the permission.

On CSE: Listing applications for listing of 1,26,59,500, 62,51,100 and 2,38,00,000 equity shares allotted on preferential basis in the years 1995, 1999 and 2001 respectively are pending with CSE. The company has submitted all documents/information sought by CSE. CSE has asked the company to submit the listing permission of BSE to enable them to grant the permission.

On ASE: Listing applications for listing of 1,26,59,500, 62,51,100 and 2,38,00,000 equity shares allotted on preferential basis in the years 1995, 1999 and 2001 respectively are pending with ASE. The company has submitted all documents/information sought by ASE. Listing approval/response of ASE is awaited.

- b) Excess dematerialization of shares: The equity shares of the company are not uniformly listed on all stock exchanges. Therefore there was a difference in the number of equity shares listed and shares dematerialised at the end of the previous quarter (March 2004), which the difference continues in June 2004 quarter.

Disciplinary actions taken by Stock Exchanges against the company:

Delhi Stock Exchange suspended trading in the company's equity shares in May 2000 due to alleged non-compliance of clause 36 of the Listing Agreement. The company submitted its reply with the exchanges and the trading was subsequently resumed.

The Stock Exchange, Mumbai had suspended trading in the company's shares in November 1998 due to delay in compliance with clause 16 of the Listing Agreement. The exchange imposed penalty on the company, which was paid and trading was resumed on the exchange on July 12, 2002. The Stock Exchange, Mumbai had again suspended trading in the company's shares with effect from February 14, 2003. The company has requested BSE to furnish the reasons for suspension and the course of action to be followed for revocation of suspension.

SEBI vide their letter dated December 10, 2003 directed the company to show cause as to why one or more or all measures/directions under sections 11(4) and 11B of the SEBI Act, 1992, including suspension of trading of company shares on the Stock Exchanges, should not be taken for the alleged violation of Clause 24 (a) of the Listing Agreement.

The Company submitted its reply with SEBI on December 19, 2003 clarifying the position.

Non-compliance with other clauses of the listing agreements:

Clause 3 (e) – delay in issue of duplicate share certificates – 4 requests

Clause 16 – delayed notice of book closure in August 2002 – 1 instance

Clause 20 (b) – non-intimation of audited results to the stock exchanges – 1 instance pursuant to board meeting held on July 6, 2001

Clause 30 (a) – non-intimation of change in directorships – 4 instances involving a number of changes in directors

Clause 30 (c) – non-intimation of change in statutory auditors – 1 instance

Clause 31 (d) – non-intimation of AGM proceedings – 2 instances

Clause 41 – adoption of audited / unaudited results – unaudited financial results for 2 quarters were not taken on record; unaudited results for one of these quarters were not published in newspapers nor circulated to the stock exchanges. Audited financial results for the year ended March 2001 were not taken on record in the month June 2001 but infact were taken on record on July 6, 2001. The notice of re-schedulement of meeting was not sent to the stock exchanges nor published in newspapers. The board adopted the results for quarter ended September 2001 in November 2001 and did not give prior intimation to the stock exchanges to this effect.

Clause 47 (d) – non-intimation to the stock exchanges for intimation received reporting loss of shares

Clause 49 – Corporate Governance reports were not sent to all stock exchanges for the quarter ended March 31, 2002, June 30, 2002. Delay in constitution of the shareholders committee, audit committee, board of directors.

Shareholding pattern for the quarter ended June 30, 2003 was sent to the stock exchanges with a delay of 7 days in violation of clause 35 of the Listing Agreement. The company has requested the stock exchange for condoning the delay.

Compliance report on Corporate Governance for the quarter ended June 30, 2003 was sent to the stock exchanges with a delay of 7 days in violation of clause 49 of the Listing Agreement. The company has requested the stock exchange for condoning the delay.

In view of the demise of a non executive independent director on the board of Inertia Industries Limited, the number of independent directors in the board of the company has reduced to two. The deceased director was the member of audit committee also and hence the audit committee has to be reconstituted in terms of clause 49 of the Listing Agreement.

The market prices of shares during the preceding six months on BSE are as follows:

From February 14, 2003, the stocks of the company are suspended from trading from BSE as stated above and hence the share market prices for the last six months could not been disclosed.

The closing market price on the date immediately before the date of filing the LoF with BSE i.e. on August 27, 2004 is Rs.– (no trading for the same reason as stated above).

Due to the erosion of the networth of the company, it has become a “sick industrial company” within the meaning of section 3(1)(o) of the SICA Act and section 2(46AA) of the Companies Act, 1956 and the company was referred to BIFR vide letter dated June 23, 2003. However, BIFR has declined to accept the reference since the audited results were not provided with the reference.

The shareholding pattern of the company as on March 31, 2004 is as follows:

Name	% of holding
1 Indian Promoters	51.75
2 Institutional Investors	
a Mutual Funds and UTI	0.32
b Banking, Financial Institutions/Insurance Companies (Central/State Govt. Institutions, Non-Govt. Institutions)	2.28
3 Others	
a Private Corporate Bodies	11.97
b Indian Public	33.12
c NRI's / OCB's	0.56

Source: www.bseindia.com

Mangalore Chemicals & Fertilisers Limited

The company was incorporated on July 18, 1966. The company's main business is manufacture of chemicals and fertilizers. There are no business relationships with UBL.

The audited financial highlights of the company are as under:

For the year	31.03.2002	31.03.2003	31.03.2004
Share Capital	11,851.51	11,851.51	11,851.51
Reserves	4,821.68	16,732.98	17,810.63
Sales	57,118.32	56,278.83	61,421.45
Profit After Tax	1,058.50	1,334.92	1,430.12
Earnings Per Share (Rs.)	0.84	1.09	1.21
Net Asset value (Rs. per share)	14.07	24.12	25.03

(Rs. in Lacs)

Material / Significant Notes on accounts for the year ended March 31, 2004 *inter-alia* are: (from the Annual Report of the company)

1) Other Contingent Liabilities: In compliance with the directions of the Debt Recovery Tribunal (DRT), Chennai dated 25.9.2002, and as provided in the BIFR approved scheme, Rs.4.39 crores has been deposited in an escrow account with Allahabad Bank towards settlement of their dues under the lease transaction. The full discharge from the bank is yet to be received and the management does not anticipate any significant liability in this regard.

2) Claims against the Company not acknowledged as debt:

(Rs. in Lacs)

	2003-04	2002-03
i) Disputed arrears of Electricity charges, under appeal by KPTCL	238.58	238.58
ii) Disputed interest on Water charges, under appeal	—	—
iii) Claims of MMC Contractor pending in Court	2.86	2.86

MCF was referred to BIFR as a sick company on July 28, 1994. The scheme of rehabilitation was sanctioned on December 1, 2000. The company has not made any public or rights issue of shares in the preceding three years. However, the company has allotted 200 Lacs shares to United Breweries (Holdings) Limited in pursuance of a rehabilitation scheme sanctioned by BIFR on December 1, 2000. The shares of the company are listed on BSE, BgSE, MgSE and MSE.

The listing of the securities of the company has never been refused at any time by any stock exchanges. There has been no default of any kind of the Listing Agreement. No penalty of any kind including suspension of trading have been imposed on the company by SEBI or any other stock exchange or any other authority in India or abroad. The equity shares of the company are being traded in demat mode.

The market prices of shares during the preceding six months on BSE are as follows:

Month	Closing High (Rs.)	Closing Low (Rs.)	Close (Rs.)
Feb-04	59.00	51.90	53.50
Mar-04	60.25	47.10	54.60
Apr-04	60.50	55.65	56.60
May-04	57.50	36.20	43.75
Jun-04	45.15	33.55	37.80
Jul-04	47.55	36.35	47.55

Source: www.bseindia.com

Note: High – highest closing price during the month, Low – lowest closing price during the month, Close – closing price at the end of the last trading day of the month.

The highest and lowest closing market prices of shares during the preceding six months are Rs.60.50 and Rs.33.55 respectively.

The closing market price on the date immediately before the date of filing the LoF with BSE i.e. on August 27, 2004 is Rs.6.78.

The shareholding pattern of the company as on June 30, 2004 is as follows:

Name	% of holding
1 Indian Promoters	30.45
2 Persons Acting in Concert	0.41
3 Institutional Investors	
a Mutual Funds and UTI	2.60
b Banking, Financial Institutions/Insurance Companies /FII's (Central/State Govt. Institutions, Non-Govt. Institutions)	23.54
4 Others	
a Private Corporate Bodies	3.89
b Indian Public	38.96
c Any other	0.15

Source: www.bseindia.com

Information of other listed group companies restricted to non-compliance with listing requirements

Castle Breweries Ltd.

The listing of any securities of the company has never been refused at any time by any Stock Exchange.

The listing details of the Company is as under:

Listing at	:	Calcutta Stock Exchange Ltd., Kolkata
Regional Stock Exchange	:	Calcutta Stock Exchange Ltd.
Year of Listing	:	September 1974
Trading in compulsory Demat mode	:	No

The company has been referred to BIFR and due to work suspension, the factory is closed since 08.08.98 and hence the Listing fee @ Rs.10,500/- per year is not paid from 1999-2000 onwards. However, the company has not received any official communication for de-listing of shares from Calcutta Stock Exchange Limited.

The company has been referred to the Board for Industrial and Financial Reconstruction (BIFR) and vide its order dated January 15, 2004, the BIFR has recommended winding up of the company and has referred the same to High Court of Calcutta. The matter came up for hearing before the High Court of Calcutta on May 17, 2004, on which date the Court stated that Castle Breweries Ltd. is wound up under the provisions of the Companies Act, 1956 and directed the Official Liquidator to take possession of the assets forthwith. The affairs of company now vests with the Official Liquidator and the assets/liabilities etc. also vest with him, till the affairs of the company are scrutinized.

The following requirements of the Listing Agreement have not been complied with from 1999 onwards:

Annual Filing of Financial Statements (Annual report, Notice & Explanatory Statement)

Filing of Shareholding Pattern / Distribution Schedule

Filing of Quarterly, Half yearly and Annual results

All intimations to stock exchanges in terms of the Listing Agreement

Declaration with regard to Promoters / Persons Acting in Concert as required under regulation 8 of the Takeover Code.

United Van Der Horst Ltd.

The listing of any securities of the company has not been refused at any time by any Stock Exchange.

The listing details of the company is as under:

Listing at	:	The Stock Exchange, Mumbai
Regional Stock Exchange	:	The Stock Exchange, Mumbai
Year of Listing	:	1990
Trading in compulsory Demat mode	:	No

The company has complied with all the requirements of the Listing Agreement of BSE except that the board of directors do not include the requisite number of independent directors.

Variegate Trading Limited

The company was incorporated on August 20, 1999. It is a wholly owned subsidiary of UBHL. The company's main business *interalia* is to be engaged in the business of merchandise, traders, imports and exports in merchandising goods, products, machinery, equipment and other products. It is not a listed company. The financial information mentioned below is being disclosed because the company has given a put option to ROCPS holders as mentioned on page no.22 under the heading 'Put Option and Corporate Guarantee'.

The audited financial highlights of the company are as under:

	(Rs. in Lacs)			
For the year	31.03.2001	31.03.2002	31.03.2003	31.03.2004
Share Capital	0.00*	0.00*	5.00	5.00
Reserves	0.00	0.00	0.00	0.00
Total Income	0.00	0.00	0.00	0.00
Total Expenses	0.09	0.16	0.16	0.41
Profit After Tax	(0.09)	(0.16)	(0.16)	(0.41)
Earnings Per share (Rs.)	(4,508)	(8,030)	(0.94)	(0.82)
Net Asset value (Rs. per share)	(12,858)	(19,688)	8.95	8.17

* the share capital was Rs. 20 for 31.03.2001 and 31.03.2002 and subsequently increased to Rs.5 Lacs

The company has not made any public or rights issue of shares in the preceding three years. The shares of the company are not listed on any stock exchanges.

The shareholding pattern of the company is as follows:

Name	% of shareholding
UBHL & its nominees	100%

Subsidiaries of the Company

Associated Breweries & Distilleries Limited

The Company was incorporated on June 16, 1995. It was acquired by UB Group on January 19, 2001. It became subsidiary of UBL in July 2001 on account of acquisition of 2,60,000 equity shares of ABDL from UB General Investments Limited. The company is not a listed company. The company is referred to BIFR upon complete erosion of their network.

The company's main business is manufacturing and dealing in all kinds of beer and ales. The company has a contract brewing arrangement with UBL.

Since the management control of ABDL was taken over by the UB Group in the year January 19, 2001, the company had made a representation to the Board for Industrial and Financial Reconstruction (BIFR) vide letter dated November 22, 2002 stating that the present management shall not require any rehabilitation package/concessions from BIFR and would be rehabilitating the company on its own expertise and as such it does not require any concession, in this regard, from BIFR. Hence the company has not filed Form A which is required to be filed while making reference under section 15 of SICA. ABDL has sought a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending clarification, no action has been taken in this regard.

The audited financial highlights of the company are as under:

(Rs. in Lacs)

For the year	31.03.2002	31.03.2003	31.03.2004
Share Capital	2,940.00	2,940.00	2,940.00
Reserves	(4,533.32)	(5,137.59)	(5,561.73)
Total Income	1,536.85	1,885.90	2,235.51
Profit After Tax	(1,017.83)	(789.06)	(608.96)
Earnings Per Share (Rs.)	(254.46)	(197.27)	(152.24)
Net Asset value (Rs. per share)	(1,033.34)	(1,184.40)	(1,290.43)

The company has not made any public or rights issue of shares in the preceding three years. However, the company has issued preference shares aggregating Rs.2,540 Lacs to UBL in March 2001. The shares of the company are not listed on any stock exchanges.

The shareholding pattern of the company is as follows:

Name	% of shareholding
UBL	65%
Individuals and Bakhtawar Construction Co. Pvt. Ltd.	35% *

* UB General Investments Limited (a subsidiary of UBHL) has, under an Agreement with the erstwhile promoters of ABDL, granted a put option to the erstwhile promoters of ABDL under which UBGL is required to acquire 35% of the shares of ABDL at an aggregate price of Rs.20.47 crores. Since the Company has acquired the shares of ABDL from UB General Investments Limited, it is obligated to honour the put option when exercised by the erstwhile promoters of ABDL. The erstwhile promoters of ABDL have exercised the put option vide letter dated February 24, 2003 and the Company had upto 180 days time to pay the put option price and acquire the 35% equity of ABDL. The put option is backed by a corporate guarantee given by UBHL. The Company has not made this payment so far. Upon the completion of this transfer ABDL will become a 100% subsidiary of UBL. The management of UBL is in discussion with the holders of put option to work out a mutually acceptable rescheduling of the liability. The holders of put option have agreed for the rescheduling of the liability provided the revised put option price, as may be agreed upon, is paid to them. The Company has sought its members' approval for the revised put option price (not exceeding Rs.3,500 Lacs).

London Drafts Pubs Private Limited

The company was incorporated on January 3, 1992. It is a wholly owned subsidiary of ABDL. The company's main business *interalia* is to carry on business of beer, Pub, licensed victuallers, wine, beer and spirit merchants, brewers, malters and distillers. The company was primarily doing billing of service charge on draft beer sale on ABDL's customer for servicing Dispensing Unit at various outlets in Mumbai and Pune and was spending on expense incurred in Servicing Dispensing Units. However, during the last two years, no activities are being carried on in this company after the take over of holding company by UB Group. It is not a listed company.

The audited financial highlights of the company are as under:

For the year	(Rs. in Lacs)		
	31.03.2002	31.03.2003	31.03.2004
Share Capital	1.00	5.00	5.00
Reserves	(9.96)	(9.84)	(10.71)
Total Income	3.12	1.59	0.07
Profit After Tax	(4.18)	0.52	(0.88)
Earnings Per share (Rs.)	(0.42)	0.01	(1.76)
Net Asset value (Rs. per Share)	(89.60)	(9.68)	(11.42)

The company has not made any public or rights issue of shares in the preceding three years. The shares of the company are not listed on any stock exchanges.

The shareholding pattern of the company is as follows:

Name	% of shareholding
ABDL & its nominees	100%

London Pilsner Breweries Private Limited (LPPL)

The company was incorporated on September 27, 1995. It is a wholly owned subsidiary of ABDL. The company is not a listed company. The company's main business *interalia* is to trade and carry on business as manufacturers of and dealers in all kinds of beer, sales and the like; to trade and carry on business in the like manner as brewers, maltsters and hop growers; ale, stout and porter merchants, agents and distributors; barley and general raisers, importers, driers and merchants; manufacturers of and dealers in yeast, finings, isinglass and other drawers, requisites. However, during the last two years, no activities are being carried on in this company after the take over of holding company by UB Group. It is not a listed company.

It has land at Goa and all expense incurred are capitalized to project cost. Since company has not carried out any activity, no depreciation was provided in books.

As on March 31, 2004, company has debit balance of Preliminary Expenses of Rs.62,570/-. The issued and paid up share capital of the company is Rs.5 Lacs.

The shareholding pattern of the company is as follows:

Name	% of shareholding
ABDL & Nominees	100%

Mangalore Breweries & Distilleries Limited

The company was incorporated on February 11, 1993. The company is a subsidiary of UBL. The company was subsequently acquired by the UB Group on March 23, 2001 and became a subsidiary of the UBL in July 2001 on account of acquisition of equity shares of MBDL from UB General Investments Limited. The company is referred to BIFR upon complete erosion of their network. The company is not a listed company.

The company's main business is manufacturing and dealing in all import and export of liquors. The company has a contract brewing arrangement with UBL.

Since the management control of MBDL was taken over by the UB Group in the year 2001, the company had made a representation to the Board for Industrial and Financial Reconstruction (BIFR) vide letter dated November 13, 2001 stating that the present management shall not require any rehabilitation package/concessions from BIFR and would be rehabilitating the company on its own expertise and as such it does not require any concession, in this regard, from BIFR. Hence the company has not filed Form A which is required to be filed while making reference under section 15 of SICA. MBDL has sought a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending clarification, no action has been taken in this regard.

The audited financial highlights of the company are as under:

(Rs. in Lacs)

For the year	31.03.2002	31.03.2003	31.12.2004
Share Capital	998.00	998.00	998.00
Reserves	(2,372.46)	(2,648.64)	(2,942.97)
Total Income	1,547.00	2,407.00	3,932.78
Profit After Tax	(539.38)	(276.63)	(294.78)
Earnings Per Share (Rs.)	(5.40)	(2.77)	(2.95)
Net Asset value (Rs. per share)	(13.77)	(16.54)	(19.49)

The company has not made any public or rights issue of shares in the preceding three years. The shares of the company are not listed on any stock exchanges.

The shareholding pattern of the company is as follows:

Name	% of shareholding
UBL	98.15
Individuals	1.85

Other ventures of the Company

As mentioned earlier, MABL which was earlier a 100% subsidiary of the Company, is now a joint venture between UBL, S&N India and Accra Investments Private Limited. UBL and S&N India hold 40% each in MABL while Accra holds 20%. The objective of the joint venture is to emerge as a major player in the brewing industry by gaining access to all the key Indian markets through acquisition of existing breweries, or greenfield projects or through securing toll brewing contracts with existing breweries. MABL has two wholly owned subsidiaries which it recently acquired, GMR Beverages & Industries Limited, having a brewery in Andhra Pradesh and Empee Breweries Limited having breweries in Tamil Nadu and Kerala.

MABL was incorporated in 1999. MABL is an unlisted, closely held company.

Brief financials of the company are as follows:

(Rs. in Lacs)

For the year	31.03.2002	31.03.2003	31.12.2004
Share Capital	0.01	5.00	15,675.44*
Reserves	(40.46)	(1,204.68)	6,905.64
Total Income	79.75	882.01	1,024.94
Profit After Tax	(40.46)	(1,164.21)	(1,810.71)
Earnings Per share (Rs.) (Basic)	(50,575.00)	(2,328.42)	(11.80)
Net Asset value (Rs. per share)	(50,565.00)	(2,399.36)	3.46

* Includes Preference Capital of Rs.14,140.44 lacs

The paid up share capital of MABL is Rs.1,56,75,43,900, divided into (a) 1,53,50,000 equity shares of Rs.10 each aggregating to Rs.15,35,00,000 (b) 1,28,00,439 0% Series "A" Convertible Redeemable Preference Shares ("CRPS") of Rs.100 each aggregating to Rs.1,28,00,43,900 and (c) 1,340,000 0% Series "B" CRPS of Rs.100 each aggregating to Rs.13,40,00,000.

On May 15, 2003 MABL entered into a share purchase agreement with UBL, Feedback Computers Private Limited and Accra Investments Private Limited to purchase 28,360,853 shares of Inertia Industries Limited (representing 51.75% of the issued share capital of Inertia Industries Ltd) being held by them. MABL then made a public announcement on May 19, 2003, as required under the SEBI (SAST) Regulations, for acquiring a further 13,699,985 equity shares representing 25% of issued capital and 25.04% of voting capital of Inertia Industries Limited from the public. The public offer under this public announcement was scheduled to open on July 16, 2003 but had been delayed. SEBI had called for some additional information / clarifications and advised the manager to the offer – Ambit Corporate Finance Pvt. Limited – not to proceed with the offer. Subsequently, SEBI vide their letter dated March 31, 2004 addressed to the manager to the offer have asked to proceed with the open offer process.

As required by SEBI, the company has given a fresh undertaking dated 15th April 2004 to SEBI stating that the company will comply with the SEBI (Substantial Acquisition of Shares & Takeover) Regulations / other applicable Regulations under the SEBI Act, 1992 and the Share Purchase Agreement dated 15th May 2003 entered into between United Breweries Ltd., Feedback Computers Pvt. Ltd. and Accra Investments Pvt. Ltd. with McDowell Alcobev Private Limited will be kept on hold till the shares of Inertia Industries Limited are listed on the Stock Exchanges and other matters related to listing are resolved.

The Open Offer for acquisition of 25% of the equity share capital of Inertia Industries Limited had opened on 22nd April, 2004 and ended on 21st May 2004. On 11th May 2004 the open offer was revised to acquire 35% of the equity share capital of Inertia Industries Limited. The company has made payments to the shareholders who have submitted the shares in the open offer. However, transfer of the shares in the name of the company is in the process.

Pursuant to the approval by the Board of Directors at its meeting held on 27th January 2004, and approval by the respective Boards of Directors of GMR Beverages and Industries Limited and Empee Breweries Limited at their meeting held on 28th January 2004, the company has filed a petition in the Honourable High Court of Judicature at Madras/Andhra Pradesh for merger of its wholly owned subsidiaries, Empee Breweries Limited and GMR Beverages and Industries Limited, with the company with effect from 1st July 2002 which is pending admission by the court. Consequently, no effect of the merger/ operations has been given in preparing the accounts of the company.

During the year, the company received a request from the Board of Directors of its wholly owned subsidiaries GMR Beverages and Industries Limited and Empee Breweries Limited requesting the company not to charge interest on monies advanced to them. Considering the financial condition of its wholly owned subsidiaries and since the company has already started the process of merger of its subsidiaries with itself, the Board of Directors of the company at its meeting held on 27th January, 2004, has acceded to the request and consequentially no interest has been charged by the company to its wholly owned subsidiaries during the year for the monies advanced to them.

UBL has committed to invest a further Rs.40 crores in MABL, by way of subscription to non-voting capital, over the next two years – Rs.30 crores by December 31, 2003 and a further Rs.10 crores by May 8, 2004. As against this commitment, UBL advanced Rs.2,000 Lacs as subscription money towards 0% convertible redeemable preference shares of Rs.100 each in the month of February 2004 and March 2004. The details are as follows:

Date of allotment	March 31, 2004
Coupon rate	0%
Terms of conversion into Equity	Each CRPS will be converted into non-voting equity shares on or before May 7, 2005
Conversion price	Rs.87.95

The share certificates were physically received by UBL vide letter dated June 11, 2004 from McDowell Alcobev Private Limited.

Further, during the quarter ended June 2004, the Company has subscribed Rs. 1,000 Lacs to the preference capital of McDowell Alcobev Private Limited (earlier known as McDowell Alcobev Ltd.).

Information on other companies promoted by MABL

Name of Company : GMR Beverages & Industries Ltd.("GMR")
Date of Incorporation : November 13, 2000
Nature of Business : Manufacturing of Beer

(In Rs.Lacs)

	13.11.2000 to 12.02.2002 (Audited)	March 31, 2003 (Audited)	March 31, 2004 (Audited)
Equity capital	2,000.00	2,000.00	2,000.00
Reserves (excluding revaluation reserves)	(36.00)	(195.90)	(93.40)
Total Income	3,924.52	4,275.9	3,672.3
Profit After Tax (PAT)	(35.95)	(197.17)	102.55
Earnings Per Shares (EPS)	(0.18)	(0.88)	0.51
Net Asset Value (NAV) per share	9.8	9.01	9.53

GMR is not a sick industrial company.

Pursuant to the approval by the Board of Directors at its meeting held on 28th January, 2004, and approval by the Board of Directors of McDowell Alcobev Private Limited (formerly McDowell Alcobev Limited) at its meeting held on 27th January,

2004, the company has filed a petition in the Honourable High Court of Andhra Pradesh for merger of the company, with the holding company McDowell Alcobev Private Limited (Formerly McDowell Alcobev Limited) with effect from 1st July, 2002 which is pending admission by the court. Consequently, no effect of the merger/operations has been given in preparing the accounts of the company. In view of above the Board of Directors of the company, requested the holding company not to charge interest on monies borrowed from them. The Board of Directors of the holding company at their meeting held on January 27, 2004, accorded approval to the request and consequentially no interest has been charged by the holding company.

B) Name of Company : Empee Breweries Ltd.
Date of Incorporation : December 16, 1985
Nature of Business : Manufacturing of Beer

Rs.Lacs

	March 31, 2002* (Audited)	March 31, 2003 (Audited)	March 31, 2004 (Audited)
Equity capital	582.5	582.5	582.5
Reserves (excluding revaluation reserves)	—	(553.60)	(459.22)
Total Income	—	2,781.85	4,435.90
Profit After Tax (PAT)	—	(460.62)	76.62
Earnings Per Shares (EPS)	—	(7.91)	1.28
Book value per share	10.0	9.99	3.37

Empee is not a sick industrial company.

* There are no Profit & Loss A/c for the year ending 2002, since Empee Breweries Limited had not commenced commercial production in this year.

There are no other ventures of the Company except as disclosed above. None of the above entities is under winding up.

There are no common pursuits among the Company, group companies, partnerships, sole proprietorships or other business entities which are promoted by or belong to or are related to the promoters of UBL or the promoter group of UBL except the following:

ABDL, MBDL, LPBPL, LDPPL, McDowell Alcobev Private Limited, GMR Beverages & Industries Ltd, Empee Breweries Ltd, Inertia Industries Limited, Castle Breweries Limited, United Breweries Nepal Pvt. Ltd and UB Global Corporation Ltd. are into the same line of business i.e. brewing and sale of beer. Given the intense competition in this market, there could be a potential conflict of interest amongst the group companies.

Companies belonging to Promoter Group, for whom application have been made for striking off / names have been struck off from the Registrar of Companies

1. Mines Exploration India Limited - the company stood dissolved with effect from February 9, 1999
2. UB Mining Limited - the company stood dissolved with effect from February 9, 1999
3. UB Petrochemicals Limited - the company stood dissolved with effect from November 16, 2001
4. UB Hoppeckke Energy Products Limited - the company stood dissolved with effect from November 19, 2001
5. UB Resorts Limited - the company stood dissolved with effect from November 21, 2001
6. UB Carlsberg Limited - the company stood dissolved with effect from November 21, 2001
7. Kingfisher.Net Limited- the company stood dissolved with effect from December 27, 2002
8. Kingfisher Networks Limited - the company stood dissolved with effect from December 27, 2002
9. Bluepearl Internet Group Limited - the company stood dissolved with effect from December 27, 2002
10. Kingfisher Finvest Private Limited - the company stood dissolved with effect from December 27, 2002
11. Kingfisher Sports Gear Private Limited - the company stood dissolved with effect from December 27, 2002

12. Jet Airbase & Maintenance Private Limited - approval of the Registrar of Companies, West Bengal, Calcutta is awaited
13. Kingfisher.Com Limited - approval of the Registrar of Companies, Karnataka is awaited
14. Cardboard Industries Limited - approval of the Registrar of Companies, Karnataka is awaited

Companies from which the Promoters disassociated in the last three years:

UB Distilleries Limited and Seven Seas Distilleries Limited, which formed part of Promoter Group / PAC, are no longer reflected as part of the Promoter Group / PACs in the stock exchange filings by the Company. Please refer page no.11 .

H Parsons Private Limited, ceased to be a Promoter Group company in September 2003.

Details of Companies of the Promoter Group referred to BIFR/Under Winding Up/having Negative Net Worth

Referred to BIFR/under winding up:

1. Associated Breweries and Distilleries Limited
2. Mangalore Breweries and Distilleries Limited
3. Inertia Industries Limited
4. Castle Breweries Limited

Having Negative networkth:

1. UB General Investments Limited
2. UB Information & Consultancy Services Ltd.
3. United Breweries (Holdings) Limited*

* As per the notes to accounts of UBHL for 2003-04, the value of land under property development as carried in the books exceeds the original cost by Rs.16,607 Lacs and the market value of quoted investments as on the Balance Sheet date was significantly higher than its book value by Rs.18,287 Lacs, the Company's net worth is positive

Particulars regarding the listed companies under the same management within the meaning of section 370 (1B) which have made any capital issue during the last three years

Inertia Industries Limited:

The company has made preferential issue of 2,38,00,000 equity shares in 2001.

Mangalore Chemicals & Fertilisers Limited:

The company has allotted 200 Lacs shares to United Breweries (Holdings) Limited in pursuance of a rehabilitation scheme sanctioned by BIFR on December 1, 2000.

McDowell Alcobev Private Limited:

In 2003-04, the company has made preferential issue of 12,800,439 0% Series "A" Convertible Redeemable Preference Shares of Rs. 100/- each convertible into non-voting equity shares at the end of 24 months from the date of issue in accordance with SEBI/RBI guidelines and 1,340,000 0% Series "B" Convertible Redeemable Preference Shares of Rs. 100/- each convertible into non-voting equity shares at the end of 24 months from the date of issue in accordance with SEBI/RBI guidelines.

XI. Stock Market Data for Equity Shares of the Company

The Company's Equity Shares are regularly traded on BSE. The shares of the Company were not listed on any stock exchanges and got listed only pursuant to the Scheme of Arrangement (demerger). The Company received approval for listing of its shares from the stock exchanges on the following dates:

Stock Exchange	Listing Approval obtained on
The Stock Exchange, Mumbai (Designated Stock Exchange)	October 23, 2002
The Ahmedabad Stock Exchange Association Limited	November 8, 2002
The Bangalore Stock Exchange Association Limited	October 17, 2002
The Calcutta Stock Exchange Association Limited	September 18, 2002
The Cochin Stock Exchange Association Limited	October 21, 2002
The Delhi Stock Exchange Association Limited	October 23, 2002
The Hyderabad Stock Exchange Association Limited	October 23, 2002
The Ludhiana Stock Exchange Association Limited	October 21, 2002
The Madras Stock Exchange Association Limited	October 25, 2002

Hence the stock market information is available only from the date of receipt of trading permissions from the stock exchanges. As per the certificates issued by the respective stock exchanges, the Equity Shares of the Company have not been traded since been listed except for BSE and thinly traded on the stock exchange at Kolkata.

(i) The movement in the share price of the Company on BSE being the Designated Stock Exchange is as below:

Period	High (Rs.)	Date of High	Volume on the date of High	Low (Rs.)	Date of Low	Volume on the date of Low	Average (Rs.)	No. of shares	Total Value (Rs. in Lacs)
Nov-02	129.05	4-Nov-02	265	115.00	7-Nov-02	1,760	122.03	35,255	42.42
Dec-02	130.00	3-Dec-02	5,724	113.25	31-Dec-02	64,694	121.63	6,63,849	814.51
Jan-03	118.00	1-Jan-03	1,721	89.90	24-Jan-03	2,167	103.95	3,55,983	365.47
Feb-03	99.20	3-Feb-03	242	88.20	27-Feb-03	890	93.70	79,657	74.23
Mar-03	90.00	4-Mar-03	1,35,581	70.30	28-Mar-03	1,650	80.15	1,54,499	136.49
Apr-03	85.00	25-Apr-03	1,627	73.00	1-Apr-03	2,709	79.00	1,22,833	98.50
May-03	100.15	22-May-03	2,555	80.60	2-May-03	502	90.38	53,060	45.86
Jun-03	103.50	10-Jun-03	4,218	86.55	5-Jun-03	4,551	95.03	53,480	51.89
Jul-03	113.10	2-Jul-03	8,868	95.15	23-Jul-03	233	104.13	38,980	40.81
Aug-03	106.10	4-Aug-03	2,577	96.30	29-Aug-03	1,812	101.20	1,96,899	197.93
Sep-03	107.00	16-Sep-03	3,021	87.50	4-Sep-03	923	97.25	61,053	59.56
Oct-03	113.00	9-Oct-03	2,877	95.60	30-Oct-03	2,748	104.30	1,91,278	197.64
Nov-03	118.15	10-Nov-03	32,044	93.00	4-Nov-03	4,671	105.58	4,69,647	535.80
Dec-03	148.60	11-Dec-03	10,433	110.00	2-Dec-03	1,379	129.30	1,08,723	139.34
Jan-04	137.30	5-Jan-04	5,580	95.65	30-Jan-04	2,213	116.48	3,43,517	408.98
Feb-04	97.30	25-Feb-04	8,612	84.85	16-Feb-04	2,190	91.08	90,021	78.46
Mar-04	96.75	10-Mar-04	11,715	91.00	1-Mar-04	10,410	91.08	1,42,290	132.79
Apr-04	102.00	16-Apr-04	1,532	96.05	5-Apr-04	3,075	93.88	54,640	53.82
May-04	102.80	13-May-04	2,272	90.00	31-May-04	1,300	99.03	1,05,946	105.61
Jun-04	96.00	8-Jun-04	240	81.25	24-Jun-04	225	96.40	2,72,617	257.30
Jul-04	89.25	26-Jul-04	180	81.20	12-Jul-04	2,070	88.63	17,207	14.67

Source: Capitaline / BSE

(ii) The closing market price of the Equity Share of the Company on January 22, 2003 on the next day from the date on which the Shareholders approved the Issue (i.e. January 21, 2003) was Rs.100/- per share of face value Rs.10/- each.

The Registrars have confirmed that, as per the records maintained by them, during the six months, i.e. prior to filing the LoF with SEBI, the promoters, their relatives and associates and the directors of the UBL have not purchased or sold any securities of the Company held in the physical form and in case of securities held in demat folios based on the weekly beneficiary position downloaded from the depositories. They have further confirmed that subsequent to the date of filing with SEBI till date, there have been no transactions in the securities of the Company held by any of the above referred persons/entities.

The Equity Shares of the Company started trading on ex-rights basis from August 18, 2004 on BSE. The ex-rights closing price on August 18, 2004 was Rs.95.10 on BSE.

XII. Promises versus Performance in respect of previous issues

The Company has not made any rights or public issue.

Promise v/s performance - Listed ventures - last one issue

UBHL had made a public-cum-rights issue in November 1993. A brief description of the promise v/s performance as made in that offer document is given below:

Promise (Financial projections)

(Rs. in Lacs)				
Sl. No.	Particulars	1993 – 1994	1994 – 1995	1995 – 1996
1	Gross Sales	13,960	17,140	18,806
2	PBDIT	5,271	5,267	5,146
3	PBT	2,054	2,609	2,775
4	PAT	1,454	1,619	1,715
5	Dividend	20%	20%	20%

Performance (Financials)

(Rs. in Lacs)			
Sl. No.	Particulars	01.04.1993 – 30.09.1994 (18 Months)	01.10.1994 – 31.03.1996 (18 Months)
1	Gross Sales	31,983	29,763
2	PBDIT	5,091	4,212
3	PBT	3,319	2,733
4	PAT	2,719	2,733
5	Dividend	20%	30%

UB Engineering Limited

- Type of Issue and Issue Size: 50,56,580 equity shares of Rs.10 each at a premium of Rs.4 per equity share out of which 48,15,790 equity shares were offered to the existing shareholders of the company on rights basis and 2,40,790 equity shares were offered to the employees of the company.
- Issue Closed on: February 8, 1991.
- Objects of the Issue: To meet capital expenditure and long term working capital requirements of the company.
- Cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the offer document: Not specified in the letter of offer.
- Projections made in the offer document and actual achievement of the same: As the issue was not made to finance particular project/s no projections/schedules were given in the letter of offer.

Inertia Industries Limited

- **Type of Issue and Issue Size:** Public Issue of 70,00,000 equity shares of Rs.10 each
- **Issue Closed on:** March 21, 1994
- **Objects of the Issue:**
 - To part finance setting up of Brewery and Malt project.
 - To meet expenses of the issue
 - To get the equity shares listed on the recognized stock exchanges

● **Cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the offer document:**

Cost of project & Means of finance:

	Rs. in Lacs
Land and site development	123.43
Building	372.93
Plant & Machinery (Indigenous)	600.15
Misc. Fixed Assets	17.00
Pre-operative & Capital Issue expenses	143.00
Contingencies	34.42
Margin money for working capital	212.51
Total	1,503.44
Means of Finance	
Equity share capital	
- Promoters*	475.80
- Public	700.00
Unsecured loans**	277.64
Internal accruals	50.00
Total	1,503.44

* the promoters have already brought in their full contribution and the shares have already been allotted to them.

**the unsecured loans are interest free loans from the promoters, their friends and relatives and have already been brought in.

Schedule of implementation:

Activities	Status of completion as per company
Brewery Project :	
Acquisition of Land	August 1992
Development of Land	October 1992
Building	April 1993
Plant & Machinery	May 1993
Trial Production	September 1993
Commercial	Already commenced on September 30, 1993
Malt Project :	
Acquisition of Land	August 1992
Development of Land	October 1992
Building	April 1994
Plant & Machinery	April 1994
Trial Production	May 1994
Commercial Production	May 1994

● **Projections made in the offer document and actual achievement of the same :**

	1994		1995		1996		1997	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Sales	1,030.86	677.7	2,273.96	3,099.78	2,478.04	3,859.8	2,536.85	1,671.79
Raw Material	224.67	410.85	431.67	1,580.69	476.96	1,790.6	509.39	931.41
PBDIT	244.61	132.03	814.37	510.43	906.31	293.38	924.41	-699.85
Depreciation	35.13	28.64	86.01	57.44	86.01	66.82	86.01	47.66
Interest	49.39	-	93.63	-	101.49	-	103.49	-
Profit before tax	160.09	103.39	634.73	452.99	718.81	226.56	734.91	-747.51
Tax	28.71	-	190.91	-	223.3	-	222.27	-
Profit after tax	131.38	103.39	443.82	452.99	495.51	226.56	512.64	-747.51
Dividend	50.89	50.89	181.34	191.83	181.34	-	181.34	-
Share Capital	1,208.93	1,208.93	1,208.93	1,208.93	1,208.93	1,208.93	1,208.93	1,208.93
Reserves	138.34	-	400.82	34.25	714.99	-	1,046.29	-
Net worth	1,347.27	-	1,609.75	-	1,923.92	-	2,255.22	-
EPS	2.45	-	3.67	-	4.1	-	4.24	-
Book value per share	11.14	-	13.31	-	15.91	-	18.65	-

Aventis Pharma Limited

The public issue of shares was made by the company in 1984 when 1,91,538 equity shares of Rs. 100 each were offered to the public with a view to reducing the stake of Hoechst AG of Germany from 50% to 40%. A preferential issue of shares was made in 1994 to Hoechst AG to enable it to increase its shareholding from 40% to 50.1%. 1,938,411 equity shares of Rs. 10 each were issued to Hoechst AG at a premium of Rs. 60 per share.

United Van Der Horst

- Type of issue and issue size: 6,25,000 equity shares of Rs.10 each at par out of which 1,25,000 equity shares were reserved to preferential allotment to the employees and workers of the company.
- Date of close of issue: October 16, 1989
- Objects of the issue:
 - To set up plant for the restandardising, reconditioning remanufacturing equipment rentals and parts exchange service.
- Cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the offer document:
 - Cost: Rs.635 Lacs
 - Projected Implemented on: February 14, 1990
 - Projections made in the offer document and actual achievement of the same: No projections made in the prospectus

Mangalore Chemicals & Fertilizers Limited

- Type of issue and issue size: 2,58,33,071 equity shares of Rs.10 each at par out of which 2,46,02,925 equity shares were offered to the existing shareholders of the company on rights basis and 12,30,146 equity shares were offered to the employees (including Indian working directors/ workers) of the company.
- Date of closure of the issue: January 8, 1991
- Objects of the issue: To meet long term working capital requirements of the Company.
- Cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the offer document: Not specified in the letter of offer.

- Projections made in the offer document and actual achievement of the same : Not specified in the letter of offer

McDowell & Company Limited

No public/rights issue has been made by this entity.

Castle Breweries Limited

Public issue was made in early 1970's, possibly 1974. No records are available now. The company has been referred to the Board for Industrial and Financial Reconstruction (BIFR) and vide its order dated January 15, 2004, the BIFR has recommended winding up of the company and has referred the same to High Court of Calcutta. The matter came up for hearing before the High Court of Calcutta on May 17, 2004, on which date the Court stated that Castle Breweries Ltd. is wound up under the provisions of the Companies Act, 1956 and directed the Official Liquidator to take possession of the assets forthwith. The affairs of company now vests with the Official Liquidator and the assets/liabilities etc. also vest with him, till the affairs of the company are scrutinized.

Herbertsons Limited:

Herbertsons Limited made a public issue of:

- 3,60,000 15% secured redeemable partly convertible debentures of Rs.300/- each, aggregating to Rs.10,80,00,000/;
- 2,00,000 17% secured redeemable non-convertible debentures of Rs.100/- each, aggregating to Rs.2,00,00,000/-;

with permission to retain over subscription upto 15%. The issue opened on February 12, 1992.

A. Objects of the public issue:

The primary object of the issue was to generate long term resources to meet the company's working capital requirements and to part finance normal capital expenditure, the summary break of which is as under:

	(Rs. in lacs)
Long Term working capital requirements	1,000
Normal capital expenditure	200
Issue expenses	80
Total	1,280

B. Cost and progress of implementation of the project in comparison with the cost and implementation schedule given in the offer document:

The issue was primarily to meet the company's working capital requirements and did not involve any project.

C. Projections made in the offer document and actual achievement of the same:

Projected figures

(Rs. in Lacs)

ITEMS:	1991-92	1992-93	1993-94	1994-95	1995-96
Income					
Sales	13,796	17,755	21,306	25,567	30,681
Service charges	1,756	1,758	2,109	2,531	3,037
Other income	366	396	431	469	509
	15,918	19,909	23,846	28,567	34,227
Expenditure					
Consumption & Mfg. Expenses	10,277	13,187	15,824	18,989	22,787
A & SP	1,244	1,431	1,646	1,893	2,376
Selling & Distribution	1,361	1,565	1,800	2,070	2,381
Personnel costs	715	762	876	1,008	1,159
Operating Expenses	1,072	1,238	1,424	1,636	1,882
Total (Mfg. & Other Expenses)	14,669	18,183	21,570	25,596	30,585

(Rs. in lacs)

ITEMS:	1991-92	1992-93	1993-94	1994-95	1995-96
PBDIT	1,249	1,726	2,276	2,971	3,642
Depreciation	139	198	266	307	350
Interest	676	760	902	1,072	1,274
PBT	434	768	1,108	1,592	2,018
Provision for Taxation	217	384	554	796	1,009
PAT	217	384	554	796	1,009

(Rs. in lacs)

Actual figures :					
Income					
Sales	14,214.00	13,827.76	13,738.21	15,781.91	22,421.73
Service charges	1,491.10	2,105.63	2,574.28	3,456.50	4,247.79
Other income	516.76	209.00	189.26	284.83	385.54
	16,221.86	16,142.39	16,501.75	19,523.24	27,055.06
Expenditure					
Consumption & Mfg. Expenses	10,191.26	9,484.54	9,173.64	11,027.62	14,586.46
A & SP	1,058.37	1,113.22	2,188.13	3,015.83	4,048.00
Selling & Distribution	1,558.65	1,556.55	952.73	926.41	1,405.88
Personnel costs	767.75	819.77	761.91	839.07	1,067.58
Operating Expenses	1,489.72	1,437.15	1,486.24	1,828.63	3,421.54
Total (Mfg. & other Expenses)	15,065.75	14,411.23	14,562.65	17,637.56	24,529.46
PBDIT	1,156.11	1,731.16	1,939.10	1,885.68	2,525.60
Depreciation	136.31	162.00	158.20	154.31	438.12
Interest	697.97	855.92	856.83	895.58	1,082.66
PBT	321.83	713.24	924.07	835.79	1,004.82
Extraordinary Items Adjustments	-	-	26.27	371.14	-
Provision for Taxation	100.00	310.00	160.00	140.00	400.00
PAT	221.83	403.24	737.80	324.65	604.82

XIII. Basis of the Issue Price

This issue is for ROCPS which are being issued at par. The ROCPS will be optionally converted into Equity Shares at a price to be determined as disclosed under the section 'Terms of the Present Issue' on page no.20. This conversion price will be the effective issue price for the Equity Shares being allotted pursuant to conversion, if any. Since the price of conversion is not known today and will be based, at the shareholder's option, be either the closing market price of the equity share of the Company on BSE as on the date when the Board of Directors of the Company meet to consider and decide for conversion ('Relevant Market Price') or conversion price as determined by the 'Independent Valuation' process described on page no.21 ('Independent Valuation Price') or lower of Relevant Market Price and Independent Valuation Price, subject to the relevant SEBI guidelines in this regard and in force at the time of conversion, it is not possible to offer any justification of price for issuance of equity shares at this stage. However, we have provided the industry comparables with respect to the existing Equity Shares of the Company as required by clause no.6.13.1 of SEBI DIP Guidelines.

Year/ Period	2002	2003	2004
1 Adjusted Earnings per Share (Rs. per equity share)			
For the Company	(51.67)\$ (7.91)#	1.25	1.56
Weights	1	2	3
Weighted Average (Basic)			(7.41)
Weighted Average (Diluted)			(0.12)
Industry Comparables:			
1) G M Breweries Ltd.	0.90	1.18	1.16
2) Mount Shivalik Industries Ltd.*	2.82	2.64	(2.89)
2 Return on Net Worth (%)			
For the Company	(28.99)%^	4.27%	7.60%
Weights	1	2	3
Weighted Average (Basic)			0.39%
<i>Industry Comparables:</i>			
1) G M Breweries Ltd.	6.09%	7.86%	7.60%
2) Mount Shivalik Industries Ltd.*	15.17%	12.42%	(15.87)%
3 Price/ Earning Ratio			
For the Company: Based on 2004 EPS: 57.05			
Price Earning ratio based on weighted EPS (Basic as well as diluted) cannot be computed since the weighted earnings are negative			
Industry Average: 11.0 (@, refer Note below)			
<i>Industry Comparables: (@, refer Note below)</i>			
1) G M Breweries Ltd.: 6.87			
2) Mount Shivalik Industries Ltd.: -ve			
4 Minimum Return on Total Net Worth (including preference share capital and adjustment for issue expenses**) after Issue needed to maintain pre-Issue EPS – 16.43%			
5 Net Asset Value for Equity Share (Rs. per Equity Share):	18.90 (as on March 31, 2003)		
	20.49 (as on March 31, 2004)		
Net Asset Value for Equity Share (Rs. per Equity Share) – After issue – 16.17:			
Issue price: Rs. 100 per ROCPS			

\$ - Basic & annualized EPS,
#- - Diluted & annualized EPS,
^ - Annualised RONW

@: Price / Earnings ratios on industry and the individual companies are sourced from Capital Market Vol. XIX/11 dated August 2-15, 2004, Industry segment - Breweries & Distilleries Industry segment.

* Mount Shivalik Industries Ltd. has its financial year ending on June 30, hence the data has been annualized based on 9 month results. The data on EPS and RONW of GM Breweries & Mount Shivalik Industries is based on financial information sourced from www.bseindia.com.

Note: Investors may note that there is no listed company, which is purely in brewery business and hence are not strictly comparable with UBL. UBL is categorized in the Breweries & Distilleries Industry segment by Capital Market magazine and hence the industry data as mentioned above are also strictly not comparable. For the same reason, the data as regards the Highest P/E ratio in the industry, Lowest P/E ratio in the industry are not disclosed. However, the above two companies are selected as industry comparables since they have brewery division and may give some comparable idea to the investors.

The P/E ratio is based on the share prices as on August 6, 2004. The data for UBL has been sourced from the Auditors Report and not from "Capital Market", and the methodology of computing the results by "Capital Market" may be different from the methodology used in case of UBL.

Computation of Net Asset Value for Equity Share (Rs. per Equity Share) –After Issue:

	(Rs. in Lacs)
Equity share capital (after Issue)	1,782.06
Reserves (after Issue)**	1,099.82
Total Equity shareholders fund	2,881.88
NAV for equity shares (Rs. per Equity Share)	16.17

**as adjusted for Issue expenses. Refer Capitalisation Statement for details

Qualitative Factors:

- Significant share of the beer market of about 39% by UBL alone (Source: Company estimates)
- Contract brewing tie-ups in place
- National presence with Company brands available throughout the country
- Well known brands like "Kingfisher Lager", "Kingfisher Strong", "Kalyani Black Label Lager", "UB Premium Ice", "UB Export" and "London" range
- Ability to cater to all segments of beer market
- Strategic alliance with S&N

XIV. Unaudited Working Results for the Latest Period

Information as required by Government Of India, Ministry of Finance Circular No. F2/5/SE/76 dated February 5, 1997 as amended vide Circular of even no dated March 8, 1997

1. The working results of the Company for the 4 months period ended July 31, 2004 (unaudited)

(Rs. in Lacs)

	Amount
Gross Sales	21,379.07
Duties & Taxes	4,586.53
Gross Sales net of duties & taxes	16,792.53
Purchase of Finished Goods	1,994.67
Net Sales Revenue (NSR)	14,797.87
Other Income	261.33
Operating Expenses	(12,927.08)
PBIDT	2,132.13
Interest and Finance charges (Net)	(1,055.32)
PBDT	1,076.80
Depreciation	(269.33)
PBT	807.47
Non recurring expenses	-
PBT - Operations	807.47
Taxation	(38.00)
Deferred Tax Asset/(Liability)	(297.22)
PAT	472.26

2. Material changes and commitments likely to affect the financial position of the Company since the last date upto which audited information is incorporated in the Letter of Offer are as follows:

The Company has availed Bridge Funding and ECB as mentioned on page no.43 & 55 of this LoF. Also refer to the Management Discussion & Analysis on page no.147 for details.

3. a. Week end prices of Equity Shares of the Company for the last four weeks on BSE is as below:

Week ending on	Price per share (Rs.)
August 6, 2004	Rs.90.80
August 13, 2004	Rs.99.50
August 20, 2004	Rs.92.20
August 27, 2004	Rs.99.05

- b. Closing ex-rights market price of equity shares of face value of Rs.10/- of the Company on BSE as on August 18, 2004 was Rs.95.10.
- c. The highest and lowest price of the equity share of the Company of face value of Rs.10/- each on the BSE during the period January 2003 to December 2003 (for the last year):

Date	High	Date	Low
December 11, 2003	Rs.148.60	March 28, 2003	Rs.70.30

XV. Outstanding litigations, defaults, adverse events and material developments

Litigation involving United Breweries Limited (the issuer Company), its subsidiaries, directors and promoter

United Breweries Limited

Frequency table of UBL litigations and details of top ten litigations

Cases filed against the Company - Summary		
Type of Case	No. of Cases	Total Amount (Rs. Lacs)
Recovery cases	6	7,178.94
Infringement	1	5.05
Consumer Cases	12	27.83
Labour Cases	5	3.20
Statutory Dues	6	67.49
Criminal	2	0.00
Others	3	0.55
Trade Mark Oppositions	4	0.00
Total	39	7,283.06

Note: Statutory cases includes 1 show cause notice from the excise department for which value can not be determined and for which the Company has filed a reply. Labour cases include cases pertaining to reinstatement.

Cases filed by the Company - Summary		
Type of Case	No. of Cases	Total Amount (Rs. Lacs)
Recovery cases	15	112.37
Consumer cases	2	0.06
Infringement	5	0.00
Trade Mark Opposition	13	0.00
Statutory Dues	20	311.32
Others	4	1,608.50
Labour	1	0.00
Total	60	2,032.25

Note: In the 'others' column, the amount does not include US \$ 3.03 million, pertaining to Miscellaneous First Application filed by the Company in the High Court at Karnataka, against the Orders passed by the High Court of Justice, UK in the case of Renault F1 Team. This matter has been stayed. However the same is included in the No. of Cases appearing above.

Details of Top ten litigations filed against UBL

Sr. No.	Details of Litigation	Name of the Court & Place of Litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ Implications (if any)
1	<p>IDBI has filed this application against Empee Sugars and others for recovery of a sum of Rs.53.90 crores. An I.A. No.3321/1999 was filed for temporary injunction against EDL, M.P. Purushottam and A.K.Aruna from transferring the shares held by them in EBL and injunction was granted on 17.12.1999. The Company was made party to the I.A. No.993/2002 for temporary injunction directing M.P. Purushottam, A.K.Aruna, Empee Distilleries Limited and Nisha Purushottam to set aside their transaction in EBL shares in contravention of injunction in I.A. No.3321/99 including ultimate transfer to UBL (Respondent-7). The Company is not holding Empee Breweries Limited shares I.A. No.996/2002 is a contempt application in I.A. No.3321/99 seeking punishment to M.P. Purushottam, A.K.Aruna, Empee Distilleries Limited and Nisha Purushottam for violating the orders passed on 17.12.1999 in I.A. No.3321/99. The Company is made a party as Respondent-7. Since Company is a party in I.A. Nos.993 and 996, counter affidavit has been filed stating that the Company did not enter into any transaction with any of the Respondents nor purchase any share in Empee Breweries Limited. There is no relief against EBL or UBL. Arguments have been heard and orders reserved.</p> <p>Note: The Company is not a party to the Original Application i.e., OA 1211 / 99</p>	DRT, Chennai	2002	I.A. Nos.993 to 996/2002 in I.A. No.3321/99 in O.A. No.1211/99	IDBI V/s. Empee Sugars and others (UBL as Respondent-7)	Orders have been passed directing MPP / EDL/ESCL to pay up the amount.	To set aside the transaction between EBL and UBL and punishment for contempt of order passed on 17.12.1999
2	<p>Suit filed by Rajasthan Bank Ltd. and others (being indemnifiers), for recovery of Rs.11,34,83,080 together with interest in which the Company has also been made a party for payment to bank of all sums due by the Company to Rajasthan Breweries Ltd. in pursuance of a Brewing Agreement.</p> <p>Recovery Notice no. 128/2002 has been sent by the DRT, Jaipur notifying the Company that as on 6.10.2002 a sum of Rs.14,33,50,827 has become due from the Company as per the Certificate/Decree passed in Application No.353/2000 dated 20.9.2002</p>	DRT, Jaipur	2000	Original Application No. 353/2000	Bank of Rajasthan Vs. RBL and UBL	The Company has filed an appeal No.350/02 before the DRAT, New Delhi praying, <i>inter-alia</i> , for an order to set aside the order of the DRT, Jaipur directing that, (i)The bank	In OA No.353 of 2000 amount to be recovered from the Company in pursuance of brewing agreement with RBL. No amount has been determined by DRT as of date. The Company has contended that 32 Lacs are to be recovered

Sr. No.	Details of Litigation	Name of the Court & Place of Litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ Implications (if any)
	<p>The Bank of Rajasthan Ltd. Jaipur has challenged the reduction of rate of interest on the outstanding dues of Rs.11.34 Crores payable by Rajasthan Breweries in terms of the order passed by the DRT Jaipur on 20.9.2002 in O.A. No.353/2000 and setting aside the said order, in which the Company has been made a party.</p>	<p>DRAT, New Delhi,</p>	<p>2002</p>	<p>Appeal No. 317/02</p>	<p>Bank of Rajasthan Vs. RBL and UBL</p>	<p>be entitled to recover the amount due by the Company to RBL (ii) Certificate of recovery to be issued against the Company. The Company has, in the appeal made an application for stay of the notice based on the appeal filed against the order passed in Application on No.353/2000, and the DRAT, New Delhi has passed an interim order granting the stay Matter is posted for hearing on 10.11.2004</p>	<p>from RBL. Status depends upon further hearing before recovery Officer of DRT. Relief sought for is Rs.14.33 crores as notified by the DRT</p>
<p>3</p>	<p>Filed by Balaji Bottling, Hyderabad, for recovery of Rs.1,55,47,632.97 along with interest in outstanding dues against supply of second hand bottles.</p>	<p>City Civil Court Hyderabad</p>	<p>2000</p>	<p>O.S.No. 401/00</p>	<p>Balaji Bottling Vs. UBL</p>	<p>The matter has been transferred to fast track court for framing of issues. Posted for Plaintiff's evidence.</p>	<p>Rs. 1,55,47,632.97 towards supply of second hand bottles.</p>

Sr. No.	Details of Litigation	Name of the Court & Place of Litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ Implications (if any)
4	Filed by Tirupathi Enterprises, Hyderabad for recovery of Rs.1,05,81,183.77 along with interest towards outstanding dues for the supply of second hand bottles.	City Civil Court, Hyderabad	1999	O.S.No. 639/99	Tirupathi Enterprises, Hyderabad Vs. UBL	The matter has been transferred to fast track court for framing of issues. Posted for Plaintiff's evidence.	Rs. 1,05,81,183.77 together with interest at 24% p.a. from date of suit till realization and costs of suit, towards supply of second hand bottles.
5	In or about June, 1998, one M/s Mayar (HK) Limited had supplied diverse quantity of newsprints at an aggregate value of USD 167464.48 (INR 73,71,704.88) and agreed credit period was given to the Asian Age in which the Company had furnished a Corporate Guarantee for this facility. The Company did not pay the said amount within the credit period and therefore, including interest, total outstanding went upto Rs.89,98,821.51. Therefore the said firm has filed this suit for a decree for the said sum along with future interest.	High Court at Calcutta	30.09.1999	C.S. No. 540/99	Mayar (H.K.) Limited V/s. Asian Age (East) Private Limited and 2 others (UBL as 2 nd Defendant)	Matter pending in Kolkata High Court for completion of pleadings. The Company has entered appearance and delayed Mayar from getting a summary Judgement. The proceedings are being defended <i>inter alia</i> on the ground of jurisdiction.	Claiming a sum of Rs. 89,98,821.51 with future interest thereon.
6	Writs have been filed by the Commissioner of Customs, Chennai against the order passed by the Delhi Bench of the CEGAT with regard to Custom Duty payable on import of Automatic Labelling Machine by Premier Breweries, (Palakkad Unit) claiming a sum of Rs.29.72 lacs.	High Court of Madras	1998	W.P.Nos. 1464-66/98	Commissioner of Customs, Madras Vs. UBL & Ors.	The Company has filed its Writ Misc.Petition for dismissal of the petitions on the ground that the Dept. had an alternate remedy to approach the Supreme Court than the High Court.	Customs authority has claimed a sum of Rs.29.72 lacs
7	The Company had filed an appeal before the Taxation Tribunal West Bengal challenging the Demand from the Excise Department Government of West Bengal for Rs.4,253,366.60 towards payment of arrears pertaining to storage and privilege fees at enhanced rate from 1.9.1998 to 31.3.1999, after depositing a sum of Rs.1,300,000 till 31.3.2001 as per the interim order passed by the said Tribunal and thereafter, the said Tribunal has passed an order on 15.11.1999 in favour of the Company. Aggrieved by the said order, the Excise Department has filed this appeal for setting aside the order passed by the said Tribunal before the High Court of Calcutta. The matter is pending.	High Court, Calcutta	1999	R N 238	Excise Authorities, West Bengal Vs. UBL	Pending before the High Court. West Bengal Taxation Tribunal awarded the case in favour of the Company. West Bengal Excise has appealed to H.C.	Claiming a sum of Rs. 29,55,367 towards payment of arrears

Sr. No.	Details of Litigation	Name of the Court & Place of Litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ Implications (if any)
8	One Dr. Arvinder Joshi has filed the Complaint said to have noticed some fungus growth in the beer bottle of the brand KINGFISHER manufactured at Superior Industries Ltd., (Contract Brewery of the Company) claiming compensation of Rs.7.97 lacs as detailed in the complaint.	District Consumer Forum, Ambala City	2003	Complaint No.89/03	Dr. Arvinder Joshi Vs. UBL	Summon has been served on the Company Vakalath has been filed on behalf of the Company on 16.5.2003 Chemical Analyst Test Report awaited.	Claiming a compensation of Rs.7.97 lacs
9	These cases have been filed by one Ajay Seth before the MRTP Commission, New Delhi with regard to foreign particles found in a bottle of beer purchased by him. We have taken the stand that the bottles were not "purchased" by him and that the allegations could be proved only on a lab report. We are informed that the Complainant had delayed filing the Suit for 18 months and his mala fide motives were apparent as he had threatened to go to the Press and also demanded Rs.7 lakhs as compensation.	MRTP Commission Delhi	1998	UTP No.242/98 and CA 83/00	Ajay Seth Vs. UBL	UBL has been directed to file affidavit in evidence and list of witnesses. Matter posted for filing further affidavit in evidence.	Rs.7 lacs as compensation. Enquiry and declaration that the Company is guilty of unfair and restrictive trade practices
10	Interest demanded by Tahsildar, Revenue Recovery.(Refer item No. 1 above)	High Court of Kerala, Cochin	1999	OP 12240/99	Sales Tax Dept.,Govt. of Kerala	Pending for hearing.	Rs. 6.28 lacs

Material Litigations involving United Breweries Limited (the issuer Company)

Cases filed against the Company

Material Civil Cases

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
<p>Suit filed by Rajasthan Bank Ltd. and others (being indemnifiers), for recovery of Rs.11,34,83,080 together with interest in which the Company has also been made a party for payment to bank of all sums due by the Company to Rajasthan Breweries Ltd. in pursuance of a Brewing Agreement.</p> <p>Recovery Notice no. 128/2002 has been sent by the DRT, Jaipur notifying the Company that as on 6.10.2002 a sum of Rs.14,33,50,827 has become due from the Company as per the Certificate/Decree passed in Application No.353/2000 dated 20.9.2002</p>	DRT, Jaipur	2000	Original Application No.353/2000	Bank of Rajasthan Vs. RBL and UBL	The Company has filed an appeal No. 350/02 before the DRAT, New Delhi, praying, <i>inter-alia</i> , for an order to set aside the order of the	In OA No.353 of 2000 amount to be recovered from the Company in pursuance of brewing agreement with RBL. No amount has been determined by DRT as of date.

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
The Bank of Rajasthan Ltd. Jaipur has challenged the reduction of rate of interest the outstanding dues of Rs.11.34 Crores payable by Rajasthan Breweries in terms of the order passed by the DRT Jaipur on 20.9.2002 in O.A.No.353/2000 and setting aside the said order, in which the Company has been made a party.	DRAT New Delhi	2002	Appeal No. 317/02	Bank of Rajasthan Vs. RBL and UBL	DRT, Jaipur directing that, (i) The bank be entitled to recover the amount due by the Company to RBL (ii) Certificate of recovery to be issued against the Company. The Company has, in the appeal made an application for stay of the said notice based on the appeal filed against the order passed in Application No.353 2000, and the DRAT, New Delhi has passed an interim order granting the stay. Matter is posted for hearing on 10.11.2004	The Company has contended that 32 Lacs are to be recovered from RBL Status depends upon further hearing before recovery Officer of DRT Relief sought for is Rs.14.33 crores as notified by the DRT
IDBI has filed an application for recovery of Rs.53.90 crores against Empee Sugars & Chemicals Ltd. (ESCL). Two I.As have been filed one for temporary injunction directing to set aside the transaction with ultimate transfer to the Company and another I.A. is a contempt application in which the Company is made a party. The Company is defending that UBL is not the holder of EBL shares and therefore it is irrelevant to make the Company a party in the said applications as 7 th Respondent.	DRT, Chennai	2002	O.A.No. 1211/99	IDBI Vs. Empee Sugars & Chemicals Ltd.	Affidavit has been filed by the Company seeking exclusion from the said I.As.	Recovery of Rs.53.90 Crores from ESCL and others

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
<p>IDBI has filed this application against Empee Sugars and others for recovery of a sum of Rs.53.90 crores. An I.A. No.3321/1999 was filed for temporary injunction against EDL, M.P. Purushottam and A.K.Aruna from transferring the shares held by them in EBL and injunction was granted on 17.12.1999. The Company was made party to the I.A. No.993/2002 for temporary injunction directing M.P.Purushottam, A.K.Aruna, Empee Distilleries Limited and Nisha Purushottam to set aside their transaction in EBL shares in contravention of injunction in I.A. No.3321/99 including ultimate transfer to UBL (Respondent-7). The Company is not holding Empee Breweries Limited shares I.A No.996/2002 is a contempt application in I.A. No.3321/99 seeking punishment to M.P.Purushottam, A.K.Aruna, Empee Distilleries Limited and Nisha Purushottam for violating the orders passed on 17.12.1999 in I.A. No.3321/99. The Company is made a party as Respondent-7. Since Company is a party in I.A. Nos.993 and 996, counter affidavit has been filed stating that the Company did not enter into any transaction with any of the Respondents nor purchase any share in Empee Breweries Limited. There is no relief against EBL or UBL. Arguments have been heard and orders reserved.</p>	DRT, Chennai	2002	I.A. Nos. 993 to 996/2002 in I.A. No.3321/99 in O.A. No.1211/99	IDBI V/s. Empee Sugars and others (UBL as Respondent-7)	Orders have been passed directing MPP/EDL/ESCL to pay up the amount.	To set aside the transaction between EBL and UBL and punishment for contempt of order passed on 17.12.1999
<p>Seattle Pacific Industries, Inc.,USA has filed this suit and obtained injunction restraining the Company from using the mark UB for clothing as they claimed to have used a mark "UNIONBAY (UB) in USA and they are the registered proprietors of the said mark in the United States. The said Company has made its applications in India in the year 2000 and though they are claiming ownership based on the United States registration, the same cannot be accepted by the Indian Trade Mark Registry. Moreover, our Company is well known as UB and even we have registered the mark UB as the trademark and made all class registrations under the trademarks law. And our applications have been made in the year 1998. In view of this there is no possibility of their getting registration of the mark UB.</p>	High Court, Delhi	2003	O.S.No. 505/03	Seattle Pacific Industries Inc. USA Vs. UBL	The hearing was fixed on 10.4.2003 and on that day the Company has filed its vakalath through its counsel. The Company has filed its written statement and now the Company has to file original documents in September 2004.	Order restraining the Company from using the said mark UB/ Unionbay for men's, women's and children's clothing which fall in class 25 of the Trademarks Act is passed on 28 th February, 2003 until further orders. Damages of Rs.5.05 Lacs are also claimed by the plaintiffs.

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
<p>A contempt petition has been filed by the Bank of Rajasthan against Mr. Samir Das and others in which Dr. Vijay Mallya has been made a party as Respondent no.6 in the capacity as Chairman of the Company. The gist of the case is that an order was passed by Hon'ble High Court at Jaipur in Company Appeal No.1/2001 restraining the respondents therein from alienating any of the properties without permission of the Court. This appeal is connected with an O.A.No.353/2000 filed by the said Bank against Rajasthan Breweries and others including United Breweries Limited for recovery of Rs.11.34 crores from Rajasthan Breweries towards credit facilities enjoyed by the said Company. Based on an article published by a newspaper, the above Contempt has been filed and the same is subjudice.</p>	<p>High Court at Jaipur</p>	<p>2002</p>	<p>Contempt Petition No. 148/2002</p>	<p>The Bank of Rajasthan Vs. Samir Das & Others (Dr. Vijay Mallya Respondent no. 6 as chairman of UBL</p>	<p>Since the Contempt has been filed based on a newspaper article, the Court has issued notice to the Publisher and the Publisher has submitted an apology letter having published the said article without any source. The next date of hearing shall be known to the party only previous day of the hearing. The High Court has directed that the Contempt Petition is to be tagged along with the main Petition i.e., CA No. 1 /2001 which is pending before the Hon'ble High Court. Appeal no. 1/2001 to come up for hearing. The petitioner has withdrawn the contempt against Respondent No. 6 in the last hearing on August 20, 2004. The Court has directed the matter to be heard in September 2004.</p>	<p>Contempt of the order passed by the Hon'ble High Court of Jaipur in the respect of the Appeal No.1/200 filed by the said Bank.</p>

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
In or about June, 1998, one M/s Mayar (HK) Limited had supplied diverse quantity of newspapers at an aggregate value of USD 167464.48 (INR 73,71,704.88) and agreed credit period was given to the Asian Age in Company had furnished a Corporate Guarantee for this facility. The Company did not pay the said amount within the credit period and therefore, including interest, total outstanding went upto Rs.89,98,821.51. Therefore the said firm has filed this suit for a decree for the said sum along with future interest.	High Court at Calcutta	30.09.1999	C.S. No. 540/99	Mayar (H.K.) Limited V/s. Asian Age (East) Private Limited and 2 others (UBL as 2 nd Defendant)	Matter pending in Kolkata High Court completion of pleadings. The Company has entered appearance and delayed Mayar from getting a summary Judgement. The proceedings are being defended <i>inter alia</i> on the ground of jurisdiction.	Claiming a sum of Rs.89,98,821.51 with future which the interest thereon.
Shankar Bhowmick & others, members of East Bengal Club had filed a Suit No.537/2001 in the City Civil Court, Calcutta, against the Executive Committee Members of the said Club and others praying for an order restraining the respondents from transferring and or alienating the assets and properties pertaining to the said Club in favour of the Company (a Joint Venture Company), and subsequently filed an application G.A.No.4191/2001 arising out of the said Suit No.537/2001 for an interim injunction. The respondents had filed their reply to the said Suit. The Hon'ble High Court of Calcutta has dismissed the said application on 20th May 2002 on the ground that the prayers made in the said suit and application are nothing but identical in nature and do not find any specific prayer in the said application. Aggrieved by the said order, the petitioners have made an instant appeal bearing G.A.No.3182/02 which is pending.	High Court of Calcutta	2002	G.A.No. 3182/02 in O.S.No. 537/2001	Shankar Bhowmick & Ors. Vs. United East Bengal Football Team Private Limited and others	Respondents have filed applications praying for dismissal of the appeal and stay petition filed by the petitioners. The appeal and the applications were heard on June 21, 2004. Respondents are directed to file their affidavit in opposition.	Seeking an order of injunction as prayed for in the said Suit.

Other Civil Cases

- A recovery suit against Punjab Breweries (since merged with UBL) claiming a sum of Rs.4,66,359 (Rs.1.18 Lacs as principal amount and balance as interest) is pending before II Joint Civil Judge, (SD), Ahmedabad . The Company has received a notice in this matter calling upon the Company to appear before the said Court on 22.8.2003 and accordingly the Company has filed its vakalatnama on the said date. The Company had applied for certified copies of the entire set of documents in connection with this matter and the same have been obtained.
- Two claimants have filed suits in the City Civil Court, Hyderabad for recovery of Rs.261.29 Lacs along with interest towards outstanding dues for the supply of second hand bottles. The matter has been transferred to fast track Court for framing of issues. These cases are posted for plaintiff's evidence.
- A claimant has challenged an order-in-execution whereby, against a decretal amount of Rs. 55,203 a sum of Rs. 8,000 was ordered to be paid along with interest. The Company has complied with the execution order.

Material Criminal Cases

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
A complaint has been filed by the senior health inspector Baroda Division, Western Railway, Vadodara u/s. 291(a), 7(1), 16(1) of the Prevention of Food Adulteration Act against one Mr. Keshav S. Rathod and others including the Company as Accused No.6 with regard to quality complaint in respect of Kingfisher Packaged Drinking Water manufactured and sold by one of the franchisees viz Hindustan Minerals and Beverages, Ahmedabad. Since the Company is one of the accused, Company is defending the matter suitably.	MMC VI Cotha, Ahmedabad	5/8/2002	Criminal case no.32/02	Senior Health Inspector, Western Railway, Vadodara V/s. Mr. Keshav S. Rathod (UBL Accused-6)	Summons was served on the Company. The matter came up for hearing on 11.08.2003 when the Company has filed the Vakalatnama. The Company has obtained stay for further proceedings in this matter. The Stay will continue till the disposal of Cr.M.A No. 10269/2003 filed by the Company	No relief claimed against the Company. The Company has been made a necessary party.
Aggrieved by the refusal of the application by the learned MMC VI, the Company has preferred a Cr.M.A.No.10269/03 before the Hon'ble High Court at Ahmedabad and obtained stay of further proceedings in the said complaint no.32/2002. The stay shall exist till disposal of Cr.M.A.No.10269/03.	High Court at Ahmedabad	15/12/2003	Cr.M.A.No. 10269/03	UBL Vs. State of Gujarat	The Respondents have filed an affidavit in reply and the respondents have filed an affidavit in reply and hearing is in progress.	Quash and set aside the Criminal Complaint / Case No.32/02 against the petitioner – accused no.6, pending before the Hon'ble Court no. VI of Learned Metropolitan Magistrate, Ahmedabad and stay during the pendency and final disposal of this petition.
Gandhi Smaraka Samithi has filed a C.R.P. No. 95/2003 before the II Addl. Sessions Judge, Guntur, against the order passed by the I Addl. Munsiff Magistrate, Narasarao Pet, Andhra Pradesh, dismissing the complaint filed by them in C.F.R.No. 138/03, alleging that an advertisement has been published in a Newspaper called "Vaartha" on 30.11.2002 in connection with Kingfisher Power Soda and for action u/s 292 and 293 I.P.C.	Prl. District & Sessions Judge, Guntur	2003	C.R.P.No. 95/2003	Gandhi Smaraka Samithi Vs. Gireesh Sanghi and others (Company as R-3)	Notice has been served on the respondents. Hearing in progress.	To set aside the order passed by the I Addl. Munsiff Magistrate in C.R.No. 138/2003

Consumer related Cases

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Mumbai Grahak Panchayat has filed a complaint opposing display of advertisements on the local trains in respect of "London Pilsner" and other 2 brands against Western Railway in which the Company is also made a party in view of that the brand owners being the subsidiary of the Company. In view of this, the Company has discontinued display of the subject advertisements and made submissions to the Forum accordingly. In spite of this, the Court has directed the Company to carry the "Corrective Advertisements" on the same number of trains. The matter is pending and posted for further hearing.	Consumer Disputes Redressal Commission, Mumbai	10.3.2004	Complaint No.30/04	Mumbai Grahak Panchayat Vs. Western Railway & anr. (UBL)	In view of the subject complaint, the Company had discontinued display of advertisements. The matter is coming up for hearing.	To stop carrying the impugned advertisements and to carry the "Corrective Advertisements" on the same number of trains as prominently as the impugned advertisements.

- 1 case has been filed against the Company before the MRTP Commission, Delhi with regard to quality of beer purchased by the complainant. The complainant is claiming a compensation of Rs.7 Lacs and also has prayed for a declaration that the Company is guilty of unfair & restrictive trade practice. The case is pending. The matter is posted for cross examination of the complainant.
- There are 8 other complaints filed against the Company in various district consumer forums complaining the quality of beer manufactured by the Company / at its contract breweries. The amount involved in all these cases comes to Rs.18.61 Lacs as compensation. These complaints are pending. 1 case has been settled out of Court and in 1 case orders have been passed awarding Rs.0.09 Lacs as compensation. The Company is intending to file an appeal against the said order. 2 new cases have been initiated by consumers in various forums aggregating Rs.2.22 Lacs as compensation.
- The Company has filed 2 appeals challenging the orders passed by the District Consumer Forum at New Delhi and Thiruvananthapuram granting an award of Rs.3,000/- in each matter by the respective Forums. These appeals are pending. As regards the appeal pertaining to Thiruvananthapuram matter, notice has been issued to respondents in the delay condonation petition and the matter posted for further hearing. No further notice of hearing received till date.

Litigation involving statutory dues related matters - excise/ sales tax / income tax / customs etc.

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
The Company had filed an appeal before the Taxation Tribunal West Bengal challenging the Demand from the Excise Department Government of West Bengal for Rs.4,253,366.60 towards payment of arrears pertaining to storage and privilege fees at enhanced rate from 1.9.1998 to 31.3.1999, after depositing a sum of Rs.1,300,000 till 31.3.2001 as per the interim order passed by the said Tribunal and thereafter, the said Tribunal has passed an order on 15.11.1999 in favour of the Company. Aggrieved by the said order, the Excise Department has filed this appeal for setting aside the order passed by the said Tribunal before the High Court of Calcutta. The matter is pending.	High Court, Calcutta	1999	R N 238	Excise Authorities, West Bengal Vs. UBL	Pending before the High Court. West Bengal Taxation Tribunal awarded the case in favour of the Company. West Bengal Excise has appealed to H.C.	Claiming a sum of Rs. 29,55,367 towards payment of arrears

Notice from Excise department:

The Commissioner of State Excise, Maharashtra Mumbai had issued a notice No.FLR 112003/Advertisement/5B dated 3.2.2004 to the Taloja Unit of the Company to show cause why action should not be taken against the Company for reasons mentioned in the show cause notice. The said notice was issued based on a complaint lodged by The Bhartiya Buddha Maha Sangh, Maharashtra State - Branch Mumbai, vide their letter dated 21.1.2004. It was alleged that the Company has advertised its beer brand by way of inviting the leading Bollywood film stars and fashion models while releasing this calendar and that it was an advertisement which amounts to attract consumers to drink liquor etc., which is banned as per sections 23 and 24 of Bombay Prohibition Act, 1949.

The Company was called upon to appear before the Excise Commissioner on 9.2.2004 and accordingly, the Company executives appeared before the Deputy Commissioner (M&TP) and a suitable reply to the said show cause notice has been filed on that day. No further action has been taken from the Excise Department in the matter.

Labour cases

The Workers Union has filed 2 labour cases against the Company for reinstatement with back wages of about 26 workmen. The Union has challenged the alleged dismissal orders passed by the Company. 1 appeal has been filed by a workman against the order passed in favour of the Company by the Labour Court relating to dismissal of workman. The appeal, claiming reinstatement and back wages, is pending before the High Court. 1 workman also has filed the case for reinstatement and back wages claiming a sum of Rs.3.20 Lacs for the alleged management's action against the workman. These cases are pending. One contract workman has preferred a writ in the High Court of Karnataka challenging the orders of the Labour Court claiming re-instatement and permanency.

Cases filed by the Company

Material Civil Cases

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
M/s.Brij Canadian Water Limited, Kalyan, Maharashtra was licensed with a trademark KINGFISHER for Packaged Drinking Water and in this connection, the said Brij Canadian had defaulted payment of royalty. Therefore, this suit has been filed for recovery of outstanding royalty of Rs.10.58 lacs.	City Civil Court, Bangalore	2003	O.S.No.8999/03	UBL Vs. Brij Canadian Water Limited	Matter to come up for further hearing on September 22, 2004	Recovery of outstanding royalty payable by the respondents to an extent of Rs.10.58 lacs. With interest at 24% thereon
The State of Kerala had passed an order No.G.O. (Rt) No.715/03/TD dated 13.11.2003 sanctioning additional three post of Preventive Officers and 7 post of Excise Guards to be deployed in the Brewery in addition to the existing ones. In view of that this decision of the Government would result in immediate and drastic enhancement of the financial liability, the Company has challenged the said order of the State Government by a writ petition to issue orders quashing the said G.O. or in the alternative to issue a writ in the nature of mandamus commanding the respondents to forbear from realizing any additional establishment charges from the Petitioner-Company.	High Court of Kerala at Ernakulam	20.11.2003	W.P.No. 36810/03	UBL Vs. State of Kerala and another	Case has been disposed off in favour of the Company	In case the Hon'ble High Court upholds the order of the Government, in that event, the Company shall have to bear an additional establishment cost of around Rs.1.00 lac per month.

Other Civil Cases

- The Company had entered into two sponsorship agreements for the services of Australian Cricketers viz, Brett Lee and Adam Gilchrist with Sporting Frontiers. Since after spending large amounts towards advertisements, travelling, ad shooting, etc., Sporting Frontiers could not perform these agreements, Company has filed 1 application in the High Court of Karnataka for appointment of an Arbitrator towards recovery of amounts spent on this plus damages aggregating to a sum of Rs.1.75 Crores. In terms of the direction of the High Court of Karnataka, Justice K. Shivashankar Bhat (Retd.) has been appointed as Sole Arbitrator and the Company has been communicated accordingly to file its claim statement. The Company has filed the claim statement, respondents have filed their counter claim, and the Company has filed its rejoinder to the counter claim. The Company has filed its affidavit justifying the damages claimed in the matter and the same is pending.
- The Company has supplied beer to various wholesalers and since the wholesalers have not cleared their outstanding dues, the Company has filed 13 suits for recovery of dues in the Civil Court at Bangalore and summary suit for recovery has been filed at High Court, Mumbai. The total amount involved in these recovery suits aggregates to a sum of Rs.101.79 Lacs as principal plus accrued interest. These suits are pending. 4 suits have been decreed. 4 matters have been posted for evidence, 1 matter posted for issue of warrant and paper publication has been carried out in 1 case.
- The Company had filed 1 suit in the City Civil Court at Bangalore for an injunction restraining Renault F1 Team Limited, U.K. from enforcing the judgment of the High Court of Justice, QBD United Kingdom, in connection with a suit filed by them in the United Kingdom for a recovery of USD 2 million and the same was dismissed by the lower court. By an order dated January 28, 2003 the High Court of Justice, QBD United Kingdom had ordered the Company and Dr Vijay Mallya to pay USD 3.03 million and costs. Therefore, the Company has filed Miscellaneous First Appeal before the High Court of Karnataka for granting injunction as prayed for.
- Appeal No.350/2002 is filed by the Company in DRAT, New Delhi challenging the order dated 20.9.2002 passed by the DRT Jaipur directing UBL to pay the amounts payable to RBL to the Bank of Rajasthan. The DRT has relied upon the news item and the Agreement between RBL and the Company. The Company has contended that it has nothing to do with the credit facilities enjoyed by Rajasthan Breweries with the Bank and there is no amount payable to RBL and in turn RBL itself owes the Company a huge sums of money. The relief sought is recovery of Rs.14.33 crores from RBL with direction to the Company to pay the amounts payable to RBL into the Bank. DRAT has stayed the operation of the said order. The respondents have filed their reply to the appeal.

Litigation involving statutory dues related matters - excise/ sales tax / income tax / customs etc

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
<p>Petition challenging the show cause notice dated 3.6.1986 and subsequent order dated 11.2.1987 by the excise authorities, West Bengal, directing the Company to deposit a sum of Rs.1,229,200/- after setting of refunds due Rs.1,109,160/- included in the Loans and Advances in the accounts being Excise Duty on account of chargeable wastages on Beer accumulated since 1981, the Company had obtained a Stay order on 9.3.1987 from the Hon'ble High Court of Calcutta.</p> <p>Further in respect of subsequent demands by the excise authorities on 8.3.1988 aggregating to Rs.636,554.51, the Company had also obtained stay order from the High Court and the stay orders are in subsistence.</p>	High Court, Calcutta	1988	Civil Rule No.12721 (W) of 1988	UBL Vs. Excise Authorities, West Bengal	Pending before Calcutta High Court	Claiming a sum of Rs. 12,29,200/- being the excise duty

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
<p>A Writ Petition is filed for a direction to refund a sum of Rs.29,28,616/- towards payment of tax paid in excess pertaining to the Assessment Years 1981-82 (Rs.4,97,591), 1982-83 (Rs.11,32,776/-) and 1983-84 (Rs.12,98,249) and the said matter has been admitted. Since the security charged by the Company on the licensees was refundable on return of empty bottles, the Company used to exclude the value of bottles which was not acceptable to the Department. The Company contended that it is only the sale of beer and not sale of bottle and therefore, challenged the action taken by the authorities in W.P.Nos.12473 and 12474 of 1992 praying for direction to the respondents for refund of amount paid in excess and the Hon'ble High Court had disposed of the same by a common order on 18.3.1998, the petition was allowed partly and a direction was given that penalty deserves to be reduced proportionately in view of the finding that tax on bottles was payable at the rate of 4%. In view of this order, the Company had claimed refund as stated herein.</p> <p>Case pertains to sales tax on bottles during the year 1981-82, 1982-83 & 1983-84 as the assessing authority treat supply of bottles as part of sales but refund is not received.</p>	Punjab & Haryana High Court, Chandigarh	2001	11940/2001	UBL Vs. State of Punjab through Excise & Taxation	Writ from refund order admitted but could not be taken-up matter is sub-judice	Refund of excess sales tax deposited
<p>ESI contribution on production incentive paid to the workers from 4/86 to 3/91, when Company was not paying ESI on Production Incentive but department raised the claim for that</p>	Punjab & Haryana High Court, Chandigarh	26.10.1998	16618-CII & 16619-CII of 2001, F.A.O No. 1321 of 1998	ESIC Department V/s United Breweries Limited	50% of claimed amount deposited during pendency of case. Stay obtained for the balance 50% amount.	ESI not deducted on Production Incentive which has to be paid. The implication is Rs.156204/- (Including all liability)

- The Company has filed 2 appeals before the AP Sales Tax Tribunal against the decision of the Commercial Tax Officer, disallowing the tax exemption for the Assessment Years 1994-95 towards bottle deposit and cash discount and turn over, etc. The claim of Rs.84.54 Lacs and Rs.0.21 Lacs plus penalty is under dispute. These cases are not yet posted for hearing.

- The Company has filed 2 appeals against the orders of the Commercial Tax Officer in connection with payment of Rs.2.77 Lacs and Rs.1.24 Lacs towards penalty plus taxes for the A.Y.1997-98 and 1998-99. Orders received. The Company had preferred an appeal before the STAT challenging the order and stay application made. While stay application has been rejected by the Additional Commissioner, the appeal is pending before the STAT.
- In connection with granting of exemption under a notification issued by the Government of India under the Customs Act, the Company had filed a writ petition in the High Court at Bombay for a disputed duty of Rs.20.33 Lacs and the Company has already given a Bank Guarantee for this amount. The matter has been disposed off taking a view of the judgment in a Special Leave Petition filed by Kalyani Breweries Limited (now UBL) and accordingly, the Company is liable to pay the said amount of custom duty.
- 1 appeal has been filed in the Kerala High Court against the decision of the sales tax department with respect to the interest levied on turnover tax for the AY 1988-89 to 1990-91, claimed to have not been paid in time by the Company. The total demand works out to Rs.9.11 Lacs. This appeal is pending for hearing.
- 1 appeal has been filed before the Commissioner of Commercial Taxes, against the Sales Tax Department against imposition of penalty by the department for non payment of interest for delayed payment of turn over tax for the A.Y.1988-89 to 1990-91. The amount involved in this case is Rs.3.01 Lacs. The appeal is pending for hearing.
- The Company has filed 7 appeals in the Sales Tax Appellate Tribunal and 1 appeal before Deputy Commissioner (Appeals) against the Sales Tax Department, Kerala in view of demands raised by them for assessing C-Forms and various issues like, interest on turnover tax, payment of penalty, bottle deposits, packaging materials and cash discount etc for the AY from 1975-76 to 1998-99. The total amount involved in these cases comes to Rs.115.27 Lacs. These appeals have been heard and orders are awaited.
- Writ petitions nos.1464-66/98 have been filed by the Commissioner of Customs, Chennai at High Court of Madras against the order passed by the Delhi Bench of the CEGAT with regard to Custom Duty payable on import of Automatic Labeling Machine by Premier Breweries, (Palakkad Unit) claiming a sum of Rs.29.72 Lacs. The Company has filed its Writ Misc. Petition for dismissal of the petitions on the ground that the Dept. had an alternate remedy to approach the Supreme Court then the High Court.
- 1 appeal is filed by the sales tax department, pertaining to the AY 1990-91 with regard to the defective C-Forms rejected by the deputy commissioner. The department has challenged the decision of the deputy commissioner before the sales tax appellate tribunal. The amount involved in this case is Rs.0.38 Lacs. The appeal is pending.
- 1 appeal is filed against the Company in the High Court of Kerala for an interest demanded by the Tahsildar, Revenue Recovery. The amount involved is Rs.6.28 Lacs. The appeal is pending.
- ESI department has demanded remittance of Rs.2,54,000 as ESI on production bonus for the FY 1991-92. The Company has challenged this demand in the ESI Court and the same is pending.

Labour Cases:

- The Company has filed 1 case in the Industrial Court, Thane against Konkan General Kamgar Union, for a declaration that the respondents are guilty of unfair labour practice and therefore, directing the respondents not to assemble, not to stage morchas, not to prevent staff causing any hindrance and not to put any flags, etc. The case is pending. The case is withdrawn. Order copy awaited.

Trademark related Cases

- The Company has filed 4 cases against use of words "BLACK LABEL" in the marks viz, Pep-up Black Label, Khoday's Black Label, Hercules Black Label and King's Black Label, in the Civil Courts at Bangalore, Calcutta, Goa, since the Company is a registered trademark owner for its brand viz, KALYANI BLACK LABEL, seeking permanent injunction to restrain the defendants from using the mark. These cases are pending. As regards "Pep up Black Label", orders have been passed restraining the defendants from using the words 'Black Label', and the case pertaining to 'Hercules Black Label' has been posted for Company's evidence. In the case pertaining to "Khoday's Black Label", the stay granted in favour of the Company shall continue till disposal of the original suit. As regards 'Kings Black Label', orders have been passed restraining the defendants from using the words 'Black Label' and the matter is posted for plaintiff's evidence.
- The Company has filed 1 case in the City Civil Court, Mayo Hall, Bangalore against use of the mark KINGFISHER for manufacture and sale of scissors, since the Company is a registered trademark owner for its flagship brand viz, KINGFISHER for beer, seeking permanent injunction to restrain the defendants from using the said mark. The matter is posted for November 4, 2004 for plaintiff's evidence.

- Since the Company is a registered owner for its renowned trademarks viz, FLYING HORSE, SUN LAGER, BULLET, KINGFISHER and UB for Beer, the Company has filed 6 oppositions before the respective Trademarks Registry not to allow registration of the said marks in the names of the various applicants in other classes. The proceedings are pending. The opposition pertaining to BULLET has been disallowed with some restrictions on the use of the said trademark by the applicant. In one opposition pertaining to 'KINGFISHER', the counter statement has been filed by the applicants and the Company has filed its affidavit in evidence. The applicant has further filed an affidavit. Matter is pending.

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
The TM Application No.620451 in class 32 for the trademark FLYING HORSE filed by the Company was advertised in the Trade Marks Journal No.1 Special Supplementary Journal (Vol. D from class 21-34) dated June 29, 2003 at page for any opposition to the said application. M/s.Guinness United Distillers & Vintners B.V. have filed their opposition to the said application. Notice of Opposition has been served on the Company in February 2004. Company to file its counter-statement.	Trade Marks Registry, Chennai	28.08.2003	Opposition MAS-118179	Guinness United Distillers & Vintners B.V.	Notice of Opposition has been received and the Company is to file its counter-statement.	To disallow the application No.620451 filed by the Company 4995
The TM Application No.624608 in class 32 for the trademark FLYING HORSE device filed by the Company was advertised in the Trade Marks Journal No.1295 dated May 16, 2003 at page 179 for any opposition to the said application. M/s. Guinness United Distillers & Vintners B.V. have filed their opposition to the said application. Notice of Opposition has been served on the Company in February 2004. Company to file its counter-statement.	Trade Marks Registry, Chennai	18.08.2003	Opposition MAS-115581	Guinness United Distillers & Vintners B.V.	Notice of Opposition has been received and the Company is to file its counter-statement.	To disallow the application No.624608 filed by the Company
The TM Application No.624609 in class 32 for the trademark FLYING HORSE device filed by the Company was advertised in the Trade Marks Journal No.1295 dated May 16, 2003 at page 179 for any opposition to the said application. M/s.Guinness United Distillers & Vintners B.V. have filed their opposition to the said application. Notice of Opposition has been served on the Company in February 2004. Company to file its counter-statement.	Trade Marks Registry, Chennai	19.08.2003	Opposition MAS-115580	Guinness United Distillers & Vintners B.V.	Notice of Opposition has been received and the Company is to file its counter-statement.	To disallow the application No.624609 filed by the Company
Opposition to Trademark Application no.819494 for registration of the mark KINGFISHER for RICE in class 30 in the name of Pawan Kumar Jindal, Harvinder Kumar Jindal, Kussam Jindal trading as Ratna Rice Industries at Patiala has been filed, since the said mark is deceptively similar to the mark "KINGFISHER" which is the flagship brand of the Company mainly for Beer and registered in class 32 and other classes.	TM Registry, New Delhi	23.12.2003	Not numbered	UBL Vs. Ratna Rice Industries	Not to accept the said TM application for registration	Opposition has been filed and awaiting further progress
Opposition to Trademark Application no. 1127696 for registration of the mark KINGFISHER for RICE in class 30 in the name of Jain Rice India, Delhi has been filed by the Company, since the said mark is deceptively similar to the mark "KINGFISHER" which is the flagship brand of the Company mainly for Beer and registered in class 32 and other classes.	TM Registry New Delhi	08.01.2004	Not numbered	UBL Vs. Jain Rice India	Not to accept the said TM application for registration	Opposition has been filed and awaiting further progress

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
The TM Application No.786163 filed by the Company for registration of the mark FLYING HORSE in class 25 was published in the TM Journal dated 14.11.2003 and Mr.Rajesh Jain, trading as Indian Garments has filed Opposition to the said application. Company has received the Notice for filing any reply in the matter.	Trade Marks Registry, Chennai	20.3.2004	Opposition MAS 168635	Indian Garments, Vs. UBL	Company has received a notice in the month of June 2004 and Company to file its counter-statement if any.	To allow this Opposition and to refuse application No. 786163 for registration of Trademark 'FLYING HORSE' in the name of the Company.
The Company had filed an Application No. 410176 for registration of the Trade mark "BLACK BELT" in class 32 on 3.8.1983 to which Ahuja Brothers had filed Opposition No.MAS-1959, claiming prior use of the similar mark by them. The said Opposition has been disallowed and our application has been allowed for registration vide order dated 13 th February 1996 passed by the Assistant Registrar of Trade Marks.The above Opponents had also made an application No.451658 for registration of the same mark and when the same was advertised in the Trade Mark Journal, the Company had also filed Opposition No.BOM-8636 to the said application to refuse the application on the ground that their application was filed after use of the mark for more than five years and the Company's application has been filed 2-3 years earlier to their application. Thought the argument was over on 24 th November, 1993 no orders were passed till the 2004. However, after a long gap of more than ten years, the matter has been fixed for further hearing for the reason that the Officer concerned did not pass the order or discharged the file at that time. The matter is pending for orders.	Trade Marks Registry, Bombay	12.1.1987	BOM-8636	UBLVs.Ahuja Brothers	Final argument was over on 24.11.1993 and there after no hearing was fixed nor orders were passed till now. However, after long gap of more than ten years, the matter has been fixed for hearing for necessary orders, since the concerned Officer did not pass the order or discharge the file at that time.	To allow the said Opposition filed by the Company, refusing application No.451658 or registration in the name of Ahuja Brothers
Opposition to Trademark Application no. 1076903B for registration of the mark FLYING HORSE in class 6 in the name of Ashish Aggarwal Trading as Ashish Enterprises, Jalandhar has been filed by the Company, since the said mark is deceptively similar to the mark FLYING HORSE which is the house mark as well as a brand name of the Company for beer and registered in class 32.	TM Registry New Delhi	6.4.2004	Yet to be numbered	UBL Vs. Ashish Aggarwal	Opposition has been filed and awaiting opposition number, etc.	To refuse registration of the trademark FLYING HORSE under Application No.1076903 in the name of the Applicants.
Opposition to Trademark Application no. 1043339B for registration of the mark U-B in class 6 in the name of S.Gurmeet Singh of Ludhiana has been filed by the Company, since the said mark is deceptively similar to the mark UB being used for several brands of beer and also the name of the Company familiarly known as UB. The Company has made all class applications for registration of UB letter which is already a registered mark in class 32 in the name of the Company.	TM Registry New Delhi	6.4.2004	Yet to be numbered	UBL Vs. S.Gurmeet Singh	Opposition has been filed and awaiting opposition number, etc.	To refuse registration of the trademark U-B under Application No.1043339B in the name of the Applicants.

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Opposition to Trademark Application no. 993555 dated 28.2.2001 for registration of the mark UBHI in class 12 in the name of S.Baldav Singhs, trading as UBHI Brothers of Ludhiana has been filed by the Company, since the said mark is deceptively and phonetically similar to the mark UB being used for several brands of beer and also the name of the Company familiarly known as UB. The Company has made all class applications for registration of UB letters which is already a registered mark in class 32 in the name of the Company.	TM Registry New Delhi	12.06.04	Yet to be numbered	UBL Vs. S.Baldav Singh trading as UBHI Brothers	Opposition has been filed and awaiting opposition number, etc	To allow the Opposition and refuse registration of the trademark. UBHI under Application No. 993555 in the name of the Applicants.
Balbir & Sons of Delhi had filed an application No.412036 dated 15.10.1983 for registration of the trade mark "BALBI BLACK LABEL" (word) in class 32 which was advertised in the TM Journal dated 1.1.1990. They had also associated this mark with their registered mark "BALBI" in class 32 and 33. The Company had filed an Opposition No.DEL-6681 on 23.3.1990 to the said application and upon hearing of the parties, the Deputy Registrar of Trade Marks vide his order dated 30.9.1993 has disallowed the Company's opposition and allowed the subject application to proceed for advertisement. Aggrieved by the said order, the Company had filed an Appeal in CM Main No.406/94 along with an application for stay of the impugned order dated 30.9.1993 before the Delhi High Court. The Hon'ble Delhi High Court by its order dated 17.10.94 was pleased to stay the impugned order and also ordered that the subject application shall not proceed for registration. Thereafter the matter was posted for final hearing on 29.8.1996, but no orders were passed. However, in the month of June 2004, the Company has received a notice informing that the above matter has been transferred to a Circuit Bench sitting at Delhi. The matter is yet to be heard.	Circuit Bench, Delhi	2003	Appeal No. TA/93/2003/ TM/DEL	UBL Vs. Balbir & Sons	The matter has been posted for hearing.	To set aside the impugned order dated 30.9.1993 and refuse acceptance of the subject Application No.412036.

Contingent liabilities and commitments not provided, as on March 31, 2004 for United Breweries Limited

A	Commitments	(Rs. in Lacs)
I	Estimated amount of contracts remaining to be executed on capital account and not provided for	550.67
II	Liability for a put option for investment in a subsidiary, not provided pending investment, though the option has been exercised*	2,627.41
III	Infusion of funds through preference capital - JV	2,000.00
	Total	5,178.08
B	Contingent Liabilities	
I	Sales Tax demands under appeal #	81.86
II	Excise Duty / Customs Duty demands under appeal #	102.86
III	Claims against the Company not acknowledged as debt #	970.99
IV	Future commitments for hire charges payable on hire purchase / lease	106.38
V	Letter of Credit outstanding	208.92
VI	Guarantees given by the company: -	
	- On behalf of subsidiaries	4,465.00
	- On behalf of third parties	2,838.93
VII	Consideration payable to the erstwhile promoters of ABDL withheld against possible tax benefits if any availed by ABDL towards it's future profits	323.00
	Total	9,097.94

* In the opinion of the management the above demands/claims are not sustainable in law and accordingly, do not call for a provision in the accounts.

UB General Investments Limited (a subsidiary of UBHL) has, under an Agreement with the erstwhile promoters of ABDL, granted a put option to the erstwhile promoters of ABDL under which UBGIL is required to acquire 35% of the shares of ABDL at an aggregate price of Rs.20.47 crores. Since the Company has acquired the shares of ABDL from UB General Investments Limited, it is obligated to honour the put option when exercised by the erstwhile promoters of ABDL. The erstwhile promoters of ABDL have exercised the put option vide letter dated February 24, 2003 and the Company has upto 180 days time to pay the put option price and acquire the 35% equity of ABDL. The put option is backed by a corporate guarantee given by UBHL. The Company has not made this payment so far. The management of UBL is in discussion with the holders of put option to work out a mutually acceptable rescheduling of the liability. The holders of put option have agreed for the rescheduling of the liability provided the revised put option price, as may be agreed upon, is paid to them. The Company has sought its members' approval for the revised put option price (not exceeding Rs.3,500 Lacs).

Material Litigations involving Associated Breweries & Distilleries Limited (subsidiary of the Company)

Cases filed by the company:

Civil Cases

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Recovery of outstanding against the defendant for supplies of beer.	High Court, Mumbai	November 2003	S.S.No. 3794/03	ABDL Vs. Jacky Wines	Service completed. An amount of Rs.1.00 lac has been received as part payment.	Claiming a sum of Rs. 6,43,579.83 with further interest
Recovery of outstanding against bottling advance	High Court, Mumbai	29.10.03	No.4/04	ABDL Vs. H.Dasappa & Sons	Arbitration proceedings filed	The company has sought for appointment of an arbitrator to decide on the dispute and for award for Rs. 2,08,840.20

- The company has filed 15 summary suits against various parties for recovery of outstandings against beer supplied to them. The total amount involved in these cases is Rs.71.43 Lacs towards principal and interest accrued and they are pending in various courts. Exparte decree has been obtained in 4 of the above summary suits amounting Rs.9.21 Lacs. In 1 of these cases the company has filed fresh summons in one and has recovered the decree amount with interest in 1 case.
- The company has also filed 3 cases u/s 138 of the Negotiable Instruments Act, 1881 for dishonour of cheques totalling Rs.23.97 Lacs against a party. The said matters are pending before the Metropolitan Magistrate's Court. The matters are posted for cross examination.
- The company has filed 1 case against the Navi Mumbai Municipal Corporation alleging that the investigation officer had made an error in calculating the ratable value of Investment by ignoring depreciation.

Statutory related cases

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
An Appeal has been filed against the order dated 9 th January, 2003, passed by DC-Appeals-13, Mumbai rejecting the contention of the company against the levy of purchase tax under section 13-A of BST Act. This Appeal is filed for Refund of amount of Rs.2,08,832/- recovered with interest by Sales Tax Department on canteen expense in respect of the FY 1998-99.	Sales Tax Appellate Tribunal, 7 th floor Vikrikar Bhavan, Mumbai	25 th March, 2003	745/2003	ABDL V/s. Asstt. Commissioner of ST (B-104), Mumbai	Pending With Tribunal. Additional grounds being filed to claim the benefit of retrospective amendment in set-off provisions under BST Act effective 1 st May, 1998 brought out on 28/3/03. The matter is pending. Order passed Refund received.	Refund of tax amounting to Rs.2,08,832/- and interest thereon. By way of additional grounds, the company is claiming set off @ 9% on bottles and crown as against 4% allowed in the Assessment Order.

- The company has also filed 6 appeals against the orders of the Income Tax Department for various AYs from 1990 -91 to 1998 -99. They mainly pertain to matters such as value of unconsumed stores and spares, unexplained credit, production losses etc. The said appeals involve an amount of Rs.285.55 Lacs. Order has been passed in favour of the company in 2 of the appeals and in 1 appeal, orders are reserved.
- The company has filed 1 appeal against the Sales Tax Department for BST and CST of Rs.8.01 Lacs pertaining to the FY 1999 -00. Order passed, refund received.
- An appeal with the Sales Tax Department had been decided exparte in June, 1997, and the order was received by the company only in December, 2000. Pursuant to such order the department has recovered the total amount of demand being Rs.1.20 Lacs. Aggrieved by the said order the company has filed an Appeal.

Cases filed against the company

Labour related cases

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Unfair Labour Practice	Industrial Court - Thane	28/10/2002	COMP (ULP) No 371 / 2002	Maharashtra Kamgar Sangharsh Samiti Vs. ABDL	The company has represented that the matter has been settled and the complainant has agreed to withdraw the matter.	(i) The company be directed to cease from indulging in unfair labour practices (ii) declare that the company has committed unfair labour practices (iii) show-cause notice issued to 30 employees be quashed (iv) Direct the company not to alter service conditions (v) not to deduct salary and if already deducted then refund the amount

- There are 6 cases against the company for reinstatement with back wages / continuity in service. All these cases are still pending. The workmen have claimed various reliefs like declaration of unfair labour practices, continuity of services etc. In one case, the Applicant has filed Misc. Application No.48/03 in the reference No.296/97 for setting aside the order dated 14th May 2002 and for condonation of delay. Matter yet to be heard. One more case with regards to re-instatement of service filed by a contract workman in the Labour Court (Mumbai) has been settled out of court and the company has no further liability for the same.
- There are 2 complaints for alleged unfair labour practices against the company and recognition of unions. They have *inter alia* claimed for lifting of illegal lock out, payment of backwages, restraining the company from shifting its plant etc.
- A workman has filed 1 complaint against the company in the Industrial Court, for Illegal suspension, bias and lack of fairness etc. He has prayed, among others, for declaration of unfair trade practice by the company, to prevent the company from indulging in unfair labour practices in future etc.
- A workman has filed a complaint against the Company in the III Labour Court, Thane, claiming reinstatement and back wages. The matter is yet to come up for hearing.

Statutory related cases

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
An appeal has been filed against the Order dated 2 nd July, 1993 rejecting Book Result & adding Rs.293 Lacs as income in respect to AY 1990-91	Income Tax Appellate Tribunal	27 th September 1993	5879 of 1993	Asstt. Commissioner of IT (Central Circle-IV, Mumbai V/s.ABDL	Heard on 11-3-03. Order passed 27-05-03. Setting aside the addition of Rs.293 Lacs under by the Department and remanding back the matter to A.O. Order copy awaited.	Challenging the Order of CIT(A) deleting following additions: (a) Gift Articles of Rs.4.30 Lacs; (b) Rs.9.03 Lacs being alleged inflation of purchases; (c) accepting the book results of the company and deleting addition of Rs.293.89 Lacs

Material Litigations involving London Draft Pubs Private Limited (subsidiary of ABDL)

Civil

The company has filed one recovery suit for Rs.0.14 Lacs together with interest for recovery of outstanding against beer sale. The matter is pending. Exparte decree has been obtained.

Material Litigations involving Mangalore Breweries & Distilleries Limited (subsidiary of the Company)

Cases against the company

Civil

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference No. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Thorbrau Augsburg , Germany, has filed a suit praying for a judgement and decree against the company for Rs.10.00 Lacs plus interest against the personal guarantee bond executed in favour of the plaintiff provided by the company in terms of a supplemental agreement. It is alleged that the company was permitted to use the brand name of Thorbrau in India belongs to the plaintiff and the company had agreed to pay a royalty at 4% on the production of beer. The personal guarantee bond was provided in the event of failure by the company to pay the royalty in terms of the agreement. As the company did not make any royalty payment, the above suit has been filed for enforcement of the said bond.	Prl. Civil Judge, Senior Division, Mangalore	April, 2001	O.S.No. 174/01	Thorbrau Augsburg of Germany Vs. MBDL & Anr.	Written Statement has been filed and matter has been posted for issue of Notice on January 5, 2005.	Claiming a royalty of Rs.10.00 Lacs towards use of the plaintiff's mark

- 1 case for recovery of Rs.1.24 Lacs including interest for supplies made to the company has been decreed against the company by the High Court of Bombay. Amount yet to be settled by the company. The company is in the process of settling the amount.

Cases filed by the company

Criminal

- 2 Complaints have been filed by the company under Section 138 of Negotiable Instruments Act for dishonour of cheques issued by dealers. Amount involved approximately Rs.2 Lacs. Proceedings are yet to commence in these complaints. Matters posted for issue of summons.

Litigation involving the directors of the Company

Against Mr. C.L. Jain

Criminal

1. Siris Limited in which Mr. C L Jain was an independent non whole-time Director, had executed a hire purchase Agreement on 30.9.1995 with ITC Classic Finance Limited (since merged with ICICI which was later merged with ICICI Bank) for the equipments known as Electrostatic Precipitator Systems, which were simultaneously leased to APSEB with their concurrence and a Power of Attorney favouring ITC Classic Finance to even collect lease rentals directly from lessee APSEB. However the installments of Rs.1476680 p.m. were not paid by the said company after 30/12/1999 and upto 30/08/2001. Therefore the complainant has filed this complaint against the said company in which Mr. C L Jain is made a party as Accused-8 although he resigned from the Board of this company in May 1997. The matter is being heard before the court of metropolitan magistrate at Hyderabad. Summon has been issued. Trial has not yet commenced

Against Mr. Kalyan Ganguly

Criminal

2. Gandhi Smaraka Samithi has filed a CRP No. 95/2003 before the II Addl. Sessions Judge, Guntur, against the order passed by the I Addl. Munsiff Magistrate, Narasa Rao Pet, Andhra Pradesh dismissing the complaint filed by them in CFR No.138/03, alleging that an advertisement has been published in a newspaper called 'Vaartha' on 30.11.2002 in connection with 'Kingfisher Power Soda' and for action u/s 292 & 293 of the IPC. Mr. Ganguly has been made Def 3 in the capacity of Managing Director of United Breweries Ltd. The relief sought for is to set aside the order passed by the I Addl. Munsiff Magistrate in CFR No.138/2003. Matter posted for hearing.

Against Mr. S. R. Gupte

Criminal

3. a) Mr. S R Gupte has been made party to a suit filed by M.C.C. Investment & Leasing Company Ltd against Carew Pharmaceuticals Ltd & others. The suit is filed at 5th MMC, Kolkata in 1999 under reference no. C/4654/99 u/s 138 & 141 of the Negotiable Instruments Act, 1881. The company had issued two cheques for Rs.2,25,144 each in favour of M.C.C. Investment & Leasing Company Ltd which were dishonoured. Mr. S R Gupte was a Vice-Chairman of the company and is also made a party to the suit filed by M.C.C. Investment & Leasing Company Ltd. However, Mr. S R Gupte is no longer a director of the company. C.R.R. no. 557 of 2002 was filed before the High Court, Calcutta for quashing of the proceedings against him and stay has been granted by the Kolkata High Court till the disposal of the Revisional Application. The matter is sub-judice.
- b) Torrent Cables Ltd, Ahmedabad has filed a criminal complaint bearing number 1999/ 2003, u/s 406 & 420 of IPC in the MM Court No.13, Ahmedabad against UB Engineering Ltd and others, wherein Mr. S R Gupte is accused no.2. The case pertains to non payment of Rs.11.39 Lacs payable by UB Engineering Ltd to Torrent Cables Ltd. towards supply of materials. Summons have been issued to all the accused returnable on April 9, 2004. The settlement is under process. Next hearing is in October 2004.
- c) Apna Sahakari Bank has filed cases for dishonour of four cheques of Rs.38.50 Lacs each u/s 138 of Negotiable Instruments Act against UB Engineering Limited, director – Dr. Vijay Mallya, Mr S R Gupte, Mr S D Lalla, M N S Vasant, Mr D S Shevde & employees Mr Abhijit Roy and Mr A S Bhide ("Accused"). The cheques were issued for repayment of loan taken by the company from the said Bank. Trial is yet to commence.

Against Mr. V.K. Rekhi

Criminal

4. Mr. Madhav Prakash Sadana, Director of Sadana Brothers Pvt. Ltd ("Sadana Brothers") filed a criminal complaint under the IPC before the T.I. Police Station, M P Nagar, Bhopal in respect of alleged non payment of an amount of Rs.25.06 Lacs from the UB Group – Spirits Division allegedly furnished as security deposit by Sadana Brothers. After investigating the case, the Police came to the conclusion that the complaint was civil in nature and no criminal case could be registered in the matter. Mr. Sadana, Director, Sadana Brothers, filed a criminal suit under the IPC in the Court of Chief Judicial Magistrate, Bhopal. Mr. V K Rekhi, Director, is also a party to the said suit. A hearing took place in January 2004 and the Magistrate ordered that the M.P. Nagar Police should be given a copy of the complaint made to the Court upon payment of fee by the complainants. In its order, the Court directed the police to inquire into the complaint u/s 156(3) of the IPC and if a cognizable offence was found to have been committed prima facie, register a case and forward a copy of the FIR to the Court. The Court has sought the report on the entire action taken.

Litigation involving Dr. Vijay Mallya – Promoter & Chairman

Against Dr. Vijay Mallya

Criminal

Proceedings initiated by the Enforcement Directorate

The Enforcement Directorate (ED), Ministry of Finance, Government of India commenced investigation into Dr.Mallya's and UBL's alleged violation of FERA in making a good faith deposit with Benetton. The said proceedings were dismissed by the Enquiry Officer on 10-1-2002 after enquiry. The Department has filed an appeal against this order of dismissal and after hearing arguments, orders have been reserved for 12-8-2003. The Order of the Appellate Authority has been passed dismissing the appeal filed by the ED on March 16, 2004.

The ED had issued summons in connection with the investigation of the above case and it is the Department's case that in spite of receipt of summons Dr.Mallya had not appeared before the ED to assist in the investigation and such failure constituted an offence under FERA. Accordingly, the ED has filed a criminal complaint before the ACMM Court, New Delhi for this alleged offence on the part of Dr.Mallya. The proceedings before the Criminal Court are pending adjudication.

Complaint 4090 of 1999 :

Filed by Nicco Uco Alliance Credit Ltd in the Metropolitan Magistrate's Court, Kolkata under Section 138 of the Negotiable Instruments Act against UB Ltd-Pharma Division and Dr.Mallya. Trial has to commence.

Case No.173/87 filed in the V Metropolitan Magistrate Court, Burdwan at Asansol by State of West Bengal against Mr. B. Bhowmick and others including Dr. Vijay Mallya:

On or about 30th April, 1984, one Mr. B. Bhowmick, Excise Officer, posted at M/s. Carew & Co., Asansol as Distillery Officer, lodged a complaint with the Officer in-charge of Asansol Police Station wherein he contended that Mr. V.N. Rao along with others had entered into a criminal conspiracy to defraud the State Government of revenue to the tune of about Rs.1.5 Crores by using fake and forged import permits relating to the said Distillery and had, as a result, committed offences under Sections 419, 420, 467, 468, 471, 120B of the I.P.C. Thereafter Dr. Vijay Mallya along with other Directors of the company were roped in as accused persons, because they were the Directors of the company but, not because they were participants in the commission of the offences. Charge Sheet was filed in the instant case against Mr. Bhowmick, the defacto complainant in the case under the Prevention of Corruption Act and against Dr. Vijay Mallya, the Directors and other employees of the company. The matter was listed for hearing on February 23, 2004 and has been adjourned. Another hearing was held on June 10, 2004, on which date the Court could not proceed with the case since the special prosecutor was not present. Hearing has been refixed for September 15, 2004.

Criminal Complaint filed by Sadana Brothers Sales Pvt. Ltd.

Mr. Madhav Prakash Sadana, Director of Sadana Brothers Private Limited ("Sadana Brothers") filed a criminal complaint under the Indian Penal Code before the T. I. Police Station, M. P. Nagar, Bhopal in respect of alleged non-repayment of an amount of Rs. 25.06 lacs from the UB Group – Spirits Division allegedly furnished as security deposit by Sadana Brothers. After investigating the case, the police came to the conclusion that the complaint was civil in nature and no criminal case could be registered in the matter. Mr. Sadana, Director, Sadana Brothers, filed a criminal suit under the IPC in the court of Chief Judicial Magistrate, Bhopal. The company and Dr. Vijay Mallya inter alia are parties to the said suit.

At the hearing which took place on January 15, 2004, the Magistrate ordered that the M. P. Nagar Police should be given a copy of the complaint made to the court upon payment of fee by the complainants. In its order, the court directed the police to inquire into the complaint under Section 156(3) of the IPC and if a cognisable offence was found to have been committed prima facie, register a case and forward a copy of the FIR to the court.

Criminal Complaint filed by Apna Sahakari Bank Ltd.

Apna Sahakari Bank Ltd. has filed criminal complaints in the Court of the Metropolitan Magistrate at Bhoiwada, Dadar, Mumbai under Section 138, 141, 142 & 143 of the Negotiable Instruments Act, 1881 as amended by Act 55 of 2002, against UB Engineering Limited and its Directors, including against Dr. Vijay Mallya, for dishonour of cheques issued by UB Engineering Limited to the Bank, and have prayed for process to be issued. The matter is pending.

Civil

Civil Suit No.540/1999 filed by M/s. Mayar (H.K) Limited in the High Court at Kolkata against Asian Age (East) Limited ("Asian Age"), United Breweries (Holdings) Limited and Dr. Vijay Mallya:

On or about June 1998, Mayar (H.K) Limited had supplied diverse quantity of newsprints worth of USD 169,464.48 equivalent to Indian Rs.73,71,704.88 against which United Breweries (Holdings) Limited had furnished a Corporate Guarantee for this facility for an amount not exceeding US\$1,63,500 equivalent to Rs.71,12,250. The Asian Age was given a credit period of 45 days and even after the said period was over, the Asian Age did not make payment and therefore, Mayar had started charging interest and accordingly, that total outstanding including interest was arrived at USD 206,869.46 equivalent to Rs.89,98,821.51 (being US\$ 169,464.48 as principle amount and interest thereon @21% p.a.). The above Suit has been filed for a decree for the said sum along with future interest at 21% p.a. The matter is pending in the Kolkata High Court for completion of pleadings. The company and Dr. Vijay Mallya have entered appearance and that the proceedings are being defended inter-alia on the ground of jurisdiction. Asian Age is in winding up.

Contempt Petition No.148/2002 filed by the Bank of Rajasthan against Rajasthan Breweries Limited and others:

For the purpose of funding its working capital requirements, Rajasthan Breweries Limited (RBL) had approached the Bank of Rajasthan, Jaipur Branch and the said Bank had sanctioned credit facilities to an extent of Rs.10.50 Crores to RBL on 20.1.1995. As RBL failed to make the payment and committed breach of the agreement, the Bank had instituted proceedings before the Debt Recovery Tribunal, Jaipur for recovery of Rs.11.34 crores, including accrued interest.

The Bank had filed a company appeal before the Hon'ble High Court at Jaipur in Company Appeal No.1/2001 and after hearing the parties, the Court had passed an order on 4.5.2001 and posted the matter for arguments on 22.5.2001, meantime, restraining the respondents from alienating any of the properties without permission of the Court.

During the pendency of the Company Appeal, a news item was published in Economic Times dated 19.2.2002 stating that RBL has entered into negotiations with UBL for selling its entire unit for Rs.40 crores. Again on 13.3.2002 another news item was published in the Business Standard stating that negotiations were entered into between RBL and Shaw Wallace & Co. (who have been included as respondent No.7) and that the RBL had earlier entered into negotiations with UBL. Based on this, the Bank has filed the above Contempt Petition No.148/2002, wherein Dr. Vijay Mallya has been made as Respondent No.6 and Mr. Manu Chhabria, Chairman of Shaw Wallace has been included as Respondent No.7 and the Bank has prayed that the Respondents be sent to civil imprisonment for disobedience of the said order dated 22.5.2001. The Court had issued notice to the publication to furnish proof for publishing such a baseless article and thereafter, the said publication has apologized the Court having published such a news item without any source. The petitioner has withdrawn the contempt against Respondent no. 6 (Dr. Vijay Mallya) in the last hearing on August 20, 2004. The Court has directed the matter to be heard in September, 2004.

Suits in Bombay High Court regarding 13th Annual General Meeting of BDA Limited, a Wholly-owned subsidiary of Herbertsons Limited:

Herbertsons Ltd. filed Suit No. 6826 of 1999 against Mr. Kishore R.Chhabria and others seeking certain reliefs pertaining to the 13th Annual General Meeting of BDA Limited, a wholly-owned subsidiary of the company (which is however in the exclusive control of Kishore Chhabria group) then convened to be held on 27th December, 1999. Herbertsons Limited also filed Suit No. 307 of 2000 against Mr. Kishore R.Chhabria and others, inter alia, seeking orders restraining certain persons from holding themselves out or acting as Directors of BDA Limited. The Notice of Motion in the aforesaid two suits are still pending.

In the Notice of Motion filed in Suit No. 307 of 2000, by an order dated June 26, 2000, the Hon'ble Bombay High Court has restrained BDA Limited from holding Board Meetings till further orders of the Court.

The Notice of Motion in the aforesaid two suits are still pending.

Further, in proceedings arising out of Suit No. 6826 of 1999, the Hon'ble High Court has issued Show Cause to Mr.K.R.Chhabria directing him to show cause why contempt proceedings should not be launched against him for willful breach and violation of the order dated 13th December 1999.

In respect of the said Annual General Meeting of BDA Limited, BDA Limited and others filed a suit in the Bombay City Civil Court being Suit No. 124 of 2000 seeking a declaration that the Annual General Meeting of BDA Limited held on 27th December, 1999 at which admittedly only one member was present, was valid. The said suit has (on an application by the Plaintiffs) been transferred to the Bombay High Court to be heard along with the above 2 suits.

All these proceedings are pending. Herbertsons Limited and Dr.Vijay Mallya are, inter alia, parties to the said proceedings.

Writ Petition No. 629 of 1998 in Delhi High Court filed by Airedale Investment & Trading Private Limited & Others challenging Dr.Vijay Mallya's appointment as MD

Certain companies belonging to the Kishore Chhabria/Madanlal Chhabria group and holding shares in Herbertsons Limited, filed a Writ Petition against the Union of India and others challenging the approval accorded by the Central Government for appointment of Dr. Vijay Mallya as Managing Director of Herbertsons Limited. Herbertsons Limited and Dr. Vijay Mallya are respondents in the said Writ Petition. The same is pending.

Tis Hazari – Suit No.1 of 2000 filed by Ashok Kumar Jain and others inter alia to maintain status quo in the management of BDA.

Mr.A.K.Jain and others filed a suit in the Tis Hazari Court, New Delhi, inter alia, seeking status quo on the Board of Directors of BDA Limited till the alleged investment made by the Plaintiff alongwith all other alleged claims are settled. In an interim Application in the said suit the Plaintiff obtained an ex-parte order dated 27th December, 1999 from the said court restraining Mr. M. D. Chhabria, BDA Ltd. and Herbertsons Limited from passing any resolution adversely affecting the interest of the Plaintiff and to maintain status quo. The said order was ultimately vacated and interim relief refused to the Plaintiff by an order dated 24th February, 2000. Mr. A. K. Jain has preferred an Appeal being MCA 93 of 2000 against the said order dated 24th February, 2000. No interim relief has been granted in the said Appeal. Herbertsons Limited is a party to the said suit. Appeals have been filed from the said order.

A contempt petition was also filed by Mr. A. K. Jain against the authorised representatives / proxyholder of Herbertsons Limited including Dr. Vijay Mallya for alleged breach of the said order dated 27th December, 1999.

The aforesaid suit, appeal and contempt petition are pending.

Company Petition No. 17 of 1999 filed by Airedale Investment & Trading Private Limited and others against Herbertsons Limited & Others u/s.397/398 of the Companies Act, 1956 before the Company Law Board, Principal Bench, New Delhi:

Companies belonging to the Kishore Chhabria/ Madanlal Chhabria group, filed a petition under Sections 397/398 before the Company Law Board, Principal Bench, New Delhi, inter alia, against the present management of Herbertsons Limited alleging mismanagement of the affairs of that company.

Herbertsons Limited as well as Dr.Vijay Mallya are defendants in the said petition. The above proceedings are pending.

O.S. No.8213/2001 has been filed before the City Civil Court, Bangalore by one Mr. Virupaxappa Ayyanagouda Markumbi, Ex-Marketing Officer:

It is alleged that the services of the said Mr. Virupaxappa, who was based in Kurnool, A.P. Office, were terminated w.e.f. 15.9.1998 on account of allowing credit limits beyond those delegated to him and there the said Officer has filed the above Suit and the Chairman Dr. Vijay Mallya, Managing Director, Vice President (P&A) and the Enquiry Officer have been made as Defendants 1 to 4 respectively. An appeal against the order of dismissal was filed by the Plaintiff herein with the company itself. The company dismissed the Appeal as time barred and further observed that the company was justified in passing such an order.

Following are the reliefs sought for by the said Officer:

1. To declare that the order passed by the 2nd defendant dated 15.9.1998 is null and void,
2. To declare that the order passed by the 1st defendant in Appeal filed by the Plaintiff is null and void,
3. To direct the defendants 1 and 2 to reinstate the Plaintiff to his original post.

Written statement has been filed and the matter is posted to 12th August 2003 to file evidence on behalf of the defendant by way of affidavit.

Plaintiff has made an application for amendment of the plaint. Application pending for hearing. Now the matter is posted for arguments on amendment application.

Securities Related:

Disciplinary action/ investigation taken by the Securities and Exchange Board of India/ Stock Exchange against Dr.Vijay Mallya. Notice under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995:

Dr. Vijay Mallya was issued a Show Cause Notice dated 8th January 1999 alleging violation of the provisions of the Listing Agreement with the Stock Exchanges as also the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994, ("the Regulations") in respect of substantial acquisition of shares in Herbertsons Limited ("HL") and consequential disclosure requirements. In the said Show Cause Notice, the Chairman of SEBI has passed an order on 19th February 2002, inter alia directing Dr. Mallya and others acting in concert with him to disinvest their holding in the share capital of HL alleged to have been acquired in violation of the listing agreement and the Regulations through an offer for sale to public in terms of an offer document subject to certain conditions as set out in paragraph 11.3.1 of the said order. SEBI also inter alia directed that adjudication proceedings be initiated against Dr.Vijay Mallya in respect of the alleged violations set out in the said order.

We have been informed that being aggrieved by the said order, Dr. Mallya preferred an appeal on 4th April 2002 to the Securities Appellate Tribunal ("SAT") which was duly heard on 23rd July, 2002 but orders of SAT were reserved. Pending the SAT order in the above matter, a notice dated 28th January, 2003 under Rule 4 of the SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 was served on Dr. Mallya and others alleged to be acting in concert with him requiring them to show cause why inquiry should not be held against them and why penalty cannot be levied on them.

Dr.Vijay Mallya's Appeal before SAT from the order of SEBI dated 19th February, 2002 has been disposed off by SAT vide its order dated 1st August, 2003 which has in effect set aside the SEBI Order directing Dr.Vijay Mallya and others alleged to be acting in concert with him to disinvest the shares held by them in HL. Dr.Vijay Mallya's reply dated September 25, 2003 to the Show Cause Notice issued by the Adjudicating Officer was filed with the Adjudicating & Enquiry Officer, SEBI. The Adjudicating Officer has heard the matter on October 6, 2003 and his orders are awaited. SEBI has filed a statutory appeal with the Supreme Court of India which is pending.

Writ Petition No.388 of 1996 filed by Dr.Mallya in High Court of Calcutta:

The Wealth Tax Assessment Officer issued a Notice for the Assessment year 1993-94 seeking to redetermine the NRI status of Dr.Mallya. The Notice has been stayed and the matter is pending determination. In certain earlier Writs that had been filed by Dr.Mallya before the High Court of Calcutta, challenging the validity of the action of Income Tax Authorities in attempting to redetermine Dr.Mallya's NRI status, the High Court has held that his status cannot be redetermined and therefore his status as an NRI continues. In the light of these judgements, the High Court is likely to pass a similar order in respect of the above Writ Petition. Writ Petition disposed of on 22.04.2004.

Appeal No.17807 of 2003 and Special Leave Petition (Civil) No.CC7770-1771 of 2003 filed for the Supreme Court of India by United Breweries (Holdings) Limited ("UBHL") and Dr. Vijay Mallya against Mr. Kishore Chhabria and Others.

UBHL is the single largest shareholder of Herbertsons Limited and holds 22,46,756 equity shares representing 23.59% of the total issued paid-up capital of Herbertsons Limited. Dr. Vijay Mallya is Non Executive Chairman of Herbertsons Limited. K.R. Chhabria and M.D. Chhabria acting in concert with each other and through companies controlled by them had acquired in violation of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 ("1994 SEBI Regulations") an aggregate percentage of 19.71% (18,75,691 shares) in Herbertsons Ltd and directed dis-investment of

all shares acquired by them in excess of 10% of the paid-up capital of Herbertsons Ltd, at par through an offer of sale to the public in terms of an offer document subject to certain conditions set out in paragraph 14.3.1 of the said order.

On statutory appeals being filed by K.R. Chhabria and M.D. Chhabria before the Securities Appellate Tribunal ("SAT"), SAT by its order dated 1st August, 2003 held that the acquisition of 19.71% shares was in violation of the 1994 SEBI Regulations – but having regard to the alleged past practice of SEBI and allegedly in the interest of shareholders generally directed the Appellants before the Tribunal viz. K.R. Chhabria and M.D. Chhabria, to make a public announcement to acquire (the shares of the Target Company) i.e. further 20% shares of Herbertsons Ltd., "as per the Regulations within three months from the date of this order".

Having come to know of the said order dated 1st August, 2003 the Petitioners viz. UBHL and Dr. Vijay Mallya filed Review Applications under Section 15U of the SEBI Act, 1992 before SAT. The Review Petition was dismissed and UBHL & Dr. Vijay Mallya have filed appeals with the Supreme Court of India from the Order of SAT dismissing the review petitions. Pending the said Review Applications, K.R. Chhabria and M.D. Chhabria went ahead and made a public announcement through their Managers on 21st August, 2003.

UBHL and Dr. Vijay Mallya have also filed an Appeal against the Order of SAT dated 1.8.2003 before the Supreme Court, being Civil Appeal No.D17807 of 2003 against the Order of SAT dated 1.8.2003.

UBHL and Dr. Vijay Mallya also filed a Special Leave Petition before the Supreme Court of India, being Special Leave Petition (Civil) No.CC7770-7771 of 2003 for setting aside the order of SAT dated 1.8.2003.

SEBI has also filed Statutory Civil Appeals in the Supreme Court of India against the said order dated 1.8.2003 passed by SAT.

Meanwhile K.R.Chhabria and M.D.Chhabria and persons acting in concert with them made an open offer to the shareholders of Herbertsons Limited. McDowell & Co. Ltd. and Phipson Distillery Limited along with person acting in concert viz. United Breweries (Holdings) Limited made a counter-offer to the shareholders of Herbertsons Limited. The Supreme Court directed that both the offer and the counter-offer would be subject to further orders of the Supreme Court of India. The offer and counter offer have since been completed and payments made to the shareholders concerned by the offerors/ counter offerors in respect of valid acceptances. Mr.Kishore Chhabria has lodged 43,743 shares tendered in the open offer with Herbertsons Limited for registration in his name. Phipson Distillery Limited has lodged 6,76,984 shares tendered in the counter offer, with Herbertsons Limited for registration in its name. Herbertsons Limited has, on legal advice, deferred consideration of transfer of the above shares lodged with it.

Bombay High Court – Suit No. 3910 Of 1997 – M. S. Reddy & Others Vs. K. R. Chhabria & Others and Suit No. 297 of 1999 – Imfa Holdings Private Limited & Others Vs Herbertsons Limited & Another.

M. S. Reddy & Others, shareholders of the Herbertsons Limited, filed a suit in the Bombay High Court in 1997 being Suit No. 3910 of 1997, challenging the acquisition of shares by the Kishore Chhabria/ Madanlal Chhabria group, inter alia, as being in breach of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and/or 1997. Dr. Vijay Mallya is a party to the said suit.

Imfa Holdings Private Limited and Ors. (companies owned and/or controlled by Mr. Kishore Chhabria/ Mr. Madanlal Chhabria) filed a suit in the Bombay High Court, being Suit No. 297 of 1999 against Herbertsons Ltd. & Dr. Vijay Mallya, inter alia, seeking a declaration that they are the beneficial owners of certain shares in respect of which registration of transfer in their names had been refused by the Herbertsons Ltd. These shares are also the subject matter of Suit No. 3910 of 1997.

At the final hearing of Notices of Motion in the said two Suits, by a judgment and order dated 19th -22nd April, 1999, the Learned Single Judge of the Bombay High Court has restrained the Kishore Chhabria/ Madanlal Chhabria group from exercising voting rights in respect of shares aggregating to approximately 20% of the equity capital of Herbertsons Ltd.

The Kishore Chhabria/ Madanlal Chhabria group filed Appeals before the Division Bench of the Bombay High Court from the said judgment and order of the Learned Single Judge. The Hon'ble Division Bench of the Bombay High Court by a judgment and order dated 28th September, 2001 dismissed the said Appeals and confirmed the judgment and order of the Learned Single Judge.

The Kishore Chhabria/ Madanlal Chhabria Group have filed four Special Leave Petitions before the Hon'ble Supreme Court of India against the aforesaid judgment and order dated 28th September, 2001. By an order dated 5th August, 2002 the Hon'ble Supreme Court has granted leave, but has not stayed the order and judgment dated 28/09/2001. By a further order dated 16th April, 2003 the Special Leave Petitions (now Civil Appeals) were adjourned sine die. Further, the Supreme Court has stayed the company from holding any Annual General Meetings, till disposal of the Appeals.

The above Civil Appeals have been clubbed with the appeal filed by UBHL & Dr. Vijay Mallya for hearing.

Filed by Dr. Vijay Mallya

Criminal

Criminal Revision No.1792 of 1992 filed by Dr.Mallya in the High Court of Calcutta:

Prosecution in Complaint No. 415 of 1992 was launched in the Chief Metropolitan Magistrate's Court, Calcutta against Dr. Mallya for an alleged failure to file Wealth Tax Return for the Assessment year 1988-89 within the prescribed period. The above Revision Petition has been filed challenging the proceedings and an interim stay has been granted.

Civil

Litigation with Benetton Formula Ltd [now Renault F1 Team Ltd] & another:

A writing dated 1-12-1995 was entered into between Dr.Mallya, on behalf of UB Group and Mr.Flavio Briatore [FB], on behalf of Benetton Formula Ltd [Benetton] to enter into a sponsorship agreement for display of the Kingfisher trademark and livery by the Benetton Formula 1 Team on the cars, clothings and accessories during the Formula 1 races. The formal sponsorship agreement was to be entered into with one of the UB Group companies [had to be UBL because it is the owner of the Trademark and subsequent correspondence also was with UBL] subject to approval of the GOI / RBI and other Regulatory authorities. UBL also made an application to GOI for approval.

During the 1996 car racing season Benetton displayed the logo pending receipt of permissions from the regulatory authorities and claimed that by virtue of such display they had suffered damages of USD 3 mio and threatened legal action in UK. UBL filed OS No. 10047 of 1998 before the City Civil Court, Bangalore and obtained an exparte injunction against Benetton and FB restraining them from initiating any legal action in UK pending consideration of the application for approval.

During the pendency of the suit, Benetton filed a Writ Petition before the High Court of Karnataka seeking direction to the GOI to expeditiously consider the application made by UBL. During the pendency of the Writ proceedings, the GOI rejected UBL's application. The Writ petition was dismissed and consequently UBL withdrew the suit in August 1999.

In August 2002, UBL was informed about proceedings being initiated against Dr.Mallya and the company by Renault F1 Team Ltd [Renault] and FB claiming an amount of USD 2 mio after giving credit to an amount of USD 1 mio which Dr.Mallya had paid as good faith deposit.

O.S.No.16687 of 2002 was filed by UBL and Dr.Mallya against Renault and FB in the City Civil Court, Bangalore seeking interalia the reliefs of a declaration that the writing dated 1-12-1995 is void and injunction restraining the defendants from proceeding with the case in London. An interlocutory application was filed seeking an exparte injunction order against the defendants. Notice on the application to the defendants was ordered and the defendants filed their objections to the application. While the application for injunction was being argued the defendants filed an application informing that in the proceedings in the London Court a default judgement had been obtained against Dr.Mallya on the basis that he had been served with the summons. An application was filed for an order of injunction restraining the defendants from taking steps to enforce the default judgement pending disposal of the suit. The Civil Court having rejected the application MFA No.2495 of 2003 was filed before the High Court of Karnataka and an interim order has been passed that the default judgement should not be enforced against Dr.Mallya any where in India.

Steps are being taken in the London Court to have the default judgement against Dr.Mallya set aside on the ground that he had never been served with the summons of the London Court in accordance with Law and therefore his non-appearance would not be a default for the purposes of passing the judgement

The Asian Age (South) Limited

Civil Case filed against the company:

- 1 Case has been filed against the company in the High Court at New Delhi under Order XXXVII of CPC for recovery of arrears of lease rent of Rs.7.67 Lacs. The company has disputed the claim of the plaintiff pertaining to interest, maintenance charges etc. amounting to Rs.5.01 Lacs. Case is pending. The matter is posted for arguments.
- 2 cases have been filed by the company for recovery of outstanding dues against supply of Newspaper. Amount recoverable from these parties is Rs.0.47 Lacs along with interest. These cases are pending in the Small Causes & City Civil Court in Bangalore.

Castle Breweries Limited

Criminal Cases filed against the company:

- 1 criminal complaint against the company is pending before the Chief Judicial Magistrate, Howrah for final disposal which is arising out of a complaint filed by the party in view of stop payment instructions issued by the company of two cheques amounting to Rs.0.61 Lacs. The complaint is for prosecution under section 420 of IPC. The matter posted for evidence of the complainant.
- One criminal complaint against the directors and officers of the company has been filed stating that the company has accepted and purchased empty bottles even after change of name by using Rubber stamps. The Complaint is to take cognizance of offence committed by the company u/s.420, 465 and other sections of IPC. Matter pending in the Magistrates Court, Kolkata. Earlier 1 winding up petition against the company for an amount of Rs.8.65 Lacs outstanding against supply of empty bottles by the same party has been dismissed since the company is registered under BIFR. Since the complainant is no more in the services, a fresh petition needs to be filed as prayed for by the Complainant's advocate which is allowed. Posted for evidence of the Complainant. The Court has fixed 16th September, 2004 for evidence by the Complainant.

Civil cases filed against the company:

- 1 Execution Petition for recovery of Rs.1.97 Lacs has been decreed against the company and executed. The company expects to get relief under the statute since the company is referred to BIFR. The case is adjourned for final disposal.
- Employees State Insurance (E.S.I.) Corporation raised demand of Rs.11 Lacs for the period on various accounts. The company had disputed the demand but the Dy. Director, ESI finalized the demand arbitrarily and started proceedings for recovery from Directors of the company. The company has filed a petition before the ESI Court for stay of the proceedings and stay order was granted with certain conditions including deposit of Rs. 1 Lac. After compliance of the condition, the company has prayed for a permanent stay. Matter is pending before the ESI Court. Meanwhile ESI Corporation has appealed in the High Court C.O No. 418 of 2004 against the order of the ESI Court. Matter yet to come up for hearing.

Labour Litigations filed against the company:

- In 1 case filed against the company by an employee for dismissal, the company has preferred an appeal in the High Court at Calcutta for staying further proceedings in the case till the BIFR Order. The lower Court had earlier ordered reinstatement of the employee with backwages and payment of monthly salary of Rs.3,440/- per month.

Litigation involving statutory dues related matters filed by the company:

- 1 petition has been filed by the company against the Excise Department for demanding payment of Export Pass fee. The High Court has granted an ad-interim injunction till disposal of petition. Matter is sub-judice and stay is still in subsistence.

Empee Breweries Limited

Civil Cases filed against the company:

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
I.A. 523 of 2002 is an application for ad-interim direction to maintain status quo in respect of shares proposed to be transferred to 3rd parties or to make any payment. EBL and MAL are made parties and they are arrayed as Respondents 4 & Respondents 5. Counter affidavits filed by EBL & MAL	DRT, Chennai	29.5.02	I.A. 523 of 2002	IFCI Vs ESCL & Others	Order of Status Quo passed on 30.05.2002, restraining EBL from transferring or to make any payment in respect of the shares of the company.	

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Interim application for temporary injunction restraining EDL & EBL from selling, purchasing, transferring, alienating or disposing the assets and properties of EDL including immovable properties.	DRT, Chennai	29.5.02	I.A. 526 of 2002 in OA 1211 of 1999	IDBI Vs ESCL and others	The company understands that no interim order has been passed	To grant an order of interim injunction restraining the Respondents 2 and 5 from selling/ purchasing/ transferring or in any manner alienating or disposing the assets and properties of the second Respondent, including the immovable properties more fully described in the Schedule hereunder, to the second Respondent, to pending disposal of the above O.A.No. 1211 of 1999 and pass such further or other orders and thus render justice.
Interim application for temporary injunction restraining EDL and the Commissioner of Prohibition & Excise from selling or transferring the brewery license of EDL in favour of EBL.	DRT, Chennai	29.5.02	I.A.527 of 2002 in OA 1211of 1999	IDBI Vs ESCL and others	The company understands that no interim order has been passed	To grant an order of interim injunction restraining the Respondents 2 and 6 from selling/transferring the brewery licence of the Second Respondent, in favour of the fifth Respondent or to any other person, pending disposal of the above O.A. No.

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
						1211 of 1999 and pass such further or other orders and thus render justice.
Interim application for attachment before judgement of Rs.100 crores received or to be received from MAL	DRT, Chennai	29.5.02	I.A. 529 of 2002 in OA 1211 of 1999	IDBI Vs. ESCL & Ors.	The company understands no interim order has been passed	To order attachment before judgement of the sum of Rs.100 crores received /to be received by the Respondents 1 to 4 from the sixth Respondent through 100% sale/ transfer of the fifth Respondent's shares, pending disposal of the above O.A. No.1211 of 1999 and pass such further or other orders and thus render justice.
Interim application for temporary injunction directing M.P.Purshottaman, (MPP) A.K.Aruna (AKA), Empee Distilleries Limited (EDL) and Nisha Purshottaman (NP) to set aside their transaction in EBL's shares in contravention of injunction in I.A. 3321 of 1999 including ultimate transfer to UBL-MAL is not made a party. UBL is not holding EBL shares. NP was not a respondent in I.A. 3321 of 1999. AKA was not restrained from selling her EBL shares. M.P. Purshottaman and Empee Distilleries Ltd. were only restrained. MAL did not buy any share of EBL from EDL. MAL was not aware or put on notice about any order of stay by MPP while buying the holding in EBL. MAL is covered by the representation and warranties given by the Sellers in particular M.P.Purshottaman.	DRT, Chennai	30.9.02	I.A. 993 of 2002 in IA No. 3321 of 1999 in OA No. 1211 of 1999	IDBI Vs Empee Sugars and Chemicals Ltd., M.P.Purshottaman , A.K.Aruna, Empee Distilleries Ltd., Empee Breweries Ltd., Nisha Purshottaman, United Breweries	Pending	To direct the Respondents 2 to 4, and the 6 th Respondent/ Contemnors, to set aside their transactions in the fifth Respondent shares in contravention of the interim injunction order passed in I.A.No.3321 of 1999, including the transaction of ultimate transfer to the seventh Respondent in respect of the

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
						shares held by them in the fifth Respondent company and to restore status quo ante by restoring their share holdings in the fifth Respondent company as it was when the interim order of injunction was granted by this Hon'ble tribunal in I.A.No.3321 of 1999 in O.A No.1211 of 1999 and thus render justice.
A contempt application seeking to punish M.P. Purshottaman, A.K.Aruna, Empee Distilleries Ltd. and NP for violating the order passed on 17.12.1999 in I.A. 3321 of 1999. UBL is made a party and should it file a counter is to be decided. UBL should state that it is not the holder of EBL shares. Again NP was not a respondent in I.A. 3321 and A.K.Aruna was not restrained from selling her EBL shares. M.P.Purshottaman and EDL need to explain their stand. EBL should also file its counter.	DRT, Chennai	30.9.02	I.A.996 of 2002 in IA No. 3321 of 1999 in OA No. 1211 of 1999	IDBI Vs Empee Sugars and Chemicals Ltd., M.P .Purshottaman, A.K.Aruna, Empee Distilleries Ltd., Empee Breweries Ltd., Nisha Purshottaman, United Breweries	Pending	To punish the Respondents 2 to 4 and 6th respondent Contemnors for having willfully and deliberately violated the interim order of injunction granted by this Hon'ble Tribunal on 17/12/1999 in I.A. No.3321 of 1999 in the above O.A.1211 of 1999 and pass such further or other orders and thus render justice.

Civil Cases filed by the company:

- The company has filed an objection with the Trade Mark Registry, Kolkata against a party for registration of its brand MARCOPOLO XXX RUM in their name. The company has filed its objections and hearing is yet to commence.
- 1 case pertaining to allotment of land by District Industries Centre and recalling the allotment of land despite payment of consideration is pending before Kerala High Court. The company has prayed for being impleaded as the respondent in this case filed by the District Industries Centre against the original allottee. Case is pending.
- 1 petition has been filed by the company against a claim of Rs.14,47,203/- made by the District Industries Centre towards improvement of land allotted to the company but carried out by the previous allottee Patodia Syntex Limited. The company has contended that since a part of the improvements amounting to Rs.10,78,871/- was carried out by the

company, the valuation done by SIDCO was very high with regard to the improvement made by Patodia Syntex Limited. The Hon'ble High Court had ordered vide its order dated 4.12.1999 for a joint inspection with representatives of Patodia Syntex Limited, District Industries Centre and SIDCO which was duly done, but the representatives of Patodia Syntex refused to sign the minutes of the said joint inspection. Subsequently, the District Industries Centre has, vide its letter dated 22.3.2000, stated that SIDCO's valuation does not require any alteration. In view of this the company has filed another writ in the Kerala High Court praying that the earlier order from the District Industries Centre dated 22.3.2000 be quashed and the company is also claiming other reliefs.

Herbertsons Limited

Litigations involving Securities Related Offences filed against the company

- Bombay High Court – Suit No. 3910 Of 1997 – M. S. Reddy & Others Vs. K. R. Chhabria & Others and Suit No. 297 of 1999 – Imfa Holdings Private Limited & Others Vs Herbertsons Limited & Another.

M. S. Reddy & Others, shareholders of the company, filed a suit in the Bombay High Court in 1997 being Suit No. 3910 of 1997, challenging the acquisition of shares by the Kishore Chhabria/ Madanlal Chhabria group, inter alia, as being in breach of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and/or 1997. The company is a party to the said suit, being Defendant No. 12 therein.

Imfa Holdings Private Limited and Ors. (companies owned and/or controlled by Mr. Kishore Chhabria/ Mr. Madanlal Chhabria) filed a suit in the Bombay High Court, being Suit No. 297 of 1999 against the company & Dr. Vijay Mallya, inter alia, seeking a declaration that they are the beneficial owners of certain shares in respect of which registration of transfer in their names had been refused by the company. These shares are also the subject matter of Suit No. 3910 of 1997.

At the final hearing of Notices of Motion in the said two Suits, by a judgment and order dated 19th -22nd April, 1999, the Learned Single Judge of the Bombay High Court has restrained the Kishore Chhabria/ Madanlal Chhabria group from exercising voting rights in respect of shares aggregating to approximately 20% of the equity capital of the company.

The Kishore Chhabria/ Madanlal Chhabria group filed Appeals before the Division Bench of the Bombay High Court from the said judgment and order of the Learned Single Judge. The Hon'ble Division Bench of the Bombay High Court by a judgment and order dated 28th September, 2001 dismissed the said Appeals and confirmed the judgment and order of the Learned Single Judge.

The Kishore Chhabria/ Madanlal Chhabria Group have filed four Special Leave Petitions before the Hon'ble Supreme Court of India against the aforesaid judgment and order dated 28th September, 2001. By an order dated 5th August, 2002 the Hon'ble Supreme Court has granted leave, but has not stayed the order and judgment dated 28/09/2001. By a further order dated 16th April, 2003 the Special Leave Petitions (now Civil Appeals) were adjourned sine die. Further, the Supreme Court has stayed the company from holding any Annual General Meetings, till disposal of the Appeals.

- Petition Nos. 21 of 1998, 22 of 1998, 52 of 2000, 51 of 2000 and 7 of 2001 filed by Shirish Finance & Investments Private Limited, Imfa Holdings Private Limited, Darrel Traders Private Limited, Beethoven Traders Private Limited And Firestorm Finance And Trading Private Limited before The Company Law Board, Western Region Bench Under Section 111A of The Companies Act, 1956

The company refused registration of transfer of shares lodged for transfer by Imfa Holdings Private Limited, Shirish Finance & Investment Pvt. Ltd., Beethoven Traders Private Limited and Darrel Traders Private Limited as, inter alia, being in breach of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. All these companies which belong to the Kishore Chhabria/ Madanlal Chhabria group have filed Appeals u/s 111A of the Companies Act, 1956 against the refusal of the company to register transfer of these shares. All these Appeals are pending.

The company also refused registration of transfer of shares lodged by Firestorm Finance & Trading Pvt. Ltd., a company belonging to the Manohar Chhabria group, as, inter alia, being in breach of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Firestorm Finance has filed an Appeal u/s 111A of the Companies Act, 1956 against the refusal of the company to register transfer of these shares. This Appeal is also pending.

- There are also 3 cases pending before the courts involving the issue of lost share certificates and issue of duplicate share certificates filed by investors, where no financial implications are involved and the company is only a necessary party and not a contesting party.

Civil Litigations filed against the company:

- Suit Nos. 5908 of 1998, 5909 of 1998, 5910 of 1998, 5911 of 1998 and 69 of 1999 filed by UB Limited (now UBHL) in The Bombay High Court against Herbertsons Limited and Another

UB Limited (now UB Holdings Limited) has filed 5 suits in the Bombay High Court, inter alia, seeking declarations that Special Notices lodged by companies belonging to the Kishore Chhabria/ Madanlal Chhabria group purporting to be notices under Section 284 of the Companies Act, 1956 are invalid, and contrary to law and any resolutions passed pursuant thereto at the 61st Annual General Meeting of the company are invalid, void and contrary to law. The said suits are pending.

- Writ Petition No. 629 of 1998 in Delhi High Court filed by Airedale Investment & Trading Private Limited & Others challenging Dr. Vijay Mallya's appointment as MD

Certain companies belonging to the Kishore Chhabria/Madanlal Chhabria group and holding shares in the company, filed a Writ Petition against the Union of India and others challenging the approval accorded by the Central Government for appointment of Dr. Vijay Mallya as Managing Director of the company for a period of 5 years ended November 30, 2003. The company and Dr. Vijay Mallya are respondents in the said Writ Petition. The same is pending.

- Tis Hazari - Suit No. 1 of 2000 filed by Ashok Kumar Jain and Others inter alia to Maintain Status Quo in the management of BDA.

Mr. A. K. Jain and others filed a suit in the Tis Hazari Court, New Delhi, inter alia, seeking status quo on the Board of Directors of BDA Limited till the alleged investment made by the Plaintiff alongwith all other alleged claims is settled. In an interim Application in the said suit the Plaintiff obtained an ex-parte order dated 27th December, 1999 from the said court restraining Mr. M. D. Chhabria, BDA Ltd. and the company from passing any resolution adversely effecting the interest of the Plaintiff and to maintain status quo. The said order was ultimately vacated and interim relief refused to the Plaintiff by an order dated 24th February, 2000. Mr. A. K. Jain has preferred an Appeal being MCA 93 of 2000 from the said order dated 24th February, 2000. No interim relief has been granted in the said Appeal. The company is a party to the said suit. Appeals have been filed from the said order.

A contempt petition was also filed by Mr. A. K. Jain against the authorised representatives /Proxyholder of the company including Dr. Vijay Mallya for alleged breach of the said order dated 27th December, 1999.

The aforesaid suit, Appeal and contempt petition are pending.

- The Company Petition No. 17 of 1999 filed by Airedale Investment & Trading Private Limited and Others against Herbertsons Limited & Others u/s 397/398 of The Companies Act, 1956 before The company Law Board, Principal Bench, New Delhi

Companies belonging to the Kishore Chhabria/ Madanlal Chhabria group, filed a petition under Sections 397/398 before the company Law Board, Principal Bench, New Delhi, inter alia, against the present management of the company alleging mismanagement of the affairs of the company.

The company as well as Dr. Vijay Mallya is party defendants in the said petition. The above proceedings are pending.

- Suit No. 373 of 1992 filed by Shaw Wallace & Another against Kishore Rajaram Chhabria & Others in Calcutta High Court

In a suit filed by Shaw Wallace & Company Ltd. and another vs. Kishore Chhabria and others regarding the ownership of BDA Limited, the company has filed an application to be impleaded as a Party defendant to the said suit, which application is pending hearing. Pursuant to a hearing on 16.2.2004 the company was impleaded as a party defendant, and was directed to file affidavits within two weeks from that date. Subsequently an application was made by BDA (Defendant No. 6 in the suit) for recalling the order dated 16/02/2004 as BDA's counsel could not appear on 16/02/2004 for reasons beyond control and therefore BDA needed to be heard in the matter. At the hearing held on 19.03.2004 the application of BDA was allowed and the Hon'ble Calcutta High Court recalled order dated 16.02.2004. The hearing of the company's application for impleadment as a party defendant is now pending.

- M. S. No. 31 of 1996 in The High Court of Calcutta – Associated Pigments Limited Vs. Herbertsons Limited

The Plaintiff filed a money suit for recovery of Rs.66,16,387.82 (including interest on delayed payments) and other ancillary reliefs in 1996 in respect of alleged supplies to UB Mec Batteries Limited. Herbertsons Limited has filed a counter claim of Rs.54,66,115/- plus interest @ 24% p.a. for delayed supplies, loss on conversion of materials and price variation, against the Plaintiff. The matter is pending before the Calcutta High Court.

- There are 3 complaints for deficiency of service before consumer forums in the country where the claims aggregate to Rs.6 Lacs.
- There are also 3 cases for money recovery pending against the company which the company has disputed where the claim aggregates to Rs.531733.98 (plus interest thereon).
- M/S Sadana Brothers Private Limited Vs. M/S UB Group And Others

Mr. Madhav Prakash Sadana, Director of Sadana Brothers Private Limited ("Sadana Brothers") filed a criminal complaint under the Indian Penal Code before the T. I. Police Station, M. P. Nagar, Bhopal in respect of alleged non-repayment of an amount of Rs. 25.06 lacs from the UB Group – Spirits Division allegedly furnished as security deposit

by Sadana Brothers. After investigating the case, the police came to the conclusion that the complaint was civil in nature and no criminal case could be registered in the matter. Mr. Sadana, Director, Sadana Brothers, filed a criminal suit under the IPC in the court of Chief Judicial Magistrate, Bhopal. The company is inter alia, party to the said suit.

A hearing took place in January 2004, the Magistrate ordered that the M. P. Nagar Police should be given a copy of the complaint made to the court upon payment of fee by the complainants. In its order, the court directed the police to inquire into the complaint under Section 156(3) of the IPC and if a cognisable offence was found to have been committed prima facie, register a case and forward a copy of the FIR to the court.

The court has directed a report on the entire action taken.

Civil Litigations filed by the company:

- Suits in Bombay High Court regarding 13th Annual General Meeting of BDA Limited, a wholly-owned subsidiary of the company

The company filed Suit No. 6826 of 1999 against Mr. Kishore R. Chhabria and others seeking certain reliefs pertaining to the 13th Annual General Meeting of BDA Limited, a wholly-owned subsidiary of the company (which is however in the exclusive control of Kishore Chhabria group) then convened to be held on 27th December, 1999. The company also filed Suit No. 307 of 2000 against Mr. Kishore R. Chhabria and others, inter alia, seeking orders restraining certain persons from holding themselves out or acting as directors of BDA Limited.

In the Notice of Motion filed in Suit No. 307 of 2000, by an order dated June 26, 2000, the Hon'ble Bombay High Court has restrained BDA Limited from holding Board Meetings till further orders of the Court.

The Notice of Motion in the aforesaid two suits is still pending.

Further, in proceedings arising out of Suit No. 6826 of 1999, the Hon'ble High Court has issued Show Cause to Mr. K. R. Chhabria directing him to show cause why contempt proceedings should not be launched against him for willful breach and violation of the order dated 13th December 1999.

In respect of the said Annual General Meeting of BDA Limited, BDA Limited and others filed a suit in the Bombay City Civil Court being Suit No. 124 of 2000 seeking a declaration that the Annual General Meeting of BDA Limited held on 27th December, 1999 at which admittedly only one member was present, was valid. The said suit has (on an application by the Plaintiffs) been transferred to the Bombay High Court to be heard along with the above 2 suits.

All these proceedings are pending. The company and Dr. Vijay Mallya are, inter alia, parties to the said proceedings.

- Suit No. 7948 of 1999 filed in Bombay City Civil Court by Herbertsons Limited and Another against Ashok Kumar Jain & Others

The said suit was filed in the Bombay City Civil Court as a derivative action, inter alia, seeking a declaration that the alleged agreement between BDA Ltd. and Ample Marketing Private Limited stands validly terminated. The suit is pending.

- The Company Petition No. 67 of 1998 against Kishore Chhabria & Others u/s 397/398 of The Companies Act, 1956 before The Company Law Board, Principal Bench, New Delhi

The Company has filed a petition under Sections 397/398 of the Companies Act, before the Company Law Board, Principal Bench, New Delhi against Mr. Kishore Chhabria and others, inter alia, alleging mismanagement of the affairs of BDA Limited. BDA Limited is being run exclusively by the K. R. Chhabria group to the exclusion of the company and the company is therefore not aware of details of cases/ disputes /defaults/ litigation involving BDA Limited.

The Company filed an application in the said proceedings seeking custody of the share certificates of BDA Limited which have been retained by Mr. Kishore Chhabria in his custody in spite of requests from the company to return the same. The Company Law Board passed an order, inter alia, refusing the application of the company. The company has filed an appeal u/s 10F of the Companies Act, 1956 in the Bombay High Court from this order of the Company Law Board. The said Appeal has been admitted.

Stingray Traders Private Limited, a company owned and/or controlled by Kishore Chhabria/ Madanlal Chhabria group filed an application before the Company Law Board seeking to be impleaded as a party Respondent to the Petition. By an order dated March 9, 1999 the Company Law Board dismissed the said application. Stingray has preferred an appeal under Section 10F of the Companies Act, 1956 before the Bombay High Court, which appeal is pending.

The above proceedings are pending.

- Civil Appeal Nos. 1774-79/90 State of Orissa and Ors. Vs. Niranjana Sen etc.

These Appeals arose from an order of the High Court of Orissa, inter alia in O.J.C. No. 1626 of 1981 which held that the respondents (including the company) are not liable to pay excise duty on the quantity of liquor lost during transit from the distilleries / breweries outside the state to the warehouse of the respondent in the State. These Civil appeals have

been disposed of where the Hon'ble Supreme Court has confirmed the view of the High Court of Orissa but has remanded the matter back to the High Court to the extent that the parties have to prove that there was loss in transit.

- Suit No. 1556 of 1998 in The Bombay High Court - Herbertsons Limited Vs. Indrayani Agro Industries Pvt. Ltd. & Ors. Walchand Hindustan Limited filed a Suit for recovery from Herbertsons Limited as alleged guarantor, of certain lease rentals owing by Indrayani Agro Industries Pvt. Ltd. aggregating to Rs.3,538,819/- which had defaulted in payment of the same. Herbertsons Limited paid the said amount to Walchand Hindustan Limited under an Arbitration Award. Herbertsons Limited has filed the captioned suit for recovery of the above amount from Indrayani Agro Industries Pvt. Ltd.
- Title Suit filed by the company in The Court of Sub Judge-1 Gopalganj, Bihar
By an order dated 18th February, 2003 the Supreme Court upheld the constitutional validity of the Bihar Sugar Undertakings (Acquisition) Act, 1985 as amended by the Bihar Sugar Undertakings (Acquisition) Act, 1987 ("the said Act"). As a result, the entire sugar undertaking together with the distillery at Hathua of Shree Krishna Gyanoday Sugar Limited stood vested in the Bihar State Government. A review petition filed by UB Distilleries Limited, who is running Hathua distillery was also dismissed by the Supreme Court of India.

With regard to the plant and machinery of the value of Rs.826,90,839.36 owned by the company and leased to UB Distilleries Limited by the company, the company has filed a title suit in the Court of Sub Judge-1, Gopalganj, Bihar calling upon the State Government to forthwith hand over the plant and machinery to the company. The company has also filed a petition for requesting grant of ad interim injunction against the State Government from taking possession of the plant and machinery belonging to the company. The suit and the petition are pending.

Herbertsons Limited has advised that its wholly owned subsidiary BDA Limited is under the exclusive control of Kishor Chhabria Group and hence except to the cases known by Herbertsons and as disclosed above, no information can be given for them.

Inertia Industries Limited

Material Criminal Cases filed by the company

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Party issued Cheque of Rs.25000/- towards partial discharge of its liability in favor of the company. The cheque was dishonored on presentation. Notice under section 138 of the Negotiable Instruments Act, 1881 calling the party to pay the cheque amount within 15 days time was sent. Party did not respond the notice and failed to make the payment. The company had sold "Spent Grain" to the party.	Court at Aurangabad	2003	6450 of 2003	Inertia Industries Ltd Complainant Vs. S.D. Ghadge (Proprietor)Accused	Summons has been issued to the party. Hearing yet to commence.	1. Summon the accused and prosecute him for, inter alia, the offence u/s 138 of the NI Act, 1881 (as amended); and/or 2. Impose on the accused, penalty of twice the amt. of the cheque in question and pay to the complainant the amt. of the dishonored cheque and/or any other amount as the court may deem just and proper; and/or 3. Pass such order/ orders the court may deem fit and proper.

Other Criminal Cases filed by the company:

- The company has filed 4 complaints under Section 138 of the Negotiable Instruments Act against a party for dishonour of 4 cheques of Rs.0.40 Lacs each issued towards partial discharge of liability to the company. These cases are yet to come up for evidence. The company has filed petitions in the Delhi High Court for all the 4 cases against the State for preponement of hearing which has been allowed. The Delhi High Court has directed the Lower Court for early hearing. In 2 cases summons served at registered address but was refused as accused was not available.
- 1 complaint under Section 138 of the Negotiable Instruments Act filed by the company against a party for dishonour of cheque of Rs.0.33 Lacs issued towards partial discharge of liability to the company is pending. Case yet to come up for evidence. On 29.10.2003, the original documents were exhibited in the Court by the company. The Court had issued summons to the accused returnable on 10.2.2004 which could not be delivered due to non availability of proper address. The matter is pending. Summons served at registered address but was refused as accused was not available.

Material Civil Cases filed against the company:

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Regarding water pollution due to water percolated from responding units	High Court, Aurangabad	10.12.2002	WP 3439/2002	Raghunath Rakhmaji Lohkare v/s. MPCB, Inertia & other 18 factories	Engaged Advocate in the matter. Matter is pending	1) Writ of Mandamus against Resp. 1 to 4 (i.e. MPCB authorities) 2) Directing the authorities to prevent the water pollution by control on the affluent discharges by the Resp. Nos.6 to 20 (i.e. factories)
The Complainant was employed by IIL as "Sales Executive". Claimed Salary & TADA amount Rs. 735315	Labour Court, Aurangabad	2001	App.(IDA) 01/2001	Vincent Raymer. v/s. Inertia Industries Ltd.	The company has filed W.S., Matter for issues.	Claiming Rs. 735315.00
The company had engaged the party for transportation of Beer. Case filed for recovery of Rs.23,40,733 with interest @ 18% per annum Rs.23,40,733/- with interest @ 18% per annum.	Jt. C/SD Judge, Aurangabad	2002	SCS 330/2002	Pushpak Freight Carrier v/s. Inertia Industries Ltd.	The company has submitted written statement and the case is yet to come up for hearing.	Rs.23,40,733/- with interest @ 18% per annum
The plaintiff supplied paper at Dharuhera unit of the company. Party claimed Rs.272988/- vide legal notice dated 04.04.2003	Court of Civil Judge (Sr. Div.), Meerut, UP	08.07.2003	Suit 551 of 2003	Kalicharan Industries Pvt. Ltd. Vs. Inertia Industries Ltd.	The company has received summons from the Court and has filed an application in the court to obtain suit papers. Reply is yet to be filed. The company has offered payment of principal in instalments.	1) A decree of Rs.521292/- 2) Pendente lite and future interest @ 25% p.a. on Rs.521292/- 3) Cost of the suit. 4) Any other relief which the court deem fit and proper.

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
The Plaintiff supplied sugar at Dharuhera unit of the company and raised bills against the supplies made. The Plaintiff claims Rs.1113382.00 along with interest @18% p.a.	Tis Hazari Courts Delhi	19.07.03	Summary Suit 164/03 Tis Hazari Courts, Delhi	Prem Chand Yatendra Kr. Vs.Inertia Ind Ltd. & Others	The company received summon for appearance. The company received Summons for Judgement and the company filed application u/o XXXVII rule 3(5) read with Sec. 151 of CPC, 1908 for grant of leave to defend. Matter re-notified.	1) Decree for Rs.1113382.00 along with pendente-lite and future interest @18% p.a. against the defendants. 2) Cost of suit.

Other Civil Cases filed against the company:

- 2 recovery suits have been filed against the company for recovery of money against supplies made to the company. The claim amount in these Suits is Rs.55.40 Lacs together with interest @ 18% and cost of the suits. Suits are pending in the District Court and High Court. Injunction and 2 Order to proceed against the company has been issued in 1 case. In this case, the plaintiff has filed a Company Application bearing No. CA 45/2003 in Delhi High Court u/s 466 of the Companies Act 1956, read with Rule 9 of the Companies Court Rules and Sec 151 of the CPC for vacation of the Court Order dated 9.12.98. The application is pending. The company has filed a scheme of compromise in Delhi High Court. The court has directed the company either to proceed in the matter or withdraw the scheme. In case of approval of the scheme, the company will have to pay the admitted amount along with 15% interest. In case of withdrawal of scheme, proceedings in the suit pending at the Court will resume. In the other case, the company has filed application u/o 7, rule 11(d) read with sec 151 of the CPC 1908, for dismissal of the suit. An application u/o 1, rule 10 was also filed on behalf of Mr. R K Jain for deletion of his name from the array of defendants. The matter is dismissed as time barred. The company has withdrawn the scheme of compromise, thus the stay order is vacated. Proceedings in Rawari court will resume once company moves court with an application along with the court order.
- 3 other recovery cases have been filed against the company for recovery of amount of Rs.2.27 Lacs together with interest are pending in various courts. 1 case has been decided in favour of the company.
- 11 recovery cases have been filed against the company for recovery of principal amount along with interest. The total recovery amount in all these cases aggregate to Rs.56.60 Lacs. These cases pertain to hire purchase of cars, supplies made to the company, etc. All these matters are pending except in 1 case where orders have been passed by the Court for execution of decree. In 1 case, Written Statement has been filed, 3 cases have been settled, in 3 cases the company has filed an affidavit for suspension as the company is referred to BIFR and in 1 case the suit is posted for hearing. In 1 case, the company has made application for setting aside the ex-parte decree. In 1 case an application was filed to review exparte order. The application was rejected by the Court. Evidence and argument on application seeking stay is pending.
- 2 consumer complaints against the company relating to quality of beer filed in the District Consumer Redressal Forum, Faridabad is pending. The total claim amount is Rs.1.00 Lacs and compensation for mental harassment. Complaints are pending for hearing. The matter was listed on 23.12.2003 when the complainants have filed affidavits. The company to file its affidavits. These cases are now listed for arguments.

Material Civil Cases filed by the company:

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
The company filed petition before Delhi High Court for approval of scheme of compromise with creditors of the company u/s 391(2) of the Companies Act, 1956. Earlier company filed an application (CA 1680 of 1998) seeking permission to hold meeting of creditors for approval of scheme of compromise with the creditors. The court granted its permission to hold the meeting and passed order on 09.12.1998 to the effect that no court, where various civil/ criminal proceedings are pending, shall pass any final order and no amount shall be disbursed by the applicant company in favour of any party till further order of the Court.	Delhi High Court	13.03.00	CP 56 of 2000	Inertia Ind. Ltd. - Petitioner Petition u/s 391 of Companies Act, 1956 (Scheme of Compromise)	All creditors except HAFED and Nagpur Textiles have been settled. A recovery suit filed by HAFED in Distt. Courts Rewari is pending. The proceedings in the matter are stayed in view of Delhi High Court order dated 09.12.1998. The matter is pending. The Court has granted last and final opportunity to the company either to continue with the scheme or to withdraw it. The company has withdrawn the petition comprising scheme of compromise.	1.Sanction the compromise scheme so as to binding on all the creditors. 2. All the proceedings pending in various courts against the petitioner company be stayed sine die during the implementation of scheme. 3. Any such order the court shall deem fit. In the event of withdrawal of the scheme, the proceedings in the recovery suit against the company pending in the Rewari Court will resume.
Suit for injunction to abstain party's entry in factory and nearby main gate.	Civil Judge (SD) Rewari	23.04.04	432/03	Inertia Industries Ltd Vs Rohitas Yadav	To come up for hearing	Suit for permanent injunction under order 39 Rule 1,2,4 and 151 of CPC
Contempt of court injunction already sought against the party	Civil Judge SD Rewari	23.04.04	64/03	Inertia Industries Ltd Vs Satbir	Fixed for Written statement	Punishment for contempt of court order
Company's workmen claiming recognition of their so-called old defunct union.	Civil Judge SD Rewari	22.10.03	454/03	Inertia Industries Ltd Vs Karmachari Union	Case fixed for hearing on interim stay application of the company	Union will be declared defunct and de-recognized.

- 1 Suit claiming damages of Rs.35.32 Lacs together with interest @ 24 % has been filed by the company for breach of contract is pending in Delhi High Court. Withdrawal contemplated by the company. At present, the suit is not being pursued by the company. The suit has been withdrawn.
- The company filed a recovery suit in the Delhi High Court for recovery of Rs.1,12,90,320/- against Circle Trade & others (the Defendants) who were the company's procuring agents to purchase and procure and supply the said machines from a company in Germany. Even after receiving the money from the company (i.e. inter alia) the Defendants failed/ neglected to pay. The Court dismissed the suit on 08.10.2002 for non-prosecution. Application is being filed for restoration of the suit. The company had filed application for restoration of the suit which was allowed and fresh summons were issued to the defendants.

Litigation involving statutory dues related matters – filed by the company

- 2 Suits have been filed by the company challenging the demand by ESIC for recovery of Rs.19 Lacs towards damages and interest for late deposit of ESI contribution. These cases are pending.
- The company filed an appeal against the decision of the Sales Tax Department for revocation of the eligibility Certificate granted by Sales Tax Authorities on the ground of alleged violation by the company of the terms on which the Certificate is granted. This appeal is pending before Sales Tax Tribunal, Haryana. The liability towards principal is being paid in instalments. 1 Petition has been filed by the company in the High Court, Chandigarh against the State of Haryana challenging the validity of Rule 28 A(11) of Haryana Govt. Sales Tax Rules. Petition has been admitted. The petition has been disposed of stating that the appeal to be transferred to some other Tribunal in the State of Haryana. There is a Stay on the recovery proceedings which will be heard on merits by the Tribunal where the appeal is transferred.

Litigation involving labour matters filed against the company:

- 2 cases are pending in Delhi High Court restraining 2 employees of another company from taking employment in the company and sharing of information with the company. The company is Defendant No.2. These employees are no more in employment of the company. These cases are now shifted to Lower Court and fresh summons awaited. A notice has been issued to appear before the court in 1 case. Notice of a fresh hearing not received in 1 case.
- 24 complaints have been filed against the company in the Labour Court Gurgaon for confirmation of services and reinstatement with backwages filed by casual workers. Total amount claimed in these Cases is Rs.24 Lacs. Out of these, 21 cases have been settled in January / February 2004, 2 cases are yet to come up for hearing and in 1 case, written statement has to be filed.
- 1 complaint for permanency has been filed in Industrial Court, Aurangabad which is pending.
- 1 case has been filed in the Labour Court, Aurangabad claiming compensation of Rs.2 Lacs under the Workmen's Compensation Act. Earlier the Industrial Court Aurangabad dismissed the claim and hence a revision has been filed. All the above matters are pending.
- 1 case has been filed by 62 Contract Workmen claiming permanency in the company under MRTU and PULP Act and also applied for interim relief in the said complaint. The company has filed a stay to the interim relief application. These cases are pending.
- 1 case has been filed against the company in the Labour Commissioner Forum, Jaipur, Rajasthan against termination of services and claiming reinstatement with benefits.

Winding Up Petitions filed against the company:

- 10 winding-up petitions are pending in the High Court at Delhi filed for winding up of the company arising out of non payment of outstanding payable against supplies made to the company. The aggregate amounts in these petitions are Rs.179.50 Lacs plus interest. The company has offered to settle the amounts in installments in certain cases. In some cases the company has deposited the amount in the Court. All these petitions are pending disposal. The company has offered for payment of principal amount in instalments. The petitions have been posted for appearance/ arguments. In one of the petition, the matter has been settled out of Court. 6 petitions are adjourned for hearing. In 2 petitions, stay application has been made by the company which are pending. 1 case has been settled out of Court.

McDowell & Company Ltd.

Material Securities related Litigation - filed against the company:

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Company Petition No.17 of 1999 filed by Airdale Investment & Trading Private Limited and others against Herbertsons Limited & others u/s.397/398 of the Companies Act, 1956 before the company Law Board, Principal Bench, New Delhi Companies belonging to the Kishore Chhabria / Madanlal Chhabria group, filed a petition under Sections 397//398 before the company Law Board, Principal Bench, New Delhi, inter alia, against the present management of the company alleging mismanagement of the affairs of the company. McDowell & company Limited is a party defendant in the said petition. The above proceedings are pending.	The Company Law Board, Principal Bench, New Delhi, New Delhi	1999	Company Petition No. 17 of 1999	Airdale Investment & Trading Private Limited and OthersV/s. Herbertsons Limited and Others. Also McDowell & Company Limited is a party defendant in the said Petition		Alleging mismanagement and oppression by the present management of Herbertsons Limited mismanage the affairs of the company. Reliefs sought.
Plaintiff, Neeraj Mehrotra and Sarita Mehrotra, being the registered shareholders intimated loss of 500 shares (as per the company's record only 420 shares) to the defendants i.e, McDowell & Company Limited and requested not to transfer the shares in favour of any other person and has obtained the Order dated January 6, 2000 from the Upper Civil Court, Allahabad for issue of Duplicate share certificate.	The Hon'ble Upper Civil Court, Allahabad	June 1995	338 / 95	Neeraj Mehrotra & Sarita Mehrotra Vs McDowell & Company Limited & Ors.	The registrars came to know of the loss of shares only in August 2003 on receipt of letter and Court order from Neeraj Mehrotra. The shares were transferred favouring different acquirers and subsequently dematerialized before the registrars came to know of the loss. The matter has been taken up with the last acquirers as per the SEBI guidelines requesting them to return the share certificates. The acquirers have asked for some documents, for which request has been made to Neeraj Mehrotra. Reply is awaited. The company has written to Neeraj Mehrotra informing the inability to comply with the Order	Claims for Issue of Duplicate Share Certificate along with benefits like Bonus and Dividend arising out of the said shares

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
					since the subject shares were transferred several times & subsequently requesting Neeraj Mehrotra to furnish a modified order.	
The Plaintiff, Alope Kumar Dutta, claims that he purchased 300 shares of McDowell from Defendant no.1 directly. The Plaintiff sold the same through defendant no.3 without getting the shares registered in his name.The shares so sold was rejected by Share Aids due to signature mismatch.The Plaintiff rectified the defect by getting the signature of defendant no.2 attested on the Transfer Deed and again delivered to the purchaser.But the second time when it was presented, it was rejected again for the reason duplicate share certificates issued to the Holder, i.e. the defendant no.2. On such rejection for the second time, the shares were auctioned and the Broker, i.e. defendant no.3 raised a bill on Plaintiff. The Plaintiff in turn raised a bill on defendant no.2 from whom he bought the shares and defendant no.2 issued a cheque to the Plaintiff, which was dishonoured.	Before the City Civil Court at Kolkata	2004	Suit No. 941/2000	Alope Kumar Dutta vs. 1.McDowell & Co. Ltd., 2.Mira Rani Pan 3.Radar Securities Ltd. and 4. Mrinal Kanti Pan	Duplicate Share Certificates bearing no. 423615 to 423619 respectively were issued by Share Aids in favour of Defendant No.2 for the above original share certificates. All the 300 shares after such duplicate issue was transferred by Defendant No.2 to Vishnu Khaitan (Folio MS-178995) on 06.09.1999 Vishnu Khaitan transferred the same to SKP Investments Pvt. Ltd. (Folio MS 185216) on 20.9.2000. SKP Investments dematerialized the said 300 shares on 01.12.2000 to their DP Account bearing DPID : IN300716CLID: 10005387. As on date SKP Investments is not holding any shares in the said Client ID The company has appointed an advocate to represent the case and vakalat has been filed. Time to file Written Statement has been extended till Sept. 2004.	The Plaintiff has pleaded for the following Order from the Court: a. to declare him as absolute owner of the said shares. b. To permanently restrain the company from dealing with / transferring the said shares in favour of any other person. c.To direct the company to cancel the duplicate shares issued to the defendant no.2 and transfer the same in favour of Plaintiff along with all benefits accrued on said shares

Other Securities Related Litigation against the company:

- 1 case has been filed in the Munsiff Court, Dhanbad for non-receipt of Share Certificate by a shareholder with respect of 100 shares sent for transfer and endorsement. The relief sought for is restoration of share certificate. The transferor has obtained an interim injunction restraining the transfer. There is no injunction order issued so far but stop transfer has been marked by the registrars. 1 case has been filed in City Civil Court, Bombay by a shareholder claiming objection to transfer of shares. In view of variation in signature of transferor, stop transfer instructions have been issued to the registrars. The Court has ordered the issuance of share certificate. Duplicate share certificate is being issued.
- 1 case has been filed against the company by a debenture holder claiming non-receipt of consideration amount or the debenture certificate from brokers after sale. Temporary injunction has been obtained restraining transfer of the said 50 debentures, payment of dividend and other benefits. The matter is pending for want of revised court order. 1 case has been filed in the Consumer Dispute Redressal Forum, Nizamabad for non-receipt of demat credit with respect to 500 shares. 100 shares are already in demat mode. Stop transfer has been marked for 400 shares which are in physical mode. The Consumer Forum has ordered transfer of 500 Shares in favour of the shareholder and payment of cost. Revised Order of the Forum expected. 1 case in Consumer Dispute Redressal Forum is pending against the company filed for delay in demat credit and consequent opportunity loss. 1 case is pending in the Civil Court, Kanpur filed by a shareholder holding 100 shares. The shareholder has complained loss of shares held in the company. The claim made is for issue of duplicate share certificate along with accrued benefits like bonus etc.
- Notice under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995:

SEBI vide its Order dated February 19, 2002 held that Dr. Vijay Mallya ("VJM") had, through entities acting in concert with him, acquired equity shares of Herbertsons Limited in violation of the provisions of the Listing Agreement with the Stock Exchanges as also the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and ordered that VJM disinvest the shares so illegally acquired and also directed adjudication proceedings be initiated. The said order of SEBI was set aside by the Securities Appellate Tribunal vide its Order dated August 1, 2003; however adjudication proceedings were not interfered with.

Notice dated January 28, 2003 (Ref:A&E/2395/2003) addressed to 20 parties, including VJM, United Breweries (Holdings) Limited and the company, was issued by the Adjudicating & Enquiry Officer under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. A further notice dated June 4, 2003 (Ref. A&E/62/2003) was issued to the company to include alleged contravention by Carew Phipson to inform its shareholding in Herbertsons Limited to Herbertsons Limited, based on information obtained after the issue of the first show cause notice in January, 2003. It was alleged that VJM, along with persons acting in concert with him (including the company), acquired shares in violation of the Regulations and also did not make the necessary disclosures under the SEBI Takeover Regulations and, consequently were, liable for penalty under Section 15A & 15H of SEBI Act, 1992.

VJM, the company and others have filed their respective replies. The company in its reply has inter alia stated,

- a) that since the Order dated February 19, 2002 of the Chairman, SEBI, has been held to be unsustainable by the Order and judgement dated August 1, 2003 of the Securities Appellate Tribunal, the notices issued by the Adjudicating & Enquiry Officer appointed by the Order dated October 24, 2002 of SEBI as an off-shoot of its order February 19, 2002, ought to be forthwith discharged.
- b) that whereas it is correct that the company is a member of the promoter group of Herbertsons Limited, it is denied that the company is an entity acting in concert with VJM or that the company has acquired shares in violation of the SEBI Regulations.
- c) that the company has made the requisite declarations and understands that Herbertsons had furnished copies thereof in response to SEBI's letter dated March 24, 1998.
- d) that in any case that in so far as the second notice alleges contravention of the provisions of the Regulations by Carew Phipson Limited the said notice is wholly without jurisdiction and beyond the scope and the authority of the Order dated 24th October, 2002 appointing the Adjudicating Officer, particularly in view of the fact that the said notice refers to and relies upon information gathered by SEBI much after not only the Order dated February 19, 2002 of the Chairman, SEBI but also the said Order dated October 24, 2002 and requesting, in the circumstances, to discharge the notices against the company. The hearing before the Adjudicating Officer took place on October 6, 2003 when the company's solicitors presented their case before the said Officer. Orders are pending.

Material Securities Related Litigation – Filed By the company:

Criminal Litigations filed against the company:

- On or about 30th April 1984, one Mr. B. Bhowmick, Excise Officer, posted at M/s Carew & Co., Asansol as Distillery Officer, lodged a complaint with the Officer In-charge of Asansol Police Station wherein he contended that Mr.V.N.Rao along with others had entered into a criminal conspiracy to defraud the State Government of revenue to the tune of about Rs.1.5 Crores by using fake and forged import permits relating to the said Distillery and had, as a result, committed offences under Sections 420 467, 471, 120B of the I.P.C. Thereafter Dr. Vijay Mallya along with other Directors of the company were roped in as accused persons, because they were the Directors of the company but, not because they were participants in the commission of the offences. Charge Sheet was filed in the instant case against Mr. Bhowmick, the defacto complainant in the case under the Prevention of Corruption Act and against Mr. Mallya, the directors and other employees of the company. The matter was listed for hearing on February 23, 2004 and adjourned for fresh date.
- Mr. Madhav Prakash Sadana, Director of Sadana Brothers Pvt. Ltd (“Sadana Brothers”) filed a criminal complaint under the IPC before the T.I. Police Station, M P Nagar, Bhopal in respect of alleged non payment of an amount of Rs.25.06 Lacs form the UB Group – Spirits Division allegedly furnished as security deposit by Sadana Brothers. After investigating the case, the Police came to the conclusion that the complaint was civil in nature and no criminal case could be registered in the matter. Mr. Sadana, Director, Sadana Brothers, field a criminal suit under the IPC in the Court of Chief Judicial Magistrate, Bhopal. The company and Dr. VJM are interalia parties to the said suit. A hearing took place in January 2004 and the Magistrate ordered that the M.P. Nagar Police should be given a copy of the Complaint made to the Court upon payment of fee by the complainants. In its Order, the Court directed the police to inquire into the complaint u/s 156(3) of the IPC and if a cognizable Offence was found to have been committed prima facie, register a case and forward a copy of the FIR to the Court. The Court has sought the report on the entire action taken

Criminal Litigations filed by the company:

- The company has challenged an Order issued by the Metropolitan Magistrate against the company for using the basement of the building for office in violation of the master plan. This complaint was filed by the Delhi Development Authority. The company filed a criminal revision challenging the Judgement and the Appeal was earlier dismissed. The case is pending. The reply affidavit has been filed by Delhi Development Authority.
- There is a complaint for bouncing of Cheques issued to the company in the year 2000 for Rs.0.70 Lacs & a suit for recovery of money outstanding, Rs.1.70 Lacs instituted in 1994, which are pending before the Sub – Judge, Patna. In both cases, attachment orders under sections 82 and 83 of the C.P.C have been passed. However, the accused have not appeared and the court will be moved for Compliance of the attachment order.

Material Civil Litigation filed against the company:

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for
Claim of Commission of MSIL on direct and interstate sale of liquor, to the tune of Rs.81.73 Lacs. Appeal filed by MSIL against the order of the Single Judge in Company Petition dismissing the Company Petition for Winding up	High Court of Karnataka, Bangalore	24 th May, 2002	Appeal OSA 37/2002 in Company Petition 240/2001	Mysore Sales International Ltd. V/s. McDowell & Company Limited	The case was listed for admission on 25.10.2002. The Court suggested that the parties may meet and see if there is any possibility of a settlement. No settlement has been reached.	Set aside Order dated 19 th April 2002 passed by the Judge dismissing the Petition.

Other Civil Litigation filed against the company:

- 1 case has been filed in Consumer Dispute Redressal Forum for non-receipt of Deposit Receipt for a deposit amount of Rs.0.21 Lacs. The company has claimed that the deposit amount has been paid to the claimant.

Material Civil Litigation filed by the company:

Details of litigation	Name of the Court	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for
M/s LG Polymers India Pvt. Ltd. and the company with others filed a writ questioning the demand notice claiming Administrative Fee on captive consumption of Alcohol. An amount of Rs.1,48,79,925/- is claimed. The company has furnished a bank guarantee from time to time for the amount.	High Court of Andhra Pradesh, Hyderabad	July' 1998	WP 20566 of 1998	The Petitioner McDowell & Co. Ltd. and Others V/s. Government of AP and Others	The case was initially dismissed alongwith other batch case. Application filed for restoration back the case and to be heard separately as the subject matter was different from the batch cases. Order has been passed accordingly and is yet to come up for hearing. The High Court has suspended the demand notice in 1999 until further orders.	To suspend the demand notice
Suit filed by Kanchan Udyog Ltd. alleging wrongful termination of contract entered into with Kanchan Udyog Ltd. for franchise bottling of company's soft drinks. The amount claimed in the suit is Rs.11,21,35,289. The Hon'ble Court has by an Order dated 2 nd December, 1999 decreed damages and interest aggregating to a sum of Rs.4,24,33,000/- with simple interest @ 10% p.a. The Respondents further have applied for execution of the Decree. Two separate SLPs filed in 2001 by the company and the Respondents were dismissed and the Supreme Court has directed the Appellate Court to hear the Appeal afresh. By an Order dated 8 th October, 2002 the Appellate Court has injuncted the company for dealing or disposing off their assets.	High Court of Calcutta, Kolkata	3 rd December, 2002	Appeal 836 of 2002 in Suit No 839 of 1990	McDowell V/s. Kanchan Udyog Limited	The matter is being heard afresh by the High Court of Calcutta, on the direction of the Supreme Court	Stay of execution of the decree dated 2 nd December, 1999 and Stay of Order dated 8 th October, 2002

Other Civil Litigation filed by the company:

- The company has filed 9 cases for encroachment of company's land. These cases are pending before the Munsiff and the Additional Judges Asansol. The relief sought for by the company amongst others includes declaration of title, permanent injunction, recovery of possession.
- The company has filed a suit against the State of West Bengal inter alia claiming declaration that the proceedings to be initiated under Memo dated 30th December, 1993 alleging that the IMFL intended to be imported outside West Bengal did not reach the destinations and the same were consumed in the State and consequently appear before the authority for investigation is without authority of law and permanent injunction against the authorities from proceeding against the company as also pursuing any proceedings at all. The amount involved in the matter is Rs.150 Lacs. The matter is pending.

- There is a suit for recovery of money outstanding, involving an amount of Rs.9.58 Lacs which is instituted in 1993. It is pending for disposal with the sub – judge, Patna, who has called for additional records from the Lower Courts.
- A suit instituted in 1996 for recovery of money outstanding, Rs.2.63 Lacs, legal notice has been sent several times but returned unserved. The case has been posted for exparte evidence and is now pending before Sub Judge Patna.
- There are three other suits for recovery of money outstanding and bouncing of cheques, totaling Rs.5.99 Lacs which are still pending before the sub – judge, Patna.
- There are 3 cases in this unit for recovery of outstandings, and bouncing of cheques. The amount involved is Rs.8.47 Lacs and they are pending before the Local court, Ludhiana.
- There is a case for Rs.0.90 Lacs, for interest charged by ANZ Bank on late clearance of Cheque of UP Co-operative Bank.
- There is a suit for recovery of outstandings, against Himachal Wines, Nalagarh which is pending in the High Court of Shimla. The amount involved is Rs.19.06 Lacs.
- A suit has been filed by the company in the District Court, Delhi for bouncing of Cheques issued by Krishna wines, Solan. The amount involved is Rs.10.28 Lacs.
- The company has filed 5 appeals in the High Court of Karnataka on the question and demand for the purpose of assessment of vacant land in and around Factory at Visakhapatnam which was allotted for industrial purpose by the Government would fall within the definition of “asset” under Section 2(ea)(v) of the Wealth Tax Act for inclusion of the net wealth of the company and whether value of aircraft used for business purpose can be valued at market value ignoring the provisions of Wealth Tax Act. The above appeals have been filed against the decision of the Wealth Tax Department and the demand raised is Rs.20.54 Lacs.
- Title suit filed by the company in the Court of Sub judge-1 Gopalganj, Bihar:

By an order dated 18th February, 2003 the Supreme Court upheld the constitutional validity of the Bihar Sugar Undertakings (Acquisition) Act, 1985 as amended by the Bihar Sugar Undertakings (Acquisition) Act, 1987 (“the said Act”). As a result, the entire sugar undertaking together with the distillery at Hathua of Shree Krishna Gyanoday Sugar Limited stood vested in the Bihar State Government. A review petition filed by UB Distilleries Limited, who is running Hathua distillery, was also dismissed by the Supreme Court of India. With regard to the plant and machinery of the value of Rs.23,72,281 owned by the company and leased to UB Distilleries Limited by the company, the company has filed a title suit in the Court of Sub Judge-1, Gopalganj, Bihar calling upon the State Government to forthwith hand over the plant and machinery to the company. The company has also filed a petition for requesting grant of ad interim injunction against the State Government from taking possession of the plant and machinery belonging to the company. The Suit and the petition are pending. The suit was admitted after hearing and notices were issued to all the Respondents and the matter is pending for filing of written statements of the Respondents. There after the matter will be taken-up for final hearing.

- In 1 matter the company has filed a case in the High Court at Mumbai, against the seller of a flat for handing over the possession of the flat to the company which is not yet given by the seller after entering into the agreement. Case is pending.
- 1 appeal against the order passed by Sub-Judge Pondicherry in suit claiming damages to the tune of Rs.33.88 Lacs for non-supply of molasses has been filed in the High Court, Madras on jurisdictional matter. The suit had been filed against the company & others. Appeal is yet to be admitted.
- **Writ Petition No. 28418 Of 2003 filed By McDowell and Company Limited against The State of Kerala in The High Court of Kerala:**

It had been the practice of all IMFL manufacturers to pay Turnover Tax on the Basic Price. However, the Department issued notices to all manufacturers to Turnover Tax on the Basic price plus Excise Duty. Following the Order, the company filed a Writ Petition in the Kerala High Court and the same was decided in favour of the company and the Court declared that the state Government was not entitled to levy Turnover Tax on Dealers. Thereafter, the State of Kerala filed a SLP before the Supreme Court and the same was referred to a Constitution Bench of the Supreme Court. In the meanwhile the Finance Act, 2001 was amended and this amendment was struck down by the Kerala High Court. Again the State of Kerala filed a SLP before the Supreme Court. This SLP has been tagged with the other SLPs and the same are pending before the Constitution Bench of the Supreme Court.

However, consequent to the amendments made to the Finance Act, 2003 and changes made in the Abkari Act, the company has filed the present Writ Petition before the Kerala High Court inter alia for declaring that the amendments to Section 18 of the Abkari Act are unconstitutional and invalid and stay the operation of all proceedings in pursuance of Department notices claiming Turnover Tax. The Kerala High Court has granted interim Stay

Material Litigation involving Statutory dues related matters filed against the company:

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
<p>The Department has preferred an appeal against decision of ITAT on the following issues pertaining to AYs 1985 – 1986, 1986 – 1987 & 1987 – 1988</p> <p>Whether ITAT was right in Law in holding that the Guarantee Commission paid to Director was not covered by the provision of Section 40(C) of the Income Tax Act.</p> <p>Whether ITAT was correct in deleting disallowance of depreciation of Assets at Guest House and other expenses like Rent on furniture, Insurance of Premises etc.</p>	HC of Karnataka	1998	ITRC Nos. 839, 840 & 841 of 1998	CIT V/S McD	Pending	As mentioned against respective issues 26.78 31.37
<p>The department has preferred an appeal against the decision of the ITAT allowing the interest on unpaid hire purchase price and technical know-how fees paid to McDowell & Company Limited A.Y 1984-1985. Further whether ITAT was correct in rejection the Assessing Officers action in view of the decision in McDowell's case</p>	HC of Karnataka	1998	718 of 1998	CIT V/s MyWP (now McD)	Pending	103.49
<p>The department has preferred an appeal against the decision of the ITAT allowing the interest on unpaid hire purchase price and technical know-how fees paid to McDowell & Company Limited A.Y 1985-1986. Further whether ITAT was correct in rejection the Assessing Officers action in view of the decision in McDowell's case</p>	HC of Karnataka	1999	49 of 1999	CIT V/s MyWP (now McD)	Pending	87.72
<p>Show Cause Notice issued by the Commissioner of Central Excise, Bangalore, claiming Excise Duty to the extent of Rs.35,46,85,860/- asking the company to show cause why Royalty/ Service Charges received by the company for services/obligations for manufacture of Indian Made Liquor has no nexus with food flavours and whether the same can be considered as additional consideration to be included in the assessable value. Commissioner passed an order to pay the entire amount with equivalent amount of interest. Appeal filed before CEGAT, Bangalore for setting aside the order and also a stay application filed for staying for the demand raised by the Excise department</p>	CEGAT, Bangalore. Now known as Central Excise & Service Tax Appellate Tribunal (CESTAT)	Nov' 2002	Stay No.752/02 in Appeal E/1220, 1221/02	McDowell & Company Ltd.	Rs.2 Crores has to be paid by the company as pre-deposit. The company has complied with the said requisition. The matter is pending final hearing. The Hon'ble Tribunal has set aside the order of the Commissioner of Central Excise and remanded back the matter to the Commissioner of Central Excise – III, with direction keeping all issues including merits covered under the show cause notice open to both the parties for fresh adjudication.	Quashing Order of the Deputy Commissioner, Central Excise for demand and penalty

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
					De novo proceedings are commenced. The Commissioner of Central Excise has passed an order dated 27.02.04 and 10.03.04 in De novo proceedings confirming the demand. The company has filed an appeal/ stay application against the order of the Commissioner in De novo proceedings before CESTAT. Stay application was heard on 03.08.04 and CESTAT has reserved its Order.	

Other Litigation involving Statutory dues related matters filed against the company:

- For the Assessment year 2002-2003, on a provisional Assessment, a demand amounting to Rs.139 Lacs has been made by the Sales Tax authorities which is contingent. The company has deposited 40% of the said amount of Rs.139 Lacs with Deputy Commissioner Trade Tax, Shahjahanpur as per the Order dated 21st February, 2003 passed by Allahabad High Court in Civil Miscellaneous Writ Petition No.310 of 2003 filed by the company. As per the said Order the recovery of the balance amount shall remain stayed till the disposal of the Appeal pending before Trade Tax Tribunal, Bareilly.
- From Assessment Years 1984-1985 to 1991-1992 CST demands for sales in transit amounting to Rs.1864.82 Lacs is under dispute. The company has deposited an amount of Rs.190.21 Lacs against these demands and the balance is under dispute with a net liability of Rs.1674.61 Lacs. These liabilities pertain to ROSA unit of the company.
- The Sales Tax authorities have imposed tax on underbond sale made in 1994-95 to the extent of Rs.186.68 Lacs which is not taxable. An appeal in this regard is pending before the Assistant Commissioner of Commercial Tax (Appeals), Kolkata.
- In 1996-97 sales made by the company of products supplied by Utkal Distilleries Limited to the company, which the company claims are exempted from payment of Sales - tax, have been disallowed by the Sales tax authorities. Consequently, additional Sales – tax has been demanded by the authorities. The Sales – tax authorities are now claiming an amount of Rs.142.09 Lacs, as the principal amount of the demand as of 16.1.1998. The company has filed a Writ Petition in 1998 before the High Court of Orissa and understands the proceedings for recovery of the Sales - tax amount have been stayed in full.
- In the Assessment year 1995-1996, the Sales – tax authorities have enhanced the turnover of the company by octroi duty amount paid, equivalent to Rs.50.33 Lacs. The company has represented that this treatment by the Sales – tax authorities has led to an increase in the Sales – tax, liability of the company equivalent to Rs.42.64 Lacs. The company appealed to the Orissa Sales-tax Tribunal Cuttack in S.A. No. 1128 of 2000-01 against the said Order and the Tribunal has passed orders in favour of the company. However, the company understands that the authorities have appealed to the High Court against the order of the Orissa Sales–tax Tribunal. The company has deposited a sum of Rs.20 Lacs as per stay order of the High Court. Also the company has simultaneously made a refund application for Rs.15.86 Lacs before the sales – tax authorities. The sales-tax authorities have not claimed any penalty or interest in addition to the aforesaid sales-tax amount.

- Appeal in respect of the Central Sales Tax Assessment year 1992-93 challenging disallowance of exemption due to defective forms/purchase orders is pending before the Sales Tax Tribunal, Kollam. The amount involved is Rs.51.00 Lacs.
- There are disputed claims with reference to Turnover Tax on the element of excise duty on supplies made by the company to Kerala State Beverages Corporation to the tune of Rs.118 Lacs are disputed. Out of which Rs.52.17 Lacs relates to the year 1995-96 is pending before the Appellate Tribunal. The Division Bench of the High Court of Kerala has ordered that distilleries are not liable to pay Turnover Tax on element of excise duty. The state has challenged the said decision before the Supreme Court and it is now pending before the Constitution Bench of the Supreme Court.
- Sales tax on the element of excise duty on supplies made by the company to Kerala State Beverages Corporation in the years 1983-84 to 1984-85 disputed claims Rs.115 Lacs is pending. An appeal was allowed by Division Bench of the High Court at Kerala and KSBC has to reimburse the amount with interest to the company. The company has received an amount of Rs. 40 Lacs as principal and Rs.55 Lacs as interest from Kerala State Beverages Corporation.
- The Sales Tax Department of the State Government of Kerala has imposed penalty of Rs.315.6 Lacs in respect of non-payment of Turnover Tax for the period April, 2001 to December, 2001. The recovery of penalty has been stayed in view of the Order dated 9th August, 2002 of the High Court at Kerala.
- There are in all 10 Sales Tax cases on assessment with respect to packaging material from 1988-89 to 1995-96. The total amount involved is Rs.173.26 Lacs. The company has approached the Tribunal at Ajmer and has received an order favouring the company. However, the Sales Tax Department has filed revision petitions before the High Court at Jodhpur. The High Court has received the revision petition.
- The District Excise Officer levied excise duty, with respect to excess redistillation wastage, pursuant to his order dated 7th May, 1985 on Udaipur Distillery Company Limited, a wholly owned subsidiary of McDowell and Company Limited which was subsequently merged into McDowell and Company Limited. The excise duty liability amounts to Rs.89.78 Lacs in total. The Udaipur Distillery Company Limited had filed a writ petition No.883/85 of 1985 of before the Rajasthan High Court, challenging the aforesaid Order of the Excise Officer. The said petition is now, pursuant to the merger of Udaipur Distillery Company Limited with McDowell and Company Limited being conducted by McDowell and Company Limited. By an Order dated 15th May, 2000, the Rajasthan High Court referred the matter back to the Excise Commissioner for reconsideration of his Order.
- 2 Writ Petitions have been filed by the company in the High Court, Patna praying to declare that the Export Pass Fee levied by the Board of Revenue under Bihar Excise Act, 1915 is ultravires the Constitution. The demand made is Rs.185 Lacs. The company has not paid any Export Pass Fee till date and hence challenged the demand.
- The Excise Commissioner, New Delhi had issued the Terms and Conditions for grant of License for the year 2001-2002 for whole sale supply of IMFL/Beer calling for the price at which a particular brand of IMFL can be sold in Delhi. One of the conditions was that all IMFL brands excluding beer, prices will be fixed on the basic premise of lowest ex distillery price net of all duties, discounts/commissions of whatsoever nature allowed in respect of any market in India including CSD as on 31.3.2001 fixed for 2001-2002. Accordingly, the company had submitted in the prescribed form the minimum ex distillery price per quart case as on 31.3.2001 at Rs.525.10 per quart case for its brand "McDowell No.1 Whisky". However, the price offered by the company was not accepted by the Excise Department on the ground that the net rate of the said brand in the State of Tamil Nadu being sold by another independent company viz, Balaji Distilleries Ltd., was Rs.507.16 per quart case, and hence there was a dispute with regard to the differential price of Rs.17.94 per quart case, but there has not been any change in the situation since then. Since even after writing to the Excise Commissioner requesting to fix Rs.525.10 as the price of McDowell No.1 Whisky, the Excise department did not reply and therefore the company undertook to deposit the differential in price of Rs.17.94 per quart case as ascertained by the department in a separate bank account and further, the company has filed a Civil Writ No.2067 of 2001 (which is pending) for the Excise Year 2001-2002 before the Hon'ble High Court of Delhi at New Delhi challenging the price fixation order of the commissioner of Excise for the licensing year 2000-2001 and also moved a C.M.No.4237 of 2001 on which the Hon'ble Court was pleased to order directing the company to place the amount in question i.e., Rs.94,01,024.92 in a separate account which will be dealt with in accordance with orders passed by the said Court and the amount in question shall be deposited in the bank within a week, etc. The said amount represents the difference between the amount fixed as the ex distillery price by the excise authorities and the price declared by the company and the company has continued to deposit the difference in compliance with the order of the Hon'ble High Court in Corporation Bank, CGO Complex, New Delhi, which stands now at Rs.107,11,679.28. At the same time, the company had filed an appeal before the Financial Commissioner since the Excise authorities had not indicated the complete details and raised irrelevant issues that the product sold in Tamil Nadu by Balaji Distilleries is separate entity manufacturing McDowell brand. Therefore the company had filed an appeal before the Financial Commissioner challenging the action of the Excise authorities. The Financial Commissioner was pleased to allow the appeal filed by the company for considering extraneous matters not relevant for deciding the Ex-distillery price of liquor and further fixed minimum EDP at Rs.525.10 per quart case. Aggrieved by the said order of the Financial Commissioner, the Excise authorities had filed a C.W.P.No.5974 of 2002 to set aside the order of the Financial Commissioner which is also pending.

- The company has for the Assessment Years ended March 1990 to March 1995 had preferred an appeal with sales tax authorities i.e., Dy. Commissioner Appeal – for amount of Rs.9.59 Lacs for the said Assessment Years against the demand Notice of the Sales Tax Authorities. The Dy. Commissioner (Appeals) decided the case in favour of company. However the Department has challenged these orders in the High Court. Earlier the company had deposited an amount of Rs.3.88 Lacs with the sales tax authorities under protest. The amount is recoverable in view of favourable order of the High Court and hence the company is not liable to pay the balance demand of Rs.5.71 Lacs.
- Case No.1465/98, against the CTO, Jaipur is for Tax imposed on deemed sale of Packaging material for the Assessment years 1992 – 1993 and 1994 – 1995. The amount involved is Rs.10,000.
- There are in all 17 cases in this unit pertaining to various Assessment years from 1983 – 1984 to 1992 – 1993. The causes of demand are enhanced turnover, Coal PT, Other penalty, and Insurance. The total demand was 44.03 Lacs and the company has made deposits of Rs.13.64 Lacs against this demand. The net liability on these cases is now Rs.30.39 Lacs which is contingent.
- For the assessment year 1983 – 1984 Central Sales tax demand for Sales in transit amounting to, Rs.3.32 Lacs is under dispute. Against this the amount deposited is Rs.2.61 Lacs, with a net liability of Rs.0.71 Lacs
- There are 9 other cases for other penalty levied by the Central Government or the UP Government, aggregating to Rs.38.40 Lacs against a deposit of Rs.9.9 Lacs. The net liability now is Rs.28.50 Lacs.
- 6 other cases are pending in this unit, pertaining to the years 1989-90 to 1995-96 w.r.t Central Sales tax, aggregating Rs.118.79 Lacs due to defective forms/ purchase orders and want of FC Forms. Appeals in this regard are still pending before the Sales Tax Appellate Tribunal.
- A disputed claim of Rs.30.68 Lacs due to re-invoicing is pending assessment, to be revised as per Tribunal order.
- An appeal is pending before the First Appellate Authority for a disputed claim of Rs.24.47 Lacs as additions due to stock variation.
- There is also a disputed claim to the extent of Rs.32.05 Lacs for Non filing of the originals of Delivery notes for the period 1976-77 to 1978-80. An appeal is now pending before the First Appellate Authority.
- For the assessment years 1993-94 to 1995-96 there are 3 demands from Sales Tax Authorities for supply of water and steam to United Breweries Limited to the extent of Rs.3.60 Lacs. The company has preferred an appeal with Appellate Tribunal which is pending to be heard.
- One case in the year 1993 – 1994 amounting to Rs.6.36 Lacs with respect to tax imposed wrongly for sale of Motor car / Insurance charge and non submission of form is pending before Appellate and Revisional Board Calcutta.
- For the Assessment years 1994- 95 there are 2 cases amounting to Rs.11.93 Lacs due to enhancement of GTO / non submission of WBST declaration form. These 2 cases are pending before the Assistant Commissioner of Commercial taxes (Appeals), Calcutta.
- For the Assessment years 1995 – 1996 and 1996 – 1997, there are 4 other cases which are pending before the Assistant commissioner of Commercial taxes (Appeals) Calcutta due to various reasons like Tax free Beer sale disallowed, penalty, credit for Tax paid not given and non submission of Form C. Liability on these cases amount to Rs.9.38 Lacs.
- 7 Cases are pending on account of enhancement of Gross Turnover by the Octroi department, claim pertaining to defence sales, under bond sales by the Octroi Department. These appeals are pending in the High Court in Cuttack. The total demand is Rs.86.41 Lacs against which the company has deposited Rs.19 Lacs under protest.
- There are 2 cases for Sales Tax on Excise Duty imposed for the years 1982-83 and 1983 – 1984 to 1984-85 amounting to Rs.20.45 Lacs pending before Commercial Taxes Tribunal, Patna for disposal. Another case for Sales Tax on Excise Duty imposed in the year 1984 – 1985 amount of Rs.5.95 Lacs is pending before Commissioner of Commercial Taxes, Patna, for disposal.
- There are pending claims made by the excise department at Udaipur towards Bottling fees interest under Franchise in the year 2002 amounting to Rs.66.97 Lacs; decision on which is still pending. Excise claim dismissed.
- There are 11 other miscellaneous excise cases regarding wastage, Brand fees, Vend fees etc aggregate to Rs.11.18 Lacs for various Assessment years.
- There are 4 cases in this unit during the years 1983 – 1984, 1996 – 1997 and 2002 – 2003 for forged Import permits and Export fee on RS purchased amounting to Rs.11.03 Lacs. Other liabilities for maturation wastage & excise duty on Hologram wastage amount to Rs.15.48 Lacs.
- One case for excise duty on transit wastage of spirit during Import from other states, the liability involved is Rs.5.50 Lacs. An appeal in this regard is pending before the Excise Commissioner.
- 2 cases for levy of interest on belated payment on Excise duty on transit wastage of IMFL dispatched to KSBC and alleged demand of duty on alleged loss of production of spirit, the liability aggregates to Rs.4.50 Lacs. Appeals are pending before Commissioner of Excise.

- There are demands for duty on wastage of spirit during blending and reducing operations. For the period prior to 1985 the liability is Rs.4.24 Lacs and petition has been filed before High Court and stay obtained. For the period 1.4.2000 to 31.10.2000 the liability is 0.73 Lacs and an appeal is pending before the Excise Commissioner.
- There is a demand for non-filing of EVC against 6 consignments dispatched to Port Blair Rs.4.34 Lacs. The authorities have also demanded interest on the above to the extent of Rs.4.34 Lacs. Since the company could not produce evidence, it may have to remit the amount. The company has made a request to the officer to waive the interest element.
- For duty on wastage of spirit during transit for the year 1980 – 1981 and 1982 – 1983, together with interest on the above amount to Rs.12.48 Lacs. The company has moved a petition before the High Court for duty and interest. The High Court has requested the company to remit 3 Lacs and the balance is stayed till disposal of original petition.
- A full stay has been obtained from the High Court for 2 cases involving interest levy on the demand of excise duty on Rs.2.21 Lacs for transit wastage of IMFL despatched to KSBC in 1988 – 1989 to 1990 – 1991; and demand of duty on wastage of spirit during process of redistillation during 1985 – 1986 Rs.3.35 Lacs.
- A stay has been obtained from Excise Commissioner for interest on belated payment of overtime payment to Excise Staff Rs.0.44 Lacs.
- The company has filed 3 cases against the State of West Bengal with respect to withdrawal of import pass fee of Rs.25 Lacs as demanded by the Excise Department pertaining to the years 1989 and 1990. The matter is pending before the Taxation Tribunal, Kolkata.
- The company has filed an application to the Commissioner of Excise, Kolkata with respect to duty and other fees in respect of Redistillation of unsaleable stock for refund of Rs.13.38 Lacs Excise duty already paid. The matter is pending before the Commissioner for disposal.
- There are 6 cases of excise dues pertaining to various years from 1984 to 2000, totaling Rs.43.07 Lacs are pending. An appeal has been preferred in all these demands and orders for refund Rs.34.93 Lacs have been passed by the appropriate authorities. The refunds have not been received yet.
- There are 7 other Writ Petitions pertaining to the years 1990 to 2000, arising out of Notifications made by the State Government under the Excise Rules.
- There are 3 cases in Shertallay unit for service charges imposed by Beverages Corporation for supply of IMFL effected for the period December 2001 to July 2002. The total liability on these accounts is Rs.82.92 Lacs. The company had filed a petition before the Kerala High Court and the petition was dismissed in March 2003. However the company has filed a Special Leave Petition before the Supreme Court.
- The Income-Tax Department has preferred 17 appeals against the decisions of the I.T.A.T. on certain issues relating to disallowance of interest free advance, caretaker commission, allowance of corporate guarantee obligation discharged, allowing of aircraft expenditure, non-compete fees, interest on going projects, give aways for sales promotion, depreciation etc. These issues pertain to the Assessment Years 1979-1980, 1981-1982, 1994-95, 1990-91, 1988-89, 1989-90, 1992-93, 1993-94 and 1995-96. These appeals are pending and the amount involved aggregates to Rs.2674.20 Lacs.
- Further 4 more appeals have been filed by the Income-Tax Department against the decision of the I.T.A.T. allowing the interest on unpaid hire purchase price, service charges, technical know-how fees and interest under Section 244. These matters pertain to the Assessment Years 1980-81, 1981-82 and 1985-86. These matters are pending at the High Court of Karnataka and the amount involved is Rs.86.88 Lacs. Further matters are also pending with respect to clarification on question of law.
- The Income-Tax Department has preferred an appeal on issues relating to allowing expenditure incurred under the head interest, care-taker commission, disallowance of aircraft expenditure, depreciation on grounded aircraft, unclaimed credit balance written back, lease foreclosure. These matters pertain to the Assessment Years 1981-82, 1998-99 and 1999-2000. The amount involved is Rs.474.07 Lacs. These appeals are pending. Further matters are also pending with respect to clarification on question of law. The company also preferred an appeal in the ITAT, Bangalore for penalty levied on non-disclosure of certain assets. The amount involved is Rs.5.13 Lacs.
- The company has preferred an appeal against the order dated March 18, 2003 passed by the Deputy Commissioner of Central Excise, Bangalore claiming an amount of Rs.58.61 Lacs with interest and penalty on account of Service Tax. The stay application was heard on 22.07.04. The stay has been granted with a condition to pre-deposit a sum of Rs.10 Lacs.
- 1 stay order subject to remittance of Rs.1 Lac has been issued by the High Court of Kerala with reference to the demand of land tax of Rs.6.46 Lacs by the local authority as against a land tax of Rs.332 remitted every year in respect of land at Kuthhapatnam Village. The company has obtained a stay and deposited Rs.1 Lac. The proceedings to recover the amount are also stayed.

- For the Assessment year 1982-83, sales tax authorities had claimed an amount of Rs.477,000 as sales tax on excise duty levied for which the company had made an application to the Sales Tax Tribunal, Lucknow. The company had deposited this amount in protest with the Sales Tax authorities. And the matter is pending before the Tribunal.
- The company has preferred an Appeal in the High Court, Bangalore against the decision of the I.T.A.T. on the issues pertaining to the Assessment Years 1994-95, 1982-83 and 1983-84 with regard to depreciation on Hospital Assets, levy of interest tax under Section 7C of the Surtax Act, countervailing duty. The amount involved is Rs.137.98 Lacs.
- The company has preferred 1 appeal against the demand raised by the Excise Department for Excise wastages on Malt Spirit, distillation and surcharge. The demand is for Rs.42.83 Lacs against which the company has deposited an amount of Rs.12.83 Lacs and for balance, Bank Guarantee has been provided. The company has also preferred 1 appeal against the Sales Tax Department for the demands raised amounting to Rs.6.45 Lacs which is pending.
- The company has preferred 1 appeal against the decision of the Department in Bhopal on the issue of service charges disallowed by the Department. The demand is of Rs.263.41 Lacs. 1 case is pending before the High Court, Mumbai on the applicability of the rate of octroi levied by Brihanmumbai Municipal Corporation on maximum retail price. The matter has been disposed of by the High Court and the refund is pending. 3 Cases under Section 138 of the Negotiable Instruments Act have been filed by the company for recovery of an outstanding amount of Rs.16 Lacs. These Cheques issued by the party were dishonoured. 2 Recovery cases have been filed in Bhopal for recovery of an amount of Rs.34 Lacs. These cases are pending.
- Common order passed by the Commissioner of Central Excise vide order No V/33/15/212/2001 Adjn.BIII/376 dated 14.7.04 demanding duty for Rs. 2965.46 Lacs from the company for the period from April 2001 to December 2003. Show Cause notice is issued to the company by the Commissioner of Central Excise, to show cause as to why: (a) the assessable value of the food flavours should not be re-determined under Section 4 of the Central Excise Act, 1944, read with the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000, by including the royalty/commission/service charges received by the company; (b) differential duty of Rs.2306.46 Lacs for the period from 3/2002 to 12/2003, as detailed in the annexure to the notice, should not be demanded from the company under Section 11A of the Central Excise Act, 1944; (c) penalty should not be imposed on the company under Section 11AC of the Central Excise Act, 1944, and Rule 25 of the Central Excise (No.2) Rules, 2001/Central Excise Rules, 2002, for the contraventions mentioned supra; and (d) interest, as applicable under Section 11AB of the Central Excise Act, 1944 should not be demanded from the company, on the duty not paid as detailed above. The company is in the process of filing appeal before CESTAT.

Litigation involving Statutory dues related matters filed by the company:

(Rs. Lakhs)

Details of litigation	Name of the Court	Year of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought	Provision made
The company has preferred an appeal against the disallowance of Bad debts / advances written off 112.47 lacs (expenditure incurred in respect of certain assets in Bangladesh) pertaining to the Assessment Year 2000 – 2001 The said appeal also involves 100% disallowance of Aircraft expenditure of 493.84 Lacs by the department pertaining to the Assessment Year 2000 – 2001	CIT (A)	2003	ITA 77/ 03-04	McDowell &Co Vs DCIT	Pending	43.30 190.13	NIL NIL
The company has filed an appeal disputing the surcharge on dividend for the Assessment Year 2001 – 2002	CIT (A)	2003	024 / 03-04	McDowell & Co Vs DCIT	Pending	18.00	NIL
The company has filed an appeal on the issue whether the value of Aircrafts used for business purposes can be valued at market value ignoring Rule 14 of Schedule III, whereby, the asset has to be valued at WDV. Even assuming that such asset can be valued at market value, will 50% of the insured value reflect the market value for the purposes of the Act for the Assessment Year 2000 – 2001	CWT (A)	2003	023 / 03-04	McDowell & Co. Ltd Vs. DCWT	Pending	3.79	NIL

(Rs. Lakhs)

Details of litigation	Name of the Court	Year of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought	Provision made
The company has gone on appeal against the decision of Wealth Tax Authorities, who have levied penalty u/s 18(1) (c) of the Act for not including the unused Industrial Land in Vizag in the Net Wealth of the assessee pertaining to the Assessment Year 1993 – 1994	CWT (A)	2003	018 / 03-04	McDowell & Co. Ltd Vs. DCWT	Pending	1.94	NIL
The company has gone on appeal against the decision of Wealth Tax Authorities, who have levied penalty u/s 18(1) (c) of the Act for not including the unused Industrial Land in Vizag in the Net Wealth of the assessee pertaining to the Assessment Year 1994 – 1995	CWT (A)	2003	019 / 03-04	McDowell & Co. Ltd Vs. DCWT	Pending	2.06	NIL
The company has gone on appeal against the decision of Wealth Tax Authorities, who have levied penalty u/s 18(1) (c) of the Act for not including the unused Industrial Land in Vizag in the Net Wealth of the assessee pertaining to the Assessment Year 1995 – 1996	CWT (A)	2003	020 / 03-04	McDowell & Co. Ltd Vs. DCWT	Pending	2.17	NIL
The company has gone on appeal against the decision of Wealth Tax Authorities, who have levied penalty u/s 18(1) (c) of the Act for not including the unused Industrial Land in Vizag in the Net Wealth of the assessee pertaining to the Assessment Year 1996 – 1997	CWT (A)	2003	021 / 03-04	McDowell & Co. Ltd Vs. DCWT	Pending	2.32	NIL
The appeal is also for the issue whether the value of Aircrafts used for business purposes can be valued at market value ignoring Rule 14 of Schedule III, whereby, the asset has to be valued at WDV. Even assuming that such asset can be valued at market value, will 50% of the insured value reflect the market value for the purposes of the Act						6.45	NIL
The company has gone on appeal against the decision of Wealth Tax Authorities, who have levied penalty u/s 18(1) (c) of the Act for not including the unused Industrial Land in Vizag in the Net Wealth of the assessee pertaining to the Assessment Year 1997 – 1998	Commr. Of Wealth Tax	2003	022 / 03-04	McDowell & Co. Ltd Vs. DCWT	Pending	2.45	NIL
The appeal is also for the issue whether the value of Aircrafts used for business purposes can be valued at market value ignoring Rule 14 of Schedule III, whereby, the asset has to be valued at WDV. Even assuming that such asset can be valued at market value, will 50% of the insured value reflect the market value for the purposes of the Act						4.20	NIL

(Rs. Lakhs)

Details of litigation	Name of the Court	Year of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/ Relief sought	Provision made
The Income tax Department had assessed the Income under the head Income from Other Sources instead of Income from Business and hence disallowed Salaries, rent, Audit fees, travel, professional Charges, rates and Taxes pertaining to the Assessment Year 1997 – 1998. The company has gone on appeal against the department in the above matter	CIT (A)	2003	015/03-04	McDowell & Co.Ltd Vs. DCWT	Pending	2.85	NIL
The Income tax Department had assessed the Income under the head Income from Other Sources instead of Income from Business and hence disallowed Salaries, rent, Audit fees, travel, professional Charges, rates and Taxes pertaining to the Assessment Year 1998 – 1999. The company has gone on appeal against the department in the above matter	CIT (A)	2003	016/03-04	McDowell & Co.Ltd Vs. DCWT	Pending	1.86	NIL
The Income tax Department had assessed the Income under the head Income from Other Sources instead of Income from Business and hence disallowed Salaries, rent, Audit fees, travel, professional Charges, rates and taxes pertaining to the Assessment Year 2000 – 2001. The company has gone on appeal against the department in the above matter	CIT (A)	2003	017/03-04	McDowell & Co.Ltd Vs. DCWT	Pending	1.18	NIL

Labour Litigations filed against the company:

- 4 Cases have been filed against the company by casual workers who were removed from service on charges of theft. These Cases are pending at the Labour Court at Nasik. The workers have claimed reinstatement with backwages. In 1 case, the Workers Union has filed a complaint on behalf of a worker who was dismissed for alleged misconduct. The claim is for reinstatement with back wages. The company has filed written statement and the matters are pending. 10 Security guards have filed 1 case in the Labour Court Nasik claiming reinstatement and back wages. Case is pending. 1 case has been filed against the company by a worker alleging unfair labour practice. The workers have claimed reinstatement with backwages from January 2002. Case is pending
- 1 case has been filed by a Junior Management Grade employee which has been ordered against the company. The company has, against the said order, filed a writ in the High Court, Mumbai which has been admitted and an ad interim injunction has stayed the operation of Order. The High Court has also stayed proceedings in the Labour Court.
- The Mathadi Board, Nashik has filed 1 case against the company for not registering the company with the Board in the Labour Court, Nasik. The company has filed written statement stating that the Hamals recruited by the company were registered with the Board. The case is pending.
- 1 case against the company has been filed by workmen union representing security guards claiming for permanency and backwages for 17 security guards. Pleadings completed. Final Order not yet received. 3 Cases have been filed against the company in Additional Labour Court, Bangalore claiming lock out wages from 1987 to 1990. Case is pending. 1 case is filed by the workers union claiming bonus for the year 1988-1989 and is pending in the Labour Court, Bangalore. 1 labour case is pending in the Industrial Tribunal at Bangalore claiming backwages from date of dismissal of the employee to date of reinstatement. Matter is pending. 1 case by a lady worker is pending in Labour Court, Bangalore claiming reinstatement and backwages. Pleadings completed. Posted for Orders.

- CWP No.14819/1996, the company has approached the High Court at Chandigarh, defending the dismissal of Mr. Ashok Puri, a worker, who has claimed re-instatement. The matter is still pending before the Court. The company may have to re-instate the worker with back wages, if decided against.
- Case No. 525/99, filed by one Mr. Harilal, is pending in the Labour Court. The company is defending the dismissal; however, it may have to re-instate the worker along with back wages, if decided against.

Aventis Pharma Limited

Litigations involving Civil Offences: There are six civil suits/consumer complaints filed against the company wherein the amount involved is Rs. 32.31 Lacs. As against the claims, the company has provided Rs.32.31 Lacs in their books.

Litigations involving Statutory and other offences:

Particulars	Amount Claimed (Rs Lacs)	Amount provided (Rs Lacs)
Litigation against the company		
Six Excise Cases	677.01	422.19
One Customs Case	4.53	4.53
Twenty One Income Tax Matters in Appeal	3,614.80	Nil
Cases filed by the company		
Seven Excise cases	581.81	581.81
One Customs Case	1.38	1.38
Nineteen Income Tax Matters in Appeal	5,905.26	Nil
Five Sales tax matters in Appeal	30.86	14.86

Note: Litigations against the company include show cause notices received and appeals filed by Revenue authorities against orders passed in company's favour. Cases filed by the company include appeals filed by the company against adverse orders.

Labour matters: There are twelve labour matters before various authorities, involving disputes raised by former workmen under the Industrial Disputes Act, 1947. There are two matters against former workmen for eviction of company's staff quarters wrongfully withheld by them.

Pre-Litigation: DPEA Claim of Govt. of India

The following Note appears in the Schedule to the Accounts in the Annual Report for 2003 of Aventis Pharma Ltd:

Consequent upon the decision of the Supreme Court in the matter of prices of certain bulk drugs fixed by the Government of India under the Drug (Prices Control) Order, 1979, the company paid an amount of Rs. 312 Lacs in 1988 being the liability determined by the special team appointed by the Government. However, during 1990, fresh demands aggregating to Rs.7,810 Lacs alleged to be payable into the Drug Prices Equalisation Account (DPEA) were made by the Government on account of alleged unintended benefit enjoyed by the company. On a Writ Petition filed by the company in 1991, the Bombay High Court passed an order whereby the demands were to be treated as show cause notices. The High Court directed the company and the Government to furnish relevant data to each other based on which the Government was to rework the figures. The Government did not furnish the requisite data to the company. In 1995, a further demand of Rs.795 Lacs was made by the Government.

In the meantime, a Committee was constituted by the Government to determine the liabilities of the Drug Companies. The company filed Written Submissions with the Committee and contended during the personal hearing that in the absence of the Government furnishing the requisite data as directed by the Bombay High Court, the company was not in a position to make an effectual presentation before the Committee.

In January 1999, the company filed an Application before the Bombay High Court seeking directions to the Government to furnish the requisite data. The Application is pending. In the meantime, the Committee has deferred further hearing of the company's case, until the Application is heard and decided by the Bombay High Court.

In any event, the company contends that no further amount is payable by it into the DPEA under the Drugs (Prices Control) Order, 1979.

Mangalore Chemicals & Fertilizers Limited

Criminal Cases filed by the company:

Details of litigation	Name of the Court Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Criminal Case has been filed against one Mr. Narayanan, MCF's Resident Manager and MCF in Faridkot Court, alleging sale of substandard DAP under Fertilizer Control Order/Essential Commodities Act, which in fact was imported by Government of India, through a canalising agency, stored by MCF in a private godown, in the capacity of a handling agent. In the process of prosecuting the case, Faridkot court issued non-bailable warrant to the present Managing Director who is no way concerned with the case. Therefore, Criminal Miscellaneous petition has been filed against the issuance of non-bailable warrants.	Punjab & Haryana High Court, Chandigarh	20.3.2003	Criminal Miscellaneous Petition No. 12291/2003	MCF Vs. State of Punjab	Impugned Warrants were stayed and now posted for hearing.	To set aside the impugned order relating to summoning the Managing Director of MCF and issue of non bailable warrants
Against dishonour of cheques for Rs. 30.50 Lacs, this complaint is filed under Section 138 of the Negotiable Instruments Act.	Judicial Magistrate, Coimbatore	2004	CC No. 989 / 2004	MCF vs N.Murali, Proprietor of Andal & Co	Statement was recorded and connected documents were marked. The matter is posted for cross examination.	To take the complaint on file and punish the accused with maximum sentence and fine and also to order compensation under Section 357 Cr.P.C.

Material Civil Litigations against the company:

Details of litigation	Name of the Court Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Suit has been filed against Dighe and Associates for recovery of amounts due to the United Western Bank. Plaintiff does not disclose any cause of action against MCF except the averment that the goods hypothecated to the Plaintiff Bank were lying in MCF's godown.	Civil Court, Pune	2.8.1986	Special Civil Suit No.627/1986 now numbered as Regular Civil Suit No.2578/2000	The United Western Bank Ltd. Dighe & Associates and others, MCF as 6th Defendant	Pending before the court. Besides jurisdiction point, MCF has no privity of contract with any of the defendants and pursuant to the courts orders, the goods were shifted from to MCF's plant Ankaleshwar, Gujarat around 1987-88. The company has represented that the last date of hearing was 4th April, 2002.	No reliefs are claimed against the company. It was made party to the suit as the machinery and equipments belonging to Dighe Associates were lying in the godown of the company at Mangalore

Details of litigation	Name of the Court Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Suit has been filed by the Syndicate Bank for recovery of the amount of Rs.150 Lacs actually paid by the bank to Gujarat Lease Financing Ltd. as a guarantor under the lease transaction, when the guarantee was invoked.	DRT, Bangalore	22.3.1994	OA No. 374/1996	Syndicate Bank vs MCF and others	Posted to September 22, 2003 for arguments. Arguments over and by an order dated April 30, 2004 the DRT has ordered to keep the case pending till DRT (Chennai) passes orders in TA No. 300/97. The company has filed an appeal before the DRAT.	Recovery of the amount of Rs.150 Lacs actually paid by the Bank to Gujarat Lease Financing Ltd. as a guarantor under the lease transaction when the guarantee was invoked.
Suit has been filed by the Syndicate Bank for recovery of the amount of Rs.68.33 Lacs actually paid by the bank to British Bank of Middle East as a guarantor under the lease transaction when the guarantee was invoked.	DRT, Bangalore	22.3.1994	OA No 375/1996	Syndicate Bank vs MCF and others	Posted for filing MCF's evidence by way of affidavit. The company has represented that the entire money under the suit transaction has been paid to Syndicate Bank as per the sanctioned scheme. Therefore, suit becomes infructuous. By an order dated April 30, 2004 the DRT has ordered to keep the case pending till DRT (Chennai) passes orders in TA No.300/97. The company has filed an appeal before the DRAT.	Recovery of the amount of Rs. 68.33 Lacs actually paid by the bank to British Bank of Middle East as a guarantor under the lease transaction when the guarantee was invoked.
Suit has been filed by the Syndicate Bank for recovery of the amount of Rs.83.33 Lacs actually paid by the bank to Allahabad Bank as a guarantor under the lease transaction when the guarantee was invoked.	DRT, Bangalore	6.12.1993	OA No. 703/1996	Syndicate Bank Vs MCF and others	Posted for filing MCF's evidence by way of affidavit The company has represented that the entire money under the suit transaction has been paid	Recovery of the amount of Rs.83.33 Lacs actually paid by the bank to Allahabad Bank as a guarantor under the lease

Details of litigation	Name of the Court Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
<p>Suit has been filed against Syndicate Bank, MCF and others for a joint and several decree for recovery of Rs.5,76,71,501/-. Due to sickness, MCF could not continue to pay the Lease rentals due to Allahabad Bank under a lease transaction. Syndicate Bank, guarantor for due payment did not pay the amounts when the guarantees were invoked by Allahabad Bank. Aggrieved, Allahabad Bank has filed the suit to recover the amount together with interest.</p>	<p>DRT, Chennai</p>	<p>30.9.1993</p>	<p>T.A. No. 300/1997</p>	<p>Allahabad Bank Vs Syndicate Bank and others including MCF</p>	<p>to Syndicate Bank as per the sanctioned scheme. Therefore, suit becomes infructuous. By an order dated April 30, 2004 the DRT has ordered to keep the case pending till DRT (Chennai) passes orders in TA No. 300/97. The company has filed an appeal before the DRAT.</p> <p>MCF's application for a direction to Allahabad Bank and Syndicate Bank and to delete its name from the suit is pending for hearing. The company has represented that the amounts as indicated in the sanctioned Scheme were duly paid and MCF will not be liable to pay anything more than what is indicated in the Scheme. Official receiver is yet to file the report. MCF filed an appeal before DRAT challenging orders of DRT to proceed against MCF in view of MCF coming out of BIFR.</p>	<p>transaction when the guarantee was invoked.</p> <p>Recovery of a sum of Rs. 576.71 Lacs together with interest @ 20.75% per annum compounded with quarterly rests from the date of suits till the date of realisation in full.</p>

Details of litigation	Name of the Court Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
A recovery suit has been filed by IDBI against DCIL in the High Court of Judicature, Bombay. DCIL had hypothecated the same plant and machinery to IDBI, which MCF had taken on lease from DCIL under a lease agreement. Court ordered the court receiver to take possession of the machinery and sell the property to recover the amounts due.	Debts Recovery Tribunal I, Mumbai	18.12.1989	OA No. 68/2001 (OS. No. - 3854/1989)	IDBI vs Dhanalakshmi Consolidates Industries Ltd. (DCIL) and others including MCF	The company has represented that the Receiver appointed by the court had taken inventory of the hypothecated property and public auction two occasions received no response. The suit has been transferred to Debts Recovery Tribunal, Mumbai and the same is pending. The company has also represented that IDBI is not pursuing the matter in view of the BIFR proceedings filed against DCIL.	Inter-alia (i) to sell the property to recover the amounts due from Dhanalakshmi Consolidates Industries Limited. (ii) Pending hearing and final disposal of the suit Dhanalakshmi Consolidates and MCF be restrained from parting with possession of or alienating the hypothecated goods; (iii) Pending hearing and final disposal of the suit Dhanalakshmi Consolidates be restrained from receiving any amount by way of lease rent or hire charges in respect of hypothecated goods from any third party including MCF; and (iv) Pending hearing and final disposal of the suit MCF be directed to pay the lease rent and/or hire charges to IDBI.
Asst. Executive Engineer, KEB Mangalore raised a demand on MCF for Rs.90,50,706/- in respect of February 1984 bill and Rs.1,38,73,041 towards August 1996 bill. Since MCF surrendered the additional energy and no power was used for the plant since 6.2.1984 till the end of the month, and the other demand of Rs.1,38,73,041/- represents penal charges for consumption during the period 13.8.96 to 31.8.96 which was not provided for,	Civil Judge (Senior Division), Mangalore	2.3.2001	R.A.96/2001	KPTCL Vs. MCF	Posted for arguments on 17.11.2003	To consider the claim for penal charges of Rs.1,38,73,041 It is disclosed as contingent liability

Details of litigation	Name of the Court Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
filed a suit for a declaration that the above demands were illegal and ultra vires. The court partly decreed the suit in KPTCL's favour in regard to Feb.1984 bill (Rs.90,50,706/-) KPTCL has filed an appeal against this order.						
Against the orders dated 30.4.2003 directing the ESI Corporation to reimburse MCF, the contributions along with interest which was paid to ESI Corporation on behalf of one M/S Karla Constructions, ESI Corporation has challenged the orders.	High Court of Karnataka, Bangalore	August, 2003	MFA No. 4592/2003	ESI Corporation vs MCF	Application filed by ESI for condonation of delay of three days in filing the appeal will be posted for hearing in due course.	To set aside the order dated 30.4.2003.

Other Civil Litigations filed against the company:

- 1 suit has been filed against the company by the Landlord of the building in Pune who has leased premises to the company claiming recovery of amounts paid by the Landlord towards increase of House Tax. The company has contested the matter on the grounds that no proof of assessment has been produced. The matter is pending in Baramati Court. Recovery amount of Rs.0.25 Lacs and interest. The case has been settled out of court and orders awaited.
- 1 suit has been filed against the company claiming damages of Rs.50 Lacs in respect of business transaction. No orders have been passed so far and the case is pending.
- 1 case filed against the company is pending before Civil Judge, Mysore wherein the Landlord has preferred an eviction Petition for occupation of property by him. The company has filed its objection statement and the case is pending.
- 1 case has been filed against the Official Liquidator of a company which was wound up wherein MCF has also been made a respondent. The relief sought is to obtain leave of the High Court, Madras to continue the claim in the recovery suit which pending before the High Court at Mumbai. The suit is pending at the High Court.
- 1 case has been filed against Syndicate Bank and the company to declare that the Hypothecation Agreement executed by the company in favour of the Bank is void ab initio and hence not enforceable. The company has been made a respondent to the suit and there is no specific prayer against the company.
- 1 case has been filed by the Canteen Contractor against the company which is pending before Civil Judge, Mangalore. The issue raised is that after termination of the contract, Bank Guarantees provided by the Contractor to the company were encashed against excess amount paid to the contractor. Case is pending.
- 1 case is pending against the company before the Civil Court, Bangalore for termination order issued to the employee by the company. Case is pending.
- 2 cases filed against the company are pending before the Civil Judge, Senior Division against the decree dismissing original Suit No.368 and 369 of 2001 and a direction to vacate the quarters belonging to the company from the date of the Order. An appeal has been filed by the employees in this regard, which is pending.
- 1 Recovery Suit has been filed for Rs.0.22 Lacs together with interest against the company for which an ex parte decree has been passed. An Execution Petition has been filed for the said recovery.

Material litigations involving MCF:

Cases filed by the company:

Details of litigation	Name of the Court & Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Contingent Liabilities not provided						
Asst. Executive Engineer, KEB Mangalore raised a demand on MCF for Rs.90,50,706/- (Rs.33,14,583/- towards principal and Rs.60,36,123/- towards interest as on 31.12.96) in respect of February 1984 Bill and Rs.1,38,73,041 towards August 1996 bill. Since MCF surrendered the additional energy and no power was used for the plant since 6.2.1984 till the end of the month, and the other demand of Rs.1,38,73,041/- represents penal charges for consumption during the period 13.8.96 to 31.8.96 which was not provided for, filed a suit for a declaration that the above demands were illegal and ultra vires. The court partly decreed the suit in MCF's favour in regard to August 1996 claim (Rs.1,38,73,041/-) and upheld the demand in respect of the Bill for Feb.1984 (Rs.90,50,706/-). The Court also ordered adjustment of Rs.35,00,000/- already paid by MCF towards the aforesaid claim. MCF has filed an appeal against this order.	Civil Judge (Senior Division), Mangalore	28.2.2001	R.A.91/2001	MCF vs KPTCL	Posted for arguments	To declare that February bill for Rs. 90,50,706 is not valid in law.
Asst. Executive Engineer, KEB Mangalore raised a demand on MCF for Rs.90,50,706/- in respect of February 1984 Bill and Rs.1,38,73,041 towards August 1996 bill. Since MCF surrendered the additional energy and no power was used for the plant since 6.2.1984 till the end of the month, and the other demand of Rs.1,38,73,041/- (Rs.1,28,45,408/- being principal amount of the penal charges as on 31.12.96) represents penal charges for consumption during the period 13.8.96 to 31.8.96 which was not provided for, filed a suit for a declaration that the above demands were illegal and ultra vires. The court partly decreed the suit in KPTCL's favour in regard to Feb.1984 bill (Rs.90,50,706/-) KPTCL has filed an appeal against this Order.	The Court of Civil Judge (Sr. Divn.) Mangalore	June1992	A.C.2/1992	MCF vs MMC	This case is settled by a compromise decree whereby the company is ordered to pay Rs.4.04 Lacs to MMC as full and final settlement.	Set aside the Arbitration award
State of Karnataka issued the Karnataka Electricity (Taxation on Consumption) (Amendment) Ordinance, 2003, providing for levy of electricity tax at 50 paise per unit on captive generation of power with effect from 16.10.2002. Following the Ordinance, notices were issued by the Deputy Chief Electrical Inspector to pay the tax as per the Ordinance. A writ petition was filed challenging the said Ordinance and to stay the notices pending disposal of the writ petition. High court stayed the notices subject to deposit of Rs.1 crore with the above authorities. In the meantime, the Karnataka Electricity (Taxation on Consumption)(Amendment) Act, 2004. came into being reducing the tax to 25 paise per unit as against 50 paise per unit. Therefore, an application was filed to modify the interim order and the Court accordingly directed MCF to deposit Rs.50 lakhs as against Rs.One crore.	High Court of Karnataka, Bangalore	6th January, 2003	WP No. 802/2003	MCF vs State of Karnataka and Others	Pending before the Court The company has deposited the amount of Rs. 50 lacs as per the Order.	(i) To declare the Karnataka Electricity (Taxation on Consumption) (Amendment) Ordinance, 2003, as illegal and (ii) Issue Writ of Certiorari or any other appropriate writ order or direction quashing the notices dated 24 th December, 2003 issued by Deputy Electrical Inspector, Govt. of Karnataka and Deputy Chief Electrical Inspector, Govt. of Karnataka.

Other Civil Cases filed by the company:

- 1 Insolvency Petition has been filed by a dealer of the company who owes Rs.97.05 Lacs to the company to adjudge him as insolvent. The company has filed objection to the petition. Case is pending in the Thanjavur court. This case is now transferred to District Court.
- 1 Insolvency Petition has been filed in the High Court, Bangalore by a dealer to adjudge him as an insolvent. An amount of Rs.1.09 Lacs was pending to be recovered from the dealer by the company. The dealer has preferred an appeal in the High Court at Bangalore to set aside the Lower Court's Order. The High Court, vide its orders dated 15.09.03 has dismissed the appeal.
- The company has filed 1 case for appointment of Arbitrator in Civil Court, Bangalore in place of an Arbitrator already appointed by the Court who has expressed inability to act as an Arbitrator. The dispute with the party is arising out of a Hire Purchase Agreement and the company has to recover outstanding monthly rentals totally amounting to Rs.8.47 Lacs together with interest.
- 1 case has been filed by the company in City Civil Court, Bangalore in connection with insurance claim. The earlier award is challenged and the company has represented that the total sum of Rs.5.19 Crore is claimed from the Insurance company as against the award of Rs.54.65 Lacs and payment made by the insurance company is 63.71 Lacs. The matter is posted for arguments.
- 1 case has been filed by the company in the Civil Court, Mangalore against a consultant for unsatisfactory services rendered by him and called upon refund of an amount of Rs.6.63 Lacs already paid to the consultant along with interest. The claim amount in the case is Rs.10.39 Lacs together with interest. The matter is posted for framing issues.
- The company has filed 1 case against Union of India towards recovery of Service tax of Rs.26.80 Lacs already paid towards goods transport operations. Subsequent to the directions of the Supreme Court to refund the Service Tax, the application made by the company for the refund was rejected by the Central Excise department. The company has filed a writ against such rejection of application. The case is admitted and is pending for hearing.
- The company along with SPIC and other manufacturers have filed 1 Writ Petition in the High Court, Delhi against the governments decision to reduce concessions available on DAP and other complex Fertilizers with retrospective effect. The case is yet to come up for final hearing. The company has filed 1 Execution Petition against a dealer to recover the decretal amount of Rs.6.66 Lacs. The execution is pending.
- The company has filed 33 Recovery Suits in various City Civil Courts against the dealers / parties for recovery of amounts due from them for supply of Fertilizers which are pending before these Courts. In certain cases, the decree has been passed in favour of the company and the filing of the execution is in process. In 1 case Execution Petition is posted to take fresh steps to issue notice to the judgement debtor. Notice could not be served. The total amount involved in these recovery suits is Rs.124.34 Lacs together with interest and other costs. In a few cases out of court settlement is contemplated. In 1 such case defendant is not traceable. In 1 case the defendant is adjudged an insolvent. In some cases attachment orders have been obtained for auction of property. In 2 cases defendant is not traceable. In 1 case summons could not be served.
- 3 Cases under Section 138 of the Negotiable Instruments Act have been filed for dishonour of cheque amounting to Rs.1.33 Lacs, Rs.98.82 Lacs and Rs.2.00 Lacs being the amount recoverable against supplies of fertilizers made by the company. These cases are pending. In 1 case, Non Bailable Warrant has been issued as the Party is not traceable and in another case, Summons are yet to be served.
- The company has filed 2 cases before the JMFC Court, Mangalore for unauthorized occupation of Quarters by employees. The matters are posted for recording plea by the accused. In one case, recording of evidence is in progress. Witness yet to be taken-up.
- 2 cases are filed by the company in the High Court at Bangalore to set aside the Award issued by the Labour Court directing reinstatement of employees with the backwages and continuity of service. The High Court has stayed the reinstatement subject to payment of wages. Matters yet to be listed for final hearing.
- The company has filed 2 Miscellaneous Applications in the Industrial Tribunal, Mysore seeking approval of termination order / dismissal of employees. 1 such Miscellaneous Application has also been filed to accord approval for dismissal of employee and is pending before the Industrial Tribunal, Mangalore. Matters yet to be listed for final hearing.
- An Execution Petition has been filed by the company against a dealer for recovery of the decreed amount of Rs.0.40 Lacs together with interest.
- The company has filed 14 Recovery Cases in various City Civil Courts at various locations for recovery of amounts due for purchase of Fertilizers by the dealers from the company. The amount involved in all these suits is Rs.47.95 Lacs together with interest and costs. In one of the cases, the suit has been dismissed. The company has filed an application for restoration.

Litigation involving Statutory dues related matters filed by the company:

- An appeal has been filed by the company against a Rectification Order under section 154 of the Income Tax Act for the Assessment Year 1997-98 for levying additional tax. The amount involved is Rs.0.22 Lacs which is disclosed as a Contingent Liability in the books. The appeal is pending before the C.I.T. (Appeals).

Material Litigation involving Labour matters filed against the company:

Details of litigation	Name of the Court Place of litigation	Date of institution	Reference no. of the case	Principal parties thereto	Current status	Claims/Relief sought for /other implications (if any)
Aggrieved by the part of the Labour Court award dated 21.1.2003, upholding his transfer to Hyderabad, Mr.Vasanth P. Kumar has preferred a writ petition,	High Court of Karnataka, Bangalore	2003	WP No. 35197/2003	Vasanth P.Kumar vs MCF & Another	Pending before the Court.	(i) To issue a writ of Certiorari or any other appropriate writ or order quashing (a) the order dated 3 rd December, 2001 passed by the Labour Court; (b) Common Orders dated 21 st January, 2003 passed by the Labour Court; (c) letter dated 23 rd July, 2001 of the Senior Vice President (Works); (ii) Issue writ of mandamus or any other writ or order for a direction to MCF to reinstate him in his original post at Mangalore and to grant all consequential benefits including full backwages, continuity of service and all other benefits
The dismissal order issued by the Management after due enquiry proceedings for habitual absence against Mr. M.L.Suvarna, was referred by the Labour Department to the Labour Court, Mangalore for adjudication.	Labour Court, Mangalore.	2004	Ref.No. 3 /2004	M.L.Suvarna vs MCF	Mr.Suvarna's Claim statement was filed before the court. MCF to file objection statement.	To set aside the dismissal order dated 17.9.1998 and direct MCF to reinstate him into service with backwages and continuity of service, interest and other consequential benefits.
The issue raised by the dismissed employee Smt.A.Violet has been referred by the Labour Department to the Labour Court, Mangalore for adjudication.	Labour Court, Mangalore.	2004	Ref.No. 18/ 2004	Smt.A.Violet vs. MCF	Smt.A.Violet to file her claim statement in the court.	Claim Statement yet to be received.

Other Litigation involving Labour matters filed against the company:

- The Workers' Union of the company has filed 1 suit to restrain the company from signing any settlement during the pendency of reference made by them before the Industrial Tribunal. Suit is pending before the Civil Court, Bangalore. Earlier in 1 case filed against the company, issues raised by MCF Workers' Union with regard to Charter of Demand were referred to the Labour Department of the company to the Industrial Tribunal for adjudication which is pending for cross examination of the Union.
- 1 Writ Petition has been filed in the High Court challenging the award of the Labour Court, Mangalore awarding superannuation benefits to all the workmen with retrospective effect. The writ is pending before the High Court, Karnataka. However stay has been granted. Not yet listed for final hearing.
- 1 case against the company is pending in the High Court of Karnataka filed by employees for termination orders issued by the company to temporary employees. The Labour Court earlier had ordered and upheld the termination of employees. Against the said order, Writ Petition has been filed in the High Court of Karnataka which is pending. The company's objections are yet to be filed.
- 1 Writ Petition has been filed by the company against an award passed by the Labour Court in favour of an employee directing the company to reinstate the employee with continuity of employment in the company.
- 6 Cases have been filed by contract workers in the Labour Court, Mangalore by Contract Workers engaged by the Contractor for repair and maintenance raising a dispute against the Contractor who had engaged them claiming reinstatement with continuity of service and backwages. The company has been made a party to the dispute. The hearing is complete and posted for Orders. All these cases have been finally disposed of.
- 1 case has been filed in the Labour Court, Bangalore against the company in view of non-confirmation of service and termination. The employee has referred the matter to the Labour Court seeking reinstatement and backwages. The case is posted for evidence. Arguments are in progress.
- 1 case has been filed by All India Trade Union Congress Karnataka State Committee against the State of Karnataka wherein Mangalore Chemicals & Fertilizers Limited has been made a party which is relating to non implementation of a Notification issued by state of Karnataka abolishing the employment of contract labour in the Industrial Canteens in the factory employing 250 workmen or more. The matter is pending before the High Court of Karnataka and relief is sought for quashing the Notification and to uphold the contract labourers as in employment of the Factory Canteens. In 1 connected matter independent of the said Notification an issue has been raised by the workers Union against the company with regard to absorption of contract workmen and is pending before the Industrial Tribunal, Mysore for adjudication. The workers Union is yet to file a claim statement.
- In 1 case, the Workers Union has taken up the issue of transfer of one employee and the same has been referred by the Labour Department to the Industrial tribunal for adjudication. Claim statement is yet to be filed by the Workers union. Cross examination is over and the matter is posted for additional evidence, if any.
- 1 case has been filed by the Workers' Union against the company .The company has obtained an permanent injunction restraining the defendants from gheraoing, threatening, etc., the supervisors and officers of the company. This Order was challenged by the union and the matter is pending.
- 1 application has been filed under Sections 10 and 22 of the Workmen's Compensation Act by the widow and minor children of the deceased employee claiming compensation of Rs.2.88 Lacs together with interest. The Commissioner passed an order to pay compensation and interest which was challenged before the High Court and pending disposal of the appeal , the High Court stayed the operation of the order.
- 1 case has been filed in the Labour Court, Bangalore against the company for termination of service of the employee on account of misconduct. The employee has filed a case in the Labour Court.
- The company has filed an appeal before the High Court at Bangalore against an Order passed by the Lower Court in connection with a Housing Loan taken by an employee but not paid. The preliminary decree was passed for Rs.3.20 Lacs with interest at 6%. The interest amount in the appeal is proposed to be increased to 18%. Execution petition has been filed to effect the sale of mortgaged property and realize the amounts due.

Litigation involving Labour matters filed by the company

Details of Litigation	Name of Court	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for
Labour Court, Mangalore award dated 23.6.2003 for reinstatement of Mr.Nagesh Shenoy with continuity of service was challenged in a writ petition. Award was stayed subject to payment of wages.	High Court of Karnataka, Bangalore	November, 2003	WP No. 50910/2003	MCF vs Nagesh Shenoy	Pending before the court	To quash the award dated 23.6.2003 and to uphold the dismissal of Mr.Nagesh Shenoy
By award dated 30.12.2003, the Labour Court, Mangalore directed reinstatement of Mr.Udaya into service with continuity of service and payment of backwages to an extent of 50%. This award was challenged in the writ petition and the award was stayed.	High Court of Karnataka, Bangalore	16th December 2003	WP No. 53400/2003	MCF vs K.Udaya	Pending before the court	To set aside the award dated 30.12.2003.

Winding up Petition filed by the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference number of the case	Principal parties thereto	Current Status	Claim/Relief sought for/ other implications (if any)
Funds of the company to the extent of Rs.1309.40 Lacs were placed under a Portfolio Management Scheme with the LKP Shares & Securities, (LKP) a senior member of the Stock Exchange and withdrawn from time to time. Later, LKP was requested to return back the entire outstanding amounts invested (amounting to Rs.804.4 Lacs). The total amount finally outstanding as claimed by MCF is Rs.547.4 Lacs towards principal and 531.43 Lacs towards its interest. As LKP could make only part payment, Winding up Petition has been filed. Later, the consent terms were filed in the court, providing payment of the principal amount of Rs.476.43 Lacs and an interest amount of Rs.273.57 Lacs totalling Rs.750 Lacs in monthly installments to be completed by October 2002 towards full and final settlement of the claims of MCF.	High Court of Judicature at Bombay	Aug-98	Co.P.No. 846/98	MCF Vs. L.K.P. Shares & Securities	Advertisement of the Winding up Petition was kept in abeyance, until full and final payment mentioned in clause 2 of the consent terms.	

UB Engineering Limited

Criminal Cases filed against the company:

Details of Litigation	Name of the Court	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for
Torrent Cables Limited, Ahmedabad has filed a criminal complaint under section 406 and 420- of IPC in the Metropolitan Magistrate Court No.13, Ahmedabad against UB Engineering Limited and Others including Mr. S R Gupte is accused No.2 in the said case. The case pertains to non payment of Rs.11.39 Lacs payable by UB Engineering to Torrent Cables Limited towards supply of materials. Summons have been issued to all the accused returnable on the 9 th of April, 2004	MMC No.13, Ahmedabad	17 th September, 2003	Cr. Case No. 1999/ 2003	Torrent Cables Vs. UB Engineering & Mr. S R Gupte and Others	Settlement has been negotiated and accordingly 50% payment has been made by the company and balance 50% payment will be paid in 3 monthly instalments.	Punishment u/s 406, 420 of IPC
Torrent Cables Ltd. has filed a Criminal case u/s 138 of the Negotiable Instruments Act, 1881, against UB Engineering Ltd., and Mr. M T Saifi and Mr. S B Behara	MMC No.13, Ahmedabad	2004	Cr. Case No. 192/2004	Torrent Cables Ltd. Vs UB Engineering, Mr. MT Saifi & Mr. S B Behara	Settlement is in process. Next date of hearing September 29, 2004	Punishment u/s 138 of the Negotiable Instruments Act; Order the company to pay double the amount of the cheque as fine and out of the said fine pay the Complainant amount of the cheque; and Any other orders as the Court may deem fit.
Apna Sahakari Bank has filed cases for dishonour of four cheques of Rs.38.50 lacs each u/s138 of Negotiable Instruments Act against the company, directors – Dr. Vijay Mallya, Mr S R Gupte, Mr S D Lalla, M N S Vasant, Mr D S Shevde & employees Mr Abhijit Roy and Mr A S Bhide. The cheques were issued for repayment of Loan taken by the company from the said Bank.	Court of Metropolitan magistrate at bhoiwada, Dadar, Mumbai	2004	17/SS, 29/SS and 30/SS of 2004	Apna Sahakari Bank Vs. UB Engineering & Ors.	Trial yet to commence.	Complainant has prayed for Process to be issued

Material Civil Cases filed against the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
Recovery proceedings initiated by the Bank against the company for various credit facilities extended by the Bank from time to time.	Debts Recovery Tribunal, Pune	October, 2002	O.A. No. 115/2002	HDFC, Mumbai. v/s UBEL & others	Written Statement filed by company. Applicants to file CoD (Confirmation of Documents).	i) For declaration that the company is liable to pay to the Applicants a sum of Rs.1,54,13,263/- for the various facilities + interest @19% p.a. ii) Sale of mortgaged land situated at Pune & Shinde, if company fails to redeem. iii) Sale of movables if fails redeem
IOCL had challenged the award given by the Sole Arbitrator in the Dist. Court at Panipat	District Court, Panipat	2002	139/2002	IOCL v/s UBEL	Pending – next date 12/8/2003 The company has filed the Reply to the Application of IOCL for setting aside the Award and prayed that objections of IOCL be dismissed with costs. The amount involved is Rs.4.22 crores	IOCL has filed this application for setting aside the award date 24.10.2002 passed by Arbitrator, Mr Gupta to the extent it relates to the claims of UBEL & to the extent IOCL's claims have been rejected by the Arbitrator. Passed an ex parte ad interim order staying the operation of the award.
Plaintiff has filed case against UBEL to recover its dues of Rs.14,54,404/-	District Court Siddi	2001	01B/2001	Pl. Mill Store Supply Agency v/s. Def. UBEL	Mill Store has filed an application for attachment of the amount receivable from BHEL and the Bank A/c with State Bank of India, Vindhyanagar Branch. The Court by order ordered attachment of the amount of Rs.20 Lacs to be received from BHEL	- To pass decree for Rs.14,54,404/- - award interest @24% p.a. from the date of institution of suit till date of realisation - Other reliefs as the circumstances of case may require

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
					This order was stayed by the Hon'ble High Court, Jabalpur, on the condition that the company would deposit 75% of the amount aimed and furnishing bank guarantee for the balance 25% within a period of one month from 13th August'01, operation of the impugned order shall remain stayed. The company has not complied with the conditions of the stay order.	
Plaintiff has filed case against UBEL to recover its dues of Rs.31,23,043/-	District Court Siddi	2001	02B/2001	Shiva Trade Links v/s. UBEL	Shiva Trade Links has filed an application for attachment before judgement of the amount receivable from BHEL and the Bank A/c with State Bank of India, Vindhyanagar Branch. The Court vide its order attached amount of Rs.31,23,043/- to be received from BHEL. The company has not complied with the conditions of the stay order.	<ul style="list-style-type: none"> - To pass decree for Rs.31,23,043/- - Award interest @25% p.a. from the date of institution of suit till date of realisation - Other reliefs as the circumstances of case may require

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
Case filed by Omega Cables for recovery of their dues of Against UBEL for supply of aluminum conductor and PVC Sheeted cables.	Subordinate Judge of Poonamallee	1997	O.S.415/1997	Omega Cables v/s. UBEL	Exparte decree passed against company. The company has filed application to set aside the same.	Realisation of Rs.12.3 Lacs with interest @ 18%
The case was filed against UBEL & Anr. by Craft Engg. For recovery of their dues of Rs.10.35 Lacs jointly & severally against the Defendant for a sub-contract tendered by the company on behalf of the 2nd Defendant for material handling, fabrication, assembling of Nagarjuna Fertilizers & Chemicals.	Addl. Sub. Ord.Court, Kakinada	30.8.1991	O.S. No. 233/91	Craft Engg. V/s UBEL & Anr.	Pending before the Court.	Decree for the amount of Rs.10.3 Lacs joint and severally against the company & Anr. With interest @ 18%.
A suit for recovery of amount paid by Capital Cables India Limited towards the Sales Tax and interest thereon.	Subordinate Court. Delhi	1999	64 of 1999	Capital Cables v/s UBEL	Application under Order 11 Rule 12/14 CPC, dismissed on 4 th August, 2001. This application was filed for seeking production and disclosure of documents. The Court has dismissed the application. Subsequent to this, written statement was filed and fresh application seeking production and disclosure of documents has been filed thereafter.	Money decree for recovery of Rs.71,282/- in favour of Capital Cables and further interest @18% p.a. on the decretal amount from the date of institution. All other reliefs as the court may deem fit and necessary under the circumstances of the case.
Plaintiff has filed a suit to Recover their dues Referred to the Hon'ble Justice Mr Bhagwati in respect of arrears due of a sub contract entrusted with the Plaintiff by the company for erection, testing and commissioning of mechanical equipment and piping etc.	Civil Court, Before Civil Judge (SD) Pune	27/3/2001	355/2001	General Engg.Works v/s. UBEL	Ex-parte decree passed against company for the amount, application filed to set aside the same, which is pending hearing. No execution application seems to have been made by the Plaintiffs'.	Decree for sum of Rs.18,96,200 with interest @18%

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
Plaintiff has filed a suit to Recover their dues of Rs.7,12,335/-	Civil Court, Pune	2001	356/2001	Pl. General Engg.Works v/s. UBEL	The court has passed 'NO WRITTEN STATEMENT' order against the company on 10th July, 2002. The company has filed an application to set aside the said order and take on record the Written Statement filed by the company.	Pass a decree for a sum of Rs.7,12,335/- against the company. Interest on the amount of decree @18% p.a. costs of the suit money and other orders
D & H had filed case against UBEL to recover their dues for the purchase of welding electronic equipment taken by the company	VIIth Additional District Court Indore	2001	74-B/2001	D&H Secheron Electrodes Ltd. v/s. UBEL	Pleadings complete matter posted for Plaintiffs' evidence. The company is trying to settle the matter and has made an application to Court to refer the dispute to Lok Adalat. Consent terms filed in Lok Adalat, Indore in August 2003 for payment of basic amount, in five installments, Out of which first installment of Rs.80,000/- is paid.	Recovery of approx Rs.10 Lacs, further interest @22%.
Suit for permanent injunction, Against encashment of Bank Guarantee	High Court, New Delhi	2001	2124/2001	Pl. Emkay Inter-National O. Ltd. v/s UBEL	Pending	Permanent injunction, against UBEL from encashing of Bank Guarantee
Recovery of Rs.1,15,296/- for the material supplied to the company.	District Court Hyderabad	1993	O.S.632/1993	Spectra Engg. Co. V/s UBEL	The decree had been passed on 6 th December, 1999 ordering to pay a sum of Rs.1,15,296/- and interest thereon @ 18% per annum from 18 th February,	The company be ordered to pay a sum of Rs.1,15,296/- and interest thereon @ 18% per annum to Spectra Engg. Co

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
					1993 till filing of the suit i.e. 30 th July, 1993 and further interest @ 18% per annum from 30 th July, 1993 till realisation to Spectra Engg. Co . Subsequently, the company had repeatedly informed Spectra Engg Co. and their advocate to collect the amount. However, neither Spectra Engg Co. nor their advocate has approached the company to collect the decreed amount. Consent terms to be filed in the Court.	
UP Rajya Vidyut Utpadan Nigam Ltd. (URVUN) awarded the company, the job of erection, testing, and Commissioning of Boilers and Auxiliaries. An Arbitration award was passed by 3 arbitrators (1 dissenting) in favour of the company for the Claim amount Rs.8.84 crores. The award further ordered that if the amount was not paid within a certain time the amount due and payable would along with interest and costs amount to Rs.21.98 crores with interest till payment and/or realization. The company filed the award with the Civil Judge Sr. Division, Lucknow, who pronounced judgement vide order dated 12/9/2000 an execution application has been made to the court which is to be heard by the court. In the meanwhile, UPSEB has filed an Appeal against the said order in the High Court. No stay has been granted.	High Court, Lucknow	11.12.2000	F.A.F.O. No.552 of 2000	URVUB v/s. UBEL, UPSEB	Execution Application of the Lower Court being heard. No stay granted by H.C.	i) Setting Aside the Arbitration Award ii) Decree of the Civil Judge.
Suit for recovery of Rs.1,97,136/- plus 18% interest	Civil Judge Sr. Division, Tis Hazari Court	24.12.03	317/03	R V Infrastructural Pvt Ltd, Vs UBEL and Reliance	Hearing is in progress	(i) To pass decree for Rs.1,97,136/- in favour of Plaintiff (ii) Pass the

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
				Engineering Associates Ltd		pendentalite and further interest @18% per annum on the said amount w.e.f 1 st August 2003 till realization (iii) Costs of the suit (iv) Other reliefs as the Court may deem fit.

Other Civil Litigations against the company:

- 6 suits have been filed against the company in various civil courts for recovery of an amount aggregating to Rs.26.49 Lacs against supply of materials/services provided to the company. All these cases are pending at various stages

Material Civil Litigations filed by the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
Under the insurance policy UBEL had lodged its claim on ECGC for not getting full money from MHI. ECGC refused the claim. Hence UBEL approached NCDRC for recovery of Rs.50 Crores	National Consumer Disputes Redressal Commission, Delhi	2003	2003	Pl. UBEL v/s ECGC	Hearing is in progress. Application has been admitted. Matter pending.	Direct Export Credit Guarantee Company Limited to pay a sum of Rs.50,54,40,000/- to the company to settle its claim under the policy issued by ECGC. Direct ECGC to pay interest on delayed payments under the policy from the date of submission of claim till realisation. Costs of complaint and other necessary orders

Material Labour Litigations filed against the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for
Application filed by the applicant u/s 33(c)(2) of the Industrial Disputes Act, 1947	Labour Court, Pune	20.11.03	IDA/85 of 2003	Hanuman Chand Vs UBEL	Hearing is in progress	Payment of his legal dues of Rs.25,000/-

Other Labour Litigations filed against the company:

- o 1 case filed against the company by an employee is pending before the Civil Judge, Lucknow. Claim is for reinstatement in the same position. 1 case filed against the company by an employee is pending before the Labour Court, Pune claiming reinstatement and back wages. 1 case filed against the company by an employee is pending before the Labour Court, Pune claiming an amount of Rs.0.45 Lacs towards recovery of dues under the Workmen's Compensation Act. 1 case filed against the company by an employee is pending before the Labour Court, Chandrapur claiming reinstatement and back wages. 1 case filed against the company by an employee has been remanded to the Industrial Court, Nagpur to quash and set aside the impugned Order. 1 case filed against the company by an employee alleging Unfair Labour Practice in view of Laying Off enforced by the Management is pending in the Industrial Court Pune. 1 case filed against the company by an employee is pending before the Labour Court, Nagpur claiming an amount of Rs.2.04 Lacs towards compensation for death under the Workmen's Compensation Act. 6 cases filed against the company are pending in the Labour Court, Pune. These cases pertain to issues like reinstatement with Back Wages, reinstatement and retrenchment. 1 case filed against the company by an employee is pending before the Labour Court, New Delhi for unjustified termination of Employment by the company. In 1 case, orders are reserved and in 1 case out of Court settlement is in process.
- o 2 cases filed against the company for payment of Compensation are pending before the Industrial Tribunal and Consumer Redressal Forum. The company has deposited a sum of Rs.1.12 Lac in the Forum.
- o 1 case filed against the company in the Labour Court Jamshedpur involving an amount of Rs.15.39 Lacs is pending. 1 case filed against the company in the High Court, Orissa for payment of wages based on the principle of equal pay for equal work is pending. 1 application filed for illegal recovery of Rs.0.03 Lacs from salary is pending in the Labour Court, Nagpur.
- o 2 cases have been filed by the company in the High Court at Jabalpur praying for stay of attachment orders issued by Siddi Court in two suits against the company. The company has obtained stay against the said order attaching certain receivables. The amount to be paid is Rs.45.80 Lacs.
- o 1 case has been filed by the company against the ESIC against the demand of Rs.1.53 Lacs raised by ESIC covering the employees of the electronic division of the company under the purview of ESI Act. The case is pending. An appeal has been filed to the Order of the ESI Court, Pune, pertaining to the Electronics Division. Since the Electronics division was sold in 1998, the ESI contribution till date – Rs.0.38 Lacs, has been paid as per consent terms filed in the High Court.
- o 1 recovery case filed by the company against Bharat Heavy Plates & Vessels for recovery of Rs. 28.76 Lacs is pending before the Civil Court, Pune. No Orders have been passed so far. 1 case has been filed by the company in the High Court for setting aside the Orders issued by the Civil Court, Kakinada with respect to recovery claim of Rs.7 Lacs filed by a contractor which the company has challenged.
- o Arbitration proceedings are filed by the company against Bharat Heavy Electricals Ltd. is pending to recover amount of Rs.31.43 Crores with interest and damages. The company has to file a reply and as per directions of second arbitrator, to come up with issues. Matter posted for hearing.
- o 1 recovery case is pending in the High Court at Hyderabad for recovery of Rs.7,91,890 plus interest. As per the interim order of the Court, the company has deposited amount of Rs.3,95,945. The company has preferred one appeal to stay the order passed by the lower Court for recovery of amount of Rs.5 Lacs. The High Court has granted the stay against the operation of the order of the Court. In 1 case deposition and evidence is over and evidence of defendant to be given.
- o 1 case has been filed by the company under section 138 of the Negotiable Instruments Act for dishonour of Cheque amounting to Rs.1.50 Lac which is pending. 1 case filed by the company is pending in the Civil Court, Vishakhapatnam for recovery of an amount of Rs.1.38 Lacs which is pending. The Court has directed the defendant to pay the amount.
- o 1 Appeal is preferred by the company in the Supreme Court against Order passed by the High Court in favour of an employee claiming compensation of Rs.0.75 Lacs. The Case is pending. On depositing Rs.1.12 Lacs as per Order of the Forum, the Applicant has filed another Application before the Forum, for which reply is also submitted to the Forum. Litigation Over. Case No.17/92 - Appeal in Supreme Court of India. 5464/2000 filed by RK Samanta. Appeal dismissed on 2.4.03. 50% Back Wages. Further action taken by the company in the matter.

Labour Litigations filed by the company:

Details of Litigation	Name of the Court	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other
Payment of wages From 21.06.1993 to 31.08.2001	Labour Court, Allahabad	1994	56/1994	Pl. UBEL v/s. Res. Mr. Bachai Prasad	The company has gone in appeal against order passed by Lower Court, Allahabad for granting wages of Rs.3,62,974/- to Sri Bachai Prasad.	Rs.3.7 Lac

Winding Up Petitions against the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
Winding up Petition against the company for Recovery of dues for supply of Circuit Breakers, lighting Assistors, Current transformers etc. supplied from time to time of Rs.2.5 crores	High Court, Mumbai	11 th October, 2002	Company Petition No. 1123/2002	Crompton Greaves Ltd., V/s. UBEL	Consent terms were filed in December 2002, wherein the company admitted the liability of the Petitioners to the tune of Rs.2.5 crores. The complete amount has to be paid in the installments stated in the consent terms and the final payment has to be made on or before April 2004. Part payment affected. Case under settlement.	i) Winding up of the company ii) Official liquidator to be appointed iii) Temporary injunction from disposing off/ alienating etc. assets or properties.

Winding Up Petitions filed by the company:

- o 2 Winding up petitions have been filed by the company arising out of non payment of dues to the company. 1 petition has been admitted and the respondent has been directed to pay a sum of Rs.13.44 Lacs together with interest. In another petition the respondent has paid the amount. However the petition has not yet been withdrawn by the company. Compromise has been arrived at with 1 party and they have started making payments.

UB Global Corporation Ltd.

Criminal Cases filed by the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
The company had advanced money to Samudra Shoes Overseas Limited to meet the working capital requirements. Samudra Shoes Overseas Limited had defaulted in repayment of the said money and the company has filed this suit for recovery of the same.	High Court, Chennai	2004	C.S.No. 306/2004	UB Global vs. Samudra Shoes Overseas Ltd.	The matter is at admission stage.	Pass judgements and decree (i) directing the defendants to jointly and severally to pay the Plaintiff the said sum of Rs.61.58 Lacs together with such further interest at 24% per annum as may accrue between the date of filing of the plaint and the date of payment;

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/ other implications (if any)
						(ii) directing the defendants to pay for the costs of this suit; and (iii) pass such further or other orders as this Hon'ble Court may deem fit and proper in the facts and circumstances of the case.
The company had filed a Arbitration Case No.5/2003 for recovery of the amount due from Havens Agrotech Limited and an Award dated 17 th April, 2004 was passed in favour of the company directing Havens Agrotech Limited to pay a sum of Rs.11.27 Lacs with interest at the rate of 18% per annum on Rs.7.91 Lacs from 1 st July, 2003 till realization, Rs.0.47 Lacs towards cost of arbitration and Advocate's fee. The company has filed execution petition to recover the said amount to realization of security.	City Civil Court – CCH18	2004	Execution Petition - 2004	UB Global vs. Havens Agrotech Limited	The matter is pending	Attachment and sale of moveable properties of Havens Agrotech Limited.

- o 5 cases have been filed by the company against various parties under Section 138 of the Negotiable Instruments Act, 1881. The said cases are still pending before the Metropolitan Magistrates in Bangalore. The value of these cheques is 106.03 Lacs. In 1 case accused is not traceable.
- o The company has filed 2 complaints for cheating u/s 120B, 403, and 420 of the IPC against parties who had failed to export goods through the company after receiving money against confirmed Letters of Credit. The amount involved is approximately Rs.44.40 Lacs. These cases are pending before the Metropolitan Magistrates Court at Bangalore. In 1 case accused is not traceable.

Civil Cases filed by the company:

- o The company has filed 3 cases for recovery of amounts paid as advance against supply of goods for export through the company. The amounts recoverable from these parties come to Rs.69.45 Lacs. These cases are pending in different courts for adjudication. In 1 case sale proclamation is being issued after notice to the respondent through newspaper publication. Next date awaited.

Litigation involving statutory dues related matters

- o 1 appeal has been preferred by the Income Tax department against the decision of ITAT on the issue whether the company was entitled to relief u/s 80HHC. The amount involved is Rs.26.92 Lacs. The issue also involves the legality of the order passed by ITAT without having regard to Sec 80AB of the Income Tax Act. The company has also preferred 1 more appeal with the ITAL against the decision of CIT on the issue whether 80 HHC benefit is available for Assesed loss in trading business. The disputed amount is Rs.65.22 Lacs.

UB Information and Consultancy Services Limited

Civil Litigations filed against the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Relief sought for
This suit has been filed by I.T.C. Limited Calcutta praying for a judgement and decree against the company for an amount of Rs.1,25,000/- plus interest, aggregating to a sum of Rs.1,69,879/-. The company had approached ITC for supply of Software Products and accordingly orders were placed for an amount of Rs.4 Lacs and accordingly an invoice was raised by ITC and after making payments on various dates, there was a balance of Rs.1.25 Lacs payable by the company and therefore, ITC has filed this suit for recovery of the same with interest.	City Civil Judge, Bangalore	17.04.1997	O.S. No.3292/97	ITC Limited V/s. UBICS Limited	The company has filed its written statement denying the Claim of the Plaintiffs. Draft Copy of the Written Statement furnished.	For recovery of a sum of Rs.1,69,879/- inclusive of interest

United Breweries Nepal Pvt. Ltd.

Civil Case filed against the company:

- o One of the erstwhile directors of the company had filed 1 recovery case for NRS 32.50 Lacs for recovery of interest free loan to the company. The District court ordered the company to pay NRS 3.2 million and the company has challenged the same in the appeal with the Appellate Court which is pending.

Litigation involving statutory dues related matters – filed by the company

- o The company has filed 7 appeals with the Revenue Tribunal, Kathmandu, against the decision of the Tax Office, Hetauda, Nepal for various Assessment Years from Nepali year 2046 to 2053. The total tax demanded in these appeals is NRS 172.13 Lacs. All these appeals are pending.
- o The company has filed 1 Sales Tax Appeal for the Nepali year 2052-53 with the Revenue Tribunal, Kathmandu against the Sales Tax Department, Hetauda. The amount involved in this demand is NRS 4.15 Lacs. The appeal is pending.
- o There is also a Value Added Tax (VAT) Appeal for the Nepali year 2055 with the Revenue Tribunal, Kathmandu, against the decision of the Inland Revenue Dept., Hetauda demanding for an amount of NRS 4.16 Lacs. The appeal is pending.

United Van Der Horst Ltd.

Civil Cases filed against the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for/other implications (if any)
Suit filed in the Court of Civil Judge, Senior Division at Jamnagar by the Plaintiff's against the company for refund of the money paid to the company for work done by the company. The Plaintiffs allege that the work done by the company is un-satisfactory and have claimed refund along with interest @ 24%.	Civil Judge, S.D., Jamnagar	1.5.98	Sp. C.S. No.40/98	Shree Digvijay Cement Co.Vs United Van Der Horst Ltd. & Ors.	The company has filed written statement denying the allegations. Thereafter suit not come up for hearing. Draft of the written statement provided.	Refund of approx. 14 Lacs with interest @ 24%. total claim on dt. of filing suit 22.68 Lacs

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for/ other implications (if any)
Recovery proceedings initiated against the company for credit facilities availed by the company from time to time.	D.R.T.-1, Mumbai	25-1-01	O.A. 472/2001	Unit Trust of India Vs. United Van Der Horst Ltd. & Ors.	The company is directed by a Judgement dated 3 rd February, 2003 to pay to the Applicants Rs.4,51,86,635/- with further interest@ 14% p.a. from the date of filing the application. The decree further directs that on failure to repay the above mentioned amount within 6 months the mortgaged properties and movables would be sold, to recover the said amount.	483.35 Lacs + Int. @ 14% till repayment
<p>The company had given a closure notice dated 15th December, 2003 to the Secretary to the Govt. of Maharashtra, Industries and Labour Department for closure of the unit w.e.f. 13/02/2004. The company has extended date of closure till 28th February, 2004. Against this closure notice, the workmen have filed this Complaint of Unfair Labour Practices (ULP) under Section 28 read with Item No.5,6 of Schedule II and Item 9 of Schedule IV of MRTU & PULP Act, 1971. The Complainants have also filed interim application for reliefs such as to withdraw notice of closure restraining the Respondent from terminating services of the Complainants without due process of law etc. The Complainants have filed a further interim relief application on 19th June, 2004 for the following reliefs:</p> <p>(a) review the interim order passed on 11th February, 2004;</p> <p>(b) to decide and declare that the Respondents have given fake, false, sham and bogus reasons in the notice of closure;</p> <p>(c) declare that Complainants are still in the continuous service of</p>	Industrial Court Thane at Thane	12 th January, 2004	Complaint (ULP) 13 of 2004	Shramik Seva Union & Ors. V/s. United Van Der Horst Ltd. & Anr.	<p>The Court vide its order dated 11/2/2004 rejected the application for interim reliefs. However, directed the company not to remove plant and machinery till the retrenchment compensation is paid to the concerned employees under Section 25 F of the Industrial Disputes Act. The company has filed its reply. The matter is pending.</p>	<p>i) To declare that the Respondents have engaged in ULP under Item No.5,6 of Schedule II and Item 9 of Schedule IV of MRTU & PULP Act, 1971 on and from 15/12/2003 and thereafter every day;</p> <p>ii) Restrain and desist the Respondents from committing ULP under Item No.5,6 of Schedule II and Item 9 of Schedule IV of MRTU & PULP Act,1971;</p> <p>iii) To restrain the Respondents, their agents, servants from terminating Complainants without due process of law;</p> <p>iv) To direct Respondents not to act upon notice dated 15.12.04 and close the</p>

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for/ other implications (if any)
Respondents by vacating the order dated 11 th February, 2004 and direct Respondents to pay wages for the month of March, April and May; (d) restrain Respondents from committing acts of ULP.						establishment keep the establishment running and providing work to Complainants etc.
<p>Complaint of ULP under item 1(a) (b) (d), (f) of Schedule IV of MRTU & PULP Act, 1971 on and from 28/3/2001 and everyday thereafter.</p> <p>The Complainants had also filed an application for interim reliefs pending hearing and final disposal of the Complaint for the following reliefs:</p> <p>(a) withdraw ULP complained of;</p> <p>(b) maintain status quo of workmen stated in Annexure A thereto;</p> <p>(c) direct to Respondents not to take any action in furtherance of show cause notice; and</p> <p>(d) dismissing / terminating workmen or taking any action.</p>	Second Labour Court Thane at Thane	April 2001	Complaint (ULP) No.147 of 2001	Mazdoor Congress V/s. United Van Der Horst Limited & Anr.	By order dated 7/04/01 court referred to grant any interim relief. The company has filed its reply in the matter and hearing is in progress.	<p>(a) To hold and declare that Respondents have engaged in the act of Unfair Labour Practice under item 1(a), (b), (d), (f) & (g) of schedule IV of the MRTU & PULP Act;</p> <p>(b) To direct the Respondents to cease and desist from engaging in the act of Unfair Labour Practices;</p> <p>(c) To direct the Respondents to reinstate the workmen shown in Annexure A to the Complaint with continuity of service and full back wages;</p> <p>(d) Direct the Respondents to maintain status quo of the workmen shown in Annexure A to the Complaint as on 28/3/2001.</p> <p>(e) Ad Interim Relief and/or interim relief as prayed separately in the application for interim relief;</p> <p>(f) Any other relief the Court may deem, fit and proper; and</p> <p>(g) Cost and compensation of Rs.10,000/-</p>

Labour cases – litigations filed by the company

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for/ other implications (if any)
The Company had dismissed Mr. Sanjay Rao w.e.f. 25/2/02 after conducting enquiry. The Union had filed the proceedings for reinstatement with full back wages and continuity of service as his original post w.e.f. 25/2/02. Conciliation Proceedings were held before conciliation Officer Mr. D.S. Bhujbal. By a letter dated 1/10/02, the Conciliation Officer confirmed that the matter could not be solved and the same has been referred to the Additional Labour Commissioner for further investigation. Now the matter has been registered as reference under the Industrial Disputes Act.	Industrial Court, Thane	2003	Reference (IDA) No.42 of 2003	United Van Der Host Limited Vs. General Security Mazdoor Congress	The matter is pending.	Reinstatement of Mr.Sanjay Rao w.e.f. from 25 th February, 2002 with full back wages and continuity of service.
Complaint of ULP U/s. 28 read with item No.1, 2(a) and 5 of Schedule III of MRTU & PULP Act, 1971.	Industrial Court Maharashtra at Thane	14 th November, 2000	Complaint (ULP) No.21 of 2000	United Van Der Horst Limited V/s. Mazdoor Congress & Ors.	The matter is pending	<ul style="list-style-type: none"> i) to declare that the Respondents have engaged in and are continuing to engage in the ULP within the meaning of items 1, 2(a), (b) and 5 of Schedule III to the Act; ii) Respondents be directed to cease and desist from engaging in the ULP, call off strike and advise the workmen to resume duties; iii) Pending hearing and final disposal Respondent No.1 its office bearers, servants, agents and members, Respondent Nos.1 to 9 be restrained by and injunction Order from indulging in any of the following activities; <ul style="list-style-type: none"> a) to continue with the strike; and

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for/ other implications (if any)
						b) preventing obstructing Complainants, managers, officers, administrative staff etc., from entering into or going out of the Complainant's undertaking.

United Breweries (Holdings) Limited

Securities Related Litigation filed by the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Claim/Relief sought for/ other implications (if any)
<p>UBHL is the single Largest Shareholder of Herbertsons Limited (HL) and holds 22,46,756 equity shares representing 23.59% of the Total issued paid – up capital of HL. Dr. Vijay Mallya is Non-executive Chairman of HL. SEBI vide its Order dated February 19, 2002 has held that K R Chhabria (KRC) and M D Chhabria(MDC) acting in concert with each other and through Companies controlled by them had acquired shares in violation of the SEBI Takeover Regulations in Herbertsons Ltd. and directed dis-investment of all shares acquired by them in excess of 10% of the paid – up capital of HL, at par through an Offer of sale to the public in terms of an offer document subject to certain conditions set out in paragraph 14.3.1 of the said order. On statutory appeals being filed by K R Chhabria and M D Chhabria, before the SAT, SAT by its order dated August 1, 2003 held that the acquisition of 19.71% shares was in violation of the Takeover Regulations. But, having regard to the alleged past practice of SEBI and allegedly in the interest of the Shareholders generally, directed the appellants before the Tribunal viz, KRC and MDC to make public announcement to acquire the shares of the target company i.e., further 20% shares of HL as per the regulations within 3 months from the date of its order.</p> <p>Having come to know of the said order dated August 1, 2003, UBHL and VJM filed review applications under Sec 15U of the SEBI Act, 1992 before the SAT. The Review petition was dismissed and UBHL & Dr. Vijay Mallya have filed appeals with the Supreme Court of India from the Order of SAT dismissing the review petitions. Pending the said review applications, KRC and</p>	Supreme Court of India	2003	Appeal No.17807 of 2003 and Special Leave Petition (Civil) No.CC7770-1771 of 2003 filed	United Breweries (Holdings) Limited and Dr. Vijay Mallya v/s Mr. Kishore Chhabria and Others.	Setting aside order of SAT dated 1.8.03

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Claim/Relief sought for/ other implications (if any)
<p>MDC went ahead and made a public announcement through their managers on August 21, 2003. UBHL and VJM have also filed an appeal against the order of SAT dated 1.8.2003 before the Supreme Court against the order of August 1, 2003.</p> <p>UBHL and VJM also filed SLP before the Supreme Court for setting aside the order of SAT dated August 1, 2003.</p> <p>SEBI has also filed Statutory Civil Appeals in the Supreme Court of India against the said order dated 1.8.2003 passed by SAT.</p> <p>Meanwhile K.R.Chhabria and M.D.Chhabria and persons acting in concert with them made an open offer to the shareholders of HL. McDowell & Co. Ltd. and Phipson Distillery Limited along with person acting in concert viz. UBHL made a counter-offer to the shareholders of HL. The Supreme Court directed that both the offer and the counter-offer would be subject to further orders of the Supreme Court of India. The offer and counter offer have since been completed and payments made to the shareholders concerned by the offerors/ counter offerors in respect of valid acceptances.</p> <p>Mr.Kishore Chhabria has lodged 43,743 shares tendered in the open offer with HL for registration in his name. Phipson Distillery Limited has lodged 6,76,984 shares tendered in the counter offer, with HL for registration in its name. HL has, on legal advice, deferred consideration of transfer of the above shares lodged with it.</p>					

Securities Related Litigations filed against the company:

- Notice under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995:

SEBI vide its Order dated February 19, 2002 held that Dr. Vijay Mallya (“VJM”) had, through entities acting in concert with him, acquired equity shares of Herbertsons Limited in violation of the provisions of the Listing Agreement with the Stock Exchanges as also the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and ordered that VJM disinvest the shares so illegally acquired and also directed adjudication proceedings be initiated. The said Order of SEBI was set aside by the Securities Appellate Tribunal vide its Order dated August 1, 2003; however adjudication proceedings were not interfered with.

Notice dated January 28, 2003 (Ref:A&E/2395/2003) addressed to 20 parties, including VJM, United Breweries (Holdings) Limited and others, was issued by the Adjudicating & Enquiry Officer under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. It was alleged that VJM, along with persons acting in concert with him (including the company), acquired shares in violation of the Regulations and also did not make the necessary disclosures which violated regulations 6(1), 6(3), 8(1) and 8(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and 1997 and consequently, were liable for penalty under Section 15A & 15H of SEBI Act, 1992.

Dr. Vijay Mallya, the company and others have filed their respective replies. The company in its reply has, *inter alia* stated:
a) that since the Order dated February 19, 2002 of the Chairman, SEBI, has been set aside by the Order and judgement dated August 1, 2003 of the Securities Appellate Tribunal, the notices issued by the Adjudicating &

Enquiry Officer appointed by the Order dated October 24, 2002 of SEBI as an off-shoot of its order February 19, 2002, ought to be forthwith discharged.

- b) that whereas it is correct that the company is a member of the promoter group of Herbertsons Limited, it is denied that the company is an entity acting in concert with VJM.
- c) that the company has made the requisite declarations and understands that Herbertsons had furnished copies thereof in response to SEBI's letter dated March 24, 1998 and requesting, in the circumstances, to discharge the notices against the company.

SEBI has filed a statutory appeal from the SAT order with the Supreme Court of India, which is pending.

- 1 suit has been filed against the company in the Munsiff Court, Trichy for declaration of title to shares jointly held. The Court has issued injunction and restrained the company from effecting transfer of the said shares by Order. 1 suit is pending against the company in the Sub Court, Madurai for declaration of title to shares, issue of duplicate share certificates and consequential injunction. Interim injunction granted restraining transfer of shares.

Criminal Cases filed against the company:

- 1 appeal has been filed against the company in the High Court, Kolkata against the order issued by the Sessions Court in favour of the company holding the appellant guilty u/s 138 of the NI Act, 1881. The appellant had earlier issued cheques amounting to Rs.5.53 Lacs to the company which were dishonoured and the appellant had been convicted by the Sessions Court. This appeal is pending.
- 1 matter is pending before the Chief Metropolitan Magistrate, Calcutta against the company for dishonour of cheques amounting to Rs.14.52 Lacs. The case is pending.

Criminal Cases filed by the company:

- The company has filed 1 appeal challenging the conviction under Section 207 of the Companies Act, 1956 passed by the Economic Offences Court for delay in payment of dividend. This appeal arises out of an order passed earlier of conviction and fine. The said appeals were dismissed vide order dated 12th September 2003. Aggrieved by the said order, the company and others have filed the Criminal Revision Applications for setting aside the order of conviction as also the said order dated 12th September, 2003. The matter is pending. Criminal revisions dismissed. A criminal appeal 648/03 has been filed by H V Jayram, which is to come up for arguments.
- 2 cases have been filed by the company u/s 138 of the Negotiable Instruments Act, 1881 for dishonour of these cheques. The total cheque amounts in these cases are Rs.31.35 Lacs. Non-bailable warrant issued in 1 case.
- Criminal cases filed against the ex-employees of the company for embezzlement of Rs.26 Lacs are pending before the Metropolitan Magistrate, Bangalore. Trial has commenced. Matter is listed for complainant's further evidence.

Civil Cases filed against the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for
This Suit has been filed by a liquor dealer Claiming refund of Rs.10.00 Lacs collected by the company as contingency deposit. The defense taken by UB is that the non-refundable Deposit was collected to off set contingencies that arose in the day to day business activities and was to be adjusted against non-return of bottles by the trade, late return of bottles, short return of bottles and thereby UBL having incurred additional expense for purchase of new bottles.	City Civil Court Bangalore	29/8/1994	O.S.No.5050 /94	Classic Distributors Pvt. Ltd. Vs. UBL	Matter has been posted for plaintiff's evidence.	Relief sought is for Rs.10.00 Lacs towards refund of contingency deposit collected from the plaintiff.

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for
Claim of about Rs.56 Lacs with interest allegedly due towards principal and interest on account of lease rentals for machinery leased out to the Pharma Division. A Writ Petition has also been filed in the matter challenging the decree of the DRT, being Writ Petition 26421/2003 by UBHL against IDBI, DRT and UB Pharmaceuticals Limited. As the matter was pending before the company Court for winding up of the company and a sum of Rs.2,47,65,054/- have been paid by the company. The said company petition was dismissed by the company Court as full and final payment was made on 28/6/00. An appeal on that order was also dismissed. The company in the Writ Petition is taking the contention that no amount is payable as the amount is already satisfied.	DRT, Bangalore	5-10-98	OA.892/98	IDBI Vs UBHL & others	The High Court has by an order dated 3 rd June, 2003 stayed the order of the DRT dated 28/4/2003 which reasoned that the contention of the company as above, can be accepted as IDBI had filed a revised statement of claim and rejected the application of the Bank to dismiss the OA. Writ Petition 26421/03 filed in the High Court, since DRT wanted to proceed with the case without considering the issue of maintainability. Writ Petition to come up for hearing. Stay of DRT proceedings granted.	Claiming a sum of Rs.56 Lacs towards principal and interest on account of lease rentals
Proceedings for recovery of about Rs.9.5 crores allegedly due in respect of facilities provided to UBPL.	DRT, Bangalore	12-9-99	OA 918/99	Bank of Tokyo Mitsubishi Vs UBHL & others	Injunction has been granted to the Applicants and the company is enjoined from alienating disposing etc. its property at 1/1 Vittal Mallya Road. The pleadings seem to be complete and the matter is set down for evidence. Settled by a compromise decree.	Recovery of the amount claimed in the application with interest

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for
The Bank had filed a Suit being OA 87-P / 01 for recovery of amounts advanced to WIE Engineering Ltd. The amount is outstanding even after takeover by the company. UBHL is a party since it took over the management of the company. The suit has been decreed in favour of the Bank. Both the Bank & the company have preferred appeals against that decree.	DRAT – Mumbai	12 th January, 2004	Appeal No. 23 / 2004	United Western Bank Ltd Vs. WIEEL & Ors. (taken over by UBHL)	The matter is pending	The Bank has prayed for quashing of the Order dated 12th November 2003, passed by the DRT Pune for issue of recovery Certificate in favour of the Bank for a sum of Rs. 1,21,40,943.69 together with further interest at 16% against the respondents and the company and further make all the respondents in the Appeal jointly and severally liable Interim Orders are also prayed for.

Other Civil Litigations filed against the company:

- 1 Compensation claims case against the company with respect to accident of the company's car is pending in the Motor accidents Claim Tribunal. Amount of claim is Rs.3 Lacs against the company. 1 Appeal has been filed by a party against the Order issued in favour of the company by the Company Court dismissing the company petition for winding up on account of failure by the company to pay amounts for sales effected through dealers. The appeal is pending before the High Court, Karnataka, Division Bench. Appeal yet to be admitted. A written submission filed and trial has commenced with the plaintiff witness in the box.
- 1 proceeding for recovery of amounts due to the claimant on account of corporate guarantee issued by the company is filed against the company. The company has been made a party to the recovery proceedings because of the corporate guarantee issued by it. The company has to file its written statement. The matter has been settled by a compromise decree.
- 2 suits have been filed against the company claiming a refund of Rs.11.01 Lacs collected as contingency deposit by the company. The company has taken the stand that the same is not refundable as it has been adjusted towards non return of bottles. These cases are pending. In 1 suit the company has filed its affidavit in evidence and the matter is posted for cross examination. Evidence completed and argument is in progress. Petitioner has been allowed to lead further evidence. In a similar matter 1 winding up petition for inability to pay debts has been filed in the High Court of Karnataka with respect to non refund of contingency deposit of Rs.3.06 Lacs together with interest. Summons is issued. Matter yet to be listed. The company has filed objections and the matter is yet to come up for admission.
- 1 claim for Rs.21 Lacs against the earlier pharma division of the company towards lease rentals for equipment in Tumkur unit of the division is in process of arbitration. Interim application is being heard by the Arbitrator.

Material Civil Cases filed by the company:

Details of Litigation	Name of the Court	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim/Relief sought for
The Bank had filed a suit being OA 87-P / 01 for recovery of amounts advanced to WIE Engineering Ltd. The amount is outstanding even after takeover by the company. UBHL is a party since it took over the management of the company. The suit has been decreed in favour of the Bank. Both the Bank & the company have preferred appeals against that decree.	DRAT – Mumbai	12 th January, 2004	Appeal No. 42 / 2004	UBHL Vs. United Western Bank Ltd.	Notice served and appeals are filed after counter being filed by Respondents.	The company has prayed to set aside the order dated 12 th November, 2003 passed by the DRT Pune and for issue of recovery certificate in favour of the Bank for a sum of Rs. 1.21 Crores to get it with further interest at the rate of 16% p.a against the respondents and the company and further notice to all the respondents in the appeal jointly and severally liable. Interim orders were also prayed for.

Other Civil Cases filed by the company:

- The company has filed 1 case against a person seeking a temporary injunction restraining him from calling upon the company to substitute any of his personal guarantees. The company has also prayed for a declaration that the agreement entered into with the defendant is unenforceable being vitiated by misrepresentation. Issues have been framed. Trial has commenced and evidence of the company's witness is in progress.
- The company has filed 1 writ petition challenging that constitutionality of a clause in the insurance policy. The company has claimed an amount of Rs.13.75 Lacs under insurance policies taken by the company to safeguard against losses and theft due to actions of employees. However, the insurance company had allowed only Rs.5.26 Lacs in view of a particular clause in the agreement. The objection statement has been filed and the matter is posted for further hearing.
- Suit Nos. 5908 of 1998, 5909 of 1998, 5910 of 1998, 5911 of 1998 and 69 of 1999 filed by UB Limited in the Bombay High Court against Herbertsons Limited and Another:

UB Limited (now UB Holdings Limited) has filed 5 suits in the Bombay High Court, *inter alia*, seeking declarations that special notices lodged by companies belonging to the Kishore Chhabria / Madanlal Chhabria Group purporting to be notices under Section 284 of the Companies Act, 1956, are invalid, and contrary to law and any resolutions passed pursuant thereto at the 61st Annual General Meeting of Herbertsons Limited are invalid, void and contrary to Law. The said suits are pending.

Labour Cases filed against the company:

- 1 writ petition has been filed challenging the Order of Labour Court in favour of the company holding that applicant had resigned from the services and not unlawfully terminated. The company is yet to file its objection statement to the Writ.

Litigation involving statutory dues related matters filed by the company:

- The company has filed 1 appeal against the Income Tax Department in the High Court of Karnataka on increased long term capital gain of Rs.1.77 Lacs due to different valuation adopted by the Authorities. 1 appeal has been filed against the decision of the ITAT involving an amount of Rs.70.50 Lacs representing bad debts written off represents interest from wholly owned subsidiaries, which has been disallowed by the authorities. There is also 1 quantum appeal filed before the ITAT against the decision of Income Tax Department on depreciation of Customs Duty amounting to Rs.19.81 Lacs. Out of this amount Rs.2.28 Lacs has been deposited.

Litigation involving statutory dues related matters filed against the company:

- The Income Tax Department has preferred appeals in the High Court, Karnataka, against the company on the decision of the ITAT with respect to allowance of various amounts like bad debts, business expenditure, guarantee commission, sales promotion expenditure, Corporate Management expenses, non competition fee etc. There are also certain issues relating to clarifications on questions of law like inclusion of capital gains for the purposes of Sec.155JA, treatment of bottles as plant etc. There are in all 33 such cases pertaining to the Assessment Years 1989 -90 to 1995 -96, involving a total amount of Rs.3561.6 Lacs. All these matters are pending. Out of the above 2 appeals have been filed in the High Court, Kerala.
- The Income Tax department has preferred appeals in the High Court, Karnataka, against the decisions of the ITAT which were in favour of the company. These include allowance / disallowance of various expenses like export subsidy, guarantee commission to Chairman and directors etc. There are 14 such cases involving an amount of Rs.135.9 Lacs. They pertain to the Assessment Years 1981-82 to 1985-86. All these matters are pending. Certain matters pertaining to clarification on the question of law are also pending.
- The Income Tax department has preferred appeals against the company in the ITAT challenging the decision of the Assessing Officer on various issues mainly pertaining to allowance of Aircraft Expenditure, Upfront Lease fees, bottle deposit from dealers, advance excise duty, Corporate Management division charges, export pass fee, conveyance expense etc. They pertain to the Assessment Years 1990 – 1991, 1992 – 1993, 1997-1998, 1998-1999, 1999-2000. There are 8 such cases involving in total an amount of Rs.655.07 Lacs. All these matters are pending. Out of these 8 appeals, 3 pertaining to A.Y. 1990-91, 1991-92 and 1992-93 in valuing an assessment of Rs.61.66 Lacs has been decided in favour of the company.
- 3 appeals against the orders of CIT relating to Corporate Marketing charges, Guarantee Commission, higher depreciation on ETP etc. involving an amount of Rs.158.19 Lacs is filed against the company. These appeals have been filed by the department against the decision of the CIT and pending before the ITAT. 1 matter is pending before the High Court, Kerala.

Winding Up Petitions filed by the company:

- 1 Winding up Petition u/s 433 of the Companies Act, 1956 has been filed by the company in the High Court, Kolkata for failure to repay inter corporate deposit of Rs.70.07 Lacs together with interest. An interim order has been passed to make payment to the company in installments failing which the petition would be admitted. Winding up order has been passed and the order copy is awaited.

Material Winding Up Petition filed against the company:

Details of the Litigation	Name of the Court	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for
Petition filed u/s 433 of the Companies Act alleging an amount of about Rs.14.5 crores as due and payable. The amounts claimed are in respect of facilities provided to UB Pharmaceuticals Ltd. in the name of UB-Pharma Division and Dominion Chemical Industries Ltd.	High Court, Bangalore	March 1999	CP No. 103/ 99	Bank of Tokyo Mitsubishi Ltd. Vs UBHL	Petition yet to be admitted. Petition dismissed on 16.07.04, in view of compromise application file in OA Nos. 918/99 EOA No.127/01	For Winding up of the company and Liquidator to be appointed

Other Winding Up Petition filed against the company:

- There is a petition filed u/s 433 of the Company's Act claiming an amount of Rs.60 Lacs together with interest in respect of various financial facilities provided by the company to another company. The company is supporting the petition in view of an order passes in a suit the decretal amount of which is Rs.2.73 crores together with Interest.

United East Bengal Football Team Private Limited

Civil Litigations filed against the company:

Details of Litigation	Name of the Court & Place of Litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for	Implications	Provision made in financial statement
Shankar Bhowmik & others, members of East Bengal Club had filed a suit no.537/2001 in the City Civil Court, Calcutta, against the Executive Committee Members of the said Club and others praying for an order restraining the respondents from transferring and or alienating the assets and properties pertaining to the said Club in favour of the company (a Joint Venture Company), and subsequently filed an application G.A.No.4191/-2001 arising out of the said Suit No.537/2001 for an interim injunction. The respondents had filed their reply to the said suit. The Hon'ble High Court of Calcutta has dismissed the said application on 20 th May 2002 on the ground that the prayers made in the said suit and application are nothing but identical in nature and do not find any specific prayer in the said application. Aggrieved by the said order, the petitioners have made an instant appeal bearing G.A. No.3182/02 which is pending.	High Court of Calcutta	2002	G.A.No. 3182/02 inO.S. No. 537/2001	Shankar Bhowmik & Ors. Vs. United East Bengal Football Team Private Limited and others.	Respondents have filed applications praying for dismissal of the appeal and stay petition filed by the petitioners. The appeal and the applications were heard on June21,2004. Respondents are directed to file their affidavit in opposition.	Seeking an order of injunction as prayed for in the said Suit.	In case the application is allowed and injunction granted, effect of transfer shall come to stand still. No financial implication as such.	N.A

UB International Trading Limited

- The company has received a demand notice from the Sales Tax Authorities for the year 2002-03 for Rs.1.22 Lacs towards non-payment of entry tax of dyes, casts and moulds. The Company has paid the above amount and filed an appeal. The appeal is pending.

Asian Age Holdings Limited

Civil Litigation filed against the company

Details of Litigation/ Name of Creditors	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for/other implications (if any)
M/s Mittal International, a partnership firm in Mumbai has filed a civil suit against the company claiming interest @ 21% p.a. for delay in payment of the sale consideration against the land purchased by the company at Lower Parel at Mumbai.	Before the Hon'ble High Court of Bombay at Mumbai	15.3.2002	Summary Suit No. 1960 of 2002	M/s Mittal International Vs Asian Age Holdings Ltd.	Fixed for arguments for grant of leave to defend.	The company be ordered and decreed to pay the Plaintiff (M/s Mittal International) the sum of Rs.78,50,818/- along with further interest @ 21% p.a. from the date of institution of the suit till its realization.

Civil Litigation filed by the company

The company has filed 1 recovery case towards supply of newspaper made by the company to a newspaper agency and non payment of an amount of Rs.0.14 Lacs. The said matter is pending before the Small Causes Judge at Bangalore. The claim includes interest. Hearing is in progress.

WIE Estate Development Limited

Civil Litigations filed by the company:

The company has filed 2 recovery cases for recovery of dues amounting to of Rs.23.06 Lacs which are pending in the courts.

MWP Limited

Litigation involving statutory dues related matters filed against the company:

The Department of Income tax has preferred 5 appeals pertaining to the AYs 1982-83 to 1986-87 against the decision of ITAT and is pending before the High Court of Karnataka. The amounts involved in claims / reliefs sought for by the Department in these appeals aggregates Rs.119.92 Lacs. The issues amongst others pertain to allowability of reimbursement of sales tax on excise duty, taxability of sales tax collected but not remitted, allowability of interest on sales tax liability on excise duty, allowability of payment of technical services to another group company. The company has also preferred 1 appeal with CIT (A) for levy of penalty U/S 271 (1c) of the Income Tax Act amounting to Rs.159.21 Lacs pertaining to A.Y 02-03 against the decision of CIT.

UB Electronics Instruments Limited

Criminal Case filed by the company

- The company had filed 1 case for recovery of an amount of Rs.0.33 Lacs together with interest from 1989 for supply of X-Ray units made to a party. The Court decreed in favour of the company and an Execution allowed. Following this, the said parties had issued cheques of various amounts and the same had been dishonoured. Hence, for the dishonour, the company has 4 filed criminal complaints u/s 138 of the Negotiable Instruments Act, 1881 for a total amount of Rs.3.68 Lacs. An amount of Rs. 0.65 Lacs has been paid by one of the accused by demand draft towards part payment against the above claim.

Civil Case filed against the company:

- The company had supplied a Cobalt Therapy Unit to a Government College, and the said party had deducted certain amounts as delayed delivery charges, octroi etc. The company had filed a recovery case which was decreed in the company's favour and an execution case was allowed. However, the party had moved the Supreme Court in a SLP and the same was rejected, and the Government ordered to deposit the said amount. The company withdrew the said amount after furnishing the Bank Guarantee. The Government has moved the Supreme Court for redressal of the issue and refund of the said amount of Rs.13.57 Lacs.

Civil Case filed by the company:

- The Government of Orissa had purchased certain equipments without inviting tenders. The company has challenged the decision of the government for not giving an opportunity to other parties who can supply the similar equipment. The company has inter alia prayed for setting aside of the decision of the Govt. of Orissa

Litigation involving statutory dues related matters filed against the company:

- The Commissioner of Income-Tax had levied interest u/s 201 (1A) of IT Act for the A.Y.1989-90 to 1991-92 against which the company had preferred an appeal before the ITAT, Hyderabad bench which has allowed the appeal, dismissing the order of the Commissioner of Income-Tax and further directing to refund the money paid by the company. Aggrieved by the order of the ITAT, Hyderabad bench, the Commissioner of Income-tax-II has preferred this appeal. The amount involved in this appeal is approximately Rs.3.88 Lacs.

UB Pharmaceuticals Limited:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for
Financial assistance of Rs. 5 crores availed from Bank of Tokyo. However, documents were executed for and on behalf of UB Ltd-Pharma Division. The amount now outstanding with interest is over Rs. 11 crores	DRT, Bangalore	12-9-99	OA 918/99	Bank of Tokyo Mitsubishi Vs UBHL, UBPL & others	Matter is set down for trial.	Recovery of the amount claimed in the application with interest. Provision has been made in the books

Baramati Grape Industries Limited

Criminal case filed against the company:

Details of Litigation	Name of the Court & Place of litigation	Date of Institution	Reference no. of the case	Principal Parties thereto	Current status	Claim / relief sought for
The Government Labour Officer & Inspector under Contract Labour (R&A) Act, 1970 – Office of Addl. Labour Commissioner, Pune have initiated action against the company for offence of using Contract Labour System for Security Services	Criminal Court at Baramati i.e., Judicial Magistrate, Baramati	2003	2238 / 2003	Government Labour Officer Pune Vs. Y.D. Acidwalla and Baramati Grape Industries Ltd.	The matter is pending	Action against the company for an offence of using Contract Labour system for Security Services

Civil Case filed by the company

- The Govt. of Maharashtra has issued an order of abolition of contract system for security watch & ward in the company. The company has challenged the order and prayed for vacation of the order. The case is pending.

Labour Litigations filed against the company

- There are 4 cases filed against the company by security guards who were employed on a contractual basis seeking regularization of their services. Of the above, 1 case has been withdrawn by the complainant and another case has been dismissed. Similarly, there are 2 cases filed by workmen against the company who were long back employed on a contractual basis and have sought permanency. There are also 2 cases by workmen whose services were terminated seeking reinstatement. These cases are pendings.

Devi Investments Private Limited

Securities related Litigation filed against the company:

- Notice under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995:

SEBI vide its Order dated February 19, 2002 held that Dr. Vijay Mallya ("VJM") had, through entities acting in concert with him, acquired equity shares of Herbertsons Limited in violation of the provisions of the Listing Agreement with the Stock Exchanges as also the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and ordered that VJM disinvest the shares so illegally acquired and also directed adjudication proceedings be initiated. The said Order of SEBI was set aside by the Securities Appellate Tribunal vide its Order dated August 1, 2003; however adjudication proceedings were not interfered with.

Notice dated January 28, 2003 (Ref:A&E/2395/2003) addressed to 20 parties, including VJM, United Breweries (Holdings) Limited and the company, was issued by the Adjudicating & Enquiry Officer under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. It was alleged that VJM, along with persons acting in concert with him (including the company), acquired Shares in violation of the Regulations and also did not make the necessary disclosures which violated regulations 6(1), 6(3), 8(1) and 8(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 14 and 1997 and consequently, liable for penalty under Section 15A & 15H of SEBI Act, 1992.

The hearing before the Adjudicating & Enquiry Officer is fixed for October 6, 2003. The company sent its reply dated September 30, 2003 stating:

- a) that since the Order dated February 19, 2002 of the Chairman, SEBI, has been held to be unsustainable by the Order and judgement dated August 1, 2003 of the Securities Appellate Tribunal, the notices issued by the Adjudicating & Enquiry Officer appointed by the Order dated October 24, 2002 of SEBI as an off-shoot of its order February 19, 2002, ought to be forthwith discharged.
- b) that whereas it is correct that the company is a member of the promoter group of Herbertsons Limited, it is denied that the company is an entity acting in concert with VJM.
- c) that the company has made the requisite declarations and understands that Herbertsons had furnished copies thereof in response to SEBI's letter dated March 24, 1998 and requesting, in the circumstances, to discharge the notices against the company.

Litigation involving statutory dues related matters filed by the company:

- The company has filed 2 appeals in the ITAT on the issue whether the CIT(A) was correct in holding that the income derived by the company has to be assessed under the head 'income from other sources' and not 'income from business' for the Assessment Year 1997 – 1998 and 1998 -1999. It is a clarification on question of Law. Hence no amount is involved.

Pharma Trading Company Private Limited

Litigation involving statutory dues related matters filed by the company

The company has preferred 2 appeals in the High Court of Calcutta on whether the Department was right in holding the Annual Rental Value of the company's property at values different from those calculated by the company. These pertain to the various Assessment Years from 1984 -85 to 1994 – 95. The total amount involved in these cases is Rs.41.98 Lacs.

Vittal Investments Private Limited

Securities related Litigation filed against the company

Notice under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995:

SEBI vide its Order dated February 19, 2002 held that Dr. Vijay Mallya ("VJM") had, through entities acting in concert with him, acquired equity shares of Herbertsons Limited in violation of the provisions of the Listing Agreement with the Stock Exchanges as also the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and ordered that VJM disinvest the shares so illegally acquired and also directed adjudication proceedings be initiated. The said Order of SEBI was set aside by the Securities Appellate Tribunal vide its Order dated August 1, 2003; however adjudication proceedings were not interfered with.

Notice dated January 28, 2003 (Ref:A&E/2395/2003) addressed to 20 parties, including VJM, United Breweries (Holdings) Limited and the company, was issued by the Adjudicating & Enquiry Officer under Rule 4 of SEBI (Procedure

for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. It was alleged that VJM, along with persons acting in concert with him (including the company), acquired Shares in violation of the Regulations and also did not make the necessary disclosures which violated regulations 6(1), 6(3), 8(1) and 8(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and 1997 and consequently, liable for penalty under Section 15A & 15H of SEBI Act, 1992.

The hearing before the Adjudicating & Enquiry Officer is fixed for October 6, 2003. The company sent its reply dated September 26, 2003 stating:

- a) that since the Order dated February 19, 2002 of the Chairman, SEBI, has been held to be unsustainable by the Order and judgement dated August 1, 2003 of the Securities Appellate Tribunal, the notices issued by the Adjudicating & Enquiry Officer appointed by the Order dated October 24, 2002 of SEBI as an off-shoot of its order February 19, 2002, ought to be forthwith discharged.
- b) that whereas it is correct that the company is a member of the promoter group of Herbertsons Limited, it is denied that the company is an entity acting in concert with VJM.
- c) that the company has made the requisite declarations and understands that Herbertsons had furnished copies thereof in response to SEBI's letter dated March 24, 1998 and requesting, in the circumstances, to discharge the notices against the company.

McDowell International Brands Ltd.

A recovery proceeding was filed against dishonour of two cheques aggregating Rs.3.55 Lacs with 23rd Metropolitan Magistrate Criminal Court, Hyderabad. An out of Court settlement has been arrived. Part payment received and balance in post dated cheques. The case to remain till the honouring the post dated cheques.

McDowell Nepal Limited (formerly Nepal Liquors Limited)

Litigation involving statutory dues related matters filed by the company:

The tax department has made additional demands of various amounts against which the company has made deposits. The company has sought relief for extra tax demanded by the department. There are in all 13 cases involving a total demand of NRS 46.78 Lacs against which the company has made deposits of Nepali Rupees 27.75 Lacs and the balance payable is Nepali Rupees.19.02 Lacs. These pertain to the Assessment Years (Nepali Year) 2047 to 2058.

Of the above 6 cases have been returned by the Revenue Court to the Inland Revenue Office for re-decision, which is pending. One case has been set aside by the Revenue Court-BRT in Department's favour and demand is yet to arise. In 1 case arguments are over and orders are reserved.

United Distillers India Limited

Relating to statutory dues

An Appeal has been filed in the Appellate Tribunal against confirmation of disallowances amounting to Rs.9.60 Lacs out of a total disallowance of Rs.27.8 Lacs by the Joint Commission of Income Tax, Special range – 4 Bangalore. The Income Tax Department has also appealed against the Order of the Commissioner of Income Tax (Appeals) – IV Bangalore, against the relief given to the company amounting to Rs.19.36 Lacs on the Company's Appeal. No provision is made in the books of the company.

Details regarding defaults/overdues/write-offs etc.

United Breweries Limited

Details of advances written off / provision made for doubtful debts from related parties:

Particulars	March 31, 2004 Rs. Lacs
Advances written off:	Nil
Provision for doubtful advances:	
United Breweries Nepal Pvt. Limited.	10.67
Total (A)	10.67
Castle Breweries Limited	322.00
Total (A)	342.67
Others-unrelated parties (B)	24.85
Total (A)+(B)	367.52

Note: Provision for advances to Castle Breweries Ltd amounting to Rs.321.80 Lacs considered under non recurring item
Details of roll over of any liability of the company:

Name of Lender	Amount Rolled over (Rs.)	Date since when default	Reason for default	Date of rollover/ re scheduling of Loan	Terms and conditions for rollover / rescheduling	Repayment Schedule	Rate of interest
Rabo India Finance Pvt. Ltd*	20,000 Lacs	Not Applicable	Not Applicable	June 21, 2004	Same as those of Original Loan	On or before September 30, 2004	8.5%

* Rolled over till September 30, 2004.

Other liabilities rolled over:

Notices of Put Option by the erstwhile Promoters of Associated Breweries & Distilleries Limited: The erstwhile promoters of Associated Breweries & Distilleries Limited vide their letters dated February 24, 2003, have exercised their "Put Option" totally aggregating 35% of the issued equity share capital of Associated Breweries & Distilleries Limited in terms of the Shareholders Agreement dated January 19, 2001. The Company is required to acquire the option shares in terms of the Deed of Adherence within a period of 90 days from the date of Put Option, at a consideration of Rs.2,047 Lacs and further pay interest at the Prime Lending Rate of State Bank of India if acquired after 90 days but before 180 days. The Company has not yet acquired the option shares. The management is in discussion with the holders of put option to work out a mutually acceptable rescheduling of the liability. The holders of put option have agreed for the rescheduling of the liability provided the revised put option price, as may be agreed upon, is paid to them. The Company has sought its members' approval for the revised put option price (not exceeding Rs.3,500 Lacs).

Other details regarding the Promoter Group companies:

Castle Breweries Limited

(as on March 2, 2004)

Contingent Liabilities not provided

Counter Guarantees executed in favour of banks – Rs.28.24 Lacs

On company's request Bank of Baroda executed Bank Guarantees against which company had to execute Counter Guarantees favouring Bank of Baroda aggregating Rs.28.24 Lacs.

In respect of following, demands not acknowledged as debts:

Excise Duties -	Rs.5.25 Lacs
Sales Tax -	Rs.198.83 Lacs
Income Tax –	Rs.33.32 Lacs
Other claims -	Rs.132.59 Lacs
Excise Establishment Charges –	Rs.6.58 Lacs

Details of proceedings of litigations/disputes/penalties known to be contemplated by the Government Authorities

(Figures in Lacs)

Excise: Demand for arrears Excise Establishment charges due to revision of pay and allowance – period 1.4.97 to 30.4.1999	6.58
Demand for Excise duty for the unsold stock lying in godown	4.00
Excise Establishment charges for the period of work Suspension 8.08.1998 to 31.12.1999	3.89
1.01.2000 to 30.09.2000	4.68
Demand for Excise Duty Establishment charges based on sanctioned strength instead of actual posting including Revision of salary / wages / DA etc. from April 1980 to 1998 (Matter pending before Calcutta High Court)	18.40
Demand for Excise Duty against EVC(EVCs received after work suspension and hence not credited in our P.L.A/c)	71.07
Overdue Interest (Final Amount not quantifiable – subject to negotiation)	5.32
	113.93

E.S.I. - principal amount involved is Rs.7.70 Lacs, interest Rs.3.44 and aggregate claim Rs.11.14 Lacs

Provident Fund – Total demand is Rs.0.55 Lacs.

Overdue Interest / Principal as on 29.02.2004

Name of Lender	Original Amount advanced	Principal in default	Date from which default	Interest in default	Date from which interest default	Total amount in default
Bank of Baroda	N.A.	Cash Credit A/c (See Note)		Cash Credit A/c (See Note)		38.76 Lacs as per Audited Balance Sheet as on 31.3.03

Note:

Castle Breweries Limited has been a BIFR case since 1998 - 1999 and completed a debt restructuring process, under which a one time settlement was completed with all the banks in the consortium, except Bank of Baroda, the Lead Banker, which agreed to continue the CC Facility on revival of the operations. However, vide its Order dated 15/01/04, the BIFR opined that the company should be wound up as per the provisions u/s 20(1) of SICA and directed that the opinion be referred the concerned High Court for further action according to law.

Labour problem / closure:

The company suspended its operations at its registered office and factory on August 8, 1998. The company's appeal against the BIFR order for winding up was accepted by the AAIFR, who vide their order dated June 5, 2002 gave direction for compliance by other parties to the case, viz.; creditors, bankers and labour, during the BIFR / AAIFR Process. 12 Supervisory staff and 3 officers resigned and the company settled their statutory dues. As per memorandum of settlement with the union, out of 144 workmen, 136 workmen opted for voluntary retirement and the remaining 8 persons expired during the period of work suspension.

An industrial dispute between the company and the workmen was referred to the III Industrial Tribunal by labour department, Government of West Bengal.

On the basis of memorandum of settlement dated 19.05.2003 between the company and workmen represented by the unions, a joint compromise petition was filed before the III Industrial Tribunal and the tribunal passed an award of amicable settlement of dispute and disposed off the dispute.

Associated Breweries & Distilleries Limited

(as on March 31, 2004)

Contingent Liabilities not provided

Sales Tax demand under appeal	0.90 Lacs
Income Tax demand under appeal	5.47 Lacs
Claims against the company not acknowledged as debt	43 Lacs
Dividend on Cumulative Preference shares not provided for (Relates to years ended March 31, 2002, March 31, 2003 and March 31, 2004 due to inadequacy of profit)	1,219.20 Lacs
Guarantees given by the company	5.00 Lacs

Past default during the last five years: Overdue interest / principal as on 31-03-03 - Zoroastrian Co-Op. Bank Ltd., Mumbai Rs.2.85 Lacs Interest due for Quarter ended March 2003 Paid in May 03.

Guarantees given - Indian Oil Corpn. Ltd. Bank Guarantee Rs.5.00 Lacs.

Mangalore Breweries Distilleries Limited:

Contingent Liabilities as on March 31, 2004

i. Estimated amount of contracts remaining to be executed on capital account.	-
ii. Guarantee given by the company to the excise department	-
iii. Claims against the company not acknowledged as debts	100.1 Lacs

McDowell Alcobev Private Limited

Details of Roll over:

Name of Lender: Rabo India Finance Pvt. Ltd.

Original Loan Amount : Rs.1,22,00,00,000/- (one hundred and twenty two crores)

Date on which loan granted: 21-05-2002

Interest Rate: 10.75%

Security: Secured by a charge on all movable and immovable assets of the wholly owned subsidiary Empee Breweries Limited. Further secured by a pledge of investments in EBL

Loan Rolled over on: 21-11-2002

Roll over amount: 1,28,38,08,614/- (one hundred and twenty eight crores, thirty eight Lacs, eight thousand, six hundred and fourteen)

Loan repaid date: August 1, 2003

Guarantee given: Corporate guarantee in favour of Rabo India Finance Pvt. Ltd. as part of security for the Long Term Acquisition Finance Facility of Rs.80 crores availed by inertia Industries limited.

Empee Breweries Limited

Overdue interest as on 08.03.2004

Name of Lender	Original Amount advanced	Principal in default	Date from which default	Interest in default	Date from which interest default	Total amount in default
McDowell Alcobev Private Limited	Rs.5311.23 Lacs	NIL	NA	Rs.515.56 Lacs	April 1, 2003	Rs.515.56 Lacs

Guarantees given:

Details of or nature of guarantee given	Given to	Amount	Purpose
Hypothecation of fixed assets of the brewery at Kuthambakkam, Chennai	Rabo India Finance Pvt. Ltd.	Rs.3785.26 Lacs	To finance McDowell Alcobev Private Limited, the holding company
Hypothecation of fixed assets of the brewery at Kuthambakkam, Chennai	Rabo India Finance Pvt. Ltd.	Rs.21,000 Lacs	To finance McDowell Alcobev Private Limited, the holding company
		Rs.8,000 Lacs	To finance Inertia Industries Limited, a group company
Hypothecation of fixed assets of the brewery at Kuthambakkam, Chennai	Punjab National Bank	Rs.4,300 Lacs	To finance McDowell Alcobev Private Limited, the holding company

Inertia Industries Ltd.

Contingent Liability Year Ended March 31, 2004

Particulars	Rs. in Lacs
Estimated amount of contracts (net of advances) remaining to be executed on capital account	177.04
Claims against the company not acknowledged as debt	
- Sales tax matters	54.81
- ESIC matters	17.96
- Other matters	3.80
- Excise and Custom duty matters*	28.56
Jaipur Depot notice	1.30

*represents certain duties for which the company is under negotiation with the relevant authorities. The management is confident that these liabilities shall not accrue to it and accordingly no provision is considered necessary at this stage.

Guarantees given:

Date of Guarantee	Amount (Rs)	In favour of	Purpose
2 nd July, 2003	Rs.8.75 crores	McDowell & Company	Counter guarantee against guarantee issued to Punjab National Bank by McDowell & Company Ltd. as part of security for working capital facilities (since repaid in full)
2 nd July, 2003	Rs.30 cores	McDowell & Company	Counter guarantee against guarantee issued to Rabo India Finance Pvt. Ltd. as part of security for term loan (since repaid in full)
2 nd July, 2003	Rs.15 crores	McDowell & Company	Counter guarantee against guarantee issued to Rabo India Finance Pvt. Ltd. as part of security for working capital facilities (since repaid in full)
3 rd October, 2002	Rs.20 Lacs	Canteen Stores Department	Terms of Sale

United Breweries (Holdings) Limited

Contingent Liabilities as on March 31, 2004

(Rs. In Lacs)

Sr. No.	PARTICULARS	AMOUNT Rupees in Lacs
a	Estimated amount of contracts remaining to be executed on capital account not provided for	42.52
b	Guarantees given by the company	
	On behalf of subsidiaries	2535.00
	On behalf of others	9080.36
c	i Pursuant to a petition for a claim against the company, filed by Mysore Sales Intl. Limited (MSIL) in connection with the demand for commission. The same was dismissed by the High Court of Karnataka in April' 2002. MSIL has filed an appeal before the Division Bench of the High Court of Karnataka and the matter is pending. The company has been advised by Counsel that the claims of MSIL is not sustainable in law	5170.49
	ii Amount of disputed sales tax penalty and interest thereon which has been stayed by the Karnataka Appellate Tribunal and the matter is pending	1006.92
	iii Income Tax demand under appeal with Appellate Tribunal	138.15
	In regard to the matters in c (i), (ii) and (iii) above, no provision is considered necessary, based on legal opinion	
d	Claims against the company not acknowledged as debt	214.58
e	Suit amount of Rs.2511.95 Lacs is payable in case of any delays or defaults in payments of the settlement amount of Rs.969.33 Lacs along with interest as may be applicable	-
f	Rebate of Rs.63.99 Lacs granted by the Bangalore Water Supply and Sewage Board in earlier years, out of which Rs.43.65 Lacs allowed in earlier years has been recalled from the company and the same is under litigation.	-

Particulars of corporate guarantee/s furnished by the company to the subsidiaries:

Status as at March 31, 2004:

Sl. No.	Name of the subsidiary company	In favour of	Facility	Guarantee Amount (Rs.in Lacs)	Total Guarantee Amount (Rs.in Lacs)
1	UB Global Corporation Ltd.	Federal Bank Ltd. Citibank NA Punjab National Bank	Various Credit Facilities Credit Facility Working Capital Facility	1,700.00 300.00 425.00	2,425.00
2.	UB Information And Consultancy Services Limited	Citibank NA	Post Shipment	50.00	50.00
3.	UB Transit Systems Limited	Bank of Baroda	BMRTL-ELRTS Projects	60.00	60.00
	Grand Total			Rs.in Lacs	2,535.00

Further, Variegate Trading Limited, a wholly owned subsidiary of the company, has granted a Put Option to the holders of Redeemable Optionally Convertible Preference Shares (ROCPS) to be issued by United Breweries Limited.

Particulars of corporate guarantee/s furnished by the company to the companies other than subsidiaries (as at March 31, 2004): - Total Guarantees executed Rs.9,080.36 Lacs.

Guarantees given by banks on behalf of United Breweries (Holdings) Limited. -as at March 31, 2004 – Rs.NIL.

Guarantee issued in favour of the original promoters of Associated Breweries & Distilleries Limited (ABDL) for a put option of their holdings to the tune of 35% on United Breweries Limited, the resulting company for Rs.20.47 crore and an indemnity as per shareholders agreement for payment of consideration to the original promoters upon ABDL availing Income Tax benefit on the past losses against the future profits of the company with an over all cap of Rs.3.23 crore.

UB Electronic Instruments Limited

(as on August 2, 2004)

Contingent Liabilities not provided:

Counter Guarantees issued in favour of the bank against guarantees issued by them for Rs.19.33 Lacs

Claim against the company not acknowledged as debts Rs.9.61 Lacs

Bank Guarantees Issued by Canara Bank, S D ROAD, Secunderabad as on August 2, 2004 - Amount Rs.19.33 Lacs

United Breweries Nepal Pvt. Ltd.

(as on August 2, 2004)

1. Contingent Liabilities not provided

Particulars	Contingent Liability Amount in Nepali Rupees (NRS in Lacs)
Income Tax Appeal Assessment Yr. 2046 (Nepali Yr.)	40.34
Income Tax Appeal Assessment Yr. 2047	28.07
Income Tax Appeal Assessment Yr. 2048	26.08
Income Tax Appeal Assessment Yr. 2049	18.66
Income Tax Appeal Assessment Yr. 2050-51	6.56
Income Tax Appeal Assessment Yr. 2051-52	21.10
Income Tax Appeal Assessment Yr. 2052-53	32.32
Total	173.13

Guarantee Given

Performance Guarantees given by Nepal Credit & Commerce Bank Ltd., Katmandu for NRS.4.16 favouring His Majesty's Government Value Added Tax Office Hetauda, Nepal towards Sales Tax payable as per the Assessment for the year 2052-53

Overdue Principal / Roll over / Re-scheduling of loans or any other liability (as on 02.08.2004)

(amount in NRS in Lacs)

Name of the Lender	Original Amount advanced	Principal in default	Date from which default	Interest in default	Date from which interest default	Total amount in default
Nepal Bank Ltd., Hetauda 1) Key Loan	74.78	65.43	13.07.2000	2.27	15.01.2004	67.70
Nepal Credit & Commerce Bank Ltd., Kathmandu 1) Trust Receipt Loan	3.97	3.97	14.07.2003	0.11	15.01.2004	4.08
2) Term Loan	48.30	18.02	31.07.2003	0.73	15.01.2004	18.74

Name of the Lender	Original Amount advanced	Principal in default	Date from which default	Interest in default	Date from which interest default	Total amount in default
3) Overdraft A./c				7.01 9.95	15.10.2003 15.01.2004	7.01 9.95
Nepal SBI Ltd., Katmandu						
1) CC A/c				0.88	15.01.2004	87,770
Directors of the erstwhile Nepal Brewing Company Ltd.	274.80	45.80	1.1.2004	Nil	NA	45.80
McDowell Nepal Limited	110.00	110.00	NA	Nil	NA	110.00

Variegate Trading Limited:

Contingent Liabilities: NIL

However, the board of directors of the company, at its meeting held on September 27, 2003 has resolved that, subject to the approval of the members of the company and such other approvals as may be required in this connection, the company do grant a put option to the holders of Redeemable Optionally Convertible Preference Shares (ROCPS), to be issued by United Breweries Limited (UBL) and in the event of default in redemption of ROCPS by UBL or default in payment of dividend by UBL, the company be authorised to purchase the ROCPS from the ROCPS holders at a price comprising of the face value, unpaid dividends and redemption premia, if any, payable. The members of Variegate, in their meeting held on September 27, 2003 authorised the board of directors to borrow an amount not exceeding Rs.350 crores for the purposes of purchasing the ROCPS from ROCPS holders, in the event of the put option being exercised. In the same meeting the members of Variegate also accorded the consent of the company to the board of directors to make investments of the company's funds to acquire upto 213,84,724 ROCPS in the share capital of UBL.

Herbertsons Limited:

Contingent Liabilities not provided (as per Audited Balance Sheet for the financial year 2003-2004)

(Rs. in Lacs)

a)	(i)	Guarantees given on behalf of bodies corporates	0
	(ii)	Guarantee given by bankers to Government Authorities	9.82
b)		Disputed claims against the company not acknowledged as debts; presently under appeal/subjudice:	
	(i)	Income-Tax demands (including interest) under appeal	92.99
	(ii)	Excise demands (including interest) under appeal	140.62
	(iii)	Sales-Tax demands under appeal	58.18
	(iv)	Others (Net of counter claims)	11.50

United Van Der Horst Limited

Contingent Liabilities not provided (as on March 31, 2004)

- Guarantees given by the bankers to the extent of Rs.10.71 Lacs (Previous year Rs.33.24 Lacs counter guarantee by the company).
- Claim against the company not acknowledged as debt Rs.22.68 Lacs (previous year Rs.22.68 Lacs)
- Penal interest on loan from UTI Rs.20.42 Lacs (previous year was stated to be not ascertained).
- Liability relating to workers' strike during the year 2000 and the related pending disputes, amount of which is not ascertainable.

Overdue interest / principal as on 05.08.2004

(Rs.in Lacs)

Name of the Lender	Amount in default	Date since default is pending	Action planned by company
Unit Trust of India	451.87	03-03-2003	Trying for one time settlement
ICICI Bank	17.10	Since 1999	Trying for waiver
UB Global Corporation Ltd.	15.00	Since 1999	Repayment to be made in instalment

Name of Lender	Original Amount advanced	Principal in default	Date from which default	Interest in default	Date from which interest default	Total amount in default
Unit Trust of India	258.00	215.00	15.11.98	231.00	15.11.98	446.00
ICICI Bank	81.00	17.10	Feb 2000	-	-	17.10
UB Global Corporation Ltd.	20.00	15.00	Mar 2000	-	-	15.00

Bank Guarantee (as on 05.08.2004) - Total Rs.10.72 Lacs

Labour problems/closure:

The managing director of the company had put a closure notice on December 15, 2003 giving 60 days notice to 39 workmen. Copy of the notice was sent to the required authorities. On February 12, 2004, i.e. before completion of the notice period, extended the notice period up to February 28, 2004. The total loss outstanding as on December 31, 2003 amounts to Rs.567 Lacs and the additional loss of Rs.35 Lacs (estimated) is envisaged. The workers are not willing to sign wage revision agreement linked to productivity.

Aventis Pharma Limited:

Contingent Liabilities not provided:

- Rs.254.82 Lacs has been shown in the company's Annual Accounts for 2003 as contingent liability. This amount is part of the excise duty claim of Rs.487.18 Lacs made under a show cause notice from the excise authorities. The balance amount of Rs.232.36 Lacs has been provided for in the company's books.
- As on July 31, 2004, Tax demands in respect of which Tax Authorities have appealed against orders in company's favour for Rs.3,614.8 Lacs.
- As on July 31, 2004, Tax demands in respect of which company's appeals are pending before appropriate authorities for Rs.5,905.3 Lacs.

Bank guarantees as on July 31, 2004:

- 61 bank guarantees for Rs. 258.96 Lacs
- Bonds for Advance Licences & EPCG as on 30th Jun 2004 for which export obligations not over: 16 Nos. for Rs. 1,187 Lacs.

UB Engineering Ltd:

Contingent Liabilities as on March 31, 2003

Sr.No.	Particulars	Rs.in Lacs
1	Bank Guarantees/Counter guarantees issued and letters of credit outstanding	6,747.85
2	Corporate guarantees for performance outside India	102.07
3	Uncalled liability in respect of partly paid-up shares	Nil
4	Sales tax demands under appeal against which Rs.459,735 has been paid and included under loans and advances	108.43
5	Claims against the company not acknowledged as debts	88.28
6	Liability for Joint Venture Agreement	33.43

Overdue interest / principal as on July 30, 2004 –

(Rs. in Lacs)

Sr No	Name of Lender Bank	Original Amount of Limit (a)	Balance as on 30.06.04 (b)	Principal in Default	Date from which Default	Interest in Default	Date from which Int. Default	Total Amount in Default (a- b)
1	Bank of Maharashtra	816.00	1414.48	355.52	–	242.96	01.04.01	(598.48)
2	Bank of India	664.00	2618.34	1018.03	31.05.01	936.31	01.04.01	(1954.34)
3	Canara Bank	189.75	305.59	1.61	–	114.23	01.04.01	(115.84)
4	HDFC Bank Ltd.	112.00	228.09	0.00	–	116.09	01.04.01	(116.09)
5	Central Bank of India	225.00	414.81	29.22	01.04.01	160.59	01.04.01	(189.81)
6	State Bank of Mysore	210.00	553.43	102.30	01.04.01	241.13	01.04.01	(343.43)
Total CC & WCDL A/Cs		2216.75	5534.74	1506.68		1811.31		(3317.99)
7	Development Credit Bank		1330.35		01.07.03	419.41	01.04.01	(1330.35)
8	Bank of Maharashtra		459.76		21.08.03	69.76	01.04.02	(459.76)
Total WCSTL A/Cs			1790.11	0.00		489.17		(1790.11)
9	Apna Sahakari Bank Ltd.	500.00	931.07	0.00	01.04.01	431.07	01.04.01	(931.07)
Total Term Loan A/C		500.00	931.07	0.00		431.07		(931.07)
TOTAL LIABILITY		2716.75	8255.92	1506.68		2731.55		(6039.17)

Default :

Rs. in Lacs

Sr. No	Particulars	As on 30.06.2004
	Statutory	
1.	Gratuity (Principal & Interest Liability for 5 years) 1999-00 to 03-04 approx	324.54
2.	Superannuation (Principal & Interest Liability for 5 years) 1999-00 to 03-04 approx	342.68
3.	TDS	58.00
4.	Provident Fund FY 2004-2005, (Employer Rs.7.25 L, Employee Rs.4.15 L) (Includes Employee Oct – Dec 02 –Rs.25 L)	11.40
5.	Debenture Redemption & Interest	39.00
6.	Professional Tax	5.50
7.	Fixed Deposits	0.00
8.	Sales Tax & Works Contract Tax	21.00
9.	Central Excise	2.40
10.	Other Taxes	4.50
11.	Service Tax	95.00
	Total	904.02

Asian Age Holdings Limited

Overdue Interest and Principal as on August 5, 2004

Name of Lender	Original Amount advanced	Principal in default	Date from which default	Interest in default	Date from which interest default	Total amount in default
HDFC Limited	3,68,00,000	73,60,000	1.03.03	10,07,000	1.12.03	83,67,000

McDowell & Company Limited

I. Contingent Liabilities not provided (as per Audited Balance Sheet for the financial year 2003-2004)

Rs. in Lacs

a. i.	Guarantee given on behalf of other bodies corporate (including performance guarantees) #	5075.00
ii.	Guarantees given by the company's bankers for which Counter Guarantees have been given by the company	686.97
b.	Disputed claims against the company not acknowledged as debts; presently under appeal / sub judice :	
i.	Excise demands for excess wastages and distillation losses (excluding likely relief of Rs.309.698 Million (Rs.218.137 Million). Deposits made under protest included under Loans and Advances Rs.18.224 Million (Rs.17.821 Million).	344.02
ii.	Other miscellaneous claims	383.28
iii.	Income Tax demand (including interest) under appeal. (Excluding relief of Rs.74.463 Million (Rs.97.073 Million) expected in respect of disputed demands based on the decision of the Income Tax Appellate Tribunal on similar matters for earlier Years)	-
iv.	Sales Tax demands under appeal in various states (Excluding relief of Rs.448.720 Million (Rs.51.939 Million expected in respect of disputed demands). Deposits made under protest included under Loans and Advances Rs.286.311 Million (Rs.282.502 Million).	81.95
v.	Bills Receivables discounted – since fully settled	1402.07
c.	Co-accepted bills of contract distilleries under franchisee arrangement – since fully paid	553.94
	# Out of the above, guarantees amounting to Rs. 498.96 Lacs (Rs.1,4600 Lacs) have been cancelled/returned subsequent to Balance Sheet date.	
d.	A demand has been raised by Central Excise Authorities towards differential duty – Rs.3500 Lacs (Rs.3500 Lacs) and penalty of similar amount on royalty received on sale of Indian Made Foreign Liquor (IMFL) and allegedly attributed to dispatches of food flavour during April 1997 to March 2001. The company has filed an appeal against the same in Customs, Excise and Service Tax Appellate Tribunal (CESAT).	
e.	The Management is hopeful of succeeding in the above appeals / disputes based on legal opinion / legal precedents. Further, the balance of Rs.1100 Lacs in the Contingency Reserve Account will be available to meet any eventuality.	

Corporate guarantees issued / securities provided / issued by the company and subsisting as on 31.03.2004 - Rs.5,075 Lacs

GMR Beverages & Industries Ltd.

(as on 30.07. 2004)

Guarantees given:

Nature of Guarantee	In favour of	Loan Amount	Purpose
Bank Guarantees	Comm. of Excise	42 Lacs	Renewal of B2 License.
Corporate Guarantee	Rabo India Finance Pvt. Ltd.	16,000 Lacs	Part security in respect of the Long Term Acquisition Finance Facility sanctioned by Rabo India Finance Pvt. Ltd. to McDowell Alcobev Private Ltd.
Corporate Guarantee	Rabo India Finance Pvt. Ltd.	8,000 Lacs	Part security in respect of the Long Term Acquisition Finance Facility sanctioned by Rabo India Finance Pvt. Ltd. to McDowell Alcobev Private Ltd.
Corporate Guarantee	Punjab National Bank	4,300 Lacs	Part security in respect of the Term Loan facility sanctioned by Punjab National Bank to McDowell Alcobev Private Ltd.

Baramati Grape industries Limited

(as on 31.07.2004)

Contingent liabilities not provided – Rs.63.09 Lacs

Guarantees given – Rs.1.60 Lacs

MWP Limited

Contingent Liabilities (as on July 29, 2004): Rs.159.24 Lacs being penalty levied by the Assessing Authority u/s 271(1) of Income Tax Act. The levy is subject matter of an appeal before the Commissioner of Income Tax (Appeals), Bangalore.

UB Pharmaceuticals Limited

Labour problems / closure: Since February 2001, the company does not have any operations, and at present the unit is shut down. However, the workers have been demanding alternate employment in other Group companies, which the management is opposing.

Further details of litigations are available for inspection to investors and have been disclosed as material documents.

Mechanism Involved For Redressal of Investor Grievances

All matters pertaining to investors' grievances are being handled by the Registrar and Transfer Agents, Alpha Systems Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003. The Company's investors' related issues are being handled by a team of professional headed by the Assistant Vice President and supported by two managers and executives for handling various complaints.

The share transfer requests received are processed by them and a memorandum of transfer is sent to the Company for approval by the share transfer committee. The average time taken for processing share transfer requests including despatch of share certificates is 30 days, while it takes a minimum of 7 days for processing dematerialization requests. The Registrars and the Company regularly monitor and supervise the functioning of the system so as to ensure that there are no delays or lapses in the system.

The average time taken by the Registrars for attending routine grievances is 7- 8 days from the date of receipt. In case of non-routine grievances where verifications by the other agency are involved, it is endeavour of the Registrars to attend to them as expeditiously as possible. The Company undertakes to resolve its investors' grievances in a time bound manner. As on August 6, 2004 there are no outstanding investors' grievances pending redressal by the Company. The Company's investors' grievances arising out this Issue will be handled by Alpha Systems Private Limited.

All grievances relating to the Issue may be addressed to the Registrars to the Issue giving full details such as Folio No., name and address of the first applicant, number of ROCPS applied for, application form serial number, amount paid on application and the Bank Branch Form serial number where the application was deposited, along with a photo copy of the acknowledgement slip. In case of renunciation, the same details of the renounee should be furnished.

The secretarial department of the Company actively interacts with the Registrar for expeditious redressal of investor grievances and takes care of complaints received from statutory bodies such as SEBI, Stock Exchanges, Department of Company Affairs, etc. The agreement between the Company and the Registrars will provide for retention of records with the Registrars for a period of at least one year from the last date of dispatch of letter of allotments/ preference share certificate/ refund order to enable the Registrars to redress grievances of investors.

The Company has also appointed Mr. Govind Iyengar, its Company Secretary as a Compliance Officer who may be contacted in case of any pre-issue/ post issue related problems.

The Company's name has not appeared in Press Releases issued by SEBI regarding maximum number of complaints received from the investors during the last three months.

Status of complaints received from SEBI

As on August 28, 2004 no complaints received from SEBI were pending redressals.

Overall status of Investor Grievances

Total number of complaints received for the year ended March 31, 2004 were 108. All complaints were attended to and no complaints were pending for more than 15 days of receipt. As on August 28, 2004, there are no pending investor complaints to be redressed at UBL's end. Further for the five months ended August 28, 2004, the Company has received

97 complaints and the same have been redressed. However, one shareholder has sent a legal notice dated July 7, 2004 to the Company wherein he has stated that prior to de-merger, he had purchased 4,400 equity shares of the erstwhile United Breweries Limited (now UBHL) from various buyers and failed to send the same to the Company for registration in his name. Upon de-merger of erstwhile United Breweries Limited, allotment of new shares were made to those persons who held shares in the erstwhile United Breweries Limited as on the record date fixed for that purpose and accordingly new shares were allotted to persons from whom the said shareholder had purchased the shares. The shareholder has now demanded cancellation of new shares issued to them and transfer the new shares in his name. Since the Company has acted according to law and is not liable, a suitable reply has been sent to the shareholder.

Mechanism of listed companies under the same management:

UB Engineering Limited:

All matters pertaining to Investors' grievances are being handled at the registered office. The company's investors' related issues are being handled by a team of professional headed by the Company Secretary and supported by Senior Manager Secretarial for handling various complaints.

The share transfer requests received are processed and a Memorandum of Transfer is approved by the above executives. The average time taken for processing share transfer requests including despatch of share certificates is 30 days, while it takes a minimum of 15 days for processing dematerialization requests. The company regularly monitors and supervises the functioning of the system so as to ensure that there are no delays or lapses in the system.

The average time taken for attending routine grievances is 30 days from the date of receipt. The company undertakes to resolve its investors' grievances in a time bound manner. As on August 25, 2003 there are no outstanding investors' grievances pending redressal by the company.

The secretarial department of the company actively interacts for expeditious redressal of investor grievances and takes care of complaints received from statutory bodies such as SEBI, Stock Exchanges, Department of Company Affairs, etc and share transfer, shareholders/investors' grievance committee oversees and reviews the matters. As on August 25, 2004, there are no investor grievances pending redressal by the company.

Inertia Industries Limited

All matters pertaining to Investors' grievances are being handled by M/s Intime Spectrum Registry Ltd., Registrar and Transfer Agents of the company. The company's investors' related issues are being handled by a team of experienced professional headed by the Head of North India Operations of the Registrar.

The share transfer requests received are processed by them and a Memorandum of Transfer is generated for approval. The average time taken for processing share transfer requests including despatch of share certificates / option letters for conversion of physical shares into electronic form is 21 days, while it takes 15 days for processing dematerialization requests. Further, the representatives of the company regularly monitor and supervise the functioning of the system so as to ensure that there are no delays or lapses.

The average time taken for attending routine grievances is 10 days from the date of receipt. In case of non-routine grievances where verifications by the other agency are involved or old records need to be revisited, it's the endeavour of the company to attend to them as expeditiously as possible. The company undertakes to resolve its investors' grievances in a time bound manner.

The secretarial department of the company actively interacts with the company for expeditious redressal of investor grievances and takes care of complaints received from statutory bodies such as SEBI, Stock Exchanges, Department of Company Affairs, etc. The agreement between the company and the registrars provide for retention of records with the registrars for a period of at least three years from the last date of dispatch of letter of allotments/ preference share certificate/ refund order to enable the registrars to redress grievances of investors. As on August 24, 2004, there are no investor grievances pending redressal by the company.

Castle Breweries Limited

The company as such does not follow any particular pattern for redressal of investor grievance. However, as and when any grievance is reported to the company, the same is redressed. As and when the share transfers received alongwith transfer forms, the same is duly transferred and dispatched within 30 days of receipt thereof.

The company has been referred to the Board for Industrial and Financial Reconstruction (BIFR) and vide its order dated January 15, 2004, the BIFR has recommended winding up of the company and has referred the same to High Court of Calcutta. The matter came up for hearing before the High Court of Calcutta on May 17, 2004, on which date the Court stated that Castle Breweries Ltd. is wound up under the provisions of the Companies Act, 1956 and directed the Official Liquidator to take possession of the assets forthwith. The affairs of company now vests with the Official Liquidator and the assets/liabilities etc also vest with him, till the affairs of the company are scrutinized.

As on August 26, 2004, there are no investor grievances pending redresal by the company.

United Breweries (Holdings) Limited

As regards investor grievance redressal system, the company has an investor service centre located at the registered office of the company at "UB Anchorage", 5th Floor, 100/1, Richmond Road, Bangalore-560 025, which handles investor complaints and is headed by the Company Secretary. The company's share transfer agents, M/s Alpha Systems Pvt. Limited, No.30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560003, have a separate department headed by a Manager and assisted by dealing assistants to attend to investors queries on issue of share certificates, share transfers and related matters. The investors complaints are generally attended to within three days from the date of receipt of letter /complaint. As on August 25, 2004, there are no investor grievances pending redressal by the company.

Mangalore Chemicals & Fertilisers Limited

All matters pertaining to Investors' grievances are being handled by the registrar and transfer agents, Cameo Corporate Services Limited, Chennai. The company's investors' related issues are being handled by a team of professional headed by R. Ravi, Managing Director, supported by R. D. Ramasamy, General Manager and Executives for handling various complaints.

The share transfer requests received are processed by them and a memorandum of transfer is sent to the company for approval by the committee. The average time taken for processing share transfer requests including despatch of share certificates is 30 days while it takes a minimum of 3 days for processing dematerialisation requests. The company regularly monitors and supervises the functioning of the system so as to ensure that there are no delays or lapses in the system.

The average time taken by the registrar for attending routine grievances is 3 days from the date of receipt. In case of non-routine grievances where verifications by the other Agency are involved, it is endeavour of the registrar to attend to them as expeditiously as possible. The company undertakes to resolve its investors' grievances in a time bound manner. As on August 25, 2004, there are no outstanding investors' grievances pending redressal by the company.

The secretarial department of the company actively interacts with the registrar for expeditious redressal of investor grievances and takes care of complaints received from statutory bodies such as SEBI, Stock Exchanges, Department of Company Affairs, etc.

Herbertsons Limited

All matters pertaining to investor grievances are handled by the company's registrars & share transfer agents, M/s. Computech Sharecap Limited and/or by the company. Grievances from the shareholders and investors are attended to promptly.

If there are issues where further investigation needs to be done, the registrars will refer such issues for details to the company and as a coordinated effort, these will be attended to on a priority basis and the issues redressed to the investor's satisfaction. As on August 25, 2004, there are 2 outstanding investors' grievances pending redressal by the company. These two outstanding investors' grievances are pertaining to non-receipt of duplicate share certificates.

McDowell & Company Limited

All matters pertaining to Investor grievances are handled by the company's registrars & transfer agents, M/s. Alpha Systems Private Limited and/or by the company. Grievances from the shareholders and investors are attended to promptly and stipulations in this regard under the applicable regulations are strictly complied with.

If there are issues where further investigation needs to be done, the registrars will refer such issues for details to the company and as a coordinated effort, these will be attended to on a priority basis and the issues redressed to the investor's satisfaction. As on August 26, 2004, there are 2 investor grievances pending redressal by the company.

United Van Der Horst Limited

All matters pertaining to Investors' grievances are being handled by the registrar and transfer agents, Intime Spectrum Registry Limited. The company's investors' related issues are being handled by a team of experienced professional headed by the Head of Western India Operations of the Registrar.

The share transfer requests received are processed by them and a memorandum of transfer is sent to the company for approval. The average time taken for processing share transfer requests including despatch of share certificates is one month. Further, the representatives of the company regularly monitor and supervise the functioning of the system so as to ensure that there are no delays or lapses.

The average time taken for attending routine grievances is 21 days from the date of receipt. In case of non-routine grievances where verifications by the other agency are involved or old records need to be revisited, it's the endeavour of the company to attend to them as expeditiously as possible. The company undertakes to resolve its investors' grievances in a time bound manner.

The secretarial department of the company actively interacts with the registrar for expeditious redressal of investor grievances and takes care of complaints received from statutory bodies such as SEBI, Stock Exchanges, Department of Company Affairs, etc. and share transfer, share holders / investors' grievance committee oversees and reviews the matters. As on August 25, 2004, there are no investor grievancees pending redressal by the company.

Details of adverse events / material developments affecting the Company since the last financial statement

No circumstances have arisen and no material developments have taken place since the date of the last financial statement that materially or adversely affects/is likely to affect the trading or profitability of the Company or the value of its assets or its ability to pay its liabilities within the next 12 months, except as mentioned in this document.

Expert Opinion

The Company has obtained opinion from the Legal Advisors to this Issue regarding the material legal cases involving the Company, promoters, directors and Promoter Group companies. Save and except as stated elsewhere in this Letter of Offer, the Company has not obtained any expert opinions.

Option to Subscribe

Save as otherwise stated at note no. 5 of notes to capital structure on page no.9 of this Letter of Offer, the Company has not given any option to subscribe for any shares of the Company. Investors shall have an option either to receive the security certificates or to hold the securities with a depository.

Purchase of property

The land and property has vested into the Company pursuant to the Scheme of Demerger. As per the Scheme, the land and property were acquired at book value which stood at Rs.583.59 Lacs.

There is no property which the Company has purchased or acquired or proposes to purchase or acquire, which is to be paid for, wholly or partly, out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of issue of this Letter of Offer.

The Company has not purchased / proposes to purchase any property in which any of its Promoters / Directors or their relatives had or have any direct or indirect interest or in respect of any payment thereof. However, the Company is exploring possibilities to acquire property for its corporate / registered office in Bangalore wherein the Promoters/Directors may be interested.

The Company has no plans, at present, to acquire any running business out of the proceeds of the Issue.

The Company has all the requisite Government approvals with respect to its land and is not required to take any further Government approvals. The land belonging to the Company are free from all encumbrances and has a clear title. However, the same is charged as security for the loans availed by the Company. It is further clarified that all the lands purchased by the Company are registered in the name of the Company.

Risk Factors envisaged by the Management and Proposals to address the risks

Internal to the Company

1. The Company has made a profit of Rs.278 Lacs for the year ended on March 31, 2004. However, on consolidating the results as per Accounting Standard 21, the Company has incurred a loss of Rs.1,228.77 Lacs for the financial year ended March 31, 2004. For the year ended March 31, 2003, the Company made a profit of Rs.144 Lacs. However, after taking into account the consolidation of results as per Accounting Standard 21, the Company has incurred a loss of Rs.898.82 Lacs. All figures are after considering the effect of extraordinary items. Further, the networth of the Company as on March 31, 2004 is Rs.3,651.44 Lacs and as on March 31, 2003 is Rs.3,369.29 Lacs. However, on consolidating the results as per Accounting Standard 21, the networth of the Company is Rs.1,964.90 Lacs as on March 31, 2004 and Rs.(622.70) Lacs as on March 31, 2003.

Management's proposal to address the risk: The losses on consolidation are on account of the losses of its subsidiaries. However, the performance of the subsidiaries is improving and losses of these subsidiaries are reducing. The details of their accounts are given on page no.112 of the Auditors Report.

2. The Company's investments in its subsidiaries, ABDL and MBDL, have been carried in the balance sheet at cost though the net worth of these companies stood fully eroded even as on March 31, 2004. ABDL had incurred a loss of Rs.789.07 Lacs for the year ended March 31, 2003 and has further incurred loss of Rs.608.96 Lacs for the year ended March 31, 2004. The networth of ABDL was Rs.(2,621.73) Lacs as on March 31, 2004 and Rs.(2,197.59) Lacs as on March 31, 2003. MBDL had incurred a loss of Rs.276.63 Lacs for the year ended March 31, 2003 and has further incurred loss of Rs.294.78 Lacs for the year ended March 31, 2004. The networth of MBDL was Rs.(1,944.97) Lacs as on March 31, 2004 and Rs.(1,650.64) Lacs as on March 31, 2003. The auditors of the Company have qualified their report for the period ended March 31, 2002, March 31, 2003 & March 31, 2004 and have expressed their inability to opine on the possible impairment / diminution of the value of investments in subsidiary companies having carrying value aggregating Rs.6,353.89 Lacs and on the non-provision in accounts, including ultimate recoverability, of amounts due from subsidiaries and corporate guarantees given on behalf of such subsidiaries aggregating Rs.8,580.86 Lacs in view of the continuing losses incurred by these companies. For details of the qualifications investors are requested to refer to page no.94 of this LoF.

Management's proposal to address the risk: The Company has made strategic investments in its subsidiaries, ABDL and MBDL for the purpose of scaling up the production capacities, based on independent valuations. The units owned by these companies are located in two of the most critical and profitable markets for the Company, namely, Maharashtra and Karnataka. The Company has made advances to these subsidiaries to augment their capacities and fund their operations as their capacities are mainly used for supply of the Company's brands in the critical markets in which their manufacturing units are located. Considering the profile of brands of ABDL and the inherent strengths and business potential of both these subsidiaries, the management is confident of turning around these companies in course of time.

3. As per Companies Act, 1956, preference shares can be redeemed only out of the distributable profits of the Company or out of fresh issue of shares. The ability of the Company to redeem the ROCPS issued through this LoF is therefore subject to the Company's ability to generate distributable profits till the end of the tenor of ROCPS or raise fresh capital.

Management's Proposal to address the risk: The Company will comply with the provisions of law at the time of redemption.

4. Attention of the investors is drawn towards the fact that the Company has not declared dividend since incorporation due to non-availability of distributable profits. The payment of dividend on ROCPS is subject to availability of distributable profits, as provided in the Act.

Management's proposal to address the risk: The Company will comply with the provisions of Law at the time of declaring and payment of dividend.

5. Uncertainty of conversion: ROCPS issued through this LoF can be converted at any time during the tenor of the instrument, at the option of the Company leading to uncertainty regarding the timing of conversion,

if any. For details of the terms of conversion and terms of the instrument, investors are requested to refer to page no.20 of this LoF.

Management's proposal to address the risk: The decision to convert or redeem ROCPS shall be taken after taking into account all factors like financial position of the Company, market conditions, ability of the Company to raise further capital, funding requirements etc. It is not possible to have any concrete proposal at this stage to address this risk.

6. Uncertainty of conversion price: In the event of conversion, the price at which the ROCPS would be converted, at the shareholder's option, be either the closing market price of the equity share of the Company on BSE as on the date when the Board of Directors of the Company meet to consider and decide for conversion ('Relevant Market Price') or conversion price as determined by the 'Independent Valuation' process described on page no.21 ('Independent Valuation Price') or lower of Relevant Market Price and Independent Valuation Price, subject to the relevant SEBI guidelines in this regard and in force at the time of conversion. The investor will have to decide his option as regards the pricing for conversion at the time of application for ROCPS. The shareholder will have to indicate his option for conversion price by ticking on any one of the three relevant boxes in the Composite Application Form. By default, the conversion price will be lower of Relevant Market Price and Independent Valuation Price. However, shareholders should note that once they exercise their option, as regards the conversion price, they will not be able to change it subsequently. Therefore the conversion price is not known at the time of making the investment decision. Further, once the Company decides for conversion, the ROCPS will be compulsorily converted into Equity Shares of the Company and the investors will not get any redemption. For details of the terms of conversion and terms of the instrument, investors are requested to refer to page no.20 of this LoF.

Management's proposal to address the risk: It is not possible to have any concrete proposal at this stage to address the risk associated with pricing. In order to benefit the shareholders, the Company has provided that unless otherwise opted by the shareholder, the conversion price will be lower of Relevant Market Price and Independent Valuation Price. The terms of the ROCPS were approved unanimously by the shareholders of the Company in the EGM held on January 21, 2003 and subsequently modified by the Board/Committee of Directors as authorized by the resolution.

7. Though, as an added comfort to ROCPS holders, Variegate Trading Limited, a subsidiary of UBHL, has agreed to grant a put option to the ROCPS holders of this Issue (whereby the ROCPS holders would have the option to sell a part or whole of their ROCPS to Variegate Trading Limited, as mentioned in the terms of present Issue on page no.22), the investors should note that the issued share capital of the company was Rs.5 Lacs (for FY 2004 and FY 2003) and Rs.20 (for FY 2002). For details of the financials of Variegate Trading Limited, investors are requested to refer to page no.165. It will be observed that Variegate will require significant augmentation in its financial resources to honour its potential obligations under the put option, if the put option were to be exercised by ROCPS holders. Further investors may note that this put option would be backed by a corporate guarantee of UBHL wherein UBHL would extend such financial assistance to Variegate as may be required to enable it to fulfill its obligations under the put option. UBHL has incurred a loss of Rs.3,056 Lacs for the year ending March 31, 2004 and a loss of Rs.16,048 Lacs for the year ending on March 31, 2003. The networth of UBHL, as on March 31, 2004 was Rs. (2,566.29) Lacs. On consolidating the accounts as per Accounting Standard 21, the loss of UBHL was Rs. 6,330.46 Lacs for the year ended March 31, 2004 and loss of Rs.10,308.57 Lacs for the year ended March 31, 2003.

Management's proposal to address the risk: Variegate Trading Limited is a wholly owned subsidiary of UBHL. UBHL is intrinsically an asset rich company. Hence, the management is confident that the put option/ corporate guarantee obligations, if exercised/ called upon, would be honoured comfortably by Variegate/ UBHL.

8. The Company and MABL (in which the Company holds 40% equity) entered into a Brewing Capacity Sharing Agreement dated August 26, 2003 to share their respective brewing capacities with each other (please refer to page no.67 of this document). The breweries covered under this arrangement, include the brewery of Empee Breweries Limited ("EBL"), the shares of which have been acquired by MABL from the erstwhile promoters on 21st May, 2002. Certain land and brewery of EBL was transferred to EBL by Empee Distilleries Limited. Litigations have been initiated by financial institutions against Empee Sugars and Chemicals Ltd., Empee Distilleries Limited, EBL, Mr. M. P. Purshottaman (the erstwhile promoter of EBL) for

recovery of amounts due and also challenging the sale of EBL shares. Please refer to page no.213 for more details of the litigations. The matter is sub-judice and if the outcome is not favourable to MABL, the same may adversely affect the aforesaid transactions. Consequently, the commitments made by MABL to UBL under the aforesaid Brewing Capacity Sharing Agreement may also get affected as far as they pertain to the supplies to be made from the EBL brewery, which may in turn have an adverse effect on the business operations of the Company.

Management's proposal to address the risk: Debt Recovery Tribunal order to the defendants to maintain status-quo in respect of the shares proposed to be transferred to the third parties or to make any payment restraining was passed only on 30th May, 2002 and the same was served on MABL on 4th June, 2002. Much prior to the date of the order, MABL had completed the sale transaction and had made payment of the purchase price. Further, the Company has made adequate capacities available through contract brewing arrangement with other local brewers in Tamilnadu. Therefore, the requirement of beer can be met without any disruption.

9. Financial data for the Company is available for two full years only. Comparable performance data for the previous years are not available. The predominant business of the Company has been acquired through demerger from UBHL in 2001 and therefore previous years' figures prior to 2001 are not comparable.

Management's proposal to address the risk: The directors, in their report to the shareholders (forming part of the annual report for FY 2003) under the section Management Discussion & Analysis have compared the results with comparable figures of the corresponding period of the previous year (FY 2002).

10. The present requirement of funds has not been appraised by banks / FIs and is based on the estimates of the Company. The funds proposed to be raised through the present Issue would be utilized at the discretion of the Board of the Directors of the Company and are not subject to monitoring by any independent agency. One of the objects of the present Issue is to lend to UBHL, a group company, for the purpose of retiring UBHL's high cost debt. Rs.12,500 Lacs out of the total issue size of Rs.21,384.72 Lacs i.e. 58.5% is proposed to be used in this manner. The loan of Rs. 12,500 Lacs to UBHL is covered by a pari-passu second charge over the specified assets of UBHL as agreed in the memorandum of agreement dated June 30, 2003 for advancing loan upto Rs.17,500 Lacs to UBHL by UBL. UBHL is currently incurring losses, this could affect its ability to service this loan from UBL. Further, the loan to UBHL has already been disbursed out of the proceeds of the Bridge Loan. The loan outstanding from UBHL as on March 31, 2004 is Rs.16,000 Lacs. The Bridge Loan was due for repayment on June 30, 2004. The same has now been rolled over and is due for repayment on September 30, 2004.

Management's proposal to address the risk: The Company proposed this fund raising for repayment of high cost debt of the Company and loan to UBHL for reducing their debt burden as per obligations cast in the Scheme of Arrangement. This was approved unanimously by the members of the Company at the Extraordinary General Meeting of the Company held on January 21, 2003. Since the Company has availed Bridge Loan which has been utilized towards the objectives of present Issue, the proceeds of this Issue would be used to retire the Bridge Loan. The Company has not envisaged any expansion or diversification project and hence appraisal has not been carried out by any bank or institution. The Bridge Loan since has been rolled over pending completion of Rights Issue.

11. As on March 31, 2004, the outstanding debtors that are greater than six months old aggregate Rs.1,023 Lacs. Of these, approximately Rs.824.09 Lacs (81%) are considered doubtful and provision for the same has been made by the Company in its accounts. For details of the same, investors are requested to refer to page no.105 of this LoF.

Management's proposal to address the risk: The provisions for doubtful debtors are made as a prudent accounting policy while efforts are on to realize the debts to the extent possible.

12. London Draft Pubs Private Limited (LDPPL), a subsidiary of ABDL, was engaged in business of beer dispensing units. During the last two years, after the takeover of holding company (ABDL) by UB Group, no activities are being carried-on in LDPPL. LDPPL has incurred a loss of Rs.0.88 Lacs for the year ended

March 31, 2004 and has made a profit of Rs.0.52 Lacs for the year ended March 31, 2003. The networth of LDPPL was Rs.(5.71) Lacs as on March 31, 2004 and Rs.(4.84) Lacs as on March 31, 2003.

Management's proposal to address the risk: The Group is of the view that business of beer dispensing units is not a focus activity.

13. London Pilsner Breweries Private Limited (LPBPL), a subsidiary of ABDL, has not commenced operations till date.

Management's proposal to address the risk: The operations will be commenced at an appropriate time as deemed fit by the management.

14. The input costs of the products of the Company may increase. In case the Company is not able to pass on such increase in the costs to the consumers because of competition or otherwise, it may impact the profits of the Company.

Management's proposal to address the risk: The Company is constantly endeavoring to procure raw materials at the lowest prices using its experience of the market, relationships with the suppliers and economies of scale enjoyed. The Company will also follow a prudent product pricing policy.

15. Any failure to keep abreast with the latest trends in the brewing industry may adversely affect the competitiveness and the ability of the Company to develop newer generation products.

Management's proposal to address the risk: The Group has been in this business for over 5 decades and has a significant market share. The Company is constantly scanning the environment for developments related to market perceptions, consumer preferences, competition, regulations etc.

16. The Company's sustained growth depends on its ability to attract and retain skilled personnel. Failure of the Company to attract and retain skilled personnel could adversely affect the Company's growth prospects.

Management's proposal to address the risk: The Company has a well developed human resources policy and is constantly making efforts to develop and retain its employees. In the past, the Company has been able to retain a significant part of its manpower talent and the attrition rates have been low.

17. The Equity Shares of the Company are not being traded on any of the stock exchanges where they are listed, except on BSE and thinly traded on the stock exchange at Kolkata. The average volume of the shares traded on BSE is approximately 9,423 shares per trading day for the period October 23, 2002 to July 30, 2004.

Management's proposal to address the risk: The total volume of the shares traded on BSE since October 23, 2002, the day trading permission was granted by BSE, till July 30, 2004 has been 42,21,541 shares which constitutes approximately 24% of the equity capital of the Company. BSE where the shares of the Company are traded most frequently has been chosen as the designated stock exchange. The shareholders located across the country can avail the facility of nationwide terminals available for BSE.

18. UBL falls under distillation and brewing of alcoholic drinks industry which, under the existing Foreign Direct Investment policy of GoI, requires approval of FIPB and RBI for any foreign investment. Therefore, the allotment of ROCPS pursuant to this Rights Issue to non-resident shareholders – NRIs, FIIs, OCBs etc. would need approval from FIPB and RBI. The allotment of Equity Shares to non-residents pursuant to conversion of ROCPS would also be subject to availability of applicable statutory approvals including approvals of FIPB and RBI.

Management's proposal to address the risk: It will be the responsibility of the concerned shareholder(s) to ensure that they have the requisite approvals to invest in and hold the investment in ROCPS and equity shares to be allotted upon conversion. Even if the allotment of ROCPS or issuance of equity shares, upon conversion, to some non-resident shareholder is delayed or is not possible due to non-availability of such approvals, the issuance of shares upon conversion to shareholders who have the requisite approvals or who do not need such approvals will not be held-up.

19. SEBI (SAST) Regulations require that any person who acquires voting rights in excess of the limits specified in SEBI (SAST) Regulations is required to make an open offer to buy shares, to the minimum extent specified, from the public shareholders. Any holder of ROCPS who is allotted equity shares upon conversion will be required to make such an open offer in terms of SEBI (SAST) Regulations. Investors are advised to note that ROCPS holders may become entitled to vote on every resolution in a general meeting of shareholders if the Company defaults in payment of dividend, as specified in the Companies Act. There could be implications of such entitlement to vote under SEBI (SAST) Regulations. Investors are advised to seek legal advice from their respective legal advisors on the implications under SEBI (SAST) Regulations for their investment in ROCPS.

20. According to the Investment Agreement entered into between the Company, UBHL and S&N, S&N has been given affirmative rights on certain key issues. The decision on these matters can only be taken with the affirmation of S&N. Some of the matters requiring affirmation by S&N include changes in the MoA/AoA of the Company, issue of ordinary shares or any financial instrument with any option of conversion or any right of conversion in any form, any material changes in the nature and extent of the Company's principal business. Therefore S&N also has affirmative rights in respect of raising of further capital for redemption of ROCPS. For details of the terms of the Investment Agreement, investors are requested to refer to page no.58 of this LoF.

Management's proposal to address the risk: The Company has a multifaceted financial, marketing and technical tie-up with S&N. In addition, as S&N would themselves be a significant subscriber to this ROCPS issue, the management is confident that S&N would act in the interests of ROCPS holders.

21. The Company has raised Bridge Loans from Rabo India Finance Private Limited against the proceeds of this Issue. The amount of Bridge Loan outstanding as on date is Rs.20,000 Lacs.

Management's proposal to address the risk: The same will be repaid out of the proceeds of the Issue. Investors are requested to refer to page no.43 for the major terms and conditions of Bridge Loan.

22. The ECB loan aggregating Rs.5,000 Lacs taken by the Company from Scottish Courage Ltd., a subsidiary of S&N, gives an option to the lender to convert the loan into equity shares of the Company on terms and conditions that may be mutually agreed between the Lender and the Company subject to any approvals that may be required from any regulatory authority.

Management's proposal to address the risk: The ECB loan of Rs.5,000 Lacs was taken by the Company in due compliance and in conformity with the relevant guidelines bearing no. A.P (DIR) Series Circular No.10 dated September 5, 2000 issued by the Reserve Bank of India. The management believes that if and when the loan is converted, such a conversion of debt into equity will only augment the Company's ability at the time of redemption, if any, of ROCPS.

23. The Promoters and PACs have informed the Company that they shall not participate in the present Rights Issue of ROCPS. They have also agreed to renounce their Rights entitlement of ROCPS in favour of the strategic partner in the Company – Scottish & Newcastle Plc or its nominees. No information regarding intention to subscribe is available from other Promoter Group companies –Aventis Pharma Limited and Herbertsons Limited.

Management's proposal to address the risk: Promoters & PACs presently hold 49.88% of the equity of the Company and they intend to renounce their holding in favour of the strategic partner to strengthen the alliance. The holding of other Promoter Group companies is 0.19%.

24. The Company has applied for and is yet to receive the renewal of its brewing license at its unit at Ponda in Goa. Renewals from respective Pollution Control Boards for its units at Nacharam in Hyderabad and Ponda in Goa are yet to be received. If the renewals are not obtained it may adversely affect the financial position of the Company.

Management's proposal to address the risk: The Company has received a letter from the excise authorities that the request for renewal of brewery license at its unit at Ponda in Goa is under active consideration for renewal. The Company is following-up for these consents / renewals.

25. The Company is dependent on the brewing contracts entered into with other breweries to the extent of beer quantity contracted from such breweries. The Company's owned brewing capacity is 21,73,180 HL and contracted brewing arrangement is 13,94,880 HL. The Company is therefore exposed to the inability of any of these breweries to supply beer due to any reasons, including non-renewal of brewing licenses. These brewing contracts are also terminable by either party by giving due notice as per the terms of the contract. Further details of the contract arrangement are given on page no.66. Investors are advised to refer to page no.66 for break-up of production details from owned breweries and contracted breweries.

Management's proposal to address the risk: In case of such an eventuality, the Company can either try to utilise the brewing capacity available with other breweries in the same area or increase production in its owned / other contracted breweries.

26. Some of the trademarks / brands of the Company are pending registration. These trademarks are listed in the Scheme of Arrangement – which forms a material document available for inspection as a part of this Issue.

Management's proposal to address the risk: The applications for registration of these trademarks / brands have already been made with the Trademarks Registry. The Company has subsequently obtained registration for the 4 brands in various classes and has also secured design registration for bottles. The Company has also made applications for fresh registrations of brands.

27. The Company is dependent on 3 suppliers for its requirement of malt – a major raw material for manufacture of beer.

Management's proposal to address the risk: There are few domestic suppliers who can supply malt in large quantities required to cater to the substantial requirements of companies like UBL. Therefore this risk is as such applicable to the entire domestic beer industry.

28. Besides UBL, there are a number of Promoter Group companies - ABDL, MBDL, LPBPL, LDPPL, McDowell Alcobev Private Limited, GMR Beverages & Industries Ltd., Empee Breweries Ltd., Inertia Industries Limited, Castle Breweries Limited, United Breweries Nepal Pvt. Ltd. and UB Global Corporation Ltd. that are into the same line of business i.e. brewing and sale of beer. Given the intense competition in this market, there could be a potential conflict of interest amongst the group companies.

Management's proposal to address the risk: UBL is of the view that this would result in consolidation of market share of the UB Group thereby maintaining a dominant position.

29. The Company is contemplating closure of its brewery unit at Cherthala, Kerala.

Management's proposal to address the risk: In view of the un-economic size of the brewery unit situated at Cherthala, Kerala, the management is contemplating closure of the same. Necessary discussions for seeking concurrence for the closure with Government authorities and Labour Union are underway. However, there is no certainty about the closure at this point of time. This unit contributes approximately 3% to 5% of the production from owned brewing units of the Company. In case the plant is closed down, the Company would either utilise the brewing capacity available with other breweries in the same area or increase production in its owned / other contracted breweries.

30. Contingent liabilities and commitments of the Company, as on March 31, 2004 and as certified by the auditors:

A	Commitments	(Rs. In Lacs)
I	Estimated amount of contracts remaining to be executed on capital account and not provided for	550.67
II	Liability for a put option for investment in a subsidiary, not provided pending investment, though the option has been exercised*	2,627.41
III	Infusion of funds through preference capital - JV	2,000.00
	Total	5,178.08
B	Contingent Liabilities	
I	Sales Tax demands under appeal #	81.86
II	Excise Duty / Customs Duty demands under appeal #	102.86
III	Claims against the Company not acknowledged as debt #	970.99
IV	Future commitments for hire charges payable on hire purchase / lease	106.38
V	Letter of Credit outstanding	208.92
VI	Guarantees given by the company: -	
	On behalf of subsidiaries	4,465.00
	On behalf of third parties	2,838.93
VII	Consideration payable to the erstwhile promoters of ABDL withheld against possible tax benefits if any availed by ABDL towards its future profits	323.00
	Total	9,097.94

In the opinion of the management the above demands/claims are not sustainable in law and accordingly, do not call for a provision in the accounts.

* UB General Investments Limited (a subsidiary of UBHL) has, under an Agreement with the erstwhile promoters of ABDL, granted a put option to the erstwhile promoters of ABDL under which UBGIL is required to acquire 35% of the shares of ABDL at an aggregate price of Rs.20.47 crores. Since the Company has acquired the shares of ABDL from UB General Investments Limited, it is obligated to honour the put option when exercised by the erstwhile promoters of ABDL. The erstwhile promoters of ABDL have exercised the put option vide letter dated February 24, 2003 and the Company had up to 180 days time to pay the put option price and acquire the 35% equity of ABDL. The put option is backed by a corporate guarantee given by UBHL. The Company has not made this payment so far. The management is in discussion with the holders of put option to work out a mutually acceptable rescheduling of the liability. The holders of put option have agreed for the rescheduling of the liability provided the revised put option price, as may be agreed upon, is paid to them. The Company has sought its members' approval for the revised put option price (not exceeding Rs.3,500 Lacs).

31. Litigations against the Company & its subsidiaries

Investors are requested to refer to page no.182 of this LoF.

32. Litigations against the Promoters

Investors are requested to refer to page no.205 of this LoF.

33. Litigations against directors

C.L. Jain:

Criminal case - Siris Limited in which Mr. C. L. Jain was an independent non whole-time director, had executed a hire purchase agreement on September 30, 1995 with ITC Classic Finance Limited (since merged with ICICI which was later merged with ICICI Bank) for the equipments known as Electrostatic Precipitator Systems, which were simultaneously leased to APSEB with their concurrence and a Power of Attorney favouring ITC Classic Finance to even collect lease rentals directly from lessee APSEB. However the installments of Rs.14,76,680 p.m. were not paid by the said company after December 30, 1999 and up to August 30, 2001. Therefore ICICI Bank has filed this complaint against the said company in which Mr. C. L. Jain is made a party as Accused-8 although he resigned from the Board of this company in May 1997. Summons has been issued but trial not yet commenced. The complainant has prayed for punishment for the offences u/s 406 and 420 of Indian Penal Code.

Kalyan Ganguly:

Criminal case - Gandhi Smaraka Samithi has filed a CRP No. 95/2003 before the II Addl. Sessions Judge, Guntur, against the order passed by the I Addl. Munsiff Magistrate, Narasa Rao Pet, Andhra Pradesh dismissing the complaint filed by them in CFR No.138/03, alleging that an advertisement has been published in a newspaper called 'Vaartha' on 30.11.2002 in connection with 'Kingfisher Power Soda' and for action u/s 292 & 293 of the IPC. Mr. Ganguly has been made Defendant 3 in the capacity of Managing Director of United Breweries Ltd. The relief sought for is to set aside the order passed by the I Addl. Munsiff Magistrate in CFR No.138/2003. Matter posted for hearing.

S. R. Gupte:

Criminal case - He has been made party to a suit filed by M.C.C. Investment & Leasing Company Ltd. against Carew Pharmaceuticals Ltd & others. The suit is filed at 5th MMC, Kolkata in 1999 under reference no. C/4654/99 u/s 138 & 141 of the Negotiable Instruments Act, 1881. The company had issued two cheques for Rs.2,25,144 each in favour of M.C.C. Investment & Leasing Company Ltd. which were dishonoured. Mr. S R Gupte was the Vice Chairman of the company and is also made a party to the suit filed by M.C.C. Investment & Leasing Company Ltd. Mr. S. R. Gupte is no longer a director of the company. C.R.R. no. 557 of 2002 was filed before the High Court, Calcutta for quashing of the proceedings against him and stay has been granted by the Kolkata High Court till the disposal of the Revisional Application. The matter is sub-judice.

Criminal case - Torrent Cables Ltd., Ahmedabad has filed a criminal complaint bearing number 1999/ 2003, u/s 406 & 420 of IPC in the MM Court No.13, Ahmedabad against UB Engineering Ltd. and others, wherein Mr. S. R. Gupte is accused no.2. The case pertains to non payment of Rs.11.39 Lacs payable by UB Engineering Ltd to Torrent Cables Ltd. towards supply of materials. Summons have been issued to all the accused returnable on April 9, 2004. The settlement is under process. Next hearing is in October 2004.

Criminal case - Apna Sahakari Bank has filed cases for dishonour of four cheques of Rs.38.50 lacs each u/s138 of Negotiable Instruments Act against UB Engineering Limited, director – Dr. Vijay Mallya, Mr. S. R. Gupte, Mr. S. D. Lalla, M. N. S. Vasant, Mr. D. S. Shevde & employees Mr Abhijit Roy and Mr A S Bhide ("Accused"). The cheques were issued for repayment of Loan taken by the Company from the said Bank. Trial is yet to commence.

V. K. Rekhi:

Criminal case - Mr. Madhav Prakash Sadana, Director of Sadana Brothers Pvt. Ltd. ("Sadana Brothers") filed a criminal complaint under the IPC before the T.I. Police Station, M P Nagar, Bhopal in respect of alleged non payment of an amount of Rs.25.06 Lacs from the UB Group – Spirits Division allegedly furnished as security deposit by Sadana Brothers. After investigating the case, the Police came to the conclusion that the complaint was civil in nature and no criminal case could be registered in the matter.

Mr. Sadana, Director, Sadana Brothers, filed a criminal suit under the IPC in the Court of Chief Judicial Magistrate, Bhopal. Mr. V. K. Rekhi, Director, is also a party to the said suit. A hearing took place in January 2004 and the Magistrate ordered that the M.P. Nagar Police should be given a copy of the complaint made to the Court upon payment of fee by the complainants. In its order, the Court directed the police to inquire into the complaint u/s 156(3) of the IPC and if a cognizable offence was found to have been committed prima facie, register a case and forward a copy of the FIR to the Court. The Court has sought the report on the entire action taken.

For litigations against Dr Vijay Mallya, director, who is also the Promoter of the Company, investors are requested to refer to page no.205 of this LoF.

34. Litigations against Promoter Group companies

Please refer to page no.210 of this LoF.

35. Defaults of the Company, Promoter Group Companies: Please refer to page no.273 under the section Outstanding Litigations, Defaults, Adverse Events and Material Developments.

36. Interest of promoters / directors / key management personnel

The promoters of UBL or any of the members of the promoter group or any of the group companies of the promoter/ promoter group or any ventures promoted by the promoters/promoter group are interested in UBL to the extent of equity shares held by them in UBL and to the extent of the benefits arising out of their shareholding and to the extent as disclosed in the related parties transactions' as appearing later in this LoF.

The directors of the Company are interested to the extent of their remuneration, fees, if any, payable to them for attending meetings of the Company and reimbursement of expenses and to the extent of equity shares of UBL held by them or their relatives and associates or held by the companies, firms and trust in which they are interested as directors, members, partners, and / or trustees, and to the extent of benefits arising out of such shareholding. In addition, the Company's directors other than a Managing Director or Director(s) in the whole-time employment of the Company, may at the discretion of the Board of the Company be paid every year a remuneration up to one per cent (1%) of the net profits of the Company, which amount may be apportioned among themselves in any manner they deem fit.

The key management personnel have no interest in the Company other than dividends received from the Company in respect of their shareholding (if any), reimbursement of expenses incurred or normal remuneration or benefits and profit sharing plan and commission on profits received from the Company, if any. The details of the profit sharing plans are given on page no.84.

37. Investors may note that arising out of an adjudication proceedings initiated by SEBI, a penalty of Rs.10,000/- each was imposed, in May 2003, on UB General Investments Limited (a subsidiary of UBHL and a promoter group company) and another company Feedback Computers Pvt. Limited – for non-compliance of Regulation 3(3) of the Takeover Code in the matter of acquisition of shares of Inertia Industries Limited through preferential allotment. UB General Investments Limited was formerly called United Breweries (Holdings) Limited. The penalty has been paid by UB General Investments Limited and Feedback Computers Pvt. Limited.

38. Notice was issued to Dr. Vijay Mallya, McDowell & Company Ltd., UBHL, Devi Investments Pvt. Ltd., Vittal Investments and others by the Adjudicating & Enquiry Officer under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. It was alleged that Dr. Vijay Mallya, along with persons acting in concert with him, acquired shares of Herbertsons Ltd. in violation of the SEBI (SAST) Regulations and also did not make the necessary disclosures which violated Regulations 6(1), 6(3), 8(1) and 8(2) of SEBI (SAST) Regulations, 1994 and 1997 and consequently, were liable for penalty under Section 15A & 15H of SEBI Act, 1992.

39. Loss making Promoter Group companies: The following are the Promoter Group companies that have incurred losses exceeding Rs.100 Lacs for the year ended March 31, 2004:

(Rs.in Lacs)

Sr. No.	Name of the Company	Losses for the year ended March 31, 2004
1.	United Breweries (Holdings) Limited	3,055.74
2.	Inertia Industries Limited	8,969.26
3.	UB Engineering Limited	1,747.00*
4.	McDowell Alcobev Private Limited	1,563.70
5.	Associated Breweries & Distilleries Limited	608.95
6.	Mangalore Breweries & Distilleries Limited	176.99
7.	United Racing & Bloodstock Breeders Limited	275.06
8.	UB General Investments Limited	470.79

*unaudited

40. The following companies belonging to the Promoter Group have negative networth / have been referred to BIFR upon complete erosion of their networths:

Referred to BIFR:

- ABDL
- Castle Breweries Limited
- Inertia Industries Limited
- MBDL

Have negative networth:

- UB General Investments Limited
- UB Information & Consultancy Services Limited
- United Breweries (Holdings) Limited*

*As per the notes to accounts of UBHL for 2003-04, the value of land under property development as carried in the books exceeds the original cost by Rs.16,607 Lacs and the market value of quoted investments as on the Balance Sheet date was significantly higher than its book value by Rs.18,287 Lacs, the Company's networth is positive

Pursuant to the order dated January 15, 2004, the BIFR has recommended winding up of the Castle Breweries Limited and has referred the same to High Court of Calcutta. The matter came up for hearing before the High Court of Calcutta on May 17, 2004, on which date the Court stated that Castle Breweries Ltd. is wound up under the provisions of the Companies Act, 1956 and directed the Official Liquidator to take possession of the assets forthwith. The affairs of company now vests with the Official Liquidator and the assets/liabilities etc. also vest with him, till the affairs of the company are scrutinized.

41. Related party transactions, details of loans/advances written off/rolled over: The Company has entered into certain related party transactions. The details of the same are given on page no.xiv. The details of loans/advances written off/ rolled over from related parties are given on page no.xix.

42. Investors may note that Mr. C. L. Jain, director of UBL, is also a director on another company that is engaged in securities related business on whom penalties, monetary or otherwise, have been levied by stock exchange. These penalties mostly pertain to short delivery, custodial trades rejection, processing charges, interest on margin shortage, non-segregation of books of accounts on transactions with sub-brokers before registration, short sales, issuance of contract notes other than the prescribed format, late

submission of client data, erroneous reporting of margins collected in Futures & Options segment, late/non-submission of margin certificate, penalty for dealing with intermediaries, non-execution of member constituent agreement, incomplete 'know your client' forms, non-issue of risk disclosure in the prescribed format, delay/non-payment of dividends, non provision of client margin report data,etc.

43. Listing refusal of securities/ non-compliance with listing agreement by Promoter Group companies: Please refer to the section 'Associate / Subsidiaries/ Promoter Group Companies' appearing on page no.151.
44. Details of penalties imposed by SEBI or any regulatory authority on Promoter, Promoter Group Companies: Please refer to the section 'Outstanding Litigations' appearing on page no.182.
45. Previous issue made by listed group companies ventures and shortfall in performance vis a vis promise made: Please refer to the section 'Promises versus Performance In Respect Of Previous Issues' on page no.174.

External to the Company

1. The beer Industry is heavily regulated by Government. The business of the Company is subject to the regulations of State Government policy on excise. Changes in the fiscal policies of Government could have an adverse impact on the profitability of the Company. A significant change in the Government liberalization and deregulation policies could affect business and economic conditions in India and the business of the Company in particular. Adverse changes in other regulation such as the distribution norms may affect the operations of the Company. States may individually decide to impose prohibition on the sale of alcoholic beverages, including beer, as has been done in the past.

Management's Proposal to address the risk: This is a risk applicable to the entire industry.

2. Beer industry is witnessing high level of competition as the domestic players gear up to compete for a larger share of the market. The entry of multinationals in the domestic brewing business has led to increased competition. Growing competition may force the Company to reduce the prices of its products and services, which may reduce its revenues and margins and/or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations. Competition may also increase if tariff barriers on imported beer are lowered.

Management's Proposal to address the risk: Despite competition and entry of multinationals, the Company has a dominant position in the beer market with leading market share. The Company aims to keep abreast with the dynamic business scenario and has broad-based its product mix by introduction of new products. However, the Company can give no assurance these measures would be sufficient for achieving a sustainable business model.

3. The beer industry has a negative perception in the Indian cultural context. This leads to circumstances like ban on advertising of alcoholic beverages in the print / TV media, which is not conducive to business development.

Management's Proposal to address the risk: This is a risk applicable to the entire industry.

4. Evolving beer industry standards, changing customer preferences and new product introductions have an important impact on Company's business. The Company's success depends on its ability to keep pace with these changes. The Company may not successfully address these developments on a timely basis, and even if addressed, the Company's products may not be successful in the market place. In addition, products developed by competing companies may make the Company's products less competitive.

Management's Proposal to address the risk: This is a risk applicable to the entire beer industry.

5. Beer business is seasonal in nature with the sales volume dipping during the period July to January each year because of monsoon and cold weather conditions.

Management's Proposal to address the risk: This is a risk applicable to the entire beer industry.

6. Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which the Company imports its raw materials and/ or to which its products are exported, will have an impact on the Company's profitability. Similarly, any adverse movement in the exchange rate may have corresponding effect on the export realisation / cost of imports and consequently affect the Company's profitability.

Management's Proposal to address the risk: Whenever such policy changes affect the Company's business, the Company would work towards complying with or reckoning the policy changes and adopt appropriate strategies to sustain the effects on its business.

7. Floods, earthquakes, terrorist attacks and other acts of violence or war / destruction involving India and other countries where the Company sells its products / imports its raw materials could adversely affect the Company's business. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately affect the Company's business, financial conditions and results of operations.

Management's Proposal to address the risk: The consequences of any of the above are unpredictable, and the Company may not be able to foresee events that could have a material adverse effect on its business, financial condition or results of operations.

8. Risk of volatility in the share price: Future announcements concerning the Company or its competitors, rupee depreciation or appreciation vis-à-vis major international currencies, significant currency movements in markets where Company exports its products, import tariffs in India and in countries where the Company exports its products, domestic duties and taxes, volatility in the domestic and international financial markets, media reports relating to the Company and its businesses, changes in product preferences, successes of various products, success in new marketing programmes, performance of the Company in untested overseas markets and changes in regulations in those countries, consolidation in the brewing industry, unanticipated increases in wage bills, changes in sourcing pattern of raw materials and arrangements with contract brewing agencies, changes in government policies, economic downturn, transportation or labour unrest, changes in market and customer practices in overseas markets, adverse movements in working capital requirements, variation in the Company's operating results or changes in earnings estimates by analysts as well as market conditions could cause the price of the listed securities of the Company to substantially fluctuate. The Company can provide no assurances that there will be active and/or sustained trading in the Equity Shares of the Company or the price at which such shares will be traded.

Notes to risk factors:

1. The Company has changed its name from UB Infrastructure Projects Limited to UB Beer Limited on July 31, 2001 and then to United Breweries Limited on August 7, 2002. The erstwhile United Breweries Limited changed its name to Kingfisher Properties and Holdings Limited and then to United Breweries (Holdings) Limited.
2. Average cost per share to the Promoter Group is Rs.77.44/- per share. For details, investors are referred to point no.10 of notes to capital structure.
3. Net worth of the Company as on March 31, 2004 is Rs.3,651.44 Lacs and as on March 31, 2003 is Rs.3,369.29 Lacs (net of miscellaneous expenditure not written off) and on consolidating the results as per Accounting Standard 21, the networth of the Company is Rs.1,964.90 Lacs as on March 31, 2004 and Rs.(622.70) Lacs as on March 31, 2003 and the size of the Issue is Rs.21,384.72 Lacs.
4. The book value of the equity shares of the Company as on March 31, 2004 is Rs.20.49 per share and as on March 31, 2003 is Rs.18.90.
5. The total number of shareholders are 39,827 as on August 28, 2004.
6. Investors are advised to refer to "Basis of Issue Price" on page no.179 before investing in this Issue.
7. In addition to the proposed investments to be made by S&N in UBL; S&N, through its Indian subsidiary Scottish & Newcastle India Private Limited, has also made investments in other UB group companies. Investors are requested to refer to page no.55 for details of the investments.
8. Investors may note that in the event of oversubscription, allotment shall be made with the approval of DgSE.
9. The promoters, relatives and directors have not undertaken any transactions in the Equity Shares of the Company for the last six months.
10. Investors may note that Messrs Price Waterhouse, Chartered Accountants were appointed as statutory auditors of the Company in place of Messrs Deloitte Haskins & Sells, Chartered Accountants at the AGM held on September 26, 2003 since Messrs Deloitte Haskins & Sells had not offered themselves for re-appointment as statutory auditors of the Company on account of re-allocation of various audits within their firm.

11. Details of Loans and Advances made to person(s) / Companies in which directors are interested, as on March 31, 2004, are as follows:

Particulars	March 31,2004 Rs. Lacs
United Breweries (Holdings) Limited	16,000.00
Mangalore Breweries & Distilleries Limited (MBDL)(refer note below)	1,181.70
Associated Breweries & Distilleries Limited (ABDL)(refer note below)	2,934.16
Total	20,115.86

Note: ABDL & MBDL are subsidiaries of the Company and these advances are interest free and there is no stipulation with regard to repayment.

12. As on March 31, 2004, the dues to Small Scale Undertakings (SSIs) exceeding 30 days aggregates Rs.157.66 Lacs. The names of the SSIs where the dues outstanding for more than 30 days and exceeding Rupees one Lac are as follows:

Sr. No	Name of Party	Amount Rs. in Lacs
1	Mittal Punch & Pack Pvt. Ltd.	33.07
2	Pranath Packaging Industries	10.71
3	Kwality Offset Printers	15.84
4	Aditya Packwell	13.06
5	The Shreyans Packing	2.42
6	Package Industries	6.95
7	Progressive Press Private Ltd.	8.57
8	Nahar Packages	7.68
9	Pawan Packaging Industries	3.95
10	Avasas Pack	1.03
11	Maneca Industries	2.15
12	Aravind Industries	8.72
13	Sri Bhavani Industries	4.86
14	Mayanak Commercial Pvt. Ltd.	4.67
15	Emcee Crowns	8.07
16	Arrow Head Packaging Pvt. Ltd.	2.83
17	Unision packaging Industries	1.05
18	Supreme Pack & Co.	4.39
19	Rising Packaging	1.69
20	Jatansons Packaging Industries	2.65
21	Cubic Cortons	4.06
22	Dhanlakshmi Packaging	5.43
23	Shaha Pack & Print	1.30
24	Kurian Color Packs	2.51
	Total	157.66

13. Other ventures of Promoters have no business interests / other interests in the Company save and except that the Company has entered into certain related party transactions as shown below:

Details of related party transactions 1.04.2003 to 31.03.2004

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Purchase of Goods	3,990.50 119.21 1,424.04	69.65% 2.08% 24.86%	Associated Breweries & Distilleries Ltd. Inertia Industries Ltd. McDowell Alcobev Private Ltd.
	Sub Total	5,533.75	96.59%	
2	Sale of Brands	300.00	25.62%	McDowell Alcobev Private Ltd.
	Sub Total	300.00	25.62%	
3 a	Receipts against rendering Services	1,127.40 18.27 100.08 369.91 69.26	13.53% 1.56% 1.20% 4.44% 5.91%	Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd. Empee Breweries Ltd. GMR Beverages & Industries Ltd. McDowell Alcobev Private Ltd.
	Sub Total	1,684.92	26.64%	
3 b	Guarantee Commission	8.57 28.58 2.42	21.66% 72.23% 6.12%	Associated Breweries & Distilleries Ltd. Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd.
	Sub Total	39.57	100.00%	
4	Payment against rendering Services	127.19 279.76 161.00	1.44% 3.17% 1.83%	Inertia Industries Ltd. McDowell Alcobev Private Ltd. United East Bengal Football Team Pvt. Ltd.
	Sub Total	567.95	6.44%	
5	Finance (Including loans and Equity contribution in cash or in kind)	893.39 (96.81) (89.72) (361.30) 63.05 (248.36)	3.51% Not Significant Not Significant Not Significant Not Significant Not Significant	Associated Breweries & Distilleries Ltd. Mangalore Breweries & Distilleries Ltd. McDowell Alcobev Private Ltd. Empee Breweries Ltd. GMR Beverages & Industries Ltd. Inertia Industries Ltd.
	Sub Total	160.25	3.51%	
6	Remuneration to Managing Director	111.77 14.09	3.74% 7.16%	Remuneration paid to Mr. Kalyan Ganguly Paid to Mrs. S. Ganguly – Towards rent for residence
	Sub Total	125.86	10.90%	
7	Sale of Raw Materials	17.80 20.39	Not Significant Not Significant	Mangalore Breweries & Distilleries Ltd. Associated Breweries & Distilleries Ltd.
	Sub Total	38.19		
8	Purchase of Investments	4,557.77	41.74%	McDowell Alcobev Private Ltd.
	Sub Total	4,557.77	41.74%	
9	Sale of investments	2,443.47	22.38%	Inertia Industries Ltd.
	Sub Total	2,443.47	22.38%	
10	Purchase of Assets	8.43	Not Significant	Associated Breweries & Distilleries Ltd.
	Sub Total	8.43		
11	Sale of Assets	2.48	Not Significant	Mangalore Breweries & Distilleries Ltd.
	Sub Total	2.48		

Transaction other than as prescribed under Accounting Standard 1.04.2003 to 31.03.2004

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Receipt against rendering service	1,117.18 95.96	94.97% Not Significant	United Breweries (Holdings) Ltd. McDowell & Company Ltd.
	Sub Total	1,213.14	94.97%	
2	Payment against rendering service	14.24 55.58 72.00 458.84 0.80 0.03	0.16% 0.50% 0.82% 24.85% Not Significant Not Significant	Asian Age Holdings Ltd. UB Engineering Ltd. United Racing & Bloodstock Breeders Ltd. McDowell & Company Ltd. UB Information & Consultancy Services Ltd. UB Electronic Instruments Ltd.
	Sub Total	601.49	26.33%	
3	Finance / Short Term Loans (Including loans and equity contribution in cash or in kind)	15,274.17 93.97 (2,233.09) 10.67	59.99% 0.37% 28.76% 0.04%	United Breweries (Holdings) Ltd. UB Global Corporation Ltd. McDowell & Company Ltd. United Breweries Nepal Pvt. Ltd.
	Sub Total	13,145.72	89.16%	
4	Sale of Finished Goods	439.42	0.92%	UB Global Corporation Ltd.
	Sub Total	439.42	0.92%	
5	Assets purchased	98.85	Not Significant	McDowell & Company Ltd.
	Sub Total	98.85		
6	Sitting fees paid to Directors Mr. S R Gupte Mr. V K Rekhi Mr. A K Ravi Nedungadi Mr. Atul Munim Mr. C L Jain Dr. Neville Bain	0.62 0.93 1.46 0.14 0.78 0.15	Not Significant Not Significant Not Significant Not Significant Not Significant Not Significant	
	Sub Total	4.08		
7	House Rent Mr. N K Mittal Mr. Shekhar Ramamurthy Mr. P. A. Murali Mr. Joseph Noronha Mr. Govind Iyengar	3.87 8.85 7.81 5.31 0.72	1.97% 4.50% 3.97% 2.70% 0.37%	Paid to Vizanan Properties Paid to Mr. Ramamurthy Paid to Mrs. R. Murali (wife of Mr. Murali) Paid to Mrs. B Noronha (wife of Mr. Noronha) Paid to Mrs. G. Lakshmi (wife of Mr. Iyengar)
	Sub Total	26.56	13.51%	

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
8	House Deposit			
	Mr. Shekhar Ramamurthy	4.38*	Not Significant	Rental Deposit Paid to Mr. Ramamurthy
	Mr. P. A. Murali	2.53*	Not Significant	Rental Deposit Paid to Mrs. R Murali (wife of Mr. Murali)
	Mr. Joseph Noronha	2.00*	Not Significant	Rental Deposit Paid to Mrs. B. Noronha (wife of Mr. Noronha)
	Mr. Govind Iyengar	2.16	Not Significant	Rental Deposit Paid to Mrs. G. Lakshmi (wife of Mr. Iyengar)
	Mr. Kalyan Ganguly	1.31*	Not Significant	Rental Deposit Paid to Mrs. S Ganguly (wife of Mr. Ganguly)
	Sub Total	12.38		

* Differential Rental Deposit paid during the year

During the quarter ended June 2004, the Company has subscribed Rs.1000 Lacs to the preference capital of McDowell Alcobev Private Limited (earlier known as McDowell Alcobev Ltd.), the Joint Venture with Scottish & Newcastle Plc.

Details of Related party transactions - 1.04.2002 to 31.03.2003

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Purchase of finished goods	3,103.08 363.67	78.97% 9.26%	Associated Breweries & Distilleries Ltd. Inertia Industries Ltd.
	Sub Total	3,466.75	88.23%	
2 a	Receipts against rendering Services	322.86 214.14 214.85 445.12	3.83% 2.54% 2.55% 5.28%	Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd. Empee Breweries Ltd. GMR Beverages & Industries Ltd.
	Sub Total	1,196.97	14.20%	
2 b	Guarantee Commission	8.57 26.08 17.73	16.36% 49.79% 33.85%	Associated Breweries & Distilleries Ltd. Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd.
	Sub Total	52.38	100.00%	
3	Payment against rendering services	324.75 152.00	3.72% 1.74%	Inertia Industries Ltd. United East Bengal Football Team Pvt. Ltd.
	Sub Total	476.75	5.45%	
4	Finance / Short Term loans (Including loans and equity contribution in cash or in kind)	1,139.11 113.42 48.08 288.02 35.35	11.58% 1.15% 0.64% 3.86% 0.47%	Mangalore Breweries & Distilleries Ltd. Associated Breweries & Distilleries Ltd. Empee Breweries Ltd. GMR Beverages & Industries Ltd. Inertia Industries Ltd.
	Sub Total	1,623.98	17.71%	
5	Purchase of Investment	4.55 4.99	0.05% 0.06%	Mangalore Breweries & Distilleries Ltd. McDowell Alcobev Private Ltd.
	Sub Total	9.54	0.11%	
6	Remuneration to Managing Director	84.60 12.71		Remuneration paid to Mr. Kalyan Ganguly Paid to Mrs. S Ganguly – Towards rent for residence
	Sub Total	97.31	3.48%	

Transaction other than as prescribed under Accounting Standard

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Receipts against rendering of services	50.33 10.00 6.55 118.76	Not Significant Not Significant Not Significant Not Significant	UB Global Corporation Ltd. UB Engineering Ltd. Asian Age Holdings Ltd. McDowell & Company Ltd.
	Sub Total	185.64		
2	Payment against rendering services	0.80 522.87	Not Significant 19.18%	UB Information & Consultancy Services Ltd. McDowell & Company Ltd.
	Sub Total	523.67	19.18%	
3	Finance / Short Term loans (Including loans and equity contribution in cash or in kind)	1637.01 0.02 0.55 122.43 128.47	16.64% Not Significant Not Significant 1.24% 1.31%	United Breweries (Holdings) Ltd. Asian Age (South) Ltd. UB Electronics Instruments Ltd. United Breweries Nepal Private Ltd. UB Global Corporation Ltd.
	Sub Total	1888.48	19.19%	
4	Advance for Services Rendered	(20.00)	Not Significant	McDowell & Company Ltd.
	Sub Total	(20.00)		
5	Sitting Fees paid to Directors Mr. S. R. Gupte Mr. V. K Rekhi Mr. A. K. Ravi Nedungadi Mr. Atul Munim Mr. C. L. Jain Mr. Ashok Wadhwa	0.51 0.55 0.75 0.21 0.08 0.27	Not Significant	
	Sub Total	2.37		
6	House Rent Mr. N. K. Mittal Mr. Shekhar Ramamurthy Mr. P. A. Murali Mr. Joseph Noronha	5.41 6.35 5.34 4.16	0.53% 0.62% 0.52% 0.40%	Paid to Vizanar Properties Paid to Mr. Ramamurthy Paid to Mrs. R. Murali (wife of Mr. Murali) Paid to Mrs. B. Noronha (wife of Mr. Noronha)
	Sub Total	21.26	2.06%	
7	House Deposit Mr. Shekhar Ramamurthy Mr. P. A. Murali Mr. Joseph Noronha Mr. Kalyan Ganguly	0.30* 1.45* 1.04* 2.28*	0.01% 0.03% 0.02% 0.05%	Rental Deposit Paid to Mr. Ramamurthy Rental Deposit Paid to Mrs. R. Murali (wife of Mr. Murali) Rental Deposit Paid to Mrs. B. Noronha (wife of Mr. Noronha) Rental Deposit Paid to Mrs. S. Ganguly (wife of Mr. Ganguly)
	Sub Total	5.07	0.12%	

* Differential Deposit paid during the Year

Details of Related party transactions - 1.08.2001 to 31.03.2002

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Sale of Goods	165.15	0.69%	UB Global Corporation Ltd.
	Sub Total	165.15	0.69%	
2	Receipts against rendering of services	164.47	46.46%	Inertia Industries Ltd.
	Sub Total	164.47	46.46%	
3	Payment against rendering services	390.57 457.29	6.14% 7.19%	UB Global Corporation Ltd. Inertia Industries Ltd.
	Sub Total	847.86	13.34%	
4	Financing (Including loans and equity contribution in cash or in kind)	19.82 620.23 73.23 134.39	0.26% 8.09% 1.75% 1.75%	Mangalore Breweries & Distilleries Ltd. Associated Breweries & Distilleries Ltd. United Breweries Nepal Pvt. Ltd. Inertia Industries Ltd.
	Sub Total	847.67	11.05%	
5	Purchase of Investments	4,635.04 1,714.27 2,443.47 0.01	52.69% 19.49% 27.78% Not Significant	Associated Breweries & Distilleries Ltd. Mangalore Breweries & Distilleries Ltd. Inertia Industries Ltd. McDowell Alcobev Private Ltd.
	Sub Total	8,792.79	99.96%	

Transaction other than as prescribed under Accounting Standard

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
1	Receipts against rendering of services	55.61	5.34%	McDowell & Company Ltd.
	Sub Total	55.61	5.34%	
2	Payment against rendering services	3.42 11.08 149.38	0.06% 0.18% 14.33%	Asian Age Holdings Ltd. Asian Age South Ltd. McDowell & Company Ltd.
	Sub Total	163.88	14.57%	
3	Balance in various accounts transferred upon Demerger (Debit)	31246.30		United Breweries (Holdings) Ltd.
	Balance in various accounts transferred upon Demerger (Credit)	(31164.08)		United Breweries (Holdings) Ltd.
	Balance in various accounts transferred upon Demerger (Net)	82.22		United Breweries (Holdings) Ltd.
4.	House Rent			
	Mr. N. K. Mittal	5.37	0.72%	Rent Paid to Vizanar Properties
	Mr. Shekhar Ramamurthy	2.79	0.37%	Rent Paid to Mr. Ramamurthy
	Mr. P. A. Murali	4.79	0.64%	Rent Paid to Mrs. R. Murali (wife of Mr. Murali)
	Mr. Joseph Noronha	3.72	0.50%	Rent Paid to Mrs. B. Noronha (wife of Mr. Noronha)
	Sub Total	16.67	2.23%	

Rs. in Lacs

Sl. No.	Nature of Transaction	Value	Significance %	Party
5.	House Deposit			
	Mr. N. K. Mittal	5.48	0.16%	Paid to Vizanar Properties
	Mr. Shekhar Ramamurthy	6.12	0.18%	Deposit Paid to Mr. Ramamurthy
	Mr. P. A. Murali	3.96	0.11%	Deposit Paid to Mrs. R. Murali (wife of Mr. Murali)
	Mr. Joseph Noronha	3.18	0.09%	Deposit Paid to Mrs. B. Noronha (wife of Mr. Noronha)
	Mr. Kalyan Ganguly	10.83	0.31%	Deposit paid to Mrs. S. Ganguly (wife of Mr. Ganguly)
	Sub Total	24.09	0.85%	

Note: The Lease Rent also includes rent paid for the period prior to Demerger of erstwhile United Breweries Limited into the Company and Lease Deposits paid are transferred to the Company upon demerger. Significance in % terms mentioned hereinabove represents the proportion of the transaction in relation to the total of such identical transactions.

Details of unsecured loans from related parties: (availed in March 2004)

Particulars	Amount (Rs. Lacs)	Repayment Schedule	Rate of Interest
McDowell & Company Limited	2,000.00	2 years from the date of loan with no pre-payment penalty	10.75% p.a.

Details of advances written off / provision made for doubtful debts from related parties:

Particulars	March 31, 2004 (Rs. Lacs)
Advances written off:	Nil
Provision for doubtful advances:	
United Breweries Nepal Pvt. Limited.	10.67
Castle Breweries Limited	322.00
Total (A)	342.67
Others-unrelated parties (B)	24.85
Total (A)+(B)	367.52

Note: Provision for advances to Castle Breweries Ltd amounting to Rs.321.80 Lacs considered under non recurring item.

Breakup of Sundry Debtors from related parties:

Particulars	March 31, 2004 (Rs. Lacs)
Related parties:	
McDowell Alcobev Private Limited and its subsidiaries	37.85
Total (A)	37.85
Others-unrelated parties (B)	7,379.10
Total (A)+(B)	7,416.95

In addition to the above and in terms of the joint venture agreement with S&N for MABL, as against the commitment made, UBL advanced Rs.2,000 Lacs as subscription money towards 0% convertible redeemable preference shares of Rs.100 each in the month of February 2004 and March 2004.

The details are as follows:

Date of allotment	March 31, 2004
Coupon rate	0%
Terms of conversion into Equity	Each CRPS will be converted into non-voting equity shares on or before May 7, 2005
Conversion price	Rs. 87.95

The share certificates were physically received by UBL vide letter dated June 11, 2004 from McDowell Alcobev Private Limited.

Further, during the quarter ended June 2004, the Company has subscribed Rs.1,000 Lacs to the preference capital of McDowell Alcobev Private Limited (earlier known as McDowell Alcobev Ltd.).

Details of roll over of any liability of the Company:

Name of Lender	Amount Rolled Over	Date since when default	Reason for default	Date of rollover / rescheduling of Loan	Terms and conditions for rollover/ rescheduling	Repayment Schedule	Rate of Interest
Rabo India Finance Pvt. Ltd.*	20,000 Lacs	Not Applicable	Not Applicable	June 21, 2004	Same as those of Original Loan	On or before September 30, 2004	8.5%

* Rolled over till September 30, 2004.

Other liabilities rolled over:

Notices of Put Option by the erstwhile promoters of Associated Breweries & Distilleries Limited: The erstwhile promoters of Associated Breweries & Distilleries Limited vide their letters dated February 24, 2003, have exercised their "Put Option" totally aggregating 35% of the issued equity share capital of Associated Breweries & Distilleries Limited in terms of the Shareholders Agreement dated January 19, 2001. The Company is required to acquire the option shares in terms of the Deed of Adherence within a period of 90 days from the date of Put Option, at a consideration of Rs.2,047 Lacs and further pay interest at the Prime Lending Rate of State Bank of India if acquired after 90 days but before 180 days. The Company has not yet acquired the option shares. The management is in discussion with the holders of put option to work out a mutually acceptable rescheduling of the liability. The holders of put option have agreed for the rescheduling of the liability provided the revised put option price, as may be agreed upon, is paid to them. The Company has sought its members' approval for the revised put option price (not exceeding Rs.3,500 Lacs).

Material Contracts and Inspection of Documents

The following contracts (not being contracts entered into in the ordinary course of business or entered into more than two years before date of this Letter of Offer) which are or may be deemed material have been entered or are to be entered into by the Company. These contracts and also documents for inspection referred to hereunder, may be inspected at the registered office of the company at UB Anchorage, 100/1, Richmond Road, Bangalore - 560 025 from 11.00 a.m. to 2.00 p.m. from the date of this Letter of Offer until the date of closure of this Issue.

A) Material Contracts

1. Letter dated May 15, 2003 from Ambit Corporate Finance Pvt. Limited to act as the Lead Manager to the Issue and the Company's acceptance thereof.
2. Mandate letter dated July 25, 2003 of the Company to Kanga & Company to act as the Legal Advisor to the Issue.
3. Memorandum of Understanding dated June 25, 2003 entered into with Ambit Corporate Finance Pvt. Ltd, Lead Manager to the Issue.
4. Memorandum of Understanding dated September 29, 2003 with Alpha Systems Pvt. Limited Registrars to the Issue.
5. Letters dated September 19, 2003 received from Citibank NA and March 25, 2004 received from The Federal Bank Limited offering their services to act as Bankers to the Issue and the Company's acceptance of the same.
6. Investment Agreement between UBL, S&N & UBHL with all the enclosures.
7. ECB Loan Agreement with Scottish Courage Limited.
8. Bridge Loan Agreement with Rabo India Finance Private Limited.

B) Material Documents

1. Memorandum and Articles of Association of the Company.
2. Certificate of Incorporation of the Company.
3. Resolution of the members of the Company passed at the Annual General Meeting held on September 30, 2002 appointing Mr. Kalyan Ganguly as a Managing Director for a period of five years.
4. Copy of the Scheme of Arrangement.
5. Copy of the resolution passed by the members of the Company at the EGM held on January 21, 2003 approving this Issue.
6. Copy of the resolution passed by the Board of Directors of the Company at the Board meeting held on October 17, 2003 approving the terms of the Issue and authorizing some officials to further modify the same.
7. Copy of the resolution passed by the Board of Directors of the Company at the Board meeting held on October 17, 2003 adopting this LoF and authorizing some officials to further modify the same.
8. Copy of resolutions passed by the boards of directors of UBHL (on September 26, 2003) and Variegate (on September 27, 2003) as also by the shareholders of Variegate on September 27, 2003 in connection with the grant of put option / corporate guarantee to ROCPS holders.
9. Consents of the Directors, Company Secretary, Auditors, Lead Manager to the Issue, Legal Advisor, Bankers to the Company, Bankers to the Issue and Registrars to the Issue, to include their names in the Letter of Offer to act in their respective capacities.
10. Memorandum of Agreement dated June 30, 2003 between the Company and UBHL regarding grant of term loan upto Rs.175 crores by the Company to UBHL.
11. Letter dated June 25, 2004 from Price Waterhouse, Chartered Accountants confirming tax benefits as mentioned in this Letter of Offer.
12. The Auditors' Report of, Price Waterhouse, Chartered Accountants, as set out herein, dated June 25, 2004.
13. Annual reports of the Company since incorporation.
14. Annual report of PAC for the last 3 financial years
15. Annual reports of Variegate Trading Limited for the last 3 financial years.
16. Copies of the letter enclosing latest listing fees. Copies of letters addressed to stock exchanges requesting for 'in-principle' approval for listing of the ROCPS being offered under this Rights Issue.
17. Observation letter Ref. No. CFD/PR/ISSUES/16134/2004 dated July 22, 2004 issued by the Securities and Exchange Board of India for the Issue.
18. Due Diligence certificate dated May 13, 2004 from Ambit Corporate Finance Pvt. Ltd.
19. Legal Opinion dated October 28, 2003 from the Legal Advisors regarding put option granted by Variegate and corporate guarantee provided by UBHL.
20. Tripartite agreement dated August 29, 2002, between the Company, Alpha Systems Private Limited and NSDL for offering depository services for its Equity Shares bearing the ISIN No. INE686F01017.
21. Tripartite agreement dated September 24, 2002, between the Company, Alpha Systems Private Limited and CDSL for offering depository services for its Equity Shares bearing the ISIN No. INE686F01017.
22. Litigations details of UBL, its subsidiaries, Promoter Group companies, promoters and directors.

DECLARATION

NO STATEMENT MADE IN THIS LETTER OF OFFER SHALL CONTRAVENE ANY OF THE PROVISIONS OF THE COMPANIES ACT 1956 AND THE RULES MADE THEREUNDER. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOVERNMENT OR ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH.

We hereby certify that all the disclosures made in this Letter of Offer are true and correct.

Yours Faithfully,

For United Breweries Limited

Sd/-

**Dr. Vijay Mallya
Chairman**

Place: Bangalore

Date: August 21, 2004

Sd/-

**Mr. Subhash Raghunath Gupte
Director**

Place: Bangalore

Date: August 28, 2004

Sd/-

**Mr. Kalyan Ganguly
Managing Director**

Place: Bangalore

Date: August 28, 2004

Sd/-

**Mr. Vijay Kumar Rekhi
Director**

Place: Bangalore

Date: August 28, 2004

Sd/-

**Mr. A. K. Ravi Nedungadi
Director**

Place: Bangalore

Date: August 27, 2004

Sd/-

**Mr. Atul Munim
Director**

Place: Mumbai

Date: August 26, 2004

Sd/-

**Mr. Chhaganlal Meghraj Jain
Director**

Place: Mumbai

Date: August 27, 2004

Sd/-

**Dr. Neville Clifford Bain
Director**

Place: Surrey, England

Date: August 23, 2004

Sd/-

**Mr. P. A. Murali
Executive Vice President - Finance & Accounts**

Place: Bangalore

Date: August 28, 2004

Encl: Composite Application Form

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