

PIONEER DISTILLERIES LIMITED

Corporate Identity Number: L24116TG1992PLC055108

Registered Office: Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&G2, Greenland Begumpet, Hyderabad 500016

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POSTAL BALLOT NOTICE

Notice pursuant to Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014

Dear Shareholders,

Notice is hereby given pursuant to Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 and other applicable provisions of the Companies Act, 2013, including any statutory modification or re-enactment thereof for the time being in force, to the members of Pioneer Distilleries Limited (the "Company") to transact the following special businesses by passing the resolutions through postal ballot.

1. Approval of agreements for tie-up manufacture of Indian Made Foreign Liquor ("IMFL") products and licensing of trademarks to be entered between the Company and United Spirits Limited:

To Consider and if thought fit, pass the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the provisions of the Companies Act, 2013 and the rules made thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, the agreements for tie-up manufacture of Indian Made Foreign Liquor ("IMFL") products and licensing of trade marks to be entered into by the Company with United Spirits Limited for bottling fees/ retention charges for an amount of upto Rs.20,00,00,000 (Rupees Twenty Crores Only) per annum (plus applicable taxes and levies) as explained in the explanatory statement, be and are hereby approved.

FURTHER RESOLVED THAT the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

FURTHER RESOLVED THAT the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions."

2. Approval of arrangements for the sale of Extra Neutral Alcohol by the Company to United Spirits Limited:

To Consider and if thought fit, pass the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, approval of the shareholders be and is hereby accorded to the Company for entering into arrangements for the sale of Extra Neutral Alcohol ("ENA") by the Company to United Spirits Limited including the ENA manufactured through re-distillation process for an amount of upto Rs.250,00,00,000/- (Rupees Two Hundred and Fifty Crores only) per annum (plus applicable taxes and levies), as explained in the explanatory statement.

FURTHER RESOLVED THAT the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to

give effect to the above resolution.

FURTHER RESOLVED THAT the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.”

3. Approval of arrangements for the sale of Malt Spirit by the Company to United Spirits Limited:

To consider, and if thought fit, pass the following resolution as an Ordinary Resolution.

“**RESOLVED THAT** pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, approval of the shareholders be and is hereby accorded to the Company for entering into arrangements for the sale of Malt Spirit (fresh as well as matured) by the Company to United Spirits Limited for an amount of upto Rs.100,00,00,000/- (Rupees One Hundred Crores only) per annum (plus applicable taxes and levies), as explained in the explanatory statement.

FURTHER RESOLVED THAT the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

FURTHER RESOLVED THAT the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.”

4. Approval of arrangements for other transactions including cost recharges and sale/ purchase of fixed assets between the Company and United Spirits Limited:

To consider, and if thought fit, pass the following resolution as an Ordinary Resolution.

“**RESOLVED THAT** pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, approval of the shareholders be and is hereby accorded to the Company for entering into arrangements for transactions including but not limited to cost recharges and sale and/ or purchase of fixed assets between United Spirits Limited and the Company, for an amount of upto Rs.10,00,00,000/- (Rupees Ten Crores Only) per annum (plus applicable taxes).

FURTHER RESOLVED THAT the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

FURTHER RESOLVED THAT the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.”

By Order of the Board
For Pioneer Distilleries Limited
Akshara B L
Company Secretary

Place : Bengaluru
Date : May 13, 2019

Notes:

1. Please refer to the explanatory statement given hereunder.
2. A copy of this notice together with Postal Ballot Form has been placed on the website of the Company www.pioneerdistilleries.com and shall remain on the website until the last date for receipt of the postal ballots from the shareholders.
3. The explanatory statement pursuant to Section 102 of the Companies Act, 2013 and Rule 22 of the Companies (Management and Administration) Rules, 2014, ("Rules") setting out all material facts in respect of the business specified in this notice and the reasons thereto is annexed hereto. The Resolutions mentioned herein shall be declared as passed if the number of votes cast in its favour is more than the number of votes cast against the said Ordinary Resolution and the related party shall not vote in favour of the resolution. In the event the related party vote in favour of the resolution, such voting by the related party will not be considered while counting the votes.
4. The postal ballot form for voting by members is enclosed.
5. In accordance with Rule 22(3) of the Rules, after the postal ballot is dispatched, an advertisement will be published in at least one English language and one vernacular language newspaper circulating in Hyderabad.
6. The Notice and the Postal Ballot Form, outlining the detailed procedures, will be mailed to such Members whose names appear on the register of members of the Company / Depositories, or who are beneficial owners of Equity Shares as per the records of Depositories, on the cut-off date i.e. May 31, 2019 and who have their email IDs registered with the Company / Depositories and for all remaining Members who do not have their email IDs registered with the Company / Depositories, the physical copy of Notice along with Postal Ballot Form will be sent separately.
7. Upon request from a member to whom Notice and Postal Ballot Form were earlier sent by e-mail, Physical copy of Notice along with Postal Ballot Form will be sent separately.
8. The Board of Directors have, at their meeting held on May 13, 2019, appointed Mr. Sudhir V Hulyalkar, Company Secretary in Practice (Membership No.: FCS6040; CP Number: 6137) as the scrutinizer for conducting the postal ballot process in a fair and transparent manner. The scrutinizer's address is 16/8, Ground Floor, 2nd Cross, Gupta Layout, South End Road (Near South End Circle), Basavangudi, Bengaluru- 560 004.
9. Members are requested to read carefully the instructions printed on the postal ballot form and either: (a) return the form duly completed in the attached self-addressed pre-paid postage envelope; or (b) vote by electronic means in the manner set out herein, in each case, so as to ensure that votes reach the scrutinizer on or before 5.00 p.m. (17.00 hours IST) on Sunday July 7, 2019 ("Last Date"). The Voting period will commence on Saturday, June 8, 2019 at 9 a.m. (9.00 hours IST)
10. The scrutinizer will submit his report to the Chairman / any of the Director(s) of the Company as soon as possible after the last date of receipt of all postal ballots but not later than 48 hours thereof. Upon completion of the scrutiny of the postal ballot votes, the result of the postal ballot will be announced on or before July 9, 2019 at the registered office of the Company by placing it, along with the scrutinizer's report, on the website of the Company at www.pioneerdistilleries.com and will also be communicated to the stock exchanges where the equity shares of the Company are listed.
11. Non-Individual Members and custodians should submit a scanned copy of the Board Resolution and/ or Power of Attorney (POA), along with postal ballot form (for physical voting) and in case of e-voting Board Resolution and/ or Power of Attorney (POA) shall be uploaded in PDF format in the system, for the scrutinizer to verify the same.
12. In accordance with Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Rule 20 and Rule 22 of the Rules, the Company is pleased to offer an e-voting facility to members, and business connected with this postal ballot may be transacted by the members through such e-voting system. Notice of this meeting has been sent to all members who have registered their email ids with the Company or the Registrar and Transfer Agent/Depository Participants. Necessary arrangements have been made by the Company with Central Depository Services (India)

Limited ('CDSL') to facilitate e-voting as an alternate to the dispatch of postal ballot forms. E-voting is optional and members shall have the option to vote either through e-voting or through submission of the postal ballot form. Kindly note that the members can opt for only one mode of voting i.e., either by physical ballot or e-voting. In case any Member cast votes both by Postal Ballot and e-voting, the votes cast first shall prevail.

Members who wish to vote through a ballot form may also download the ballot form from the link www.pioneerdistilleries.com or seek a duplicate form from Venture Capital and Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad, 500018, fill in the details and send the same to the scrutinizer.

13. The instructions for shareholders voting electronically are as under:

- (i) The e-voting period commences on June 8, 2019 (09:00 a.m.) and ends on July 7, 2019 (5:00 p.m.). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date), cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter
- (ii) The cut-off date for e-voting facility is May 31, 2019 and members whose names appear on the register of members/list of beneficial owners shall be entitled to avail the service.
- (iii) The members should log on to the e-voting website www.evotingindia.com
- (iv) Click on "Shareholders / Members" tab.
- (v) Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in DEMAT form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first-time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10-digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number which is printed on address sticker.
Dividend Bank details or Date of birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> • If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then directly reach the company selection screen. However, members holding shares in DEMAT form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the DEMAT holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for “Pioneer Distilleries Limited” on which you choose to vote.
- (xiii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xv) After selecting the resolution, you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xvi) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xviii) If DEMAT account holder has forgotten the changed login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Shareholders can also cast their vote using CDSL’s mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xx) Note for Institutional Members (Non Individual and Custodians)
- Institutional members (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

14. The Scrutinizer's decision on the validity of the postal ballot shall be final and binding.
15. Please note that any postal ballot form(s) received after 5.00 p.m. July 7, 2019 will be treated as not having received and after the aforesaid time and date, the portal where e-votes can be cast will be blocked.

**EXPLANATORY STATEMENT AS REQUIRED BY SECTION 102 OF THE COMPANIES ACT, 2013
FORMING PART OF THE NOTICE OF POSTAL BALLOT**

Item No(s). 1, 2, 3 and 4

In terms of Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), any material related party transaction requires the approval of the shareholders of the Company by way of an ordinary resolution even though such transactions are proposed to be entered in the ordinary course of business and at arms' length basis.

In terms of Regulation 2 (1)(zb) of SEBI Listing Regulations, an entity will be a "related party" of a Company, if it falls within the definition of "related party" either under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards. Since USL is the holding company of the Company, it is a "related party" of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.

In terms of Regulation 23(1) of SEBI Listing Regulations, a transaction with a related party shall be considered "material" if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of a Company as per the last audited financial statements of the Company. The aggregate value of the proposed transactions and/or arrangements in Item Nos.1 to 4 in the financial year ending March 31, 2020 will exceed 10% of the annual turnover of the Company as per the last audited financial statements for the year ended 31st March 2019. Therefore, approval of the shareholders by way of an ordinary resolution in respect of such agreements and/or arrangements is being sought. For the sake of clarity, all the agreements and/or arrangements in Item Nos. 1 to 4 are in the ordinary course of the Company's business and at arm's length basis. The related party transactions mentioned in Item Nos. 1 to 4 have been reviewed by an independent Chartered Accountant firm and opined that the proposed transactions would be at arm's length basis and in the ordinary course of business.

In terms of Regulation 23(1A) of SEBI Listing Regulation, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company. The payment under usership arrangement / licensing arrangement could be considered as royalty and the quantum of payment may exceed the threshold under this Regulation.

In accordance with Regulation 23(4) of the SEBI Listing Regulations, all entities falling under the definition of related parties shall not vote to approve the resolution whether the entity is a related party to the particular transaction or not. Accordingly, all shareholders of the Company who are related parties of the Company, cannot vote to approve on the resolutions in Item Nos. 1 to 4 of this Notice.

On May 13, 2019, the Audit Committee unanimously approved the agreements / arrangements in Item Nos. 1 to 4, subject to the approval of the Board and the Company's shareholders. The Audit Committee has independently assessed the above agreements and/or arrangements (considering the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company) and has thereafter accorded its approval.

Thereafter, the Board has independently assessed the agreements / arrangements in Item Nos. 1 to 4 (considering the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company), and has, on May 13, 2019, subject to the approval of the shareholders, approved the agreements / arrangements in Item Nos. 1 to 4.

Further details of each of the related party transactions proposed to be entered into with the Company's holding Company, United Spirits Limited are given below.

Item No.1

1. Approval of agreements for tie-up manufacture of Indian Made Foreign Liquor ("IMFL") products and licensing of trademarks to be entered between the Company and United Spirits Limited:

The approval for Tie up Manufacturing Unit Arrangement (existing TMU Arrangement) between the Company and the holding

Company United Spirits Limited (“USL”) is due for renewal and the Company proposes to renew the same with USL (the “TMU Agreement”), in terms of which the Company manufactures IMFL for USL and sells such IMFL to USL or other parties. Simultaneously, the Company also proposes to enter into a usership agreement with USL (the “Usership Agreement”), together with the TMU Arrangement in terms of which USL as the registered proprietor of trademarks used on products covered by the TMU Arrangement, grant a license to the Company to use such trademarks on the goods manufactured by the Company under the TMU Arrangement.

TMU Arrangement between USL and PDL will involve sale and purchase of supplies, materials, IMFL or services to enable tie-up manufacturing. The retention amount or bottling fees (retention charges received from USL for bottling of IMFL under TMU agreement) that may be received by the Company, which, if aggregated with the amounts under other agreements or arrangements of the Company with USL during the same period, may exceed the threshold of 10% of the annual consolidated turnover of the Company as per its audited financial statements for the previous financial year i.e. March 31, 2019. Approval is sought for a retention amount of upto Rs.20,00,00,000/- (Rupees Twenty Crores Only) per annum (plus applicable taxes and levies). Under TMU arrangement, the Company will be required to purchase key-ingredients for which no monetary value is defined as this is only an allied transaction.

The TMU Arrangement and Usership Agreement to be entered is at arms’ length basis and in the ordinary course of business. The retention rate charged by the Company therein is commensurate with the market rate of other tie-up manufacturers in Maharashtra in the IMFL industry. The TMU Arrangement is significantly value accretive for the Company.

Entering the TMU Arrangement is important for the Company, since it is one of the main components of the business and a source of revenue of the Company and is expected to contribute to the improvement of the financial health of the Company in the near future. As USL and its associate units are the sole purchasers of IMFL from the Company, the TMU Arrangement is essential for the Company’s operations.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the TMU Arrangement are being set out as below:

(i) TMU Agreement

Sl. No.	Particulars	
a.	Name of the related party	United Spirits Limited
b.	Name of the directors or key managerial personnel who are related, if any	None of the directors or key managerial personnel are related
c.	Nature of relationship	Since USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.
d.	Nature, material terms, monetary value and particulars of the contract or arrangement	<p>- Nature: In terms of the TMU Agreement, the Company manufactures IMFL for USL and sells such IMFL to USL and other parties.</p> <p>- Material terms:</p> <ul style="list-style-type: none"> • The Company is required to manufacture such quantities of IMFL bearing such brand names as may be directed by USL. • The Company will have full control of its own factory wherein the IMFL brands are manufactured. • The Company will be free to engage in selling or providing similar goods associated with any other party and/or to manufacture non-competing goods of that other party with prior intimation to USL. • USL will provide technical support at its cost and depute its technical personnel / quality control officer to provide know-how and blending.

		<ul style="list-style-type: none"> • Purchase of key-ingredients from USL for manufacturing IMFL. <p>- Monetary value : Rs.20,00,00,000/- (Rupees Twenty Crores Only) per annum (plus applicable taxes and levies), including for usership agreement, as detailed in (ii) below</p> <p>- Particulars of contract or arrangement:</p> <ul style="list-style-type: none"> • The TMU Agreement will be co-terminus with the Usership Agreement. • Either party can terminate the TMU Agreement at any time by giving to the other three months' notice in writing. The Parties can at any time, by consent jointly terminate this Agreement in writing. Either party can terminate this agreement with immediate effect by written notice in the event of other party, (i) default, breach non observance or nonperformance of its obligations and where capable of remedy such default, breach, nonobservance or non-performance remains not remedied in full after 30 days from written notice to remedy such failure; and (ii) wound up or dissolved by voluntary or involuntary proceedings or becomes insolvent or goes into liquidation or enters into any arrangement or composition with its creditors or a receiver, liquidator or trustee is appointed for any of its assets or undertaking(s) and has not been withdrawn after a period of thirty (30) days.
e.	Any other information relevant or important for the members to take a decision on the proposed resolution	Nil

(ii) Usership Agreement

Sl.No.	Particulars	
a.	Name of the related party	United Spirits Limited
b.	Name of the directors or key managerial personnel who is related, if any	None of the directors or key managerial personnel are related
c.	Nature of relationship	Since USL is the holding company of the Company, it is a "related party" of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013
d.	Nature, material terms, monetary value and particulars of the contract or arrangement	<p>- Nature: In terms of the Usership Agreement, USL as the registered proprietor of trademarks used on products covered by the TMU Agreement, has granted a license to the Company to use such trademarks on the goods manufactured by the Company under the TMU Agreement.</p> <p>- Material terms:</p> <ul style="list-style-type: none"> • USL has granted to the Company non-assignable non-exclusive permission to use certain trademarks (of which USL is the registered proprietor) only on certain goods wholly manufactured by the Company under the directions and specifications of USL from time to time. • The Company will sell the goods only in bottle of distinctive get-up, shape and design, with stoppers and crown as prescribed by USL. <p>- Monetary value:Rs.20,00,00,000/- (Rupees Twenty Crores Only) per annum (plus applicable taxes and levies), including for TMU agreement, as detailed in (i) above</p> <p>- Particulars of contract or arrangement:</p> <ul style="list-style-type: none"> • The Usership Agreement will be co-terminus with the TMU Agreement.

		<ul style="list-style-type: none"> The Parties can, at any time, by mutual consent jointly terminate this Usership Agreement in writing. USL can terminate the Usership Agreement with immediate effect by giving notice in writing, (i) upon any breach of the terms and conditions of the agreement by giving to the Company thirty days' notice in writing and the Company failing to remedy the same in case the breach is capable of being remedied; and (ii) if the User challenges the validity of any of the intellectual property rights or the ownership thereof or rights therein. The Usership Agreement can be terminated by the Company with immediate effect by giving notice in writing if the other party is in material breach of any of the terms of this Usership Agreement and fails to remedy and/or take effective steps to remedy such breach within thirty (30) days of receipt of written notice from the Company.
e.	Any other information relevant or important for the members to take a decision on the proposed resolution	Nil

No Director, key managerial personnel or their respective relatives are concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

Item No.2

Approval of arrangements for the sale of Extra Neutral Alcohol by the Company to United Spirits Limited:

The Company enters into arrangements with USL from time to time for the sale of Extra Neutral Alcohol ("ENA") (both grain & molasses based) to USL ("ENA Supply Arrangement"). As the market price of ENA fluctuates frequently, the price of ENA supplied by the Company to USL is agreed between the Company and USL on periodical basis and on arm's length basis i.e. ensuring that the purchase orders placed by USL with the Company are at prevailing market rates. Under this arrangement, PDL may also be required to carry out re-distillation activity for USL. The arm's length principles and the ordinary course of business concept have been reviewed and opined by an Independent Chartered Accountant firm.

For the financial year ended March 31, 2020 and thereafter, approval is sought for a turnover of upto Rs.2,50,00,00,000/- (Rupees Two Hundred and Fifty Crores) per annum (plus applicable taxes and levies) from USL under the ENA Supply Arrangement, which, if aggregated with the amounts under other agreements or arrangements of the Company with USL during the same period, may exceed the threshold of 10% of the annual consolidated turnover of the Company in the previous financial year.

The ENA Supply Arrangement is at arms' length basis, and the rates that the Company charges USL for supply of ENA from time to time is commensurate with the market rates of other ENA suppliers at such relevant times.

The ENA Supply Arrangement is important for the Company, since it is one of the main components of the business and a source of revenue of the Company and is expected to contribute to the improvement of the financial health of the Company in near future. As USL and its associate units are the prominent purchasers of ENA from the Company, the ENA Supply Arrangement is essential for the Company's operations.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the ENA Supply Arrangement are being set out as below:

Sl.No.	Particulars	
a.	Name of the related party	United Spirits Limited
b.	Name of the directors or key managerial personnel who is related, if any	None of the directors or key managerial personnel are related
c.	Nature of relationship	Since USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013
d.	Nature, material terms, monetary value and particulars of the contract or arrangement	<p>- Nature : In terms of the ENA Supply Arrangement, the Company will supply ENA to USL.</p> <p>- Material terms: ENA will be supplied by the Company to USL at arm’s length basis. USL will raise purchase orders on the Company, upon which the supply of ENA will be made by the Company.</p> <p>- Monetary value : Rs.2,50,00,00,000/- (Rupees Two Hundred and Fifty Crores) per annum (plus applicable taxes and levies)</p> <p>- Particulars of contract or arrangement: The approval is being sought for the ENA Supply Arrangement. The parties will ensure that the purchase orders placed by USL with the Company for ENA are in adherence to arm’s length principles and in the ordinary course of business concept, reviewed and opined by an Independent Chartered Accountancy firm.</p>
e.	Any other information relevant or important for the members to take a decision on the proposed resolution	Nil

No Director, key managerial personnel or their respective relatives are concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

Item No. 3

Approval of arrangements for the sale of Malt Spirit by the Company to United Spirits Limited:

The Company enters into arrangements with USL from time to time for the sale of fresh and matured Malt Spirit by the Company to USL (“Malt Spirit Supply Arrangement”). The price of Malt Spirit supplied by the Company to USL is agreed between the Company and USL on a periodical basis in the ordinary course of business and at arm’s length terms. These pricing principles have been reviewed and opined by Independent Chartered Accountancy firm to be in the ordinary course of business and at arm’s length basis. This price will be determined after adjustment of cost of casks or other consumables supplied by USL for maturation.

For the financial year ended March 31, 2020 and thereafter, approval is sought for a turnover of upto Rs. 100,00,00,000/- (Rupees One Hundred Crores Only) per annum (plus applicable taxes and levies) from such Malt Spirit Supply Arrangement, which, if aggregated with the amounts under other agreements or arrangements of the Company with USL during the same period, may exceed the threshold of 10% of the annual consolidated turnover of the Company in the previous financial year i.e., March 31, 2019.

The Malt Spirit Supply Arrangement is at arms’ length basis, and the rates that the Company charges USL for supply of Malt Spirit from time to time is commensurate with the market rates of other Malt Spirit suppliers at such relevant times.

The Malt Spirit Supply Arrangement is very important for the Company and is expected to contribute to the improvement of the financial health of the Company in the near future. As USL and its associate units are the sole purchasers of Malt Spirit from the Company, the Malt Spirit Supply Arrangement is essential for the Company's operations.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the Malt Spirit Supply Arrangement are being set out as below:

Sl. No.	Particulars	
a.	Name of the related party	United Spirits Limited
b.	Name of the directors or key managerial personnel who is related, if any	None of the directors or key managerial personnel are related
c.	Nature of relationship	Since USL is the holding company of the Company, it is a "related party" of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013
d.	Nature, material terms, monetary value and particulars of the contract or arrangement	<p>- Nature: In terms of the Malt Spirit Supply Arrangement, the Company will supply fresh and matured Malt Spirit to USL.</p> <p>- Material terms : Malt Spirit will be supplied by the Company to USL at arm's length basis. USL will raise purchase orders on the Company, upon which the supply of Malt Spirit will be made by the Company.</p> <p>- Monetary value: Rs. 100,00,00,000/- (Rupees One Hundred Crores Only) per annum (plus applicable taxes and levies)</p> <p>- Particulars of contract or arrangement: The approval is being sought for the Malt Spirit Supply Arrangement. The parties will ensure that the purchase orders placed by USL with the Company for Malt Spirit are in adherence to arm's length principles and in the ordinary course of business.</p>
e.	Any other information relevant or important for the members to take a decision on the proposed resolution	Nil

No Director, key managerial personnel or their respective relatives are concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

Item No. 4

Approval of arrangements for cost recharges and purchase/ sale of fixed assets between the Company and United Spirits Limited:

Company is part of Diageo plc Group (United Spirits Limited & its subsidiaries). Several costs are incurred at group level to achieve economies of scale and bring in efficiency in spends. Such common costs are incurred by one entity and recharged to the other, based on proportionate value of services availed by each. Also, certain employees of USL are deputed on part time to PDL for temporary activities or for roles that are part time. Similarly, employees in PDL who are specialised in their respective roles are deputed to USL on part time basis. Salary costs of such employees are recharged between USL and the Company. These recharges will be carried out at cost without any mark-up.

Further, USL and its subsidiaries are engaged in bottling and distillation activities. The Group upon receipt of request for new capital investments, first, examines all the idle assets available across its plants. If a suitable capital asset is found,

same is transferred to the plant requiring the asset. This helps in optimum utilisation of resources across the Group. Hence, an approval is sought for such transfers i.e. sale and / or purchase of fixed assets by the Company with USL. Consideration for this purpose would be determined through independent quotes or valuations obtained for the fixed asset or similar assets. In the absence of independent quotes or valuations, assets would be transferred at book written down value (WDV).

Approval is sought for a recharge of upto Rs. 10,00,00,000/- (Rupees Ten Crores Only) (plus applicable taxes) per annum. This expected recharge of up to Rs. 10,00,00,000/- (Rupees Ten Crores Only) per annum (plus applicable taxes) which, if aggregated with the amounts under other agreements or arrangements of the Company with USL during the same period, may exceed the threshold of 10% of the annual consolidated turnover of the Company in the previous financial year.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the recharge of salary arrangement are being set out :

Sl. No.	Particulars	
a.	Name of the related party	United Spirits Limited
b.	Name of the directors or key managerial personnel who is related, if any	None of the directors or key managerial personnel are related
c.	Nature of relationship	Since USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013
d.	Nature, material terms, monetary value and particulars of the contract or arrangement	<p>- Nature: All cost recharges (including salary recharge) and purchase/ sale of fixed assets</p> <p>- Material terms: All cost recharges will be without any mark-up. Purchase/ sale consideration will be as discussed above.</p> <p>- Monetary value: Rs. 10,00,00,000/- (Rupees Ten Crores Only) (plus applicable taxes) per annum</p> <p>- Particulars of contract or arrangement: All cost recharges for expenses incurred by USL on behalf of the Company or incurred by the Company on behalf of USL will be recharged to the other entity without any mark-up. Sale or purchase of fixed assets will be as per the terms agreed between the parties and pricing principles will be as discussed above.</p>
e.	Any other information relevant or important for the members to take a decision on the proposed resolution	Nil

No Director, key managerial personnel or their respective relatives are concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

By Order of the Board
For Pioneer Distilleries Limited

Place : Bengaluru

Date : May 13, 2019

Akshara B L
Company Secretary

Encl.: 1. Postal ballot form
2. Self-addressed and prepaid postage envelope