



**Pioneer Distilleries Limited**

A public limited company incorporated under the Companies Act, 1956

**Regd. Office:**

UB House, Plot No.36, Street No.4,  
Srinagar Colony, Hyderabad 500 073

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Recommendations of the Committee of Independent Directors ("**IDC**") pursuant to Regulation 26(7) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the "**Takeover Code**") with respect to the open offer ("**Offer**") made by Relay B.V. (hereinafter referred to as the "**Acquirer**") along with Diageo plc ("**Diageo**" / "**PAC 1**") and United Spirits Limited ("**USL**") (hereinafter Diageo and USL are collectively referred to as the "**PACs**") to the public shareholders ("**Public Shareholders**") of Pioneer Distilleries Limited ("**Target Company**") for acquisition of up to 2,466,168 Equity Shares representing the remaining 18.42% of the Paid up Capital of the Target Company.

For the purposes of this recommendation:

- 1) Equity Shares means fully paid-up equity shares of the Target Company having a face value of Rs.10 each
- 2) Paid up Capital means 13,388,200 Equity Shares, being the Equity Shares as of the 10<sup>th</sup> Working Day following completion of the Offer

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| 1. | <b>Date</b>                                              | August 22, 2013                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 2. | <b>Name of the Target Company</b>                        | Pioneer Distilleries Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 3. | <b>Details of the Offer pertaining to Target Company</b> | The Offer is being made by the Acquirer and the PACs to the Public Shareholders of the Target Company to acquire up to 2,466,168 Equity Shares representing the remaining 18.42% of the Paid up Capital at a price of Rs.64.02 per share (the " <b>Offer Price</b> ") in accordance with and pursuant to the provisions of Regulation 3(1), Regulation 4 and Regulation 5 of the Takeover Code. This Offer Price comprises of INR 60 per Equity Share as referred to in PA (as defined below), as enhanced by INR 4.02 being the sum determined at the rate of 10% per annum for the period between the date of the PA (as defined below) and the date of DPS (as defined below). |
| 4. | <b>Name(s) of the acquirer and PAC with the acquirer</b> | Acquirer: Relay B.V.<br>PACs : Diageo plc and United Spirits Limited<br><br>As disclosed in the DPS (as defined below) and the DLOF (as defined below) United Spirits Limited shall in its capacity as a person acting in concert with the Acquirer, acquire all the Equity Shares of the Target Company that are validly tendered by the Public Shareholders of the Target Company in the Offer.                                                                                                                                                                                                                                                                                 |
| 5. | <b>Name of the Manager to the offer</b>                  | JM Financial Institutional Securities Private Limited<br>SEBI Registration Number: INM000010361,<br>141, Maker Chamber III, Nariman Point, Mumbai 400 021 Tel: +91 22 6630 3030 Fax: +91 22 2204 7185<br>Contact Person: Ms. Lakshmi Lakshmanan                                                                                                                                                                                                                                                                                                                                                                                                                                   |

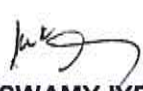
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|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Email: lakshmi.lakshmanan@jmfl.com                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 6.  | <b>Members of the Committee of Independent Directors (Please indicate the Chairperson of the Committee separately)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Mr. M.R. Doraiswamy Iyengar - (Chairman of IDC);<br>Mr. C.L. Jain                                                                                                                                                                                                                                                                                                                                                                                    |
| 7.  | <b>IDC Member's relationship with the TC (Director, Equity Shares owned, any other contract / relationship), if any</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | All the members of the IDC are duly appointed independent directors of the Target Company.<br><br>Mr. M.R. Doraiswamy Iyengar, Chairman of IDC holds Nil shares (0.0%) in the Target Company;<br>Mr. C.L. Jain, Director holds Nil shares (0.0%) in the Target Company.<br><br>None of the members of IDC:<br>(i) have any relations with the Target Company's other Directors; and<br>(ii) have any contracts/ relationship with the Target Company |
| 8.  | <b>Trading in the Equity Shares/other securities of the TC by IDC Members</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | None of the members of IDC have done any trading in the Equity Shares and other securities of Target Company in the last six months.                                                                                                                                                                                                                                                                                                                 |
| 9.  | <b>IDC Member's relationship with the acquirer (Director, Equity Shares owned, any other contract / relationship), if any.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | None of the members of IDC:<br>(i) are directors of Acquirer or PAC;<br>(ii) hold any shares or other securities of the Acquirer or PAC (except that Mr. M.R. Doraiswamy Iyengar, Chairman of IDC holds 21 shares (0.0%) of USL); and<br>(iii) have any contracts/ relationship with Acquirer, PAC or their respective directors.                                                                                                                    |
| 10. | <b>Trading in the Equity Shares/other Securities of the acquirer by IDC Members</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | None of the members of IDC have traded in the shares/other securities of Acquirer or PAC in the last six months.                                                                                                                                                                                                                                                                                                                                     |
| 11. | <b>Recommendation on the Open offer, as to whether the offer is fair and Reasonable</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | IDC believes that the Offer is fair and reasonable                                                                                                                                                                                                                                                                                                                                                                                                   |
| 12. | <b>Summary of reasons for recommendation</b><br><br>IDC has reviewed (a) the public announcement in connection with the Offer dated November 9, 2012 issued on behalf of the Acquirer and PAC 1 (the " <b>Public Announcement</b> " or " <b>PA</b> ") (b) the detailed public statement in connection with the Offer, published on behalf of the Acquirer and the PACs on July 11, 2013 (the " <b>DPS</b> ") and (c) the draft Letter of Offer (" <b>DLOF</b> ") dated July 18, 2013<br><br>IDC has taken into consideration the following in making this recommendation:<br><br>(i) The Offer is pursuant to the indirect acquisition of Equity Shares (by virtue of the acquisition of the equity shares of USL by the Acquirer) in terms of Regulation 3(1), Regulation 4 and Regulation 5 of the Takeover Code. The relevant date for this recommendation by IDC is November 9, 2012 being the date of the PA.<br>(ii) The Target Company has incurred losses for the last 2 years and six months ended 30 September 2012.<br>(iii) The book value is negative as on 9 November, 2012 and the Company has been referred to |                                                                                                                                                                                                                                                                                                                                                                                                                                                      |



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|     | <p>the Board for Industrial and Financial Reconstruction and necessary orders are awaited.</p> <p>(iv) The Equity Shares are infrequently traded in terms of the Takeover Code</p> <p>(v) Price Waterhouse &amp; Co. acted as professional advisor to the IDC and is of the view that the Offer Price of INR 60/- per Equity Share on the date of PA, is reasonable and fair, from a financial point of view. As referred above, the offer price of INR 60/- has been enhanced by INR 4.02 being the sum determined at the rate of 10% per annum for the period between the date of PA and the date of DPS.</p> <p>Based on the above, IDC is of the opinion that the Offer Price to the public shareholders of Target Company is in compliance with the regulations prescribed by the Takeover Code and is fair and reasonable as of the date of PA. However, the shareholders should independently evaluate the Offer and take informed decision in the matter.</p> |                         |
| 13. | <b>Details of Independent Advisors, if any</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Price Waterhouse & Co., |
| 14. | <b>Any other matter(s) to be highlighted</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Nil                     |

To the best of our knowledge and belief, after making proper enquiry, the information contained in this statement is, in all material respect, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Target Company under the Takeover Code.

for **PIONEER DISTILLERIES LIMITED**

  
**M.R. DORAISWAMY IYENGAR**  
**CHAIRMAN - COMMITTEE OF INDEPENDENT DIRECTORS**

Place: Bangalore

Date: August 22, 2013