



PIONEER
DISTILLERIES LIMITED

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Eleventh Annual Report
2002-2004

CONTENTS

	Page No.
Company Information	1
Notice to the Shareholders	2 - 4
Directors' Report	5 - 8
Report on Corporate Governance	9 - 12
Management Discussion & Analysis Report	13 - 14
Certificate on Corporate Governance	14
Auditor's Report	15 - 17
Balance Sheet	18
Profit & Loss Account	19
Schedules forming part of the accounts	20 - 31
Balance Sheet Abstract & Business Profile	32
Cash Flow Statement	33
Auditor's Certificate	34

Company Information

BOARD OF DIRECTORS

Shri K.V. Rajeshwar Rao
 Shri. K. Suhan Rao
 Shri. L. Venkateswara Rao
 Shri. K. Sudhir Rao
 Dr. Jayendra Kumar Devani
 Shri. S. Gopalan
 Shri H. Anantha Krishnan
 Shri D. Sudhakar Rao

Chairman
 Managing Director
 Whole Time Director
 Director
 Director
 Additional Director
 Nominee Director- LIC
 Nominee Director- IDBI

AUDITOR

Shri. P. Subhash
 Chartered Accountant
 1-1-261/29, 2nd Floor
 Opp: Sunanda Hotel, Chikkadpally
 Hyderabad- 500 020
 ANDHRA PRADESH.

BANKERS

State Bank of Mysore
 (Industrial Finance Branch)
 Greenlands
 Hyderabad.
 ANDHRA PRADESH

COMPANY SECRETARY

Smt. Y. Sailaja

FINANCE MANAGER

Shri. K. Venkateswara Rao

REGISTERED OFFICE

Balapur Village
 Dharmabad Taluk
 Nanded District
 MAHARASHTRA- 431 809.
 Tel: 02465-244432, 245064.
 Fax: 02645-244782

REGISTRARS AND SHARE TRANSFER AGENTS

Venture Capital and Corporate Investments
 Limited
 IIIrd Floor, Progressive Towers
 Khairatabad
 Hyderabad- 500 004.
 Tel: 040-23322262

LISTED AT

The Pune Stock Exchange Limited
 The Stock Exchange, Mumbai

CORPORATE OFFICE

7-1-19/3, Kundanbagh
 Begumpet
 Hyderabad- 500 016
 ANDHRA PRADESH.
 Tel: 040-23757654-56
 Fax: 040-23745452



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Eleventh Annual General Meeting of the members of Pioneer Distilleries Limited will be held on **Saturday, the 26th day of June, 2004 at 12.00 Noon** at the Registered Office of the Company at Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra-431809 to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the period ended 31st March, 2004 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri.L. Venkateswara Rao, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. Jayendra Kumar Devani, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Shri. P. Subhash as Auditor who shall hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix his remuneration.

Special Business

5. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT Shri. S. Gopalan who was appointed as an Additional Director in the meeting of the Board of Directors held on 19th May, 2004 and who holds office upto the date of this Annual General Meeting and in respect of whom notices have been received under Section 257 of the Companies Act, 1956 from the members signifying intention to propose Shri. S. Gopalan as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT pursuant to the provisions contained in the Articles of Association and in Section 80 and Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, consent of the shareholders be and is hereby accorded for the issue of 17,00,000 5% preference shares of Rs. 10/- each to the Industrial Development Bank of India (IDBI) on the following terms and conditions:

- i. The preference shares shall carry a dividend of 5% p.a.
 - ii. The preference shares shall be redeemable at a premium of 5% in two equally yearly installments on 14.03.2008 and 14.03.2009.
 - iii. Subject to the provisions of the Companies Act, 1956 and the SEBI guidelines and stock exchange stipulations in force at the time of redemption, IDBI shall have the option to convert the preference shares into equity.
7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT in pursuance of Article 48 of Articles of Association of the Company and Clause-23(a) of the Listing Agreement entered into with the Stock Exchange, Mumbai and the Pune Stock Exchange Limited, Board of Directors of the Company be and is hereby authorized to reissue 16,07,200 forfeited equity shares and that the said equity shares be issued at such appropriate time as may be considered expedient and at such price which is at or around the prevailing market price or face value of Rs.10/- whichever is higher."

By the order of the Board
For **PIONEER DISTILLERIES LIMITED**

Sd/-
Y. SAILAJA
Company Secretary

Date:19.05.2004
Place: Hyderabad

NOTES

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 5, item no. 6 and item no. 7 is annexed herewith.

2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member. A blank proxy form is enclosed which, to be valid, should be duly completed, stamped and deposited with the Company at least 48 hours before the commencement of the meeting.**

3. The Register of Members and the Share Transfer Books of the Company will remain closed from 22nd June, 2004 to 25th June, 2004. (Both days inclusive).

4. Members are requested to intimate any change in their addresses to:

Venture Capital and Corporate Investments Ltd, Registrar and Share Transfer Agents having office at:

III Floor, Progressive Towers
Khairatabad, Hyderabad.

5. Members are requested to bring the Annual Report to the Meeting.

6. **Information to be furnished in pursuance of clause 49 of the Listing Agreement entered into with the Pune Stock Exchange Limited and the Stock Exchange, Mumbai.**

- (i) Shri. L. Venkateswara Rao aged about 47 years in one of the main promoters of the Company and is also the Whole Time Director. He is an Engineering graduate and has been actively associated with the Company since incorporation. His contribution to the Company during the construction, installation, erection and commissioning of the factory has been significant. He retires by rotation and being eligible has offered himself for

reappointment on the Board of the Company.

He is on the following Committees of the Company:

- a. Share Transfer Committee- Member
- b. Investor Redressal and Grievance Committee- Member

He is not a Director on the Board or a member of any Committee of any other Company.

- (ii) Dr. Jayendra Kumar Devani, aged about 63 years is a Dental Surgeon and a resident of Nairobi, Kenya. He is BDS (Bom), LDS, RCS (Edin) and a fellow of Academy of Dentistry International (USA). He is one of the main NRI investors in the Company from Kenya. He is a Non-Executive Director on the Board of the Company and retires by rotation. He has now made himself available for reappointment. He is not on the Board or the Committee of any other Company in India.

- (iii) Shri. S. Gopalan aged about 69 years is a top ranking engineering graduate of the Madras University with a gold medal. He has served the Industrial Development Bank of India (IDBI) for a period of 26 years and retired as its Executive Director in 1993. He is also an associate member of the Indian Institute of Chemical Engineers and a fellow of the Economic Institute of the World Bank, Washington DC.

He was on the Board of the Company till 23rd March, 2004 as a nominee of Indian Renewable Development Agency (IREDA) and thereafter withdrawn by IREDA as its nominee. However, the Company has appointed him as an Additional Director on the Board of the Company pursuant to Section 260 of the Companies Act, 1956. He is the member and Chairman of the Audit Committee of the Company. He is Director and



member of the following Committees of other Companies:

- a. National Fertilisers Ltd- Audit Committee, Disciplinary Committee
- b. SM Dychem Limited- Audit Committee
- c. Natural Capsules Limited- Audit Committee and Remuneration Committee.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5

Shri. S. Gopalan is a Chemical Engineering Graduate and has retired as Executive Director of IDBI in 1993. He had been on the Board of the Company since September, 1997 as the nominee of Indian Renewable Development Agency (IREDA) and was withdrawn as its nominee on the Board w.e.f. 23-3-2004. Being associated with the Company for such a long time he has a very good insight of the nature and functioning of the Company. Besides he has a very good experience and exposure in accounts, finance and Banking relations. Therefore your management feels that continuing the services of Shri. S. Gopalan will be immensely beneficial to the Company.

In accordance with the norms of the Listing agreement Shri. S. Gopalan will be an independent Director on the Board of the Company making it broad based. Notices have been received members under Section 257 of the Companies Act, 1956 proposing his appointment as a Director on the Board of the Company. Your approval for the purpose is solicited.

None of the Directors except Shri S. Gopalan is in any way concerned or interested in the resolution.

Item No. 6

Your Company has entered into agreement for one time settlement of the dues to Industrial Development Bank of India (IDBI). In terms of the settlement, IDBI has waived the entire interest amount and the Company has to now pay only the principal amount of Rs.1100 lakhs. Out of Rs.1100

lakhs the Company is required to issue 5% preference shares to the IDBI amounting to Rs. 170 lakhs. Therefore the proposal for the issue of 17,00,000 preference shares of Rs. 10/- each is placed for your approval. The terms of issue of the shares are given in the resolution.

None of the Directors is in any way concerned or interested in the resolution.

Item No. 7

Your Company is going in for expansion by increasing the existing Extra Neutral Alcohol (ENA) capacity from 30000 BL to 50000 BL per day and also setting up of 30000 BL per day. Absolute Alcohol (Ethanol) plant. For the said purpose modalities for obtaining term loans from Banks/ financial institutions are being worked out and are in negotiation. Apart from the finance from Banks/ financial institutions, it is also proposed to invite contribution by way of equity.

In terms of Clause 23(a) of the listing agreement entered into with the Stock Exchanges, re-issue of forfeited Shares requires the approval of members at General Meeting. The said re-issue will be in compliance with the SEBI guidelines and stock exchange stipulations.

None of the Directors is in any way concerned or interested in the resolution.

By the order of the Board
For **PIONEER DISTILLERIES LIMITED**

Date: 19.05.2004
Place: Hyderabad

Sd/-
Y. SAILAJA
Company Secretary

DIRECTORS' REPORT

Your Directors take pleasure in presenting their Eleventh Annual Report and the Audited Accounts for the period ended 31st March, 2004.

Financial Results

Particulars	Amount (Rs. In Lakhs) 31.03.2004	Amount (Rs. In Lakhs) 30.09.2002
Sales and other income	2809.68	2646.08
Profit before interest and Depreciation	188.39	164.30
Interest	438.57	488.69
Depreciation	271.77	268.22
Provision for Taxation	—	—
Net Loss	(527.95)	(598.60)
Add: Extraordinary Items	953.43	271.11
Less: Prior Period Items	12.45	—
		(327.48)
Loss C/f from the previous Balance Sheet	(737.55)	(410.06)
Net Loss carried to Balance Sheet	(324.52)	(737.55)

Dividend

The Directors do not recommend any dividend for the year under review.

Operations

The financial year 2002-2003 was extended upto 31st March, 2004 with approval from the Registrar of Companies, Maharashtra. As such the figures reflected above for the current year relate to a period of 18 months. For the period ended 31st March, 2004, the Company has achieved a total turnover of Rs. 2805.31 lakhs with a capacity utilisation of 87%. Comparatively the turnover is more by Rs. 173 lakhs and the capacity utilization is more by 12% than the previous period. During the year it has been decided to replace the existing Boiler which has been some cause of concern to the

management. Erection activity and commissioning of the Boiler is expected to be completed by September, 2004.

Settlement of dues

The management has made consistent efforts for settling the long pending dues to the financial institutions and has met with remarkable success in this regard. The Industrial Development Bank of India (IDBI) which is the lead financial institution has accepted the one time settlement proposal made by the Company. In terms of the settlement, the institution has waived the entire interest of Rs. 953.43 lakhs thereby according a substantial relief financially. Accordingly the Company has to now pay only the principal amount of Rs.1100 lakhs out of which 930 lakhs is to be paid within 1 year from the date of settlement. The balance amount of Rs. 170 lakhs is to be issued as redeemable preference shares to the IDBI. The terms of issue of preference shares have been placed for approval of the members in the notice convening the Annual General Meeting.

One Time Settlement proposal to LIC is in progress on similar lines and the same is expected to be finalized positively. This apart, the Company has already repaid Indian Renewable Development Agency (IREDA) and Small Industrial Corporation of Maharashtra (SICOM) vide One Time Settlement proposals. The Company has been regular in repaying the State Bank of Mysore (SBM) in respect of Corporate Loan of Rs. 265 lakhs obtained from it. The detailed debt structure of the Company is shown in the Balance Sheet and Schedules accompanying it.

Future outlook

The management has always been making all out efforts for venturing into related products by exploring the possibility for new opportunities. In this regard the management is contemplating setting up of Absolute Alcohol (Ethanol) in the factory premises. The detailed SWOT analysis in this regard has been given in the Management Discussion and



Analysis Report, which forms part of the Directors' Report.

The Company is also contemplating increase in the existing capacity of Extra Neutral Alcohol and also the replacement of existing boiler. With the settlement of dues, the proposed new and existing expansion the operational and financial performance of the Company during the next financial year will be a much improved one.

Personnel

The provisions of Section 217(1A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are not applicable to your Company as none of employees was in receipt of remuneration which in aggregate is Rs. 24,00,000/- or more per year nor was in receipt of remuneration for any part of the year, of Rs. 2,00,000/- per month.

Directors

Shri. S. Gopalan has been withdrawn as a nominee on the Board of the Company by IREDA w.e.f. 23.03.2004. However, he has been appointed as an Additional Director under Section 260 of the Companies Act, 1956. His appointment as a Director under Section 257 of the Companies Act is placed for approval of the members.

Shri L. Venkateswara Rao and Dr. Jayendra Kumar Devani retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Auditors

Shri. P. Subhash, Auditor of the Company holds office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from him to the effect that his appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Accordingly the proposal for his appointment has been placed for approval of the members at the ensuing Annual General Meeting.

Directors' Responsibility Statement pursuant to the provisions of Section 217(2AA) of the Companies (Amendment Act) 2001

Your Directors hereby confirm:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- That such accounting policies have been selected and applied and that such judgements and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period.
- That proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the annual accounts of the Company have been prepared on a going concern basis.

Disclosure as per the Listing Agreement

The Company's shares are listed on the Pune Stock Exchange Limited at Shivleela Chambers, 752, Sadashivpeth, R.B. Kumbhkar Marg, Pune and The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai. It is further informed that the annual listing fees to both the stock exchanges has been paid.

Energy, Technology and Foreign Exchange

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and

foreign exchange earnings and outgo forms part of this report as Annexure 1.

Corporate Governance

Corporate Governance adopted and practiced by the Company has been laid down in detail in the report on Corporate Governance, which forms part of this report as Annexure 2. Management Discussion and Analysis Report giving the details of industry structure and development, opportunities and threats thereof also form part of this report as Annexure 3.

Acknowledgement

Your Directors would like to express their grateful appreciation for the continued co-operation

extended by IDBI, LIC, IREDA and the State Bank of Mysore during the year under review.

Your Directors also wish to place on record their heartfelt gratitude and appreciation to the shareholders and to all the executives, staff and workers of the Company for their committed services to the Company.

For and on behalf
PIONEER DISTILLERIES LIMITED

Sd/-
K. SUHAN RAO
Managing Director

Sd/-
K. SUDHIR RAO
Director

Date: 19.05.2004
Place: Hyderabad

ANNEXURE 1 - CONSERVATION OF ENERGY

I. Conservation of Energy

1. Energy conservation measures taken:

Regular energy audits are being conducted with efforts being made to improve the performance of Boiler and thus reduce the breakdown problems.

2. Additional investments and proposals, if any, being implemented for reduction in consumption of energy: NIL

3. Impact of measures of (1) and (2) above for reduction in energy consumption and consequent impact on the cost of production of goods:

4. Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of industries specified to the schedule thereto:

**FORM- A****A. Power and Fuel Consumption:**Electricity

	<u>2002 -2004</u>	<u>2001- 2002</u>
(a) Purchased		
Total Units (KWH):	727107	235787
Total Amount (Rs in lakhs):	3771109	22.56
Rate per Unit (in Rs):	5.19	9.56
(Inclusive of demand charges)		
(b) Own generation: (Through Rice Husk)		
Total Units (KWH)	4587615	4852636
Units per tonne of rice husk	134	148
Rate/Unit	8.72	5.36
(c) Own Generation: (Through Diesel Oil)		
Total Units (KWH)	195898	206898
Units per Litre of Diesel	2.87	3.48
Total Amount	1525520	1326072
Rate/Unit- Rs	7.79	6.41
B. Consumption per unit of production:		
Power (KWH/Litre of Alcohol)	0.28	0.30
Cost of Power (Rs./Litre of Alcohol)	2.31	1.51

II. Technology Absorption:

Efforts made to Technology absorption as per Form B of Annexure to the Rules:

NOT APPLICABLE

III. Foreign Exchange Earnings and outgo:**FORM C**

	<u>2002-2004</u>	<u>2001-2002</u>
a. Earnings in Foreign Exchange		
Export of Goods	Nil	Nil
b. Expenditure in Foreign Currency Towards		
Travelling Expenses	352380	Nil

For and on behalf of
PIONEER DISTILLERIES LIMITED

Date: 19.05.2004
Place: Hyderabad

Sd/-
K. SUHAN RAO
Managing Director

Sd/-
K. SUDHIR RAO
Director