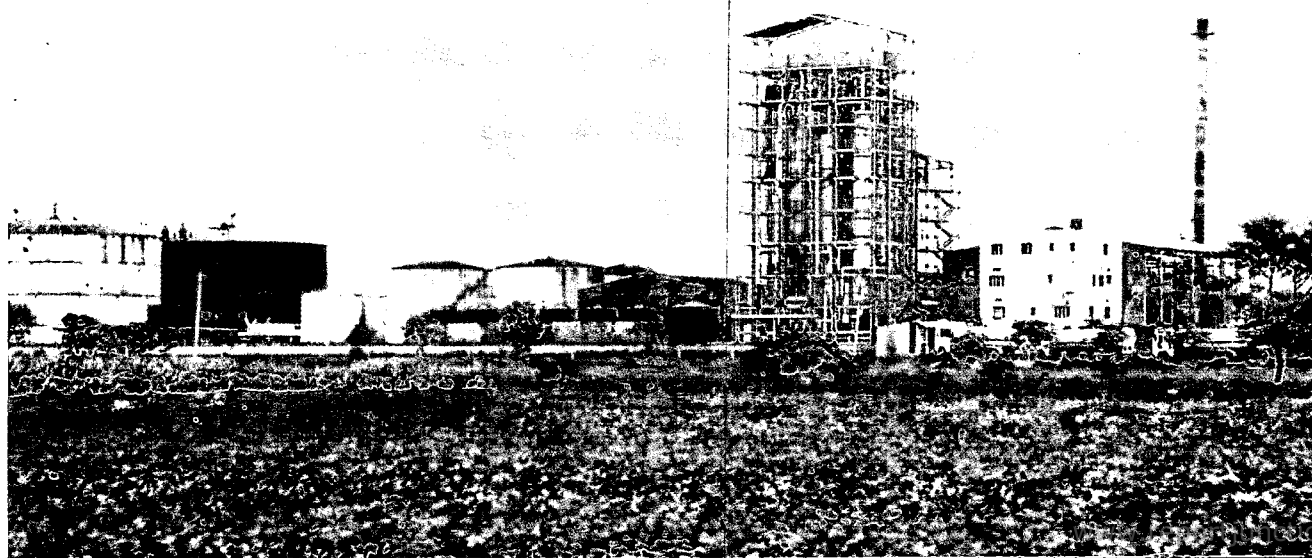


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PIONEER

PIONEER DISTILLERIES LIMITED

Fifteenth Annual Report
2007-2008



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PIONEER DISTILLERIES LIMITED



Company Information

BOARD OF DIRECTORS

Shri K.V. Rajeshwar Rao	Chairman
Shri K. Sudhir Rao	Vice Chairman
Shri K. Suhan Rao	Managing Director
Shri L. Venkateswara Rao	Non Executive Director
Shri V. Subramanian	Non Executive Director
Shri C.V. Kamalaker	Non Executive Director
Shri H. Anantha Krishnan	Nominee Director- LIC
Shri D. Sudhakar Rao	Nominee Director- IDBI

AUDITORS

Alapati Vadde & Co.
8-3-728, Flat # 102, Sai Sandilya Apts.,
Yellareddyguda, Ameerpet, Hyderabad- 500 073
ANDHRA PRADESH

SENIOR EXECUTIVES

Shri A.N. Kadam	GM - Operations
Shri Shyam Sunder M Vyas	GM - Admin
Shri K. Hari Narayana Rao	AGM - Finance and Accounts
Smt. V. Roja Rani	Company Secretary

Registered Office

8-2-311/C, Mithila Nagar, Road No.10,
Banjara Hills, Hyderabad - 500 034. (A.P)
Tel: +91-40-2354 2895, 2354 2920
Fax: 040 - 2354 2921
Email: info@pioneerdistilleries.com

Factory Address

Balapur Village, Dharmabad Taluk,
Nanded District,
MAHARASHTRA- 431 809.
Tel: 02465-244782, Telefax: 02645 280688
Email: factory@pioneerdistilleries.com

Bankers

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

State Bank of Indore
Triveni Complex, Abids, Hyderabad.
ANDHRA PRADESH

Financial Institutions

Industrial Development Bank of India
Life Insurance Corporation of India

**Registrars and
Share Transfer Agents**

Venture Capital and Corporate Investments Limited
H.No.12-10-167, Bharat Nagar, Hyderabad -500 018.
Tel: 040-2381 8475/76, Fax: 040-2386 8024

Listed at

The Bombay Stock Exchange Limited
The Pune Stock Exchange Limited

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LETTER TO THE STAKEHOLDERS

Dear Stakeholders,

With the privilege of being the chairman of your company, I am very happy to inform you that the company's performance which was quite significant during the financial year 2006-2007, continued its glorious trend to usher a period of tremendous growth during the Financial Year 2007-2008, recording a high turnover and profitability bettering the previous year's performance and laying a strong foundation for the prosperity of the company in the years to come.



K.V. RAJESHWAR RAO
Chairman

The results, as evident from the Audited Balance Sheet and the Profit and Loss Account for the Financial Year 2007-2008, have recorded a growth of 37% in the turnover and 144% in the profitability, far beyond the budgeted estimates reiterating once again our company's capability to sustain and excel in its endeavor to be one of the best in the Industry.

As a part of the first phase of further expansion and diversification of its operations, the company, which had taken up the installation of the Biogas based power plant, contemplates to complete the same by September 2008 and commence the commercial production of power at 8 MW immediately thereafter. In the second phase, it has taken up:-

- a) Expansion of alcohol production to 200 KLPD, ENA production to 150 KLPD and ethanol production to 130 KLPD.
- b) Setting up the facilities for production of acetic acid at 30 MT/Day and ethyl acetate at 20 MT/Day.
- c) The cumulative result of these activities resulting in consequent increase of CO₂ plant capacity to 25 MT/day.
- d) Increase in the power production from the contemplated 8MW to 16MW.

The estimated cost of all these activities is of the order of Rs.115.20 crores for the funding of which the banks have already been approached. You can visualize the benefits which will accrue to the company once expansion/diversification of the activities of our company is completed.

A glance through the Balance Sheet as at 31st March 2008 and the Profit and Loss account for the year ended 31st March 2008 would give you a comprehensive picture of the achievements of the company during the financial year 2007-2008. The turnover has been in the order of Rs.73.22 crores as compared to Rs.53.49 crores in the year 2006-2007 and the profit was of the order of Rs.12.87 crores as compared to Rs.5.28 crores for the year 2006-2007. Our Endeavour therefore will be to achieve greater turnover and profitability year after year. This year's performance is definitely the forerunner for our company's achievement in future. The company is committed to keep all the stakeholders happy and satisfied by giving a transparent policy and the noblest means of corporate governance, striving to be a very progressive and a profitable institution.

I've had excellent support from the Board of Directors. I therefore like to express my gratitude to the Board, Banks and Financial Institutions, Government Authorities, Esteemed Customers and Shareholders. I would also like to sincerely thank the employees of our company at various levels for their loyalty, dedication and support in achieving our goals. I look forward to greater support and dedication in the years to come.

Thanking you,

K.V. RAJESHWAR RAO
Chairman

31st May, 2008

PIONEER DISTILLERIES LIMITED**NOTICE**

NOTICE is hereby given that the **Fifteenth Annual General Meeting** of the Members of Pioneer Distilleries Limited will be held at 3.30 P.M on Thursday, the 7th August 2008 at Kohinoor II, Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended 31st March, 2008 along with the Auditors' Report and Directors' Report thereon.
2. To confirm the payment of Interim Dividend for the Year 2007-08 and to declare a Final Dividend for the Year 2007-08 on Equity Shares.
3. To appoint a Director in place of Shri L. Venkateswara Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri C.V. Kamalaker, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s Alapati Vadde & Co as Statutory Auditor who shall hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the Statutory Auditor's Remuneration.

Special Business

6. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an ORDINARY RESOLUTION:
 "RESOLVED THAT in supersession of the Resolution passed at the Sixth Annual general Meeting of the Company held on 27th March, 1999 and pursuant to the provisions of Section 293 (1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the

Company hereby accords its sanction and authorises the Board of Directors of the Company (the Board) (which term shall include duly constituted committee of Directors thereof) to borrow any sum or sums of money from time to time from any one or more of the Company's bankers and/or from any one or more other persons, firms, bodies corporate or financial institutions, agencies, mutual funds, trusts, non-resident Indians, overseas corporate bodies, overseas banks, foreign institutional investors or such other persons/investors, whether by way of Advances or Deposits or Loans (in foreign currency and/ or rupee currency) or Securities (comprising Fully/Partly Convertible Debentures and/or Non-convertible Debentures with or without detachable or non-detachable Warrants and/or Secured Premium Notes or other debts instruments) or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of all or any of the Company's assets and properties whether movable or immovable or stock-in-trade or work-in-progress and all or any of the undertakings of the Company, notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business) will or may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose), provided that the total amount so borrowed shall not at any time exceed the sum of Rs.500 Crores (Rupees Five Hundred Crores only) exclusive of interest and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such moneys borrowed/ to be borrowed, from time to time, as to interest, repayment, security or otherwise howsoever as it may deem fit, as also to execute all such deeds and documents as may be necessary, usual or expedient for this purpose."

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7. To Consider and if thought fit, to pass, with or without modification(s), the following Resolution as an ORDINARY RESOLUTION.

“RESOLVED THAT in supersession of the earlier Resolution passed by the Members and pursuant to the provisions of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its sanction and authorises the Board of Directors of the Company (the Board) (which term shall include duly constituted committee of Directors thereof) to mortgage and/or charge, in addition to the mortgages/charges created/to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the Lenders, Agents and Trustees for securing the borrowings of the Company availed/to be availed by way of Loans (in foreign currency and/or rupee currency) and Securities (comprising Fully/Partly convertible Debentures and/or Non-convertible Debentures with or without detachable or non-detachable Warrants and/or Secured Premium Notes or other debt instruments), issued or to be issued by the Company, from time to time, subject to the limit upto Rs.500 Crores (Rupees Five Hundred Crores only) together with interest, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agents/Trustees, premium (if any) on redemption, all other costs, charges and expenses and all other moneys payable by the Company in terms of the Loan Agreements/Heads of Agreements, Debenture Trust Deeds or any other Documents entered into/to be entered into between the Company and the Lenders/Agents/Trustees in respect of the said loans/borrowings/debentures and containing such

specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board and the Lenders/Agents/Trustees.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to finalise, settle and execute such documents/deeds/writings/papers/agreements as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid.”

By order of the Board of Directors of
PIONEER DISTILLERIES LIMITED

Place: Hyderabad
Date: May 31, 2008

V. ROJA RANI
Company Secretary

PIONEER DISTILLERIES LIMITED**NOTES**

1. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business items is annexed hereto.
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 of the Company. 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. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. The Register of Members and Share Transfer books of the Company will remain closed from 31.07.2008 to 07.08.2008 (both days inclusive) for the purpose of Dividend & Annual General Meeting. If the final dividend as recommended by the board of Directors is approved at the Meeting, payment of such dividend will be made on or before 30 days from the date of Annual General Meeting as under:
 - a) To all beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited as of the close of business hours on 30.07.2008.
 - b) To all members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the company on or before the close of business hours on 30.07.2008.
5. **Bank Mandates**
In order to provide protection against fraudulent encashment of the dividend warrants, members holding shares in physical form are requested to intimate to the Registrar & Share Transfer Agent under the signature

of the Sole / First holder, the following information for incorporation in the Dividend Warrants:

Name of the Sole / First holder and Folio Number.

Name of the Bank, its branch and the Account Number allotted by the said Bank

Complete address of the Bank with Pin code number

6. Members holding shares in electronic form are hereby informed that bank particulars registered against respective depository accounts will be used by the company for payment of dividend. The Company or its registrars can not act on any request received directly from the members holding shares in electronic form for any change of Bank particulars, or bank mandates. Such changes are to be advised only to the Depository participant of the Members.
7. Members holding shares in physical form are requested to intimate any change in their addresses to M/s Venture Capital and Corporate Investments Ltd, Registrar and Share Transfer Agent of the Company. Members holding shares in electronic form must send the advice about the change of address to their respective depository participant only and not to the Company or the Company's Registrar & Share Transfer Agents.
8. Non-Resident Indian Members are requested to inform the Company's Registrar and Transfer Agent, M/s Venture Capital and Corporate Investments Limited, immediately of the change in the residential status on return to India for permanent settlement.
9. A Member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven days prior to the date of the meeting for consideration of the management to deal at the meeting.
10. Members are requested to bring the attendance slip along with their copy of Annual Report to the Meeting.

15th Annual Report**Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.****ITEM NO.6**

The members of the Company at the Sixth Annual General Meeting of the Company held on 27th March, 1999 had authorised the Board of Directors of the Company to borrow such sum or sums which together with the monies already borrowed by the Company may exceed the aggregate of the paid up capital of the Company and its free reserves, provided that the total amount so borrowed and outstanding at any time shall not exceed Rs.50 Crores (Rupees Fifty Crores only).

The expansion programmes/plans of the company is being carried out in full swing. It may be required to approach banks and/or public financial institutions and/or any foreign financial institution(s) and/or any entity/entities or authority/authorities for financing the present and future expansion plans of the Company, hence the Board of Directors request the members to accord their consent to borrow moneys upto a maximum limit of Rs. 500 Crores (Rupees Five Hundred Crores only) as per the provisions of the Companies Act, 1956 and any other rules, laws etc., applicable, if any.

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, consent of the members is necessary to enable the Board of Directors to borrow moneys, which will exceed the aggregate of the paid up capital of the Company and its free reserves.

The Board recommends the resolution for approval of the members.

None of the Directors of your Company is interested, either directly or indirectly in the said resolution.

ITEM NO.7

As explained under Item No.6, in order to avail Loans/Financial assistance from Financial Institutions/banks for expansion programmes/plans and for increased activities of the company, the Company is required to create mortgage/ charge on its properties in favour of such lenders.

As per provisions of section 293(1) (a) of the Companies Act, 1956, the Board of Directors of the Company is required to be authorized by the shareholders for creating the charge/ mortgage on immovable properties of the Company. Therefore, it is proposed to authorize Board of Directors to create mortgage/charge on the properties of the Company in favour of any financial institution/bank upto Rs.500.00 crores (Rs. Five Hundred Crores) in accordance with borrowing limit approved under Section 293(1)(d) of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the Directors of your Company is interested, either directly or indirectly in the said resolution.

By order of the Board of Directors of
Pioneer Distilleries Limited

V. Roja Rani
Company Secretary

Place: Hyderabad
Date: May 31, 2008

PIONEER DISTILLERIES LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors are pleased to present the 15th Annual Report and the Audited Accounts for the year ended the 31st March, 2008.

Financial Results

The performance of the Company during the Year 2007-08 is summarized below:

	(Rs. in lakhs)	
Particulars	2007-08	2006-07
Sales	7089.29	5333.10
other income	233.43	15.95
Total Income	7322.72	5349.05
Profit before depreciation, interest and Tax	2275.70	1155.64
Interest	286.01	178.32
Depreciation	347.68	246.87
Profit/Loss before Tax	1642.01	730.46
Provision for Taxation :		
Current Tax	186.58	82.50
Fringe Benefit Tax	6.67	3.51
Deferred Tax	161.91	116.78
Profit After Tax	1286.85	527.67
APPROPRIATIONS:		
1. Interim Dividends-Equity shares	117.71	--
2. Preference Dividend	11.75	35.25
3. Proposed Final Dividend-Equity shares	111.71	111.71
4. Dividend Distribution Tax	39.97	24.98
5. Transfer to General Reserve	108.66	--
6. Balance carried to Balance Sheet	903.05	355.73

Operations

Your Company has recorded once again a very significant performance for the year 2007-08. The expansion of plant capacity from 50 KLPD to 100 KLPD, that commenced commercial production during the last quarter of previous year 2006-07, has contributed to achieve excellent turnover and profits for the Company. As may be seen from the summarized table, major strides were made in terms of turnover and profitability resulting in 37% and 144% growth respectively during the Year 2007-2008.

Vision

You are aware that the Company has been on an aggressive growth drive since 2005-2006. It has, in the first phase spent approximately Rs.25 Crores to expand its capacities during Financial Year 2006, which were commissioned in January 2007. The benefits of these expansions are accruing, in terms of increase in operating margins and higher profitability as reflected in the Financial Results for the years 2006-2007 and 2007-2008. In the second phase the company will be spending Rs.39 Crores to set up a state of Art effluent treatment plant and biogas based power plant. It is expected to complete the installation by September, 2008 and begin commercial production from October, 2008.

Keeping in view the ever growing demand for ENA, Ethanol etc, the Company is contemplating further expansion of the plant capacities from the existing products as well as setting up fresh production facilities for two other value added products VIZ., Ethyl acetate and Acetic acid, as under:

- Expansion of alcohol production facility to 200 klpd from the existing 100 klpd.
- The ENA production to 150 klpd from the existing 100 klpd.
- The ethanol production to 130 klpd from 30 klpd.
- Production of Acetic Acid of 30 MT/day
- Production of Ethyl Acetate of 20 MT/day
- Consequent increase of Co₂ plant capacity to 25 MT / day from 10 MT/day.; and
- Increase of power to 16MW from the present 8MW.

It is expected to complete the second phase expansion by June-2009. and begin commercial production from July-2009. This expansion would not only enable the Company to substantially increase the revenue, but also enhance the market share of the company in all its products.

The total cost of expansion Project including Factory Building, Plant & Machineries, Electrical

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& Fittings and preliminary expenditure is estimated to be of the order of Rs.115.20Crores. The project Report has been submitted to bankers for appraisal and funding of the project.

While the Company continues to be a significant player in the ENA market, it's endeavors to tap new markets, apart from the traditional one's, continues. The company foresees a very good potential for growth in all the products, in the coming years.

ERP Implementation

We are pleased to inform you that the Company has successfully implemented RAMCO - ERP for seamless integration of data from different locations and from cross functional areas of Finance, Sales Production etc., to facilitate an open and transparent work environment and a strong organized system of information, integration and knowledge management. The Company should be able to meet the future business needs and effective financial reporting with the implementation of the System. The Board is confident that this move is a significant milestone in the face of various challenges in our business and is of significant and strategic importance.

Changes in Share Capital Structure

- i) During the year, the Authorised share capital of the Company was increased from Rs.15 Crores to Rs.20 Crores.
- ii) As reported in the last year, the allotment of 5,87,000 Equity convertible warrants and 5,58,000 equity shares at @Rs.21/- each has resulted in an increase in the paid up equity capital of the Company from Rs.10,61,32,000/- to Rs.11,17,12,000/-. The outstanding 5,87,000 warrants will be converted into equity on or before 06.12.2008.
- iii) In accordance with the resolution passed by the shareholders at the Extraordinary General Meeting held on 25th October, 2007, the Company allotted 7,00,000 Equity convertible warrants @Rs.53/- per warrant on the 3rd December, 2007 on preferential basis to the promoters & non promoters of the Company, which will also be converted into equity on or before 02.06.2009.

These issues were made to finance the expansion activities of your Company as mentioned above and also to augment the long term resources of the Company.

Dividend

In view of the Company's excellent performance for the Financial Year 2007-08, your Directors are pleased to recommend for approval of members a final dividend of Rs.1/- per share. This coupled with the interim dividend of Rs1/- per share already paid, raises the total dividend for the year to Rs.2/- per share.

The Directors recommended a dividend @5% on 23,50,000 5% Cumulative Redeemable Preferential Shares Rs.10/- each for the year ended 31st March, 2008.

Transfer to reserves

The Company proposes to transfer Rs.1,08,65,671/- to the General Reserve out of the amount available for apportionments.

Directors

Shri L.Venkateswara Rao and Shri C V Kamalaker retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Personnel

Information as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975, as amended are given in this report as Annexure I.

Fixed Deposits:

The Company has not accepted or invited any Deposits from the public during the Year and hence no deposit is due for repayment as on the 31st March, 2008.

Statutory Auditors

M/s Alapati Vadde & Co, Chartered Accountants, retire as Statutory Auditors at the conclusion of this Annual General meeting. Being eligible for re-appointment, your Directors recommend the same for your consideration.