

# 5<sup>th</sup>

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## ANNUAL REPORT

1996 - 1997



EMBROIDERIES LIMITED

*A Stitch ahead of time*

**Bl**

**Pioneer**  
EMBROIDERIES LIMITED

Regd. Off.: 6 - E, Laxmi Ind. Estate, New Link Road, Andheri (W), Mumbai - 400 053. (INDIA)

**BOARD OF DIRECTORS**

Shir Rajkumar Sekhani  
 Shri Manak Chand Baid  
 Shri Vijay Singh Baid

*Chairman*

*Managing Director*

*Whole Time Director*

**AUDITORS**

M/s. Borar & Company  
 Chartered Accountants  
 31/35, Shamsheet Street  
 Mumbai - 400 002

**BANKERS**

Union Bank of India

**REGISTERED OFFICE**

6-E, Laxmi Industrial Estate,  
 New Link Road,  
 Andheri (W),  
 Mumbai - 400 053.

**WORKS**

I. 1638-1639, G.I.D.C.  
 Sarigam, Dist. Valsad  
 Gujarat

II. Ankur,  
 Plot No. 1,  
 Sheetal Industrial Estate,  
 Demni,  
 Dadra (U.T.)

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For Pioneer Embroideries Ltd.

Director.

5th Annual Report 1996-97

**NOTICE**

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of PIONEER EMBROIDERIES LIMITED will be held on Friday, the 28th November, 1997 at 11.00 a.m. at the Karanataka Sangh, Dr. M. Visvesvaraya Smarak Mandir, Mogul Lane, Off. T.H. Kataria Marg, Mahim, MUMBAI-400 016, to transact the following business :

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date and the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Rajkumar Sekhani who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS :**

4. To consider and if though fit, to pass with or without modification, the following as an Ordinary Resolution.

"RESOLVED THAT pursuant to Section 94 of the Companies Act 1956, Article 3 of Articles of Association of the company and other applicable provisions of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs.5,00,00,000 (Rupees Five Crore only) divided into 50,00,000 Equity Share of Rs.10/- each TO Rs.8,00,00,000 (Rupees Eight Crore only) divided into 60,00,000 Equity Share of Rs.10/- each and 2,00,000 10% Optional Redeemable Convertible Preference Shares of Rs.100/- each by creation of additional 10,00,000 equity shares of Rs.10/- each ranking pari passu with the existing equity shares and 2,00,000 10% Optional Redeemable Convertible Preference Shares of Rs.100/- each.

RESOLVED further that existing clause V of the Memorandum of Association of the Company be deleted and the following new clause be substituted in place thereof.

"The Authorised Share Capital of the Company is Rs.8,00,00,000 (Rupees Eight crores only) divided into 60,00,000 Equity Shares of Rs.10/- each and 2,00,000 10% Optional Redeemable Convertible Preference Shares of Rs.100/- each, with powers to increase and reduce the capital for the time being into several classes and to attach thereto such rights, privileges or conditions as may be determined by or in accordance with Articles of Association of the Company and to vary , modify, or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company".

5. To consider and if though fit, to pass with or without modification, the following as a Special Resolution:

"RESOLVED THAT the Article 3 of the Articles of Association of the Company be deleted and following new Articles 3 be substituted in place thereof.

3. The Authorised Share Capital of the Company is Rs.8,00,00,000/- (Rupees Eight crores only) divided into 60,00,000 (Sixty Lacs only) Equity Shares of Rs.10/- (Rs. Ten only) each and 2,00,000 (Two lacs) 10% Optional Redeemable Convertible Preference Shares of Rs.100/- (Rs. Hundred only) each payable in the manner as may be determined by the Board of Directors from time to time with power to increase, reduce, sub-divide or to repay the same or to divide the same into several classes and to attach thereto any right and to consolidate or sub-divide or reorganise the Shares subject to Section 106 of the Companies Act , 1956, to vary such rights as may be determined in accordance with the regulations of the Company.

6. To consider and, if thought fit, to pass with or without modification, the following as an Special Resolution.

"RESOLVED that pursuant to the provisions of Section 80 and Section 81 (1-A) and all other applicable provisions if any, of the Companies Act, 1956 and enabling provisions in the Memorandum and Articles of Association of the company and the listing agreements entered into by the company with the stock exchanges where the Shares of the company are listed and subject to necessary approval, consent, permission and /or sanction of the Security and Exchange Board of India, Government Authorities, Financial Institutions and/or other prescribed authorities and subject to all such conditions as may be prescribed by any of them in granting such approval, consent, permission or sanction which may be agreed to by the Board of Directors of the company, the consent of the company be and is hereby accorded to the Board of directors to raise an overall amount of Rs. 200 lacs (Rupees Two Crores only) including premium by way of issue upto (i) 2000000 equity shares of Rs.10/- each or (ii) 200000 10% Optional Redeemable Convertible Preference shares of Rs.100/- each or (iii) combination of (i) & (ii) as the Board of Directors in their absolute discretion think appropriate to the promoters, directors, their associate companies, friends and

**PIONEER EMBROIDERIES LIMITED**

relatives and to such other person, by way of preferential allotment on such terms and conditions as may be decided by the Board of Directors and agreed by the appropriate authorities, inter- alia , upon terms and conditions enumerated as hereunder :

**QUANTUM :** The size of the issue shall be upto (i) 2000000 equity shares of Rs.10/- each or (ii) 10% Optional Redeemable Convertible Preference share of Rs.100/- each or (iii) combination of (i) and (ii) as may be decided by the Board aggregating to amount upto Rs.200 lacs.

**FACE VALUE :** The nominal face value of each Optional Redeemable Convertible Preference Shares will be Rs. 100/- and of Equity Shares shall be Rs.10/- each.

**PAYMENT TERMS :** The nominal face value of 10% Optional Redeemable convertible Preference Shares and Equity shares shall be payable on application.

**OPTIONAL CONVERTIBILITY :** The 10% Optional Redeemable Convertible Preference Shares will be converted into Equity Shares of higher of following price if the holder of Optional Redeemable Convertible Preference Shares exercises its right of conversion within 18 months from the date of issue.

- i) An average price of weekly high and low of the closing price quoted on Mumbai Stock Exchange during the six month preceding the relevant date ; or
- ii) An average of weekly high and low of the closing price of the equity shares quoted on Mumbai Stock Exchange during the two weeks preceding the relevant date; or
- iii) At face value of Rs.10/- each.

**EXPLANATION :** The Relevant Date means 30 days prior to date on which the Optional Redeemable Convertible Preference Shares shall be converted into equity shares .

If the holder of Optional Redeemable Convertible Shares does not exercise its right of conversion, the conversion clause will lapse and the preference shares will be redeemed in 3 equal installments at the end of 7th, 8th and 9th year from the date of issue.

**DIVIDEND :** The Optional Redeemable Convertible Preference Shares shall be eligible for dividend @ 10% P.A. After conversion, the equity shares so issued in exchange of Optional Redeemable Convertible Preference Shares shall rank pari passu with the existing paid-up Equity Shares of the Company, save and except that such new Equity Shares shall be entitled to dividend, if any, declared in respect of the financial year in which such new equity share are allotted pro-rata for the period from the date of allotment of such new equity shares to the end of the financial year “.

**LOCK-IN, LIQUIDITY AND LISTING :** The Optional Redeemable Convertible Preference Shares or Equity Shares issued on preferential basis to the promoters, directors, their relatives and associates shall be locked in for a period of 3 years from the date of issue of equity shares and from the date of conversion of Optional Redeemable Convertible Preference Shares in case of issue of Optional Redeemable Convertible Preference Shares.

The Optional Redeemable Convertible Preference Shares and Equity Shares shall be listed on BSE and other stock exchanges where the existing equity shares of the company are listed.

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, things, that in discretion deem necessary or desirable, including any change in the quantum of the issue, and to settle any difficulty or doubt that may arise in regard to the above issue and allotment of new shares which they may think proper or expedient to giving effect to this resolution”.

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:  
 “RESOLVED that in modification of the Resolution passed at the Extra Ordinary General Meeting of the Company held on 24th May, 1993 consent of the Company pursuant to the provisions of Section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company, (hereinafter referred to as “the Board” which term shall be deemed to include any Committee which the Board may have constituted or may hereafter constitute) borrowing from time to time such sum or sums of money as it may consider fit and proper for the purpose of the business of the Company, notwithstanding that the monies to be so borrowed together with monies already borrowed by the Company (apart from temporary loans) obtained or to be obtained from the Company's bankers in the ordinary course of business, may exceed the aggregate of the paid-up capital of the Company and its free reserves, that the total amount so borrowed by the Board and outstanding at any one time, shall not exceed the sum of Rs.20.00 crores (Rupees Twenty Crores only).”



**5th Annual Report 1996-97**

8. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in modification of the Resolution passed at the Extra Ordinary General Meeting of the Company held on 24th May, 1993, consent of the Company be and is hereby accorded, pursuant to Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company (hereinafter referred to as the "the Board" which terms shall be deemed to include any Committee which the Board may have constituted or may hereafter constitute to exercise its powers including the powers conferred by this resolution) mortgaging and/or charging on such terms and conditions and at such time or times, in such form and manner as if may deem fit and proper, the whole or substantially the whole or any one or more undertaking or all of the undertakings of the Company, wheresoever situate, present and/or future including the present and /or future properties, whether moveable or immovable, comprised in any undertaking or undertakings of the Company, as the case may be, to or in favour of lenders/creditors, including all or any Bank(s), Financial Institution (s), declared or as may be declared as public Financial Institution(s) under Section 4A of the Companies Act, 1956, Investment or Developmental Corporations or Agencies of the Central or any State Government, and also foreign agencies/banks/financial agencies and institutions, Trustees and/or Agents for the lender and/or debenture-holders of the Company including any Financial Institution, bank, body corporate incorporated under any statute holding debentures of the Company or any other secured lender to the Company of all and every description (hereinafter collectively referred to as "the Lenders") to secure Rupee Term Loans, foreign currency loans, bonds, debentures, convertible notes and other securities issued against foreign and/or Indian currency and any other loan (hereinafter referred to as "the said Loans") obtained or to be obtained from the Lenders not exceeding an aggregate amount of Rs.20.00 crores (Rupees Twenty Crores only) or the aggregate of the paid-up capital of the Company and its free reserves (i.e. reserves not set apart from any specific purpose), whichever is greater, with powers to the Lenders as Agents and Trustees or otherwise in terms of respective Loan Agreements/Heads of Agreement/Hypothecation Agreement/Trust Deeds/Trustee Agreements/Letters of Sanction/Memorandum of Terms and Conditions/other documents (hereinafter collectively referred to as "the said Agreements") to take over the management of the business and concern of the Company and/or enforce and/or sell the mortgaged securities in certain events and upon the other terms and conditions as may be decided upon by the Board in accordance with the relevant statutory provisions and the guidelines issued thereunder, together with interest thereon at the respective agreed rates, additional interests, cumulative interests, remuneration of Trustees, liquidated damages, commitment charges, premia, if any, on repayment or redemption, costs, charges and other moneys payable by the Company to the Lenders and/or their Agents and/or Trustees and to the holders of the Debentures, convertible bonds, notes and other securities of the Company in terms of the said Agreements entered/to be entered into by the Company for obtaining the said Loans.

"RESOLVED FURTHER that the Board be and is hereby authorised to finalise the said Agreements and other documents and execute all such deeds, documents, instruments and to do all such acts, deeds, matters and things as may be necessary, requisite and expedient for giving full and final effect to this resolution".

Registered Office :  
6-E, Laxmi Industrial Estate,  
New Link Road, Andheri (West),  
MUMBAI-400 053.  
Place : Mumbai.  
Dated : 15th October, 1997

By Order of the Board of Directors  
**PIONEER EMBROIDERIES LIMITED**

**MANAK CHAND BAID**  
MANAGING DIRECTOR

**NOTES :**

1. A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself on a poll only and a proxy need not be a member.
2. Proxy Forms in order to be valid should be deposited at the Registered Office of the Company not less than 48 Hours before the time for the meeting.
3. The Register of Members and Share Transfer books of the company shall remain closed from Tuesday, 25th November, 1997 to Thursday, 27th November 1997 (both days inclusive).
4. Members are requested to :
  - i) Quote their Folio Number in all correspondence with the Company.
  - ii) Notify immediately to the Company any Change in their address and the mandate.
5. Members are requested to bring their copies of the Annual Report and Accounts to the Meeting.
6. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item no. 4 to 8 as set out above are enclosed herewith.
7. Shareholders interested in visiting their Production site of Sarigam and Dadra may contact Mr. Vijay Chalke at 6317151, 6325174 on or before 25th November 1997, so that their visit can be arranged accordingly.

**PIONEER EMBROIDERIES LIMITED****ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.****ITEM NO. 4 & 5.**

The Company has taken up expansion project by importing 12 more computersied Embroidery machines and project of in house process house. The Company has approached Banks/ Financial Institutions for term loan assistance for financing these projects. The Company has to infuse funds as Company's contribution towards these projects by way of issue of further shares. Since the shares to be issued upto Rs.200 Lacs will result in paid up capital exceeding present capital of Rs.500 lacs, it is desirable to increase the Authorised Share Capital of the Company to Rs. 80000000 (Rupees Eight Crores only) as set out in Item No. 4 to enable issuance of further shares.

None of the Directors of the Company is interested in this resolution.

Your Directors recommend the resolution set out in Item No. 4 & 5 of the convening notice for adoption.

**ITEM NO. 6.**

The Company has taken up expansion project by importing 12 computerised embroidery machines and project of in house process house and approached the Bank / Financial Institutions for financing the same. The Company has to infuse funds upto Rs.200 lacs as Company's contribution towards the project by way of further issue of shares but at the same time capital market does not permit the company to go public to raise the amount. So the Board has decided to raise this funds from promoters, directors, their friends and relatives and from their associates.

Your directors recommended the resolution set out in items no. 6 of the convening notice for adoption.

The directors are interested in the resolution to the extent of subscription made by them in future issue of shares.

**ITEM NO. 7**

The shareholders at the Extra Ordinary General Meeting held on 24th May, 1993 have approved and delegated borrowing powers to the Board of Directors up to a sum not exceeding Rs.10.00 crores. Considering the total requirement of funds for the implementation of its expansion and diversification projects, it is considered necessary and expedient to increase the borrowing powers of the Board of Directors to the extent specified in the proposed resolution viz. Rs.20.00 crores.

Section 293 (1) (d) of the Companies Act, 1956, requires the Board of Directors to obtain Members' approval to borrow monies in excess of 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, excluding temporary loans obtained from the Company's bankers in the ordinary course of business.

Your directors recommended the resolution set out in items no. 7 of the convening Notice, for adoption.

None of the Directors is interested in the resolution.

**ITEM NO. 8**

In the resolution set out in item NO. 7 of the Notice it has been proposed that the borrowing powers of the Board of Directors of the Company be increased from Rs.10.00 crores to Rs.20.00 crores. The loans to the extent of the increased borrowing power may be secured by creation of mortgage/charges on properties/undertakings of the Company in favour of the lenders and/or their agents and/or Trustees for Debentureholders of the Company.

Mortgaging by the Company of its properties of the whole or substantially the whole or any or all of the undertakings of the Company in favour of the lenders and/or their Agents, and/or Trustees in order to secure debt financing, within the overall limit of the borrowing power of the Directors may be regarded as disposal of the Company's properties in terms of Section 293(1) (a) of the Companies Act, 1956. It is therefore considered necessary for the members to authorise the Board of Directors to create mortgage /charge in the manner proposed in the resolution set out at item no. 8 of the Notice to secure the loans to be taken by the Company to the extent of the enhanced borrowing powers of the Board of Directors as proposed in the resolution set out in item no. 7 of the convening Notice i.e. Rs.20.00 crores.

Your directors recommend the resolution set out in item No. 8 of the convening Notice for adoption.

None of the Directors is interested in the resolution.

Registered Office :  
6-E, Laxmi Industrial Estate,  
New Link Road, Andheri (West),  
MUMBAI-400 053.  
Place : Mumbai  
Dated : 15th October, 1997.

By Order of the Board of Directors  
**PIONEER EMBROIDERIES LIMITED**

**MANAK CHAND BAID**  
MANAGING DIRECTOR

**5th Annual Report 1996-97****DIRECTORS' REPORT**

To,

The Shareholders,

Your Directors have pleasure in presenting the Fifth Annual Report together with the audited statement of accounts for the year ended 31st March, 1997.

**Financial Results :**

	Year ended 31.03.1997	(Rupees in lacs) Year ended 31.03.1996
Sales & Other Income	1627.71	1160.98
Profit before Financial Charges and Depreciation	268.01	196.44
Less : Financial Charges	75.84	56.22
Operating Profit	192.17	140.22
Less : Depreciation	47.99	39.04
Profit before tax	144.18	101.18
Profit after tax	113.42	87.28
Add : Balance of profit from previous year	329.72	242.43
Balance carried to Balance Sheet	443.14	329.72

**OPERATIONS :**

Pursuing the growth trend, your company has another encouraging year of performance. Sales and other income for the year under review rose to Rs. 1627.71 lacs (Rs. 1160.98 lacs in the previous year) representing an increase of 42.20%. Also pre-tax profit rose to Rs. 144.18 lacs (Rs. 101.18 lacs in the previous year) representing an annual growth of 42.50%. Despite the fact that textile and garment industry as a whole is passing through the worst phase, the company with its strategy of developing new quality products at regular internal and stringent cost control measures has been able to achieve such an impressive performance. Both the units of the company of Sarigam and Dadra are running at Optimum capacity.

**DIVIDEND :**

The Board has not recommended any dividend and has decided to plough back the profits of the Company for expansion of the business.

**FUTURE OUTLOOK :**

The fashion industry has lot of potential as the fashion never dies. The company's products are positively correlated with the fashion industry. So the directors foresee a very bright future for the business of the company.

The company has taken up expansion project at Silvassa by importing 12 computerised embroidery machines having installed capacity of 46 lac metres p.a. seeing the strong demand for the company's products and project of inhouse process house for processing embroidery fabrics as a part of its effort of forward integration. The company expects to commence commercial production of expansion projects by February, 1998 and process house will go in stream in December, 1997. The bottom lines of the company will improve substantially after starting of these new projects.

**PREFERENTIAL OFFER OF SHARES :**

The company has taken up expansion projects by importing 12 computerised embroidery machines and project of inhouse process house and has approached banks and Financial Institutions for financing the same. In order to meet the company's contribution towards the capital cost of project, the company has decided to raise amount upto Rs. 200 lacs by way of further issue of equity shares or 10% Optional Redeemable Convertible Preference Shares of Rs. 100/- each to the promoters, Directors, their friends, relatives and associates as the present capital market conditions does not permit the company to go public.

**PIONEER EMBROIDERIES LIMITED****EXPORTS :**

The Company has achieved an Export Turnover of Rs. 176.37 lacs (140.44 lacs in previous year) thereby representing a growth of 20.37%.

The company is planning strategy to penetrate more export markets and measures are being taken to increase awareness of company's quality products through exhibitions and participation in national and international trade fairs. The company expects a substantial growth on export front.

**INCREASE IN AUTHORISED CAPITAL:**

The Authorised Capital of the Company is proposed to be increased from Rs. 5,00,00,000/- to Rs. 8,00,00,000/- to facilitate issue of further shares to meet part of capital cost of expansion project of the company at Silvassa.

**AUDITORS:**

M/s. Borar & Company, Chartered Accountants, Auditors of the company are retiring at the forthcoming Annual General Meeting and express their unwillingness for reappointment. The Board of Directors has shortlisted M/s. Bhutra, Agrawal & Associates, Chartered Accountants, as auditors of the company and received certificates from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956. Your Director recommend their appointment.

**FIXED DEPOSITS**

The Company has not accepted any Fixed Deposit from the public during the financial year under review.

**INSURANCE :**

The Assets of the Company are adequately insured.

**DIRECTORS :**

Shri Rajkumar Sekhani is retiring by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

**AUDITORS' REPORT :**

The Auditors Report is self explanatory, hence does not require any clarification.

**PERSONNEL :**

The Management - Employee relations remained very cordial and friendly throughout the year.

**DISCLOSURE U/S. 217 OF THE COMPANIES ACT, 1956 :**

The disclosure to be disclosed pursuant to the provision of Sec. 217 (1) (e) of the Companies Act, 1956 are given in the annexure to this report and no particulars are given pursuant to Sec. 217(2A) of the Companies Act, 1956, read with the Companies (particulars of Employees) Rules, 1975, as no employee has drawn the salary as prescribed.

**ACKNOWLEDGEMENT :**

Your board would like to place on record its sincere appreciation for the whole-hearted support and contribution made by all its employees, banks, Financial Institutions and other business associates towards conduct of efficient operations of your Company. Finally to you, our most valued shareholder, who have given their continued overwhelming support to us.

For & on behalf of Board of Directors  
For PIONEER EMBROIDERIES LIMITED

MANAK CHAND BAID  
Managing Director.

PLACE : MUMBAI.

DATED : 15th October, 1997