

6th

ANNUAL REPORT

1997 - 1998

MD	✓	BKD	✓
CS	NA	DPY	✓
RO	✓	DIV	✓
TRA	NA	AC	✓
AGM	✓	SHL	✓
VE	✓		✓



Report

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Pioneer
EMBROIDERIES LIMITED

BOARD OF DIRECTORS

Mr. Rajkumar Sekhani

Mr. Manak Chand Baid

Mr. Vijay Singh Baid

Mr. Hemant Kumar Sethia

Chairman

Managing Director

Whole-time Director

Director

AUDITORS

M/s Bhutra, Agrawal & Associates.

Chartered Accountants,

C- 401, 2-3-4, Manish Nagar,

Andheri (West), Mumbai - 400 053.

BANKERS

Union Bank of India.

REGISTERED OFFICE

6-E, Laxmi Industrial Estate,

New Link Road,

Andheri (West),

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.)
- III) Primer Industrial Estate,
Survey No. 678/1/2,
Village Naroli,
Bhilad Naroli Road,
Dadra & Nagar Haveli (U.T.)
- IV) Process House:
1638 - 1639, G.I.D.C.
Sarigam, Dist. Valsad,
Gujarat.

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6th Annual Report 1997-98**NOTICE**

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of **PIONEER EMBROIDERIES LIMITED** will be held on Wednesday, 30th September, 1998 at 11:00 a.m. at Karnataka Sangha, Dr.M. Visveshvaraya 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, 1998 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 Mr. Vijay Singh Baid who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution :
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Companies Act, 1956, the Company hereby accord its approval to the re-appointment of and remuneration payable to Mr. Manak Chand Baid as Managing Director of the Company for a period of 5 years commencing from 24th May, 1998 to 23rd May, 2003, on the terms and conditions as set out in the agreement dated 29th June, 1998, entered between the Company and Mr. Manak Chand Baid, a copy of which is initialled by the Chairman for the purpose of identification and is placed before this meeting for approval."
5. To consider and if thought fit, to pass with or without modification, the following as an Ordinary Resolution :
"RESOLVED THAT pursuant to the provision of Section 257 of the Companies Act, 1956, Mr. Hemant Kumar Sethia, be and is hereby appointed as Director of the Company."
6. To consider and if thought fit, to pass with or without modification, the following as a Special Resolution :
"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 314 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, consent of the Company be and is hereby accorded to an increase in the remuneration payable to Mr. Vijay Singh Baid, Whole-time Director of the Company w.e.f. 1st September, 1998, until the expiry of tenure of his appointment i.e. 31st August, 2001 on such terms and conditions as set out in the supplemental agreement dated 17th August, 1998 entered between the Company and Mr. Vijay Singh Baid, a copy of which is initialled by the Chairman for the purpose of identification is placed before this meeting."
"RESOLVED FURTHER THAT all other terms and conditions of the resolution passed for appointing Mr. Vijay Singh Baid as Whole-time Director in the Annual General Meeting held on 15th November, 1996 and agreement dated 25th October, 1996 entered between the Company and Mr. Vijay Singh Baid will remain the same."

Registered Office :

6-E, Laxmi Industrial Estate,
 New Link Road,
 Andheri (West),
 Mumbai - 400 053.
 Place : Mumbai.
 Date : 17th August, 1998.

By order of the Board of Directors
PIONEER EMBROIDERIES LIMITED

MANAK CHAND BAID
 MANAGING DIRECTOR

NOTES :

1. **A MEMBER ENTITLED TO ATTEND & 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 scheduled time for the meeting.
3. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item no.4 to 6 as set out above are enclosed herewith.
4. The Register of Members and Share Transfer books of the Company shall remain closed on Monday, 28th September, 1998 and Tuesday, 29th September, 1998.
5. 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.
6. Members are requested to bring their copies of the Annual Report and Accounts to the meeting.



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 4 :

Members are aware that Mr. Manak Chand Baid was appointed as Managing Director of the Company for a period of Five years from 24th May, 1993. Under the leadership of Mr. Manak Chand Baid, the Company has recorded all round growth in its business. The term of Mr. Manak Chand Baid as Managing Director has expired on 23rd May, 1998.

Subject to the approval of the shareholders and other approvals as may be required, the Board of Directors has at their meeting held on 29th May, 1998, appointed Mr. Manak Chand Baid as Managing Director for a period of five years commencing from 24th May, 1998 to 23rd May, 2003. The main terms and conditions of Mr. Manak Chand Baid's appointment are as under :

SALARY :

Rs. 20,000/- p.m. for the first year of tenure of his office and will be entitled for an increment of Rs.5,000/- p.m every year during the remaining tenure of his office.

PERQUISITES :

- a) He will be entitled to furnished / non furnished accommodation or house rent allowance, gas, electricity, medical reimbursement, leave travel concession for self and family, club fees, personal accident insurance, company maintained car, telephone and such other perquisites to be determined in accordance with the Income - tax Rules, 1962 being restricted to the amount equal to annual salary.
- b) Company's contribution towards provident fund and superannuation fund or annuity fund, gratuity payment as per company's rules and encashment of leave at the end of his tenure shall not be included in the computation of ceiling on remuneration and perquisites.

The appointment shall be for a period of five years which may be terminated by either party giving prior three months notice in writing.

The terms and conditions of Mr. Manak Chand Baid's appointment as set out above may also be treated as an abstract of the Agreement between Mr. Manak Chand Baid and the Company under Section 302 of the Companies Act, 1956.

The principle terms and conditions of Mr. Manak Chand Baid as Managing Director is set out in the Agreement referred to in the resolution at item no.4 of the notice on which his appointment is proposed is open for inspection at the Registered Office of the Company between 10:00 A.M. to 12:30 P.M. on any working day. Mr. Manak Chand Baid himself and Mr. Vijay Singh Baid being the relative of Mr. Manak Chand Baid shall be deemed to be interested or concerned in this resolution.

None of the other Directors are interested or concerned in this resolution.

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

ITEM NO.5 :

For carrying out the activities of the Company more efficiently the appointment of some more Directors at the Board is necessary. Mr. Hemant Kumar Sethia possesses wide and varied experience in the field of Corporate Management & Administration. The Board of Directors is of the opinion that Mr. Hemant Kumar Sethia with his vast knowledge would be a valuable asset to the Company. In view of his rich experience and to broad base the Board, it would be prudent to appoint him as Director of the Company. Mr. Hemant Kumar Sethia was appointed as Additional Director of the Company on 23rd April, 1998 and holds office as such upto the date of Sixth Annual General Meeting. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 for the candidature of Mr. Hemant Kumar Sethia for the office of Director. Mr. Hemant Kumar Sethia has consented to act as Director of the Company, if appointed.

None of the Directors are interested or concerned in this resolution.

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

ITEM NO.6 :

Mr. Vijay Singh Baid possesses wide and varied experience in the field of finance and embroidery business. The 12 Computerised Embroidery Machines and the Project of In House - Process House has started functioning during the current financial year. In view of the increasing activities and future expansion

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programmes, the Board of Directors of the Company are of the view to increase remuneration payable to Mr. Vijay Singh Baid, the Whole Time Director of the Company in terms of the Supplemental Agreement entered into between the Company and Mr. Vijay Singh Baid.

Subject to the approval of the shareholders and other approvals as may be required, the Board of Directors had at their meeting held on 17th August, 1998, increased the remuneration of Mr. Vijay Singh Baid for the remaining period of his tenure as the Whole- time Director of the Company. The main terms and conditions of Mr. Vijay Singh Baid's appointment are as under :

SALARY :

Rs. 18,000/- p.m. for the first year and will be entitled for an increment of Rs. 2000/- p.m. every year during the remaining period of his tenure as Whole- time Director of the Company.

There is no other changes in terms and conditions of the Agreement dated 25th October, 1996 entered between the Company and Mr. Vijay Singh Baid and which was passed in 4th Annual General meeting held on 15th November, 1996.

In compliance with the provisions of Sections 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the details of remuneration payable to Mr. Vijay Singh Baid are placed before this meeting for your approval by way of special resolution.

The principle terms and conditions of Mr. Vijay Singh Baid as Whole-time Director is set out in the Agreement referred to in the resolution at item no.6 of the notice on which his appointment is proposed is open for inspection at the registered office of the Company between 10:00 A.M. to 12:30 P.M. on any working day.

Mr. Vijay Singh Baid himself and Mr. Manak Chand Baid being the relative of Mr. Vijay Singh Baid shall be deemed to be interested or concerned in this resolution.

None of the other Directors are interested or concerned in this resolution.

Your Directors recommend the resolution set out in Item No.6 of the convening notice for adoption.

Registered Office :

6-E, Laxmi Industrial Estate,
New Link Road,
Andheri (West),
Mumbai - 400 053.
Place : Mumbai.
Date : 17th August, 1998.

By order of the Board of Directors
PIONEER EMBROIDERIES LIMITED

MANAK CHAND BAID
MANAGING DIRECTOR



DIRECTORS' REPORT TO THE MEMBERS

To,

The Members,

Your Directors have pleasure in presenting their 6th Annual Report together with the Audited Accounts for the year ended 31st March, 1998.

Financial Results:

(Rs. in Lacs.)

	1997-98	1996-97
I) Turnover -Domestic	1918.01	1440.42
-Export	210.02	176.37
II) Gross Profit before Financial Charges and Depreciation	332.59	263.45
III) Less : Financial Charges	73.23	71.28
IV) Operating Profit	259.36	192.17
V) Less : Depreciation	68.79	47.99
VI) Profit before tax	190.57	144.18
VII) Profit after tax	154.91	113.42
VIII) Add: Balance of Profit from previous year	443.14	329.72
IX) Balance carried to the Balance Sheet	598.05	443.14
X) Earning Per Share (Annualised) (Rs.)	3.45	2.61

OPERATIONS :

Your Company has successively for the Fifth year recorded substantial increase in Sales and improved its bottom lines. During the year under review, the Company achieved a Sales Turnover of Rs.2128.03 Lacs as against Rs.1616.79 Lacs in the previous year thereby registering a growth of 32%. The pre tax profit of the Company also registered a growth of 32% to Rs.190.57 Lacs. In spite of the facts that the year under review witnessed not a very encouraging recovery of the textile industry, the Company with its strategy of changed product mix, quality control and stringent cost control measures, has been able to achieve an impressive rise in turnover as well as profitability. Also, the internal accruals of the Company increased to Rs.296.66 Lacs (Previous Year Rs.242.25 Lacs)

DIVIDEND :

No dividend has been recommended as the Board has decided to plough back the profits of the Company for future expansion of the business. This undesirable decision is made mainly due to short sanction as well as delay in disbursement of the Term Loan sanctioned by Union Bank of India which has resulted in shortage of funds for the Company's expansion & diversification projects. To avoid delay in implementation and cost over run, the Board has decided in the interest of the Company to invest all the funds at its disposal for timely completion of the project. However, the Directors assure you that your hard earned money invested in the Company are in safe hands and will recommend dividend in the coming years.

FUTURE OUTLOOK :

Your Company's products are part & parcel of the fashion industry. In this industry, the taste of customers keep on changing. To survive in this rapidly changing environment, one has to develop new range of products to meet the ever changing taste of the customers. To capitalise on this front, the Company has strengthened its Product Development & Designing Team and utmost impetus is given for gradual improvement in both quality & quantity of the Company's products. Also the expansion project and the In House-Process House of the Company has started commercial production. This will improve the performance of the Company substantially in coming year.

The demand for Bobbin Lace products of the Company is rapidly increasing and existing capacity is unable to satisfy the growing demand. To take advantage of the same, the Company is planning to increase the capacity of the Bobbin Lace Unit in near future.

6th Annual Report 1997-98**EXPANSION AND MODERNISATION :**

The existing machines are regularly upgraded through rationalisation and modernisation to keep the production process economised and competitive. The Company has been successful in completing its expansion programmes in the scheduled time. The In House-Process House at Sarigam and Embroidery Project at Naroli has gone for commercial production and at present they are running at optimum level of capacity . The total Capital Expenditure incurred for In House-Process House and Embroidery Project was Rs.1064 Lacs. The manufacturing capacity is enhanced due to installation of 12 Fully Computerised Embroidery Machines to enlarge the product range. With the increase in the manufacturing capacity combined with the benefits of integrated In House-Process House, the Company foresees to grab a higher portion of the market share in future.

PREFERENTIAL ALLOTMENT OF EQUITY SHARES :

The Company has issued 16,50,000 Equity Shares of Rs.10/- each for cash at par aggregating Rs.165 Lacs on preferential basis to the Promoter-Directors, their Relatives & Associate Concerns on 28th February, 1998. The above mentioned shares have been duly listed on all the concerned Stock Exchanges.

EXPORTS :

In spite of recessionary situation prevailing all over the world and grim economic situation of South Asian countries (Producing major part of embroidery consumption like Korea, Thailand, Indonesia etc.), the Company has achieved a substantial 19% growth in export turnover. The Company has increased its export network and successfully tapped market for the products in the North American, Latin American, European and African countries. Moreover, concerted efforts are directed to further develop the export market by increasing the product portfolio.

The export trend in the current financial year is most encouraging and Company expects substantial jump, both in export turnover and profitability.

EXCISE :

The Finance Bill 1998 have made radical change in the compounded levy of excise duty payment on embroideries in piece, in strips or in motifs from Rs.30 to Rs.60 per meter length of machine per shift, which was rolled back at Rs.45 on the basis of presentation made by All India Embroidered Textiles Manufacturers' Association to the Finance Ministry. The Association has also recently made presentation of rationalisation of Excise Duty based on the production capacity of the machines .

FIXED DEPOSITS :

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

INSURANCE :

The assets of the company are adequately insured.

DIRECTORS :

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

AUDITORS :

M/s Bhutra, Agrawal & Associates, Chartered Accountants, Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible 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 disclosures to be made pursuant to the provisions of Section 217 (1) (e) of the Companies Act, 1956 are given in the annexure to this report and no particulars are given pursuant to Section 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 in the said Section.

ACKNOWLEDGEMENT :

Your Directors would like to express their thanks for the co-operation, assistance, support & guidance extended by the Financial Institutions, Bankers, Central & State Government, Local Authorities and other regulatory authorities. The Board places on record its appreciation for the valuable patronage, co-operation and goodwill received by it from customers, business associates and our most valued shareholders. Your Directors also express their appreciation for the devoted contribution made by the employees and the workers to the successful operations of the Company during the year.

For and on behalf of the Board of Directors

For **PIONEER EMBROIDERIES LIMITED**

Place :- Mumbai

Dated :- 17th August, 1998.

MANAK CHAND BAID

MANAGING DIRECTOR

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6th Annual Report 1997-98**ANNEXURE TO THE DIRECTORS' REPORT**

- I. Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31.03.1998.

A) CONSERVATION OF ENERGY :

The manufacturing process of the Company are not energy intensive, therefore impact of energy saving devices are insignificant.

B) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

The Company has not imported any technology at any time during the last five years except erection of modern technology based machines.

RESEARCH AND DEVELOPMENT :

- | | |
|---|---|
| a) Specific areas in which R & D has carried out by the Company | The Company has carried out R & D in the area of product development, capital reduction. |
| b) Benefit derived as a result of R & D. | Sales and quality of the product of the Company has improved substantially. |
| c) Future Plan of action | Company plans to strengthen its R & D activity and intensify its capital reduction programme. |
| d) <u>Expenditure on R & D</u> | Expenditure has been incurred but no separate account is kept. |
| i) Capital | |
| ii) Recurring | |
| iii) Total | |
| iv) Total R & D Expenditure as a Percentage of total turnover. | |

C) FOREIGN EXCHANGE EARNING AND OUTGO :

	(Rs. in Lacs)	
	1997-98	1996-97
Total Foreign Exchange Used (Payment basis)	27.63	12.98
Total Foreign Exchange Earned (Export Turnover)	210.02	176.37

II. PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) regarding employee is not submitted as none of the employees have drawn salary exceeding Rs.25,000 per month or Rs. 3,00,000 per annum.