

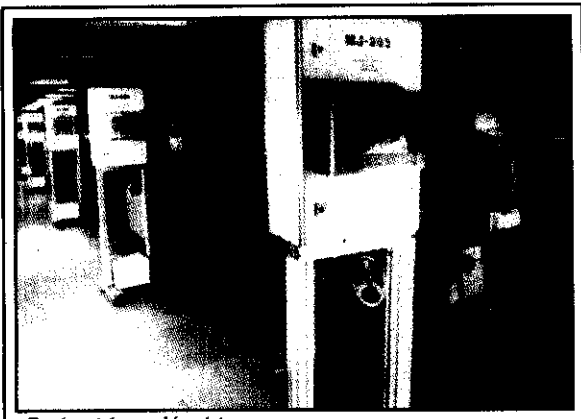
7th Annual Report 1998-1999

**PIONEER
EMBROIDERIES LTD.**

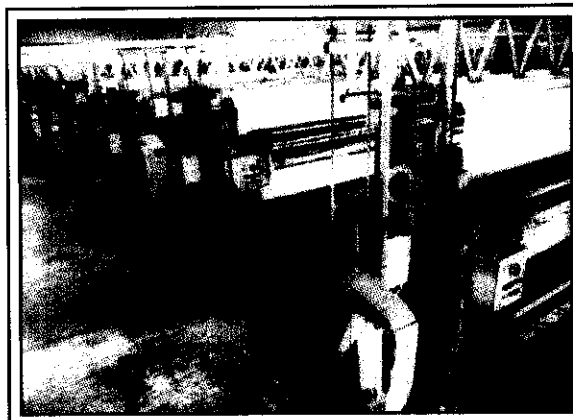


Regd. Office:
6-E, Laxmi Ind. Estate, New Link Road, Andheri (W), Mumbai - 400 053, India

Pioneer
EMBROIDERIES LIMITED
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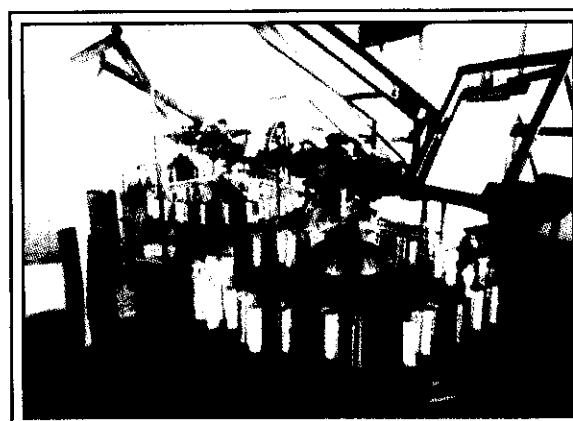
Embroidery Machines



Embroidery Machines



In-House dyeing & Finishing Unit



Torchon Lace Machines

BOARD OF DIRECTORS

Mr. RAJKUMAR SEKHANI
Mr. MANAK CHAND BAID
Mr. VIJAY SINGH BAID
Mr. HEMANT KUMAR SETHIA
Mr. T. A. N. DEVALKAR

Chairman
Managing Director
Whole-time Director
Director
Nominee Director – SICOM Limited

Regd. Office :	Sales Office :	Delhi Office :	Calcutta Office :	Ahmedabad Office :
6-E, Laxmi Ind. Estate, New Link Road, Andheri (West), Mumbai - 400 053.	Sukhadwala Bldg., 2nd Floor, 607, J. S. Sheth Road, Mumbai - 400 002.	4986, 1st Floor, Baratooti Sadar Bazaar, Delhi - 110 006.	14/2, 2nd Floor, Room No. 135, Old China Bazaar Str., Calcutta - 700 001.	42, Mahalaxmi Complex, Ghee Kanta Road, Ahmedabad - 380 001.

WORKS

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

Dadra Crochet Lace Unit
Ankur, Plot No.1,
Sheetal Industrial Estate,
Demni,
Dadra (U.T.).

**Naroli Embroidery
& Crochet Lace Unit**
Primer Ind. Estate,
Survey No. 678/1/2,
VIII. Naroli, Bhilad Naroli Rd.,
D & N Haveli (U.T.).

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

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.

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NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of PIONEER EMBROIDERIES LIMITED will be held on Thursday, 30th September, 1999 at 4:00 p.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, 1999 and the Profit and Loss Account for the year ended on that date and the Report of the Directors' and Auditors' thereon.
2. To discuss and adopt the proposal for declaration of dividend on ordinary shares for the financial year 31st March, 1999.
3. To appoint a Director in place of Mr. Manak Chand Baid who retires by rotation and being eligible offers himself for re-appointment.
4. 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 :

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

INCREASE IN BORROWING POWERS OF THE BOARD U/S 293(1)(d) OF THE COMPANIES ACT, 1956.

"RESOLVED THAT in modification of the resolution passed at the 5th Annual General Meeting of the Company held on 28th November, 1997, consent of the company pursuant to the provisions of Section 293(1)(d) and other applicable provisions 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 hereinafter constitute) to borrow from time to time such 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 time, shall not exceed the sum of Rs. 50.00 Crores (Rupees Fifty Crores Only)."

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

TO INCREASE THE POWERS OF THE BOARD OF DIRECTORS TO MORTGAGE / CREATE CHARGE U/S 293(1)(a) OF THE COMPANIES ACT, 1956.

"RESOLVED THAT in modification of the resolution passed at the 5th Annual General Meeting of the Company held on 28th November, 1997, 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 Board" which term shall be deemed to include any Committee which the Board may have constituted or may hereinafter constitute to exercise its powers conferred by this resolution) to mortgage and/or to create charge on such terms and conditions and at such time or times, in such form and manner as it 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 situated, present and/or future including the present and/or future properties, whether moveable or immoveable, 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 Development 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



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statute holding debenture 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.50.00 Crores (Rupees Fifty Crores Only) or the aggregate of the paid-up capital of the company and its free reserves (i.e. reserves not set apart for 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/letter of sanction/memorandum of terms and conditions/other documents (hereinafter 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 monies 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."

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

DEMATERIALISATION OF COMPANY'S EQUITY SHARES :

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions and which may be agreed to or accepted by the Board of Directors to join the depository system and to deal its Equity Shares in demate form on such terms and conditions as may be prescribed by law from time to time and that the Board of Directors be and is hereby authorised to do all such acts, things and deeds as may be necessary or proper to implement this resolution."

Registered Office :

6-E, Laxmi Industrial Estate,
New Link Road, Andheri (West),
Mumbai - 400 053.
Place : Mumbai.
Date : 16th August, 1999.

By order of the Board of Directors
For **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.**
- 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.
- The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item nos. 5 to 7 as set out above are enclosed herewith.
- The Register of Members and Share Transfer books of the Company shall remain closed on Tuesday, 28th September, 1999 to Thursday, 30th September, 1999 (both days inclusive).



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5. The Board of Directors of Pioneer Embroideries Limited at its meeting held on 16th August, 1999 has proposed a dividend of Rupee One per equity share for the financial year 1998-99.
6. We are arranging to print the details of your Bank Account on the Dividend Warrants thereby ensuring that all the proceeds of warrants are credited to your account only. We would therefore request you to send the following particulars at Registered Office of the Company, so as to reach us on or before 30th September, 1999:
 - a) Folio No. / Name(s) of the member(s).
 - b) Name of the Bank, Account No., Branch and Place with Pin Code No., where the account is maintained.
7. 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.
8. Members are requested to bring their copies of the Annual Report and Accounts to the meeting.
9. Shareholders seeking any information with regard to Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.





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ANNEXURE TO THE NOTICE

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

ITEM NO. 5: The Shareholders at the Extra-ordinary General Meeting held on 24th May, 1993 had approved and delegated borrowing powers to the Board of Directors upto a sum of not exceeding Rs. 10.00 Crores. The same powers were modified by the Shareholders in the Annual General Meeting held on 28th November, 1997 and the limit was raised to Rs. 20.00 crores from the existing Rs. 10.00 crores. But considering the total requirements of funds for future expansion and for the purpose of implementation of future projects, it is considered necessary and expedient to increase the borrowing powers of the Board of Directors from the present limits of Rs. 20.00 crores to Rs. 50.00 crores so that the Company can implement its future projects without any hinderence.

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 share 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 as set out in item no. 5 of the Notice, for adoption.

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

ITEM NO.6 : In the resolution as set out in item no. 5 of the Notice it has been proposed that the borrowing powers of the Board of Directors of the Company be increased from Rs. 20.00 crores to Rs. 50.00 crores. The loans to the extent of the increased borrowing powers 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 powers of the Board of 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.6 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 as set out in item no. 5 of the convening Notice i.e. Rs. 50.00 crores.

Your Directors recommended the resolution as set out in item no. 6 of the Notice, for adoption.

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

ITEM NO. 7 : Consequent upon the passing of the Depositories Act, 1996 the Company is in the process of making an application with appropriate authorities in respect of facilitating the functioning of the depository system pertaining to issue, holding and dealing in scripless shares in electronic mode. In the resolution as set out in the item no. 7 of the Notice, it has been proposed that the Board of Directors of the Company be hereby duly authorised to proceed to comply with relevant provisions of the Companies Act and other statutes as applicable and subject to such approvals, consents, provisions and sanctions as may be necessary from the appropriate authorities or bodies in respect of dematerialisation of equity shares. In view of this the shareholders will have an option to hold shares in physical form as at present or in a dematerialised form in depository by opening an account with any of the depository participants. On completion of the registration formalities, the Company will communicate salient features of this arrangement to the members.

Your Directors recommended the resolution as set out in item no. 7 of the Notice, for adoption.

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

Registered Office :

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

Place : Mumbai.

Date : 16th August, 1999.

By order of the Board of Directors
For **PIONEER EMBROIDERIES LIMITED**

MANAK CHAND BAID
Managing Director



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DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors are pleased to present their 7th Annual Report alongwith the Audited Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet and the Cash Flow Statement as at 31st March, 1999.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	1998-99	1997-98
1) Turnover – Domestic	2593.84	1939.06
– Export	216.39	210.01
2) Gross Profit before Financial Charges and Depreciation	560.86	332.59
3) Financial Charges	123.28	73.23
4) Operating Profit	437.58	259.36
5) Depreciation	136.86	68.79
6) Profit before tax	300.72	190.57
7) Provision for tax	30.00	30.00
8) Profit after tax	270.72	160.57
9) Income tax for earlier year	00.19	(5.65)
10) Net profit	270.91	154.92
11) Cash Accruals	434.47	298.07
12) Earning Per Share (Annualised) (Rs.)	4.52	3.45
Disposable Profits :		
1) Net Profit	270.91	154.92
2) Balance of net profit brought forward from previous year	598.05	443.13
3) Disposable Profits	868.96	598.05
Appropriations :		
1) Transfer to General Reserve	300.00	–
2) Proposed Dividend	59.97	–
3) Dividend Tax on Proposed Dividend	6.60	–
4) Balance of Profit carried forward to next year	502.39	598.05

OPERATIONS :

The year under review was not encouraging for the economy of the country as there was political instability coupled with the recessionary trend in the industry as a whole which affected the domestic as well as the international markets. During the year various economic sanctions were imposed on the country by few industrialised countries due to the nuclear test done by India. In spite of this, your Company has maintained its allround development. Sales, has increased by 30.77% from Rs. 2149.07 Lacs to Rs. 2810.23 Lacs. Profit before tax has increased by 57.80% from Rs. 190.57 Lacs to Rs. 300.72 Lacs and Profit after tax has increased by 74.88% from Rs. 154.92 Lacs to Rs. 270.91 Lacs.

DIVIDEND :

In view of increased profitability, your Directors are pleased to recommend a maiden dividend of Re. 1.00 per equity share on fully paid Equity Share Capital of Rs. 5,99,71,000 for the financial year 1998-99 to those shareholders whose name appears in the Register of Members as on last day of book closure. The quantum of dividend is Rs. 66.57 Lacs inclusive of dividend tax.



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FUTURE OUTLOOK :

Your Company seeks an opportunity to enter into the new millenium with its strong base of providing the best products at competitive rates to the fashion industry. The demands for your Company's products are increasing due to the various efforts of the management to develop new range of products and designs to meet the taste of customers, which keeps on changing as per the fashion prevailing in the market. The management keeps track of all these latest fashionable designs and thereby introduces them in the market before its other competitors at a very competitive rate and with best quality. The demand for Crochet Lace has also increased substantially. During the year Crochet Lace division achieved capacity utilisation of 102%. Seeing the manifold surge in demand of the Crochet Lace, the Company has expanded the capacity of Crochet Lace almost by 10 times.

EXPANSION :

Your Directors believe in long term development of the Company. After achieving 100% capacity utilisation of its existing capacity of its Crochet Lace division and also seeing the future outlook of the Crochet Lace in the fashion industry, the Company has decided to increase the capacity of Crochet Lace and imported the complete Crochet Lace Plant consisting of 364 used Crochet Lace machines and other auxiliary and ancilliary machines with total project cost of Rs. 420 Lacs. Futher, the Company has imported Advanced Computerised Design Making System which will be helpful for Computerised scanning, drawing, designing, editing as well as for punching of embroideries.

EXPORTS :

The overall export of the country remained in bad shape for the third year in succession. Also economic sanctions imposed by a few developed countries made the things more difficult. Even in this scenario your company managed to achieve the export turnover of Rs. 216.39 Lacs which is 3% more as compared to the previous year. The Company is vigorously pursuing to increase its export base of crochet lace and is confident of achieving good growth in export sales by exploring new untapped international markets in current year.

INFORMATION TECHNOLOGY :

The Company continued its focus on technological upgradation with a view to provide high quality products. The import of advanced computerised designing system will result in better designing and pattern making for its embroidery units. The system will help the company to reduce costs involved in stores & spares and time involved in traditional way of developing the designs alongwith tremendous improvement in product quality and better customer services.

The software and hardware of the company are fully Y2K compatible. The Company's production, sales and distribution and its accounting softwares will not be effected by year 2000 bugs and all activities of the Company will be carried out safely and smoothly. Your Company will enter the new millenium well equipped with the latest technology.

KARGIL ISSUE :

The staff of the Company have spontaneously and generously contributed their one-day salary to the National Defence Fund marking their gratitude towards the soldiers of the Indian Armed Forces who sacrificed their lives while protecting the Indian territory from Pakistani invaders.

FIXED DEPOSITS :

During the year under review the Company has not accepted any Deposits within the meaning of Section 58-A of the Companies (Acceptance of Deposits) Rules, 1975.

INSURANCE :

All the assets and properties of the company are adequately insured against the risk of fire and other risks.

DIRECTORS :

Mr. Manak Chand Baid is retiring by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. Mr. T. A. N. Devalkar of SICOM Limited was appointed as Nominee Director w.e.f. 13th July, 1999.