

11th Annual Report

Year 2002 - 2003



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Embroidery beyond your imagination.

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EMBROIDERIES LIMITED

... a stitch ahead of time



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BOARD OF DIRECTORS AND OTHER INFORMATION

Board of Directors

RAJ KUMAR SEKHANI	Executive Chairman
MANAK CHAND BAID	Managing Director
VIJAY SINGH BAID	Executive Director
HEMANT KUMAR SETHIA	Director
MAHESH SINGHI	Director
SURENDRA KUMAR DUGAR	Director
DEV RAJ MEHTA	Additional Director

CONTENTS

	Page
Notice	2
Director's Report	5
Corporate Governance Report	9
Management Discussion & Analysis Report	19
Auditor's Report	28
Balance Sheet	30
Profit & Loss Account	31
Schedules	32
Accounting Policies	38
Cash Flow Statement	43
Consolidated Accounts	45
Subsidiary Company	58
Attendance Slip & Proxy Form	Enclosed

Bankers

STATE BANK OF INDIA
UNION BANK OF INDIA

Statutory Auditors

Bhageria Naredi & Associates
Chartered Accountants

WORKS

Embroidery Plants:

- 1) At SARIGAM : 1638-1639, G.I.D.C. Sarigam, Dist. Valsad, Gujarat
- 2) At NAROLI : Primer Industrial Estate, Survey No.678/1/2, Village Naroli, Dadra & Nagar Haveli (U.T.)
- 3) At MUMBAI : Hakoba Compound, Western Express Highway, Borivali (East), Mumbai – 400 066.

Bobbin Lace Plants:

- 1) At DADRA : Ankur, Plot No. 1, Sheetal Industrial Estate, Demni, Dadra & Nagar Haveli (U.T.)
- 2) At NAROLI : Primer Industrial Estate, Survey No.678/1/2, Village Naroli, Dadra & Nagar Haveli (U.T.)
- 3) 100% EOU : Survey No. 150/4, Village Karad, Silvassa, Dadra & Nagar Haveli (U.T.)

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

OFFICES

Registered Office	: Hakoba Compound, Western Express Highway, Borivali (East), Mumbai – 400 066
Delhi Office	: 4986, Baratooti Sadar Bazar, 1 st Floor, Delhi – 110 006.
Kolkata Office	: 14/2, Old China Bazar Street, 2 nd Floor, Room No. 135, Kolkata – 700 001
Ahmedabad Office	: 42, Mahalaxmi Complex, Ghee Kanta Road, Ahmedabad – 380 001
Bangalore Office	: 37/115, 2 nd Main Road, Gangadara Layout, 2 nd Floor, Vijaya Nagar, Bangalore – 560 040.
Surat Office	: Adarsh Market – 2, Shop No. 546 & 547, Ring Road, Surat – 395 002
Mumbai Sales Office	: Godown No.1, Rajada Chawl No.2/4, Old Hanuman 2 nd Cross Road, Mumbai – 400 002
Telephone No.	: 91-22-5699 7888
Fax No.	: 91-22-2854 6819
Website	: www.pelhakoba.com
E-mail Address	: mumbai@pelhakoba.com
Listing	: Stock Exchanges at: Mumbai, Delhi, Kolkata, Ahmedabad
ISIN for dematerialisation	: INE156C01018
Share Transfer Agent	: INTIME SPECTRUM REGISTRY LIMITED C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup, Mumbai – 400 078.

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NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of PIONEER EMBROIDERIES LIMITED will be held on Tuesday, the 30th day of September, 2003 at 5:30 P.M. at Bandhan Basera, Krishna Nagar, Shanti Van, Opposite Sona Talkies, Near National Park, Borivali (East), Mumbai - 400066 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003, and the Profit and Loss Account for the year ended on that date and the Report of the Directors' and Auditors' thereon.
2. To declare Dividend on ordinary shares for the financial year ending on 31st March, 2003.
3. To appoint Director in place of Mr. Mahesh Singhi who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Director in place of Mr. Surendra Kumar Dugar who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

APPOINTMENT OF DIRECTOR

"RESOLVED THAT Mr. Dev Raj Mehta who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for appointment as a Director of the Company, be and is hereby appointed a Director of the Company liable to retire by rotation."

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

RE-APPOINTMENT & REMUNERATION OF MANAGING DIRECTOR:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, 314 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 3 years commencing from 24th May 2003 to 23rd May 2006, on the terms and conditions as set out in the agreement entered between the Company and Mr. Manak Chand Baid, a copy of which is initialed by the Executive Chairman for the purpose of identification and is placed before the meeting for approval."

Registered Office :
Hakoba Compound,
Western Express Highway, Borivali (East),
Mumbai - 400 066.

By order of the Board of Directors
For PIONEER EMBROIDERIES LIMITED

MANAK CHAND BAID
Managing Director

Place : Mumbai
Date : 18th June 2003



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NOTES :

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business under Item Nos. 6 & 7 is annexed herewith.
2. A member entitled to attend & vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member. Under the Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50,000. A proxy may not vote except on poll.
3. 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.
4. Members / proxies should bring duly filled Attendance Slips sent herewith for attending the meeting.
5. The Register of Members and Share Transfer Books will remain closed from 24th September 2003 to 30th September 2003 (both days inclusive).
6. Subject to the provisions of section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable to those Shareholders, whose names appear:
 - a) As beneficial owners, as on book closure date, as per list to be furnished by National Securities Depository Limited and Central Depository Services India Limited, in respect of the shares held in electronic form, and
 - b) As members in the Registers of Member of the company after giving effect to all valid shares transfers in physical form lodged with the company on or before book closure date.
7. Members whose shareholding are in the electronic mode are requested to direct change of address notifications and updations of Bank Accounts details to their respective Depository Participants.
8. The Shareholders / Investors are requested to send their request for transfers and dematerialisation of shares to our Share Transfer Agent – Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup, Mumbai – 400 078.
9. Members who are holding physical shares in identical names in more than one folio are requested to write to the Company's Share Transfer Agent enclosing their share certificate(s) for consolidation of their holding in one folio.
10. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of the Annual Report to the Meeting.
11. Shareholders seeking any information with regard to the Accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.

ANNEXURE TO THE NOTICE

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

ITEM NO. 6

The Board of Directors appointed Mr. Dev Raj Mehta an Additional Director of the Company on 30th January 2003. According to the provisions of section 260 of the Companies Act, 1956, he holds office as Director only up to the date of the ensuing Annual General Meeting. As per the requirement of section 257 of the Act, a notice has been received from member signifying his intention to propose appointment of Mr. Dev Raj Mehta as a Director along with a deposit of Rupees five hundred only. The Board considers it desirable that the Company should continue to avail itself of his services.

None of the Directors except Mr. Dev Raj Mehta are, in any way, concerned or interested in the said resolutions.

Your Directors recommend the resolution for approval of the members.



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ITEM NO. 7

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, 1998. 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 expired on 23rd May 2003. The Board of Directors feels that for the sake of continuity of the present management and for efficient running of the business of the Company, the services of Mr. Manak Chand Baid should be available to the Company.

Subject to the approval of the shareholders and other approvals, as may be required, and in terms of the provisions of the articles of association of the Company, the Board of Directors at their meeting held on 18th June 2003 and with the recommendation of Remuneration Committee, re-appointed Mr. Manak Chand Baid as a Managing Director for a further period of three years commencing from 24th May 2003 to 23rd May 2006. The main terms and conditions of Mr. Manak Chand Baid re-appointment are as under.

SALARY : Rs.50,000/- per month for the first year and will be entitled for an increment of Rs. 5,000/- per month every year during the remaining period of his tenure as Managing Director. All other terms and conditions of appointment and payment of remuneration of Shri Manak Chand Baid, except those relating to salary, as enumerated in clause 7, 8 (Part A, B, & C) of the Agreement dated 29th June, 1998, shall remain in force and not be altered or varied.

The Board of Directors of the Company are empowered to further vary, change, alter, and / or modify the Original Agreement by entering into or cause to be entered into any Supplementary Agreement and to number it distinctively as they may in their discretion think fit or expedient, and to give effect to change or revision in the limit or remuneration as may be laid down under Section 198, 309, read with Schedule XIII of the Companies Act, 1956, from time to time, subject to approval of the members, if any.

In compliance with section 309 of the Companies Act, 1956, the terms of remuneration specified above are now placed before the members for their approval and your Directors commend the acceptance of the resolution.

This statement should be treated as an abstract of the terms of the contract with Mr. Manak Chand Baid for the purpose of section 302 of the Companies Act, 1956.

Except Mr. Manak Chand Baid and Mr. Vijay Singh Baid none of the Directors is concerned or interested in the resolution.

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. 7 of the notice 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.

Registered Office :
Hakoba Compound,
Western Express Highway, Borivali (East),
Mumbai - 400 066.

By order of the Board of Directors
For PIONEER EMBROIDERIES LIMITED

Place : Mumbai
Date : 18th June 2003

MANAK CHAND BAID
Managing Director



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DIRECTORS' REPORT TO THE MEMBERS

To,
The Members
PIONEER EMBROIDERIES LIMITED

Your Directors have pleasure in presenting their Report on the business and operations of your Company for the year ended 31st March 2003.

FINANCIAL HIGHLIGHTS:

	For the Year ended 31st March 2003	(Rs. in lac) For the Year ended 31st March 2002
Turnover		
– Domestic	7500.74	5662.15
– Export	1097.99	1046.30
	8598.73	6708.45
Profit before Financial Charges, Depreciation & Tax	1500.25	1242.83
Financial Charges	345.02	339.67
Profit before depreciation and tax	1155.23	903.16
Depreciation	294.70	227.81
Profit before tax	860.53	675.35
Provision for tax for current year	55.00	40.00
Provision for deferred tax liability	29.01	5.14
Profit after tax	776.52	630.21
Income Tax for earlier year	6.02	—
Net profit	770.50	630.21
Cash Accruals	1121.14	869.32
Disposable Profit		
Net Profit	770.50	630.21
Balance of Profit brought forward from previous year	1451.52	1017.31
Disposable Profit	2222.02	1647.52
Appropriations		
Transfer to General Reserve	500.00	100.00
Proposed Dividend	108.00	96.00
Dividend Tax on Proposed Dividend	13.84	—
Balance of Profit carried forward to next year	1600.18	1451.52
Per share data		
Basic & diluted Earnings Per Share (Rs.)	12.84	10.50
Cash Earnings per share (Rs.)	18.69	14.49
Book Value per share (Rs.)	55.80	44.99

YEAR IN RETROSPECT

The financial year 2002-03 witnessed an impressive growth of over 28.18% in sales for the company. Your company did well to clock sales of Rs 8598.73 lac during the year, as against sales of Rs 6708.45 lac in the previous financial year. Profit before tax during the year was higher by 27.42%, at Rs 860.53 lac, compared to Rs 675.35 lac in the previous year. The net profit for the year, after providing for current tax and deferred tax liability, stood at Rs 770.50 lac, as against Rs 630.21 lac in the previous year, registering a growth of 22%

A review of the performance during the year is given under the section Management Discussion and Analysis Report.

EXPORTS

Exports of the Company during the year under review registered a growth of 4.94%, rising from Rs 1046.30 lac in the previous year to Rs 1097.99 lac. These direct exports were mainly to countries like USA, UAE, Middle East, Nigeria.



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DIVIDEND

Your Directors recommend a final dividend of Rs. 1.80 per share (18% on par value of Rs. 10/-), for the financial year 2002-2003 as against 16% dividend paid for the financial year 2001-02. The total amount of dividend including dividend tax of Rs 13.84 lac is Rs. 121.84 lac, as against Rs. 96 lac for the previous year. The payout ratio for the year under review is 15.81%.

CAPITAL EXPENDITURE

The company's expansion project of its embroidery division is in progress. Three machines have already been installed and are running at optimum level. Erection of two more machines has been completed and these will be put to commercial production by end of July 2003. Two more machines are being imported during the current financial year, installation of which will complete the expansion project. All these machines are technologically advanced, computerized embroidery machines, which would help the company to increase the production of higher value-added products. These machines have been installed at the manufacturing premises at Borivli, Mumbai, which was acquired by your Company when it took over the business of Fancy Corporation Limited during the previous financial year.

The total actual cost of the expansion is well within the estimated cost of Rs 2,650 lac.

The company has completed expansion of its bobbin lace division under 100% EOU at Village Karad in the Union Territory of Dadra & Nagar Haveli to give major thrust to the exports of bobbin lace by installing 86 computerized machines. The total cost of the expansion project was Rs 350 lac, which was funded through internal accruals of the company.

During the current year, two retail outlets under the Hakoba Brand have already been opened, one at Mahalaxmi and other at Mulund in the metro city, Mumbai.

SUBSIDIARY COMPANY

During the year under review, the Company has increased its holding in Salzer Textiles Limited, to 54.84% from 49.91% as on 31st Mar' 2002, by acquiring additional 564,900 equity shares, thus making it a subsidiary company.

The year under review was the first full year of operations of the subsidiary company, Salzer Textiles Limited, under the management of your Company. Salzer has reported a loss of Rs 195.28 lac on sales of Rs 601.80 lac during the year, which was primarily due to increased provision of depreciation of Rs 176.18 lac. The company has incurred cash loss of Rs 9.81 lac during the year under review as against cash profit of Rs 66.73 lac during previous 18 months period ended 31.3.2002.

The company has attached the profit and loss account, balance sheet, Directors' report and Auditors' Report of its subsidiary, Salzer Textiles Limited. The Consolidated Financial Statements of your Company and the subsidiary company as per Accounting Standard AS-21, also form part of this Report

FINANCE

During the year under review, the overall gross increase in long term borrowings of the company was Rs 898.85 lac mainly on account of its borrowing from Union Bank of India under TUFs, for expansion of the embroidery division. The company has repaid term loan of Rs 309.46 lac during the year under review. Total outstanding long-term borrowings on 31st Mar' 2003 was Rs 2,371.28 lac.

FIXED DEPOSITS

During the year under review, the Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and as such no amount of principal or interest was outstanding as on the Balance Sheet date.

CONTRIBUTION TO EXCHEQUER

Your company has contributed a sum of Rs. 464.33 lac to the exchequer by way of duties and taxes as compared to Rs.437.52 lac in 2001-02.

INFORMATION TECHNOLOGY

Your company has taken steps to streamline the internal processes across all departments in order to improve overall efficiency and also improve management information system. Increased usage of computer hardware and system software is being made to improve productivity and reducing time and costs involved in all processes. Your Directors are committed to expedite the process of integration and seamless flow of information across various functional departments, manufacturing facilities and offices, and are working towards implementation of enterprise wide software system.

HUMAN RESOURCE DEVELOPMENT

Your Directors are pleased to inform that industrial relations at all manufacturing and other places have remained amicable. Your company's policy to have favourable work environment enables it to attract and retain high caliber employees. In the districts where your Company's manufacturing units are located, it is one of the largest employers in the region.



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People are central to your Company's growth strategy, and all efforts are made to attract and retain the best talent in the industry. Our human resource policy is focussed on development of the skill set of the individuals, keeping the morale and performance level high, providing employees a platform for personal growth within the organisation, suitably recognizing and rewarding individual achievements, while combining all the above with the business needs of the Company.

PARTICULARS OF EMPLOYEES

None of the employees of the Company receives remuneration in excess of the limits as prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and hence no particulars are required to be given.

DIRECTORS

During the year, Mr. Kamal Choudhary was appointed as additional director on 30.10.2002 by the Board of Directors. He resigned from the directorship of the company w.e.f. 28.04.2003 due to his pre-occupation.

The Board of directors inducted Shri Dev Raj Mehta, F.I.E. & Chartered Engineer, as an additional director on the Board. His appointment requires the approval of members at the ensuing Annual General Meeting.

As per Article 153-154 of the Articles of Association, Mr. Mahesh Singhi and Mr. Surendra Kumar Dugar retire by rotation in the forthcoming Annual General Meeting. Both of them, being eligible, offers themselves for re-appointment.

DELISTING

A special resolution was passed by the shareholders of the company at the tenth annual general meeting to delist the shares of the company from Delhi and Ahmedabad Stock Exchanges. However, having regard to the present capital market conditions and relevant statutes, it is desirable and in the interest of the company not to delist the shares of the company from the said stock exchanges.

DEMATERIALISATION OF SHARES

The shares of the Company are compulsorily traded in dematerialized form and are available for trading under both the Depository Systems in India – National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

INSURANCE

All the insurable interests of your Company including inventories, buildings, plant and machinery are adequately insured against risk of fire and other risks.

ACCOUNTING STANDARDS AND CONSOLIDATED FINANCIAL STATEMENTS

With effect from 1st April 2001, a company, whose securities are listed on the Stock Exchanges, is compulsorily required to follow the Accountings Standards prescribed by the Institute of Chartered Accountants of India. As a consequence, the Company is obliged to make a provision for deferred taxation liabilities net of deferred tax assets in the accounts. In the year under review, the company has provided deferred tax liability of Rs 29.01 lac resulting in total outstanding deferred tax liability of Rs 86.04 lac as on 31.3.2003.

As required under Accounting Standard 21 consolidated financial statements of your company together with its subsidiary company incorporated in India are attached. These statements show the financial resources, assets, liabilities, income, profits and other details of the group as one single entity after elimination of minority interest, have been prepared on the basis of Accounting Standards currently prescribed in this regard and employ generally accepted accounting principles followed in India (Indian GAAP). As a group, the Pioneer group has a total sales of Rs. 90.14 crores and a profit after tax of Rs. 5.75 crores

AUDITORS

The auditors, Messers Bhageria Naredi & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

AUDITORS' REPORT

The Auditor's Report to the shareholders do not contain any qualifications.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- (i) In the preparation of the Annual Accounts for the year 2002-03, the applicable Accounting Standards have been followed and there are no material departures;
- (ii) The accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and



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prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the financial year;

- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Your company is of the firm view that effective Corporate Governance, which aims at business expansion while maximising both corporate and shareholder value, has become the key differentiating factor setting apart value-based corporations. Hence, your company has striven to adhere to certain standards of corporate behavior to ensure that the company is run in the best interests of the shareholders.

The discerning and demanding shareholders now seek greater and timely disclosures, transparent explanations for major decisions, credibility and accountability of management, and a higher return on their investments. The company acknowledges that only transparent communication can lead to higher market and brand valuations. There is a compulsion to strive for corporate excellence and improve standards of governance, while employing and managing shareholders' funds and other valuable resources in such a manner that meet the shareholders' aspirations and enhances shareholders' value.

A separate report on Corporate Governance is enclosed as a part of the Annual Report as Annexure III, giving the status of compliance regarding mandatory and non-mandatory clauses prescribed by the Listing Agreement.

The Management Discussion and Analysis Report forms a part of this report and is annexed hereto as Annexure IV

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are attached as Annexure I to this report.

ACKNOWLEDGMENTS

The Directors wish to gratefully thank and acknowledge the co-operation, assistance and support extended by the Central Government, the State Government, Financial institutions, Company's Bankers, customers, other business associates and shareholders. Your Directors also wish to place on record their appreciation for the all-round co-operation, hard work and contribution made by the employees at all levels to the continued growth and prosperity of the Company.

Your Directors wish for such continued support from all the above partners in the coming years also.

For and on behalf of the Board of Directors

Place : Mumbai.

Date : 18th June, 2003.

RAJ KUMAR SEKHANI

Executive Chairman

ANNEXURES 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 31.03.2003.

A) CONSERVATION OF ENERGY :

The manufacturing processes 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 & cost reduction.



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- b) Benefit derived as a result of R & D: Sales and quality of the products of the Company has improved substantially.
 - c) Future Plan of action: Company plans to strengthen its R & D activity and intensify its cost reduction programme.
 - d) Expenditure on R & D: 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 :

	2002-2003	(Rs. in Lac) 2001-2002
Total Foreign Exchange Used (Payment Basis)	686.94	548.28
Total Foreign Exchange Earned (Export Turnover)	1097.99	1046.30

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.2,00,000 per month or Rs. 24,00,000 per annum nor any employee was in receipt of remuneration in excess of that drawn by the Managing Director or whole-time Director during the financial year ended 31st March 2003.

III. CORPORATE GOVERNANCE REPORT

I. Company's Philosophy on Code of Corporate Governance

While the regulatory environment in the country has done well to have relevant structures, code and practices in place for ensuring better standards of corporate governance, we, at Pioneer, believe that compliance of the same should be both in letter and in spirit. Even before the framework was in place, your company has always imbibed the spirit of good governance in its corporate philosophy and has created an enabling environment for nurturing good management practices. Apart from efficiency and competitiveness, other traits like transparency, accountability and ethical values have come to dominate our corporate culture.

The Board of Directors at Pioneer is committed to ensure that the affairs of your company are governed in the best interests of the shareholders, and that all endeavors would be made to maintain transparency and fairness in all facets of its operations. Emphasis is on maintaining integrity of internal control systems and accountability and compliance with all statutory/ regulatory requirements. Your company is also conscious of its responsibility as a good Corporate Citizen, and assures that its' operations would be guided by ethics and social values. Moreover, efforts are made to have such values well-defined and explicit, and have them filter down from the top brass to the lower levels of the organisation. We acknowledge the fact that quality of governance is a critical success factor for brand building, resource mobilisation, market penetration and overall business competitiveness.

In accordance with clause 49 of the Listing Agreement with the domestic stock exchanges and best practices followed internationally on Corporate Governance, the details of compliance by the company are as under:

II. Board of Directors

At Pioneer, the roles and responsibilities of the Executive Chairman, Managing Director and other directors are well defined. The entire board critically examines, deliberates upon and then decides on all strategic issues relating to current operations and future growth of the company, with the full involvement of the non-Executive Independent Directors. In order to ensure continuous improvement in business competitiveness, the decision making process also draws upon the vast experience and expertise of the independent directors.

Composition and category of directors:

The company has an Executive Chairman and the number of Independent Directors (totaling 4) is more than one-half of the total number of directors (totaling 7) on the board. The number of non-Executive Directors (totaling 4) is more than 50% of the total number of Directors.