

12th Annual Report

2003-2004



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BOARD OF DIRECTORS AND OTHER INFORMATION**Board of Directors**

RAJ KUMAR SEKHANI	Executive Chairman
MANAK CHAND BAID	Managing Director
HEMANT KUMAR SETHIA	Director
MAHESH SINGHI	Director
SURENDRA KUMAR DUGAR	Director
DEV RAJ MEHTA	Director
AJAY KUMAR AGRAWAL	Additional Director
HARSH VARDHAN BASSI	Additional Director

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Bankers

STATE BANK OF INDIA
UNION BANK OF INDIA
ING VYSYA BANK LTD.

Statutory Auditors

Bhageria Naredi & Associates
Chartered Accountants

Works**Embroidery Plants:**

- 1) At SARIGAM : 1637, 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.
- 4) At COIMBATORE : Chinnamaddampalayam, Billichchi Village, Coimbatore 641 019

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) At KARAD : 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, 1st Floor, Delhi - 110 006.
- Kolkata Office : 14/2, Old China Bazar Street, 2nd Floor, Room No. 135, Kolkata - 700 001
- Ahmedabad Office : 42, Mahalaxmi Complex, Ghee Kanta Road, Ahmedabad - 380 001
- Bangalore Office : 37/115, 2nd Main Road, Gangadara Layout, 2nd 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 2nd Cross Road, Mumbai - 400 002
- Telephone No. : 91-22-5699 7888-93
- 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 (W), Mumbai - 400 078.

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NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of Pioneer Embroideries Limited will be held as per schedule given below:

Day and Date : Thursday, September 30, 2004
Time : 04:00 P.M.
Venue : Ajanta Party Hall, Sumer Nagar, Adjacent to Flyover, S.V. Road, Borivali (W), Mumbai - 400 092.

to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2004 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 2004.
3. To appoint Director in place of Mr. Raj Kumar Sekhani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Director in place of Mr. Hemant Kumar Sethia 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(s), the following resolution as an Ordinary Resolution:

Increase in Authorised Share Capital of the Company

"RESOLVED THAT pursuant to the provisions of section 94(1)(a) of the Companies Act, 1956, and other applicable provisions, if any, the authorised share capital of the company be and is hereby increased from Rs. 11,00,00,000/- (Rupees Eleven Crore only) divided into 1,10,00,000 (One Crore Ten lac) equity shares of Rs. 10/- (Rupees Ten only) each to Rs. 21,00,00,000/- (Rupees Twenty One Crore only) divided into 1,10,00,000 (One Crore Ten lac) equity shares of Rs. 10/- (Rupees Ten only) each and 10,00,000 (Ten Lac only) Preference Shares of Rs. 100/- each by creation of additional 10,00,000 (Ten Lac only) Preference Shares of Rs. 100/- each."

"RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company be deleted and the following new Clause be substituted in place thereof:

"V. The Authorised Share Capital of the company is Rs.21,00,00,000 (Rupees Twenty One crores only) divide into 1,10,00,000 equity shares of Rs. 10/- each and 10,00,000 Preference Shares of Rs. 100/- each with rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company for the time being with power to increase and reduce the capital of the Company and to divide the shares in capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956, or provided by the Articles of Association of the Company for the time being."

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

Amendment in the Articles of Association of the Company

"RESOLVED THAT pursuant to the provisions of section 31(1) of the Companies Act, 1956, the existing Article 3 of the Articles of Association of the Company be and is hereby deleted and the following Article 3 be substituted in place thereof :

"3. The Authorised Share Capital of the Company is Rs. 21,00,00,000 (Rupees Twenty One crores only) divided into 1,10,00,000 equity shares of Rs.10/- each and 10,00,000 Preference Shares of Rs.100/- each with power to increase, reduce or to divide the same into several classes and to attach thereto any right and to consolidate or sub-divide or re-organise the shares or otherwise alter its share capital from time to time subject to the provisions of the Companies Act, 1956."



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8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

Further Issue of Capital:

"RESOLVED THAT in accordance with the provisions of Section 80, 81 and all other applicable provisions if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing agreements entered into by the Company with the Stock Exchanges where the Company's shares are listed and subject to compliance of SEBI Guidelines, approval of consortium of bankers/financial institutions who have granted and/or sanctioned financial facilities to the Company, and such other approvals, permissions and consents as may be necessary and subject to the approval of the concerned authorities, if any, and to the extent necessary and such other approvals, permissions, sanctions, as may be required and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") and / or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board to offer / issue / allot Ordinary Equity Shares for an aggregate nominal amount not exceeding Rs. 4,00,00,000/- (Rupees Four Crores Only); at par or at premium as may be approved by the concerned authorities and may be considered appropriate by the Board and in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and Preference Shares of face value Rs. 100/- for an aggregate nominal amount not exceeding Rs. 10,00,00,000/- (Rupees Ten Crore only), whether cumulative or non-cumulative, redeemable whether at par or at premium or convertible, participatory or otherwise, out of the then authorised capital of the Company or to issue of Debentures, whether convertible or non-convertible bearing interest at such rate or rates as may be decided, to such person or persons, who may or may not be the shareholders of the company, as the Board or Committee may at its sole discretion decide, including one or more of the members, promoters, debentureholders, employees, non resident Indians, Banks, Financial Institutions, Foreign Institutions, Investment Institutions, Mutual Funds, Foreign Institutional Investors (FIIs), Corporate Bodies, Companies, Private or Public or other entities, in one or more combinations thereof, whether through public issue, right issue, preferential issue, private placement, conversion of loans or otherwise, in one or more tranches, in consultation with advisors or such persons and on such terms and conditions including the number of shares to be issued, terms and conditions relating to securities, date of redemption, rights of conversion into Equity Shares and matters incidental thereof as the Board or Committee thereof may in its absolute discretion think fit."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board / Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer / issue, allotment and utilisation of the proceeds and further to do all such acts, deeds, matters and things and to finalise and execute all documents and writing as may be necessary, proper, desirable or expedient as it may deem fit."

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution 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 10th Annual General Meeting of the Company held on 30th September, 2002, 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. 200.00 Crores (Rupees Two Hundred Crores Only)."

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



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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 10th Annual General Meeting of the Company held on 30th September, 2002, 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 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. 200.00 Crores (Rupees Two Hundred 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."

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

APPOINTMENT OF DIRECTOR

"RESOLVED THAT Mr. Ajay Kumar Agrawal 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."

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

APPOINTMENT OF DIRECTOR

"RESOLVED THAT Mr. Harsh Vardhan Bassi 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."

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13. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

Listing of Shares of the Company with National Stock Exchange

- "RESOLVED THAT in accordance with the provisions of the Companies Act, 1956 and other provisions and Acts, if any applicable, including any amendments thereto and subject to the consents, permission, sanctions and approvals, if any, as may be necessary from the members, Stock Exchanges and any other authorities from time to time and subject to the conditions as may be prescribed/made applicable for Listing of equity shares of the Company by Securities and Exchange Board of India (SEBI), Stock Exchanges and any other relevant authorities, the members do hereby accord their consent to make an application for Listing of Shares of the Company to the National Stock Exchange and also do hereby authorise the Board of Directors of the Company to do all such deeds, acts and complete all the formalities for Listing of equity shares with National Stock Exchange."

NOTES :

- The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect to the businesses under Item Nos. 6 to 13 is annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF 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.
- Proxy Forms duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the Meeting.
- Members are requested to affix their signature at the place provided on the Attendance Slip and hand over the slip at the entrance to the place of meeting for attending the Meeting.
- 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 Annual Report to the Meeting.
- 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:
 - 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
 - As members in the Registers of Members of the company after giving effect to all valid shares transfers in physical form lodged with the company on or before book closure date.
- The Register of Members and share transfer books of the Company will remain closed from 28th September 2004 to 30th September 2004 (both days inclusive).
- Members are requested to notify any change in their address to the Registrars of the Company.
- Claims on unclaimed dividend, if any, for the previous years shall be made to the Company or Share Transfer Agents.
- Members are requested to apply for consolidation of folios, in case their holding are maintained in multiple folios.
- 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.

Registered Office :

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

Place : Mumbai.

Date : 26th August 2004.

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

ARVIND BAJPAI
Company Secretary



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

As required by Section 173(2) of the Companies Act, 1956, the following explanatory statement set out, all material facts relating to the business mentioned under Item Nos. 6 to 13 of the accompanying Notice.

ITEM 6 & 7

The authorised share capital of the Company presently stands at Rs. 11,00,00,000/- divided into 1,10,00,000 equity shares of Rs.10/- each. With the growing expansion of the Company's business it is desirable to bring the authorised capital of the Company in proper co-relation with the magnitude of the Company's resources and size of its undertaking. It is, therefore, considered advisable to increase the authorised capital of the Company from Rs. 11,00,00,000/- to Rs. 21,00,00,000/- by creation of additional 10,00,000 preference shares of Rs. 100/- each with such terms and conditions as may be decided by the Board of Directors of the Company. The proposed increase of the authorised capital of the Company requires the approval of the members in general meeting. Consequent upon such increase in authorised capital of the Company and as per the provisions of Companies Act, 1956, the Memorandum and Articles of association will require alteration so as to reflect the increase in share capital. Copies of the Memorandum and Articles of Association of the Company are available for inspection by the Members at the Registered Office of the Company between 10:00 A.M. to 12:30 P.M. on any working days

Your Directors recommend the resolution for approval by the Members.

None of the Directors, in any way, concerned or interested in the said resolution.

ITEM 8

Your company is in the process of further expanding and strengthening its retail network of embroidered products under the Hakoba brand name, being set up through the wholly-owned subsidiary Hakoba Lifestyle Limited, and plans to cover several cities throughout the country. The Company also needs to expand its embroidery manufacturing capacities to cater to the expected product demand from the retail, wholesale and exports markets. In view of the above proposed investments, and also to fund other normal capital expenditure, long-term working capital, related diversification, strategic investments, etc., the Board of Directors consider it necessary to raise financial resources, at appropriate time(s) by issue of securities as stated in the resolution which would result in issuance of further shares of the Company. The Company, in consultation with appropriate authorities and advisors, will fix at the relevant time, the detailed terms of the issue. The resolution is an enabling resolution conferring authority on the Board to cover all present contingencies and corporate requirements.

Section 81 of the Companies Act, 1956 provides, inter alia, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 of the Companies Act, 1956 unless the shareholders in the General Meeting decide otherwise.

The Listing Agreement with the Stock Exchanges also provide, inter alia, that the Company in the first instance should offer all the shares and debentures to be issued for subscription on pro-rata to the equity shareholders unless the shareholders decide otherwise in a General Meeting.

Accordingly, consent of the Members is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with the various Stock Exchanges in India where the Company's shares are listed. The Directors, therefore, commend this resolution for approval of the Members.

None of the Directors is interested or concerned in the resolution, excepting the Directors who may be entitled to the securities that may be offered to them / Companies in which Directors are interested on right basis or otherwise and applied for and allotment to them.

ITEM 9

Under Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the Shareholders, borrow in excess of the aggregate of the paid-up Share Capital and free reserves of the Company. Presently, the Board of Directors are entitled to borrow upto Rs. 100.00 Crores. In order to enable the Board of Directors to meet with the requirement of funds for the Company's expansion and diversification plans, it is proposed that this limit be enhanced to Rs. 200.00 Crores.

Your Directors recommend the resolution as set out in Item No. 9 for adoption.

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

ITEM 10

Some of the borrowings of the Company are required to be secured by an appropriate mortgage or charge



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on the assets 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. 10 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. 9 of the convening Notice i.e. Rs. 200.00 crores.

Your Directors recommend the resolution as set out in Item No. 10 for adoption.

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

ITEM 11

Mr. Ajay Kumar Agrawal was appointed as an additional director with effect from 15th October 2003 by the Board of Directors. In terms of section 260 of the Companies Act, 1956 and Article 139 of the Article of Association of the Company, Mr. Ajay Kumar Agrawal holds office as a Director upto the date of ensuing Annual General Meeting of the Company and is eligible for appointment as a Director. The Company has received a notice under section 257 of the Companies Act, 1956, alongwith the deposit of Rs. 500 from a member proposing the candidature of Mr. Ajay Kumar Agrawal for the office of the Director.

The Board considers that his association as Director will be beneficial and in the interest of the Company. Further, brief details regarding the Directors getting appointed / re-appointed, their expertise in specific functional areas and the names of the Companies in which they hold directorship / committee membership are furnished in the 'Report on Corporate Governance' forming part of the Annual Report for the year ended 31st March 2004.

The Board recommends the resolution for approval of the members.

Except Mr. Ajay Kumar Agrawal, none of the Directors of the Company is concerned or interested in the said resolution.

ITEM 12

Mr. Harsh Vardhan Bassi was appointed as an additional director with effect from 10th December 2003 by the Board of Directors. In terms of section 260 of the Companies Act, 1956 and Article 139 of the Article of Association of the Company, Mr. Harsh Vardhan Bassi holds office as a Director upto the date of ensuing Annual General Meeting of the Company and is eligible for appointment as a Director. The Company has received a notice under section 257 of the Companies Act, 1956, alongwith the deposit of Rs. 500 from a member proposing the candidature of Mr. Harsh Vardhan Bassi for the office of the Director.

The Board considers that his association as Director will be beneficial and in the interest of the Company. Further, brief details regarding the Directors getting appointed / re-appointed, their expertise in specific functional areas and the names of the Companies in which they hold directorship / committee membership are furnished in the 'Report on Corporate Governance' forming part of the Annual Report for the year ended 31st March 2004.

The Board recommends the resolution for approval of the members.

Except Mr. Harsh Vardhan Bassi, none of the Directors of the Company is concerned or interested in the said resolution.

ITEM 13

Presently the shares of the Company are listed with the Stock Exchanges at Mumbai, Delhi, Ahmedabad and Calcutta. With the growing recognition of National Stock Exchange and for broadest access to investors, market depth and liquidity, visibility of the Company's securities and for the benefit of the investors, the Board of Directors of the your Company think it desirable to get the securities of the Company listed on the National Stock Exchange. The Company will make the application for the listing of shares of the Company with the National Stock Exchange after fulfilling the eligibility criteria for listing of shares with the said Exchange.

Your Directors recommend the resolution for approval by the Members.

None of the Director is concerned or interested in the resolution.

Registered Office :

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

Place : Mumbai.

Date : 26th August 2004.

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

ARVIND BAJPAI
Company Secretary

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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 2004.

FINANCIAL HIGHLIGHTS:

	(Rs. in Lac)	
	For the Year ended 31 st March 2004	For the Year ended 31 st March 2003
Turnover – Domestic	8530.73	7500.74
– Export	1342.99	1097.99
	9873.72	8598.73
Profit before Financial Charges, Depreciation & Tax	1821.03	1500.25
Financial Charges	533.29	345.02
Profit before depreciation and tax	1287.74	1155.23
Depreciation	469.77	294.70
Profit before tax	817.97	860.53
Provision for tax for current year	55.00	55.00
Provision for deferred tax liability	33.44	29.01
Profit after tax	729.53	776.52
Income Tax for earlier year	-	6.02
Net profit	729.53	770.50
Cash Accruals	1269.03	1121.14
Disposable Profits		
Net Profit	729.53	770.50
Balance of net profit brought forward from previous year	1600.18	1451.52
Disposable Profits	2329.72	2222.02
Appropriations		
Transfer to General Reserve	500.00	500.00
Proposed Dividend	123.73	108.00
Dividend Tax on Proposed Dividend	15.85	13.84
Balance of Profit carried forward to next year	1690.14	1600.18
Per share data		
Basic & diluted Earning Per Share (Rs.)	10.61	12.84
Cash Earning per share (Rs.)	18.46	18.69
Book Value per share (Rs.)	64.87	55.80

SCHEME OF ARRANGEMENT

Subsequent to the Amalgamation Order, dated January 15, 2004, of the Hon'ble High Court of Judicature at Bombay, under Sections 391 to 394 and other relevant provisions of the Companies Act, 1956, two group companies – Salzer Textiles Ltd. and J J Textiles Ltd., were merged with Pioneer Embroideries Ltd. (Pioneer). The appointed date for the merger was April 1, 2003. On the Amalgamation Order and other necessary documents being filed with Registrar of Companies, Maharashtra, Mumbai, the Scheme became effective from March 25, 2004.



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As per the Scheme of Amalgamation, Pioneer's holding in Salzer Textiles Ltd., at about 54.84% pre-merger, was cancelled. With a total of 873,684 equity shares of Pioneer to be allotted to erstwhile shareholders of Salzer Textiles Ltd. and J J Textiles Ltd., the equity of the Company would stand enhanced to Rs 687 lac, post-merger. Also, the Authorised Equity Share Capital of the Company stands increased from Rs 800 lac to Rs 1,100 lac on the Scheme becoming effective.

YEAR IN RETROSPECT

Due to the merger, figures for financial year 2003-04, which are for the merged entity, are not strictly comparable to the prior year figures, which were only for Pioneer.

The financial year 2003-04 saw the turnover of your Company nudge towards the Rs. one-bln mark. Gross sales stood at Rs 9,874 lac, up from Rs 8,599 lac, which the Company had achieved in the previous financial year on a stand alone basis.

Earnings before interest, depreciation, tax and amortisation for the period stood at Rs 1,857 lac, implying a margin of 18.81% on gross sales. With high interest costs (Rs 533 lac) and depreciation (Rs 470 lac), profit before tax for the Company stood at Rs 818 lac. The net profit for the year, after providing for current tax and deferred tax liability, stood at Rs 730 lac

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

EXPORTS

Direct exports during the financial year 2003-04 were at Rs 1,343 lac, constituting about 13.6% of the total sales. These were primarily to countries like Nigeria, UAE, US, Brazil, etc.

DIVIDEND

Your Directors recommend a final dividend of Rs. 1.80 per share (18% on par value of Rs. 10/-), for the financial year 2003-04, similar to that in the previous financial year, although the equity now stands enhanced to Rs 687 lac due to merger. The total amount of dividend, including dividend tax of Rs 16 lac, is Rs. 140 lac, as against Rs. 122 lac in the previous year, resulting in higher payout ratio of 19.1% (previous year: 15.8%).

CAPITAL EXPENDITURE

The Company's expansion project of its embroidery division at Borivali, Mumbai, was completed, with the addition of six new machines, giving a total capacity of about 1,280 mln stitches. Operations of all new machines have been stabilized during the year under review, and are available for optimum utilization.

The Company's embroidery installed capacity witnessed further addition on account of embroidery capacities of Salzer (934 mln stitches) and J J Textiles Ltd. (826 mln stitches), coming under its fold. Post-merger, post-expansion, gross block of your Company now stands at Rs 6,532 lac, and the Company's total embroidery capacity stands at approximately 3,360 mln stitches.

SUBSIDIARY COMPANY

As mentioned earlier, erstwhile Salzer Textiles Limited, in which your Company had 54.84% stake, was merged with the Company, and hence ceases to be a subsidiary.

Prior to merger, J J Textiles Ltd. had acquired a small, Pune-based, embroidery manufacturing company, Grant Apparel Pvt. Ltd. in FY2002-03, which has now become a wholly-owned subsidiary of the Company. For the year under review, Grant, which has a capacity of about 284 mln stitches, clocked sales of Rs 73 Lac and achieved a net Loss of Rs 38 lac.

During the year under review, Pioneer has set up a wholly-owned subsidiary, Hakoba Lifestyle Limited (HLL), to carry out the Group's initiative in the retail embroidery sector. HLL opened up eight retail franchisee outlets - four in Mumbai, and one each in Hyderabad, Ahmedabad, Indore and Coimbatore during the year. For the year under review, HLL clocked sales of Rs 426 Lac, on which HLL made an operational loss (loss before interest, depreciation, tax and amortisation) of Rs 64 Lac.

The Consolidated Financial Statements of the Company and the subsidiary companies, 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 517 lac, mainly on account of outside liabilities of merged companies getting consolidated with Pioneer, and the Company's own borrowings rising due to latest expansion in embroidery capacities. Total outstanding borrowings