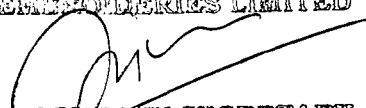
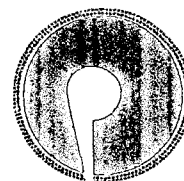


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16th Annual Report 2008

CERTIFIED TRUE COPY
For PIONEER EMBROIDERIES LIMITED


COMPANY SECRETARY



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BOARD OF DIRECTORS AND OTHER INFORMATION**BOARD OF DIRECTORS**

RAJ KUMAR SEKHANI	Chairman & Managing Director
HARSH VARDHAN BASSI	Executive Director
RAJEEV JAGDEESH PURI	Independent Professional Director
VARAD KHANNA	Independent Professional Director
VARUN KATHURIA	Independent Professional Director
SAMUEL JOSEPH JEBARAJ	Nominee of EXIM Bank

CONTENTS**Page**

Notice	2
Director's Report	4
Corporate Governance Report	9
Management Discussion & Analysis Report	17
Auditor's Report	22
Balance Sheet	26
Profit & Loss Account	27
Schedules	28
Accounting Policies	35
Cash Flow Statement	44
Statement pursuant to Section 212	45
Auditors Report on Consolidated Accounts	46
Consolidated Accounts & Notes	48
Consolidated Cash Flow Statement	64
Subsidiaries	65
Attendance Slip & Proxy Form	

BANKERS

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

COMPLIANCE OFFICER

N. K. JAIN

STATUTORY AUDITORS

BHAGERIA NAREDI & ASSOCIATES
Chartered Accountants
R. KABRA & CO.
Chartered Accountants

Works**Embroidery Plants:**

- 1) SARIGAM : 1637, 1639, G.I.D.C. Sarigam, Dist. Valsad, Gujarat
- 2) NAROLI : Primer Industrial Estate, Survey No.678/1/2, Village Naroli, Dadra & Nagar Haveli (U.T.)
- 3) THANE : Unit No.-1.Vimal House, Dhanji Udyog Nagar, Pankar Pada, Mira Road, Thane
- 4) COIMBATORE : Chinnamaddampalayam, Billichi Village, Coimbatore - 641 019
- 5) BANGALORE : Plot No.7, KIDAB Industrial Area, II Phase, Jigani, Anekal Tq, Bangalore - 562 106

Bobbin Lace Plants:

- 1) DADRA : Ankur, Plot No. 1, Sheetal Industrial Estate, Demni, Dadra & Nagar Haveli (U.T.)
 - 2) KARAD : Survey No. 150/4, Village Karad, Silvassa, Dadra & Nagar Haveli (U.T.)
 - 3) COIMBATORE : Chinnamaddampalayam, Billichi Village, Coimbatore - 641 019
- Process House : 1638, G.I.D.C., Sarigam, Dist. Valsad, Gujarat
- Dope Dyed Plant : Village-Kheri, Trilokpur Road, Kala-amb, Dist Sirmour, Himachal Pradesh - 173030

Offices

- Registered Office : Hakoba Compound, Western Express Highway, Borivali (East), Mumbai - 400 066.
- Corporate Office : Plot No. 27, T. T. C. Industrial Area, MIDC Mahape, Navi Mumbai, Thane 400 710
- Chennai Office : Kumbhat Complex, 29 & 30, Ralan Bazar, 3rd Floor, Chennai - 600 003
- Delhi Office : 4986, Baratooti Sadar Bazar, 1st Floor, Delhi - 110 006
- Manesar Office : Plot No. 18, Sector-4, IMT Manesar, Gurgaon, Haryana (122050)
- Jaipur Office : Plot No.1, Durga Vihar, Dalda Factory Road, Near Durgapur Bus Stand, Jaipur - 302 018
- Kolkata Office : 14/2, Old China Bazar Street, 2nd Floor, Room No. 135, Kolkata - 700 001
- Bangalore Office : 37/115, 2ndMain Road, Gangadara Layout, 2ndFloor,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 2ndCross Road, Mumbai - 400 002
- Telephone No. : 91-22-6699 7888, 6516 2951-52-53-54
- Fax No. : 91-22-2778 1592
- Website : www.pelhakoba.com
- E-mail Address : mumbai@pelhakoba.com
- Listing : Stock Exchanges at: Mumbai, Delhi, Kolkata and National Stock Exchange of India Ltd
- 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 Sixteenth Annual General Meeting of the Members of Pioneer Embroideries Limited will be held on Saturday, the December 27, 2008 at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai 400 095 at 9:30 A.M. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2008 and the Profit and Loss Account for the period ended on that date and the Report of the Directors' and Auditors' thereon.
2. To appoint Joint Auditors M/s Bhageria Naredi & Associates and M/s R. Kabra & Co. 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:

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

APPOINTMENT OF MR. VARAD KHANNA AS A DIRECTOR OF THE COMPANY

"RESOLVED THAT Mr. Varad Khanna who was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 7th July, 2008 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."

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

APPOINTMENT OF MR. VARUN KATHURIA AS A DIRECTOR OF THE COMPANY

"RESOLVED THAT Mr. Varun Kathuria who was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 8th September, 2008 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."

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

By Order of the Board of Directors
For PIONEER EMBROIDERIES LTD.

HARSH VARDHAN BASSI
Executive Director

Place: Mumbai
Date : 29th November, 2008

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect to the businesses under Item Nos.3 and 4 is annexed hereto.
2. 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.
3. Proxy Forms duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the Meeting.
4. 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.
5. Corporate Members intending to send their Authorised Representatives to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their Representative to attend and vote at the Meeting on their behalf.
6. 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.
7. In terms of the Notification issued by Securities and Exchange Board of India (SEBI), the Equity Shares of the Company are compulsorily traded in Electronic mode. Shareholders are requested to avail this facility and get their shareholding converted into Dematerialised form by sending the Dematerialisation Request Form (DRF) alongwith the Share Certificates through their Depository Participant (DP) to the Company's Registrar & Transfer Agent.

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8. The Register of Members and Share Transfer books of the Company will remain closed from December 24, 2008 to December 27, 2008 (both days inclusive).
9. Members wishing to claim Dividends of the previous years, which remain unclaimed, are requested to correspond with Mr. N. K. Jain, Compliance Officer, at the Company's Registered Office. Members are requested to note that Dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
11. Dividend for the Financial year March 31, 2002 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to Investor Education and Protection Fund (IEPF). Members who have not so far encashed Dividend Warrant(s) for the aforesaid years are requested to seek issue of Duplicate Warrants(s) by writing to the Company immediately. Members are requested to note that **NO CLAIMS** shall lie against the Company or IEPF in respect of any amounts that were unclaimed and unpaid for a period of 7 years from the dates they first became due for payment and no payment shall be made in respect of any such claims.
12. Members are requested to notify any change in their address to the Registrar & Transfer Agent of the company M/s. Intime Spectrum Registry Limited.
13. Members are requested to apply for consolidation of folios, in case their holdings are maintained in multiple folios.
14. 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.

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 the Item Nos. 3 and 4 of the accompanying Notice.

Item 3 and 4

Mr. Varad Khanna was appointed as an additional director with effect from July, 7, 2008 and Mr. Varun Kathuria was appointed as an Additional Director with effect from 8th September, 2008 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. Varad Khanna and Mr. Varun Kathuria's office as Director expires on the date of ensuing Annual General Meeting of the Company and is eligible for appointment as a Director. They shall be a Non executive - Independent Professional Directors on the Board of the Company.

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. Varad Khanna and Mr. Varun Kathuria for the office of the Director.

The Board considers that their association as Directors will be beneficial and in the best interests of the Company.

Save and except Mr. Varad Khanna and Mr. Varun Kathuria, none of the other Directors of the Company is, in any way, concerned or interested in the Resolutions set out at Item No. 3 and 4 of the Notice.

The Board commends the Resolution set out at Item No. 3 and 4 of the Notice for your approval.

A brief resume of Mr. Varad Khanna and Mr. Varun Kathuria, nature of his expertise and names of Companies in which they hold directorship and membership/ chairmanship of the Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange(s), is provided in the Report on Corporate Governance forming part of the Annual Report.

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

Place: Mumbai
Date: 29th November, 2008

By Order of the Board of Directors
For **PIONEER EMBROIDERIES LTD.**

HARSH VARDHAN BASSI
Executive Director

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DIRECTOR'S REPORT TO THE MEMBERS

To,
The Members,
PIONEER EMBROIDERIES LIMITED

Your Directors present their Sixteenth Report on the business and operations of your Company for the 18 months period ended 30th September, 2008.

FINANCIAL HIGHLIGHTS:

	For the 18 months period ended 30th September 2008	(Rs. in Lac) For the Year ended 31st March 2007
Turnover - Domestic	22,720.07	13,868.28
- Export	1,771.86	1,221.21
Total	24,491.93	15,089.49
Profit/(Loss) before Financial Charges, Depreciation & Tax	(2,058.69)	3,235.04
Financial Charges	2,387.51	992.64
Profit/(Loss) before depreciation and tax	(4,446.20)	2,242.40
Depreciation	1,461.44	724.42
Profit/(Loss) before tax	(5,907.64)	1,517.98
Provision for tax for current period	-	100.00
Provision for deferred tax liability	183.70	160.72
Provision for Fringe Benefit Tax	20.00	9.60
Profit/(Loss) after tax	(6,111.34)	1,247.66
Income Tax for earlier period	57.64	(73.48)
Net Profit/(Loss)	(6,168.98)	1,321.14
Balance of net profit brought forward from previous period	2,878.24	2,264.43
Disposable Profits/(Loss)	(3,290.74)	3,585.57
Appropriations		
Transfer to/from General Reserve	2,804.43	500.00
Proposed Dividend	-	177.21
Dividend Tax on Proposed Dividend	-	30.12
Balance of Profit/(Loss) carried forward	(486.31)	2,878.24
Per share data		
Basic Earning Per Share (Rs.)	(51.92)	11.34
Book Value per share (Rs.)	22.64	68.79

PERIOD IN RETROSPECT

Profit before interest, depreciation, tax and exceptional items for the period stood at Rs. 2,520 lacs. However, with high interest cost, depreciation and write offs loss before tax for the Company stood at Rs. 5,908 lacs and loss after providing tax, stood at Rs. 6,169 lacs.

The internal and external factors responsible for the losses are :

- High raw materials prices of Polymer chips & Cotton.
- Increase in interest cost and depreciation on account of huge expansion / acquisitions.
- Rupee appreciation affected the export orders, resulting in lower sales from embroidery fabrics to export houses.
- Overall margin pressure as prevalent in Indian Textile Industry.
- Production loss on relocation of Borivli (Mumbai) Embroidery plant to Sarigam, Gujarat factory.
- Identification of non-moving / slow moving stocks during the restructuring process valued at less than cost price considering depressed market conditions.
- Bad debts written off Rs. 3162 lacs pertaining to subsidiary company, Hakoba Lifestyle Ltd.
- Provisioning of doubtful debts and advances of Rs. 1081 lacs.

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

RESTRUCTURING SCHEME

Faced with a significant Asset Liability mismatch and running into severe liquidity crunch, your Company has submitted a restructuring scheme to Corporate Debt Restructuring (CDR) Cell with the support of majority of lenders to seek a comprehensive financial restructuring package to enable it to correct its working capital position and to re-schedule its term debts in line with potential earnings.

The scheme was admitted at CDR-EG meeting held on 22nd October, 2008. State Bank of India, Monitoring Institution is in the process of preparing the final restructuring package of the Company.

The Company has initiated exhaustive operational restructuring to revive its operations and profitability. The key problem areas are being addressed and to retain its focus to bring its business back to sound financial health. The Company has deployed new management team and has also engaged Distress Assets Resolution specialists, Brescon Corporate Advisors Limited to study the Company's current status and suggest a plan to restructure and reorient itself and streamline its operations.

The operation of its unit located at Bangalore, a prime property could be shifted to other units in the consolidation process. For Borivli property, the Company has entered into a Joint Development Agreement with a renowned Mumbai based builder Sunteck Realty Limited for development of the property. Under the agreement the Company has already received a sum of Rs.650 lacs and will get 37.50% of the built up area in the property. Monetisation of these assets in turn is expected to help its core businesses and repayment of financial borrowings.

Your Directors are hopeful to ramp up production in most units to their optimal capacity and revival of its operational plan upon the sanction of the above scheme.

CAPITAL

The Company had issued 45,00,000 Share Warrants, out of which 1,70,000 Share Warrants had been converted into 1,70,000 Equity Shares as per the terms of issue. The balance Share Warrant holders have not exercised their option for conversion of warrants into equity shares and the same has been forfeited by the Company and advance money received of Rs.441.66 lacs has been credited to Capital Reserve.

The Company has allotted 3,94,356 equity shares on 29th January, 2008 to Lehman Brothers International Europe, consequent to the conversion of 2000 Foreign Currency Convertible Bonds of USD 1000 per bond in to Equity Shares. The said shares are listed on BSE and NSE.

LISTING

The Equity Shares of the Company are listed with the BSE, NSE, Delhi and Kolkata. The Company has applied for delisting the Company's Equity Shares from the Stock Exchanges at Delhi and Kolkata and yet to receive the permission for delisting from these Stock Exchanges.

The Company has paid the listing fees for the period to all the stock exchanges where the shares of the Company are listed.

DIVIDEND

In view of losses, the Directors have not recommended any dividend for the period ended 30th September, 2008.

CAPITAL EXPENDITURE

In view of the prevalent market conditions, the Company has reviewed its second phase expansion of Dope Dyed yarn plant at KalaAmb, Himachal Pradesh and restricted itself to a marginal capacity increase, but with value adding equipments like Twisting, Texturising and Doubling with an investment of Rs.3,209 lacs.

SUBSIDIARY COMPANIES

The gross sales of the Hakoba Lifestyle Limited in current period increased to Rs.5236 lacs from Rs.4007 lacs as compared to previous year. Loss after tax stood at Rs.4039 lacs as compared to a profit of Rs.90 lacs during previous year.

The gross sales of Mas Embroideries Private Limited in current year ended 31st March, 2008 decreased to Rs.170 lacs from Rs.186 lacs as compared to previous year. The Company has incurred a net loss of Rs.7 lacs as compared to net loss of Rs.27 lacs in previous year.

Pioneer Realty Ltd. had no activity during the period.

S.R Investments Limited has investment holding as a principal activity and has incurred net loss of Rs.6 lacs excluding service charges payable to the Company.

The Balance Sheet, Profit and Loss Account, Auditor's Report and Director's Report of its subsidiaries, Hakoba Lifestyle Limited, Mas Embroideries Private Limited, and Pioneer Realty Limited has been attached.

The statement of subsidiaries pursuant to section 212 of the Companies Act, 1956 is attached and forms part of this report.

RETAIL

Hakoba Lifestyle Limited, a subsidiary of your Company, is in retail business with the well known Brand name "Hakoba". During the period under

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review, Hakoba's business was seriously affected due to certain high value projects undertaken to enlarge its operations failed to materialise. This resulted in severe working capital shortage, due to which the merchandise did not reach the stores on time thereby losing sales and profits.

Hence, your Company could not proceed with opening new outlets as planned during the period. The Company is in the process of revamping the retail business by closing non-profitable stores and opening fewer profitable outlets. Presently, Hakoba is operating 62 stores with a mix of franchisee and company run stores.

DEPOSITORY SYSTEM

The trading in the equity shares of your Company are under compulsory dematerialisation mode. Till date, shares representing 92% of the share capital are in dematerialised form. As the Depository System offers numerous advantages, Members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

FIXED DEPOSITS

During the period 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.

SAFETY, HEALTH & ENVIRONMENT

No efforts have been spared to ensure safety in the operation of the Plants, promote health and protect the environment. The health of the Employees is being continuously monitored and environment improvement measures in and around the Plant area have been given due care and attention.

HUMAN RESOURCE

The Company takes pride in the commitment, competence and dedication shown by its employees in all areas of businesses. The Company takes various HR initiatives to align the HR policy to the growing requirements of business.

Technical and safety training programmes are given priority

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the particulars of employees are set out in annexure to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act read with the Clause 32 of the Listing Agreement, the Annual Report excluding the aforesaid information is being sent to all the members. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office at the Company.

DIRECTORS

During the period under review, Mr. Varad Khanna was inducted on the Board as Additional Director w.e.f. 7th July, 2008 and Mr. Varun Kathuria was inducted on the Board w.e.f. 8th September, 2008. As per the provisions of Companies Act, 1956 and those contained in the Articles of Association of the Company, their appointment as the Directors of the Company requires the approval of shareholders at the ensuing Annual General Meeting of the Company.

During the period under review the Export Import Bank of India (EXIM Bank) has nominated Mr. Samuel Joseph Jebaraj as Director of the Company w.e.f. 8th September, 2008.

Mr. Babulal Choraria, Mr. Dev Raj Mehta and Mr. Mahendra Sekhani have resigned as Directors of the Company w.e.f. 11th October, 2007, 7th July, 2008 and 8th September, 2008 respectively. The Board appreciates the services rendered by them during their tenure of office as Directors.

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

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 tax liability net of deferred tax asset in the accounts. In the period under review, the Company has provided deferred tax liability of Rs.183.70 lacs, and the total outstanding deferred tax liability as on 30th September, 2008 stood at Rs. 93.50 lacs.

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statement read with Accounting Standard AS-27 on Financial Reporting of Interest in Joint Venture, your Directors provide the Audited Consolidated Financial Statements in the Annual Report.

AUDITORS

M/s Bhageria Naredi & Associates and M/s R. Kabra & Co., are to be appointed as a Joint 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.

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AUDITOR'S REPORT

The Auditor's Report to the shareholders is self-explanatory and qualifications, wherever stated by auditors, have been either explained in notes to accounts and are also self-explanatory.

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 period 2007-08, the applicable Accounting Standards have been followed except otherwise stated in notes to Accounts and Accounting Policies;
- (ii) The accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial period and of the loss of the Company for the financial period;
- (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

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance with Auditors Certificate on Compliance with the conditions of Corporate Governance and a Management Discussion & Analysis Report has been attached to form part of the Annual Report.

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.

ACKNOWLEDGEMENT

The Management of your Company is grateful to the Government authorities, Shareholders, Valued Customers, Company's Bankers, Financial Institutions, Raw Material Suppliers, and other Business Associates for their continued support and co-operation.

The Directors also wish to place on record their appreciation of the co-operation, active involvement and dedication of the employees, which enabled the Management to contribute to the growth of your Company.

For and on behalf of the Board of Directors

Place : Mumbai.
Date : 29th November, 2008.

RAJ KUMAR SEKHANI
Chairman

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**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 period ended 30.09.2008.

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. |
| 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 :

(Rs. in lacs)

	2007-08	2006-07
Total Foreign Exchange Used (Payment Basis)	3,896.11	1,950.59
Total Foreign Exchange Earned (Export Turnover)	2,329.26	1,209.85

For and on behalf of the Board of Directors

Place : Mumbai
Date : 29th November, 2008.

RAJ KUMAR SEKHANI
Chairman

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CORPORATE GOVERNANCE REPORT**1. Company's Philosophy on 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:

2. Board of Directors

The Board of the Company comprises six Directors, out of which two are Executive Directors, three are Independent Non-Executive Directors and one is Non-Executive Director. The Non-Executive Directors of the Company are highly experienced professionals in their fields and in the corporate world. The Board is headed by Executive Chairman.

The Composition of Directors on the Board of the Company is as under:

Category	No. of Directors
Executive Directors	2
Non-Executive Independent Directors	3
Non-Executive Director (Nominee of EXIM Bank)	1
Total	6

The Category of Directors on the Board of the Company is as under:

Name of the Director	Category	No. of other Directorships@	No. of Board Committee in which Director is@@	
			Member	Chairman
Mr. Raj Kumar Sekhani	Executive Chairman & Promoter	4	Nil	1
Mr. Harsh Vardhan Bassi	Executive Director	3	1	Nil
Mr. Mahendra Sekhani*	Independent Non-Executive Director	3	Nil	Nil
Mr. Dev Raj Mehta**	Non-Executive Independent Director	Nil	Nil	Nil
Mr. Babulal Chordia***	Non-Executive Independent Director	Nil	Nil	Nil
Mr. Rajeev Jagdeesh Puri	Independent Non-Executive Director	1	1	Nil
Mr. Varad Khanna****	Independent Non-Executive Director	1	1	1
Mr. Varun Kathuria*****	Independent Non-Executive Director	Nil	1	Nil
Mr. Samuel Joseph Jebaraj*****	Independent Non-Executive Director	1	Nil	Nil

* Resigned w.e.f. 08.09.2008

** Resigned w.e.f. 07.07.2008

*** Resigned w.e.f. 11.10.2007

**** Appointed w.e.f. 07.07.2008

***** Appointed w.e.f. 08.09.2008

***** Appointed w.e.f. 08.09.2008 (Nominee of EXIM Bank)

@ Does not include Directorships in Private Companies

@@As per Clause 49 of the Listing Agreement, only Membership in Audit Committee / Shareholders Grievance Committee is taken into consideration.

None of the Directors of the Company holds membership of more than 10 Board Committees or holds Chairmanships of more than 5 Board Committees