

BOARD OF DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

RAJ KUMAR SEKHANI	Chairman & Managing Director
HARSH VARDHAN BASSI	Executive Director
ANAND KUMAR JAIN	Independent Professional Director
SAMUEL JOSEPH JEBARAJ	Nominee of EXIM Bank

CONTENTS

Page

Notice	2
Director's Report	7
Corporate Governance Report	13
Management Discussions & Analysis Report.....	21
Auditor's Report	24
Balance Sheet	28
Profit & Loss Account	29
Schedules	30
Accounting Policies	37
Cash Flow Statement	48
Auditors Report on Consolidated Accounts	49
Consolidated Accounts & Notes	52
Consolidated Cash Flow Statement	64
Subsidiaries	65
Attendance Slip & Proxy Form	

BANKERS

STATE BANK OF INDIA
UNION BANK OF INDIA

COMPLIANCE OFFICER

N. K. JAIN

STATUTORY AUDITORS

M B A H & CO
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

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 -173 030

Offices

- Registered Office : Unit No, 101B, 1st Floor, Abishek Premises, Plot No. C5-6, Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058
- Corporate Office : 318, 3rd Floor, Linkway Estate, New Link Road, Chincholi Bunder, Malad (West), Mumbai - 400 064
- 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 -122 050
- 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, 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- 42232323
- Fax No. : 91-22- 42232313
- Website : www.pelhakoba.com
- E-mail Address : mumbai@pelhakoba.com
- Listing : Stock Exchanges : Bombay Stock Exchange and National Stock Exchange of India Ltd.
- ISIN for Dematerialisation : INE156C01018
- Share Transfer Agent : LINK INTIME INDIA PRIVATE LIMITED
C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West), Mumbai - 400 078

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Pioneer Embroideries Limited will be held on **Tuesday, the 28th September, 2010** at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai 400095 at **9:30 A.M.** to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 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 a Director in place of Mr. Anand Kumar Jain, who retires from office by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the said Act as amended up-to-date and subject to approval of Central Government, if required, consent and approval be and is hereby accorded to the re-appointment of and the remuneration being paid or provided to Mr. Harsh Vardhan Bassi as Executive Director of the Company for a period of three years with effect from 29th October, 2010 at a remuneration of Rs. 2,20,000/- per month and perquisites and on such other terms and conditions as set out in draft letter, a copy whereof initialed by Mr. Raj Kumar Sekhani, Chairman of the Company, for the purpose of identification has been placed before this Meeting, which draft letter is hereby specifically approved."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration to the extent the Board of Directors may consider appropriate and as may be permitted or authorised in accordance with any provision under the Act for the time being in force provided, however, that the remuneration payable to Mr. Harsh Vardhan Bassi shall be within the limits set out in the said Act including the said Schedule XIII to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and / or any rules or regulations framed thereunder and the terms of the aforesaid Letter shall be suitably modified to give effect to such variation or increase as the case may be."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of Mr. Harsh Vardhan Bassi as Executive Director, the remuneration set out in the aforesaid draft letter be paid or granted to Mr. Harsh Vardhan Bassi as minimum remuneration provided that the total remuneration by way of salary and other allowances shall not exceed the ceiling provided in Section II of Part II of Schedule XIII to the said Act or such other amount as may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof".

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

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force and the provisions in the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the stock exchanges, where the shares of the Company are listed, Guidelines of preferential issue contained in Chapter VII of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009, as may be modified or re-enacted from time to time (hereinafter referred as "ICDR Regulations") the applicable rules, notifications, guidelines issued by Government of India, Reserve Bank of India, provisions of Foreign Exchange Management Act, 1999 and subject to the approvals, permissions, sanctions and consents as may be necessary from the regulatory and other appropriate authorities and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee of the Board authorized to exercise the powers of the Board) or as may be prescribed under applicable laws or imposed by regulatory and other appropriate authorities (including but not limited to SEBI), while granting such approvals, permissions, sanctions and consents, which may be agreed to by the Board, consent of the Company be and is hereby accorded to the Board to offer, issue and allot 3,80,645 Equity shares of Rs. 10/- each for cash at a price of Rs. 31/- per share (including a premium of Rs. 21/- per share) aggregating to Rs. 1.18 Crores to Archana Salil Maroo, Salil Mahesh Maroo HUF and Salil Mahesh Maroo in one or more combinations thereof, whether they are members of the Company or not, on the basis of preferential allotment/private placement and in such manner and on such other terms and conditions as the Board may in its absolute discretion think fit.

RESOLVED FURTHER THAT the "Relevant Date" as per Regulation 71(a) for the pricing of equity shares to be allotted as per ICDR Regulations will be 29th August, 2010 being the date 30 days prior to the date on which the meeting of the shareholders is held to consider the preferential issue.

RESOLVED FURTHER THAT the equity shares to be issued and allotted shall rank pari passu including to dividend with the then existing equity shares of the Company in all respects and be listed on the stock exchanges where the Equity shares of the Company are listed.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution(s), the Board be and is hereby authorized on behalf of the Company to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable for such purpose and to modify, accept and give effect to any modifications in the terms and conditions of the issue or in the above proposal as may be suggested by the statutory, regulatory and other appropriate authorities (including but not limited to SEBI and as may be

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agreed by the Board and to settle all questions, difficulties or doubts that may arise in the proposed issue, pricing of the issue, offer and allotment of the said equity shares, including utilization of the issue proceeds and to execute all such deeds, documents, writings, agreements, applications in connection with the proposed issue as the Board may in its absolute discretion deem necessary or desirable without being required to seek any further consent or approval of the members or otherwise with the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors to give effect to this resolution.”

Registered Office

Unit No, 101B, 1st Floor,
Abhishek Premises,
Plot No. C5-6, Dalia Industrial Estate,
Off. New Link Road,
Andheri West, Mumbai - 400 058

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

N K JAIN
CFO and Company Secretary

Place: Mumbai

Date : 27th August, 2010

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect to the businesses under Item Nos.4 & 5 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. PROXY FORMS DULY COMPLETED AND SIGNED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE MEETING.
3. 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.
4. 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.
5. 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.
6. 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.
7. The Register of Members and Share Transfer books of the Company will remain closed from September 24, 2010 to September 28, 2010 (both days inclusive).
8. Members wishing to claim Dividends of the previous years, which remain unclaimed, are requested to correspond with Mr. N. K. Jain, Company Secretary and 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.
9. Dividend for the Financial year March 31, 2003 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.**
10. Members are requested to notify any change in their address to the Registrar & Transfer Agent of the company M/s. Link Intime Share Registry Limited.
11. Members are requested to apply for consolidation of folios, in case their holdings are maintained in multiple folios.
12. 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. 4 & 5 of the accompanying Notice.

Item 4

Mr. Harsh Vardhan Bassi, aged 36, is a Graduate in Commerce stream from Punjab University. He has over 13 years of experience in marketing of textiles. He was associated with R. K Khanna Group of Companies for around nine years, having served in various positions and functional areas like manufacturing and marketing embroidered fabrics and laces. Mr. Harsh Vardhan Bassi is the Executive Director of your Company since 10th December, 2003. He is also on the Board of Hakoba Lifestyle Limited and Member of the Audit and Shareholder's Grievance Committee of your Company.

In view of this the Remuneration Committee and Board of Directors has decided to re-appoint Mr. Harsh Vardhan Bassi as Executive Director for a period of 3 years w.e.f. 29th October, 2010.

The detailed terms and conditions regarding remuneration to be paid to him is given below which is as per Section 198, 269 and 309 read with Schedule XIII of the Companies Act, 1956.

1) Details of Salary to be paid is as follows :

Rs.2,20,000/- per month with an increment of 10% per year as may be decided by the Board of Directors.

2) Perquisites

Perquisites & Allowances: Shri Harsh Vardhan Bassi shall be entitled to the following perquisites and allowances:

- i) Housing: Furnished / unfurnished residential accommodation or House Rent Allowance upto 10% of salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules 1962.
- ii) Medical Reimbursement / Allowance: Reimbursement of actual expenses for self and family and / or allowance will be paid as decided by the Remuneration Committee from time to time.
- iii) Leave Travel Concession / Allowance: For self and family once in a year as decided by the Remuneration Committee from time to time.
- iv) Club Fees: Fees payable subject to a maximum of two Clubs.
- v) Company Car And Telephone:

Car for use on company's business and telephone at residence will not be considered as perquisites, personal long distance calls on telephone and use of car for private purpose shall be billed by the company.

The above Perquisites & Allowances shall be restricted to an amount equal to the annual salary and subject to an overall ceiling of remuneration stipulated under section 198 and 309 of the Companies Act, 1956 (the Act) read with Schedule XIII thereto, or any modification(s) or re-enactment thereof. The perquisites and allowances shall be evaluated, wherever applicable, as per the provisions of Income Tax Act, 1961 or any rules thereunder or any Statutory modification(s) or re-enactment thereof (Income Tax Law).

Other Benefits: Company's contribution to the Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Law, and Gratuity payable and encashment of leave at the end of tenure, as per the rules of the Company and to the extent not taxable under the Income Tax Law, shall not be included for the purpose of computation of the overall ceiling of remuneration.

3) Minimum Remuneration:

Where in any financial year, during the tenure of Executive Director, the Company has no profit or its profits are inadequate, the Company will pay remuneration not exceeding the limits specified under Section II of Part II of Schedule XII to the Companies Act, 1956.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms of the Agreement of concern or interest under Section 302 of the Companies Act, 1956.

A copy of the Letter referred to in the resolution set out under item no. 4 of the Notice for revision of remuneration payable to Mr. Harsh Vardhan Bassi as the Executive Director is open 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 day.

The Board recommends the Resolutions in the best interest of the Company for your approval.

None of the Directors of the Company except Mr. Harsh Vardhan Bassi is concerned or interested in the resolution.

Item 5

The Board of Directors at its meeting held on 27th August, 2010 has decided to issue Equity Shares to Archana Salil Maroo and Salil Mahesh Maroo-HUF and Salil Mahesh Maroo. The proposed preferential issue and allotment of Equity Shares shall be in accordance with Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations). The Price per Share calculated in accordance with the Regulation works out to Rs.31/- per share.

In terms of Regulation 73 (1) of SEBI ICDR Regulations, the Company submits/make following disclosures.

1. Objects of the Issues:

The Objects of the issue of Equity Shares on Preferential basis is to augment the working capital requirements of the Company.

2. Intention of Promoters, Directors or Key Management Personnel to subscribe to the proposed preferential offer:

The persons who intends to subscribe to the shares proposed to be issued.

Sr. No.	Name of the Proposed Allottee	No of Shares to be subscribed
1.	Archana Salil Maroo	1,93,548
2.	Salil Mahesh Maroo - HUF	90,323
3.	Salil Mahesh Maroo	96,774
Total		3,80,645

There is no intention by Promoters/key personnel to subscribe to the offer.

3. Shareholding pattern before and after the offer:

The Shareholding pattern before and after completion of the proposed preferential issue would be as under:

Sr. No.	Category	Shareholding Pattern			
		Pre-Issue		Post-Issue	
		No. of Shares	% of Capital	No. of Shares	% of Capital
A	Promoter holding				
1	Indian Promoter	4176788	33.32	4176788	32.34
	Foreign Promoters	---	---	---	---
2	Persons Acting in Concert	23298	0.19	23298	0.18
	Sub- Total	4200086	33.51	4200086	32.52
B	Non Promoter Holding				
1	Institutional Investors				
	Mutual funds	900	0.01	900	0.01
	Banks, FIs, Insurance Companies	999594	7.97	999594	7.74
	NRIs/OCBs	204127	1.63	204127	1.58
	FIIIs	287993	2.30	287993	2.23
	Sub-Total	1492614	11.91	1492614	11.56
2	Others				
	Private corporation Bodies	1188486	9.48	1188486	9.20
	Indian Public	5420705	43.25	5801350	44.92
	Clearing Members	232629	1.86	232629	1.80
	Sub-Total	6841820	54.58	7222465	55.92
	Grand Total	12534520	100.00	12915165	100.00

Note:- The Above shareholding pattern has been prepared on the basis of shareholding as on 30th June, 2010.

4. Proposed time within which the allotment will be completed

As per Regulation 74(1) the Company will allot shares within 15 days from the date on which the Special Resolution is passed.

5. The identity of the proposed allottees and the percentage of the post-preferential issue capital that may be held by them:

Sr. No.	Name of the Proposed Allottee	No of Shares to be subscribed	% in the post -issue Capital (including pre issue holding)
1.	Archana Salil Maroo	1,93,548	1.50
2.	Salil Mahesh Maroo - HUF	90,323	0.70
3.	Salil Mahesh Maroo	96,774	0.75
Total		3,80,645	2.95

6. Undertakings

The Company hereby undertakes to re-compute the price of the specified securities in terms of the provision of these regulations where it is required to do so;

The Company hereby undertakes that if the amount payable on account of the re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to be locked-in till the time such amount is paid by the allottees.

7. Certificate from Statutory Auditors

The statutory Auditors Certificate as mentioned in Regulations 73(2) of the SEBI ICDR regulations shall be available for inspection at the registered office of the Company during business hours except on Public holiday and Saturday and Sunday until conclusion of Annual General Meeting and will be placed before the Annual General Meeting.

8. Lock-in-period

The equity shares to be allotted will be locked in as per the provisions of ICDR Regulations.

In terms of Section 81(1A) of the Companies Act, 1956 if any Public Limited Company proposed to increase the subscribed share capital of the Company by way further allotment of shares, the same shall be offered to existing shareholders in the proportion of their respective shareholding in the Company. Pursuant to Section 81(1A) of the Companies Act, 1956 a Public Company may offer its further equity shares in any manner whatsoever to persons other than those mentioned in Section 81(1), if a special resolution to that extent is passed.

The necessary Special Resolution is proposed at item No. 5 of the Notice for your approval.

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

Registered Office

Unit No, 101B, 1st Floor,
Abhishek Premises,
Plot No. C5-6, Dalia Industrial Estate,
Off. New Link Road,
Andheri West, Mumbai - 400 058

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

N K JAIN
CFO and Company Secretary

Place: Mumbai

Date : 27th August, 2010

DIRECTOR'S REPORT

To,
The Members,
PIONEER EMBROIDERIES LIMITED

Your Directors present their Eighteenth Report on the business and operations of your Company for the period ended 31st March, 2010.

FINANCIAL HIGHLIGHTS:

(Rs. in lacs)

	For the period ended 31st March, 2010 (6 months)	For the year ended 30th September, 2009 (12 months)
Turnover - Domestic	7,536.49	11,740.57
- Export	249.57	564.48
Total	7,786.06	12,305.05
Profit / (Loss) before Financial Charges, Depreciation, Exceptional Items & Tax	377.91	498.96
Financial Charges	768.42	1,628.63
Profit / (Loss) before Depreciation, Exceptional Items and Tax	(390.51)	(1,129.67)
Depreciation	599.52	1,125.22
Profit/(Loss) before Exceptional Items & Tax	(990.03)	(2,254.89)
Exceptional Items	1592.09	-
Provision for Deferred Tax Liability / (Asset)	(159.90)	(1,704.60)
Provision for Fringe Benefit Tax	-	4.90
Profit/(Loss) after Tax	761.96	(555.19)
Income Tax for earlier years	176.30	(0.77)
Net Profit/(Loss)	585.66	(554.42)
Balance of net profit brought forward from previous year	(1,040.73)	(486.31)
Disposable Profits/(Loss)	(455.07)	(1,040.73)
Balance of Profit/(Loss) carried forward	(455.07)	(1,040.73)
Per share data		
Basic Earning per Share (Rs.)	4.80	(4.54)
Book Value per Share (Rs.)	38.93	18.10

PERIOD IN RETROSPECT

Profit before interest, depreciation, tax and exceptional items for the period stood at Rs.377.91 lacs (Rs.498.96 lacs). However, with high interest cost and depreciation, loss before tax and exceptional items for the Company stood at Rs.990.03 lacs (Rs.2254.89 lacs) and profit after providing tax/deferred tax asset, stood at Rs.585.66 lacs (loss of Rs.554.42 lacs).

During the period under review, the Dope Dyed Polyester Yarn (DDPY) business has achieved encouraging operational performance with a turnover of Rs.4,963 lacs (Rs.6,619 lacs) and EBIDTA of Rs.731 lacs (Rs.959 lacs).

Though DDPY business continued to provide higher turnover and EBIDTA vis a vis projected level under the CDR package, the Embroideries and Laces business suffered due to overall margin pressure as prevalent in Indian Textile Industry coupled with the high cotton prices & stiff competition from unorganized sector and severe power shortage in Tamilnadu.

Your Company continued to enhance the thrust on its R&D capabilities in the DDPY segment and is in the process to expand the installed capacity of DDPY division. The move is with aim to meet increasing market demand and also to achieve strong earning growth supported by volume growth and focusing more on high margin product mix.

Leveraging on the projected growth forecasts, high sales volumes of DDPY and operational flexibility, your Company expects improved operating performance during the next financial year.

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

CORPORATE DEBT RESTRUCTURING

As reported last year, the debt restructuring proposal under Corporate Debt Restructuring (CDR) mechanism has been implemented and the banks and other lenders have classified and restructured accounts as per restructuring scheme.

The impact of CDR package, excluding allotment of 9% OCCRPS to be carved out of Term Loans, has been considered in the accounts and pending

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allotment of OCCRPS, the interest on the said carved out portion has been provided in the accounts and the treatment of such interest shall be made upon decision by CDR-EG in this regard.

In the EOGM held on 22nd June, 2010, the members had approved the said allotment of OCCRPS as well as allotment of equity shares to the Promoters as per CDR approved package. In the Board meeting held on 27th August, 2010, the Company has allotted 2,75,53,610 Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs.10/- each aggregating Rs.275,536,100 to all secured lenders, except to ICICI Bank Ltd. for want of RBI approval to its restructured ECB.

The Company has settled the dues of unsecured lenders in terms of CDR package and payments are being made as per settlement arrived with them.

Out of total outstanding FCCBs of USD 28 million, the Company has so far settled and bought back a total FCCBs worth USD 16.25 million (face value) by making payment of USD 4.50 million and further by converting FCCBs worth USD 7.50 lacs into 3,26,305 equity shares of Rs.10/- each to Bondholders. For balance FCCBs of USD 11 million, the Company and Bondholders have entered into an agreement for buy back of FCCBs for a sum of USD 2.40 million by 31st December, 2010.

Your Directors are hopeful that upon the implementation of the CDR Package in entirety, the Company shall be able to revive its operational plan and profitability.

BUSINESS RESTRUCTURING

As reported last year and in terms of CDR package, the monetization of unencumbered property at Borivli (Mumbai) has been completed and the proceeds were used to settle part of the outstanding FCCBs and other unsecured lenders.

One of the secured lenders, ING Vysya Bank Ltd., who had initiated recovery proceedings before DRT, has arrived at a settlement with the Company for an OTS of Rs.12.00 crore against its suit claim of Rs.18.27 crore and filed consent terms on 11th March, 2010 before the DRT. As per the consent terms, the Company has entered into a tripartite agreement dated 15th April, 2010 with ING bank and the buyer for sale of land and building at Bangalore for a sum of Rs.16.00 crore to pay the part settled amount. So far a sum of Rs.8.00 crore has been paid to ING bank as per consent terms and balance Rs.4.00 crore shall be paid by 30th September, 2010. The effect of the said settlement with ING bank shall be given in the current year.

LISTING

The Equity Shares of the Company are listed with the BSE, NSE, Delhi and Kolkata. The Company had 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 accumulated losses, the Directors have not recommended any dividend for the period ended 31st March, 2010.

SUBSIDIARY COMPANIES

The gross sales of the Hakoba Lifestyle Limited in current period decreased to Rs.552 lacs from Rs.1830 lacs as compared to previous year. Loss after tax stood at Rs.768 lacs as compared to Rs.647 lacs during previous year.

The gross sales of Mas Embroideries Private Limited in current year ended 31st March, 2010 stood at Rs.171 lacs (Rs.171 lacs). The Company has incurred a net loss of Rs.55 lacs as compared to net loss of Rs.5 lacs in previous year.

Pioneer Realty Ltd. had no activity during the year.

S.R Investments Limited has investment holding as a principal activity and has incurred net loss of Rs.4.30 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 have 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".

As reported earlier, the Company could revamp the retail business by closing non-profitable stores and opening fewer profitable outlets. Presently, Hakoba is operating 23(40) 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 96.88% 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

Mr. Anand Kumar Jain retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Harsh Vardhan Bassi has been reappointed as Executive Director for a further term of three years commencing from 29th October, 2010 and ending on 28th October, 2013.

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 assets of Rs. 159.90 lacs, and the total outstanding deferred tax assets as on 31st March, 2010 stood at Rs. 1771.00 lacs.

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

AUDITORS

M/s M B A H & CO (formally Bhageria Naredi & Associates) and M/s R. Kabra & Co., Chartered Accountants are to be appointed as 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.

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 2009-10, 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 period and of the profit of the Company for the 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 to this report.

ACKNOWLEDGEMENT

The Management of your Company is grateful to the CDR-Cell, 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 : 27th August, 2010.

RAJ KUMAR SEKHANI
Chairman