



Twelveth Annual Report
2004-2005



PIONEER DISTILLERIES LIMITED

Regd. Office: Balapur (V), Dharmabad Taluk, Nanded (Dt), Maharashtra - 431 809.

Circulation of notice received under Section 190 of the Companies Act, 1956

The following notice has been received under Section 190 of the Companies Act, 1956, from Shri.D. Anil Kumar, Member of the Company, with regard to the appointment M/s Alapati Vadde & co, Chartered Accountants, as Statutory Auditors of the Company at the Annual General Meeting.

To

Pioneer Distilleries Limited
7-1-19/3, Kundanbagh
Begumpet,
Hyderabad - 500 016.

Dear Sirs,

I, D. Anil Kumar, member of the Company, hereby give you a 'special notice' within the meaning of Section 190 of the Companies Act, 1956, that at the ensuing Annual General Meeting of the Company for the financial year 2004-2005, I intend to move the following resolution as an ordinary resolution for the appointment of M/s Alapati vadde & Co, Chartered Accounts, Hyderabad, as Statutory Auditors of the Company for the financial year 2005-2006 in stead of Mr. P. Subhash, Chartered Accountant, Hyderabad who is retiring at the said Annual General Meeting of the Company:

"RESOLVED THAT Mr. P. Subhash, Chartered Accountant, the retiring Auditor of the Company shall be and hereby not re-appointed at the ensuing Annual General Meeting and in his stead M/s Alapati Vadde & Co, Chartered Accountants, Hyderabad, be and are hereby appointed as Auditors of the Company for the financial year 2005-2006 to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be mutually decided by the Board of Directors in negotiation with M/s Alapati Vadde & Co., Chartered Accountants."

Thanking you,

Yours faithfully,

Sd/-

D. ANIL KUMAR

Client ID No.20571928

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Company Information

BOARD OF DIRECTORS

Shri K.V. Rajeshwar Rao, Chairman
Shri. K. Sudhir Rao, Vice Chairman
Shri. K. Suhan Rao, Managing Director
Shri. L. Venkateswara Rao, Director
Shri. S. Gopalan, Director
Dr. J.K. Devani, Director
Shri H. Anantha Krishnan, Nominee Director- LIC
Shri D. Sudhakar Rao, Nominee Director- IDBI
Shri. V. Subramanian, Additional Director

SENIOR EXECUTIVES

Shri. Anand Narayan Kadam,
General Manager
Shri. K. Venkateswara Rao,
Manager - Finance & Accounts

COMPANY SECRETARY

Smt. Y. Sailaja

AUDITOR

Shri. P. Subhash
Chartered Accountant
1-1-261/29, 2nd Floor
Chikkadpally
Hyderabad - 500 020
ANDHRA PRADESH.

BANKERS

State Bank of Mysore (Industrial Finance Branch)
Greenlands
Hyderabad.
ANDHRA PRADESH

REGISTRARS AND SHARE TRANSFER AGENTS

Venture Capital and Corporate Investments Limited
6-2-913/914, III Floor, Progressive Towers
Khairatabad
Hyderabad - 500 004.
Tel: 040- 23322262/64
Fax: 040- 23324803

LISTED AT

The Stock Exchange, Mumbai
The Pune Stock Exchange Limited

REGISTERED OFFICE

Balapur Village
Dharmabad Taluk
Nanded District
MAHARASHTRA - 431 809.
Tel: 02465-244782.
Fax: 02645 244432

CORPORATE OFFICE

7-1-19/3, Kundanbagh
Begumpet
Hyderabad - 500 016
ANDHRA PRADESH.
Tel: 040- 23757654-56
Fax: 040- 23745452

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the **Twelveth Annual General Meeting** of the members of Pioneer Distilleries Limited will be held on **Thursday, the 25th day of August, 2005 at 12.00 Noon** at the Registered Office of the Company at **Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra- 431809** to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri. K.V. Rajeshwar Rao, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri. K. Sudhir Rao, who retires by rotation and being eligible, offers himself for reappointment.

4. To appoint M/s Alapati Vadde & Co in stead of Shri. P. Subhash as Statutory Auditors of the Company by passing the following resolution:

"RESOLVED THAT M/s Alapati Vadde & Co, Chartered Accountants, Hyderabad, be and are hereby appointed as Auditors of the Company in stead of Shri. P. Subhash, who is the retiring Auditor at this Annual General Meeting and that M/s Alapati Vadde and Co., shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and are hereby authorized to fix the remuneration."

Special Business

5. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution.

" RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals and consents as may be required, the consent of

the Company be and is hereby accorded for the appointment of Shri K. Suhan Rao as Managing Director on the following terms and conditions for a period of 5 years with effect from 1st March, 2005.

(i) Salary: Rs. 75,000/-p.m

(ii) Perquisites and Allowances:

- (a) HRA: As per rules of the Company.
- (b) Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one month salary per year or three months salary in a period of three years.
- (c) Leave Travel Concession: For self and family once in a year in accordance with the rules of the Company.
- (d) Club Fees: Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
- (e) Personal Accident Insurance: For an amount the annual premium of which does not exceed Rs.4,000/- (Rupees Four Thousand only)
- (f) Use of Company's car with chauffeur on Company's business.
- (g) Residential and mobile telephone facility shall be provided. All personal long distance calls shall be billed by the Company.
- (h) Earned/Privilege Leave: Encashment of Earned Leave shall be as per rules of the Company.
- (i) Company's contribution to Provident Fund: as per the rules of the Company.
- (j) Company's contribution towards pension/superannuation fund: as per the rules of the Company
- (k) Gratuity Payable shall be in accordance with the rules of the Company.

"RESOLVED FURTHER THAT the above said remuneration may be paid as minimum remuneration to Shri. K. Suhan Rao, Managing Director, in the absence of or inadequacy of profits in any year in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956."

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, and other applicable provisions, if any, the following changes be made to the Articles of Association of the Company :

- Article- 121(a) of the Articles of Association of the Company be substituted with the following :

'Each Director other than the Managing Director and Whole Time Director shall be entitled to receive out of the funds of the Company for his services as sitting fees an amount permissible within the provisions of the Companies Act, 1956 for attending a meeting of the Board and for attending a meeting of the Committee of the Board.'

- 'The heading of Article 144 be changed as "Special position of Managing Director and Whole Time Director" be also added wherever the words "Managing Director" appear in the said Article."

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

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals and consents as may be required, the consent of the Company be and is hereby accorded for the appointment of Shri K. Sudhir Rao as a Whole Time Director under the designation 'Vice Chairman' on the following terms and

conditions for a period of 5 years with effect from 1st March, 2005.

- Salary: Rs. 75,000/-p.m
- Perquisites and Allowances:
 - HRA: As per rules of the Company.
 - Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one month salary per year or three months salary in a period of three years.
 - Leave Travel Concession: For self and family once in a year in accordance with the rules of the Company.
 - Club Fees: Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
 - Personal Accident Insurance: For an amount the annual premium of which does not exceed Rs. 4,000/- (Rupees Four Thousand only)
 - Use of Company's car with chauffeur on Company's business.
 - Residential and mobile telephone facility shall be provided. All personal long distance calls shall be billed by the Company.
 - Earned / Privilege Leave: Encashment of Earned Leave shall be as per rules of the Company.
 - Company's contribution to Provident Fund: as per the rules of the Company.
 - Company's contribution towards pension/superannuation fund: as per the rules of the Company
 - Gratuity Payable shall be in accordance with the rules of the Company.

"RESOLVED FURTHER THAT the above said remuneration may be paid as minimum remuneration to Shri. K. Sudhir Rao,

Vice Chairman, in the absence of or inadequacy of profits in any year in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956."

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

"RESOLVED THAT Shri. V. Subramanian who was appointed as an Additional Director in the meeting of the Board of Directors held on 28th January, 2005 and who holds office upto the date of the Twelveth Annual General Meeting and in respect of whom notice has been received under Section 257 of the Companies Act, 1956 from a member signifying intention to propose Shri. V. Subramanian as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company."

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution.

"RESOLVED THAT in furtherance to the special resolution passed at the eleventh Annual General Meeting held on 26th June, 2004 and in pursuance of Article 48 of Articles of Association of the Company and Clause- 23(a) of the Listing Agreement entered into with the Stock Exchange, Mumbai and the Pune Stock Exchange Limited and subject to the regulations/ rules/guidelines issued by the Securities and Exchange Board of India (SEBI) and all such other bodies/institutions as may be relevant and subject to such conditions stipulated while granting such permissions and approvals/sanctions and which may be agreed by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of Directors for the time being duly authorised by the Board to exercise the powers conferred on the Board by this resolution) be and is hereby given to the Board to reissue 44,800 equity shares out of 1,07,200 forfeited equity shares of Rs.10/- each to the promoters of the

Company, the details whereof are given in the explanatory statement annexed to this notice and that the said equity shares be reissued at Rs. 29/- per share determined on the basis of the valuation report as prepared by the independent auditors in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT the relevant date for the proposed reissue of forfeited shares shall be 25th July, 2005 as per the provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT the Board/ Committee of Directors be and is hereby authorised to take all such steps and do all such acts, deeds, matters and things and settle any query or doubt that may arise in regard to the said reissue and allotment of the shares."

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

"RESOLVED THAT in pursuance of the revised Clause - 49 of the Listing Agreement issued by SEBI vide circular SEBI/CFD/ DIL/CG/1/2004/12/10 dated 29th October 2004 and subject to the ceiling as may be prescribed under the Companies Act, 1956 or any statutory modifications or enactment thereof and/or any rules or under regulations framed by the Central Government thereunder, the approval of the members of the Company be and is hereby accorded for payment of Rs. 5,000 (Rupees Five Thousand only) as sitting fees for each meeting of the Board of Directors and Statutory Committees formed under the Companies Act, 1956 and Rs. 2,500 (Rupees Two Thousand Five Hundred only) as sitting fees for each meeting of other Committees of the Board of Directors, attended by the Non-Executive Directors of the Company.

By the order of the Board
For **PIONEER DISTILLERIES LIMITED**

Date: 23rd July, 2005
Place: Hyderabad

Y. SAILAJA
Company Secretary

NOTES

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 5 to item no. 10 is annexed herewith.
2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member. A blank proxy form is enclosed which, to be valid, should be duly completed, stamped and deposited with the Company or its Registrar and Share Transfer Agent at least 48 hours before the commencement of the meeting.**
3. Members / Proxies should fill the Attendance Slip for attending the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 22nd August, 2005 to 24th August, 2005. *(Both days inclusive).*
5. Members are requested to intimate any change in their addresses to: Venture Capital and Corporate Investments Ltd, Registrar and Share Transfer Agents having office at:
6-2-913/914, III Floor, Progressive Towers
Khairatabad, Hyderabad- 500 004.
6. Non Resident Indian Shareholders are requested to intimate M/s. Venture Capital and Corporate Investments Limited immediately about the change in the residential status on return to India for permanent settlement.
7. Corporate Members intending to send their authorised representatives are requested to send a copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
8. Members are requested to bring the Annual Report to the Meeting.
9. **Particulars of Directors seeking appointment / reappointment in pursuance of Clause 49 of the Listing Agreement :**
 - (i) Shri. K.V. Rajeshwar Rao aged about 68 years is the Non- Executive Chairman of the Company and is instrumental in the setting up of the Distillery unit in Balapur Village of Nanded District of Maharashtra. He is one of the main promoters of the Company and his contribution to the Company growth and development since inception is invaluable. He retires by rotation and being eligible has offered himself for reappointment on the Board of the Company.
He is not on any Committees of the Company.
 - (ii) Shri. K. Suhan Rao aged about 40 years is a graduate in Mechanical Engineering from Osmania University and has experience of about 10 years in distillery industry. He is one of the promoters of the Company and has been involved in the day to day affairs along with Shri. K. Sudhir Rao since incorporation. He is the Managing Director of the Company and is on the following Committees of the Company.
 - Investor Redressal and Grievance Committee
 - Share Transfer Committee
He is also on the Board of Raynolds Infovision Limited, Hyderabad as a Director.
 - (iii) Shri K. Sudhir Rao, aged about 44 years is MS in Computer Sciences from Jackson State University, USA. He is one of the promoters of the Company and has been actively involved in the day to day affairs since incorporation. He is the Executive Vice Chairman of the Company and is on the following Committees:
 - Audit Committee- Member
 - Share Transfer Committee- Member
 - Investor Redressal and Grievance Committee- Member
He is also on the Boards of Raynolds Infovision Limited, Hyderabad as a Director.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5

Shri. K. Suhan Rao is a Mechanical Engineer and has about 10 years of experience in distillery industry. He has been Managing Director of the Company since the year 2000 and his term expired on 28th April, 2005. The Board of Directors therefore at their meeting held on 28th January, 2005 approved his reappointment as Managing Director subject to the approval of the shareholders for a further period of 5 years. Shri. K. Suhan Rao has been managing the day to day operations and technical affairs of the Company in a very efficient manner and his experience is invaluable for the Company. His appointment as Managing Director is therefore placed for approval of the shareholders. The reappointment is sought to be made effective from 1st March, 2005.

Shri. K. Suhan Rao Shri. K. Sudhir Rao, Shri. K.V. Rajeshwar Rao, Shri. L. Venkateswara Rao are interested Directors in the resolution.

Item No. 6

Article 121(a) specifies payment of sitting fees to the Directors of the Company in respect of meetings of the Board and Committee attended by them. Keeping in view the contribution made by the Independent and Non-Executive Directors to the Company and in accordance with the provisions of Companies Act, 1956, it is proposed to modify the existing Article so as to enable payment of sitting fees within the prescribed limits prescribed under the Companies Act, 1956 and / or any rules or regulation framed thereunder. Your approval for the purpose is solicited.

The Non Executive and Independent Directors may be considered as interested in the resolution.

Article 144 is being altered so as to ensure that the office of Whole Time Directors of the Company along with Managing Director is not liable to be determined for retiring by rotation.

Item No. 7

Shri. K. Sudhir Rao has been actively involved in the day to day affairs of the company since inception with emphasis on finance and overall administration of the Company. He is MS in Computer Science and has about 10 years of experience in distillery industry. So far, because of the financial difficulties faced by the Company, remuneration has been paid only to Shri. K. Suhan Rao, Managing Director, though both the promoter Directors viz, Shri. K. Sudhir Rao and Shri. K. Suhan Rao have been working whole time for the Company. The management feels that the experience and efforts of Shri. K. Sudhir Rao are invaluable for the Company and considering the fact there has been growth and improvement in both the operational and financial performance of the Company, the shareholders are requested to consider and approve the proposal to appoint Shri. K. Sudhir Rao as Whole Time Director of the Company under the Designation "**VICE- CHAIRMAN**". The appointment is sought to be made effective from 1st March, 2005.

Shri. K. Sudhir Rao Shri. K. Suhan Rao, Shri. K.V. Rajeshwar Rao, Shri. L. Venkateswara Rao are interested Directors in the resolution.

Item No. 8

Shri. V. Subramanian is a Chartered Accountant by profession and has vast experience of about 33 years in various industries. At present he is rendering services as an advisor to many Companies in areas of project finance. He also possesses rich experience in accounts and Banking relations.

Shri. V. Subramanian was appointed as an Additional Director on the Board of the Company on 28th January, 2005 and your management feels that his experience and services will be immensely beneficial to the Company. In accordance with the norms of the Listing agreement, Shri. V. Subramanian will be an Independent Director on the Board of the Company making it more broad based.

Notice has been received from member of the Company under Section 257 of the Companies Act, 1956 proposing his appointment as a Director on the Board of the Company. Your approval for the purpose is solicited.

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



Item No. 9

The members have already given their approval for the reissue of forfeited shares under Clause 23(a) of Listing Agreement at the eleventh Annual General Meeting of the Company held on 26th June, 2004 and further for reissue of 15,00,000 forfeited shares to the promoters of the Company at the Extraordinary General Meeting held on 26th August, 2004. It was informed to the members that the contribution to equity to the tune of Rs. 150 lakhs was asked to be made by State bank of Mysore by the promoters towards the expansion activities of the Company. Accordingly approval was obtained from the members at the EGM for reissue of 15,00,000 forfeited equity shares for the promoters. But later on, the amount of equity contribution was increased to 163 lakhs from Rs. 150 Lakhs. Accordingly, the promoters brought in the said amount. But as approval from the members was only for reissue forfeited shares aggregating to Rs. 150 lakhs, the balance amount of Rs.13 lakhs has been kept in the share application money.

Therefore the Board now recommends to reissue 44,800 forfeited equity shares towards the said amount at the rate of Rs.29/- per share.

The information as required under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI is given hereunder:

- i) **Object of issue:** The main object of the reissue of forfeited shares to the promoters as mentioned above is to finance the expansion activities of the Company.
- ii) **Allotment to the Promoters:** Entire allotment is proposed to be made to the promoters of the Company. There will be no change in the control of the Company subsequent to the reissue of the forfeited shares to the promoters.
- iii) **Shareholding pattern** of the Company before and after the reissue of shares will be as under:

	Category	Pre-reissue of Forfeited Shares		Post-reissue of Forfeited Shares	
		No. of shares held	% of Share holding	No. of shares held	% of Share holding
A	Promoters Holding				
1	Promoters	4466180	44.92	4510980	45.17
	Indian Promoters	—	—	—	—
	Foreign Promoters				
2	Relatives / friends of Directors & Persons acting in Concert	908970	9.14	908970	9.10
	Sub Total	5375150	54.06	5419950	54.27
B	Non Promoter Holding				
3	Institutional Investors- a. SICOM	1107204	11.14	1107204	11.08
	Sub- Total	1107204	11.14	1107204	11.08
4	Others				
a.	Private Corporate Bodies	239088	2.40	239088	2.40
b.	Indian Public	1299546	13.07	1299546	13.01
c.	NRIs / OCBs	1858315	18.69	1858315	18.61
d.	Others	63497	0.64	63497	0.63
	Sub- Total	3460446	34.80	3460446	34.65
	GRAND TOTAL	9942800	100	9987600	100