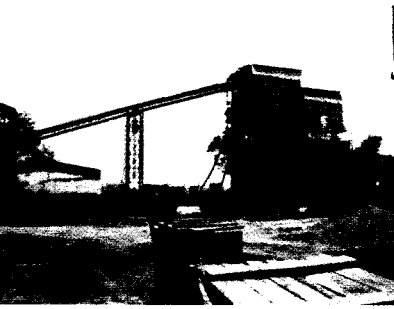
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PIONEER DISTILLERIES LIMITED

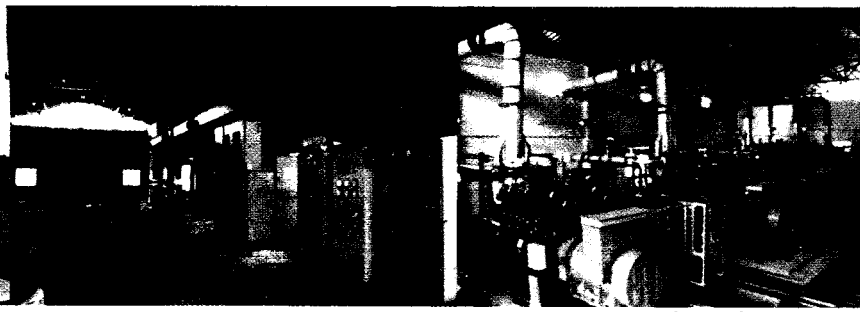
PIONEER



16th Annual Report 2008-2009



3.1 MW Biomass Power Plant



4.725 MW Biogas Power Plant

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CONTENTS

	Page No.
Company Information	3
Chairman's Message	4
Notice to the Shareholders	5
Directors' Report	10
Report on Corporate Governance	15
Management Discussion & Analysis Report	28
Corporate Governance Certifications	33
Auditor's Report	35
Balance Sheet	38
Profit & Loss Account	39
Cash Flow Statement	40
Schedules to Balance Sheet and Profit and Loss Account	41
Notes on Accounts	48
Balance Sheet Abstract & Business Profile	54
ECS Mandate Form	55
Attendance Slip and Proxy Form	57

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Company Information

BOARD OF DIRECTORS:

Sri K.V. Rajeshwar Rao	Chairman
Sri K. Sudhir Rao	Vice Chairman
Sri K. Suhan Rao	Managing Director
Sri L. Venkateswara Rao	Non-Executive Director
Sri V. Subramanian	Non-Executive Independent Director
Sri C.V. Kamalaker	Non-Executive Independent Director
Sri H. Anantha Krishnan	Non-Executive Independent Director
Sri C.V. Krishnaiah	Non-Executive Independent Director
STATUTORY AUDITORS:	Alapati Vadde & Co. 8-3-728, Flat # 102, Sai Sandilya Apartments, Yellareddyguda, Ameerpet, Hyderabad- 500 073, Andhra Pradesh
INTERNAL AUDITORS:	N G Rao & Associates 6-3-1186/A/6, IInd Floor, Chinna Balareddy Building Begumpet, Hyderabad - 500016

SENIOR EXECUTIVES:

Sri A. N. Kadam	GM - Operations
Sri Shyam Sunder M Vyas	GM - Admin
Sri K. Hari Narayana Rao	AGM - Finance and Accounts
CS Ms M. Amala	Company Secretary
REGISTERED OFFICE:	# 8-2-311/C, Mithila Nagar, Road No.10, Banjara Hills, Hyderabad - 500 034. Andhra Pradesh Phone : +91-40-23542895, 23542920 Fax: +91-40-23542921 Email: info@pioneerdistilleries.com
FACTORY ADDRESS:	Balapur Village, Dharmabad Taluk Nanded District, Maharashtra- 431 809. Phone : 02465-280695/280686, Fax: 02645-280688 Email: factory@pioneerdistilleries.com
BANKERS:	State Bank of Mysore, (Industrial Finance Branch) Greenlands, Hyderabad, Andhra Pradesh State Bank of Indore, Triveni Complex, Abids, Hyderabad. Andhra Pradesh
FINANCIAL INSTITUTIONS:	Industrial Development Bank of India Life Insurance Corporation of India
REGISTRARS AND SHARE TRANSFER AGENTS:	Venture Capital and Corporate Investments Pvt Ltd #12-10-167, Bharat Nagar, Hyderabad -500 018. Phone : 040-23818475/76, Fax: 040-23868024
LISTED WITH:	The Bombay Stock Exchange Limited The Pune Stock Exchange Limited
WEBSITE :	www. pioneerdistilleries.in

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Chairman's Message



K.V. RAJESHWAR RAO
Chairman

Dear Stakeholders,

I thank all of you for the privilege bestowed on me to serve as the Chairman of the Company, since its inception. You are aware that the performance of the Company has been good in terms of the Financial Results.

During the financial year 2008-09, the turnover of the Company registered a growth of 4.89% at Rs. 80.32 Crores as against the turnover of Rs. 76.57 Crores during the previous financial year 2007-08 and the profit after tax was of the order of Rs. 7.86 Crores. The performance of the Company during the financial year 2008-09 is moderate compared to the growth it had achieved in the previous financial year. The factor has been the Global Recession which has affected your Company's performance resulting in its moderate profitability this Financial Year. Your company has been proactive in managing the cost situation and has been able to defend its margin under these extremely unreceptive conditions of the market.

Your Company has explored the possibility of using the grains as raw material for the manufacture of alcohol and has started implementing steps for setting up a 60 KLPD Grain based Alcohol Facility.

Your Company is also contemplating to manufacture Barley Malt Spirit and for setting up of a Bottling Plant.

Your Company continues to strive to keep all the Stakeholders fully satisfied by presenting a transparent Policy, with the best Corporate Governance so that it will continue as a prosperous Organization with all your support.

I take this opportunity to express my gratitude and thanks to the Board of Directors, our Bankers and Financial Institutions, all the Regulatory Authorities, Esteemed Customers, Suppliers, Auditors, Consultants, Business Associates and dear fellow Shareholders. I would also like to sincerely thank the employees of the Company at various levels for their loyalty, dedication and support to realize the goals of the Company and I look forward for persistent support and dedication in the years to come.

Thanking you,

K.V. RAJESHWAR RAO
Chairman

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Notice

NOTICE is hereby given that the 16th Annual General Meeting of the Members of Pioneer Distilleries Limited will be held on Wednesday the 30th day of September 2009 at 3.30 P.M. at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended 31st March, 2009 together with the Auditors' Report and Directors' Report thereon.
2. To declare Dividend for the Year ended 31st March 2009.
3. To appoint a Director in place of Sri K V Rajeshwar Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri V Subramanian, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s Alapati Vadde & Co as Statutory Auditor who shall hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the Statutory Auditor's Remuneration.

Special Business

6. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

   "RESOLVED THAT Sri. H. Anantha Krishnan who was appointed as an Additional Director by the Board of Directors and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Companies Act, 1956 from member signifying intention to propose Sri. H. Anantha Krishnan as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company.

   FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to file necessary forms with the Registrar of Companies and other Statutory authorities and to do all other acts, deeds, things as may be deemed expedient to give effect to the aforesaid resolution."

7. To Consider and if thought fit, to pass, with or without modification(s), the following Resolution as an ORDINARY RESOLUTION.

   "RESOLVED THAT Sri. C. V. Krishnaiah who was appointed as an Additional Director by the Board of Directors and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Companies Act, 1956 from member signifying intention to propose Sri. C. V. Krishnaiah as a candidate for the office of Director of the Company be and is hereby appointed as a Director of the Company.

   FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to file necessary forms with the Registrar of Companies and other Statutory authorities and to do all other acts, deeds, things as may be deemed expedient to give effect to the aforesaid resolution."

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

   "RESOLVED THAT pursuant to Sections 198, 269, 302, 309, 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, including any statutory modification(s) or enactment(s) thereof, for the time being in force, and subject to the approval of the Central Government and such other approvals as may be required, the consent of the Company be and is hereby accorded for continuation of payment of remuneration of an amount of Rs. 6,80,000/- per month with other applicable perquisites and allowances, to Sri K. Sudhir Rao, Vice Chairman of the Company till 28.02.2010,

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being the term of office as approved by the members in the Annual General Meeting held on 25th August, 2005, on the terms and conditions as approved by the members by passing special resolution through postal ballot on 15th November 2008.

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to file necessary forms with the Registrar of Companies and other Statutory Authorities and to do all other acts, deeds, things as may be deemed expedient to give effect to the aforesaid resolution."

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Sections 198, 269, 302, 309, 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, including any statutory modification(s) or enactment(s) thereof, for the time being in force, and subject to the approval of the Central Government and such other approvals as may be required, the consent of the Company be and is hereby accorded for continuation of payment of remuneration of an amount of Rs. 6,80,000/- per month with other applicable perquisites and allowances, to Sri K. Suhan Rao, Managing Director of the Company till 28.02.2010, being the term of office as approved by the members in the Annual General Meeting held on 25th August, 2005, on the terms and conditions as approved by the members by passing special resolution through postal ballot on 15th November 2008.

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to file necessary forms with the Registrar of Companies and other Statutory Authorities and to do all other acts, deeds, things as may be deemed expedient to give effect to the aforesaid resolution."

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

Place: Hyderabad
Date: 27th June 2009

M. AMALA
Company Secretary

NOTES:

1. **An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business items is annexed hereto.**
2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a Member of the Company. A blank proxy form is enclosed which, to be valid, should be duly completed, stamped and deposited with the Company at least 48 hours before the commencement of the meeting.**
3. **Members/Proxies are requested to produce at the entrance of the venue duly filled attendance slip along with their copy of Annual Report for attending the Meeting.**
4. Corporate members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 25th September 2009 to 30th September 2009 (both days inclusive) for the purpose of Dividend & Annual General Meeting.
6. The dividend as recommended by the Board of Directors for the year ended 31st March 2009, when declared at the Annual General Meeting will be paid on or after 30th September 2009 to the members whose names appear :
   a. As Beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited.
   b. As Members of the Company on 30th September 2009 in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company up to the end of business hours on 24th September 2009.

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7. Bank Mandates:

   In order to provide protection against fraudulent encashment of the dividend warrants, members holding shares in physical form are requested to intimate to the Registrar & Share Transfer Agent under the signature of the Sole / First holder, the following information to be incorporated on the Dividend Warrants:

   i. Name of the Sole / First and Joint holder and Folio Number.

   ii. Particulars of the Bank Account:

      a. Name of the Bank, its branch and complete address of the Bank with Pin code

      b. Account type, whether Savings (SB) or Current Account (CA)

      c. Bank Account Number allotted by the said Bank

8. Members holding shares in electronic form are hereby informed that bank particulars registered against respective depository accounts will be used by the company for payment of dividend. The Company or its registrars cannot act on any request received directly from the members holding shares in electronic form for any change of Bank particulars, or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.

9. Members holding shares in physical form are requested to intimate immediately any change in their addresses to the Company's Registrar & Share Transfer Agent, M/s Venture Capital and Corporate Investments Private Limited, #12-10-167, Bharat Nagar, Hyderabad – 500018, mentioning their Folio Number. Members holding shares in electronic form must send the advice about the change of address to their respective depository participant only and not to the Company or the Company's Registrar & Share Transfer Agents, mentioning their Client ID and DP ID.

10. Non-Resident Indian Members are requested to inform the Company's Registrar and Transfer Agent, Venture Capital and Corporate Investments Private Limited, immediately:

    a. The change in the residential status on return to India for permanent settlement and

    b. The particulars of Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.

11. A Member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at the Registered Office: 8-2-311/C, Mithila Nagar, Road No. 10, Banjara Hills, Hyderabad -500034, at least seven days prior to the date of the meeting for consideration of the management to deal at the meeting.

12. In case of Joint Holders attending the meeting, only such joint holder who is higher in the order of name shall be entitled to vote.

13. Electronic Clearing Service (ECS) facility:

    With respect to payment of dividend, the Company provides the facility of ECS to the members residing in the following cities:

    Ahmedabad, Bangalore, Bhubaneswar, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Chandigarh, Mumbai, Nagpur, Patna, Trivendrum

    Members holding shares in physical form, who wish to avail ECS facility, may authorize the Company with their ECS mandate in the prescribed form given at the end of this Annual Report, and requests for payment of dividend through ECS should be lodged with M/s Venture Capital and Corporate Investments Private Limited on or before 25th September 2009.

    At the ensuing Annual General Meeting, Sri K V Rajeshwar Rao and Sri V Subramanian retire by rotation and being eligible offer themselves for re-appointment. The Board of Directors appointed Sri H. Anantha Krishnan and Sri C. V. Krishnaiah as Additional Directors of the Company. The information or details pertaining to these Directors are provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

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

ITEM NO.6

Sri H. Anantha Krishnan is Graduate in Bachelor of Commerce and a Fellow Chartered Accountant and has vast experience of about 40 years in Finance, Insurance, Accounts and Taxation matters. He is a retired Executive Director of Life Insurance Corporation (LIC) of India. He worked as Nominee Director of LIC on the Board of our Company from 27.05.1999 to 10.09.2008.

Sri H. Anantha Krishnan was appointed as an Additional Director by the Board of Directors of the Company on 31st January 2009 and your management feels that his experience and services will immensely be beneficial to the Company in view of the ever increasing compliance of provisions under the Companies Act, SEBI Regulations and other related statutory provisions. In accordance with the norms of the Listing agreement, Sri H. Anantha Krishnan will be an Independent Director on the Board of the Company making it more broad based.

Notice has been received from the member 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 of your Company is interested, either directly or indirectly in the said resolution.

The relevant documents, registers and documents are available for inspection during the business hours on working days till the date of this Annual General Meeting.

ITEM NO.7

Sri C.V. Krishnaiah is Science Graduate (B.Sc) and a Bachelor of Engineering in Electrical and Electronics (B.E). He is the retired Chief Engineer (Electrical) in APGENCO and served on APSE Board and APGENCO in different capacities from Assistant Engineer to Chief Engineer for a period of 34 years at various places. He had received the Gold Medal Shield presented by His Excellency Hon'ble APJ Abdul Kalam for the highest PLF bagged by KTPS Stage V Units for the financial year 2003-04.

Sri C.V. Krishnaiah was appointed as an Additional Director by the Board of Directors of the Company on 2nd March 2009 and your management feels that his experience and services will immensely be beneficial to the Company. In accordance with the norms of the Listing Agreement, Sri C V Krishnaiah will be an Independent Director on the Board of the Company making it more broad based.

Notice has been received from the member 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 of your Company is interested, either directly or indirectly in the said resolution.

The relevant documents, registers and documents are available for inspection during the business hours on working days till the date of this Annual General Meeting.

ITEM NOS. 8 & 9

Sri K Sudhir Rao and Sri K Suhan Rao were appointed as Vice-Chairman and Managing Director of the Company respectively in the Twelfth Annual General Meeting held on 25th August 2005 for a period of five years w.e.f. 1st March 2005 by special resolutions passed for the purpose.

The Members of the Company through postal ballot passed special resolutions for variation in terms of remuneration payable to Sri K Sudhir Rao, Vice-Chairman and Sri K Suhan Rao, Managing Director increasing the remuneration to Rs. 6,80,000/- per month, with other applicable perquisites, allowances and commission, which shall be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956 w.e.f. 1st April 2008. The results of postal ballot were declared on the 15th November 2008.

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As per Sections 198, 269, 302, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, and due to inadequacy of profits for the financial year ended 31st March 2009 (Accounts Audited), the Company has applied to Central Government for its approval for continuation of payment of remuneration to Sri K. Sudhir Rao, Vice-Chairman and Sri K Suhan Rao, Managing Director on the terms and conditions as approved by the members by passing special resolutions through postal ballot on the 15th November 2008 up to the term as approved by the members in the Annual General Meeting held on the 25th August 2005. i.e., up to 28th February 2010.

As per the provisions of Sections 198, 269, 309 read with Schedule XIII to the Companies Act, 1956, the payment of the remuneration to Whole-Time Director or Managing Director requires the approval of Shareholders in General Meeting by way of Special Resolution.

The Board of Directors recommends the resolutions for your approval as set out under Item No.8 & 9.

None of the Directors except Sri K. Sudhir Rao, Sri K. Suhan Rao, Sri K.V. Rajeswhar Rao and Sri L. Venkateswara Rao are deemed to be concerned or interested in the said resolutions.

The information provided herein may be deemed to be an abstract as referred to under Section 302 of the Companies Act, 1956.

Particulars of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges:

Brief resume of the Directors, Nature of their expertise in specific functional areas, Names of companies in which they hold directorships and the memberships of Committees of the Board, and shareholding in the company are given below:

1) **Sri K.V. Rajeshwar Rao** aged 72 years is the Non-Executive Chairman of the Company and is instrumental in 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's growth and development since inception is invaluable. He is also a Director of Pioneer Infra Ventures Limited. He holds 6,59,340 (5.61%) equity shares in the Company as on the 31st March 2009.

2) **Sri V. Subramanian** aged 63 years is a Chartered Accountant by profession and has vast experience of about 35 years in various industries. At present he is rendering services as an advisor to many Companies in the areas of Finance. He also possesses rich experience in Accounts and Banking Relations. He is also a Director of Pioneer iServe Limited. He does not hold any shares in the Company as on the 31st March 2009.

3) **Sri H. Anantha Krishnan** aged 68 years is Graduate in Bachelor of Commerce and a Fellow Chartered Accountant and has vast experience of about 40 years in Finance, Insurance, Accounts and Taxation matters. He is retired Executive Director of Life Insurance Corporation (LIC) of India. He does not hold any shares in the Company as on the 31st March 2009.

4) **Sri C. V. Krishnaiah** aged 60 years is Science Graduate (B.Sc) and a professional degree holder in Bachelor of Engineering in Electrical and Electronics (B.E). He is retired Chief Engineer (Electrical) in APGENCO and served APSE Board and APGENCO in different capacities from Assistant Engineer to Chief Engineer for a period of 34 years at various places. He does not hold any shares in the Company as on the 31st March 2009.

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

M. AMALA
Company Secretary

Place: Hyderabad
Date: 27th June 2009

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Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the 16th Annual Report of your Company and the Audited Statement of Accounts for the year ended 31st March 2009.

Financial Results

The working of your Company for the year 2008-09 under review is as under:

(Rs. in lakhs)

Particulars	2008-09	2007-08
Gross Sales	8031.66	7657.06
Net Sales	7595.92	7089.29
Other income	70.15	233.43
Total Income	**7666.07**	**7322.72**
Profit before depreciation, interest and tax	**1638.29**	**2275.70**
Interest	212.56	286.01
Depreciation	360.20	347.68
Profit/Loss before Tax	**1065.53**	**1642.01**
Add: Exceptional Items (MAT credit adjustment)	162.05	0
Provision for Taxation :		
Current Tax	283.44	186.58
Fringe Benefit Tax	4.53	6.67
Deferred Tax	152.86	161.91
Income Tax 2005-06	0.92	0
Profit After Tax	**785.82**	**1286.85**
APPROPRIATIONS:		
1. Equity Dividend	235.16	223.42
2. Preference Dividend	11.75	11.75
3. Dividend Distribution Tax	41.96	39.97
4. Transfer to General Reserve	70.40	108.66
5. Balance carried to Balance Sheet	426. 54	903.05

Operations

Your Company has registered a Turnover (Gross Sales) of Rs. 8031.66 (Net Sales of Rs. 7595.92 lakhs) for the financial year ended 31st March 2009. There has been an increase in Net Sales of Rs.506.63 lakhs compared to the Net Sales of Rs.7089.29 lakhs for the previous financial year. The Profit Before Tax of your Company during the financial year amounted to Rs. 1065.53 lakhs.

Dividend

Your Directors have recommended a dividend of Rs. 2.00 per Equity Share (20 percent) aggregating to Rs. 275.13 lakhs (including dividend distribution tax) to the Equity Shareholders of the Company for the financial year ended the 31st March 2009, subject to the approval of the shareholders at the ensuing Annual General Meeting.

The Directors recommended a dividend @ 5% on 23,50,000 5% Cumulative Redeemable Preferential Shares Rs.10/- each for the year ended the 31st March, 2009 amounting to Rs. 13.74 lakhs (including dividend distribution tax) to the Preference Shareholders of the Company.

Changes in Share Capital Structure

i) During the financial year 2008-09, 5,87,000 equity convertible warrants of Rs.10/- each issued at a premium of Rs.11/- per warrant on the 5th May 2007, were converted into 5,87,000 Equity Shares of Rs.10/- each on the 31st July 2008 resulting in increase in the paid-up capital of the Company from Rs.11,17,12,000/- to Rs. 11,75,82,000/-.

ii) In accordance with the resolution passed by the shareholders at the Extraordinary General Meeting held on the 25th October, 2007, the Company allotted 7,00,000 Equity convertible warrants @Rs.53/- per warrant on the 3rd December, 2007 on preferential basis to the promoters & non promoters of the Company. The non-promoters of the Company have exercised the option of conversion of 30,000 warrants into 30,000 Equity Shares of Rs. 10/- each on the 6th May 2009, increasing the paid up share capital from Rs. 11,75,82,000/- to Rs. 11,78,82,000/-.

iii) The other warrant holders have not exercised their right for conversion on the remaining 6,70,000 warrants (out of 7,00,000 warrants issued) within the stipulated period of 18 months i.e., on or before 2nd June 2009 and the issued warrants expired and accordingly the amount of Rs. 96,32,527/- being the amount received upfront from the warrant holders, which is more than 10% of the issue price was forfeited, as per the terms of the issue.

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