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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

COMPANY SECRETARY:

Ms M. Amala, CS

SENIOR EXECUTIVES:

Sri A. N. Kadam,
GM - Operations

Sri K. Hari Narayana Rao,
AGM - Finance and Accounts

BANKERS:

State Bank of Mysore, (Industrial Finance Branch),
Greenlands, Hyderabad, Andhra Pradesh

State Bank of Indore, Triveni Complex,
Abids, Hyderabad. Andhra Pradesh

Indian Overseas Bank, NYK Towers,
Himayath Nagar, Hyderabad, Andhra Pradesh

FINANCIAL INSTITUTIONS:

Industrial Development Bank of India

Life Insurance Corporation of India

INVESTOR EMAIL ID:

amalacs@pioneerdistilleries.com

WEBSITE:

www.pioneerdistilleries.com

REGISTERED OFFICE:

8-2-311/C, Mithila Nagar, Road No.10,
Banjara Hills, Hyderabad - 500 034. (A.P)

Ph. no: +91-40-23542895, 23542920

Fax: +91-40-23542921

Email: info@pioneerdistilleries.com

FACTORY ADDRESS:

Balapur Village, Dharmabad Taluk,
Nanded District, Maharashtra- 431 809

Ph. no: 02465-203701, 203686, Fax: 02645-203688

Email: factory@pioneerdistilleries.com

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

LISTED WITH:

The Bombay Stock Exchange Limited

The National Stock Exchange of India Limited

The Pune Stock Exchange Limited

REGISTRARS AND

SHARE TRANSFER AGENTS:

Venture Capital and Corporate
Investments Pvt Ltd

H.No.12-10-167, Bharat Nagar,
Hyderabad -500 018.

Ph. no: 040-23818475/76,

Fax: 040-23868024

ANNUAL GENERAL MEETING:

Date: 25th September 2010

Time: 3.30 p.m.

Place: Hotel Green Park, Greenlands,

Begumpet, Hyderabad - 500016

Tel: 040-23757575

Shareholders attending the AGM are requested to
bring with them the enclosed ATTENDANCE SLIP

Chairman's Message

Dear Stakeholders,

Once again I have this privilege of addressing you as the Chairman of the Company. The performance of the Company during this financial year has been just average, as will be evident from the financial results.

During the Financial Year 2009-2010, the growth has not been encouraging in the sense that from a turnover of Rs.80.32 crores during the year 2008-2009, it came down to Rs.48.45 crores, with the profit after tax also showing downward trend from Rs.7.86 crores in 2008-2009, to Rs.3.18 crores during this year. The impact of global recession, which began last year continued, resulting in huge fluctuation in prices of molasses, stiff competition for sale of Rectified Spirit (RS), Extra Neutral Alcohol (ENA) and Denatured Spirit (DS). As mentioned last year, with surging demand for grain based alcohol, the Company, which began implementing a 60 KLPD Grain Based Alcohol facility, has completed its implementation and is planning to commission the facility, by October 2010. This step is expected to enhance its share in the market for grain based alcohol, besides, increase the profitability. Your Company has been conferred the status of "Mega Project" by the Industries, Energy and Labour Department, Mantralaya, State Government of Maharashtra under the Package Scheme of Incentives (PSI) 2007 on the basis of Fixed Capital Investment and is entitled for Industrial Promotion Subsidy and other incentives by way of refund of Sales Tax, VAT etc. The total value of such incentives is up to Rs. 162 crores. The process has also begun to obtain requisite licenses for Barley Malt Spirit Facility and Bottling Plant.



K.V. RAJESHWAR RAO
Chairman

Despite none too encouraging market conditions, the Company continues to maintain its equilibrium, being pro-active in managing the cost effectiveness scrupulously by defending its margin of profitability. This approach, I am proud to state in absolutely positive and I am sure that with a little more favorable situation, your Company will prove yet again and that the moderate performance has only been incidental under the circumstances and the financial results in the years to come will herald its stature as a young vibrant organization with a great vision.

Your Company continues to strive to keep all the stakeholders fully satisfied with its transparency and corporate governance which are its strengths.

I would like to thank the Co-Directors for their continued support throughout the year. I would also like to take this opportunity to convey my gratitude to the Board, our Bankers, Financial Institution, 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

Notice

To

The Members

NOTICE is hereby given that the 17th Annual General Meeting of the Members of Pioneer Distilleries Limited has been scheduled to be held on Saturday the 25th September 2010 at 3.30 p.m. at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500016 to transact the following business:

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 year ended 31st March, 2010 together with the Auditors' Report and Directors' Report thereon.
2. To declare Dividend for the Year ended 31st March 2010.
3. To appoint a Director in place of Sri L Venkateswara Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri C V Kamalaker, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s N G Rao & Associates as Statutory Auditors 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.

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

Place: Hyderabad

M. AMALA

Date: 28th August 2010

Company Secretary

NOTES:

1. **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.

2. **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.**
3. 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.
4. The Register of Members and Share Transfer books of the Company will remain closed from 20th September 2010 to 25th September 2010 (both days inclusive) for the purpose of Dividend & Annual General Meeting.
5. The dividend as recommended by the Board of Directors for the year ended 31st March 2010, when declared at the Annual General Meeting will be paid on or before 30 days from the date of Annual General Meeting as under:
 - a. To all the 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 as of the close of business hours on 18th September 2010.
 - b. To all the Members of the Company in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the company on or before the close of business hours on 18th September 2010.

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, Venture Capital and Corporate Investments Private Limited, Regd. Office: 12-10-167, Bharat Nagar, Hyderabad – 500018. 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.
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 Venture Capital and Corporate Investments Private Limited on or before (closing of registers) 20th September 2010.

At the ensuing Annual General Meeting, Sri L Venkateswara Rao and Sri C V Kamalaker retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors are provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

**Details of Directors seeking appointment / re-appointment at the
17th Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)**

| Name of the Director | L Venkateswara Rao | C V Kamalaker |
|---|---|---|
| Date of Birth | 21/04/1957 | 05/06/1941 |
| Date of appointment | 25/11/1992 | 22/05/2006 |
| Brief Resume | Has been actively associated with the Company since inception. His contribution to the Company during the construction, erection and commissioning of the factory has been significant. | A retired General Manager (Law) from the Industrial Finance Corporation of India Ltd. He has over 37 years of rich experience in corporate laws, property law, personal law, insurance law and banking law. He has dealt extensively with various industries while working with IFCI and later on as Consultant in Indian Law Services Branch at Bangalore. |
| Qualification | Engineering Graduate | Post Graduate in Law |
| Directorship in other Public Companies | Nil | Nil |
| Membership of Committees in other Public Limited Companies | Nil | Nil |
| Shareholding in the Company (Equity Shares of Rs.10/- each) | 561880 | Nil |

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

Place: Hyderabad
Date: 28th August 2010

M. AMALA
Company Secretary

Directors' Report

Dear Shareholders,

The Directors are pleased to present your Company's Seventeenth Annual Report together with the Audited Statement of Accounts for the year ended March 31st, 2010.

Financial Results

The Summary of Financial Results of your Company for the year 2009-10 is as under:

| | (Rs. in lakhs) | |
|---|----------------|----------------|
| Particulars | 2009-10 | 2008-09 |
| Gross Sales | 4845.30 | 8031.67 |
| Net Sales | 4658.45 | 7595.92 |
| Add: Other income | 93.99 | 70.15 |
| Add: Increase in stocks | 1115.81 | 276.77 |
| Total Income | 5868.25 | 7942.84 |
| Less: Expenditure | 4387.91 | 6304.55 |
| Profit before depreciation, interest and tax | 1480.34 | 1638.29 |
| Less: Interest | 293.54 | 212.56 |
| Less: Depreciation | 386.72 | 355.40 |
| Less: Preliminary Expenses Written Off | 4.80 | 4.80 |
| Profit/Loss before Tax | 795.28 | 1065.53 |
| Add: Exceptional Items (MAT credit adjustment) | 33.96 | 162.05 |
| Provision for Taxation: | | |
| Current Tax | 126.40 | 283.44 |
| Fringe Benefit Tax | 0 | 4.53 |
| Deferred Tax | 133.33 | 152.86 |
| Income Tax 2005-06 | 0 | 0.92 |
| Profit After Tax | 569.51 | 785.82 |
| Less: Extraordinary Item | 250.98 | 0 |
| Profit After Extraordinary Item | 318.53 | 785.82 |
| Add: Balance brought forward from previous year | 1607.84 | 1181.29 |
| APPROPRIATIONS: | | |
| 1. Equity Dividend | 126.48 | 235.16 |
| 2. Preference Dividend | 10.69 | 11.75 |
| 3. Dividend Distribution Tax | 23.31 | 41.96 |
| 4. Transfer to General Reserve | 0 | 70.40 |
| 5. Transfer to Capital Redemption Reserve | 170.00 | 0 |
| 6. Preference Shares Redemption Premium | 8.50 | 0 |
| Balance carried to Balance Sheet | 1587.39 | 1607.84 |

Operations

Your Company has registered a Turnover (Gross Sales) of Rs. 4845.30 Lakhs (Net Sales of Rs. 4658.45 Lakhs) for the financial year ended March 31st, 2010. The Profit Before Tax of your Company during the financial year amounted to Rs. 795.28 Lakhs.

Dividend

Your Directors have recommended a dividend of Rs. 1.00 per Equity Share (10 percent) aggregating to Rs. 126.48 Lakhs to the Equity Shareholders of the Company for the financial year ended the 31st March 2010, subject to the approval of the Shareholders at the ensuing Annual General Meeting.

The Directors have recommended a dividend @ 5% on 23,50,000 5% Cumulative Redeemable Preference Shares of Rs.10/- each for the year ended the 31st March, 2010 amounting to Rs.10.69 Lakhs to the Preference Shareholders of the Company.

The total Dividend distribution tax is Rs.23.31 Lakhs.

Changes in Share Capital Structure

- i) During the financial year 2009-10, 16,00,000 equity convertible warrants of Rs.10/- each were issued at a premium of Rs.26.10/- per warrant on 30th July 2009 on preferential basis to the promoters & non promoters of the Company, which will be converted into equity shares within 18 months from the date of allotment.
- ii) Out of the 16,00,000 equity convertible warrants of Rs.10/- each issued at a premium of Rs.26.10/- per warrant on 30th July 2009, 8,00,000 equity convertible warrants were converted into 8,00,000 Equity Shares of Rs.10/- each on 10th December 2009 resulting in increase in the paid-up capital of the Company from Rs. 11,78,82,000/- to Rs.12,58,82,000/-.

- iii) On 24th July 2010, remaining 8,00,000 convertible warrants of Rs.10/- each issued at a premium of Rs.26.10/- per warrant were converted into 8,00,000 Equity Shares of Rs. 10/- each, resulting in increase in the paid-up capital of the Company from Rs. 12,58,82,000/- to Rs. 13,38,82,000/-.

Redemption of 5% Redeemable Preference Shares

The Company had issued 5% Redeemable Preference Shares to Financial Institutions viz, Industrial Development Bank of India (IDBI) (17,00,000 shares) and Life Insurance Corporation of India Limited (LIC) (6,50,000 shares). During the financial year 2009-10, the Company had redeemed 5% Redeemable Preference Shares issued to IDBI. On 23-07-2010, the Company had redeemed 5% Redeemable Preference Shares issued to LIC.

Expansion Activity

The 60KLDP Grain Based Alcohol Facility will commence its production of Alcohol in the month of October 2010, which utilizes grains such as maize, jowar and broken rice as raw material. This expansion would not only enable the company to substantially increase its revenue, but also enhance its share in the niche markets for grain based alcohol. Due to the economies of scale, the Company would acquire a better bargaining power resulting in the improved profit margins. Steps have also been initiated to procure Licenses for Barley Malt Spirit facility and Bottling Plant.

Board of Directors

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Sri L Venkateswara Rao and Sri C V Kamalaker retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Statutory Auditors

M/s Alapati Vadde & Co, Chartered Accountants, the Statutory Auditors of the Company has expressed their inability for reappointment as Statutory Auditors of the Company, since they have not received the Peer Review Certificate as required by SEBI requirements. The Company has

received a letter from M/s N G Rao & Associates, Chartered Accountants that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. Accordingly, the proposal for their appointment has been placed for the approval of Members at the ensuing Annual General Meeting as they have submitted Peer Review Certificate.

Fixed Deposits:

The Company has not accepted nor invited any Deposits from the public during the year and hence no deposit is due for repayment as on 31st March, 2010.

Compliance with Corporate Governance Voluntary Guidelines 2009

During the year, the Ministry of Corporate Affairs, Government of India, published the Corporate Governance Voluntary Guidelines 2009. These Guidelines have been published keeping in view the objective of encouraging the use of better practices through voluntary adoption, which not only serves as a benchmark for the corporate sector but also helps them in achieving the highest standard of corporate governance. These guidelines provide corporate India a framework to govern themselves voluntarily as per the highest standards of ethical and responsible conduct of business. The Ministry hopes that adoption of these guidelines will also translate into a much higher level of stakeholders' confidence, which is crucial to ensure the long-term sustainability and value generation by business. The guidelines broadly focuses on areas such as Board of Directors, responsibilities of the Board, audit committee functions, roles and responsibilities, appointment of auditors, Compliance with Secretarial Standards and a mechanism for whistle blower policy.

Directors' Responsibility Statement

Pursuant to the Section 217(2AA) of the Companies, Act, 1956, your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

- (ii) the accounting policies are in line with those generally accepted and have consistently been followed 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 year and of the Profit for the year under review.
- (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; and
- (iv) the Annual Accounts of the Company have been prepared on a going concern basis.

Disclosure as per the Listing Agreement

The Equity Shares of the Company got listed on the National Stock Exchange Limited, Mumbai on June 15, 2010. Accordingly, the Company's Equity Shares as on date are listed on:

The Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400001

The National Stock Exchange of India Limited,
Exchange Plaza, C-1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051

The Pune Stock Exchange Limited,
Shivleela Chambers, 752,
Sadashivpeth, R.B. Kumthekar Marg,
Pune - 4110360

The annual listing fees for the above mentioned stock exchanges have been paid.

Particulars of Employees

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is set out in Annexure –1 to this Report.

Conservation of Energy, Technology and Foreign Exchange

Energy conservation is a focus area for the Company from the angles of both cost control and social responsibility. A report in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out as Annexure - 2 to this Report.

Corporate Governance Report

A detailed Report on Corporate Governance is set out in Annexure – 3 to this Report. A certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance is appended to the Report on Corporate Governance.

Management Discussion and Analysis Report

The Management Discussion and Analysis report is annexed to this report as Annexure-4.

Acknowledgements

Your Directors take this opportunity to acknowledge with deep appreciation the co-operation and support received from the Financial Institutions and Bankers and look forward for their continuous assistance and support to the Company. We also convey our sincere thanks and gratitude to all our customers, suppliers, auditors, shareholders and the concerned government departments for their continued support to your Company. Your Directors wish to place on record their appreciation for the dedication of all the executives, staff and workers of the Company.

For and on behalf of the Board of Directors

K. SUDHIR RAO
Vice Chairman

K. SUHAN RAO
Managing Director

Place: Hyderabad
Date: 28th August 2010

ANNEXURE – 1

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended 31st March, 2010

| Name and Designation of the Employee | Gross Remuneration in Rupees* | Qualification & Experience (yrs) | Date of Employment | Age | Last Employment held |
|--------------------------------------|-------------------------------|---|--------------------|-----|----------------------|
| K. Sudhir Rao, Vice Chairman | 87,60,000/- | MS in Computer Science – Exp: 18 years | 25.11.1992 | 50 | First Employment |
| K. Suhan Rao, Managing Director | 87,60,000/- | Mechanical Engineer – Exp: 18 years | 25.11.1992 | 45 | First Employment |

* Gross remuneration includes Salary, HRA, Perks and PF in terms of Schedule XIII to the Companies Act, 1956.

For and on behalf of the Board of Directors

K. SUDHIR RAO
Vice Chairman

K. SUHAN RAO
Managing Director

Place: Hyderabad
Date: 28th August 2010

ANNEXURE – 2**FORM- A****DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY****A. Power and Fuel Consumption:****Electricity:**

| | 2009-2010 | 2008-2009 |
|--|------------------|------------------|
| | Rs. | Rs. |
| (a) Purchased | | |
| Total Units (KWH) | 852770 | 2864160 |
| Total Amount | 5159780 | 15506640 |
| Rate per Unit (in Rs)(inclusive of demand charges) | 6.05 | 5.36 |
| (b) Own generation (Through Rice Husk) | | |
| Total Units (KWH) | 5231059 | 6070377 |
| Units per ton of rice husk | 150 | 149 |
| Total Amount | 14542344 | 23749526 |
| Rate/Unit – Rs. | 2.78 | 2.53 |
| (c) Own generation (Through Diesel Oil) | | |
| Total Units (KWH) | 245976 | 279965 |
| Units per litre of Diesel | 3.22 | 2.54 |
| Total Amount | 4014336 | 4021979 |
| Rate/Unit (in Rs) | 16.32 | 14.37 |