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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: 25<sup>th</sup> 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 17<sup>th</sup> Annual General Meeting of the Members of Pioneer Distilleries Limited has been scheduled to be held on Saturday the 25<sup>th</sup> 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 31<sup>st</sup> March, 2010 and the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2010 together with the Auditors' Report and Directors' Report thereon.
2. To declare Dividend for the Year ended 31<sup>st</sup> 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: 28<sup>th</sup> 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 20<sup>th</sup> September 2010 to 25<sup>th</sup> 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 31<sup>st</sup> 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 18<sup>th</sup> 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 18<sup>th</sup> 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) 20<sup>th</sup> 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  
17<sup>th</sup> 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: 28<sup>th</sup> 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 31<sup>st</sup>, 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
<b>Gross Sales</b>	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
<b>Total Income</b>	<b>5868.25</b>	<b>7942.84</b>
<b>Less: Expenditure</b>	<b>4387.91</b>	<b>6304.55</b>
<b>Profit before depreciation, interest and tax</b>	<b>1480.34</b>	<b>1638.29</b>
Less: Interest	293.54	212.56
Less: Depreciation	386.72	355.40
Less: Preliminary Expenses Written Off	4.80	4.80
<b>Profit/Loss before Tax</b>	<b>795.28</b>	<b>1065.53</b>
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
<b>Profit After Tax</b>	<b>569.51</b>	<b>785.82</b>
Less: Extraordinary Item	250.98	0
<b>Profit After Extraordinary Item</b>	<b>318.53</b>	<b>785.82</b>
Add: Balance brought forward from previous year	1607.84	1181.29
<b>APPROPRIATIONS:</b>		
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 31<sup>st</sup>, 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 31<sup>st</sup> 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 31<sup>st</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> July 2009, 8,00,000 equity convertible warrants were converted into 8,00,000 Equity Shares of Rs.10/- each on 10<sup>th</sup> 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 24<sup>th</sup> 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 31<sup>st</sup> 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: 28<sup>th</sup> 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: 28<sup>th</sup> August 2010

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

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

**B. Consumption per unit of production:**

	<b>2009-10</b>	<b>2008-2009</b>
	<b>Rs.</b>	<b>Rs.</b>
Power (KWH/Litre of Alcohol)	0.49	0.38
Cost of Power (Rs./Litre of Alcohol)	1.87	1.76

**FORM - B****DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION****a) Research and development (R & D):**

1. Specific areas in which R & D carried out by the company : NIL
2. Benefits derived as a result of the above R&D : NIL
3. Future plan of action : To further develop more value added products and improve the quality of the products.
4. Expenditure on R & D : NIL

**b) Technology, absorption, adaptation and innovation**

The Company is making continuous efforts for improving productivity, quality and manufacture of value added products.

**FORM - C**

<b>Foreign Exchange Earnings and outgo:</b>	<b>2009-2010</b>	<b>2008-2009</b>
	<b>Rs.</b>	<b>Rs.</b>
a. Earnings in Foreign Exchange	Nil	Nil
b. Expenditure in Foreign Currency	Nil	Nil

For and on behalf of the Board of Directors

**K. SUDHIR RAO**  
Vice Chairman

**K. SUHAN RAO**  
Managing Director

Place: Hyderabad

Date: 28<sup>th</sup> August 2010

## ANNEXURE - 3

## REPORT ON CORPORATE GOVERNANCE

## 1. Company's Philosophy on Corporate Governance:

The philosophy of the Company on Corporate Governance is aimed at safeguarding and adding value to various stakeholders and envisage attainment of the highest levels of transparency and accountability in all areas of its operations and interactions with its stakeholders, including shareholders, employees, lenders and customers.

Your Company has laid down a Code of Conduct for its Board Members and Senior Management Personnel. All the Directors and the Senior Management Personnel have affirmed compliance with the said Code of Conduct.

Your Board of Directors present the Corporate Governance Report for the year 2009-10 in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges.

## 2. Board of Directors:

## a) Composition of Board

The Board of Directors of the Company ("the Board") as on the 31<sup>st</sup> March, 2010 comprises of 8 Directors, which includes a Non-executive Chairman Sri K V Rajeshwar Rao, five Non-executive Directors, viz., Sri L Venkateswara Rao, Sri V Subramanian, Sri C V Kamalaker, Sri H Anantha Krishnan and Sri C V Krishnaiah, and two Executive Directors, viz., Sri K Sudhir Rao, Vice-Chairman and Sri K Suhan Rao, Managing Director.

The Non-executive Chairman is the promoter of the company and the Board complies with the requirement of at least half of the Board to be of Independent Directors.

## b) Attendance of each Director at Board Meetings during the financial year 2009-10, at the last Annual General Meeting and number of other Directorships and Chairmanships / Memberships of Committees of each Director in various companies are given hereunder:

During the financial year 2009-10, Ten Board Meetings were held.

Name of the Director	Category	Attendance		Number of other Directorships	Membership in Boards of Companies as on 31-03-2010 (other than Pioneer Distilleries Limited)	
		Board Meetings	At last AGM	As Director	As Committee	
					Chairman	Member
Sri K. V. Rajeshwar Rao	Non - Executive	10	Yes	1	Nil	Nil
Sri K. Sudhir Rao	Executive	10	Yes	3	2	Nil
Sri K. Suhan Rao	Executive	10	Yes	3	Nil	2
Sri L. Venkateswara Rao	Non- Executive	10	Yes	Nil	Nil	Nil
Sri V. Subramanian	Non-Executive Independent	10	Yes	3	Nil	3
Sri C. V. Kamalaker	Non-Executive Independent	5	No	Nil	Nil	Nil

Name of the Director	Category	Attendance		Number of other Directorships	Membership in Boards of Companies as on 31-03-2010 (other than Pioneer Distilleries Limited)	
		Board Meetings	At last AGM	As Director	As Committee	
					Chairman	Member
Sri H. Anantha Krishnan	Non-Executive Independent	5	No	Nil	Nil	Nil
Sri C V Krishnaiah	Non-Executive Independent	9	No	1	Nil	Nil

**c) Other provisions as to Board and Committees**

**(i) Number of Board Meetings held and the dates on which held:**

During the financial year 10 Board Meetings were held. The details of the Board Meetings are as under:

Date of the Meeting	Board Strength	No. of Directors present
1 <sup>st</sup> April 2009	8	6
12 <sup>th</sup> May 2009	8	6
5 <sup>th</sup> June 2009	8	8
27 <sup>th</sup> June 2009	8	8
30 <sup>th</sup> July 2009	8	8
11 <sup>th</sup> September 2009	8	5
31 <sup>st</sup> October 2009	8	8
10 <sup>th</sup> December 2009	8	6
27 <sup>th</sup> January 2010	8	8
1 <sup>st</sup> March 2010	8	6

- (ii) None of the Directors on the Board of the Company is either a member in more than ten Committees or act as Chairman of more than five companies across all the Companies in which they are Directors.

**d) Code of Conduct**

The Code of Conduct was circulated among all the Board Members and Senior Management Personnel and was affirmed on an annual basis. The content of the Code of Conduct is posted on the Company's Website at [www.pioneerdistilleries.com](http://www.pioneerdistilleries.com). A declaration to this effect by Sri K. Suhan Rao, Managing Director of the Company is given below:

## DECLARATION OF COMPLIANCE OF CODE OF CONDUCT

Pursuant to Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October 2004, it is hereby declared that the Company has adopted a Code of Conduct for its Board Members and Senior Management Personnel. I hereby confirm that the Company has in respect of the financial year ended 31<sup>st</sup> March 2010, received from the Senior Management Personnel of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For PIONEER DISTILLERIES LIMITED

Place: Hyderabad  
Date: 28<sup>th</sup> August 2010

**K.SUHAN RAO**  
Managing Director

### 3. Audit Committee

#### a) Brief description of terms of reference:

The Audit Committee of the Company consists of 4 Directors of whom 3 are Independent Directors. All the members of the Committee are Non-Executive Directors with the Chairman of the Committee Sri. V. Subramanian being an Independent Director.

The terms of reference / powers of the Audit Committee have been specified by the Board of Directors as under:

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice; and
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Role of the Audit Committee includes the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement forming part of the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
  - b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions; and
  - g. Qualifications in the draft audit report.



5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of Internal Audit Function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with Internal Auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism.
13. Carrying out such other function as is mentioned in the terms of reference of the Audit Committee.
14. To review the following information:
  - Management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions submitted by management;
  - Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - Internal audit reports relating to internal control weaknesses; and
  - The appointment, removal and terms of remuneration Internal Auditors.

**b) Composition, Names of Members and Chairman:**

The constitution of the Audit Committee and the attendance of each member is given below:

Name	Designation	Category
Sri V. Subramanian	Chairman	Non-Executive Independent Director
Sri L. Venkateswara Rao	Member	Non-Executive Director
Sri C.V. Kamalaker	Member	Non-Executive Independent Director
Sri H. Anantha Krishnan	Member	Non-Executive Independent Director

The Company continued to derive immense benefit from the deliberations of the Audit Committee. Sri V. Subramanian, who is heading the Audit Committee as Chairman is having rich experience and professional knowledge in Finance, Accounts and Company Law. The other members of the Committee with their knowledge and experience contributed to the performance of the Company. The Minutes of each Audit Committee Meeting are placed before the Board and discussed in the meeting.

Ms. M. Amala, Company Secretary is the Secretary of the Audit Committee.

**b) Meetings of the Audit Committee and attendance during the year:**

**During the financial year, four Audit Committee meetings were held and the dates on which the meetings were held are given below:**

Sl. #	1	2	3	4
Date of the Meeting	27 <sup>th</sup> Jun 2009	30 <sup>th</sup> Jul 2009	31 <sup>th</sup> Oct 2009	27 <sup>th</sup> Jan 2010

The attendance of the Members at the above meetings was as follows:

Sl. #	Name of the Director	No. of Meetings attended
1.	Sri V. Subramanian	4
2.	Sri C. V. Kamalaker	4
3.	Sri L.Venkateswara Rao	4
4.	Sri H. Anantha Krishnan	4

**4. Remuneration Committee**

**a) Brief description of terms of reference.**

To formulate a remuneration policy and approve the remuneration or review the remuneration payable to the Whole-time Directors, based on their performance.

**b) Composition, Name of Members and Chairman:**

All the members of the Remuneration Committee are Non Executive Independent Directors, the details whereof are as follows:

Name	Designation	Category
Sri V. Subramanian	Chairman	Non-Executive Independent Director
Sri C.V. Kamalaker	Member	Non-Executive Independent Director
Sri H. Anantha Krishnan	Member	Non-Executive Independent Director

**c) Attendance during the year**

During the Year under review, Two Meetings were held on 27<sup>th</sup> June 2009 and on 27<sup>th</sup> January 2010. The Chairman and the Members attended the meetings.

**d) Remuneration Policy**

To recommend/review the remuneration package, of the Managing and Whole-time Directors. The remuneration policy is in consonance with the existing Industry Practice and also with the provisions of the Companies Act, 1956.

e) Details of remuneration paid during the year 2009-2010 to the Directors are furnished hereunder.

i) Executive Directors

Name	Salary (Rs.)	HRA (Rs.)	Total (Rs.)
Sri K. Sudhir Rao	81,60,000	600000	87,60,000
Sri K. Suhan Rao	81,60,000	600000	87,60,000

ii) Non-Executive Directors: The Non-executive directors of the Company are not paid any remuneration other than sitting fees. The details of sitting fees paid to the non-executive Directors during the financial year 2009-10 are as follows:

Name of Director	Sitting Fee (Rs)
Sri K.V. Rajeshwar Rao	80,000
Sri L. Venkateswara Rao	1,12,000
Sri V. Subramanian	1,36,000
Sri C.V. Kamalaker	96,000
Sri H. Ananthakrishnan	96,000
Sri C V Krishnaiah	72,000

f) The number of shares held by Non-Executive Directors in the Company is as follows:

Sl. #	Name of the Director	No. of Equity Shares held
1.	Sri K.V. Rajeshwar Rao	759340
2.	Sri L.Venkateswara Rao	561880
3.	Sri V. Subramanian	Nil
4.	Sri C. V. Kamalaker	Nil
5.	Sri H. Anantha Krishnan	Nil
6.	Sri C V Krishnaiah	Nil

g) The Company does not have any stock option plan or performance linked incentive for the Executive Directors. The appointments are made for a period of five years on the terms and conditions in the respective resolutions passed by the Members in the General Meetings.

None of the Non-Executive Directors are paid any remuneration apart from sitting fees paid for attendance at the Board Meetings and Committee Meetings.

Besides Dividend on the Equity Shares held by the Directors, and payments as mentioned above, no other payments have been made to the Directors of the Company.

5. Share Transfer and Shareholders / Investor Grievance Committee:

i) A Share Transfer and Shareholders / Investors Grievance Committee of Directors was constituted to specifically look into the matters relating to investors grievances such as

- Transfer/Transmission of shares.
- Split and consolidation of investors' holdings.

- Replacement of lost/mutilated/stolen share certificates.
- Redressal of Shareholders' and investors' complaints like transfer of Shares, non-receipt of Balance Sheet, non-receipt of declared dividend etc

The main object of the Committee is to strengthen relations among investors.

- i) The Shareholders' Grievance Committee constituted by the Board of Directors comprises of Sri L. Venkateswara Rao, Non- Executive Director, Sri K. Sudhir Rao, Vice Chairman and Sri K. Suhan Rao, Managing Director. During the year, the Committee met 3 times on 24-09-2009, 19-10-2009 & 15-12-2009.
- ii) During the year, 4500 shares were transferred. There are no outstanding complaints as on the 31st March 2010.
- iii) The Committee processes all the Share Certificates received for transfers, consolidation, splitting in accordance with the provisions of the Companies Act and the Listing Agreement. The Compliance Certificate in accordance with Clause 47(C) of the Listing Agreement with regard to the transfers/splitting/ consolidation is obtained by the Company from a Practicing Company Secretary every six months and submitted to the Stock Exchanges.
- iv) Ms. M Amala, Company Secretary, is the Compliance Officer of the Company.

## 6. General Body Meetings

- a. The details of previous Annual General Meetings of the Company held are as under:

Year	AGM	Date	Location	Time	No. of Special Resolutions Passed
2008-09	16 <sup>th</sup> AGM	30.09.2009	Hotel Green Park, Green Lands, Begumpet, Hyderabad – 500016	3.30 P.M	2
2007-08	15 <sup>th</sup> AGM	07.08.2008	Kohinoor II, Taj Deccan, Road No.1, Banjara Hills, Hyderabad – 500034	3.30 P.M.	Nil
2006-07	14 <sup>th</sup> AGM	19.09.2007	Hotel Green Park, Green Lands, Begumpet, Hyderabad – 500016	10.30 A.M.	2

- b. During the financial year 2009-10, Special Resolutions were passed for the following items by way of postal ballot:
  - (i) Preferential Allotment of 16,00,000 Warrants convertible into Equity Shares: The Special Resolution was approved by more than 3/4<sup>th</sup> majority of members of the Company and the result of the postal ballot was declared on the 15<sup>th</sup> July 2009.
  - (ii) Reappointment of Sri K Sudhir Rao, Vice-Chairman for a period of 5 years: The Special resolution was approved by the Members by more than 3/4<sup>th</sup> majority, the result of postal ballot was declared on 15<sup>th</sup> March 2010
  - (iii) Approval of remuneration to Sri K Sudhir Rao, Vice-Chairman: The Special resolution was approved by the Members by more than 3/4<sup>th</sup> majority, the result of postal ballot was declared on 15<sup>th</sup> March 2010.

- (iv) Reappointment of Sri K Suhan Rao, Managing Director for a period of 5 years: The Special resolution was approved by the Members by more than 3/4<sup>th</sup> majority, the result of postal ballot was declared on 15<sup>th</sup> March 2010
- (v) Approval of remuneration to Sri K Suhan Rao, Managing Director: The Special resolution was approved by the Members by more than 3/4<sup>th</sup> majority, the result of postal ballot was declared on 15<sup>th</sup> March 2010.

Sri V. Ahalada Rao, Company Secretary in Practice acted as Scrutinizer to the Postal Ballot process.

At the ensuing Annual General Meeting, there are no resolutions proposed to be passed through postal ballot.

#### 7. Disclosures

- (i) No transaction of material nature has been entered into by the Company with its promoters, directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company. However, please refer to the relevant Notes on Accounts on related party transactions disclosed in Note No 3 of Schedule 21 to the Accounts in the Annual Report.
- (ii) The Company has complied with the requirements of Stock Exchanges/SEBI or any other Statutory Authority on matters related to capital markets as applicable from time to time.
- (iii) The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement (as amended).
- (iv) The Managing Director of the Company certified that the Company has complied with the provisions of Clause 49(V) of the Listing Agreement.

#### 8. Means of Communication

Quarterly / Half yearly results: The Quarterly, Half Yearly and Annual Audited Financial results of the Company are communicated to the Stock Exchanges immediately after the same are approved by the Board and are published in prominent English and Telugu News papers namely Business Standard, Financial Express and Andhra Prabha.

Website: The Company's website [www.pioneerdistilleries.com](http://www.pioneerdistilleries.com) contains a separate section "**Investor Relations**" where shareholders information is available.

Annual Report: Annual Report containing inter-alia, Audited Annual accounts, Financial Statements, Director's Report, Auditor's Report, Management Discussion and Analysis (MD&A) Report, Report on Corporate Governance and other important information is circulated to Members and others entitled thereto.

Management Discussion and Analysis Report forms part of the Annual Report.

#### 9. General Shareholder Information

##### i) Annual General Meeting:

Date and Time: **At 3.30 p.m. on Saturday the 25<sup>th</sup> day of September 2010**

Venue: **Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500016 (A.P)**

**ii) Financial Calendar (tentative)**

The financial year of the Company begins from 1st April to 31<sup>st</sup> March. The following is the tentative financial calendar for the financial year 2010-11 of the Company, which is subject to change:

1 <sup>st</sup> Quarter results by	Within 45 days from the end of the quarter
2 <sup>nd</sup> Quarter /Half-year results by	Within 45 days from the end of the quarter
3 <sup>rd</sup> Quarter results by	Within 45 days from the end of the quarter
4 <sup>th</sup> Quarter & Annual results by	Within 60 days from the close of the financial year
AGM for the year 2010-11	September 2011

**iii) Date of Book Closure**

The dates of book closure are from 20<sup>th</sup> September 2010 to 25<sup>th</sup> September 2010 inclusive of both days.

**iv) Dividend Payment Date**

Within 30 days from the date of declaration of dividend at the Annual General Meeting (subject to the approval of shareholders at the ensuing Annual General Meeting).

**v) Company's shares are presently listed on the following Stock Exchanges**

- (i) The Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai – 400001.  
Tel: 022-22721233/4
- (ii) The National Stock Exchange of India Ltd.  
Exchange Plaza,  
Plot no. C/1, G Block,  
Bandra-Kurla Complex  
Bandra (E), Mumbai - 400 051  
Tel No: (022) 26598148
- (iii) The Pune Stock Exchange Limited  
Regd. Office: Shivleela Chambers,  
First Floor, 752 Sadashiv Peth,  
R.B.Kumathekar Marg, Pune – 411030  
Phone: 020- 24461228

The Annual listing fees for the year 2010-11 (as applicable) has been paid by the Company to the respective Stock Exchanges.

In terms of SEBI Circular dated 28-01-2005, the Company has paid the annual custody fee to NSDL and CDSL for the financial year 2010–11.



**vi) Stock Code:**

The Bombay Stock Exchange Limited	531879	PIONEE DISTL
The Pune Stock Exchange Limited	160202	PIODI
The National Stock Exchange of India Limited	PIONDIST	

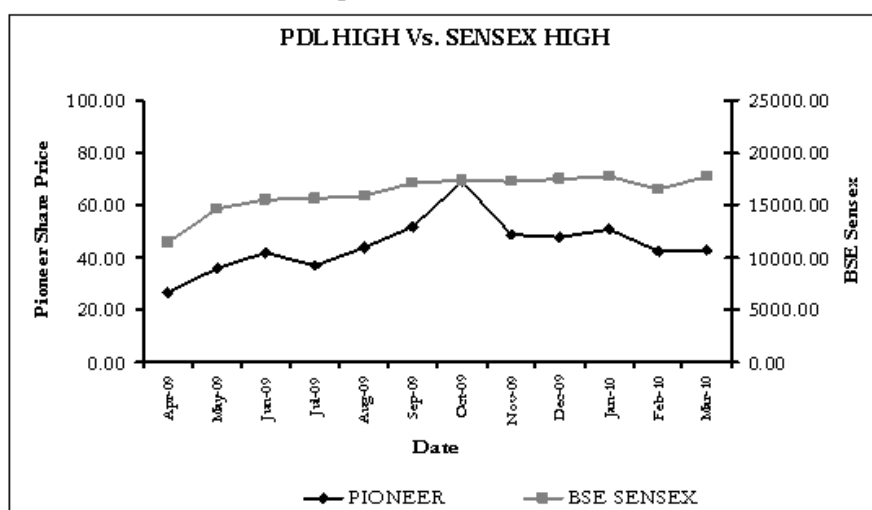
**vii) Market Price Data:**

The monthly high and low quotations at the Bombay Stock Exchange [BSE] during the year under review are given below:

Month	High (Rs)	Low (Rs)
April 2009	26.40	20.30
May 2009	36.2	21.85
June 2009	41.65	29.70
July 2009	37.10	27.00
August 2009	44.00	33.90
September 2009	51.50	42.95
October 2008	69.20	45.90
November 2009	48.85	42.95
December 2009	48.00	43.15
January 2010	50.55	40.25
February 2010	42.45	38.50
March 2010	42.70	35.90

Source: [www.bseindia.com](http://www.bseindia.com)

**viii) Share Price Performance in comparison with BSE SENSEX:**



- ix) **Registrar and Transfer Agents:** Venture Capital and Corporate Investments Private Limited is the Registrar and Share Transfer Agent of the Company have been engaged to provide both physical share transfer as well as dematerialization services.

Venture Capital and Corporate Investments Private Ltd,  
 Regd Off:12-10-167, Bharat Nagar,  
 Hyderabad -500 018.  
 Ph: 040-23818475/23818476/23868023  
 Fax: 040-23868024  
 Email: info@vccilindia.com  
 Website: www.vccilindia.com

- x) **Share Transfer System:** The share transfer process is carried out by Venture Capital and Corporate Investments Private Limited within 30 days from the date of the receipt of the shares for transfer. Once the transfers are processed, the details thereof are furnished to the Company for approval. The Board has delegated the authority for approving transfers, transmission etc of the company's securities to the sub committee called Share Transfer Committee. Summaries of share transfer/ transmission of the securities of the Company so approved by the Company are placed at every Board Meeting.

The Company obtains half yearly Certificate of Compliance with the Share Transfer formalities as required under Clause 47(C) of the Listing Agreement with Stock Exchanges from a Company Secretary in Practice and the same is submitted to the Stock Exchanges within the period prescribed.

- xi) **Distribution of Shareholding as on 31<sup>st</sup> March, 2010**

Share holding of nominal value of			Share holders		Share Amount	
Rs		Rs	Number	% to Total Nos	In Rs.	% to Total Amount
	(1)		(2)	(3)	(4)	(5)
Up to	to	5,000	3002	78.56	46,68,110	3.70
5,001	to	10,000	445	11.64	39,51,410	3.13
10,001	to	20,000	178	4.65	29,26,300	2.32
20,001	to	30,000	78	2.04	20,16,900	1.60
30,001	to	40,000	19	0.49	6,97,300	0.55
40,001	to	50,000	33	0.86	15,96,570	1.26
50,001	to	1,00,000	19	0.49	14,72,350	1.17
1,00,001	And	Above	47	1.23	10,85,53,060	86.23
<b>TOTAL</b>			<b>3821</b>	<b>100.00</b>	<b>12,58,82,000</b>	<b>100.00</b>

**Shareholding Pattern as on 31<sup>st</sup> March, 2010**

Category	No. of shares held	Percentage of Shareholding
Promoters	69,22,380	54.99
Banks, Financial Institutions	4,23,699	3.37
Companies (Central/State Govt. Institutions/Non- Govt. Institutions)	—	—
FII's	6,700	0.05
Private Corporate Bodies	2,13,956	1.70
Indian Public	24,96,661	19.83
NRI's & FCB's	25,24,804	20.05
Total	1,25,88,200	100.00

**xii) Demat ISIN in NSDL & CDSL for Equity Shares:** INE889E01010

**xiii) Dematerialization of Shares and Liquidity:** The Company has entered into tripartite agreements with NSDL and CDSL and Venture Capital and Corporate Investments Private Limited in accordance with the SEBI Guidelines.

89.34 % of the Company's paid-up capital has been dematerialized as on 31<sup>st</sup> March 2010. The trading of equity shares of the company is permitted only in dematerialized form as per the notification issued by SEBI.

Total shares in Demat and Physical form			
Category	No. of Holders	Total Shares	% to Equity
NSDL	2328	10018172	79.580
CDSL	1284	1228658	9.760
PHYSICAL	209	1341370	10.660
<b>TOTAL</b>	<b>3821</b>	<b>12588200</b>	<b>100.00</b>

**xiv) Outstanding GDR's / ADR's / Warrant or any Convertible Instruments, conversion date and likely impact on Equity:**

The Company has issued 16,00,000 convertible warrants of Rs.10/- each issued at a premium of Rs.26.10/- per warrant on Preferential Basis to Promoters and Non-Promoters on 30<sup>th</sup> July 2009. During the financial year 2009-10, on 10<sup>th</sup> December 2009, 8,00,000 warrants were converted into Equity Shares and were allotted to the Promoters of the Company.

On the 24<sup>th</sup> July 2010, remaining 8,00,000 warrants were converted into Equity Shares and were allotted to Promoters and Non-Promoters of the Company.

There are no outstanding GDR's/ADR's Warrant or any Convertible Instruments.

**xv) Plant Location:** The factory of the Company is located at Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra 421809.

**xvi) Address for correspondence:**

Sl.No.	Shareholders correspondence for	Addressed to
1.	Transfer / Dematerialization / Consolidation / Split of shares, Issue of Duplicate Share Certificates, Non-receipt of dividend etc., change of address of Members and Beneficial Owners and any other query relating to the shares of the Company.	Venture Capital and Corporate Investments Private Limited Regd Off: .12-10-167, Bharat Nagar, Hyderabad -500 018. Tel: 040-23818475/76 Fax: 040-23868024 Email: info@vccilindia.com
2.	Investor Correspondence / Queries on Annual Report, Revalidation of Dividend Warrants, Sub-Division, etc.	M. Amala Company Secretary # 8-2-311/C, Mithilanagar, Road No.10, Banjara Hills, Hyderabad - 500 034. (A.P) Ph no: +91-40-23542895, 23542920 Fax: 040 - 2354 2921 Email: amalacs@pioneerdistilleries.com

**xvii) CEO and CFO Certification:**

The certification as per Clause 49(V) of the Listing Agreement submitted by the CEO and AGM-Finance and Accounts of the Company to the Board of Directors forms part of the Annual Report.

**xviii) With regard to non-mandatory requirements,****Remuneration Committee**

The Company has set up Remuneration Committee with Non-Executive Independent Directors as members of the Committee.

**ANNEXURE - 4****MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable Securities Laws and Regulations. Forward Looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic markets in which the Company operates, changes in the Government Regulations, Tax Laws and other statutes and other incidental factors. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The company undertakes no responsibility to publicly update or revise any of the opinions or forward-looking statements expressed in this report, on the basis of any subsequent developments, new information, future events, or otherwise.

**BUSINESS REVIEW**

The Company's business activity falls within a single primary business segment i.e., Alcohol and Alcohol related products. The Company is running a 100 klpd Extra Neutral alcohol (ENA) manufacturing facility at Dharmabad Taluk, Nanded District, Maharashtra. The other products of the Company are Absolute Alcohol (Ethanol) and Rectified Spirit/Special Denatured Spirit. The Company also produces commercial grade Carbon-di-oxide from the gas released out of the fermentation process. All these facilities are supported by a state of the art effluent treatment plant recently installed. The Company has also installed an evaporator suitable for a standalone distillery unit to ensure zero pollution.

**INDUSTRY, STRUCTURE AND DEVELOPMENT****ALCOHOL**

Indian Made Foreign Liquor and Country Liquor has a steady but limited demand with a growth rate of about 7-10 per cent per annum. The industrial alcohol industry on the other hand, is showing a declining trend because of high price of Molasses which is invariably used as substrate for production of alcohol. The alcohol produced is now being utilized in the ratio of approximately 52 per cent for potable and the balance 48 percent for industrial use. Over the years, the potable liquor industry has shown remarkable results in the production of quality spirits. Indian Liquor Industry is today exporting a sizable quantity of India Liquor products to other countries.

**ETHANOL**

With the advent of ethanol blending with petrol, the requirement of ethanol/ industrial alcohol has increased manifold in the country to the extent that in case 5 % blending, if made mandatory all over the country, the sugar factory molasses available in the country shall not prove to be adequate for meeting the total requirement of ethanol including its use for potable liquors and other industrial uses. The licensed capacity is concentrated in three states of U.P., Maharashtra and Tamilnadu.

**CO<sub>2</sub> (CARBON-DI-OXIDE)**

The fermentation of molasses results in the emission of carbon-di-oxide. Normally this carbon-di-oxide is let off into the atmosphere as waste from the production process. Your Company had set up a plant to collect, pressurize and sell CO<sub>2</sub> to industries. This will directly add to the bottom-line of the Company and generate another stream of revenue.

**RAW MATERIAL FOR MANUFACTURING ALCOHOL AND ETHANOL**

In India production of alcohol, mainly from molasses has though slowly diverted to grains like maize, starch, corn grain, sweet sorghum, tapioca and sugar beet which are also equally getting importance, as the climatic conditions are conducive for such type of agricultural crops. It is the right time for the Central Government through Ministry of Agriculture to encourage and assist State Governments to introduce a policy of using only grain-based alcohol for potable purpose. Molasses based alcohol may be used for industrial use as well as fuel blending.

Your Company has explored the possibilities of using grains as the raw material for the production of Alcohol and has set up a 60 KLPD Grain Based Alcohol facility and is planning to commission the facility, by October 2010.

**POWER GENERATION FROM BIO-MASS AND BIO-GAS**

Bio-gas is a valuable by-product in waste management system in alcohol manufacturing and can be converted into low cost, eco friendly energy due to its adequate calorific value. The Company is utilizing Bio-gas as the fuel for cogeneration of power as Bio-gas is also a renewable source of fuel and does not contribute to greenhouse gasses.

**EXPANSION PLANS UNDER IMPLEMENTATION**

**GRAIN BASED ALCOHOL FACILITY:** The Company is planning to implement its 60KLPD Grain Based Alcohol Facility by October 2010 for production of Alcohol from Grains such as maize, jowar and broken rice as a part of its expansion activity.

**FUTURE EXPANSION ACTIVITIES**

The Company, to get economies of scale, proposes to set up fresh production facilities, which are as follows:

- i) 6 KLPD Malt Spirit Facility for Production of Malt Spirit with barely as raw material.
- ii) IMFL Bottling plant with a capacity of 1 lakh cases per month to manufacture, sell, distribute all types of Liquor, Soda etc.

**OPPORTUNITIES AND THREATS****OPPORTUNITIES**

- The Company took the opportunity to use grains as raw material for the manufacture of alcohol and has set up the Grain Based Alcohol Facility.
- The proposal to use barley as raw material for the manufacture of Malt Spirit has been explored and it is proposed to set up a separate Malt Spirit Facility at the factory premises.
- The branded bottled alcohol market which is a logical extension of the existing business offers a huge value addition opportunity.
- The Company can go in for creating in house facilities for incremental production of alcohol as a measure of backward integration which, at present, is planned to be procured from outside sources after the expansion. This would enable the Company to further improve its bottom line.

**THREATS**

- Inadequate availability of Molasses at affordable prices

Availability of Molasses, the basic raw material for Alcohol production has put pressure on the profitability of the Company



- There is a stiff competition in the market for sale of RS, ENA and Denatured spirit. There are so many Companies in the market with already established brand names, which pose a risk to the sale of the products of this Company.
- Delays in execution and commissioning of the new projects would impact the performance of the Company.
- Any drastic change in the policies of the Government and pollution laws can be considered as possible threats to the industry.

The Company believes that the ensuing competition in the emerging market will have to be met squarely by not only developing production systems based on cost efficiency and high productivity, but also on modern technology, quality assurance and timely deliveries.

Accordingly, your Company is gearing itself to exploit the opportunities by constantly modernizing the machinery, installing the balancing equipments and developing innovative product applications. Constant efforts are being made to meet the stringent quality requirements. With the dedication of the management towards exploring new opportunities coupled with the Company's competitiveness and product quality, your Company will continue to explore and pursue the new opportunities.

#### **FUTURE OUTLOOK**

Keeping in view the emerging demand for Grain Based Alcohol, the Company has planned for further expansion activity by setting up a separate Grain Based facility as well as a fresh production facility for Malt Spirit. The Company also proposes to set up an IMFL Bottling plant as part of its further expansion activities.

The expansion would not only enable the Company to substantially increase the revenue, but also enhance its market share.

While the Company continues to be a significant player in the ENA market, it continuously endeavors to make special efforts to tap new markets, apart from traditional markets. The Company sees a very good potential for growth in all the products in the coming years.

As a result of further expansion plans/programmes and diversification into value added products, we expect to report stupendous growth in the turnover and profitability in future.

#### **FINANCIAL AND OPERATIONAL PERFORMANCE**

The financial statements of the Company are prepared in compliance with the provisions of the Companies Act, 1956 and the Generally Accepted Accounting Principles in India. In terms of Clause 49 of the Listing Agreement, the management accepts the responsibility for the integrity and objectivity of the financial statements and the basis for various estimates used in preparing such financial statements.

The turnover (net sales) of the Company during the current financial year stands at Rs. 4658.45 Lacs with a profit after tax of Rs. 569.51 Lacs.

During the year, the Company has made all the payments to Term Loan Lending Institutions in accordance with the schedules of repayment. The working capital requirements of the Company are financed by the State Bank of Mysore, IFB, Hyderabad and Indian Overseas Bank, Hyderabad.

#### **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. The internal control system is supplemented by effective monthly Internal Audit. The internal control system provides reasonable assurance that the transactions are properly recorded and are executed in accordance with proper management authorization and that the assets are safeguarded against

loss from unauthorized use or disposition and that the accounting records are adequate for preparation of financial statements and other financial information. The top management and the Audit Committee of the Board of Directors regularly review the findings, recommendations and functions of Internal Auditors. The Company has appointed Practicing Chartered Accountants as Internal Auditors.

**HUMAN RESOURCES**

The Company believes that human resource is its most valuable resource which has to be nurtured well and equipped to meet the challenges posed by the dynamics of business developments. The continued success of the Company will depend on its ability to hire, assimilate and retain skilled and quality personnel. The Company trusts that the quality of its employees is the key to its success in the long run. Your Directors would like to record their appreciation of the efficient and loyal service rendered by the Company's employees.

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members of  
**Pioneer Distilleries Limited**

I have examined the compliance of conditions of Corporate Governance by Pioneer Distilleries Limited, Hyderabad for the period ended 31<sup>st</sup> March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me,

- I certify that the Company has complied with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.
- I state that no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company.
- I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Alapati Vadde & Co**  
Chartered Accountant

**Visswanath Vadde**  
Proprietor  
Membership No. 208360

Place: Hyderabad  
Date: 28<sup>th</sup> May 2010

## CEO AND CFO CERTIFICATION

### Certificate pursuant to Clause 49(V) of the Listing Agreement

We, K Suhan Rao, Managing Director and K Hari Narayana Rao, AGM (Finance and Accounts) of Pioneer Distilleries Limited, certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept the responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
  - (iii) that there have been no instances of significant fraud of which we have become aware, and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**K Suhan Rao**  
Managing Director

Place: Hyderabad  
Date: 28<sup>th</sup> May 2010

**K Hari Narayana Rao**  
Asst. General Manager (F&A)

## AUDITORS' REPORT TO THE MEMBERS

I have audited the attached Balance Sheet of **PIONEER DISTILLERIES LIMITED** (the Company) as at March 31, 2010 and the Profit and Loss Account of the company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to my comments in the Annexure referred to above, I report that:

- i. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit;
- ii. In my opinion, proper books of account as required by law have been kept by the Company so far as it appears from my examination of the books;
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- iv. In my opinion, the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section 3 (C) of section 211 of the Companies Act, 1956 to the extent applicable;
- v. On the basis of written representation received from the directors, as on 31<sup>st</sup> March 2010, and taken on record by the Board of Directors, I report that none of the directors are disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
- vi. In my opinion and to the best of my information and according to the explanations given to me, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of Balance Sheet, of the state of affairs of the Company as at March 31<sup>st</sup>, 2010;
  - b) In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
  - c) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Alapati Vadde & Co**  
Chartered Accountants

**VISSWANATH VADDE**  
Proprietor  
Membership No.: 208360

Place: Hyderabad  
Date: 28<sup>th</sup> May 2010

## ANNEXURE TO AUDITORS' REPORT

The Annexure referred to in the auditors' report to the members of Pioneer Distilleries Limited ("the Company") for the year ended March 31<sup>st</sup>, 2010. I report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
- (b) The Company has a phased programme of physical verification of its fixed assets which, in my opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by management during the year and no material discrepancies were identified during such verification.
- (c) As per the information and explanation given to us on our enquiries, the disposal of assets during the year were not substantial and would not have an impact on the operations of the Company.
2. The inventories have been physically verified by the management at reasonable intervals during the year and at the close of the year.
3. In my opinion, the procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
4. The company has maintained proper records of inventory. The discrepancies noticed during physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
5. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently clauses 4(iii)(a) to 4(iii)(d) of the Companies

(Auditor's Report) Order, 2003 are not applicable to the Company.

6. In my opinion and according to the information and explanations given to me, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods. In my opinion and according to the information and explanations given to me, there is no continuing failure to correct major weaknesses in internal controls.
7. Based on the audit procedures performed by me and according to the information and explanations given by the management, I am of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered and the transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
8. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable to the Company.
9. In my opinion, the company has an internal audit system commensurate with the size and nature of its business.
10. I have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts records have been made and maintained. I have not, however made a detailed examination of the records with a view to determining whether they are accurate or complete.



11. According to the information and explanations given to me and on the basis of my examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund and Employee State Insurance, Income tax, Sales tax, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.
12. According to the information and explanations given to me, there are no undisputed amounts of Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty which are outstanding as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date that they become payable.
13. According to the records of the Company, there are no dues of sales tax, income-tax and excise duty which have not been deposited with the appropriate authorities on account of any dispute.
14. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year. Accordingly paragraph 4(x) of the Order is not applicable.
15. The company has been repaying the loan installments regularly as per the negotiated settlement agreed to by IDBI and LIC.
16. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other Securities. Accordingly, clause 4(xii) of the Order is not applicable.
17. In my opinion and according to the information and explanations given to me, the company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, clause 4(xiii) of the Order is not applicable.
18. In our opinion and according to the information and explanations given to me, the Company is not dealer or trader in shares, Securities, Debentures and other investments. Accordingly, clause 4(xiv) of the Order is not applicable.
19. According to the information and explanations given to me, the Company has not given any guarantee for loans taken by others, from banks or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
20. According to the information and explanations given to me and on the basis of our examination of the books of account, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
21. According to the information and explanations given to me and on an overall examination of the balance sheet of the company, I am of the opinion that no funds raised by the Company on short-term basis have been, prima facie, used for long-term investment.
22. The Company has not issued any debentures. Accordingly, clause 4(xix) of the Order is not applicable.
23. According to the information and explanations given to me, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For Alapati Vadde & Co**  
Chartered Accountants

**VISSWANATH VADDE**  
Proprietor  
Membership No.: 208360

Place: Hyderabad  
Date: 28<sup>th</sup> May 2010

*Balance Sheet as at 31st March 2010*

	Schedule	As At 31.03.2010		As At 31.03.2009	
		Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS :</b>					
<b>Shareholders Funds :</b>					
Share Capital	1	132694000		141394000	
Share Application Money for Warrants		19122800		11222527	
Reserves and Surplus	2	253597827	405414627	206839935	359456462
<b>Loan Funds :</b>					
Secured Loans	3	969712298		564422483	
Unsecured Loans	4	310484824		281565537	
Sub-total			1280197122		845988020
Deferred Tax Liability	5		97923667		84590462
TOTAL			1783535417		1290034944
<b>APPLICATION OF FUNDS :</b>					
<b>Fixed Assets :</b>					
Gross Block	6	797950838		791069446	
Less: Depreciation		252940123		214267641	
Net Block			545010716		576801805
Capital Work in Progress			855009608		425290109
			1400020324		1002091914
Investments:	7		0		40135789
<b>Current Assets and Loans &amp; Advances :</b>					
Inventories	8	362821694		172346506	
Sundry Debtors	9	35224826		11754106	
Cash and Bank Balances	10	6635342		4514432	
Loans and Advances	11	235417897		201144505	
Sub-total		640099759		389759549	
Less: Current Liabilites and Provisions	12	256885584		142733603	
Net Current Assets			383214175		247025946
Miscellaneous Expenditure (to the extent not written off)	13		300918		781294
TOTAL			1783535417		1290034944
Notes on Accounts		21			

As per my report attached  
**For Alapati Vadde & Co.,**  
Chartered Accountants

For and on behalf of the Board

**Visswanath Vadde**  
Proprietor  
Membership No : 208360

**K. SUDHIR RAO**  
Vice Chairman

**K. SUHAN RAO**  
Managing Director

Date : 28<sup>th</sup> May 2010  
Place : Hyderabad

**K. HARI NARAYANA RAO**  
Asst. General Manager (F&A)

**M. AMALA**  
Company Secretary

***Profit and Loss Account for the year ended 31st March 2010***

	Schedule	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
<b>INCOME:</b>			
Gross Sales		484530997	803166280
Less: Excise Duty		3610579	13158042
Less: Sales Tax		15075161	30415927
<b>Net Sales</b>		<b>465845257</b>	<b>759592311</b>
Other Income	15	9399282	7014705
Increase/(Decrease) in Stocks	19	111581391	27677643
<b>TOTAL</b>		<b>586825929</b>	<b>794284659</b>
<b>EXPENDITURE:</b>			
Material consumed	16	258272349	394994273
Power and Fuel		71722301	109407533
Employee Remuneration	17	26822829	25831819
Other Expenses	18	81973748	100222215
<b>TOTAL</b>		<b>438791227</b>	<b>630455839</b>
<b>Profit Before Interest, Depreciation and Amortisation</b>		<b>148034703</b>	<b>163828820</b>
Less : Interest	20	29353897	21255945
Depreciation		38672482	35539944
Preliminary Expenses Written off		480376	480376
<b>Profit/(Loss) for the Period</b>		<b>79527948</b>	<b>106552554</b>
Add: MAT credit Adjustment		3396851	16205137
Less: Provision for Fringe Benefit Tax		0	453200
Less: Income Tax (2005-06)		0	92761
Less: Provision for Taxation		12640493	28343948
<b>Profit/(Loss) after Current Tax</b>		<b>70284306</b>	<b>93867782</b>
Less: Provision for Deferred Taxation		13333205	15285971
<b>Profit/(Loss) after Taxation and before Extraordinary item</b>		<b>56951100</b>	<b>78581811</b>
Less: Extraordinary Item-Loss on sale of Investments		25097588	0
<b>Profit/(Loss) after Taxation and Extraordinary item</b>		<b>31853512</b>	<b>78581811</b>
<b>Add: Balance brought forward from Previous Year</b>		<b>160783580</b>	<b>118129556</b>
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>192637092</b>	<b>196711367</b>
<b>APPROPRIATIONS</b>			
- Proposed Dividend on Preference Share Capital		1068750	1175000
- Proposed Dividend on Equity Share Capital		12648200	23516400
- Tax on Dividend		2331197	4196303
- Transfer to General Reserve		0	7040084
- Transfer to Capital Redemption Reserve		17000000	0
- Preference shares Redemption Premium		850000	0
<b>Balance Carried over to Balance Sheet</b>		<b>158738945</b>	<b>160783580</b>
		<b>192637092</b>	<b>196711367</b>
Earning per Share - Basic (Rs.)		3.59	7.98
Earning per Share - Diluted (Rs.)		3.41	6.65

As per my report attached  
**For Alapati Vadde & Co.,**  
Chartered Accountants

For and on behalf of the Board

**Visswanath Vadde**  
Proprietor  
Membership No : 208360

**K. SUDHIR RAO**  
Vice Chairman

**K. SUHAN RAO**  
Managing Director

Date : 28<sup>th</sup> May 2010  
Place : Hyderabad

**K. HARI NARAYANA RAO**  
Asst. General Manager (F&A)

**M. AMALA**  
Company Secretary

### *Cash Flow Statement for the year ended 31st March 2010*

*(pursuant to Clause 32 of the Listing Agreement)*

PARTICULARS	2009 - 2010		2008 - 2009	
	Rs.	Rs.	Rs.	Rs.
<b>A. CASHFLOW FROM OPERATING ACTIVITIES</b>				
Net Profit/(Loss) before tax	79527948		106552554	
Adjustment for				
Depreciation	38672482		35539944	
Interest	29353897		21255945	
Misc.exps written off	480376		480376	
Provision for doubtful debts	896888		271761	
Sundry Balances written off	0		(209605)	
Profit/(Loss) on sale of Investments	(25097588)		0	
	123834003		163890975	
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>				
Adjustment for				
Inventories	(190475188)		(76804548)	
Trade and Other Receivables	(24367608)		12611936	
Trade Payables	114151981		36076040	
Loans and Advances	(34273391)		(49876084)	
Working Capital Finance	19264768		86928495	
<b>CASH GENERATED FROM OPERATIONS BEFORE TAX</b>	8134565		172826813	
Direct Taxes paid	(12640493)		(28343948)	
FBT paid	0		(453200)	
MAT credit reversal	3396851		16205137	
Preference Shares Redemptiopl Premium	(850000)		0	
Income tax 2005-06	0		(92761)	
Dividend paid	(13716950)		(24691400)	
Dividend Tax paid	(2331197)		(4196303)	
<b>NET CASH GENERATED FROM OPERATIONS</b>		(18007224)		131254338
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Purchase of Fixed Assets	(6881392)		(87578383)	
Capital Work in Progress	(429719500)		(239232379)	
Purchase of Investments	40135789		25839570	
Deferred revenue expenses	0		1375000	
Sale of Fixed Assets	0	(396465102)	0	(299596193)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase in				
Share Capital	(8700000)		5870000	
Capital Reserve (Profit on issue of Shares)	31802527		6548034	
Share Application Money for warrants	7900273		(1607201)	
Borrowings from Banks & FI	377659393		142788628	
Unsecured Loans	28919287		29043706	
Interest Paid	(20988243)	416593237	(19643217)	162999950
Net increase in cash and cash equivalents		2120911		(5341905)
Opening Balance as at 1st April, 2009		4514432		9856337
Closing Balance as at 31st March, 2010		6635343		4514432

As per my report attached  
**For Alapati Vadde & Co.,**  
Chartered Accountants

For and on behalf of the Board

**Viswanath Vadde**  
Proprietor  
Membership No : 208360

**K. SUDHIR RAO**  
Vice Chairman

**K. SUHAN RAO**  
Managing Director

Date : 28<sup>th</sup> May 2010  
Place : Hyderabad

**K. HARI NARAYANA RAO**  
Asst. General Manager (F&A)

**M. AMALA**  
Company Secretary

*Schedules forming part of the Balance Sheet*

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorised:</b>		
25,00,000 - Preference Shares of Rs.10/- each	25000000	25000000
1,75,00,000 - Equity Shares of Rs.10/- each (Previous year 1,75,00,000 @ Rs.10/- each)	175000000	175000000
	<u>200000000</u>	<u>200000000</u>
<b>Issued and subscribed:</b>		
23,50,000 - 5% Redeemable Preference Shares of Rs.10/- each	6500000	23500000
1,26,50,600 - Equity Shares of Rs.10/- each (Previous year 1,18,20,600 @ Rs.10/- each)	126506000	118206000
	<u>133006000</u>	<u>141706000</u>
<b>Paid up:</b>		
23,50,000 - 5% Redeemable Preference Shares of Rs.10/- each	6500000	23500000
1,25,88,200 - Equity Shares of Rs.10/- each (Previous year 1,17,58,200 @ Rs.10/- each) (30,000 shares issued on 06.05.2009 @10/- each) (8,00,000 shares issued on 10.12.2009 @10/- each) (Forfeited Shares( 62,400 @Rs.5/- each))	125882000	117582000
	<u>312000</u>	<u>312000</u>
	<u>132694000</u>	<u>141394000</u>
<b>SCHEDULE 2: RESERVES AND SURPLUS</b>		
Share Premium Account (30,000 shares issued on 06.05.2009 premium @ Rs.43/- each) & 8,00,000 shares issued on 10.12.2009 premium @ 26.10 each)	41246600	19076600
Capital Reserve	18706527	9074000
General Reserve	17905755	17905755
Capital Redemption Reserve	17000000	0
Profit & Loss Account balance	158738945	160783580
	<u>253597827</u>	<u>206839935</u>
<b>SCHEDULE 3: SECURED LOANS</b>		
Term Loan - IDBI	0	28566860
Term Loan - LIC	0	4593669
Term Loan - SBM - I	0	5299787
Term Loan - SBM - II	1048523	18548523
Term Loan - SBM - short term loan	0	45000000
Term Loan - SBM -Power Project	322987079	279987278
Term Loan - SBM - 60KLDP Grain Distillery	251475000	0
Term Loan - SBIN	4374500	21875000
Interest Accrued and Due	12056372	3690718
CRV Honda car Loan	0	154536
Working Capital Loan from IOB	201799944	0
Working Capital Loan from SBM	175970880	156706112
	<u>969712298</u>	<u>564422483</u>
<b>SCHEDULE 4: UNSECURED LOANS</b>		
Sales Tax Deferment	287806027	278386740
From Directors	22678797	3178797
	<u>310484824</u>	<u>281565537</u>
<b>SCHEDULE 5: DEFERRED TAX</b>		
Deferred Tax Liability	84590462	69304491
Add: Timing Difference originating during the year	13333205	15285971
	<u>97923667</u>	<u>84590462</u>

*Schedules forming part of the Balance Sheet*

<b>SCHEDULE - 6 : Fixed Assets</b>		<b>(Amount in Rs.)</b>									
Particulars	Gross Block				Depreciation				Net Block		
	As at 01.04.2009 Rs.	Additions Rs.	Deductions Rs.	As at 31.03.2010 Rs.	As at 01.04.2009 Rs.	For the Year Rs.	Deduc- tions Rs.	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.	As at 31.03.2009 Rs.	
Land	39387345	0	0	39387345	0	0	0	0	39387345	27444471	
Factory Buildings	41502483	0	0	41502483	13048248	1386183	0	14434431	27068052	29840418	
Non-Factory Buildings	30233867	0	0	30233867	4544934	492812	0	5037746	25196121	26181745	
Plant & Machinery	618169389	0	0	618169389	169285248	32656402	0	201941650	416227739	406402840	
Furniture and Fittings	1703255	10800	0	1714055	685629	140214	0	825843	888212	879102	
Office Equipment	2666751	102069	0	2768820	1052975	255230	0	1308205	1460615	1535893	
Electrical Equipment	9419325	21938	0	9441263	4582774	452168	0	5034942	4406321	5283969	
Vehicles	10103576	0	0	10103576	3654376	959840	0	4614215	5489361	7409040	
Tools and Tackles	1550329	0	0	1550329	784326	73641	0	857967	692362	839644	
Generator	2444801	0	0	2444801	853624	116128	0	969752	1475049	1707305	
Water Supply and Treatment Plant	21720213	4465251	0	26185464	9798269	1146827	0	10945097	15240368	11188233	
Secondary Treatment Plant	7259741	0	0	7259741	3598405	383314	0	3981720	3278021	4044650	
Lab Equipment	330479	0	0	330479	139398	15698	0	155096	175383	206779	
Fire Fighting and Safety Equipment	276555	180450	0	457005	120542	13136	0	133679	323326	169149	
Computers	2650404	503864	0	3154268	1406539	476386	0	1882924	1271344	1363318	
Misc. Items	1650933	1597020	0	3247953	712353	104504	0	816857	2431096	266811	
<b>TOTAL</b>	<b>791069446</b>	<b>6881392</b>	<b>0</b>	<b>797950838</b>	<b>214267641</b>	<b>38672482</b>	<b>0</b>	<b>252940123</b>	<b>545010715</b>	<b>576801805</b>	
Previous Year	703491063	87578383	0	791069446	178727697	35539944	0	214267641	576801805	524763367	
Capital Work-in-Progress									855009608	425290109	

*Schedules forming part of the Balance Sheet*

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>SCHEDULE 7 : INVESTMENTS</b>		
Investments in Securities	0	40135789
	<u>0</u>	<u>40135789</u>
<b>SCHEDULE 8 : INVENTORIES</b>		
Stores and Spares	11594185	10404449
Raw Material	167965611	90261549
Stocks under Process	33920958	9540641
Finished Goods	149340940	62139866
	<u>362821694</u>	<u>172346506</u>
<b>SCHEDULE 9 : SUNDRY DEBTORS</b> (Unsecured)		
Outstanding for more than six months	896888	271761
Other Debtors	35224826	11754106
	<u>36121714</u>	<u>12025867</u>
Less: Provision for doubtful debts	896888	271761
	<u>35224826</u>	<u>11754106</u>
<b>SCHEDULE 10 : CASH AND BANK BALANCES</b>		
Cash in hand	3516779	1313223
Balance with scheduled banks		
In current accounts	883007	751643
In deposit accounts	2235556	2449567
	<u>6635342</u>	<u>4514432</u>
<b>SCHEDULE 11 : LOANS AND ADVANCES</b> (Unsecured and Considered good)		
Advance - Raw material	12310067	18199820
Advance - Stores and Consumables	891234	296199
Advance - Others	17113089	2982288
Prepaid Expenses	2801797	1580892
Deposits	9042862	1664162
Balances with Excise Department	75432441	59246092
Sales tax Recivable	84018793	91764289
Advance Tax paid	14205625	9205625
MAT credit	19601988	16205137
	<u>235417897</u>	<u>201144505</u>



*Schedules forming part of the Balance Sheet*

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>SCHEDULE 12 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Creditors - Capital Goods	93626126	31340381
Creditors - Raw Material & Chemicals	30618586	9866833
Creditors - Stores and Spares	6343374	6876663
Creditors - Others	3237115	3112599
Creditors - Transporters	5066297	4675526
Creditors - Expenses	12113484	10798441
Trade Deposits	49661961	18831509
<b>Total - A</b>	<b>200666943</b>	<b>85501952</b>
<b>B. Provisions</b>		
Provision for Taxation	40984441	28343948
Provision for Preference Dividend	325000	1175000
Provision for Equity Dividend	12588200	23516400
Distribution Tax	2321000	4196303
<b>Total - B</b>	<b>56218641</b>	<b>57231651</b>
<b>Total ( A + B )</b>	<b>256885584</b>	<b>142733603</b>
<b>SCHEDULE 13 : MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF)</b>		
Preliminary Expenses not written off	781294	1261670
Add: Expenses incurred during the year	0	0
Less: Preliminary Expenses written off	480376	480376
	<b>300918</b>	<b>781294</b>
<b>SCHEDULE 14 : PROFIT AND LOSS ACCOUNT</b>		
Balance Brought Forward from Previous Year	160783580	118129556
Add : Net Profit/(Loss) After Tax	31853512	78581811
Less: Appropriations	(33898147)	(35927787)
Balance Carried to Balance Sheet	<b>158738945</b>	<b>160783580</b>

*Schedules forming part of the Profit and Loss Account*

	For the Year ended 31.03.2010 Rs.	For the Year ended 31.03.2009 Rs.
<b>SCHEDULE 15 : OTHER INCOME</b>		
Interest on Fixed Deposits	230989	896056
Sale of Husk Ash	794475	1241717
Profit on sale of shares	0	3921802
Dividend received	6000	283328
Misc. Income	8367818	671802
	<u>9399282</u>	<u>7014705</u>
<b>SCHEDULE 16 : RAW MATERIAL CONSUMED</b>		
Molasses Consumed		
Opening Stock	85539991	47487349
Add: Purchases	285262671	362813006
Less: Closing Stock	155086387	85539991
Consumption of Molasses	215716275	324760364
Reversal of Excise Duty on Molasses	37693554	60103320
Chemicals Consumed	4862520	10130589
Consumption of Raw Material	<u>258272349</u>	<u>394994273</u>
<b>SCHEDULE 17 : EMPLOYEE REMUNERATION</b>		
Salaries and Wages	21820340	18957766
Contribution to PF and other Funds	2651918	3953219
Other Welfare Expenses	2350571	2920834
	<u>26822829</u>	<u>25831819</u>

*Schedules forming part of the Profit and Loss Account*

	For the Year ended 31.03.2010 Rs.	For the Year ended 31.03.2009 Rs.
<b>SCHEDULE 18 : OTHER EXPENSES</b>		
<b>[Manufacturing Expenses]</b>		
Repairs and Maintenance	24468610	31044468
Labour Charges	0	1991768
Ash Removing Expenses	3720289	6370710
Stores and Spares	4454020	7880163
<b>[General and Administrative Expenses]</b>		
Rent	858246	789876
Rates and Taxes	2272387	1573467
Insurance	1862072	3727153
Bank Charges	2610654	531760
Restructuring Fee	0	1375000
Travelling and Conveyance	3943420	3868799
Office Maintenance	2549949	2268496
Books and Periodicals	35818	107900
Printing and Stationery	599187	690701
Sundry Expenses	485305	956618
Communication Cost	1148619	1131154
Safety and Security	4151593	3756662
Legal and Professional	2112674	1377262
Supervision Charges	1264910	1162832
Hire Charges	503966	1226809
Sales Promotion Expenses	558244	127779
Directors' Remuneration	17520000	17520000
Directors' Sitting Fee	592000	392000
Auditors' Remuneration:		
As Auditors	50000	50000
For tax audit	22500	35000
For Certifications and taxation matters	168600	99927
Board Meeting Expenses	54073	78416
Advertisement	649256	1181941
Loss on Sale of Investments	0	5337206
Sundry Balances written off	9404	0
Charity and Donations	3872196	2851298
Vehicle Maintenance	538868	445290
Provision for doubtful debts	896888	271761
<b>TOTAL</b>	<b>81973748</b>	<b>100222215</b>

*Schedules forming part of the Profit and Loss Account*

	For the Year ended 31.03.2010 Rs.	For the Year ended 31.03.2009 Rs.
<b>SCHEDULE 19 : (INCREASE) / DECREASE IN STOCKS</b>		
Opening Stock		
Finished Goods	62139866	36416164
Work-in-Process	9540641	7586701
Closing Stock		
Finished Goods	149340940	62139866
Work-in-Process	33920958	9540641
(Increase)/ Decrease in stocks	<u>(111581391)</u>	<u>(27677643)</u>
<b>SCHEDULE 20 : INTEREST</b>		
On Term Loans to Banks and Institutions	7441316	11108547
On Working Capital Loans to Banks & Others	21912581	10147398
	<u>29353897</u>	<u>21255945</u>

As per my report attached  
For Alapati Vadde & Co.,  
Chartered Accountants

For and on behalf of the Board

**Visswanath Vadde**  
Proprietor  
Membership No : 208360

**K. SUDHIR RAO**  
Vice Chairman

**K. SUHAN RAO**  
Managing Director

Date : 28<sup>th</sup> May 2010  
Place : Hyderabad

**K. HARI NARAYANA RAO**  
Asst. General Manager (F&A)

**M. AMALA**  
Company Secretary

## SCHEDULE 21: NOTES ON ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

- a) **Basis of preparation of financial statements** : The accompanying financial statements have been prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis and in compliance with the requirements of the Companies Act, 1956 and as per the guidelines issued by the Securities and Exchange Board of India.

- b) **Fixed Assets** : Fixed Assets are stated at cost less accumulated depreciation. Direct costs are capitalized until fixed assets are ready for use. The cost of fixed assets included taxes duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized as required by Accounting Standard (AS – 16) issued by the Institute of Chartered Accountants of India.

Capital Work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

- c) **Depreciation** : Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation for assets purchased/sold during the period is proportionately charged.
- d) **Revenue Recognition** : Revenue from sale of good is recognized when significant risks and rewards in respect of ownership of products are transferred to the customers. Revenue from product sales is stated exclusive of excise duty, sales tax, transport pass fee and export pass fee.
- e) **Expenditure** : Purchases of Raw Material (Molasses) does not include excise duty, VAT, but inclusive of central sales tax, transportation charges and other incidental expenses. Provisions are made for all known losses and liabilities.
- f) **Inventories** : Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversions, and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

- a) Raw Materials : Weighted average method.
- b) Finished Goods : FIFO and appropriate share of production overheads  
(Cost of ENA includes Excise Duty Liability)
- c) Stores & Spares : At Cost
- d) Work-in-process : Cost of Raw Material Plus proportionate overheads
- g) **Miscellaneous expenditure**: Preliminary and Pre-Operative expenditure is being written off over a period of ten years..
- h) **Employee Retirement Benefit**:
- i) **Provident Fund**: Contributions payable to the recognized provident fund, which is a defined contribution scheme, is charged to the profit and loss account.
- ii) **Gratuity**: Contribution payable to an approved gratuity fund (a defined benefit plan), determined by an independent actuary at the balance sheet date, are charged to profit and loss account.

- iii) Leave encashment: Leave encashment cost which is a defined benefit is accrued on actual valuation at the balance sheet date.

2. Segment Reporting :

The Company is primarily engaged in the business of Rectified Spirit, Extra Neutral Alcohol and allied products. Since the inherent nature of both these activities are integrated and governed by the same set of risk and returns and operating in the same economic environment, these have been grouped as a single segment in the financial segments. The said treatment is in accordance with the Accounting Standard (AS 17) on "Segment Reporting"

3. Related Party disclosures :

a) Names of Related Parties & relationship

Party Name	Relation
i) Pioneer I Serve Limited (formerly Raynolds Infovision Ltd.)	Associate
ii) Pioneer Infra Ventures Ltd	Associate
iii) Pioneer Gas Power Ltd	Associate
iv) K. Sudhir Rao	Key Management Personnel (Vice-Chairman)
v) K. Suhan Rao	Key Management Personnel (Managing Director)

b) Transactions with related parties :

Name of the Related Party	Pioneer i Serve Ltd	Pioneer Infra Ventures Ltd.	Pioneer Gas Power Ltd.	K. Sudhir Rao	K. Suhan Rao
Description of the Relationship between the parties	Associate	Associate	Associate	Key Management Personnel (Vice-Chairman)	Key Management Personnel (Managing Director)
Volume of the transactions Either as an amount or as appropriate proportion	NIL	Rs.7,93,81,000 For civil works at Factory	NIL	NIL	NIL
Any other elements of the Related party transactions	NIL	NIL	NIL	NIL	NIL
The amounts or appropriate Proportions of outstanding items pertaining to related parties at the Balance Sheet date	NIL	NIL	NIL	NIL	NIL
Provisions for doubtful debts Due from such parties at that Date and amounts written off or Written back in the period in respect of debts due from or to related parties	NIL	NIL	NIL	NIL	NIL

## Transactions with Key Management Personnel

Particulars of remuneration and other benefits paid to key management personnel during the year ended 31<sup>st</sup> March 2010.

(Amount in Rs.)

Name	Salary BASIC	HRA	Total Remuneration
K. SUDHIR RAO	81,60,000	6,00,000	87,60,000
K. SUHAN RAO	81,60,000	6,00,000	87,60,000
TOTAL	1,63,20,000	12,00,000	1,75,20,000

**4. Income Tax :**

Income Taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profits offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted regulations of the Indian Income Tax Act, 1961. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized.

**Deferred Tax Liability :**

(Amount in Rs.)

Opening Deferred Tax Liability	8,45,90,462
Add: Tax effect of timing differences originating during the year	1,33,33,205
Closing Deferred Tax Liability	9,79,23,667

**5. Secured Loans :**

- a) Term Loan : Term Loans from State Bank of Mysore and State Bank of Indore are secured by first charge by way of equitable mortgage by deposit of title deeds to cover all immovable properties of the company and hypothecation of all movable properties both present and future subject to prior charges created/to be created in favour of Company's bankers for securing borrowings for working capital requirements. The mortgage/charges created above shall rank pari-passu with the charges created/to be created in favour of the Banks.

The above said loans are also guaranteed by some of the directors of the Company in their personal capacities.

All the above loans were utilized for the purpose of establishment and expansion of the distillery unit and related acquisition of Fixed Assets.

- b) Working Capital loan :

Cash credit facility with State Bank of Mysore & Indian Overseas Bank are secured by hypothecation of stocks of raw materials, semi-finished and finished goods, consumable stores and book debts; and

Secured by second charges on fixed assets of the Company ranking pari passu, inter-se with term loan lenders; and

The above said loan is also guaranteed by some of the directors of the Company in their personal capacities.

#### 6. Excise Duty :

The company is availing CENVAT credit on purchase of raw materials and is being utilized on sale of Special Denatured Spirit (SDS), Co2 and Ethanol. Excise duty paid on the quantum of raw-materials used for production of Extra Neutral Alcohol (ENA) and Rectified Spirit (RS) is reversed by debiting to Profit and Loss Account as required under sub-rule (3) (a) (i) of Rule 6 of CENVAT Credit Rules, 2004.

7. There are no overdue amounts exceeding Rs. 1.00 lakh which are outstanding for more than 30 days payable to Small Scale Industrial Undertaking(s) as at 31<sup>st</sup> March, 2010.

#### 8. Contingent Liabilities :

Estimated amount of Contracts remaining to be executed on account of Capital Account and not provided for (net of advances) is Rs. Nil.

#### 9. Managerial Remuneration Paid/Payable :

	2009-10	2008-09
	Rs.	Rs.
Salary	1,63,20,000	1,63,20,000
HRA	12,00,000	12,00,000
PF	NIL	14,68,800
COMMISSION ON PROFIT	NIL	NIL
	<u>1,75,20,000</u>	<u>1,89,88,800</u>

Note: The company has received the Central Government approval for payment of Managerial remuneration from 1<sup>st</sup> April 2009 to 28<sup>th</sup> February 2010. The company is in the process of making application to the Central Government pursuant to Section 198, 269, 302, 309, 317 read with Schedule-XIII of the Companies Act 1956 for payment of Managerial Remuneration from 1<sup>st</sup> March 2010 to 28<sup>th</sup> February 2015.

#### 10. Cash Flow Statement :

Cash Flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

Closing balance of cash as per cash flow statement represents the following:

	Rs.
Cash-in-hand	35,16,779
Bank Balances:	
In current accounts	8,83,007
In Deposit accounts	22,35,556
	<u>66,35,342</u>



11. Additional information as required under part II of Schedule VI to the Companies Act, 1956.

	<b>2009-10</b>	<b>2008-09</b>
	<b>Qty</b>	<b>Qty</b>
	<b>(in lakh Ltrs)</b>	<b>(in lakh Ltrs)</b>
Installed Capacity *	365.00	365.00
Alcohol (Ltrs)		
Actual Production	126.64	245.47
Alcohol (Ltrs)		

\* The figures are as certified by the management and not verified by the Auditors, being a technical matter.

	<b>2009-10</b>	<b>Value (Net)</b>	<b>2008-09</b>	<b>Value (Net)</b>
	<b>Qty.</b>	<b>(in Lakh Rs.)</b>	<b>Qty.</b>	<b>(in Lakh Rs.)</b>
	<b>(in Lakh Ltrs)</b>		<b>(in Lakh Ltrs)</b>	
<b>A. Turnover</b>				
ENA	103.52	4234.88	187.88	6409.96
RS	0.01	0.27	6.20	203.60
SDS	11.16	234.39	22.53	432.15
ETHANOL	5.25	158.29	14.83	450.71
F.O	0.05	0.86	0.07	1.05
Co2 (Kgs)	9.61	29.76	29.90	98.45
<b>B. Opening Stock of Finished Goods :</b>				
ENA	6.91	195.52	4.20	76.75
RS	12.03	340.40	12.86	234.73
SDS	2.94	83.30	2.34	42.65
FO	0.00	0.00	0.00	0.00
ETHANOL	0.08	2.18	0.55	10.03
<b>C. Closing stock of Finished Goods:</b>				
ENA	16.52	668.08	6.91	195.52
RS	19.18	775.72	12.03	340.40
SDS	0.40	16.02	2.94	83.30
FO	0.00	0.00	0.00	0.00
Ethanol	0.83	33.59	0.08	2.18
<b>D. Consumption of Material:</b>				
<b>i) Molasses (M.T)</b>				
Opening Stock	12210	855.40	12242	474.87
Purchases	52286	2852.63	88994	3628.13
Consumption	37520	2157.16	89026	3247.60
Closing Stock	17975	1550.86	12210	855.40
<b>ii) Rice Husk (M.T)</b>				
Opening Stock	1525	35.02	273	3.85
Purchases	22837	640.71	37710	868.67
Consumption	23910	563.21	36458	837.50
Closing Stock	4775	112.51	1525	35.02

12. There are no foreign exchange earnings during the year.
13. The Company determines liability on Sales Tax Deferment on a Net Present Value basis and accordingly provision is made. Provision will be made in each year for the incremental liability. Amount Shown under the head Unsecured Loans (Schedule 4) includes sales tax amounting to Rs.2,878.06 lakhs collected under deferral scheme of Maharashtra State Government and is repayable in 14 years starting from the end of the 10<sup>th</sup> year in which it is so collected and earliest year to start repayment is 2010-2011.
14. **Earning Per Share :**
- |  | 2009-10     | 2008-09     |
|--|-------------|-------------|
| a. Calculation of weighted average no. of Equity shares of Rs.10/- each: |             |             |
| Number of equity share at the beginning of the year                      | 1,17,58,200 | 1,11,71,200 |
| Number of 5% Preference shares issued during the year                    | 0           | 0           |
| Number of equity shares issued during the year                           | 8,30,000    | 5,87,000    |
| Number of shares outstanding at the end of the year                      |             |             |
| 5% Preference Shares   | 6,50,000    | 23,50,000   |
| Equity Shares  | 1,25,88,200 | 1,17,58,200 |
| Weighted average number of shares outstanding during the year            | 1,32,38,200 | 1,41,08,200 |
| b. Net profit after tax (Rs.)  | 4,51,86,718 | 9,38,67,782 |
| c. Basic earnings per share of Rs. 10/- each                             | 3.59        | 7.98        |
| d. Diluted Earnings per share  | 3.41        | 6.65        |
15. Paise rounded off to nearest rupee.
16. Previous years figures have been regrouped or reclassified wherever necessary to be in conformity with the current year's classification.
17. Schedules 1 to 20 form an integral part of the Balance Sheet and Profit and Loss Account.

As per my report of even date  
**For Alapati Vadde & Co.,**  
 Chartered Accountants

For and on behalf of the Board

**Visswanath Vadde**  
 Proprietor  
 Membership No : 208360

**K. SUDHIR RAO**  
 Vice Chairman

**K. SUHAN RAO**  
 Managing Director

Date : 28<sup>th</sup> May 2010  
 Place : Hyderabad

**K. HARI NARAYANA RAO**  
 Asst. General Manager (F&A)

**M. AMALA**  
 Company Secretary

**18. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**  
 [Additional Information Pursuant to Part IV of Schedule VI of Companies Act, 1956 (as amended)]
**I. Registration Details**

Registration No.     5 5 1 0 8 State Code       0 1

Balance Sheet   3 1 0 3 2 0 1 0

Date Month Year

**II. Capital Raised during the year (Amount in Rs. Thousands)**

Public Issue      N I L Right Issue      N I L

Bonus Issue      N I L Private Placement     8 3 0 0

Reissue of forfeited shares      N I L

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities   1 7 8 3 5 3 5 Total Assets   1 7 8 3 5 3 5

**Sources of Funds**

Paid-up Capital   1 3 2 6 9 4 Reserves & Surplus   2 5 3 5 9 7

Secured Loans   9 6 9 7 1 2 Unsecured Loans   3 1 0 4 8 4

**Application of Funds**

Net Fixed Assets   5 4 5 0 1 0 Investments      N I L

Net Current Assets   3 8 3 2 1 4 Misc. Expenditure      3 0 0

Accumulated Losses      N I L

**IV. Performance of the Company (Amount in Rs. Thousands)**

Turnover   4 7 5 2 4 4 Total Expenditure   4 3 8 7 9 1

(Includes Other Income)

+ - Profit before Tax   7 9 5 2 7 + - Profit after Tax   5 6 9 5 1

☒ Profit before Tax ☐ Profit after Tax

Earnings Per Share in Rs. (Diluted)   3 . 4 1 Dividend Rate %   1 0

**V. Generic Name of Principal Product / Service of the Company**

Item Code No. (ITC Code)   2 2 0 . 0 0

Production Description  E X T R A  N E U T R A L  A L C O H O L

As per my report of even date attached  
**For Alapati Vadde & Co.,**  
 Chartered Accountants

For and on behalf of the Board

**Visswanath Vadde**  
 Proprietor  
 Membership No : 208360

**K. SUDHIR RAO**  
 Vice Chairman

**K. SUHAN RAO**  
 Managing Director

Date : 28<sup>th</sup> May 2010  
 Place : Hyderabad

**K. HARI NARAYANA RAO**  
 Asst. General Manager (F&A)

**M. AMALA**  
 Company Secretary

## ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) MANDATE FORM FOR PAYMENT OF DIVIDEND

To,  
Venture Capital and Corporate Investments Limited  
**Unit :Pioneer Distilleries Limited**  
#12-10-167, Bharat Nagar,  
Hyderabad- 500 018.  
Tel: 040- 23818475/76  
Fax: 040-23868024

Shareholder's authorisation to receive dividends through Electronic Credit Clearing Mechanism.

Registered Folio No.:	ECS Ref. No.: (for Office use only)
Name of the first/sole shareholder	
Bank Name	
Branch Address & Telephone No. of Branch	
Bank Account Number (As appearing on the Cheque Books)	
9 digit code number of the Bank and Branch appearing on the MICR cheque issued by the Bank. (Please attach a blank cancelled cheque, or a photocopy of a cheque issued to you by your Bank, for verification of the above particulars)	
Account Type (Saving / Current / Cash Credit Account)	
Bank Account Ledger Folio No. (If any)	
Effective date of this mandate	

I hereby, declare that the particulars given above are correct and complete. If the payment transaction is delayed or not effected at all for any reasons, including but not limited to incomplete or incorrect information, I will not hold **PIONEER DISTILLERIES LIMITED** responsible. I agree to discharge the responsibility expected of me as a participant under the scheme.

I, further undertake to inform the Company of any subsequent change(s) in the above particulars.

Place : .....

Date :

Signature of the First / Sole Shareholder

Note:

1. Please fill in the Mandate form and send it to:
  - a. The Depository Participant who is maintaining your Demat account in case you hold shares electronically.
  - b. Registrar & Share Transfer Agent in case you hold shares in Physical form.
2. Please attach a blank cancelled cheque or photocopy of a cheque.
3. In case of more than one folio / demat account please complete details on separate sheets.
4. The information provided by you will be treated confidential and would be utilised only for the purpose of effecting the payments meant for you. You also have a right to withdraw from this mode of payment by providing the company with an advance notice of 6 weeks.
5. The members located at centres other than those approved by RBI will continue to receive the Dividend Warrants, despite ECS Mandate.

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## PIONEER DISTILLERIES LIMITED

Regd. Office : 8-2-311/C, Mithila Nagar, Road No.10, Banjara Hills, Hyderabad - 34.



### PROXY FORM

**Folio No. / Client ID:**

**DP ID:**

I/We \_\_\_\_\_  
\_\_\_\_\_ being a member

of Pioneer Distilleries Limited hereby appoint Mr/Ms \_\_\_\_\_  
of \_\_\_\_\_ or failing him \_\_\_\_\_ of  
as my/our proxy to vote for me/us on my/our behalf for or against any resolution, at the Seventeenth  
Annual General Meeting of the Company to be held on Saturday, the 25<sup>th</sup> day of September 2010 at 3.30 PM  
at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signed by the said \_\_\_\_\_

Affix  
Rs.1/-  
Revenue  
Stamp

Note: This form duly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

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## PIONEER DISTILLERIES LIMITED

Regd. Office : 8-2-311/C, Mithila Nagar, Road No.10, Banjara Hills, Hyderabad - 34.



### ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only Members or their Proxies are entitled to be present at the meeting.

**Folio No. / Client ID:**

**DP ID:**

Name & Address \_\_\_\_\_  
\_\_\_\_\_

No. of Shares held: \_\_\_\_\_

I hereby record my present at the Seventeenth Annual General Meeting held at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 at 3.30 PM on Saturday the 25<sup>th</sup> day of September 2010.

Members/Proxy's Name \_\_\_\_\_

Signature of the Member/Proxy\* \_\_\_\_\_

\* Strike out whichever is not applicable

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