

CONTENTS

	Page No.
Company Information	3
Chairman's Message	4
Notice to the Shareholders	5
Directors' Report	11
Report on Corporate Governance	15
Management Discussion & Analysis Report	24
Certificate on Corporate Governance	28
Auditor's Report	29
Balance Sheet	32
Profit & Loss Account	33
Schedules forming part of the accounts	34
Balance Sheet Abstract & Business Profile	47
Cash Flow Statement	48
ECS Mandate Form	49
Proxy Form and Attendance Slip	51

Company Information

Board of Directors

Shri K.V. Rajeshwar Rao	Chairman
Shri. K. Sudhir Rao	Vice Chairman
Shri. K. Suhan Rao	Managing Director
Shri. L. Venkateswara Rao	Non Executive Director
Shri. V. Subramanian	Non Executive Director
Shri H. Anantha Krishnan	Nominee Director- LIC
Shri D. Sudhakar Rao	Nominee Director- IDBI
Shri. C.V. Kamalaker	Non Executive Director

Auditors

Alapati Vadde & Co.
8-3-728, Flat # 102, Sai Sandilya Apts.,
Yellareddyguda, Ameerpet, Hyderabad- 500 073.
ANDHRA PRADESH

Senior Executives

Shri. A.N.Kadam	General Manager
Shri K. Hari Narayana Rao,	Sr.Manager - Finance and Accounts
Smt. V.Roja Rani	Company Secretary

Registered Office

8-2-311/C, Mithilanagar,
Road No.10, Banjara Hills,
Hyderabad - 500 034. (A.P)
Ph no: +91-40-23542920, 32437722/55,
Fax: 040-2354 2921
Email: info@pioneerdistilleries.com

Factory Address

Balapur Village, Dharmabad Taluk
Nanded District,
MAHARASHTRA- 431 809.
Tel: 02465-244782, Telefax: 02645-280688
Email: factory@pioneerdistilleries.com

Bankers

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

State Bank of Indore
Triveni Complex, Abids,
Hyderabad. ANDHRA PRADESH

Financial Institutions

Industrial Development Bank of India
Life Insurance Corporation of India

**Registrars and
Share Transfer Agents**

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

Listed at

The Bombay Stock Exchange Limited
The Pune Stock Exchange Limited

LETTER TO THE STAKEHOLDERS



K.V. RAJESHWAR RAO
Chairman

Dear Stakeholders,

At the outset, I thank all of you for the privilege bestowed on me to serve as the Chairman of the Company. I am pleased to report that your Company's performance for the Financial Year 2006-2007 has been excellent as evident from the Financial Statements placed before you.

The year 2006-2007 is the most memorable in the history of Pioneer Distilleries, registering exceptionally good results in terms of turnover and profitability. The phenomenal results, after the successful completion of the expansion of plant capacity from 50 KLPD to 100 KLPD, indicate not only our capabilities but also a strong base to sustain and excel our growth in the years to come. I am sure that this performance being one of the best in the industry would reinforce the confidence of all our stakeholders.

The sheer size of India's Distillery market is growing at a fast pace and attracting the attention of global players. The emerging business structures and rapid technological changes have sailed over the geographical barriers, redefining competition in the market. The challenge therefore is to remain competitive and achieve our goals and continue to deliver value to the stakeholders.

During the year, on the operational front, your Company has achieved the capacity utilization of 94.56% with a turnover of Rs.5349.04 Lakhs. I have a great pleasure to inform you that, your company has recorded a net profit of Rs. 527.67 Lakhs, registering a growth rate of 292% for the year 2006-2007. Our endeavor will be continuous till we take the company to great heights in the years to come. Considering the performance during the year the Board of Directors are pleased to recommend a Dividend @ 10% for the Year 2006-2007.

As a part of further expansion and diversification of its business activities in the direction of exploring new opportunities, your company has identified Bio Gas based power generation project. Your company has taken steps for setting up of the said power project at factory premises, and has approached the bankers for appraisal of the project. The management is planning to complete the construction activity during this year and is expected to start commercial production in the first quarter of 2008. I am confident that the revenues generated from the power project will improve the profitability of the company in the years to come and step up its other allied activities.

I believe that the current performance levels are only an indication of our potential and this should set the pace to accelerate our growth in the years to come. I am sure that all our stakeholders and investors are looking up to re-define the benchmark of performance of the company.

I would like to reiterate that your company is committed to ensure:

- Uncompromising attitude for quality of the products;
- Equal treatment of all stakeholders without any discrimination and transparent policy in accordance with highest norms of corporate governance; and
- A prosperous and profitability organization.

I have enjoyed the continued support from the Board of Directors. I take this opportunity to express my gratitude to the Board, Government Authorities, Financial Institutions, Bankers, Esteemed Customers and shareholders for their support and encouragement in all our endeavors. I also thank all the employees at various levels in the organization for their continued dedication, commitment and support in achieving this remarkable performance and looking forward for your unflinching support in the years to come.

Very Sincerely,

K.V.RAJESHWAR RAO
Chairman
16th August, 2007

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the **Fourteenth Annual General Meeting** of the Members of Pioneer Distilleries Limited will be held at 10.30 A.M on Wednesday the 19th day of September 2007 at Hotel Green Park, Greenlands, Ameerpet, Hyderabad -500 016 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended 31st March, 2007 along with the Auditors' Report and Directors' Report thereon.
2. To declare Dividend for the Year ended 31st March, 2007.
3. To appoint a Director in place of Shri K.V.Rajeshwar Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri.V.Subramanian, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s Alapati Vadde & Co as Statutory Auditor who shall hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the Statutory Auditor's Remuneration.

Special Business

6. Revision in the Remuneration payable to Sri K.Sudhir Rao, Vice Chairman of the Company :

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

“RESOLVED THAT in supersession of the Resolution passed by the Members in the 12th Annual General Meeting held on

25.08.2005 and subject to the provisions of Sections 198, 269, 309, 314 and other applicable provisions, if any, of the Companies Act 1956, read with Schedule XIII thereof as amended upto date, the consent of the Company be and is hereby accorded to the revision in the remuneration payable to Sri K.Sudhir Rao, Vice Chairman of the Company with effect from 01.04.2007 and upto the expiry of the term of his appointment i.e. 28.02.2010.

Salary : Rs. 2,00,000/- P.M.

Commission: The Commission payable will be in addition to the Salary, Perquisites and Allowances, the amounts of which, based on the net profits of the Company in a particular year, shall be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956.

In addition to the salary and commission as stated above Shri.K.Sudhir Rao, Vice Chairman shall be entitled to the following :-

CATEGORY A:

- (i) **Housing:**
HRA to the extent of 20% of the salary.
- (ii) **Medical Reimbursement:**
Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three months' average salary in a period of three years.
- (iii) **Leave Travel Concession:**
Actual Expenditure incurred for self and family once in a year.
- (iv) **Club Fee:**
Fees of clubs subject to a maximum of two clubs, excluding the admission and life membership.
- (v) **Insurance:**
Personal Accident Insurance, Medical

Insurance and such other insurance subject to the overall limits.

CATEGORY B:

- i) Contribution towards Provident Fund and Superannuation Fund/Pension Fund to the extent either these singly or put together are not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable in accordance with the rules of the Company will not be included in the computation of ceiling on remuneration.
- iii) Provision of car with driver for use on Company's business and telephone (mobiles) at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Vice Chairman.
- iv) Earned/Privilege Leave on full pay and allowances as per rules of the Company. Leave accumulated but not availed of during his tenure may be encashed as per the rules of the Company.

Overall Remuneration

The aggregate of the Salary, Perquisites and Allowances in any financial year shall not exceed the limits prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, for the time being in force.

Minimum Remuneration

"RESOLVED FURTHER THAT in the event of no profits or inadequacy of profits in any year Sri K. Sudhir Rao shall be entitled to the remuneration by way of salary, perquisites and allowances not exceeding the limits specified above and he shall be entitled for Annual Increments as per the Rules and Policies of the Company".

7. Revision in the Remuneration payable to Sri K.Suhan Rao, Managing Director of the Company:

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

"RESOLVED THAT in supersession of the Resolution passed by the Members in the 12th Annual General Meeting held on 25.08.2005 and subject to the provisions of Sections 198, 269, 309, 314 and other applicable provisions, if any, of the Companies Act 1956, read with Schedule XIII thereof as amended upto date, the consent of the Company be and is hereby accorded to the revision in the remuneration payable to Sri K.Suhan Rao, Managing Director of the Company with effect from 01.04.2007 and upto the expiry of the term of his appointment i.e. 28.02.2010.

Salary : Rs. 2,00,000/- P.M.

Commission : The Commission payable will be in addition to the Salary, Perquisites and Allowances, the amount of which, based on the net profits of the Company in a particular year, shall be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956.

In addition to the salary and commission as stated above Shri.K.Suhan Rao, Managing Director shall be entitled to the following:-

CATEGORY A:

- (i) **Housing:**
HRA to the extent of 20% of the salary.
- (ii) **Medical Reimbursement:**
Expenses incurred for self and his family subject to a ceiling of one month's salary per year or three months' average salary in a period of three years.
- (iii) **Leave Travel Concession:**
Actual Expenditure incurred for self and family once in a year.

(iv) Club Fee:

Fees of clubs subject to a maximum of two clubs, excluding the admission and life membership.

(v) Insurance:

Personal Accident Insurance, Medical Insurance and such other insurance subject to the overall limits.

CATEGORY B:

- i) Contribution towards Provident Fund and Superannuation Fund/Pension Fund to the extent either these singly or put together are not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable in accordance with the rules of the Company will not be included in the computation of ceiling on remuneration.
- iii) Provision of car with Driver for use on Company's business and telephone (mobiles) at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.
- iv) Earned/Privilege Leave on full pay and allowances as per rules of the Company. Leave accumulated but not availed of during his tenure may be encashed as per the rules of the Company.

Overall Remuneration

The aggregate of the Salary, Perquisites and Allowances in any financial year shall not exceed the limits prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, for the time being in force.

Minimum Remuneration

"RESOLVED FURTHER THAT in the event of no profits or inadequacy of profits in any

year Shri.K.Suhan Rao shall be entitled to the remuneration by way of salary, perquisites and allowances not exceeding the limits specified above and he shall be entitled for Annual Increments as per the Rules and Policies of the Company".

By the order of the Board
For PIONEER DISTILLERIES LIMITED

Date: 16th August, 2007

Place: Hyderabad

V. ROJA RANI

Company Secretary

NOTES

1. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business items is annexed hereto.
2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a Member of the Company. A blank proxy form is enclosed which, to be valid, should be duly completed, stamped and deposited with the Company at least 48 hours before the commencement of the meeting.**
3. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. The Register of Members and Share Transfer books of the Company will remain closed from 14-09-2007 to 19-09-2007 (both days inclusive) for the purpose of Dividend & Annual General Meeting.
5. Dividend on shares @ 10% as recommended by the Board of Directors, if declared by the Company at the meeting, and will be paid subject to the provisions of Section 205A of the Companies Act, 1956, to those shareholders whose names appear on the Register of Members of the Company as on 14-09-2007 or to their mandates, to the extent eligible, and also to the beneficial owners of equity shares held in electronic form on

the same date as per the details furnished by the Depositories for this purpose.

6. 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 for incorporation in the Dividend Warrants:

Name of the Sole / First holder and Folio Number.

Name of the Bank, its branch and the Account Number allotted by the said Bank

Complete address of the Bank with Pincode number

7. The Securities and Exchange Board of India (SEBI) and the Department of Company Affairs have made it mandatory for all the listed companies to offer Electronic Clearing Service (ECS) facilities for payment of dividend, wherever applicable. This facility offers various benefits like timely credit of dividend to the shareholders' account, elimination of loss of instruments in transit or fraudulent encashment etc. Currently, the facility is available at locations specified by RBI. In the case of shareholders staying at locations not currently covered by ECS, the bank account details will be used for suffixing along with the name of the shareholder on the Dividend Warrant. In view of the above,

- i. Shareholders holding shares in Physical Form and desirous of availing the facility are requested to complete the ECS Form attached to this Annual Report and forward the same to the Company's Registrar and Transfer Agent.
- ii. Shareholders holding shares in Dematerialised Form are requested to provide the Bank details to their Depository participants for incorporation in their records. The

Depository in turn would also forward the required information to the Company and the Company's Registrar and Transfer Agent.

8. Members are requested to intimate any change in their addresses to M/s Venture Capital and Corporate Investments Ltd, Registrar and Share Transfer Agent of the Company.
9. Non-Resident Indian Members are requested to inform the Company's Registrar and Transfer Agent, M/s Venture Capital and Corporate Investments Limited, immediately of the change in the residential status on return to India for permanent settlement.
10. 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 least seven days prior to the date of the meeting for consideration of the management to deal at the meeting.
11. Members are requested to bring the attendance slip along with their copy of Annual Report to the Meeting.

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

Item No. 6

The appointment and payment of remuneration to Sri K.Sudhir Rao, Vice Chairman of the Company, for a tenure of 5 years, i.e., with effect from 01.03.2005 to 28.02.2010 was approved by the members in the Annual General Meeting held on 25th August, 2005.

Sri K.Sudhir Rao, aged about 48 years is a MS in Computer Science and has about 12 years of experience in Distillery Industry. He has been actively involved in the day to day affairs of the Company, with emphasis on Finance, production activity and the overall administration of the Company.

Sri K.Sudhir Rao, is one of the co-promoters of the Company. His business acumen and qualities of leadership have contributed immensely to the growth and stability of the Company. He is along with the Managing Director of the company, instrumental in completing the expansion of plant capacity from 50 KLPD to 100 KLPD during the last Financial Year. He is actively involved in Company's modernization and expansion plans. He is presently over seeing the setting up of the Bio Gas based power plant at factory along with the Managing Director of the company.

The Company has made remarkable progress under his guidance and supervision and has embarked upon the expansion and diversification activities to achieve a much higher growth rate. Considering the efforts and time devoted and his endeavor to make the company to achieve greater milestones with his rich experience in the Distillery Industry and also keeping in view the responsibility with the increase in the complexities of business, approval of the Members is sought for payment of higher remuneration to Shri K.Sudhir Rao, Vice Chairman as set out in the Resolution.

The increase in the remuneration and terms was approved by the remuneration committee. Considering the recent trends in the remuneration payable to the top managerial personnel, the Board of Directors at their meeting held on 30.07.2007 has recommended a remuneration of Rs. 2,00,000/- P. M. plus commission, allowances and perquisites as detailed in the resolution subject to the approval of the Members in the Annual General Meeting and other necessary approvals, if any, for the remaining tenure of his appointment i.e. w.e.f 01.04.2007 to 28.02.2010.

Name of the Companies in which he is a Director.

1. Pioneer Urban Developers Limited — Director
2. Pioneer i Serve Limited — Director

The revision in remuneration payable to Sri. K.Sudhir Rao, requires the approval of the Members of the Company.

None of the Directors except Shri K.Sudhir Rao, Shri K.Suhan Rao, Shri K.V.Rajeshwar Rao and Shri.L.Venkateswara Rao are deemed to be concerned or interested in the above resolution.

This may be treated as a notice as required under section 302 of the Companies Act, 1956.

The Board recommends the resolution for the approval of the Members.

Item No.7

The appointment and payment of remuneration to Sri K.Suhan Rao, Managing Director of the Company, for a tenure of 5 years, i.e., with effect from 01.03.2005 to 28.02.2010 was approved by the members in the Annual General Meeting held on 25th August, 2005.

Sri K.Suhan Rao, aged about 43 years is a Mechanical Engineer and has about 12 years of experience in Distillery Industry. He has been actively involved in the day to day operations and technical affairs of

the Company, with emphasis on Finance, Marketing activities and the overall administration of the Company.

Sri K.Suhan Rao, is one of the co-promoters of the Company. His business acumen and qualities of leadership have contributed immensely to the growth and stability of the company. He is along with the Vice Chairman of the Company instrumental in completing the expansion of plant capacity from 50 KLPD to 100 KLPD during the last Financial Year. He is committed to the company's modernization and expansion plans. He is presently over seeing the setting up of the Bio Gas based power plant at factory premises.

The Company has made tremendous progress under his guidance and supervision and his experience is invaluable for the company. Considering the efforts and time devoted by Shri K.Suhan Rao in achieving the growth and success of the Company with his rich experience in the Distillery and related activities, besides keeping in view the increase in the responsibility of the Managing Director in the light of complexities of business, approval of the Members is sought for the payment of higher remuneration to Shri K.Suhan Rao, Managing Director as set out in the Resolution.

The increase in the remuneration and terms was approved by the remuneration committee. Considering the recent trends in the remuneration payable to the top managerial personnel, the Board of Directors at their meeting held on 30.07.2007 has recommended a remuneration of Rs.2,00,000/-P.M. plus commission, allowances and perquisites as detailed in the resolution subject to the approval of the Members in the Annual General Meeting and other necessary approvals, if any, for the remaining tenure of his appointment i.e. w.e.f 01.04.2007 to 28.02.2010.

Name of the Companies in which he is a Director.

1. Pioneer Urban Developers Limited — Director
2. Pioneer i Serve Limited — Director

The revision in remuneration payable to Sri. K.Suhan Rao, requires the approval of the Members of the Company.

None of the Directors except Shri K. Suhan Rao, Shri K. Sudhir Rao, Shri K.V.Rajeshwar Rao and Shri.L.Venkateswara Rao are deemed to be concerned or interested in the above resolution.

This may be treated as a notice as required under section 302 of the Companies Act, 1956.

The Board recommends the resolution for the approval of the Members.

By the order of the Board
For PIONEER DISTILLERIES LIMITED

Date: 16th August, 2007
Place: Hyderabad

V. ROJA RANI
Company Secretary

DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting the 14th Annual Report of your Company together with the Audited Balance Sheet as at 31st March, 2007 and Profit and Loss A/c for the year ended 31st March, 2007.

Financial Results

The performance of the Company during the Year 2006-07 is summarized below:

Particulars	Amount	Amount
	(Rs. In Lakhs) 31.03.2007	(Rs. In Lakhs) 31.03.2006
Sales and other income	5349.04	4441.72
Profit before interest and Depreciation and Taxes	1155.64	567.42
Interest	178.31	186.10
Depreciation	242.06	211.03
Preliminary Expenses Written off	4.80	4.80
Profit/Loss before Tax	730.46	165.48
Provision for Taxation:		
Current Tax	82.50	13.93
Fringe Benefit Tax	3.51	3.40
Deferred Tax	116.78	13.46
Net Profit After Tax	527.67	134.69
APPROPRIATION:		
Preference Dividend	35.25	0
Proposed Equity Dividend	111.71	0
Dividend Distribution Tax	24.98	0
Balance carried to Balance Sheet	355.73	134.69

Operations

Your Company has recorded a very significant performance for the year 2006-07. During the Financial Year the company has embarked upon the expansion of the existing plant capacity from 50 KLPD to 100 KLPD and successfully commenced commercial production from the month of January, 2007. The capacity utilization

was of the order of 94.56% during the year as compared to 90.01% during the previous year. This has resulted in the Turnover of Rs.5349.04 Lakhs during 2006-07 as compared to Rs.4441.72 Lakhs during 2005-06, an increase of 20.43%. The net profit for the Year 2006-07 is Rs.527.67 Lakhs as against Rs.134.69 Lakhs during the year 2005-06, an increase of 292%. These factors have laid a firm foundation for further growth of your company.

Future outlook

The inspired performance of your company during the year 2006-07 has ignited the desire to ensure higher turnover and profitability in the years to come. The demand for your company's products has created a strong market base. With almost stable prices of molasses complied with efficient performance utilization of the plant capacity, the future of your company is very bright. Your Company is fully equipped to face the market competition.

As part of expansion programme for the year 2007-2008, your company will be setting up a Bio Gas based Power project at the factory premises, at an estimated cost of Rs.40 Crores. The Bankers have been approached for the appraisal of the project. With the expansion plan having been implemented and the plans for diversification to power project scheduled to be in place during early 2008, the vision of a very prosperous and a progressive company, becoming a pioneer in its line of activity should be a reality.

Dividend

Considering the performance of the Company during the year under review, your Directors have recommended a dividend @10% amounting to Rs.111.71 Lakhs for the year ended 31st March, 2007.

Your Company has issued 23,50,000 cumulative 5% preference shares of Rs.10/- each, during the financial year, 2004-05. Keeping in view of profits

earned for the year ended 31.03.2007, your Board has approved the payment @ 5% dividend, as per the terms of the issue on 23,50,000 cumulative redeemable preferential shares Rs.10/- each, amounting to Rs.35.25 lakhs (including cumulative dividend of Rs.23.50 lakhs for the years 2004-05 & 2005-06).

Further Issue of Equity Shares & Convertible Warrants

The Company has issued and allotted 6,25,600 Equity shares of Rs.10/- each @ Rs.19/- per share on 6th July, 2006 through preferential basis, for which Members gave their approval in the previous Annual General Meeting held on 22.06.2006. Your company has further issued and allotted 5,58,000 Equity shares of Rs.10/-each @Rs.21/- per share and 5,87,000 Equity convertible warrants @Rs.21/- per warrant on 7th June, 2007 through preferential basis, for which Members gave their approval at EGM held on 5th May, 2007. The preferential issues were made to finance the expansion activity as mentioned above and also to augment the long term resources of the Company. The convertible warrants have to be converted into Equity Shares on or before 06.12.2008, subject to the SEBI Takeover guidelines.

Personnel

The provisions of Section 217(1A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are not applicable to your Company as none of employees was in receipt of remuneration which in aggregate is Rs. 24,00,000/- or more per year nor was in receipt of remuneration for any part of the year, of Rs. 2,00,000/- per month.

Shifting of Registered Office:

During the Year, the Company had obtained the approval of shareholders by way of Special Resolution through postal ballot for Shifting of Registered Office of the Company from the State of Maharashtra to the State of Andhra Pradesh.

The Company Law Board has approved the petition and passed an order of confirmation on 17.07.2007.

Fixed Deposits:

The Company had not accepted or invited any Deposits and consequently no Deposit has matured / become due for repayment as on 31st March, 2007.

Directors

Shri.K.V.Rajeshwar Rao and Shri.V.Subramanian retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

During the year, Dr. J.K.Devani resigned as a Director of the Company. The Board placed on record, the appreciation of the services rendered and the contribution made by him, during his tenure on the Board.

Statutory Auditors

M/s Alapati Vadde & Co, Auditors of the Company holds the office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Accordingly the proposal for their appointment has been placed for approval of the Members at the ensuing Annual General Meeting.

Directors' Responsibility Statement pursuant to the provisions of Section 217(2AA) of the Companies (Amendment Act) 2001

Pursuant to the requirements under Section 217(2AA) of the Companies, Act, 1956, with respect to Directors' responsibility statement, it is hereby confirmed:

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

- That such accounting policies have been selected and applied and that such judgments and estimates have been made as 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 or loss of the Company for the period.
- That proper and sufficient care for the maintenance of adequate accounting records has been taken in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the annual accounts of the Company have been prepared on a going concern basis.

Disclosure as per the Listing Agreement

The Company's shares are listed on the Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai and the Pune Stock Exchange Limited at Shivleela Chambers, 752, Sadashivpeth, R.B. Kumthekar Marg, Pune. The annual listing fees to both the stock exchanges have been paid.

Energy, Technology and Foreign Exchange

Energy conservation is a consistent focus area for the Company from both cost control and social responsibility perspective. Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo forms part of this Report as Annexure 1.

Corporate Governance

Detailed report on Corporate Governance and Management Discussion and Analysis Report giving the details of industry structure and

development, opportunities and threats thereof form part of this Report as Annexures 2 & 3.

Acknowledgement

Your Directors take this opportunity to express their gratitude and appreciation of the support and co-ordination extended by the banks viz, State Bank of Mysore, State Bank of Indore besides our Financial institutions viz, IDBI and LIC. Further we convey our thanks to all the Shareholders, Customers, Suppliers, executives and staff of the Company for their continued loyalty, co-operation, support to the Company.

For and on behalf of the Board

K. SUDHIR RAO
Vice Chairman

K. SUHAN RAO
Managing Director

Date: 30th July, 2007
Place: Hyderabad

CONSERVATION OF ENERGY

FORM- A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption:

Electricity:

(a) Purchased	2006-2007	2005-2006
Total Units (KWH)	743412	320353
Total Amount (in Rs.)	3983636	2085417
Rate per Unit (in Rs.)(inclusive of demand charges)	5.36	6.51
(b) Own generation (Through Rice Husk)		
Total Units (KWH)	5493659	3945476
Units per tonne of rice husk	147	152
Total Amount (in Rs.)	70021716	33585460
(c) Own generation (Through Diesel Oil)		
Total Units (KWH)	224907	139043
Units per litre of Diesel	2.24	2.84
Total Amount	3363778	1598314
Rate/Unit (in Rs.)	14.96	11.50
B. Consumption per unit of production:	2006-2007	2005-2006
Power (KWH/Litre of Alcohol)	0.27	0.27
Cost of Power (Rs./Litre of Alcohol)	3.18	2.24

FORM C

Foreign Exchange Earnings and outgo:	2006-2007	2005-2006
a. Earnings in Foreign Exchange	Nil	Nil
b. Expenditure in Foreign Currency	Nil	43700

For and on behalf of the Board

Date: 30TH July, 2007
Place: Hyderabad

K. SUDHIR RAO
Vice Chairman

K. SUHAN RAO
Managing Director

ANNEXURE 2

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance:

Pioneer Distilleries Limited, aims at implementing, adhering and achieving qualitative excellence and transparent Corporate Governance by taking into its fold the responsibility towards all the stakeholders and Statutory Authorities. The Company has formulated its policy on Corporate Governance as a Code for the Directors and Senior Management Personnel, adherence to which will be confirmed annually. Formulation of such Code is only an initial step towards the ever increasing commitment for corporate transparency. Your management will strive towards improving and enhancing its vision towards this goal. We believe that pursuit towards achieving good Corporate Governance is an ongoing process ensuring integrity, transparency and accountability in all our dealings with our employees, shareholders, customers and the community at large.

Your Board of Directors present the Corporate Governance Report for the year 2006-07 in accordance with Clause 49 of the Listing Agreement.

2. Board of Directors (Board):

a) Board Composition

The Board of Directors of the Company as on 31st March, 2007 comprised of 8 Directors consisting of 2 Executive Directors and 6 Non-Executive Directors. The Chairman of the Company is a Non- Executive Director whereas there are 4 Independent Directors on the Board of which 2 are Nominee Directors from Financial Institutions.

b) Attendance Record for 2006-07 :

Sl. No.	Name of the Director	Category	Meetings Attended	Attendance at last AGM
1.	K.V. Rajeshwar Rao	Chairman, Non - Executive	6	Yes
2.	K. Sudhir Rao	Vice Chairman	6	Yes
3.	K. Suhan Rao	Managing Director	6	Yes
4.	L.Venkateswara Rao	Non- Executive	4	Yes
5.	V. Subramanian	Independent Non - Executive	6	Yes
6.	C.V. Kamalaker	Independent Non - Executive	3	No
7.	H. Anatha Krishnan	Nominee Director Non - Executive	2	No
8.	*J.K. Devani	Non- Executive	4	No
9.	D. Sudhakar Rao	Nominee Director Non - Executive	Nil	No

* Resigned as Director from the Board w.e.f the 30th January, 2007.

c) Number of other Directorships, Committee Membership(s) & Chairmanship(s) :

Sl.	Name of the Director	Other Directorship	Committee Membership	Committee Chairmanship
1.	K.V. Rajeshwar Rao	1	NIL	NIL
2.	K. Sudhir Rao	2	NIL	NIL
3.	K. Suhan Rao	2	NIL	NIL
4.	L. Venkateswara Rao	NIL	NIL	NIL
5.	V. Subramanian	NIL	NIL	NIL
6.	C.V. Kamalaker	NIL	NIL	NIL
7.	H. Anantha Krishnan	NIL	NIL	NIL
8.	D. Sudhakar Rao	1	NIL	NIL

d) Number of Board Meetings held and the dates on which held:

A total of **6 (Six)** Board Meetings were held during the year.

The dates on which the Board Meetings were held are:

Sl.No.	1	2	3	4	5	6
Date of the Meeting	22.05.2006	24.07.2006	27.10.2006	11.11.2006	30.01.2007	08.03.2007

e) Pecuniary relationship or transactions of Non-Executive Director:

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

3. Audit Committee

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 Shri. V. Subramanian being an Independent Director. Following Directors are members of the Committee:

- (i) Shri. V. Subramanian, Non-Executive Independent Director ;
- (ii) Shri. L. Venkateswara Rao, Non-Executive Promoter Director ;
- (iii) Shri. H. Ananthkrishnan, Nominee Director- LIC ; and
- (iv) Shri C.V. Kamalaker, Non-Executive Independent Director.

The Audit Committee of the Company has the powers to investigate any activity, seek information from any employee and can secure attendance of outsiders with relevant expertise, if it considers necessary. The Role of the Audit Committee includes the following:

- (i) Oversight of the Company's financial reporting process and disclosure of its financial information.
- (ii) Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditor and fixation of Audit fees.

- (iii) Reviewing with the management, the annual financial statements and quarterly financial statements before submission to the Board for approval.
- (iv) Reviewing with the management performance of statutory and internal auditors, adequacy of the internal control systems, reviewing the adequacy of internal audit function and discussion with the internal auditors of any significant findings.

The Company continued to derive immense benefit from the deliberations of the Audit Committee. Shri.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 have with their knowledge and experience contributed to the performance of the Company. Minutes of each Audit committee are placed before the Board and discussed in the meeting.

During the year, the Audit Committee Meetings were held on the following dates:

Sl.No.	1	2	3	4
Date of the Meeting	22.05.2006	24.07.2006	27.10.2006	30.01.2007

Attendance Record - 2006-2007

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

4. Remuneration Committee

a) Brief description of terms of reference.

To formulate a remuneration policy and approve the remuneration or revision in the remuneration payable to the whole-time Directors.

b) Composition, Name of Members:

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

- (i) Shri. V. Subramanian Non- Executive, Independent Director ;
- (ii) Shri. H. Anantha Krishnan, Nominee Director- LIC ; and
- (iii) Shri. C.V. Kamalaker, Non-Executive Independent Director.

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

c) Attendance during the year

No Meeting of Remuneration Committee was held during the financial year 2006-07.

d) Remuneration Policy

To recommend/review the remuneration package, periodically to 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 2006-2007 to the Directors are furnished hereunder.

NAME	DESIGNATION	SALARY & HRA	Sitting Fees (Rs.)	Total (Rs.)
K.Sudhir Rao	Vice Chairman	13,80,000	—	13,80,000
K.Suhan Rao	Managing Director	13,80,000	—	13,80,000
Shri. K.V. Rajeshwar Rao	Non-Executive Director	—	30,000	30,000
Shri. L. Venkateswara Rao	Non-Executive Director	—	40,000	40,000
Shri. V. Subramanian	Non-Executive Director	—	55,000	55,000
Shri. C.V. Kamalaker	Non-Executive Director	—	35,000	35,000
Shri. H. Ananthkrishnan	Non-Executive Director	—	20,000	20,000
Dr J.K.Devani	Non-Executive Director	—	20,000	20,000
Shri. D. Sudhakar Rao	Non-Executive Director	—	—	—
Total		27,60,000	2,00,000	29,60,000

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 resolution passed by the Members in the General Meetings.

Shareholding of Non-Executive Directors

The shareholding of Non-Executive Directors in the Company is given hereunder (as on 31.03.2007):

Name	No. of shares held	% to paid -up capital
Shri. K.V. Rajeshwar Rao	659340	6.21
Shri. L. Venkateswara Rao	461880	4.35
Shri. V. Subramanian	—	—
Shri. C.V. Kamalaker	—	—
Shri. H. Ananthkrishnan	—	—
Shri. D. Sudhakar Rao	—	—

5. Share Transfer & Investor's Grievance Committee

This Committee constituted by the Board of Directors comprises of the Shri. L. Venkateswara Rao, Non- Executive Director , Shri. K. Sudhir Rao, Vice Chairman and Shri. K. Suhan Rao, Managing Director inter-alia, oversees the transfer of shares and redressal of shareholders' / investors grievances and investor complaints regarding non-receipt of Annual Reports, etc.

No investor complaints were received during the year. There are no outstanding complaints as on 31st March 2007.

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 Practising Company Secretary every six months and submitted to the Stock Exchanges.

6. General Body Meetings

a. The details of the previous Annual General Meetings of the Company are given hereunder:

Year	Date and Time	Particulars of Special Resolutions passed
2004	26 th June, 2004 at 12.00 Noon at the Registered Office of the Company.	1) Issue of 5% Redeemable Preference Shares to IDBI in accordance with the terms of settlement proposal entered into by the Company- (<i>Approved unanimously</i>) 2) Approval for reissue of Forfeited Equity Shares under Clause 23(a) Of the Listing Agreement- (<i>Approved unanimously</i>). No special resolutions were passed by postal ballot.
2005	25 th August, 2005 at 12.00 Noon at the Registered Office of the Company	1) Appointment of Shri. K. SuhanRao as Managing Director 2) Appointment of Shri. K. SudhirRao as Vice Chairman 3) Alteration of Article 121(a) and Article 144 of Articles of Association. 4) Reissue of 44,800 forfeited equity shares. (All the resolutions were approved unanimously.) No special resolutions were put through postal ballot.
2006	22 nd June, 2006 at 12.00 Noon at the Registered Office of the Company.	1) Alteration of Articles of Association for increasing the Authorised Capital of the Company 2) Preferential Issue of Equity Shares (All the resolutions were approved unanimously.) No special resolutions were put through postal ballot.

- b. During the year Special Resolution for shifting of Registered Office from the State of Maharashtra to the State of Andhra Pradesh was passed through postal ballot. The Special resolution was approved by the Members by more than 3/4th majority, the results of postal ballot declared on 20.04.2007. Shri V.Ahalad Rao, Company Secretary in practice acted as scrutinizer to the postal Ballot process.
- c. At EGM held on 5th May, 2007, Special Resolution(s) were passed for the Preferential allotment of 5,58,000 Equity shares @ Rs.21 each. and 5,87,000 convertible warrants @ Rs.21 each. **(All the resolutions were approved unanimously.)**

7. Disclosures

- (i) During the year 2006-07 no material related party transactions were entered into by the Company with the Promoters or Directors or the management.
- (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.

With regard to non-mandatory requirements,

- (i) the Company has set up Remuneration Committee with Non-Executive Directors as members of the Committee.

Efforts will be made for compliance with other non-mandatory requirements of Clause 49 of the Listing Agreement.

8. Means of Communication

- Quarterly unaudited financial results are normally published in the following newspapers : Deshdoot Times (English Newspaper), Deshdoot (Marathi Newspaper)
- No presentations were made to the institutional investors or the Analysts during the year.
- Management Discussion and Analysis forms part of the Annual Report.

9. General Shareholder Information

i) Annual General Meeting :

Date : 19th September 2007
Time : 10.30 AM
Venue : Hotel Green Park, Green Lands, Ameerpet, Hyderabad.

ii) Financial Calendar

1st April to 31st March

iii) Date of Book Closure

The dates of book closure are from 14.09.2007 to 19.09.2007 inclusive of both days.

iv) Dividend Payment Date

Within 30 days from the date of declaration at Annual General Meeting.

v) Listing on Stock Exchanges

- (i) The Bombay Stock Exchange Limited and
- (ii) The Pune Stock Exchange Limited

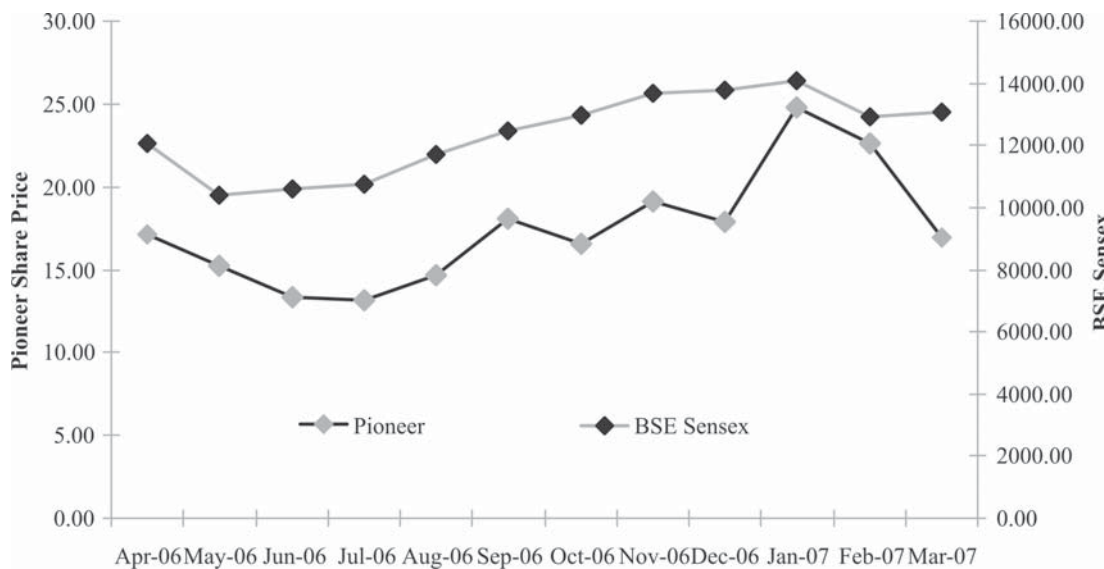
vi) Stock Code:

The Bombay Stock Exchange Limited	531879	PIONEE DISTL
The Pune Stock Exchange Limited	160202	PIODI

vii) Market Price: Details of share price traded during the year under review on BSE

Month	Share Price High (Rs)	Share Price Low (Rs)
April 2006	19.38	10.68
May 2006	21.05	14.80
June 2006	15.40	11.55
July 2006	14.50	11.90
August 2006	15.45	12.90
September 2006	18.21	13.10
October 2006	19.85	15.45
November 2006	24.00	16.40
December 2006	20.40	15.90
January 2007	29.25	17.20
February 2007	29.25	22.35
March 2007	23.60	16.60

viii) Share Price Performance in comparison with BSE Sensex:



- ix) Registrar and Transfer Agents: Venture Capital and Corporate Investments Limited is the Registrar and Share Transfer Agent of the Company responsible for both physical and DMAT share transaction processing.
- x) Share Transfer System: The share transfer process is carried out by Venture Capital and Corporate Investments 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 transfers are considered and approved by the Share Transfer Committee of the Company.
- xi) Shareholding Pattern as on 31st March, 2007

Category	No. of shares held	Percentage of Shareholding
Promoters	4924580	46.40
Banks, Financial Institutions	539925	5.09
Companies (Central/State Govt. Institutions/Non- Govt. Institutions)	—	—
FII's	—	—
Private Corporate Bodies	186848	1.76
Indian Public	2388262	22.50
NRI's/OCB's	2573585	24.25
Total	10613200	100.00

Distribution of Shareholding as on 31st March, 2007

Share holding of nominal value of			Share Holders		Share Amount	
Rs		Rs	Number	% to Total	In Rs.	% to Total Amount
	(1)		(2)	(3)	(4)	(5)
Upto	to	5,000	1732	91.38	10262170	9.67
5,001	to	10,000	68	3.61	2844730	2.68
10,001	to	20,000	26	1.38	1915980	1.81
20,001	to	30,000	8	0.42	1066490	1.00
30,001	to	40,000	5	0.27	878550	0.83
40,001	to	50,000	2	0.11	451000	0.42
50,001	to	1,00,000	10	0.53	3869970	3.65
1,00,001	And	Above	32	1.70	84843110	79.94
TOTAL			1883	100.00	10613200	100.00

- xii) Dematerialisation of Shares:** The Company has entered into tripartite agreements with NSDL and CDSL and Venture Capital and Corporate Investments Limited in accordance with the SEBI Guidelines.

The details as on 31.03.2007 are as under:

Equity Shares	No of Shares	% to Total Holding
NSDL	6806452	64.13
CDSL	376668	3.55
PHYSICAL	3430080	32.32
TOTAL	10613200	100.00

The Company issued 5% Redeemable Preference Shares to Financial Institutions viz, IDBI (17,00,000 shares) and LIC (6,50,000 shares). These shares have been issued in dematerialized form and are held in NSDL. However, these preference shares are not listed on the Stock Exchanges and hence are not tradable.

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

The Company has issued 5,87,000 Equity convertible warrants of @Rs.21/- per warrant on 7th June, 2007 through preferential basis, for which members gave their approval at EGM held on 5th May, 2007. The convertible warrants have to be converted into Equity Shares on or before 06.12.2008, subject to the SEBI Takeover guidelines.

On conversion Equity Capital increases by 58.70 Lakhs and Securities premium increases by 64.57 Lakhs.

- xiv) Plant Locations:** The factory of the Company is located at Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra-431 809.

- xv) Address for correspondence:**

Sl.No.	Shareholders correspondence for	Addressed to
1.	Transfer / Dematerialiation / 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 Limited 6-2-913/914, III Floor, Progressive Towers, Khairatabad, Hyderabad- 500 004 ANDHRA PRADESH Tel: 040-23322262/64, Fax: 040-23324803
2.	Investor Correspondence / Queries on Annual Report, Revalidation of Dividend Warrants, Sub-Division, etc.	V. Roja Rani, Company Secretary # 8-2-311/C, Mithia Nagar, Road No.10, Banjara Hills, Hyderabad - 500 034. Ph No: +91-40-23542920, 32437722/55, Fax: 040-2354 2921

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry structure and development

Pioneer Distilleries Limited (PDL), is a distillery Manufacturing company, engaged primarily in the manufacture of Extra Natural Alcohol (ENA), Rectified Spirit (RS), Denatured Spirit (DS), Absolute Alcohol (Ethanol) and Carbon-di-Oxide(CO₂), at its factory located at Balapur (V), Dharmabad (Taluk), Nanded (Dist.) Maharashtra.

The Fine grade of ENA manufactured by PDL, finds place as Raw material for many Brands of renowned liquor manufacturing companies. As informed in the 13th Annual Report, expansion activity taken up by the company for increasing the plant capacity from 50KLPD to 100KLPD, was successfully completed and the commercial production commenced in the month of January, 2007. Due to the expansion, the turnover for the year was increased tremendously.

As compared to the previous year, there has been a decline in the prices of molasses (raw material). The low price of raw material has resulted in reduction of sale prices when compared to the previous year. The turnover during the year has been of the order of Rs. 5349.04,Lakhs while the capacity utilization has been 94.56 %.

During the year there has been a turnover of about 16.59 lakh litres of Ethanol amounting to Rs.400.42 Lakhs. There has been a good demand for the product, and Government is also encouraging the mixer of the Ethanol in petrol in order to control pollution. During the year, your company has obtained orders from Petroleum companies, viz., BPCL, HPCL & IOCL for supply of ethanol.

During the year the turnover of Carbon-di-Oxide(CO₂) plant is of the order of 24.01 Lakh Kgs amounting to Rs 83.06 Lakhs. The Carbon-di-Oxide(CO₂), produced by the company has great demand in the market, due to its great quality being 100% odorless.

In view of the company's excellent Quality norms of its products, there has always been a great demand for its products in the market and the

order load is always more compared to the supply position.

With the expansion of plant capacity and diversification of business by manufacture of Ethanol, Carbon-di-oxide, and the proposed setting up of Bio Gas based power plant, your Company foresees a much improved financial and operational performance in the ensuing financial year.

2. Opportunities and Threats

The proposal to use grains viz, jowar, bajra, rice etc as alternative raw materials for the manufacture of alcohol has been explored and the company has also obtained license for the manufacture of grain based alcohol. But the reduction in prices of molasses and ample availability of molasses has resulted in the management taking some more time to commence the grain based production. In fact there is market for grain based alcohol, but cost of manufacture is on the higher side compared to using molasses as raw material, and decision will be taken after considering all the pros and cons.

The Ethanol plant is in operation and the product is being supplied to pharmaceutical Companies and Petroleum Companies. This apart, your Company is also processing the Carbon-di-oxide (Co₂) generated in the fermentation process in the new Co₂ plant to manufacture commercial grade Co₂ and has appointed SKVM Agencies as its Sole Selling Agent for Co₂.

Bio Gas based Power Generation has been created as an opportunity for distillery industries and it is proposed to setup 5 MW Bio-gas based power project. The project cost is estimated at Rs.40 Crores including the capital investment on setting up of effluent treatment plant. The management is planning to complete the construction activity during this year and expects to start commercial production in the last quarter (4th) or the first quarter of 2008. The power generated will be sold to Maharashtra power

grid. Revenue generated from this activity will be an added source of income for your company.

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, installation of 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. Though there has been no difficulty in marketing the Company's products, availability and prices of molasses, policies of the Government and pollution laws can be considered as possible threats to the industry. Besides, new competitors may enter into market which the Company operates or existing competitors could decide to focus more on the existing market thereby intensifying the highly competitive conditions that already exist. The management expects that the Company's revenue growth will be derived from continued selling of products to the existing customers, new customers and planned introduction of new products. The success of these efforts will depend on the Company's effective sales and marketing strategies.

3. Future outlook

During the Year your company had successfully completed Expansion of plant capacity and with this increased installed capacity, your company predicts improvement in operational and financial performance. However the outlook of profitability and margins of the Company depends upon the domestic industry scenario, the trends in the molasses prices and ultimately the sale prices of the products. Your Company is

well equipped to face the normal market competition.

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 foresees improved prospects in the coming years.

4. Segment wise or product-wise performance

The product wise performance of the Company is given hereunder:

- (i) Rectified Spirit (RS): Production of RS during the financial year 31st March, 2007 has been of the order of 218,44,165 BL.
- (ii) Extra-Neutral Alcohol (ENA): Production of ENA during the financial year 31st March, 2007 has been of the order of 174,69,154 BL.
- (iii) Absolute Alcohol (Ethanol): Production of Absolute Alcohol during the financial year 31st March, 2007 has been of the order of 16,68,240 BL.
- (iv) Carbon-di-Oxide(Co₂): Production of Carbon-di-Oxide(Co₂) during the financial year 31st March, 2007 has been of the order of 24,87,738 KG (*The Commencement of production of Carbon-di-Oxide (Co₂) began during the month of May, 2006.*)

5. 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 of the Company during the current financial year stands at Rs.5349.04 lakhs with a profit after tax of Rs. 527.67 lakhs.

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. The working capital loan limits of the Company during the year have been increased from Rs.700.00 lakhs to Rs.1100.00 lakhs (Cash Credit: 850 Lakhs & Letter of Credit: 250 Lakhs).

6. Internal Control Systems and Adequacy

The internal control systems of the Company provide 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 internal auditors perform the audit periodically to ascertain their adequacy and effectiveness. The top management and the Audit Committee of the Company review the findings, recommendations and functions of Internal Auditors.

7. Human Resources

The management believes that continued success of the Company will depend on its ability to hire, assimilate and retain skilled and quality personnel. It recognizes the fact that loss of any key employee, or its inability to retain skilled employees could harm the Company's business. Therefore, every effort is made to provide excellent staff welfare measures to promote employee satisfaction and thereby attract and retain efficient manpower. Further, the Company conducts regular training programmes for the employees to keep them updated with the ever changing technology. The employee strength as on 31st March 2007 was 133.

8. Cautionary Statement

Statements in this report on Management Discussion and Analysis describing the company's objectives, projections, estimates,

expectations or predictions may be "forward looking statements" within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however differ from those expressed or implied. Many important factors including global and domestic demand-supply conditions, prices, raw materials costs and availability, changes in government regulations, tax laws and other statutes may affect the actual result which could be different from what the director's envisage in terms of future performance and outlook.

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

NAME OF DIRECTOR	K.V.RAJESHWAR RAO	V.SUBRAMANIAN
Age & Expertise in Specific Functional Areas	Shri. K.V. Rajeshwar Rao aged about 71 years is the Non-Executive Chairman of the Company and is instrumental in the setting up of the distillery unit in Balapur Village of Nanded District of Maharashtra. He is one of the main promoters of the Company and his contribution to the Company growth and development since inception is invaluable.	Shri. V. Subramanian aged about 62 years is a Chartered Accountant by profession and has vast experience of about 35 years in various industries. At present he is rendering services as an advisor to many Companies in areas of project finance. He also possesses rich experience in accounts and Banking relations.
Date of Birth	31.12.1936	10.12.1945
Qualification	Class X	Chartered Accountant
List of the Companies in which Directorships is held as on 31st march 2007	1. Pioneer Urban Developers limited	1. SHCIL Services Limited (Resigned w.e.f 08.06.2007)
Chairman/Member of the Committees of the Board of other Companies in which he is a Director as on 31st March, 2007	Nil	Nil

**CERTIFICATE ON COMPLIANCE OF CONDITIONS
OF CORPORATE GOVERNANCE**

By the Statutory Auditor

To
The Members of
Pioneer Distilleries Limited

I have examined the compliance of conditions of Corporate Governance by Pioneer Distilleries Limited, Nanded (Dt), Maharashtra for the period ended 31st March, 2007 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: 30th July, 2007

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 March 31, 2007, 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

K.SUHAN RAO
Managing Director

Place: Hyderabad
Date: 30th July, 2007

**AUDITORS' REPORT
TO THE MEMBERS OF PIONEER DISTILLERIES LIMITED**

I have audited the attached Balance Sheet of M/s. **PIONEER DISTILLERIES LIMITED** (the Company) as at March 31, 2007 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 31st March 2007, and taken on record by the Board of Directors, I report that none of the directors are disqualified as on March 31, 2007 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, 2007;
 - 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: 29th June 2007

ANNEXURE TO THE AUDITOR'S REPORT

The Annexure referred to in the auditors' report to the members of Pioneer Distilleries Limited ("the Company") for the year ended March 31, 2007. I report that:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.

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.

Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

2. The inventories have been physically verified by the management at reasonable intervals during 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 31st March, 2007 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 defaulted in repayment of dues to IDBI and the same has been regularized as per the negotiated settlement agreed to by IDBI – Stressed Assets Stabilization Fund.
 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. According to the information and explanations given to me, the Company is not dealing or trading 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 on short-term basis have been used for long-term investment. Further, a part of the long-term funds has been used to finance working capital and short-term investments.
 22. The Company has made preferential allotment of 4,13,600 equity shares to four directors of the Company and 2,12,000 equity shares to four non-promoters at the rate of Rs.19 per share (Face Value of Rs.10/- each) during the period under audit and the price at which shares have been issued is not prejudicial to the interest of the Company. The Company has disclosed the end use of money raised by way of issue of equity shares, which has been verified by me.
 23. The Company has not issued any debentures. Accordingly, clause 4(xix) of the Order is not applicable.
- 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: 29th June 2007

BALANCE SHEET AS AT 31st MARCH, 2007

	Schedule	As At 31.03.2007		As At 31.03.2006	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS :					
Shareholders Funds :					
Share Capital	1	129944000		123688000	
Reserves and Surplus	2	43288876	173232876	9925200	133613200
Loan Funds :					
Secured Loans	3	277347360		202826932	
Unsecured Loans	4	223728880		187060386	
Sub-total			501076240		389887318
Deferred Tax Liability	5		53113981		41435382
TOTAL			727423097		564935900
APPLICATION OF FUNDS :					
Fixed Assets :					
Gross Block	6	695471862		468402246	
Less: Depreciation		144859597		120653854	
Net Block			550612266		347748392
Capital Work in Progress			22673972		83397893
			573286238		431146285
Current Assets and Loans & Advances :					
Inventories	7	118441453		71010976	
Sundry Debtors	8	7262009		1610447	
Cash and Bank Balances	9	6888158		5105519	
Loans and Advances	10	111834367		69629725	
Sub-total		244425986		147356667	
Less: Current Liabilities and Provisions	11	94781173		27754615	
Net Current Assets			149644813		119602052
Miscellaneous Expenditure (to the extent not written off)	12(a)	4492046		6347422	
Profit & Loss Account Balance	12(b)	0		7840141	
			4492046		14187563
TOTAL			727423097		564935900
Notes on Accounts	19				

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 : June 29, 2007
Place : Hyderabad

K. HARI NARAYANA RAO
Sr. Manager-Finance & Accounts

V. ROJA RANI
Company Secretary

PIONEER DISTILLERIES LIMITED



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	Schedule	Year Ended 31st March, 2007 Rs.	Year Ended 31st March, 2006 Rs.
INCOME:			
Sales		533309674	443906049
Other Income	13	1594801	265644
Increase/(Decrease) in Stocks	17	38200018	(27544559)
TOTAL		573104493	416627134
EXPENDITURE:			
Material consumed	14	253483866	237333372
Power and Fuel		81395500	35903630
Employee Remuneration	15	15139196	11447026
Excise Duty		49797213	39892365
Other Expenses	16	57724637	35308466
TOTAL		457540413	359884858
Profit Before Interest, Depreciation and Amortisation		115564081	56742276
Less: Interest	18	17831491	18610046
Depreciation		24205746	21103398
Preliminary Expenses Written off	12(a)	480376	480377
Profit/(Loss) for the year		73046468	16548456
Provision for taxation - MAT		8249712	1392553
Profit/(Loss) after Current Tax		64796756	15155903
Less: Provision for Fringe Benefit Tax		350920	340301
Less: Provision for Deferred Taxation		11678599	1346480
Profit/(Loss) after Tax		52767237	13469122
Preference Dividend		3525000	0
Equity Dividend (Proposed)		11171200	0
Dividend Distribution Tax		2497619	0
Balance Carried to Balance Sheet		35573417	13469122
		52767237	13469122
Earning per Share - Basic (Rs.)		6.07	1.29
Earning per Share - Diluted (Rs.)		4.97	1.09

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 : June 29, 2007
Place : Hyderabad

K. HARI NARAYANA RAO
Sr. Manager-Finance & Accounts

V. ROJA RANI
Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF THE
BALANCE SHEET AS AT 31st MARCH, 2007**

	As at 31-03-2007 Rs.	As at 31-03-2006 Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised:		
25,00,000 - Preference Shares of Rs.10/- each	25000000	25000000
1,25,00,000 - Equity Shares of Rs.10/- each (Previous year 1,10,00,000 @ Rs.10/- each)	125000000	110000000
	<u>150000000</u>	<u>135000000</u>
Issued and subscribed:		
23,50,000 - 5% Redeemable Preference Shares of Rs.10/- each	23500000	23500000
1,06,75,600 - Equity Shares of Rs.10/- each (Previous year 1,00,50,000 @ Rs.10/- each)	106756000	100500000
	<u>130256000</u>	<u>124000000</u>
Paid up:		
23,50,000 - 5% Redeemable Preference Shares of Rs.10/- each	23500000	23500000
1,06,13,200 - Equity Shares of Rs.10/- each (Previous year 99,87,600 @ Rs.10/- each) (Preferential Allotment of 6,25,600 Equity Shares of Rs.10/- each issued at a premium of Rs.9/- per share during the Financial Year 2006-07.) Forfeited Shares(62,400 @Rs.5/- each)	106132000	99876000
	<u>312000</u>	<u>312000</u>
	<u>129944000</u>	<u>123688000</u>
SCHEDULE 2: RESERVES AND SURPLUS		
Share Premium Account (6,25,600 Equity Shares were issued on 06.07.2006 at a premium of Rs.9/- each)	6481600	851200
Capital Reserve	9074000	9074000
Profit & Loss Account balance	27733276	--
	<u>43288876</u>	<u>9925200</u>
SCHEDULE 3: SECURED LOANS		
Term Loan - IDBI	47083000	68007000
Term Loan - LIC	19303388	26517671
Term Loan - SBM - I	26999787	39399787
Term Loan - SBM - II	49173523	16350000
Term Loan - SBIN	52446167	14264980
Interest Accrued and Due	11994404	6958992
Car Loan A\c	1178385	
Working Capital Loan from Banks	69168706	31328502
	<u>277347360</u>	<u>202826932</u>
SCHEDULE 4: UNSECURED LOANS		
Sales Tax Deferment	206758083	170736589
From Directors	16970797	16323797
	<u>223728880</u>	<u>187060386</u>
SCHEDULE 5: DEFERRED TAX		
Deffered Tax Liability	41435382	39748601
Add: Timing Difference originating during the year	11678599	1686781
	<u>53113981</u>	<u>41435382</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2007

SCHEDULE - 6 : Fixed Assets

Particulars	Gross Block			Depreciation			Net Block		
	As at 1-04-2006 Rs.	Additions Rs.	Deduction Rs.	As at 31-03-2007 Rs.	As at 1-04-2006 Rs.	For the Year Rs.	Dele- tions Rs.	As at 31-03-2007 Rs.	As at 31-03-2006 Rs.
Land	23800306	1412940	0	25213146	0	0	0	25213146	23800306
Factory Buildings	41386233	0	0	41386233	8897401	1382300	0	31106532	32488832
Non-Factory Buildings	30233867	0	0	30233867	3066498	492812	0	26674557	27167369
Plant & Machinery	325038135	220289696	0	545327831	91364264	19323202	0	434638365	233673871
Furniture and Fittings	821337	493051	0	1314388	357109	61666	0	895613	464228
Office Equipment	1591242	618025	0	2209267	575054	110401	0	1523812	1016188
Electrical Equipment	8271622	0	0	8271622	3311017	392902	0	4567703	4906005
Vehicles	3590896	3707383	0	7304279	1665013	551202	0	5088064	1931883
Tools and Tackles	1550329	0	0	1550329	563404	73641	0	913284	986925
Generator	2444801	0	0	2444801	505240	116128	0	1823433	1930561
Water Supply and Treatment Plant	19933988	0	0	19933988	6640726	1052515	0	12240748	13233263
Secondary Treatment Plant	7259741	0	0	7259741	2448462	383314	0	4427964	4811279
Lab Equipment	330479	0	0	330479	92305	15688	0	222476	238174
Fire Fighting and Safety Equipment	276555	0	0	276555	81133	13136	0	182285	195422
Computers	945842	548621	0	1494463	548745	176537	0	769181	397097
Misc. Items	920873	0	0	920873	537480	58291	0	325102	383390
TOTAL	468402246	227069616	0	695471862	120653851	24205746	0	550612266	347748392
Previous Year	451406837	17813977	818570	468402246	100015932	21103398	465476	347748392	351390904
Capital Work-in-Progress								22673872	83897893

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007

	As at 31-03-2007 Rs.	As at 31-03-2006 Rs.
SCHEDULE 7 : INVENTORIES		
(As Verified and certified by Management)		
Stores and Spares	2748493	2310925
Raw Material	51587931	50588716
Stocks under Process	9418161	1990261
Finished Goods	46893192	16121074
	<u>110647777</u>	<u>71010976</u>
Investments in Securities	7793676	
	<u>118441453</u>	<u>71010976</u>
SCHEDULE 8 : SUNDRY DEBTORS		
(Unsecured and Considered good)		
Outstanding for more than six months	76992	12102
Other Debtors	7262009	1610447
	7339000	1622549
Less: Provision for doubtful debts	76992	12102
	<u>7262009</u>	<u>1610447</u>
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash in hand	845780	622229
Balance with scheduled banks		
In current accounts	1600125	375489
In deposit accounts	4442253	4107800
	<u>6888158</u>	<u>5105519</u>
SCHEDULE 10 : LOANS AND ADVANCES		
(Unsecured and Considered good)		
Advance - Raw material	33214935	25932927
Advance - Stores and Consumables	288262	4782688
Advance - Others	2607729	1786961
Prepaid Expenses	3515255	6191148
Deposits	1322259	727259
Balances with Excise Department	42948152	26340039
Sales tax Recivable	22608276	2665355
Advance Tax paid	5329499	1203344
	<u>111834367</u>	<u>69629722</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2007

	As at 31-03-2007 Rs.	As at 31-03-2006 Rs.
SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Creditors - Capital Goods	13875757	5044186
Creditors - Raw Material & Chemicals	32890085	1331538
Creditors - Stores and Spares	2183194	1119372
Creditors - Others	7245931	4043888
Creditors - Transporters	4796333	5562217
Creditors - Expenses	7080506	5853442
Trade Deposits	1265836	3407419
Total - A	69337642	26362062
B. Provisions		
Provision for Taxation	8249712	1392553
Provision for Preference Dividend	3525000	
Provision for Equity Dividend (Proposed)	11171200	
Provision for Distribution Tax	2497619	
Total - B	25443531	1392553
Total (A + B)	94781173	27754615
SCHEDULE 12 (a) : MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF)		
Preliminary Expenses not written off	4972422	6827799
Add: Expenses incurred during the year	0	0
Less: Preliminary Expenses written off	480376	480377
	4492046	6347422
SCHEDULE 12 (b) : PROFIT AND LOSS ACCOUNT		
Net Profit / (Loss) Brought Forward	(7840141)	(21309263)
Add : Net Profit/(Loss) as per P& L A/c	35573417	13469122
Profit / (Loss) Carried to Balance Sheet	27733276	(7840141)

**SCHEDULES ANNEXED TO AND FORMING PART OF THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31st MARCH, 2007**

	For the Year ended 31st March,2007 Rs.	For the Year ended 31st March,2006 Rs.
SCHEDULE 13 : OTHER INCOME		
Interest on Fixed Deposits	176557	20239
Misc. Income	1418244	245406
	<u>1594801</u>	<u>265644</u>
SCHEDULE 14 : RAW MATERIAL CONSUMED		
Molasses Consumed		
Opening Stock	49631553	10929816
Add: Purchases	244541100	267434077
Less: Closing Stock	49535003	49631553
Consumption of Molasses	244637650	228732340
Chemicals Consumed	8846216	8601032
Consumption of Raw Material	<u>253483866</u>	<u>237333372</u>
SCHEDULE 15 : EMPLOYEE REMUNERATION		
Salaries and Wages	11534727	8777422
Contribution to PF and other Funds	1855396	1637928
Other Welfare Expenses	1749073	1031676
	<u>15139196</u>	<u>11447026</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31st MARCH, 2007**

	For the Year ended 31st March,2007 Rs.	For the Year ended 31st March,2006 Rs.
SCHEDULE 16 : OTHER EXPENSES		
[Manufacturing Expenses]		
Repairs and Maintenance	12192336	6712254
Labour Charges	1597874	809024
Husk Feeding Charges	2795928	1864882
Ash Removing Expenses	2491842	1505341
Stores and Spares	8796049	4122289
[General and Administrative Expenses]		
Rent	566000	564700
Rates and Taxes	3217446	2609942
Insurance	4267207	1134219
Bank Charges	1139055	1495783
Restructuring Fee	1375000	1455045
Travelling and Conveyance	2823553	1609399
Office Maintenance	1413451	942579
Books and Periodicals	65361	45251
Printing and Stationery	398240	232591
Sundry Expenses	532399	312451
Communication Cost	926020	928009
Safety and Security	1203012	1054613
Legal and Professional	4686545	867645
Supervision Charges	1143736	796334
Hire Charges	775474	696832
Sales Promotion Expenses	444213	500746
Directors' Remuneration	2760000	2760000
Directors' Sitting Fee	200000	107000
Auditors' Remuneration:		
As Auditors	30000	25000
For tax audit	15000	15000
For Certifications and taxation matters	46255	62500
Expenses reimbursed	4965	12629
Meeting Expenses	376525	619067
Advertisement	243376	200536
Loss on Sale of Asset	0	253094
Cash Loss Account	0	213798
Charity and Donations	274530	258923
Vehicle Maintenance	846253	508892
Provision for doubtful debts	76992	12102
TOTAL	57724637	35308466

**SCHEDULES ANNEXED TO AND FORMING PART OF THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31st MARCH, 2007**

	For the Year ended 31st March,2007 Rs.	For the Year ended 31st March,2006 Rs.
SCHEDULE 17 : (INCREASE) / DECREASE IN STOCKS		
Opening Stock		
Finished Goods	16121074	43353959
Work-in-Process	1990261	2301935
Closing Stock		
Finished Goods	46893192	16121074
Work-in-Process	9418161	1990261
(Increase)/ Decrease in stocks	<u>(38200018)</u>	<u>27544559</u>
SCHEDULE 18 : INTEREST		
On Term Loans to Banks and Institutions	11976246	14024436
On Working Capital Loans to Banks & Others	5855245	4585609
	<u>17831491</u>	<u>18610046</u>

SCHEDULE NO .19 : NOTES TO 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. During the financial year 2005-06, the company has incurred an amount of Rs. 50,00,000/- and Rs.5,00,000/- on IDBI (SASF) and LIC term loans respectively towards Restructuring fees which is a result of negotiated settlement. The above mentioned fee has been treated as deferred revenue expenditure which is to be written off over a period of four years in consonance with the loan repayment period.

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
Pioneer I Serve Limited (formerly Raynolds Infovision Ltd.)	Associate
Pioneer Urban Developers Ltd	Associate
K. Sudhir Rao	Key Management Personnel (Vice-Chairman)
K. Suhan Rao	Key Management Personnel (Managing Director)

b) **Transactions with related parties :**

Name of the Related Party	Pioneer I Serve Ltd	Pioneer Urban Developers Ltd.	K. Sudhir Rao	K. Suhan Rao
Description of the Relationship between the parties	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	NIL	NIL	NIL
Any other elements of the Related party transactions	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
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

Transactions with Key Management Personnel

Particulars of remuneration and other benefits paid to key management personnel during the year ended 31st March 2007

(figures in Rs.)

Name	Salary	Contributions Provident and other Funds	Sitting Fee	Total Remuneration
K. SUDHIR RAO	13,80,000	1,08,000	0	14,88,000
K. SUHAN RAO	13,80,000	1,08,000	0	14,88,000
TOTAL	27,60,000	2,16,000	0	29,76,000

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.

Breakup of deferred tax liability as on 31st March 2007 is as under:

(Amount in Rs.)

Opening Deferred Tax Liability	4,14,35,382
Add: Tax effect of timing differences originating during the year	1, 16,78,599
Closing Deferred Tax Liability	5,31,13,981

5. Secured Loans :

- a) Term Loan : Term Loans from Industrial Development Bank of India, Life Insurance Corporation of India, 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 Financial Institutions/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 is 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), Carbon-di-oxide (Co₂) and Ethanol, reversal of duty on sale of Extra Neutral Alcohol (ENA) and Rectified Spirit (RS) 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 31st March, 2007.

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 :**

	<u>2006-07</u>	<u>2005-06</u>
	Rs.	Rs.
Salary	18,00,000	18,00,000
HRA	9,60,000	9,60,000

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	8.45,780
Bank Balances:	
In current accounts	16,00,125
In Deposit accounts	44,42,253
	<u>68,88,158</u>

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

	<u>2006-2007</u> Qty. (Lakh Ltrs)	<u>2005-2006</u> Qty. (Lakh Ltrs)
Installed Capacity * Alcohol (Ltrs)	231.00	182.50
Actual Production Alcohol (Ltrs)	218.44	164.27

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

	<u>2006-2007</u>		<u>2005-2006</u>	
	Qty. (Lakh Ltrs)	Value (Rs. in Lakhs)	Qty. (Lakh Ltrs)	Value (Rs. in Lakhs)
a. Turnover				
ENA	165.14	4583.76	132.99	3744.82
RS	0.03	0.09	0.41	11.15
SDS	13.80	264.95	26.26	462.76
ETHANOL	16.59	400.42	10.59	220.33
F.O	0.06	0.81	00.00	00.00
Co2 (Kgs)	24.01	83.06	0.00	0.00
b. Opening Stock of Finished Goods :				
ENA	1.22	32.01	4.62	117.05
RS	4.73	124.52	12.49	316.23
FO	0.09	2.56	0.01	0.26
ETHANOL	0.08	2.12	0.00	0.00
c. Closing stock of Finished Goods:				
ENA	9.62	206.23	1.22	32.01
RS	11.02	236.26	4.73	124.52
SDS	1.18	25.28	0.00	0.00
FO	0.00	0.00	0.09	2.56
Ethanol	0.05	1.16	0.08	2.12
d. Consumption of Material:				
i) Molasses (M.T)				
Opening Stock	6370	496.31	2276	109.29
Purchases	109524	2445.41	67087	2674.34
Consumption	103155	2446.38	62993	2287.32
Closing Stock	12739	495.35	6370	496.31
ii) Rice Husk (M.T)				
Opening Stock	320	4.41	769	7.45
Purchases	53656	703.33	23906	332.82
Consumption	53402	700.22	24355	335.85
Closing Stock	574	7.52	320	4.41
e. There are no foreign exchange earnings during the year.				

12. 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.2,067.58 lakhs collected under deferral scheme of Maharashtra State Government and is repayable in 14 years starting from the end of the 10th year in which it is so collected and earliest year to start repayment is 2009-2010.
13. The Company made a preferential allotment of 6,25,600 Equity Shares of the face value of Rs.10/- each at a premium of Rs.9 per share during the year 2006-07. The company generated total proceeds of Rs.118.86 Lacs through the preferential issue, the total proceeds were utilized towards expansion activity of plant capacity from 50KLPD to 100 KLPD.
14. **Earning per Share :**
- | | <u>2006-07</u> | <u>2005-06</u> |
|--|----------------|----------------|
| a. Calculation of weighted average no. of Equity shares of Rs.10/- each: | | |
| Number of equity share at the beginning of the year | 99,87,600 | 99,42,800 |
| Number of 5% Preference shares issued during the year | 0 | 0 |
| Number of equity shares issued during the year | 6,25,600 | 44,800 |
| Number of shares outstanding at the end of the year | | |
| 5% Preference Shares | 23,50,000 | 23,50,000 |
| Equity Shares | 1,06,13,200 | 99,87,600 |
| Weighted average number of shares outstanding during the year | 1,29,63,200 | 1,23,06,915 |
| b. Net profit after tax (Rs.) | 6,44,45,836 | 1,34,69,122 |
| c. Basic earnings per share of Rs. 10/- each | 6.07 | 1.29 |
| d. Diluted Earnings per share | 4.97 | 1.09 |
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.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007
(pursuant to clause 32 of the Listing Agreement)

PARTICULARS	2006 - 2007		2005 - 2006	
	Rs.	Rs.	Rs.	Rs.
A. CASHFLOW FROM OPERATING ACTIVITIES				
Net Profit/(Loss) before tax	73046468		16548456	
Adjustment for				
Depreciation	24205746		21103398	
Interest	17831491		18610046	
Misc.exps written off	480376		480377	
Provision for doubtful debts	76992		12102	
Profit/Loss on sale of assets	0		253094	
	115641072		57007472	
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES				
Adjustment for				
Inventories	(39636801)		(8964729)	
Trade and Other Receivables	(5728553)		2901975	
Trade Payables	67026558		10291405	
Loans and Advances	(42204642)		12554276	
Working Capital Finance	37840204		(4150682)	
CASH GENERATED FROM OPERATIONS BEFORE TAX	132937838		69639717	
Direct Taxes paid	(8249712)		(1392553)	
FBT paid	(350920)			
Dividend paid	(14696200)			
Dividend Tax paid	(2497619)			
NET CASH GENERATED FROM OPERATIONS		107143387		68247164
B. CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets	(227069616)		(17813977)	
Capital Work in Progress	60723920		(79899600)	
Purchase of Investments	(7793676)			
Deferred revenue expenses	1375000		(4625500)	
Sale of Fixed Assets		(172764372)	100000	(102239077)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increase in Share Capital	6256000		(1076000)	
Capital Reserve (Profit on issue of Shares)	5630400		1075200	
Borrowings from Banks & FI	31644812		639652	
Unsecured Loans	36668494		46888086	
Interest Paid	(12796079)	67403627	(11872599)	35654339
Net increase in cash and cash equivalents		1782639		1662426
Opening Balance as at 1st April, 2006		5105519		3443093
Closing Balance as at 31st March, 2007		6888158		5105519

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 : June 29, 2007
Place : Hyderabad

K. HARI NARAYANA RAO
Sr. Manager-Finance & Accounts

V. ROJA RANI
Company Secretary

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

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

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.



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, at the Fourteenth Annual General Meeting of the

Company to be held on Wednesday, the 19th day of September, 2007 at 10.30 AM and at any adjournment

thereof.

Signed this _____ day of _____ 2007

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.

----- ✂



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 Fourteenth Annual General Meeting held at Hotel Green Park, Greenlands, Ameerpet, Hyderabad - 500 016 at 10.30 AM on Wednesday, the 19th September, 2007.

Members/Proxy's Name

Signature of the Member/Proxy*

* Strike out whichever is not applicable