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Company Information

BOARD OF DIRECTORS

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

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	GM - Operations
Shri Shyam Sunder M Vyas	GM - Admin
Shri K. Hari Narayana Rao	AGM - Finance and Accounts
Smt. V. Roja Rani	Company Secretary

Registered Office

8-2-311/C, Mithila Nagar, Road No.10,
Banjara Hills, Hyderabad - 500 034. (A.P)
Tel: +91-40-2354 2895, 2354 2920
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
H.No.12-10-167, Bharat Nagar, Hyderabad -500 018.
Tel: 040-2381 8475/76, Fax: 040-2386 8024

Listed at

The Bombay Stock Exchange Limited
The Pune Stock Exchange Limited

LETTER TO THE STAKEHOLDERS

Dear Stakeholders,

With the privilege of being the chairman of your company, I am very happy to inform you that the company's performance which was quite significant during the financial year 2006-2007, continued its glorious trend to usher a period of tremendous growth during the Financial Year 2007-2008, recording a high turnover and profitability bettering the previous year's performance and laying a strong foundation for the prosperity of the company in the years to come.



K.V. RAJESHWAR RAO
Chairman

The results, as evident from the Audited Balance Sheet and the Profit and Loss Account for the Financial Year 2007-2008, have recorded a growth of 37% in the turnover and 144% in the profitability, far beyond the budgeted estimates reiterating once again our company's capability to sustain and excel in its endeavor to be one of the best in the Industry.

As a part of the first phase of further expansion and diversification of its operations, the company, which had taken up the installation of the Biogas based power plant, contemplates to complete the same by September 2008 and commence the commercial production of power at 8 MW immediately thereafter. In the second phase, it has taken up:-

- a) Expansion of alcohol production to 200 KLPD, ENA production to 150 KLPD and ethanol production to 130 KLPD.
- b) Setting up the facilities for production of acetic acid at 30 MT/Day and ethyl acetate at 20 MT/Day.
- c) The cumulative result of these activities resulting in consequent increase of Co₂ plant capacity to 25 MT/day.
- d) Increase in the power production from the contemplated 8MW to 16MW.

The estimated cost of all these activities is of the order of Rs.115.20 crores for the funding of which the banks have already been approached. You can visualize the benefits which will accrue to the company once expansion/diversification of the activities of our company is completed.

A glance through the Balance Sheet as at 31st March 2008 and the Profit and Loss account for the year ended 31st March 2008 would give you a comprehensive picture of the achievements of the company during the financial year 2007-2008. The turnover has been in the order of Rs.73.22 crores as compared to Rs.53.49 crores in the year 2006-2007 and the profit was of the order of Rs.12.87 crores as compared to Rs.5.28 crores for the year 2006-2007. Our Endeavour therefore will be to achieve greater turnover and profitability year after year. This year's performance is definitely the forerunner for our company's achievement in future. The company is committed to keep all the stakeholders happy and satisfied by giving a transparent policy and the noblest means of corporate governance, striving to be a very progressive and a profitable institution.

I've had excellent support from the Board of Directors. I therefore like to express my gratitude to the Board, Banks and Financial Institutions, Government Authorities, Esteemed Customers and Shareholders. I would also like to sincerely thank the employees of our company at various levels for their loyalty, dedication and support in achieving our goals. I look forward to greater support and dedication in the years to come.

Thanking you,

K.V. RAJESHWAR RAO
Chairman

31st May, 2008

NOTICE

NOTICE is hereby given that the **Fifteenth Annual General Meeting** of the Members of Pioneer Distilleries Limited will be held at 3.30 P.M on Thursday, the 7th August 2008 at Kohinoor II, Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended 31st March, 2008 along with the Auditors' Report and Directors' Report thereon.
2. To confirm the payment of Interim Dividend for the Year 2007-08 and to declare a Final Dividend for the Year 2007-08 on Equity Shares.
3. To appoint a Director in place of Shri L. Venkateswara Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri C.V. Kamalaker, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s Alapati Vadde & Co as Statutory Auditor who shall hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix the Statutory Auditor's Remuneration.

Special Business

6. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT in supersession of the Resolution passed at the Sixth Annual general Meeting of the Company held on 27th March, 1999 and pursuant to the provisions of Section 293 (1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the

Company hereby accords its sanction and authorises the Board of Directors of the Company (the Board) (which term shall include duly constituted committee of Directors thereof) to borrow any sum or sums of money from time to time from any one or more of the Company's bankers and/or from any one or more other persons, firms, bodies corporate or financial institutions, agencies, mutual funds, trusts, non-resident Indians, overseas corporate bodies, overseas banks, foreign institutional investors or such other persons/investors, whether by way of Advances or Deposits or Loans (in foreign currency and/or rupee currency) or Securities (comprising Fully/Partly Convertible Debentures and/or Non-convertible Debentures with or without detachable or non-detachable Warrants and/or Secured Premium Notes or other debts instruments) or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of all or any of the Company's assets and properties whether movable or immovable or stock-in-trade or work-in-progress and all or any of the undertakings of the Company, notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business) will or may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose), provided that the total amount so borrowed shall not at any time exceed the sum of Rs.500 Crores (Rupees Five Hundred Crores only) exclusive of interest and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such moneys borrowed/ to be borrowed, from time to time, as to interest, repayment, security or otherwise howsoever as it may deem fit, as also to execute all such deeds and documents as may be necessary, usual or expedient for this purpose."

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

“RESOLVED THAT in supersession of the earlier Resolution passed by the Members and pursuant to the provisions of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its sanction and authorises the Board of Directors of the Company (the Board) (which term shall include duly constituted committee of Directors thereof) to mortgage and/or charge, in addition to the mortgages/charges created/to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the Lenders, Agents and Trustees for securing the borrowings of the Company availed/to be availed by way of Loans (in foreign currency and/or rupee currency) and Securities (comprising Fully/Partly convertible Debentures and/or Non-convertible Debentures with or without detachable or non-detachable Warrants and/or Secured Premium Notes or other debt instruments), issued or to be issued by the Company, from time to time, subject to the limit upto Rs.500 Crores (Rupees Five Hundred Crores only) together with interest, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agents/Trustees, premium (if any) on redemption, all other costs, charges and expenses and all other moneys payable by the Company in terms of the Loan Agreements/Heads of Agreements, Debenture Trust Deeds or any other Documents entered into/to be entered into between the Company and the Lenders/Agents/Trustees in respect of the said loans/borrowings/debentures and containing such

specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board and the Lenders/Agents/Trustees.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to finalise, settle and execute such documents/deeds/writings/papers/agreements as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid.”

By order of the Board of Directors of
PIONEER DISTILLERIES LIMITED

Place: Hyderabad
Date: May 31, 2008

V. ROJA RANI
Company Secretary

NOTES

1. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business items is annexed hereto.
2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself 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 31.07.2008 to 07.08.2008 (both days inclusive) for the purpose of Dividend & Annual General Meeting. If the final dividend as recommended by the Board of Directors is approved at the Meeting, payment of such dividend will be made on or before 30 days from the date of Annual General Meeting as under:
 - a) To all beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited as of the close of business hours on 30.07.2008.
 - b) To all members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the company on or before the close of business hours on 30.07.2008.
5. 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 Pin code number
6. Members holding shares in electronic form are hereby informed that bank particulars registered against respective depository accounts will be used by the company for payment of dividend. The Company or its registrars can not act on any request received directly from the members holding shares in electronic form for any change of Bank particulars, or bank mandates. Such changes are to be advised only to the Depository participant of the Members.
7. Members holding shares in physical form 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. Members holding shares in electronic form must send the advice about the change of address to their respective depository participant only and not to the Company or the Company's Registrar & Share Transfer Agents.
8. 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.
9. 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.
10. 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 members of the Company at the Sixth Annual General Meeting of the Company held on 27th March, 1999 had authorised the Board of Directors of the Company to borrow such sum or sums which together with the monies already borrowed by the Company may exceed the aggregate of the paid up capital of the Company and its free reserves, provided that the total amount so borrowed and outstanding at any time shall not exceed Rs.50 Crores (Rupees Fifty Crores only).

The expansion programmes/plans of the company is being carried out in full swing. It may be required to approach banks and/or public financial institutions and/or any foreign financial institution(s) and/or any entity/entities or authority/authorities for financing the present and future expansion plans of the Company, hence the Board of Directors request the members to accord their consent to borrow moneys upto a maximum limit of Rs. 500 Crores (Rupees Five Hundred Crores only) as per the provisions of the Companies Act, 1956 and any other rules, laws etc., applicable, if any.

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, consent of the members is necessary to enable the Board of Directors to borrow moneys, which will exceed the aggregate of the paid up capital of the Company and its free reserves.

The Board recommends the resolution for approval of the members.

None of the Directors of your Company is interested, either directly or indirectly in the said resolution.

ITEM NO.7

As explained under Item No.6, in order to avail Loans/Financial assistance from Financial Institutions/Banks for expansion programmes/plans and for increased activities of the company, the Company is required to create mortgage/ charge on its properties in favour of such lenders.

As per provisions of section 293(1) (a) of the Companies Act, 1956, the Board of Directors of the Company is required to be authorized by the shareholders for creating the charge/ mortgage on immovable properties of the Company. Therefore, it is proposed to authorize Board of Directors to create mortgage/charge on the properties of the Company in favour of any financial institution/bank upto Rs.500.00 crores (Rs. Five Hundred Crores) in accordance with borrowing limit approved under Section 293(1)(d) of the Companies Act, 1956.

The Board recommends the resolution for approval of the members.

None of the Directors of your Company is interested, either directly or indirectly in the said resolution.

By order of the Board of Directors of
Pioneer Distilleries Limited

V. Roja Rani
Company Secretary

Place: Hyderabad
Date: May 31, 2008

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 15th Annual Report and the Audited Accounts for the year ended the 31st March, 2008.

Financial Results

The performance of the Company during the Year 2007-08 is summarized below:

	(Rs. in lakhs)	
Particulars	2007-08	2006-07
Sales	7089.29	5333.10
Other income	233.43	15.95
Total Income	7322.72	5349.05
Profit before depreciation, interest and tax	2275.70	1155.64
Interest	286.01	178.32
Depreciation	347.68	246.87
Profit/Loss before Tax	1642.01	730.46
Provision for Taxation :		
Current Tax	186.58	82.50
Fringe Benefit Tax	6.67	3.51
Deferred Tax	161.91	116.78
Profit after Tax	1286.85	527.67
APPROPRIATIONS:		
1. Interim Dividends-Equity shares	117.71	--
2. Preference Dividend	11.75	35.25
3. Proposed Final Dividend-Equity shares	111.71	111.71
4. Dividend Distribution Tax	39.97	24.98
5. Transfer to General Reserve	108.66	--
6. Balance carried to Balance Sheet	903.05	355.73

Operations

Your Company has recorded once again a very significant performance for the year 2007-08. The expansion of plant capacity from 50 KLPD to 100 KLPD, that commenced commercial production during the last quarter of previous year 2006-07, has contributed to achieve excellent turnover and profits for the Company. As may be seen from the summarized table, major strides were made in terms of turnover and profitability resulting in 37% and 144% growth respectively during the Year 2007-2008.

Vision

You are aware that the Company has been on an aggressive growth drive since 2005-2006. It has, in the first phase spent approximately Rs.25 Crores to expand its capacities during Financial Year 2006, which were commissioned in January 2007. The benefits of these expansions are accruing, in terms of increase in operating margins and higher profitability as reflected in the Financial Results for the years 2006-2007 and 2007-2008. In the second phase the company will be spending Rs.39.68 Crores to set up a state of Art effluent treatment plant and biogas based power plant. It is expected to complete the installation by September, 2008 and begin commercial production from October, 2008.

Keeping in view the ever growing demand for ENA, Ethanol etc, the Company is contemplating further expansion of the plant capacities from the existing products as well as setting up fresh production facilities for two other value added products VIZ., Ethyl acetate and Acetic acid, as under:

- Expansion of alcohol production facility to 200 klpd from the existing 100 klpd.
- The ENA production to 150 klpd from the existing 100 klpd.
- The ethanol production to 130 klpd from 30 klpd.
- Production of Acetic Acid of 30 MT/day
- Production of Ethyl Acetate of 20 MT/day
- Consequent increase of Co₂ plant capacity to 25 MT / day from 10 MT/day.; and
- Increase of power to 16MW from the present 8MW.

It is expected to complete the second phase expansion by June-2009 and begin commercial production from July-2009. This expansion would not only enable the Company to substantially increase the revenue, but also enhance the market share of the company in all its products.

The total cost of expansion Project including Factory Building, Plant & Machineries, Electrical

& Fittings and preliminary expenditure is estimated to be of the order of Rs.115.20 Crores. The project Report has been submitted to bankers for appraisal and funding of the project.

While the Company continues to be a significant player in the ENA market, it's endeavors to tap new markets, apart from the traditional one's, continues. The company foresees a very good potential for growth in all the products, in the coming years.

ERP Implementation

We are pleased to inform you that the Company has successfully implemented RAMCO - ERP for seamless integration of data from different locations and from cross functional areas of Finance, Sales and Production etc., to facilitate an open and transparent work environment and a strong organized system of information, integration and knowledge management. The Company should be able to meet the future business needs and effective financial reporting with the implementation of the System. The Board is confident that this move is a significant milestone in the face of various challenges in our business and is of significant and strategic importance.

Changes in Share Capital Structure

- i) During the year, the Authorised share capital of the Company was increased from Rs.15 Crores to Rs.20 Crores.
- ii) As reported in the last year, the allotment of 5,87,000 Equity convertible warrants and 5,58,000 equity shares at @Rs.21/- each has resulted in an increase in the paid up equity capital of the Company from Rs.10,61,32,000/- to Rs.11,17,12,000/-. The outstanding 5,87,000 warrants will be converted into equity on or before 06.12.2008.
- iii) In accordance with the resolution passed by the shareholders at the Extraordinary General Meeting held on 25th October, 2007, the Company allotted 7,00,000 Equity convertible warrants @Rs.53/- per warrant on the 3rd December, 2007 on preferential basis to the promoters & non promoters of the Company, which will also be converted into equity on or before 02.06.2009.

These issues were made to finance the expansion activities of your Company as mentioned above and also to augment the long term resources of the Company.

Dividend

In view of the Company's excellent performance for the Financial Year 2007-08, your Directors are pleased to recommend for approval of members a final dividend of Rs.1/- per share. This coupled with the interim dividend of Rs.1/- per share already paid, raises the total dividend for the year to Rs.2/- per share.

The Directors recommended a dividend @ 5% on 23,50,000 5% Cumulative Redeemable Preferential Shares Rs.10/- each for the year ended 31st March, 2008.

Transfer to reserves

The Company proposes to transfer Rs.1,08,65,671/- to the General Reserve out of the amount available for apportionments.

Directors

Shri L.Venkateswara Rao and Shri C V Kamalaker retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Personnel

Information as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975, as amended are given in this report as Annexure I.

Fixed Deposits:

The Company has not accepted or invited any Deposits from the public during the Year and hence no deposit is due for repayment as on the 31st March, 2008.

Statutory Auditors

M/s Alapati Vadde & Co, Chartered Accountants, retire as Statutory Auditors at the conclusion of this Annual General meeting. Being eligible for re-appointment, your Directors recommend the same for your consideration.

Directors' Responsibility Statement

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 that period.
- (iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the directors have prepared the Annual Accounts of the Company 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 focus area for the Company from both the angles of cost control and social responsibility perspective. Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with a 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 II.

Corporate Governance Report and Management Discussion and Analysis Report

As required under clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance and Management Discussion and Analysis Report form part of this Annual Report. A certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance is appended to the Report on Corporate Governance.

Acknowledgement

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

For and on behalf of the Board of Directors

K. SUDHIR RAO
Vice Chairman

K. SUHAN RAO
Managing Director

Place: Hyderabad
Date: May 31, 2008

ANNEXURE I

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended 31st March, 2008.

Name	Designation	Qualification	Age	Experience	Date of Employment	Remuneration in Rupees*	Last Employment held
K.Sudhir Rao	Vice Chairman	MS in Computers	48	16	25.11.1992	91,01,427.50	First Employment
K.Suhan Rao	Managing Director	Mechanical Engineer	43	16	25.11.1992	91,01,427.50	First Employment

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

ANNEXURE II

CONSERVATION OF ENERGY

FORM- A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption:

Electricity:

(a) Purchased	2007-2008 Rs.	2006-2007 Rs.
Total Units (KWH)	1101628	743412
Total Amount (Rs. in lakhs)	9530347	3983636
Rate per Unit (in Rs)(inclusive of demand charges)	8.65	5.36
(b) Own generation (Through Rice Husk)		
Total Units (KWH)	6760309	5493659
Units per ton of rice husk	149	147
Total Amount	18388041	13898957
Rate/Unit – Rs.	2.72	2.53
(c) Own generation (Through Diesel Oil)		
Total Units (KWH)	304523	224907
Units per litre of Diesel	2.76	2.24
Total Amount	5322405	3363778
Rate/Unit (in Rs)	17.48	14.96

B. Consumption per unit of production:

	2007-2008 Rs.	2006-2007 Rs.
Power (KWH/Litre of Alcohol)	0.27	0.27
Cost of Power (Rs./Litre of Alcohol)	1.10	0.61

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

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

b) Technology, absorption, adaptation and innovation

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

FORM C

Foreign Exchange Earnings and outgo:	2007-2008	2006-2007
	Rs.	Rs.
a. Earnings in Foreign Exchange	Nil	Nil
b. Expenditure in Foreign Currency	Nil	Nil

For and on behalf of the Board of Directors

K. SUDHIR RAO
Vice Chairman

K. SUHAN RAO
Managing Director

Place: Hyderabad
Date: May 31, 2008

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance:

The Company's philosophy on corporate governance envisages attainment of the highest level of transparency, accountability and equity in all facets of its operations, and in all its interactions with the stakeholders, including shareholders, employees, lenders and the Government. The company believes that good Corporate Governance practices should be enshrined in all conduct of the affairs of the Company and help the Company achieve its goal of maximizing value for its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision, while upholding the core values of transparency, integrity, honesty and accountability, fundamental to the Company.

The Company is in compliance with the requirements of the revised guidelines on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, and with the adoption of a Code of Conduct for Directors and senior management personnel, it has moved further in its pursuit of excellence in Corporate Governance.

Your Board of Directors present the Corporate Governance Report for the year 2007-08 in accordance with Clause 49 of the Listing Agreement.

2. Board of Directors (Board):

a) Board Composition

The Board of Directors of the Company ("the Board") as on 31st March, 2008 consists of 8 Directors, out of which 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 of Directors at Board Meetings, last Annual General Meeting and number of other Directorships and Chairmanships / Memberships of Committees of each Director in various companies

Name of the Director	Category	No. of Board Meetings during the year 2007-08		Attendance at last AGM	Number of other Directorship	Number of committee positions held in public companies	
		Held	Attended			Chairman	Member
K.V. Rajeshwar Rao	Chairman Non-Executive	7	7	Yes	1	Nil	Nil
K. Sudhir Rao	Vice Chairman	7	7	Yes	2	Nil	Nil
K. Suhan Rao	Managing Director	7	7	Yes	2	Nil	Nil
L. Venkateswara Rao	Non-Executive	7	5	Yes	Nil	Nil	Nil
V. Subramanian	Independent Non-Executive	7	7	Yes	Nil	Nil	Nil
C.V. Kamalaker	Independent Non-Executive	7	6	No	Nil	Nil	Nil
H. Anantha Krishnan	Nominee Director Non-Executive	7	6	No	Nil	Nil	Nil
D. Sudhakar Rao	Nominee Director Non-Executive	7	6	No	Nil	Nil	Nil

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

Seven Board Meetings were held during the year.

The details of the Board Meetings are as under :

Date of the Meeting	Board Strength	Number of Directors present
06.04.2007	8	7
29.06.2007	8	8
30.07.2007	8	8
26.09.2007	8	8
27.10.2007	8	8
23.11.2007	8	4
12.01.2008	8	8

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. Anantha Krishnan, 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.

Five Audit Committee meetings were held during the year. The dates on which the said meetings were held are as given below

Sl.No.	1	2	3	4	5
Date of the Meeting	29.06.2007	30.07.2007	26.09.2007	27.10.2007	12.01.2008

Attendance Record - 2007-2008

Sl.No.	Name of the Director	No. of Meetings Attended
1.	V.Subramanian	5
2.	C.V.Kamalaker	5
3.	H.Anantha Krishnan	5
4.	L.Venkateswara Rao	5

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

During the Year under review, One Meeting was held on 30.07.2007. All the Committee Members attended the meeting.

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 2007-2008 to the Directors are furnished hereunder.

i) Executive Director

NAME	SALARY & HRA (Rs.)	Contribution to PF (Rs.)	Commission (Rs.)	Total (Rs.)
K.Sudhir Rao	28,80,000	2,88,000	59,33,427.50	91,01,427.50
K.Suhan Rao	28,80,000	2,88,000	59,33,427.50	91,01,427.50

- ii) Non-Executive Directors: The Company paid only sitting fees for attending Board / Committee meetings. The details of payment of sitting fee paid during the Year under review are as follows:

Name of Director	Sitting Fee (Rs)
Shri. K.V. Rajeshwar Rao	38,000
Shri. L. Venkateswara Rao	56,000
Shri. V. Subramanian	81,000
Shri. C.V. Kamalaker	76,000
Shri. H. Anantha Krishnan	66,000
Shri. D. Sudhakar Rao	33,000

- f) 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.

5. Share Transfer and Shareholders / Investor Grievance Committee

- i) A share Transfer and Shareholders /investors Grievance Committee of Directors was constituted to specifically look into the matters relating to investors grievances such as transfer, transmission, split and consolidation of investors holding, replacement of lost/mutilated/stolen share certificates, etc. The main object of the Committee is to strengthen relations among investors.
- ii) The Shareholders' Grievance Committee constituted by the Board of Directors comprises of Shri. L. Venkateswara Rao, Non- Executive Director , Shri. K. Sudhir Rao, Vice Chairman and Shri. K. Suhan Rao, Managing Director. During the year, the Committee met 4 times on 31.08.2007, 10.09.2007, 15.11.2007 & 18.02.2008.

No investor complaints were received during the year. There are no outstanding complaints as on 31st March 2008.

- iii) The Committee processes all the Share Certificates received for transfers, consolidation, splitting in accordance with the provisions of the Companies Act and the Listing Agreement. The Compliance Certificate in accordance with Clause 47(c) of the Listing Agreement with regard to the transfers/splitting/ consolidation is obtained by the Company from a Practicing Company Secretary every six months and submitted to the Stock Exchanges.
- iv) Mrs V.Roja Rani, Company Secretary, is the Compliance Officer of the Company.

6. General Body Meetings

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

AGM	AGM Date	Location	Time	No.of Special Resolutions Passed
14 th AGM	19.09.2007	Hotel Green Park, Green Lands, Ameerpet, Hyderabad	10.30 AM	2
13 th AGM	22.06.2006	Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra	12 Noon	2
12 th AGM	25.08.2005	Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra	12 Noon	4

- 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.

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

7. Disclosures

- (i) There are no materially significant related party transactions, which have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No 3 of Schedule 19 to the Accounts in the Annual Report.
- (ii) The Company has complied with the requirements of Stock Exchanges/SEBI or any other Statutory Authority on matters related to capital markets as applicable from time to time.
- (iii) The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement.

With regard to non-mandatory requirements,

Remuneration Committee

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

Whistle Blower Policy

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report existing/probable violations of laws, rules, regulations or unethical conduct to their immediate supervisor/notified person. The Directors and senior Management are obligated to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practice.

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

8. Means of Communication

The Quarterly, Half Yearly and annual audited financial results of the Company are communicated to the Stock Exchanges immediately after the same are approved by the Board and are published in prominent English and Telugu News papers namely, Economic Times, Business Line, Business Standard, Financial Express, Vaartha and Andhra Prabha.

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

9. General Shareholder Information

i) Annual General Meeting :

Day, Date & Time : At 3.30 PM on Thursday, the 7th August 2008
 Venue : Kohinoor II, Taj Deccan, Road No.1, Banjara Hills,
 Hyderabad - 500 082 (A.P.)

ii) Financial Calendar

April 01, 2007 to March 31, 2008

iii) Date of Book Closure

The dates of book closure are from 31.07.2008 to 07.08.2008 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:

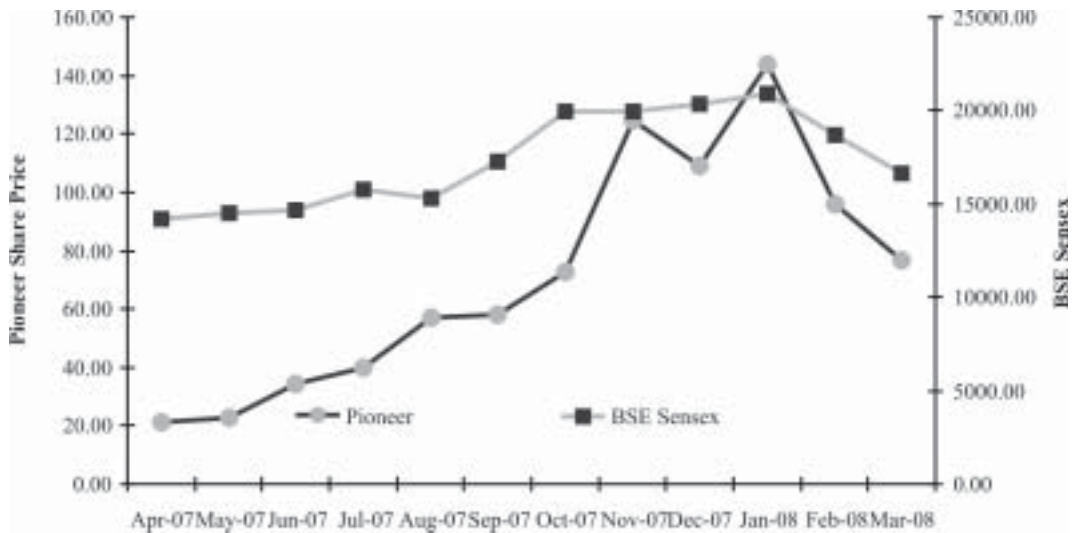
The Bombay Stock Exchange Limited	531879	PIONEER DISTL
The Pune Stock Exchange Limited	160202	PIODI

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

Month	Share PriceHigh (Rs)	Share PriceLow (Rs)
April 2007	21.35	16.50
May 2007	22.80	17.75
June 2007	34.50	20.70
July 2007	39.90	32.80
August 2007	57.10	34.80
September 2007	58.00	45.60
October 2007	72.45	42.65
November 2007	124.90	76.05
December 2007	108.90	93.00
January 2008	143.95	83.80
February 2008	96.05	73.10
March 2008	76.90	51.20

viii) Share Price Performance in comparison with BSE Sensex:

PDL HIGH Vs SENSEX HIGH



- 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, 2008

Category	No. of shares held	Percentage of Shareholding
Promoters	5482580	49.08
Banks, Financial Institutions	423699	3.79
Companies (Central/State Govt. Institutions/Non- Govt. Institutions)	—	—
FII's	—	—
Private Corporate Bodies	208571	1.87
Indian Public	2501637	22.39
NRI's/OCB's	2554713	22.87
Total	11171200	100.00

Distribution of Shareholding as on 31st March, 2008

Share holding of nominal value of			Share holders		Share Amount	
Rs	(1)	Rs	Number	% of Total Nos	In Rs.	% to Total Amount
			(2)	(3)	(4)	(5)
Upto	to	5,000	2602	76.64	41,60,010	3.72
5,001	to	10,000	429	12.63	39,20,050	3.50
10,001	to	20,000	162	4.77	27,26,040	2.44
20,001	to	30,000	71	2.09	18,54,260	1.65
30,001	to	40,000	23	0.67	8,21,480	0.73
40,001	to	50,000	31	0.91	14,92,470	1.33
50,001	to	1,00,000	29	0.85	21,60,840	1.93
1,00,001	And	Above	48	1.41	9,45,76,850	84.66
TOTAL			3395	100.00	11,17,12,000	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 31.03.2008 are as under:

Equity Shares	No of Shares	% to Total Holding
NSDL	7948036	71.15
CDSL	650584	5.82
PHYSICAL	2572580	23.03
TOTAL	11171200	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:

In accordance with the resolution passed by the shareholders at the Extraordinary General Meeting held on 5th May, 2007, the committee of the board allotted 5,87,000 Equity convertible warrants @Rs.21/- per warrant on 7th June, 2007 on a preferential basis to promoters of the Company. The outstanding warrants 5,87,000 will be converted into equity on or before 06.12.2008.

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

In accordance with the resolution passed by the shareholders at the Extraordinary General Meeting held on 25th October, 2007, the committee of the board allotted 7,00,000 Equity shares @Rs.53/- per warrant on 3rd December, 2007 on a preferential basis to promoters & non promoters of the Company. The outstanding warrants 7,00,000 will be converted into equity on or before 02.06.2009.

On conversion Equity Capital increases by 70.00 Lakhs and Securities premium increases by 301.00 Lakhs.

As on 31.03.2008, 12,87,000 warrants were outstanding.

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

xv) Address for correspondence:

Sl.No.	Shareholders correspondence for	Addressed to
1.	Transfer / Dematerialization / Consolidation / Split of shares, Issue of Duplicate Share Certificates, Non-receipt of dividend etc., change of address of Members and Beneficial Owners and any other query relating to the shares of the Company.	Venture Capital and Corporate Investments Limited H.No.12-10-167, Bharat Nagar, Hyderabad - 500 018. Tel: 040-2381 8475/76 Fax: 040-2386 8024 Email: info@vccilindia.com
2.	Investor Correspondence / Queries on Annual Report, Revalidation of Dividend Warrants, Sub-Division, etc.	V. Roja Rani, Company Secretary # 8-2-311/C, Mithila Nagar, Road No.10, Banjara Hills, Hyderabad - 500 034. Ph No: +91-40-2354 2895, 2354 2920 Fax: 040-2354 2921 Email: rojarani@pioneerdistilleries.com

xvi) CEO / CFO Certification

The certification as per clause 49(v) of the Listing Agreement has been submitted by the CEO and AGM-Finance and Accounts of the Company to the Board of Directors.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management discussion and analysis report has been included in adherence to the spirit enunciated in the code of Corporate Governance approved by the Securities and Exchange Board of India. The Management presents herein the Industry overview, Opportunities and Threats, Initiatives by the Company and overall strategy of the Company and its outlook for the future. This outlook is based on assessment of the current business environment it may vary due to future economic and other developments both in India and abroad.

Statement in this Management Discussion and Analysis of Financial Condition and Results of operation of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward Looking statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this report, consequent to new information, future events, or otherwise.

INDUSTRY, STRUCTURE AND DEVELOPMENT

Pioneer Distilleries has a 100 KLPD Extra Neutral Alcohol (ENA) manufacturing facility at Nanded, Maharashtra. The other products of the Company are absolute alcohol (ethanol) and RS/SDS. The company also produces commercial grade carbon dioxide from the gas released out of the fermentation process and runs a 1.6 MW power generation unit out of the steam turbine.

EXPANSION PLANS UNDER IMPLEMENTATION

i) POWER GENERATION

The Company is now implementing a 8 MW electricity generation facility (5 MW out of biogas for sale and 3 MW from the steam turbine). The net power produced herein after captive use, surplus will be sold to Electricity Board or to third parties.

ii) STATE OF THE ART EFFLUENT TREATMENT PLANT

Further, it is under the process of installing an evaporator suitable for a standalone distillery unit. The effluent plant is being modernized with state of the art equipment which would help the Company to become zero pollutant.

FUTURE EXPANSION ACTIVITIES

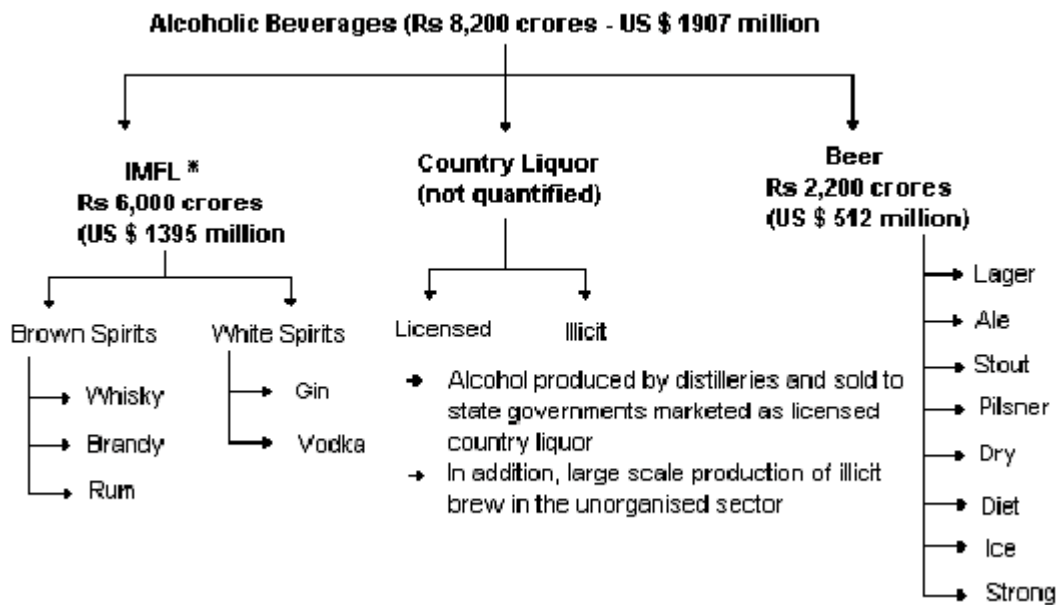
The Company is on an expansion drive to get economies of scale, expanding of the production capacities of the existing products, diversify its product range, with focus of forward integration. Company is setting up of fresh production facilities for two other value added products viz; Acetic Acid for which RS is an input, ethyl acetate, which uses acetic acid as an input. The following is the expansion plan:

- Expansion of alcohol production facility by increasing to 200 klpd from the existing 100 klpd.
- The ENA production would be expanded to 150 klpd from the existing 100 klpd.
- The ethanol production would be increased to 130 klpd from 30 klpd.
- Consequently, the output of power would go up to 16 MW including that from bio mass and bio gas from the present 8 MW.

- Production of Acetic Acid of 30 MT/day
- Production of Ethyl Acetate of 20 MT/day
- Consequent increase of Co₂ plant capacity to 25 MT / day from 10 MT/day.

The distillery industry consists of two major components on the basis of usage, one Industrial alcohol and second potable alcohol. Industrial alcohol finds usage in manufacture of chemical solvents & intermediates, while potable alcohol is used in IMFL & Country liquor. In India the production ratio of industrial to potable alcohol is approximately 48% and 52% respectively. But, the Industry is highly regulated being the second largest source of revenue to the state exchequer in the range of Rs.250bn annually.

Alcoholic beverages industry structure and size



Source: Industry Report

With changing lifestyle and increase in disposable income in past few years, the alcoholic beverage segment has witnessed tremendous growth. Consumption of Indian made foreign liquor has increased. The fast growth in the domestic alcohol beverage industry has caught the fancy of many foreign players and couple of others are in the line to get a pie in the fast growing market. Most of these foreign players would focus on product development, distribution & marketing relying on regional distilleries for sourcing ENA. The entry of foreign players has already triggered consolidation in the industry, which is a positive development for your company.

ETHANOL- AN EMERGING DIVERSIFICATION

In India most of the energy requirements are currently satisfied by fossil fuels like – coal, petroleum – based products and natural gas. Domestic production of crude oil can only fulfill 25-30% of national consumption. Bio-fuels are going to play an extremely important role in meeting India’s energy needs. Ethanol is gaining acceptance worldwide as economic substitute for oil in the transportation sector. Brazil uses pure ethanol in about 20% of their vehicles and a 22-26% ethanol-petrol blend in the rest of their

vehicles. United States and Australia also use 10% ethanol blend. India is the fourth largest ethanol producer after Brazil, US and China, its average ethanol output amounting to 462 million gallons p.a contributing approximately 4% to the world total production. Though India produces such large quantities of ethanol, still it has the capacity to produce even larger quantities of around 713 million gallons per year.

The use of alcohol-blended fuel as a clean fuel has increased the demand for ethanol in the last decade and a number of countries, including India, which have a government-sponsored minimum on mixing a fixed percentage of ethanol with petrol. The ethanol-blending program announced by the Government of India in December 2002 has opened an additional revenue stream for the Distillery Industry in India. Currently, only 5% ethanol-blending of fuel is mandated by the central government in entire country (other than North Eastern States). It is believed that they may increase this to 10% in entire Country by next year. India has got potential of becoming one of the major players in the world market as it has ample capacity to produce the Ethanol almost double of its current produce. This presents a large potential demand for ethanol in India, hence your company has planned for expansion of Ethanol production capacity.

Co₂ (CARBON-DI-OXIDE)

The fermentation of molasses results in the emission of carbon dioxide. Normally this carbon dioxide is let off into the atmosphere as waste from the production process. PDL had set up a plant to collect, pressurize and sell Co₂ to industries. This will directly add to the bottom-line of the company and generate another stream of revenue.

POWER GENERATION USING BIO-GAS, BYPRODUCT

The rapid growth of the Industry has witnessed the surge in the demand for power, which has been identified as one of the growth areas by the Company. The bio-gas-a by-product in waste management system in alcohol manufacturing is utilized for generating steam required for process. This is an outstanding way of adding value to by-products, resulting in increased revenue.

At present, the State's power requirement is met from MSEB, as also from the Central Government power projects, Tata Electricity Company, Reliance Energy and Maharashtra Energy Development Agency (MEDA).

ACETIC ACID

India is also seen as a country where there could be strong acetic acid demand growth in the future. Acetic acid is used for manufacture of

- VAM
- PTA
- Acetate Esters
- Acetic Anhydride
- Food stuff and
- Diketene

The largest use for acetic acid is the manufacture of vinyl acetate monomer (VAM), which accounts for one-third of acetic acid consumption. With its end use markets in adhesives, textiles, paints and paper, the VAM market is mature with growth around GDP levels

Global demand for acetic acid is forecasted to grow 3-4%/ year. Growth is much higher in Asia with estimates put at 5-7%/year, pulled by china where it is estimated to increase by 8-10%/ year.

Asia and in particular China, is experiencing the fastest growth. Acetic acid demand in china has growth at 15-16%/ year over the past five years. Much of this growth has been met by imports which jumped by 30% in 2006 to reach 707000 tonnes compared to 543000 tonnes in 2005.

ETHYL ACETATE

Ethyl Acetate is widely used in the formulation of adhesives and lacquers. It is also used as solvent in paints. This contributes to at least 10% of the total demand.

It is also used as a varnish and as a flavoring agent.

Pharmaceuticals constitute 35% of the total demand. This is used in the manufacture of amoxycillin and sulpham drugs.

Currently demand is expected to be around 35,000 ton per annum. The demand is expected to grow at 8-10% per annum, as demand for ethyl acetate grows in the flexible packaging sector and pharmaceuticals sector. It will show a growth rate in the range of 5-6%.

MOLASSES A KEY RAW MATERIAL

The fermentation of molasses, a by product of sugar manufacturing, is the preferred raw material for manufacturing alcohol and ethanol in India. Sugarcane occupies about 4.2% of the total kharif area under cultivation and it is one of the most important cash crops in the country. The area under sugarcane cultivation has gradually increased from 2.7 mn hectares in 1980-81 to 4.3 mn hectares, mainly because of much larger diversion of land from other crops to sugarcane by the farmers for economic reasons. There were 581 installed sugar mills in the country with a production capacity of 190 lakhs MTs of sugar, of which only 455 are working. These mills are located in 18 states of the country.

As a thumb rule, in the process of sugar production, almost 4% of total cane crushed is recovered as molasses. And per tone of molasses approximately 220-225 ltrs of RS is produced. The cost of molasses in India varies widely across different states and a sizable part of the cost is Central Excise duty, sales tax, transportation cost etc., and a statutory controlled sugarcane and sugar prices. Maharashtra has been the most enterprising of the states in starting new factories. The Company's plant has the flexibility to procure from either of the State at the best available prices. As molasses production is anticipated to be in surplus, we do not foresee any major increase in molasses prices, also as the increase in prices is pass through we expect there will not be hit on margins for the Company.

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

STRENGTHS

- Products of the Company commend a very high demand. Eg. Ethanol which is now mandated to be mixed with fuel at higher proportion.
- The Company is already in the high growth trajectory.
- Electricity Power which possesses a very high persisting demand is one of the products.
- Optimal utilization of waste items such as bio gas which would ensure a high profit margin for products such as power where the raw material cost would be practically zero.
- Unique advantage of having most of the inputs for the manufacture of acetic acid and ethyl acetate; VIZ; alcohol, power and steam from the Company's own production which renders a distinctive price advantage as compared to the competitors having stand alone facilities.
- A highly environment friendly project which also entitles the Company the commercial advantage under the Kyoto Protocol in terms of generation of huge revenues from carbon credits.

WEAKNESSES

- The competition which could arise in due course of time from similar projects. But this is not being considered significant due to the very favourable demand – supply position in the sectors.

OPPORTUNITIES

- The branded bottled alcohol market which is a logical extension of the existing business offers a huge value addition opportunity.
- The Company can go in for creating in house facilities for incremental production of alcohol as a measure of backward integration which, at present, is planned to be procured from outside sources after the expansion. This would enable the Company to further improve its bottom line.

THREATS

- Volatility in raw material prices

Molasses price volatility- Molasses though abundantly available is a commodity product and had witnessed wide price fluctuations in 2003-2004. Any such volatility in future could put pressure on profitability of the Company.

This factor could ultimately affect the bottom line predicted. This may not be a major factor since going by past trends, the industry has witnessed a constant fall in the prices of molasses and hence, there may not be threat on this count.

- There is a stiff competition in the market for sale of RS, ENA and Denature spirit. There are so many companies in the market with already established brand name, which pose a risk to the sale of the products.

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.

- Delays in execution and commissioning of the new projects would lead to impact on the performance of the Company.
- Any drastic change in the policies of the Government and pollution laws can be considered as possible threats to the industry.

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

Accordingly, your Company is gearing itself to exploit the opportunities by constantly modernizing the machinery, 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.

Future outlook

The Company has been on aggressive growth drive. As explained in previous paragraphs, keeping in view of emerging demand for ENA, Ethanol etc, the Company has planned for further expansion activity by expanding the existing plant capacities of existing products as well as setting up of fresh production facilities for two other value added products VIZ., Ethyl acetate and Acetic acid.

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

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

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

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, 2008 has been of the order of **303,30,603 BL**.
- (ii) Extra-Neutral Alcohol (ENA): Production of ENA during the financial year 31st March, 2008 has been of the order of **236,14,999 BL**.
- (iii) Absolute Alcohol (Ethanol): Production of Absolute Alcohol during the financial year 31st March, 2008 has been of the order of **28,10,447 BL**.
- (iv) Carbon-di-Oxide(Co₂): Production of Carbon-di-Oxide(Co₂) during the financial year 31st March, 2008 has been of the order of **32,77,628 KG**.

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. 7322.72 Lacs with a profit after tax of Rs. 1286.85 lacs.

During the year, the Company has made all the payments to term loan lending institutions in accordance with the Schedules of repayment. The working capital requirements of the Company are financed by the State Bank of Mysore, IFB, Hyderabad.

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.

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.

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

NAME OF DIRECTOR	L. VENKATESWARA RAO	C.V. KAMALAKER
Age & Expertise in Specific Functional Areas	Shri. L. Venkateswara Rao aged about 54 years a Non-Executive Promoter Director of the Company. He is an Engineering graduate and has been actively associated with the Company since incorporation. His contribution to the Company during the construction, erection and commissioning of the factory has been significant.	Shri. C.V.Kamalaker aged about 67 years is an advocate and legal consultant by profession and has vast experience of about 37 years in legal matters. He is retired General Manager from the Industrial Finance Corporation of India Limited (IFCI) and has represented IFCI Ltd and the India Law Services on the Board of various Companies as Nominee Director over a period of 20 years. His expertise in legal matters, immensely benefits the Company in view of the ever increasing compliance provisions under the Companies Act, SEBI Regulations and other related statutory provisions.
Date of Birth	21.04.1954	05.06.1941
Qualification	B.E.	BSc, B.L., PG Diploma in Company Law and Banking Law
List of the Companies in which Directorships is held as on 31st March 2008	Nil	Nil
Chairman/Member of the Committees of the Board of other Companies in which he is a Director as on 31st March, 2008	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, Hyderabad for the period ended 31st March, 2008 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: 31st May, 2008

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, 2008, 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: 31st May, 2008

**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, 2008 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 2008, and taken on record by the Board of Directors, I report that none of the directors are disqualified as on March 31, 2008 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, 2008;
 - 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: May 31, 2008

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, 2008. 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, 2008 for a period of more than six months from the date that they become payable.
 13. According to the records of the Company, there are no dues of sales tax, income-tax and excise duty which have not been deposited with the appropriate authorities on account of any dispute.
 14. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year. Accordingly paragraph 4(x) of the Order is not applicable.
 15. The company has been repaying the loan installments regularly as per the negotiated settlement agreed to by IDBI and LIC.
 16. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other Securities. Accordingly, clause 4(xii) of the Order is not applicable.
 17. In my opinion and according to the information and explanations given to me, the company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, clause 4(xiii) of the Order is not applicable.
 18. 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 5,58,000 equity shares at the rate of Rs.21/- per equity share (Face Value of Rs.10/- each) to promoters of the Company and 5,87,000 equity convertible warrants to promoters at the rate of Rs.21 per warrant (Face Value of Rs.10/- each) on 7th June 2007. Further on 3rd December 2007 the Company has allotted 7,00,000 equity convertible warrants at the rate of Rs.53/- per warrant (Face Value of Rs.10/- each) on preferential basis to promoters and non-promoters. The price at which shares and warrants 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 and warrants, 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: May 31, 2008

BALANCE SHEET AS AT 31st MARCH, 2008

	Schedule	As At 31.03.2008		As At 31.03.2007	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS :					
Shareholders Funds :					
Share Capital	1	135524000		129944000	
Share Application Money for Warrants		12829728			
Reserves and Surplus	2	150597793	298951521	43288876	173232876
Loan Funds :					
Secured Loans	3	333092633		277347360	
Unsecured Loans	4	252521831		223728880	
Sub-total			585614464		501076240
Deferred Tax Liability	5		69304491		53113981
TOTAL			953870476		727423097
APPLICATION OF FUNDS :					
Fixed Assets :					
Gross Block	6	703491063		695471862	
Less: Depreciation		178727697		144859597	
Net Block			524763367		550612266
Capital Work in Progress			186057729		22673972
			710821096		573286238
Current Assets and Loans & Advances :					
Inventories	7	161517317		118441453	
Sundry Debtors	8	24637803		7262009	
Cash and Bank Balances	9	9856337		6888158	
Loans and Advances	10	151268421		111834367	
Sub-total		347279878		244425986	
Less: Current Liabilities and Provisions	11	106867168		94781173	
Net Current Assets			240412710		149644813
Miscellaneous Expenditure (to the extent not written off)	12		2636670		4492046
TOTAL			953870476		727423097
Notes on Accounts	19				

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 : May 31, 2008
Place : Hyderabad

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

V. ROJA RANI
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule	Year Ended 31st March, 2008 Rs.	Year Ended 31st March, 2007 Rs.
INCOME:			
Sales		708929369	533309674
Other Income	13	23342582	1594801
Increase/(Decrease) in Stocks	17	(12308488)	38200018
TOTAL		719963464	573104493
EXPENDITURE:			
Material consumed	14	178463461	253483866
Power and Fuel		109540100	81395500
Employee Remuneration	15	18123275	15139196
Excise Duty		76044275	49797213
Other Expenses	16	110223042	57724637
TOTAL		492394152	457540413
Profit Before Interest, Depreciation and Amortisation			
		227569312	115564081
Less : Interest	18	28601148	17831491
Depreciation		34287229	24205746
Preliminary Expenses Written off		480376	480376
Profit/(Loss) for the Period		164200558	73046468
Less: Provision for Fringe Benefit Tax		666598	350920
Provision for taxation - MAT		18658350	8249712
Profit/(Loss) after Current Tax		144875611	64445836
Less: Provision for Deferred Taxation		16190510	11678599
Profit/(Loss) after Tax		128685100	52767237
Appropriations:			
Preference Dividend		1175000	3525000
Equity Dividend		22342400	11171200
Dividend Distribution Tax		3996783	2497619
Transfer to General Reserve		10865671	-
Balance Carried to Balance Sheet		90305246	35573417
		128685100	52767237
Earning per Share - Basic (Rs.)		12.97	6.07
Earning per Share - Diluted (Rs.)		10.71	4.97

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 : May 31, 2008
Place : Hyderabad

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

V. ROJA RANI
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008
(pursuant to clause 32 of the Listing Agreement)

PARTICULARS	2007 - 2008		2006 - 2007	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit/(Loss) before tax	164200558		73046468	
Adjustment for				
Depreciation	34287229		24205746	
Interest	28601148		17831491	
Misc.exps written off	480376		480376	
Provision for doubtful debts	178134		76992	
Sundry Balances written off	732587		0	
Profit/Loss on sale of assets	291733		0	
	228771765		115641072	
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES				
Adjustment for				
Inventories	15105819		(39636801)	
Trade and Other Receivables	(17553928)		(5728553)	
Trade Payables	12085994		67026558	
Loans and Advances	(40166641)		(42204642)	
Working Capital Finance	608912		37840204	
CASH GENERATED FROM OPERATIONS BEFORE TAX	198851922		132937838	
Direct Taxes paid	(18658350)		(8249712)	
FBT paid	(666598)		(350920)	
Dividend paid	(23517400)		(14696200)	
Dividend Tax paid	(3996783)		(2497619)	
NET CASH GENERATED FROM OPERATIONS	152012791		107143387	
B. CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets	(8950054)		(227069616)	
Capital Work in Progress	(163383757)		60723920	
Purchase of Investments	(58181683)		(7793676)	
Deferred revenue expenses	1375000		1375000	
Sale of Fixed Assets	220000	(228920494)	0	(172764372)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increase in				
Share Capital	5580000		6256000	
Capital Reserve (Profit on issue of Shares)	6138000		5630400	
Share Application Money for warrants	12829728		0	
Borrowings from Banks & FI	53870890		31644812	
Unsecured Loans	28792951		36668494	
Interest Paid	(27335677)	79875892	(12796079)	67403627
Net increase in cash and cash equivalents	2968179		1782639	
Opening Balance as at 1st April, 2007	6888158		5105519	
Closing Balance as at 31st March, 2008	9856337		6888158	

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 : May 31, 2008
Place : Hyderabad

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

V. ROJA RANI
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2008 Rs.	As at 31-03-2007 Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised:		
25,00,000 - Preference Shares of Rs.10/- each	25000000	25000000
1,75,00,000 - Equity Shares of Rs.10/- each (Previous year 1,25,00,000 @ Rs.10/- each)	175000000	125000000
	<u>200000000</u>	<u>150000000</u>
Issued and subscribed:		
23,50,000 - 5% Redeemable Preference Shares of Rs.10/- each	23500000	23500000
1,12,33,600 - Equity Shares of Rs.10/- each (Previous year 1,06,75,600 @ Rs.10/- each)	112336000	106756000
	<u>135836000</u>	<u>130256000</u>
Paid up:		
23,50,000 - 5% Redeemable Preference Shares of Rs.10/- each	23500000	23500000
1,11,71,200 - Equity Shares of Rs.10/- each (Previous year 1,06,13,200 @ Rs.10/- each) Forfeited Shares(62,400 @Rs.5/- each) (5,58,000 shares issued on 07.06.2007 @ Rs.10/- each)	111712000	106132000
	312000	312000
	<u>135524000</u>	<u>129944000</u>
SCHEDULE 2: RESERVES AND SURPLUS		
Share Premium Account (5,58,000 shares issued on 07.06.2007 premium @ Rs.11/- each)	12619600	6481600
Capital Reserve	9074000	9074000
General Reserve	10865671	0
Profit & Loss Account balance	118038522	27733276
	<u>150597793</u>	<u>43288876</u>
SCHEDULE 3: SECURED LOANS		
Term Loan - IDBI	42049265	58264885
Term Loan - LIC	11148433	19303388
Term Loan - SBM - I	14599787	26999787
Term Loan - SBM - II	31673523	49173523
Term Loan - SBM - POWER PROJECT	125292066	0
Term Loan - SBIN	35000000	52446167
Interest Accrued and Due	2077990	812519
Car Loan A\c	454138	1178385
CRV HONDA CAR LOAN-KOTAK	1019813	0
Working Capital Loan from Banks	69777618	69168706
	<u>333092633</u>	<u>277347360</u>
SCHEDULE 4: UNSECURED LOANS		
Sales Tax Deferment	249343034	206758083
From Directors	3178797	16970797
	<u>252521831</u>	<u>223728880</u>
SCHEDULE 5: DEFERRED TAX		
Defferred Tax Liability	53113981	41435382
Add: Timing Difference originating during the year	16190510	11678599
	<u>69304491</u>	<u>53113981</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 6 : Fixed Assets

Particulars	Gross Block			Depreciation			Net Block	
	As at 01-04-2007 Rs.	Additions Rs.	Deductions Rs.	As at 01-04-2007 Rs.	For the Year Rs.	Deduc- tions Rs.	As at 31-03-2008 Rs.	As at 31-03-2007 Rs.
Land	25213146	2231325	0	27444471	0	0	0	27444471
Factory Buildings	41386233	116250	0	41502483	1382364	0	11662065	29840418
Non-Factory Buildings	30233867	0	0	30233867	492812	0	4052122	26181745
Plant & Machinery	545327831	576800	0	545904631	110689466	28812333	0	406402840
Furniture and Fittings	1314388	104590	0	1418978	418775	121101	0	879102
Office Equipment	2209267	180999	0	2390266	685455	168919	0	1535893
Electrical Equipment	8271622	1147703	0	9419325	3703919	431437	0	5283969
Vehicles	7304279	3730150	930853	10103576	2216215	897441	419120	7409040
Tools and Tackles	1550329	0	0	1550329	637045	73641	0	839644
Generator	2444801	0	0	2444801	621368	116128	0	1707305
Water Supply and Treatment Plant	19933988	0	0	19933988	7693240	1052515	0	11188233
Secondary Treatment Plant	7259741	0	0	7259741	2831777	383314	0	4044650
Lab Equipment	330479	0	0	330479	108003	15698	0	206779
Fire Fighting and Safety Equipment	276555	0	0	276555	94270	13136	0	169149
Computers	1494463	862237	0	2356700	725282	268100	0	1363318
Misc. Items	920873	0	0	920873	595771	58291	0	266811
TOTAL	695471862	8950054	930853	703491063	144859597	34287229	419120	524763367
Previous Year	468402246	227069616	0	695471862	120653854	24205746	144859597	550612266
Capital Work-in-Progress								186057729
								22673972

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2008 Rs.	As at 31-03-2007 Rs.
SCHEDULE 7 : INVENTORIES		
(As Verified and certified by Management)		
Stores and Spares	3479615	2748493
Raw Material	48059478	51587931
Stocks under Process	7586701	9418161
Finished Goods	36416164	46893192
	<u>95541958</u>	<u>110647777</u>
Investments in Securities	65975359	7793676
	<u>161517317</u>	<u>118441453</u>
SCHEDULE 8 : SUNDRY DEBTORS		
(Unsecured)		
Outstanding for more than six months	178134	76992
Other Debtors	24637803	7262009
	<u>24815937</u>	<u>7339000</u>
Less: Provision for doubtful debts	178134	76992
	<u>24637803</u>	<u>7262009</u>
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash in hand	1665737	845780
Balance with scheduled banks		
In current accounts	3359792	1600125
In deposit accounts	4830809	4442253
	<u>9856337</u>	<u>6888158</u>
SCHEDULE 10 : LOANS AND ADVANCES		
(Unsecured and Considered good)		
Advance - Raw material	38253474	33214935
Advance - Stores and Consumables	2067330	288262
Advance - Others	895260	2607729
Prepaid Expenses	3724093	3515255
Deposits	10762038	1322259
Balances with Excise Department	53017913	42948152
Sales tax Receivable	26348977	22608276
Advance Tax paid	16199336	5329499
	<u>151268421</u>	<u>111834367</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2008 Rs.	As at 31-03-2007 Rs.
SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Creditors - Capital Goods	19815215	13875757
Creditors - Raw Material & Chemicals	17675176	32890085
Creditors - Stores and Spares	3202830	2183194
Creditors - Others	2453197	7245931
Creditors - Transporters	7144851	4796333
Creditors - Expenses	19941846	7080506
Trade Deposits	3531266	1265836
Total - A	73764381	69337642
B. Provisions		
Provision for Taxation	18658350	8249712
Provision for Preference Dividend	1175000	3525000
Provision for Equity Dividend	11171200	11171200
Distribution Tax	2098237	2497619
Total - B	33102787	25443531
Total (A + B)	106867168	94781173
SCHEDULE 12 : MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF)		
Preliminary Expenses not written off	3117046	4972422
Add: Expenses incurred during the year	0	0
Less: Preliminary Expenses written off	480376	480376
	2636670	4492046
SCHEDULE 12 (b) : PROFIT AND LOSS ACCOUNT		
Net Profit / (Loss) Brought Forward	27733276	(7840141)
Add : Net Profit/(Loss) as per P& L A/c	90305246	35573417
Profit / (Loss) Carried to Balance Sheet	118038522	27733276

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	For the Year ended 31st March,2008 Rs.	For the Year ended 31st March,2007 Rs.
SCHEDULE 13 : OTHER INCOME		
Interest on Fixed Deposits	96043	176557
Sale of Husk Ash	1267771	620736
Profit on sale of shares	19865657	0
Dividend received	717914	0
Misc. Income	1395197	797508
	<u>23342582</u>	<u>1594801</u>
SCHEDULE 14 : RAW MATERIAL CONSUMED		
Molasses Consumed		
Opening Stock	49535003	49631553
Add: Purchases	163957650	244541100
Less: Closing Stock	47487349	49535003
Consumption of Molasses	166005304	244637650
Chemicals Consumed	12458157	8846216
Consumption of Raw Material	<u>178463461</u>	<u>253483866</u>
SCHEDULE 15 : EMPLOYEE REMUNERATION		
Salaries and Wages	13762846	11534727
Contribution to PF and other Funds	2492377	1855396
Other Welfare Expenses	1868052	1749073
	<u>18123275</u>	<u>15139196</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	For the Year ended 31st March,2008 Rs.	For the Year ended 31st March,2007 Rs.
SCHEDULE 16 : OTHER EXPENSES		
[Manufacturing Expenses]		
Repairs and Maintenance	35708089	12192336
Labour Charges	2064243	1597874
Husk Feeding Charges	5456284	2795928
Ash Removing Expenses	4330379	2491842
Stores and Spares	15420203	8796049
[General and Administrative Expenses]		
Rent	732600	566000
Rates and Taxes	473461	3217446
Insurance	3804759	4267207
Bank Charges	1275710	1139055
Restructuring Fee	1375000	1375000
Travelling and Conveyance	4235636	2823553
Office Maintenance	2305074	1413451
Books and Periodicals	268092	65361
Printing and Stationery	488017	398240
Sundry Expenses	1475608	532399
Communication Cost	934340	926020
Safety and Security	2158156	1203012
Legal and Professional	2504437	4686545
Supervision Charges	668529	1143736
Hire Charges	543148	775474
Sales Promotion Expenses	322851	444213
Directors' Remuneration	5760000	2760000
Director's commission	11866855	0
Directors' Sitting Fee	350000	200000
Auditors' Remuneration:		
As Auditors	45000	30000
For tax audit	15000	15000
For Certifications and taxation matters	32500	46255
Expenses reimbursed	0	4965
Board Meeting Expenses	82397	376525
Advertisement	882006	243376
Loss on Sale of Asset	291733	0
Sundry Balances written off	732587	0
Charity and Donations	2940436	274530
Vehicle Maintenance	501778	846253
Provision for doubtful debts	178134	76992
TOTAL	110223042	57724637

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	For the Year ended 31st March,2008 Rs.	For the Year ended 31st March,2007 Rs.
SCHEDULE 17 : (INCREASE) / DECREASE IN STOCKS		
Opening Stock		
Finished Goods	46893192	16121074
Work-in-Process	9418161	1990261
Closing Stock		
Finished Goods	36416164	46893192
Work-in-Process	7586701	9418161
(Increase)/ Decrease in stocks	<u>12308488</u>	<u>(38200018)</u>
SCHEDULE 18 : INTEREST		
On Term Loans to Banks and Institutions	8757070	11976246
On Working Capital Loans to Banks & Others	19844078	5855245
	<u>28601148</u>	<u>17831491</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	1,29,67,082 For civil works at Factory	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 2008

(figures in Rs.)

Name	Salary	Contributions Provident and other Funds	Commission on profits	Total Remuneration
K. SUDHIR RAO	28,80,000	2,88,000	59,33,427.50	91,01,427.50
K. SUHAN RAO	28,80,000	2,88,000	59,33,427.50	91,01,427.50
TOTAL	57,60,000	5,76,000	1,18,66,855	1,82,02,855

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 2008 is as under:

(Amount in Rs.)

Opening Deferred Tax Liability	5,31,13,981
Add: Tax effect of timing differences originating during the year	1,61,90,510
Closing Deferred Tax Liability	6,93,04,491

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

7. There are no overdue amounts exceeding Rs. 1.00 lakh which are outstanding for more than 30 days payable to Small Scale Industrial Undertaking(s) as at 31st March, 2008.**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>2007-08</u>	<u>2006-07</u>
	Rs.	Rs.
Salary	48,00,000	18,00,000
HRA	9,60,000	9,60,000
PF	5,76,000	2,16,000
COMMISSION ON PROFIT	1,18,66,855	nil
	<u>1,82,02,855</u>	<u>29,76,000</u>

CALCULATION OF MANAGERIAL REMUNERATION AS PER SECTION 349 OF COMPANIES ACT 1956 FOR THE FINANCIAL YEAR 2007-08

	AMOUNT Rs.	AMOUNT Rs.
PROFIT BEFORE TAX		176067413
LESS:		
FRINGE BENEFIT TAX	481525	
INCOME TAX 2006-07	185073	666598
		175400815
ADD:		
MANAGERIAL REMUNERATION ALREADY DEBITED TO P&L	6336000	
LOSS ON SLAE OF VEHICLES	291733	6627733
PROFIT AS PER SECTION 349		182028548
REMUNERATION ELIGIBLE @ 10% OF THE ABOVE		18202855
LESS: ALREADY PAID MONTHLY SALARY FOR 12MONTHS		
SHRI K SUDHIR RAO 240000*12	3168000	
SHRI K SUHAN RAO 240000*12	3168000	6336000
PROVISION MADE FOR BALANCE COMMISSION PAYABLE		11866855
FOR SHRI K SUDHIR RAO		5933427
FOR SHRI K SUHAN RAO		5933427
TOTAL		11866855

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	16,65,737
Bank Balances:	
In current accounts	33,59,792
In Deposit accounts	48,30,809
	98,56,337
	98,56,337

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

	<u>2007-08</u>	<u>2006-07</u>
	Qty (in lakh Ltrs)	Qty (in lakh Ltrs)
Installed Capacity *	329.00	231.00
Alcohol (Ltrs)		
Actual Production	303.31	218.44
Alcohol (Ltrs)		

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

	<u>2007-2008</u>		<u>2006-2007</u>	
	Qty. (in Lakh Ltrs)	Value (in Lakh Rs.)	Qty. (in Lakh Ltrs)	Value (in Lakh Rs.)
a. Turnover				
ENA	239.99	5911.83	165.14	4583.76
RS	8.60	177.89	0.03	0.09
SDS	25.98	291.42	13.80	264.95
ETHANOL	19.36	594.28	16.59	400.42
FO	0.06	1.59	0.06	0.81
Co ₂ (Kgs)	32.08	112.28	24.01	83.06
b. Opening 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	0
FO	0	0	0.09	2.56
ETHANOL	0.05	1.16	0.08	2.12
c. Closing stock of Finished Goods:				
ENA	4.20	76.75	9.62	206.23
RS	12.86	234.73	11.02	236.26
SDS	2.34	42.65	1.18	25.28
FO	0.00	0.00	0.00	0.00
Ethanol	0.55	10.03	0.05	1.16
d. Consumption of Material:				
i) Molasses (M.T)				
Opening Stock	12739	495.35	6370	496.31
Purchases	125634	1639.58	109524	2445.41
Consumption	126131	1660.06	103155	2446.38
Closing Stock	12242	474.87	12739	495.35
ii) Rice Husk (M.T)				
Opening Stock	574	7.52	320	4.41
Purchases	70146	987.14	53656	703.33
Consumption	70447	990.81	53402	700.22
Closing Stock	273	3.85	574	7.52

12. There are no foreign exchange earnings during the year.

13. The Company determines liability on Sales Tax Deferment on a Net Present Value basis and accordingly provision is made. Provision will be made in each year for the incremental liability. Amount Shown under the head Unsecured Loans (Schedule 4) includes sales tax amounting to Rs.2,493.43 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.

14. Earning Per Share :	<u>2007-08</u>	<u>2006-07</u>
a. Calculation of weighted average no. of Equity shares of Rs.10/- each:		
Number of equity share at the beginning of the year	1,06,13,200	98,87,600
Number of 5% Preference shares issued during the year	0	0
Number of equity shares issued during the year	5,58,000	6,25,600
Number of shares outstanding at the end of the year		
5% Preference Shares	23,50,000	23,50,000
Equity Shares	1,11,71,200	1,06,13,200
Weighted average number of shares outstanding during the year	1,35,21,200	1,29,63,200
b. Net profit after tax (Rs.)	14,48,75,611	6,44,45,836
c. Basic earnings per share of Rs. 10/- each	12.97	6.07
d. Diluted Earnings per share	10.71	4.97

15. Paise rounded off to nearest rupee.
16. Previous years figures have been regrouped or reclassified wherever necessary to be in conformity with the current year's classification.
17. Schedules 1 to 19 form an integral part of the Balance Sheet and Profit and Loss Account.

PIONEER DISTILLERIES LIMITED



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

I. Registration Details

Registration No. State Code
Balance Sheet
Date Month Year

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

Public Issue Right Issue
Bonus Issue Private Placement
Reissue of forfeited shares

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

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus
Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments
Net Current Assets Misc. Expenditure
Accumulated Losses

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

Turnover Total Expenditure
(Includes Other Income)

+ - Profit before Tax + - Profit after Tax

Earnings Per Share in Rs. (Diluted) . Dividend Rate %

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

Item Code No. (ITC Code) .
Production Description

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 : May 31, 2008
Place : Hyderabad

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

V. ROJA RANI
Company Secretary

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

To,
Venture Capital and Corporate Investments Limited
Unit :Pioneer Distilleries Limited
H.No.12-10-167, Bharat Nagar,
Hyderabad- 500 018.
Tel: 040- 23818475/76
Fax: 040-23868024

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

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

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

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

Place :

Date :

Signature of the First / Sole Shareholder

Note:

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

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PIONEER DISTILLERIES LIMITED

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



PROXY FORM

Folio No. / Client ID:

DP ID:

I/We _____
_____ being a member
of Pioneer Distilleries Limited hereby appoint Mr/Ms _____
of _____ or failing him _____ of
as my/our proxy to vote for me/us on my/our behalf, at the Fifteenth Annual General Meeting of the
Company to be held on Thursday, the 7th day of August, 2008 at 3.30 PM and at any adjournment
thereof.

Signed this _____ day of _____ 2008

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 Fifteenth Annual General Meeting held at Kohinoor II, Taj Deccan, Road No.1, Banjara Hills, Hyderabad - 500 034 at 3.30 PM on Thursday, 7th August, 2008.

Members/Proxy's Name _____

Signature of the Member/Proxy* _____

* Strike out whichever is not applicable

