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BOARD OF DIRECTORS :

(as on 05.08.2011)

P A MURALI,
Chairman

ASHOK CAPOOR,
Director

MR DORAISWAMY IYENGAR
Director

S G RUPAREL,
Director

COMPANY SECRETARY:

SANTHOSH KUMAR KEERTHI

STATUTORY AUDITORS :

N G RAO & ASSOCIATES
6-3-1186/A/6, IInd Floor,
Chinna Balareddy Building,
Begumpet, Hyderabad - 500016.

REGISTERED OFFICE :

8-2-311/C, Mithila Nagar,
Road No. 10, Banajara Hills,
Hyderabad – 500 034, (A.P)
Tel: 040-2354 2895, 2354 2920
Fax: 040-2354 2921
Email: info@pioneerdistilleries.com

**REGISTRARS AND
SHARE TRANSFER AGENTS :**

Venture Capital and Corporate Investments Pvt Ltd
H.No.12-10-167, Bharat Nagar,
Hyderabad -500 018
Ph. No: 040-23818475/76,
Fax: 040-23868024

FACTORY ADDRESS :

Balapur Village, Dharmabad Taluk,
Nanded District, Maharashtra- 431 809
Ph. no: 02465-203686/701, Fax: 02645-203688
Email: factory@pioneerdistilleries.com

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the Annual Report of your Company together with the Audited Accounts for the year ended March 31, 2011.

FINANCIAL PERFORMANCE:

The Summary of Financial Performance of the Company for the year 2010-11 is as under:
(Rs. in lakhs)

Particulars	2010-11	2009-2010
Net Sales	5060.39	4658.45
Add: Other income	508.52	93.99
Add: Increase /(Decrease) in stocks	(1174.14)	1115.81
Total Income	4394.77	5868.25
Less: Expenditure	6119.97	4604.92
Profit/(Loss) before depreciation, interest and tax	(1725.20)	1263.34
Less: Interest	472.63	293.54
Less: Depreciation	485.88	386.72
Less: Preliminary Expenses Written Off	3.01	4.80
Profit/(Loss) before Tax	(2686.72)	578.27
Provision for Taxation :		
Current Tax	0	126.40
Deferred Tax	224.12	133.33
Profit/(Loss) After Tax	(2910.84)	318.54
Dividend & Dividend Tax (2009-10)	9.36	0
Add: Balance brought forward from previous year	1587.38	1607.83
APPROPRIATIONS:		
1. Equity Dividend	0	126.48
2. Preference Dividend	0	10.68
3. Dividend Distribution Tax	0	23.31
4. Transfer to Capital Redemption Reserve	0	170.00
5. Preference Shares Redemption Premium	68.25	8.50
Balance carried to Balance Sheet	(1401.06)	1587.38

DIVIDEND:

In view of Loss, your Directors do not recommend any dividend on the Equity Shares of the Company.

REVIEW OF OPERATIONS :

The Company has registered a Turnover of Rs. 5568.91 Lakhs for the financial year ended March 31, 2011. The Loss Before Tax of your Company during the financial year amounted to Rs. 2686.72 Lakhs.

The Company has incurred losses mainly due to higher input costs and unfavourable market conditions. In order to reduce the cost of power, the Company has commissioned the 5MW gas based power plant.

ACQUISITION BY UNITED SPIRITS LIMITED:

The Promoters of your Company entered into Share Purchase Agreement with United Spirits Limited (USL) on September 13, 2010. In terms of Share Purchase Agreement, USL has acquired 7,322,280 equity shares constituting 54.69% of the Paid-Up Equity Capital of the Company. Further, 977,212 equity shares constituting 7.30% and 2,677,640 equity shares constituting 20.00% of the Paid-Up Equity Capital of the Company, have been acquired by United Spirits Limited from the Open Market and through Open Offer respectively, thereby acquiring a total of 10,977,132 equity shares aggregating 81.99% of the Paid-up Equity Capital of your Company. Consequently, United Spirits Limited has become the Holding Company of your Company.

PROSPECTS:

Keeping in view the emerging demand for Grain based Alcohol, your Company has already installed Grain based facility. Plans are afoot to install a fresh production facility for Malt Spirit shortly. Your Company also proposes to set up an Indian Made Foreign Liquor (IMFL) Bottling plant. Both these facilities will come on stream during the fiscal 2011-12.

The expansion would enable the Company to substantially increase the revenue.

Barring unforeseen circumstances, your Company expect to report significant growth in the turnover and profitability in the coming years.

DIRECTORS:

Consequent to the change of Management, Mr P A Murali, Mr Ashok Capoor, Mr M R Doraiswamy Iyengar and Mr S G Ruparel have been appointed as Additional Directors with effect from August 5, 2011 at the Board Meeting held on August 5, 2011.

At the same meeting, all the erstwhile Directors, viz., Mr K V Rajeshwar Rao, Mr K Sudhir Rao, Mr K Suhan Rao, Mr L Venkateswara Rao, Mr V Subramanian, Mr C V Kamalaker, Mr H Anantha Krishnan and Mr C V Krishnaiah, have resigned from the Board of Directors of the Company.

Mr P A Murali, Mr Ashok Capoor, Mr M R Doraiswamy Iyengar and Mr S G Ruparel will hold office in terms of Section 260 of the Companies Act, 1956 up to the date of the ensuing Annual General Meeting.

Notices in writing have been received by your Company from Members signifying their intention to propose the appointment of Mr P A Murali, Mr Ashok Capoor, Mr M R Doraiswamy Iyengar and Mr S G Ruparel as Directors, liable to retire by rotation, at the ensuing Annual General Meeting.

APPOINTMENT OF MANAGER:

Pursuant to Section 269 of the Companies Act, 1956, the Board of Directors have appointed Mr Pratip Sen, Assistant Vice President - Manufacturing of United Spirits Limited, holding company of your Company, as “Manager” of your Company for a period of 2 years with effect from August 5, 2011, without remuneration, subject to your approval at the ensuing Annual General Meeting.

STATUTORY AUDITORS:

M/s N G Rao & Associates, Chartered Accountants, Hyderabad, were appointed as Auditors of the Company by the Members to hold office from the conclusion of the last Annual General Meeting till the conclusion of the forthcoming Annual General Meeting. M/s N G Rao & Associates, Chartered Accountants, are not seeking re-appointment.

At the meeting of the Board of Directors of the Company held on August 5, 2011, your Directors have proposed the appointment of M/s Lodha & Co., Chartered Accountants, Mumbai, as Statutory Auditors of the Company to hold office from the conclusion of the forthcoming Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors, subject to your approval.

M/s Lodha & Co., Chartered Accountants, Mumbai have expressed their willingness to act as statutory auditors of the Company and have further confirmed that the said appointment, if made, would be in conformity with the provisions of Section 224(1B) of the Act.

SHIFTING OF REGISTERED OFFICE:

Pursuant to the decision taken by the Board of Directors of the Company, the Registered Office of the Company will be shifted from 8-2-311/C, Mithila Nagar, Road No.10, Banjara Hills, Hyderabad 500034 to “UB House”, Plot No 36, Street No.4, Srinagar Colony, Hyderabad 500 073, with effect from August 19, 2011.

CORPORATE GOVERNANCE REPORT:

A report on the Corporate Governance is annexed separately as part of this report along with a certificate of compliance from a Company Secretary in practice. Necessary requirements of obtaining certifications/ declarations in terms of Clause 49 have been complied with.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report is annexed and forms an integral part of the Annual Report.

FIXED DEPOSITS:

The Company has not accepted nor invited any Deposits from the public during the year under review and hence no deposit is due for repayment as on March 31, 2011.

LISTING OF SHARES OF THE COMPANY

The Equity Shares of your Company continue to remain listed with Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Pune Stock Exchange Limited. The listing fees for the years 2010-11 and 2011-12 have been paid to these Stock Exchanges.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

As on date, no amount of dividend has remained unclaimed and unpaid for more than 7 years, which are required to be transferred to the Investor Education Protection Fund, pursuant to the provisions of Sec 205A(5) and 205C of the Companies Act, 1956.

HUMAN RESOURCES

Employee relations remained cordial at all Company's locations.

The Company has no employee in respect of whom Statement under 217 (2A) of the Companies Act, 1956, is required to be annexed.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

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

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- (ii) the accounting policies are in line with those generally accepted and have consistently been followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss for the year under review.
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Annual Accounts of the Company have been prepared on a going concern basis.

ACKNOWLEDGEMENTS:

Your Directors place on record their sincere appreciation for the continued support from shareholders, employees, customers, suppliers, banks and financial institutions and other business associates.

By Authority of the Board

Place: Hyderabad
Date: August 05, 2011

PA MURALI
Chairman

CONSERVATION OF ENERGY

With reference to energy conservation and cost reduction, steps taken by the Company at its manufacturing Unit were as under:

- * Steam Turbines were retrofitted to maximize generation of electricity.
- * Cooling Towers were revamped to reduce consumption of electricity for process.
- * Automation of Boilers were carried out to reduce power of consumption.
- * Replacing existing pumps with energy efficient ones helped to reduce electrical energy.

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.

Foreign Exchange Earnings and outgo:	2010-11	2009-2010
	Rs.	Rs.
a. Earnings in Foreign Exchange	Nil	Nil
b. Expenditure in Foreign Currency	Nil	Nil

By Authority of the Board

Place: Hyderabad
Date: August 05, 2011

PA MURALI
Chairman

CORPORATE GOVERNANCE REPORT

1. Our Philosophy on Corporate Governance:

Pioneer Distilleries Limited has committed to implement sound Corporate Governance practices with a view to bring about transparency in its operations and maximizing shareholders value. The Company's core philosophy on the code of Corporate Governance is to ensure fair and transparent business practices, accountability for performance, compliance with laws in all areas in which the Company operates and transparent and timely disclosure of financial and management information.

2. Board of Directors:

a) Composition of Board

The Board of Directors of the Company ("the Board") as on the March 31, 2011 comprised of 8 Directors, which included a Non-executive Chairman Mr K V Rajeshwar Rao, five Non-executive Directors, viz., Mr L Venkateswara Rao, Mr V Subramanian, Mr C V Kamalaker, Mr H Anantha Krishnan and Mr C V Krishnaiah, and two Executive Directors, viz., Mr K Sudhir Rao, Vice-Chairman and Mr K Suhan Rao, Managing Director.

The Non-executive Chairman was the promoter of the Company and the Board complied with the requirement of at least half of the Board to be of Independent Directors.

During the financial year 2010-11, Six (06) Board Meetings were held i.e. on April 08, 2010, May 28, 2010, July 24, 2010, August 28, 2010, November 13, 2010 and February 14, 2011.

b) Attendance of each Director at Board Meetings during the financial year 2010-11, at the last Annual General Meeting (AGM) and number of other Directorships and Chairmanships / Memberships of Committees of each Director in various companies as on date are given hereunder:

Name of the Director	Category	Attendance		Number of other Directorships	No of Committees (other than the Company) in which Chairman/Member
		Board Meetings	At last AGM	As Director	
Mr K. V. Rajeshwar Rao*	Non – Executive Chairman	05	Yes	01	Nil
Mr K. Sudhir Rao*	Executive Director / Vice Chairman	06	Yes	03	01 (Chairman)
Mr K. Suhan Rao*	Executive Director / Managing Director	06	Yes	03	02

Name of the Director	Category	Attendance		Number of other Directorships	No of Committees (other than the Company) in which Chairman/Member
		Board Meetings	At last AGM	As Director	
Mr L. Venkateswara Rao*	Non-Executive	06	Yes	Nil	Nil
Mr V. Subramanian*	Non-Executive Independent	05	Yes	01	03 (Chairman)
Mr C. V. Kamalaker*	Non-Executive Independent	03	No	Nil	Nil
Mr H. Anantha Krishnan*	Non-Executive Independent	04	No	Nil	Nil
Mr C V Krishnaiah*	Non-Executive Independent	05	No	01	03
Mr P A Murali**	Non-Executive Chairman	NA	NA	19	Nil
Mr Ashok Capoor**	Non-Executive Director	NA	NA	01	Nil
Mr M R Doraiswamy Iyengar**	Non-Executive Independent Director	NA	NA	03	04 (Chairman of all)
Mr S G Ruparel**	Non-Executive Independent Director	NA	NA	06	03 (Chairman of 01)

Notes: 1) * Resigned w.e.f 05.08.2011
2) ** Mr P A Murali, Mr Ashok Capoor, Mr M R Doraiswamy Iyengar and Mr S G Ruparel were appointed as Additional Directors on the Board w.e.f 05th August, 2011

NOTE:

The above details are in respect of their Directorships only in Indian Companies:

- a) Out of Nineteen (19) other Companies in which Mr P A Murali is a Director, 09 are Private Limited Companies and 1 is Section 25 Company.
- b) Out of Three (03) other Companies in which Mr M R Doraiswamy Iyengar is a Director, 01 is a Private Limited Company.
- c) Out of Six (06) other Companies in which Mr S G Ruparel is a Director, 01 is a Private Limited Company.

DISCLOSURES REGARDING APPOINTMENT OF NEW DIRECTORS**Mr P A Murali:**

Mr P A Murali, aged 53 years, is a qualified Chartered Accountant and holds a Bachelor's Degree in Commerce. Mr P A Murali has over 30 years' experience across Companies and Finance / Accounts functions. A UB Group veteran of nearly two decades, Mr. P A Murali has been with the Group since 1993 having joined as Senior Manager, Finance. He since then held various senior positions in the UB Group. He was Executive Vice President and Chief Financial Officer of the Company since 2005 and was promoted to the position of Deputy President of the Company in October, 2007 and again promoted to the position of Joint President of the Company in May, 2011. In the UB Group, he was instrumental in acquisition activities in the beer segment in USA and South Africa, restructuring of erstwhile United Breweries Limited and consolidation of the Spirits business, especially the merger of all the Spirits Companies and Distilleries acquired by the UB Group. He also played a pivotal role in the acquisition of Bouvet Ladubay SA, France and Liquidity Inc, USA in 2006 and Whyte & Mackay Group, UK in 2007. He spearheaded the efforts of the company for a successful completion of the GDR / FCCB issue of \$230 million in 2006 and raising funds, in a record time of a fortnight, through a Qualified Institutional Placement (QIP) in 2009 to reduce the debt burden of the Company.

Details of Mr. P A Murali's directorships in other Indian Companies and Committee Memberships are as under:-

Other Directorships	Position held
1. Herbertsons Limited	Director
2. Kingfisher Finvest India Limited	Director
3. Maltex Malsters Limited	Director
4. McDowell Beverages Limited	Director
5. McDowell & Company Limited	Director
6. Four Seasons Wines Limited	Director

Other Directorships	Position held
7. Ramanreti Investment & Trading Company Ltd	Director
8. UB Infrastructure Projects Limited	Director
9. United Vintners Limited	Director
10. Daffodils Flavours &Fragrances Private Limited	Director
11. Force India Formula One Team Academy Private limited	Director
12. Jasmine Flavours & Fragrances Private Limited	Director
13. Kingfisher Goodtimes Private Limited	Director
14. Royal Challengers Sports Private Limited	Director
15. Seeitfirst.Com India Private Limited	Director
16. Tern Distilleries Private Limited	Director
17. VJM Investments Private Limited	Director
18. Yenkey Associates Private Limited	Director
19. SWEW Benefit Company	Managing Committee Member

Mr PA Murali is a member of the Audit Committee of the Company.

Mr P A Murali does not hold any shares in the Company.

Mr. M.R. Doraiswamy Iyengar:

Mr. M.R. Doraiswamy Iyengar, aged 77 years, is a Fellow of the Institute of Chartered Accountants of India and a Graduate in Law. Mr. Doraiswamy Iyengar was a Senior Partner in M/s. K.V. Narasimhan & Co., Chartered Accountants, in Bangalore. He has been in practice since 1965 having wide experience in Audits and Taxation.

Details of Mr. M.R. Doraiswamy Iyengar's directorships in other Indian Companies and Committee Memberships are as under:-

Other Directorships	Position held
1. McDowell Holdings Limited	Director & Chairman of Audit Committee & Shareholders / Investors Grievance Committee
2. Vittal Investments Private Limited	Director
3. United Spirits Limited	Director & Chairman of Audit Committee and Shareholders / Investors Grievance Committee

Mr M R Doraiswamy Iyengar is the Chairman of the Audit Committee and member of Shareholders / Investors Grievance Committee of the Company.

Mr M R Doraiswamy Iyengar does not hold any shares in the Company.

Mr S G Ruparel :

Mr S G Ruparel, aged 70 years, holds a Masters Degree in Arts from Oxon and a Masters Degree in Science from London. He joined Kolhapur Sugar Mills in 1968 and held the position of Managing Director during the years 1971 & 1991. He was also on the Board of State Bank of India for 18 years. Mr S G Ruparel has held Chairmanship of various Companies and Councils including Indo US Joint Business Council, Indo France Joint Business Council and Indo Swedish Joint Business School. He is also on the Advisory Board of Stanford Research Institute and has held important positions in various other Educational Centres.

Details of Mr. S G Ruparel's directorships in other Indian Companies and Committee Memberships are as under:-

Other Directorships	Position held
1. Ruparel Enterprises limited	Chairman
2. Bently Finance (India) Limited	Chairman
3. United Breweries (Holdings)Limited	Director & Member of Audit & Shareholders / Investors Grievance Committee
4. McDowell Holdings Limited	Director
5. Mangalore Chemicals & Fertilizers Limited	Director & Chairman of Audit Committee
6. Samrat Bottlers Private Limited	Chairman

Mr S G Ruparel is a member of Audit Committee of the Company.

Mr S G Ruparel does not hold any shares in the Company.

Mr Ashok Capoor:

Mr. Ashok Capoor, aged 58 years, is a graduate in Economics (Hons.) and had obtained his Masters in Business Administration (Marketing) from Faculty of Management Studies, Delhi. He has also successfully completed an Advanced Management Program from Harvard University, Boston.

Mr. Ashok Capoor has over 35 years' experience across Companies and various functions, sales and marketing being his major specialization. Mr. Ashok Capoor has been with the UB Group since 1992 having joined as Divisional Vice President in erstwhile Herbertsons Limited, since merged with the Company.

Details of Mr. Ashok Capoor's directorships in other Indian Companies and Committee Memberships are as under:-

Other Directorships	Position held
1. United Spirits Limited	Managing Director

Mr Ashok Capoor is a member of Shareholders / Investors Grievance Committee of the Company.

Mr. Ashok Capoor does not hold any shares in the Company.

3. Audit Committee :

a) Brief description of terms of reference

During the financial year under review, the Audit Committee of the Company during the financial year consisted of 4 Directors of whom 3 were Independent Directors. All the members of the Committee were Non-Executive Directors with the Chairman of the Committee Mr. V. Subramanian being an Independent Director.

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

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

The Role of the Audit Committee includes the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement forming part of the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;

- b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions; and
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
 - 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
 6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
 7. Reviewing the adequacy of Internal Audit Function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. Discussion with Internal Auditors any significant findings and follow up there on.
 9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 11. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors.
 12. To review the functioning of the Whistle Blower mechanism.
 13. Carrying out such other function as is mentioned in the terms of reference of the Audit Committee.

14. To review the following information:

- * Management discussion and analysis of financial condition and results of operations;
- * Statement of significant related party transactions submitted by management;
- * Management letters / letters of internal control weaknesses issued by the statutory auditors;
- * Internal audit reports relating to internal control weaknesses; and
- * The appointment, removal and terms of remuneration Internal Auditors.

b) Composition, Names of Members and Chairman

The constitution of the Audit Committee and the attendance of each member for the financial year ended March 31, 2011 is given below:

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

Mr. Santhosh Kumar Keerthi, Company Secretary is the Secretary of the Audit Committee.

c) Meetings of the Audit Committee and attendance during the year

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

S No.	1	2	3	4
Date of the Meeting	May 28, 2010	August 28, 2010	November 13, 2010	February 14, 2011

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

Name of the Director	No. of Meetings attended
Mr V. Subramanian	3
Mr C. V. Kamalaker	3
Mr L. Venkateswara Rao	4
Mr H. Anantha Krishnan	3

Consequent to the resignation of erstwhile Directors on August 05, 2011 the Audit Committee of Board of Directors of the Company has been reconstituted with the following new Directors:

- | | | |
|-----|---------------------------|----------|
| 1). | Mr M R Doraiswamy Iyengar | Chairman |
| 2). | Mr P A Murali | Member |
| 3). | Mr S G Ruparel | Member |

4. Remuneration Committee :

a) Brief description of terms of reference

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

b) Composition, Name of Members and Chairman

All the members of the Remuneration Committee were Non Executive Independent Directors. The details as on March 31, 2011 are as follows:

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

c) Attendance during the year

During the Year under review, No Remuneration Committee meetings were held.

d) Remuneration Policy

To recommend / review the remuneration package of the Managing Director and Whole-Time Director. 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 2010-11 to the Directors are furnished hereunder.

i) Executive Directors

NAME	SALARY(Rs.)	HRA(Rs.)	Total (Rs.)
Mr K. Sudhir Rao	37,16,333/-	2,50,000/-	39,66,333/-
Mr K. Suhan Rao	37,16,333/-	2,50,000/-	39,66,333/-

- ii) Non-Executive Directors: The Non-executive directors of the Company are not paid any remuneration other than sitting fees. The details of sitting fees paid to the non-executive Directors during the financial year 2010-11 are as follows:

Name of Director	Sitting Fee (Rs)
Mr K.V. Rajeshwar Rao	40,000/-
Mr L. Venkateswara Rao	80,000/-
Mr V. Subramanian	64,000/-
Mr C.V. Kamalaker	48,000/-
Mr H. Anantha Krishnan	56,000/-
Mr C V Krishnaiah	40,000/-

- f) **The number of shares held by Non-Executive Directors in the Company as on March 31, 2011 is as follows :**

S. No	Name of the Director	No. of Equity Shares held
1.	Mr K.V. Rajeshwar Rao	859340#
2.	Mr L. Venkateswara Rao	661880#
3.	Mr V. Subramanian	Nil
4.	Mr C. V. Kamalaker	Nil
5.	Mr H. Anantha Krishnan	Nil
6.	Mr C V Krishnaiah	Nil

(since sold)

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

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

On August 05, 2011, the new Board of Directors considered the Remuneration Committee, being a Non-Mandatory Committee as not necessary for the time being and accordingly, decided to discontinue the Remuneration Committee.

5. Shareholders / Investor Grievance Committee:

- i) A Shareholders / Investors Grievance Committee of Directors was constituted to specifically look into the matters relating to investors grievances such as
- * Redressal of Shareholders' and Investors' complaints like transfer of Shares, non-receipt of Balance Sheet, non-receipt of declared dividend etc.

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

- ii) The Shareholders / Investors Grievance Committee constituted by the Board of Directors comprised of Mr L. Venkateswara Rao, Non- Executive Director, Mr K. Sudhir Rao, Vice Chairman and Mr K. Suhan Rao, Managing Director. During the year, the Committee met 3 times on November 02, 2010, December 01, 2010 and December 28, 2010.

- iii) Mr. Santhosh Kumar Keerthi, Company Secretary, is the Compliance Officer of the Company.

Consequent to the Resignation of erstwhile Director on August 05, 2011 the Shareholders / Investors Grievance Committee of Board of directors of the Company has been reconstituted with the following new Directors :

- | | |
|-------------------------------|----------|
| 1). Mr Ashok Capoor | Chairman |
| 2). Mr M R Doraiswamy Iyengar | Member |

6. Committee of Directors :

The Company has constituted a Committee namely Share Transfer Committee for the following purposes:

1. Transfer/Transmission of shares.
 2. Split and consolidation of investors' holdings.
 3. Replacement of lost/multilated/stolen share certificate
- i) There are no outstanding complaints as on March 31, 2011.
- ii) The Committee processes all the Share Certificates received for transfers, consolidation, splitting and 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.

The Committee has been reconstituted with the following new Directors consequent to the resignation of erstwhile Directors:

- a). Mr P A Murali
- b). Mr Ashok Capoor
- c). Mr M R Doraiswamy Iyengar

7. General Body Meetings :

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

Year	AGM	Date	Location	Time	No. of Special Resolutions Passed
2009-10	17 th AGM	25.09.2010	Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016	3.30 P.M.	Nil
2008-09	16 th AGM	30.09.2009	Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016	3.30 P.M.	2
2007-08	15 th AGM	07.08.2008	Kohinoor II, Taj Deccan, Road No.1, Banjara Hills, Hyderabad – 500034	3.30 P.M.	Nil

b. The following Special Resolutions were passed by the Shareholders at the past three Annual General Meetings (AGMs) :

AGM held on	Subject matter of the Special Resolution
September 25, 2010	NIL
September 30, 2009	(i) Revision in terms of remuneration payable to Mr. K Sudhir Rao, Vice-Chairman
	(ii) Revision in terms of remuneration payable to Mr K Suhan Rao, Managing Director
August 07, 2008	NIL

All the Resolutions set out in the Notices including Special Resolutions as above were passed by the Shareholders.

8. Disclosures :

- (i) During the financial year ended March 31, 2011 there were no materially significant related party transactions with its promoters, directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large. Details of related party transactions forms part of Notes on Accounts.
- (ii) The Company has complied with all the statutory requirements comprised in the Listing Agreements / Regulations / Guidelines / Rules of the Stock Exchanges / SEBI / other Statutory Authorities.

- (iii) There were no instances of Non-compliances by the Company nor have penalties, strictures been imposed by the Stock Exchanges or SEBI or any other Statutory Authority since Incorporation of the Company on any matter related to Capital Markets.

9. Code of Conduct :

In compliance with the Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has adopted a Code of Business Conduct and ethics for its Board of Members and Senior Management Personnel, a copy of which is available at the Company's website, www.pioneerdistilleries.com. All the members of the Board and senior management personnel had affirmed compliance with the Code for the year ended March 31, 2011 and a declaration to this effect signed by the Manager is forming part of this report.

10. Means of Communication :

The unaudited and half yearly results are sent to all the Stock Exchanges where the shares of the Company are Listed. The results are normally published in "Financial Express" (English Daily) and "Andhra Prabha" (Telugu Daily). The results are displayed on the Company's website www.pioneerdistilleries.com.

The Company has designated an exclusive Email Id viz. santhoshkirti@gmail.com to enable the investors to post their grievances and monitor its redressal.

11. Management Discussion and Analysis Report :

Management Discussion and Analysis Report is appended and forms an integral part of this Annual Report.

12. General Shareholder Information :

i) Annual General Meeting

Date and Time: At 12.30 p.m. on Friday the September 16, 2011

Venue: Residency Hall, Hotel Green Park, Begumpet, Hyderabad – 500016

ii) Financial Calendar (tentative)

The financial year of the Company begins from April 1 to March 31. The following is the tentative financial calendar for the financial year 2011-12 of the Company, which is subject to change:

1 st Quarter results by	Within 45 days from the end of the quarter
2 nd Quarter /Half-year results by	Within 45 days from the end of the quarter
3 rd Quarter results by	Within 45 days from the end of the quarter
4 th Quarter results by	Within 45 days from the end of the quarter

iii) Date of Book Closure

The dates of book closure are from September 13, 2011 to September 16, 2011 (both days inclusive).

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

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

The Annual listing fees for the year 2010-11 & 2011-12 has been paid by the Company to the respective stock exchanges.

v) Stock Code

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

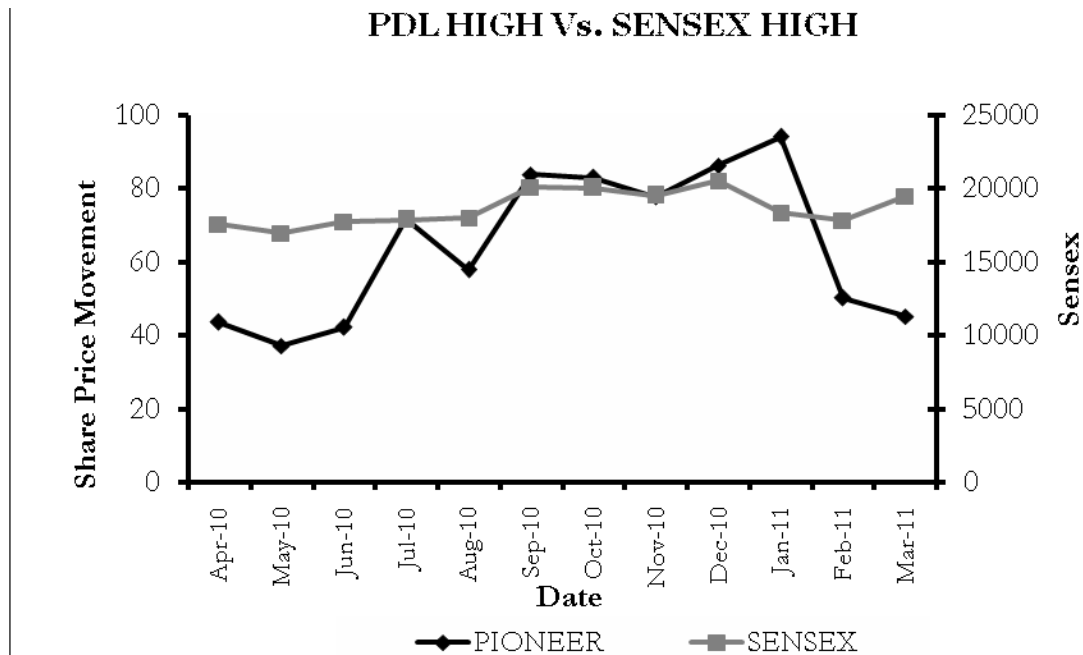
vi) Market Price Data

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

Month	High (Rs)	Low (Rs)
April 2010	48.00	38.05
May 2010	45.90	34.00
June 2010	48.75	34.10
July 2010	71.55	41.15
August 2010	74.70	54.85
September 2010	88.00	57.05
October 2010	87.00	82.40
November 2010	85.30	77.00
December 2010	87.50	74.10
January 2011	94.00	86.35
February 2011	94.00	50.20
March 2011	52.65	44.00

Source: www.bseindia.com

vii) Share Price Performance in comparison with BSE Sensex



viii) Registrar and Transfer Agents

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

Venture Capital and Corporate Investments Private Ltd,

Regd. Off: 12-10-167, Bharat Nagar,

Hyderabad -500 018.

Ph: 040-23818475/23818476/23868023,

Fax: 040-23868024

Email: info@vccilindia.com

Website: www.vccilindia.com

ix) Share Transfer System

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

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

x) Distribution of Shareholding as on March 31, 2011

Share holding of nominal value of			Share Holders		Share Amount	
Rs	(1)	Rs	Number (2)	% to Total No.s (3)	In Rs. (4)	% to Total Amount(5)
Upto	to	5,000	2496	81.94	31,51,430	2.35
5,001	to	10,000	318	10.44	28,74,880	2.14
10,001	to	20,000	118	3.87	19,55,980	2.32
20,001	to	30,000	45	1.47	11,40,140	0.85
30,001	to	40,000	17	0.55	6,33,320	0.47
40,001	to	50,000	18	0.59	8,72,010	0.65
50,001	to	1,00,000	9	0.29	6,66,430	0.49
1,00,001	And	Above	25	0.82	12,25,87,540	91.56
TOTAL			3046	100.00	13,38,82,000	100

Shareholding Pattern as on March 31, 2011

Category	No. of shares held	Percentage of Shareholding
Promoters	73,22,380	54.69
Banks, Financial Institutions	4,776	0.04
Companies (Central/State Govt. Institutions/Non- Govt. Institutions)	—	—
FII's	—	—
Private Corporate Bodies	36,44,914*	27.22
Indian Public	9,62,282	7.18
NRI's & FCB's	14,53,848	10.87
Total	1,25,88,200	100.00

***Notes:** 1. Body Corporates includes PDL OPEN OFFER – BSPL ESCROW A/C consisting of 25,09,404 equity shares to be acquired by the United Spirits Limited (i.e. the Acquirer) under Open Offer made pursuant to Regulations 10 & 12 and other applicable provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (as amended to date). The above said shares have since been transferred to the Acquirer.

2. Body Corporates also includes 9,77,212 equity shares acquired by the United Spirits Limited (i.e. the Acquirer) through Open market amounting to 7.30% of the total paid up equity capital of the Company pursuant to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

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

xii) Dematerialization of Shares and Liquidity

The Company has entered into tripartite agreements with NSDL and CDSL and Venture Capital and Corporate Investments Private Limited in accordance with the SEBI Guidelines.

90.48 % of the Company's paid-up capital has been dematerialized as on March, 31 2011. The trading of equity shares of the Company is permitted only in dematerialized form as per the notification issued by SEBI.

Total shares in Demat and Physical form			
Category	No. of Holders	Total Shares	% to Equity
NSDL	1860	9238486	69.00
CDSL	994	2875343	21.48
PHYSICAL	192	1274371	9.52
TOTAL	3046	13388200	100.00

- xiii) There are no outstanding GDR's/ADR's Warrant or any Convertible Instruments.
- xiv) Plant Location: The factory of the Company is located at Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra-421809.
- xv) Address for correspondence:

S No.	Shareholders Correspondence for	Addressed to
1.	Transfer / Dematerialization / Consolidation / Split of shares, Issue of Duplicate Share Certificates, Non-receipt of dividend etc., change of address of Members and Beneficial Owners and any other query relating to the shares of the Company.	Venture Capital and Corporate Investments Private Limited Regd Off: .12-10-167, Bharat Nagar, Hyderabad -500 018. Tel: 040-23818475/76 Fax: 040-23868024 Email: info@vccilindia.com
2.	Investor Correspondence / Queries on Annual Report, Revalidation of Dividend Warrants, Sub-Division, etc.	Santhosh Kumar Keerthi Company Secretary "UB HOUSE", Plot No. 36, Street No.4, Srinagar Colony, Hyderabad – 500 073, (A.P) Ph no: 040 6674 7388 Fax: 040 6674 7359 Email: santhoshkirti@gmail.com

xvi) CEO / CFO Certification

The certification as per Clause 49(V) of the Listing Agreement submitted by the Manager (CEO) & Chief Financial Officer of the Company to the Board of Directors forms part of the Annual Report.

xvii) With regard to non-mandatory requirements

1	Chairman of the Board	The expenses incurred by the Chairman in performance of his duties have not been reimbursed
2	Shareholders Rights	The Company's quarterly results are being published in Financial Express and Andhra Prabha Newspapers having adequate circulation. Hence the same are not sent to the shareholders.
3	Audit Qualifications	The Report of the Auditors on the Financial Statements for the year ended March 31, 2011 does not contain any qualification or adverse remark.
4	Training of the Board Members	The Board may consider imparting training as and when the need arises.
5	Mechanism for evaluating Non-Executive Members of the Company	The Board may consider adopting such requirement in future.
6	Whistle Blower Policy	The board may consider adopting a separate mechanism for Whistle Blower Policy in future.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Pioneer Distilleries Limited

I have examined the compliance of conditions of Corporate Governance by Pioneer Distilleries Limited, Hyderabad for the period ended 31st March 2011 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 N G RAO & ASSOCIATE
Chartered Accountant

Place: Hyderabad
Date:05-08-2011

G. Nageswara Rao
Partner
Membership No.207300.
Firm Reg No. 09399S

CEO / CFO CERTIFICATION

In terms of the requirements of Clause 49, the certificate from CEO/CFO have been obtained.

**Pratip Sen
Manager**

Place: Hyderabad
Date : August 05, 2011

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirements of Clause 49 of the Listing Agreement, the Code of Conduct as approved by the Board of Directors of the Company on 28 January, 2005, has been displayed at the Company's website www.pioneerdistilleries.com. All the members of the Board and the Senior Management Personnel had affirmed compliance with the Code for the year ended March 31, 2011.

For **PIONEER DISTILLERIES LIMITED**

**Pratip Sen
Manager**

Place: Hyderabad
Date : August 05, 2011

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

BUSINESS REVIEW

The Company's business activity falls within a single primary business segment i.e., Alcohol and Alcohol related products. The Company is running a 160 KLPD Extra Neutral alcohol (ENA) manufacturing facility at Dharmabad Taluk, Nanded District, Maharashtra. The other products of the Company are Absolute Alcohol (Ethanol) and Rectified Spirit/Special Denatured Spirit. The Company also produces commercial grade Carbon-di-oxide from the gas released out of the fermentation process. With 7.825 MW electricity generation facility, the Company uses 3.1 MW generated from the steam turbine for captive consumption and 4.725 MW to be generated out of Biogas, for sale to Grid. All these facilities are supported by a state of the art effluent treatment plant recently installed; the Company has also installed an evaporator suitable for a standalone distillery unit to ensure zero pollution.

INDUSTRY, STRUCTURE AND DEVELOPMENT

ALCOHOL

Indian Made Foreign Liquor has a steady demand with a growth rate of about 10 per cent per annum. The industrial alcohol industry on the other hand, is showing a declining trend because of high price of Molasses which is invariably used as substrate for production of alcohol. The alcohol produced is now being utilized in the ratio of approximately 92 per cent for potable and the balance 8 percent for industrial use. Over the years, the potable liquor industry has shown remarkable results in the production of quality spirits. Indian Liquor Industry is today exporting a sizable quantity of Indian Liquor products to other countries.

CO₂ (CARBON-DI-OXIDE)

The Alcoholic fermentation results in the emission of carbon dioxide. Normally this carbon dioxide is let off into the atmosphere as waste from the production process. Your Company 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.

RAW MATERIAL FOR MANUFACTURING ALCOHOL AND ETHANOL

In India production of alcohol, is mainly from molasses and also from grains like maize, starch, broken rice, corn grain, sweet sorghum, tapioca and sugar beet which are also equally getting importance, as the climatic conditions are conducive for such type of agricultural crops..

Your Company has explored the possibilities of using grains as the raw material for the production of Alcohol and has set up a 60 KLPD Grain Based Alcohol facility and commissioned the project by 25th Dec-2010.

POWER GENERATION FROM BIO-MASS AND BIO-GAS

Bio-gas is a valuable by-product in waste management system in alcohol manufacturing and can be converted into low cost, eco friendly energy due to its adequate calorific value. The Company is utilizing Bio-gas as the fuel for cogeneration of power as Bio-gas is also a renewable source of fuel and does not contribute to greenhouse gasses. The company had commissioned 4.725 MW Biogas based power plant. The Biogas Power plant is eligible for subsidy under the Ministry of New and Renewable Energy.

EXPANSION PLANS UNDER IMPLEMENTATION

MALT SPIRITS PLANT AND IMFL BOTTLING: The Company is planning to install a 12 KLPD Malt spirits plant by March 2012. The company is also planning to install IMFL bottling plant with capacity of 100000 cases/month in first phase by 31st Dec-2011 and it shall be expanded to 400000 Cases/month in phases for which LOI has been obtained.

RISKS & CONCERNS, OPPORTUNITIES & THREATS

The proposal to use barley as raw material for the manufacture of Malt Spirit has been explored and it is proposed to set up a separate Malt Spirit Facility at the factory premises. The branded bottled alcohol market which is a logical extension of the existing business offers a huge value addition opportunity.

Availability of Molasses/Grain, the basic raw material for Alcohol production at reasonable prices has put pressure on the profitability of the Company. Delays in execution and commissioning of the new projects would impact the performance of the Company. Any drastic change in the policies of the Government and pollution laws can be considered as possible threats to the industry.

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

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

FUTURE OUTLOOK

Keeping in view the emerging demand for Grain Based Alcohol, the Company has already installed Grain Based facility. Plans are afoot to install a fresh production facility for Malt Spirit shortly. The Company also proposes to set up an IMFL Bottling plant. Both these facilities will come on stream during the fiscal 2011-12.

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

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

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

PRODUCT-WISE PERFORMANCE

The product wise performance of the Company is given hereunder:

- (i) Rectified Spirit (RS): Production of RS during the financial year 1st April 2010 to 31st March, 2011 has been of the order of 12013143 Lts.
- (ii) Extra-Neutral Alcohol (ENA): Production of molasses ENA during the financial year 1st April 2010 to 31st March, 2011 has been of the order of 10132017 Lts and production of grain ENA 3479561 BL.
- (iii) Absolute Alcohol (Ethanol): Production of Absolute Alcohol during the financial year 1st April 2010 to 31st March, 2011 has been of the order of Nil.
- (iv) Carbon-di-Oxide(CO₂): Production of Carbon-di-Oxide(CO₂) during the financial year 1st April 2010 to 31st March, 2011 has been of the order of 1136245 KG
- (v) Technical Alcohol (Faint Spirit): Production of Technical Alcohol from Molasses during the financial year 1st April 2010 to 31st March, 2011 has been of the order of 336481 Lts and from Grain plant it is 100898 BL.
- (vi) Special Denatured Spirit (SDS): Production of Special Denatured Spirit during the financial year 1st April 2010 to 31st March, 2011 has been of the order of 694000 Lts.

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. 5568.91 Lacs with a Loss after tax of Rs. 2910.84 Lacs. This loss has been owing to high price and insufficient availability of molasses during the first half of the financial year under review.

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

INTERNAL CONTROL SYSTEMS AND ADEQUACY

Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. The internal control system is supplemented by effective monthly Internal Audit. The internal control system provides reasonable assurance that the transactions are properly recorded and are executed in accordance with proper management authorization and that the assets are safeguarded against loss from unauthorized use or disposition and that the accounting records are adequate for preparation of financial statements and other financial information. The top management and the Audit Committee of the Board of Directors regularly review the findings, recommendations and functions of Internal Auditors. The Company has appointed Practising Chartered Accountants as Internal Auditors.

HUMAN RESOURCES

The Company's Human Capital is now 337 employees including Factory Workmen. There has been no loss of production at any of the manufacturing facilities due to industrial unrest.

FORWARD LOOKING STATEMENTS

This Report contains forward-looking statements that involve risks and uncertainties. Your Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from these expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

By Authority of the Board

Place: Hyderabad
Date: August 05, 2011

P A MURALI
Chairman

Auditors' Report

We have audited the attached balance sheet of M/s. PIONEER DISTILLERIES LIMITED, as at 31st March, 2011, and the profit and loss account for the period ended on that date annexed thereto and the cash flow statement for period ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those 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 our opinion, the balance sheet, profit and loss

account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.

- v. On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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 our opinion and to the best of our information and according to the explanations given to us, 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 the Balance sheet, of the state of affairs of the company as at 31st March, 2011;
 - b. In the case of the profit and loss account, of the **Loss** of the company for the period ended on that date; and
 - c. In the case of cash flow statement, of the cash flows of the company for the period ended on that date.

For N G Rao & Associates,
Chartered Accountants

G. Nageswara Rao
Partner
Membership No. 207300
Reg.No.009399S

Place: Hyderabad
Date: 05-08-2011

Annexure to the Auditors' Report

The Annexure referred to in paragraph 2 of our report to the members of M/s Pioneer Distilleries Limited, for the period ended 31st March, 2011. We report that:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The company has a phased programme of physical verification of its fixed assets which, in my opinion, is reasonable having regard to the size of the company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by management during the year and no material discrepancies were identified during such verification.
- c) As per the information and explanation given to us on our enquiries, the disposal of assets during the year were not substantial and would not have an impact on the operations of the company.
2. The inventories have been physically verified by the management at reasonable intervals during the year and at the close of the year.
3. In our 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 loans 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 our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchases of inventory and fixed assets and for the sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal controls.
7. Based on the audit procedures performed by us and according to the information and explanations given by the management, we are of the opinion that there are no transactions that are required to be entered under section 301 of the Companies Act, 1956 have been so entered and 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 our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
10. We 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. We 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 explanation given to us and on the basis of our 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,

- customs duty, 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 us, there are no undisputed amounts of income tax, Sales tax, Wealth tax, customs duty, excise duty which are outstanding as at 31st March, 2011 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 incurred cash loss in the financial year and in the immediately preceding financial year no such cash loss. Accordingly paragraph 4(x) of the order is not applicable.
15. The company has repaid Preference shares of Life Insurance Corporation of India Ltd. for value of Rs. 65 Lakhs during the year.
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 our opinion and according to the information and explanations given to us, the Company is not a chit fund/nidhi/mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
18. In our opinion and according to the information and explanations given to us, the Company is not dealer or trader in shares, securities, debentures and other investment. Accordingly, clause 4(xiv) of the Order is not applicable.
19. According to the information and explanations given to us, the Company has not given guarantees 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 explanation given to us 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 explanation given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that no funds raised by the company on short-term basis have been, prima facie, used for long term investment.
22. The Company has not issued debentures. Accordingly, clause 4 (xix) of the Order is not applicable.
23. According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For N G Rao & Associates,
Chartered Accountants

G. Nageswara Rao
Partner
Membership No. 207300
Firm RegNo.009399S

Place: Hyderabad
Date: 05-08-2011

BALANCE SHEET AS AT 31st MARCH, 2011

	Schedule	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 Rs.
SOURCES OF FUNDS :			
Shareholders Funds :			
Share Capital	1	134194000	132694000
Share Application Money for Warrants		0	19122800
Reserves and Surplus	2	<u>122238882</u>	<u>253597827</u>
		256432882	405414627
Loan Funds :			
Secured Loans	3	661617454	969712298
Unsecured Loans	4	<u>1149907962</u>	<u>310484824</u>
Sub-total		1811525416	1280197122
Deferred Tax Liability	5	<u>120335591</u>	<u>97923667</u>
TOTAL		<u>2188293889</u>	<u>1783535417</u>
APPLICATION OF FUNDS :			
Fixed Assets :			
Gross Block	6	1788448046	797950838
Less: Depreciation		<u>298342989</u>	<u>252940123</u>
Net Block		1490105057	545010715
Capital Work in Progress		<u>37341669</u>	<u>855009608</u>
		1527446726	1400020324
Current Assets and Loans & Advances :			
Inventories	7	180345531	362821694
Sundry Debtors	8	208826204	35224826
Cash and Bank Balances	9	5456667	6635342
Loans and Advances	10	<u>268657962</u>	<u>235417897</u>
Sub-total		<u>663286364</u>	<u>640099759</u>
Less: Current Liabilities and Provisions	11	<u>142544973</u>	<u>256885584</u>
Net Current Assets		520741391	383214176
Miscellaneous Expenditure (to the extent not written off)	12	0	300918
Profit & Loss A/c		<u>140105772</u>	
TOTAL		<u>2188293889</u>	<u>1783535417</u>
Notes on Accounts	19		

As per my report of even date

For and on behalf of the Board

For N G Rao & Associates.,

Chartered Accountants

G.Nageswara Rao

Partner

Membership No : 207300

Firm Reg.No.9399S

Place: Hyderabad

Date: 5th August 2011

P.A.MURALI
Chairman**ASHOK CAPOOR**
Director**PRATIPSEN**
Manager**SANJOY SARKAR**
Chief Financial Officer**SANTHOSH KUMAR KEERTHI**
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	Schedule	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 Rs.
INCOME:			
Net Sales		506039461	465845257
Other Income	13	50851385	9399282
Increase/(Decrease) in Stocks	17	(117413842)	111581391
TOTAL		439477004	586825929
EXPENDITURE:			
Material consumed & Power and Fuel	14	502078512	329994650
Employee Remuneration	15	43972107	44342829
Other Expenses	16	65946465	86154485
TOTAL		611997084	460491964
Profit Before Interest, Depreciation and Amortisation		(172520081)	126333966
Less : Interest	18	47262834	29353897
Depreciation		48588002	38672482
Preliminary Expenses Written off		300918	480376
Profit/(Loss) for the Period		(268671835)	57827210
Less: Provision for Taxation			
Current Tax		0	12640493
Deferred Tax		22411924	13333205
Profit/(Loss) after Taxation		(291083759)	31853511
Prior Period Adjustments			
-Dividend & Dividend Tax (2009-10)		935959	0
Add: Balance brought forward from Previous Year		158738945	160783580
PROFIT AVAILABLE FOR APPROPRIATION		(133280772)	192637091
APPROPRIATIONS			
-Proposed Dividend on Preference Share Capital		0	1068750
- Proposed Dividend on Equity Share Capital		0	12648200
-Tax on Dividend		0	2331197
-Transfer to Capital Redemption Reserve		0	17000000
-Preference shares Redemption Reserve & Premium		6825000	850000
Balance Carried over to Balance Sheet		(140105772)	158738945
		(133280772)	192637091
Earning per Share - Basic (Rs.)		(22.16)	3.59
Earning per Share - Diluted (Rs.)		(22.16)	3.41

As per my report of even date

For and on behalf of the Board

For N G Rao & Associates.,

Chartered Accountants

P.A.MURALI
Chairman

ASHOK CAPOOR
Director

PRATIPSEN
Manager
G.Nageswara Rao

Partner

Membership No : 207300

Firm Reg.No.9399S

SANJOY SARKAR
Chief Financial Officer

SANTHOSH KUMAR KEERTHI
Company Secretary

Place: Hyderabad

Date: 5th August 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(pursuant to clause 32 of the Listing Agreement)

	2010-2011 Rs.	2009-2010 Rs.
A. CASHFLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before tax	(268671835)	79527948
Adjustment for		
Depreciation	48588002	38672482
Interest	47262834	29353897
Misc.exps written off	300918	480376
Provision for doubtful debts	1516541	896888
Sundry Balances written off	916283	0
Loss on sale of Vehicles	3436707	0
Profit/(Loss) on sale of Investments	(45275000)	(25097588)
	<u>(211925550)</u>	<u>123834003</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
Adjustment for		
Inventories	182476164	(190475188)
Trade and Other Receivables	(173601378)	(24367608)
Trade Payables	(114340611)	114151981
Loans and Advances	(33240066)	(34273391)
Working Capital Finance	(235978814)	19264768
CASH GENERATED FROM OPERATIONS BEFORE TAX	<u>(586610254)</u>	<u>8134565</u>
Direct Taxes paid	0	(12640493)
MAT credit reversal	0	3396851
Preference Shares Redemptiopl Premium	(6825000)	(850000)
Dividend paid	0	0
Dividend Tax paid	(935959)	(13716950)
NET CASH GENERATED FROM OPERATIONS	<u>0</u>	<u>(2331197)</u>
	(594371213)	(18007224)
CASH FLOW FROM INVESTMENT ACTIVITIES		
B. Purchase of Fixed Assets	(995039710)	(6881392)
Capital Work in Progress	817667939	(429719500)
Purchase of Investments	0	40135789
Deferred revenue expenses	0	0
Sale of Fixed Assets	0	0
	<u>0</u>	<u>(396465102)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
C. Increase in		
Share Capital	1500000	(8700000)
Capital Reserve (Profit on issue of Shares)	20880000	31802527
Share Application Money for warrants	(19122800)	7900273
Borrowings from Banks & FI	(65783595)	377659393
Unsecured Loans	839423138	28919287
Interest Paid	(6332435)	(20988243)
Net increase in cash and cash equivalents	<u>(1178676)</u>	<u>416593237</u>
Opening Balance as at 1st April, 2010	6635343	4514432
Closing Balance as at 31st March 2011	5456667	6635343

As per my report of even date

For and on behalf of the Board

For N G Rao & Associates.,

Chartered Accountants

G.Nageswara Rao

Partner

Membership No : 207300

Firm Reg.No.9399S

Place: Hyderabad

Date: 5th August 2011

P.A.MURALI
Chairman**ASHOK CAPOOR**
Director**PRATIPSEN**
Manager**SANJOY SARKAR**
Chief Financial Officer**SANTHOSH KUMAR KEERTHI**
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 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 1,75,00,000 @ Rs.10/- each)	175000000	175000000
	200000000	200000000
Issued and subscribed:		
23,50,000 - 5% Redeemable Preference Shares of Rs.10/- each	0	6500000
1,33,88,200 - Equity Shares of Rs.10/- each (Previous year 1,26,50,600 @ Rs.10/- each)	133882000	126506000
	133882000	133006000
Paid up:		
23,50,000 - 5% Redeemable Preference Shares of Rs.10/- each	0	6500000
1,33,88,200 - Equity Shares of Rs.10/- each (Previous year 1,25,88,200 @ Rs.10/- each) (8,00,000 shares issued on 24.10.2010 @10/- each) (Forfeited Shares(62,400 @Rs.5/- each))	133882000	125882000
	312000	312000
	134194000	132694000
SCHEDULE 2 : RESERVES AND SURPLUS		
Share Premium Account (8,00,000 shares issued on 24.10.2010 premium @ 26.10 each)	62126600	41246600
Capital Reserve	18706527	18706527
General Reserve	17905755	17905755
Capital Redemption Reserve	23500000	17000000
Profit & Loss Account balance	0	158738945
	122238882	253597827
SCHEDULE 3 : SECURED LOANS		
Term Loan - SBM - II	0	1048523
Term Loan - SBM -Power Project	254126507	322987079
Term Loan - SBM - 60KLPD Grain Distillery	259975000	251475000
Term Loan - SBIN	0	4374500
Interest Accrued and Due	5723937	12056372
Working Capital Loan from IOB	0	201799944
Working Capital Loan from SBM	141792010	175970880
	661617454	969712298
SCHEDULE 4 : UNSECURED LOANS		
Sales Tax Deferment	285110836	287806027
From Directors and Their Associates	864797126	22678797
	1149907962	310484824
SCHEDULE 5 : DEFERRED TAX		
Defferred Tax Liability	97923667	84590462
Add: Timing Difference originating during the year	22411924	13333205
	120335591	97923667

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET											
AS AT 31st MARCH 2011											
SCHEDULE 6: FIXED ASSETS											
(Amount in Rs.)											
PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 31/03/2010 Rs.	Additions Rs.	Deductions Rs.	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.	For the Year Rs.	Deductions Rs.	As at 31/03/2011 Rs.	As at 31/03/2011 Rs.	As at 31/03/2010 Rs.	
Land	39387345	0	0	39387345	0	0	0	0	39387345	39387345	
Factory Buildings	41502483	0	0	41502483	14434431	1386183	0	15820614	25681869	27068052	
Non-Factory Buildings	30233867	0	0	30233867	5037746	492812	0	5530558	24703309	25196121	
Plant & Machinery	618169389	987172521	0	1605341910	201941650	41959842	0	243901492	1361440418	416227739	
Furniture and Fittings	1714055	0	428514	1285541	825843	108500	224594	709748	575793	888212	
Office Equipment	2768820	146564	692205	2223179	1308205	227736	349031	1186910	1036269	1460615	
Electrical Equipment	9441263	25006	0	9466269	5034942	450382	0	5485324	3980945	4406321	
Vehicles	10103576	1383494	7037556	4449514	4614215	781238	2055328	3340126	1109388	5489361	
Tools and Tackles	1550329	0	0	1550329	857967	73641	0	931607	618722	692362	
Generator	2444801	3248597	0	5693398	969752	274026	0	1243778	4449620	1475049	
Water Supply and Treatment Plant	26185464	7339251	0	33524715	10945097	1684478	0	12629575	20895140	15240368	
Secondary Treatment Plant	7259741	0	0	7259741	3981720	383314	0	4365034	2894707	3278021	
Lab Equipment	330479	0	0	330479	155096	15698	0	170794	159685	175383	
Fire Fighting and Safety Equipment	457005	0	0	457005	133679	21708	0	155387	301618	323326	
Computers	3154268	69360	788567	2435061	1882924	522519	556182	1849262	585799	1271344	
Misc. Items	3247953	59257	0	3307210	816857	205924	0	1022782	2284428	2431096	
TOTAL	797950838	999444050	8946842	1788448046	252940123	48588002	3185135	298342989	1490105056	545010715	
Previous Year	791069446	6881392	0	797950838	214267641	38672482	0	252940123	545010715	576801805	
Capital Work-in-Progress									37341669	855009608	

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 Rs.
SCHEDULE 7: INVENTORIES		
Stores and Spares	11694473	11594185
Raw Material	102803002	167965611
Stocks under Process	0	33920958
Finished Goods	65848056	149340940
	<u>180345531</u>	<u>362821694</u>
SCHEDULE 8: SUNDRY DEBTORS		
(Unsecured)		
Outstanding for more than six months	8102720	896888
Other Debtors	202240025	35224826
	210342745	36121714
Less: Provision for doubtful debts	1516541.4	896888
	<u>208826204</u>	<u>35224826</u>
SCHEDULE 9: CASH AND BANK BALANCES		
Cash in hand	3117800	3516779
Balance with scheduled banks		
In current accounts	1973013	883007
In deposit accounts	365854	2235556
	<u>5456667</u>	<u>6635342</u>
SCHEDULE 10: LOANS AND ADVANCES		
(Unsecured and Considered good)		
Advance - Raw material	24698122	12310067
Advance - Stores and Consumables	1469717	891234
Advance - Others	419737	17113089
Prepaid Expenses	3378922	2801797
Deposits	1862560	9042862
Balances with Excise Department	101671367	75432441
Sales tax Recivable	95755423	84018793
Advance Tax paid	19800126	14205625
MAT credit	19601988	19601988
	<u>268657962</u>	<u>235417897</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 Rs.
SCHEDULE 11 :		
CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Creditors - Capital Goods	30503048	93626126
Creditors - Raw Material & Chemicals	26770381	30618586
Creditors - Stores and Spares	7938868	6343374
Creditors - Others	4427163	3237115
Creditors - Transporters	11446386	5066297
Creditors - Expenses	16944783	12113484
Trade Deposits		
	3529904	49661961
Total - A	101560532	200666943
B. Provisions		
Provision for Taxation	40984441	40984441
Provision for Preference Dividend		325000
Provision for Equity Dividend		12588200
Distribution Tax		2321000
Total - B	40984441	56218641
Total (A + B)	142544973	256885584
SCHEDULE 12 :		
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF)		
Preliminary Expenses not written off	300918	781294
Add: Expenses incurred during the year	0	0
Less: Preliminary Expenses written off	300918	480376
	0	300918

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 Rs.
SCHEDULE 13 :		
OTHER INCOME		
Interest on Fixed Deposits	563899	230989
Sale of Husk Ash	1507339	794475
Profit on sale of asset	289760	0
Profit on sale of Land	20525000	0
Misc. Income - Sale of Jawar	24750000	0
Dividend received	0	6000
Sale of Gunny Bags	530420	
Misc. Income	2684967	8367818
	<u>50851385</u>	<u>9399282</u>
SCHEDULE 14 : RAW MATERIAL CONSUMPTION		
Molasses Consumption		
Opening Stock	155086387	85539991
Add: Purchases	250664730	285262671
Less: Closing Stock	69375524	155086387
Consumption of Molasses	336375594	215716275
Grains Consumption		
Opening Stock	0	0
Add: Purchases	66416569	0
Less: Closing Stock	29005101	0
Consumption of Grains	37411467	0
Broken Rice Consumption		
Opening Stock	0	
Add: Purchases	30621153	
Less: Closing Stock	1145089	
Consumption of Broken Rice	29476064	
Reversal of Excise duty paid on Molasses	26814412	37693554
Chemicals Consumed	10933195	4862520
Consumption of Raw Material	<u>441010731</u>	<u>258272349</u>
Power & fuel	61067781	71722301
Total consumption of Raw-Material & Power and Fuel	<u>502078512</u>	<u>329994650</u>
SCHEDULE 15 :		
EMPLOYEE REMUNERATION		
Salaries and Wages	22922841	21820340
Directors' Remuneration	13372666	17520000
Contribution to PF and other Funds	3314056	2651918
Other Welfare Expenses	4362544	2350571
	<u>43972107</u>	<u>44342829</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 Rs.
SCHEDULE 16 :		
OTHER EXPENSES		
[Manufacturing Expenses]		
Repairs and Maintenance	23171891	24468610
Ash Removing Expenses	3768986	3720289
Stores and Spares	3106987	4454020
[General and Administrative Expenses]		
Rent	2476800	858246
Rates and Taxes	2479953	2272387
Insurance	2974251	1862072
Bank Charges	697191	2610654
Travelling and Conveyance	1441070	3943420
Office Maintenance	2057934	2549949
Books and Periodicals	3732	35818
Printing and Stationery	753538	599187
Sundry Expenses	1179248	485305
Communication Cost	1173357	1148619
Safety and Security	4221223	4151593
Legal and Professional	2505690	2112674
Supervision Charges	3220799	1264910
Hire Charges	673933	503966
Sales Promotion Expenses	6000	558244
Directors' Sitting Fee	328000	592000
Auditors' Remuneration: As Auditors	100000	50000
For tax audit	25000	22500
For Certifications and taxation matters	121791	168600
Board Meeting Expenses	66285	54073
Advertisement	636423	649256
Loss on Sale of Vehicle	3436707	0
Loss on Sale of Investments	0	25097588
Sundry Balances written off	0	9404
Charity and Donations	208035	3872196
Vehicle Maintenance	556504	538868
Provision for doubtful debts	1516541	896888
MAT credit Adjustment	0	(3396851)
Sales Tax 2004-05& 2009-10	988234	
Income Tax 2007-08	290116	
Service Tax	1405171	0
Chit Loss	355075	0
TOTAL	65946465	86154485

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year Ended 31st March 2011 Rs.	Year Ended 31st March 2010 Rs.
SCHEDULE 17:		
(INCREASE)/DECREASE IN STOCKS		
Opening Stock Finished Goods	149340940	62139866
Work-in-Process	33920958	9540641
Closing Stock Finished Goods	65848056	149340940
Work-in-Process	0	33920958
(Increase)/ Decrease in stocks	117413842	(111581390)

SCHEDULE 18:**INTEREST**

On Term Loans to Banks and Institutions	9429764	7441316
On Working Capital Loans to Banks & Others	37833070	21912581
	47262834	29353897

As per my report of even date
For N G Rao & Associates.,
 Chartered Accountants

G.Nageswara Rao
 Partner
 Membership No : 207300
 Firm Reg.No.9399S

Place: Hyderabad
 Date: 5th August 2011

For and on behalf of the Board

P.A.MURALI
 Chairman

ASHOK CAPOOR
 Director

PRATIPSEN
 Manager

SANJOY SARKAR
 Chief Financial Officer

SANTHOSH KUMAR KEERTHI
 Company Secretary

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 | : | At Cost |
| b) Finished Goods | : | Net realizable value |
| c) Stores & Spares | : | At Cost |
| d) Work-in-process | : | Cost of Raw Material Plus proportionate overheads |

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 except full time directors. In case of full time directors, gratuity liability is provided as per agreed terms.
- iii) Leave encashment: Leave encashment cost which is a defined benefit is accrued on actual valuation at the balance sheet date.

l) **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.

2. Segment Reporting :

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

3. Related Party disclosures :

a) Names of Related Parties & relationship

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

b) Transactions with related parties :

Name of the Related Party	Pioneer Infra Ventures Ltd	Pioneer Gas Power Ltd	K. Sudhir Rao	K. Suhan Rao
Description of the Relationship between the parties	Associate	Associate	Key Management Personnel (VC)	Key Management Personnel (MD)
Volume of the transactions Either as an amount or as appropriate proportion	Rs.1,09,12,529 For civil works at factory	Rs.15,23,58,364 Unsecured loan/ICD	NIL	NIL
Any other elements of the Related party transactions	NIL	Rs. 22,25,974 Interest on ICD	NIL	NIL
The amounts or appropriate Proportions of outstanding items pertaining to related parties at the Balance Sheet date	NIL	Rs.4,15,48,877 Unsecured Loan/ICD	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/payable -to key management personnel during the period ended 31st March 2011.

Name	Salary BASIC	HRA	Gratuity	(figures in Rs.) Total
K. SUDHIR RAO	37,16,333	2,50,000	27,20,000	66,86,333
K. SUHAN RAO	37,16,333	2,50,000	27,20,000	66,86,333
TOTAL	74,32,666	5,00,000	54,40,000	1,33,72,666

4. Income Tax :

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

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

Deferred tax liability:

(Amount in Rs.)

Particulars	FY 10-11	FY 09-10
Opening Deferred Tax Liability	9,79,23,667	8,45,90,462
Add: Tax effect of timing differences originating during the year	2,23,92,648	1,33,33,205
Closing Deferred Tax Liability	12,03,16,315	9,79,23,667

5. Secured Loans :

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

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

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

- b) Working Capital loan :
Cash credit facility with State Bank of Mysore 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. The company has not received the intimation from the suppliers regarding their status under the Micro, Small and Medium enterprises development Act, 2006 and hence disclosures, if any relating to amounts unpaid as at year end and together with interest paid /payable as required under the said Act have not been given

8. Contingent Liabilities :

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

9. 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.	
	31.3.2011	31.3.2010
Cash-in-hand	31,17,800	35,16,779
Bank Balances:	19,73,013	8,83,007
In Deposit accounts	3,65,854	22,35,556
(BG margin money)	54,56,667	66,35,342

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

	<u>2010-11</u> Qty (in lakh Ltrs)	<u>2009-10</u> Qty (in lakh Ltrs)
<u>Molasses Distillation Plant</u>		
Installed Capacity *	365.00	365.00
Alcohol (Ltrs)		
Actual Production	120.13	126.64
Alcohol (Ltrs)		
<u>Grain Distillation Plant</u>		
Installed Capacity *	219.00	NA
Alcohol (Ltrs)		
Actual Production	21.52	NA
Alcohol (Ltrs) *		

- Grain based distillation plant Commercial production has been commenced on 25.12.2010 with installed capacity of 60 KLPD.
- The figures are as certified by the management and not verified by the Auditors, being a technical matter.

	<u>2010-11</u>		<u>2009-10</u>	
	Qty (in lakh Ltrs)	Value(Net) (in lakh Rs)	Qty (in lakh Ltrs)	Value(Net) (in lakh Rs)
a. Turnover				
ENA	116.29	3375.65	103.52	4234.88
RS	0	0	0.01	0.27
SDS	6.68	112.07	11.16	234.39
ETHANOL	0.23	6.31	5.25	158.29
FO	0	0	0.05	0.86
Co2 (Kgs)	11.36	34.09	9.61	29.76
MS/SS sheets		1488.38	0	0
Fish Feed		43.89	0	0
B. Opening Stock of Finished Goods :				
ENA	16.52	668.08	6.91	195.52
RS	19.18	775.72	12.03	340.40
SDS	0.40	16.02	2.94	83.30
FO	0.00	0.00	0.00	0.00
ETHANOL	0.83	33.59	0.08	2.18

C. Closing stock of Finished Goods:

ENA	6.16	183.72	16.52	668.08
RS	14.46	390.29	19.18	775.72
SDS	3.15	70.27	0.40	16.02
FO	0.00	0.00	0.00	0.00
Ethanol	0.57	14.20	0.83	33.59

d. Consumption of Material:

i) Molasses (M.T)

Opening Stock	17975	1550.86	12210	855.40
Purchases	62447	2506.65	52286	2852.63
Consumption	64591	3363.76	46521	2157.16
Closing Stock	15831	693.76	17975	1550.86

ii) Grains - Jowar (M.T)

Opening Stock	0	0	0	0
Purchases	7387	664.17	0	0
Consumption	4161	374.11	0	0
Closing Stock	3226	290.05	0	0

iii) Broken Rice (M.T)

Opening Stock	0	0	0	0
Purchases	2997	306.21	0	0
Consumption	2886	294.76	0	0
Closing Stock	111	11.45	0	0

iv) Rice Husk (M.T)

Opening Stock	4775	112.51	1525	35.02
Purchases	25312	390.81	22837	640.71
Consumption	29438	485.09	19587	563.21
Closing Stock	649	18.24	4775	112.51

11. There are no foreign exchange earnings and outflows during the year.
12. The Company's liability on Sales Tax Deferment provision made up to the year 2009-10 is Rs. 2,878.06 lakhs under the head Unsecured Loans (Schedule 4) which has been collected under deferral scheme of Maharashtra State Government and is repayable in 14 years starting from the end of the 10th year i.e 2010-11. During the year 2010-11 the company has repaid its 1st instalment of Rs.26,95,191.

13. Earning Per Share :	2010-11	2009-10
Calculation of weighted average no. of Equity shares of Rs.10/- each:		
Number of equity share at the beginning of the year	1,25,88,200	1,17,58,200
Number of 5% Preference shares issued durixng the year	0	0
Number of equity shares issued during the year	8,00,000	8,30,000
Number of shares outstanding at the end of the year		
5% Preference Shares	0	6,50,000
Weighted average Equity Shares	1,31,36,145	1,25,88,200
 b. Net profit after tax (Rs.)	 (29,10,83,759)	 4,51,86,718
 c. Basic earnings per share of Rs. 10/- each	 (22.16)	 3.59
 d. Diluted Earnings per share	 (22.16)	 3.41

14. Paisa rounded off to nearest rupee.

15. Previous years figures have been regrouped or reclassified wherever necessary to be in conformity with the current year's classification.

16. Schedules 1 to 19 form an integral part of the Balance Sheet and Profit and Loss Account.

As per my report of even date

For and on behalf of the Board

For N G Rao & Associates.,

Chartered Accountants

P.A.MURALI
Chairman

ASHOK CAPOOR
Director

PRATIPSEN
Manager

G.Nageswara Rao

Partner

Membership No : 207300

Firm Reg.No.9399S

SANJOY SARKAR
Chief Financial Officer

SANTHOSH KUMAR KEERTHI
Company Secretary

Place: Hyderabad

Date: 5th August 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration details**

Registration No.	55108.00
Balance sheet date	31st March 2011

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

Public issue	Nil	Rights issue	80.00
Bonus Shares	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amounts in Rs.Lakhs)

Total Liabilities	21882.94	Total Assets	21882.94
Source of Funds:			
Paid-up Capital	1341.94	Reserves and Surpluses	2425.74
Secured Loans	6616.17	Unsecured Loans	11499.08
Application of Funds:			
Net Fixed Assets	15274.47	Investments	0.00
Net Current Assets	5207.41	Miscellaneous Expenses	0.00
Accumulated deficit	1401.06	Deferred tax	0.00

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

Total Income	5568.91	Total Expenditure	7294.11
Profit before Tax	2686.72	Profit after Tax	(2910.84)
Earnings per Share (In Rs.)	22.16	Dividend (%)	0.00

V. Generic Names of three Principal Products of the Company (as per monetary terms)

1. Item Code No. (ITC Code)		
Product Description	220.00	EXTRANEUTRALALCOHOL

As per my report of even date

For and on behalf of the Board

For N G Rao & Associates.,

Chartered Accountants

G.Nageswara Rao

Partner

Membership No : 207300

Firm Reg.No.9399S

Place: Hyderabad

Date: 5th August 2011

P.A.MURALI
Chairman**ASHOK CAPOOR**
Director**PRATIPSEN**
Manager**SANJOY SARKAR**
Chief Financial Officer**SANTHOSH KUMAR KEERTHI**
Company Secretary

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