

Pioneer Distilleries Limited

Regd. Office: 'UB House', Plot No.36, Street No.4, Srinagar Colony, Hyderabad 500 073



NOTICE IS HEREBY GIVEN OF THE NINETEENTH ANNUAL GENERAL MEETING of the Company to be held at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016, on Monday, August 27, 2012 at 12.30 p.m. for the following purposes:

1. To receive and consider the accounts for the year ended March 31, 2012 and the reports of the Auditors and Directors thereon;
2. To elect a Director in the place of **Mr. P.A. Murali**, who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint Auditors and to fix their remuneration.

By Order of the Board,

Place: Bangalore
Date: May 24, 2012

SANTHOSH KUMAR KEERTHI
Company Secretary

NOTES:

1. **A SHAREHOLDER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT MAY APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF ONLY ON A POLL. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for holding of the meeting.

2. The Transfer Books and Register of Members will remain closed from Friday, August 24, 2012 to Monday, August 27, 2012 (both days inclusive).
3. Members are requested to intimate immediately to the Company's Registrars and Transfer Agents, M/s. Venture Capital and Corporate Investments Private Limited, Regd. Office: 12-10-167, Bharat Nagar, Hyderabad 500 018, in case of physical form and to their respective Depository Participants, in case of shares held in dematerialized/electronic form:
 - a. any change in their registered addresses along with PIN Code Number;
 - b. details about their email addresses, if any, so that all notices and other statutory documents which are required to be sent to the Members, as per the provisions of the Companies Act, 1956, can be sent to their email addresses, as a measure of "Green Initiative" introduced by the Ministry of Corporate Affairs (MCA); and



Notice (Contd.)

- c. details about their bank account number, name of the bank, bank's branch name and address to enable the Company to draw dividend warrant payable accordingly.
4. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
5. Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note No. 3 above.
6. Nomination facility for shares is available for members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents, at the address as stated in Note No. 3 above.
7. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members having the physical share certificates are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerialising their shareholdings in the Company.
8. In terms of Section 205A and 205C of the Companies Act, 1956, the amount of dividend declared for the financial year 2006-07 and thereafter remaining unclaimed for a period of seven years from the due date of payment shall hereafter be transferred to the Investor Education and Protection Fund on the respective due dates.
9. Members may kindly note that once the Unclaimed/Unpaid Dividend is transferred to the Fund, no claim shall lie against the Fund or the Company in respect of the individual amounts which were Unclaimed and Unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.
10. Members attending the Annual General Meeting are requested to bring with them the following:
 - a. Members holding shares in dematerialized form, their DP & Client ID Number.
 - b. Members holding shares in physical form, their Folio Numbers.
 - c. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.
 - d. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.



Notice (Contd.)

The Company would accept only the Attendance Slip from a member actually attending the Meeting; or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the Meeting. Attendance Slips of Members/valid proxies not personally present at the Meeting, or relating to Proxies which are invalid, will not be accepted from any other member/person.

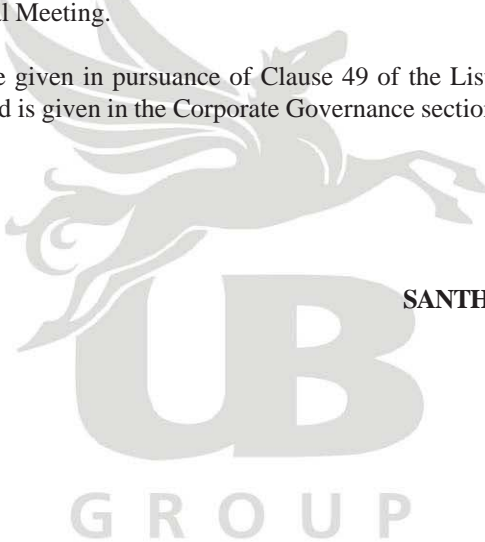
The Meeting is for members or their proxies only. Please avoid being accompanied by non-members/children.

11. The Company has designated an exclusive email id viz., pdlinvestor@ubmail.com to enable the investors to post their grievances and monitor its redressal.
12. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
13. The details required to be given in pursuance of Clause 49 of the Listing Agreement in case of Director being reappointed is given in the Corporate Governance section of the Annual Report.

By Order of the Board,

Place: Bangalore
Date: May 24, 2012

SANTHOSH KUMAR KEERTHI
Company Secretary



Pioneer Distilleries Limited

Regd. Office: 'UB House', Plot No.36, Street No.4, Srinagar Colony,
Hyderabad 500 073



PROXYFORM

Folio No. / Client ID:

DPID:

I/We _____ being a member of Pioneer Distilleries Limited hereby appoint Mr./Ms._____ of _____ or failing him _____ of as my/our proxy to vote for me/us on my/our behalf for or against any resolution, at the Nineteenth Annual General Meeting of the Company to be held at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016 on Monday, August 27, 2012 at 12.30 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2012

Affix
Rs.1/-
Revenue
Stamp

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

Pioneer Distilleries Limited

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ATTENDANCE SLIP

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

Folio No. / Client ID:

DPID:

Name & Address _____

No. of Shares held: _____

I hereby record my present at the Nineteenth Annual General Meeting held at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016 on Monday, August 27, 2012 at 12.30 p.m.

Members/Proxy's Name

Signature of the Member/Proxy*

* Strike out whichever is not applicable

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UB
GROUP



Board of Directors

P. A. Murali
Chairman

Ashok Capoor

M. R. Doraiswamy Iyengar

S. G. Ruparel

Company Secretary

Santhosh Kumar Keerthi

Auditors

Lodha & Co.,
Chartered Accountants,
6, Karim Chambers, 40,
A. Doshi Marg, (Hamam Street),
Mumbai 400 001

Registered Office

'UB House', Plot No.36
Street No.4, Srinagar Colony,
Hyderabad 500 073

Registrars & Transfer Agents

Venture Capital and Corporate Investments
Private Limited
H.No.12-10-167, Bharat Nagar,
Hyderabad 500 018
Tel: 040 2381 8475/76,
Fax: 040 2386 8024



Report of the Directors

Your Directors have pleasure in presenting the Annual Report of your Company and the audited accounts for the year ended March 31, 2012.

FINANCIAL RESULTS

The Summary of Financial Performance of the Company for the year 2011-12 is as under:

(Rs. in Lakhs)

Particulars	2011-12	2010-11
Net Sales	10445.25	5355.13
Add: Other income	1.25	213.79
Add: Increase / (Decrease) in stocks	(233.44)	(1174.14)
Total Income	10213.06	4394.78
Less: Expenditure	10520.13	6116.01
Profit / (Loss) before depreciation, interest and tax	(307.07)	(1721.23)
Less: Interest	1292.36	479.60
Less: Depreciation	930.93	485.88
Profit / (Loss) before Tax	(2530.36)	(2686.71)
Provision for Taxation :		
• Current Tax	-	9.36
• Deferred Tax	-	224.12
Profit / (Loss) after Tax	(2530.36)	(2920.19)
Add: Balance brought forward from previous year	(1401.06)	1587.38
APPROPRIATIONS:		
• Preference Shares Redemption Premium	-	68.25
Balance carried to Balance Sheet	(3931.42)	(1401.06)

DIVIDEND

In view of Loss, your Directors do not recommend any Dividend on the equity shares of the Company.



Report of the Directors (Contd.)

PERFORMANCE OF THE COMPANY

The Company has registered a Turnover of Rs. 10446.50 Lakhs for the financial year ended March 31, 2012. The Loss before Tax of your Company during the financial year amounted to Rs. 2530.36 Lakhs.

The Company has incurred losses mainly due to higher Input Costs and Interest Cost.

PROSPECTS

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 Indian Made Foreign Liquor (IMFL) Bottling plant. Both these facilities will come on stream during the fiscal 2012-13.

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

In view of further expansion plans / programmes and diversification into value added products, your Company expects to report growth in the turnover and profitability in future.

EROSION OF ENTIRE NET WORTH

The accumulated losses as on March 31, 2012, as per the audited accounts, have resulted in erosion of your Company's entire net worth. However, the Directors are pleased to inform you that with the acquisition of controlling interest in your Company by United Spirits Limited (USL), the market leader in the liquor industry, your Company has already started expansion plans and diversification into bottling of IMFL, which is expected to generate sufficient profits in the near future, making your Company's net worth positive.

Applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 shall be complied with, as appropriate, after the annual accounts have been approved by the Shareholders and stand finalised.

DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on May 18, 2012 equity shares representing 91.83 % of the equity share capital are in dematerialization form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialization of the Company's shares.

DIRECTORS

Mr. P.A. Murali, retires by rotation and being eligible, offers himself for re-appointment.

As per declarations received, none of the Directors of the Company is disqualified to be appointed as a Director of any Public Limited Company in terms of Section 274 (1) (g) of the Companies Act, 1956.

Report of the Directors (Contd.)

AUDITORS

M/s. Lodha & Co., Chartered Accountants, the retiring Auditors, are eligible for re-appointment at the ensuing Annual General Meeting and it is necessary to fix their remuneration.

CORPORATE GOVERNANCE REPORT

A report on the Corporate Governance is annexed separately as part of this report along with a certificate of compliance from Auditors. Necessary requirements of obtaining certifications / declarations in terms of Clause 49 of the listing agreement with the stock exchanges 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 any deposits from public during the year.

LISTING OF EQUITY SHARES OF THE COMPANY

The Equity Shares of your Company continue to be listed with Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Pune Stock Exchange Limited. The Annual Listing fees for the year 2012-13 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 and Protection Fund, pursuant to the provisions of Section 205A (5) and 205C of the Companies Act, 1956.

HUMAN RESOURCES

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

In accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the required information relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo is annexed.



Report of the Directors (Contd.)

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the Section 217 (2AA) of the Companies, Act, 1956, in relation to financial statements for year 2011-12, the Board of Directors reports that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) accounting policies have been selected and applied consistently and that 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 as at the end of the financial year and of the loss of the Company for the year ended March 31, 2012;
- (iii) proper and sufficient care have 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;
- (iv) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

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

By Authority of Board

Bangalore
May 24, 2012

P.A. MURALI
Chairman



Report of the Directors (Contd.)

ANNEXURE TO DIRECTORS' REPORT

(Additional information given pursuant to requirement of Section 217 (1) (e) of the Companies Act, 1956)

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 consumption of power.
- Replacing existing pumps with energy efficient ones which 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:	2011-12 Rs.	2010-11 Rs.
a. Earnings in Foreign Currency	Nil	Nil
b. Imports / Expenditure in Foreign Currency	Nil	Nil

By Authority of Board

P.A.MURALI
Chairman

Bangalore
May 24, 2012

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company recognizes that good Corporate Governance is a continuous process. The Company, therefore, adheres to best management practices and ethical standards and to the highest level of integrity, fairness and transparency in all its operations and believes that its operations and action must result in sustained growth and long term benefits to all its stakeholders.

2. BOARD OF DIRECTORS

The Board of Directors comprises of a Non-Executive Chairman, and three other Non-Executive Directors.

During the financial year under review, Six Board Meetings were held i.e. on May 25, 2011, two meetings on August 05, 2011, November 07, 2011, January 19, 2012 and March 19, 2012.

Attendance of each Director at the Board Meetings and the last Annual General Meeting and the details of number of outside Directorship and Committee position held by each of the Directors as on date are given below:

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 16.09.2011	Number of other Companies in which Director	No of Committees (other than the Company) in which Chairman/Member
Mr.P.A.Murali*	Non Executive Chairman	5	Yes	21	Nil
Mr.Ashok Capoor*	Non Executive Director	5	No	2	Nil
Mr.M.R.Doraiswamy Iyengar*	Independent Non Executive Director	5	Yes	3	5 (Chairman of 4)
Mr.S.GRuparel*	Independent Non Executive Director	4	Yes	6	3 (Chairman of 1)
Mr.K.V.Rajeshwar Rao**	Non Executive Chairman	-NIL-	N.A.	N.A.	N.A.
Mr.K.Sudhir Rao**	Executive Vice Chairman	2	N.A.	N.A.	N.A.
Mr.K.Suhan Rao**	Executive Director / Managing Director	2	N.A.	N.A.	N.A.

Corporate Governance Report (Contd.)

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 16.09.2011	Number of other Companies in which Director	No of Committees (other than the Company) in which Chairman/Member
Mr.L.Venkateswara Rao**	Non Executive Director	-NIL-	N.A.	N.A.	N.A.
Mr.V.Subramanian**	Independent Non Executive Director	2	N.A.	N.A.	N.A.
Mr.C.V.Kamalaker**	Independent Non Executive Director	-NIL-	N.A.	N.A.	N.A.
Mr.H.Anantha Krishnan**	Independent Non Executive Director	-NIL-	N.A.	N.A.	N.A.
Mr. C.V. Krishnaiah**	Independent Non Executive Director	-NIL-	N.A.	N.A.	N.A.

* Appointed as Additional Director with effect from August 05, 2011 and appointed as Director at the Annual General Meeting held on September 16, 2011

** Resigned from the Board with effect from August 05, 2011

NOTE:

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

- Out of 21 other Companies in which Mr. P.A. Murali is a Director, 10 are Private Limited Companies and 1 is Section 25 Company.
- Out of 3 other Companies in which Mr. M.R. Doraiswamy Iyengar is a Director, 1 is a Private Limited Company.
- Out of 6 other Companies in which Mr. S.G. Ruparel is a Director, 1 is a Private Limited Company.



Corporate Governance Report (Contd.)

DISCLOSURES REGARDING REAPPOINTMENT OF DIRECTORS

Mr. P.A. Murali:

Mr. P.A. Murali, aged 54 years, is a qualified Chartered Accountant and holds a Bachelor's Degree in Commerce. Mr. P.A. Murali has over 31 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
7. Ramanreti Investment & Trading Company Limited	Director
8. UB Infrastructure Projects Limited	Director
9. United Vintners Limited	Director
10. Sovereign Distilleries Limited	Chairman
11. Daffodils Flavours & Fragrances Private Limited	Director
12. Force India Formula One Team Academy Private Limited	Director
13. Jasmine Flavours & Fragrances Private Limited	Director
14. Kingfisher Goodtimes Private Limited	Director
15. Royal Challengers Sports Private Limited	Director

Corporate Governance Report (Contd.)

16. Seeitfirst.Com India Private Limited	Director
17. Tern Distilleries Private Limited	Director
18. VJM Investments Private Limited	Director
19. Yenkey Associates Private Limited	Director
20. Talesi Ventures Private Limited	Director
21. SWEW Benefit Company	Managing Committee Member

Mr. P.A. Murali is a member of the Audit Committee of the Company.

Mr. P.A. Murali does not hold any shares in the Company and is not related to any other Director.

3. AUDIT COMMITTEE

The Audit Committee was constituted on January 29, 2001, to meet the requirements under both, the Listing Agreement and Section 292A of the Companies Act, 1956.

The terms of reference of this Committee are in accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2012 and has recommended its adoption. In addition, the Committee has also reviewed unaudited (provisional) quarterly results for June 30, 2011, quarterly results for September 30, 2011 and quarterly results for December 31, 2011, which were subjected to a Limited Review by the Statutory Auditors of the Company.

The Company Secretary, Mr. Santhosh Kumar Keerthi, acts as Secretary of the Committee.

During the financial year under review, three meetings of the Audit Committee were held i.e. on August 05, 2011, November 07, 2011 and January 19, 2012. The details of attendance by members of the Committee are as follows:

Name	No. of Meetings	Meetings attended
Mr. M.R. Doraiswamy Iyengar (Chairman) *	3	3
Mr. P.A. Murali *	3	3
Mr. S.G. Ruparel *	3	3
Mr. V. Subramanian **	-	-
Mr. C.V.Kamalaker **	-	-
Mr. L.Venkateswara Rao **	-	-
Mr. H.Anantha Krishnan **	-	-



Corporate Governance Report (Contd.)

* Appointed as Member of Audit Committee with effect from August 05, 2011

** Resigned from the Committee with effect from August 05, 2011

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

A Shareholders/Investors Grievance Committee was constituted on January 29, 2001, to operate in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges and /or the provisions as prescribed under the Companies Act, 1956.

The Committee comprises at present the following Directors:

Mr. Ashok Capoor, Chairman

Mr. M.R. Doraiswamy Iyengar

Mr. Santhosh Kumar Keerthi, Company Secretary is the Compliance Officer.

During the financial year two meetings were held on November 07, 2011 and January 19, 2012 attended by both Mr. Ashok Capoor and Mr. M.R. Doraiswamy Iyengar, members of the Committee.

The Company/Company's Registrars received 2 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

There are no complaints or Transfer of Shares pending as on March 31, 2012.

Committee of Directors

The Company has constituted a Committee of Directors namely Share Transfer Committee with authority delegated by the Board of Directors, inter alia, to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced, etc.,

The Committee comprises at present the following Directors:

Mr. P.A. Murali

Mr. Ashok Capoor

Mr. M.R. Doraiswamy Iyengar

5. REMUNERATION COMMITTEE

As reported last year the Remuneration Committee being a non mandatory committee was considered not necessary for the time being and accordingly was discontinued. The Company shall constitute a Remuneration Committee in future as and when the need arises.

Corporate Governance Report (Contd.)

Remuneration of Directors:

a) Non – Executive Directors

At Present, the Non-Executive Directors do not draw any remuneration from the Company. Sitting Fees are paid to Non-Executive Directors for attending Board/Committee Meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses, incurred for attending such meetings. The details of sitting fees paid to the Directors during the year under review are as under:

Name of the Director	Sitting fees (Rs.)
Mr. P.A. Murali *	78,000
Mr. Ashok Capoor*	28,000
Mr. M.R. Doraiswamy Iyengar*	88,000
Mr. S.G. Ruparel*	68,000
Mr. K.V. Rajeshwar Rao **	-
Mr. L. Venkateswara Rao **	-
Mr. V. Subramanian **	16,000
Mr. C.V. Kamalaker **	-
Mr. H. Anantha Krishnan **	-
Mr. C.V. Krishnaiah**	-

* Appointed as Additional Director with effect from August 05, 2011 and appointed as Director at the Annual General Meeting held on September 16, 2011

** Resigned from the Board with effect from August 05, 2011

b) Particulars of Equity Shares of the Company currently held by the Directors, are furnished below:

The Directors are not holding any Equity Shares in the Company.

6. GENERAL BODY MEETINGS

The details of the last three Annual General Meetings of the Company are furnished below:

Financial Year ended	Date	Time	Venue
March 31, 2011	September 16, 2011	12.30 p.m.	Residency Hall, Hotel Green Park, Begumpet, Hyderabad 500 016
March 31, 2010	September 25, 2010	3.30 p.m.	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2009	September 30, 2009	3.30 p.m.	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016

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 16, 2011	NIL
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

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

POSTAL BALLOT

The Company has not passed any special resolution at the last Annual General Meetings held which was required to be passed through Postal Ballot as per the provisions of the Companies Act, 1956, and the rules framed there under.

At this meeting also, there is no special resolution requiring passing by way of Postal Ballot.

No Resolution was passed through Postal Ballot during 2011-12.

No special resolution is proposed to be passed through Postal Ballot at present.

7. DISCLOSURES

During the financial year ended March 31, 2012 the Company had no materially significant related party transactions with its promoters, the 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.

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 (Except the delay in publishing of Audited Financial Results for the financial year ended March 31, 2011, which has been duly explained to the Stock Exchanges).

There were no instances of non-compliance by the Company nor have any penalties, strictures been imposed by the Stock Exchanges or SEBI or any other Statutory Authority since Incorporation of the Company on any matter relating to capital markets.

Corporate Governance Report (Contd.)

Code of Conduct

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has adopted a Code of Business Conduct and Ethics for its Board Members and designated employees, a copy of which is available on the Company's website, www.pioneerdistilleries.com. All the members of the Board and designated employees had affirmed compliance with the Code for the year ended March 31, 2012 and a declaration to this effect signed by the Manager is forming part of this report.

Pursuant to requirements of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a "Code of Conduct for prevention of Insider Trading", which is applicable to all the Directors and designated employees.

8. MEANS OF COMMUNICATION

The unaudited quarterly results and audited annual results are sent to all the Stock Exchanges, where the equity shares of the Company are listed. The results are normally published in "Financial Express" (English Daily) and "Andhra Prabha" (Telugu Daily). The results are also displayed on the Company's website www.pioneerdistilleries.com.

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

9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required by Clause 49 of the Listing Agreement, Management Discussion and Analysis Report is appended and forms part of the Annual Report.

10. GENERAL SHAREHOLDER INFORMATION

a)	AGM Date, Time and Venue	Monday, August 27, 2012 at 12.30 p.m. at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016.
b)	Financial Year	April 1 to March 31
	First Quarterly Results	By August 14
	Second Quarterly Results	By November 14
	Third Quarterly Results	By February 14
	Audited Annual/Fourth Quarterly Results	By May 30
c)	Date of Book Closure	Friday, August 24, 2012 to Monday, August 27, 2012 (both days inclusive)

d)	Dividend payment date	NA
e)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: 1. Bombay Stock Exchange Limited (BSE) 2. National Stock Exchange of India Limited (NSE) 3. Pune Stock Exchange Limited (PSE)

The Annual listing fees for the years 2011-12 and 2012-13 have been paid by the Company to the respective Stock Exchanges.

f)	Stock Code	
	BSE	531879
	NSE	PIONDIST
	PSE	160202
g)	ISIN No.	INE889E01010 (NSDL & CDSL) - for Equity Shares
h)	Market price data	As per Annexure A
i)	Stock performance in comparison to BSE Sensex	As per Annexure B
j)	Registrars and Transfer Agents	Venture Capital and Corporate Investments Private Limited Regd. Off: 12-10-167, Bharat Nagar Hyderabad 500 018 Tel: (040) 2381 8475/2381 8476/2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccilindia.com
k)	Share Transfer System	The power to consider and approve share transfers / transmission / transposition / consolidation / subdivision etc. has been delegated to a Committee of Directors named Share Transfer Committee. The requirements under the Listing Agreement/ Statutory regulations in this regard are being followed.
l)	Distribution of Shareholding	As per Annexure C

Corporate Governance Report (Contd.)

m)	Dematerialisation of shares (as on March 31, 2012)	Depositories	Shares	%
		NSDL	11876786	88.71
		CDSL	417353	3.12
		Total	12294139	91.83
n)	Outstanding GDRs/ADRs/Warrants or any other instruments	NA		
o)	Plant Location	Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra 421 809		
p)	Address for Correspondence	<p>Shareholder correspondence should be addressed to the Company's Registrars and Transfer Agents: Venture Capital and Corporate Investments Private Limited Regd. Off: 12-10-167, Bharat Nagar Hyderabad 500 018 Tel: (040) 2381 8475/2381 8476/2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccilindia.com</p> <p>Investors may also write or contact the Company Secretary, Mr. Santhosh Kumar Keerthi, at the Registered Office of the Company at 'UB House', Plot No.36, Street No.4, Srinagar Colony, Hyderabad 500 073 Tel.No. (040) 6674 7388 Fax No. (040) 6674 7359 e-mail id : santosh.keerthi@ubmail.com</p>		

NON MANDATORY REQUIREMENTS

1	Chairman of the Board	The expenses incurred by the Chairman in performance of his duties are eligible for reimbursement.
2	Shareholders Rights	The Company's quarterly results are being published in Financial Express and Andhra Prabha Newspapers. 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, 2012 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	Though briefly covered in the Code of Conduct adopted by the Company, the Board may consider adopting a separate mechanism for Whistle Blower Policy in future.

ANNEXURE A: MARKET PRICE DATA

Pioneer Distilleries Limited – Monthly BSE

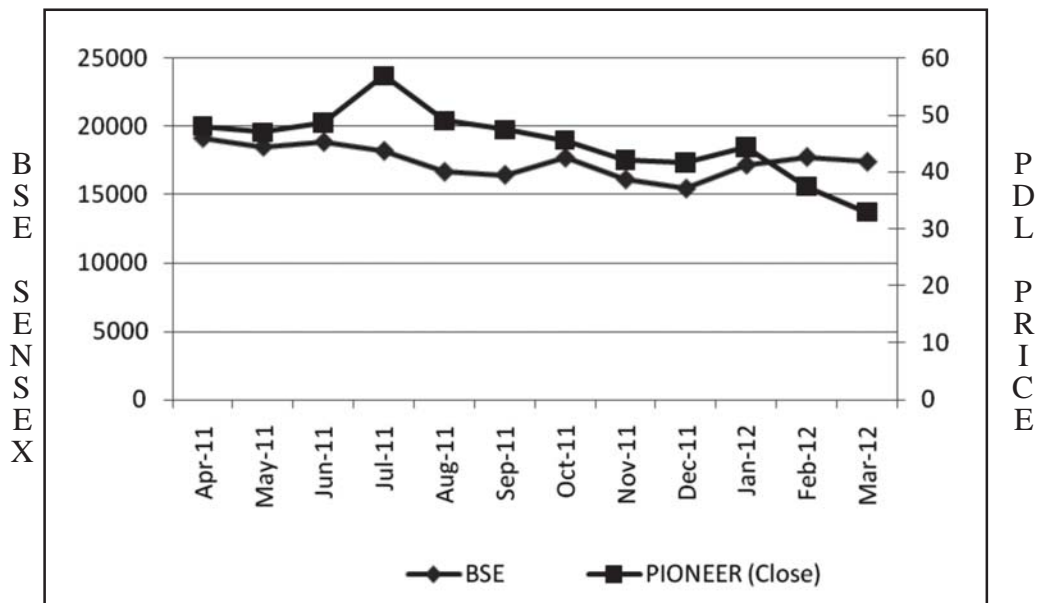
Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
April 2011	56.45	45.10	48.05	29812
May 2011	53.20	44.00	47.00	10253
June 2011	51.35	43.60	48.70	12481
July 2011	62.00	47.35	56.95	22066
August 2011	59.00	40.10	49.00	12633
September 2011	54.00	44.20	47.45	7859
October 2011	55.00	41.75	45.60	5187
November 2011	48.45	36.50	42.10	2539
December 2011	47.85	31.05	41.70	16175
January 2012	48.70	38.05	44.40	11236
February 2012	45.00	32.20	37.45	23365
March 2012	39.90	29.05	32.90	15959

Corporate Governance Report (Contd.)

Pioneer Distilleries Limited – Monthly NSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
April 2011	46.25	46.00	46.25	575
May 2011	49.00	47.90	49.00	365
June 2011	49.70	47.00	47.45	271
July 2011	49.75	47.50	48.50	3279
August 2011	55.00	52.05	54.50	1882
September 2011	50.00	47.50	50.00	3150
October 2011	49.00	43.80	46.55	291
November 2011	47.60	44.00	47.50	401
December 2011	45.00	45.00	45.00	445
January 2012	45.60	36.65	40.10	1647
February 2012	42.00	40.25	42.00	88
March 2012	39.00	35.15	39.00	57

ANNEXURE B: PIONEER DISTILLERIES LIMITED, SHARE PRICES COMPARED TO BSE SENSEX



ANNEXURE C: DISTRIBUTION OF SHAREHOLDING (as on March 31, 2012)

VALUEWISE

Shareholding of nominal value (Rs.)		Shareholders		Share Amount	
		Number	% to Total	in Rs.	% to Total
(1)	(2)	(3)	(4)	(5)	(6)
Up to	- 5,000	2411	81.78	30,75,640	2.30
5,001	- 10,000	302	10.24	27,35,530	2.04
10,001	- 20,000	122	4.14	20,17,610	1.50
20,001	- 30,000	48	1.63	12,39,850	0.93
30,001	- 40,000	11	0.37	4,04,560	0.30
40,001	- 50,000	18	0.61	8,64,730	0.65
50,001	- 1,00,000	14	0.48	9,85,090	0.74
1,00,001	and above	22	0.75	12,25,58,990	91.54
Total		2948	100.00	13,38,82,000	100.00

CATEGORYWISE

Category	No. of shares	% of Equity Capital
Promoter Group	1,09,77,132	81.99
Banks, Financial Institutions	4,776	0.04
FII/MF/Trust/Central/State/ Government & Insurance Companies	---	---
Resident Body Corporate (including clearing members)	1,44,944	1.08
Resident Individual	9,96,882	7.45
NRI's & FCB's	12,64,466	9.44
Total	1,33,88,200	100.00



Auditor's Certificate on Corporate Governance

The Members of,
Pioneer Distilleries Limited

We have examined the compliance of conditions of Corporate Governance by Pioneer Distilleries Limited, Hyderabad for the period ended March 31, 2012 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 our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that during the year ended on March 31, 2012, no investor grievances are pending against the Company as per the records maintained by the Company and presented to the Shareholders.

I further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for Lodha & Company
Firm Registration Number: 301051E
Chartered Accountants

RP Baradiya
Partner
Membership No. 44101

Bangalore
May 24, 2012

UB
GROUP



CEO/CFO CERTIFICATE

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

Bangalore
May 24, 2012

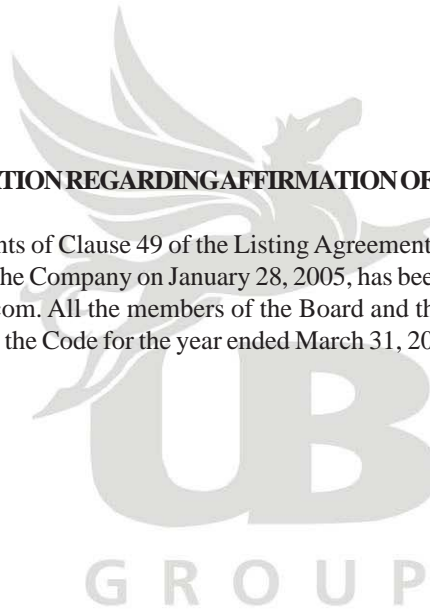
Pratip Sen
Manager

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 January 28, 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, 2012.

Bangalore
May 24, 2012

Pratip Sen
Manager



Annexure to Report of the Directors (Contd.)

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 Kilo Litres Per Day (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 (IMFL) 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 per cent 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-di-oxide. Normally this carbon-di-oxide is let off into the atmosphere as waste from the production process. Your Company had set up a plant to collect, pressurize and sell 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 December 25, 2010.



Annexure to Report of the Directors (Contd.)

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 gases. The Company had commissioned 4.725 MW Biogas based power plant on subsequent to year end. 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 June 2012. The Company is also planning to install IMFL bottling plant with capacity of 100000 cases / month in first phase by June 2012 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 2012-13.



Annexure to Report of the Directors (Contd.)

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.

In view of further expansion plans / programmes and diversification into value added products, your Company expects 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 April 01, 2011 to March 31, 2012 has been of the order of 146.63 LBL.
- (ii) Extra-Neutral Alcohol (ENA): Production of Molasses ENA during the financial year April 01, 2011 to March 31, 2012 has been of the order of 129.85 LBL and production of grain ENA 132.83 LBL.
- (iii) Absolute Alcohol (Ethanol): Production of Absolute Alcohol during the financial year April 01, 2011 to March 31, 2012 has been of the order of Nil.
- (iv) Carbon-di-Oxide (CO₂): Production of Carbon-di-Oxide (CO₂) during the financial year April 01, 2011 to March 31, 2012 has been of the order of 2273.2 MT.
- (v) Technical Alcohol (Faint Spirit): Production of Technical Alcohol from Molasses during the financial year April 01, 2011 to March 31, 2012 has been of the order of 3.99 LBL and from Grain plant it is 2.47 LBL.
- (vi) Special Denatured Spirit (SDS): Production of SDS during the financial year April 01, 2011 to March 31, 2012 has been of the order of 10.44 LBL.
- (vii) Power Generation: Production of power during the financial year April 01, 2011 to March 31, 2012 has been of the order of 39.02 LKWH.

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.



Annexure to Report of the Directors (Contd.)

The Turnover of the Company during the current financial year stands at Rs.10446.50 Lakhs with a Loss after Tax of Rs.2530.36 Lakhs. 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 requirement of the Company is financed by the State Bank of Mysore, Bangalore.

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 quarterly Internal Audit done by In-House Internal Audit team of UB Group. 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 Audit team.

HUMAN RESOURCES

The Company's Human Capital is now 250 employees including factory workmen. There has been no loss of production at the Company's manufacturing unit 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 Board

Bangalore
May 24, 2012

P.A.MURALI
Chairman

Auditor's Report

To
The Members
Pioneer Distilleries Limited

1. We have audited the attached balance sheet of Pioneer Distilleries Limited as at 31st March, 2012, Statement of Profit and Loss and the Cash Flow Statement for year ended on that date annexed thereto. 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. Opening Balance have been taken on the basis of the annual report for the year ended 31st March, 2011 audited by another firm of Chartered Accountants, who have issued an unqualified opinion dated 05th August, 2011.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform 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.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of subsection (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. The Company has incurred loss in the current year as well as in the preceding year and the net worth as at the close of the year has been eroded. As informed, the Company is taking necessary steps to make the net worth positive, to comply with the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and to strengthen the operations. In the mean time, the accounts have, however, been prepared by the management on a going concern basis as explained in note 27 of the financial statements.
5. Further to our comments in the Annexure referred to in paragraph 3 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.



Auditor's Report (Contd.)

- iii. The Balance sheet, Statement of profit and loss and Cash flow statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Balance sheet, Statement of profit and loss 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.
 - v. On the basis of written representations received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub - section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with Significant Accounting Policies and accompanying Notes, give the information required by the Act 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, 2012;
 - b. In the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and
 - c. In the case of Cash flow statement, of the cash flows for the year ended on that date.

for **Lodha & Company**
Firm Registration Number: 301051E
Chartered Accountants

Bangalore
May 24, 2012

RP Baradiya
Partner
Membership No. 44101

Annexure to Auditor's Report

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 OF Pioneer Distilleries Limited.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we state that:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - c) No Substantial part of the fixed assets has been disposed off during the year.
2. (a) The inventory has been physically verified by the management at reasonable intervals during the year and at the close of the year.
 - (b) 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.
 - (c) 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.
3. During the year, Company has not granted / taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently clauses 4(iii)(a) to 4 (iii)(d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased and sold are of the special nature and suitable alternative source does not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls system.
5. According to the information and explanations given to us, contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been entered.

6. No deposits with in the meaning of directives issued by RBI (Reserve Bank of India) and Sections 58A and 58AA or any other relevant provisions of the Act and rules framed there under have been accepted by the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. 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 Act, 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.
9. (a) According to the information and explanations 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, investor education and protection fund, income tax, sales tax, customs duty, excise duty, cess and any other material statutory dues during the year with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales-tax, Wealth-tax, service-tax, customs duty, excise duty and cess as at March 31, 2012 which have not been deposited on account of a dispute are given below.

Name of the Statute	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	12,13,281	2008-09	The Commissioner of Income Tax (Appeals)
The Central Excise Act, 1944	15,89,466	2008-09 & 2009-10	Customs, Excise & Service Tax Appellate Tribunal

10. According to the information and explanations furnished to us by the Company, the accumulated losses as at March 31, 2012 exceeded its' Net Worth. Further the Company has incurred cash losses during the year covered by this report as well as in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions or banks as at the balance sheet date.



Annexure to Auditor's Report (Contd.)

12. During the year, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. The Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for the loans taken by others from banks or financial institutions.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for what they were obtained.
17. According to the information and explanations given to us and on an overall examination of the cash flow statements and balance sheet of the Company, in our opinion, the funds raised on short-term basis have been used for long term investment by Rs.44,47,06,937/- as at the close of the year.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered and recorded in the Register maintained under section 301 of the Act.
19. The Company has not raised any money by way of issue of debentures.
20. The Company has not raised any money by way of public issue.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

for **Lodha & Company**
Firm Registration Number: 301051E
Chartered Accountants

R P Baradiya
Partner
Membership No. 44101

Bangalore
May 24, 2012



Balance Sheet as at March 31, 2012

	Notes	Amount in Rs	
		Mar-12	Mar-11
Equity and Liabilities			
Shareholders' Funds			
Share Capital	1	134,194,000	134,194,000
Reserves and Surplus	2	(207,303,465)	(17,866,890)
Non-current Liabilities			
Long term borrowings	3.1	551,721,456	403,075,444
Other Long-term liabilities	3.2	918,622,811	444,507,105
Deferred Tax Liability (Net)		120,335,591	120,335,591
Current Liabilities			
Short-term borrowings	4.1	151,661,984	183,340,887
Trade Payables	4.2	66,177,872	69,527,255
Other Current Liabilities	4.3	735,329,118	662,264,920
Short-term provisions	4.4	13,591,355	12,192,504
		2,484,330,722	2,011,570,816
Assets			
Non-current Assets			
Fixed Assets			
Tangible Assets	5.1	1,439,173,290	1,490,105,056
Capital Work-in-Progress		305,235,433	37,341,669
Long term Loans and advances	6	304,711,913	108,600,068
Other Non-Current Assets	7	124,568	65,538
Current Assets			
Inventories	8.1	238,355,219	180,345,531
Trade Receivables	8.2	36,178,890	64,957,454
Cash and Cash Equivalents	8.3	18,563,396	5,456,667
Short term Loans and Advances	8.4	120,826,226	122,637,511
Other Current Assets	8.5	21,161,787	2,061,322
		2,484,330,722	2,011,570,816
Summary of significant accounting policies	16		
The accompanying notes are an integral part of the financials statements.	17-28		

This is the Balance Sheet referred to in our report of even date

For **Lodha & Company**
Firm Registration Number: 301051E
Chartered Accountants

R P Baradiya
Partner
Membership Number: 44101
Place: Bangalore
Date: 24th May, 2012

P.A. Murali
Chairman

Pratip Sen
Manager

Santosh Kumar Keerthi
Company Secretary

M.R. Doraiswamy Iyengar
Director

Sanjoy Sarkar
Chief Financial Officer



Statement of Profit and Loss for the year ended March 31, 2012

Amount in Rs

	Notes	Mar-12	Mar-11
Revenue			
Revenue from Operations	9	1,047,987,936	537,105,836
Less: Excise Duty		3,463,364	1,593,649
		1,044,524,572	535,512,187
Other Income	10	124,568	21,378,659
		1,044,649,140	556,890,846
Expenses			
Cost of Materials Consumed	11	910,902,487	503,762,127
Change in inventories of Finished Goods, Work-in-Progress	12	23,343,778	117,413,842
Employee Benefits expense	13	38,699,295	30,599,441
Finance Costs	14	129,235,820	47,960,025
Depreciation & Amortisation Expense		93,093,444	48,588,002
Other expenses	15	102,411,591	77,239,244
		1,297,686,414	825,562,681
Profit / (Loss) before Exceptional, extraordinary items & Taxation		(253,037,275)	(268,671,835)
Exceptional items		-	-
Profit / (Loss) before Taxation		(253,037,275)	(268,671,835)
Tax Expense:			
Current Tax		-	935,959
Deferred Tax Charge		-	22,411,924
Profit/(Loss) for the year from continuing operations		(253,037,275)	(292,019,718)
Profit/ (Loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit/(Loss) from discontinuing operations (after tax)		-	-
Profit for the year		(253,037,275)	(292,019,718)
Basic/Diluted Earnings Per Share (Face value of Rs.10 each)		(18.90)	(21.74)
Summary of significant accounting policies	16		
The accompanying notes are an integral part of the financials statements.	17-28		

This is the Balance Sheet referred to in our report of even date

For **Lodha & Company**
Firm Registration Number: 301051E
Chartered Accountants

P. A. Murali
Chairman

M.R. Doraiswamy Iyengar
Director

R P Baradiya
Partner
Membership Number: 44101

Pratip Sen
Manager

Sanjoy Sarkar
Chief Financial Officer

Place: Bangalore
Date: 24th May, 2012

Santosh Kumar Keerthi
Company Secretary



Cash Flow statement for the year ended March 31, 2012

	Mar-12	Amount in Rs Mar-11
A. Cash Flow from operating activities		
Profit before Exceptional and Other Non-Recurring Items and Taxation from continuing operations	(253,037,275)	(268,671,835)
Adjustments for:		
Depreciation	93,093,444	48,588,002
Loss on sale of Vehicle		3,436,707
Profit/(Loss) on sale of Investment		(45,275,000)
Provision for Doubtful Debts/ Advances/ Deposits (Net)	325,240	1,516,541
Sundry balances Written Off		916,283
Misc. Expenses Written Off		300,918
Interest Expense and Finance Charges	129,235,820	47,262,834
	222,654,504	56,746,286
Operating profit before working capital changes	(30,382,771)	(211,925,549)
(Increase)/decrease in Trade and other receivables	28,453,324	(173,601,378)
(Increase)/decrease in Inventories	(58,009,688)	182,476,164
Increase/(decrease) in Trade payables	(3,349,383)	(114,340,611)
Increase/(decrease) in Other Current Liabilities	74,463,049	-
Increase/(decrease) in Loans & advances	(196,170,875)	(33,240,066)
Increase/Decrease in Working Capital Finance	9,869,974	(235,978,814)
	(144,743,599)	(374,684,705)
Cash generated from operations	(175,126,370)	(586,610,254)
Preference Share Redemption premium		(6,825,000)
Dividend Tax paid		(935,959)
	(175,126,370)	(594,371,213)
Cash generated/ (used in) from operations	(175,126,370)	(594,371,213)
B. Cash Flow from investing activities		
Purchase of fixed assets	(310,055,442)	(177,371,771)
Net cash used in investing activities	(310,055,442)	(177,371,771)
C. Cash Flow from financing activities		
Government Grants received	47,250,000	(19,122,800)
Repayment of Short Term Loan	(41,548,877)	
Proceeds/(Repayment) of long term loans	148,646,012	(65,783,595)
Proceeds/(Repayment) of other Long Term Liabilities	474,115,706	839,423,138
Increase in short term loan	(938,480)	
Interest and Finance Charges paid	(129,235,820)	(6,332,435)
Net cash used in financing activities	498,288,541	770,564,308
Net (Decrease)/ Increase in cash and cash equivalents	13,106,729	(1,178,676)
Cash and cash equivalents as at March 31, 2011	5,456,667	6,635,343
Cash and cash equivalents as at March 31, 2012	18,563,396	5,456,667
	13,106,729	(1,178,676)

Notes:

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2012 and the related Profit and Loss Statement for the year ended on that date.
2. The above cash flow statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956 and reallocation required for this purpose are as made by the Company.
3. Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

This is the Cash Flow Statement referred to in our report of even date

For **Lodha & Company**

Firm Registration Number: 301051E
Chartered Accountants

P. A. Murali
Chairman

M.R. Doraiswamy Iyengar
Director

R P Baradiya
Partner
Membership Number: 44101

Pratip Sen
Manager

Sanjoy Sarkar
Chief Financial Officer

Place: Bangalore
Date: 24th May, 2012

Santosh Kumar Keerthi
Company Secretary

Notes to the Financials Statements for the year ended March 31, 2012



		(Figures in Rs)	
		<u>Mar-12</u>	<u>Mar-11</u>
1 Share Capital			
Authorised			
17500000 Equity Shares of Rs.10 each		175,000,000	175,000,000
2500000 Preference Shares of Rs.10 each		25,000,000	25,000,000
		<u>200,000,000</u>	<u>200,000,000</u>
Issued, Subscribed and Paid-up			
13388200 Equity Shares of Rs.10 each fully paid up		133,882,000	133,882,000
Forfeited shares (62400@Rs.5 each), paid up		312,000	312,000
		<u>134,194,000</u>	<u>134,194,000</u>
a. Reconciliation of the number of shares outstanding Equity shares			
	<u>No. of Shares</u>	<u>March-12</u>	<u>No. of Shares</u>
			<u>March-11</u>
Number of equity shares at the beginning of the Year	13,388,200	133,882,000	12,588,200
Equity shares issued during the year	-	-	800,000
Less Shares bought back during the year	-	-	-
Number of equity shares at the end of the Year	13,388,200	133,882,000	13,388,200
Preference Shares			
Number of shares at the beginning of the Year	-	-	650,000
Shares issued during the year	-	-	6,500,000
Less Shares redeemed during the year	-	-	650,000
Number of shares at the end of the Year	-	-	-
b. Terms and rights attached to equity shares			
The Company has only one class of Equity Shares having par value of Rs.10. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive the remaining assets of the company, after distribution of all preferential amounts.			
c. Shares held by holding/ ultimate holding company and/or their subsidiaries/ associates			
Out of the equity shares issued by the Company, shares held by its holding company, ultimate holding company and their subsidiaries/associates are as below:			
Equity shares held by Holding company -United Spirits Limited	10,977,132	109,771,320	10,977,132
			109,771,320
d. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date		Nil	
e. Aggregate number of Bonus shares issued during the period of five years immediately preceding the reporting date		Nil	
f. Details of shareholders holding more than 5% shares in the company			
United Spirits Limited holds 1,09,77,132 equity shares representing 81.99% of the total paid up equity share capital of the company. No other share holder holds equity shares exceeding 5% of the paid up equity share capital of the company.			



Notes to the Financials Statements for the year ended March 31, 2012

(Figures in Rs)

2 Reserves and Surplus	March-12	March-11
Capital Redemption Reserve (as per last Balance sheet)	23,500,000	23,500,000
Securities Premium Reserve (as per last Balance sheet)	62,126,600	62,126,600
Other Reserves:		
Capital Reserve (as per last Balance sheet)	18,706,527	18,706,527
Add: Government Subsidy received / receivable during the year	<u>63,600,700</u>	
	82,307,227	
General Reserve		
As per last Balance Sheet	17,905,755	17,905,755
Surplus as per Profit and Loss account		
As per last Balance Sheet	(140,105,772)	158,738,945
Add: Profit / (Loss) for the year	(253,037,275)	(298,844,717)
	<u>(393,143,047)</u>	<u>(140,105,772)</u>
	<u>(207,303,465)</u>	<u>(17,866,890)</u>

Government Subsidy

A Package Scheme of Incentive

The Company's manufacturing facility at Balapur Village, Dharmabad, Nanded District has been granted "Mega Project Status" by Government of Maharashtra and therefore is eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2007. The company has been granted Eligibility Certificate for Rs 10,542.60 Lacs, issued by the Directorate of Industries, Government of Maharashtra in this regard. Entitlement of:

- a. Electricity Duty exemption for the period of 7 years from date of commencement of commercial Production.
- b. 100% exemption from payment of Stamp duty under the relevant Government resolution of Revenue and Forest Department
- c. Taxes paid to the State Government within a period of 7 Years
- d. 75% reimbursement of expenditure on account of contribution towards ESI & EPF schemes for a period of 5 years commencing from 01-April-2007 To 31-March-2012 limited to 25% of FCI Further, in terms of the Accounting Standard (AS 12) "Accounting for Government Grants" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, eligible incentive is considered to be in the nature of promoters' contribution. Therefore, subsidy of Rs.1,63,50,700/- has been credited to the Capital Reserve

B Subsidy by Ministry of New and Renewable Energy

Subsidy of Rs 4,72,50,000/- received from MNRE towards installation of 4.725 MW power generation project using biogas being produced through Distillery waste through 100% biogas engines. The Incentive amount is considered to be in the nature of promoters' contribution, therefore has been Credited to Capital Reserve.



Notes to the Financials Statements for the year ended March 31, 2012

(Figures in Rs)

	March -12	March-11
3 Non-Current Liabilities		
3.1 Long-term Borrowings		
Secured		
Term Loans		
From Bank	551,721,456	403,075,444
	<u>551,721,456</u>	<u>403,075,444</u>

Repayment and other terms for Term loan from banks are as below:

Particulars	Date of Loan	Present Rate of Interest	Yearly Installment	Maturity period	No of Installments	Installment amount due
SBM - Power Proj	Nov-07	13.25%	25,200,000	Mar-14	5	126000000
SBM-Power Proj Cost Over Run	Mar-09	13.25%	6,100,000	Mar-15	9	55300000
SBM - 60 KLPD Grain Proj	Jun-09	13.25%	17,000,000	Mar-16	13	221000000
SBM-Term Loan	Mar-12	13.25%	1,000,000	Mar-18	21	300000000

All the above Term Loans are secured by way of first charge over the entire immovable fixed assets / land & buildings of the Company both present & future. It is further secured by a second charge over the entire current assets and by corporate guarantee issued by the holding Company, United Spirits Limited

3.2. Other Long term Liabilities		
Due to Holding Company	647,252,141	165,636,000
Sales Tax deferment	271,370,670	278,871,105
	<u>918,622,811</u>	<u>444,507,105</u>

Loan from holding company at Interest rate of 8% Interest free Sales Tax Deferment loan is repayable up to the year 2024-2025

4. Current Liabilities

4.1. Short Term Borrowings		
Secured		
Working capital loan from a Bank	151,661,984	141,792,010
Unsecured		
Loans from Related Parties	-	41,548,877
	<u>151,661,984</u>	<u>183,340,887</u>

Working capital loan is secured by hypothecation of first charge over the entire current assets, i.e. Raw materials, SIP, Finished Goods, consumables and receivables. Further secured by second charge over fixed asset of the Company and issue of Corporate Guarantee by the holding Company, United Spirits Ltd. The loan carries interest @ 2.75% above Base Rate of the bank

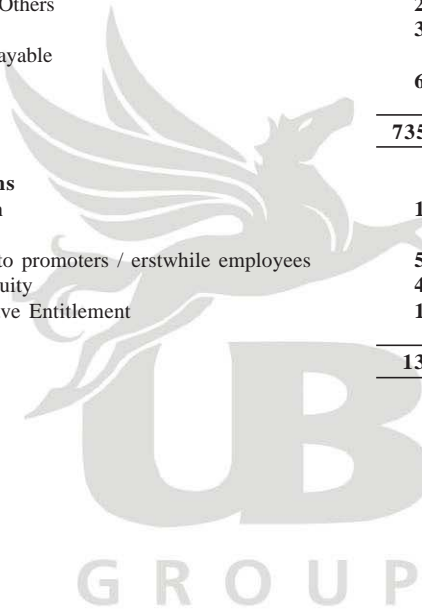
Previous Year Loan from related party from Pioneer Gas Power Ltd was interest free



Notes to the Financials Statements for the year ended March 31, 2012

(Figures in Rs)

	March -12	March-11
4.2. Trade Payables		
Trade Payables	66,177,872	69,527,255
	66,177,872	69,527,255
4.3. Other Current Liabilities		
Current maturities of :		
Long-term borrowings	49,300,000	116,750,000
Sales Tax Deferment	9,729,896	6,239,731
Advance received from Customers	663,351,197	532,942,575
Others:		
Security Deposit-Others	2,000,000	-
Salaries Payable	3,717,856	1,793,064
Provident Fund Payable	491,525	379,806
Other Liabilities	6,738,644	4,159,744
	735,329,118	662,264,920
4.4. Short-term Provisions		
Provision For Taxation	1,234,293	1,375,958
Employee Benefits:		
Gratuity payable to promoters / erstwhile employees	5,702,886	5,845,108
Provision for Gratuity	4,975,106	3,426,416
Provision for Leave Entitlement	1,679,070	1,545,022
	13,591,355	12,192,504



Notes to the Financials Statements for the year ended March 31, 2012



		GROSS BLOCK		DPRICIATION		NETBLOCK			
		As at March 31, 2011	Deletion/ Adjustments	As at March 31, 2012	As at March 31, 2011	For the Year	Deletion/ Adjustments	As at March 31, 2012	As at March 31, 2011
5. Fixed Assets		(Figures in Rs)							
5.1. Tangible									
Land (Free Hold)	39,387,345	-	-	39,387,345	-	-	-	39,387,345	39,387,345
Buildings	71,736,350	-	-	71,736,350	21,351,172	1,878,995	23,230,167	48,506,183	21,351,172
Plant and Equipment	1,666,931,055	41,371,780	-	1,708,302,835	271,755,033	87,747,683	359,502,716	1,348,800,119	1,426,059,290
Furniture and Fixture	1,285,541	-	-	1,285,541	709,748	82,642	792,390	493,151	575,793
Office Equipments	4,658,240	789,898	-	5,448,138	1,186,910	2,685,021	3,871,931	1,576,207	1,622,068
Vehicles	4,449,514	-	-	4,449,514	3,340,126	699,103	4,039,229	410,285	1,109,388
	1,788,448,046	42,161,678	-	1,830,609,724	298,342,989	93,093,444	391,436,433	1,439,173,290	1,490,105,056
Previous Year	797,950,838	999,444,050	8,946,842	1,788,448,046	252,940,123	48,588,002	3,185,135	298,342,990	1,490,105,056
5.2. Capital Work-in-progress									
Plant & Equipment under installation								229,789,747	37,341,669
Building under construction								75,445,686	-
Total								305,235,433	37,341,669



Notes to the Financial Statements for the year ended March 31, 2012

(Figures in Rs)

	March -12	March-11
6. Long term Loans and Advances		
(Unsecured, considered good unless stated otherwise)		
Capital Advances	200,928,341	4,314,958
Security Deposits - considered good	2,287,521	1,797,022
Others:		
Balance with Statutory/Government Authorities-	100,617,639	101,170,488
Pre-paid Expenses	878,412	1,317,600
	304,711,913	108,600,068
7. Other Non-Current Assets		
Unsecured, considered good		
Interest accrued on Deposits	124,568	65,538
	124,568	65,538
8. Current Assets		
8.1. Inventories		
(Valued at lower of Cost or Net Realisable Value)		
Raw Materials	169,267,493	102,803,002
Work-in-Progress	10,678,662	39,029,000
Finished goods	31,825,615	26,819,056
Other Materials, Stores and Spares	26,583,448	11,694,473
	238,355,219	180,345,531
8.2. Trade Receivables		
(Unsecured, considered good unless stated otherwise)		
Exceeding six months:		
Considered Good	367,291	6,586,179
Considered Doubtful	325,240	-
Less: Provision for Doubtful Debts	(325,240)	-
	367,291	6,586,179
Others		
Considered Good	35,811,599	58,371,275
	36,178,890	64,957,454
8.3. Cash and Cash Equivalents		
Balances with Banks:		
On Current accounts	18,134,229	1,973,013
On Deposit account	365,854	365,854
Cash on Hand	63,313	3,117,800
	18,563,396	5,456,667

Notes to the Financials Statements for the year ended March 31, 2012



(Figures in Rs)

	March -12	March-11
8.4. Short Term Loans and Advances (Unsecured, considered good unless stated otherwise)		
Taxes and Duties paid in advance	276,842	500,881
Sales Tax Receivable	120,549,384	122,136,630
	120,826,226	122,637,511
8.5. Other Current Assets		
Subsidy Receivable	16,350,700	-
Prepaid Expenses	4,811,087	2,061,322
	21,161,787	2,061,322
9. Revenue from Operations		
Sale of Products	1,043,504,916	532,383,110
Less Excise Duty	3,463,364	1,593,649
	1,040,041,552	530,789,461
Scrap Sales	4,483,020	4,722,726
	1,044,524,572	535,512,187
10. Other Income		
Interest Income	124,568	563,899
Profit on Sale of Fixed Assets (Net)	-	20,814,760
	124,568	21,378,659
11 Cost of Materials Consumed		
Materials Consumed	910,902,487	503,762,127
	910,902,487	503,762,127
12. Changes in Inventories of Finished Goods and Work-in-Progress		
Opening Stock:		
Work-in-Progress	39,029,000	33,920,958
Finished Goods	26,819,056	149,340,940
	65,848,056	183,261,898
Closing Stock:		
Work-in-Progress	10,678,662	39,029,000
Finished Goods	31,825,615	26,819,056
	42,504,278	65,848,056
	(23,343,778)	(117,413,842)
13. Employee Benefits Expenses		
Salaries and Wages	32,116,692	22,922,841
Contribution to Provident and Other Funds	4,007,779	3,314,056
Staff Welfare expenses	2,574,824	4,362,544
	38,699,295	30,599,441



Notes to the Financials Statements for the year ended March 31, 2012

(Figures in Rs)

	March -12	March-11
14. Finance Cost		
Interest	128,110,888	47,262,834
Bank Charges	1,124,931	697,191
	129,235,820	47,960,025
15. Other Expenses		
Power and Fuel	17,091,930	5,192,358
Rent	9,191,840	2,476,800
Repairs and Maintenance:		
Buildings	598,296	99,449
Plant and Machinery	47,876,419	22,815,202
Others	2,048,354	257,240
Rates and Taxes	6,030,168	2,479,953
Insurance	980,947	2,974,251
Travelling and Conveyance	1,598,977	1,441,070
Legal and Professional	2,309,094	2,258,899
Freight Outwards	1,441,126	3,220,799
Advertisement and Sales Promotion	349,303	636,423
Loss on sale of Vehicle	-	3,436,707
Directors':		
Sitting Fee	279,000	328,000
Remuneration	-	13,372,666
Auditors' Remuneration:		
Audit Fees including Limited Review Fees	837,550	100,000
Taxation Matters	224,720	25,000
Other Services	129,429	121,791
For Reimbursement of expenses	7,842	-
Provision for Doubtful Debts/ Advances/ Deposits	325,240	1,516,541
Miscellaneous	11,091,355	14,185,176
	102,411,591	76,938,325

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16. Notes to Accounts

Statement of Significant Accounting Policies

A. Basis of preparation of Financial Statements

The Financial Statements of the Company are prepared under historical cost convention on accrual basis, in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards as specified in the Companies (Accounting Standard) Rules 2006, and the relevant provisions of the Companies Act, 1956.

B. Fixed Assets

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned. Interest on borrowings attributable to relevant assets are capitalised and included in the cost of fixed assets as appropriate.

C. Depreciation:

Depreciation is provided on the Straight Line Method at rates prescribed in Schedule XIV to the Companies Act, 1956.

In respect of certain items of Plant and Machinery for which separate rates are prescribed in Schedule XIV for continuous process plant, depreciation is provided for the full year on continuous process plant basis.

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. Inventories:

Inventories are valued at lower of cost and net realisable value except for Raw Material and Stores and Spares, which are valued at cost. The costs are, in general, ascertained under Weighted Average Method. Finished goods and Work-in-Progress include appropriate portion of manufacturing overheads costs, as applicable.

F. 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 based on projected unit credit method at the balance sheet date. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.



Notes to the Financials Statements for the year ended March 31, 2012

- iii. Leave encashment: Leave encashment cost which is recognized as a liability at the present value of the defined benefit obligation at the balance sheet date on actual valuation.

G Taxes on Income:

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

H Earnings per Share (EPS)

Basic EPS is arrived at based on Net Profit after Taxation available to equity shareholders to the weighted average number of equity shares outstanding during the year. The Diluted EPS is calculated on the same basis as Basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

I Provisions

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions are not discounted to their present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

J Contingencies

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on accounts.

K Expenditure

Expenses are net of taxes recoverable, where applicable.

L Borrowing Costs

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is considered probable that they will result in future economic benefits to the Company while other borrowing costs are expensed in the period in which they are incurred.

Notes to the Financials Statements for the year ended March 31, 2012

M. Government Grants:

Government grants in the nature of Promoters contribution are credited to Capital Reserve and other Grants are credited to the Profit and Loss account.

N. Leases

Assets acquired on leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

O. Impairment

Impairment loss, if any, is provided to the extent the carrying amounts of assets exceed their recoverable amounts.

Recoverable amount is higher of the net selling price of an asset and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

17. Contingent Liabilities

- | | |
|-------------------------------------|-------------------------------|
| i) Disputed Income Tax demand: | Rs 12,13,281/- (2011: Rs Nil) |
| ii) Disputed Central Excise demand: | Rs 15,89,466/- (2011: Rs Nil) |

18. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.39,39,00,000/- (2011: Rs Nil)

19. Employee Benefits

Defined benefit plan - Gratuity

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employees' gratuity funds managed by an Insurance Company:

A. Changes In The Present Value Of The Obligation (Pvo) - Reconciliation Of Opening And Closing Balances:	
	Amount in Rs
PVO as at the beginning of the period	36,81,524
Interest Cost	2,94,522
Current service cost	5,57,397
Past service cost - (non vested benefits)	-
Past service cost - (vested benefits)	-
Benefits paid	-
Actuarial loss/(gain) on obligation (balancing figure)	7,04,549
PVO as at the end of the period	52,37,992

B. Changes In The Fair Value Of Plan Assets - Reconciliation Of Opening And Closing Balances:		Amount in Rs
Fair value of plan assets as at the beginning of the period		2,55,108
Expected return on plan assets		20,409
Contributions		-
Benefits paid		-
Actuarial gain/(loss) on plan assets [balancing figure]		(12,630)
Fair value of plan assets as at the end of the period		2,62,886

18. Details of Turnover and Consumption

(Amount in Rs)

Particulars	2011-12	2010-11
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Particulars of Turnover

ENA	901931000	337565000
Others	138110552	193224461

Particulars of Consumption of Material

Molasses	350261243	336376000
Grain	508378031	66887000
Others	52263213	100499000

18. Segment Reporting :

The Company is primarily engaged in the business of Extra Neutral Alcohol and allied products. Since the inherent nature of all 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"



19. Transaction with Related Party:

Related parties and transactions with them, as identified by the management in accordance with the Accounting Standard 18, as notified by the Companies (Accounting standard) Rules 2006, are as follows:

United Spirits Limited : Holding Company

Fellow Associates:

1) United Spirits Nepal Private Limited (USNPL), 2) Asian Opportunities & Investment Limited (AOIL), 3) Bouvet-Ladubay S.A.S (BL), 4) Chapin Landais S.A.S (CL), 5) Palmer Investment Group Limited (PIG), 6) Montrose International SA (MI), 7) JIHL Nominees Limited (JIHL), 8) RG Shaw & Company Limited (RGSC), 9) Shaw Darby & Company Limited (SDC), 10) Shaw Scott & Company Ltd (SSC), 11) Thames Rice Milling Company Limited (TRMCL), 12) Shaw Wallace Overseas Limited (SWOL), 13) McDowell (Scotland) Limited (MSL), 14) USL Holdings Limited (USLHL), 15) Royal Challengers Sports Private Limited (RCSPL), 16) USL Holdings (UK) Limited, 17) United Spirits (UK) Limited, 18) United Spirits (Great Britain) Limited, 19) Shaw Wallace Breweries Limited (SWBL), 20) Ramanretti Investment & Trading Limited (RITL), 21) Daffodils Fragrance and Flavours Private Limited (DFFPL), 22) Four Seasons Wines Limited (FSWL), 23) United Vintners Limited (UVL), 24) United Alcobev Limited (UAL), 25) McDowell Beverages Limited (MBL), 26) McDowell & Company Limited, 27) Jasmine Flavours and Fragrances Private Limited, 28) Liquidity Inc, 29) Whyte and Mackay Group Limited, 30) Whyte and Mackay Holdings Ltd, 31) Whyte and Mackay Limited (W&M), 32) Whyte and Mackay Warehousing Limited, 33) Bruce & Company (Leith) Limited, 34) Charles Mackinlay & Company Limited, 35) Dalmore Distillers Limited, 36) Dalmore Whyte & Mackay Limited, 37) Edinburgh Scotch Whisky Company Limited, 38) Ewen & Company Limited, 39) Fettercairn Distillery Limited, 40) Findlater Scotch Whisky Limited, 41) Glayva Liqueur Limited, 42) Glentalla Limited, 43) GPS Realisations Limited, 44) Grey Rogers & Company Limited, 45) Hay & MacLeod Limited, 46) Invergordon Distillers (Holdings) Limited, 47) Invergordon Distillers Group Limited, 48) Invergordon Distillers Limited, 49) Invergordon Gin Limited, 50) Isle of Jura Distillery Company Limited, 51) Jarvis Halliday & Company Limited, 52) John E McPherson & Sons Limited, 53) Kensington Distillers Limited, 54) Kyndal Spirits Limited, 55) Leith Distillers Limited, 56) Loch Glass Distilling Company Limited, 57) Longman Distillers Limited, 58) Lycidas (437) Limited, 59) Pentland Bonding Company Limited, 60) Ronald Morrison & Company Limited, 61) St The Sheep Dip Whisky Company Limited, 62) Vincent Street (437) Limited, 63) Tamnavulin-Glenlivet Distillery Company Limited, 64) TDL Realisations Limited, 65) W & S Strong Limited, 66) Watson & Middleton Limited, 67) Wauchope Moodie & Company Limited, 68) Whyte & Mackay Distillers Limited, 69) William Muir Limited, 70) WMB Realisations Limited, 71) Whyte and Mackay Property Limited, 72) Whyte and Mackay de Venezuela CA, 73) KI Trustees Limited, 74) USL Shanghai Trading Company Limited 75) Tern Distillery Private Limited (Tern) 76) Chennai Breweries Private Limited (CBPL) 77) Sovereign Distilleries Limited, 78) USL Benefit Trust,,79) Wine Soc of India Pvt Ltd



Notes to the Financials Statements for the year ended March 31, 2012

SI No	Name of Related Party	Relationship between the parties	Nature of Transaction	Amount (Rs)
1	United Spirits Ltd	Holding Company	Purchase of Fixed Assets	55,48,236
			Sale of Goods	71,87,03,825
			Loan Received	43,99,70,561
			Interest Expense	3,47,80,757
			Corporate Guarantee received	93,44,00,000
			Amount due to	1,30,56,90,234
2	Tern Distilleries Private Limited	Subsidiary of Holding company	Sale of Goods	96,39,000
3	Pioneer Gas Power Ltd	Associate	Loan repaid	4,14,00,000
4	Key Managerial Personnel & relatives of Key Managerial Personnel			NA

Related Party disclosures for 2010-11

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)

Notes to the Financials Statements for the year ended March 31, 2012



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	Key Management Personnel
			(VC)	(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.

(Amount in Rs.)

Name	Salary BASIC	HRA	Gratuity	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



Notes to the Financials Statements for the year ended March 31, 2012

20. Income Tax :

- A) Current Taxation : Nil
- B) Deferred Taxation

(Amount in Rs)

Particulars	2011-12	2010-11
Tax impact on difference between carrying amount of Fixed Assets in the financial statements & Income Tax	(28,06,22,461)	(12,03,35,591)
Impact on account of carry forward Business Losses and unabsorbed Depreciation	33,28,49,569	--
Tax Impact of expenses charged in the financial statements but allowable as expenditure in future years	34,64,475	--
Deferred Tax Asset / (Liability) (net)	5,56,91,583	(12,03,35,591)
Less not recognised	5,56,91,583	--

The management is confident of reversing the losses in the coming years with the committed Financial, Technical and Administrative support from the Holding Company hence Deferred Tax Asset to the extent of 16,02,86,870 has been recognized.

- 21. A) In the opinion of the management assets other than fixed assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
B) The accounts of certain Banks, Secured Loans, Debtors, Creditors and Loans & Advances are however, subject to formal confirmations/reconciliation & consequent adjustments if any. The Management does not expect any material difference affecting the current period's financial statements on such reconciliations/adjustments.
- 22. 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 and together with interest paid / payable as required under the said Act have not been given.
- 23. There are no foreign exchange earnings and outflows during the year.
- 24. 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 2011-12 the company has repaid its 2nd installment of Rs.62,39,730/-.



Notes to the Financials Statements for the year ended March 31, 2012

25. The Company has become subsidiary of United Spirits Limited, the new promoters, effective 24th May 2011 consequent to acquisition of 10,977,132 equity shares constituting 81.99% of the paid up capital of the Company
26. Earning Per Share :
- | Calculation of weighted average no. of Equity shares of Rs.10/- each: | 2011-12 | 2010-11 |
|---|----------------|----------------|
| Number of equity share at the beginning of the year | 1,33,88,200 | 1,25,88,200 |
| Number of equity shares issued during the year | - | 8,00,000 |
| Number of shares outstanding at the end of the year | 1,33,88,200 | 1,33,88,200 |
| Weighted average Equity Shares | 1,33,88,200 | 1,31,36,145 |
| b. Net profit after tax (Rs.) | (25,30,37,275) | (29,10,83,759) |
| c. Basic earnings per share of Rs. 10/- each | (18.90) | (21.74) |
| d. Diluted Earnings per share | (18.90) | (21.74) |
27. The management is confident of reversing the losses in the coming years with the committed Financial, Technical and Administrative support from the Holding Company. Accordingly these financial statements have been prepared on a going concern basis.
28. Previous year's figures have been regrouped or rearranged wherever necessary to be in conformity with the current year's classification.

For and on behalf of the Board

P.A.Murali
Chairman

M.R.Doraiswamy Iyengar
Director

Pratip Sen
Manager

Sanjoy Sarkar
Chief Financial Officer

Santosh Kumar Keerthi
Company Secretary

Place: Bangalore
Date : 24.05.12