



Pioneer Distilleries Limited

Corporate Identity Number: L24116AP1992PLC055108

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

Tel: +91 40 6674 7388; Fax: +91 40 6674 7386

Web: www.pioneerdistilleries.com Email: info@pioneerdistilleries.com

Notice

Notice is hereby given of the twenty first Annual General Meeting (“AGM”) of Pioneer Distilleries Limited (the “Company”) to be held at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016 on Friday, September 26, 2014 at 12.15 p.m. for the following purposes:

Ordinary Business:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the financial year ended March 31, 2014, the Balance Sheet as at that date and the Reports of the Directors and Auditors;
2. To appoint a Director in the place of **Mr. P.A. Murali (DIN: 00204710)**, who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint Statutory Auditors and to fix their remuneration.

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules made thereunder, and pursuant to the recommendation of the Audit Committee of the Board of Directors, M/s. Lodha & Co, Chartered Accountants (Firm Registration Number: 301051E), be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this AGM till the conclusion of the twenty third AGM, subject to ratification of the appointment by the members at every AGM held after this AGM and that the Board of Directors be and are hereby authorized to fix such remuneration as may be recommended by the Audit Committee in consultation with the Auditors.

Special Business:

To consider and if thought fit, to pass with or without modification(s), the following Resolutions:

4. As an Ordinary Resolution:

Appointment of Mr. M.R. Doraiswamy Iyengar as an Independent Director:

RESOLVED that pursuant to the provisions of Sections 149, 150 (2), 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. M.R. Doraiswamy Iyengar (DIN: 00203141), Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for two years from September 26, 2014 to September 25, 2016, who shall not be liable to retire by rotation.



Notice (Contd.)

5. As an Ordinary Resolution:

Appointment of Mr. C.L. Jain as an Independent Director:

RESOLVED that pursuant to the provisions of Sections 149, 150 (2), 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. C.L. Jain (DIN: 00102910), Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for two years from September 26, 2014 to September 25, 2016, who shall not be liable to retire by rotation.

6. As a Special Resolution:

Approval of the Borrowing Limit:

RESOLVED that in supersession of the ordinary resolution passed by the members under the provisions of Section 293(1)(d) of the Companies Act, 1956 at the 15th Annual General Meeting of the Company held on August 07, 2008, the consent of the members of the Company be and is hereby accorded pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013, and other applicable law, if any, to borrow for and on behalf of the Company moneys in any manner from any one or more of the Company's bankers and/or from any one or more other persons, firms, bodies corporate or financial institutions, agencies, mutual funds, trusts, non-resident Indians, overseas corporate bodies, overseas banks, foreign institutional investors or such other persons/investors, whether by way of Advances or Deposits or Loans (in foreign currency and/ or rupee currency) or Securities (comprising Fully/Partly Convertible Debentures and/or Non-convertible Debentures with or without detachable or non-detachable Warrants and/or Secured Premium Notes or other debt instruments) or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of all or any of the Company's assets and properties whether movable or immovable or stock-in-trade or work-in-progress and all or any of the undertakings of the Company, notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business) will or may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose), provided that the total amount so borrowed shall not at any time exceed the sum of Rs.500 Crores (Rupees Five Hundred Crores only) exclusive of interest and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such moneys borrowed/ to be borrowed, from time to time, as to interest, repayment, security or otherwise howsoever as it may deem fit, as also to execute all such deeds and documents as may be necessary, usual or expedient for this purpose.

By Order of the Board,

Bangalore
August 08, 2014

SANTHOSH KUMAR KEERTHI
Company Secretary



Notice (Contd.)

NOTES:

1. Please refer to the explanatory statement given hereunder.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS / HER BEHALF ONLY ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Pursuant to the provisions of Section 105 of the Companies Act, 2013 and rules made thereunder, a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Members holding more than ten percent of the total share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.

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 AGM.

3. The Transfer Books and Register of Members will remain closed from September 18, 2014 to September 26, 2014 (both days inclusive).
4. 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, 2013, can be sent to their email addresses; and
 - 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.
5. 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.4 above.
6. 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.4 above.
7. 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.4 above.



Notice (Contd.)

8. 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.
9. 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.
10. 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.
11. Members attending the AGM 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 AGM.
 - d. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

The Company would accept only the Attendance Slip from a member actually attending the AGM; 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 AGM. Attendance Slips of Members/valid proxies not personally present at the AGM, or relating to Proxies which are invalid, will not be accepted from any other member/person.

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

12. The Company has designated an exclusive email id viz., pdlinvestor@unitedspirits.in to enable the investors to post their grievances and monitor its redressal.
13. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the AGM.
14. The details required to be given in pursuance of Clause 49 of the Listing Agreement in case of Director being appointed / reappointed are given in the Corporate Governance section of the Annual Report.



Notice (Contd.)

15. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administrations) Rules, 2014, the Company is pleased to provide to Members with a facility to exercise their right to vote at the 21st AGM by electronic means and the business may be transacted through Electronic Voting (e-voting) services provided by National Securities Depository Limited (NSDL):
16. The instructions for e-voting are as under:
 - (i) Members whose shareholding is in the Dematerialisation form and whose e-mail address are registered with the Company / Depository Participants will receive an email from NSDL informing User ID and Password:
 - (a) Open e-mail and open PDF file titled “PDL E-voting.pdf” with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - (b) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>.
 - (c) Click on “Shareholder” – “Login”.
 - (d) Type your user ID and initial password as mentioned in Step (a) above.
 - (e) Click Login.
 - (f) Password change menu appears, change the password with the new password of your choice with minimum of 8 digits / characters or a combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (g) Home page of “e-Voting” opens. Click on “e-Voting”: Active Voting Cycles.
 - (h) Select “EVEN” of Pioneer Distilleries Limited.
 - (i) Now you are ready for “e-Voting” as “Cast Vote” page opens.
 - (j) Cast your vote by selecting the appropriate option and click on “Submit” and also “Confirm” when prompted.
 - (k) Upon confirmation, the message “Vote cast successfully” will be displayed.
 - (l) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (m) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.,) are required to send scanned copy (PDF/JPG format) of the relevant board resolution / authority letter etc. together with an attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by an e-mail to pdlscrutinizer@gmail.com with a copy marked to evoting@nsdl.co.in.
 - (ii) For Members whose shareholding is in the Dematerialisation form and whose e-mail address is not registered with the Company / Depository Participants, Members holding shares in Physical form as well as those Members who have requested for a physical copy of the Notice and Annual Report, the following instructions may be noted:
 - I. Initial password is provided at the bottom of the Attendance Slip for the AGM: EVEN (Electronic Voting Event Number) USER ID and PASSWORD.
 - II. Please follow all steps from paragraph (b) to (m) above to cast your vote;



Notice (Contd.)

17. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the downloads section of www.evoting.nsd.com.
18. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot Password” option available on the site to reset the password.
19. If you are already registered with NSDL for e-voting then you can use your existing user ID and password for casting your vote.
20. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
21. The e-voting period commences on September 20, 2014 (9:00 a.m.) and ends on September 22, 2014 (6:00 p.m.). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of August 22, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter.
22. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of August 22, 2014.
23. Mr. Depuru Raghavendar Rao, Company Secretary in Practice (CP - 13407; Address: Flat No.113, Block B, Sri Datta Sai Commercial Complex, Opp: Sathagiri Theatre, RTC ‘X’ Roads, Hyderabad 500 020) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
24. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
25. The Results shall be declared on or after the AGM of the Company. The Results declared along with the Scrutinizer’s Report shall be placed on the Company’s website - www.pioneerdistilleries.com and on the website of NSDL within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.
26. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 a.m. to 5.00 p.m.) on all working days except Saturdays, up to and including the date of the AGM of the Company.

STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.3: Appointment of Statutory Auditors and to fix their remuneration:

This explanatory statement is provided though strictly not required as per Section 102 of the Companies Act, 2013.



Notice (Contd.)

M/s. Lodha & Co, Chartered Accountants (Firm Registration Number: 301051E), were appointed as the statutory auditors of the Company for the period from the conclusion of the twentieth Annual General Meeting (AGM) of the Company till the conclusion of the twenty first AGM of the Company.

M/s. Lodha & Co have been the auditors of the Company since 2011. As per the provisions of Section 139 of the Companies Act, 2013, no listed company can appoint or re-appoint an audit firm for more than two terms of five consecutive years from the date of commencement of the Companies Act, 2013.

In view of the above, M/s. Lodha & Co, being eligible for re-appointment and based on the recommendation of the Audit Committee, the Board of Directors at their meeting held on May 14, 2014, proposed the appointment of M/s. Lodha & Co, as the statutory auditors of the Company for a period of two years to hold office from the conclusion of ensuing AGM till the conclusion of the twenty third AGM of the Company, subject to ratification of the appointment by the members at every AGM held after this AGM.

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

Item Nos.4 & 5: Appointment of Independent Directors:

In compliance with the provisions contained in clause 49 of the listing agreement entered in to with the stock exchanges, the Board had appointed Mr. M.R. Doraiswamy Iyengar and Mr. C.L. Jain, as Independent Directors of the Company on various dates, liable to retire by rotation.

In terms of Section 149(10) of the Companies Act, 2013, the proposed Independent Directors shall hold office for a term up to two consecutive years on the Board of the Company and the office of an Independent Director shall not be liable to retire by rotation in terms of Section 149(13) of the Companies Act, 2013. In compliance with the provision of 150 (2), 152 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, appointment of Independent Directors for a fixed term of two years from this Annual General Meeting is proposed.

Each of the proposed Independent Directors are independent of the management and have submitted a declaration that they meet the criteria for independence as provided in Section 149(6) of the Companies Act, 2013. In the opinion of the Board, these Directors fulfill the conditions specified in the Companies Act, 2013 and rules made thereunder for their appointment as Independent Directors of the Company and they have considerable experience and knowledge in their respective fields to enable the Board to discharge their functions and duties efficiently. For appointment of each of the Independent Directors proposed herein a notice in writing under Section 160 of the Companies Act, 2013 has been received by the Company from the Member(s) signifying their intention to propose their appointment.

Copy of the draft letters of appointment of the proposed Independent Directors setting out the terms and conditions are available on the Company's website www.pioneerdistilleries.com, and would also be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on working days except on Saturdays, up to the date of the AGM.



Notice (Contd.)

No directors, key managerial personnel or their respective relatives, except the proposed Independent Directors to whom the respective resolution relates, is interested or concerned, financially or otherwise, in the resolution.

None of the proposed Independent Directors hold by themselves or for any other persons on a beneficial basis, any shares in the Company.

Your Directors recommend the above resolutions for your approval.

Item No.6: Approval of the Borrowing Limit:

At the Annual General Meeting held on August 07, 2008, the consent of the shareholders through an ordinary resolution was obtained pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, authorising the Directors to borrow monies not exceeding Rs.500 Crores or equivalent thereof in Foreign Exchange, in view of the increase in the operations of the Company.

The Ministry of Corporate Affairs, Government of India has issued a General Circular No.04/2014 dated March 25, 2014, clarifying that resolutions passed under Section 293 of the Companies Act, 1956 prior to September 12, 2013, (i.e., the date on which the corresponding Section 180 of the Companies Act, 2013 was notified), with reference to borrowings (subject to the limits prescribed) and / or creation of security on assets of the company will be regarded as sufficient compliance of the requirements of Section 180 of the Companies Act, 2013 for a period of one year from the date of notification of Section 180 of the Companies Act, 2013.

Section 180(1)(c) of the Companies Act, 2013, which replaces Section 293(1)(d) of the Companies Act, 1956, stipulates that a special resolution has to be passed where the money to be borrowed together with the moneys already borrowed by the Company will exceed aggregate of the paid-up share capital and free reserves of the Company, apart from temporary loans obtained from the Company's bankers in the ordinary course of business. Further, as per Section 180(2) of the Companies Act, 2013, every special resolution passed by the company in general meeting in relation to the exercise of the powers as stated in Section 180(1)(c) of the Companies Act, 2013 should specify the total amount up to which monies may be borrowed by the Board of Directors.

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

By Order of the Board,

Bangalore
August 08, 2014

SANTHOSH KUMAR KEERTHI
Company Secretary



Pioneer Distilleries Limited

Corporate Identity Number: L24116AP1992PLC055108

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

Tel: +91 40 6674 7388; Fax: +91 40 6674 7386

Web: www.pioneerdistilleries.com Email: info@pioneerdistilleries.com

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s) : _____

Registered Address : _____

E-mail Id : _____

Folio No / Client Id : _____

DP Id : _____

I/We, being holder (s) of _____ equity shares of Pioneer Distilleries Limited hereby appoint

1. Name: _____ Address: _____

E-mail Id: _____ Signature: _____ or failing him / her

2. Name: _____ Address: _____

E-mail Id: _____ Signature: _____ or failing him / her

3. Name: _____ Address: _____

E-mail Id: _____ Signature: _____

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 21st Annual General Meeting of the Company to be held on Friday, September 26, 2014 at 12.15 p.m. at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016 and at any adjournment thereof in respect of such resolutions as are indicated below:

- To receive, consider and adopt Audited Statement of Profit and Loss for the financial year ended March 31, 2014, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
- To appoint a Director in place of Mr. P.A. Murali (DIN: 00204710), who retires by rotation and being eligible offers himself for re-appointment.
- To appoint Statutory Auditors and to fix their remuneration.
- Appointment of Mr. M.R. Doraiswamy Iyengar (DIN: 00203141) as an Independent Director for a term of two years.
- Appointment of Mr. C.L. Jain as an Independent Director (DIN: 00102910) for a term of two years.
- Approval of the Borrowing Limit.

Signed this day of 2014

Affix
Rs.1/-
Revenue
Stamp

Signature of the Shareholder: _____ Signature of the Proxy holder (s): _____

Notes:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
- A person can act as a proxy on behalf of Members not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company. Further a Member holding more than ten percent of the total Share Capital of the Company carrying voting rights can appoint a single person as proxy and such person shall not act as a proxy for any other Member.
- A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.



Pioneer Distilleries Limited

Corporate Identity Number: L24116AP1992PLC055108
Reg. Office: UB House, Plot No.36, Street No.4, Srinagar Colony, Hyderabad 500 073
Tel: +91 40 6674 7388; Fax: +91 40 6674 7386
Web: www.pioneerdistilleries.com Email: info@pioneerdistilleries.com

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

I/we hereby record my / our presence at the 21st Annual General Meeting held on Friday, September 26, 2014 at 12.15 p.m. at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016

Folio No. / DP ID / Client ID :

No. of Shares :

Name of the Member / Proxy / Authorised Representative * _____

Signature of the Member / Proxy / Authorised Representative* _____

**strike off whichever is not applicable*

Notes:

1. The Company will accept only Attendance Slip of a person personally attending the meeting as a Member or valid proxy duly registered in time with the Company. The Company will not accept Attendance Slip from any other person even if signed by a Member. Members are requested not to be accompanied by non-Members or children.
2. Persons representing bodies corporate are required to submit with the Company original Resolution of the Board of Directors or other governing body of such Member, authorizing such person to act as its representative under Section 113 of the Companies Act, 2013.
3. Shareholders/Proxy holder/Authorised Representative attending the meeting should bring his/her copy of Annual Report for reference at the meeting.
4. To facilitate Members, registration of attendance will commence at 11.00 a.m. on September 26, 2014.
5. E-voting particulars are set out below:

E-voting (Electronic Voting Event Number)	USER ID	PASSWORD

Please refer Notice for instructions on e-voting.

E-voting facility will be open during the following period.

Commencement of E-voting	End of E-voting
Saturday, September 20, 2014 at 9.00 a.m.	Monday, September 22, 2014 at 6.00 p.m.

Members are advised that no Gifts will be distributed at the Annual General Meeting



CONTENTS

Particulars	Page No.
Report of the Directors	3
Corporate Governance Report	9
Management Discussion and Analysis Report	24
Independent Auditor's Report	29
Balance Sheet	35
Statement of Profit and Loss	36
Cash Flow Statement	37
Notes to the Financial Statement	38



BOARD OF DIRECTORS :

P.A. MURALI,
Chairman

ASHOK CAPOOR,

M.R. DORAISWAMY IYENGAR

C.L. JAIN

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
Tel: +91 40 6674 7388
Fax: +91 40 6674 7386

**REGISTRARS &
TRANSFER AGENTS :**

Venture Capital and Corporate Investments Pvt Ltd
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, 2014.

FINANCIAL RESULTS

The Summary of Financial Performance of the Company for the year 2013-14 is as under:

(Rs. in Lakhs)

Particulars	2013-14	2012-13
Net Sales	12890.39	10362.99
Add: Other income	1688.80	2.35
Add: Increase /(Decrease) in stocks	(453.38)	722.78
Total Income	14125.81	11088.12
Less: Expenditure	13277.10	11861.67
Profit/(Loss) before depreciation, interest and tax	848.71	(773.55)
Less: Interest	1910.33	1030.44
Less: Depreciation	1067.91	927.34
Profit / (Loss) before Tax	(2129.53)	(2731.33)
Provision for Taxation :		
• Tax relating to earlier years	0	54.43
Profit / (Loss) after Tax	(2129.53)	(2785.76)
Add: Balance brought forward from previous year	(6538.14)	(3752.37)
Balance carried to Balance Sheet	(8667.67)	(6538.13)

DIVIDEND

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

PERFORMANCE OF THE COMPANY

The Company has achieved a Turnover of Rs.12,890.39 Lakhs for the financial year ended March 31, 2014 against the Turnover of Rs.10,362.99 Lakhs an increase of 24% over the previous year. The Loss before tax of your Company during the financial year amounted to Rs.2,129.53 Lakhs.

This loss is mainly due to higher Input Cost, increase in interest cost on borrowings and non-availability of good quality Molasses.



Report of the Directors (Contd.)

PROSPECTS

Keeping in view the emerging demand for Grain Based Alcohol, the Company has installed Grain Based facility. Plans are afoot to install a Dried Distillers Grains and Soluble (DDGS) facility for the Grain Spirit plant and to retrofit the 100 Kilo Litres Per Day (KLPD) primary distillery plant from atmospheric pressure to multi pressure to improve quality and recoveries.

The expansion would not only enable the Company to substantially increase the revenue, but also to meet the increased demand of Extra Neutral Alcohol (ENA) by United Spirits Limited, holding company of the Company.

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

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

EROSION OF ENTIRE NET WORTH

As reported last year, consequent upon the erosion of your Company's entire net worth, a reference has been made to the Board for Industrial and Financial Reconstruction (BIFR) pursuant to Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the same has been registered with the BIFR. The BIFR, by order pronounced on February 8, 2014, has appointed the IDBI Bank Limited to conduct a Special Investigative Audit (SIA) as per the provisions of section 16(2) of SICA. The IDBI Bank Limited has appointed M/s.Dagliya & Company on April 25, 2014 to conduct the SIA ordered by BIFR and the SIA is in process.

OPEN OFFER TO THE PUBLIC SHAREHOLDERS OF THE COMPANY

During the year under review, Relay B.V. (as Acquirer) along with Diageo plc and United Spirits Limited (as persons acting in concert) has made an Open Offer, pursuant to Regulations 3(1), 4 and 5 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 to the public shareholders of the Company to acquire up to 2,466,168 equity shares, representing 18.42% of the current paid up capital of the Company at a cash price of Rs.64.02 per equity share. The total equity shares validly tendered by the public shareholders were 639,185 equity shares constituting 4.77% of the equity shares, which were acquired by United Spirits Limited. Consequently, the share holding of United Spirits Limited in the Company increased from 81.58% to 86.35%

MINIMUM PUBLIC SHAREHOLDING

Your Company is listed on BSE Limited, National Stock Exchange of India Limited and Pune Stock Exchange Limited. As per the listing requirements, your Company should have a minimum public



Report of the Directors (Contd.)

shareholding of 25%. Your promoters are exploring the various possibilities of bringing down their shareholding from 86.35% to 75% before September 25, 2014.

DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on August 01, 2014, equity shares representing 92.32% 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

As per the provisions of the Companies Act, 2013, Mr. P.A. Murali, Director retires by rotation and being eligible, offers himself for re-appointment.

Mr. M.R. Doraiswamy Iyengar and Mr. C.L. Jain, who were appointed as Directors of the Company liable for retirement by rotation under the Companies Act, 1956, in respect of whom the Company has received notices in writing from members proposing their candidature for the office of Director, are proposed to be appointed as Independent Directors not liable to retire by rotation, for 2 years from September 26, 2014 to September 25, 2016 pursuant to the provisions of Section 149 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013.

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/ Section 164(2) of the Companies Act, 2013.

AUDITORS

M/s. Lodha & Co, Chartered Accountants, the Auditors of your Company, hold office till the conclusion of the forthcoming Annual General Meeting ("AGM") of the Company and have given their consent for re-appointment. Pursuant to provisions of Section 139(2) of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules 2014, M/s. Lodha & Co are eligible for appointment as Auditors for a further period of two consecutive years. Your Company has received a written confirmation from M/s. Lodha & Co, Chartered Accountants to the effect that their appointment, if made, would satisfy the criteria provided in Section 141 of the Companies Act, 2013 for their appointment. The Board recommends the re-appointment of M/s. Lodha & Co, Chartered Accountants as the Auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the 23rd AGM subject to the remuneration as may be recommended by the Audit Committee in consultation with the Auditors.

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.



Report of the Directors (Contd.)

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 BSE Limited, National Stock Exchange of India Limited and Pune Stock Exchange Limited. The Annual Listing fees for the year 2014-15 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.

Necessary compliance under Rule 3 of the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 have been followed.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the Section 217(2AA) of the Companies, Act, 1956, in relation to financial statements for year 2013-14, the Board of Directors reports that:



Report of the Directors (Contd.)

- (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, 2014;
- (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 the Board

Bangalore
August 08, 2014

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:

- New Anaerobic Digesters are being installed to treat the effluent from Molasses Plant and increase Methane production for higher electricity generation from Gas Engines.
- Automatic Power Factor Correction panels installed to increase power factor and hence reduction in Electrical Energy.
- High Gravity Fermentation with Lallemand Yeast being carried out to reduce water requirement and as well as steam in distillation.
- Multi Pressure 100 KLPD Rectified Spirit Plant installed to reduce impure spirit cut and hence produce quality ENA at higher recovery.
- DDGS Dryer is being installed for enhancing the value of byproduct recovery in Grain Plant which will reduce cost of production.

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:	2013-14	2012-13
	Rs.	Rs.
a. Earnings in Foreign Currency	Nil	Nil
b. Imports / Expenditure in Foreign Currency	Nil	Nil

By Authority of the Board

Bangalore
August 08, 2014

P.A.MURALI
Chairman



Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company recognizes that good Corporate Governance is a continuous process and accordingly adheres to the basic tenets 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 of the Company at present comprises of a Non-Executive Chairman, one Non-Executive Director and two Non-Executive Independent Directors.

During the financial year under review, four Board Meetings were held i.e. on May 09, 2013, July 30, 2013, November 06, 2013 and February 11, 2014.

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 27.08.2013	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	4	Yes	9	1 (Chairman)
Mr. Ashok Capoor	Non Executive Director	4	No	1	Nil
Mr. M.R. Doraiswamy Iyengar	Independent Non Executive Director	4	Yes	1	Nil
Mr. C.L. Jain	Independent Non Executive Director	4	Yes	5	4 (Chairman of 2)

NOTES:

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

- Out of 9 other Companies in which Mr. P.A. Murali is a Director, 5 are Private Limited Companies of which 2 are subsidiaries of a Public Company, and 1 is a Section 25 Company.
- The other Company, in which Mr. M.R. Doraiswamy Iyengar is a Director, is a Private Limited Company.
- Out of 5 other Companies in which Mr. C.L. Jain is a Director, 1 is a Private Limited Company.
- None of the Directors are related to any other Director.



Corporate Governance Report (Contd.)

DISCLOSURES REGARDING REAPPOINTMENT AND APPOINTMENT OF DIRECTORS

Director retiring by rotation and being reappointed

Mr. P.A. Murali (DIN: 00204710)

Mr. P.A. Murali (Mr. Murali), is a Chartered Accountant and holds a Bachelors' Degree in Commerce.

Mr. Murali is Executive Director and Chief Financial Officer of United Spirits Limited, holding company of the Company. Mr. Murali has had a rich experience of over two decades in UB Group and was instrumental in the creation of United Spirits Limited by the consolidation and legal mergers of all the spirits businesses of the UB Group. He has spear headed the efforts of the Company for a successful completion of the GDR/FCCB issue of \$230 Million in 2006 and a \$530 Million (Rs. 1,652 Crores) equity placement in a record time of two weeks under the Qualified Institutional Placement in 2009. He played a leading and vital role in the acquisition of Whyte and Mackay, UK, Bouvet Ladubay SA, France and Liquidity Inc, USA. He joined the UB Group as Senior Manager - Finance in Mumbai.

Mr. Murali has over 33 years of experience.

Mr. Murali does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Details of Mr. Murali's Directorships in other Indian Companies and Committee Memberships are as under:

Other Directorships	Position held
1. United Spirits Limited	Executive Director
2. Sovereign Distilleries Limited	Chairman
3. Four Seasons Wines Limited	Director
4. Royal Challengers Sports Private Limited	Director
5. Tern Distilleries Private Limited	Director
6. Talesi Ventures Private Limited	Director
7. VJM Investments Private Limited	Director
8. Yenkey Associates Private Limited	Director
9. SWEW Benefit Company	Managing Committee Member

Mr. Murali is the Chairman of the Audit Committee of Directors of Sovereign Distilleries Limited.

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



Corporate Governance Report (Contd.)

Appointment of Independent Directors

Mr. M.R. Doraiswamy Iyengar (DIN: 00203141)

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

Mr. M.R. Doraiswamy Iyengar does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

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

Other Directorships	Position held
Vittal Investments Private Limited	Director

Mr. M.R. Doraiswamy Iyengar is the Chairman of the Audit Committee, Nomination and Remuneration Committee and member of Stakeholders Relationship Committee of Directors of the Company.

Mr. Chhaganlal Meghraj Jain (DIN: 00102910)

Mr. Chhaganlal Meghraj Jain (Mr. C.L. Jain), is a Chartered Accountant and a Company Secretary by profession having more than 47 years of corporate experience in various organizations including ICI and Hindustan Unilever Limited. He was Finance Director of Hoechst India Limited. He was also external faculty member at Bajaj Institute of Management for 17 years. He was also Chairman of Banking and Finance Committee of Bombay Chamber of Commerce & Industry for 4 years. Apart from Directorships he holds in esteemed public Companies, he is also a trustee of some Public Charitable Trusts.

Mr. C.L. Jain does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Details of Mr. C.L. Jain's Directorships in other Indian Companies and Committee Memberships are as under:

Other Directorships	Position held
1. NOCIL Limited	Director
2. RPG Life Sciences Limited	Director
3. United Breweries Limited	Director
4. Asit C Mehta Investment Intermediates Limited	Director
5. Practical Financial Services Private Limited	Director



Corporate Governance Report (Contd.)

Mr. C.L. Jain is a member of the Audit Committee and Investors' Grievance Committee of Directors of United Breweries Limited and Chairman of the Audit Committee of Directors of NOCIL Limited and RPG Life Sciences Limited.

Mr. C.L. Jain is a member of the Audit Committee and Nomination and Remuneration Committee of Directors of the Company.

3. AUDIT COMMITTEE

The Audit Committee comprises at present the following Directors:

Mr. M.R. Doraiswamy Iyengar (Chairman)	Non Executive Independent Director
Mr. P.A. Murali	Non Executive Director
Mr. C.L. Jain	Non Executive Independent Director

The Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2014 and has recommended its adoption. In addition, the Committee has also reviewed unaudited (provisional) quarterly results for June 30, 2013, quarterly results for September 30, 2013 and quarterly results for December 31, 2013, which were subjected to a Limited Review by the Statutory Auditors of the Company.

The terms of reference of the Audit Committee inter alia, includes the following:

- a) Reviewing the financial statements of the Company to ensure that the statements are correct, sufficient and credible.
- b) Reviewing with the management the annual financial statements before submission to the Board focusing primarily on:
 - Changes, if any, in accounting policies and practices
 - Qualifications, if any, in the audit report
 - Compliance with the accounting standards
 - Compliance with Stock Exchange and legal requirements concerning the financial statements
- c) Reviewing with the management, external and internal auditors and the adequacy of internal control systems, internal audit system including discussion with the internal auditors any significant findings and follow up thereon.
- d) suggestions for improvement of procedures being followed by the Company.

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

During the financial year under review, four meetings of the Audit Committee were held i.e. on May 09, 2013, July 30, 2013, November 06, 2013 and February 11, 2014. The details of attendance by members of the Committee are as follows:



Corporate Governance Report (Contd.)

Name	No. of Meetings	Meetings attended
Mr. M.R. Doraiswamy Iyengar (Chairman)	4	4
Mr. P.A. Murali	4	4
Mr. C.L. Jain	4	4

4. NOMINATION AND REMUNERATION COMMITTEE

A Nomination and Remuneration Committee was constituted on May 14, 2014, to meet the requirements under both, the Listing Agreement and Section 178 of the Companies Act, 2013, comprises at present the following Directors:

Mr. M.R. Doraiswamy Iyengar, Chairman
Mr. Ashok Capoor
Mr. C.L. Jain

The terms of reference of the Committee covers all matters specified under the provisions of Section 178 of the Companies Act, 1956 and inter alia, includes the following:

- a) identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board of Directors their appointment and removal and shall carry out evaluation of every director's performance.
- b) approve and recommend matters relating to compensation by way of salary, perquisites, benefits etc., to the Managing/Whole Time/Executive Directors of the Company.
- c) formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration for the directors including independent directors, key managerial personnel and other employees.
- d) the Committee shall review and recommend to the Board of Directors for approval any mandatory disclosures of the Management compensation.
- e) the Committee shall provide guidance to the Human Resources Department to set up policy and procedure for succession planning of Key Managerial Personnel and other senior management of the Company.
- f) the Committee shall approve any share incentive plans for the employees of the Company.

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



Corporate Governance Report (Contd.)

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	20,000
Mr. Ashok Capoor	Nil
Mr. M.R. Doraiswamy Iyengar	1,10,000
Mr. C.L. Jain	90,000

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.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

A Stakeholders Relationship 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.

The terms of reference for the Committee include inter alia specifically to look into the redressing of Shareholders Grievance like non-receipt of Balance Sheet, non-receipt of declared Dividends, non-receipt of Share Certificates and shall inter alia operate and cover areas as may be prescribed under the Companies Act, 2013 and other applicable regulations from time to time.

During the financial year under review, four meetings of the Stakeholders Relationship Committee were held on May 09, 2013, July 30, 2013, November 06, 2013 and February 11, 2014 attended by both Mr. Ashok Capoor and Mr. M.R. Doraiswamy Iyengar, members of the Committee.

The Company / Company's Registrars had not received any complaints during the financial year.

There are no complaints or Transfer of Shares pending as on March 31, 2014.

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.,



Corporate Governance Report (Contd.)

The Committee comprises at present the following Directors:

Mr. P.A. Murali
Mr. Ashok Capoor
Mr. M.R. Doraiswamy Iyengar

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, 2013	August 27, 2013	10.00 a.m.	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2012	August 27, 2012	12.30 p.m.	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2011	September 16, 2011	12.30 p.m.	Residency Hall, Hotel Green Park, Begumpet, Hyderabad 500 016

No Special Resolutions were passed by the Shareholders at the last three Annual General Meetings.

POSTAL BALLOT

The Company has not passed any resolution at the above 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 ordinary or special resolution proposed requiring passing by way of Postal Ballot.

No Resolution was passed through Postal Ballot during 2013-14.

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

7. DISCLOSURES

During the financial year ended March 31, 2014, the related party transactions with its promoters, the Directors or the management, their subsidiaries or relatives, etc., have been disclosed in the 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.



Corporate Governance Report (Contd.)

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.

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, 2014 and a declaration to this effect signed by the Manager is forming part of this report.

Pursuant to requirements of the Securities and Exchange Board of India (Prohibitions 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@unitedspirits.in 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)	Corporate Identity Number	L24116AP1992PLC055108
b)	AGM Date, Time and Venue	Friday, September 26, 2014 at 12.15 p.m. at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
c)	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 Financial Results	By May 30



Corporate Governance Report (Contd.)

d)	Date of Book Closure	Thursday, September 18, 2014 to Friday, September 26, 2014 (both days inclusive)
e)	Dividend payment date	NA
f)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: 1. BSE Limited (BSE) 2. National Stock Exchange of India Limited (NSE) 3. Pune Stock Exchange Limited (PSE)

The Annual Listing fees for the years 2013-14 and 2014-15 have been paid by the Company to the respective Stock Exchanges.

g)	Stock Code	
	BSE	531879
	NSE	PIONDIST
	PSE	160202
h)	ISIN No.	INE889E01010 (NSDL & CDSL) - for Equity Shares
i)	Market price data	As per Annexure A
j)	Stock performance in comparison to BSE Sensex	As per Annexure B
k)	Registrar 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
l)	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.



Corporate Governance Report (Contd.)

m)	Distribution of Shareholding	As per Annexure C		
n)	Dematerialisation of shares (as on March 31, 2014)	Depositories	Shares	%
		NSDL	12123121	90.55
		CDSL	235639	1.76
		Total	12358760	92.31
o)	Outstanding GDRs/ADRs/Warrants or any other instruments	NA		
p)	Plant Location	Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra 421 809		
q)	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</p> <p>In compliance with the provisions of Clause 47(f) of the Listing Agreement with the Stock Exchanges, an exclusive email id, viz. pdlinvestor@unitedspirits.in has been designated for registering complaint by the Investor and its redressal, which has been displayed on the website of the Company www.pioneerdistilleries.com</p>		



Corporate Governance Report (Contd.)

NONMANDATORYREQUIREMENTS

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, 2014 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	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.



Corporate Governance Report (Contd.)

ANNEXURE A: MARKET PRICE DATA

Pioneer Distilleries Limited – Monthly BSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
April 2013	60.00	52.85	58.25	18,323
May 2013	72.00	58.15	59.35	12,488
June 2013	89.00	56.05	61.55	2,606
July 2013	64.60	59.00	62.35	98,689
August 2013	65.00	62.00	63.20	1,14,743
September 2013	65.00	56.80	56.80	34,449
October 2013	69.00	43.55	69.00	2,349
November 2013	72.00	59.00	62.00	1,488
December 2013	69.85	56.00	59.00	6,824
January 2014	65.10	57.00	62.00	7,554
February 2014	67.95	59.00	62.85	7,759
March 2014	65.00	59.00	62.00	9,395

[Source: This information is compiled from the data available from the website of BSE]

Pioneer Distilleries Limited – Monthly NSE

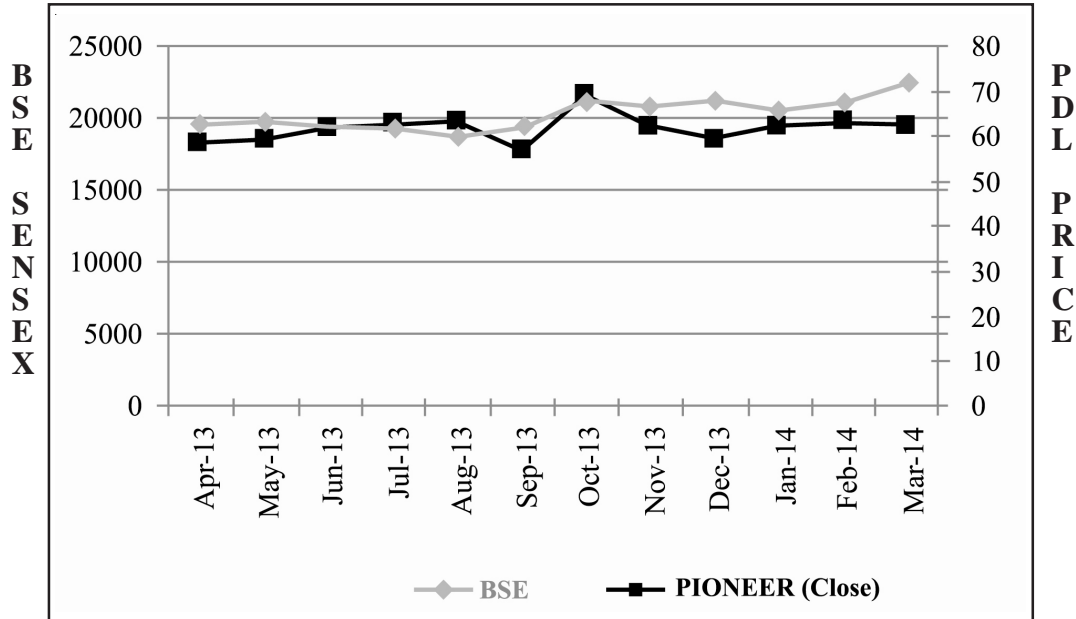
Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
April 2013	60.00	56.40	59.00	33,213
May 2013	67.95	58.55	59.50	31,658
June 2013	65.00	55.00	59.00	8,153
July 2013	63.00	60.00	62.25	64,677
August 2013	63.50	62.20	63.20	99,678
September 2013	69.80	56.70	56.70	19,282
October 2013	64.00	52.00	63.05	1,049
November 2013	69.00	69.00	69.00	5
December 2013	65.55	65.55	65.55	20
January 2014	68.00	68.00	68.00	51
February 2014	-	-	-	-
March 2014	-	-	-	-

[Source: This information is compiled from the data available from the website of NSE]



Corporate Governance Report (Contd.)

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



[Source: This information is compiled from the data available from the website of BSE]

ANNEXURE C: DISTRIBUTION OF SHAREHOLDING (as on March 31, 2014)

VALUEWISE

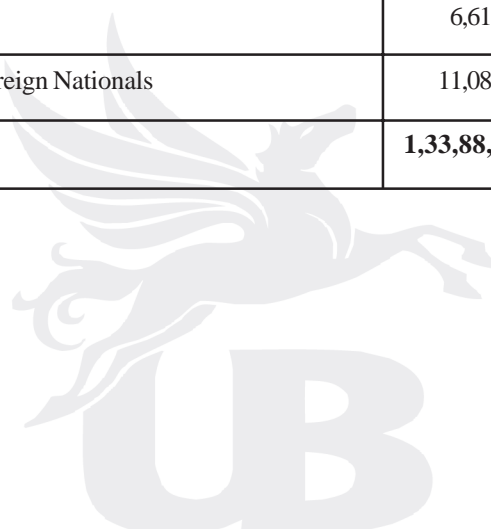
Shareholding of nominal value (Rs.)	Shareholders		Share Amount	
	Number	% to Total	in Rs.	% to Total
(1) - (2)	(3)	(4)	(5)	(6)
Up to - 5,000	1,993	83.08	23,89,670	1.79
5,001 - 10,000	252	10.50	23,16,190	1.73
10,001 - 20,000	83	3.46	14,10,790	1.05
20,001 - 30,000	32	1.33	8,05,600	0.60
30,001 - 40,000	8	0.33	2,96,900	0.22
40,001 - 50,000	9	0.38	4,26,930	0.32
50,001 - 1,00,000	9	0.38	6,66,970	0.50
1,00,001 and above	13	0.54	12,55,68,950	93.79
Total	2,399	100.00	13,38,82,000	100.00



Corporate Governance Report (Contd.)

CATEGORYWISE

Category	No. of shares	% of Equity Capital
Promoter	1,15,61,217	86.35
Banks/FI/FII/MF/UTI/Trust/Central/State Government & Insurance Companies	899	0.01
Resident Body Corporate (including clearing members)	56,463	0.42
Resident Individual	6,61,126	4.94
NRI/OCB/ FCB and Foreign Nationals	11,08,495	8.28
Total	1,33,88,200	100.00





Auditor's Certificate on Corporate Governance

To,
The Board of Directors,
Pioneer Distilleries Limited

We have examined the compliance of conditions of Corporate Governance by Pioneer Distilleries Limited ("the Company") for the year ended on March 31, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the 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 and based on the representations given by the management of the Company, we certify that the Company has complied in all material respects with the conditions of Corporate Governance.

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

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

RP Baradiya
Partner
Membership No. 44101

Place: Bangalore
Date: August 08, 2014

CEO/CFO CERTIFICATE

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

Bangalore
August 08, 2014

Ranjan Satsangi
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, 2014.

Bangalore
August 08, 2014

Ranjan Satsangi
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., Potable Alcohol and related products. The Company is running a 160 Kilo Litres Per Day (KLPD) Extra Neutral Alcohol (ENA) manufacturing facility comprising of 100 KLPD of Molasses based ENA and 60 KLPD of Grain based ENA at Balapur Village, 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 as a by-product of the fermentation process. The Company has 7.825 Megawatt (MW) electricity generation facility, 3.1 MW generation from the steam turbine for captive consumption and 4.725 MW generation of unconventional electricity from Biogas Engines for sale to the Grid. All these facilities are supported by a state of the art effluent treatment plant recently installed including a Multiple Effect Evaporator followed by a Dryer suitable for a Standalone Distillery 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. 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 fermentation process for production of alcohol generates Carbon-di-Oxide (CO₂). Normally this CO₂ 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 directly adds to the bottom-line of the Company and generates another stream of revenue. A 5 Ton dry ice plant was installed and production commenced from December 2012.

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. The plant has been operating satisfactorily during the financial year.



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 gasses. The Company had commissioned 4.725 MW Biogas based power plant on May 2011. The Biogas Power plant is eligible for subsidy under the Ministry of New and Renewable Energy.

EXECUTION OF EXPANSION PLANS

A new-state-of-the-art IMFL plant, complying with International Standards, has been put up into operation from March 2014. United Spirits Limited, holding company of the Company (USL's) brands of IMFL using captive Grain ENA are being produced for supply to local market. Sales have started w.e.f. June 2014. The Company is planning to produce IMFL with capacity of 50,000 cases per month in the first phase. It shall be expanded to 400,000 cases per month in the second phase.

A 12 KLPD state-of-the-art Malt Spirit Plant has been set up and is awaiting conversion of License from Letter of Intent (LOI) from Government of Maharashtra for it to become operational. The plant is ready for commissioning.

A new Multi Pressure Primary plant has been erected in March 2014 for production of Rectified Spirit with lower fuel consumption. The Plant has been put up into operation w.e.f. May 13, 2014 and the performance has been as per standard parameters.

DEVELOPMENT PLANS UNDER IMPLEMENTATION

Additionally, your Company is in the process of settling up:

1. Two new Anaerobic Digesters to maximize generation of Biogas for power generation through Biogas engines.
2. New steam Turbine of capacity 5 MW to meet 100% demand and avoid dependency on SEB / DG power thereby, on the overall, become power positive.
3. Dried Distillers Grains and Soluble (DDGS) facility to maximize returns from the Grain ENA plant spent grain.
4. Maturation Hall for maturing Fresh Malt Spirit produced from the new Malt Spirit Plant.
5. Two new boilers of 30 MT capacity each to cater to entire steam demand of ENA plants to replace old 40 MT and 14 MT boilers.

With completion of all the above projects it would bring an additional revenue streams which would make the Company profitable.



Annexure to Report of the Directors (Contd.)

RISKS & CONCERNS, OPPORTUNITIES & THREATS

The proposal to use barley as raw material for the manufacture of Malt Spirit has been explored and accordingly a separate Malt Spirit facility has been added 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. Facilities are being created to maximize benefits from all possible revenue streams like biogas for power generation and DDGS from spent Grain. 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 equipment 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 installed Grain Based facility. Plans are afoot to install a DDGS facility for the Grain Spirit plant and to retrofit the 100 KLPD primary distillery plant from atmospheric pressure to multi pressure to improve quality and recoveries.

The expansion would not only enable the Company to substantially increase the revenue, but also to meet the increased demand of ENA by United Spirits Limited, holding company of the Company.

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

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

PRODUCT-WISE PERFORMANCE

The product wise performance of the Company is given hereunder:



Annexure to Report of the Directors (Contd.)

- (i) Rectified Spirit (RS): Production of RS during the financial year April 01, 2013 to March 31, 2014 has been of the order of 127.99 Lakh Bulk Litres (LBL).
- (ii) ENA: Production of Molasses ENA during the financial year April 01, 2013 to March 31, 2014 has been of the order of 122.52 LBL and production of grain ENA 161.50 LBL.
- (iii) Absolute Alcohol (Ethanol): Production of Absolute Alcohol during the financial year April 01, 2013 to March 31, 2014 has been of the order of Nil.
- (iv) CO₂: Production of CO₂ during the financial year April 01, 2013 to March 31, 2014 has been of the order of 1,010.39 Metric Ton (MT).
- (v) Carbon-di-Oxide Dry Ice: Production of Carbon-di-Oxide Dry Ice during the financial year April 01, 2013 to March 31, 2014 has been of the order of 821.33 MT.
- (vi) Technical Alcohol (Faint Spirit): Production of Technical Alcohol from Molasses during the financial year April 01, 2013 to March 31, 2014 has been of the order of 13.40 LBL and from Grain plant it is 1.76 LBL.
- (vii) Special Denatured Spirit (SDS): Production of SDS during the financial year April 01, 2013 to March 31, 2014 has been of the order of 22.42 LBL.
- (viii) Power Generation: Production of power during the financial year April 01, 2013 to March 31, 2014 has been of the order of 42.40 Lakh Kilowatt per Hour (LKWH).
- (ix) Distillers Wet Grain Soluble (DWGS): Production of DWGS during the financial year April 01, 2013 to March 31, 2014 has been of the order of 8,820.88 MT.

FINANCIAL AND OPERATIONAL PERFORMANCE

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

The Company has achieved a Turnover of Rs.12,890.39 Lakhs for the financial year ended March 31, 2014 against the Turnover of Rs.10,362.99 Lakhs an increase of 24% over the previous year. The Loss before tax of your Company during the financial year amounted to Rs.2,129.53 Lakhs. This loss has been incurred mainly due to higher Input Cost, increase in interest cost on borrowings and non-availability of good quality Molasses.

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 United Spirits Limited, holding company of the Company. The internal control system provides reasonable assurance that the transactions are properly recorded and



Annexure to Report of the Directors (Contd.)

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 177 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 the Board

Bangalore
August 08, 2014

P.A.MURALI
Chairman



Independent Auditor's Report

To
The Members of
Pioneer Distilleries Limited

Report on the Financial Statements:

We have audited the accompanying financial statements of Pioneer Distilleries Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditor's Report (Contd.)

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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, 2014;
- (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 the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matters:

Without qualifying, we draw attention to the following:

- a) the financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred a loss of Rs. 212,953,305 during the year ended March 31, 2014 (loss of Rs. 273,132,989 in the previous financial year) and, as of that date, net worth has been substantially eroded. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's bottling plant and Malt Spirit plant have commenced operations. The parent Company, United Spirits Limited, has provided a letter of support in which it confirms its intention to provide the Company, at least for the forthcoming twelve months, with any financial, technical and administrative support it may require in order to pursue the operation and honour the commitments.

Accordingly, management believes that it is appropriate to prepare the financial statements on a going concern basis. Therefore, the financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and to the amounts of liabilities that might be necessary should the Company be able to unable continue as a going concern. {Refer Note no.22 (a)}

- b) regarding recognition of subsidy received/receivable under PSI Scheme 2007 of Maharashtra Government under the income approach stated in Accounting Standard 12 (Government Grants) as against hitherto being accounted under capital approach. {Refer Note no.22(b) }



Independent Auditor's Report (Contd.)

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) 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;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) 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;
 - (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) on the basis of the written representations received from the directors as on 31st March, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

Place : Bangalore
Dated : May 14, 2014

RP Baradiya
Partner
Membership No. 44101



Annexure to Independent Auditor's Report (Contd.)

ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF THE 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) All the fixed assets have been physically verified by the management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the nature of its assets. Pursuant to the programme, certain fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
 - 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.
 - b) The procedures for physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material considering the operations of the Company and have been properly dealt with in the books of account.
3. During the year, the 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.
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. There are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.



Annexure to Independent Auditor's Report (Contd.)

6. No deposits within 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 adequate internal audit system commensurate with the size of the Company and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the act in respect of company's products/services. Accordingly, the provisions of clause 4(viii) of the order not applicable.
9. a) The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to the Company with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Service tax, Customs Duty, Wealth Tax, Excise Duty, Cess which have not been deposited on account of any dispute.
10. The Company's accumulated losses as at 31st March, 2014 exceed its net worth and it has incurred cash losses during the financial year ended on that date and also in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a bank.
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 loans taken by others from banks and financial institutions.
16. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.



Annexure to Independent Auditor's Report (Contd.)

17. In our opinion, funds of Rs. 942,104,787 as at the close of the year raised on short term basis have been applied for long term investments.
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 standards 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
Chartered Accountants
Firm Registration Number: 301051E

RP Baradiya
Partner
Membership No. 44101

Place : Bangalore
Dated : May 14, 2014



Balance Sheet as at March 31, 2014

		Amount in Rs	
	Notes	Mar-14	Mar-13
Equity and Liabilities			
Shareholders' Funds			
Share capital	1	134,194,000	134,194,000
Reserves and Surplus	2	(715,183,898)	(440,286,579)
Non-current Liabilities			
Long term borrowings	3.1	525,199,532	716,683,111
Other Long-term liabilities	3.2	1,359,506,529	1,106,176,635
Deferred Tax Liability (Net)		120,335,591	120,335,591
Current Liabilities			
Short-term borrowings	4.1	150,601,937	149,393,989
Trade Payables	4.2	249,034,475	269,673,614
Other Current Liabilities	4.3	1,449,330,127	852,155,182
Short-term provisions	4.4	12,841,398	19,469,663
		3,285,859,693	2,927,795,208
Assets			
Non-current Assets			
Fixed Assets			
Tangible Assets	5.1	1,901,795,060	1,361,398,254
Capital Work-in-Progress		420,600,003	650,977,243
Long term Loans and advances	6	299,852,336	302,052,903
Other Non-Current Assets	7	2,705,556	362,269
Current Assets			
Inventories	8.1	377,776,038	393,906,950
Trade Receivables	8.2	8,861,516	10,835,881
Cash and Cash Equivalents	8.3	14,701,421	6,249,086
Short term Loans and Advances	8.4	93,106,313	120,688,005
Other Current Assets	8.5	166,461,448	81,324,616
		3,285,859,693	2,927,795,208
Summary of significant accounting policies	16		
The accompanying notes are an integral part of the financial statements.	17-28		

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

For **Lodha & Company**
Chartered Accountants

P.A. Murali
Chairman

M.R. Doraiswamy Iyengar
Director

R P Baradiya
Partner

Ranjan Satsangi
Manager

Mukesh Srivastava
Chief Financial Officer

Place: Bangalore
Date: 14th May, 2014

Santhosh Kumar Keerthi
Company Secretary



Statement of Profit and Loss for the year ended March 31, 2014

		Amount in Rs	
	Notes	Mar-14	Mar-13
Revenue			
Revenue from Operations		1,297,920,588	1,037,233,102
Less: Excise Duty		8,881,108	6,908,221
	9	1,289,039,480	1,030,324,882
Other Operating Income	10	168,762,645	5,974,046
Other Income		117,500	234,740
		1,457,919,624	1,036,533,668
Expenses			
Cost of Materials Consumed	11	1,129,479,968	1,011,827,600
Change in inventories of Finished Goods, Work-in-Progress	12	45,338,287	(72,278,006)
Employee Benefits expense	13	59,646,576	48,306,897
Finance Costs	14	191,032,552	103,043,642
Depreciation & Amortisation Expense		106,791,832	92,734,413
Other expenses	15	138,583,714	126,032,110
		1,670,872,929	1,309,666,657
Profit / (Loss) before Exceptional, extraordinary items & Taxation		(212,953,305)	(273,132,989)
Exceptional items		-	-
		(212,953,305)	(273,132,989)
Tax Expense: Tax relating to earlier years		-	5,443,437
Profit/(Loss) for the year from continuing operations		(212,953,305)	(278,576,426)
Profit / (Loss) for the year		(212,953,305)	(278,576,426)
Basic / Diluted Earnings Per Share (Face value of Rs.10 each)		(15.91)	(20.81)
Summary of significant accounting policies	16		
The accompanying notes are an integral part of the financial statements.	17-28		

This is the Profit and Loss Statement referred to in our report of even date

For **Lodha & Company**
Chartered Accountants

P.A. Murali
Chairman

M.R. Doraiswamy Iyengar
Director

R P Baradiya
Partner

Ranjan Satsangi
Manager

Mukesh Srivastava
Chief Financial Officer

Place: Bangalore
Date: 14th May, 2014

Santhosh Kumar Keerthi
Company Secretary



Cash Flow statement for the year ended March 31, 2014

	<u>Mar-14</u>	<u>Amount in Rs</u> <u>Mar-13</u>
A. Cash Flow from operating activities		
Profit before Exceptional and Other Non-Recurring Items and Taxation from continuing operations	(212,953,305)	(273,132,990)
Adjustments for:		
Depreciation	106,791,832	92,734,413
Loss on sale of Vehicle	-	-
Profit/(Loss) on sale of Investment	-	-
Provision for Doubtful Debts/ Advances/ Deposits (Net)	-	-
Sundry balances Written Off	-	-
Interest Income	117,500	-
Bad Debts/ Advances recovered	-	-
Misc. Expenses Written Off	-	-
Interest Expense and Finance Charges	191,032,552	103,043,642
	<u>297,941,884</u>	<u>195,778,055</u>
Operating profit before working capital changes	84,988,579	(77,354,934)
(Increase)/decrease in Trade and other receivables	1,974,365	25,343,009
(Increase)/decrease in Inventories	16,130,912	(155,551,731)
Increase/(decrease) in Trade payables	(20,639,139)	172,449,404
Increase/(decrease) in Other Current Liabilities	590,546,680	124,704,372
Increase/(decrease) in Loans & advances	(62,086,734)	15,950,707
Increase/(decrease) in Working Capital Finance	1,207,948	(2,267,995)
	<u>527,134,033</u>	<u>180,627,766</u>
Cash generated from operations	612,122,612	103,272,832
Direct taxes paid	-	(5,443,437)
	<u>612,122,612</u>	<u>97,829,395</u>
Cash generated/ (used in) from operations	612,122,612	97,829,395
B. Cash Flow from investing activities		
Purchase of fixed assets	(416,811,398)	(360,701,186)
Net cash used in investing activities	(416,811,398)	(360,701,186)
C. Cash Flow from financing activities		
Proceeds/(Repayment) of long term loans	(191,483,580)	(106,409,014)
Proceeds/(Repayment) of other Long Term Liabilities	253,329,894	456,924,492
Increase in short term loan	(57,555,140)	3,085,645
Interest and Finance Charges paid	(191,150,052)	(103,043,642)
Net cash from/(used in) financing activities	(186,858,878)	250,557,480
Net (Decrease)/ Increase in cash and cash equivalents	8,452,335	(12,314,310)
Cash and cash equivalents as at March 31, 2013	6,249,086	18,563,396
Cash and cash equivalents as at March 31, 2014	14,701,421	6,249,086
	<u>8,452,335</u>	<u>(12,314,310)</u>

Notes:

- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2014 and the related Statement of Profit and Loss for the year ended on that date.
- 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.
- 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**
Chartered Accountants

P. A. Murali
Chairman

M.R. Doraiswamy Iyengar
Director

RP Baradiya
Partner

Ranjan Satsangi
Manager

Mukesh Srivastava
Chief Financial Officer

Place: Bangalore
Date: 14th May, 2014

Santhosh Kumar Keerthi
Company Secretary



Notes to the Financial Statements for the year ended March 31, 2014

		(Figures in Rs)			
		<u>Mar-14</u>	<u>Mar-13</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-14</u>	<u>No. of Shares</u>	<u>March-13</u>
	Number of equity shares at the beginning of the Year	13,388,200	133,882,000	13,388,200	133,882,000
	Equity shares issued during the year	-	-	-	-
	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	133,882,000
	Preference Shares				
	Number of shares at the beginning of the Year	-	-	-	-
	Shares issued during the year	-	-	-	-
	Less Shares redeemed during the year	-	-	-	-
	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 per share. 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	11,561,217	115,612,170	10,922,032	109,220,320
d.	Equity Shares :				
	Fully paid-up pursuant to contract(s) without payment being received in cash	-	-	-	-
	Fully paid-up by way of bonus shares	-	-	-	-
	Shares bought back	-	-	-	-
e.	Details of shareholders holding more than 5% shares in the company				
	United Spirits Limited holds 11,561,217 equity shares representing 86.35% of the total paid up equity share capital of the company.				
	No other shareholder holds equity shares exceeding 5% of the paid up equity share capital of the company.				



Notes to the Financial Statements for the year ended March 31, 2014

(Figures in Rs)

2 Reserves and Surplus	March-14	March-13	
Capital Redemption Reserve (as per last Balance sheet)	23,500,000		23,500,000
Securities Premium Account (as per last Balance sheet)	62,126,600		62,126,600
Other Reserves:			
Capital Reserve (Opening balance as per last Balance sheet)	127,900,541	82,307,227	
Add/(Less): Transfer to Profit & Loss Account*	<u>(61,944,014)</u>	45,593,314	
	65,956,527		127,900,541
Surplus / (Deficit) as per Statement of Profit and Loss			
Opening balance as per last Balance Sheet	(653,813,720)	(375,237,292)	
Add: Profit / (Loss) for the year	<u>(212,953,305)</u>	(278,576,428)	(653,813,720)
	<u>(866,767,025)</u>	<u>(653,813,720)</u>	
	<u>(715,183,898)</u>	<u>(440,286,579)</u>	

* Refer Note 30

3 Non-Current Liabilities

3.1 Long-term Borrowings

Secured

Term Loans		
From a Bank	504,768,228	655,057,062
Sales tax deferment	242,431,304	258,826,049
Less :		
Current Maturities		
Term Loans	222,000,000	197,200,000
	<u>525,199,532</u>	<u>716,683,111</u>

a. Nature of security and terms of repayment of secured borrowings

Nature of security	Terms of Repayment
(i) Term loan from a bank Rs.2,55,07,062 (2012-13: Rs 10,23,11,748) are secured by a charge on fixed assets of the company including Plant & Machinery and building of Bio Gas Electricity Plant	Repayable in 5 equal quarterly installments commencing from Mar-13 along with interest of 14.35% p.a.
(ii) Term loan from a bank Rs.15,48,53,285 (2012-13: Rs.20,66,18,614) are secured by a charge on fixed assets of the company including land and building	Repayable in 13 equal quarterly installments commencing from Mar-13 along with interest of 14.35% p.a.
(iii) Term loan from a bank Rs.3,09,73,668 (2012-13: Rs.4,96,92,553) are secured by a charge on fixed assets of the company including land and building	Repayable in 9 equal quarterly installments commencing from Mar-13 along with interest of 14.35% p.a.
(iv) Term loan from a bank Rs.29,34,34,213 (2012-13: Rs.29,64,34,147) are secured by a charge on entire fixed assets of the company including hypothecation charge over entire plant & Machinery ,building of the proposed expansion project	Repayable in 21 equal quarterly installments commencing from Mar-13 along with interest of 14.35% p.a.

Above loans are further secured by second charge over the entire current assets and by corporate guarantee issued by the Holding Company, United Spirits Limited



Notes to the Financial Statements for the year ended March 31, 2014

(Figures in Rs)

	March -14	March-13
3.2. Other Long term Liabilities		
Due to Holding Company		
Interest free advances	600,000,000	600,000,000
Others (Interest chargeable @ 13% p.a, previous year 9% p.a.)	753,906,529	504,176,635
Security Deposit Received	5,600,000	2,000,000
	1,359,506,529	1,106,176,635
4. Current Liabilities		
4.1. Short Term Borrowings		
Secured		
Working capital loan from a Bank	150,601,937	149,393,989
	150,601,937	149,393,989
<p>Working capital loan is secured by hypothecation of first charge over the entire current assets, i.e. Raw materials, WIP, 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</p>		
4.2. Trade Payables		
Raw Material	74,858,313	96,476,378
Others	174,176,162	173,197,236
	249,034,475	269,673,614
4.3. Other Current Liabilities		
Current Maturities of long term borrowings	222,000,000	197,200,000
Current Maturities of Sales Tax Deferment loan	17,421,612	12,520,110
Due to Holding Company	1,176,314,973	630,004,033
Others:		
Salaries Payable	4,092,596	3,976,822
Service tax & Works Contract taxpayable	177,890	50,081
TDS Payable	54,384	1,645,799
Other Liabilities	29,268,672	6,758,337
	1,449,330,127	852,155,182
4.4. Short-term Provisions		
Provision For Taxation	229,710	6,630,960
Employee Benefits:		
Gratuity payable to promoters & erstwhile employees	-	5,440,000
Provision for Gratuity	10,743,423	5,666,423
Provision for Leave Entitlement	1,868,265	1,732,280
	12,841,398	19,469,663

Notes to the Financial Statements for the year ended March 31, 2014

	GROSSBLOCK				DPRICIATION			NETBLOCK		
	As at March 31, 2013	Additions	Deletion/ Adjustments	As at March 31, 2014	As at March 31, 2013	For the Period	Deletion/ Adjustments	As at March 31, 2014	As at March 31, 2013	As at March 31, 2013
5. Fixed Assets										
5.1. Tangible										
Land (Free Hold)	39,387,345	-	-	39,387,345	-	-	-	39,387,345	39,387,345	39,387,345
Buildings	71,736,350	303,711,720	-	375,448,070	25,109,163	7,103,836	-	32,212,999	343,235,071	46,627,187
Plant and Equipment	1,722,931,357	342,803,136	-	2,065,734,493	449,536,722	99,151,675	-	548,688,397	1,517,046,096	1,273,394,635
Furniture and Fixtures	1,338,554	194,992	-	1,533,546	879,840	92,895	-	972,735	560,811	458,714
Computers	2,949,947	355,637	-	3,305,584	2,724,850	288,727	-	3,013,577	292,007	225,097
Office Equipments	2,776,033	123,153	-	2,899,186	1,470,757	154,699	-	1,625,456	1,273,730	1,305,276
Vehicles	2,154,000	-	-	2,154,000	2,154,000	-	-	2,154,000	-	-
	1,843,273,586	647,188,638	-	2,490,462,224	481,875,332	106,791,832	-	588,667,164	1,901,795,060	1,361,398,254
5.2. Capital Work-in-progress										
Total										
FY 2012-13										
5. Fixed Assets										
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	23,230,167	1,878,996	-	25,109,163	46,627,187	48,506,183
Plant and Equipment	1,708,302,835	14,628,522	-	1,722,931,357	359,502,716	90,034,006	-	449,536,722	1,273,394,635	1,348,800,119
Furniture and Fixtures	1,338,554	-	-	1,338,554	792,390	87,450	-	879,840	458,714	493,151
Computers	2,785,359	164,588	-	2,949,947	2,554,656	170,194	-	2,724,850	225,097	230,703
Office Equipments	2,609,767	166,266	-	2,776,033	1,317,275	153,482	-	1,470,757	1,305,276	1,345,504
Vehicles	4,449,514	-	-	4,449,514	4,039,229	410,285	-	2,295,514	-	410,285
	1,830,609,724	14,959,376	2,295,514	1,843,273,586	391,436,433	92,734,413	2,295,514	481,875,332	1,361,398,254	1,439,173,290



Notes to the Financial Statements for the year ended March 31, 2014

(Figures in Rs)

	March -14	March-13
6. Long term Loans and Advances (Unsecured, considered good unless stated otherwise)		
Capital Advances	206,445,784	192,704,327
Security Deposits - considered good	3,814,841	3,754,841
Others:		
Balance with Statutory/Government Authorities	88,413,158	102,902,010
Pre-paid Expenses	1,178,553	2,691,725
	299,852,336	302,052,903
7. Other Non-Current Assets Unsecured, considered good		
Advance taxes and duties	2,705,556	362,269
	2,705,556	362,269
8. Current Assets		
8.1. Inventories (Valued at lower of Cost or Net Realisable Value)		
Raw Materials	253,864,999	251,818,829
Work-in-Progress	14,411,645	36,817,603
Finished goods	55,032,352	77,964,681
Other Materials, Stores and Spares	54,467,042	27,305,837
	377,776,038	393,906,950
8.2. Trade Receivables (Unsecured, considered good unless stated otherwise)		
Exceeding six months:		
Considered Good	432,567	914,520
Considered Doubtful	317,546	317,546
Less: Provision for Doubtful Debts	(317,546)	(317,546)
	432,567	914,520
Others		
Considered Good	8,428,949	9,921,361
	8,861,516	10,835,881
8.3. Cash and Cash Equivalents Balances with Banks:		
On Current accounts	14,320,160	5,827,539
On Deposit account	365,854	365,854
Cash on Hand	15,408	55,694
	14,701,421	6,249,086
8.4. Short Term Loans and Advances (Unsecured, considered good unless stated otherwise)		
Interest accrued on deposit	245,727	128,227
Sales Tax Receivable	92,860,587	120,559,779
	93,106,313	120,688,005
Less: Provision for Doubtful Advances	-	-
	93,106,313	120,688,005

Notes to the Financial Statements for the year ended March 31, 2014



(Figures in Rs)

	March -14	March-13
8.5. Other Current Assets		
Subsidy Receivable	129,834,667	48,648,659
Prepaid Expenses	8,288,246	2,606,680
Others	28,338,535	30,069,277
	166,461,448	81,324,616
9. Revenue from Operations		
Sale of Products	1,297,920,588	1,037,233,102
Less Excise Duty	8,881,108	6,908,221
	1,289,039,480	1,030,324,882
10. Other Operating Income		
Subsidy Receivable (Refer note 30)	161,200,144	
Scrap Sale	7,466,877	5,974,046
Others	95,624	-
	168,762,645	5,974,046
11. Cost of Materials Consumed		
Materials Consumed	1,129,479,968	1,011,827,600
	1,129,479,968	1,011,827,600
12. Changes in Inventories of Finished Goods and Work-in-Progress		
Opening Stock:		
Work-in-Progress	36,817,603	10,678,662
Finished Goods	77,964,681	31,825,615
	114,782,284	42,504,278
Closing Stock:		
Work-in-Progress	14,411,645	36,817,603
Finished Goods	55,032,352	77,964,681
	69,443,997	114,782,284
	45,338,287	(72,278,006)
13. Employee Benefits Expenses		
Salaries and Wages	49,948,627	42,924,734
Contribution to Provident and Other Funds	7,836,668	4,066,379
Staff Welfare expenses	1,861,281	1,315,784
	59,646,576	48,306,897
14. Finance Cost		
Interest expenses	190,227,254	102,212,178
Other Borrowing cost	805,298	831,464
	191,032,552	103,043,642



Notes to the Financial Statements for the year ended March 31, 2014

(Figures in Rs)

	March -14	March-13
15. Other Expenses		
Power and Fuel	12,953,878	18,085,376
Rent	10,093,113	8,503,594
Repairs & Maintenance		
Buildings	9,141,428	3,882,993
Plant and Machinery	42,908,254	48,116,782
Others	7,700,072	7,396,810
Rates and Taxes	21,946,081	8,661,781
Insurance	1,904,068	2,183,732
Travelling and Conveyance	2,326,344	2,116,158
Legal and Professional	6,221,371	2,391,835
Freight Outwards	51,500	108,395
Advertisement and Sales Promotion	1,099,086	362,284
Cash Discount	431,384	429,022
Sitting Fee	222,000	210,000
Auditors' Remuneration:		
Audit Fees including Limited Review Fees	1,151,690	983,150
Tax Audit Fees	252,810	224,720
For Reimbursement of expenses	196,692	124,650
Personnel and Administration	6,099,110	5,897,207
Selling and Distribution	104,947	1,925,899
Miscellaneous	13,779,884	14,427,722
	138,583,714	126,032,110



Notes to the Financial Statements for the year ended March 31, 2014

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 qualifying 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 except the following, which are based on management's estimate of useful life of the assets concerned.

- (i) Computers and Vehicles over a period of three and five years respectively.
- (ii) 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 inclusive of excise duty, but are net of trade discount and sales tax where ever applicable.

E. Inventories:

Inventories are valued at lower of cost and net realisable value. 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. Excise duty payable on stocks in bond is added to the cost.

F. Employee Retirement Benefit:

- i. Provident Fund: Contributions payable to the recognized provident fund, which is a defined contribution scheme, is charged to the statement of profit and loss.
- 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 Statement of Profit and Loss as income or expense.



Notes to the Financial Statements for the year ended March 31, 2014

- iii. Leave entitlement: Leave entitlement 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/(Loss) 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, other than employee benefits 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.

M Government Grants:

Government Grant related to revenue are recognised in the statement of Profit and Loss on a systematic basis over the period to which they are incurred.



Notes to the Financial Statements for the year ended March 31, 2014

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 Statement of Profit and Loss 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.Nil (2013: Rs. Nil) |
| ii) Disputed Central Excise demand: | Rs. Nil (2013: Rs. Nil) |

18. Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.274,165,165/- (2013: Rs.135,866,669/-)

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 a Insurance Company:

Changes In The Present Value Of The Obligation (Pvo) - Reconciliation Of Opening And Closing Balances:		
	FY 2013-14	FY 2012-13
PVO as at the beginning of the period	5,954,082	5,237,992
Interest Cost	476,327	408,416
Current service cost	842,463	793,052
Past service cost - (non vested benefits)	-	-
Past service cost - (vested benefits)	-	-
Benefits paid	-	-977,929
Actuarial loss/(gain) on obligation (balancing figure)	3,775,831	492,550
PVO as at the end of the period	11,048,702	5,954,082



Notes to the Financial Statements for the year ended March 31, 2014

B. Changes In The Fair Value Of Plan Assets - Reconciliation Of Opening And Closing Balances:		
	FY 2013-14	FY 2012-13
Fair value of plan assets as at the beginning of the period	287,659	262,886
Expected return on plan assets	23,013	21,031
Contributions	-	-
Direct Contributions	-	977,929
Benefits paid	-	-
Direct Benefits Paid	-	-977,929
Actuarial gain/(loss) on plan assets [balancing figure]	-5,393	3,742
Fair value of plan assets as at the end of the period	305,279	287,659

20. Details of Turnover:

(Amount in Rs)

Particulars	2013-14	2012-13
ENA	1,179,713,750	931,362,500
Others	109,325,730	98,954,688
Total	1,289,039,480	1,030,317,188

21. 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"

22. Related Party transaction :

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
Tern Distilleries Private Limited: Fellow Subsidiary
Mr. Ranjan Satsangi; Key Management Personnel



SI No	Name of Related Party	Relationship between the parties	Nature of Transaction	2013-14	2012-13
1	United Spirits Ltd	Holding Company	Purchase of Fixed Assets	4,182,000	Nil
			Sale of Goods	851,302,500	669,504,300
			Loan Received	249,729,894	504,176,635
			Interest Expense	85,924,441	24,896,752
			Corporate Guarantee received	934,400,000	934,400,000
			Amount due to	2,530,221,502	1,734,358,194
2	Tern Distilleries Private Limited	Subsidiary of Holding company	Purchase of fixed asset	Nil	178,575
3	Key Management Personnel		Mr.Ranjan Satsangi	Nil	Nil

23. Income Tax :

- A) Current Taxation : Nil
B) Deferred Taxation

Amount in Rs

Particulars	2013-14	2012-13
Tax impact on difference between carrying amount of Fixed Assets in the financial statements & Income Tax	(299,033,748)	(261,176,217)
Impact on account of carry forward Business Losses and unabsorbed Depreciation	501,705,572	435,903,001
Tax Impact of expenses charged in the financial statements but allowable as expenditure in future years	65899	251,689
Deferred Tax Asset / (Liability) (net)	202,605,926	174,978,472
Less Deferred Tax Asset not recognised	202,605,926	174,978,472

As a matter of Prudence, net deferred tax asset has not been recognised.



Notes to the Financial Statements for the year ended March 31, 2014

24. A) In the opinion of the management assets other than fixed assets 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, Trade Receivable, Trade Payable, Other Current Liabilities 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.
25. 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.
26. There are no foreign exchange earnings and outflows during the year.
27. 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 2013-14 the company has repaid its 4th installment of Rs.12,520,110/-.
28. Earning Per Share :

Particulars	2013-14	2012-13
Calculation of weighted average No. of equity shares of Rs.10/- each		
Number of equity shares at the beginning of the year	13,388,200	13,388,200
Number of equity shares issued during the year	0	0
Number of equity shares outstanding at the end of the year	13,388,200	13,388,200
Weighted average of Equity Shares	13,388,200	13,388,200
Net Profit after tax (Rs)	(212,953,305)	(278,576,427)
Basic Earning per share of Rs.10/- each	(15.91)	(20.81)
Diluted Earning per share	(15.91)	(20.81)

Notes to the Financial Statements for the year ended March 31, 2014



29. a) The Company has made a reference to the Board for Industrial and Financial Reconstruction (BIFR) in compliance with Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985, because the Company's net worth has been fully eroded because of losses. This has been registered as Case No.70/2012, and the BIFR by order pronounced on February 08, 2014 has appointed IDBI Bank Limited to conduct Special Investigative Audit (SIA) for FY 2010-11, 2011-12 and FY 2012-13. IDBI Bank Limited has appointed M/s. Dagliya & Company on April 25, 2014 to conduct the SIA ordered by BIFR.
- b) Considering ongoing projects of bottling and malt spirit plant are on course, 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.
30. Based on the expert opinion received and in accordance with the treatment prescribed under the Accounting Standard 12 –Government Grants , the Company has during the year recognised subsidy receivable pursuant to PSI Scheme 2007 of the Government of Maharashtra under the Income approach as against hitherto being accounted under capital approach. Accordingly, subsidy receivable under the said Scheme of Rs.161,200,144 (including Rs.61,944,014 for earlier years) has been credited to Other Operating income .
31. 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

Ranjan Satsangi
Manager

Mukesh Srivastava
Chief Financial Officer

Santhosh Kumar Keerthi
Company Secretary

Place: Bangalore
Date :14th May 2014