

## BOARD OF DIRECTORS AND OTHER INFORMATION

### BOARD OF DIRECTORS

RAJ KUMAR SEKHANI	Chairman & Managing Director
HARSH VARDHAN BASSI	Executive Director
C V RAMANA	Independent Professional Director
SUDATTA MANDAL	Nominee of EXIM Bank

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### BANKERS

STATE BANK OF INDIA  
UNION BANK OF INDIA

### COMPLIANCE OFFICER

N. K. JAIN

### STATUTORY AUDITORS

M B A H & CO  
*Chartered Accountants*  
R. KABRA & CO.  
*Chartered Accountants*

### Works

#### Embroidery Plants:

- |               |   |  |
|---------------|---|--|
| 1) SARIGAM    | : | 1637,1639, G.I.D.C. Sarigam, Dist. Valsad, Gujarat                                       |
| 2) NAROLI     | : | Primer Industrial Estate, Survey No.678/1/2, Village Naroli, Dadra & Nagar Haveli (U.T.) |
| 3) THANE      | : | Unit No.-1.Vimal House, Dhanji Udyog Nagar, Pankar Pada, Mira Road, Thane                |
| 4) COIMBATORE | : | Chinnamaddampalayam, Billichi Village, Coimbatore 641 019                                |

#### Bobbin Lace Plants:

- |               |   |  |
|---------------|---|--|
| 1) DADRA      | : | Ankur, Plot No. 1, Sheetal Industrial Estate, Demni, Dadra & Nagar Haveli (U.T.) |
| 2) KARAD      | : | Survey No. 150/4, Village Karad, Silvassa, Dadra & Nagar Haveli (U.T.)           |
| 3) COIMBATORE | : | Chinnamaddampalayam, Billichi Village, Coimbatore 641 019                        |

Process House : 1638, G.I.D.C., Sarigam, Dist. Valsad, Gujarat

Dope Dyed Plant : Village-Kheri, Trilokpur Road, Kala-amb, Dist Sirmour, Himachal Pradesh -173 030

#### Offices

- |                            |   |  |
|----------------------------|---|--|
| Registered Office          | : | Unit No, 101B, 1st Floor, Abishek Premises, Plot No. C5-6, Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058 |
| Corporate Office           | : | 318, 3rd Floor, Linkway Estate, New Link Road, Chincholi Bunder, Malad (West), Mumbai 400 064  |
| Chennai Office             | : | Kumbhat Complex, 29 & 30, Ralan Bazar, 3rd Floor, Chennai 600 003  |
| Delhi Office               | : | 4986, Baratooti Sadar Bazar, 1st Floor, Delhi 110 006  |
| Manesar Office             | : | Plot No. 18, Sector-4, IMT Manesar, Gurgaon, Haryana 122 050   |
| Jaipur Office              | : | Plot No.1, Durga Vihar, Dalda Factory Road, Near Durgapur Bus Stand, Jaipur 302 018  |
| Kolkata Office             | : | 14/2, Old China Bazar Street, 2nd Floor, Room No. 135, Kolkata 700 001   |
| Bangalore Office           | : | 37/115, 2nd Main Road, Gangadera Layout, 2ndFloor, Vijaya Nagar, Bangalore560 040  |
| Surat Office               | : | Adarsh Market 2, Shop No. 546 & 547, Ring Road, Surat 395 002  |
| Mumbai Sales Office        | : | Godown No.1, Rajada Chawl No.2/4, Old Hanuman 2nd Cross Road, Mumbai 400 002   |
| Telephone No.              | : | 91-22- 42232323  |
| Fax No.                    | : | 91-22- 42232313  |
| Website :                  | : | www.pelhakoba.com  |
| E-mail Address             | : | mumbai@pelhakoba.com   |
| Listing                    | : | Stock Exchanges: Bombay Stock Exchange and National Stock Exchange of India Ltd.   |
| ISIN for Dematerialisation | : | INE156C01018   |
| Share Transfer Agent       | : | LINK INTIME INDIA PRIVATE LIMITED<br>C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West), Mumbai 400 078                      |

## NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of **Pioneer Embroideries Limited** will be held on **Wednesday, 28<sup>th</sup> September, 2011** at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai 400 095 at **9:30 A.M.** to transact the following businesses:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 and the Profit and Loss Account for the year ended on that date and the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Raj Kumar Sekhani, who retires from office by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

### SPECIAL BUSINESS:

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

#### APPOINTMENT OF MR. CHANDRASEKARA VENKATA RAMANA AS DIRECTOR OF THE COMPANY

"RESOLVED THAT Mr. Chandrasekara Venkata Ramana, who was appointed as an Additional Director with effect from May 6, 2011 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article 161 of Article of Association of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom a notice has been received from a Member in writing, under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a director of the Company liable to retire by rotation."

"RESOLVED FURTHER THAT any one of the Directors and Mr. N. K. Jain, Company Secretary be and are hereby severally authorized to do all the acts, deeds and things which are necessary to give effect to the above said resolution."

#### Registered Office

Unit No, 101B, 1st Floor,  
Abhishek Premises,  
Plot No. C5-6, Dalia Industrial Estate,  
Off. New Link Road,  
Andheri West, Mumbai - 400 058

By Order of the Board of Directors  
For **PIONEER EMBROIDERIES LTD.**

**N K JAIN**  
CFO and Company Secretary

Place: Mumbai

Date : 9<sup>th</sup> July, 2011

### NOTES:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect to the businesses under Item No. 4 is annexed hereto.
2. 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. Under the Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50,000. A proxy may not vote except on poll.
3. Proxy Forms duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the Meeting.
4. Members are requested to affix their signature at the place provided on the Attendance Slip and hand over the slip at the entrance to the place of meeting for attending the Meeting.
5. Corporate Members intending to send their Authorised Representatives to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their Representative to attend and vote at the Meeting on their behalf.
6. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of Annual Report to the Meeting.
7. In terms of the Notification issued by Securities and Exchange Board of India (SEBI), the Equity Shares of the Company are compulsorily traded in Electronic mode. Shareholders are requested to avail this facility and get their shareholding converted into Dematerialised form by sending the Dematerialisation Request Form (DRF) alongwith the Share Certificates through their Depository Participant (DP) to the Company's Registrar & Transfer Agent.

8. The Register of Members and Share Transfer books of the Company will remain closed from September 21, 2011 to September 28, 2010 (both days inclusive).
9. Members wishing to claim Dividends of the previous years, which remain unclaimed, are requested to correspond with Mr. N. K. Jain, Company Secretary and Compliance Officer, at the Company's Registered Office. Members are requested to note that Dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
10. Dividend for the Financial year March 31, 2004 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to **Investor Education and Protection Fund (IEPF)**. Members who have not so far encashed Dividend Warrant(s) for the aforesaid years are requested to seek issue of Duplicate Warrants(s) by writing to the Company immediately. **Members are requested to note that NO CLAIMS shall lie against the Company or IEPF in respect of any amounts that were unclaimed and unpaid for a period of 7 years from the dates they first became due for payment and no payment shall be made in respect of any such claims.**
11. Members are requested to notify any change in their address to the Registrar & Transfer Agent of the Company M/s. Link Intime Share Registry Limited.
12. Members are requested to apply for consolidation of folios, in case their holdings are maintained in multiple folios.
13. Shareholders seeking any information with regard to the Accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.
14. The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No.17/2011 dated 21<sup>st</sup> April, 2011 and Circular No.18/2011 dated 29<sup>th</sup> April, 2011 has allowed companies to send Annual Report comprising of Balance sheet, Profit & Loss Account, Directors' Report, Auditors' Report and Explanatory statement etc., through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and circulars issued by MCA, we propose to send future communication in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communications through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.

Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to provide their details (name, folio no, e-mail id) on the Company's e-mail address viz. [mumbai@pelhakoba.com](mailto:mumbai@pelhakoba.com). Members who hold shares in electronic form are requested to get their details updated with the respective Depositories.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the business mentioned under the Item No. 4 of the accompanying Notice.

### Item 4

Mr. Chandrasekara Venkata Ramana was appointed as an Additional Director by the Board of Director w.e.f. May 6, 2011 in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 139 of Article of Association of the Company.

Pursuant to Section 260 of the Companies Act, 1956 the above director holds office up to the date of the ensuing Annual General Meeting. In this regard the Company has received request in writing from a member of the Company proposing her candidature for appointment as Director of the Company in accordance with the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956 alongwith the deposit of Rs.500/-.

The Board feels that presence of Mr. Chandrasekara Venkata Ramana on the Board is desirable and would be beneficial to the Company and hence recommend resolution No. 4 for adoption.

None of the Directors, except Mr. Chandrasekara Venkata Ramana is concerned or interested in this resolution.

The Board recommends resolutions under Item No. 4 to be passed as ordinary resolution.

A brief resume of Mr Chandrasekara Venkata Ramana, nature of his expertise and names of Companies in which he hold directorship and membership/ chairmanship of the Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange(s), is provided in the Report of Corporate Governance forming part of the Annual Report.

**Registered Office**  
Unit No, 101B, 1st Floor,  
Abhishek Premises,  
Plot No. C5-6, Dalia Industrial Estate,  
Off. New Link Road,  
Andheri West, Mumbai - 400 058

By Order of the Board of Directors  
For PIONEER EMBROIDERIES LTD.

N K JAIN  
CFO and Company Secretary

Place: Mumbai  
Date : 9<sup>th</sup> July, 2011

## DIRECTOR'S REPORT

To,  
The Members,  
PIONEER EMBROIDERIES LIMITED

Your Directors present their Nineteenth Report on the business and operations of your Company for the period ended 31st March, 2011.

### FINANCIAL HIGHLIGHTS:

(Rs. in lacs)

	For the year ended 31st March, 2011 (12 months)	For the period ended 31st March, 2010 (6 months)
Turnover- Domestic	17,308.94	7,536.49
- Export	502.52	249.57
<b>Total</b>	<b>17,811.46</b>	<b>7,786.06</b>
Profit / (Loss) before Financial Charges, Depreciation, Exceptional Items & Tax	1,426.68	377.91
Financial Charges	1,013.37	768.42
Profit / (Loss) before Depreciation, Exceptional Items and Tax	413.31	(390.51)
Depreciation	1,166.94	599.52
Profit / (Loss) before Exceptional Items & Tax	(753.63)	(990.03)
Exceptional Items	806.83	1592.09
Provision for Deferred Tax Liability / (Asset)	(41.80)	(159.90)
Profit / (Loss) after Tax	95.01	761.96
Income Tax for earlier years	--	176.30
<b>Net Profit / (Loss)</b>	<b>95.01</b>	<b>585.66</b>
Balance of net profit brought forward from previous year	(455.07)	(1,040.73)
Disposable Profits / (Loss)	(360.06)	(455.07)
<b>Balance of Profit / (Loss) carried forward</b>	<b>(360.06)</b>	<b>(455.07)</b>
<b>Per share data</b>		
Basic Earnings per Share (Rs.)	0.75	4.80
Book Value per Share (Rs.)	71.86	38.93

### PERIOD IN RETROSPECT

Profit before interest, depreciation, tax and exceptional items for the year stood at Rs.1,426.68 lacs (Rs.377.91 lacs). However, with high interest cost and depreciation, loss before tax and exceptional items for the Company stood at Rs.753.63 lacs (Rs.990.03 lacs) and profit after providing tax/deferred tax asset, stood at Rs.95.01 lacs (Rs.585.66 lacs).

During the year under review, the Dope Dyed Polyester Yarn (DDPY) business has achieved encouraging operational performance with a turnover of Rs.12,475 lacs (Rs.4,963 lacs) and EBIDTA of Rs.1,440 lacs (Rs.631 lacs).

Though DDPY business continued to provide higher turnover and EBIDTA vis a vis projected level under the CDR package, the Embroideries and Laces business suffered due to overall margin pressure as prevalent in Indian Textile Industry coupled with the high raw materials prices & stiff competition from unorganized sector and severe power shortage in Tamilnadu.

Your Company continued to enhance the thrust on its R&D capabilities in the DDPY segment and is in the process to expand the installed capacity of DDPY division. The move is with aim to meet increasing market demand and also to achieve strong earning growth supported by volume growth and focusing more on high margin product mix.

Leveraging on the projected growth forecasts, high sales volumes of DDPY and operational flexibility, your Company expects improved operating performance during the next financial year.

A review of the performance during the year is given under the section Management Discussion and Analysis Report.

### CORPORATE DEBT RESTRUCTURING

As reported earlier, the interest provided on carved out portion of Term Loans into 9% Optionally Convertible Cumulative Redeemable Preference Share (OCCRPS) from cut-off date has been reversed subsequent to the CDR-EG decision during the year under consideration upon allotment of said OCCRPS to secured lenders.

For balance outstanding FCCBs of USD 11 million, an agreement was entered into with the Bondholders, whereby a sum of USD 2.4 million was to be paid for buy back of FCCBs. The Company is actively pursuing with the matter with bond holders for the various modalities as envisaged under the settlement agreement and ongoing communications.

#### BUSINESS RESTRUCTURING

As reported last year, the Company has paid a sum of Rs.12.00 crore to ING Vysya Bank Ltd., as OTS arrived at under the consent terms filed before DRT out of proceeds of sale of Land and Building at Bangalore and accordingly the effect of the said settlement has been given in the year under consideration.

#### EXPANSION IN DOPE DYED POLYESTER YARN DIVISION

During the year under review, the Company has undertaken expansion of its Dope Dyed Polyester Yarn (DDPY) capacity from 7200 TPA to 10500 TPA at Kala Amb, (HP) after having an approval from CDR-EG with envisaged investment of about Rs.15 crore. The expansion is funded out of the unutilised FCCB proceeds as well as out of internal cash accruals from monetization of assets as per CDR package. The commercial production will be commenced during July 2011 and the effect of expansion on operations will be reflected in the current year.

#### INCREASE IN CAPITAL

During the year the Company has allotted 326,305 equity shares of Rs.10/- each upon conversion of FCCBs USD 0.75 million at the conversion price of Rs.101.50 per equity share including a premium of Rs.91.50.

Consequent to the approval accorded by the Members at the 18th Annual General Meeting held on 28th September, 2010, the Company has allotted 380,645 equity shares of Rs.10/- each for cash at a price of Rs.31/- per share including a premium of Rs. 21/- per share on the basis of preferential allotment.

The Company has allotted 27,553,610 Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs.10/- each to secured lenders as per CDR approved package.

#### LISTING

The Equity Shares of the Company are listed with the BSE, NSE, Delhi and Kolkata. The Company had applied for delisting the Company's Equity Shares from the Stock Exchanges at Delhi and Kolkata and yet to receive the permission for delisting from these Stock Exchanges.

The Company has paid the listing fees for the year to all the stock exchanges, where the shares of the Company are listed.

#### DIVIDEND

In view of accumulated losses, the Directors have not recommended any dividend for the period ended 31st March, 2011.

#### SUBSIDIARY COMPANIES

The gross sales of the Hakoba Lifestyle Limited in current year stood at Rs.880 lacs as compared to Rs.552 lacs during previous period. Loss after tax and exceptional item stood at Rs.331 lacs as compared to Rs.768 lacs during previous period.

The gross sales of Mas Embroideries Private Limited in current year ended 31st March, 2011 stood at Rs.88 lacs (Rs.171 lacs). The Company has incurred a net loss of Rs.108 lacs as compared to net loss of Rs.55 lacs in previous year. Due to continuous losses and shortage of funds, the Company intends to dispose off its assets.

Pioneer Realty Ltd. had no activity during the year.

S.R Investments Limited has investment holding as a principal activity and has incurred net loss of Rs.4 lacs excluding service charges payable to the Company. S.R Investment Limited has become 100% subsidiary during June, 2011.

The Balance Sheet, Profit and Loss Account, Auditor's Report and Director's Report of its subsidiaries, Hakoba Lifestyle Limited, Mas Embroideries Private Limited, and Pioneer Realty Limited have been attached.

The statement of subsidiaries pursuant to section 212 of the Companies Act, 1956 is attached and forms part of this report.

#### RETAIL

Hakoba Lifestyle Limited, a subsidiary of your Company, is in retail business with the well known Brand name "Hakoba".

While the retail industry continues to face recessionary pressures besides severe strain on margins and intense competition, the capital intensive nature of the business is a big challenge and lack of which further impacts ability to create product visibility and drive sales growth. In view of these very real & apparent challenges, the Company has not been successful in its efforts to revamp the retail business, and was forced to close down quite a

few stores to cut the losses. Presently, Hakoba is operating 5(23) stores with a mix of franchisee and company run stores. The Company is striving hard to look for a strategic partner who could inject the necessary capital to revive its business and capitalize on the Strong brand recall of Hakoba thus realizing its absolute commercial potential.

#### DEPOSITORY SYSTEM

The trading in the equity shares of your Company are under compulsory dematerialisation mode. Till date, shares representing 97.10% of the share capital are in dematerialised form. As the Depository System offers numerous advantages, Members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

#### FIXED DEPOSITS

During the period under review, the Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and as such no amount of principal or interest was outstanding as on the Balance Sheet date.

#### SAFETY, HEALTH & ENVIRONMENT

No efforts have been spared to ensure safety in the operation of the Plants, promote health and protect the environment. The health of the Employees is being continuously monitored and environment improvement measures in and around the Plant area have been given due care and attention.

#### HUMAN RESOURCE

The Company takes pride in the commitment, competence and dedication shown by its employees in all areas of businesses. The Company takes various HR initiatives to align the HR policy to the growing requirements of business.

Technical and safety training programmes are given priority.

#### PARTICULARS OF EMPLOYEES

The Company does not have any employee whose particulars are required to be furnished in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time.

#### DIRECTORS

Mr Chandrasekara Venkata Ramana was inducted on the Board as additional director w.e.f. 6th May, 2011. As per the provisions of the Companies Act, 1956 and those contained in the Article of Association of the Company, his appointment as the Director of the Company requires the approval of the shareholders at the ensuing Annual General Meeting of the Company.

Mr. Anand Kumar Jain had resigned as Director of the Company w.e.f. 11th May, 2011. The Board appreciates the services rendered by him during his tenure of office as director.

#### INSURANCE

All the insurable interests of your Company including inventories, buildings, plant and machinery are adequately insured against risk of fire and other risks.

#### ACCOUNTING STANDARDS AND CONSOLIDATED FINANCIAL STATEMENTS

A company, whose securities are listed on the Stock Exchanges, is compulsorily required to follow the Accountings Standards prescribed by the Institute of Chartered Accountants of India. As a consequence, the Company is obliged to make a provision for deferred tax liability net of deferred tax asset in the accounts. In the period under review, the Company has provided deferred tax assets of Rs.41.80 lacs, and the total outstanding deferred tax assets as on 31st March, 2011 stood at Rs.1,812.80 lacs.

In accordance with the Accounting Standard -21 on Consolidated Financial Statement read with Accounting Standard -27 on Financial Reporting of Interest in Joint Venture, your Directors provide the Audited Consolidated Financial Statements in the Annual Report.

#### AUDITORS

M/s M B A H & CO., Chartered Accountants are to be appointed as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

#### AUDITOR'S REPORT

The Auditor's Report to the shareholders is self-explanatory and qualifications, wherever stated by auditors, have been either explained in notes to accounts and are also self-explanatory.

## DIRECTORS RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- (i) In the preparation of the Annual Accounts for the year 2010-11, the applicable Accounting Standards have been followed, except otherwise stated in Notes to Accounts and Accounting Policies;
- (ii) The accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit of the Company for the year;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.

## CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance with Auditors Certificate on Compliance with the conditions of Corporate Governance and a Management Discussion & Analysis Report has been attached to form part of the Annual Report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are attached as Annexure to this report.

## ACKNOWLEDGEMENT

The Management of your Company is grateful to the CDR-Cell, Government authorities, Shareholders, Valued Customers, Company's Bankers, Financial Institutions, Raw Material Suppliers, and other Business Associates for their continued support and co-operation.

The Directors also wish to place on record their appreciation of the co-operation, active involvement and dedication of the employees, which enabled the Management to contribute to the growth of your Company.

For and on behalf of the Board of Directors

Place : Mumbai.  
Date : 9<sup>th</sup> July, 2011

RAJ KUMAR SEKHANI  
Chairman



## **ANNEXURE TO THE DIRECTORS' REPORT**

- I. Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31.03.2011.

### **A) CONSERVATION OF ENERGY:**

The manufacturing processes of the Company are not energy intensive, therefore impact of energy saving devices are insignificant.

### **B) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:**

The Company has not imported any technology at any time during the last five periods except erection of modern technology based machines.

### **RESEARCH AND DEVELOPMENT:**

- |   |  |
|---|--|
| a) Specific areas in which R & D has carried out by the Company | The Company has carried out R & D in the area of product development & cost reduction.         |
| b) Benefit derived as a result of R & D.                        | Sales and quality of the products of the Company has improved substantially.                   |
| c) Future Plan of action  | The Company plans to strengthen its R & D activity and intensify its cost reduction programme. |
| d) Expenditure on R & D   | Expenditure has been incurred but no separate account is kept.                                 |
| i) Capital  |  |
| ii) Recurring   |  |
| iii) Total  |  |
| iv) Total R & D Expenditure                                     |  |

As a Percentage of total turnover.

### **C) FOREIGN EXCHANGE EARNING AND OUTGO:**

(Rs. in lacs)

	2010-11	2009-10
Total Foreign Exchange Used (Payment Basis)	809.89	126.07
Total Foreign Exchange Earned	781.63	380.16

For and on behalf of the Board of Directors

Place : Mumbai.  
Date : 9<sup>th</sup> July, 2011

RAJ KUMAR SEKHANI  
Chairman



## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARIES

(Rs. in thousand)

Name of Subsidiaries	Financial year ending of subsidiary	Holding - %	For financial year of the subsidiary		For previous financial years since it became a subsidiary	
			Aggregate profits / losses not dealt with in the company's accounts	Aggregate profits/ losses dealt with in the company's accounts	Aggregate profits / losses not dealt with in the company's accounts	Aggregate profits/ losses dealt with in the company's accounts
1 Hakoba Lifestyle Limited	31.03.2011	85%	(28,135)	Nil	(449,826)	Nil
2 Mas Embroideries Private Limited	31.03.2011	100%	(10,833)	Nil	(9,534)	Nil
3 Pioneer Realty Limited	31.03.2011	100%	(21)	Nil	(83)	Nil
4 S.R Investments Limited	30.06.2011	51%	(4,797)	Nil	(13,743)	Nil

For and on behalf of the Board of Directors

Place : Mumbai.  
Date : 9<sup>th</sup> July, 2011

RAJ KUMAR SEKHANI  
Chairman

## CORPORATE GOVERNANCE REPORT

### 1. Company's Philosophy on Corporate Governance

While the regulatory environment in the country has done well to have relevant structures, code and practices in place for ensuring better standards of corporate governance, we, at Pioneer, believe that compliance of the same should be both in letter and in spirit. Even before the framework was in place, your Company has always imbibed the spirit of good governance in its corporate philosophy and has created an enabling environment for nurturing good management practices. Apart from efficiency and competitiveness, other traits like transparency, accountability and ethical values have come to dominate our corporate culture.

The Board of Directors at Pioneer is committed to ensure that the affairs of your Company are governed in the best interests of the shareholders, and that all endeavors would be made to maintain transparency and fairness in all facets of its operations. Emphasis is on maintaining integrity of internal control systems and accountability and compliance with all statutory/ regulatory requirements. Your Company is also conscious of its responsibility as a good Corporate Citizen, and assures that its' operations would be guided by ethics and social values. Moreover, efforts are made to have such values well-defined and explicit, and have them filter down from the top brass to the lower levels of the organisation. We acknowledge the fact that quality of governance is a critical success factor for brand building, resource mobilisation, market penetration and overall business competitiveness.

In accordance with clause 49 of the Listing Agreement with the domestic stock exchanges and best practices followed internationally on Corporate Governance, the details of compliance by the Company are as under:

### 2. Board of Directors

The Board of the Company comprises Four Directors, out of which two are Executive Directors, and Two are Independent Non-Executive Directors. The Non-Executive Directors of the Company are highly experienced professionals in their fields and in the corporate world. The Board is headed by Executive Chairman.

The Composition of Directors on the Board of the Company is as under:

Category	No. of Directors
Executive Directors	2
Non-Executive Independent Directors	1
Non-Executive Director (Nominee of EXIM Bank)	1
<b>Total</b>	<b>4</b>

The Category of Directors on the Board of the Company is as under:

Name of the Director	Category	No. of other Directorships@	No. of Board Committee in which Director is@@	
			Member	Chairman
Mr. Raj Kumar Sekhani	Executive Chairman & Promoter	4	---	---
Mr. Harsh Vardhan Bassi	Executive Director	3	---	---
Mr. Samuel Joseph Jebaraj*	Independent Non-Executive Director	1	---	---
Mr. Anand Kumar Jain**	Independent Non-Executive Director	1	---	---
Mr. Chandrasekara Venkata Ramana***	Independent Non-Executive Director	1	---	2
Mr. Sudatta Mandal****	Independent Non-Executive Director	2	—	—

\*Resigned w.e.f. 29<sup>th</sup> April, 2011

\*\*Resigned w.e.f. 11<sup>th</sup> May, 2011

\*\*\*Appointed w.e.f. 6<sup>th</sup> May, 2011

\*\*\*\*Appointed w.e.f. 29<sup>th</sup> April, 2011

@ Does not include Directorships in Private Companies

@@ As per Clause 49 of the Listing Agreement, only Membership in Audit Committee / Shareholders Grievance Committee is taken into consideration.

None of the Directors of the Company holds membership of more than 10 Board Committees or holds Chairmanships of more than 5 Board Committees.

Attendance of Directors at Board Meetings and at the last Annual General Meeting.

The Board of the Company met Eight times during the year ended March 31, 2011 on the following dates:

14-04-2010, 29-04-2010, 17-05-2010, 11-08-2010, 27-08-2010, 13-10-2010, 03-11-2010 and 14-02-2011.

The Board discussed the operating plans, performance of various units and various other information, including those specified under Annexure I to Clause 49 of the Listing Agreement, from time to time.

<i>Name of the Director</i>	<i>Board Meetings held during the tenure of the Director</i>	<i>Board Meeting Attended</i>	<i>Attendance at the last AGM held on September 28, 2010</i>
Mr. Raj Kumar Sekhani	8	8	Present
Mr. Harsh Vardhan Bassi	8	8	Present
Mr. Samuel Joseph Jebaraj*	8	6	Absent
Mr. Anand Kumar Jain**	8	7	Present

#### Directors seeking reappointment

A brief resume of Directors appointed/re-appointed at the Annual General Meeting, the nature of his expertise in specific functional areas, and the names of the companies in which he holds directorship and membership of the Committees of the Board are furnished hereunder:

##### i) **MR. RAJ KUMAR SEKHANI**

Mr. Raj Kumar Sekhani, aged 52, is a Commerce Graduate from Calcutta University. He is the Promoter-Director and Chairman & Managing Director of the Company. Mr. Sekhani has been involved in the activities of manufacturing and trading in garment accessories, including embroidery fabrics, laces and knitted fabrics, for more than two decades, much before he promoted your Company. He also holds Directorship of Pioneer E-Com Fashions Limited and Hakoba Lifestyle Limited and Pioneer Realty Limited and Crystal Lace (India) Limited. He is the Member of Shareholder's Grievance Committee of your Company

##### ii) **MR. CHANDRASEKARA VENKATA RAMANA**

Mr. Chandrasekara Venkata Ramana, aged 62 years is Bachelors Degree in Commerce, Certificate in Auditing & Accounts (BIET-London), Inter C. A. & Inter ICWA. He has over 38 years of experience in the field of Accounts, Finance, Management & is working as Independent Consultant and Project Management Advisor. He is having vast experience of business while in employment and running his own consulting business like.

- Pulp and Paper Industry
- Engineering plastic Industry
- Packaged Fruit juices and Mineral water Industry.
- Civil Aviation (Commercial Aviation-NSOP).
- Commercial Tourism & Travel Trade.
- Woolen/Synthetic Non-woven textiles(Industrial & Geo Textiles)

He is Professional Independent Director with M/s Jetking Infotrain Ltd. A Public Ltd. Company Listed on Bombay Stock Exchange.

### 3. **Audit Committee**

#### Brief description of Terms of Reference

The following terms of reference stipulated by the Board of Directors to the Audit Committee covers all the matters specified under the Listing Agreement as well as the provisions of Section 292A of the Companies Act, 1956.

1. Oversee the Company's financial reporting process.
2. Oversee the Company's disclosures of financial information.
3. Recommend appointment / removal of statutory auditors and fixation of their fees.
4. Review of the quarterly/half yearly financial results and annual financial statements with the management, internal auditor and the statutory auditor.
5. Consideration of the reports of the internal auditors and discussion about their findings with the management and suggesting corrective actions wherever necessary.
6. Review with the management, statutory auditors and the internal auditors about the nature and scope of audits and of the adequacy of internal control systems.
7. Review major accounting policies and compliance with accounting standards and listing agreement entered into with the stock exchange and other legal requirements concerning financial statements.
8. Look into the reasons for any substantial defaults in payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors, if any.
9. Review of any related party transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives that may have potential conflict with the interests of the Company at large.

10. Authority to investigate into any matter covered by Section 292A of the Companies Act, 1956.

11. Reviewing the Company's financial and risk management policies.

Composition, Name of Members and Chairman and the attendance details are as under:

During the year ended March 31, 2011, Five Meetings of the Audit Committee were held on 29-04-2010, 11-08-2010, 27-08-2010, 03-11-2010 and 14-02-2011.

Name of the Director	Designation	Status	Committee Meetings held during the tenure of Director on the Committee	Committee Meetings Attended
Mr. Anand Kumar Jain	Member	Non-Executive Independent Director	5	5
Mr. Samuel Joseph Jebaraj*	Member	Non-Executive Independent Director	5	5
Mr. Harsh Vardhan Bassi**	Member	Executive Director	5	5
Mr. Chandrasekara Venkata Ramana***	Member	Non-Executive Independent Director	--	--
Mr. Sudatta Mandal****	Member	Non-Executive Independent Director	-	-

\*Resigned w.e.f. 29<sup>th</sup> April, 2011

\*\*Resigned w.e.f. 11<sup>th</sup> May, 2011

\*\*\*Appointed w.e.f. 6<sup>th</sup> May, 2011

\*\*\*\*Appointed w.e.f. 29<sup>th</sup> April, 2011

#### 4. Remuneration Committee

Brief description of terms of reference:

The Committee comprises of two Independent Non-Executive Directors. The terms of reference of the Committee is to deal with the matters related to remuneration by way of salary, perquisites, benefits, etc. for the Executive and Whole-time Directors of the Company.

The Committee comprises of following Members:

Name of the Director	Designation	Status
Mr. Anand Kumar Jain*	Chairman	Non-Executive Independent Director
Mr. Samuel Joseph Jebaraj**	Director	Non-Executive Independent Director
Mr. Chandrasekara Venkata Ramana***	Chairman	Non-Executive Independent Director
Mr. Sudatta Mandal****	Director	Non-Executive Independent Director

\*Resigned w.e.f. 29<sup>th</sup> April, 2011

\*\*Resigned w.e.f. 11<sup>th</sup> May, 2011

\*\*\*Appointed w.e.f. 6<sup>th</sup> May, 2011

\*\*\*\*Appointed w.e.f. 29<sup>th</sup> April, 2011

The Committee is authorised, inter alia to deal with the matters related to remuneration by way of salary, perquisites, benefits etc. for the Executive Director of the Company and set guidelines for salary, performance pay and perquisites to other senior employees.

During the year ended March 31, 2011 no meeting of the Remuneration Committee was held.

The remuneration of the employees consists of fixed pay i.e. Basic pay, Allowances, perquisites etc., which is related to Industry pattern, qualification, experience and responsibilities handled by the employee etc. The objectives of the remuneration policy are to motivate employees and recognize their contribution, reward merit and to attract and retain talent in the organization.

Details of Remuneration paid / payable to the Directors for the year ended March 31, 2011 are as follows:

(Amount in Rupees)

Name of the Director	Position	Sitting Fees	Salary & Perquisites	Total
Mr. Raj Kumar Sekhani	Chairman & Managing Director	Nil	50,56,211	50,56,211
Mr. Harsh Vardhan Bassi	Executive Director	Nil	33,92,516	33,92,516
Mr. Samuel Joseph Jebaraj	Director	15,000	Nil	15,000
Mr. Anand Kumar Jain	Director	17,500	Nil	17,500
<b>Total</b>		<b>32,500</b>	<b>84,48,727</b>	<b>84,81,227</b>

#### 5. Shareholder's Grievance Committee

The broad functions of Shareholder's Grievance Committee includes redressal of investor's complaints like share transfers, non-receipt of Annual Reports, dividend payment, issue of duplicate share certificates, transfer and transmission of shares and other allied transactions. Its scope also includes delegating the powers to the executives of Company / Share Transfer Agents to process share transfer etc.

The composition of Shareholder's Grievance Committee is as under:

<i>Name of the Director</i>	<i>Designation</i>	<i>Status</i>
Mr. Raj Kumar Sekhani	Chairman	Executive Chairman
Mr. Harsh Vardhan Bassi	Member	Executive Director
Mr. Anand Kumar Jain*	Member	Non-Executive Independent Director
Mr. Chandrasekara Venkata Ramana**	Member	Non-Executive Independent Director

\*Resigned w.e.f. 29th April, 2011

\*\*Appointed w.e.f. 6th May, 2011

The Company has appointed Link Intime India Pvt. Limited, Mumbai, as its Registrar & Share Transfer Agents to expedite the process of share transfers. The share transfers lodged are being processed and Memorandum of Transfers is generated on a fortnightly basis.

During the year ended March 31, 2011 an aggregate of 1522 shares were transferred. The details of the complaints and other correspondences received and attended during the year ended March 31, 2011 are given hereunder:

<i>Nature of Complaints</i>	<i>Received</i>	<i>Attended to</i>	<i>Pending</i>
Non-receipt of Share Certificates	4	4	Nil
Non-receipt of Dividend Warrants	1	1	Nil
Non-receipt of Annual Report	1	1	Nil
Non-receipt of Demat Credit/Remat Certificates	1	1	Nil
Non-receipt of rejected DRF	1	1	Nil
Others	8	8	Nil
<b>Total</b>	<b>16</b>	<b>16</b>	<b>Nil</b>

## 6. General Body Meetings

The venue and time of the Annual General Meetings held during the last three years are as follows:

<i>Year</i>	<i>Date</i>	<i>Time</i>	<i>Venue</i>	<i>No. of Special Resolutions passed</i>
2007-2008	27 <sup>th</sup> December, 2008	9.30 A.M	The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095	Nil
2008-2009	31 <sup>st</sup> December, 2009	9.30 A.M	The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095	Nil
2009-2010	28 <sup>th</sup> September, 2010	9.30 A.M	The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095	01

All the Resolutions set out in the Notices were passed by the Shareholders.

During the year ended March 31, 2011 the Company has not passed any resolution through Postal Ballot as per the provisions of Companies Act, 1956 and the rules framed thereunder.

At this meeting also there are no Ordinary or Special Resolution requiring passing by way of Postal Ballot.

## 7. Disclosures

There were no transactions of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

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 for the last three years on any matter related to capital markets.

## 8. Means of Communication

The Unaudited Quarterly and Half Yearly Results are sent to all the Stock Exchanges where the shares of the Company are listed. The Results are normally published in 'The Free Press Journal', 'Navashakti'. The results are displayed on the Company's Website [www.pelhakoba.com](http://www.pelhakoba.com).

The "Management Discussion and Analysis Report" forms part of this Annual Report.

### General Shareholder Information

- i) **AGM**  
Date and Time : 28th September 2011, 9:30 A. M.,  
Venue : The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West),  
Mumbai 400 095
- ii) **Financial Calendar 2011-12 (tentative)**  
Financial Reporting for  
Quarter ending June 30, 2011 : By Second Week of August, 2011  
Half year ending September, 2011 : By Second Week of November, 2011  
Quarter ending December, 2011 : By Second Week of February, 2012  
Year ending March 31, 2012 : By Second Week of May, 2012  
Annual General Meeting (2011-12) : By end of September, 2012
- iii) **Date of Book Closure** : 21st September 2011 to 28th September 2011 (both days inclusive)
- iv) **Listing on Stock Exchanges** : National Stock Exchange of India Limited  
(Code: PIONEEREMB)  
Bombay Stock Exchange Limited  
(Code: 514300)  
The Calcutta Stock Exchange Association\*  
(Code: 26033)  
The Delhi Stock Exchange Association Ltd\*  
(Code: 16158)

\*The Company has already applied for the voluntary delisting of Equity Shares of the Company from the Stock Exchanges at: Delhi and Calcutta.

- vi) **Listing Fees** : Annual Listing Fees for the Financial Year 2011-2012 have been paid to the above Stock Exchanges.
- vii) **Demat ISIN No.** : INE156C01018

### viii) Stock Market Data

The month-wise movement (High & Low) of the shares of the Company at the Mumbai Stock Exchange during each month for the year ended March 31, 2011 is as under:

PEL Share Price BSE

Month	High Price (Rs.)	Low Price (Rs.)	Volume
April, 2010	25.00	16.00	12,66,198
May, 2010	23.90	19.50	3,81,261
June, 2010	24.20	19.90	2,77,329
July, 2010	31.10	21.20	18,61,025
August, 2010	33.80	27.55	10,50,131
September, 2010	30.00	23.50	3,78,268
October, 2010	35.70	26.00	6,71,154
November, 2010	35.00	29.30	5,51,778
December, 2010	31.90	22.65	3,06,249
January, 2011	26.00	19.60	2,23,373
February, 2011	22.95	17.65	1,73,714
March, 2011	22.00	17.00	2,17,723

### ix) Share Transfer System

Presently, the share transfers, which are received in physical form, are processed and the share certificates returned within a year of 15 to 20 days from the date of receipt, subject to the documents being valid and complete in all respects.

x) **Dividend Payment Procedure**

Members who have so far not encashed their dividend warrants or have not received the dividend warrants are requested to seek issue of duplicate warrants. Such members may write to the Company at the Registered Office of the Company for payment of such dividend warrant. It may kindly be noted by the Shareholders of the Company that the Dividend declared by the Company, if remains unclaimed or unpaid for the year of 7 years will be transferred to the Investor Education & Protection Fund.

- xi) **Registrar & Share Transfer Agent** : Link Intime India Pvt. Limited.,  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (West),  
Mumbai- 400 078.

xii) **Distribution of Shareholding as on March 31, 2011**

Slab of No. of Shareholding (Rs.)	No. of Shareholders	% to No. of Shareholders	Amount (Rs.)	% to paid-up capital
Upto 5000	20897	92.54	13206000	10.22
5001 - 10000	789	3.49	6508170	5.04
10001 - 20000	416	1.84	6410410	4.96
20001 - 30000	174	0.77	4514960	3.50
30001 - 40000	64	0.28	2322270	1.80
40001 - 50000	62	0.27	2949480	2.28
50001 - 100000	90	0.40	6670070	5.16
> 100001	89	0.39	86570290	67.03
<b>Total</b>	<b>22581</b>	<b>100.00</b>	<b>129151650</b>	<b>100.00</b>

xiii) **Categories of Shareholding Pattern as on March 31, 2011**

Category	No. of Shareholders	% to No. of Shareholders	No. of Shares held	% of Shareholding
Promoters	7	0.03	4176788	32.34
Mutual Funds & UTI	2	0.01	900	0.01
Banks/Financial Institutions/Ins/Govt.	2	0.01	999594	7.74
Corporates	316	1.40	1687890	13.07
Individuals	21716	96.17	5581898	43.22
NRIs/OCBs	469	2.08	182424	1.41
Others	69	0.31	285671	2.21
<b>Total</b>	<b>22581</b>	<b>100.00</b>	<b>12915165</b>	<b>100.00</b>

xiv) **Dematerialisation of Shares**

The Company shares are compulsory traded in dematerialized form. As on March 31, 2011 the details of the shares of the Company held in physical and demat form are given below:

	No. of Shares	% to the Capital
Shares held in Physical Form	3,73,961	2.90
Shares held in Demat Form	1,25,41,204	97.10
<b>Total</b>	<b>1,29,15,165</b>	<b>100.00</b>

xv) **Outstanding GDRs / Warrants and Convertible Instruments**

The Company had issued FCCBs for US\$ 30 million, which are convertible into equity shares of the Company and have converted FCCBs for US\$ 2.00 million into the equity shares on 29<sup>th</sup> January, 2008 & US\$ 0.75 million into the equity shares on 14<sup>th</sup> April, 2010. The company has also bought back US \$ 16.25 mn aggregate face value of FCCBs for a sum of US \$ 4.50 mn. The outstanding FCCBs as at 31<sup>st</sup> March, 2011 are US \$ 11 million.

- xvi) **Plant Locations** :
- i) Sarigam, Gujarat
  - ii) Naroli, Dadra & Nagar Haveli
  - iii) Dadra, Dadra & Nagar Haveli
  - iv) Karad, Dadra & Nagar Haveli
  - v) Mira Road, Thane, Maharashtra
  - vi) Coimbatore, Tamilnadu
  - vii) Kala-amb, Himachal Pradesh





**xvii) Address for Correspondence :** Shareholder correspondence should be addressed to the Company's Registrar and Transfer Agents:  
Link Intime India Pvt. Ltd.,  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (West),  
Mumbai - 400 078  
Tel No.: (022) 25963838

Investors may also write or contact Mr. N. K. Jain, CFO & Company Secretary at the Corporate Office of the Company at:  
318, 3rd Floor, Linkway Estate,  
New Link Road,  
Chincholi Bunder,  
Nr. Nirlon Bust Stop,  
Malad (West), Mumbai - 400 064.  
Tel.: (022) 42232323  
Fax: (022) 42232313

**Non-Mandatory Requirements**

- |                           |   |
|---------------------------|---|
| a) Chairman of the Board  | Mr. Raj Kumar Sekhani   |
| b) Remuneration Committee | The Company has formed a Remuneration Committee   |
| c) Shareholder's Rights   | The Company's Quarterly and Half yearly results are published in English and Marathi Newspapers.<br>Hence the same are not sent to the shareholders.        |
| d) Postal Ballot          | The Company has not transacted any business through postal ballot.<br>The Company shall comply with the provisions of law in this regard whenever required. |



**Management Certificate on clause 49 (1D) of the Listing Agreement**

To,  
The Members,  
**Pioneer Embroideries Limited**

This is to affirm that the Board of Directors of Pioneer Embroideries Limited has adopted a Code of Conduct for its Directors and Senior Management Personnel in compliance with the provisions of Clause 49 (1D) of the Listing Agreement with the Stock Exchange and Board of Members and Senior Management Personnel of the Company have confirmed the compliance of provisions of the said code for the financial year ended 31st March, 2011.

**Place :** Mumbai

**Date :** 9<sup>th</sup> July, 2011

**RAJ KUMAR SEKHANI**

Chairman & Managing Director

**CERTIFICATE FROM THE AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

To,  
The Members of Pioneer Embroideries Limited

We have examined the compliance of conditions of Corporate Governance by Pioneer Embroideries Limited for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievances are pending for a year exceeding one month against the Company as per the records maintained by the Shareholders/ Investors grievance committee.

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 **MBAH & CO**  
Chartered Accountants  
(Firm Regn No. 121426W)

For **R. KABRA & CO.**  
Chartered Accountants  
(Firm Regn No. 104502W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

**R. L. KABRA**  
Partner  
Membership No. 16216

Place : Mumbai  
Date : 9<sup>th</sup> July, 2011

## Management Discussion and Analysis

### Disclaimer:

Statements made in the Management Discussion and Analysis and relating to Company's objectives, projections, outlook, expectations, estimates, etc., may constitute forward looking statements within the meaning of applicable securities, laws and regulations. These statements are based on certain assumptions, which cannot be guaranteed by the Company. Several factors, over which the Company may not have any direct control, could make a significant difference to the company's operations. As such, actual results may differ materially from such projections, whether expressed or implied, since it would be beyond Company's ability to successfully implement our growth strategy. The Company undertakes no obligation or responsibility to update forward-looking statements and to publicly amend, modify or revise to reflect events or circumstances after the date thereof on the basis of any subsequent development, information or events.

The management of Pioneer Embroideries Ltd. (Pioneer) presents below its analysis on the performance of your Company during the year under review, i.e. accounting year end 31st March, 2011 (for the period April'10 to March'11).

### Economic Overview with specific reference to Textile Industry:

The Indian textile industry is a global leader and thanks to the economic liberalization. Though it used to come under unorganized sector few years back, the scenario changed a large part of the industry is now in the organized sector. Contributing a hefty 14% to the country's Industrial production and 4% to the country's gross domestic product (GDP) the segment also accounts for 17% of India's export earnings besides providing direct employment to over 35 million people and thus being the second largest provider of employment after agriculture in the country. While the impact of past underperformance is to be surmounted, the Industry as a whole is moving towards the path of growth. However few of the challenges & imperatives include need for continual modernization & technological up gradation, Product development and R&D, Cost effectiveness & efficiency to face the ever increasing competition emerging out of WTO policies. While there has also been substantial inflow of FDI in the textile sector for setting up manufacturing capacities, we need to keep in mind the Chain is and will remain a tough adversary in the global as well as domestic market.

### Industry Overview and our performance review:

During the year, your Company has undertaken expansion of its capacities at its Polyester Dope Dyed yarn factory in Kalamb and is expected to go onstream by middle of 2011.

For sake of information and record, your company's operations are summarized below, which operates across multiple products and businesses making it an integrated Textile player in the industry today as is evident from the product portfolio of the Company described in the chart below:

Business	Major Products	Location
Embroidery	Fabrics, Laces, etc.(made from Schiffli and multi-head machines)	Seven units manufacturing units located at Thane, Sarigam, Naroli, Coimbatore, and Haryana
Braided Laces	Variety of laces	Four units located at Dadra, Karad (2) and Coimbatore
Polyester Dope Dyed Yarn	Dyed Filament Yarns	Kalamb, Himachal Pradesh
Spun Yarn	Blended Spun Yarns	Kallakurichi, Tamil Nadu
Retailing -Hakoba Lifestyle Ltd.	Embroidered salwar suits, sarees, and other ready to wear products	5 Stores across the country with a mix of Franchisee and company owned stores

### Embroidery Business:

Your Company is one of the largest players in the embroideries & laces segment in the world. It was incorporated in October 1991. It has many No.1's to its credit:

- Currently has one of the largest capacities for embroidered fabrics in India.
- It is the largest manufacturer of Braided Laces in the world.
- Only and highly integrated player with capability to manufacture raw materials and retail the same through its retail subsidiary Hakoba Lifestyle Limited
- The Company is a pioneer in bringing branding to an ancillary business like embroidery.
- This only large branded player in the industry has taken a big leap by going the retail way with the rejuvenated brand Hakoba.

The Company has a strong brand presence in the embroidery business through brands such as "Sweetpea" and "Tulip" in the wholesale market, and the famous "Hakoba" in the retail market.

The Indian embroidery market continues to be dominated by a large number of unorganized players in view of lower entry barriers. The unorganized participants hold over 60% market share in the Indian region and the select organized manufacturers share the balance 40%.

Broad Embroidery products and their usage are given below:

<b>All over fabric</b>	These are marketed as ladies dress materials, kurtas, sheeting and sarees and find key usage by the Garment manufacturers.
<b>Laces/Edgings</b>	Widely used for dresses, gown, children's garments and ladies undergarments. Cotton & chemical laces are popular in the Fashion industry.
<b>Motifs, Guipure, Collars</b>	These are also used in ladies dresses, gowns and children's garments. These are mostly preferred in the International markets
<b>Quilts</b>	These are decorative made of two layers of cloth filled with cotton, wool, etc. and stitched together in lines or patterns to keep the filling in place. These find high usage in beddings in the home textile segment.

Your Company's product range includes the above products except Quilts.

During the year ended 31st March, 2011 products like embroidered fabrics continued to remain under severe price pressure. Due to falling demand from USA, one of the largest consumer's of garments in the world, Indian garment exporters faced tremendous competitive pressure on pricing that in turn affected the embroidery market and focus further shifted to lower cost - lower realization products.

Your Company's sales were short by 24% of the projected Sales as envisaged for the year in view of pressure in the domestic market arising out of increased price of yarn and fabric that translated into increase product cost. This is apparent from the fact that while the gap in sales is 24% the production was short of target by nearly 37%. Liquidity and shortage of working capital was also one of the reasons that impacted capacity utilization as well as margins since the Company to resort to outsourced production. However the revival in the international market besides the beginning of the peak domestic season from September will hold the Company in good ground enabling it to recoup the lost opportunities.

#### Braided Laces:

The Braided laces segment, also being driven by fashion trends as in case of like embroidery and rather more significantly aligned to the fortunes of the Garment exports continued to be remain under pressure due to the slow down in US consumption of garments besides paucity of working capital for servicing the credit intensive domestic industry. Thus the capacity utilization being dismally lower to the plan falling short by over 42% resulting underachievement of sales target by about 56%. However this segment is well expected to turnaround good performance from the next financial year. The Company has already tasted good success in its recent thrust for developing markets in Latin America both in terms of volume generation and improved margins and hopes that this will enable this business to very soon relive its past glorious days of success.

#### Polyester Dope Dyed Yarn:

Dope Dyed Polyester Yarn (DDPY) which was severely impacted in the early phase of the project in view of the oil crisis has emerged a star performer, running over its target capacity for the basic as well value added product lines like twisting, doubling and air texturing of yarns, leading to substantially improved margins. The business has also now got a firm foot hold in the lucrative export markets including the highly quality conscious European market. The projected sales have been surpassed by a astounding 172% and similarly the PBIDT has surpassed projections by a superlative 178%.

#### Spun Yarn Business:

This spinning mill is still under BIFR (Board for Industrial Financial Reconstruction) as was reported in the last year's balance sheet. The assets of the BIFR Company will be transferred to your Company on completion of the BIFR process. Your Company has utilized the production facilities of the spinning mill but due to severe power shortage in Tamil Nadu the capacity utilization continues to falter. The unit has achieved a capacity utilization of close to 68% in the financial year 2010-11. However with elevated market demand for spun yarns gave a boost to the management's efforts to improve profitability and the unit achieved 3.58 times the projected EBIDTA for the year. The shortfall in full capacity utilization though will continue to be a concern due to acute power shortage in the region.

#### RESTRUCTURING SCHEME

The Company has fully implemented the scheme in compliance to all conditions & caveats. The Company has settled the dues of unsecured lenders in terms of CDR package and payments are being made as per settlement arrived with them including settlement of balance outstanding FCCB bonds to the tune of US\$11million.

Your Directors are hopeful that with the continual improvement in performance and the completion of expansion project at the Dope Dyed polyester

yarn unit, the Company shall be able to revive its operations and fully restore its past track record of profitability.

**Financial Overview:**

Revenue of your Company, for the twelve month period ended 31st March, 2011 was Rs.17,811 lacs. This represents about 14% increase over the revenue for the comparable period in the previous financial period (six months). This increase has been due to exceptional growth in the DDPY business as well as recovery in revenues demonstrated by all other businesses of the Company compared to previous period.

**Operating Expenses:**

Operating expenses for the period ended 31st March, 2011 stood at Rs.16,451.40 lacs of which exceptional items constitute Rs.74.69 lacs provided towards foreign exchange loss.

Raw material costs were also on the higher side due to increase in price of cotton yarn & fabric as also the price of chips used in polyester yarn business.

**Profits:**

Profit before interest, depreciation, tax and exceptional items for the year stood at Rs.1,426.68 lacs as against Rs.377.91 lacs for the previous financial period (6 months). Your Company's overall performance has shown improvement due to improved performance in of all business units, particularly the DDPY business.

## AUDITORS' REPORT

To,  
The Members of Pioneer Embroideries Limited,

We have audited the attached Balance Sheet of **Pioneer Embroideries Limited** as at 31<sup>st</sup> March, 2011, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 and the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraphs 4 & 5 of the said Order to the extent applicable.
3. Further to our comments in the annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - ii. 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 such books;
  - iii. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
  - iv. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956; **subject to non compliance of Accounting Standard - 11 for the effect of change in Foreign Exchange difference, as per Accounting Policy Note No. 11, Accounting Standard - 15 for employees benefit as per Accounting Policy Note No. 9a & 9c, Accounting Standard - 21 for consolidated financial statements as per Note No. 9 of notes to Accounts, the impact of the above is not quantifiable;**
  - v. Based on the representations and declarations made by the directors as on 31st March, 2011 and taken on record by the Board of Directors of the Company and the information and explanation given to us, none of the Directors is, as at 31st March, 2011, prima facie disqualified from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes to accounts **and subject to following**

<i>Note No. as per Accounting Policy (AP) and Notes to Accounts (NA)</i>	<i>Matter</i>
<b>NA 5(a) &amp; 5(b)</b>	<i>Advance payment for acquisition of machineries of Rs. 1,534.00 lacs to Crystal Lace (India) Ltd. out of FCCB funds and conversion of same into loan, which is deemed non-compliance under FCCB utilization rules.</i>
<b>NA 5(c)</b>	<i>Non - provision of interest income of Rs. 467.13 lacs of loan given to Crystal Lace (India) Limited and the income is understated to that extent.</i>
<b>NA 6(a),6(b) &amp; 6(c)</b>	<i>Treatment of investments in subsidiaries aggregating to Rs.2122.60 lacs as Long term &amp; non provision of erosion in values, though values have substantially gone down in view of losses in all the subsidiaries and also erosion of net worth of Hakoba Lifestyle Limited fully.</i>
<b>NA 9(a) &amp; 9(b)</b>	<i>Investment in Subsidiary S.R Investments Limited, Mauritius, whereof the accounts are unaudited not in accordance with AS-21 and consideration of loan of Rs.982.30 lacs (USD 2.20 M plus service charges) is considered as good of recovery even though Subsidiary net worth is depleted and no amounts are received either for Service Charges or for Principal.</i>
<b>NA 10(a) &amp; 10(b)</b>	<i>Investment in overseas Joint Venture M/s Super Industries DMCC, Dubai and conversion of stake into loans on jointly controlled JV basis and consideration of entire loan of Rs.2907.28 lacs (USD 4.96M plus service charge) as good of recovery even though no recovery neither confirmation is available.</i>
<b>NA 11(a)(i)</b>	<i>Based on legal opinion, treatment of gain of Rs.3148.65 lacs (USD 8 million) as non-monetary transaction by Credit to Capital reserve on account of waiver of principal amount on settlement of FCCB Liabilities.</i>





NA 11(c), 11(d), & 11(e)	<i>Treatment of FCCB Liabilities as non-monetary liabilities and had it not been so, loss would have been higher by Rs. 1730.77 lacs on account of no provision made for premium / interest on outstanding FCCB of USD 11 million and Rs. 827.25 lacs on account of foreign exchange losses, on account of repayment of FCCB loan, write back to capital reserve and revaluation as on year end outstanding respectively.</i>
NA 12(a) & 13	<i>Based on expert opinion, treatment of gain of Rs. 257.93 lacs and Rs. 574.87 lacs on account of waiver of principal amount on account of settlement of unsecured &amp; secured lenders respectively is treated as non-monetary transaction by Credit to Capital Reserve.</i>
NA 14 & NA 23(a)	<i>Non Confirmation of Bank Balances, Overdraft Balances, unsecured loan balances, secured loan balances.</i>
AP 11/NA 15	<i>Accounting of Exchange difference arising in relation to fixed assets in the carrying cost of assets, which is not in compliance with AS-11.</i>
NA 22	<i>Non provision of export debtors even with very slow recovery.</i>
AP 9/NA 24	<i>Non provision of gratuity and leave salary as per actuarial valuation as per AS-15.</i>
NA 27	<i>Non confirmation of Balances, the effect of which is not known.</i>

the effect of all the above, except where stated, on accounts is not ascertainable. give the information required by the Companies Act, 1956, in the manner so required present a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
- in the case of the Profit & Loss Account of the profit for the year ended on that date; and
- in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **MBAH & CO**  
Chartered Accountants  
(Firm Regn No. 121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

Place : Mumbai  
Date : 9<sup>th</sup> July, 2011

For **R. KABRA & CO.**  
Chartered Accountants  
(Firm Regn No. 104502W)

**R. L. KABRA**  
Partner  
Membership No. 16216

## ANNEXURE REFERRED TO IN PARAGRAPH 2 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31st March, 2011 OF PIONEER EMBROIDERIES LIMITED

On the basis of such checks as we considered appropriate and in terms of the information and explanation given to us, we state that :-

- The fixed assets register of the Company is under preparation for the current year updation. It has generally maintained records showing full particulars including quantitative details and situation of fixed assets, however, the same needs to be fully reconciled pending updation of records.
  - As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management in accordance with the phased verification programme, which, in our opinion, is reasonable having regards to the size of the Company and the nature of its fixed assets. To the best of our knowledge, the material discrepancies, if any, on such verification cannot be ascertained in view of pending reconciliation.
  - The Company has not disposed off any substantial part of its fixed assets so as to affect its status of going concern.
- As explained to us the inventories have been physically verified during the year by the management at reasonable intervals and in case of stock lying with outside parties, they have substantially confirmed the same.
  - In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.



- c. In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and there were no material discrepancies noticed on physical verification.
3. a. As per the information and explanation given to us and the records produced to us for our verification, the Company has granted loans secured or unsecured, to company, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The number of such parties are 5. The maximum balance outstanding during the year is Rs.6076.58 lacs and the closing balance as on year ending was Rs.6047.38 lacs.
- b. **Except the interest free loan and advances**, granted by the Company secured or unsecured loans, the terms and conditions of the loans granted are not prejudicial to the interest of the Company.
- c. As explained to us, payment of principal amount and interest, if any, are on demand basis and there is no repayment schedule.
- d. There is no overdue amount more than Rs.1 lac as loans and advances are on demand basis.
- e. As per the information and explanation given to us and the records produced to us for our verification, the Company has taken loans and advances, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The number of such party is one. The maximum balance outstanding during the year is Rs.95.41 lacs and the closing balance as on year ending was Rs.95.41 lacs.
- f. The loans taken are interest free and other terms & conditions are not prejudicial to the interest of the Company.
- g. This loan taken is payable on demand basis and therefore the question of irregularity does not arise.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. As explained to us, transaction made in pursuance of such contracts or arrangements have been made at prices, which are reasonable having regards to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business, **but needs further strengthening.**
8. The Central Government has prescribed maintenance of the Cost records u/s 209 (1) (d) of the Companies Act, 1956 in respect to Dope Dyed Yarn division. We have broadly reviewed the books of accounts and records maintained by the Company in respect of Dope Dyed Polyester Yarn division and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. In respect of other activities carried out by the Company, as explained to us by the management and as per the information provided, cost records prescribed under the section 209(1) (d) of the Companies Act are not applicable for the other activities.
9. a. According to the information and explanations given to us, the Company is **generally not regular in depositing** with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of Wealth-tax, Service-tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable **except Income tax of Rs.60.31 lacs for A.Y 2007-08 and Fringe benefit tax of Rs.5.73 lacs for the A.Y. 2007-08, of Rs.4.66 lacs for the A.Y. 2008-09, of Rs.9.89 lacs for the A.Y. 2009-10**
- c. According to the information and explanations given to us, details of dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess, which have not been deposited as on 31st March, 2011 on account of any dispute are given below:

Particulars	Year to which the matter pertains	Forum where matter is pending	Amount (Rs. in lacs)
Custom Duty	F.Y. 1997 -98	H'ble Supreme Court	46.90
Excise Duty	F.Y. 2001 -02	Commissioner Appeal	46.14
Income Tax	Block A.Y. 1999 -00 to 2004 -05	CIT (Appeals)	53.07
Income Tax	A.Y. 2002 -03	CIT (Appeals)	13.33

10. The Company does have accumulated losses as at the end of the year, however has not incurred cash loss during the year covered by our audit. There was no cash loss in the immediately preceding financial period.
11. In our opinion and according to the information and explanations given to us, the Company had entered in to Corporate Debts Restructuring agreement and also has entered in to agreement with other unsecured lenders including FCCB holders and we have been informed that the repayment has been done as per the terms and conditions agreed upon to these financial institutions and banks.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and adequate documents and records have been maintained for the same.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. The Company has maintained proper records of the transactions and all the investments have been held by the Company in its own name.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by its subsidiary and associate company from banks are not prima facie prejudicial to the interest of the Company, except that in view of substantial losses in one of the subsidiary Hakoba Lifestyle Ltd., the Company might be asked to honor guarantees.
16. In our opinion, the term loans have been applied for the purpose for which loans were obtained. No Term Loan is received during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow of the Company, except the funds raised and advances received for sale of assets were used for working capital/repayment of unsecured lenders, no funds were raised on short term basis and therefore question of using the same for long term investments does not arise.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, but has received share application money.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **MBAH & CO**  
Chartered Accountants  
(Firm Regn No. 121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

Place : Mumbai  
Date : 9<sup>th</sup> July, 2011

For **R. KABRA & CO.**  
Chartered Accountants  
(Firm Regn No. 104502W)

**R. L. KABRA**  
Partner  
Membership No. 16216

## BALANCE SHEET AS AT 31ST MARCH, 2011

				(Rs. in thousand)
		As at	As at	
SCH.		31.03.2011	31.03.2010	
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Fund</b>				
a) Share Capital	1	404,688	122,082	
b) Share Application Money		96,800	29,943	
c) Reserves & Surplus	2	<u>834,977</u>	<u>398,637</u>	550,662
		<b>1,336,465</b>		
<b>Loan Funds</b>				
a) Secured Loans	3	1,520,645	1,978,011	
b) Unsecured Loans	4	<u>510,474</u>	<u>1,067,677</u>	3,045,688
		<b>2,031,119</b>		
		<b>3,367,584</b>		<b>3,596,350</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
a) Gross Block	5	2,009,587	1,965,386	
b) Less : Depreciation		<u>902,250</u>	<u>790,062</u>	
c) Net Block( a-b )		1,107,337	1,175,324	
d) Capital work- in- progress		<u>322,623</u>	<u>259,439</u>	1,434,763
		<b>1,429,960</b>		
<b>Investments</b>				
	6	<b>215,785</b>		215,785
<b>Current Assets, Loans &amp; Advances</b>				
a) Inventories	7	383,027	337,871	
b) Sundry Debtors	8	485,087	427,732	
c) Cash & Bank Balances	9	21,419	142,021	
d) Loans & Advances	10	<u>956,343</u>	<u>1,016,076</u>	
		1,845,876	1,923,700	
Less : Current Liabilities & Provisions	11	<u>341,323</u>	<u>200,505</u>	
Net Current Assets		<b>1,504,553</b>		1,723,195
<b>Deferred Tax</b>				
Deferred Tax Asset	12	<b>181,280</b>		177,100
<b>Profit &amp; Loss Account</b>				
		<b>36,006</b>		45,507
		<b>3,367,584</b>		<b>3,596,350</b>

Notes on Accounts, Additional information and major Accounting Policies - As per Schedule 18 annexed.

As per our Report of even date attached herewith

For **M B A H & CO**  
Chartered Accountants  
(Firm Regn No. 121426W)

For **R. KABRA & CO.**  
Chartered Accountants  
(Firm Regn No. 104502W)

For & on behalf of the Board

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

**R. L. KABRA**  
Partner  
Membership No. 16216

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

**HARSH VARDHAN BASSI**  
Executive Director

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	SCH.	Year Ended 31.03.2011	(Rs. in thousand) Period Ended 31.03.2010
<b>INCOME</b>			
Gross Sales	13	1,781,216	778,725
Less: Excise Duty		70	119
Net Sales		1,781,146	778,606
Other Income	14	83,364	160,782
Increase/(Decrease) in Stock	15	3,981	(12,041)
		<b>1,868,491</b>	<b>927,347</b>
<b>EXPENDITURE</b>			
Operating Expenses	16	1,645,140	730,347
Interest	17	101,336	76,842
Depreciation	5	116,694	59,952
		<b>1,863,170</b>	<b>867,141</b>
<b>Profit/(Loss) Before Tax</b>		<b>5,321</b>	<b>60,206</b>
Provision for Deferred Tax Liability / (Asset)		(4,180)	(15,990)
Income Tax for earlier years		-	17,630
<b>Profit/(Loss) After Tax</b>		<b>9,501</b>	<b>58,566</b>
Add : Balance b/f from last period		(45,507)	(104,073)
<b>Balance carried over to Balance Sheet</b>		<b>(36,006)</b>	<b>(45,507)</b>
<b>Basic Earning per Share (₹)</b>		<b>0.75</b>	<b>4.80</b>
<b>Diluted Earning per Share (₹)</b>		<b>0.37</b>	<b>2.50</b>

Notes on Accounts, Additional information and major Accounting Policies - As per Schedule 18 annexed.

As per our Report of even date attached herewith

For **M B A H & CO**  
Chartered Accountants  
(Firm Regn No. 121426W)

For **R. KABRA & CO.**  
Chartered Accountants  
(Firm Regn No. 104502W)

For & on behalf of the Board

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

**R. L. KABRA**  
Partner  
Membership No. 16216

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

**HARSH VARDHAN BASSI**  
Executive Director

## SCHEDULES 1 TO 18 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

(Rs. in thousand)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised :</b>		
20,000,000 (25,000,000) Equity Shares of Rs.10/- each	200,000	250,000
30,000,000 (NIL) 9% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.10/- each	300,000	-
	<b>500,000</b>	<b>250,000</b>
<b>Issued, Subscribed &amp; Paid up :</b>		
12,915,165 (12,208,215) Equity Shares of Rs. 10/- each fully paid up	129,152	122,082
(Of the above (i) 1,333,333 Equity Shares of Rs.10/- each fully paid up allotted as fully paid-up to the shareholders of erstwhile Royal Embroideries Pvt. Ltd. pursuant to the scheme of amalgamation without payment being received in cash and (ii) 3,436,842 Equity Shares of Rs.10/- each fully paid up allotted as fully paid up bonus shares by capitalization of General Reserve)		
27,553,610 (NIL) 9% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.10/- each fully paid up	275,536	-
	<b>404,688</b>	<b>122,082</b>
<b>SCHEDULE - 2</b>		
<b>RESERVE &amp; SURPLUS</b>		
<b>Capital Reserve</b>		
Opening Balance	350,429	154,764
Add: Consequent to Settlement of Unsecured Loans / FCCBs	398,145	195,665
	<b>748,574</b>	<b>350,429</b>
<b>Share Premium</b>		
Opening Balance	48,208	48,208
Add: Amount transferred during the year on account of FCCB Conversion	38,195	-
	<b>86,403</b>	<b>48,208</b>
	<b>834,977</b>	<b>398,637</b>



As at  
31.03.2011

As at  
31.03.2010

**SCHEDULE - 3  
SECURED LOANS**

**Working Capital Loans**

i) State Bank of India	307,321	288,915
ii) Union Bank of India	97,300	101,342
iii) ING Vysya Bank Limited	-	128,944

(All the above loans are secured by first pari passu charge by hypothecation of stocks, book debts and second charge on all fixed assets, both present and future and further secured by corporate guarantee of Subsidiary Hakoba Lifestyle Limited and personal irrevocable guarantee of Chairman of the Company)

**Rupee Term Loans**

i) Union Bank of India	82,671	116,799
ii) AXIS Bank Limited	23,570	32,511
iii) ING Vysya Bank Limited	-	47,071
iv) Corporation Bank	53,289	72,692
v) EXIM Bank	144,154	199,948
vi) HDFC Bank Limited (CBoP)	73,869	100,000
vii) State Bank of Patiala	111,777	150,000
viii) Small Industries Development Bank of India	13,576	18,200
ix) WCTL State Bank of India	184,896	253,000
x) WCTL Union Bank of India	67,546	92,000
xi) FITL State Bank of India	35,302	40,062
xii) FITL Union Bank of India	13,120	11,263
xiii) FITL EXIM Bank	30,864	31,661
xiv) FITL Corporation Bank	-	2,886
xv) FITL HDFC Bank Limited	20,415	21,719
xvi) FITL ICICI Bank Limited	8,983	7,736
xvii) FITL State Bank of Patiala	23,339	23,752
xviii) FITL Axis Bank Limited	4,299	5,148
xix) FITL Small Industries Development Bank of India	2,828	2,882

(All the above loans are secured by first pari passu charge over fixed assets of the Company both present & future with each other, except machineries imported from Barmag of Germany, which has exclusive charge of Landes Bank Baden Wurttemberg, and further secured by second charge over current assets of the Company & by personal irrevocable guarantee of Chairman of the Company)

**Foreign Currency Term Loans**

i) Landes Bank Baden Wurttemberg (Euro 1,096,350.09 (Euro 1,085,559.15))	69,333	65,741
ii) FITL Landes Bank Baden Wurttemberg (Euro 62,431.34 (Euro 55,365.34))	3,948	3,353

(Secured by exclusive charge over the machineries imported from Barmag of Germany for Dope Dyed Polyester Yarn Unit)

iii) HDFC Bank Limited (USD 1,099,360.54 (USD 1,500,419.39))	49,086	67,729
iv) ICICI Bank Limited (Euro 1,555,873.70 (Euro 1,530,000))	98,393	92,657

(Above both loans are secured by first pari passu charge over fixed assets of the Company both present & future with each other, except machineries imported from Barmag of Germany, which has exclusive charge of Landes Bank Baden Wurttemberg, and further secured by second charge over current assets of the Company & by personal irrevocable guarantee of Chairman of the Company)

**Vehicle Loans**

(Against hypothecation of vehicles)

766 -

1,520,645

1,978,011





(Rs. in thousand)

As at  
31.03.2011

As at  
31.03.2010

**SCHEDULE - 4  
UNSECURED LOANS**

From Scheduled Bank  
(Above loan is secured by personal guarantee of Chairman of the Company,  
post dated cheques and secured by pledge of shares by him in his individual capacity)

42,208

103,297

Foreign Currency Convertible Bonds (FCCBs) (USD 11.00 mn (USD 23.25 mn))

449,930

954,385

From Directors

9,541

-

Inter Corporate Deposit

8,795

9,995

**510,474**

**1,067,677**

**SCHEDULE - 5**

**FIXED ASSETS & DEPRECIATION**

(Rs. in thousand)

SR. NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		OPENING BALANCE AS ON 01.04.2010	ADDITION DURING THE YEAR	DEDUCTION DURING THE YEAR	TOTAL AS ON 31.03.2011	OPENING BALANCE AS ON 01.04.2010	DURING THE YEAR	DEDUCTION DURING THE YEAR	TOTAL AS ON 31.03.2011	AS ON 31.03.2011	AS ON 31.03.2010
1	LAND - OWNED	54,332	1,188	-	55,520	-	-	-	-	55,520	54,332
	- LEASEHOLD	2,982	-	-	2,982	316	31	-	347	2,635	2,666
2	BUILDINGS	360,610	5,812	2,856	363,566	66,098	11,863	2,856	75,105	288,461	294,512
	- LIFT	2,012	-	-	2,012	381	96	-	477	1,535	1,631
3	PLANT & MACHINERIES	1,389,074	36,896	2,791	1,423,179	660,687	95,566	1,443	754,810	668,369	728,387
4	FURNITURE & FIXTURES	32,401	-	-	32,401	13,922	1,967	-	15,889	16,512	18,479
5	VEHICLES	19,688	1,316	444	20,560	9,977	1,842	207	11,612	8,948	9,711
6	OFFICE EQUIPMENTS	10,819	171	-	10,990	3,964	472	-	4,436	6,554	6,855
7	COMPUTERS	21,846	392	-	22,238	18,400	1,187	-	19,587	2,651	3,446
8	ELECTRICAL INSTALLATIONS	65,872	3,737	-	69,609	15,430	3,123	-	18,553	51,056	50,442
9	BOREWELL	470	780	-	1,250	81	19	-	100	1,150	389
	<b>INTANGIBLE ASSETS</b>										
10	COMPUTERS SOFTWARE	5,280	-	-	5,280	806	528	-	1,334	3,946	4,474
	<b>TOTAL</b>	<b>1,965,386</b>	<b>50,292</b>	<b>6,091</b>	<b>2,009,587</b>	<b>790,062</b>	<b>116,694</b>	<b>4,506</b>	<b>902,250</b>	<b>1,107,337</b>	<b>1,175,324</b>
	<b>PREVIOUS PERIOD</b>	<b>2,018,852</b>	<b>17,848</b>	<b>71,314</b>	<b>1,965,386</b>	<b>734,473</b>	<b>59,952</b>	<b>4,363</b>	<b>790,062</b>	<b>1,175,324</b>	
	<b>CAPITAL WORK-IN-PROGRESS</b>									<b>322,623</b>	<b>259,439</b>
										<b>1,429,960</b>	<b>1,434,763</b>



	As at 31.03.2011	As at 31.03.2010
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## SCHEDULE - 6 INVESTMENTS

### Long Term Investments

#### Shares in Subsidiaries

##### Unquoted

Hakoba Lifestyle Limited	114,700	114,700
11,470,000 (11,470,000) Equity shares of Rs.10/- each fully paid up		

Mas Embroideries Private Limited	3,787	3,787
2,225,200 (2,225,200) Equity Shares of Rs.10/- each fully paid up		

Pioneer Realty Limited	500	500
50,000 (50,000) Equity Shares of Rs.10/- each fully paid up		

S R Investments Limited	93,772	93,772
51,000 (51,000) Equity Shares of USD 1 each fully paid up		

#### Other than Trade

##### Unquoted

The Greater Bombay Co-op. Bank Limited	1	1
40 (40) Equity shares of Rs.25/- each fully paid up		

National Savings Certificates (held in the name of Chairman of the Company) (As deposited with Sales Tax Authorities)	19	19
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#### Other Investments

##### Quoted

RLF Limited	6	6
1,000 (1,000) Equity Shares of Rs 10/- each fully paid up (Market value as on 31.03.2011 Rs.4,690/- (Rs.5,730/-))		

Padmini Technologies Limited	-	-
68,939 (68,939) Equity shares of Rs.10/- each fully paid up (Cost Rs.1,756,253/- less provision made Rs.1,756,252/-)		

SBI Infrastructure Bond	1,000	1,000
100,000 (100,000) units of Rs.10/- each (Market value as on 31.03.2011 Rs.937,000/- (Rs.1,034,000/-))		

SBI One India Fund	2,000	2,000
200,000 (200,000) units of Rs.10/- each (Market value as on 31.03.2011 Rs.2,166,000/- (Rs.2,134,000/-))		

215,785	215,785
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Total Cost of Quoted Investments	3,006	3,006
Total Market Value of Quoted Investments	3,108	3,174
Total Cost of Unquoted Investments	212,779	212,779

## SCHEDULE - 7

### INVENTORIES

(At lower of cost and net realisable value as inventory taken, valued and certified by the management)

Raw Materials	106,672	66,595
---------------	---------	--------

Work-in-Progress	35,903	21,749
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Finished Goods	235,037	245,210
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Store & Spares	5,415	4,317
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383,027	337,871
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(Rs. in thousand)

As at  
31.03.2011

As at  
31.03.2010

**SCHEDULE - 8**

**SUNDRY DEBTORS**

(Unsecured)

Debts Outstanding for a period exceeding six months

Considered Good	255,177,439
Considered Doubtful	48,109,895
Total	303,287,334
Less: Provision for Doubtful Debts	48,109,895

Others

255,177  
229,910

238,491  
189,241

**485,087**

**427,732**

**SCHEDULE - 9**

**CASH & BANK BALANCES**

Cash in hand

7,751

6,714

Cash at Bank with Scheduled Banks - in Current Accounts (includes foreign currency balance of USD 1,894 (USD 62,612))  
- in Fixed Deposits

7,308

24,930

6,360

110,377

**21,419**

**142,021**

**SCHEDULE - 10**

**LOANS & ADVANCES**

(Unsecured, considered good, unless otherwise stated )

Recoverable in cash or in kind or for value to be received:

Advance Income Tax Paid (net of provision for taxation)

4,137

2,612

Advance against Orders/Expenses (includes doubtful advances Rs.575 lacs, duly provided for in earlier period)

310,072

366,055

Advance and Loan to Subsidiary Companies & JV (Refer note no 6 & 7 of Schedule 18)

604,738

582,989

Amount Receivable against Sale of Property

-

25,000

Sundry Deposits

25,882

28,657

Staff Loan & Advances (includes doubtful advances Rs.25 lacs, duly provided for in earlier period)

9,858

10,164

Pre-paid Expenses

1,656

599

**956,343**

**1,016,076**

**SCHEDULE - 11**

**CURRENT LIABILITIES & PROVISIONS**

Sundry Creditors

for Goods

124,758

78,061

for Expenses/Job Charges

87,512

80,082

for Capital Expenditure

12,454

2,495

for Others

7,939

6,406

Book Overdraft with Scheduled Bank (Temporary)

999

3,229

Advance received against Bangalore Property

91,500

-

Advance received against Orders

14,847

28,673

Unpaid Dividend Accounts

1,314

1,559

**341,323**

**200,505**



PIONEER GROUP

(Rs. in thousand)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 12</b>		
<b>DEFERRED TAX ASSET / (LIABILITY)</b>		
Opening Balance	177,100	161,110
For the year	4,180	15,990
	<b>181,280</b>	<b>177,100</b>
<b>SCHEDULE - 13</b>		
<b>SALES</b>		
- Domestic	1,730,964	753,768
- Exports	49,007	22,997
- Export Incentives	1,245	1,960
	<b>1,781,216</b>	<b>778,725</b>
<b>SCHEDULE - 14</b>		
<b>OTHER INCOME</b>		
Miscellaneous Income	2,370	1,573
Excess Interest provided w/back	80,683	22,182
Profit on Sale of Assets (Net)	311	137,027
	<b>83,364</b>	<b>160,782</b>
<b>SCHEDULE - 15</b>		
<b>INCREASE IN STOCK</b>		
Opening Stock		
Work in Progress	21,749	22,700
Finished Goods	245,210	256,300
[ Total - A ]	<b>266,959</b>	<b>279,000</b>
Less : Closing Stock		
Work in Progress	35,903	21,749
Finished Goods	235,037	245,210
[ Total - B ]	<b>270,940</b>	<b>266,959</b>
Increase/(Decrease) in Stock [ B-A ]	<b>3,981</b>	<b>(12,041)</b>



(Rs. in thousand)

**SCHEDULE - 16  
OPERATING EXPENSES**

	As at 31.03.2011	As at 31.03.2010
Raw Material Consumed	1,057,286	426,959
Purchase - Finished Goods	12,052	15,194
Manufacturing Expenses	99,286	45,146
Job Charges	22,840	3,140
Payment to Employees	177,517	91,185
Store & Spares	17,245	6,700
Repair & Maintenance	1,565	1,029
Power and Fuel	108,729	41,675
Communication Expenses	4,737	2,962
Traveling & Conveyance	7,563	3,416
Printing & Stationery	1,511	1,207
Rent, Rates & Taxes	12,475	7,252
Bank Charges	5,344	4,955
Director's Remuneration	8,048	4,037
Vehicle Expenses	2,858	1,302
Other Administrative Expenses	1,601	463
Legal & Professional Charges	15,807	5,432
Auditor's Remuneration	882	441
General Expenses	5,533	1,945
Insurance	1,611	782
Selling Expenses	73,181	39,373
Deficit in Foreign Exchange Rate Difference (Net)	7,469	25,752
	<b>1,645,140</b>	<b>730,347</b>

**SCHEDULE - 17  
INTEREST**

On Term Loans	87,713	59,695
On Working Capital Loans	11,581	16,308
(Net of interest received on Bank Fixed Deposits & Others advances of Rs.289.28 lacs (Rs.169.88 lacs))(Tax Deducted at Source Rs.96,631/- (Rs.328,954/-))		
On Others	2,042	839
	<b>101,336</b>	<b>76,842</b>

## SCHEDULE 1 TO 18 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

### SCHEDULE - 18

#### NOTES FORMING PART OF THE ACCOUNTS

##### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of preparation of financial statements

The Financial statements are prepared under the historical cost convention, on accrual basis, in compliance with all material aspects of the notified Accounting standards by Companies (Accounting Standards) Amendment Rules, 2008 and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### 2. Revenue recognition

- (a) Sales Revenue is recognized on transfer of significant risk and rewards of the ownership of the goods to the buyer. Turnover is excluding Inter Division Sales and Sales Tax but inclusive of Excise Duty and Export Incentive.
- (b) All revenues, costs, assets and liabilities are accounted for on accrual basis, except where there is no reasonable certainty.
- (c) Insurance claim is accounted on reasonable certainty of the admission of the claim and shortfall / excess, if any, is accounted in the year of final settlement.

##### 3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimated are recognized in the period in which the results are known / materialized.

##### 4. Fixed assets and capital work-in-progress

- (a) Fixed Assets are stated at cost of acquisition or construction after reducing accumulated depreciation. Cost is inclusive of freight, duties, levies, interest, installation charges and other incidental expenses incurred for bringing the assets to their working conditions for intended use or till the commencement of commercial production as the case may be. Incidental expenses include establishment expenses, administration expenses, labour charges and salaries.
- (b) In the case of new projects and in case of substantial modernization / expansion at existing units of the Company, all pre-operating expenditures specifically for the project, incurred upto the date of production, is capitalized and added pro-rata to the cost of fixed assets.
- (c) Capital work-in-progress includes incidental expenses pending allocation / apportionment in respect of the uninstalled / incomplete fixed assets and advances to suppliers of Plant & Machinery, Equipment and Advance against Capital Expenditure.

CENVAT credit availed, if any, on capital goods are deducted from the cost of the fixed assets.

##### 5. Impairment of assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been an improvement in recoverable amount.

##### 6. Depreciation and Amortization

- (a) Depreciation is provided on fixed assets as per Straight Line Method at rates and manner provided in Schedule XIV of the Companies Act, 1956 on pro-rata basis from the date assets have been put to use.
- (b) The leasehold land is amortized over a period of lease agreement as per Accounting Standard - 6.

##### 7. Investments

The Investments are carried at cost and necessary provision for erosion is made if called for. The provision for diminution in the value of long term investment is made only if such a decline is other than temporary in nature. The investments in subsidiaries are treated as long term with no diminution in values.

## 8. Inventories

The inventories are valued at cost or net realizable value, whichever is lower and the cost is arrived as follows:

Raw materials and bought out items cost is at landing cost inclusive of all attributable expenses and is computed on First In First Out basis. CENVAT credit availed, if any, is reduced from the cost of raw material and the unutilized CENVAT credit is carried forward though Excise is currently not applicable to Embroidery and Yarn.

Work-in-progress cost includes material cost, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Finished goods cost include material cost, cost of conversion and other costs incurred in bringing the inventories to their present location and condition and excise duty, wherever applicable.

Excise duty though applicable on the manufacturing of yarn manufactured at Kala amb, Himachal Pradesh, but is exempted till the year 2017 as per the notification no. 49/50/2003-CE dated 10.06.2003.

## 9. Employees Benefits

- a) The Company has created a Trust and has taken a Group Gratuity Life Assurance Policy with Life Insurance Corporation of India for future payments of gratuity to employees and yearly contribution based on group Gratuity Policy is charged to Profit & Loss Account. During the year, the Company has not contributed to the Policy and has provided on the adhoc basis. This is not in accordance with the Accounting Standard -15, issued by the Institute of Chartered Accountants of India, which requires provisions based on actuarial valuation.
- b) The Company accounts for Provident Fund Contributions as per the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- c) Leave Salary provision is not done as per actuarial valuation, which is not in accordance with Accounting Standard - 15.

## 10. Borrowing Cost

Interest and other cost in connection with the borrowing of the funds to the extent related/attributed to the acquisition/construction of qualifying fixed assets are capitalized up to the date when such assets are ready for its intended use and other borrowing cost are charged to Profit & Loss Account.

## 11. Foreign Currency Transactions

Transactions of export sales as also transactions of imports are accounted at rates of exchange prevalent on the date of transaction.

Gains and losses arising out of subsequent fluctuation are accounted on the basis of actual realizations and payments. Exchange difference arising there from is transferred to Profit & Loss Account, except in relation to Fixed Assets where the difference is adjusted in the carrying cost of the assets, which is not in accordance with the Accounting Standard 11. Those Fixed Assets, which are purchased from the Funds of Foreign Currency Convertible Bonds (FCCBs), foreign currency fluctuations on them are not effected in the carrying cost of the assets since FCCBs is considered as non-monetary item.

Current Assets and Liabilities balances denominated in foreign currency at the year-end are translated at the year-end exchange rates, except in cases where borrowings are covered by forward exchange contracts, and the resulting exchange difference is recognized in the Profit & Loss Account, except in cases where it relates to the acquisition of fixed assets in which case it is adjusted to the carrying cost of such assets.

## 12. Taxation

Income-tax expense comprises Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the basis of the assessable income at tax rate applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax asset arising mainly on account of unabsorbed depreciation under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is reasonable certainty of its realization. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realization.

## 13. Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimates can be made. Provisions are not discounted to its present value and are determined based on best 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 best estimates.

All known liabilities are provided for and liabilities which are material, and whose future outcome cannot be ascertained with reasonable certainty are treated as Contingent and disclosed by way Notes on Accounts.



#### 14. Joint Venture

The interest in Joint Venture / jointly controlled operations are disclosed as per Accounting Standard-27, with no effect of the profits or losses and assets and liabilities thereof in the financial statements.

#### 15. Earning Per Share

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year, for the purpose of calculating diluted earning per shares, the net profit or loss for the year attributable to equity per shareholders and the average weighted number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

#### 16. Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard-3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company. Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

#### B. OTHER NOTES ON ACCOUNTS

	As at 31-03-2011	(Rs. in lacs) As at 31-03-2010
1. Contingent Liabilities not provided for in respect of :		
a) Bank Guarantees Outstanding	96.27	98.91
b) Corporate Guarantees on behalf of Subsidiary	3050.00	3050.00
c) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances).	99.78	27.02
d) Assessment Order of Customs Duty for Import of second hand computerised embroidery machines for which appeal has been filed with Honorable Supreme Court	46.90	46.90
e) Demand raised by Excise Department in respect of which appeal has been filed	46.14	94.73
f) Demand raised by Income-tax Department in Block Assessment order U/s 158A for the period from FY 1998-99 to FY 2003-04 in respect of which appeal has been filed with CIT (Appeal).	53.07	47.87
g) Other Income Tax matters pending in appeal	13.33	13.33
h) Premium/Interest on Foreign Currency Convertible Bond	1730.77	1256.81
i) Unpaid Dividend on 9% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS)	619.96	371.97
j) Custom Duty on Capital Goods and Raw Materials imported under Advance Licence / EPCG Scheme, against which export obligation is to be fulfilled.	1312.71	1517.96
k) Service Tax Liability on rented property pending high court decision.	4.89	3.40
l) There are some Labour Cases in Labour Court and Industrial Court regarding overtime, backwages and reinstatement to which the Company is contesting. Quantum is not ascertainable.	NA	NA

In the opinion of the management, there is no contingent liability other than stated above and adequate provision have been made for all known liabilities, except interests and penalties as may arise.

2. a) The Company has entered into an MOU dated 20th September, 2007 with Arcot Mills Limited (BIFR Company) for purchase of movable and immovable assets situated at Kallakurichi, Tamilnadu for a total consideration of Rs.1105.00 lacs (Rs.1105.00 lacs) on lump sum sale basis out of FCCBs funds. The transfer of assets in favour of the Company is pending for deregistration from BIFR.

Further, till the assets are transferred in favor of the Company, the Company has entered into a lease agreement dated 18.02.2009 for usage of assets for a specific consideration and has also incurred a sum of Rs.22.15 lacs (Rs.69.16 lacs) for renovation of machines pending capitalization.

- b) The Company is though Ipso Facto owner of movable and immovable assets of aforesaid factory however, pending deregistration and approval from BIFR, it has not capitalized the assets though full working of the unit is merged in the Company's results.
3. Capital work in progress also includes various advances aggregating to Rs.890.58 lacs (Rs.890.58 lacs) given against various properties for which necessary settlements are being made with parties as the expected land or properties in all cases may not be conveyanced in favour of the Company, however in the opinion of the management said amounts are considered good and fully recoverable.
4. Loans and advances includes an interest free loan of Rs.1268.00 lacs (Rs.1350.00 lacs) given to Pioneer E Com Fashions Limited. According to the management of the Company it is considered good of recovery.



5. a) Loans and advances includes a sum of Rs.1534.00 lacs (Rs.1534.00 lacs) advanced to Crystal Lace (India) Ltd in the period 2007-08 against machinery, the title of which could not be transferred due to technical reasons and in the year 2008-09 the said advance and obligation to buy machine was converted into loan bearing interest @ 15% p.a. and has been further secured by charge on the factory Plot No. 27, at TTC Indl Area, MIDC, Mahape, Navi Mumbai, Dist Thane (Area 10687.32 sq mtrs) in favor of the Company inclusive of 25% of constructed area which the said Crystal Lace (India) Limited will be entitled for the development of front portion with a third party out of this total area. The Company has registered the charge with ROC.
- b) The aforesaid conversion of advance into loan though strictly not in compliance with FCCBs utilization rules of RBI, however the Company shall redeposit the same on repayment by the said Crystal Lace (India) Limited into FCCB account to comply the same.
- c) The Company has not provided the accumulated interest of Rs.467.13 lacs (Rs.237.03 lacs) on the aforesaid loan and income is understated to this extent of current year.
- d) Rs.117.00 lacs amount is recoverable from Crystal Lace (India) Limited as debtors since long time, but as per the management the amount is considered as good and recoverable.
6. a) The Company has an investment of Rs.1147.00 lacs (Rs.1147.00 lacs), a outstanding receivable of Rs.1549.85 lacs (Rs.1412.65 lacs) and has given loans and advances of Rs.1371.93 lacs (Rs.1397.35 lacs) to Hakoba Lifestyle Limited, a subsidiary of the Company. The accumulated losses as at 31st March, 2011 amounting to Rs.5367.12 lacs (Rs.5296.53 lacs) has exceeded the net worth of the said Company. However, having regard to the long term strategic investment, the diminution in the value of investments is considered to be temporary and accordingly no provision has been made.
- b) The Company has an investment of Rs.37.88 lacs (Rs.37.88 lacs) and has given loans and advances of Rs.425.96 lacs (Rs.427.86 lacs) to Mas Embroideries Private Limited, a wholly owned subsidiary of the Company. The accumulated losses as at 31st March, 2011 amounting to Rs.489.78 lacs (Rs.381.45 lacs) has exceeded the net worth of the said company. However, having regard to the long term strategic investment, the diminution in the value of investments is considered to be temporary and accordingly no provision has been made.
- c) The Company has an investment of Rs.937.72 lacs (Rs.937.72 lacs) and has given loan of Rs.982.30 lacs (Rs.993.08 lacs) to S.R Investments Limited, Mauritius, a subsidiary of the Company. The accumulated losses as at 30th June, 2010 amounting to Rs.686.17 lacs (Rs.592.50 lacs) has exceeded the net worth of the said Company. However, having regard to the long term strategic investment, the diminution in the value of investments is considered to be temporary and accordingly no provision has been made.

7. Loans & Advances includes amount due from Subsidiaries/JV:

(Rs. in lacs)

	Particulars	Current Year 31-03-2011		Previous Period 31-03-2010	
		Closing Balance	Maximum due	Closing Balance	Maximum due
a)	Hakoba Lifestyle Limited	1371.93	1399.23	1397.35	1401.73
b)	Mas Embroideries Private Limited	425.96	427.86	427.86	427.86
c)	S.R Investments Limited	982.30 (Loan) 309.20 (Service charges)	1291.50	993.08 (Loan) 223.21 (Service charges)	1247.01
d)	Pioneer Realty Limited	50.71	50.71	50.70	50.70
e)	Super Industries DMCC, (JV)	2214.64 (Loan) 692.64 (Service Charges)	2907.28	2338.94 (Loan) Rs.498.74 (Service charges)	2806.63

8. The Company has received the share application money of Rs.968.00 lacs (Rs.299.43 lacs) the details of which is as follows:

(Rs. in lacs)

Name	Current Year 31-03-2011	Previous Period 31-03-2010
Mr. Raj Kumar Sekhani	51.52	96.93
Pioneer E Com Fashion Ltd	916.48	202.50

The above share application money is received since one of the condition of Corporate Debt Restructuring Scheme (CDR) vide their letter no CDR/(ABP)/No1072/2008-09 dated 17th February, 2009 is that the Promoters of the Company has to bring a sum of Rs.968.00 lacs as contribution towards additional capital against which 45,87,678 shares will be issued to promoters in accordance with Chapter VII of the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulation, 2009 (ICDR Regulation) on preferential allotment basis at a price of Rs.21.10 per share. (Including a premium of Rs 11.10 per share) as per the guide-lines, and allotment thereof is pending for want of in principle approval from stock Exchanges.

9. a) The Company had invested Rs.937.72 lacs (USD 2.38 mn.) (Rs.937.72 lacs (USD 2.38 mn.)) in the period 2007-08 in the overseas subsidiary S.R Investments Limited to acquire 51% equity thereof which has become 100% subsidiary during June,2011 and had advanced a loan of Rs.982.30 lacs (USD 2.20 mn.)(Rs. 993.08 lacs (USD 2.20 mn.)) (Optionally convertible) out of FCCBs funds, with a service charge @ 9% p.a. until conversion or repayment and thus the outstanding loan including interest as on the year end is Rs.1291.50 lacs (Rs.1216.29 lacs). The accounting year of the said subsidiary is closed on 30th June every year and pending finalization of audit of the said Subsidiary including opening balances and until as on 31st March, 2011, the accounts have been consolidated based on unaudited accounts of the said Subsidiary, which is not in compliance with Accounting Standard 21 'Consolidated Financial Statement' issued by the Institute of Chartered Accountants of India.



- b) The option for conversion into Equity as aforesaid in S R Investment Ltd, Mauritius has originally expired on April, 2009 i.e. within 18 months of Investments as per agreement and the Company has chosen to renegotiate for conversion of the same into Equity. Pending the same, the Company though accounted for the annual service charges @ 9% p.a. on the loan advanced, however, the said amount along with principal though not repaid timely considered good and no devaluation is accounted even though underlying assets held through Equity investment by the said overseas Company in the Indian Company Crystal Lace (India) Limited has been devalued.
10. a) The Company had invested Rs.509.92 lacs (USD 1.26 mn.) (Rs.509.92 lacs USD 1.26 mn.) in the period 2007-08 in overseas Joint Venture M/s Super Industries DMCC to acquire 10% stake thereof and further advanced a loan of Rs.1652.05 lacs (USD 3.70 mn.) (Rs. 1670.18 lacs (USD 3.70 mn.)) (Optionally convertible) out of FCCBs funds, with a service charge @ 9% p.a. until conversion or repayment. Since in the earlier period, the said 10% stake was treated as loan and the outstanding loan including interest as on year end is Rs.2907.28 lacs (Rs.2737.68 lacs). Since, the Company doesn't hold any shareholding in the said Joint Venture and therefore, no consolidation is made except disclosure of loan and service charges in the Joint Venture in compliance with Accounting Standard 27 'Financial Reporting of Interest in Joint Venture' issued by the Institute of Chartered Accountants of India.
- b) The loan as aforesaid of Rs.2907.28 lacs (USD 4.96 mn. plus service charges) advanced to M/s Super Industries, DMCC is considered good and in the opinion of the management the said loan is fully recoverable and good in recovery though neither principal nor service charges are paid timely.

#### 11. Foreign Currency Convertible Bonds (FCCBs) :

- a) The Company had entered into agreements of settlement of outstanding FCCBs USD 23.25 million with FCCB holders as follows.
- During the year, the Company has extinguished the FCCB's of USD 11.5 million by making further payment of USD 3.5 million and USD 8 million has been waived off and is treated as non-monetary transactions and has been credited to Capital Reserve as per the expert opinion taken by the management. Had it been treated as monetary transaction then the profit would have been increased by Rs.3148.65 lacs (USD 8 million) on account of reversal of principal amount.
  - The Company has also converted USD 0.75 million FCCBs at the conversion price of Rs.101.50 per equity share with face value of Rs.10 and a premium of Rs.91.50 by issuing 326,305 equity shares.
  - The balance FCCBs of value of USD 11 million is settled at USD 2.40 million as per the terms and conditions being agreed upon and the treatment thereof will be done as and when these are extinguished and paid.
- b) In view of the above settlement, the Company is no longer liable for interest payable on FCCBs worth USD 11 million.
- c) For the balance FCCBs value of USD 11 million, though the Company has entered in to settlement terms but it has exceeded the reasonable time period. The Company is further in terms of settlement and expects that these bonds would be converted into equity shares (without transfer of controlling interest) instead of redeeming them for cash at the end of the period of the bond. Thus it has continued to treat as Non Monetary Liability. In view of this no provision has been made for premium/interest aggregating to Rs.1730.77 lacs (Rs.1256.81 lacs) on the outstanding FCCBs up to 31st March, 2011 calculated in terms of offer circular dated 27-04-2007 and the same has been considered as contingent liability. Had it not been treated so, current year profit would have been lower by Rs.473.96 lacs (Rs.185.42 lacs.)
- d) There is a foreign exchange loss of Rs.145.75 lacs (Rs.37.60 lacs) and Rs.269.30 lacs (Rs.141.00 lacs) on account of repayment of FCCBs loan during the year and on account of write back to Capital Reserve respectively, which has not been accounted since FCCBs has been considered as Non- Monetary liability by the management.
- e) There is a foreign exchange loss of Rs.412.20 lacs (Rs.951.20 lacs) on outstanding FCCBs as on 31st March, 2011 arising out of revaluation, which has not been accounted for since FCCBs has been considered as Non-Monetary liability by the management.
- f) In accordance with Accounting Standard - 11 'The Effect of Changes in Foreign Exchange Rates' prescribed in the Company (Accounting Standard) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standard, the Company should have provided foreign exchange loss on FCCBs and had the said liability been considered as a monetary liability, the accumulated losses would be higher by Rs.412.20 lacs (Rs.951.20 lacs) on account of exchange difference.

#### 12. The Company had negotiated with unsecured lenders as below:

- a) **DBS Bank:** The total outstanding opening balance of DBS Bank as on 1st April, 2010 was Rs.432.93 lacs. As per the settlement terms & condition dated 14th May 2010 with the bank, the bank has agreed for the final settlement amount of Rs.175.00 lacs and has paid the same during the year. The Company has treated the same as Non monetary transaction & has credited the balance amount of Rs.257.93 lacs which is waived off to the Capital Reserve as per the expert opinion taken by the management during past. Had it been treated as monetary transaction than the profit would have been increased by Rs.257.93 lacs on account of reversal of principal amount.
- b) **DCB Bank:** The total outstanding opening balance of DCB Bank as on 1st April, 2010 was Rs.465.98 lacs (Rs.536.72 lacs). The bank has agreed to waive the interest on amount of Rs.268.36 lacs for the period from 1st October, 2008 to 30th June, 2012 subject to the compliance of the terms and conditions as per the agreement and therefore the interest has not been provided in the books. For the balance amount of Rs.268.36 lacs the bank has agreed for promoter directly paying the installments as per the agreed terms and conditions, if the repayment is done by the Company on timely manner and therefore the interest is not provided on the balance amount.



Out of above outstanding, the Company has repaid Rs.43.90 lacs (Rs.70.74 lacs) during the year as per agreed installments. The bank is holding 705,582 equity shares of the Company pledged by the promoter as security and other terms and conditions as per the agreement. The confirmation as on period-end from the bank is awaited.

13. **ING Vysya Bank:** The total outstanding to ING Vysya Bank Limited as per suit filed before DRT was Rs.1827.62 lacs. The Company has as per the consent terms dated 11.03.2010 filed before DRT has agreed to pay Rs.1200.00 lacs as full and final payment. The Company has during the year sold the property at Bangalore in consensus with ING Vysya Bank Limited. The agreement is for a consideration of Rs.1600.00 lacs out of which the buyer has directly paid ING Vysya Bank Limited an amount of Rs.675.00 lacs & the balance amount of Rs.525.00 lacs has been paid by the Company. The Company has treated the same as Non Monetary transaction & has credited the balance amount of Rs.574.87 lacs which is waived off to the Capital reserve as per the expert opinion taken by the management. Had it been treated as monetary transaction than the profit would have been increased by Rs 574.87 lacs on account of reversal of principal amount.
14. Few of the fixed deposits, overdraft balances and bank accounts are subject to confirmations though reconciled with available bank statements. Few of the secured loans are subject to confirmations though reconciled with bank statements other than one secured loan as per the details in the note no 23(a).
15. The Company has charged exchange difference arising in relation to Fixed Assets, which are purchased out of the Foreign Currency Term Loans, in the carrying cost of the assets which is not in accordance with the Accounting Standard 11. Had the Company followed Accounting Standard 11, profit would have been lower by Rs.70.09 lacs (profit of Rs.253.18 lacs).
16. In accordance with the FEMA guidelines and applicable rules and regulations and as supported by the Lawyer's Certificate in the earlier years for end use of FCCBs proceeds, these have been used towards expansion of business, overseas acquisition and towards other permitted use as per the ECB guidelines except Rs.563.36 lacs (Rs.563.36 lacs), which has been appropriated by Union Bank of India towards irregularity in cash credit account, which is not a permissible end use as per the ECB guidelines, to which the Company has made an objection and represented for reversal of transactions in the period 2007-08 and the matter is still pending. The balance unutilized amount has been retained overseas with Axis Bank, Hong Kong.
17. The previous year figures are for six months ended 31st March, 2010, while those of current year are for twelve months ended 31st March 2011, hence same are not comparable. The previous year figures have been regrouped, wherever necessary, to confirm to the current year's presentation.
18. The figures in the bracket ( ) are relating to the previous period ended 31st March, 2010.

19. Managing Director / Whole time Director Remuneration:

		(Rs. in lacs)
Particulars	31-03-2011	31.03.2010
Salary	77.04	38.52
Perquisites	7.45	1.73
Total	84.49	40.25

20. Auditors Remunerations:

		(Rs. in lacs)
Particulars	31-03-2011	31-03-2010
Audit Fees	8.82	4.41
For Certification Work	0.22	--
For Taxation Matters	1.44	0.31
For Expenses	0.15	0.35

21. In the opinion of the management, there is no impairment of assets as on Balance Sheet date.
22. Sundry Debtors includes export bills outstanding for more than 180 days for Rs.715.28 lacs (Rs.706.65 lacs), out of which Rs.638.92 lacs (Rs.638.92 lacs) are recoverable from Calyx International Ltd, Thailand. The recoveries are very slow due to adverse economic conditions prevailing in overseas market and no provision has been made.
23. a) As per the Corporate Debt Restructuring scheme (CDR scheme) entered during the earlier years, the Company has after the necessary approvals in extra ordinary general meeting held on 26th June, 2010 and from other authorities and in the board meeting held on 27th August, 2010, the Company has allotted 27,553,610, 9% Optionally Convertible Cumulative Redeemable Preference Shares (OCCPRS) of Rs.10/- each aggregating to Rs.2755.36 lacs to all the secured lenders, except to ICICI Bank Ltd for want of RBI approval to its restructured ECB, redeemable from 30th Sept, 2015 in four annual equal installments.

The dividend will accrue at the end of each year with effect from 1st October, 2008 as per the Appointed Date under the CDR scheme. One of the banks has not accounted the Optionally Convertible Redeemable Preference Shares (OCCPRS) and also to reverse the interest on the amount of secured loan converted into OCCPRS and subject to this reconciliation, balances are reconciled.

- b) The Company has created Funded Interest Term Loan (FITL) of Rs.1430.98 lacs (Rs.1409.97 lacs) towards interest accruing on Term Loans and WCTL from 1st October, 2008 till 30th Sept, 2010 as per the CDR scheme (excluding ING Vysya Bank Ltd). This loan is to be repaid, with 8% simple interest payable along with installments, over 16 quarters starting from the expiry of the two years from Cut-off-date (COD) 01/10/2008.

- c) In the event of any default/ breach/ violation of any of the terms & conditions of the Financial Restructuring Package, the lenders with approval of CDR-EG shall have a right to revoke the CDR package and to reverse the waivers/ sacrifices.
- d) In the event of default in compliance with the restructured package, the lenders shall have the right to convert entire/ part of defaulted interest and entire/ part of defaulted principal into equity as per SEBI pricing formula.
- e) In case of debt outstanding beyond Seven years from the date of CDR LOA, the CDR lenders shall have a right to convert into equity up to 20% of such outstanding (as on the date of conversion) as per SEBI guidelines / loan covenants, whichever is applicable.
- f) CDR Lenders shall have the right to recompense the relief/ sacrifices/ waivers extended by respective CDR lenders (as per CDR guidelines).
24. During the year, the Company has provided a sum of Rs.10.00 lacs (Rs.5.00 lacs) towards gratuity in the Profit & Loss Account on adhoc basis for the Group Gratuity Scheme of Life Insurance Corporation of India, but no provision is done for leave salary in absence of any specific policy of the Company. Both the above provisions are not as per actuarial valuation, which is not in accordance with Accounting Standard - 15.
25. During the year, the Company has paid a sum of Rs.7.20 lacs (Rs.2.88 lacs) as premium towards the Key man Insurance policy taken for Mr. Raj Kumar Sekhani, Chairman & Managing Director of the Company.
26. In the opinion of management, value of realization of current assets, deposits, loans and advances in the ordinary course of business will be at least equal to the amount at which they have been stated in the financial statements.
27. The sundry debit and credit balances including debtors, creditors and advances to suppliers, advances from customers either debit or credit and deposits are subject to confirmation and reconciliations, the effect of which is not known.
28. Dues to Small Scale Industries undertakings and dues to Micro Enterprises and Small Enterprises:  
The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act, 2006. Since, the relevant information is not readily available; no disclosures have been made in the Accounts. However, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act, is not expected to be material.
29. The Company operates in a single segment of Textiles and Garment Accessories.

Secondary Segment Information		(Rs. in lacs)
<b>Revenue</b>	<b>31-03-2011</b>	<b>31-03-2010</b>
Domestic	17309.63	7537.68
Export	490.07	229.97
Total	17799.70	7767.65

30. Earnings per share:

	31-03-2011	31-03-2010
Net Profit/ (Loss) for the year attributable to Equity Shareholders (Rs. in lacs)	95.01	585.66
Weighted average number of Basic Equity Shares outstanding	12700185	12208215
Weighted average number of Basic & Diluted Equity Shares outstanding	25715128	23404318
Basic Earnings per share	0.75	4.80
Diluted Earnings per share (Face value of Rs.10/- each)	0.37	2.50

31. Related party transactions:

A] Name of related party and nature of relationship.

Subsidiaries	Hakoba Lifestyle Ltd. Mas Embroideries Pvt. Ltd. Pioneer Realty Ltd. S.R Investments Ltd
Associate Concerns	Pioneer E-Com Fashions Ltd. Reach Industries Pvt. Ltd.
Joint Venture	M/s Super Industries, DMCC, Dubai
Key Management Personnel	Shri Raj Kumar Sekhani Shri Harsh Vardhan Bassi
Relative of Key Management Personnel & their Enterprises	M/s J J Sons Thakurdas & Co. Pvt. Ltd. Aarav Sekhani



**B] Nature of Transactions :**

	31-03-2011	31-03-2010
i) Sales and Services		
Subsidiaries	171.17	31.43
Relative of Key Management Personnel & their enterprises	87.54	26.06
ii) Purchase & Job charges of Goods and Services		
Subsidiaries	22.14	54.60
Relative of Key Management Personnel & their enterprises	2.95	3.92
iii) Income from Service Charges on Loans		
Subsidiaries	89.58	45.33
Joint Venture	201.97	102.20
iv) Payment for Other Services		
Associate Concerns	3.00	1.50
Key Management Personnel (Remuneration to Whole Time Directors)	77.04	38.52
vi) Share Application Money Received		
Associate Concerns	916.48	202.50
Key Management Personnel	51.52	96.93
vii) Balance outstanding as at the year end		
Subsidiaries	4689.94 Dr	4504.68 Dr
Associate Concerns	1283.76 Dr	1335.58 Dr
Joint Venture	2907.28 Dr	2737.68 Dr
Key Management Personnel	142.80 Cr	19.81 Cr
Relative of Key Management Personnel & their enterprises	40.09 Dr	37.80 Dr

32. The Deferred Tax Assets of Rs. 41.80 lacs (Rs. 159.90 lacs) for the year have been recognized in the Profit & Loss Account. Break up of outstanding Deferred Tax Liability / (Assets) is as under :

Particulars	As on 31-03-2011	(Rs. in lacs) As on 31-03-2010
<b>Deferred Tax Liability / (Assets):</b>		
Opening Balance	(1771.00)	(1611.10)
Add: Provision during the year	(41.80)	(159.90)
Closing Balance	(1812.80)	(1771.00)

33. Additional information pursuant to paragraph 3,4C & 4D of part II at the Schedule VI of the Companies Act, 1956 (As certified by the Management):

**a) Licensed and installed capacity and Actual Production:**

		31-03-2011	31-03-2010 (6 months)
Licensed Capacity	Embroidery/Bobbin Lace		
	Process House	6000 Thousand Meters	3000 Thousand Meters
	Dope Dyed Polyester Yarn	7896 MT	3948 MT
Installed Capacity	Embroidery	4354 Million Stitches	2177 Million Stitches
	Bobbin Lace	38903 Thousand Meters	19452 Thousand Meters
	Process House	6000 Thousand Meters	3000 Thousand Meters
	Dope Dyed Polyester Yarn	7200 MT	3300 MT
Actual Production	Embroidery	1314 Million Stitches	716 Million Stitches
	Bobbin Lace	13772 Thousand Meters	6455 Thousand Meters
	Process House	2390 Thousand Meters	1092 Thousand Meters
	Dope Dyed Polyester Yarn	8463 MT	3851 MT

**b) Value of imported and indigenous Raw Materials and Spare Parts consumed:**

		31-03-2011		31-03-2010
	%	Rs. in lacs	%	Rs. in lacs
Raw Material/ Purchases:				
Imported	1.29	138.86	1.01	44.73
Indigenous	98.71	10554.52	98.99	4376.80
Stores & Spares				
Imported	10.58	18.25	2.93	1.96
Indigenous	89.42	154.20	97.07	65.04



	31-03-2011 Rs. in lacs	31-03-2010 Rs. in lacs
<b>c) Value of Imports on CIF Basis:</b>		
Raw Materials	141.50	35.64
Capital Goods	10.28	30.23
Stores & Spares	16.68	1.57
<b>d) Expenditure in Foreign Currency (On Payment basis) :</b>		
Travelling	5.35	8.08
Professional & Technical Services	30.79	4.70
Interest Paid	28.73	32.54
Bank Charges	7.21	0.57
Repair & Maintenance	-	1.15
Selling Expenses	16.59	11.59
<b>e) Earnings in Foreign Currency :</b>		
Export Turnover (Net)	490.07	229.97
Interest/Service Charges	291.56	150.19

34. Additional information pursuant to Part IV to the Companies Act, 1956:

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

**I. REGISTRATION DETAILS**

Registration Number	:	63752
State Code	:	11
Balance Sheet Date	:	31-03-2011

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)**

Public Issue	:	Nil
Right Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	44920

**III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUND (Amount in Rs. Thousands)**

Total Liabilities	:	3367584
Total Assets	:	3367584
<b>Source of Funds :</b>		
Paid up Capital	:	404688
Share Application Money	:	96800
Reserves & Surplus	:	834978
Secured Loans	:	1520645
Unsecured Loans	:	510474
<b>Application of Funds :</b>		
Net Fixed Assets	:	1429960
Investments	:	215785
Net Current Assets	:	1504553
Misc. Expenditure	:	--
Deferred Tax Assets	:	181280
Accumulated Losses	:	36006

**IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)**

Turnover	:	1868491
Total Expenditure	:	1863170
Profit / (Loss) before Tax	:	5321
Profit / (Loss) after Tax	:	9501
Earning per share (Rs.)	:	0.75
Dividend Rate %	:	-

**V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary terms)**

Product Description	:	Item Code No.
Embroideries in piece, in strips or in motifs	:	5810
Bobbin Laces	:	5804
Dope Dyed Polyester Filament Yarn	:	5402

Signatures to schedule 1 to 18

As per our Report of even date attached herewith

For **M B A H & CO**  
Chartered Accountants  
(Firm Regn No.121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No.34499

Place : Mumbai  
Date : 09<sup>th</sup> July, 2011

For **R. KABRA & CO.**  
Chartered Accountants  
(Firm Regn No.104502W)

**R. L. KABRA**  
Partner  
Membership No.16216

For & on behalf of the Board

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

**HARSH VARDHAN BASSI**  
Executive Director



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	YEAR ENDED 31ST MARCH, 2011	PERIOD ENDED 31ST MARCH, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit/(Loss) before tax and extraordinary items	5,321	60,206
Add : Adjustment for :		
Depreciation	116,694	59,952
Interest Charged (net)	101,336	76,842
Excess Interest provided w/back	(80,683)	(22,182)
Profit on Sale of Assets (net)	(311)	(22,415)
Operating Profit / (Loss) before working capital changes	137,036	(137,027)
	142,357	37,791
Add : Adjustment for :		
Trade and Other Receivables	3,384	5,598
Inventories	(45,155)	(8,443)
Trade Payables	39,603	(52,313)
Cash generated from operation	140,189	(17,367)
Income tax paid	(1,525)	(489)
<b>Net Cash from Operating Activities</b>	<b>138,664</b>	<b>(17,856)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets and Capital Advances	(106,467)	(13,791)
Sale of Fixed Assets	1,896	153,659
Amount Received against Sale of Borivali Property	25,000	(20,000)
Advance against Sale of Bangalore Property	91,500	-
Loans & Advances	4,675	24,720
<b>Net cash used in Investing Activities</b>	<b>16,604</b>	<b>144,588</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Proceeds from Issue of Share Capital	7,070	-
Proceeds from Share Application Money	66,857	29,943
Share Premium	38,195	-
Increase in Sundry Creditors of Capital Goods	9,959	(3,528)
Buyback of FCCBs (net of capital reserve)	(189,590)	(44,940)
Proceeds from long term borrowing (Net)(net of capital reserve)	(246,920)	(19,170)
Proceeds from Issue of 9% Optionally Cumulative Convertible Redeemable Preference Share Capital (OCCRPS)	275,536	-
Proceeds from Short Term Borrowing (Net)	(115,781)	24,227
Loan from Directors	9,541	(6,543)
Interest Paid	(130,492)	(92,233)
Unpaid Dividend Account	(245)	(200)
<b>Net cash used in Financing Activities</b>	<b>(275,870)</b>	<b>(112,444)</b>
Net increase / (decrease) in cash and cash equivalents ( A+B+C)	(120,602)	14,288
Cash and cash equivalent (Opening balances) as on 31-03-2010	142,021	142,021
Cash and cash equivalent (Closing balances) as on 31-03-2011	21,419	127,733

As per our Report of even date attached herewith

For **M B A H & CO**  
Chartered Accountants  
(Firm Regn No. 121426W)

For **R. KABRA & CO.**  
Chartered Accountants  
(Firm Regn No. 104502W)

For & on behalf of the Board

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

**R. L. KABRA**  
Partner  
Membership No. 16216

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

**HARSH VARDHAN BASSI**  
Executive Director

## Auditors' Report to the Board of Directors of Pioneer Embroideries Limited on the Consolidated Financial Statements of Pioneer Embroideries Limited and its Subsidiaries.

To,  
The Board of Directors,  
Pioneer Embroideries Limited,  
Mumbai.

1. We have examined the attached Consolidated Balance Sheet of Pioneer Embroideries Limited ("the Company") and its subsidiaries as at 31st March, 2011 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto.
2. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statement are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3.
  - a) We have relied on un-audited financial statements of foreign subsidiary i.e S.R Investments Limited as at 31st March, 2011, including opening balances, whose financial statements reflect the total assets of Rs.(713.32) lacs for their respective year end and the total revenues of Rs.0.01 lacs respectively for the year then ended. These un-audited financial statements have been furnished to us by the management and we are unable to comment on the same since it remains un-audited.
  - b) The financial statements and other financial information of subsidiaries Hakoba Lifestyle Limited, Pioneer Realty Limited and Mas Embroideries Private Limited, whose total assets are Rs.(3635.65) lacs and total revenues are Rs.1703.74 lacs and net cash flows amounting to Rs.(23.45) lacs for the year ended 31st March, 2011 have been audited by M B A H & Co for first two subsidiaries as above and Verma associates for the third subsidiary, whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
  - c) We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard -21 - 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries except for subsidiary namely S.R Investments Limited as referred in above paragraphs, for which the financial statements are compiled by Management and considered un-audited for consolidation, included in the Consolidated Financial Statements and on the basis of assumption as narrated in the notes to consolidation accounts.
4. On the basis of the information & explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and subsidiaries except for subsidiary namely S.R Investments Limited as referred in above paragraphs for which the financial statements are compiled by the management and considered un-audited for consolidation, and subject to the assumptions and on the basis of consolidation as disclosed in notes to accounts and subject to qualifications mentioned as below :

### For Pioneer Embroideries Limited (Holding Company)

<i>Note No. as per Accounting Policy (AP) and Notes to Accounts (NA) of standalone Balance Sheet</i>	<i>Matter</i>
NA 5(a) & 5(b)	<i>Advance payment for acquisition of machineries of Rs.1,534.00 lacs to Crystal Lace (India) Ltd. out of FCCB funds and conversion of same into loan, which is deemed non-compliance under FCCB utilization rules.</i>
NA 5(c)	<i>Nonprovision of interest income of Rs.467.13 lacs of loan given to Crystal Lace (India) Limited and the income is understated to that extent.</i>
NA 6(a),6(b) & 6(c)	<i>Treatment of investments in subsidiaries aggregating to Rs.2122.60 lacs as Long term &amp; non provision of erosion in values, though values have substantially gone down in view of losses in all the subsidiaries and also erosion of net worth of Hakoba Lifestyle Limited fully.</i>
NA 9(a) & 9(b)	<i>Investment in Subsidiary S.R Investments Limited, Mauritius, whereof the accounts are unaudited not in accordance with AS-21 and consideration of loan of Rs.982.30 lacs (USD 2.20 M plus service charges) is considered as good of recovery even though Subsidiary net worth is depleted and no amounts are received either for Service Charges or for Principal.</i>
NA 10(a) & 10(b)	<i>Investment in overseas Joint Venture M/s Super Industries DMCC, Dubai and conversion of stake into loans on jointly controlled JV basis and consideration of entire loan of Rs.2907.28 lacs (USD 4.96M plus service charge) as good of recovery even though no recovery neither confirmation is available.</i>
NA 11(a)(i)	<i>Based on legal opinion, treatment of gain of Rs.3148.65 lacs (USD 8 million) as non-monetary transaction by Credit to Capital reserve on account of waiver of principal amount on settlement of FCCB Liabilities.</i>



NA 11(c), 11(d), & 11(e)	<i>Treatment of FCCB Liabilities as non-monetary liabilities and had it not been so, loss would have been higher by Rs. 1730.77 lacs on account of no provision made for premium / interest on outstanding FCCB of USD 11 million and Rs. 827.25 lacs on account of foreign exchange losses, on account of repayment of FCCB loan, write back to capital reserve and revaluation as on year end outstanding respectively.</i>
NA 12(a) & 13	<i>Based on expert opinion, treatment of gain of Rs. 257.93 lacs and Rs. 574.87 lacs on account of waiver of principal amount on account of settlement of unsecured &amp; secured lenders respectively is treated as non-monetary transaction by Credit to Capital Reserve.</i>
NA 14 & NA 23(a)	<i>Non Confirmation of Bank Balances, Overdraft Balances, unsecured loan balances, secured loan balances.</i>
AP 11/NA 15	<i>Accounting of Exchange difference arising in relation to fixed assets in the carrying cost of assets, which is not in compliance with AS-11.</i>
NA 22	<i>Non provision of export debtors even with very slow recovery.</i>
AP 9/NA 24	<i>Non provision of gratuity and leave salary as per actuarial valuation as per AS-15.</i>
NA 27	<i>Non confirmation of Balances, the effect of which is not known.</i>

## For Hakoba Lifestyle Limited (Subsidiary)

<i>Note No. as per Accounting Policy (AP) and Notes to Accounts (NA) of standalone Balance Sheet</i>	<i>Matter</i>
AP 10/NA 9	<i>Non provision of gratuity as per AS-15.</i>
NA 3	<i>Non confirmation of inter corporate deposit, the purpose and effect of which is not known.</i>
NA 2 & 14	<i>Non confirmation of Balances, the effect of which is not known.</i>
NA 7	<i>Non provision of lapsed advertising expenses of Rs. 506.18 lacs and non compliance of equity treaty with Bennett Coleman &amp; Co. Ltd. <b>which has converted Rs. 1059.00 lacs into debt.</b></i>

## For Mas Embroideries Pvt Ltd (Subsidiary)

<i>Note No. as per Accounting Policy (AP) and Notes to Accounts (NA) of standalone Balance Sheet</i>	<i>Matter</i>
NA j	<i>The management has explained that it is not possible for the Company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters, packets etc. In view of this we were unable to verify compliance of Accounting Standard-2 Valuation of Inventories (Revised) AS-2.</i>
Auditors Report	<i>Accumulated losses Rs. 48,977,579 has wiped out the net worth of the Company Rs. 25,369,687.</i>
AP 6	<i>No provision for staff retirement benefits has been made in the accounts and the expenditure is accounted for pay-as-you-go basis, which is contrary to the Accounting Standard-15 "Accounting for Retirement benefits in the Financial Statements of Employers (AS-15).</i>

The aggregate impact of all above qualifications, except wherever stated is not ascertainable and is subject to the foreign subsidiary viz S.R. Investments Limited which is unaudited, which is not in accordance with the Accounting Standard-21 and subject to above, we are of the opinion that the said consolidated financial statements read together with Notes on Accounts give a true and fair view in conformity with the accounting principals except those mentioned in the individual balance sheets of the holding company and subsidiary and generally accepted in India:

- In case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2011;
- In case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended; and
- In case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year then ended.

FOR M B A H & CO  
Chartered Accountants  
(Firm Regn No. 121426W)

For R. KABRA & CO.  
Chartered Accountants  
(Firm Regn No. 104502W)

MAHESH BHAGERIA  
Partner  
Membership No. 34499

R. L. KABRA  
Partner  
Membership No. 16216

Place: Mumbai  
Date : 9<sup>th</sup> July, 2011

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

				(Rs. in thousand)	
		As at		As at	
SOURCES OF FUNDS	SCH.	31.03.2011		31-03-2010	
<b>Shareholders' Fund</b>					
a) Share Capital	1	404,688		122,082	
b) Share Application Money		96,800		29,943	
c) Reserves & Surplus	2	908,356	1,409,844	472,015	624,040
<b>Loan Funds</b>					
a) Secured Loans	3	1,897,835		2,310,447	
b) Unsecured Loans	4	531,061	2,428,896	1,075,998	3,386,445
			<b>3,838,740</b>		<b>4,010,485</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>	5				
a) Gross Block		2,093,952		2,062,829	
b) Less : Depreciation		940,477		834,714	
c) Net Block ( a-b )		1,153,475		1,228,115	
d) Capital work- in- progress		322,623	1,476,098	259,439	1,487,554
<b>Intangible Assets</b>					
Brand	6	8,533		10,238	
Goodwill		109,600	118,133	109,600	119,838
<b>Investments</b>	7		69,878		69,878
<b>Current Assets, Loans &amp; Advances</b>					
a) Inventories	8	446,742		416,355	
b) Sundry Debtors	9	446,881		435,704	
c) Cash & Bank Balances	10	31,787		155,407	
d) Loans & Advances	11	823,819		827,283	
		1,749,229		1,834,749	
Less : Current Liabilities & Provisions	12	397,107		280,794	
Net Current Assets			1,352,122		1,553,955
<b>Deferred Tax</b>	13		181,280		177,100
Deferred Tax Asset					
<b>Miscellaneous Expenditure</b>	14		463		3,267
(To the extent not written off or adjusted)					
<b>Minority Interest</b>			86,276		76,576
<b>Foreign Currency Translation Reserve</b>			(3,279)		(1,938)
<b>Profit &amp; Loss Account</b>			557,769		524,255
			<b>3,838,740</b>		<b>4,010,485</b>
Notes on Accounts, Additional information and major Accounting Policies - As per Schedule 20 annexed.					

As per our Report of even date attached herewith

For **M B A H & CO**  
Chartered Accountants  
(Firm Regn No.121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

For **R KABRA & CO.**  
Chartered Accountants  
(Firm Regn No.104502W)

**R.L. KABRA**  
Partner  
Membership No. 16216

For & on behalf of the Board

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

**HARSH VARDHAN BASSI**  
Executive Director

## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	SCH.	Year Ended 31-03-2011	(Rs. in thousand) Period Ended 31-03-2010
<b>INCOME</b>			
Gross Sales	15	1,858,657	834,963
Less: Excise Duty		70	119
Net Sales		1,858,587	834,844
Other Income	16	157,699	162,134
Increase/(Decrease) in Stock	17	(8,690)	(30,481)
		<b>2,007,596</b>	<b>966,497</b>
<b>EXPENDITURE</b>			
Operating Expenses	18	1,773,389	827,198
Interest	19	158,340	102,323
Depreciation	5	123,261	63,538
		<b>2,054,990</b>	<b>993,059</b>
<b>Profit/(Loss) Before Tax</b>		<b>(47,394)</b>	<b>(26,562)</b>
Provision for Taxation		-	-
Provision for Fringe Benefit Tax		-	-
Provision for Deferred Tax Liability / (Asset)		(4,180)	(15,990)
Income Tax/ Fringe Benefit Tax for earlier years		-	17,630
<b>Net Profit/(Loss) before Minority Interest</b>		<b>(43,214)</b>	<b>(28,202)</b>
Minority Interest		(9,700)	(13,863)
<b>Net Profit/(Loss)</b>		<b>(33,514)</b>	<b>(14,339)</b>
Add : Balance b/f from last year		(524,255)	(509,916)
<b>Balance carried over to Balance Sheet</b>		<b>(557,769)</b>	<b>(524,255)</b>
<b>Basic &amp; Diluted Earning per Share (₹)</b>		<b>(2.64)</b>	<b>(1.17)</b>

Notes on Accounts, Additional information and major Accounting Policies - As per Schedule 20 annexed.

As per our Report of even date attached herewith

For **M B A H & CO**  
Chartered Accountants  
(Firm Regn No.121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

For **R KABRA & CO.**  
Chartered Accountants  
(Firm Regn No.104502W)

**R.L. KABRA**  
Partner  
Membership No. 16216

For & on behalf of the Board

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

**HARSH VARDHAN BASSI**  
Executive Director

## SCHEDULES 1 TO 20 ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2011	(Rs. in thousand) As at 31-03-2010
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised :</b>		
20,000,000 (25,000,000) Equity Shares of Rs.10/- each	200,000	250,000
30,000,000 (NIL) 9% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.10/- each	300,000	-
	<b>500,000</b>	<b>250,000</b>
<b>Issued, Subscribed &amp; Paid up :</b>		
12,915,165 (12,208,215) Equity Shares of Rs.10/- each fully paid up	129,152	122,082
(Of the above (i) 1,333,333 Equity Shares of Rs.10/- each fully paid up allotted as fully paid-up to the shareholders of erstwhile Royal Embroideries Pvt. Ltd. pursuant to the scheme of amalgamation without payment being received in cash and (ii) 3,436,842 Equity Shares of Rs.10/- each fully paid up allotted as fully paid up bonus shares by capitalization of General Reserve)		
27,553,610 (NIL) 9% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.10/- each fully paid up	275,536	-
	<b>404,688</b>	<b>122,082</b>
<b>SCHEDULE - 2</b>		
<b>RESERVE &amp; SURPLUS</b>		
<b>Capital Reserve</b>		
Opening Balance	423,807	228,142
Add: Consequent to Settlement of Unsecured Loans / FCCBs	398,145	195,665
	<b>821,952</b>	<b>423,807</b>
<b>Share Premium</b>		
Opening Balance	48,208	48,208
Add: Amount transferred during the year on account of FCCB Conversion	38,196	-
	<b>86,404</b>	<b>48,208</b>
	<b>908,356</b>	<b>472,015</b>



(Rs. in thousand)

**SCHEDULE - 3**  
**SECURED LOANS**
**Working Capital Loans**

	As at 31.03.2011	As at 31-03-2010
i) State Bank of India	459,467	428,913
ii) Union Bank of India	97,300	101,342
iii) ING Vysya Bank Limited	-	128,944

(All the above loans are secured by first pari passu charge by hypothecation of stocks, book debts and second charge on all fixed assets, both present and future and further secured by corporate guarantee of Subsidiary Hakoba Lifestyle Limited and personal irrevocable guarantee of Chairman of the Company)

iv) HDFC Bank Limited	110,628	94,210
v) Standard Chartered Bank	113,103	96,703

(Both secured by hypothecation of stocks & book debts both present and future and further secured by personal guarantee of Chairman of the Company)

**Rupee Term Loans**

i) Union Bank of India	82,671	116,799
ii) AXIS Bank Limited	23,570	32,511
iii) ING Vysya Bank Limited	-	47,071
iv) Corporation Bank	53,289	72,692
v) EXIM Bank	144,154	199,948
vi) HDFC Bank Limited (CBoP)	73,869	100,000
vii) State Bank of Patiala	111,777	150,000
viii) Small Industries Development Bank of India	13,576	18,200
ix) WCTL State Bank of India	184,896	253,000
x) WCTL Union Bank of India	67,546	92,000
xi) FITL State Bank of India	35,302	40,062
xii) FITL Union Bank of India	13,120	11,263
xiii) FITL EXIM Bank	30,864	31,661
xiv) FITL Corporation Bank	-	2,886
xv) FITL HDFC Bank Limited	20,415	21,719
xvi) FITL ICICI Bank Limited	8,983	7,736
xvii) FITL State Bank of Patiala	23,339	23,752
xviii) FITL AXIS Bank Limited	4,299	5,148
xix) FITL Small Industries Development Bank of India	2,828	2,882

(All the above loans are secured by first pari passu charge over fixed assets of the Company both present & future with each other, except machineries imported from Barmag of Germany, which has exclusive charge of Landes Bank Baden Wurttemberg, and further secured by second charge over current assets of the Company & by personal irrevocable guarantee of Chairman of the Company)

xx) State Bank of India	856	767
(Secured by hypothecation of moveable assets and further secured by personal guarantee of one director and corporate guarantee of Pioneer Embroideries Ltd)		

**Foreign Currency Term Loans**

i) Landes Bank Baden Wurttemberg (Euro 1,096,350.09 (Euro 1,085,559.15))	69,333	65,741
ii) FITL Landes Bank Baden Wurttemberg (Euro 62,431.34 (Euro 55,365.34))	3,948	3,353

(Secured by exclusive charge over the machineries imported from Barmag of Germany for Dope Dyed Polyester Yarn Unit)

iii) HDFC Bank Limited (USD 1,099,360.54 (USD 1,500,419.39))	49,086	67,729
iv) ICICI Bank Limited (Euro 1,555,873.70 (Euro 1,530,000))	98,393	92,657

(Above both loans are secured by first pari passu charge over fixed assets of the Company both present & future with each other, except machineries imported from Barmag of Germany, which has exclusive charge of Landes Bank Baden Wurttemberg, and further secured by second charge over current assets of the Company & by personal irrevocable guarantee of Chairman of the Company)

**Vehicle Loans**

(Against hypothecation of vehicles)

1,223

758

1,897,835

2,310,447



**SCHEDULE - 4  
UNSECURED LOANS**

From Scheduled Banks  
(Above loan is secured by personal guarantee of Chairman of the Company,  
post dated cheques and secured by pledge of shares by him in his individual capacity)  
Foreign Currency Convertible Bonds (FCCBs) (USD 11.00 mn (USD 23.25 mn))  
From Others  
From Directors

(Rs. in thousand)

As at	As at
31.03.2011	31-03-2010

42,208	103,297
449,930	954,385
29,382	12,362
9,541	5,954

<b>531,061</b>	<b>1,075,998</b>
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**SCHEDULE - 5**

**CONSOLIDATED FIXED ASSETS & DEPRECIATION**

(Rs. in thousand)

SR. NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		OPENING BALANCE AS ON 1.4.2010	ADDITION DURING THE PERIOD	DEDUCTION DURING THE PERIOD	TOTAL AS ON 31.03.2011	OPENING BALANCE AS ON 1.4.2010	DURING THE PERIOD	DEDUCTION DURING THE PERIOD	TOTAL AS ON 31.03.2011	AS ON 31.03.2011	AS ON 31.3.2010
1	LAND - OWNED	61,917	1,188	-	63,105	-	-	-	-	63,105	61,917
	- LEASEHOLD	2,982	-	-	2,982	316	31	-	347	2,635	2,666
2	BUILDINGS	371,028	5,812	2,855	373,985	68,407	12,211	2,856	77,762	296,223	302,621
	- LIFT	2,012	-	-	2,012	381	95	-	476	1,536	1,631
3	PLANT & MACHINERIES	1,426,625	36,942	14,891	1,448,676	688,607	98,908	13,543	773,972	674,704	738,018
4	FURNITURE & FIXTURES	61,734	754	-	62,488	22,778	3,827	-	26,605	35,883	38,956
5	VEHICLES	22,735	1,316	2,290	21,761	11,074	2,019	1,099	11,994	9,767	11,661
6	OFFICE EQUIPMENTS	12,842	220	-	13,062	4,480	565	-	5,045	8,017	8,362
7	COMPUTERS	26,995	393	-	27,388	21,822	1,774	-	23,596	3,792	5,173
8	ELECTRICAL INSTALLATIONS	67,198	3,754	-	70,952	15,810	3,183	-	18,993	51,959	51,388
9	BOREWELL	471	780	-	1,251	81	19	-	100	1,151	390
	<b>INTANGIBLE ASSETS</b>										
10	COMPUTERS SOFTWARE	6,290	-	-	6,290	958	629	-	1,587	4,703	5,332
	<b>TOTAL</b>	<b>2,062,829</b>	<b>51,159</b>	<b>20,036</b>	<b>2,093,952</b>	<b>834,714</b>	<b>123,261</b>	<b>17,498</b>	<b>940,477</b>	<b>1,153,475</b>	<b>1,228,115</b>
	<b>PREVIOUS YEAR</b>	<b>2,116,159</b>	<b>17,983</b>	<b>71,313</b>	<b>2,062,829</b>	<b>775,539</b>	<b>63,538</b>	<b>4,363</b>	<b>834,714</b>	<b>1,228,115</b>	
	<b>Capital work-in-progress</b>									<b>322,623</b>	<b>259,439</b>
										<b>1,476,098</b>	<b>1,487,554</b>

(Rs. in thousand)

As at	As at
31.03.2011	31.03.2010

**SCHEDULE - 6  
INTANGIBLE ASSETS  
BRAND**

Opening Balance  
Less: Amortised during the year

10,238	11,091
1,705	853

<b>8,533</b>	<b>10,238</b>
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	As at 31.03.2011	(Rs. in thousand) As at 31-03-2010
<b>SCHEDULE - 7</b>		
<b>INVESTMENTS</b>		
<b>Long Term Investments</b>		
<b>Other than Trade</b>		
<b>Unquoted</b>		
The Greater Bombay Co-op. Bank Limited 40 (40) Equity shares of Rs.25/- each fully paid up	1	1
Crystal Lace India Limited 5,039,400 (5,039,400) Equity shares of Rs.10/- each fully paid up	66,852	66,852
National Savings Certificates (held in the name of Chairman of the Company) (As deposited with Sales Tax Authorities)	19	19
<b>Other Investments</b>		
<b>Quoted</b>		
RLF Limited 1,000 (1,000) Equity Shares of Rs 10/- each fully paid up (Market value as on 31.03.2011 Rs.4,690/- (Rs.5,730/-))	6	6
Padmini Technologies Limited 68,939 (68,939) Equity shares of Rs.10/- each fully paid up (Cost Rs 1,756,253/- less provision made Rs 1,756,252/-)	-	-
SBI Infrastructure Bond 100,000 (100,000) units of Rs.10/- each (Market value as on 31.03.2011 Rs.937,000/- (Rs.1,034,000/-))	1,000	1,000
SBI One India Fund 200,000 (200,000) units of Rs.10/- each (Market value as on 31.03.2011 Rs.2,166,000/- (Rs.2,134,000/-))	2,000	2,000
	<b>69,878</b>	<b>69,878</b>
<b>Total Cost of Quoted Investments</b>	3,006	3,006
<b>Total Market Value of Quoted Investments</b>	3,108	3,174
<b>Total Cost of Unquoted Investments</b>	<b>66,872</b>	<b>66,872</b>
<b>SCHEDULE - 8</b>		
<b>INVENTORIES</b>		
(At lower of cost and net realisable value as inventory taken, valued and certified by the management )		
Raw Materials	138,513	100,534
Work-in-Progress	36,024	22,006
Finished Goods	266,790	289,498
Store & Spares	5,415	4,317
	<b>446,742</b>	<b>416,355</b>
<b>SCHEDULE - 9</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Debts Outstanding for a period exceeding six months		
Considered Good	- 204476526	
Considered Doubtful	- 83344277	
Total	- 287820803	
Less: Provision for Doubtful Debts	- 83344277	
	204,476	214,630
Others	242,405	221,074
	<b>446,881</b>	<b>435,704</b>

	As at 31.03.2011	(Rs. in thousand) As at 31-03-2010
<b>SCHEDULE - 10</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in hand	16,201	15,573
Cash at Bank with Scheduled Banks - in Current Accounts (includes foreign currency balance of USD 1,894 (USD 62,612))	8,122	28,332
- in Fixed Deposits	7,464	111,502
	<b>31,787</b>	<b>155,407</b>
<b>SCHEDULE - 11</b>		
<b>LOANS &amp; ADVANCES</b>		
(Unsecured, considered good, unless otherwise stated )		
Recoverable in cash or in kind or for value to be received:		
Advance Income Tax Paid (net of provision for taxation)	4,507	2,940
Advance against Orders/Expenses (includes doubtful advances Rs.575 lacs, duly provided for in earlier period)	415,885	471,987
Advance and Loan to Joint Venture	290,729	273,768
Claim against Premises Agreement	65,000	-
Amount Receivable against Sale of Property	-	25,000
Sundry Deposits	35,576	41,713
Staff Loan & Advances (includes doubtful advances Rs.25 lacs, duly provided for in earlier period)	10,448	11,231
Pre-paid Expenses	1,674	644
	<b>823,819</b>	<b>827,283</b>
<b>SCHEDULE - 12</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Sundry Creditors</b>		
for Goods	136,764	111,598
for Expenses/Job Charges	107,691	101,871
for Capital Expenditure	12,705	2,551
for Others	20,913	19,696
Book Overdraft with Scheduled Bank (Temporary)	2,283	4,065
Advance received against Bangalore Property	91,500	-
Advance received against Orders	17,673	32,978
Franchisee & Distributors Deposits	6,265	6,476
Unpaid Dividend Accounts	1,313	1,559
	<b>397,107</b>	<b>280,794</b>
<b>SCHEDULE - 13</b>		
<b>DEFERRED TAX ASSET/ (LIABILITY)</b>		
Opening Balance	177,100	161,110
For the year	4,180	15,990
	<b>181,280</b>	<b>177,100</b>
<b>SCHEDULE - 14</b>		
<b>MISCELLANEOUS EXPENDITURES</b>		
[To the extent not written off or adjusted]		
<b>A] Preliminary Expenses :</b>		
Opening balance	463	675
Add : During the year	-	-
Less : Written off during the year	-	212
[ Total - A ]	<b>463</b>	<b>463</b>
<b>B] Deferred Revenue Expenditures :</b>		
Opening balance	2,804	8,738
Add : During the year	-	-
Less : Written off during the year	2,804	5,934
[ Total - B ]	<b>-</b>	<b>2,804</b>
[ Total - A+B ]	<b>463</b>	<b>3,267</b>

	As at 31.03.2011	(Rs. in thousand) As at 31-03-2010
<b>SCHEDULE - 15</b>		
<b>SALES</b>		
- Domestic	1,808,404	810,006
- Exports	49,008	22,997
- Export Incentives	1,245	1,960
	<b>1,858,657</b>	<b>834,963</b>
<b>SCHEDULE - 16</b>		
<b>OTHER INCOME</b>		
Miscellaneous Income	3,474	2,925
Excess Interest provided w/back	80,683	22,182
Claim against premises agreement	72,500	-
Profit on Sale of Assets (Net)	1,042	137,027
	<b>157,699</b>	<b>162,134</b>
<b>SCHEDULE - 17</b>		
<b>INCREASE IN STOCK</b>		
Opening Stock		
Work in Progress	22,006	81,591
Finished Goods	289,497	260,394
[ Total - A ]	<b>311,503</b>	<b>341,985</b>
Less : Closing Stock		
Work in Progress	36,024	22,006
Finished Goods	266,789	289,498
[ Total - B ]	<b>302,813</b>	<b>311,504</b>
<b>Increase/(Decrease) in Stock [ B-A ]</b>	<b>(8,690)</b>	<b>(30,481)</b>

	As at 31.03.2011	(Rs. in thousand) As at 31-03-2010
<b>SCHEDULE - 18</b>		
<b>OPERATING EXPENSES</b>		
Raw Material Consumed	1,096,608	465,026
Purchase - Finished Goods	10,706	11,824
Manufacturing Expenses	103,589	47,314
Job Charges	24,908	3,792
Payment to Employees	189,142	98,351
Store & Spares	17,167	6,766
Repair & Maintenance	4,744	21,299
Power and Fuel	111,528	43,592
Communication Expenses	5,334	3,442
Traveling & Conveyance	9,005	4,529
Printing & Stationery	1,718	1,381
Rent, Rates & Taxes	37,695	18,228
Bank Charges	6,242	5,622
Director's Remuneration	8,048	4,037
Vehicle Expenses	3,124	1,429
Other Administrative Expenses	1,631	484
Legal & Professional Charges	18,867	6,527
Auditor's Remuneration	1,087	573
General Expenses	6,948	2,579
Insurance	1,670	919
Selling Expenses	77,898	42,521
Miscellaneous Expenses written off	2,804	6,146
Deficit in Foreign Exchange Rate Difference (Net)	7,469	25,752
Intangible Assets Amortised	1,705	853
Prior Period Expenses	684	-
Provision for Doubtful Debts	21,346	4,212
Sundry Balances written off	1,722	-
	<b>1,773,389</b>	<b>827,198</b>
<b>SCHEDULE - 19</b>		
<b>INTEREST</b>		
On Term Loans	87,801	59,739
On Working Capital Loans	66,793	41,316
(Net of interest received on Bank Fixed Deposits & Others advances of Rs.289.28 lacs (Rs.169.88 lacs))(Tax Deducted at Source Rs.96,631/- (Rs.328,954/-))		
On Others	3,746	1,268
	<b>158,340</b>	<b>102,323</b>

Pioneer Embroideries Limited  
SCHEDULE 1 TO 20 ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE - 20  
CONSOLIDATED FINANCIAL STATEMENTS

NOTES FORMING PART OF THE ACCOUNTS

1. Basis of preparation of financial statements

- The financial statement of the subsidiaries used in the consolidation is drawn on the same reporting date as that of parent company, i.e. year ended 31st March, 2011. The financial statements of S.R Investments Limited, which is a foreign subsidiary, are un-audited including its opening balances, which is not in accordance with the Accounting Standard 21 - Consolidated Financial Statements.
- The financial statements are set out and prepared under significant accounting policies of Pioneer Embroideries Limited and its subsidiaries. Mostly the accounting policies of the holding company and subsidiaries (except where mentioned) are in similar lines, but where ever there is a difference than it is specifically mentioned in the below notes. We cannot comment on the accounting policies adopted for the subsidiary, whose figures are un-audited as on 31st March, 2011, but relied upon the management, since as per them the un-audited accounts are prepared on the same guideline of the holding company.

2. Principles of Consolidation

- The Financial statements of the Parent Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances, intragroup transactions in accordance with Accounting Standard (AS)-21 Consolidated Financial Statements.
- The Financial statements of the Parent Company and its Subsidiaries have been consolidated using uniform accounting policies for like transactions and other event in similar circumstances.
- The excess of the share of equity of the Parent Company in its subsidiaries over its cost of investment, if any, on the date of acquisition date is recognized as Capital Reserve.
- The shortfall of the share of equity of the Parent Company in its subsidiaries over its cost of Investments, if any, is recognized in the financial statements as Goodwill.
- The subsidiaries considered in consolidated financial statements are as under:

Name of Company	Extent of Company's Interest	Country of Incorporation
Hakoba Lifestyle Limited	85%	India
Mas Embroideries Private Limited	100%	India
Pioneer Realty Limited	100%	India
S.R Investments Limited	51%	Mauritius

3. Consolidation of Foreign Subsidiary

Foreign Subsidiary accounts viz S.R Investments Limited has not been audited including its opening balances. For the purpose of the consolidation, the accounts have been prepared by the management as on 31st March, 2011, on the basis of unaudited accounts. Financial Statements figures are converted into rupees on the basis of average rate of foreign currency as on 31st March, 2011.

A) SIGNIFICANT ACCOUNTING POLICIES

Most of the accounting policies of the holding company and that of the subsidiaries are similar.

B) OTHER NOTES ON ACCOUNTS

- Consolidated Contingent Liability is same as contingent liability of stand alone balance sheet of Pioneer Embroideries Limited.
- Loans & Advances includes amount due from JV:

(Rs. in lacs)				
Particulars	Current Year 31-03-2011		Previous Period 31-03-2010	
	Closing Balance	Maximum due	Closing Balance	Maximum due
Super Industries DMCC, (JV)	2214.64 (Loan)	2907.28	2338.94 (Loan)	2806.63
	692.64		Rs.692.64	
	(Service Charges)		(Service charges)	

3. Auditors Remunerations:

Particulars	31-03-2011	(Rs. in lacs) 31-03-2010
Audit Fees- holding company	8.82	4.41
Audit Fees- subsidiary companies	1.46	0.91
For Certification Work	0.22	--
For Taxation Matters	1.44	0.31
For Expenses	0.15	0.35

4. The Company operates in a single segment of Textiles and Garment Accessories.

Secondary Segment Information	31-03-2011	(Rs. in lacs) 31-03-2010
<b>Revenue</b>		
Domestic	18084.04	8100.06
Export	490.07	229.97
Total	18574.11	8330.03

5. Earnings per share:

	31-03-2011	31-03-2010
Net Profit/(Loss) for the year attributable to Equity Shareholders (Rs. in lacs)	(335.14)	(143.39)
Weighted average number of Basic & Diluted Equity Shares outstanding	12700185	12208215
Basic and Diluted Earnings per share (Face value of Rs. 10/- each)	(2.64)	(1.17)

6. Related Party Transactions:

A] Name of related party and nature of relationship:

Associate Concerns	Pioneer E-Com Fashions Ltd. Reach Industries Pvt. Ltd.
Joint Venture	M/s Super Industries, DMCC, Dubai
Key Management Personnel	Shri Raj Kumar Sekhani Shri Harsh Vardhan Bassi
Relative of Key Management Personnel & their Enterprises	Shri Aarav Sekhani Smt Bimla Devi Sekhani M/s J J Sons Thakurdas & Co. Pvt. Ltd. About U Fashions Pvt. Ltd.

B] Nature of Transactions :

	31-03-2011	(Rs. in lacs) 31-03-2010
i) Sales and Services		
Relative of Key Management Personnel & their enterprises	170.59	52.75
ii) Purchase & Job charges of Goods and Services		
Relative of Key Management Personnel & their enterprises	2.95	3.92
iii) Income from Service Charges on loans		
Joint Venture	201.97	102.20
iv) Payment for other services		
Associate Concerns	5.50	4.00
Key Management Personnel (Remuneration to Whole Time Directors)	77.04	38.52
Relative of Key Management Personnel	13.44	9.69
v) Claim against premises agreement		
Associate Concerns	725.00	--
vi) Share Application Money Received		
Key Management Personnel	96.93	96.93
vii) Associate Concerns	202.50	202.50
Balance outstanding as at the year end		
Associate Concerns	1933.76 Dr	1321.41 Dr
Joint Venture	2907.28 Dr	2737.68 Dr
Key Management Personnel	142.80 Cr	79.35 Cr
Relative of Key Management Personnel & their enterprises	273.54 Dr	244.44 Dr



7. The Deferred Tax Assets of Rs.41.80 lacs (Rs.159.90 lacs) for the year have been recognized in the Profit & Loss Account. Break up of outstanding Deferred Tax Liability/ (Assets) is as under :

Particulars	(Rs. in lacs)	
	As on 31-03-2011	As on 31-03-2010
Deferred Tax Liability / (Assets):		
Opening Balance	(1711.00)	(1611.10)
Add: Provision during the year	(41.80)	(159.90)
Closing Balance	(1812.80)	(1771.00)

8. Other notes to accounts of the Consolidated Balance Sheet remains same as the standalone Balance Sheet of Pioneer Embroideries Limited, Hakoba Lifestyle Limited, Pioneer Realty Limited, Mas Embroideries Private Limited and are not reproduced again. For the detailed notes regarding qualifications mentioned in the consolidated auditors report, kindly refer to notes of the Standalone Balance Sheet of Holding Company and Subsidiaries respectively.

For **M B A H & CO**  
Chartered Accountants  
(Firm Regn No.121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

For **R KABRA & CO.**  
Chartered Accountants  
(Firm Regn No.104502W)

**R.L. KABRA**  
Partner  
Membership No. 16216

For & on behalf of the Board

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

**HARSH VARDHAN BASSI**  
Executive Director

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	YEAR ENDED 31ST MARCH, 2011	(Rs in thousand)	PERIOD ENDED 31ST MARCH, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>			
Net profit/(Loss) before tax and extraordinary items	(47,394)		(26,562)
Add : Adjustment for :			
Depreciation	123,261		63,538
Interest Charged (net)	158,340		102,323
Miscellaneous Expenditure written off	2,804		6,146
Intangible Asset Amortised	1,705		853
Excess Interest provided w/back	(80,683)		(22,182)
Claim against Premises Agreement	(72,500)		-
Provision for Doubtful Debts and Advances	21,346		4,212
Sundry Balances written off	1,722		-
Loss / (Profit) on Sale of Assets (net)	(1,042)	154,953	(137,027)
Operating Profit / (Loss) before working capital changes	107,559		17,863
Add : Adjustment for :			
Trade and other Receivables	35,246		31,162
Inventories	(30,387)		18,865
Trade Payables	14,904	19,763	(57,270)
Cash generated from operation	127,322		(15,942)
Income tax paid	(1,567)	(1,567)	(905)
<b>Net Cash from Operating Activities</b>	<b>125,755</b>		<b>(16,847)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>			
Purchase of Fixed Assets and capital advances	(107,334)		(13,926)
Sale of Fixed Assets	3,581		153,659
Amount Received against Sale of Borivali Property	25,000		(20,000)
Advance against Sale of Bangalore Property	91,500		-
Loan and Advances	3,129		17,116
Foreign Currency Translation Reserve of Overseas JV	1,341		7,631
<b>Net cash used in Investing Activities</b>	<b>17,217</b>		<b>144,480</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>			
Proceeds from Issue of Share Capital	7,070		-
Proceeds from Share Application Money	66,857		29,943
Share Premium	38,195		-
Increase in Sundry Creditors of Capital Goods	10,154		(3,483)
Buyback of FCCBs (net of Capital Reserve)	(189,590)		(44,940)
Proceeds from Long Term Borrowing (Net) (net of Capital Reserve)	(247,132)		(19,222)
Proceeds from Issue of 9% Optionally Cumulative Convertible Redeemable Preference Share Capital (OCCRPS)	275,536		-
Proceeds from Short Term Borrowing (Net)	(52,594)		44,403
Loan from Directors	3,586		(6,543)
Interest Paid	(178,428)		(113,181)
Unpaid Dividend Account	(246)		(200)
<b>Net cash used in Financing Activities</b>	<b>(266,592)</b>		<b>(113,223)</b>
Net increase / decrease in cash and cash equivalents ( A+B+C)	(123,620)		14,410
Cash and cash equivalent (Opening balances) as on 01-04-2010	155,407		140,997
Cash and cash equivalent (Closing balances) as on 31-03-2011	31,787		155,407

As per our Report of even date attached herewith

For **M B A H & CO**  
Chartered Accountants  
(Firm Regn No.121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

For **R KABRA & CO.**  
Chartered Accountants  
(Firm Regn No.104502W)

**R.L. KABRA**  
Partner  
Membership No. 16216

For & on behalf of the Board

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

**HARSH VARDHAN BASSI**  
Executive Director



## DIRECTOR'S REPORT TO THE MEMBERS

To

Shri Anand Kumar Jain - Member

The Members of HAKOBA LIFESTYLE LIMITED,

Your Directors present their Eighteenth Report on the business and operations of your Company for the year ended 31st March, 2011.

### OPERATIONS

During the year under review, the total turnover stood at Rs.879.57 lacs (Rs.551.82 lacs). Loss before interest, depreciation, amortisation and exceptional income stood at Rs.482.65 lacs (Rs.472.47 lacs). However, with high interest cost, amortization and exceptional items loss after tax stood at Rs.331.00 lacs (Rs.768.37 lacs).

Your Company is in retail business with the well known Brand name "Hakoba". During the Year under review, Hakoba's business was further seriously affected due to acute shortage of need based working capital, closure of stores and margin pressure as prevalent in apparel sector.

The Company is in the process of continuous revamping the retail business by closing non-profitable stores.

### RESTRUCTURING PACKAGE

The Company's application for One Time Settlement (OTS) with its lenders is pending and the Company is scouting for some strategic investor in the Company to ensure maximum utilization of brand potential.

The Company is in the continuous process of exhaustive operational restructuring to revive its operations and profitability. The key problem areas are being addressed and to retain its focus to bring its business back to sound financial health.

### DIVIDEND

In view of losses, your Directors do not recommend any Dividend for the year under review.

### FIXED DEPOSITS

During the year under review, the Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

### PARTICULARS OF EMPLOYEES

There are no employees of the Company who receives remuneration in excess of the limits as prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### DIRECTORS

Mr. Raj Kumar Sekhani retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

### AUDIT COMMITTEE

#### Composition of Audit Committee:

Shri Raj Kumar Sekhani - Chairman  
Shri Harsh Vardhan Bassi - Member

### AUDITORS

The auditors, M/s M B A H & CO, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. You are requested to re-appoint them and fix their remuneration.

### AUDITOR'S REPORT

The Auditor's Report to the shareholders is self-explanatory.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- (i) In the preparation of the Annual Accounts for the year ended 31st March, 2011, the applicable Accounting Standards have been followed, except otherwise stated in Notes to Accounts and Accounting Policy;
- (ii) The accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the year ended and of the loss of the Company for the year ended 31st March, 2011;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable to the Company.

### ACKNOWLEDGEMENTS

The Management of your Company is grateful to the Shareholders, Valued Customers, and Company's Bankers for their continued support and co-operation.

For and on behalf of the Board of Directors

Place: Mumbai  
Date : 9<sup>th</sup> July, 2011

Raj Kumar Sekhani  
Chairman

## AUDITOR'S REPORT

To,  
**The Members of Hakoba Lifestyle Limited,**

We have audited the attached Balance Sheet of **Hakoba Lifestyle Limited** as at 31st March, 2011, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 and the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraphs 4 & 5 of the said Orders to the extent applicable.
3. Further to our comments in annexure referred to above, we report that:
  - I. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - II. 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 such books;
  - III. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
  - IV. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards(AS) referred to in Section 211 (3C) of the Companies Act, 1956; **subject to non compliance of Accounting Standard 15 for employees benefit as per Accounting Policy Note No. 9, the impact of the above is not quantifiable;**
  - V. Based on the representations and declarations made by the directors as on 31st March, 2011 and taken on record by the Board of Directors of the Company and the information and explanation given to us, none of the Directors are, as at 31st March, 2011, prima facie disqualified from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;

- VI. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes to accounts and subject to following:

<i>Note No. as per Accounting Policy (AP) and Notes to Accounts (NA)</i>	<i>Matter</i>
<b>AP 10/NA 9</b>	<b>Non provision of gratuity as per AS-15.</b>
<b>NA 3</b>	<b>Non confirmation of inter corporate deposit, the purpose and effect of which is not known.</b>
<b>NA 2 &amp; 14</b>	<b>Non confirmation of Balances, the effect of which is not known.</b>
<b>NA 7</b>	<b>Non provision of lapsed advertising expenses of Rs.506.18 lacs and non compliance of equity treaty with Bennett Coleman &amp; Co. Ltd.</b>

the effect of all the above, except where stated, on accounts is not ascertainable, give the information required by the Companies Act, 1956, in the manner so required present a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011.
- b) in the case of the Profit & Loss Account of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For M B A H & CO**  
Chartered Accountants  
(Firm Regn. No. 121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

**Place:** Mumbai  
**Date :** 9<sup>th</sup> July, 2011

## ANNEXURE REFERRED TO IN PARAGRAPH 2 OF AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2011 OF HAKOBA LIFESTYLE LIMITED

On the basis of such checks as we considered appropriate and in terms of the information and explanation given to us, we state that:-

1. a. **The fixed assets register is under preparation for the updation.** It has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets, **however the same needs to be fully reconciled pending updation of records.**
- b. As explained to us, fixed assets, according to the practice of the Company, are physically verified by the management in accordance with the phased verification programmed, which, in our opinion, is reasonable having regards to the size of the Company and the nature of its fixed assets. To the best of our knowledge, **the material discrepancies, if any, on such verification can not be ascertained in view of pending reconciliation.**
- c. The According to the information and explanations given to us, the Company has not disposed off any substantial part of its fixed assets so as to affect its status of going concern. The Fixed Assets of the Company are uninsured.
2. a. As explained to us the inventories have been physically verified during the year by the management at reasonable intervals, except the stock under dispute.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory, **which need strengthening.** The inventory of the Company is uninsured.
3. a. As per the information and explanation given to us and the records produced to us for our verification, the Company has not granted any interest free secured / unsecured loan to the parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b. As per the information and explanation given to us and the records produced to us for our verification, the Company has taken interest free loans, secured or unsecured, from its holding company and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The number of such parties is 2. The maximum balance outstanding during the year was Rs.1401.73 lacs and the closing balance as on the year ended was Rs.1374.43 Lacs.
- c. The terms and conditions of the loans taken are not prejudicial to the interest of the Company.
- d. As explained to us, payments of principal amount are on demand basis and there is no repayment schedule.
4. In our opinion and according to the information and explanations given to us, there are reasonable internal control procedures, **which needs strengthening** to commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made are in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at that time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion and according to information and explanation given to us the

Company does not have formal internal audit but has an internal audit system commensurate with the size and the nature of its business, however, it needs strengthening.

8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the activities carried out by the Company.
9. a. According to the information and explanations given to us, the Company is not regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Maharashtra Labour Welfare Fund, Income-tax, Sales Tax, VAT, Wealth-tax, Service-tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Sales Tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable, **except TDS of Rs.25.98 lacs, Profession Tax of Rs.2.50 lacs, P.F. Rs.0.22 lacs, E.S.I.C. Rs.0.03 lacs VAT/CST of Rs.5.01 lacs, F.B.T. of Rs.6.38 lacs and MLWF Rs.0.11 lacs.**
- c. According to the information and explanations given to us, there are no dues of Sales-tax, VAT, Income-tax, Customs Duty, Wealth-tax, Service-tax, Excise Duty and Cess which have not been deposited as on 31st March, 2011 on account of any dispute.
10. The Company has accumulated losses, and has incurred cash loss during the year covered by our audit, which is more than its share capital and reserves.
11. In our opinion and according to the information and explanations given to us, **the Company has defaulted in repayment of dues to banks and financial institution.**
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities so the question of maintaining adequate documents and records does not arise.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken are not prima facie prejudicial to the interest of the Company, **except that in view of losses in holding company, the Company might be asked to honor guarantee.**
16. In our opinion, the term loans have been applied for the purpose for which loans were obtained.
17. According to the information and explanation given to us and on an overall examination of the Balance Sheet and Cash Flow of the Company, the funds raised on short term basis have been used for short term purposes.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For M B A H & CO  
Chartered Accountants  
(Firm Regn. No. 121426W)

Place: Mumbai  
Date : 9<sup>th</sup> July, 2011

MAHESH BHAGERIA  
Partner  
Membership No. 34499

**BALANCE SHEET AS AT 31ST MARCH, 2011**

	SCH.		As at 31.03.2011	(Rs. in thousand) As at 31-03-2010
<b>I. SOURCES OF FUNDS :</b>				
<b>1. Shareholders' Fund</b>				
a) Share Capital	1	134,941	134,941	
b) Reserves & Surplus	2	<u>85,659</u>	<u>220,600</u>	<u>220,600</u>
<b>2. Loan Funds</b>				
a) Secured Loans	3	377,190	332,435	
b) Unsecured Loans	4	<u>18,250</u>	<u>5,954</u>	<u>338,389</u>
			<b>616,040</b>	<b>558,989</b>
<b>II. APPLICATION OF FUNDS :</b>				
<b>1. 'HAKOBA' Brand</b>	5		8,533	10,238
<b>2. Fixed Assets</b>	6			
a) Gross Block		42,676	43,654	
b) Less: Depreciation		<u>16,751</u>	<u>14,702</u>	
c) Net Block ( a ) - ( b )				
c) Net Block (a) - (b)			25,925	28,952
<b>3. Current Assets, Loans &amp; Advances</b>				
a) Inventories	7	62,767	72,978	
b) Sundry Debtors	8	115,722	144,176	
c) Cash & Bank Balances	9	9,732	12,079	
d) Loans & Advances	10	<u>176,249</u>	<u>114,651</u>	
		<u>364,470</u>	<u>343,884</u>	
Less Current Liabilities & provisions	11	<u>345,641</u>	<u>356,542</u>	
<b>Net Current Assets</b>			18,829	(12,658)
<b>4. Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	12		-	2,804
<b>5. Profit &amp; Loss Account</b>			562,753	529,653
			<b>616,040</b>	<b>558,989</b>

Notes on Accounts, Additional Information and major Accounting Policies- As per Schedule 18 annexed.

As per our Report of even date attached herewith  
For M B A H & CO  
Chartered Accountants  
(Firm Regn No.121426W)

MAHESH BHAGERIA  
Partner  
Membership No.34499

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

For & on behalf of the Board

RAJ KUMAR SEKHANI  
Chairman

HARSH VARDHAN BASSI  
Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	SCH.	Year Ended 31.03.2011	(Rs. in thousand) Period Ended 31-03-2010
<b>INCOME</b>			
Sales	13	87,956	55,182
Other Income	14	73,582	1,228
Increase/ (Decrease) in Stock	15	(8,970)	(18,754)
		<b>152,568</b>	<b>37,656</b>
<b>EXPENDITURE</b>			
Operating Expenses	16	134,565	91,901
Interest	17	48,162	21,025
Depreciation		2,941	1,567
		<b>185,668</b>	<b>114,493</b>
<b>Profit/ (Loss) Before Taxation</b>		<b>(33,100)</b>	<b>(76,837)</b>
Provision for Taxation		-	-
Provision for Fringe Benefit Tax		-	-
<b>Profit/ (Loss) After Taxation</b>		<b>(33,100)</b>	<b>(76,837)</b>
Add: Balance b/f from last period		<b>(529,653)</b>	<b>(452,816)</b>
Add: Transferred from General Reserve			
<b>Balance Carried Over to Balance Sheet</b>		<b>(562,753)</b>	<b>(529,653)</b>
<b>Basic &amp; Diluted Earning per Share</b>		<b>(2.45)</b>	<b>(5.69)</b>

Notes on Accounts, Additional Information and major Accounting Policies- As per Schedule 18 annexed.

As per our Report of even date attached herewith  
For M B A H & CO  
Chartered Accountants  
(Firm Regn No.121426W)

MAHESH BHAGERIA  
Partner  
Membership No.34499

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

For & on behalf of the Board

RAJ KUMAR SEKHANI  
Chairman

HARSH VARDHAN BASSI  
Director

## SCHEDULES 1 TO 18 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	(Rs. in thousand)	
	As At 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
15,000,000 (15,000,000) Equity share of Rs.10/- each	150,000	150,000
	<b>150,000</b>	<b>150,000</b>

Issued, Subscribed & Paid Up:		
13,494,117 (13,494,117) Equity shares of Rs.10/- each fully paid Up	134,941	134,941

(1,470,000 (1,470,000) Equity Shares of Rs.10/- each fully paid-up issued to holding company in pursuant to a contract for consideration other than Cash)

(Of the above 11,470,000 Equity Shares fully paid up held by the holding company, Pioneer Embroideries

<b>134,941</b>	<b>134,941</b>
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### SCHEDULE - 2 RESERVE & SURPLUS

Share Premium Account	85,659	85,659
	<b>85,659</b>	<b>85,659</b>

### SCHEDULE - 3 SECURED LOANS (Refer Note no.2)

Working Capital Loan		
HDFC Bank Ltd.	110,627	94,210
State Bank of India	152,147	139,998
Standard Chartered Bank	113,103	96,703

(Secured by hypothecation of Stocks & Book debts both present and future and further secured by personal guarantee of one director and corporate guarantee of Pioneer Embroideries Ltd.)

Term Loan from State Bank of India (Secured by hypothecation of moveable assets and further secured by personal guarantee of one	856	767
---	-----	-----

Vehicle Loans (Against hypothecation of vehicles)	457	757
	<b>377,190</b>	<b>332,435</b>

### SCHEDULE - 4 UNSECURED LOAN

From Director	-	5,954
From Others (Refer Note no.3)	18,250	-

<b>18,250</b>	<b>5,954</b>
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### SCHEDULE - 5 INTANGIBLE ASSETS BRAND

Opening Balance	10,239	11,091
Add: addition during the Year	-	-
Less: Amortized for the year	1,706	853
	<b>8,533</b>	<b>10,238</b>

### SCHEDULE - 6

#### FIXED ASSETS & DEPRECIATION

(Rs. in thousands)

Particular	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2010	ADDITION DURING THE YEAR	DEDUCTION DURING THE YEAR	AS AT 31.03.2011	AS AT 01.04.2010	ADDITION DURING THE YEAR	DEDUCTION DURING THE YEAR	AS AT 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010
Air Conditioners	2,058	47	-	2,105	487	98	-	585	1,520	1,571
Motor Vehicles	3,046	-	1,845	1,201	1,096	177	892	381	820	1,950
Plant & Machineries	266	-	-	266	68	13	-	81	185	198
Office Equipments	1,889	49	-	1,938	466	86	-	552	1,386	1,423
Computers	4,971	-	-	4,971	3,285	558	-	3,843	1,128	1,686
Electrical Equipments	1,136	18	-	1,154	320	51	-	371	783	816
Furniture & Fixtures	29,278	753	-	30,031	8,829	1,857	-	10,686	19,345	20,449
Software (Intangible)	1,010	-	-	1,010	151	101	-	252	758	859
<b>Total</b>	<b>43,654</b>	<b>867</b>	<b>1,845</b>	<b>42,676</b>	<b>14,702</b>	<b>2,941</b>	<b>892</b>	<b>16,751</b>	<b>25,925</b>	<b>28,952</b>
<b>Previous Period</b>	<b>43,519</b>	<b>135</b>	<b>-</b>	<b>43,654</b>	<b>13,135</b>	<b>1,567</b>	<b>-</b>	<b>14,702</b>	<b>28,952</b>	<b>30,384</b>



**SCHEDULES 1 TO 18 ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

	(Rs. in thousand)	
	As At 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 7</b>		
<b>INVENTORIES</b>		
(At lower of cost and net realisable value as inventory taken, valued and certified by the management) (Refer Note no.5)		
Raw Materials	31,701	32,942
Finished Goods	31,066	40,036
	<b>62,767</b>	<b>72,978</b>

<b>SCHEDULE - 8</b>		
<b>SUNDRY DEBTORS (Refer Note no.6 &amp; 14)</b>		
(Unsecured)		
Debts Outstanding for a period exceeding Six months		
Considered Good	101,131	112,283
Considered Doubtful	33,799	13,888
Total	134,930	126,171
Less: Provision for Doubtful Debts	33,799	13,888
	101,131	112,283
Others	14,591	31,893
	<b>115,722</b>	<b>144,176</b>

<b>SCHEDULE - 9</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in hand	8,018	8,352
Balance with Scheduled Banks		
- In Current Account	609	2,602
- In Fixed Deposits	1,105	1,125
	<b>9,732</b>	<b>12,079</b>

<b>SCHEDULE - 10</b>		
<b>LOANS &amp; ADVANCES</b>		
(Advance recoverable in cash or in kind or for value to be received)		
Advance against Orders/Expenses (refer note no.14)	50,190	50,308
Advance Advertisement Expenses (refer note no.7)	50,618	50,618
Claim against Premises Agreement (refer note no.8)	65,000	-
Sundry Deposits (refer note no.14)	9,529	12,840
Staff Loan & Advances (refer note no.14)	590	558
Tax Deducted at Source & Advance Tax	322	322
Pre-paid Expenses	-	5
	<b>176,249</b>	<b>114,651</b>

<b>SCHEDULE - 11</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Sundry Creditors</b>		
for Goods	11,420	29,159
for Expenses	17,882	20,842
for Capital Expenditure	251	56
for Others	6,636	8,327
Overdrawn Bank Balance	1,284	836
Advance received against Order	2,826	4,305
Franchisee & Distributors Deposits	6,265	6,476
Duties & Taxes	6,261	4,903
Interest Accrued but not due	-	-
FBT Payable	638	638
Pioneer Embroideries Limited (Holding Company)	292,178	281,000
	<b>345,641</b>	<b>356,542</b>

<b>SCHEDULE - 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
[To the extent not written off or adjusted]		
<b>A) Preliminary Expenses :</b>		
Opening balance	-	211
Add: During the year	-	-
Less : Written off during the year	-	211
(A)	<b>-</b>	<b>-</b>

	(Rs. in thousand)	
	As At 31.03.2011	As at 31.03.2010
<b>CONTD. SCHEDULE -12</b>		
<b>B) Deferred Revenue Expenditures :</b>		
Opening balance	2,804	8,738
Add: During the year	-	-
Less : Written off during the year	2,804	5,934
(B)	<b>-</b>	<b>2,804</b>
<b>TOTAL (A) + (B)</b>	<b>-</b>	<b>2,804</b>

<b>SCHEDULE - 13</b>		
<b>SALES</b>		
Domestic	87,956	55,182
	<b>87,956</b>	<b>55,182</b>

<b>SCHEDULE - 14</b>		
<b>OTHER INCOME</b>		
Interest Received	65	234
Claim against Premises Agreement (Refer Note no.8)	72,500	-
Misc. Income/Written backs	1,017	994
	<b>73,582</b>	<b>1,228</b>

<b>SCHEDULE - 15</b>		
<b>INCREASE IN STOCK</b>		
Opening Stock		
Finished Goods	40,036	58,790
Less : Closing Stock		
Finished Goods	31,066	40,036
Increase/(Decrease) in Stock	<b>(8,970)</b>	<b>(18,754)</b>

<b>SCHEDULE - 16</b>		
<b>OPERATING EXPENSES</b>		
Purchase - Finished/Semi Finished Goods	52,024	38,003
Cutting & Packing Expenses	3,210	937
Job Charges	589	312
Payment to Employees	10,252	6,473
Repair & Maintenance	3,148	2,684
Electricity Charges	1,824	1,046
Communication Expenses	508	412
Travelling & Conveyance	1,385	1,050
Postage, Printing & Stationery	196	156
Rent, Rates & Taxes	25,112	10,963
Bank Charges	841	660
Vehicles Expenses	266	127
Legal & Professional Charges	2,329	817
Auditors Remuneration	110	55
General Expenses	1,214	518
Insurance Expenses	14	93
Selling & Promotional Expenses	104	132
Advertisement & Sales Promotion Exp. Amortised	2,804	5,934
Intangible Asset Amortised	1,706	853
Miscellaneous Expenditure Written off	-	211
Sundry Balance Written Off	1,722	-
Commission & Brokerage	-	82
Freight & Forwarding Charges	1,703	1,189
Advertisement & Publicity	2,641	1,645
Prior Period Expenses (Refer Note No. 10)	684	17,549
Loss on Sales of Fixed Assets	268	-
Provision for Doubtful Debts (Refer Note No. 6)	19,911	-
	<b>134,565</b>	<b>91,901</b>

<b>SCHEDULE - 17</b>		
<b>INTEREST</b>		
On Working Capital	46,371	20,552
On Term Loan	88	44
On Others	1,703	429
	<b>48,162</b>	<b>21,025</b>

## SCHEDULE - 18

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

## A) SIGNIFICANT ACCOUNTING POLICIES

## 1. Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention, on accrual basis, in compliance with all material aspects of the notified Accounting Standards (AS) by Companies (Accounting Standards) Amendment Rules, 2008 and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

## 2. Revenue Recognition

- Sales Revenue is recognized on transfer of significant risk and rewards of the ownership of the goods to the buyer. Turnover is excluding Inter Division Sales and Sales Tax.
- All revenues, costs, assets and liabilities are accounted for on accrual basis except where there is no reasonable certainty.

## 3. Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Differences between actual results and estimated are recognized in the year in which the results are known / materialized.

## 4. Fixed assets, Intangible Assets and Capital Work-in-Progress

Fixed Assets are stated at cost of acquisition or construction after reducing accumulated depreciation. Cost is inclusive of freight, duties, levies, interest, installation charges and other incidental expenses incurred for bringing the assets to their working conditions for intended use or till the commencement of commercial operation as the case may be. Incidental expenses include establishment expenses, administration expenses, labour charges and salaries.

Cost relating to brand is capitalized and amortized on a straight-line basis over its ten years useful life on pro-rata basis.

## 5. Impairment of Assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been an improvement in recoverable amount.

## 6. Depreciation and Amortization

Depreciation is provided on fixed assets as per Straight Line Method at rates and manner provided in Schedule XIV of the Companies Act, 1956 on pro-rata basis from the date assets have been put to use.

## 7. Advertisement Expenditure

Advertisement expenditure up to financial year 2006-07 charged to deferred revenue expenditure, are being written off to profit & loss account over a period of 5 years.

## 8. Inventories

The inventories are valued at cost or net realizable value, whichever is lower and the cost is arrived as follows:

Raw materials and bought out items cost is at landing cost inclusive of all attributable expenses and is computed on First in First Out basis.

Finished goods cost includes cost of purchase and other cost incurred in bringing the inventories to their present locations and conditions and taxes, wherever applicable.

## 9. Employees Benefits

The Company is not making any provisions of Gratuity in accordance with the Accounting Standard 15, issued by the Institute of Chartered Accountants of India, which requires provisions based on actuarial valuation. The Company accounts for Provident Fund Contributions as per the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. Leave Encashment and Bonus is provided on cash basis.

## 10. Borrowing Cost

Interest and other cost in connection with the borrowing of the funds to the extent attributed to the acquisition / construction of qualifying fixed assets are capitalized up to the date when such assets are ready for its intended use and other borrowing cost are charge to Profit & Loss Account.

## 11. Taxation

Income-tax expense comprises Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the basis of the assessable income at tax rate applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax asset arising on account of accumulated losses and unabsorbed depreciation under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. In view of the uncertainty to have taxable income in immediate future as a prudent, no deferred tax assets are recognized for the year.

## 12. Provisions, Contingent Liabilities

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimates can be made. Provisions are not discounted to its present value and are determined based on best 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 best estimates.

All known liabilities are provided for and liabilities which are material, and whose future outcome cannot be ascertained with reasonable certainty are treated as Contingent and disclosed by way Notes on Accounts.

## 13. Cash Flow Statement

The Cash Flow Statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3 issued by The Institute of Chartered Accountants of India.

## B) OTHER NOTES ON ACCOUNTS

## 1. Contingent Liabilities not provided for in respect of :

	As at 31-03-2011	(Rs. in lacs) As at 31-03-2010
a) Corporate Guarantees to its Holding Company	9,406.00	9,406.00
b) Service Tax Pending High Court Decision	6.50	2.28



- c) Legal Case for which the Company has not acknowledged the claim 3.57 --

In the opinion of the management, there is no contingent liability other than stated above and adequate provision have been made for all known liabilities, except interests and penalties as may arise.

2. Rupee Term loan of Rs.8.56 lacs (Rs.7.67 lacs) taken from State Bank of India as shown in Schedule 3 is considered as non performing asset by the bank and therefore the interest is charged separately in the books of account, which is not shown in bank statement.

Working Capital Loans of Rs.3,758.77 lacs (Rs.3,309.11 lacs) as shown in Schedule 3 hereto are considered as non performing asset

**4. Amount due to Holding Company, Pioneer Embroideries Limited:**

(Rs. in lacs)

	Particulars	Current Period 31-03-2011		Current Period 31-03-2010	
		Closing Balance	Maximum Due	Closing Balance	Maximum Due
a.	Advances	1,371.93	1,399.23	1,397.35	1,401.73
b.	Creditors for goods	1,549.85	--	1,412.65	--

5. a) Fixed Assets and Inventories of the Company are uninsured.  
b) Inventory of Rs.16.03 lacs included in Schedule - 7 hereto are under possession of closed franchisees, which have not been verified and are under dispute for settlement of their accounts.
6. Sundry debtors of Rs.680.84 lacs included in Schedule 8 are outstanding since more than 2 years, however management consider it recoverable.  
The Company has made Rs.199.11 lacs provisions for doubtful debts in the current year.
7. Loans and advances include Rs.506.18 lacs (Rs.506.18 lacs) as advance against advertising with Bennett Coleman & Co. Ltd. (BCCL) This amount was not utilized within 3 years of prescribed period as per the agreement dated 14th July, 2005, the same is not recoverable and have not been provided for. Otherwise the loss would have been higher by Rs.506.18 lacs.  
As per the treaty with BCCL the Company had to give the exit to BCCL by way of Initial Public Offer. BCCL has issued a notice to Hakoba Lifestyle Limited (HLL) Promoters dated 3rd August 2010 for converting Rs.1059 lacs into debt and have raised the demand for Rs.1059 lacs from HLL Promoters.
8. Loans and advances include Rs.650.00 lacs (Rs.Nil) as claim against premises agreement. The Company had entered into an agreement for rental of premises with Pioneer E-com Fashions Ltd., which was not complied by them and the Company has made a claim and settled the damages / compensation for Rs.725.00 lacs. The balance amount of Rs.650.00 lacs yet to be recovered.
9. During the year, the Company has not provided any sum towards gratuity, as required in accordance with Accounting Standard 15. The amount is presently not quantifiable. The net loss would have been higher by the provision, if made.
10. Current year's Operating Expenses includes Prior Period Expenses of Rs.6.84 lacs mainly on account of purchase, discount on sales, consulting charges, and packing charges etc.
11. **Accounting Year:**

The previous period's figures are for six months ended 31st March, 2010, while those of current year are of twelve months ended 31st March, 2011, hence the same are not comparable. The previous period's figures have been regrouped, rearranged wherever necessary, to conform to the current year presentation.

by the banks and therefore the interest is charged separately in the books of account, which is not shown in bank statements. The Company has paid Rs.15.00 lacs to State Bank of India on account of One Time Settlement which could not be materialized, have been reduced from said working capital loan.

Vehicle loan shown in Schedule 3 hereto includes outstanding of HDFC Bank Limited Rs.4.57 lacs (Rs.6.67 lacs) and ICICI Bank Limited Rs. Nil (Rs. 0.90 lac). The loan is against hypothecation of Vehicle.

3. Unsecured loans of Rs.182.50 lacs as shown in Schedule 4 for which terms are not known and out of these Rs. 80.00 lacs are subject to confirmation.

12. In the opinion of the management, there is no impairment of assets as on the balance sheet date.
13. In the opinion of management, value of realization of all other current assets, deposits, loans and advances in the ordinary course of business will be at least equal to the amount at which they have been stated in the financial statements.
14. The sundry debit and credit balances including debtors, creditors, advances and deposits are subject to confirmation and reconciliation, the effect of which is not known, may impact profitability adversely.
15. The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act, 2006. Since, the relevant information is not readily available no disclosures have been made in the Accounts. However, in the view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act, is not expected to be material.
16. In view of losses no provision for Income Tax has been made for the financial Year ended 31st March, 2011.
17. As there is no virtual certainty that sufficient future taxable income will be available, as a prudent consideration, the deferred tax assets have not been recognized.
18. The Company operates in a single segment of Textiles and Garment Accessories.

**19. Earnings per Share:**

	31-03-2011	31-03-2010
Net Profit/(Loss) for the year/ period attributable to Equity Shareholders (Rs. in lacs)	(331.00)	(768.37)
Weighted average number of Basic & Diluted Equity Shares outstanding (in numbers)	13,494,117	13,494,117
Basic and Diluted Earnings per share (Face value of Rs.10/- each)	(2.45)	(5.69)

**20. Related party transactions:**

- a) Name of related party and nature of relationship:



Holding Company	Pioneer Embroideries Ltd.
Associate Concerns	Pioneer E-Com Fashions Ltd.
Key Management Personnel	Shri Raj Kumar Sekhani Shri Harsh Vardhan Bassi
Relative of Key Management Personnel & their Enterprises	Shri Aarav Sekhani Mrs Bimla Devi Sekhani Thakurdas & Co. Pvt. Ltd. Raj Kumar Sekhani HUF About U Fashions Pvt. Ltd.

**b) Nature of Transactions:**

	(Rs. in lacs)	
	31-03-2011	31-03-2010
i) Sales and Services		
Holding Company	--	9.58
Relative of Key Management Personnel & their enterprises	83.05	26.69
ii) Purchase & Job charges of goods and services		
Holding Company	169.60	29.94
iii) Payment for other services		
Associates Concern	2.50	2.50
Relative of Key Management Personnel & their enterprises	13.44	9.69
iv) Claim against premises agreement		
Associate concern	725.00	--
Balance outstanding as at the year / period end		
Holding Company	2,921.78 Cr	2,810.00 Cr
Associate Concerns	650.00 Dr	14.17 Cr
Key Management Personnel	0.00 Cr	59.54 Cr
Relative of Key Management Personnel & their enterprises	233.15 Dr	206.64 Dr
21. Other information pursuant to provision of paragraph 3, 4C & 4D of Part II at the Schedule VI of the Companies Act, 1956 are either Nil or Not Applicable:		
22. Additional information pursuant to Part IV to the Companies Act, 1956.		

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:****I. REGISTRATION DETAILS**

Registration Number	:	72786
State Code	:	11
Balance Sheet Date	:	31-03-2011

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)**

Public Issue	:	Nil
Right Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**

(Amount in Rs. Thousands)

Total Liabilities	:	616,040
Total Assets	:	616,040
<b>Source of Funds :</b>		
Paid up Capital	:	134,941
Reserves & Surplus	:	85,659
Secured Loans	:	377,190
Unsecured Loans	:	18,250
Deferred Tax Liability	:	--
<b>Application of Funds :</b>		
Net Fixed Assets	:	25,925
Intangible Assets	:	8,533
Investments	:	--
Net Current Assets	:	18,829
Misc. Expenditure	:	--
Accumulated Losses	:	562,753

**IV. PERFORMANCE OF COMPANY**

(Amount in Rs. Thousands)

Turnover	:	152,568,
Total Expenditure	:	185,668
Profit / (Loss) Before Tax	:	(33,100)
Profit / (Loss) After Tax	:	(33,100)
Earning per Share (Rs.)	:	(2.45)
Dividend Rate %	:	--

**V. GENERIC NAME OF THE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary terms)**

Product Description	:	Item Code No.
Embroideries in pieces, in strips or in motifs	:	58.05
Bobbin Laces	:	5804.11

Signature to schedule 1 to 18

As per our Reports of even date attached herewith

**For M B A H & CO****For & on behalf of the Board**Chartered Accountants  
(Firm Regn No.121426W)**MAHESH BHAGERIA****RAJ KUMAR SEKHANI**

Partner

Chairman

Membership No.34499

Place: Mumbai

**HARSH VARDHAN BASSI**Date: 9<sup>th</sup> July, 2011

Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	YEAR ENDED 31ST MARCH, 2011	(Rs. in thousand) PERIOD ENDED 31ST MARCH, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax and extraordinary items	(33,100)	(76,837)
<b>Add : Adjustment for :</b>		
Depreciation	2,941	1,567
Interest charged	48,162	21,025
Intangible Assets Amortised	1,706	853
Miscellaneous Expenditure Written Off	-	211
Claim against Premises Agreement	(72,500)	-
Interest income	(65)	(234)
Loss on Sale of Fixed Assets	268	-
Provision for Bad & Doubtful Debts	19,911	-
Advertisement & Sales Promotion Exp. amortised	2,804	5,934
Operating Profit /(Loss) before working capital changes	(29,873)	(47,481)
<b>Add : Adjustment for :</b>		
Trade and Other Receivables	19,446	30,874
Inventories	10,212	27,850
Trade Payables	(11,097)	(10,639)
Cash generated from operation	(11,312)	604
Income tax paid	-	-
<b>Net Cash from Operating Activities</b>	<b>(11,312)</b>	<b>604</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets and capital advances	(867)	(135)
Investment in Capital Work In Progress	-	-
Investment in Brand	-	-
Sales of Fixed Assets	685	-
Interest Received	65	234
<b>Net cash used in Investing Activities</b>	<b>(117)</b>	<b>99</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Increase in sundry creditors of capital goods	195	44
Proceeds from long term borrowing (Net)	(212)	(52)
Proceeds from short term borrowing (Net)	57,262	20,328
Interest paid	(48,163)	(21,025)
<b>Net cash used in Financing Activities</b>	<b>9,082</b>	<b>(705)</b>
Net increase / decrease in cash	(2,347)	(2)
Cash and cash equivalent (Opening balances) as on 01-04-2010	12,079	12,081
Cash and cash equivalent (Closing balances) as on 31-03-2011	9,732	12,079

As per our Report of even date attached herewith

For M B A H &amp; CO

Chartered Accountants  
(Firm Regn No.121426W)

MAHESH BHAGERIA

Partner

Membership No.34499

Place: Mumbai

Date: 9<sup>th</sup> July, 2011

For &amp; on behalf of the Board

RAJ KUMAR SEKHANI

Chairman

HARSH VARDHAN BASSI

Director

## DIRECTOR'S REPORT

TO THE MEMBERS,

Your Directors are pleased to present the Annual Report together with the Audited Accounts for the year ended 31st March 2011.

### 1. WORKING RESULTS

The Company has suffered a loss of Rs.108.32 lacs as compared to a loss of Rs.55.34 lacs during the last year. Due to recession in the Embroidery Business the company could not improve its performance.

### 2. DIVIDEND

In view of losses suffered by the Company, the Directors do not recommend any Dividend for the year.

### 3. DIRECTORS

There is no change in Board of Directors since last Annual General Meeting.

### 4. AUDITORS

M/s Verma Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for appointment. Your Directors recommend for their re-appointment.

### 5. AUDITOR'S REPORT

The Auditor's Report to the Members is self-explanatory and do not require any comment.

### 6. DIRECTOR'S RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956 as amended by Companies (Amendment) Act, 2000, the Directors of your Company confirm that:

- (i) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- (ii) The Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2009 and of the loss of the Company for the year ended 31st March, 2009;

- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) The Directors have prepared the annual account on a going concern basis.

### 7. CONSERVATION OF ENERGY

The Company operation involves low energy consumption. Wherever possible efforts to converse and optimize the use of energy through improved operational method and other way will continue.

### 8. TECHNOLOGY ABSORPTION

No comment is made on technology absorption considering the nature of activities undertaken by the Company during the year under review.

### 9. PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the limits laid down on Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

### 10. ACKNOWLEDGMENT

The Management of your Company is grateful to the Government of India, the Government of Haryana, the Government of Delhi, Shareholders, Valued Customers, Company's Bankers for their continued support and co-operation.

For & on behalf of the Board

**RAJKUMAR SEKHANI**  
Director

**HARSH VARDHAN BASSI**  
Director

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

## AUDITOR'S REPORT

To  
The Members of Mas Embroideries Private Limited,

We have audited the attached Balance Sheet of Mas Embroideries Private Limited as at 31st March 2011, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

We report that:

- I. The management has explained that it is not possible for the company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters, packets etc. In view of this we were unable to verify compliance of Accounting Standard-2 Valuation of Inventories (Revised) AS-2.*
  - ii. Accumulated losses Rs.4,89,77,579 has wiped out the net worth of the Company Rs.2,53,69,687*
  - iii. No provision for staff retirement benefits has been made in the accounts and the expenditure is accounted for pay-as-you-go basis, which is contrary to the Accounting Standard-15 "Accounting for Retirement benefits in the Financial Statements of Employers (AS-15)*
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books;
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of accounts;
  - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement of the Company complies with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (e) Based on representations made by all the directors of the Company and the information and explanations made available, Directors of the Company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet & Profit & Loss Account read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - (ii) in the case of Profit & Loss Account, of the Loss for the year ended on that date; and
    - (iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

FOR VERMA ASSOCIATES  
Chartered Accountants

MADAN VERMA  
Partner

Place : New Delhi  
Date : 9<sup>th</sup> July, 2011

Membership No. 81631

## ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011 OF MAS EMBROIDERIES PRIVATE LIMITED

- (i) (a) On the information available, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the assets have been physically verified by the management during the year in a phased periodical manner, which, in our opinion, is reasonable, having regard to size of the Company and nature of the assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets during the year so as to affect its status of going concern.
- ii) (a) We have been informed that the Company has physically verified the inventory of finished goods and raw materials at reasonable intervals.
- (b) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The management has explained that it is not possible for the company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters, packets etc. In view of this we were unable to verify compliance of Accounting Standard-2 Valuation of Inventories (Revised) AS-2.
- (iii) In respect of loans, secured or unsecured, granted or taken by the Company to/from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
- a. Rs.425.96 Lacs (Previous Year Rs.427.86 Lacs) are due to Pioneer Embroideries Ltd on Current Accounts, which are stated to be interest free. As per the information and explanations given to us the above loans are repayable on demand and terms & conditions are not prima facie prejudicial to the interest of the Company.
- (iv) The Company is having adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase & sale of inventory and fixed assets.
- (v) In respect of the Contracts or arrangements referred to in Section 301 of the Companies Act, 1956;
- a. The Company has made purchases & Job Charges for Rs.1.56 Lacs (Last Year Rs.3.75 Lacs) & made sales of Rs.26.84 Lacs (Last Year Rs.104.45 Lacs) to Pioneer Embroideries Pvt Ltd. In our opinion and according to the information and explanations given to us the transactions made in pursuance of contracts or arrangements that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. According to the information and explanations given to us these contracts or arrangements have been made at prices which are prima facie reasonable having regard to the prevailing market price at the relevant time except for certain transactions for purchase of goods and services and sale of services of specific nature for which alternative quotations are not available and hence we are unable to comment upon.
- (vi) The Company has not accepted deposit from public; therefore this clause is not applicable to the Company.
- (vii) The Company does have internal audit system, which need to be improved in its scope & reporting.
- (viii) As represented by the management, the Company is not under an obligation to maintain cost record.
- (ix) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty and Cess were in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (x) The Company has accumulated losses more than its Shares Capital and Reserves and the Company has incurred losses during the year and also immediately preceding financial year.
- (xi) The Company has not defaulted in respect of repayment of dues towards the loans.
- (xii) The Company has not granted advances on the basis of any securities by way of pledge of shares, debenture and other securities.
- (xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund are not applicable to the Company, therefore sub clauses (a), (b), (c) & (d) are not applicable to the Company.
- (xiv) The Company does not deal in trading in shares. Therefore, this clause is not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others.
- (xvi) The Company has not taken any term loan from any bank / financial institution.
- (xvii) No funds raised on short-term basis have been invested for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301.
- (xix) The Company has not issued any debentures; therefore this clause is not applicable to this Company.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**FOR VERMA ASSOCIATES**  
Chartered Accountants

**MADAN VERMA**  
Partner

Membership No. 81631

Place: New Delhi  
Date: 9<sup>th</sup> July, 2011



**BALANCE SHEET AS AT 31ST MARCH, 2011**(Rs. in thousand)  
As at 31.03.2010

	SCH.	As at 31.03.2011		As at 31.03.2010	
<b>SOURCES OF FUNDS</b>					
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Fund</b>					
a) Share Capital	1	22,252		22,252	
b) Reserves & Surplus	2	<u>3,118</u>	25,370	<u>3,118</u>	25,370
			<u>25,370</u>		<u>25,370</u>
<b>APPLICATION OF FUNDS</b>					
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
a) Gross Block	3	41,688		53,788	
b) Less : Depreciation		<u>23,643</u>		<u>31,215</u>	
c) Net Block ( a-b )		<u>18,045</u>	18,045	<u>22,573</u>	22,573
<b>Current Assets, Loans &amp; Advances</b>					
a) Inventories	4	948		5,505	
b) Sundry Debtors	5	1,057		5,061	
c) Cash & Bank Balances	6	504		500	
d) Loans & Advances	7	<u>870</u>		<u>1,408</u>	
		<u>3,379</u>		<u>12,474</u>	
Less : Current Liabilities & Provisions	8	<u>45,032</u>		<u>47,822</u>	
<b>Net Current Assets</b>			(41,653)		(35,348)
<b>Profit &amp; Loss Account</b>			48,978		38,145
			<u>25,370</u>		<u>25,370</u>

Notes on Accounts, Additional information and major Accounting Policies: As per Schedule-13 annexed

As per our report of even date attached herewith

For VERMA ASSOCIATES  
Chartered Accountants

For &amp; on behalf of the Board

MADAN VERMA  
Partner  
Membership No. 81631  
Place : Mumbai  
Date: 9<sup>th</sup> July, 2011RAJKUMAR SEKHANI  
DirectorHARSH VARDHAN BASSI  
Director**PROFIT & LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 2011**

		Year Ended 31.03.2011	(Rs. in thousand) Period Ended 31.03.2010
<b>INCOME</b>			
Sales	9	8,815	17,089
Other Income	10	21	123
Increase/(Decrease) in Stock	11	(3,701)	(47)
		<b>5,135</b>	<b>17,165</b>
<b>EXPENDITURE</b>			
Operating Expenses	12	12,710	16,401
Provision for Bad & Doubtful Debts		1,436	4,212
Depreciation	3	1,822	2,086
		<b>15,968</b>	<b>22,699</b>
<b>Loss Before Taxation</b>		<b>(10,833)</b>	<b>(5,534)</b>
Provision for Taxation		-	-
<b>Loss After Taxation</b>		<b>(10,833)</b>	<b>(5,534)</b>
Add : Balance b/f from last year		<b>(38,145)</b>	<b>(32,611)</b>
Balance carried over to Balance sheet		<b>(48,978)</b>	<b>(38,145)</b>
<b>Basic/Diluted EPS</b>		<b>(4.87)</b>	<b>(2.49)</b>

Notes on Accounts, Additional information and major Accounting Policies: As per Schedule-13 annexed

As per our report of even date attached herewith

For VERMA ASSOCIATES  
Chartered Accountants

For &amp; on behalf of the Board

MADAN VERMA  
Partner  
Membership No. 81631  
Place : Mumbai  
Date: 9<sup>th</sup> July, 2011RAJKUMAR SEKHANI  
DirectorHARSH VARDHAN BASSI  
Director

## SCHEDULES 1 TO 13 ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011

	(Rs. in thousand)			(Rs. in thousand)	
	As at 31.03.2011	As at 31.03.2010		As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 1</b>			<b>SCHEDULE - 2</b>		
<b>SHARE CAPITAL</b>			<b>RESERVE &amp; SURPLUS</b>		
Authorised :			Capital Reserve	3,118	3,118
2,250,000 (2,250,000) Equity share of Rs.10/- each	22,500	22,500		<b>3,118</b>	<b>3,118</b>
	<b>22,500</b>	<b>22,500</b>			
Issued, Subscribed & Paid up :					
2,225,200 (2,225,200) Equity shares of Rs.10/- each fully paid up	22,252	22,252			
	<b>22,252</b>	<b>22,252</b>			

### SCHEDULE - 3 FIXED ASSETS AND DEPRECIATION

Name of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2010	Additions During the Year	Sold During the Year	As on 31.03.2011	As on 01.04.2010	For the Year	Deductions for Sale	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
Plant & Machinery	33,057	-	12,100	20,957	25,762	1,015	9,394	17,383	3,574	7,295
Misc. Fixed Assets	1,454	-	-	1,454	1,152	42	-	1,194	260	302
Electric Equipments	190	-	-	190	141	7	-	148	42	49
Office Equipments	133	-	-	133	86	6	-	92	41	47
U.P.S	716	-	-	716	288	59	-	347	369	428
Computers	178	-	-	178	162	6	-	168	10	16
Furniture & Fixture	56	-	-	56	41	3	-	44	12	15
Building	10,419	-	-	10,419	3,583	684	-	4,267	6,152	6,836
Land & Development	7,585	-	-	7,585	-	-	-	-	7,585	7,585
<b>TOTAL</b>	<b>53,788</b>	<b>-</b>	<b>12,100</b>	<b>41,688</b>	<b>31,215</b>	<b>1,822</b>	<b>9,394</b>	<b>23,643</b>	<b>18,045</b>	<b>22,573</b>
Previous Year	53,788	-	-	53,788	29,129	2,086	-	31,215	22,573	24,659

	(Rs. in thousand)			(Rs. in thousand)	
	As at 31.03.2011	As at 31.03.2010		As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 4</b>			<b>SCHEDULE - 7</b>		
<b>INVENTORIES</b>			<b>LOANS &amp; ADVANCES</b>		
(At lower of cost and net realisable value as inventory taken, valued and certified by the management )			(Unsecured, considered good) Recoverable in cash or in kind or for value to be received.		
Raw Materials	140	996	Advance Income Tax Paid (net of provision of taxation)	686	643
Work in Progress	121	258	Sundry Deposits	166	516
Finished Goods	687	4,251	Staff Loan & Advances	-	208
	<b>948</b>	<b>5,505</b>	Pre-paid Expenses	18	41
<b>SCHEDULE - 5</b>				<b>870</b>	<b>1,408</b>
<b>SUNDRY DEBTORS</b>			<b>SCHEDULE - 8</b>		
(Unsecured, Considered Good)			<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Outstanding for a period exceeding Six months	1,436	7,517	Sundry Creditors*		
Less: Provision for bad & Doubtful debts	1,436	4,212	for Goods	43,182	47,164
	-	3,305	for Expenses/Job Charges	1,774	599
Others	1,057	1756	for Others	76	59
	<b>1,057</b>	<b>5,061</b>	*include due to holding company Rs.4,25,96,064	<b>45,032</b>	<b>47,822</b>
<b>SCHEDULE - 6</b>					
<b>CASH &amp; BANK BALANCES</b>					
Cash in hand	403	475			
Cash at Bank with Scheduled Banks - in Current Accounts	101	25			
	<b>504</b>	<b>500</b>			





	(Rs. in thousand)	
	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 9</b>		
<b>SALES</b>		
- Domestic	8,815	17,089
	<b>8,815</b>	<b>17,089</b>
<b>SCHEDULE - 10</b>		
<b>OTHER INCOME</b>		
Sale of Scrap	21	15
Rental Income	-	108
	<b>21</b>	<b>123</b>
<b>SCHEDULE - 11</b>		
<b>INCREASE IN STOCK</b>		
Opening Stock		
Work in Progress	258	231
Finished Goods	4,251	4,325
[ Total - A ]	<b>4,509</b>	<b>4,556</b>
Less : Closing Stock		
Work in Progress	121	258
Finished Goods	687	4,251
[ Total - B ]	<b>808</b>	<b>4,509</b>
Increase/(Decrease) in Stock [ B-A ]	<b>(3,701)</b>	<b>(47)</b>

	(Rs. in thousand)	
	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 12</b>		
<b>OPERATING EXPENSES</b>		
Raw Materials Consumed	5,146	7,322
Manufacturing Expenses	1,094	2,126
Job Charges	1,521	2,512
Payment to Employees	1,373	1,486
Stores & Spares	16	124
Repair & Maintenance	31	47
Power and Fuel	974	1,714
Communication Expenses	79	153
Traveling & Conveyance	56	122
Printing & Stationery	9	18
Rent, Rates & Taxes	106	4
Bank Charges	19	9
Other Administrative Expenses	30	30
Legal & Professional Charges	31	41
Auditor's Remuneration	20	20
General Expenses	184	198
Insurance	45	47
Selling Expenses	270	428
Loss on sale of Machinery	1,706	-
	<b>12,710</b>	<b>16,401</b>

## SCHEDULE 13

## SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO THE ACCOUNTS

## A) ACCOUNTING POLICIES

1. **Basis of Preparation of Financial Statements**

The Financial Statement have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provision of the companies Act, 1956.

2. **Recognition of Income & Expenditure**

Revenue/Income and cost/expenditure are generally accounted on accrual basis as they are earned or incurred. Revenue in respect of sale of goods is recognised at the point of dispatch/passage of title of goods to the Customers.

3. **Fixed Assets**

All Fixed Assets are stated at cost less accumulated depreciation leasehold land is amortised equally over the period of lease.

The carrying amount of cash generating units/assets are reviewed at Balance Sheet date to determine whether there is any indication of impairment. If any such indication exist, the recoverable amount is estimated as the higher of net selling price and value in use. Impairment loss is recognised wherever carrying amount exceeds recovering amount.

4. **Depreciation**

Depreciation on Fixed Assets is provided on W.D.V. Method at the manner prescribed under Companies Act, 1956.

5. **Inventories**

Inventories have been valued at lower of cost or market value.

6. **Retirement Benefits**

Contribution to the provident Fund are made at pre-determined rate and charged to the Profit and Loss Account. Provision for Retirement Benefits & Leave Encashment is not made in the accounts & the expenditure is accounted for Pay-as-you-go basis.

## B) NOTES ON ACCOUNTS

a. No Provision for staff retirement benefit is made in the accounts and the expenditure is accounted for pay as you go basis.

b. Amount paid to Auditors Rs. 19,500. (Previous Year 19,500)

c. Contingent Liabilities : Rs. Nil. (Previous Year Nil)

d. Since there is no timing difference between account profit & tax profit, therefore, there is no deferred tax.

e. The previous year figures have been regrouped, rearranged and reclassified, wherever necessary.

f. Total outstanding dues to Small Scale industrial Undertakings: Nil (Previous Year Nil).

g. The company operates in a single segment of textile and garment accessories.

h. **Basic EPS & Diluted EPS- Nil (Previous Year-Nil)**

i. **Related Party Transactions**

Disclosures under AS-18 issued by the Institute of Chartered Accountants of India regarding related party disclosures.

A) **Name of Related Party**

Pioneer Embroideries Limited  
Raj Kumar Sekhani  
Harsh Vardhan Bassi

**Relation**

Holding Company  
Director  
Director

B) **Nature of Transactions:**

i) Sales and Services to Holding Company  
ii) Purchase & Job Charges from Holding Company  
iii) Balance due to Holding Company as at year end

	2010-11	(Rs. in lacs) 2009-10
i)	22.13	101.45
ii)	1.56	3.75
iii)	425.96	427.86

j. Additional information pursuant to paragraph 3,4C & 4D of part II at the Schedule VI of the Companies Act, 1956 (As certified by the Management):

**Opening, Closing Stock and Sales:**

Finished Goods and WIP:  
Opening Stock  
Closing Stock  
Sales

	2010-11	(Rs. in lacs) 2009-10
Opening Stock	45.09	40.26
Closing Stock	8.08	42.51
Sales	88.15	170.89

**Quantity:** The management has explained that it is not possible for the company to get quantitative details prepared and tallied with the stock records as the items are sold in different units such as in pieces, meters, packets, etc.

k. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956:

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

**I. REGISTRATION DETAILS**

Registration Number	:	104065
State Code	:	55
Balance Sheet Date	:	31.03.2011

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousand)**

Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUND (Amount in Rs. Thousand)**

Total Liabilities	:	25370
Total Assets	:	25370
Source of Fund	:	
Paid up Capital	:	22252
Reserves & Surplus	:	3118
Secured Loans	:	--
Unsecured Loans	:	--

**Application of Funds:**

Net Fixed Assets	:	18045
Investments	:	--
Net Current Assets	:	(41653)
Misc. Expenditure	:	--
Accumulated Losses	:	489.78
Deferred Tax Asset	:	

**IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousand)**

Turnover	:	5135
Total Expenditure	:	15968
Profit / (Loss) before Tax	:	(10,833)
Profit / (Loss) after Tax	:	(10,833)
Earning per Share (Rs.)	:	(4.87)
Dividend rate %	:	--

**V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS / SERVICES OF**

THE COMPANY (As per monetary terms)		
PRODUCT DESCRIPTION		ITEM CODE NO.
Embroideries in piece, in strips or in motifs	:	58.05
Bobbin Laces	:	5804.11

Signatures to Schedule 1 to 13  
As per our Separate report of even date

For VERMA ASSOCIATES  
Chartered Accountants

MADAN VERMA  
Partner  
M. No. 81631

Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

For and behalf of the board

RAJ KUMAR SEKHANI  
Director

HARSH VARDHAN BASSI  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	<b>YEAR ENDED</b>		<b>(Rs. in thousand)</b>	
	<b>31ST MARCH, 2011</b>		<b>YEAR ENDED</b>	
			<b>31ST MARCH, 2010</b>	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>				
Net profit before tax and extraordinary items		(10,833)		(5,534)
Add : Adjustment for :				
Depreciation	1,822		2,086	
Loss on sale of assets	1,706		-	
Provision for Doubtful Debts	1,436	4,964	4,212	6,298
Operating Profit / Loss before working capital changes		(5,869)		764
Trade and Other Receivable	3,149		519	
Inventories	4,557		(250)	
Trade Payables	(2,790)	4,916	(801)	(532)
Cash generated from Operation		(953)		232
Income tax paid	(43)	(43)	(182)	(182)
<b>Net Cash from Operating Activities</b>		<b>(996)</b>		<b>50</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>				
Sale of Fixed Assets		1,000		-
<b>Net cash used in Investing Activities</b>		<b>1,000</b>		<b>-</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>				
<b>Net cash used in Financing Activities</b>		<b>-</b>		<b>-</b>
Net increase / decrease in cash and cash equivalents ( A+B+C)		4		50
Cash and cash equivalent (Opening balances) as on 1-4-2010		500		450
Cash and cash equivalent (Closing balances) as on 31-3-2011		504		500

As per our Report of even date attached herewith

For **VERMA ASSOCIATES**  
Chartered Accountants**MADAN VERMA**  
Partner  
Membership No. 81631Place: Mumbai  
Date: 9<sup>th</sup> July, 2011

For &amp; on behalf of the Board

**RAJ KUMAR SEKHANI**  
Director**HARSH VARDHAN BASSI**  
Director

## DIRECTOR'S REPORT

To,  
The Members of PIONEER REALTY LIMITED,

Your Directors are pleased to present the Fourth Annual Report together with the Audited Accounts for the year ended 31st March, 2011.

### 1. WORKING RESULTS

The Company has suffered a loss of Rs.0.21 lac (Rs.0.26 lac) on account of administrative expenses. The Company has not yet commenced the business operation.

### 2. DIVIDEND

In view of losses suffered by the Company, the Directors do not recommend any Dividend for the year.

### 3. ACCEPTANCE OF DEPOSIT

The Company has not accepted any deposit from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

### 4. DIRECTORS

Mr. Aarav Sekhani retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

### 5. AUDITORS

M/s M B A H & CO, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for appointment. Your Directors recommend for their reappointment.

### 6. DIRECTOR'S RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956 as amended by Companies (Amendment) Act, 2000, the Directors of your Company confirm that:

- (i) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;

- (ii) The Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2011 and of the loss of the Company for the year ended 31st March, 2011;

- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) The Directors have prepared the annual account on a going concern basis.

### 7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable to the Company.

### 8. PARTICULARS OF EMPLOYEES

There was no employee in the Company during the year.

### 9. ACKNOWLEDGMENT

The Management of your Company is grateful to the Shareholders, and Company's Bankers for their continued support and co-operation.

For & on behalf of the Board

RAJ KUMAR SEKHANI  
Director

Place: Mumbai  
Date : 9<sup>th</sup> July, 2011

HARSH VARDHAN BASSI  
Director

## AUDITOR'S REPORT

To,  
The Members of **PIONEER REALTY LIMITED**,

We have audited the attached Balance Sheet of **PIONEER REALTY LIMITED as at 31st March, 2011** and also the annexed Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Companies (Auditors' Report) Order, 2003 and the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Orders to the extent applicable.

3. Further to our comments in the annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) 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 such books of the Company;
- (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;

- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
- (v) Based on the representations made by the directors of the Company and information given to us, none of the directors are disqualified as at 31st March, 2011, from being appointed as director in terms of Section 274(1)(g) of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanation given to us, the said financial statements read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
  - (b) in the case of the Profit & Loss Account, of the Loss for the year ended on that date; and
  - (c) In case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For M B A H & CO**  
Chartered Accountants  
(Firm Regn. No. 121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

**Place:** Mumbai  
**Date :** 9<sup>th</sup> July, 2011

## ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010 OF PIONEER REALTY LIMITED.

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011 OF PIONEER REALTY LIMITED.

On the basis of such checks as we considered appropriate and in terms of the information and explanation given to us, we state that: -

1. The Company does not possess any Fixed Assets.
2. The Company is yet to start its regular business operations; hence there is no stock in hand.
3.
  - a. As per the information and explanations given to us, the Company has not granted loans secured or unsecured, to any company, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
  - b. As per the information and explanations given to us, the Company has taken interest free unsecured loans from its Holding company, covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year was Rs.50.70 lacs and the year end balance was Rs.50.70 lacs.
  - c. In our opinion and according to the information and explanation given to us, others terms and conditions are not prima facie prejudicial to the interest of the Company. The said loan is repayable on demand and there is no repayment schedule.
4. According to the information and explanations given to us, the Company has not purchased any inventory, fixed assets and has no sale of goods during the year.
5. According to the information and explanations given to us, there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the activities carried out by the Company.
9. According to the information and explanations given to us, since the Company is yet to start its regular business operations, the payment of statutory dues is not applicable to it.
10. The Company has accumulated losses of Rs.103,293/- and has also incurred cash loss of Rs.20,585/- during the year covered by our audit.
11. The Company does not have any loans from Financial Institutions and Banks.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
14. In our opinion, the Company is not dealing in or trading in shares, securities and other investments.
15. The Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
16. The Company has not taken any term loan during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For M B A H & CO**  
Chartered Accountants  
(Firm Regn. No. 121426W)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

Place: Mumbai  
Date : 9<sup>th</sup> July, 2011

**BALANCE SHEET AS AT 31ST MARCH, 2011**(Rs. in thousand)  
As at 31.03.2010

	SCH.	As at 31.03.2011	
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund</b>			
Share Capital	1	500	500
<b>Loan Funds</b>			
Unsecured Loans	2	5,071	5,070
		<b>5,571</b>	<b>5,570</b>
<b>APPLICATION OF FUNDS</b>			
<b>Current Assets, Loans &amp; Advances</b>			
Cash & Bank Balances	3	38	42
Loans & Advances	4	<b>5,000</b>	<b>5,000</b>
		<b>5,038</b>	<b>5,042</b>
Less : Current Liabilities & Provisions	5	<b>34</b>	<b>18</b>
<b>Net Current Assets</b>		<b>5,004</b>	<b>5,024</b>
<b>Miscellaneous Expenditure</b>	6	<b>463</b>	<b>463</b>
(To the extent not written off or adjusted)			
<b>Profit &amp; Loss Account</b>	7	<b>104</b>	<b>83</b>
		<b>5,571</b>	<b>5,570</b>
Notes on Accounts, Additional information and major Accounting Policies	9		

As per our Report of even date attached

For **M B A H & CO**Chartered Accountants  
(Firm Regn. No. 121426W)**Mahesh Bhageria**

Partner

Membership No. 34499

Place : Mumbai

Date : 9<sup>th</sup> July, 2011

For &amp; on behalf of the Board

**RAJ KUMAR SEKHANI**

Director

**HARSH VARDHAN BASSI**

Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

		Year Ended 31.03.2011	(Rs. in thousand) Year Ended 31.03.2010
<b>INCOME</b>			
Sales		-	-
		<b>-</b>	<b>-</b>
<b>EXPENDITURE</b>			
Administrative and Other Expenses	8	21	26
		<b>21</b>	<b>26</b>
<b>Profit / (Loss) Before Taxation</b>		<b>(21)</b>	<b>(26)</b>
<b>Profit / (Loss) After Taxation</b>		<b>(21)</b>	<b>(26)</b>
Add : Balance b/f from previous Year		<b>(83)</b>	<b>(57)</b>
Balance carried over to Balance Sheet		<b>(104)</b>	<b>(83)</b>
<b>Basic &amp; Diluted Earning per Share (Rs.)</b>		<b>(0.41)</b>	<b>(0.51)</b>
Notes on Accounts, Additional Information, and major Accounting Policies	9		

As per our Report of even date attached

For **M B A H & CO**Chartered Accountants  
(Firm Regn. No. 121426W)**Mahesh Bhageria**

Partner

Membership No. 34499

Place : Mumbai

Date : 9<sup>th</sup> July, 2011

For &amp; on behalf of the Board

**RAJ KUMAR SEKHANI**

Director

**Harsh Vardhan Bassi**

Director



## SCHEDULES 1 TO 9 ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	(Rs. in thousand)			(Rs. in thousand)	
	As at 31.03.2011	As at 31.03.2010		As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 1</b>			<b>SCHEDULE - 5</b>		
<b>SHARE CAPITAL</b>			<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Authorised :</b>			Sundry Creditors for Expenses	34	18
5,000,000 (5,000,000) Equity share of Rs.10/- each	50,000	50,000		<b>34</b>	<b>18</b>
	<b>50,000</b>	<b>50,000</b>			
<b>Issued, Subscribed &amp; Paid up :</b>			<b>SCHEDULE - 6</b>		
50,000 (50,000) Equity shares of Rs.10/- each	500	500	<b>MISCELLANEOUS EXP.</b>		
fully paid up for cash	<b>500</b>	<b>500</b>	(To the extent not written off or adjusted)		
			Preliminary Expenses		
			Opening Balance	463	463
<b>SCHEDULE - 2</b>				<b>463</b>	<b>463</b>
<b>UNSECURED LOANS</b>					
From Pioneer Embroideries Ltd	5,071	5,070	<b>SCHEDULE - 7</b>		
( Holding Company )	<b>5,071</b>	<b>5,070</b>	<b>Profit &amp; Loss Account</b>		
			Opening Balance	83	57
<b>SCHEDULE - 3</b>			Addition During the year	21	26
<b>CASH &amp; BANK BALANCES</b>				<b>104</b>	<b>83</b>
Cash in hand	29	32			
Balance with Scheduled Banks -	9	10	<b>SCHEDULE - 8</b>		
in Current Accounts	<b>38</b>	<b>42</b>	<b>ADMINISTRATIVE EXPENSES</b>		
			Bank Charges	-	-
<b>SCHEDULE - 4</b>			Printing & Stationery	3	6
<b>LOANS &amp; ADVANCES</b>			Rates & Taxes / Filing Fees	1	4
(Unsecured, considered good,			Auditors Remuneration	17	16
unless otherwise stated) (Refer Note No.2)				<b>21</b>	<b>26</b>
Advance Recoverable in cash or in kind	5,000	5,000			
or for value to be received and/or					
to be adjusted	<b>5,000</b>	<b>5,000</b>			

## PIONEER REALTY LIMITED

## SCHEDULE 9

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

## A) SIGNIFICANT ACCOUNTING POLICIES

## 1. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on accrual basis, in compliance with all material aspects of the notified Accounting standards by Companies (Accounting Standards) Amendment Rules, 2008 and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

## 2. Revenue recognition

Company follows accrual system of accounting and takes into account expense and income as accrued.

Miscellaneous Income, if any is accounted on cash basis.

## 3. Investments

The Investments, if any, are stated at cost including all other expenses incurred on its acquisition and interest accrued thereon, if any.

## 4. Fixed Assets

Presently the Company does not possess any fixed assets.

## 5. Depreciation

In absence of Fixed Asset, no depreciation policy is fixed by the Company.

## 6. Employees benefits

The company does not have any employee and hence no provisions are applicable to the Company.

## 7. Taxation

Since, the Company has not commenced its actual business operation, although fixed expenses are incurred by the Company, it leads to loss in the books of accounts of the Company. Due to the loss, no income tax is provided. Also, No deferred tax asset / liability has been provided in absence of no items found which have timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent accounting periods.

## 8. Preliminary Expenses

Preliminary Expenses shall be written off over a period of five years from the year in which the Company commences actual business operations.

## 9. Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimates can be made. Provisions are not discounted to its present value and are determined on best 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 best estimates.

All known liabilities are provided for and liabilities which are material, and whose future outcome cannot be ascertained with the reasonable certainty are treated as Contingent and disclosed by way of Notes forming part of Accounts.

## B) OTHER NOTES ON ACCOUNTS

1. In the opinion of the Management, there is no contingent liability and adequate provision has been made for all known liabilities, except Interest & penalty as may arise.

2. Loan and Advances include an old advance given to M/s Priyanka Builders & Developers of Rs. 50.00 Lacs for booking of Property. However, no property detail is available as MOU/Agreement is yet to be entered since payment made on 30th May, 2007. As per management the advance is considered good.

## 3. Earnings per Share :

Particulars	31-03-2011	31-03-2010
Net Profit / (Loss) for the year attributable to Equity Shareholders (Rs.)	(20,585)	(25,649)
Weighted average number of Basic & Diluted Equity Shares outstanding	50,000	50,000
Basic and Diluted Earnings per share (Face value of Rs. 10/- each)	(0.41)	(0.51)

4. In the opinion of the management, value on realization of current assets, loans and advances in the ordinary course of business will be at least equal to the amount at which they have been stated in the financial statements.

5. Loans and Advances are subject to confirmation.

**6. Related Party Disclosures :**

**A] Name of Related Party and Nature of Relationship.**

I Holding Company	Pioneer Embroideries Limited
II Key Management Personnel	Shri Rajkumar Sekhani Shri Harsh Vardhan Bassi Shri Aarav Sekhani

**B] Nature of Transactions:**

Nature of Transactions	31-03-2011 (Rs)	31-03-2010 (Rs)
Loans & Advances from Holding Company	1,000	36,929
Balance Outstanding (Holding Company)	50,70,664	50,69,664

7. Other Information pursuant to provision of Paragraph 3, 4A, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956 are either Nil or Not Applicable.

8. Additional information pursuant to Part IV to the Companies Act, 1956.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

**I. REGISTRATION DETAILS**

Registration Number	:	169361
State Code	:	11
Balance Sheet Date	:	31-03-2011

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. thousands)**

Public Issue	:	Nil
Right Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. thousands)**

Total Liabilities	:	5,571
Total Assets	:	5,571
<b>Source of Funds</b>	:	
Paid up Capital	:	500
Reserves & Surplus	:	--
Secured Loans	:	--
Unsecured Loans	:	5,071
Deferred Tax Liability	:	--

**Application of Funds :**

Net Fixed Assets	:	--
Investments	:	--
Net Current Assets	:	5,004
Misc. Expenditure	:	463
Accumulated Losses	:	104

**IV. PERFORMANCE OF COMPANY (Amount in Rs. thousands)**

Turnover	:	--
Total Expenditure	:	21
Profit / (Loss) before Tax	:	(21)
Profit / (Loss) after Tax	:	(21)
Earning per share (Rs.)	:	(0.41)
Dividend Rate %	:	-

**V. GENERIC NAME OF THE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (As per monetary terms)**

Item Code No.	:	N.A.
Product Description	:	N.A.

# PIONEER REALTY LIMITED



Signature to Schedule 1 to 9

As per our Reports of even date attached herewith

**For M B A H & CO**  
Chartered Accountants  
(Firm Regn. No. 121426W)

**Mahesh Bhageria**  
Partner  
Membership No. 34499

Place: Mumbai  
Date : 9<sup>th</sup> July, 2011

**For and on Behalf of the Board**

**Raj Kumar Sekhani**  
Director

**Harsh Vardhan Bassi**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

	YEAR ENDED 31ST MARCH, 2011	(Rs. in thousand) YEAR ENDED 31ST MARCH, 2010
<b>A Cash Flow from Operating Activities:</b>		
Net Profit before tax and before extraordinary items	(21)	(26)
Adjustments for Expenses	-	-
Operating profit before working capital changes	(21)	(26)
Add: Adjustments for		
Trade Payables	(16)	(17)
Cash (Outflow) from operation	(5)	(43)
Income Tax Paid	-	-
Net Cash from Operating Activities	(5)	(43)
<b>B. Cash Flow from Investing Activities:</b>	-	-
Net Cash used in Investment Activities	-	-
<b>C. Cash Flow from Financing Activities:</b>		
Proceeds from Borrowings	1	37
Net Cash used from Financing Activities	1	37
Net increase / (decrease) in cash and cash equivalents	(4)	(6)
Cash and Cash equivalents (Opening balances as on 01-04-2010)	42	48
Cash and Cash equivalents (Closing balances as on 31-03-2011)	38	42

As per our Report of even date attached

For **M B A H & CO**

Chartered Accountants

(Firm Regn. No. 121426W)

**Mahesh Bhageria**

Partner

Membership No. 34499

Place : Mumbai

Date : 9<sup>th</sup> July, 2011

For &amp; on behalf of the Board

**RAJ KUMAR SEKHANI**

Director

**HARSH VARDHAN BASSI**

Director

## Notes

[illegible]



## PIONEER EMBROIDERIES LIMITED

**Registered Office :** Unit No, 101B, 1st Floor, Abhishek Premises, Plot No. C5-6,  
Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058

### ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL.

I hereby record my presence at the 19<sup>th</sup> Annual General Meeting to be held on 28th September, 2011 at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai 400 095 at 9.30 A.M.

NAME OF THE MEMBER (in Block letters)

--

SIGNATURE OF THE MEMBER OR PROXY

--

Folio No.	No. of Shares held	Client ID	DP ID



TEAR HERE



## PIONEER EMBROIDERIES LIMITED

**Registered Office :** Unit No, 101B, 1st Floor, Abhishek Premises, Plot No. C5-6,  
Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058

### PROXY FORM

I / We \_\_\_\_\_  
of \_\_\_\_\_ being a member/  
members of **PIONEER EMBROIDERIES LTD.** hereby appoint Shri / Smt. \_\_\_\_\_ of  
\_\_\_\_\_ (or failing him/her) \_\_\_\_\_  
of \_\_\_\_\_ (or failing him/her)  
\_\_\_\_\_ of \_\_\_\_\_ as my/our Proxy to attend and vote for  
me/us on my/our behalf at the 19th Annual General Meeting to be held on 28th September, 2011 at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai 400 095 at 9.30 A.M.

AS WITNESS my hand/our hands this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

**Note:** The proxy must be deposited at the Registered office of the company not less than 48 hours before the time for holding the meeting. Proxy need not be a member of the Company.

Signature

Affix  
Re. 1  
Revenue  
Stamp

of Member

Folio No.	No. of Shares held	Client ID	DP ID

