



PIONEER GROUP

**PIONEER EMBROIDERIES LIMITED**

...a stitch ahead of time

## 20th Annual Report 2012

hakoba  
1992.7.18

**Dope Dyed Polyester Unit,  
Kala-amb, Himachal Pradesh**





## BOARD OF DIRECTORS AND OTHER INFORMATION

### BOARD OF DIRECTORS

RAJ KUMAR SEKHANI	Chairman & Managing Director
HARSH VARDHAN BASSI	Executive Director
ARVIND RATAN SINHA	Independent Professional Director
SUDATTA MANDAL	Nominee of EXIM Bank

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### BANKERS

STATE BANK OF INDIA  
UNION BANK OF INDIA

### COMPLIANCE OFFICER

UDAY NEMLEKAR

### STATUTORY AUDITORS

M B A H & 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) KARAD      | : | Survey No. 150/4, Village Karad, Silvassa, Dadra & Nagar Haveli (U.T.) |
| 2) 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, Abhishek Premises, Plot No. C5-6, Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058 |
| Corporate Office           | : | Unit No. 21 to 25, 2nd Floor, Orient House, 3-A, Udyog Nagar, Off S.V. Road, Goregaon (West), Mumbai - 400 062.                           |
| Chennai Office             | : | Kumbhat Complex, 29 & 30, Ralan Bazar, 3rd Floor, Chennai - 600 003   |
| Delhi Office               | : | 4986, Baratooti Sadar Bazar, 1st Floor, Delhi - 110 006   |
| NCR Office                 | : | Plot No. 583, Udyog Vihar, Phase 5, Gurgaon, Haryana- 122 061   |
| Kolkata Office             | : | 14/2, Old China Bazar Street, 2nd Floor, Room No. 135, Kolkata - 700 001  |
| Bangalore Office           | : | 37/115, 2nd Main Road, Gangadara Layout, 2ndFloor,Vijaya Nagar, Bangalore - 560 040   |
| Surat Office               | : | Kiran Compound, Near A P Market, Udhna, Surat - 394 210   |
| 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   |
|                            | : | C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West), Mumbai - 400 078  |

## NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of Pioneer Embroideries Limited will be held on Friday, 21st December, 2012 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 31st March, 2012 and the Statement of Profit and Loss 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. Harsh Vardhan Bassi, 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. ARVIND RATAN SINHA AS DIRECTOR OF THE COMPANY

"RESOLVED THAT Mr. Arvind Ratan Sinha, who was appointed as an Additional Director with effect from October 16, 2012 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 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."

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

#### RE-APPOINTMENT OF MR. RAJ KUMAR SEKHANI AS MANAGING DIRECTOR OF THE COMPANY

"RESOLVED THAT as recommended by Remuneration committee and pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the said Act as amended up-to-date, consent and approval be and is hereby accorded to the re-appointment of and the remuneration being paid or provided to Mr. Raj Kumar Sekhani as Managing Director of the Company for a period of three years with effect from 30th August, 2012 at a remuneration not exceeding ₹4,00,000/- per month including perquisites and on the terms and conditions set out in draft Agreement, a copy whereof initialed by Mr. Harsh Vardhan Bassi, Executive Director of the Company, for the purpose of identification has been placed before this Meeting, which draft Agreement is hereby specifically approved".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration in the said draft of agreement to the extent the Board of Directors may consider appropriate and as may be permitted or authorised in accordance with any provision under the Act for the time being in force provided, however, that the remuneration payable to Mr. Raj Kumar Sekhani shall be within the limits set out in the said Act including the said Schedule XIII to the Act or any amendments thereto or any modification(s) or statutory re-enactment(s) thereof and / or any rules or regulations framed thereunder and the terms of the aforesaid Letter between the Company and Mr. Raj Kumar Sekhani shall be suitably modified to give effect to such variation or increase as the case may be".

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of Mr. Raj Kumar Sekhani's as Managing Director, the remuneration set out in the aforesaid draft Letter of appointment be paid or granted to Mr. Raj Kumar Sekhani as minimum remuneration provided that the total remuneration by way of salary and other allowances shall not exceed the ceiling provided in Section II A of Part II of Schedule XIII to the said Act or such other amount as may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof".

#### 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

Place: Mumbai

Date : 3<sup>rd</sup> November, 2012

By Order of the Board of Directors  
For Pioneer Embroideries Ltd.

**HARSH VARDHAN BASI**  
EXECUTIVE DIRECTOR





## 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 ₹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 December 17, 2012 to December 21, 2012 (both days inclusive).
9. Members wishing to claim Dividends of the previous years, which remain unclaimed, are requested to correspond with Mr. Uday Nemlekar 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, 2005 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 21st April, 2011 and Circular No.18/2011 dated 29th 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 & 5 of the accompanying Notice.

**Item 4**

Mr. Arvind Ratan Sinha was appointed as an Additional Director by the Board of Director w.e.f. October 16, 2012 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 his 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 ₹500/-.

The Board feels that presence of Mr. Arvind Ratan Sinha 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. Arvind Ratan Sinha is concerned or interested in this resolution.

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

**Item 5**

Mr. Rajkumar Sekhani, Promoter-Director of the Company aged 54 years is a Commerce Graduate from Calcutta University. He has been involved in the activities of manufacturing and trading in garment accessories, including embroidery fabrics, laces and knitted fabrics, for more than three decades, even before he promoted Pioneer. Mr Sekhani is Chairman and Managing Director of your Company. He is also on the Board of Hakoba Lifestyle Ltd.

Under his guidance, Pioneer has grown from a ₹4 cr company to a ₹200 Cr. Group. His niche area of expertise and contribution has been formulating the overall company policies and taking care of the domestic as well as global marketing of the company's products.

In view of this the Remuneration Committee and Board of Directors has decided to re-appoint Mr. Rajkumar Sekhani as a Chairman and Managing Director for a period of 3 years w .e. f. 30th August, 2012.

The detailed terms and conditions regarding remuneration to be paid to him is given below which is as per Section 198, 269, 309 read with Schedule XIII of the Companies Act, 1956.

**1) DETAILS OF SALARY TO BE PAID IS AS FOLLOWS :**

₹4,00,000/- per month including perquisites.

**2) MINIMUM REMUNERATION:**

Where in any financial year, during the tenure of Chairman & Managing Director, the Company has no profit or its profits are inadequate, the Company will pay remuneration not exceeding the limits specified under Section II of Part II of Schedule XII to the Companies Act, 1956.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms of the Agreement of concern or interest under Section 302 of the Companies Act, 1956.

A copy of the Agreement referred to in the resolution set out under item No. 5 of the notice for appointment and payment of remuneration payable to Mr. Raj Kumar Sekhani as the Chairman and Managing Director is open for inspection by the members at the Registered Office of the Company between 10 A.M. to 12.30 P.M. on any working day.

The Board recommends the Resolutions in the best interest of the Company for your approval.

None of the Directors of the Company except Mr. Raj Kumar Sekhani is concerned or interested in the 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

Place: Mumbai

Date : 3<sup>rd</sup> November, 2012

By Order of the Board of Directors  
For Pioneer Embroideries Ltd.

**HARSH VARDHAN BASI**  
EXECUTIVE DIRECTOR



## DIRECTOR'S REPORT

To,  
The Members,  
**PIONEER EMBROIDERIES LIMITED**

Your Directors present their Twentieth Report on the business and operations of your Company for the year ended 31st March, 2012.

### FINANCIAL HIGHLIGHTS:

(₹ in lacs)

	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Turnover - Domestic	17,690.87	17,311.73
- Export	3,039.21	502.52
<b>Total</b>	<b>20,730.08</b>	<b>17,814.25</b>
Profit / (Loss) before Other Income, Financial Charges, Depreciation, Exceptional Items & Tax	860.82	1,530.79
Other Income	2,246.61	1,085.16
Profit / (Loss) before Financial Charges, Depreciation, Exceptional Items & Tax	3,107.43	2,615.95
Financial Charges (net)	1,540.13	1,395.80
Profit / (Loss) before Depreciation, Exceptional Items and Tax	1,567.30	1,220.15
Depreciation	1,213.48	1,166.94
Profit / (Loss) before Exceptional Items & Tax	353.82	53.21
Exceptional Items (net)	764.27	--
Provision for Deferred Tax Liability / (Asset)	(38.20)	(41.80)
<b>Net Profit / (Loss)</b>	<b>(372.25)</b>	<b>95.01</b>
Balance of net loss brought forward from previous year	(360.06)	(455.07)
<b>Balance of Profit / (Loss) carried forward</b>	<b>(732.31)</b>	<b>(360.06)</b>
<b>Per share data</b>		
Basic Earnings per Share (₹)	(2.88)	0.75
Book Value per Share (₹)	68.98	71.86

### YEAR IN RETROSPECT

Profit before Other Income, Finance Costs, Depreciation, Tax and Exceptional Items for the year stood at ₹ 860.82 lacs (₹1,530.79 lacs). However, with high finance costs and depreciation, the Profit before Tax and Exceptional Items for the Company stood at ₹353.82 lacs (₹53.21 lacs) and the Net Loss after providing (deferred) tax, stood at ₹372.24 lacs (profit of ₹95.01 lacs).

During the year under review, the Dope Dyed Polyester Yarn (DDPY) business has achieved encouraging topline performance, recording a turnover of ₹15,613 lacs (₹12,475 lacs) and an EBIDTA of ₹1121 lacs (₹1,640 lacs). Although the DDPY business reported increased turnover and decent EBIDTA levels, the margins were under pressure due to high raw material costs on account of high crude prices and unfavorable US Dollar movement. Also in February 2012, a minor fire occurred at the unit, destroying the UPS, which resulted in a production loss for couple of days and additional operational cost for a much longer period on account of diesel purchases, etc. However the assets damaged in fire, were fully insured and have since been reinstated and insurance claim has also been settled.

During the year under review, the Embroideries and Laces (EL) business has achieved a turnover of ₹4,031 lacs (₹4,217 lacs) and an EBIDTA of ₹142 lacs (₹201 lacs).

The Embroideries and Laces (EL) business suffered due to overall margin pressure, on account of high operating costs on older equipment, low capacity utilization, high raw materials prices, stiff competition from unorganized sector and severe power shortage in Tamilnadu.

Your Company continued its thrust on enhancing 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 in the coming years.

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

# PIONEER EMBROIDERIES LIMITED

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## CORPORATE DEBT RESTRUCTURING

During the year under review, your Company approached its lenders to rework the earlier restructuring scheme, considering the unfavorable macro environment for the overall Textile business in India. The reworked scheme proposed by your Company, after considering the outcome of various studies done at the behest of the lenders, is under negotiation.

For outstanding FCCBs of USD 11 million, an agreement was entered into with the Bondholders earlier, and your Company is still awaiting a formal settlement on the matter with bond holders for the various modalities as envisaged under the settlement agreement and ongoing communications.

## EXPANSION IN DOPE DYED POLYESTER YARN DIVISION

The expansion in DDPY capacity from 7,200 TPA to 10,500 TPA was successfully completed during the year under review, and the enhanced capacity became effective from the month of July 2011. The total cost of expansion was about ₹14 crs and the same was funded through unutilized FCCB funds and internal accruals, while no fresh borrowings were taken for the same. The full benefits of the expansion would be visible in the current year.

Your Company is also pursuing addition of value-added equipment at the DDPY unit, which would also enhance the range of its niche product offerings. Your Company is in the process of installing Texturising, continuous heat-setting machines, Cabling and Bulking machines to produce Micro Denier High Bulk Yarns. These yarns are specially made for consumption in Bath Mats and High End Carpets as a replacement of Nylon and Cotton Yarns. The company has been working on this project for the last 18 months and with the success of samples, has proposed installation of these machines, which also augur well as a forward integration into Specialised Micro denier FDY.

## 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 year ended 31st March, 2012.

## CONSOLIDATED FINANCIAL STATEMENTS

The Ministry of Corporate Affairs (MCA) by General Circular No.2/2011 dated 8th February, 2011, issued a direction under Section 212(8) of the Companies Act, 1956 that the provisions of Section 212 shall not apply to companies in relation to their subsidiaries, subject to fulfilling certain conditions mentioned in the said circular with immediate effect. The Board of Directors of your Company at its meeting held on 3rd November, 2012, approved the Audited Consolidated Financial Statements for the financial year 2011-12 in accordance with the Accounting Standard (AS-21) and other Accounting Standards issued by the Institute of Chartered Accountants of India as well as Clause 32 of the Listing Agreement, which include financial information of its subsidiary, and forms part of this report. The Consolidated Financial Statements of your Company for the financial year 2011-12, are prepared in compliance with applicable Accounting Standards and where applicable Listing Agreement as prescribed by the Securities and Exchange Board of India.

The annual accounts and financial statements of the subsidiaries of your Company and related detailed information shall be made available to members on request and are open for inspection at the Registered Office of your Company. Your Company has not attached the financial statements of its subsidiaries for the financial year 2011-12. A statement of summarized financials of the subsidiary of your Company including capital, reserves, total assets, total liabilities, details of investment, turnover, etc., pursuant to the General Circular issued by Ministry of Corporate Office, forms part of this report.

## SUBSIDIARY COMPANIES

The gross sales of the Hakoba Lifestyle Limited in current year stood at ₹586 lacs as compared to ₹880 lacs during previous year. Loss after tax and exceptional item stood at ₹713 lacs as compared to ₹331 lacs during previous year.

The gross sales of Mas Embroideries Private Limited in current year stood at ₹9 lacs (₹88 lacs). The Company has incurred a net profit of ₹163 lacs (basically on account of exceptional income) as compared to net loss of ₹108 lacs in previous year. Due to continuous losses and shortage of funds, the Company had disposed off its assets during the year.

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 ₹5 lacs (₹6 lacs) excluding service charges payable to the Company. S.R Investment Limited has become 100% subsidiary during June, 2011.

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



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## 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 year 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. Arvind Sinha was inducted on the Board as additional director w.e.f. 16th October, 2012. 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.

Your Directors regret the untimely demise of Mr. Chandrasekara Venkata Ramana on 27th October, 2012. Mr. Ramana was appointed as an Independent Non-Executive Director on the Board earlier in 6th May, 2011. The Board appreciates and takes on record the efficient and timely advice given by Mr. Ramana on various matters of your Company. The Board also conveys its deep condolence to Mr. Ramana's family members on behalf of the Company.

## 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 assets net of deferred tax liability in the accounts. In the year under review, the Company has provided deferred tax assets of ₹38.20 lacs and the total outstanding deferred tax assets as on 31st March, 2012 stood at ₹1851 lacs (₹1812.80 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 2011-12, 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 loss 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 : 3<sup>rd</sup> November, 2012.

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 31.03.2012.

### 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<br>ii) Recurring<br>iii) Total<br>iv) Total R & D Expenditure |  |

As a Percentage of total turnover.

### C) FOREIGN EXCHANGE EARNING AND OUTGO:

(₹ in lacs)

	2011-12	2010-11
Total Foreign Exchange Used (Payment Basis)	531.54	809.89
Total Foreign Exchange Earned	3095.47	781.63

For and on behalf of the Board of Directors

Place : Mumbai.

Date : 3<sup>rd</sup> November, 2012

RAJ KUMAR SEKHANI  
Chairman


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

(₹ 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	31.03.2012	85%	(60,605)	Nil	(477,961)	Nil
2 Mas Embroideries Private Limited	31.03.2012	100%	163,307	Nil	(20,367)	Nil
3 Pioneer Realty Limited	31.03.2012	100%	(484)	Nil	(104)	Nil
4 S.R Investments Limited	30.06.2012	100%	(4,126)	Nil	(18,540)	Nil

For and on behalf of the Board of Directors

Place : Mumbai.  
Date : 3<sup>rd</sup> November, 2012

**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. Chandrasekara Venkata Ramana	Independent Non-Executive Director	1	---	2
Mr. Sudatta Mandal	Independent Non-Executive Director	2	---	—

@ 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 Five times during the year ended March 31, 2012 on the following dates:

11-05-2011, 09-07-2011, 11-08-2011, 14-11-2011 and 14-02-2012

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.

Name of the Director	Board Meetings held during the tenure of the Director	Board Meeting Attended	Attendance at the last AGM held on September 28, 2011
Mr. Raj Kumar Sekhani	5	5	Present
Mr. Harsh Vardhan Bassi	5	5	Present
Mr. Chandrasekara Venkata Ramana	5	5	Absent
Mr. Sudatta Mandal	5	5	Absent



## 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:

### MR. HARSH VARDHAN BASSI

Mr. Harsh Vardhan Bassi, aged 38, is a Graduate in Commerce Stream from Punjab University. He has over ten years of experience in marketing of textiles. He has been associated with the R. K Khanna Group of Companies for around nine years, having served in various positions and functional areas like manufacturing and marketing embroidered fabrics and laces. Shri Harsh Vardhan Bassi is the Executive Director of your Company. He also holds Directorship of Hakoba Lifestyle Limited and Pioneer Realty Limited and Crystal Lace (India) Limited. He is the Member of Shareholder's Grievance Committee of your Company.

## 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, 2012, Five Meetings of the Audit Committee were held on 11-05-2011, 09-07-2011, 11-08-2011, 14-11-2011 and 14-02-2012

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

## 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:

<i>Name of the Director</i>	<i>Designation</i>	<i>Status</i>
Mr. Chandrasekara Venkata Ramana	Chairman	Non-Executive Independent Director
Mr. Sudatta Mandal	Director	Non-Executive Independent Director

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, 2012 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, 2012 are as follows:

(Amount in ₹)

<i>Name of the Director</i>	<i>Position</i>	<i>Sitting Fees</i>	<i>Salary &amp; Perquisites</i>	<i>Total</i>
Mr. Raj Kumar Sekhani	Chairman & Managing Director	Nil	48,00,000	48,00,000
Mr. Harsh Vardhan Bassi	Executive Director	Nil	32,28,348	32,28,348
Mr. Chandrasekara Venkata Ramana	Independent Director	12,500	Nil	12,500
Mr. Sudatta Mandal	Nominee Director	12,500	Nil	12,500
<b>Total</b>		<b>25,000</b>	<b>80,28,348</b>	<b>80,53,348</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. Chandrasekara Venkata Ramana	Member	Non-Executive Independent Director

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, 2012 an aggregate of 54 shares were transferred. The details of the complaints and other correspondences received and attended during the year ended March 31, 2012 are given hereunder:

<i>Nature of Complaints</i>	<i>Received</i>	<i>Attended to</i>	<i>Pending</i>
Non-receipt of Share Certificates	2	2	0
Non-receipt of Dividend Warrants	2	2	0
Others	2	2	0
<b>Total</b>	<b>6</b>	<b>6</b>	<b>0</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>
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
2010-2011	28 <sup>th</sup> September, 2011	9.30 A.M	The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095	Nil



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

During the year ended March 31, 2012 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

- |   |   |
|---|---|
| <b>i) AGM</b>                                     |   |
| Date and Time                                     | : 21 <sup>st</sup> December, 2012, 9:30 A. M.,  |
| Venue   | : The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095 |
| <b>ii) Financial Calendar 2012-13 (tentative)</b> |   |
| Financial Reporting for                           |   |
| Quarter ending June 30, 2012                      | : By Second Week of August, 2012  |
| Half year ending September, 2012                  | : By Second Week of November, 2012  |
| Quarter ending December, 2012                     | : By Second Week of February, 2013  |
| Year ending March 31, 2013                        | : By Second Week of May, 2013   |
| Annual General Meeting (2012-13)                  | : By end of September, 2013   |
| <b>iii) Date of Book Closure</b>                  | : 17th December, 2012 to 21st December, 2012 (both days inclusive)                                      |
| <b>iv) Listing on Stock Exchanges</b>             | : National Stock Exchange of India Limited<br>(Code: PIONEEREMB)  |
|   | : Bombay Stock Exchange Limited<br>(Code: 514300)   |
|   | : The Calcutta Stock Exchange Association*<br>(Code: 26033)   |
|   | : The Delhi Stock Exchange Association Ltd*<br>(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.

- |                               |   |
|-------------------------------|---|
| <b>v) Listing Fees</b>        | : Annual Listing Fees for the Financial Year 2012-2013 have been paid to the above Stock Exchanges. |
| <b>vi) Demat ISIN No.</b>     | : INE156C01018  |
| <b>vii) Stock Market Data</b> |   |

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, 2012 is as under:


**PELSHARE PRICE BSE**

Month	High Price (Rs.)	Low Price (Rs.)	Volume
April, 2011	25.95	18.20	66,808
May, 2011	21.85	16.80	79,224
June, 2011	19.45	16.25	45,145
July, 2011	21.00	16.10	58,312
August, 2011	16.60	10.35	91,608
September, 2011	13.75	11.00	1,00,307
October, 2011	13.03	11.10	43,950
November, 2011	15.34	9.36	79,749
December, 2011	12.00	9.40	26,462
January, 2012	12.90	10.02	4,73,236
February, 2012	14.70	10.56	2,23,946
March, 2012	13.50	9.10	65,142

**viii) 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.

**ix) 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.

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

**xi) Distribution of Shareholding as on March 31, 2012**

Slab of No. of Shareholding (Rs.)	No. of Shareholders	% to No. of Shareholders	Amount (Rs.)	% to paid-up capital
Upto 5000	20624	92.24	13016810	10.08
5001 - 10000	786	3.52	6485480	5.03
10001 - 20000	450	2.01	6956430	5.39
20001 - 30000	182	0.81	4719690	3.65
30001 - 40000	71	0.32	2547410	1.97
40001 - 50000	64	0.29	3014580	2.33
50001 - 100000	97	0.43	7043810	5.45
> 100001	84	0.38	85367440	66.10
<b>Total</b>	<b>22358</b>	<b>100.00</b>	<b>129151650</b>	<b>100.00</b>

**xii) Categories of Shareholding Pattern as on March 31, 2012**

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	299	1.34	1814180	14.05
Individuals	21522	96.26	5629020	43.58
NRIs/OCBs	468	2.09	197607	1.53
Others	58	0.26	97076	0.75
<b>Total</b>	<b>22358</b>	<b>100.00</b>	<b>12915165</b>	<b>100.00</b>

**xiii) Dematerialisation of Shares**

The Company shares are compulsory traded in dematerialized form. As on March 31, 2012 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	3,71,167	2.87
Shares held in Demat Form	1,25,43,998	97.13
<b>Total</b>	<b>1,29,15,165</b>	<b>100.00</b>

**xiv) 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 31st March, 2012 are US \$ 11 million.

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

- xvi) 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. Uday Nemlekar, Compliance Officer at the Corporate Office of the Company at:  
Unit No. 21 to 25, 2nd Floor, Orient House,  
3-A, Udyog Nagar, Off S.V. Road,  
Goregaon (West),  
Mumbai - 400 062.  
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. Hence the same are not sent to the shareholders.
- d) Postal Ballot The Company has not transacted any business through postal ballot. 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, 2012.

**Place :** Mumbai

**Date :** 3<sup>rd</sup> November, 2012

**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, 2012 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)

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

Place : Mumbai  
Date : 3<sup>rd</sup> November, 2012

## 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 its 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, or the Company) presents below an analysis on its performance during the year under review, i.e. Accounting Year ended 31st March, 2012 (for the period April '11 upto March '12).

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

Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation and the export earnings of the country. Currently, it contributes about 14% to industrial production, 4% to the GDP, and 17% to the country's export earnings. It provides direct employment to over 35 million people, including a substantial number of SC/ST and women. The Textiles sector is the second largest provider of employment after agriculture.

In the liberalized post-quota period, India has emerged as a major sourcing destination for buyers from all over the globe. As a measure of growing interest in the Indian textiles and clothing sector, a number of reputed houses opened their sourcing / liaison office in India. Commercially the buoyant retailers across the world are looking for options of increasing their sourcing from the Indian markets. Indian manufacturers are also pro-actively working towards enhancing their capacities to fulfill this increased demand.

The Indian Textile Industry continues to remain competitive in the global market vis-à-vis all global players, although China remains a tough adversary despite its own economic pressures impacting its competitiveness. In the global market exports of clothing, India ranked as the sixth largest exporter as per WTO data 2010, trailing Turkey, Bangladesh, Hong Kong, EU-27 and China. In the global exports of Textiles, India ranked as the third largest exporter, trailing EU-27 and China, as per WTO data 2010.

Since August, 2008, the major markets for India's exports of Textiles & Clothing, products viz. USA, EU and Japan have witnessed recessionary conditions and financial crisis, and textiles sector was amongst the worst hit. However these adverse economic conditions appeared to have abated somewhat since 2010.

The organized sector of the Industry continues to grow more vis-à-vis the unorganized sector and this has improved the overall productivity. However, even within the organized segment, several companies have been facing tough operating environment resulting in lower financial performance.

The Government continues to support the industry in surmounting the challenges and imperatives concerning continual modernization & technological up gradation, Product development and R&D, Cost effectiveness & efficiency to face the ever increasing competition emerging out of WTO policies

The Ministry of Textiles has taken various policy initiatives in the last few years to improve the competitiveness of the Indian Textile industry. Various schemes such as Technology Upgradation Fund Scheme (TUFS), Scheme for Integrated Textile Parks, Development of Mega Cluster, Integrated Skill Development Scheme, Technology Mission of Technical Textiles etc. have been launched with the objective of accelerating growth in exports and investment in the textile sector. The Ministry has also embarked on a Plan Scheme namely the Common Compliance Code to prepare and orient the Indian Garment & Apparel Industry towards more socially and environmentally compliant Industrial environment of globally acceptable standard.

The industry may also benefit if the opportunity for increase inflow of FDI in the textile and the retail sector is realized, however there is a need for more policy initiatives by the government, particularly in the area of labour policies, availability of trained man power and availability of power at that too at competitive price.

Source : Ministry of Textiles, and others

### Our performance review:

Your Company 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 as summarized in the chart below:

Business	Major Products	Location
Embroidery	Fabrics, Laces, etc.(made from Schiffli and multi-head machines)	Six units manufacturing units located at Thane, Sarigam, Naroli, Coimbatore
Braided Laces	Variety of laces	Three units located at Karad(2) and Coimbatore
Polyester Dope Dyed Yarn	Dyed Filament Yarns	Kalamb, Himachal Pradesh
Spun Yarn	Blended Spun Yarns	Kallakurichi, Tamil Nadu

# PIONEER EMBROIDERIES LIMITED

.... a stitch ahead of time



## Embroidery Business:

As you are well aware, your Company, which entered the business in 1991-92, continues to be one of the largest organized players in the embroideries & laces segment in India, and has many firsts to its credit. It currently,

- has one of the largest capacities for embroidered fabrics in India.
- is the largest manufacturer of Braided Laces in the India.
- is a pioneer in bringing branding to an ancillary business like embroidery.

The Indian embroidery market continues to be dominated by a large number of unorganized players in view of low entry barriers. However, your company is well-entrenched because of its strengths of product development, quality and manufacturing capability.

Broad classification of Embroidery products and their usage are given below:

All over fabric	These are marketed as ladies dress materials, kurtas, sheeting and sarees and find key usage by the Garment manufacturers.
Laces/Edgings	Widely used for dresses, gown, children's garments and ladiesundergarments. Cotton & chemical laces are popular in theFashion industry.
Motifs, Guipure, Collars	These are also used in ladies dresses, gowns and children'sgarments. These are mostly preferred in the International markets
Quilts	These are decorative made of two layers of cloth filled withcotton, wool, etc. and stiched together in lines or patterns tokeep 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, 2012 products like embroidered fabrics continued to remain under severe price pressure. Due to falling demand from Western Europe and USA, one of the largest consumers of garments in the world, Indian garment exporters faced tremendous competitive pressure on pricing which in turn affected the embroidery market and focus further shifted to lower cost - lower realization products. However with the revival in the international markets the Company is confident of recouping the lost opportunities.

Your Company's sales were short by about 25% of the projected Sales as envisaged for the year in view of pressure in the domestic market arising out of increased price of cotton yarn and fabric in particular that translated into increase product cost. This is apparent from the fact that while the gap in sales is about 25% the production was short of target by nearly 48%. Liquidity and shortage of working capital was also one of the reasons that impacted capacity utilization as well as margins since the Company had to resort to outsourced production. Also, the Company needs to modernize its embroidery equipment as the capacities, lower speed, capacity utilization, labor requirement and maintenance of older machines is affecting both production and efficiencies of the segment.

## 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 remain under pressure due to the slow down in international consumption of garments besides paucity of working capital for servicing the credit intensive domestic industry. Thus the capacity utilization was quite lower than planned, falling short by over 59% and resulting in underachievement of sales target by about 37%. The company is putting together a reorganization plan for this business which will include scrapping old machines and consolidating capacities at fewer locations to reduce overheads and improve profitability.

## Polyester Dope Dyed Yarn:

During the previous year, your Company has undertaken expansion of its capacities at its Polyester Dope Dyed yarn factory in Kalamb and the same has successfully gone on stream in July 2011. The company is running at near 100% capacity utilization at the expanded capacity of about 10,500 TPA, enhanced from 7,200 TPAearlier.

Dope Dyed Polyester Yarn (DDPY) was severely impacted in the early phase of the project in view of the oil crisis, but has subsequently emerged as a star performer over the years, running beyond its target capacity. 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 192% and YOY sales has grown by 25%, although the PBIDT margin has been under pressure due to shortage of working capital from the lenders on the expanded capacity.

However, the unit has not reached its true potential for the value-added product lines like twisting, doubling and air texturing of yarns, as some more investments are to be made in installing need-based value-added equipment. On making such investments, the unit's profitability is expected to increase notably.

**Spun Yarn Business:**

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 maintained its capacity utilization in the financial year 2011-12 close to previous year levels. However with depressed market demand for spun yarns the EBIDTA for the year took a severe beating and unfortunately it is the only business segment with negative EBIDTA. The shortfall in full capacity utilization will continue to be a concern, and the Company is considering some strategic initiatives for the business which if not successful, the company may even consider exiting the business.

**Restructuring Scheme :**

The Company has tried to implement the earlier restructuring scheme, but the worsening macro environment made it difficult to continue servicing of existing debt in compliance to all lenders' conditions & caveats. The Company has however settled the dues of unsecured lenders in terms of CDR package and efforts are being made to arrange payments as per settlements arrived with them including settlement of balance outstanding FCCB bonds to the tune of US\$11 million. The Company has approached its lenders to rework the earlier restructuring scheme, considering the unfavorable macro environment for the overall Textile business in India. The reworked scheme along with reorganization of the business proposed by your Company, after considering the outcome of various studies done at the behest of the lenders, is under negotiation.

Your Company is hopeful that the reorganization plans will lead to improvement in performance and fully restore its past track record of profitability.

**Financial Overview:**

Revenue of your Company, for the year ended 31st March, 2012 was ₹20,730 lacs. This represents about 16% increase over the revenue for the previous financial year. 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 year.

**Operating Expenses:**

Operating expenses for the period ended 31st March, 2012 stood at ₹19,782.60 lacs.

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 other income, finance costs, depreciation, tax and exceptional items for the year stood at ₹860.82 lacs as against ₹1,530.79 lacs for the previous financial year reflecting the stress in the various business segments of the Company. Net loss after tax stood at ₹372.25 lacs as against profit of ₹95.01 lacs for the previous financial year.





## AUDITORS' REPORT

To,  
The Members of Pioneer Embroideries Limited,

We have audited the attached Balance Sheet of **Pioneer Embroideries Limited** as at 31st March, 2012, the Statement of Profit & Loss 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. Those 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 those books;
  - iii. The Balance Sheet, Statement of Profit & Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Statement of Profit & Loss 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 a) Accounting Standard 11 for the effect of change in Foreign Exchange difference, as per Accounting Policy Note 1.12, b) Accounting Standard - 15 for employee benefits as per Accounting Policy Note 1.10 & Note 9.1, c) Accounting Standard 21 for consolidated financial statements as per Note 19.4, the impact of the above is not quantifiable;**
  - v. Based on the representations and declarations made by the directors as on 31st March, 2012 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, 2012, 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, together with the notes thereon and attached thereto **and subject to following**

Notes	Matter
19.6	Advance payment for acquisition of machineries of ₹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.
19.6	Nonprovision of interest income of ₹697.23 lacs of loan given to Crystal Lace (India) Limited and the income is understated to that extent.
19.1 & 19.2	Treatments of investments in subsidiaries aggregating to ₹2214.55 lacs as Long term & non provision of erosion in values, though the net worth of all subsidiaries have been fully eroded.
19.3	Investment in Subsidiary S R Investments Limited, Mauritius, whereof the accounts are unaudited which is not in accordance with AS-21 and consideration of loan of ₹1125.44 lacs (USD 2.20 million plus service charges) was earlier considered as good of recovery, however now the company has applied for written off the same pending RBI approval.
19.4	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 ₹3559.30 lacs (USD 4.96 million plus service charge) as good of recovery even though no recovery neither confirmation is available.



31	<i>Treatment of FCCB Liabilities as non-monetary liabilities and had it not been so, loss would have been higher by ₹2588.74 lacs on account of no provision made for premium / interest on outstanding FCCB of USD 11 million and ₹1127.92 lacs on account of foreign exchange losses, on account of revaluation as on year end outstanding.</i>
1.12 & 34	<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>
17.2	<i>Non provision of export debtors even with very slow recovery.</i>
1.10 & 9.1	<i>Non provision of gratuity and leave salary as per actuarial valuation as per AS-15.</i>
8.2, 13.2, 19.4, 33 & 41	<i>Non confirmation of Balances, the effect of which is not known.</i>
4.1	<i>Non allotment of shares as per CDR scheme of ₹968 lacs to the promoters subject to stock exchange approvals. However the stock exchange has asked for fresh application subject to approval from shareholders.</i>
5.2	<i>Non assessment of effect on waiver of principal &amp; interest as the company has defaulted in repayment to Banks &amp; Financial Institutions under CDR scheme.</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 and give 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, 2012;
- in the case of the Statement of Profit & Loss of the loss 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 **M B A H & CO**  
Chartered Accountants  
(Firm Regn No. 121426W)

Place: Mumbai  
Date: 3<sup>rd</sup> November 2012

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499

## ANNEXURE REFERRED TO IN PARAGRAPH 2 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2012 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.
  - 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 five such company, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum balance outstanding during the year is ₹6963.91 lacs and the closing balance as on year ending was ₹6521.63 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 ₹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 one such companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum balance outstanding during the year is ₹95.41 lacs and the closing balance as on year ending was ₹Nil.
- 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 **however, the same needs strengthening**. 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. We have broadly reviewed the books of account maintained by the company pursuant to the Companies (Cost Accounting Records) Rule, 2011 prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prime facie the prescribed accounts and records have been maintained in respect of Dope Dyed Polyester Yarn division. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
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, 2012 for a period of more than six months from the date they became payable **except Income tax of ₹60.31 lacs for A.Y 2007-08 and Fringe benefit tax of ₹5.73 lacs for the A.Y. 2007-08, of ₹4.66 lacs for the A.Y. 2008-09, of ₹9.89 lacs for the A.Y. 2009-10 and TDS of ₹4.33 lacs for the A.Y. 2012-13.**
- 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, 2012 on account of any dispute are given below:
 

Particulars	Year to which the matter pertains	Forum where matter is pending	Amount (₹ 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)	43.32
Income Tax	A.Y. 2002 -03	CIT (Appeals)	13.33
10. The Company has 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 year.
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 the company has defaulted in repayment to financial institutions and banks.

## PIONEER EMBROIDERIES LIMITED

.... a stitch ahead of time



PIONEER GROUP

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 from banks are not prima facie prejudicial to the interest of the Company, **except that in view of substantial losses in the subsidiary Hakoba Lifestyle Ltd., 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. No Term Loan is received during the year.
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, 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 **M B A H & CO**  
Chartered Accountants  
(Firm Regn No. 121426W)

Place: Mumbai  
Date: 3<sup>rd</sup> November 2012

**MAHESH BHAGERIA**  
Partner  
Membership No. 34499


**BALANCE SHEET AS AT 31ST MARCH, 2012**

(₹ in thousand)			
Particulars	Note	As at 31.03.2012	As at 31.03.2011
<b>I EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	2	404,688	404,688
(b) Reserves and Surplus	3	761,746	798,971
<b>2 Share Application Money pending Allotment</b>	4	96,800	96,800
<b>3 Non-Current Liabilities</b>			
Long Term Borrowings	5	1,212,503	1,367,889
<b>4 Current Liabilities</b>			
(a) Short Term Borrowings	6	451,621	422,956
(b) Trade Payables	7	202,782	184,830
(c) Other Current Liabilities	8	451,565	368,408
(d) Short Term Provisions	9	29,121	28,358
		<b>3,610,826</b>	<b>3,672,900</b>
<b>II ASSETS</b>			
<b>1 Non-Current Assets</b>			
(a) Fixed Assets	10		
(i) Tangible Assets		1,098,538	1,103,391
(ii) Intangible Assets		5,642	3,946
iii) Capital Work- in- Progress		52,013	65,335
(b) Non-Current Investments	11	221,980	212,785
(c) Deferred Tax Assets (net)	12	185,100	181,280
(d) Long Term Loans and Advances	13	248,295	272,201
(e) Other Non Current Assets	14	3,902	6,360
<b>2 Current Assets</b>			
(a) Current Investments	15	3,000	3,000
(b) Inventories	16	332,514	383,026
(c) Trade Receivables	17	471,511	485,087
(d) Cash & Cash Equivalent	18	13,108	15,059
(e) Short Term Loans & Advances	19	957,559	930,105
(f) Other Current Assets	20	17,664	11,325
		<b>3,610,826</b>	<b>3,672,900</b>

Significant Accounting Policies 1

Notes referred from 1 to 47 above form an integral part of the Financial Statements

As per our Report of even date attached herewith

For **M B A H & CO**

Chartered Accountants

(Firm Regn No. 121426W)

For &amp; on behalf of the Board

**MAHESH BHAGERIA**

Partner

Membership No. 34499

Place: Mumbai

Date: 3rd November, 2012

**RAJ KUMAR SEKHANI**

Chairman &amp; Managing Director

**HARSH VARDHAN BASSI**

Executive Director




**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012**

(₹ in thousand)			
Particulars	Note	Year Ended 31.03.2012	Year Ended 31.03.2011
I Gross Revenue from Operations	21	2,073,074	1,781,494
Less: Excise Duty		<u>66</u>	<u>69</u>
Net Revenue from Operations		2,073,008	1,781,425
II Other Income	22	<u>224,661</u>	<u>108,516</u>
III Total Revenue (I + II)		<u>2,297,669</u>	<u>1,889,941</u>
IV Expenses:			
Cost of Raw Materials Consumed	23	1,346,313	1,057,286
Purchases of Stock-in-Trade		20,297	12,052
Changes in Inventories	24	8,667	(3,981)
Employee Benefits Expense	25	187,758	177,517
Finance Costs	26	154,013	139,580
Depreciation and Amortization Expenses	10	121,348	116,694
Other Expenses	27	423,891	385,472
Total Expenses		<u>2,262,287</u>	<u>1,884,620</u>
V Profit Before Exceptional and Extraordinary Items and Tax (III-IV)		35,382	5,321
VI Exceptional Items	28	76,427	-
VII Profit/(Loss) before Tax (V-VI)		(41,045)	5,321
VIII Tax Expenses			
Current Tax		-	-
Deferred Tax		(3,820)	(4,180)
IX Profit/(Loss) for the year (VII-VIII)		<u>(37,225)</u>	<u>9,501</u>
X Earning per Equity Share			
(1) Basic		(2.88)	0.75
(2) Diluted		(2.88)	0.37

Significant Accounting Policies

1

Notes referred from 1 to 47 above form an integral part of the Financial Statements

As per our Report of even date attached herewith

For **M B A H & CO**

Chartered Accountants

(Firm Regn No. 121426W)

For &amp; on behalf of the Board

**MAHESH BHAGERIA**

Partner

Membership No. 34499

Place: Mumbai

Date: 3rd November, 2012

**RAJ KUMAR SEKHANI**

Chairman &amp; Managing Director

**HARSH VARDHAN BASSI**

Executive Director


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012** (₹ in thousand)

	Year Ended		Year Ended	
	31ST MARCH, 2012		31ST MARCH, 2011	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>				
Net Profit / (Loss) before extraordinary items and tax		(41,045)		5,321
Adjustment for :				
Depreciation and Amortisation	121,348		116,694	
(Profit)/Loss on Sale of Assets (net)	(115,387)		(311)	
Interest Income	(30,569)		(30,792)	
Finance Costs	154,013		139,580	
Bad Debts W/off	70,812		-	
Duty Drawback W/off	5,615		-	
Excess Interest provided w/back	-		(80,683)	
Net unrealised exchange (gain) / loss	(55,162)	150,670	7,905	152,393
Operating Profit / (Loss) before Working Capital Changes		109,625		157,714
Changes in Working Capital:				
Adjustments for (increase) / decrease in operating assets:				
Inventories	50,512		(45,155)	
Trade Receivables	(57,236)		(57,355)	
Short Term Loans and Advances	64,199		58,129	
Long Term Loans and Advances	25,813		(9,321)	
Other Currents Assets	(11,955)		2,430	
Other Non Current Assets	2,458		104,017	
Adjustments for increase / (decrease) in operating liabilities:				
Trade Payables	17,952		57,584	
Other Current Liabilities	173,300		236,373	
Short Term Provisions	763	265,806	(4,121)	342,581
Cash generated from operation		375,431		500,295
Net income tax (paid) / refunds	(1,907)	(1,907)	(1,525)	(1,525)
<b>Net Cash from Operating Activities</b>		<b>373,524</b>		<b>498,770</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>				
Capital Expenditure on Fixed Assets, including capital advances		(149,844)		(103,975)
Proceeds from Sale of Fixed Assets (net of advance)		68,864		118,396
Purchase of Long Term Investments - Subsidiaries		(9,195)		-
Interest received - Others		1,155		1,636
<b>Net cash from / (used) in Investing Activities</b>		<b>(89,020)</b>		<b>16,057</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>				
Proceeds from Issue of Equity Share Capital (including Share Premium)		-		45,265
Proceeds from Issue of 9% Optionally Cumulative Convertible		-		275,536
Redeemable Preference Share Capital (OCCRPS)		-		66,857
Share application money received / (refunded)		-		-
Proceeds from / (Repayment) of Long Term Borrowing (Net)		(162,464)		(483,414)
Net increase / (decrease) in Working Capital Borrowings		41,719		(114,581)
Repayment of other Short Term Borrowings		(13,054)		8,341
Buyback of FCCBs (net of capital reserve)		-		(189,590)
Finance Costs		(152,341)		(139,580)
Unpaid Dividend Account		(315)		(246)
<b>Net cash used in Financing Activities</b>		<b>(286,455)</b>		<b>(531,412)</b>
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(1,951)		(16,585)
Cash and Cash Equivalent		15,059		31,644
(Opening balances) as on 31-03-2011				
Cash and Cash Equivalent		13,108		15,059
(Closing balances) as on 31-03-2012				

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: 3rd November, 2012

For &amp; on behalf of the Board

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

**HARSH VARDHAN BASSI**  
Executive Director

**NOTES ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2012****Note - 1 : SIGNIFICANT ACCOUNTING POLICIES****1.1 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.

**1.2 Revenue recognition**

Sales Revenue is recognized on transfer of significant risk and rewards of the ownership of the goods to the buyer. Sales is exclusive of Inter Division Sales and Sales Tax, but inclusive of Excise Duty and Export Incentives.

All revenues, costs, assets and liabilities are accounted for on accrual basis, except where there is no reasonable certainty.

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.

**1.3 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.

**1.4 Fixed 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 production as the case may be. Incidental expenses include establishment expenses, administration expenses, labour charges and salaries.

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.

Capital work-in-progress includes incidental expenses pending allocation / apportionment in respect of the uninstalled / incomplete fixed assets.

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

**1.5 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 Statement of Profit and Loss 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.

**1.6 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.

Depreciation on intangible assets is accounted on straight line basis over its 10 years useful life on prorata basis as per Accounting Standard - 6.

The leasehold land is amortized over a period of lease agreement as per Accounting Standard - 6.

**1.7 Exceptional Items**

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is of such nature that disclosure of which improves the understanding of performance of the company. Such income or expense is classified as an exceptional item and accordingly disclosed in the financial statements.

**1.8 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.

**1.9 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.

#### **1.10 Employee Benefits**

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 Statement of Profit & Loss. During the year, the Company has not contributed to the Policy and has provided on 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.

The Company accounts for Provident Fund Contributions as per the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952.

Leave Salary provision is not done as per actuarial valuation, which is not in accordance with Accounting Standard - 15.

#### **1.11 Borrowing Cost**

Interest and other cost in connection with the borrowing of the funds to the extent related/attribution 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 Statement of Profit & Loss.

#### **1.12 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 Statement of Profit and Loss, 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 Statement of Profit and Loss, 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.

#### **1.13 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.

#### **1.14 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.

#### **1.15 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 and carry forward losses 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."

#### **1.16 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. Contingent assets are neither recognized nor disclosed in the financial statements.

#### **1.17 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.


**NOTE -2 SHARE CAPITAL**
**a) Details of authorised, issued and subscribed share capital:**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares	₹ in thousand	Number of shares	₹ in thousand
<b>Authorised</b>				
Equity Shares of ₹10 each	20,000,000	200,000	20,000,000	200,000
Preference Shares of ₹10/- each	30,000,000	300,000	30,000,000	300,000
	<b>50,000,000</b>	<b>500,000</b>	<b>50,000,000</b>	<b>500,000</b>
<b>Issued</b>				
Equity Shares of ₹10 each	12,915,165	129,152	12,915,165	129,152
9% Optionally Convertible Cumulative Redeemable Preference Shares of ₹10/- each	27,553,610	275,536	27,553,610	275,536
	<b>40,468,775</b>	<b>404,688</b>	<b>40,468,775</b>	<b>404,688</b>
<b>Subscribed &amp; Paid up</b>				
Equity Shares of ₹10 each	12,915,165	129,152	12,915,165	129,152
9% Optionally Convertible Cumulative Redeemable Preference Shares of ₹10/- each	27,553,610	275,536	27,553,610	275,536
	<b>40,468,775</b>	<b>404,688</b>	<b>40,468,775</b>	<b>404,688</b>

**b) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the financial year:**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares	₹ in thousand	Number of shares	₹ in thousand
<b>Equity Shares</b>				
As at the beginning of the financial year	12,915,165	129,152	12,208,215	122,082
Add: Issued during the year	-	-	706,950	7,070
As at the end of the financial year	12,915,165	129,152	12,915,165	129,152
<b>Preference Shares</b>				
As at the beginning of the financial year	27,553,610	275,536	-	-
Add: Issued during the year	-	-	27,553,610	275,536
As at the end of the financial year	27,553,610	275,536	27,553,610	275,536

**Rights, preferences and restrictions attached to Equity Shares:**

The Company has one class of Equity Shares having a par value of ₹10 per share. Each shareholders is eligible for one vote per share held. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the case of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**Rights, preferences and restrictions attached to Preference Shares:**

The Company has one class of Optionally Convertible Cumulative Redeemable Preference Shares having a par value of ₹10 fully paid up per share issued subsequent to Corporate Debt Restructuring mechanism. The preference shares do not carry voting rights, but are entitled to get the dividend. Each shareholders is entitled to 9% p.a preference dividend effective October 2008. The preference shares are redeemable in 4 annual installments from September 30, 2015. Preference shares are convertible as per the approval of SEBI.

**c) Details of Equity Shareholding more than 5% in the Company on reporting date:**

Class of shares / Name of shareholder	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
<b>Equity Shares</b>				
<b>Promoters</b>				
Raj Kumar Sekhani	2,424,506	18.77	2,424,506	18.77
<b>Promoters Group</b>				
Pioneer E Com Fashions Ltd.	1,697,797	13.15	1,697,797	13.15

# PIONEER EMBROIDERIES LIMITED

.... a stitch ahead of time



PIONEER GROUP

## d) Details of Preference Shareholding more than 5% in the Company on reporting date:

Class of shares / Name of shareholder	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
<b>Preference Shares</b>				
<b>Others</b>				
State Bank of India	6,325,000	22.96	6,325,000	22.96
Union Bank of India	5,126,360	18.60	5,126,360	18.60
EXIM Bank	4,998,700	18.14	4,998,700	18.14
HDFC Bank	4,263,000	15.47	4,263,000	15.47
State Bank of Patiala	3,750,000	13.61	3,750,000	13.61
Corporation Bank	1,822,770	6.62	1,822,770	6.62

## NOTE -3 RESERVE & SURPLUS

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Capital Reserve</b>		
Opening Balance	748,574	350,429
Add: Consequent to Settlement of Unsecured Loans / FCCBs	-	398,145
Balance as at the end of the year	748,574	748,574
<b>Share Premium</b>		
Opening Balance	86,403	86,403
<b>Statement of Profit and Loss</b>		
Opening Balance	(36,006)	(45,507)
Add: Profit/(Loss) for the year	(37,225)	9,501
Balance as at the end of the year	(73,231)	(36,006)
	<u>761,746</u>	<u>798,971</u>

## NOTE -4 SHARE APPLICATION MONEY PENDING ALLOTMENT

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Share Application Money pending allotment</b>		
From Pioneer E-com Fashions Ltd.	96,800	91,648
From Raj Kumar Sekhani	-	5,152
	<u>96,800</u>	<u>96,800</u>

## NOTE -4.1

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 in a sum of ₹968.00 lacs as contribution towards additional capital, against which 47,83,929 equity 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 ₹21.11 per share. (Including a premium of ₹11.11 per share) and ₹19.77 (Including a premium of ₹9.77 per share) for 16,57,981 and 31,25,948 respectively as per the guide-lines. Allotment thereof is pending for want of in principle approval from Stock Exchanges. The Bombay Stock Exchange has communicated vide correspondence dated 6th August 2012 to obtain fresh approvals from shareholders and thereafter make application with Stock Exchanges for approval. The Company has initiated the process to take fresh approval from its shareholders.


**NOTE -5 LONG TERM BORROWINGS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Secured Loans</b>		
<b>(i) Term Loans</b>		
Axis Bank Limited	16,775	19,825
Corporation Bank	29,652	39,533
EXIM Bank	103,098	121,843
HDFC Bank Limited (CBoP)	51,563	60,938
State Bank of Patiala	79,544	94,006
Small Industries Development Bank of India	9,384	11,091
Union Bank of India	36,118	58,007
<b>(ii) Funded Interest Term Loans</b>		
Axis Bank Limited	1,829	3,048
EXIM Bank	12,103	20,190
HDFC Bank Limited	7,856	13,832
ICICI Bank Limited	3,556	5,926
State Bank of India	13,684	23,184
State Bank of Patiala	7,032	15,812
Small Industries Development Bank of India	1,234	1,917
Union Bank of India	5,213	8,688
<b>(iii) Working Capital Term Loans</b>		
State Bank of India	130,419	153,613
Union Bank of India	47,437	56,062
<b>(iv) Foreign Currency Term Loans</b>		
HDFC Bank Limited (USD 773,654 (USD 914,318))	39,577	40,824
ICICI Bank Limited (Euro 1,051,875 (Euro 1,243,125))	71,885	78,615
Landes Bank Baden Wurttemberg (Euro 882,016.79 (Euro 932,902.38))	60,277	58,997
FITL Landes Bank Baden Wurttemberg (Euro 31,215.66 (Euro 39,019.58))	2,133	2,468
<b>(v) Vehicle Loans</b>		
Union Bank of India	312	502
(Secured by hypothecation of respective vehicle - Terms of Repayment - Equated monthly installment)		
<b>(vi) Other Loans</b>		
Life Insurance Corporation of India (LIC)	5,056	-
<b>Unsecured Loans</b>		
From Development Credit Bank Limited (DCB) (refer Note 32)	26,836	29,038
From Others		
- Foreign Currency Convertible Bonds (FCCBs) (refer Note 31)	449,930	449,930
	<b>1,212,503</b>	<b>1,367,889</b>

**NOTE -5.1**

All above Secured Loans of except Vehicle and LIC 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 for Dope Dyed Polyester Yarn Unit, 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.

Loan from LIC is secured by assignment of Keyman Insurance Policy.

Terms of Repayment : These secured loans were restructured under CDR Scheme w.e.f. 01.10.2008. Above Term Loans except loans from Union Bank of India, Corporation Bank, Funded Interest Term Loan are repayable in 32 quarterly/16 half yearly installments and Working Capital Term Loans are repayable in 32 quarterly installments commenced from 01.10.2010 after a moratorium period of 2 years. Term Loans from Union Bank of India and Corporation Bank are payable in 24 and 28 quarterly installments respectively. Interest at 3% to 10% p.a. is charged.

Funded Interest Term Loans are repayable in 16 quarterly installments commenced from 01.10.2010. Interest at 8% p.a. is charged.

Loan from LIC has not stipulated any repayment period.

Unsecured loan from bank is secured by personal guarantee of Chairman of the Company, post dated cheques and pledge of shares by him in his individual capacity.




**NOTE -5.2**

Details of Continuing default as on the balance sheet date in repayment of Principal loans and Interest with respect to (i), (ii), (iii) &amp; (iv):

(₹ in thousand)				
Type of Loan	Name of Bank	Interest Unpaid	Period of Default	Principle Amount
<b>(i) Term Loan</b>				
	AXIS Bank Limited	1,340	Q2 to Q4	1,525
	Corporation Bank	1,818	Q2 to Q4	7,313
	EXIM Bank	7,365	Q2 to Q4	9,373
	HDFC Bank Limited (CBoP)	4,280	Q2 to Q4	7,031
	State Bank of Patiala	7,418	Q2 to Q4	10,846
	Small Industries Development Bank of India	837	Q2 to Q4	1,280
	Union Bank of India	5,622	Q2 to Q4	18,921
<b>(ii) Funded Interest Term Loans</b>				
	Axis Bank Limited	148	Q2 to Q4	386
	EXIM Bank	977	Q2 to Q4	6,057
	HDFC Bank Limited	856	Q2 to Q4	3,928
	ICICI Bank Limited	471	Q2 to Q4	1,778
	State Bank of India	1,445	Q2 to Q4	7,125
	State Bank of Patiala	572	Q2 to Q4	3,702
	Small Industries Development Bank of India	90	Q2 to Q4	341
	Union Bank of India	624	Q2 to Q4	2,606
<b>(iii) Working Capital Term Loans</b>				
	State Bank of India	9,778	Q2 to Q4	17,784
	Union Bank of India	5,303	Q2 to Q4	8,625
<b>(iv) Foreign Currency Term Loans</b>				
	HDFC Bank Limited	1,739	Q2 to Q4	5,397
	ICICI Bank Limited	4,312	H1 & H2	14,704
	Landes Bank Baden Wurttemberg	779	H1	3,478
	Landes Bank Baden Wurttemberg (FITL)	-	H1	533
		55,774		132,733

**NOTE -6 SHORT TERM BORROWINGS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Secured</b>		
<b>Loans Repayable on Demand</b>		
<b>Cash Credit Facility</b>		
State Bank of India	351,470	307,321
Union Bank of India	94,869	97,299
	446,339	404,620
<b>Unsecured</b>		
<b>a) Short Term Loans Repayable on Demand</b>		
Inter Corporate Deposits	5,282	8,795
<b>b) Loans From Related Party</b>		
<b>From Director</b>		
Raj Kumar Sekhani	-	9,541
	5,282	18,336
	451,621	422,956

**NOTE -6.1**

Cash Credit 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.


**NOTE -7 TRADE PAYABLES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Trade Payables</b>		
For Goods	132,007	124,758
For Services	70,775	60,072
	<b>202,782</b>	<b>184,830</b>

**NOTE -8 OTHER CURRENT LIABILITIES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>a) Current maturities of Long Term Debt - Secured</b>		
<b>(i) Term Loans</b>		
Axis Bank Limited	4,575	3,162
Corporation Bank	17,194	12,352
EXIM Bank	28,118	18,745
HDFC Bank Limited (CBoP)	16,406	11,719
State Bank of Patiala	25,309	17,771
Small Industries Development Bank of India	2,986	2,133
Union Bank of India	37,842	23,611
<b>(ii) Funded Interest Term Loans</b>		
Axis Bank Limited	1,605	1,219
EXIM Bank	14,132	10,094
HDFC Bank Limited	9,165	6,310
ICICI Bank Limited	4,148	2,963
State Bank of India	16,625	11,875
State Bank of Patiala	9,327	7,031
Small Industries Development Bank of India	1,024	853
Union Bank of India	6,081	4,344
<b>(iii) Working Capital Term Loans</b>		
State Bank of India	41,497	29,641
Union Bank of India	17,250	10,781
<b>(iv) Foreign Currency Term Loans</b>		
HDFC Bank Limited (USD 246,162 (USD 175,830))	12,593	7,851
ICICI Bank Limited (Euro 406,406 (Euro 286,875))	27,774	18,142
Landes Bank Baden Wurttemberg (Euro 152,656.74 (Euro 152,656.74))	10,433	9,654
FITL Landes Bank Baden Wurttemberg (Euro 23,411.76 (Euro 23,411.76))	1,600	1,481
<b>(v) Vehicle Loans</b>		
Union Bank of India	264	264
<b>b) Current maturities of Long Term Debt - Unsecured</b>		
From Development Credit Bank Limited (DCB)	9,482	13,170
<b>c) Interest provided</b>		
<b>(i) Term Loans</b>		
Axis Bank Limited	1,340	583
Corporation Bank	1,818	1,404
EXIM Bank	7,365	3,566
HDFC Bank Limited (CBoP)	4,280	1,212
State Bank of Patiala	7,418	-
Small Industries Development Bank of India	837	353
Union Bank of India	5,622	1,053


**NOTE -8 OTHER CURRENT LIABILITIES (Contd..)**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>(ii) Funded Interest Term Loans</b>		
Axis Bank Limited	148	32
EXIM Bank	977	579
HDFC Bank Limited	856	273
ICICI Bank Limited	471	94
State Bank of India	1,445	243
State Bank of Patiala	572	496
Small Industries Development Bank of India	90	58
Union Bank of India	624	89
<b>(iii) Working Capital Term Loans</b>		
State Bank of India	9,778	1,642
Union Bank of India	5,303	702
<b>(iv) Foreign Currency Term Loans</b>		
HDFC Bank Limited (USD 34,000 (USD 9,212))	1,739	411
ICICI Bank Limited (Euro 63,089.26 (Euro 25,873.70))	4,311	1,636
Landes Bank Baden Wurttemberg (Euro 11393.06 (Euro 10790.94))	779	682
FITL Landes Bank Baden Wurttemberg	0	0
<b>(v) Vehicle Loans</b>		
Union Bank of India	9	-
<b>(vi) Other Loans</b>		
Life Insurance Corporation of India	116	-
d) Provision for Interest on Secured & Unsecured Bank loans	1,672	-
e) Unpaid Dividends	998	1,313
f) Advance from Customers	34,155	7,908
g) Liability for Capital Expenditure	6,194	12,454
h) Overdrawn Bank Balance	4,128	999
i) Advance Received against Bangalore Property	-	91,500
j) Statutory Dues	8,528	7,021
k) Remuneration payable to Directors	3,889	4,748
l) To others	20,673	2,191
	<b>451,565</b>	<b>368,408</b>

**NOTE - 8.1**

Overdrawn Bank Balance represents various cheques issued by the Company which are presented for clearance in the subsequent financial year.

**NOTE - 8.2**

Current Liabilities to others includes ₹200 lacs received from Sunteck Realty Ltd. On finalisation of the account, necessary treatment will be given in the books of account. The amount is subject to confirmation.

**NOTE - 8.3**

Advance from customers includes advance of ₹153.70 lacs received from Kiran Industries Limited, a related enterprise.

**NOTE -8.4**

Details of provision for Interest on Secured & Unsecured Bank Loans with respect to 8 (d)		(₹ in thousand)	
Nature of Loan	Type of Loan	As at 31.03.2012	As at 31.03.2011
Secured	Term Loans	1,217	-
	Funded Interest Term Loan	317	-
	Working Capital Term Loan	134	-
	Other Loans	4	-
		<b>1,672</b>	<b>-</b>


**NOTE -9 SHORT TERM PROVISIONS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Provision For Employee Benefits</b>		
Salary/Wages Payable	21,198	21,276
Contribution to Funds	759	918
Gratuity Premium	7,164	6,164
	<b>29,121</b>	<b>28,358</b>

**NOTE -9.1**

During the year, the Company has provided a sum of ₹10.00 lacs (₹10.00 lacs) towards gratuity in the Statement of Profit & Loss on adhoc basis for the Group Gratuity Scheme of Life Insurance Corporation of India, but no provision is made 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.

**NOTE -10 FIXED ASSETS**

(₹ in thousand)

SR. NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2011	ADDITION	DEDUCTION/ADJUSTMENTS	As at 31.03.2012	As at 01.04.2011	ADDITION	DEDUCTION/ADJUSTMENTS	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
	<b>Tangible Assets:</b>										
1	Land - Owned	55,520	-	8,674	46,846	-	-	-	-	46,846	55,520
	- Leasehold	2,982	-	-	2,982	347	31	-	378	2,604	2,635
2	Buildings	363,566	9,073	32,135	340,504	75,105	10,935	14,940	71,100	269,404	288,461
	- Lift	2,012	1,134	-	3,146	476	106	-	582	2,564	1,536
3	Plant & Machineries	1,423,179	130,040	180,018	1,373,201	754,811	100,015	164,798	690,028	683,173	668,368
4	Furniture & Fixtures	32,401	357	4,652	28,106	15,888	2,580	4,142	14,326	13,780	16,513
5	Vehicles	20,559	1,201	1,702	20,058	11,613	1,855	946	12,522	7,536	8,946
6	Office Equipments	10,990	131	71	11,050	4,436	516	67	4,884	6,166	6,554
7	Computers	22,239	678	1,265	21,652	19,587	951	1,189	19,349	2,303	2,652
8	Electrical Installations	69,608	18,081	6,888	80,801	18,553	3,644	4,346	17,851	62,950	51,055
9	Borewell	1,251	109	-	1,360	100	48	-	148	1,212	1,151
	<b>Sub Total</b>	<b>2,004,307</b>	<b>160,804</b>	<b>235,405</b>	<b>1,929,706</b>	<b>900,916</b>	<b>120,681</b>	<b>190,428</b>	<b>831,168</b>	<b>1,098,538</b>	<b>1,103,391</b>
	<b>Intangible Assets:</b>										
10	Computer Softwares	5,280	2,363	-	7,643	1,334	667	-	2,001	5,642	3,946
	<b>Sub Total</b>	<b>5,280</b>	<b>2,363</b>	<b>-</b>	<b>7,643</b>	<b>1,334</b>	<b>667</b>	<b>-</b>	<b>2,001</b>	<b>5,642</b>	<b>3,946</b>
	<b>Total</b>	<b>2,009,587</b>	<b>163,167</b>	<b>235,405</b>	<b>1,937,349</b>	<b>902,250</b>	<b>121,348</b>	<b>190,428</b>	<b>833,169</b>	<b>1,104,180</b>	<b>1,107,337</b>
	Previous Year	1,965,386	50,292	6,091	2,009,587	790,062	116,694	4,506	902,250	1,107,337	
	<b>Capital Work-in-progress</b>									<b>52,013</b>	<b>65,335</b>
										<b>1,156,193</b>	<b>1,172,672</b>

**NOTE 10.1**

Capital Work in progress includes:

- a sum of ₹297.05 lacs for renovation of machines at Kallakruchi till the assets of Arcot Textile Mill Limited are transferred in favor of the Company.
- a sum of ₹245.22 lacs spent for ongoing expansion at Kala-amb unit.


**NOTE -11 NON-CURRENT INVESTMENTS**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares	₹ in thousand	Number of shares	₹ in thousand
<b>Quoted Investments</b>				
<b>In Other Entities</b>				
RLF Limited (listing suspended) (Equity shares of Face Value of ₹10/- each)	1,000	5	1,000	5
Padmini Technologies Limited (listing suspended) (Equity shares of Face Value of ₹10/- each) (Cost ₹1,756,253/- less provision made ₹1,756,252/-)	68,939	-	68,939	-
<b>Unquoted Investments</b>				
<b>a) Investment in Subsidiaries</b>				
Hakoba Lifestyle Limited (Refer Note 19.1) (Equity shares of Face Value of ₹10/- each)	11,470,000	114,700	11,470,000	114,700
Mas Embroideries Private Limited (Refer Note 19.2) (Equity shares of Face Value of ₹10/- each)	2,225,200	3,788	2,225,200	3,788
S R Investments Limited (Refer Note 19.3) (Equity shares of Face Value of USD 1 each)	100,000	102,967	51,000	93,772
Pioneer Realty Limited (Equity shares of Face Value of ₹10/- each)	50,000	500	50,000	500
<b>b) In Other Entities</b>				
The Greater Bombay Co-op. Bank Limited (Equity shares of Face Value of ₹25/- each)	40	1	40	1
<b>c) In Government Securities</b>				
National Saving Certificates (Lodged with Sales Tax Department)		19		19
	<b>13,915,179</b>	<b>221,980</b>	<b>13,866,179</b>	<b>212,785</b>

**NOTE - 12 DEFERRED TAX ASSETS (NET)**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Deferred Tax Liabilities</b>		
Depreciation	81,173	80,608
	<b>81,173</b>	<b>80,608</b>
<b>Deferred Tax Assets</b>		
Carry Forward Losses	203,433	210,282
Other Disallowances	62,840	51,606
	<b>266,273</b>	<b>261,888</b>
	<b>185,100</b>	<b>181,280</b>


**NOTE -13 LONG TERM LOANS & ADVANCES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
a) Capital Advances (unsecured, considered good)	33,927	57,730
b) Security Deposits (unsecured, considered good)		
Deposit for Others	12,236	10,776
c) Advance Income Tax Paid (net)	6,044	4,137
d) Other Loans and Advances (unsecured, considered good)		
Advances to Arcot Textile Mills Ltd.	110,500	110,500
Other Advances for Various Properties	85,588	89,058
	<u>248,295</u>	<u>272,201</u>

**NOTE - 13.1**

- a) Capital advance of ₹339 lacs has been given for expansion project of Dope Dyed Yarn unit at Kala-amb, mainly to building contractors and to suppliers of plant & machineries, software etc.
- b) Advances to Arcot Textile Mills Limited (BIFR Company) was given for purchase of movable and immovable assets situated at Kallakurichi, Tamilnadu for a total consideration of ₹1105.00 lacs on lump sum sale basis out of FCCBs funds pursuant to MOU dated 20th September, 2007. The transfer of assets in favour of the Company is pending for deregistration from BIFR. Subsequently due to inordinate delay for deregistration from BIFR, it has been agreed that Arcot will return the above advance within reasonable time period vide their confirmation letter dated 5th October, 2012.

**NOTE - 13.2**

Other advances of ₹855.88 lacs (₹890.58 lacs) given to seven parties for various properties for which necessary settlements are being made with them as the expected land or properties in all cases may not be conveyanced in favour of the Company, however as per the management, said amounts are considered good and fully recoverable. These balances are subject to confirmation from the parties.

**NOTE -14 OTHER NON CURRENT ASSETS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Fixed Deposit</b>		
Fixed deposit in Banks with more than 12 months maturity	3,902	6,360
	<u>3,902</u>	<u>6,360</u>

**NOTE -15 CURRENT INVESTMENTS**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of units	₹ in thousand	Number of units	₹ in thousand
<b>Investments in Mutual Funds</b>				
SBI Infrastructure Bond	100,000	1,000	100,000	1,000
(Unit of ₹10/- each)				
SBI One India Fund	200,000	2,000	200,000	2,000
(Unit of ₹10/- each)				
	<u>300,000</u>	<u>3,000</u>	<u>300,000</u>	<u>3,000</u>

**NOTE -16 INVENTORIES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
(As certified by Management)		
a) Raw Materials	64,874	106,672
b) Work-in-progress	30,335	35,902
c) Finished goods	231,937	235,037
d) Store & Spares	2,413	2,395
e) Packing Material	2,955	3,020
	<u>332,514</u>	<u>383,026</u>


**NOTE -17 TRADE RECEIVABLES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Unsecured</b>		
Outstanding for a period more than six months from the date they are due for payment		
Considered Good	211,481	255,177
Considered Doubtful	48,110	48,110
Less: Provision for Doubtful Trade Receivables	(48,110)	(48,110)
	<u>211,481</u>	<u>255,177</u>
<b>Others</b>		
Considered Good	260,030	229,910
	<u>471,511</u>	<u>485,087</u>

**NOTE -17.1**

Trade receivable includes:

- Outstanding from subsidiary Hakoba Lifestyle Ltd of ₹1546.97 lacs (₹1549.85 lacs) since long time.
- Outstanding from associate company Crystal Lace (I) Ltd of ₹113.24 lacs (₹117.00 lacs) since long time.
- Outstanding from related enterprise Kiran Industries Ltd. of ₹7.67 lacs (₹13.18 lacs).

**NOTE -17.2**

Trade receivable includes export bills outstanding for more than year for ₹34.07 lacs for which extension from RBI is need to be taken.

**NOTE -18 CASH & CASH EQUIVALENTS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>a) Balances with Banks</b>		
In Current Accounts	10,448	7,308
<b>b) Cash in hand</b>	<u>2,660</u>	<u>7,751</u>
	<u>13,108</u>	<u>15,059</u>

**NOTE -19 SHORT TERM LOANS & ADVANCES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Short Term Loan &amp; Advances to Related Parties</b>		
<b>Loans and Advances to Subsidiaries/JV (unsecured, considered good)</b>		
Hakoba Lifestyle Ltd.	127,062	137,193
Mas Embroideries Pvt. Ltd.	8,499	42,596
Pioneer Realty Ltd.	5,071	5,071
S R Investments Ltd. (considered doubtful)	155,601	129,150
Super Industries DMCC (JV)	355,930	290,728
<b>Loans and Advances to Related Parties (unsecured, considered good)</b>		
Pioneer E-com Fashion Ltd.	107,637	126,789
Crystal Lace (I) Ltd.	156,965	155,849
<b>Short Term Loan &amp; Advances to Other Parties</b>		
Advances recoverable in cash or in kind	28,153	27,434
Loan & Advance to Staff	7,116	9,858
Prepaid Expenses	1,127	1,656
Other Advances and Balances	4,398	3,781
	<u>957,559</u>	<u>930,105</u>



**NOTE - 19.1**

The Company has an investment of ₹1147.00 lacs (₹1147.00 lacs), an outstanding trade receivable of ₹1546.97 lacs (₹1549.85 lacs) and has given loans and advances of ₹1270.62 lacs (₹1371.93 lacs) to Hakoba Lifestyle Limited, a subsidiary of the Company. The accumulated losses as at 31st March, 2012 amounting to ₹6,340.53 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.

**NOTE - 19.2**

The Company has an investment of ₹37.88 lacs (₹37.88 lacs) and has given loans and advances of ₹84.99 lacs (₹425.96 lacs) to Mas Embroideries Private Limited, a wholly owned subsidiary of the Company. The accumulated losses as at 31st March, 2012 amounting to ₹326.71 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.

**NOTE - 19.3**

- a) The Company had invested USD 2.38 mn. (₹937.72 lacs) in October, 2007 in the overseas subsidiary S.R Investments Limited to acquire 51% equity thereof which has become 100% subsidiary during June 2011 by further investment of ₹91.95 lacs (USD 0.205 mn.) and had advanced an optionally convertible loan of USD 2.20 mn. (₹1125.44 lacs) (USD 2.20 mn. (₹982.30 lacs)) out of FCCBs funds, with a service charge @ 9% p.a. until conversion or repayment and thus the outstanding loan amount including interest/service charge as at the year end is ₹1556.01 lacs (₹1291.50 lacs). The accounting year of the said subsidiary is closed on 30th June every year and pending finalization of audit of the said Subsidiary for the year ended 30th June, 2012, 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 Investments Ltd, Mauritius expired in April, 2009 i.e. within 18 months of Investments as per agreement. However, the interest along with principal amount not repaid timely 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 due to heavy losses. In view of above, the Company has applied to Reserve Bank of India (RBI) on 23rd January, 2012 for permission to write off said loan along with Interest/service charge thereon, the effect of which in the books will be given on receipt of approval from RBI. Accordingly, the Company has accounted annual service charges upto 31st December, 2012 only.

**NOTE - 19.4**

- a) The Company had invested USD 1.26 mn. (₹509.92 lacs) in overseas Joint Venture M/s Super Industries DMCC, Dubai to acquire 10% stake thereof and further advanced an optionally convertible loan of USD 3.70 mn. (₹1892.79 lacs) (USD 3.70 mn. (₹1652.05 lacs)) out of FCCBs funds in the October-November 2007, with a service charge @ 9% p.a. until conversion or repayment. In September, 2008, the said investment given for 10% stake was treated as loan by the Company and the outstanding loan amount including interest/service at the year end is ₹3559.30 lacs (₹2907.28 lacs). Since, the Company doesn't hold any stake 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 ₹3559.30 lacs (USD 4.96 mn. plus service charges) advanced to M/s Super Industries, DMCC is considered good and as per the management the said amount is fully recoverable and good in recovery though neither principal nor service charges are paid yet. This outstanding balance is subject to confirmation.

**NOTE - 19.5**

Interest free unsecured loans and advances of ₹1076.37 lacs (₹1267.89 lacs) to Pioneer E-com Fashion Ltd, an associate company is considered good of recovery as per the management of the Company. Pending recovery of said amount, the associate has given advance share application money of ₹968 lacs (refer note 4.1).

**NOTE - 19.6**

- a) Loans and advances of ₹1534.00 lacs (₹1534.00 lacs) to Crystal Lace (India) Ltd in the period 2007-08 against Plant & Machineries, the title of which could not be transferred due to technical reasons and the said advance and obligation to buy Plant & Machineries was converted into loan bearing interest @15% p.a. vide agreement dated 20th March 2009 and has been further secured by charge on the factory Plot No. 27, at TTC Indl Area, MIDC, Mahape, Navi Mumbai, Dist Thane (admeasuring about 10687.32 sq mtrs) in favor of the Company. The front portion of the smaller plot (admeasuring 3167.20 sq mtrs) has been given for development, of which 25% of the proposed constructed area shall belong to Crystal Lace (India) Limited. The Company has registered the charge with ROC. Subsequently in July 2012, the Company has got converted ₹440 lacs into 44 lacs equity shares of ₹10 each of Crystal Lace (I) Ltd.
- 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 ₹697.23 lacs (₹467.13 lacs) on the aforesaid loan and income is understated to that extent in the current year.
- d) ₹113.24 lacs (₹117.00 lacs) amount is recoverable from Crystal Lace (India) Limited as trade receivable since long time, but as per the management the amount is considered as good and recoverable.


**NOTE -20 OTHER CURRENT ASSETS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
(Unsecured, considered good)		
<b>Other Loans and Advances</b>		
Accrued Export and Other Incentives	4,883	6,198
Insurance Claim Receivables	9,778	-
Interest Receivables (TUF)	3,003	5,127
	<u>17,664</u>	<u>11,325</u>

**NOTE -21 REVENUE FROM OPERATIONS**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>Sale of Products - Yarn, Embroidery Fabric &amp; Laces*</b>		
Domestic Sales	1,769,153	1,730,964
Export Sales	280,133	49,007
Other Operating Revenue (Export Incentives)	23,788	1,523
Gross Revenue from Operations	<u>2,073,074</u>	<u>1,781,494</u>
Less: Excise duty	66	69
	<u>2,073,008</u>	<u>1,781,425</u>
<b>Detail of Sale of Products*</b>		
<b>Particulars</b>	<b>Year Ended 31.03.2012</b>	<b>Year Ended 31.03.2011</b>
<b>Manufactured Goods</b>		
Dope Dyed Polyester Yarn	1,537,874	1,246,808
Embroidered Fabric & Laces	378,174	407,170
Spun Yarn	108,554	112,001
	<u>2,024,602</u>	<u>1,765,979</u>
<b>Traded Goods</b>		
Embroidered Fabric & Laces	24,684	13,992
	<u>24,684</u>	<u>13,992</u>
	<u>2,049,286</u>	<u>1,779,971</u>

**NOTE -21.1**

Sales during the year includes:

- Sales made to subsidiaries nil (₹171.17 lacs).
- Sales made to related enterprises M/s J J Sons, Thakurdas & Co. Pvt. Ltd. and Kiran Industries Ltd. ₹92.94 lacs (₹86.88 lacs), nil (₹0.66 lacs) and ₹120.44 lacs (₹17.46 lacs) respectively.

**NOTE -22 OTHER INCOME**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Interest on Loans to Subsidiary/JV	29,414	29,156
Interest on Others	1,155	1,636
Adjustments to Carrying Amount of Loan given to Subsidiary/JV(Net)	62,240	(4,675)
Profit on Fixed Assets sold (Net)	115,387	311
Liabilities/Provisions no longer required written back	-	80,683
Misc. Non Operating Income (Net)	329	970
Gain on Exchange Rate Difference (Net)	16,136	435
	<u>224,661</u>	<u>108,516</u>


**NOTE -23 COST OF MATERIAL CONSUMED**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>Cost of Raw Material Consumed</b>		
Opening Stock	106,672	66,595
Purchases during the year	1,304,515	1,097,363
	1,411,187	1,163,958
Less:- Closing Stock	64,874	106,672
	<u>1,346,313</u>	<u>1,057,286</u>

**NOTE -23.1**

Trade Purchases during the year includes:

- Purchases made from subsidiary Mas Embroideries Pvt. Ltd. ₹9.22 lacs (₹22.14 lacs).
- Purchases made from related enterprises M/s J J Sons ₹1.30 lacs (₹2.94 lacs) and Kiran Industries Ltd. ₹4.04 lacs (₹9.47 lacs).

**NOTE -24 CHANGE IN INVENTORIES**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>Opening Inventories</b>		
Work-in-Progress	35,902	22,840
Finished Goods	235,037	244,118
	270,939	266,958
<b>Less: Closing Inventories</b>		
Work-in-Progress	30,335	35,902
Finished Goods	231,937	235,037
	262,272	270,939
	<u>8,667</u>	<u>(3,981)</u>

**NOTE -25 EMPLOYEE BENEFITS EXPENSE**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
a) Salaries, Wages and Incentives	173,620	161,424
b) Contribution to Funds	4,949	4,863
c) Staff Welfare Expenses	9,189	11,230
	<u>187,758</u>	<u>177,517</u>

**NOTE -26 FINANCE COSTS**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>Interest expense</b>		
a) Interest on Borrowings	140,694	131,006
b) Interest on late payment of Taxes	457	1
c) Other Borrowing Costs	5,784	5,343
d) Applicable Net Gain/Loss on Foreign Currency Transactions and Translation	7,078	3,230
	<u>154,013</u>	<u>139,580</u>


**NOTE -27 OTHER EXPENSES**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Director Remuneration	8,028	8,016
Directors Sitting Fees	25	33
Donations	4	716
Insurance	1,706	1,611
Job Charges	17,632	22,840
Legal & Professionals Fees	13,251	15,625
Miscellaneous Expenses	46,306	51,941
Packing Material Consumed	76,697	59,038
Payment to Auditors*	1,323	1,064
Power & Fuel	135,727	108,729
Prior Period Items	1,547	-
Rates & Taxes	3,570	4,860
Rent	9,027	7,615
Repair & Maintenance Buildings	1,163	1,956
Repair & Maintenance Others	4,895	4,982
Repair & Maintenance Plant & Machinery	5,257	6,020
Selling Expenses	78,827	73,181
Store & Spares Consumed	18,906	17,245
	<b>423,891</b>	<b>385,472</b>

**\* Details of payment to Auditors**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
a) for Statutory Audit	899	882
b) for Taxation Matter	365	145
c) for Other Services	59	37
	<b>1,323</b>	<b>1,064</b>

**NOTE -28 EXCEPTIONAL ITEMS**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Bad Trade Receivables W/off	70,812	-
Duty Drawback W/off	5,615	-
	<b>76,427</b>	<b>-</b>

**NOTE -28.1**

During the year, company has written off above bad trade receivables (export) with the approval of Reserve Bank of India as the management find it non recoverable.


**NOTE -29 CONTINGENT LIABILITIES**

(₹ in lacs)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
a) Bank Guarantees Outstanding.	39.37	96.27
b) Corporate Guarantees on behalf of Subsidiary to Banks.	3,050.00	3,050.00
c) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances).	166.96	99.78
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	46.14
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).	43.32	53.07
g) Other Income Tax matters pending in appeal.	13.33	13.33
h) Premium/Interest on Foreign Currency Convertible Bond.	2,588.74	1,730.77
i) Unpaid Dividend on 9% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS).	867.94	619.96
j) Custom Duty on Capital Goods and Raw Materials imported under Advance Licence / EPCG Scheme, against which export obligation is to be fulfilled.	771.98	1,312.71
k) Service Tax Liability on rented property pending high court decision.	-	4.89
l) Demand raised by Bennet Coleman & Co Ltd for converting equity options into debt of subsidiary for which arbitration proceedings are pending.	1,059.00	-
m) 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.	N A	N A

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

**NOTE - 30 Loans and Advances includes amount due from Subsidiaries / JV:**

(₹ in lacs)

Particulars	Current Year 31-03-2012		Previous Period 31-03-2011	
	Closing Balance	Maximum due	Closing Balance	Maximum due
a) Hakoba Lifestyle Limited	1,270.62	1,371.93	1,371.93	1,399.23
b) Mas Embroideries Private Limited	84.99	425.96	425.96	427.86
c) S.R Investments Limited	1,125.44 (Loan) 430.57 (Service charges)	1,556.01	982.20 (Loan) 309.20 (Service charges)	1,291.50
d) Pioneer Realty Limited	50.71	50.71	50.71	50.71
e) Super Industries DMCC, (JV)	2,537.36 (Loan) 1,021.94 (Service Charges)	3,559.30	2,214.64 (Loan) 692.64 (Service Charges)	2,907.28

**NOTE - 31 Foreign Currency Convertible Bonds (FCCBs) :**

- The outstanding FCCBs as at 31st March, 2012 is US\$ 11 million and has matured on 28th April, 2012, the effect of which will be given in the year of maturity. These balance FCCBs of value of US\$ 11 million were settled at US\$ 2.40 million as per the terms and conditions being agreed upon and the treatment thereof will be given as and when these are extinguished and paid.
- In view of the above settlement, the Company is no longer liable for interest payable on FCCBs worth USD 11 million.
- For the balance FCCBs value of USD 11 million, though the Company had entered in to settlement terms but it has exceeded the reasonable time period. The Company is further under re-negotiation for settlement. In view of this no provision has been made for premium/interest aggregating to ₹2588.74 lacs (₹1730.77 lacs) on the outstanding FCCBs up to 31st March, 2012 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 ₹857.97 lacs (₹473.96 lacs).
- There is a foreign exchange loss of ₹1127.92 lacs (₹412.20 lacs) on outstanding FCCBs as on 31st March, 2012 arising out of revaluation, which has not been accounted for since FCCBs has been considered as Non-Monetary liability by the management.
- 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 ₹1127.92 lacs (₹412.20 lacs) on account of exchange difference.



**NOTE - 32** The Company had negotiated with unsecured lenders Development Credit Bank Ltd. The total outstanding opening balance of DCB Bank as on 1st April, 2011 was ₹422.08 lacs (₹465.98 lacs). The bank has agreed to waive the interest on amount of ₹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 ₹268.36 lacs the bank has agreed to 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 ₹58.90 lacs (₹43.90 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.

**NOTE - 33** Few of the fixed deposits, overdraft balances and bank accounts are subject to confirmations though reconciled with available bank statements. Few of the secured and unsecured loans are subject to confirmations though reconciled with bank statements.

**NOTE - 34** 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 ₹131.54 lacs (₹70.09 lacs).

**NOTE - 35** 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 ₹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 of US\$ 1844 has been retained overseas with Axis Bank, Hong Kong.

**NOTE - 36** In the opinion of the management, there is no impairment of assets as on Balance Sheet date.

**NOTE - 37** a) As per the Corporate Debt Restructuring scheme (CDR scheme) entered during the earlier years, the Company had 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 had allotted 27,553,610, 9% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of ₹10/- each aggregating to ₹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) 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.

c) 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.

d) 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.

e) CDR Lenders shall have the right to recompense the relief/ sacrifices/ waivers extended by respective CDR lenders (as per CDR guidelines).

**NOTE - 38** During the year, the Company has paid a sum of ₹4.32 lacs (₹7.20 lacs) as premium towards the Key man Insurance policy taken for Mr. Raj Kumar Sekhani, Chairman & Managing Director of the Company.

**NOTE - 39** During the year, the Company has written off bad advances of ₹575 lacs given to various parties and loan and advances of ₹25 lacs given to staff, which were provided as doubtful advances in the earlier years.

**NOTE - 40** As per 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.

**NOTE - 41** The sundry debit and credit balances including receivables, payables 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.

**NOTE - 42** 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.

# PIONEER EMBROIDERIES LIMITED

.... a stitch ahead of time



PIONEER GROUP

**NOTE - 43** The Company operates in a single segment of Textiles.

## **NOTE - 44** Earning per Equity Share

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Net Profit/(Loss) for the year attributable to Equity Shareholders (₹ in lacs)	(372.25)	95.01
Weighted Average Number of Equity Shares of ₹10/- each (fully paid-up)	12,915,165	12,700,185
Earning per Share - Basic (₹)	(2.88)	0.75
Diluted (₹)	(2.88)	0.37

## **NOTE - 45** Related Party Disclosures :

### a) Names of Related Parties and Nature of Relationships

i	Subsidiaries	Hakoba Lifestyle Ltd. Mas Embroideries Pvt. Ltd. Pioneer Realty Ltd. S.R Investments Ltd, Mauritius
ii	Associate Concerns	Pioneer E-Com Fashions Ltd. Reach Industries Pvt. Ltd. Crystal Lace (I) Ltd
iii	Joint Venture	M/s Super Industries, DMCC, Dubai
iv	Key Management Personnel	Shri Raj Kumar Sekhani Shri Harsh Vardhan Bassi
v	Relative of Key Management Personnel & their Enterprises	Shri Vishal Sekhani M/s J J Sons Kiran Industries Ltd.

### b) Transactions during the year

Particulars	Year Ended 31.03.2012 ₹ in lacs	Year Ended 31.03.2011 ₹ in lacs
<b>Nature of Transaction</b>		
i) Sales		
Subsidiaries	--	171.17
Relative of Key Management Personnel & their enterprises	213.38	105.00
ii) Purchases		
Subsidiaries	9.22	22.14
Relative of Key Management Personnel & their enterprises	5.34	12.41
iii) Income from Service Charges/Interest on Loans		
Subsidiaries	73.08	89.58
Joint Venture	221.07	201.97
iv) Payment for Other Services		
Associate Concerns (Rent)	3.00	3.00
Key Management Personnel (Remuneration to Whole Time Directors)	77.04	77.04
Relative of Key Management Personnel & their Enterprises	0.83	--
v) Share Application Money Received		
Associate Concerns	51.52	916.48
Key Management Personnel	(51.52)	51.52
vi) Balance outstanding as at the year end		
Subsidiaries	4507.42 Dr	4689.94 Dr
Associate Concerns	2756.07 Dr	2954.40 Dr
Joint Venture	3559.30 Dr	2907.28 Dr
Key Management Personnel	38.09 Cr	142.80 Cr
Relative of Key Management Personnel & their enterprises	109.12 Cr	45.47 Dr





**NOTE - 46 Additional Information**

**a) Value of imported and indigenous Raw Material and Spare Parts consumed:**

Particulars	%	31-03-2012 ₹ in lacs	%	31-03-2011 ₹ in lacs
<b>Raw Material/Purchases:</b>				
Imported	1.34	182.95	1.29	138.86
Indigenous	98.66	13483.16	98.71	10,554.52
<b>Store &amp; Spares:</b>				
Imported	11.38	21.52	10.58	18.25
Indigenous	88.62	167.54	89.42	154.20

Particulars	Year Ended 31.03.2012 ₹ in lacs	Year Ended 31.03.2011 ₹ in lacs
-------------	---------------------------------------	---------------------------------------

**b) Value of Imports on CIF Basis:**

Raw Materials	243.13	141.50
Capital Goods	692.10	10.28
Stores & Spares	24.49	16.68

**c) Expenditure in Foreign Currency (On Payment basis) :**

Travelling	7.42	5.35
Professional & Technical Services	3.38	30.79
Interest Paid	112.98	28.73
Bank Charges	0.13	7.21
Selling Expenses	5.03	16.59

**d) Earnings in Foreign Currency :**

Export Turnover (Net)	2801.33	490.07
Interest/Service Charges	294.14	291.56

**NOTE - 47** The Financial Statements for the year 31st March, 2011 has been prepared as per pre-revised Schedule VI to the Companies Act, 1956 applicable for the year. The Financial Statements for the year ended 31st March, 2012, has been prepared as per Revised Schedule VI notified under the Companies Act, 1956 applicable for the Financial Year commencing from April 1, 2011. Accordingly, the previous year's figure have been regrouped and reclassified to confirm to current year's classification.

As per our Report of even date attached herewith

For **M B A H & CO**

Chartered Accountants

(Firm Regn No. 121426W)

For & on behalf of the Board

**MAHESH BHAGERIA**

Partner

Membership No. 34499

Place: Mumbai

Date: 3rd November, 2012

**RAJ KUMAR SEKHANI**

Chairman & Managing Director

**HARSH VARDHAN BASSI**

Executive Director



## SUMMARY OF FINANCIAL INFORMATION OF SUBSIDIARY

(₹ in thousand)

Sr. No.	Particulars	Name of Subsidiary			
		Hakoba Lifestyle Ltd.	Mas Embroideries Pvt. Ltd.	Pioneer Reality Ltd.	S R Investments Ltd @
(a)	Capital	134,941	22,252	500	5,116
(b)	Reserve	(548,394)	(29,553)	(587)	(123,092)
(c)	Total Assets	360,569	744	5,035	40,301
(d)	Total Liabilities	360,569	744	5,035	40,301
(e)	Investment other than Investment in Subsidiary	-	-	-	41,208
(f)	Turnover	58,642	949	-	-
(g)	Profit before Taxation	(71,300)	16,307	(483)	(8,090)
(h)	Provision for Taxation	-	-	-	-
(i)	Profit after Taxation	(71,300)	16,307	(483)	(8,090)
(j)	Proposed Dividend	-	-	-	-

@ Balance Sheet and Profit/(Loss) items are translated at closing exchange rate of ₹51.1565 and are unaudited.



## Auditors' Report 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, 2012 and the Consolidated Statement of Profit & Loss 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 auditing standards generally accepted in India. Those 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 namely S.R Investments Limited as at 31st March, 2012, including opening balances**, whose financial statements reflect the total assets of ₹(794.23) lacs at year end and there was no revenue 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 ₹(4208.41) lacs and total revenues are ₹595.92 lacs and net cash flows amounting to ₹(93.02) lacs for the year ended 31<sup>st</sup> March, 2012 have been audited by us for first two subsidiaries as above and M/s 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 as per Standalone Balance Sheet</i>	<i>Matter</i>
<b>19.6</b>	<i>Advance payment for acquisition of machineries of ₹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>19.6</b>	<i>Nonprovision of interest income of ₹697.23 lacs of loan given to Crystal Lace (India) Limited and the income is understated to that extent.</i>
<b>19.1, &amp; 19.2</b>	<i>Treatments of investments in subsidiaries aggregating to ₹2214.54 lacs as Long term &amp; non provision of erosion in values, though the net worth of all subsidiaries have been fully eroded.</i>
<b>19.3</b>	<i>Investment in Subsidiary S R Investments Limited, Mauritius, whereof the accounts are unaudited which is not in accordance with AS-21 and consideration of loan of ₹1125.44 lacs (USD 2.20 million plus service charges) was earlier considered as good of recovery, however now the company has applied for written off the same pending RBI approval.</i>
<b>19.4</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 ₹3559.30 lacs (USD 4.96 million plus service charge) as good of recovery even though no recovery neither confirmation is available.</i>



31	<i>Treatment of FCCB Liabilities as non-monetary liabilities and had it not been so, loss would have been higher by ₹2588.74 lacs on account of no provision made for premium / interest on outstanding FCCB of USD 11 million and ₹1127.92 lacs on account of foreign exchange losses, on account of revaluation as on year end outstanding.</i>
1.12 & 34	<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>
17.2	<i>Non provision of export debtors even with very slow recovery.</i>
1.10 & 9.1	<i>Non provision of gratuity and leave salary as per actuarial valuation as per AS-15.</i>
8.2, 13.2, 19.4, 33 & 41	<i>Non confirmation of Balances, the effect of which is not known.</i>
4.1	<i>Non allotment of shares as per CDR scheme of ₹968.00 lacs to the promoters subject to stock exchange approvals. However the stock exchange has asked for fresh application subject to approval from shareholders.</i>
5.2	<i>Non assessment of effect on waiver of principal &amp; interest as the company has defaulted in repayment to Banks &amp; Financial Institutions under CDR scheme.</i>

**For Hakoba Lifestyle Limited (Subsidiary)**

<i>Note as per Standalone Balance Sheet</i>	<i>Matter</i>
1.8 & 20.1	<i>Non provision of gratuity as per AS-15.</i>
4.1, 10.1, 15.1 & 30	<i>Non confirmation of various outstanding balances, the effect of which is not known.</i>
13.1	<i>Non provision for Trade Receivables outstanding for more than 3 years.</i>
15.1	<i>Non provision of lapsed advertising expenses of ₹506.18 lacs and non compliance of equity treaty with Bennett Coleman &amp; Co. Ltd.</i>

**For Mas Embroideries Pvt Ltd (Subsidiary)**

<i>Auditors Report as per Standalone Balance Sheet</i>	<i>Matter</i>
<i>Auditors Report</i>	<i>Accumulated losses ₹326.71 lacs has wiped out the net worth of the Company ₹222.52 lacs.</i>
<i>Auditors Report</i>	<i>The Company has disposed off substantial part of its fixed assets during the year so as to affect its status of going concern. Profit for the current year includes ₹237.03 profits on sale of fixed assets and ₹31.37 being loss on sale of machinery.</i>
<i>Auditors Report</i>	<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 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 subsidiaries 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, 2012;
- In case of the Consolidated Statement of Profit & Loss, 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)

**MAHESH BHAGERIA**  
 Partner  
 Membership No. 34499

Mumbai, 3<sup>rd</sup> November 2012


**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012**

(₹ in thousand)			
Particulars	Note	As at 31.03.2012	As at 31.03.2011
<b>I EQUITY AND LIABILITIES</b>			
1 Shareholders' Funds			
(a) Share Capital	2	404,688	404,688
(b) Reserves and Surplus	3	184,944	277,208
2 Share Application Money pending Allotment	4	96,800	96,800
3 Non-Current Liabilities			
(a) Long Term Borrowings	5	1,234,292	1,389,598
(b) Other Long Term Liabilities	6	759	6,265
4 Current Liabilities			
(a) Short Term Borrowings	7	887,313	798,834
(b) Trade Payables	8	231,950	223,051
(c) Other Current Liabilities	9	459,713	380,309
(d) Short Term Provisions	10	29,121	28,585
		<u>3,529,580</u>	<u>3,605,338</u>
<b>II ASSETS</b>			
1 Non-Current Assets			
(a) Fixed Assets	11		
(i) Tangible Assets		1,120,563	1,148,771
(ii) Intangible Assets		13,126	13,237
iii) Capital Work- in- Progress		52,012	65,335
(b) Goodwill (on consolidation)		106,713	50,310
(c) Non-Current Investments	12	37,837	37,837
(d) Deferred Tax Assets (net)	13	185,100	181,280
(e) Long Term Loans and Advances	14	271,094	296,628
(f) Other Non Current Assets	15	5,084	7,928
2 Minority Interest		62,018	99,873
3 Foreign Currency Translation Reserve		18,636	(1,923)
4 Current Assets			
(a) Current Investments	16	3,000	3,000
(b) Inventories	17	369,998	446,742
(c) Trade Receivables	18	434,558	446,881
(d) Cash & Cash Equivalent	19	16,542	24,322
(e) Short Term Loans & Advances	20	815,635	773,792
(f) Other Current Assets	21	17,664	11,325
		<u>3,529,580</u>	<u>3,605,338</u>

Significant Accounting Policies 1

Notes referred from 1 to 47 above form an integral part of the Financial Statements

As per our Report of even date attached herewith

For **M B A H & CO**

Chartered Accountants

(Firm Regn No. 121426W)

For &amp; on behalf of the Board

**MAHESH BHAGERIA**

Partner

Membership No. 34499

Place: Mumbai

Date: 3rd November, 2012

**RAJ KUMAR SEKHANI**

Chairman &amp; Managing Director

**HARSH VARDHAN BASSI**

Executive Director


**CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012**

(₹ in thousand)

Particulars	Note	Year Ended 31.03.2012	Year Ended 31.03.2011
I Gross Revenue from Operations	22	2,131,743	1,858,935
Less: Excise Duty		67	70
Net Revenue from Operations		2,131,676	1,858,865
II Other Income	23	235,523	101,511
III Total Revenue (I + II)		2,367,199	1,960,376
IV Expenses:			
Cost of Raw Materials Consumed	24	1,345,508	1,062,787
Purchases of Stock-in-Trade		49,013	44,528
Changes in Inventories	25	34,757	8,690
Employee Benefits Expense	26	188,838	189,125
Finance Costs	27	215,513	188,602
Depreciation and Amortization Expenses	11	126,298	124,967
Other Expenses	28	437,625	439,540
Total Expenses		2,397,552	2,058,239
V Profit Before Exceptional and Extraordinary Items and Tax (III-IV)		(30,353)	(97,863)
VI Exceptional Items (Expenses / (Income))	29	76,426	(50,469)
VII Profit/(Loss) before Tax (V-VI)		(106,779)	(47,394)
VIII Tax Expenses			
Current Tax		--	--
Deferred Tax		(3,820)	(4,180)
IX Net Profit/(Loss) before Minority Interest (VII-VIII)		(102,959)	(43,214)
X Minority Interest		(10,695)	(9,700)
XI Profit/(Loss) for the year (IX-X)		(92,264)	(33,514)
XII Earning per Equity Share			
(1) Basic		(7.14)	(2.64)
(2) Diluted		(7.14)	(2.64)

Significant Accounting Policies

1

Notes referred from 1 to 47 above form an integral part of the Financial Statements

As per our Report of even date attached herewith

For **M B A H & CO**

Chartered Accountants

(Firm Regn No. 121426W)

For &amp; on behalf of the Board

**MAHESH BHAGERIA**

Partner

Membership No. 34499

Place: Mumbai

Date: 3rd November, 2012

**RAJ KUMAR SEKHANI**

Chairman &amp; Managing Director

**HARSH VARDHAN BASSI**

Executive Director


**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

(₹ in thousand)

	Year Ended 31ST MARCH, 2012	Year Ended 31ST MARCH, 2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit / (Loss) before extraordinary items and tax	(106,779)	(47,394)
Adjustment for :		
Depreciation and Amortisation	126,298	124,967
(Profit)/Loss on Sale of Assets (net)	(133,786)	(1,043)
Interest Income	(23,018)	(22,016)
Finance Costs	215,513	188,602
Bad Debts W/off	70,811	-
Duty Drawback W/off	5,615	-
Excess Interest provided w/back	-	(80,683)
Provision for Doubtful Debts and Advances	-	21,347
Claim against Premises Agreement	-	(72,500)
Sundry Balances written off	-	1,722
Miscellaneous Expenditure written off	-	2,804
Net unrealised exchange (gain) / loss	(55,163)	7,904
Operating Profit / (Loss) before Working Capital Changes	99,491	123,710
Changes in Working Capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	76,744	(30,387)
Trade Receivables	(58,488)	(32,524)
Short Term Loans and Advances	42,179	65,684
Long Term Loans and Advances	26,754	(6,228)
Other Currents Assets	(11,954)	(2,640)
Other Non Current Assets	2,844	102,912
Adjustments for increase / (decrease) in operating liabilities:		
Trade Payables	8,899	33,422
Other Current Liabilities	169,444	236,736
Other Long Term Liabilities	(5,506)	(211)
Short Term Provisions	536	(4,481)
Cash generated from operation	370,943	465,993
Net income tax (paid) / refunds	(1,220)	(1,568)
<b>Net Cash from Operating Activities</b>	<b>349,723</b>	<b>484,425</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Capital Expenditure on Fixed Assets	(149,844)	(104,842)
Proceeds from Sale of Fixed Assets (net of advance)	107,474	120,081
Interest Received - Others	1,236	1,701
Goodwill on Investment of Subsidiary	(56,403)	-
Change in Minority Interest on investment in subsidiary	48,551	-
Foreign Currency Translation Reserve	(20,559)	1,341
<b>Net cash from / (used) in Investing Activities</b>	<b>(69,545)</b>	<b>18,281</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Proceeds from Issue of Equity Share Capital (including Share Premium)	-	45,265
Proceeds from Issue of 9% Optionally Cumulative Convertible Redeemable Preference Share Capital (OCCRPS)	-	275,536
Share Application Money received / (refunded)	-	66,857
Proceeds from / (Repayment) of Long Term Borrowing (Net)	(162,383)	(471,449)
Net increase / (decrease) in Working Capital Borrowings	101,532	261,297
Repayment of Other Short Term Borrowings	(13,053)	(322,570)
Buyback of FCCBs (net of capital reserve)	-	(189,590)
Finance Costs	(213,739)	(188,513)
Unpaid Dividend Account	(315)	(246)
<b>Net cash used in Financing Activities</b>	<b>(287,958)</b>	<b>(523,413)</b>
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(7,780)	(20,707)
Cash and Cash Equivalent (Opening balances) as on 31-03-2011	24,322	45,029
Cash and Cash Equivalent (Closing balances) as on 31-03-2012	16,542	24,322

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: 3rd November, 2012

For &amp; on behalf of the Board

**RAJ KUMAR SEKHANI**  
Chairman & Managing Director

**HARSH VARDHAN BASSI**  
Executive Director





## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2012

### Note -1 : SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 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, 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, 2012, but relied upon the management, since as per them the un-audited accounts are prepared on the same guideline of the holding company.

#### 1.2 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, intra-group 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	Country of Incorporation	Extent of Company's Interest	
		As at 31.03.12	As at 31.03.11
Hakoba Lifestyle Limited	India	85%	85%
Mas Embroideries Private Limited	India	100%	100%
Pioneer Realty Limited	India	100%	100%
S.R Investments Limited	Mauritius	100%	51%

#### 1.3 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, 2012, 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, 2012.

#### 1.4 SIGNIFICANT ACCOUNTING POLICIES

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


**NOTE -2 SHARE CAPITAL**
**a) Details of authorised, issued and subscribed share capital:**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares	₹ in thousand	Number of shares	₹ in thousand
<b>Authorised</b>				
Equity Shares of ₹10 each	20,000,000	200,000	20,000,000	200,000
Preference Shares of ₹10/- each	30,000,000	300,000	30,000,000	300,000
	<b>50,000,000</b>	<b>500,000</b>	<b>50,000,000</b>	<b>500,000</b>
<b>Issued</b>				
Equity Shares of ₹10 each	12,915,165	129,152	12,915,165	129,152
9% Optionally Convertible Cumulative Redeemable Preference Shares of ₹10/- each	27,553,610	275,536	27,553,610	275,536
	<b>40,468,775</b>	<b>404,688</b>	<b>40,468,775</b>	<b>404,688</b>
<b>Subscribed &amp; Paid up</b>				
Equity Shares of ₹10 each	12,915,165	129,152	12,915,165	129,152
9% Optionally Convertible Cumulative Redeemable Preference Shares of ₹10/- each	27,553,610	275,536	27,553,610	275,536
	<b>40,468,775</b>	<b>404,688</b>	<b>40,468,775</b>	<b>404,688</b>

**b) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the financial year:**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares	₹ in thousand	Number of shares	₹ in thousand
<b>Equity Shares</b>				
As at the beginning of the financial year	12,915,165	129,152	12,208,215	122,082
Add: Issued during the year	-	-	706,950	7,070
As at the end of the financial year	<b>12,915,165</b>	<b>129,152</b>	<b>12,915,165</b>	<b>129,152</b>
<b>Preference Shares</b>				
As at the beginning of the financial year	27,553,610	275,536	-	-
Add: Issued during the year	-	-	27,553,610	275,536
As at the end of the financial year	<b>27,553,610</b>	<b>275,536</b>	<b>27,553,610</b>	<b>275,536</b>

**Rights, preferences and restrictions attached to Equity Shares:**

The Company has one class of Equity Shares having a par value of ₹10 per share. Each shareholders is eligible for one vote per share held. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the case of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**Rights, preferences and restrictions attached to Preference Shares:**

The Company has one class of Optionally Convertible Cumulative Redeemable Preference Shares having a par value of ₹10 fully paid up per share issued subsequent to Corporate Debt Restructuring mechanism. The preference shares do not carry voting rights, but are entitled to get the dividend. Each shareholders is entitled to 9% p.a preference dividend effective October 2008. The preference shares are redeemable in 4 annual installments from September 30, 2015. Preference shares are convertible as per the approval of SEBI.

**c) Details of Equity Shareholding more than 5% in the Company on reporting date:**

Class of shares / Name of shareholder	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
<b>Equity Shares</b>				
<b>Promoters</b>				
Raj Kumar Sekhani	2,424,506	18.77	2,424,506	18.77
<b>Promoters Group</b>				
Pioneer E Com Fashions Ltd.	1,697,797	13.15	1,697,797	13.15

# PIONEER EMBROIDERIES LIMITED

.... a stitch ahead of time



PIONEER GROUP

## d) Details of Preference Shareholding more than 5% in the Company on reporting date:

Class of shares / Name of shareholder	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
<b>Preference Shares</b>				
<b>Others</b>				
State Bank of India	6,325,000	22.96	6,325,000	22.96
Union Bank of India	5,126,360	18.60	5,126,360	18.60
EXIM Bank	4,998,700	18.14	4,998,700	18.14
HDFC Bank	4,263,000	15.47	4,263,000	15.47
State Bank of Patiala	3,750,000	13.61	3,750,000	13.61
Corporation Bank	1,822,770	6.62	1,822,770	6.62

## NOTE -3 RESERVE & SURPLUS

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Capital Reserve</b>		
Opening Balance	748,574	350,429
Add: Consequent to Settlement of Unsecured Loans / FCCBs	-	398,145
Balance as at the end of the year	748,574	748,574
<b>Share Premium</b>		
Opening Balance	86,403	86,403
<b>Statement of Profit and Loss</b>		
Opening Balance	(557,769)	(524,255)
Add: Profit/(Loss) for the year	(92,264)	(33,514)
Balance as at the end of the year	(650,033)	(557,769)
	184,944	277,208

## NOTE -4 SHARE APPLICATION MONEY PENDING ALLOTMENT

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Share Application Money pending allotment</b>		
From Pioneer E-com Fashions Ltd.	96,800	91,648
From Raj Kumar Sekhani	-	5,152
	96,800	96,800

## NOTE -4.1

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 in a sum of ₹968.00 lacs as contribution towards additional capital, against which 47,83,929 equity 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 ₹21.11 per share. (Including a premium of ₹11.11 per share) and ₹19.77 (Including a premium of ₹9.77 per share) for 16,57,981 and 31,25,948 respectively as per the guide-lines. Allotment thereof is pending for want of in principle approval from Stock Exchanges. The Bombay Stock Exchange has communicated vide correspondence dated 6th August 2012 to obtain fresh approvals from shareholders and thereafter make application with Stock Exchanges for approval. The Company has initiated the process to take fresh approval from its shareholders.


**NOTE -5 LONG TERM BORROWINGS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Secured Loans</b>		
<b>(i) Term Loans</b>		
Axis Bank Limited	16,775	19,825
Corporation Bank	29,652	39,533
EXIM Bank	103,098	121,843
HDFC Bank Limited (CBoP)	51,563	60,938
State Bank of Patiala	79,544	94,006
Small Industries Development Bank of India	9,384	11,091
Union Bank of India	36,118	58,007
State Bank of India (SBI)	665	665
<b>(ii) Funded Interest Term Loans</b>		
Axis Bank Limited	1,829	3,048
EXIM Bank	12,103	20,190
HDFC Bank Limited	7,856	13,832
ICICI Bank Limited	3,556	5,926
State Bank of India	13,684	23,184
State Bank of Patiala	7,032	15,812
Small Industries Development Bank of India	1,234	1,917
Union Bank of India	5,213	8,688
<b>(iii) Working Capital Term Loans</b>		
State Bank of India	130,419	153,613
Union Bank of India	47,437	56,063
<b>(iv) Foreign Currency Term Loans</b>		
HDFC Bank Limited (USD 773,654 (USD 914,318))	39,577	40,824
ICICI Bank Limited (Euro 1,051,875 (Euro 1,243,125))	71,885	78,615
Landes Bank Baden Wurttemberg (Euro 882,016.79 (Euro 932,902.38))	60,277	58,997
FITL Landes Bank Baden Wurttemberg (Euro 31,215.66 (Euro 39,019.58))	2,133	2,468
<b>(v) Vehicle Loans</b>		
Union Bank of India	312	502
HDFC Bank Limited	197	457
(Secured by hypothecation of respective vehicles - Terms of Repayment - Equated monthly installment)		
<b>(vi) Other Loans</b>		
Life Insurance Corporation of India (LIC)	5,056	-
<b>Unsecured Loans</b>		
From Development Credit Bank Limited (DCB) (refer Note 33)	26,836	29,038
From Others		
Foreign Currency Convertible Bonds (FCCBs) (refer Note 32)	449,930	449,930
Raj Kumar Sekhani (HUF) (Related Party)	250	250
Pooja Equiressearch Pvt.Ltd.	10,000	10,000
Yamini Suppliers Pvt. Ltd.	8,000	8,000
Others	2,677	2,336
	<b>1,234,292</b>	<b>1,389,598</b>



**NOTE -5.1**

All above Secured Loans of except Term Loan from SBI, Vehicle and LIC 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 for Dope Dyed Polyester Yarn Unit, 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.

Term loan from SBI is Secured by hypothecation of moveable assets and further secured by personal guarantee of Chairman and corporate guarantee of Pioneer Embroideries Ltd. Said term loan has become Non Performing Assets (NPA) and bank has filed the case in Debt Recovery Tribunal.

Loan from LIC is secured by assignment of Keyman Insurance Policy.

Terms of Repayment : These secured loans were restructured under CDR Scheme w.e.f. 01.10.2008. Above Term Loans except loans from Union Bank of India, Corporation Bank, Funded Interest Term Loan are repayable in 32 quarterly/16 half yearly installments and Working Capital Term Loans are repayable in 32 quarterly installments commenced from 01.10.2010 after a moratorium period of 2 years. Term Loans from Union Bank of India and Corporation Bank are payable in 24 and 28 quarterly installments respectively. Interest at 3% to 10% p.a. is charged.

Funded Interest Term Loans are repayable in 16 quarterly installments commenced from 01.10.2010. Interest at 8% p.a. is charged.

Loan from LIC has not stipulated any repayment period.

Unsecured loan from Bank is secured by personal guarantee of Chairman of the Company, post dated cheques and pledge of shares by him in his individual capacity.

All unsecured loans except from Bank and FCCBs are interest free and carry no repayment schedule. These loans are subject to confirmation and reconciliation.

**NOTE -6 OTHER LONG TERM LIABILITIES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
Franchisee & Distributors Deposits	759	6,265
	<u>759</u>	<u>6,265</u>

**NOTE -7 SHORT TERM BORROWINGS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Secured</b>		
<b>Loans Repayable on Demand</b>		
<b>Cash Credit Facility</b>		
State Bank of India	526,439	459,468
Union Bank of India	94,868	97,299
HDFC Bank Limited	127,219	110,628
Standard Chartered Bank	133,504	113,103
	<u>882,030</u>	<u>780,498</u>
<b>Unsecured</b>		
<b>a) Short Term Loans Repayable on Demand</b>		
Inter Corporate Deposits	5,283	8,795
<b>b) Loans From Related Party</b>		
<b>From Director</b>		
Raj Kumar Sekhani	-	9,541
	<u>5,283</u>	<u>18,336</u>
	<u>887,313</u>	<u>798,834</u>

**NOTE -7.1**

Cash Credit 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 Pioneer Embroideries and Subsidiary Hakoba Lifestyle Limited each other and personal irrevocable guarantee of Chairman of the Company.

Cash Credit taken by Subsidiary Hakoba Lifestyle Ltd. has become NPA.


**NOTE -8 TRADE PAYABLES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Trade Payables</b>		
For Goods	148,221	144,574
For Services	83,729	78,477
	<u>231,950</u>	<u>223,051</u>

**NOTE -9 OTHER CURRENT LIABILITIES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>a) Current maturities of Long Term Debt - Secured</b>		
<b>(i) Term Loans</b>		
Axis Bank Limited	4,575	3,162
Corporation Bank	17,194	12,352
EXIM Bank	28,118	18,745
HDFC Bank Limited (CBoP)	16,406	11,719
State Bank of Patiala	25,309	17,771
Small Industries Development Bank of India	2,986	2,133
Union Bank of India	37,842	23,611
<b>(ii) Funded Interest Term Loans</b>		
Axis Bank Limited	1,605	1,219
EXIM Bank	14,132	10,094
HDFC Bank Limited	9,165	6,310
ICICI Bank Limited	4,148	2,963
State Bank of India	16,625	11,875
State Bank of Patiala	9,327	7,031
Small Industries Development Bank of India	1,024	853
Union Bank of India	6,081	4,344
<b>(iii) Working Capital Term Loans</b>		
State Bank of India	41,497	29,641
Union Bank of India	17,250	10,781
<b>(iv) Foreign Currency Term Loans</b>		
HDFC Bank Limited (USD 246,162 (USD 175,830))	12,593	7,851
ICICI Bank Limited (Euro 406,406 (Euro 286,875))	27,774	18,142
Landes Bank Baden Wurttemberg (Euro 152,656.74 (Euro 152,656.74))	10,433	9,654
FITL Landes Bank Baden Wurttemberg (Euro 23,411.76 (Euro 23,411.76))	1,600	1,481
<b>(v) Vehicle Loans</b>		
Union Bank of India	264	264
<b>b) Current maturities of Long Term Debt - Unsecured</b>		
From Development Credit Bank Limited (DCB)	9,482	13,170
<b>c) Interest provided</b>		
<b>(i) Term Loans</b>		
Axis Bank Limited	1,340	583
Corporation Bank	1,818	1,404
EXIM Bank	7,365	3,566
HDFC Bank Limited (CBoP)	4,280	1,212
State Bank of Patiala	7,418	-
Small Industries Development Bank of India	837	353
Union Bank of India	5,622	1,053


**NOTE -9 OTHER CURRENT LIABILITIES (CONTD..)**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>(ii) Funded Interest Term Loans</b>		
Axis Bank Limited	148	32
EXIM Bank	977	579
HDFC Bank Limited	856	273
ICICI Bank Limited	471	94
State Bank of India	1,445	243
State Bank of Patiala	572	496
Small Industries Development Bank of India	90	58
Union Bank of India	624	89
<b>(iii) Working Capital Term Loans</b>		
State Bank of India	9,778	1,642
Union Bank of India	5,303	702
<b>(iv) Foreign Currency Term Loans</b>		
HDFC Bank Limited (USD 34,000 (USD 9,212))	1,739	411
ICICI Bank Limited (Euro 63,089.26 (Euro 25,873.70))	4,311	1,636
Landes Bank Baden Wurttemberg (Euro 11393.06 (Euro 10790.94))	779	682
<b>(v) Vehicle Loans</b>		
Union Bank of India	9	-
<b>(vi) Other Loans</b>		
Life Insurance Corporation of India	116	-
d) Provision for Interest on Secured & Unsecured Bank loans	1,965	191
e) Unpaid Dividends	998	1,313
f) Advance from Customers	34,155	10,734
g) Liability for Capital Expenditure	6,270	12,705
h) Overdrawn Bank Balance	4,130	2,283
i) Advance Received against Bangalore Property	-	91,500
j) Statutory Dues	15,735	13,920
k) Remuneration payable to Directors	3,889	4,748
l) To others	21,243	2,641
	<b>459,713</b>	<b>380,309</b>

**NOTE - 9.1**

Overdrawn Bank Balance represents various cheques issued by the Company which are presented for clearance in the subsequent financial year.

**NOTE - 9.2**

Current Liabilities to others includes ₹200 lacs received from Sunteck Realty Ltd. On finalisation of the account, necessary treatment will be given in the books of account. The amount is subject to confirmation.

**NOTE - 9.3**

Advance from customers includes advance of ₹153.70 lacs received from Kiran Industries Limited, a related enterprise.




**NOTE -10 SHORT TERM PROVISIONS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Provision For Employee Benefits</b>		
Salary/Wages Payable	21,198	21,503
Contribution to Funds	759	918
Gratuity Premium	7,164	6,164
	<b>29,121</b>	<b>28,585</b>

**NOTE - 10.1**

During the year, the Company has provided a sum of ₹10.00 lacs (₹10.00 lacs) towards gratuity in the Statement of Profit & Loss on adhoc basis for the Group Gratuity Scheme of Life Insurance Corporation of India, but no provision is made 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.

**NOTE - 11 FIXED ASSETS**

SR. NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2011	ADDITION	DEDUCTION/ADJUSTMENTS	As at 31.03.2012	As at 01.04.2011	ADDITION	DEDUCTION/ADJUSTMENTS	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
	<b>Tangible Assets:</b>										
1	Land - Owned	63,105	-	16,259	46,846	-	-	-	-	46,846	63,105
	- Leasehold	2,982	-	-	2,982	347	31	-	378	2,604	2,635
2	Buildings	373,985	9,073	42,554	340,504	77,763	10,935	17,598	71,100	269,404	296,222
	- Lift	2,012	1,134	-	3,146	476	106	-	582	2,564	1,536
3	Plant & Machineries	1,448,676	130,040	203,144	1,375,572	773,972	100,127	183,293	690,806	684,766	674,704
4	Furniture & Fixtures	62,488	357	4,708	58,137	26,605	4,481	4,173	26,913	31,224	35,883
5	Vehicles	21,761	1,201	1,703	21,259	11,993	1,969	946	13,016	8,243	9,768
6	Office Equipments	13,061	131	204	12,988	5,045	608	124	5,529	7,459	8,016
7	Computers	27,388	678	1,442	26,624	23,596	1,820	1,355	24,061	2,563	3,792
8	Electrical Installations	70,952	18,081	7,079	81,954	18,993	3,699	4,416	18,276	63,678	51,959
9	Borewell	1,251	109	-	1,360	100	48	-	148	1,212	1,151
	<b>Sub Total</b>	<b>2,087,661</b>	<b>160,804</b>	<b>277,093</b>	<b>1,971,372</b>	<b>938,890</b>	<b>123,824</b>	<b>211,905</b>	<b>850,809</b>	<b>1,120,563</b>	<b>1,148,771</b>
	<b>Intangible Assets:</b>										
10	Computer Softwares	6,291	2,363	-	8,654	1,587	768	-	2,355	6,299	4,704
11	Hakoba Brand	17,055	-	-	17,055	8,522	1,706	-	10,228	6,827	8,533
	<b>Sub Total</b>	<b>23,346</b>	<b>2,363</b>	<b>-</b>	<b>8,654</b>	<b>10,109</b>	<b>2,474</b>	<b>-</b>	<b>12,583</b>	<b>13,126</b>	<b>13,237</b>
	<b>Total</b>	<b>2,111,007</b>	<b>163,167</b>	<b>277,093</b>	<b>1,980,026</b>	<b>948,999</b>	<b>126,298</b>	<b>211,905</b>	<b>863,392</b>	<b>1,133,689</b>	<b>1,162,008</b>
	Previous Year	2,079,884	51,159	20,036	2,111,007	841,530	124,967	17,498	948,999	1,162,008	
	<b>Capital Work-in-progress</b>									<b>52,012</b>	<b>65,335</b>
										<b>1,185,701</b>	<b>1,227,343</b>

**NOTE 11.1**

Capital Work in progress includes:

- a sum of ₹297.05 lacs for renovation of machines at Kallakruchi till the assets of Arcot Textile Mill Limited are transferred in favor of the Company.
- a sum of ₹245.22 lacs spent for ongoing expansion at Kala-amb unit.


**NOTE -12 NON-CURRENT INVESTMENTS**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares	₹ in thousand	Number of shares	₹ in thousand
<b>Quoted Investments</b>				
<b>In Other Entities</b>				
RLF Limited (listing suspended)	1,000	6	1,000	6
(Equity shares of Face Value of ₹10/- each)				
Padmini Technologies Limited (listing suspended)	68,939	-	68,939	-
(Equity shares of Face Value of ₹10/- each)				
(Cost ₹1,756,253/- less provision made ₹1,756,252/-)				
<b>Unquoted Investments</b>				
<b>a) In Other Entities</b>				
The Greater Bombay Co-op. Bank Limited	40	1	40	1
(Equity shares of Face Value of ₹25/- each)				
Crystal Lace India Limited	5,039,400	37,811	5,039,400	37,811
(Equity shares of Face Value of ₹10/- each)				
<b>b) In Government Securities</b>				
National Saving Certificates		19		19
(Lodged with Sales Tax Department)				
	<b>5,109,379</b>	<b>37,837</b>	<b>5,109,379</b>	<b>37,837</b>

**NOTE - 13 DEFERRED TAX ASSETS (NET)**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Deferred Tax Liabilities</b>		
Depreciation	81,173	80,608
	<b>81,173</b>	<b>80,608</b>
<b>Deferred Tax Assets</b>		
Carry Forward Losses	203,433	210,282
Other Disallowances	62,840	51,606
	<b>266,273</b>	<b>261,888</b>
	<b>185,100</b>	<b>181,280</b>

**NOTE -14 LONG TERM LOANS & ADVANCES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>a) Capital Advances (unsecured, considered good)</b>	<b>33,927</b>	<b>57,730</b>
<b>b) Security Deposits (unsecured, considered good)</b>		
Deposit for Others	21,168	20,471
<b>c) Advance Income Tax Paid (net)</b>	<b>6,365</b>	<b>5,145</b>
<b>d) Other Loans and Advances (unsecured, considered good)</b>		
Advances to Arcot Textile Mills Ltd.	110,500	110,500
Other Advances for Various Properties	90,588	94,058
Advances to Employees	546	590
Other Loans and Advances	8,000	8,134
	<b>271,094</b>	<b>296,628</b>


**NOTE - 14.1**

- a) Capital advance of ₹339 lacs has been given for expansion project of Dope Dyed Yarn unit at Kala-amb, mainly to building contractors and to suppliers of plant & machineries, software etc.
- b) Advances to Arcot Textile Mills Limited (BIFR Company) was given for purchase of movable and immovable assets situated at Kallakurichi, Tamilnadu for a total consideration of ₹1105.00 lacs on lump sum sale basis out of FCCBs funds pursuant to MOU dated 20th September, 2007. The transfer of assets in favour of the Company is pending for deregistration from BIFR. Subsequently due to inordinate delay for deregistration from BIFR, it has been agreed that Arcot will return the above advance within reasonable time period vide their confirmation letter dated 5th October, 2012.

**NOTE - 14.2**

Other advances of ₹905.88 lacs (₹940.58 lacs) given to eight parties for various properties for which necessary settlements are being made with them as the expected land or properties in all cases may not be conveyed in favour of the Company, however as per the management, said amounts are considered good and fully recoverable. These balances are subject to confirmation from the parties.

**NOTE - 14.3**

Other advances of ₹80 lacs (₹80 lacs) given to two parties as advance gainst orders and are outstanding more than 3 years. These balances are subject to confirmation from the parties.

**NOTE -15 OTHER NON CURRENT**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Fixed Deposit</b>		
Fixed deposit in Banks with more than 12 months maturity	5,084	7,465
Preliminary Expenses	-	463
	<u>5,084</u>	<u>7,928</u>

**NOTE -16 CURRENT INVESTMENTS**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of units	₹ in thousand	Number of units	₹ in thousand
<b>Investments in Mutual Funds</b>				
SBI Infrastructure Bond (Unit of ₹10/- each)	100,000	1,000	100,000	1,000
SBI One India Fund (Unit of ₹10/- each)	200,000	2,000	200,000	2,000
	<u>300,000</u>	<u>3,000</u>	<u>300,000</u>	<u>3,000</u>

**NOTE -17 INVENTORIES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
(As certified by Management)		
a) Raw Materials	96,575	138,513
b) Work-in-progress	30,335	36,024
c) Finished goods	237,721	266,789
d) Store & Spares	2,412	2,396
e) Packing Material	2,955	3,020
	<u>369,998</u>	<u>446,742</u>

**NOTE -17.1**

Finished Goods of ₹16.03 lacs are under possession of closed franchisees, which have not been verified and are outstanding since more than 2 years.


**NOTE -18 TRADE RECEIVABLES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Unsecured</b>		
Outstanding for a period more than six months from the date they are due for payment		
Considered Good	174,528	204,477
Considered Doubtful	81,909	83,344
Less: Provision for Doubtful Trade Receivables	(81,909)	(83,344)
	174,528	204,477
<b>Others</b>		
Considered Good	260,030	242,404
	434,558	446,881

**NOTE -18.1**

Trade receivable includes:

- Outstanding from associate company Crystal Lace (I) Ltd of ₹113.24 lacs (₹117.00 lacs) since long time.
- Outstanding from related enterprise Kiran Industries Ltd. of ₹7.67 lacs (₹13.18 lacs).

**NOTE -18.2**

Trade receivable includes export bills outstanding for more than year for ₹34.07 lacs for which extension from RBI is need to be taken.

**NOTE -19 CASH & CASH EQUIVALENTS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>a) Balances with Banks</b>		
In Current Accounts	11,521	8,121
<b>b) Cash in hand</b>	5,021	16,201
	16,542	24,322

**NOTE -20 SHORT TERM LOANS & ADVANCES**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Short Term Loan &amp; Advances to Related Parties</b>		
Loans and Advances to JV (unsecured, considered good)		
Super Industries DMCC	355,930	290,728
Loans and Advances to Related Parties (unsecured, considered good)		
Pioneer E-com Fashion Ltd. (unsecured, considered good)	107,637	126,789
Crystal Lace (I) Ltd. (unsecured, considered good)	156,965	155,849
<b>Short Term Loan &amp; Advances to Other Parties</b>		
Advances recoverable in cash or in kind	69,244	69,495
Loan & Advance to Staff	7,116	9,858
Prepaid Expenses	1,127	1,674
Other Advances and Balances	4,398	3,781
Advance Advertisement Expenses	50,618	50,618
Claim against Rental Premise Agreement	62,600	65,000
	815,635	773,792

**NOTE - 20.1**

- a) The Company had invested USD 1.26 mn. (₹509.92 lacs) in overseas Joint Venture M/s Super Industries DMCC, Dubai to acquire 10% stake thereof and further advanced an optionally convertible loan of USD 3.70 mn. (₹1892.79 lacs) (USD 3.70 mn. (₹1652.05 lacs)) out of FCCBs funds in the October-November 2007, with a service charge @ 9% p.a. until conversion or repayment. In September, 2008, the said investment given for 10% stake was treated as loan by the Company and the outstanding loan amount including interest/service at the year end is ₹3559.30 lacs (₹2907.28 lacs). Since, the Company doesn't hold any stake 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 ₹3559.30 lacs (USD 4.96 mn. plus service charges) advanced to M/s Super Industries, DMCC is considered good and as per the management the said amount is fully recoverable and good in recovery though neither principal nor service charges are paid yet. This outstanding balance is subject to confirmation.

**NOTE - 20.2**

Interest free unsecured loans and advances of ₹1076.37 lacs (₹1267.89 lacs) to Pioneer E-com Fashion Ltd, an associate company is considered good of recovery as per the management of the Company. Pending recovery of said amount, the associate has given advance share application money of ₹968 lacs (refer note 4.1).

**NOTE - 20.3**

- a) Loans and advances of ₹1534.00 lacs (₹1534.00 lacs) to Crystal Lace (India) Ltd in the period 2007-08 against Plant & Machineries, the title of which could not be transferred due to technical reasons and the said advance and obligation to buy Plant & Machineries was converted into loan bearing interest @15% p.a. vide agreement dated 20th March 2009 and has been further secured by charge on the factory Plot No. 27, at TTC Indl Area, MIDC, Mahape, Navi Mumbai, Dist Thane (admeasuring about 10687.32 sq mtrs) in favor of the Company. The front portion of the smaller plot (admeasuring 3167.20 sq mtrs) has been given for development, of which 25% of the proposed constructed area shall belong to Crystal Lace (India) Limited. The Company has registered the charge with ROC. Subsequently in July 2012, the Company has got converted ₹440 lacs into 44 lacs equity shares of ₹10 each of Crystal Lace (I) Ltd."
- 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 ₹697.23 lacs (₹467.13 lacs) on the aforesaid loan and income is understated to that extent in the current year.
- d) ₹113.24 lacs (₹117.00 lacs) amount is recoverable from Crystal Lace (India) Limited as trade receivable since long time, but as per the management the amount is considered as good and recoverable.

**NOTE -20.4**

Advance to suppliers includes two parties of Subsidiary Hakoba Lifestyle Ltd, which are outstanding for more than 3 years. However management consider it recoverable. These balances are subject to confirmation and reconciliation.

**NOTE -20.5**

Advance advertisement expenses was given as advance against advertising to Bennett Coleman & Co. Ltd. (BCCL) on 14th July, 2005 for a period of 3 years, which is not utilized during aforesaid prescribed period and have not been provided for in the financial statements, otherwise the accumulated loss would have been higher by ₹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 notice to Hakoba Lifestyle Limited (HLL) Promoters on 3rd August, 2010 for converting ₹1059 lacs into debt and have raised the demand for ₹1059 lacs from HLL Promoters, for which arbitration proceedings are pending.

**NOTE -20.6**

Claim against premise agreement was claimed as claim against termination of rental premise agreement with Pioneer E-com Fashions Ltd. The Company had entered into agreement for rental of premises with them, the terms of which was not complied by them and the Company has made a claim and settled the damages / compensation for ₹725 lacs. The balance amount of ₹626 lacs is yet to be recovered. As per the management same is fully recoverable.


**NOTE -21 OTHER CURRENT ASSETS**

(₹ in thousand)

Particulars	As at 31.03.2012	As at 31.03.2011
(Unsecured, considered good)		
<b>Other Loans and Advances</b>		
Accrued Export and Other Incentives	4,883	6,198
Insurance Claim Receivables	9,778	-
Interest Receivables (TUF)	3,003	5,127
	<u>17,664</u>	<u>11,325</u>

**NOTE -22 REVENUE FROM OPERATIONS**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>Sale of Products - Yarn, Embroidery Fabric &amp; Laces*</b>		
Domestic Sales	1,827,822	1,808,404
Export Sales	280,133	49,008
Other Operating Revenue (Export Incentives)	23,788	1,523
Gross Revenue from Operations	<u>2,131,743</u>	<u>1,858,935</u>
Less: Excise duty	67	70
	<u>2,131,676</u>	<u>1,858,865</u>

**NOTE -22.1**

Sales during the year includes:

Sales made to related enterprises M/s J J Sons, Thakurdas & Co. Pvt. Ltd., Kiran Industries Ltd. and About U Fashions Ltd. ₹92.94 lacs (₹86.88 lacs), nil (₹0.66 lacs), ₹120.44 lacs (₹17.46 lacs) and ₹224.93 lacs (₹83.05 lacs) respectively.

**NOTE -23 OTHER INCOME**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Interest on Loans to Subsidiary/JV	21,782	20,315
Interest on Others	1,236	1,701
Adjustments to Carrying Amount of Loan given to Subsidiary/JV(Net)	62,240	(4,675)
Profit on Fixed Assets sold (Net)	133,786	1,043
Liabilities/Provisions no longer required written back	-	80,683
Misc. Non Operating Income (Net)	342	2,008
Gain on Exchange Rate Difference (Net)	16,137	436
	<u>235,523</u>	<u>101,511</u>

**NOTE -24 COST OF MATERIAL CONSUMED**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>Cost of Raw Material Consumed</b>		
Opening Stock	138,513	100,534
Purchases during the year	1,303,570	1,100,766
	<u>1,442,083</u>	<u>1,201,300</u>
Less:- Closing Stock	96,575	138,513
	<u>1,345,508</u>	<u>1,062,787</u>

**NOTE -24.1**

Trade Purchases during the year includes purchases made from related enterprises M/s J J Sons ₹1.30 lacs (₹2.95 lacs) and Kiran Industries Ltd. ₹4.04 lacs (₹9.47 lacs).



**NOTE -25 CHANGE IN INVENTORIES**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>Opening Inventories</b>		
Work-in-Progress	36,024	27,091
Finished Goods	266,789	284,412
	<u>302,813</u>	<u>311,503</u>
<b>Less: Closing Inventories</b>		
Work-in-Progress	30,335	36,024
Finished Goods	237,721	266,789
	<u>268,056</u>	<u>302,813</u>
	<u>34,757</u>	<u>8,690</u>

**NOTE -26 EMPLOYEE BENEFITS EXPENSE**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
a) Salaries, Wages and Incentives	174,679	172,060
b) Contribution to Funds	4,949	4,863
c) Staff Welfare Expenses	9,210	12,202
	<u>188,838</u>	<u>189,125</u>

**NOTE -27 FINANCE COSTS**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
<b>Interest expense</b>		
a) Interest on Borrowings	201,956	179,168
b) Interest on late payment of Taxes	457	1
c) Other Borrowing Costs	6,023	6,204
d) Applicable Net Gain/Loss on Foreign Currency Transactions and Translation	7,077	3,229
	<u>215,513</u>	<u>188,602</u>




**NOTE -28 OTHER EXPENSES**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Director Remuneration	8,028	8,016
Directors Sitting Fees	25	32
Donations	67	716
Insurance	1,736	1,670
Job Charges	17,632	24,908
Legal & Professionals Fees	13,518	17,999
Miscellaneous Expenses	51,709	62,677
Packing Material Consumed	76,697	59,038
Payment to Auditors*	1,528	1,268
Power & Fuel	136,467	111,528
Prior Period Items	1,547	-
Rates & Taxes	3,624	4,950
Rent	12,167	32,652
Repair & Maintenance Buildings	1,163	1,956
Repair & Maintenance Others	4,917	8,130
Repair & Maintenance Plant & Machinery	5,348	6,112
Selling Expenses	82,083	76,195
Store & Spares Consumed	18,906	17,167
Sundry Balance W/off	-	1,722
Miscellaneous Expenses written off	463	2,804
	<b>437,625</b>	<b>439,540</b>

**\* Details of payment to Auditors**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
a) for Statutory Audit	1,104	1,087
b) for Taxation Matter	365	144
c) for Other Services	59	37
	<b>1,528</b>	<b>1,268</b>

**NOTE -29 EXCEPTIONAL ITEMS**

(₹ in thousand)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Bad Trade Receivables W/off	70,811	-
Duty Drawback W/off	5,615	-
Provision for Doubtful Trade Receivables	-	21,347
Prior Period Adjustment	-	684
Claim against Rental Premise Agreement	-	(72,500)
	<b>76,426</b>	<b>(50,469)</b>

**NOTE -29.1**

During the year, company has written off above bad trade receivables (export) with the approval of Reserve Bank of India as the management find it non recoverable.



**NOTE -30 CONTINGENT LIABILITIES**

(₹ in lacs)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
a) Bank Guarantees Outstanding.	39.37	96.27
b) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances).	166.96	99.78
c) 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
d) Demand raised by Excise Department in respect of which appeal has been filed.	46.14	46.14
e) 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).	43.32	53.07
f) Other Income Tax matters pending in appeal.	13.33	13.33
g) Premium/Interest on Foreign Currency Convertible Bond.	2,588.74	1,730.77
h) Unpaid Dividend on 9% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS).	867.94	619.96
i) Custom Duty on Capital Goods and Raw Materials imported under Advance Licence / EPCG Scheme, against which export obligation is to be fulfilled.	771.98	1,312.71
j) Service Tax Liability on rented property pending high court decision.	-	11.39
k) Legal case for which the Company has not acknowledge the claim	3.57	3.57
l) Demand raised by Bennet Coleman & Co Ltd for converting equity options into debt of subsidiary for which arbitration proceedings are pending.	1,059.00	-
m) 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.	N A	N A

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

**NOTE - 31 Loans and Advances includes amount due from Subsidiaries / JV:**

(₹ in lacs)

Particulars	Current Year 31-03-2012		Previous Period 31-03-2011	
	Closing Balance	Maximum due	Closing Balance	Maximum due
Super Industries DMCC, (JV)	2,537.36 (Loan) 1,021.94 (Service Charges)	3,559.30	2,214.64 (Loan) 692.64 (Service Charges)	2,907.28

**NOTE - 32 Foreign Currency Convertible Bonds (FCCBs) :**

- The outstanding FCCBs as at 31st March, 2012 is US\$ 11 million and has matured on 28th April, 2012, the effect of which will be given in the year of maturity. These balance FCCBs of value of US\$ 11 million were settled at US\$ 2.40 million as per the terms and conditions being agreed upon and the treatment thereof will be given as and when these are extinguished and paid.
- In view of the above settlement, the Company is no longer liable for interest payable on FCCBs worth USD 11 million.
- For the balance FCCBs value of USD 11 million, though the Company had entered in to settlement terms but it has exceeded the reasonable time period. The Company is further under re-negotiation for settlement. In view of this no provision has been made for premium/interest aggregating to ₹2588.74 lacs (₹1730.77 lacs) on the outstanding FCCBs up to 31st March, 2012 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 ₹857.97 lacs (₹473.96 lacs).
- There is a foreign exchange loss of ₹1127.92 lacs (₹412.20 lacs) on outstanding FCCBs as on 31st March, 2012 arising out of revaluation, which has not been accounted for since FCCBs has been considered as Non-Monetary liability by the management.
- 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 ₹1127.92 lacs (₹412.20 lacs) on account of exchange difference.

**NOTE - 33** The Company had negotiated with unsecured lenders Development Credit Bank Ltd. The total outstanding opening balance of DCB Bank as on 1st April, 2011 was ₹422.08 lacs (₹465.98 lacs). The bank has agreed to waive the interest on amount of ₹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 ₹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 ₹58.90 lacs (₹43.90 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.



**NOTE - 34** Few of the fixed deposits, overdraft balances and bank accounts are subject to confirmations though reconciled with available bank statements. Few of the secured and unsecured loans are subject to confirmations though reconciled with bank statements.

**NOTE - 35** 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 ₹131.54 lacs (₹70.09 lacs).

**NOTE - 36** 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 ₹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 of US\$ 1844 has been retained overseas with Axis Bank, Hong Kong.

**NOTE - 37** In the opinion of the management, there is no impairment of assets as on Balance Sheet date.

**NOTE - 38** a) As per the Corporate Debt Restructuring scheme (CDR scheme) entered during the earlier years, the Company had 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 had allotted 27,553,610, 9% Optionally Convertible Cumulative Redeemable Preference Shares (OCCPRS) of ₹10/- each aggregating to ₹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) 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.

c) 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.

d) 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.

e) CDR Lenders shall have the right to recompense the relief/ sacrifices/ waivers extended by respective CDR lenders (as per CDR guidelines).

**NOTE - 39** During the year, the Company has paid a sum of ₹4.32 lacs (₹7.20 lacs) as premium towards the Key man Insurance policy taken for Mr. Raj Kumar Sekhani, Chairman & Managing Director of the Company.

**NOTE - 40** During the year, the Company has written off bad advances of ₹575 lacs given to various parties and loan and advances of ₹25 lacs given to staff, which were provided as doubtful advances in the earlier years.

**NOTE - 41** As per 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.

**NOTE - 42** The sundry debit and credit balances including receivables, payables 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.

**NOTE - 43** 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.

**NOTE - 44** The Company operates in a single segment of Textiles.

**NOTE - 45** **Earning per Equity Share**

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Net Profit/(Loss) for the year attributable to Equity Shareholders (₹ in lacs)	(922.64)	335.14
Weighted Average Number of Equity Shares of ₹10/- each (fully paid-up)	12,915,165	12,700,185
Earning per Share - Basic & Diluted (₹)	(7.14)	(2.64 )

# PIONEER EMBROIDERIES LIMITED

.... a stitch ahead of time



PIONEER GROUP

## NOTE - 46 Related Party Disclosures :

### a) Names of Related Parties and Nature of Relationships

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

### b) Transactions during the year

Particulars	Year Ended 31.03.2012 ₹ in lacs	Year Ended 31.03.2011 ₹ in lacs
<b>Nature of Transaction</b>		
i) Sales		
Relative of Key Management Personnel & their enterprises	438.31	188.05
ii) Purchases		
Relative of Key Management Personnel & their enterprises	5.34	12.42
iii) Income from Service Charges/Interest on Loans		
Joint Venture	221.07	201.97
iv) Payment for Other Services		
Associate Concerns (Rent)	3.00	5.50
Key Management Personnel (Remuneration to Whole Time Directors)	77.04	77.04
Relative of Key Management Personnel & their Enterprises	5.08	13.44
v) Claim against rental premise agreement		
Associate Concern	-	725.00
vi) Share Application Money Received		
Associate Concerns	51.52	916.48
Key Management Personnel	(51.52)	51.52
vii) Balance outstanding as at the year end		
Associate Concerns	3382.07 Dr	3604.40 Dr
Joint Venture	3559.30 Dr	2907.28 Dr
Key Management Personnel	38.09 Cr	142.80 Cr
Relative of Key Management Personnel & their enterprises	282.28 Cr	45.47 Dr

**NOTE - 47** The Financial Statements for the year 31st March, 2011 has been prepared as per pre-revised Schedule VI to the Companies Act, 1956 applicable for the year. The Financial Statements for the year ended 31st March, 2012, has been prepared as per Revised Schedule VI notified under the Companies Act, 1956 applicable for the Financial Year commencing from April 1, 2011. Accordingly, the previous year's figure have been regrouped and reclassified to confirm to current year's classification.

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: 3rd November, 2012

For & on behalf of the Board

**RAJ KUMAR SEKHANI**

Chairman & Managing Director

**HARSH VARDHAN BASSI**

Executive Director

[illegible]

[illegible]



PIONEER GROUP

**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.

**NAME OF THE MEMBER (in Block letters)**

I hereby record my presence at the 20<sup>th</sup> Annual General Meeting to be held on 21<sup>st</sup> December, 2012 at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095 at 9.30 A.M.

--

**SIGNATURE OF THE MEMBER OR PROXY**

--

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

TEAR HERE



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 20<sup>th</sup> Annual General Meeting to be held on 21<sup>st</sup> December, 2012 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 \_\_\_\_\_ 2012.

**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







## BOOK POST



*If undelivered, please return to :*

## **PIONEER EMBROIDERIES LIMITED**

*....a stitch ahead of time*

Registered Office: Unit No.101B, 1st Floor, Abhishek Premises, Plot No. C5-6,  
Dalla Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058  
Tel.: 91-22- 4223 2323 • Fax :91-22- 4223 2313  
E-mail : [mumbai@pelhakoba.com](mailto:mumbai@pelhakoba.com) • Website : [www.pelhakoba.com](http://www.pelhakoba.com)