

Pioneer Distilleries			
Type Of capital	2007 (Future)	2006	2005
Equity	Planning to Issue Further 17,20,000 Shares of Rs 10/- Each	<ul style="list-style-type: none"> • Rs 99876000 • Total no of 9987600 Shares • Face Value Rs 10/- Each 	<ul style="list-style-type: none"> • Rs 99428000 • Total no of 9942800 Shares • Face Value Rs 10/- Each
Reserves and Surplus		Rs 9925200	Rs 8850000
Preference Shares		<ul style="list-style-type: none"> • Rs 23500000 • 5% Redeemable Preference Shares • Rs. 10/- each • Total of 2350000 Shares 	<ul style="list-style-type: none"> • Rs 23500000 • 5% Redeemable Preference Shares • Rs. 10/- each • Total of 2350000 Shares
Loans Funds	<p>For an expansion Activity, The company will be taking loan of 14 crore from State Bank of Mysore (SBM) and State Bank of Indore (SBIn) (SBM: Rs.7.00 Crores; SBIn: Rs.7.00 Crores)</p> <p>The working capital requirements of the Company are financed by the State Bank of Mysore, IFB, Hyderabad. The working capital loan limits of the Company during the year have been increased from Rs. 350.00 lakhs to Rs. 550.00 lakhs.</p>	Secured loans: Rs 202826932 unsecured loans: Rs 187060386 Total Loans: Rs 389887318	Secured loans: Rs 199378971 unsecured loans: Rs 140172300 Total Loans: Rs 339551271

Breakup of loan Fund

Secured loan	2006	2005
Term Loan - IDBI	68007000	83700000
Term Loan - LIC	26517671	31500000
Term Loan (I) - SBM	39399787	48699787
Term Loan (II) - SBM	16350000	0
Term Loan - State Bank of Indore	14264980	0
Interest Accrued and Due	6958992	0

Unsecured Loan	2006	2005
Sales Tax Deferment	170736589	136793503
From Others	16323797	3378797

D/E ratio for 2006 = 389887318/133613200 = 2.91

Readers Resource/ Corporate Finance/ Ross, Westerfield, Jaffe & Kakani/ 8th Edition/
Special Indian Edition/ McGraw Hill /2009 * Chapter 16 Pioneer Distilleries Limited *

D/E ratio for 2005 = 339551271/ 133614000= 2.54

Balaji distilleries			
Type Of capital	2007 (Future)	2006	2005
Equity Shares		<ul style="list-style-type: none"> • Rs 5,30,17,5600 • Total no of 5,30,17,560 Shares • Face Value Rs 10/- Each 	<ul style="list-style-type: none"> • Rs 4,90,17,5600 • Total no of 4,90,17,560 Shares • Face Value Rs 10/- Each
Reserves and Surplus		Rs 299,824,327	Rs 299,824,327
Preference Shares		<ul style="list-style-type: none"> • Rs 4,46,20,9000 • 6% Optionally Convertible Redeemable Preference Shares • Repayable in 36 monthly installments commencing from April 2015 • Rs. 10/- each • Total of 4,46,20,900 Shares <ul style="list-style-type: none"> • Rs 1,50,00,0000 • 12.5% Cumulative Redeemable Preference Shares • Redeemable at par in three equal annual installments commencing from December 2001 • Rs. 10/- each • Total of 1,50,00,000 Shares 	<ul style="list-style-type: none"> • Rs 4,46,20,9000 • 6% Optionally Convertible Cumulative Redeemable Preference Shares • Repayable in 36 monthly installments commencing from April 2015 • Rs. 10/- each • Total of 4,46,20,900 Shares <ul style="list-style-type: none"> • Rs 1,50,00,0000 • 12.5% Cumulative Redeemable Preference Shares • Redeemable at par in three equal annual installments commencing from December 2001 • Rs. 10/- each • Total of 1,50,00,000 Shares
Loans Funds		Secured loans: 2,644,784,596 unsecured loans: 613,545,890 Total Loans: 3,258,330,486	Secured loans: 2,724,832,609 unsecured loans: 1,177,488,818 Total Loans: 3,902,321,427

Breakup of loan Fund

SECURED LOANS	2006	2005
FROM BANKS	343,656,927	343,656,927
TERM LOANS	1,117,392,484	1,172,020,526
FROM INSTITUTIONS	783,397,098	783,397,098
FROM CORPORATES		
OTHER LOANS	209,295,726	230,995,897
HIRE PURCHASE LOAN	14,621,000	48,253,125
UNSECURED LOANS	2006	2005
DEBENTURES	0	50,000,000
500 15% Non - Convertible Debentures of Rs. 1,00,000/- each fully paid up redeemable at par and fallen due for redemption on 15.12.99		
FROM BANKS	100,450,161	100,450,161
FROM INSTITUTIONS	0	200,000,000

D/E ratio for 2006 = 3258330486/1426208927 = 2.28

D/E ratio for 2005 = 3902321427/1386208927= 2.81

1. PREFERENCE SHARES:

- As per IFCI Restructuring Package 1,60,43,890 Optionally Convertible Cumulative Redeemable Preference Shares of Rs.10 each was allotted.
- In respect of the 12.5% Cumulative Redeemable Preference Shares with a redemption value of Rs. 15,00,00,000/- and which were to be redeemed in three equal installments in December 2001, December 1002 and December 2003, The redemption is yet to take place.

2. RESTRUCTURING PACKAGE:

- The Secured creditors viz. ICICI Bank Ltd, IFCI Ltd, L&T Finance Ltd, Sundaram Finance Ltd, Indian Overseas Bank Ltd and Bank of Baroda have restructured the outstanding loans. As a part of the restructuring package, the company has allotted Optionally Convertible Cumulative Redeemable Preference Shares and has been adopting concessional rate of interest for the restructured outstanding loans wherever applicable. Not much detail was provided on this.

3. UNSECURED LOANS:

- During the year, an outstanding loan of Rs.46.52 crores (including interest) due to a financial institution has been settled in full through payment of Rs.4.00 crores in cash and **allotment of 40 lakhs equity shares** of Rs.10/- each of the company at par.
- During the year, the 15% non-convertible Debentures of the face value of Rs.5,00,00,000/- together with interest accrued and due there on of Rs.6,66,04,511/- have been redeemed in full at a one time payment of Rs. 1,50,00,000/- in cash.

Observations:

For Pioneer Distilleries

- From 2005 to 2006 they have taken some more of debt and raised some equity. But the debt increased in greater proportion, the D/E ratio also increased in 2006 from 2005.
- In 2007 they are planning to issue 17,20,000 equity shares of Rs 10 face value i.e. Rs 1.72 crore. Also they are planning to take 14 crore as loan from State Bank of Mysore (SBM) and State Bank of Indore (SBIn). Hence their capital structure remains the same i.e. the take more of debt than equity. So in 2007 their D/E ration will further increase.

$$D/E \text{ ratio for 2007} = (389887318 + 14) / (133613200 + 1.72) = 2.92$$

- The loan which they took from State Bank of Mysore, IFB(Hyderabad) had limit of Rs. 350 lakhs which was increased to Rs. 550 lakhs. Hence they are relying more on debt.
- A shift from unsecured debt to secured debt is a very good signal. It conveys that the bankers of the company are having confidence in the company's aggressive expansion plans.

For Balaji Distilleries

- In 2005, just like Pioneer Ltd, Balaji is having high D/E Ratio of 2.81. but the D/E ratio in 2006 decreased to 2.28. the main reason is that they are in losses and they are not able to pay back the loan. So they restructured some of their loans, for e.g. an outstanding unsecured loan of Rs.46.52 crores (including interest) due to a financial institution was settled in full through payment of Rs.4.00 crores in cash and allotment of 40 lakhs equity shares of Rs.10/- each of the company at par. And many more such restructuring was done. Hence their debt decreased and total equity increased.

Sources

- 1) www.bseindia.com
- 2) www.myiris.com
- 3) www.icicidirect.com
- 4) 2005-2006 balance sheet of Balaji Distilleries
- 5) 2005-2006 balance sheet of Pioneer Distilleries