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STARCHKEM LIMITED
(AN ISO 9002 COMPANY)

TENTH
ANNUAL REPORT
2000-2001

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10th Annual General Meeting

Day	:	Thursday
Date	:	27th September, 2001
Time	:	11.00 A.M.
Venue	:	Hotel Deccan Continental, "Banquet Hall", Sir Ronald Ross Road (Minister Road), Secunderabad - 500 003.

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BOARD OF DIRECTORS

Shri T V Sandeep Reddy	*Chairman & Managing Director*
Shri M V G Rao	*Director*
Shri G Sivakumar Reddy	*Director*
Shri T G Pandya	*Additional Director*
Shri J N Karamchetty	Chief Executive
Shri G R K Babu	Company Secretary & Sr.G.M.(Finance)

AUDITORS

C B MOULI & ASSOCIATES
125, M.G. Road,
Secunderabad - 500 003

BANKERS

CANARA BANK
Basheerbagh
Hyderabad

CORPORATION BANK
Hyderguda
Hyderabad

REGISTERED OFFICE & INVESTOR RELATIONS DEPARTMENT

6-3-1090, T S R Towers
Rajbhavan Road
Somajiguda
Hyderabad - 500 082.

FACTORY

NH - 9, Nandikandi Village
Sadasivpet Mandal
Medak District
Andhra Pradesh - 502 306

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NOTICE

NOTICE is hereby given that the 10th Annual General Meeting of the Members of Gayatri Starchkem Limited will be held at the Hotel Deccan Continental, "Banquet Hall", Sir Ronald Ross Road, (Minister Road), Secunderabad - 500 003 on Thursday the 27th September, 2001 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2001 and Profit and Loss Account for the year ended as at that date together with the Reports of the Auditors and the Directors thereon.
2. To appoint a Director in place of Sri G.Sivakumar Reddy who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company.
   To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
   "RESOLVED THAT M/s.C.B.Mouli & Associates, Chartered Accountants, 125, M.G.Road, Secunderabad, 500 003, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and is hereby authorized to fix their remuneration for the period."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary resolution.
   "RESOLVED THAT Shri. T.G.Pandya. be and is hereby appointed as Director of the Company liable to retire by rotation."

By Order of the Board

Date : 31.07.2001
Place : Hyderabad

T V Sandeep Reddy
Chairman and Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Register of Members and the Share Transfer Books of the Company will be closed on Wednesday, the 26th September, 2001.
3. The Shareholders are requested to intimate immediately any change in their address to the Company.
4. Shareholders desiring any information as regards the Accounts are requested to write to the Company atleast seven days before the date of the meeting to enable the Management to keep the information ready at the meeting.
5. Members / Proxies are requested to bring their Annual Report to the meeting and the attendance slip duly filled in for attending the meeting. Copies of Annual Reports will not be provided at the meeting.
6. The Explanatory Statement pursuant to Section 173 of the Companies Act 1956, in respect of business under item no. 4 of the notice referred above is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956
ITEM NO.4

Shri T.G.Pandya was appointed as Additional Director under section 260 of the Companies Act 1956 and would hold office till the date of the Annual General Meeting ie. Thursday, the 27th September, 2001. Shri T.G. Pandya has vast experience in Starch field and has spent entire his service in Starch Industry only. He retired as General Manager from M/s Lakshmi Starch Limited. Your company would be immensely benefited from him being on your Board. The Company has received a notice u/s 257 of the Companies Act, 1956 from one of the members signifying his intention to propose Shri. T.G.Pandya for the office of the Director. The Company has also received deposit of Rs.500 as required under the said Act.

None of the Directors other than Shri. T.G.Pandya is in any way concerned or interested in the said resolution.

By Order of the Board

Date : 31.07.2001
Place : Hyderabad

T V Sandeep Reddy
Chairman and Managing Director

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DIRECTOR'S REPORT

To
The Members,

Your Directors present the 10th Annual Report of the Company for the year ended 31st March, 2001 together with Audited Balance Sheet and Statement of Accounts. The financial results are as follows:

FINANCIAL RESULTS

	(Rs.in lacs)	
	31.03.2001	31.03.2000
Income from Operation	**2375.67**	2817.33
Other Income	**17.00**	19.02
Total :	**2392.67**	2836.35
Total Expenditure	**2759.04**	3239.75
Finance Charges	**1058.19**	896.75
Gross Profit/(Loss) after finance charges but before depreciation and taxation	**(1424.56)**	(1300.15)
Depreciation	**271.23**	266.88
Provision for Taxation	**--**	--
Net Profit/(Loss)	**(1695.79)**	(1567.03)

PERFORMANCE DURING THE YEAR UNDER REVIEW

The slowdown in the economy of the country continued even in the year 2000-2001 and therefore your company was not able to maintain its operations in Sorbitol division even at the previous year level. During the year the company was able to produce 5192.81 mts of Sorbitol (about 61% of installed capacity) and sold the entire quantity. Nevertheless there was no fall in the price realization compared to 1999-00 and therefore the company could sell 5213 mt at Rs.1099.91 lakhs as against 6580 mt at Rs.1360.02 lakhs during the previous year. This has affected the turnover of the company and pushed the losses further up. Your directors are hopeful that at least in the coming year the operations of the company will be improved.

As regards starch division the company crushed about 23656 mt of Maize as against 25000 mt during the previous year. In this division also the company could not achieve even the last year performance mainly due to paucity of working capital. The company could achieve about 50% of its installed capacity with a turnover of Rs.1200 lakhs. However the company could procure the Maize relatively at cheaper rate but the same has been set off due to fall in realizations.

The turnover of the company fell compared to the previous year mainly due to fall in the production and sale of Sorbitol to the tune of 1367 mt, valuing Rs.260.11 lakhs even though the realisations remain the same. Same is the case with regard to Starch division. There was fall in the crushing of maize to the tune of 1500 mt and there was also steep fall in the starch price realizations. Both these factors have affected the starch division turnover to the tune of Rs.200 lakhs. Considering the company as a whole there has been fall in the turnover to the tune of Rs.440 lakhs compared to the previous year.

EXPORTS

The Company could hardly do any export of its products since the prices in international markets continue to be un-remunerative.

OUTLOOK FOR THE CURRENT YEAR

Your company's products continue to be well accepted in the market and all the major clients are also patronizing your company. Further the starch and its by-products produced by your company are well accepted in the market and in some pockets they are even commanding premium. Your company is making

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all efforts for achieving minimum of 75% of installed capacity of both Sorbitol and Starch division in the year 2001-02.

The price of Maize was reasonably at low rate till June 2001. However due to delay in monsoon the prices went up very high and there is also an apprehension that the price of maize may go up even during the season, which starts from September month. However all out efforts will be made to ensure that the company will be able to procure the Maize at reasonably low rate.

The company commissioned the coal cum husk fired boiler in the month of November 2000 and could see substantial saving in the fuel cost. Your directors are hopeful that due to commissioning of the new boiler there could be saving nearly of Rs.200 lakhs per annum in consumption of fuel, which will eventually reduce the losses.

LISTING OF SECURITIES

a) The Company's Shares are listed with The Hyderabad Stock Exchange Limited, 3-6-275, Himayathnagar, Hyderabad - 500 029 and The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023.

b) The Annual Listing Fee for the year 2000-2001 has been paid to the Stock Exchanges at Hyderabad and Mumbai.

ISO 9002

Yours is the only Company having been awarded ISO 9002 Certificate for Sorbitol division. Effective steps are being taken to get ISO 9002 certificate even for Starch Division.

REFERENCE TO BIFR

As the net worth of the company was completely eroded as on 31st March 2000 a reference to BIFR as per the provisions of Sick Industrial Companies (Special Provisions) Act 1985 was made .

DIRECTORS

1. Shri G.Sivakumar Reddy who retires at the ensuing Annual General Meeting is eligible for reappointment and necessary information for his re-appointment is given elsewhere in the notice to the members.
2. Shri. T.G.Pandy was co-opted as Additional Director on 31st July 2001. He holds office upto the date of ensuing Annual General Meeting. The company received notice from members pursuant to section 257 of the Companies Act 1956, signifying the intention to propose the candidature of Shri. T.G. Pandy as director of the company necessary resolution for his appointment is given elsewhere in the notice to the members.

APPOINTMENT OF AUDITORS

M/s.C.B.Mouli & Associates, Chartered Accountants retire as Auditors of your Company and are eligible for reappointment

AUDITOR'S REPORT

For the qualifications in the Audit Report necessary explanations were given in the notes to accounts.

COST AUDITORS

The Central Government prescribed appointment of Cost Auditors u/s 233B of the Companies Act 1956 and M/s Narasimha Murthy & Co are appointed as Cost Auditor for the year 2000-2001.

THE CORPORATE GOVERNANCE

In confirmity with The Securities and Exchange Board of India (SEBI) directives, your company is required to implement the corporate goverance code during the current financial year 2001-2002 but not later than the financial year ending 31st March, 2002.

Even before the aforesaid amendment becomes applicable, your Company has been following the Corporate Governance practices like convening the Board meetings with reasonable intervals, Composition of optimum combination of directors, Constitution of Audit Committee, maintaining friendly relations with shareholders, public, Government and other authorities.

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Your Company is taking appropriate positive measures to constitute other committees under the Corporate Governance Code.

DIRECTOR'S RESPONSIBILITY STATEMENT

According to Section 217 (2AA) of the Companies Act, 1956 your directors state

(i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures:

(ii) That the directors have selected such accounting policies and applied them consistently and made judgements and estimates that 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 financial year and of the profit or loss of the company for that period:

(iii) That your directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities:

(iv) That your directors have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

The Audit Committee was constituted on 29th June, 2001 and the Committee comprises of three members viz:-

Shri M.V.G.Rao
Shri T.V.Sandeep Reddy
Shri G.Sivakumar Reddy

All the members of the Audit Committee except Shri. T.V.Sandeep Reddy are Non Executive Directors and are also independent directors. They have adequate knowledge of Accounts, Audit, Finance, and Economy.

The role and the powers of the Audit Committee are as laid down under clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956.

DEPOSITS

The Company has not accepted any deposits as per Section 58A of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

None of the employees attracts the provisions of Section 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION, FOREIGN EXCHANGE EARNINGS, ETC.

The information required 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 with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/ Outgo is appended hereto and forms part of this report.

ACKNOWLEDGMENTS

Your Directors would like to place on record their sincere appreciation and gratitude to all Financial Institutions, Company's Bankers, Shareholders, Government Agencies and all the Employees of the Company for their co-operation and support during the year.

By Order of the Board

Date : 31.07.2001
Place : Hyderabad

T V Sandeep Reddy
Chairman and Managing Director

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ANNEXURE TO DIRECTOR'S REPORT

Disclosure of Particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo as required under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the report of Board of Directors for the year ended 31st March 2001.

FORM 'A'

Form for disclosure of particulars with respect to Conservation of Energy.

POWER AND FUEL CONSUMPTION	**2000-2001**	1999-2000
1. ELECTRICITY		
a. Purchased Units (nos.)	**69,15,776**	71,86,646
Total Cost (Rs.in lakhs)	**302.44**	302.44
Rate / Unit (Rs.)	**4.54**	4.21
b. Own Generation		
Through Diesel Generator		
Units (KWH)	**12,280**	41,744
Units/Per Litre of - Diesel Oil (KWH)	**3.30**	3.30
Cost/unit (Rs./KWH)	**4.72**	4.72
2. FURNACE OIL		
Qty. (K.Ltrs)	**1264.716**	3049.215
Total Cost (Rs.in lakhs)	**137.57**	260.10
Average Cost per Ltr (Rs)	**10.88**	8.53
3. DIESEL OIL		
Qty. (K.Ltrs.)	**5.28**	12.58
Total Cost (Rs.in lakhs)	**0.82**	1.96
Average Cost per Ltr. (Rs)	**15.68**	15.60
4. OTHERS		
Hydrogen Gas		
Qty. (M3)	**393320**	601258
Total Cost (Rs.in lakhs)	**67.74**	101.09
Rate /Unit (Rs.per M3)	**17.22**	16.81
FOREIGN EXCHANGE EARNINGS (Rs.in lakhs)	--	4.31
EXPENDITURE IN FOREIGN CURRENCY (Rs.in lakhs)		
a. Travelling Expenses & Subscription	--	1.59
b. Capital Goods	**9.15**	1.93
c. Raw Materials	**20.00**	4.79

By Order of the Board

Date : 31.07.2001
Place : Hyderabad

T V Sandeep Reddy
Chairman and Managing Director

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