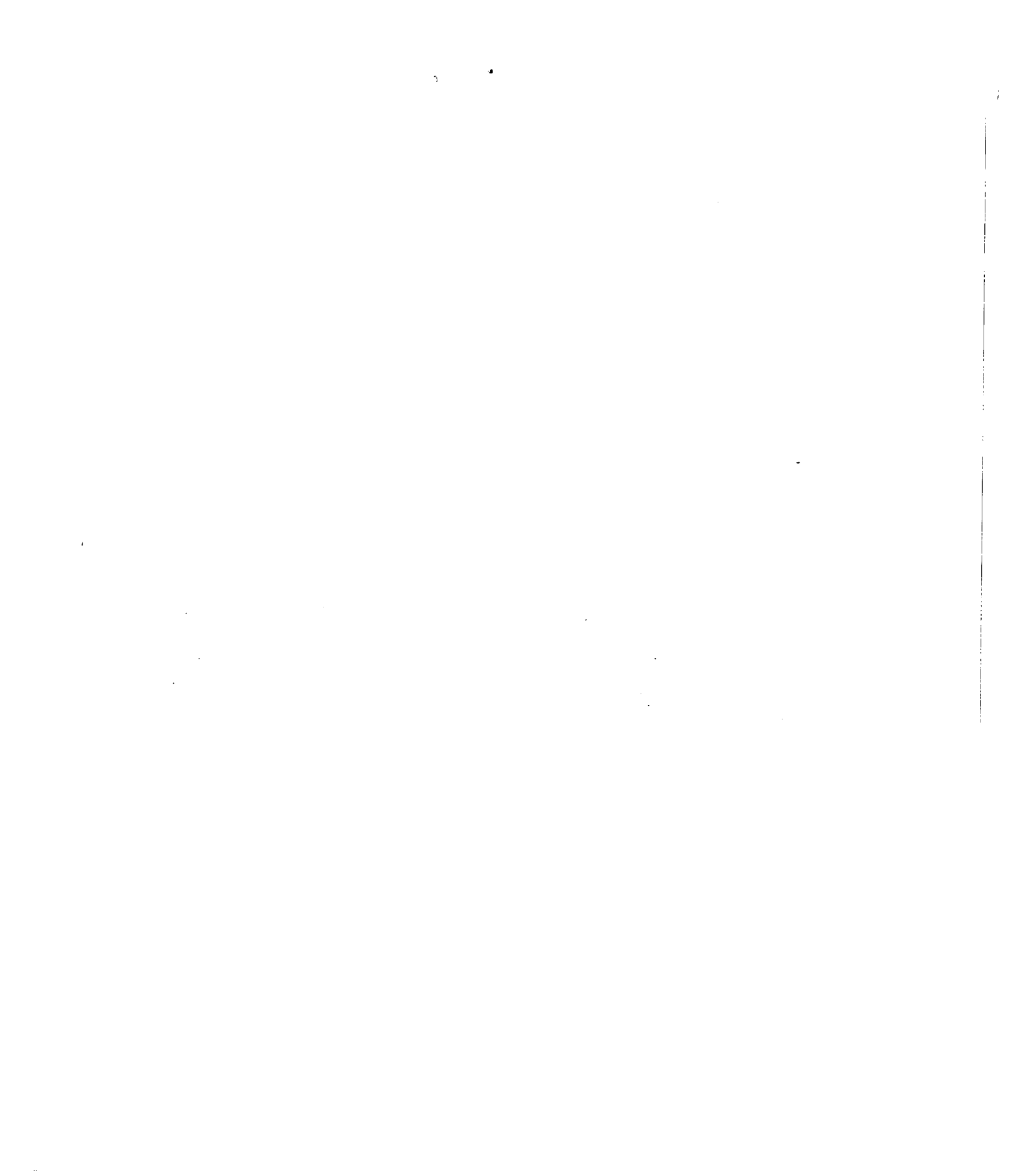


GANPATI

**ANNUAL REPORT
2010**



GANPATI SUGAR INDUSTRIES LIMITED

BOARD OF DIRECTORS

Arun Lohia : Chairman
Arvind Lohia : Director
R. Pittie : Director
G. Goswami : Director
M. Barasia : Director (Finance)

REGISTERED & HEAD OFFICE

20B, Abdul Hamid Street
Kolkata - 700 069

WORKS

Village Fasalwadi
Mandal Sangareddy
Dist. Medak
Andhra Pradesh

AUDITORS

A. C. Bhuteria & Co.
Chartered Accountants
2, India Exchange Place
Kolkata - 700 001

BANKERS

State Bank of India
Punjab National Bank
Union Bank of India

DIRECTORS' REPORT**To the Shareholders**

Your Directors have pleasure in submitting the Annual Report and the audited statement of accounts for the year ended 31st March, 2010.

Financial Performance :

(Rs. in lacs)

	2009-10	2008-09
Sales and Other Income	12,183	12,806
Profit before interest, Depreciation and Tax	2,691	2,228
Less : Interest and Other Financial Charges	396	706
Cash Profit	2,295	1,522
Less : Depreciation	850	855
Net Profit for the year	1,445	667
Less : Extraordinary item (Change in Method of Depreciation)	479	—
: Provision for Taxation including FBT	170	83
Profit after Tax	796	584
Add : Balance brought forward from previous year	(564)	(1,148)
Profit / (Loss) available for Appropriation	232	(564)
Less : Proposed Dividend on Preference Shares (including Tax on dividend)	55	—
: Transfer to General Reserve	50	—
Balance carried to the next year's accounts	127	(564)

Dividend :

The Directors propose 11% dividend on Preference shares including arrears since 1-4-2002 amounting to Rs. 54.81 lacs (including corporate dividend tax). In view of inadequate profits, your directors are unable to recommend any dividend on equity shares for the year.

Operations and Performance :

Crushing in the season was 3.42 lacs tons, marginally higher than 3.01 lac tons crushed in previous season. Due to shift in the cropping pattern from cane to other crops and reduction in yield due to insufficient rain fall specially in Andhra Pradesh, the cane availability did not improve significantly even this season. The Company processed 5000 M. Ton of raw sugar. The operational figures for the year compared to previous year are as given hereunder :

	Financial Year		Crushing Seasons	
	2009-10	2008-09	2009-10	2008-09
Duration of Crushing (Days)	94	155	94	98
Cane Crushed (MT)	3,42,453	4,60,282	3,42,453	3,00,844
Raw Sugar Processed (MT)	5000	—	5000	—
Average Recovery (%)	10.07	9.85	10.07	10.09
Sugar production (qtls.)	3,92,343	4,53,240	3,92,343	3,03,410

GANPATI SUGAR INDUSTRIES LIMITED

The performance of co-generation power plant was weak due to non availability of bagasse following the low crushing and the revenue from Power Division during the year was Rs. 486 lacs as against Rs. 1093 lacs in the previous year.

In the year 2009-10, the sugar production in the country is expected to be about 18.7 million tones as against the initial estimate of 15.0 million tons and production of 14.6 million tons in 2008-09. The prices of refined sugar and raw sugar were ruling high till February, 2010 in international as well as domestic markets. But with sudden change of sugarcane availability particularly in Maharashtra leading to a jump in production estimate of 20% more and high production in Brazil, the prices of sugar started softening since February, 2010 and has reduced in 3 months by around 40% from January, 2010. With a view to check increase in sugar prices, Government of India also initiated measures like allowing raw sugar import free of duty and without export obligation and import of refined sugar. Government also increased the levy quota to 20% of the sugar production (as against 10% earlier) with effect from 1st October, 2009. These measures also contributed to steep reduction in sugar prices.

Due to lower production of sugar and lower generation of power, sales and other income reduced to Rs. 121.83 crores as against Rs.128.06 crores in previous year.

However due to better price realization and tight cost monitoring, the profit before interest depreciation and tax improved to Rs.26.91 crores as against Rs. 22.28 crores in previous year. Taking into consideration the totality of the situation, the results for the year should be considered reasonable.

Outlook :

As per initial industry estimates, the sugar production in 2010-11 season may be around 25 million tons due to increased area under cultivation of sugarcane as farmers have got very good prices for cane in season 2009-10. The domestic consumption is almost same. The Government of India has not yet imposed any duty or ban on import of white sugar or raw sugar and it may result in surplus stocks and consequently softening of sugar prices further during the season. Your Company has continued to take various measures to improve the sugarcane availability in near future, viz. incentive to farmers for early plantation of cane, seed cane subsidy, bringing more area under drip irrigation, making availability of fertilizers and pesticides to the farmers and look forward to the better cane availability in the coming year. The monsoon forecast has also been good for the year and after two very bad years of rain specially in Andhra region, we are hopeful of improvement in yields of the crop.

The Company is expecting that the A. P. Government may allow open access to sugar companies to sale the power at least in off season on continuous basis and based on the decision of the State Government, the Company may opt to modify the boiler to operate on coal during off season.

The company had earlier deferred to install certain equipment like a new mill due to poor availability of cane in last 2 seasons and certain capital equipment are carried under Capital Work in Progress. Due to better availability of cane expected in ensuing season, the Company will commission the same in current financial year.

The physical performance of the plant is expected to be much better. However end results will depend on sugar prices which are expected to be softer but with better efficiency of operating ratios of the plant, we expect to turn in reasonable results for the year 2010-11.

Directors :

During the year Mr. P. M. Nair resigned as member of the Board. The Board places on record its

appreciation for the valuable contribution made by him to the Company during his tenure as Director of the Company.

During the year, IDBI Bank Ltd. withdrew its nominee Mr. Sunit Sarkar. The Board places on record its appreciation for the valuable contribution made by him to the Company during his tenure as Director of the Company.

Mr. Arun Lohia and Mr. R. Pittie, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

Auditors :

The Statutory Auditors, M/s. A. C. Bhuteria & Co. Chartered Accountants retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Employees :

No employee of the Company was in receipt of remuneration during the financial year in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956.

Conservation of Energy :

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1)(e) of the Companies Act, 1956 are given in a separate annexure attached hereto and form part of this report.

Directors' Responsibility Statement :

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that :

1. in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable Accounting Standards have been followed, along with proper explanation relating to material departures;
2. your 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 as of 31st March, 2010 and of the profit of the Company for the year ended on that date;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the Directors have prepared the annual accounts on a going concern basis.

Appreciation :

Your Directors place on record their appreciation for the continued co-operation and support extended to the Company by sugarcane growers, customers, Central and State Governments and their agencies, Financial Institutions, Banks, Shareholders and Employees at all levels.

For and on behalf of the Board

Arun Lohia

Chairman

Kolkata, the 9th day of June, 2010

GANPATI SUGAR INDUSTRIES LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 and forming part of the Directors' Report for the year ended 31st March, 2010.

A. CONSUMPTION OF ENERGY

A. POWER & FUEL CONSUMPTION	2009-10		2008-09	
Sugar	Sugar	Co-Gen	Sugar	Co-Gen
1. Electricity				
a) Purchased units (Excluding Domestic unit)	60,792	9,23,000	60,950	6,68,000
Total Amount (Rs.)	3,58,567	45,30,545	3,62,681	36,98,939
Rate per unit (Rs.)	5.90	4.91	5.95	5.54
b) Own Generation				
i) Through Diesel Generator Sets (Units)	6,493	—	1,819	—
Units per ltr. of Diesel	4.00	—	2.00	—
Cost / Unit (Rs.)	8.91	—	18.92	—
ii) Through Steam Turbine/ Generator (Units)	29,54,080	2,41,98,000	38,66,240	4,79,42,000
Units per MT of Bagasse	1.94	469	208	498
Cost/Unit (Rs.)	5.16	2.13	4.89	2.01
2. Coal (Specify quality & where used quantity) Mt.	—	—	—	—
3. Furnace Oil (Qtr.K.Ltrs.) Total amount/Average rate	—	—	—	—
4. Other/Internal generation Quantity Total cost rate / unit	—	—	—	—
B. CONSUMPTION PER UNIT OF PRODUCTION				
Production of Sugar (Qtls)	3,92,343	—	4,53,240	—
Electricity (Units)/Qtl of Sugar	25.65	—	26.00	—
Furnace Oil	—	—	—	—
Cost (Specify quality)	—	—	—	—
Other (Specify)	—	—	—	—

B. ENERGY CONSERVATION MEASURES :

1. The Company has installed bagasse dryers which shall use waste heat and save bagasse for generating more power.
2. The Company is also installing further variable frequency drives which will also save electricity consumption and improve efficiencies.
3. The Company has modified clarifier and evaporator to the latest type which shall save on steam and give more uniform quality.

C. FOREIGN EXCHANGE EARNING AND OUTGO :

	(Rs. in lacs)	
	2009-10	2008-09
a) Total Foreign Exchange Earned : — Sale of CERS	412.25	—
b) Total Foreign Exchange Used :		
— CDM Charges	3.97	—
— Import of Spares	0.20	—
— Conference Expenses	0.36	—

For and on behalf of the Board

Arun Lohia

Chairman

Kolkata, the 9th day of June, 2010

AUDITORS' REPORT

To the Members

1. We have audited the attached Balance Sheet of GANPATI SUGAR INDUSTRIES LTD. as at 31st March, 2010 and also the annexed Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of books and records we considered necessary and according to the information and explanations given to us, we give below our comments on the matters specified in paragraph 4 & 5 of the said Order as far as applicable.
 - i) The Company has maintained proper records showing full particulars, including quantitative details and situation of its Fixed Assets. The Fixed Assets are physically verified by the Management in a phased manner, over a period of three years, which in our opinion is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification. There was no substantial disposal of fixed assets during the year.
 - ii) Physical verification of inventory has been conducted at reasonable intervals by the management. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The Company is maintaining proper records of Inventory. Discrepancies noticed on physical verification as compared to book records, which were not material, have been properly dealt with in the books of accounts.
 - iii) As informed, the Company has not granted / taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - iv) In our opinion and according to the information & explanation given to us, there is an adequate internal control system commensurate with the size of the Company & nature of its business, for the purchases of inventory and fixed assets and for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
 - v)
 - a) According to the information and explanations given to us, we are of the opinion that the particulars of contract or arrangement referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
 - b) According to the information & explanations given to us, the transactions made in pursuance of such contracts or arrangements, and exceeding the value of Rs. 5,00,000/- in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices except in case where comparison could not be made in absence of similar transaction with third party.