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9th
Annual Report
1999-2000

AN ISO 9002 COMPANY

9th Annual General Meeting

Day : Saturday

Date : 5th August, 2000

Time : 11.00 A.M.

Venue : Hotel Deccan Continental,
"Banquet Hall",
Sir Ronald Ross Road (Minister Road),
Secunderabad - 500 003.

GAYATRI STARCHKEM LIMITED

BOARD OF DIRECTORS

Shri T V Sandeep Reddy	<i>Managing Director</i>
Shri K Banerjee	<i>Director (IDBI Nominee)</i>
Shri M V G Rao	<i>Director</i>
Shri G Sivakumar Reddy	<i>Director</i>

AUDITORS

C B MOULI & ASSOCIATES
Secunderabad

BANKERS

CANARA BANK
Basheerbagh
Hyderabad

CORPORATION BANK
Hyderguda
Hyderabad

Report

REGISTERED OFFICE & INVESTOR RELATIONS DEPARTMENT

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

FACTORY

NH - 7, Nandikandi Village
Sadasivpet Mandal
Medak District
Andhra Pradesh - 502 306

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NOTICE

NOTICE is hereby given that the 9th 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 Saturday, the 5th August, 2000 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 2000 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 Shri M.V.G.Rao 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 reappointed as 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 authorised to fix their remuneration for the period. "

By Order of the Board

Date : 21.06.2000

Place : Hyderabad

T.V. SANDEEP REDDY

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 4th August, 2000.
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.

GAYATRI STARCHKEM LIMITED**DIRECTOR'S REPORT**

To
The Members,

Your Directors present the 9th Annual Report of the Company for the year ended 31st March, 2000 together with Audited Balance Sheet and Statement of Accounts. The financial results are as follows:

FINANCIAL RESULTS

	(Rs.in lacs)	
	31.03.2000	31.03.1999
Income from Operations	2817.33	1705.61
Other Income	19.02	8.08
Total :	2836.35	1713.69
Total Expenditure	3239.75	1716.84
Finance Charges	896.75	479.10
Gross Profit/(Loss) after finance charges but before depreciation and taxation	(1300.15)	(482.25)
Depreciation	266.88	165.77
Provision for Taxation	--	--
Net Profit/(Loss)	(1567.03)	(648.02)

PERFORMANCE DURING THE YEAR UNDER REVIEW

The slowdown in the economy of the country continued even in the year 1999-2000 and therefore your Company was able to maintain its operations in Sorbitol division at the previous year level only. During the year the Company was able to produce 6635.22 mts of Sorbitol (about 77% of installed capacity) and sold almost the entire quantity. There was no improvement in the price realisation even compared to 1998-99 and therefore the Company could sell 6580 mts at Rs.1,360 lacs as against 6650 mts at Rs.1,470 lacs during the previous year. Your directors are hopeful that at least in the coming year the operations of the Company will improve.

As regards starch division the Company crushed about 25,000 mts of Maize as against 4400 mts during the previous year. The figures are not comparable since during the year 1998-99 the starch division worked only for two months. The Company has achieved about 55% of its installed capacity and achieved a turnover of Rs.1,400 lacs.

Though there is quantum jump in the turnover of the Company, the performance of the Company is not satisfactory since the Company has incurred heavy loss mainly due to higher interest burden and depreciation., increase in Maize cost and abnormal increase in Furnace Oil cost and Power charges which have adversely affected the profitability. Consequently the Company could not achieve the projected profitability as per the prospectus.

EXPORTS

The Company could hardly do any export of its products since the prices in International Markets continue to be unremunerative. The Company exported 20.4 mts of Sorbitol and earned foreign exchange of Rs.4.31 lakhs.

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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 products. Further the Starch and its products produced by your Company are well accepted in the market and in some packets they are even commanding premium. Your Company is making all efforts for achieving minimum of 90% of installed capacity of both Sorbitol and Starch divisions in the year 2000-01.

The prices of Maize are not as high as it was during the previous year. Your Directors are confident that the procurement of Maize will be reasonably at low price and the Company will be able to make good mileage out of low cost of procurement,

Since the price of Furnace Oil has gone up abnormally, and to meet such abnormality in future, the Company is installing Coal Fired Husk based Boiler, which will be Operational by July 2000 end. The Company is expecting a saving of Rs. 25.00 lacs per month in fuel cost.

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 1999-2000 has been paid to the Stock Exchanges at Hyderabad and Mumbai.

PROMISE Vs PERFORMANCE (IN TERMS OF CLAUSE 43 OF LISTING AGREEMENT)

The Company had given following profitability projections in the prospectus dated 02-03-1994.

		(Rs.in.lacs)	
PARTICULARS	PROJECTIONS	ACTUALS	
1. Production (Qty)	6840	6635.00	
2. Total Income	1663	2817.33	
3. Other Income	Nil	19.02	
4. Profit before Tax	341	(1567.03)	
5. Profit after Tax	333	(1567.03)	

The Projections could not be achieved in terms of Profitability due to the reasons explained elsewhere in this report. Also the actuals are not comparable with projections, since actuals include performance of both Starch and Sorbitol divisions, whereas projections were only for Sorbitol unit.

ISO 9002

Your Company has been awarded ISO 9002 Certificate for Sorbitol division and necessary steps are being taken to get ISO 9002 certificate even for Starch Division. Your Company is hopeful of getting the certificate very shortly. It is not out of place to mention that yours is the only Sorbitol & Starch Company awarded this Certificate in India.

DISCLOSURE UNDER CLAUSE 32 OF THE LISTING AGREEMENT

Y2k bug has not affected the Company's operations since all steps were taken for ensuring Y2k compliance.

GAYATRI STARCHKEM LIMITED

REFERENCE TO BIFR

As the net worth of the Company is completely eroded your Company is required to make a reference to BIFR as per the provisions of Sick Industrial Companies (Special Provisions) Act 1985. Necessary steps will be taken to comply with the provisions of SICA Act.

DIRECTORS

1. Shri M.V.G. Rao who retires at the ensuing Annual General Meeting is eligible for reappointment and necessary resolution for his reappointment is given elsewhere in the notice to the Members.
2. Shri. P.S.V. Mallya and Shri. C.N.Gangadaran Directors of the Company have resigned from the Board of your Company due to their preoccupation. Your Directors would like to place on record, the invaluable services rendered by them during their tenure as Directors of your Company.

APPOINTMENT OF AUDITORS

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

DEPOSITS

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

PARTICULARS OF EMPLOYEES

None of the employees attract 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 : 21.06.2000
Place : Hyderabad

G. Sivakumar Reddy
Director

T.V. Sandeep Reddy
Managing Director