



BioOrganics Limited
(Formerly Gayatri Starchkem Limited)

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17th Annual Report 2007 - 08

Gayatri BioOrganics Limited

17th Annual General Meeting

Day : Wednesday
Date : 24th September 2008
Time : 3.00 P.M.
Venue : "SŪRANA UDYOG AUDITORIUM",
 FAPCCI Building, Federation House,
 11-6-841, Red Hills, Hyderabad – 500 004

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Gayatri BioOrganics Limited

BOARD OF DIRECTORS

Sri T.V. Sandeep Kumar Reddy	<i>Chairman</i>
Sri P. Maruthi Babu	<i>Director</i>
Sri T.G. Pandya	<i>Director</i>
Sri J. N. Karamchetti	<i>Director</i>
Sri Parth Dashrathlal Gandhi	<i>Director</i>
Sri Jayendra N. Shah	<i>Director</i>
Smt T. Sarita Reddy	<i>Additional Director (w.e.f 24.01.2008)</i>
Sri. T. R. Rajagopalan	<i>Additional Director (w.e.f 31.07.2008)</i>

COMPANY SECRETARY : K.S.V.S. Sastry

AUDITORS:

M/s. C.B.Mouli & Associates

Chartered Accountants

125, M.G.Road,

Secunderabad - 500 003.

**REGISTERED OFFICE &
INVESTOR RELATION DEPT.,**

6-3-1090/C/A/1, 1st floor

Lovely Mansion, Rajbhavan Road,

Somjiguda, Hyderabad - 500 082.

Ph: 66100111/66100222, Fax:66100333

E-mail: info@ gayatribioorganics.com

FACTORY:

NH-9, Nandikandi village

Sadasivapet Mandal

Medak District

Andhra Pradesh - 502 306

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NOTICE

NOTICE is hereby given that the **17th Annual General Meeting** of the members of Gayatri BioOrganics Limited will be held at the "SURANA UDYOG AUDITORIUM", FAPCCI Building, Federation House, 11-6-841, Red Hills, Hyderabad-500004 on Wednesday, the 24th Day of September, 2008 at 03.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet of the company as at 31.03.2008 and the Profit and Loss account for the year ended on that date and the Report of Directors' and the Auditors thereon.
2. To appoint a Director in place of Sri. T. G. Pandya who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri. P. Maruthi Babu who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri. J. N. Karamchetti who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

To consider and, if thought fit, to pass with or without modification(s), following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 225 and other applicable provisions of the Companies Act, 1956, if any M/s. B S R & Co, Chartered Accountants, 5, Merchant Towers, 11nd Floor, Road No.4, Banjara Hills, Hyderabad 500034 be and are hereby appointed as Statutory Auditors of the Company in place of the retiring Statutory Auditors M/s. C.B. Mouli & Associates, Chartered Accountants, 125, M.G.Road, Secunderabad, 500003, 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 are hereby authorized to fix their remuneration."

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Smt. T. Sarita Reddy, who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office under Section 260 of the Companies Act, 1956 until the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing her candidature for the office of a director under Section 257 of the companies Act, 1956 along with the requisite deposit, be and is hereby appointed as a director of the company liable to retire by rotation."

7. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Sri. T. R. Rajagopalan, who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office under Section 260 of the Companies Act, 1956 until the date

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of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a director under Section 257 of the companies Act, 1956 along with the requisite deposit, be and is hereby appointed as a director of the company liable to retire by rotation."

By Order of the Board

Sd/-

T.V. Sandeep Kumar Reddy
Chairman

Place : Hyderabad
Date : 31.07.2008

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Books will remain closed from 18th September, 2008 to 24th September 2008 (both days inclusive).
4. The Members are requested to intimate immediately any change in their address to the Company at the Registered Office or M/s Venture Capital and Corporate Investments Limited, 12-10-167, Bharat Nagarr, Hyderabad 500018.
5. Members desiring any information as regards the Accounts are requested to write to the Company not less than seven days before the date of the meeting to enable the Management to keep the information ready at the meeting.
6. Members / Proxies are requested to bring their Annual Report to the meeting and the attendance slip duly filed in for attending the meeting. Copies of Annual Reports will not be provided at the meetings.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.6

The Board of Directors of the Company appointed Smt. T Sarita Reddy as Additional Director of the Company and her term of office expires on the date of ensuring Annual General Meeting

Considering her rich experience, the Board recommends that she should be appointed as a director liable to retire by rotation. Further the Company has received a special notice in writing from a member as per the provisions of Section 257 of the Companies Act, 1956, which requires the approval of the members in their meeting,

The Board commends this resolution for your approval.

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None of the Directors except Sri. T.V. Sandeep Kumar Reddy and Smt. T. Sarita Reddy is interested in this resolution.

Item No.7

The Board of Directors of the Company appointed Sri. T.R. Rajagopalan, as Additional Director of the Company and his term of office expires on the date of ensuing Annual General Meeting

Considering his rich experience, the Board recommends that he should be appointed as a director liable to retire by rotation. Further the Company has received a special notice in writing from a member as per the provisions of Section 257 of the Companies Act, 1956, which requires the approval of the members in their meeting,

The Board commends this resolution for your approval.

None of the Directors except Sri. T. R. Rajagopalan is interested in this resolution.

By Order of the Board

Place : Hyderabad
Date : 31.07.2008

Sd/-
T.V. Sandeep Kumar Reddy
Chairman

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DIRECTORS' REPORT

To
The Members of
Gayatri BioOrganics Limited

Your Directors present the Seventeenth Annual Report along with the Audited Financial Statements and the Auditor's Report thereon for the period ended 31st March, 2008.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	31.03.2008	31.03.2007
Income from Operation	4,221.02	3,304.24
Other Income	56.47	121.16
Total:	4,277.49	3,425.40
Total Expenditure (Including prior period Adj.A/c)	4,191.04	3,324.85
Finance Charges	9.85	84.45
Gross Profit/(Loss) after finance charge	76.60	16.10
(But before depreciation and taxation)		
Depreciation	(275.74)	(274.47)
Extra ordinary Items	735.42	2,136.82
Provision for Taxation	(1.59)	(1.37)
Net Profit / (Loss)	534.69	1,877.08

PERFORMANCE DURING THE YEAR UNDER REVIEW

SORBITOL DIVISION

You may be aware that the Sorbitol plant was put in back into service with effect from 01-10-2006 and the Company produced 3846 MTs during the Financial Year ended 31st March, 2008 which is nearly 45% of the installed capacity. During the year under review the Company also took up the retrofitting of the exiting plant to achieve 100% installed capacity of the Sorbitol Plant. The Management is also considering to enhance the capacity of the existing plant from 30 TPD to 60 TPD.

STARCH DEPARTMENT

Even though the performance of this plant is better when compared to previous year, there is still scope for improvement if the market conditions are more conducive and there is enough working capital. The Company crushed 34,218 MTs maize as against 28,831 MTs maize during the previous year. Because of the market conditions and the satisfactory operations the cash profit is Rs.84.85 lakhs against last year cash profit of Rs. 81.6 lakhs without considering financial charges. The Management is considering to invest Rs.2 crores in strengthening the existing plant which enables the company to achieve the production of 100% Installed Capacity. The Management is also considering to enhance the capacity of the existing plant from 150 TPD to 350 TPD.

EXPORTS

The Company did not do any exports during the year since the prices in international markets continue to be unremunerative.

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OUTLOOK FOR THE FINANCIAL YEAR 2008-09

It is gratifying to say that the products of this Company are well accepted in the market and are being patronized by the major clients. The Company is hopeful of achieving 100% of the installed capacity.

The maize crop during the year in the state is good and bumper harvest is expected. With this scenario we are hopeful of achieving higher operational levels.

The Hon'ble BIFR approved the rehabilitation package filed with it and passed the final order with regard to Rehabilitation package which has included various grants, reliefs and concessions with various departments of both Central and State Government. And the Company is approaching different government authorities to seek the grants, reliefs and concessions as directed by Hon'ble BIFR in the Rehabilitation Package.

The Management proposed to enhance the capacity of crushing plant. Starch, Sorbitol plant and add facilities for 50 K.L. Grain based distillery as a part of revival plan. The management is also considering enhancing the capacity of existing sorbitol plant from 30 TPD to 60 TPD and enhancing the capacity of maize starch from 60 TPD to 90 TPD and install a 50 KL distillery plant for manufacture of ENA from maize starch. Regarding 50 KL grain based distillery company obtained all the clearances from the Government.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry - Structure and Developments.

Sorbitol and Starch industries in India are very much fragmental and scattered throughout India. The growth in demand for Sorbitol is promising. As far as Sorbitol is concerned at present our company is only one plant in South India. When it comes to starch, for the last 2 years we observe that the consumption of Starch in south has increased. There is steady growth and demand for these products as 60% of starch goes to textile, food based industries. The demand is there throughout the year. At present the demand for both Sorbitol and Starch is promising on a continued basis.

b. Opportunities and threats.

The company does not see any opportunities but has been facing the threat of import of Sorbitol.

c. Out look

The outlook for the company's products is reasonably good but the management feels that the company can achieve better results only if it can reach its full capacities which is possible only when the company is provided with sufficient working capital.

d. Risks and Concerns.

Sorbitol and Starch being agro based industries there is no risk of product obsolescence or steep fall in demand by way of product substitution. Therefore your directors do not foresee any major risks and concerns, except as discussed else where in this report, in the near future.

e. Internal Control Systems and their adequacy:

The company has developed adequate internal control and reporting systems and is well placed.

f. Financial / Operational performance:

This has already been discussed in this report.

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g. Human Resources / Industrial Relations :

The company employs about 250 people both in Sorbitol and Starch divisions including Head Office. The Company enjoys very cordial relations with the staff, workers and with workers union. The industrial relations continued to be cordial during the year under review.

CAUTIONARY STATEMENT:

Statements in this "Management Discussion & Analysis" may be considered to be "forward looking statements" only. Actual results could differ materially from those expressed or implied within the meaning of applicable securities laws or regulations.

LISTING OF SECURITIES

- (a) The Company's Shares are listed with **Bombay Stock Exchange Limited**, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023 and The Hyderabad Stock Exchange Limited, 6-3-654, Adjacent to Erramanjil Bus Stop, Somajiguda, - 500 029. **However, SEBI Derecognized Hyderabad Stock Exchange Limited.**
- (b) The Company paid Listing fees for the year 2008-09 to Bombay Stock Exchange Limited. However, Annual Listing Fees for the year 2002-03 to till date has not been paid to the Hyderabad Stock Exchange.

Members are aware that the trading in the Company's equity shares were suspended by the Bombay Stock Exchange Limited. However, the management has taken initiative to revoke the suspension in trading of equity shares. The Chairman along with the Management Team represented the Company before the Listing Committee of the Bombay Stock Exchange Limited. Management is of the opinion that the Bombay stock Exchange Limited will soon allow the trading of equity shares of the Company.

REFERENCE TO BIFR:

Members are aware that the net worth of the Company had been completely eroded and the Company was registered as sick industrial Company vide No. 263/2000 with BIFR.

Hon'ble BIFR approved the rehabilitation package filed with it and passed the final order with regard to Rehabilitation package which has included various grants, reliefs and concessions with various departments of both Central and State Government. And the Company is approaching different government authorities to seek the grants, reliefs and concessions as directed by Hon'ble BIFR in the Rehabilitation Package.

DIRECTORS

Sri T. G. Pandya who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment.

Sri P. Maruthi Babu who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment.

Sri J.N: Karamchetti who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment.

During the year Smt. T. Sarita Reddy was appointed as Additional Director in the Board Meeting held on 24.01.2008. The Board of directors recommends her appointment as Director liable to retire by rotation at the ensuing Annual General Meeting.

During the year Sri. T. R. Rajagopalan, was appointed as Additional Director in the Board Meeting held on

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31.07.2008. The Board of directors recommends his appointment as Director liable to retire by rotation at the ensuing Annual General Meeting.

APPOINTMENT OF AUDITORS

The Members are requested to consider the appointment of M/s. B S R & Co, Chartered Accountants as Statutory Auditors in place of the retiring Statutory Auditors M/s. C. B. Mouli & Associates, Chartered Accountants, from this Annual General Meeting to the conclusion of the next Annual General Meeting. And also M/s. B S R & Co, Chartered Accountants have confirmed their eligibility under Section 224 (1B) of the Companies Act. The Board recommends their appointment.

COST AUDITORS

The Board of directors appointed Mr. S.P. SARMA Cost Accountant, Plot No. 83, Hasthinapuram (south) Hyderabad-500 079, A. P. as cost auditors for the financial year 2008-09.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration exceeding the limits as specified under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended time to time.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

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 as Annexure - A.

AUDITORS REPORT

With regard to Point 7 of Annexure to Auditors' Report pertaining to Internal Audit System, since the Company was a sick Company, the Company was not appointed Internal Auditor. However, the Board of Directors in their meeting held on 31st July, 2008 decided to consider the appointment of Internal Auditors of the Company in the next Board Meeting.

With regard to Point 9(a) pertaining to default of deposit of amounts to Provident Fund, Employees State Insurance is due to lack of funds. However, there were no outstanding dues to PF and Statutory authorities except for the month of July, 2008 as on date.

With regard to Point 9 (b) pertaining to undisputed dues to Sales Tax and Service tax is also due to working capital constraints. The Company will pay the dues once the funds are available.

With regard to Point 9 (c) pertaining to dues to Customs duty, the same is self explanatory.

With regard to Point 11 pertaining to default in repayment of dues to financial institutions and banks, the same is self explanatory.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance along with Auditor's Certificate on its compliance, certificate of the Chairman regarding adoption of Code of Conduct and Certificate by the