

Bio Organics Limited

(Formerly Gayatri Starchkem Limited)

19*th* Annual Report 2009 - 10

19th Annual General Meeting

Day : **Tuesday**

Date : **28th September 2010**

Time : **03.00 P.M.**

Venue : "SURANA UDYOG AUDITORIUM",
FAPCCI Building, Federation House,
11-6-841, Red Hills, Hyderabad – 500 004

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BOARD OF DIRECTORS

Sri T. Sandeep Kumar Reddy	*Chairman*
Sri P. Maruthi Babu	*Director*
Sri T.G. Pandya	*Director*
Sri J. N. Karamchetti	*Director*
Smt T. Sarita Reddy	*Director*
Sri. T. R. Rajagopalan	*Director*
Sri. Parth D. Gandhi	*Director* (Up to 21/05/2010)
Sri. Jayendra N. Shah	*Director* (Up to 21/05/2010)

COMPANY SECRETARY — **K.S.V.S. Sastry**

AUDITORS:

M/s. BSR And Associates
Chartered Accountants
Reliance Humsafar
IV floor, Road No:11
Banjara Hills
Hyderabad - 500034

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

NOTICE

NOTICE is hereby given that the **19th 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 Tuesday, the 28th Day of September, 2010 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 31.03.2010 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 Smt. T. Sarita Reddy, who retires by rotation and being eligible, offers herself for re-appointment.

3. To appoint a Director in place of Sri. T.R. Rajagopalan, 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. BSR and Co, Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company in place of the retiring Statutory Auditors M/s. BSR and Associates, Chartered Accountants, 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."

By Order of the Board

Sd/-
T. Sandeep Kumar Reddy
Chairman

Place: Hyderabad
Date: 02.08.2010

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 24th September, 2010 to 28th September 2010 (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 Private Limited, 12-10-167, Bharat Nagar, 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.

DIRECTORS' REPORT

To
The Members of
Gayatri BioOrganics Limited

Your Directors present the Nineteenth Annual Report along with the Audited Financial Statements and the Auditor's Report thereon for the period ended 31st March, 2010.

FINANCIAL RESULTS **(Rs. in lakhs)**

	31.03.2010	**31.03.2009**
Income from Operation	**6,164.41**	4,690.52
Other Income	**62.67**	91.30
TOTAL:	**6,227.08**	4,781.82
Total Expenditure		
(Including prior period Adj.A/c)	**5,698.94**	4,776.62
Finance Charges	**84.58**	52.07
Gross Profit/(Loss) after finance charge	**443.86**	(46.87)
(But before depreciation and taxation)		
Depreciation	**(294.68)**	(286.48)
Extra ordinary Items	**—**	—
Provision for Taxation	**—**	1.80
Net Profit / (Loss)	**149.18**	(335.15)

PERFORMANCE DURING THE YEAR UNDER REVIEW

SORBITOL DIVISION

The Company produced 7,034 MTs of Sorbitol during the Financial Year ended 31st March, 2010 which is nearly 82 % of the installed capacity against the last year production of 6726 MTs. The Management is also planning to achieve 100% installed capacity of the Sorbitol Plant and considering to enhance the capacity of the existing plant from 30 TPD to 60 TPD.

STARCH DEPARTMENT

The performance of this plant is better when compared to previous year and management is also taking various measures to improve the performance of the plant further. The Company crushed 40,005 MTs maize as against 32.936 MTs maize during the previous year. 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.

Management is happy to inform that the financial performance of the Company has been improved and the Company earned a net profit of Rs. 149.18 Lakhs for the financial year ended 31st March, 2010 as against the previous year loss of Rs. 335.15 Lakhs. Management is hoping that the financial performance of the Company will improve further in the years to come.

EXPORTS

The Company did not carryout any exports during the year since the prices in international markets continue to be un-remunerative.

OUTLOOK FOR THE FINANCIAL YEAR 2010-11

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 good harvest is expected. With this scenario we are hopeful of achieving higher operational levels.

Management is also happy to inform the members of the Company that the Hon'ble Board for Industrial & Financial Reconstruction vide its order dated 5th July, 2010 declared that the Company ceases to be a Sick Industrial Company within the meaning of Section 3(1)(0) of the SICA as the Company's Net Worth has turned positive and the Company's revival is sustainable.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure and Developments.

Sorbitol and Starch industries in India are very much fragmented and scattered through out India. In case of Sorbitol at present only four major players are there in South India. When it comes to Starch, nearly 50% of Indian Starch production comes from Gujarat where four major Starch Factories are located.

The growth in demand for Sorbitol is fluctuating. Presently the prices are encouraging. When it comes to Starch, since 60% of starch goes for food based industry, the demand is not even throughout the year. Further the industry is also suffering from excess capacity and can be compensated only when the demand picks up continuously.

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.

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.

(b) The Company paid Listing fees for the year 2010-11 to Bombay Stock Exchange Limited.

DIRECTORS

Smt. T. Sarita Reddy, who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered herself for re appointment.

Sri. T.R. Rajagopalan, 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.

APPOINTMENT OF AUDITORS

The Members are requested to consider the appointment of M/s. B S R and Co, Chartered Accountants who are subjected to peer review as Statutory Auditors in place of the retiring Statutory Auditors M/s BSR And Associates, Chartered Accountants from this Annual General Meeting to the conclusion of the next Annual General Meeting. The Board recommends their appointment.

COST AUDITORS

The Board of directors during the year filled the casual vacancy of the Cost Auditor due to the death of Mr. S.P. Sarma by way of appointing M/s. Narasimha Murthy & Co, Cost Accountants, 3-6-365, 104 & 105, Pavani Estate, Y.V. Rao Mansion, Himayatnagar, Hyderabad- 500 029 as cost auditors for the financial year 2009-10.

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 No. 15 of Annexure of Auditors' Report pertaining to delay in deposit of amounts with the appropriate authorities in respect of Provident Fund, Employees State Insurance and Sales Tax and Service Tax is due to working capital constraints. However, there were no outstanding dues to above authorities as on date.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance along with Company Secretary Certificate on its compliance, certificate of the Chairman regarding adoption of Code of Conduct and Certificate by the Chairman and Vice President (Operations) in respect of financial reporting is given in the Annexure – B, Annexure- C, Annexure-D and Annexure – E respectively which forms part of this report.

The Ministry of Corporate Affairs has announced the Corporate Governance Voluntary Guidelines 2009. The preamble mentioned about good practices for adoption by the Companies, which are recommendatory in nature. Similarly, the Ministry has also issued the Corporate Social Responsibility Voluntary Guidelines 2009 duly mentioning CSR activities, which are purely voluntary in nature.

Your Company has reviewed the above guidelines to ensure the adherence of the same voluntarily to the extent possible. Accordingly, the recommendatory voluntary guideline pertaining to the tenure of Independent Director for a period not exceeding 6 years, the attention of the members drawn to the fact that in your Company the tenure of Sri P. Maruthi Babu and Sri. T.G. Pandya, as Independent Directors was crossed the recommendatory limit of 6 years. However, the Board felt the valuable guidance and contributions made by both the directors during their tenure as Independent directors in the growth of the Company are invaluable and decided to avail their guidance and wisdom for some more time for the better performance of the Company in the years to come.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

(i) that in the preparation of Annual Accounts for the year ended 31st March, 2010, the applicable accounting standards have been followed along with the proper explanation relating to material departures:

(ii) that the directors have selected such accounting policies and applied them consistently and made judgments 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 ended 31st March, 2010 and of the profit and loss of the company for that period:

(iii) that the directors have taken proper and sufficient care for the 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 the directors have prepared the annual accounts on a going concern basis.

PUBLIC DEPOSITS:

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

ACKNOWLEDGEMENTS:

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

By Order of the Board

Sd/-
T. Sandeep Kumar Reddy
Chairman

Place: Hyderabad
Date: 02.08.2010

ANNEXURE – 'A' TO DIRECTORS 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 2010

FORM - "A"
PARTICULARS UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998.

A. CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION	Current Year 2009-10	Previous Year 2008-09
1. **Electricity**		
a) Purchased Unit(Kwh)	**1,10,17,400**	84,04,250
Total Cost (Rs. In lakhs)	**379.40**	273.83
Rate/Unit Rs.	**3.44**	3.32
b) Own Generation		
i. Through Diesel Generator:		
Unit(Kwh)	**12,472**	9,032
Units per Ltr. of Diesel Oil (KWH)	**2.06**	3.28
Cost/Unit (Rs/KWH)	**19.56**	11.67
2. HUSK		
Quantity (MTs)	**12,577.96**	11,415.60
Total cost (in Rs.in Lakhs)	**296.18**	263.15
Average cost per Ltr (Kg)	**2.35**	2.31
3. DIESEL OIL		
Quantity (K.ltrs)	**6.06**	2.75
Total amount (Rs. In Lakhs)	**2.44**	1.05
Average cost per Ltr (Rs)	**40.28**	38.32

FORM - "B"

PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

A. RESEARCH AND DEVELOPMENT (R&D) : NIL

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION : NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. FOREIGN EXCHANGE EARNINGS (FOB) : NIL
2. FOREIGN EXCHANGE OUTGO (CIF) : Rs.14,61,964

By Order of the Board

Sd/-
T. Sandeep Kumar Reddy
Chairman

Place: Hyderabad
Date: 02.08.2010