



Gayatri BioOrganics Limited
(Formerly Gayatri Starchkem Limited)

22nd Annual Report 2012 - 13

22nd Annual General Meeting

Day : Friday

Date : 27th September 2013

Time : 10.00 A.M.

Venue : “KLN PRASAD AUDITORIUM”,
FAPCCI Building, Federation House,
11-6-841, Red Hills, Hyderabad – 500 004

CONTENTS

Board of Directors	1
Notice	2
Directors’ Report	4
Annexures to Directors’ Report	8
Report on Corporate Governance	9
Auditors’ Report	18
Balance Sheet	23
Profit & Loss Account.....	24
Cash flow Statement	25
Notes to Accounts	26
Balance Sheet Abstract	47

BOARD OF DIRECTORS

Sri T. Sandeep Kumar Reddy	<i>Chairman</i>
Sri C.V. Rayudu	<i>Whole Time Director</i>
Sri P. Maruthi Babu	<i>Director</i>
Sri T.G. Pandya	<i>Director</i>
Sri J. N. Karamchetti	<i>Director</i>
Smt T. Sarita Reddy	<i>Director</i>
Sri. T. R. Rajagopalan	<i>Director</i>

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

COST AUDITOR: K.K.RAO & ASSOCIATES,
Cost Accountants,
2-B, SAMRAT RESIDENTIAL COMPLEX,
#5-9-12, SAIFABAD, OPP: A.G'S OFFICE,
Hyderabad -500004.

**REGISTERED OFFICE&
INVESTOR RELATION DEPT.,** #6-3-1090, B-Block, 3rd floor
TSR Towers, Rajbhavan Road,
Somjiguda, Hyderabad – 500 082.
Ph: 66100111, Fax: 66100333
E-mail: info@gayatribioorganics.com

FACTORY:

- 1) NH-9, Nandikandi Village
Sadasivapet Mandal
Medak District
Andhra Pradesh – 502 306
- 2) Balabhadrapuram Village
Biccavole Mandal
East Godavari District
Andhra Pradesh – 533 343

22nd Annual Report 2012-2013

NOTICE

NOTICE is hereby given that the **22nd Annual General Meeting** of the members of Gayatri BioOrganics Limited will be held at the "KLN PRASAD AUDITORIUM", FAPCCI Building, Federation House, 11-6-841, Red Hills, Hyderabad-500 004 on Friday, 27th day of September, 2013 at 10.00 A.M to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet of the company as at 31.03.2013 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. T. Sandeep Kumar Reddy, 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. M. Bhaskara Rao & Co, Chartered Accountants, with Firm Registration No.000459S be and are hereby appointed as Statutory Auditors of the Company in place of the retiring Statutory Auditors M/s. BSR and Co, Chartered Accountants, Hyderabad 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

Place: Hyderabad
Date: 14.08.2013

T. Sandeep Kumar Reddy
Chairman

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 25th September, 2013 to 27th September, 2013 (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.
7. As per Government notification dated 21.04.2011, company initiated to send future Annual Reports and other communication through e-mail also (electrical mode). Hence, Please avail the facility by registering your email id at info@vccilindia.com

22nd Annual Report 2012-2013

DIRECTORS' REPORT

To
The Members of
Gayatri BioOrganics Limited

Your Directors present the Twenty Second Annual Report along with the Audited Financial Statements and the Auditor's Report thereon for the period ended 31st March, 2013.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	31.03.2013	31.03.2012
Net Sale Income from Operations	15,120.60	12,880.04
Other Operating Income	72.41	213.47
Income from operations	15,193.01	13,091.31
Other Income	11.88	6.73
Total Income	15,204.89	13,100.26
Total Expenditure	13,973.13	12,238.09
Finance Charges	747.60	763.96
Depreciation	394.57	378.76
Provision for Taxation	—	—
Net Profit / (Loss)	89.59	(280.54)

PERFORMANCE DURING THE YEAR UNDER REVIEW

STARCH DIVISION

The Company has expanded its Capacity of Maize Crushing from 54000 MTPA to 1,35,000 MTPA. The present capacity after expansion at Medak plant is Maize Crushing Capacity 90,000 MTPA and 45,000 MTPA for the Second Unit located at Biccavole, East Godavari District. The Company crushed 71,935 MTs maize as against 81,536 MTs maize during the previous year. The management is also trying to achieve 100% installed Capacity of both Units of the Company. Apart from the above the company is manufacturing modified starches like Yellow and White Dextrines, Thin Boiled Starch, Drilling Starch etc. to suit requirements of various customers by providing value addition to native starch.

SORBITOL DIVISION:

The Company has expanded its capacity Sorbitol from 8550 TPA to 17000 TPA and produced 7,353 MTs of Sorbitol during the Financial Year ended 31st March, 2013. The Company also targeting to achieve 100% installed capacity of the Sorbitol Plant.

The Company recorded net profit of Rs.89.59 Lakhs as against a net loss of Rs.280.54 Lakhs However, there has been a general slump in the Starch market, severe shortage of power, high cost of raw materials and low cost of finished products resulted in the low performance of the Company.

EXPORTS

The Company made exports of Starch amounting to Rs. 6,65,91,000/- during the year and the company is foreseeing good opportunities in export market for the years to come.

OUTLOOK FOR THE FINANCIAL YEAR 2012-13

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 of both the units. However,

the maize crop during the year in the state is low and there is shortage of Maize and we are hopeful that the market will be settled in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Business Environment

The global economy in FY 2012-13 improved slowly and did not recover to the extent anticipated in the beginning of the year. Major economies witnessed slower growth and the Euro zone was full of uncertainty. Among the Asian economies, China, going through a political transition, experienced considerably slower growth. Decline in industrial output and exports weakened India's economic growth significantly. The weak macro environment and slower growth caused the margin environment to remain volatile with downward bias and operating in such a testing environment proved challenging.

b. Industry Structure and Developments.

The Company is engaged in the business of producing Sorbitol and Starch. Sorbitol is a water soluble polyhydric alcohol having sweet taste and high stability besides properties of plasticizing. It finds application as input material in various industrial sectors such as Tooth Paste, Pharmaceuticals, Vitamin-C, Cosmetics, Paper and Paints etc. 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 consumer industry i.e. Tooth Paste, Pharma, Cosmetic, Paint etc have shown growth which may lead to further improved business to the company. However, the growth in demand for Sorbitol is fluctuating and 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.

c. Opportunities and threats.

The Starch Industry at time shown good future, the raw material availability at reasonable prices and cheaper imports of starch from the neighboring Countries will have an impact on the profitability of the Industry and Your Company is not an exception to it. The company has been facing the threat of import of Sorbitol.

However, your Company is likely to face competition from other competitors, there may be risks inherent in meeting unforeseen situations not uncommon in the industry. Your Company is aware of the these challenges and is geared to meet them.

d. Out look

The outlook for the company's products is reasonably good but the management feels that the Company should be provided with sufficient working capital to achieve higher operations levels. The Company is improving its operating efficiencies in terms of better utilization of plant capacities. The Company is optimistic about its growth prospects in the future. During the year, the Company explored exports markets for the products and achieved significant business. It has ambitious plans to capture more new markets to expand the business.

e. Risks and Concerns:

The Company faces risk of lower realization in the event of cheap imports. Other risk faced by the Company is that Sorbitol is based on the agro commodity, which is exposed to factors of Monsoon in the Country. Besides the factors mentioned above, agricultural income, economic scenario, wholesale and consumer price level, impact of trade agreements with other countries and trade blocks etc. are some of the factors which affects the performance of the Company.

f. Internal Control Systems and their adequacy:

The Company has designed an effective Internal Control System to balance the financial, operational, compliance and other risks and explore its business opportunities at the fullest to achieve its desired objectives.

g. Financial / Operational performance:

This has already been discussed in this report.

22nd Annual Report 2012-2013

h. Human Resources / Industrial Relations :

People are the most valued assets of the Company. They work individually and collectively contributing to the achievement of the objectives of the business. The relation between the employees and the Company remained cordial throughout the year. Your Company's corporate culture and the vision and values help unite the workforce and provide standards for how your Company conducts the business.

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 BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023.
- (b) The Company paid Listing fees for the year 2013-14 to BSE Limited.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 Sri. T.G. Pandya, Sri. P. Maruthi Babu and T. Sandeep Kumar Reddy, Directors of the company will retire by rotation and being eligible, offers themselves for re-appointment. The Board recommends their reappointment.

APPOINTMENT OF AUDITORS

The Members are requested to consider the Appointment of M/s. M. Bhaskara Rao & Co, Chartered Accountants, 5-D, Fifth Floor, 6-3-652, Kautilya Apartment, Raj Bhavan Quarters Colony, Somajiguda, Hyderabad, AP 500082 as Statutory Auditors from this Annual General Meeting to the conclusion of the next Annual General Meeting in place of retiring Statutory Auditors M/s. BSR and Co, Chartered Accountants, who expressed their inability for the reappointment. And also M/s. M. Bhaskara Rao & Co., Chartered Accountants, have confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956. The Board recommends their Appointment.

COST AUDITORS

The Cost Auditors M/s. Narasimha Murthy & Co, Cost Accountants, Hyderabad has submitted the Cost Audit Report for the Financial Year ended 31st March, 2013 to the Board and the said report should be filed with the Central Government on or before 30th September, 2013. And also the Board of Directors during the year appointed M/s K.K. Rao & Associates, Cost Accountants, 2-B, Samrat Residential Complex, #5-9-12, Saifabad, Opp: A.G's Office, Hyderabad -500004 as Cost Auditors to carry out the Cost Audit for the Financial Year 2013-14.

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 qualified opinion on trade receivables which includes certain trade receivables amounting to INR 5,81,30,503 which are overdue and outstanding for a period of more than one year, the management believes that the same are fully recoverable as it is and the company is in the process of collecting the amounts and no provisions are required as on date.

Point No. ix (a) of Annexure to Auditors' Report, with regard to irregularity and serious delays in remitting the Provident fund, Employees State Insurance, Service Tax, Income Tax, Customs Duty Excise duty, Sales tax and other material statutory dues were due to working capital constraints.

Point No. xi of Annexure to Auditors' Report, on default/delays in payment of dues to bankers and financial institution are also owing to working capital constraints.

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 in addition to the existing ones and recommendatory in nature.

Your Company has reviewed the above guidelines to ensure the adherence of the same voluntarily to the extent possible, in line with the requirements. 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, Sri. T.G. Pandya and Sri J.N. Karamchetti as Independent Directors was crossed the recommendatory limit of 6 years. However, the Board felt the valuable guidance and contributions made by the above 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. Hence, the Company could not able to adhere to the above referred recommendatory Corporate Governance Voluntary Guideline for the time being.

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, 2013, 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, 2013 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

Place: Hyderabad
Date: 14.08.2013

T. Sandeep Kumar Reddy
Chairman

22nd Annual Report 2012-2013

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 2013.

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 2012-13	Previous Year 2011-12
1. Electricity		
a) Purchased Unit(Kwh)	1,42,90,033	1,52,95,225
Total Cost (Rs. In lakhs)	865.15	637.48
Rate/Unit Rs.	5.99	4.17
b) Own Generation		
i. Through Diesel Generator:		
Generated Unit(Kwh)	540,716	152,250
Units per Ltr. of Diesel Oil (KWH)	3.18	3.10
Cost/Unit (Rs/KWH)	14.97	14.29
2. HUSK		
Quantity (MTs)	23,548.85	24,762.14
Total cost (in Rs.in Lakhs)	525.86	520.98
Average cost per Kg (Rs)	2.23	2.10
3. DIESEL OIL		
Quantity (K.ltrs)	178.69	57.42
Total amount (Rs. In Lakhs)	84.99	25.46
Average cost per Ltr (Rs)	47.56	44.34

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) : Rs. 6,65,91,000

2. FOREIGN EXCHANGE OUTGO (CIF) : Nil

By Order of the Board

Place: Hyderabad
Date: 14.08.2013

T. Sandeep Kumar Reddy
Chairman