



GAYATRI SUGARS LIMITED

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**TENTH ANNUAL REPORT
2004-2005**

Tenth Annual Report

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. Proxies duly stamped and signed must be deposited at the company's Registered Office not less than 48 hours before the time for holding the meeting. Members / Proxies are also requested to bring along with them the Annual Reports being sent to them.
2. Members are requested to notify immediately any change, in their address to the company at the Registered Office.
3. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the company at least 7 days before the date of the meeting, so that the information required by the members may be made available at the meeting.
4. Members holding more than one share certificate in the same name under different folios are requested to apply for consolidation of such folios in one folio and send relevant share certificates to the company's registrars and share transfer agents M/s IKON Visions Private Limited.
5. Members, who hold shares in dematerialized form, are requested to write their client ID and DP ID Nos and those who hold shares in physical form are requested to write their folio No in the attendance slip for attending the meeting.
6. The Register of Members and the Share Transfer Registers will be closed from 23.09.2005 to 27.09.2005 (Both days inclusive)
7. Members are requested to intimate the Registrars and share transfer agents of the Company, M/s Ikon Visions Private Limited, 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad Ph: 23744138 immediately of any change in their address.

10th Annual General Meeting

Day : Tuesday

Date : September, 27

Time : 3.00 P.M

Venue : Dr K L N Prasad Auditorium,
Federation House,
D.No.11-6-841, Red Hills,
Hyderabad – 500 004

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BOARD OF DIRECTORS

Dr T Subbarami Reddy
Mrs T Indira Subbarami Reddy

Sri T V Sandeep Kumar Reddy

Sri N S Venkatesh
Sri Y V Ramesh Naidu
Sri V Udhaya Shankar
Sri N Nageswara Rao
Sri T R Rajagopalan
Sri S Venkata Swamy
Dr A K Bhattacharya
Sri T S C Bose
Mrs T Sarita Reddy

Chairman upto 21th July, 2005
Chairperson
With effect from 21st July, 2005
Vice Chairman & Managing Director
with effect from 21st July, 2005
IDBI Nominee
IFCI Ltd Nominee upto 30th Oct'2004
IFCI Ltd Nominee from 30th Oct' 2004

Whole-time Director upto 21st July, 2005
With effect From 21st July, 2005

COMPLIANCE OFFICER

Sri AP Sarma

General Manager (Fin & Accts)

AUDITORS

M/s C.B.Mouli & Associates
Chartered Accountants
Secunderabad

BANKERS

State Bank of India
Bank of Baroda
Andhra Bank
Punjab national bank

REGISTERED OFFICE

DOOR No;6-3-663/E
FLAT No.301, Diamond house,
Panjagutta,
Hyderabad – 500 082.
Phone Nos: 23414821/23/24/25/26
Fax No:23414827
Email: gayatrisugar@sancharnet.in

FACTORY

Adloor Yellareddy Village
Sadasivanagar Mandal
Nizamabad District
Andhra Pradesh
Phone No: (08468) 248558
Fax No: (08468) 248559

Tenth Annual Report**NOTICE**

NOTICE is hereby given that the **Tenth Annual General Meeting** of the members of the Company will be held at Dr K L N Prasad Auditorium, Federation House, Door No 11-6-841, Red Hills, Hyderabad-500004, **on Tuesday, the 27th day of September, 2005** at 3.00 P M to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2005 and the Profit and Loss Account for the year ended on 31st March, 2005 and the reports of Directors and Auditors thereon
2. To declare dividend on Cumulative Redeemable Preference Shares for the years 2003-04 and 2004-05
3. To appoint a Director in place of Dr AK Bhattacharya who retires by rotation and being eligible offer himself for reappointment.
4. To consider and if thought fit, to pass the following resolution as special resolution.

"RESOLVED THAT M/s. C B Mouli & Associates, Chartered Accountants, Secunderabad be and are hereby reappointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be mutually agreed to between the Board of Directors and the Auditors".

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution with or without modification as an ordinary resolution.
- "RESOLVED THAT** Mrs. T Indira Subbarami Reddy who vacates her office under section 260 of the Companies Act, 1956, be and is hereby appointed as Director and Chairperson of the Company subject to retirement by rotation".
6. To consider and if thought fit, to pass the following resolution with or without modification as an ordinary resolution.

"RESOLVED THAT Mrs. T Sarita Reddy who vacates her office under section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company subject to retirement by rotation".

7. To consider and if thought fit to pass the following resolution with or without modification as an ordinary resolution.

"Resolved subject to the provisions of sections 198, 269, 309, 310, 311, read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956, that Sri T V Sandeep Kumar Reddy be and is hereby appointed as Vice Chairman and Managing Director of the company for a period of 5 years and that the said Vice Chairman and Managing Director shall have, subject to the supervision, control and directions of the Board, the management of all the affairs of the company and shall exercise all powers and perform all duties in relation to the management and transactions of the company. Further the Board may from time to time delegate to the Vice Chairman and Managing Director such of their powers and duties and subject to such limitations and conditions as they deem fit".

Mr T V Sandeep kumar Reddy is not subject to retirement by rotation during the tenure of his office as Vice Chariman and Managing Director and his appointment is on such salary and perquisites as set out hereunder:

1. Period of Appointment

The appointment is for a period of 5 years commencing from 21st July, 2005.

2. Salary

The remuneration payable shall be Rs.1,50,000/- (Rupees one lakh fifty thousand only) per month.

3. Perquisites**i) Housing:**

If required, free furnished residential accommodation with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc., the monetary value of which may be evaluated as per Rule 3 of the Income Tax Rules, 1962. The

expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 50% of the Salary.

ii) Medical Reimbursement:

Expenses incurred for himself and his family subject to a ceiling of one month's salary in a year or 3 months salary over a period of 3 years.

iii) Leave Travel Concession:

For himself and his family as per Rules of the Company.

iv) Club Fees:

Subject to a maximum of two clubs. This will not include admission and Life membership Fees.

v) Personal Accident Insurance:

Premium not to exceed Rs.4,000/- per annum.

vi) Provident Fund:

Company's contribution towards Provident Fund at 12% of his salary or at any rate applicable from time to time.

vii) Gratuity:

Gratuity not exceeding half a month's salary for each completed year of service.

viii) Leave:

Entitled to one month's leave, as per the rules of the Company on full pay, for every 11 months of service.

Encashment of leave at the end of the tenure will not be included in computation of the ceiling on perquisites.

ix) Telephone:

Free telephone facility at the residence for the use of the Company's business.

x) Car:

Use of Company's Car on Company's business with Driver and all expenses on maintenance, repairs and cost of petrol.

(Provision of Car for use of Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Vice chairman and Managing Director)

xi) Any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

"RESOLVED FURTHER that in the event of loss or inadequacy of profit in any financial year of the Company during the term of his office as Managing Director, the remuneration and perquisites set out above be paid or granted to Mr T V Sandeep Kumar Reddy as minimum remuneration stipulated in Section II of part II of Schedule XIII of the said Act or such other amount and perquisites as may be provided in the said Scheduled XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof".

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter, vary such salary, commission and perquisites as may be permitted by any applicable law from time to time during the said period of office and as may be agreed to by the Board of Directors of the Company and Mr T V Sandeep Kumar Reddy".

FOR AND ON BEHALF OF THE BOARD

MRS T INDIRA SUBBARAMI REDDY
CHAIRPERSON

Place : Hyderabad
Date : July 21, 2005

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NOTES : Explanatory statement as required under section 173(2) of the Companies Act, 1956 in respect of special business is appended below.

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

Item no. 5: Appointment of Mrs.T.Indira Subbarami Reddy as Director and Chairperson of the company

The Board of Directors of the Company co-opted Mrs.T.Indira Subbarami Reddy, as Additional Director and Chairperson of the Company on 21st July, 2005 in order to further strengthen the Board. She vacates her office in terms of section 260 of the Companies Act, 1956, at the forthcoming Annual General Meeting. A notice has been received from one of the members proposing her to be appointed as Director and Chairperson of the Company with a requisite deposit.

None of the Directors are interested in the said resolution except, Mr.T.V.Sandeep Kumar Reddy, Mrs T Indira Subbarami Reddy and Mrs.T.Sarita Reddy.

Item no.6: Appointment of Mrs.T.Sarita Reddy as Director of the company

The Board of Directors of the Company co-opted Mrs.T.Sarita Reddy, a post-graduate as an Additional Director of the Company on 21st July, 2005 in order to further strengthen the Board. She vacates her office in terms of section 260 of the Companies Act, 1956, at the forthcoming Annual General Meeting. A notice has been received from one of the members proposing her to be appointed as Director of the Company

with a requisite deposit.

None of the Directors are interested in the said resolution except, Mrs T Indira Subbarami Reddy, Mr.T.V.Sandeep Kumar Reddy and Mrs.T.Sarita Reddy.

Item no.7: Appointment of Mr.T.V.Sandeep Kumar Reddy as Vice Chairman and Managing Director of the company

Mr.T.S.C.Bose, the wholetime Director of the company, has resigned from the Board and in his place the Board of Directors of the Company have appointed Mr.T.V.Sandeep Kumar Reddy as Vice Chairman and Managing Director of the Company on 21st July, 2005 on the terms and conditions as set out in the resolution subject to the approval of the shareholders at their General Body Meeting.

None of the Directors are interested in the said resolution except Mrs T Indira Subbarami Reddy, Mr.T.V.Sandeep Kumar Reddy and Mrs.T.Sarita Reddy.

FOR AND ON BEHALF OF THE BOARD

**MRS T INDIRA SUBBARAMI REDDY
CHAIRPERSON**

Place : Hyderabad
Date : July 21, 2005

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Tenth Annual Report of your company along with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS (Rs in lacs)

Description	2004-05	2003-04
Sales	7589.65	7764.74
Increase/(Decrease) in stocks	(971.73)	(1318.71)
Profit/(Loss) before depreciation and interest	1652.98	621.42
Interest	752.13	1104.54
Depreciation	380.21	380.23
Profit/(Loss) before tax	520.64	(863.35)
Provision for tax	0.00	0.00
Profit/(Loss) after tax	520.64	(863.35)

REVIEW OF OPERATIONS

Performance of the Season 2004-05

Your Directors are pleased to report that during the year under review, the company has commenced its crushing operations on 25th October, 2004 and closed the season on 17th February, 2005. During this period, the company has crushed 3,21,537 MT of cane with an average recovery of 10.34 %.

Prospects for the next season 2005-06

The Company is estimating to crush 4.50 lac MT of sugar cane in the coming season. The company is also proposing to reprocess about 10000 MTs of Imported Raw Sugar during the year out of which 6900 MTs already reprocessed upto June, 2005.

LISTING OF SECURITIES

The company's shares are listed with The Hyderabad Stock Exchange Ltd and The Stock Exchange, Mumbai and the annual listing fee for the year 2005-2006 has been paid to the Stock Exchanges at Hyderabad and Mumbai.

DIRECTORS

Dr AK Bhattacharya will retire by rotation at the forthcoming Annual General Meeting and being eligible offer himself for reappointment.

During the year Mrs T Indira Subbarami Reddy and Mrs T Sarita Reddy have been co-opted as Additional Directors of the Company by the Board and they vacate their office in terms of section 260 of the Companies Act, 1956. Notices have been received from members proposing them to be appointed as directors of the company subject to retirement by rotation.

Dr T Subbarami Reddy has resigned from the Board and the Board has appreciated the services of Dr T Subbarami Reddy during his tenure as Director and Chariman.

Mr TSC Bose has resigned as Wholetime Director from the Board and the Board has appreciated the services of Mr TSC Bose during his tenure as Wholetime Director.

Mr T V Sandeep Kumar Reddy has been appointed as Vice Chairman and Managing Director by the Board subject to the approval by the shareholders with effect from 21.07.2005.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

PARTICULARS OF EMPLOYEES

There are no employees in the company who are drawing prescribed salary under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

AUDITORS

The Auditors M/s. C.B. Mouli & Associates, Chartered Accountants, Secunderabad will retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

COST AUDIT

The Central Government pursuant to Section 233 B of the Companies Act, 1956 has ordered that the

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company carries out an audit of cost accounts relating to sugar every year. Mr S P Sarma, Cost Accountant was appointed as Cost Auditor of the company for the year 2005-06.

CONSERVATION OF ENERGY, ETC

Information relating to Conservation of energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure-A which forms part of this Report.

CORPORATE GOVERNANCE CODE

Pursuant to clause 49 of the Listing Agreement, a report on Corporate Governance and a certificate from the auditors of the company is given in the Annexure – B and Annexure–C respectively, which forms part of this report.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956 your directors state:

1. That in preparation of the Annual Accounts the applicable Accounting Standards have been followed by the company;
2. That your 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 as at 31.03.05 and of the profit or loss of the company for the year ended on that date;
3. That your Directors have taken Proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That your Directors have prepared annual accounts on a going concern basis.

DIVIDEND ON PREFERENCE SHARES

As the company has made profit during the year under review, the Directors recommend a dividend of 6% on Cumulative Redeemable Preference Shares for the years 2003-04 and 2004-05 total amounting to Rs 129.40 Lakhs including Corporate Dividend Tax.

INTIMATION TO BIFR

As the accumulated losses are more than 50% of the network it is a potentially sick company under the Sick Industrial Companies (Special provisions) Act, 1985. The Company has already filed Form 'C' on 13.11.2003 to Board for Industrial and Financial Reconstruction (BIFR) under the sick industrial provisions Act, 1985, of the erosion of more than 50% network of the Company.

INDUSTRIAL RELATIONS

The Industrial Relations continued to be peaceful during the year.

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record their appreciation of the assistance and guidance extended by the Financial Institutions/Banks viz, IDBI, IFCI Ltd., CDR, SBI, BOB, AB and PNB. Your Directors express their gratitude to the shareholders for the confidence reposed in the management. Your Directors also place on record their sincere appreciation of the total commitment and hard work put in by all the employees of the company.

FOR AND ON BEHALF OF THE BOARD

MRS T INDIRA SUBBARAMI REDDY
CHAIRPERSON

Place : Hyderabad

Date : July 21, 2005

Annexure - A to Directors' Report

Information required under Section 217(1)(e) Read with the Companies (Disclosure of Particulars in respect of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- a) Energy Conservation Measures : 1. The company has installed the following equipments to improve the efficiency, quality and reduce the steam consumption.
- a) Auto PH control system for sulphitation
 - b) Juice flow stabilization system
 - c) Feed automation for Two Nos of batch pans and for one no. of pan condenser
2. Condensate flash system is arranged for one evaporator body to improve efficiency of evaporators and to reduce steam consumption.
- b) Additional Investment and Proposals, if any, being implemented for reduction of Consumption of energy : Additional investment Rs17.00 lacs
Energy Audit was conducted by CII and they have given number of recommendations and the company is planning to implement the following during the year.
- 1. Automation of one batch pan and five nos. of condensers.
 - 2. Install four nos. variable frequency drives.
- c) Impact of measures at (a) and (b) above for reduction of consumption and consequent impact on the cost of production : Results in savings of energy, and improves efficiency and quality of the product
- d) Total energy consumption and energy consumption per unit of production as per Form A. : Enclosed

B) TECHNOLOGY ABSORPTION:

- e) Efforts made in technology as per Form B : Plant as per standard specifications of Government of India.

C) FOREIGN EXCHANGE EARNINGS & OUTGO :

- f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans. : Nil
- g) Total Foreign exchange used : Total Foreign Exchange used – Rs.Nil
Total Foreign Exchange earned – Rs.Nil