



Gayatri

GAYATRI SUGARS LIMITED

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TWELFTH ANNUAL REPORT
2006-07

Twelfth 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 Venture Capital and Corporate Investments Limited, 6-2-913/914, 3rd Floor, Progressive Towers, Khairtabad, Hyderabad - 500004 Ph: 23322264.
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 11.09.2007 to 14.09.2007 (Both days inclusive)
7. Members are requested to intimate the Registrars and share transfer agents of the Company, M/s Venture Capital and Corporate Investments Limited, 6-2-913/914, 3rd Floor, Progressive Towers, Khairthabad, Hyderabad - 500004 Ph: 23322264 immediately of any change in their address.
8. The Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 in respect of special business is annexed hereto.

12th Annual General Meeting

Day : Friday

Date : September 14, 2007

Time : 10.30 A.M.

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

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2006-07

BOARD OF DIRECTORS

Smt. T Indira Subbarami Reddy
 Sri T V Sandeep Kumar Reddy
 Sri D K Kambale
 Sri V Udhaya Shankar
 Sri N Nageswara Rao
 Sri T R Rajagopalan
 Sri S Venkataswamy
 Dr A K Bhattacharya
 Smt. T Sarita Reddy

Chairperson
 Vice Chairman & Managing Director
 IDBI Nominee
 IFCI Ltd Nominee
 Director
 Director
 Director
 Director
 Executive Director with effect
 from 27.10.2006

COMPLIANCE OFFICER

Sri C. Gurappa

Vice President (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
 Indian Overseas Bank

REGISTERED OFFICE

Door No. 6-3-663/E
 Flat No. 301, Diamond house,
 Panjagutta,
 Hyderabad - 500 082
Phone Nos: 23414823/26
Fax No: 23414827
Email: gayatrisugars@sify.com

FACTORY

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

Twelfth Annual Report**NOTICE**

NOTICE is hereby given that the **Twelfth 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 Friday the 14th day of September, 2007 at 10.30 A.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 2007 and the Profit and Loss Account & Cash Flow Statement for the year ended on 31st March, 2007 and the report of Directors and Auditors thereon.
2. To declare dividend on Cumulative Redeemable Preference Shares for the year 2006-07.
3. To appoint a Director in place of Dr. A K Bhattacharya, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri N Nageswara Rao, who retires by rotation and being eligible offers himself for reappointment.
5. 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

6. To consider the appointment of Smt. T. Sarita Reddy as Executive Director

To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"Resolved that subject to the provisions of sections 198, 269 read with Scheduled XIII and

other applicable provisions if any of the Companies Act, 1956, Smt. T. Sarita Reddy be and hereby appointed as Executive Director of the company at a remuneration of Rs 1,00,000/- per month for a period of three years w.e.f. 27th October 2006."

7. To Consider re-appointment of Smt. T. Sarita Reddy as the Executive Director on the revised terms w.e.f. 1st May 2007.

To consider and if thought fit to pass, with or without modifications, the following resolution with revised terms of appointment as an Ordinary Resolution:

"Resolved that subject to the provisions of sections 198, 269 read with Scheduled XIII and other applicable provisions if any of the Companies Act, 1956, that Smt. T. Sarita Reddy be and hereby appointed as Executive Director of the company for a period of 3 years and that the said Executive Director shall have, subject to the supervision, control and directions of the Board and Vice Chairman & Managing Director, 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 and Vice Chairman & Managing Director may from time to time delegate to the Executive Director such of their powers and duties and subject to such limitations and conditions as they deem fit".

Smt. T. Sarita Reddy is not subject to retirement by rotation during the tenure of her office as Executive Director and her appointment is on such salary and perquisites as set out hereunder:

1. **Period of Appointment**
The re-appointment is for a period of 3 years commencing from 1st May 2007.
2. **Salary**
The remuneration payable shall be Rs.1,00,000/- (Rupees one lakh 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 25% of the Salary.

ii) Medical Reimbursement:

Expenses incurred for herself and her 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:

One month salary per year for herself and her family.

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 her 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 Executive 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 her office as Executive Director, the remuneration and perquisites set out above be paid or granted to Smt. T Sarita 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 Schedule 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 Smt. T. Sarita Reddy".

For and on behalf of the Board

Smt. T Indira Subbarami Reddy
Chairperson.

Place : Hyderabad

Date : 31st July 2007

Twelfth Annual Report**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

Item No. 6 & 7: Appointment of Smt. T. Sairta Reddy as Executive Director of the company.

Smt. T. Sarita Reddy has been inducted to the board on 21st July 2005 and since then she has been looking after the operations of the company. Sri T.V. Sandeep Kumar Reddy, Vice Chairman and Managing Director of the company was fully tied up with the operations of another company in the group. In these circumstances board of directors at their meeting held on 27th October 2006 has appointed Smt. T. Sarita Reddy as Executive Director of the company for the period of three years on the terms and conditions as set out in the resolution subject to the approval of the shareholders at their General Body Meeting.

After successful implementation of the distillery project under the management of Smt. T. Sarita Reddy as Executive Director, the board of directors felt that the salary is to be revised with all the benefits. Accordingly the board of directors has re-appointed Smt. T. Sarita Reddy as Executive Director at their meeting held on 30.04.2007 with revised salary for a period of three years 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 Smt. T. Indira Subbarami Reddy, Sri T.V.Sandeep Kumar Reddy and Smt. T. Sarita Reddy.

For and on behalf of the Board

Smt. T Indira Subbarami Reddy
Chairperson

Place : Hyderabad

Date : 31st July 2007

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DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twelfth Annual Report of your company along with the Audited Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

(Rs in Lakhs)

Description	2006-07	2005-06
Sales	9993.86	9021.58
Increase/(Decrease) in stocks	281.97	558.73
Profit/(Loss) before interest and depreciation	1301.25	1980.00
Interest	617.42	628.62
Depreciation	382.37	385.42
Profit/(Loss) before tax	301.46	965.96
Provision for tax	40.54	59.26
Profit/(Loss) after tax	260.92	906.70

REVIEW OF OPERATIONS

Performance during the financial year 2006-07

Your Directors are pleased to report that during the year under review, the company's crushing operations for the season 2005-06 has continued till 18th April 2006. The crushing operations for the season 2006-07, has commenced on 11th October 2006. As on 31st March 2007, the company has crushed 5.68 lakh tonnes (previous year 3.94 lakh tonnes) of sugar cane with an average recovery of 9.83% (previous year 10.64%) during the year.

Prospects for the financial year 2007-08

Company has crushed 1.01 lakh tones of sugar cane from 1st April 2007 to 12th May 2007 with an average recovery of 8.05%. The Company is estimating to crush 6.00 lakh tonnes of sugar cane during the current year. The Company has commenced the operations of 45KLPD Distillery plant at the existing location of the sugar factory near Kamareddy in the last week of May 2007 and producing the Rectified Spirit and Extra Neutral Alcohol (ENA).

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 year 2006-07.

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 2007-08 has been paid to the Stock Exchanges at Hyderabad and Mumbai. The application for delisting of Equity shares of the Company from the Hyderabad Stock Exchange Limited, Hyderabad has been submitted to the stock exchange.

DIRECTORS

Dr. A.K. Bhattacharya and Sri. N. Nageswara Rao will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

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 (1-B) of the Companies Act, 1956.

COST AUDIT

The Central Government pursuant to Section 233 B of the Companies Act, 1956 has ordered that the 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 2007-08.

CONSERVATION OF ENERGY, ETC

Information relating to Conservation of energy, Technology Absorption and Foreign Exchange

Twelfth Annual Report

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

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 31.03.07 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.

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, IOB, CDR cell, 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

Smt. T Indira Subbarami Reddy
Chairperson

Place : Hyderabad
Date : 31st July 2007

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) Rule, 1988.

A. CONSERVATION OF ENERGY

- | | | | |
|----|---|---|--|
| a) | Energy Conservation Measures | : | Evaporator condensate flush system is introduced in one body successfully. This will be extended to more bodies during the coming years. |
| b) | Additional Investment and proposals if any, being implemented for reduction of consumption of energy | : | Additional investment Rs.150 lakh. The company is planning to replace steam turbines with motors. |
| c) | Impact of measures at (a) and (b) above for reduction of consumption and consequent impact on the cost of production. | : | Saves steam which will produce extra power of 750 KW. This can meet the requirement of 500 KW power to distillery unit and balance can be exported to AP Grid. |
| 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 | : | Rs. Nil |
| | Total Foreign Exchange earned | : | Rs. Nil |

Twelfth Annual Report**FORM A**

(See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current year (2006-07)	Previous year (2005-06)
A) POWER AND FUEL CONSUMPTION		
1) ELECTRICITY		
a) PURCHASED		
Units KWH (Lakhs)	4.25	4.20
Total Amount (Rs Lakhs)	20.19	19.40
Rate/Unit (Rs.)	4.74	4.60
b) OWN GENERATION		
i) Through Diesel Generator		
Units KWH (Lakhs)	0.05	0.06
Unit per Ltr. of Diesel Oil- KWH	2.08	2.44
Cost/Unit (Rs.)	17.21	13.24
ii) Through Steam Turbine/Generator		
Units KWH (Lakhs)	147.48	162.51
Units per ton of Bagasse/paddy husk	152	147
Cost/Unit (Rs.)	1.97	2.05
2) COAL		
Qty. (Tons)	Nil	Nil
Total Cost (Rs Lakhs)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
3) PADDY HUSK/FIRE WOOD		
Qty. (Tons)	48	2083
Total Cost (Rs Lakhs)	0.44	22.60
Average Rate (Rs.)	922	1085
4) BAGASSE		
Qty. (Tons)	162609	110947
Total Cost (Rs Lakhs)	487.83	332.84
Cost Per Ton (Rs.)	300	300
5) FURNACE OIL		
Qty. (Tons)	Nil	Nil
Total Cost (Rs Lakhs)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
6) DIESEL OIL		
Qty. (Ltrs)	2300	2260
Total Cost (RsLakhs)	0.82	0.73
Average Rate (Rs.)	35.84	32.28
B) CONSUMPTION PER UNIT OF PRODCUTION		
Electricity Per Ton of sugar (KWH)	188	198