



Gayatri

GAYATRI SUGARS LIMITED

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THIRTEENTH ANNUAL REPORT
2007-08

Thirteenth 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 / HERSELF 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.
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 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 27.09.2008 to 30.09.2008 (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, House No. 12-10-167, Bharat Nagar, Hyderabad - 500018 Ph: 23818475, 23818476 immediately of any change in their address.
8. An Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 is annexed hereto.

13th Annual General Meeting

Day : Tuesday

TIME : 11.30 A.M.

Venue : Bharatiya Vidya Bhavan,
Kulapati Munshi Sadan,
5-9-1105, Basheerbagh,
Hyderabad – 500 029.

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BOARD OF DIRECTORS

Smt T Indira Subbarami Reddy	Chairperson
Sri T V Sandeep Kumar Reddy	Vice Chairman & Managing Director
Sri Abhay Soi	RLPL Nominee
Sri DK Kambale	IDBI Nominee
Sri V Udhaya Shankar	IFCI Nominee
Sri T R Rajagopalan	Director
Sri S Venkata Swamy	Director
Dr A K Bhattacharya	Director
Smt. T Sarita Reddy	Executive Director

COMPLIANCE OFFICER

Sri Chinna Gurappa	Vice President (Finance & Accounts)
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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: 23414823/26
Fax No: 23414827
E-mail: gayatrisugar@sify.com

FACTORY

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

Thirteenth Annual Report**NOTICE**

NOTICE is hereby given that the **Thirteenth Annual General Meeting** of the members of the Company will be held at Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, Basheerbagh, King Koti Road, PB no.1088, Hyderabad – 500 029 on Tuesday the 30th day of September, 2008 at 11.30 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, 2008, the Profit and Loss Account and Cashflow Statement for the year ended on 31st March, 2008 and the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sri TR Rajagopalan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri S Venkataswamy, who retires by rotation and being eligible offers himself for reappointment.
4. To consider and if thought fit, to pass the following resolution as special resolution.

“RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad be and are hereby appointed 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 for creation of security in favour of IDBI Trusteeship Services Limited**

To consider and if thought fit to pass with or without modification, the following resolution as Special Resolution.

“RESOLVED THAT the consent of the board of directors is hereby accorded in terms of section 293(1)(a) and other applicable provisions if any of the Companies Act, 1956 to mortgage and / or charging by the Board of Directors of the Company all the immovable and movable properties of the company wheresoever situate,

both present and future, and/or conferring power to enter upon and to take possession of assets of the company in certain events, to or in favour of the IDBI Trusteeship Services Limited (ITSL) the Trustees to secure an amount of Rs.35 crores Non Convertible Debentures (NCDs) subscribed by Rajasthan Leasing Private Limited (RLPL) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premium on repayment or on redemption, costs charges, expenses and other moneys payable by the company to RLPL under debenture agreement entered into/to be entered into by the company in respective of the said financial assistance.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board hereby authorized to do all such acts/deeds/matters in its absolute discretion as it may deem necessary and to settle any doubt/question of difficulty that may arise in creation of such mortgage/charges or hypothecation or disposal in favour of any lender as aforesaid and to finalise, executive any such deeds, agreements or documents as may be required or desirable or deem fit”.

6. **To consider the increase in the remuneration to Smt.T Sarita Reddy, Executive Director**

To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution.

“Resolved that subject to the provisions of sections 198, 269 and 310 read with Scheduled XIII and other applicable provisions if any of the Companies Act, 1956, the remuneration of Smt. T. Sarita Reddy, Executive Director be and is hereby revised as follows:

- a. **Salary**

The monthly remuneration payable shall be Rs.2,25,000/- (Rupees Two Lakhs and Twenty Five Thousands only) per month.

- b. **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 repairs & maintenance 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 to be billed by the Company to Executive Director).

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 Scheduled 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 Smt. T Sarita Reddy".

7. To appoint Sri Abhay Soi as Director of the Company.

To Consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

"RESOLVED THAT Sri Abhay Soi, who was appointed as an additional Director as per Section 260 of the Companies Act, 1956 and Article 98 of the Articles of Association of the company who holds office up to the date of this meeting, be and is hereby appointed as a Director of the Company."

Item No.8: To modify the Articles of Association (AA) of the company

To Consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

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"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, the Articles of Association be and hereby altered as per terms and conditions of the Debenture Agreement dated 30.03.2008 signed with M/s. Rajasthan Leasing Private Limited as given below :

2. Interpretation of AA:- Addition of these clauses
 - z) "Investment Amount" shall have the meaning ascribed in the Debenture Agreement dated 30.03.2008.
 - aa) "Investor" shall have the meaning ascribed in the Debenture Agreement dated 30.03.2008
 - bb) "Lien" means any mortgage, charge, pledge, hypothecation, security interest, encumbrance, or any other similar monetary obligation having similar effect.
 - cc) "Fixed Assets" mean the assets of the Company as detailed in Annexure A of the Debenture Agreement and shall include any future assets of the Company.
 - dd) "Securities" shall mean The Debentures stipulated in the Debenture Agreement dated 30.03.2008 which shall be secured by the Company as mentioned therein.
 - ee) "Management Personnel" shall mean and include all such employees of the Company who have the designation of a manager or any higher designation in the Company.
 - ff) "Debentures" means 350 (three hundred and fifty) number of 14% non convertible debentures of Rs. 1,000,000/- (Rupees One Million each) which are issued to the Investor under the terms of the Debenture Agreement pursuant to the Investment Amount extended by the Investor to the Company.
 - gg) "Redemption Schedule" shall be as described in Annexure C of the Debenture Agreement.
 - hh) "Breach" means any act or omission or untrue, inaccurate or misleading statement or negligent act or misrepresentation that constitutes a material breach of an obligation, representation, warranty or covenant including by way of a fraud, by the Company and the Promoters and includes the failure of the Company and the Promoters to perform their respective

obligations the Debenture Agreement and the term "Breached" would be construed accordingly.

- ii) "Penal Interest" means penal interest at the rate of 1.5% (one and half percent) per month which the Company agrees to pay to the Investor if the Debenture is not redeemed in accordance with the Redemption Schedule and Interest accruing and becoming due under the Debenture Agreement and not paid on the Due Date.

- jj) "Due Date" means, in respect of :

Debentures - the date on which redemption is to be effected in accordance with the Redemption Schedule; and

Interest including Penal Interest the date on which such Interest or Penal Interest falls due.

120. QUORUM :The clause is modified as follows:-

The quorum for a Board Meeting of the Company shall be any 3 (three) directors, whether present in person or through an alternate director both at the beginning and throughout the Board Meetings including at the beginning or throughout any adjourned meeting. The attendance of the director nominated by the Investor shall be necessary to constitute the quorum for any meeting of the Board of Directors of the Company.

- 130A. MATTERS REQUIRING APPROVAL OF THE INVESTOR (Addition of these Clauses) :

The Company shall not and the Promoters shall cause the Company to not, decide the following matters without the prior written approval of the Investor or the Investor nominated director:

- a) Create or permit any Lien on or transfer or alienate, in any manner any of the Fixed Assets of the Company provided as a Security for the Debentures.
- b) Create any liabilities relating to any "cane areas".
- c) Declare dividends or make any shareholder advances.
- d) Alter the capital structure of the Company or issue any equity or equity linked securities.

- e) Undertake or permit any joint venture, merger, consolidation, reorganization of capital structure, scheme of arrangement, or compromise with its long term creditors excluding creditors in the ordinary course of business or shareholders, or effect any scheme of amalgamation or reconstruction.
 - f) Undertake any project for modernization, diversification or substantial expansion of any projects.
 - g) Undertake any public offering including decisions of fixing the issue price.
 - h) Change the composition of the Board of Directors.
 - i) Alter the Charter Documents of the Company.
 - j) Take on any further debt (including but not limited secured or unsecured loan, debentures, working capital loans and deposits).
 - k) Issue any guarantees or encumber the Fixed Assets of the Company.
 - l) Acquire, sell, lease, transfer or otherwise dispose off, whether by one transaction or by a series of transactions, any asset or create any security interest on any of the Company's assets.
 - m) Appoint or terminate the employment of the Key Management Personnel.
 - o) Engage in any related party transactions.
 - p) Change the remuneration of the executive directors or of the Promoters of the Company.
 - q) Alter any material contracts entered into by the Company or execute or renew any material contracts by the Company.
 - r) Incur capital expenditure which exceeds Rs. 5,000,000/- over and above the capital expenditure approved under Annexure H as per Debenture Agreement dt. 30.03.08.
 - s) Create new subsidiaries or further invest in existing subsidiaries or affiliate companies.
 - t) Acquire shares of any listed or unlisted company.
 - u) Transact arrangements involving any guarantee to be given in favour of the Promoters.
 - v) Commence, compromise or discontinue any legal or arbitration proceedings.
 - w) Maintain a current ratio of a minimum of 1.15.
 - x) Enter into or vary in any material respect any transaction otherwise than in the ordinary course of trading and on arm's length terms.
 - y) Engage in any new business activities.
 - z) Contract arrangements between the Company and the Promoters.
 - aa) All matters not specified in the agenda for meetings of Board of Directors.
- 134. DEBENTURE DIRECTOR :** The articles to be altered as follows:
- The Investor shall have the right to appoint 1 (one) nominee as director on the Board of Directors of the Company, and shall also have the right to appoint 1 (one) nominee as alternate director. Further, the Investor shall have the right to have its nominee director or alternate director be appointed to any committees or sub committees of the Board of Directors. Therefore, a quorum of the committees and sub committees of the Board of Directors shall exist only if the nominee director or alternate director of the Investor is present at their meetings.
- 134A. EVENTS OF DEFAULT (Addition of these Clauses) :**
- If one or more of the events specified below (hereinafter referred to as the "Event of Default"), happen(s), the Investor may, declare that the secured amounts to be due and payable forthwith, subject to a written notice of thirty (30) days ("Cure Period"), provided by the Investor to the Company to remedy such breach:
- a. Default has occurred in redemption of the Debentures in accordance with the Redemption Schedule and/or default in payment of Interest on the Due Date and the Investor has not given any written approval for extending the Due Date.

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- b. Default has occurred with respect to other lenders. With respect to the cross default as mentioned herein, the Event of Default with respect to the Investor would be deemed to have occurred 1 (one) day prior to the occurrence of such default vis-à-vis the other lenders.
- c. In the opinion of the Investor breach has been committed by the Company in respect of any Detailed Warranties and Representation.
- d. Default has occurred in the performance of any other covenant, condition precedent or subsequent or agreement on the part of the Company under this Agreement and/or any other agreement.
- e. If the Fixed Assets offered to the Investor as security for the Debentures have not been kept insured by the Company or depreciate in value to such an extent that, in the opinion of the Investor further security to the satisfaction of the Investor should be given and on advising the Company to that effect such security has not been given to the Investor within one (1) month from the date of intimation.
- f. Default to pay any liabilities, contingent or otherwise, relating to the period before Closing.
- d. A receiver or liquidator has been appointed or allowed to be appointed for all or any part of the undertaking of the Company.
- e. An attachment or distraint has been made on the Fixed Assets of the Company.
- f. Delay in initiating the process for creation of security on assets as detailed in Clause 3 and in the event of acquisition of any new assets, delay in the process for initiating creation of security on the new assets in excess of 60 (sixty) days from date of acquisition.
- g. If, without the prior written approval of the Investor, any Fixed Assets charged to the Investor are sold, disposed of, charged, encumbered or alienated or removed, pulled down or demolished.
- h. The Company ceases to carry on its business or gives notice of its intention to cease.

If any Event of Default or any event, which after the notice, or lapse of time, or both, would constitute an Event of Default, has happened, the Company shall, forthwith give notice thereof to the Investor in writing specifying the nature of such Event of Default, within 5 (five) days of such event. This notice is without prejudice to the notice that may be provided by the Investor to the Company under Clause 9.1.

Notwithstanding the above, the occurrence of the following events shall also be construed as Events of Default for which there shall be no Cure Period and the Investor shall not be obligated to provide any notice to the Company.

- a. If any proceedings for taking the Company into liquidation, either voluntarily or compulsorily, have been commenced against the Company.
 - b. The Company has voluntarily or involuntarily become the subject of proceedings under any bankruptcy or insolvency law or the Company voluntarily or involuntarily is dissolved.
 - c. The Company is unable under Section 434 of the Companies Act, 1956, to pay its debts or has admitted in writing its inability to pay its debts as they mature.
- 134B. CONSEQUENCES IN EVENT OF DEFAULT (Addition of these Clauses) :**
- 1. A penalty of 1.5% (one and half percent only) per month on the Investment Amount along with Interest shall be charged during the course of the Event of Default, which shall be paid to the Investor distinct from any other amounts payable to the Investor by the Company.
 - 2. The Investor shall have the right to put the Debentures on the Promoters by issuing a notice to that effect to the Promoters. Upon issue by the Investor of the notice intimating the Promoters of its intention to put the Debentures, the Promoters shall within seven (7) days from the receipt of such notice purchase the Debentures for a consideration, which shall not be less than the aggregate of the following:
 - (a) Outstanding amount relating to the unredeemed Debentures on the date of exercise of the put option;

- (b) Interest outstanding as on the date of exercise of the put option; and
 - (c) Penal Interest outstanding as on the date of exercise of the put option.
3. If the Event of Default remains uncured beyond the Cure Period, the Investor shall be entitled to enforce the Securities created herein, in a manner as determined by the Investor, in its sole discretion.
 4. Notwithstanding the foregoing, the Investor shall have the right to force redemption, on the Company and the Promoters, individually or severally at the discretion of the Investor, of the Debentures, Interest and Penal Interest due along with enforcing the Securities under this Agreement.
 5. In the event the Company is unable to redeem the Debentures, Interest and Penal Interest, the Investor shall have the right to call such number of the Promoters' shares in both the Company and GSR Sugars Private Limited ("Call Shares") as is required by the Investor at an aggregate purchase price Re. 1 (Rupee One only). The Investor shall be entitled to sell the Call Shares to any third party, without restriction, to enable the Investor to recover the unredeemed Debentures and unpaid Interest and/or Penal Interest. However, the Investor will permit the Promoters to exercise a first right of refusal over the Call Shares. In the event the Promoters do not exercise their first right of refusal over the Call Shares or do not respond to the Investor's offer of the Call Shares within seven (7) days from the date the Investor offers to sell the Call Shares, the Investor shall be free to sell the Call Shares to any third party without further notice to the Promoters. This right is without prejudice to the rights of the Investor to enforce the Securities pledged in its favour.

For and on behalf of the Board

T Indira Subbarami Reddy
Chairperson

Place : Hyderabad

Date : 30th August 2008

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

Item No. 5:

Company has availed an amount of Rs.35 crores as debentures from the Rajasthan Leasing Private Limited (RLPL) to repay the term loan of IDBI and IFCI who has waived off Rs. 6.20 crores. The debentures from RLPL has to be secured by way of mortgage of all the immovable and movable properties of the company both present and future in favour of the Debenture Trustee namely IDBI Trusteeship Services Limited (ITSL). Section 293(1)(a) of the Companies Act 1956, provides that the Board of Directors of a public limited company shall not without the consent of the members sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the company. Since, the mortgaging by the company of its immovable properties as aforesaid in favour of ITSL may be regarded as disposal off the company's properties/ undertakings it is necessary for the members to pass a resolution authorizing creation of said mortgage/charges which includes the power to sale/dispose of the fixed assets of the company, the approval of shareholders are required for creation of the security in favour of the debenture trustee. Therefore, the shareholders are requested to give their consent for creation of security in favour of ITSL to secure the debentures subscribed by RLPL.

The Board commends the resolution for the approval of the members. None of the Directors except Sri Abhay Soi Nominee Director of RLPL is interested in the above resolution.

All the documents/correspondence referred to in the notice and the explanatory statement are available for inspection at the Registered Office of the Company between 10.30 AM and 1.00 PM on any working day prior to the meeting.

Item no. 6:

Smt. T Sarita Reddy has been appointed as the Executive Director with effect from 27th October 2006. After her taking over the management of the company, she has planned for starting of the distillery unit, as the same was required to improve the company's financials. The project

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was implemented in the month of May 2007 and the distillery division is making reasonable profits. The salary of Smt. T Sarita Reddy has been fixed at very low while appointing her in October 2006 and the salaries for the managerial personnel in the similar industry/ other industries are much higher. As the company is having the accumulated losses as on 31.03.2008, the salary & perquisites can be fixed within the guidelines given in the Part II of the Schedule XIII of the Companies Act, 1956.

Accordingly the board of directors has approved the increase in the remuneration w.e.f. 1st September 2008 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

Item no. 8

As per the terms and conditions of the debentures agreement with Rajasthan Leasing Private Limited (RLPL) for availing the Non-Convertible Debentures (NCDs) amounting to Rs.35 crores, company has to alter the Articles of Association (AA) incorporating certain points from the debenture agreement. As required by the RLPL and on the advise of the legal consultants some of the clauses are to be included and to be modified in the AA .

The board of directors commends the resolution for your approval.

None of the directors except Sri Abhay Soi, the nominee director of RLPL is interested or concerned in the resolution.

For and on behalf of the Board

T Indira Subbarami Reddy
Chairperson

Item No.7:

Board of Directors of the company at their meeting held on 28.04.2008 approved the appointment of Sri Abhay Soi, as an Additional Director of the company who holds office upto the date of this Annual General Meeting.

Place : Hyderabad
Date : 30th August 2008

Sri Abhay Soi is MBA (Finance), Bachelor in Arts (Economic and History) was worked as Head Corporate Finance Restructuring at Earnst & Young India (P) Ltd and Corporate Finance at KPMG & Corporate Finance at Arthur Andersen.

Notice under Section 257 of the Act, has been received from a member proposing the appointment of Shri Abhay Soi as director of the company.

The board of directors commends the resolution for your approval.

None of the directors except Sri Abhay Soi is interested or concerned in the resolution.

A copy of the board resolution dated 28.04.2008 and a copy of the Memorandum and Articles of Association of the company are available for inspection at the Registered office of the company between 10.00 AM to 1.00 PM on any working day.