



Gayatri

GAYATRI SUGARS LIMITED

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FOURTEENTH ANNUAL REPORT
2008-09

Fourteenth 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 28.07.2009 to 31.07.2009 (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.

14th Annual General Meeting

Day : Friday

Date : 31st July, 2009

TIME : 4.00 P.M.

Venue : Surana Udyog Hall,
Federation House,
D.No. 11-6-841, Red Hills,
Hyderabad – 500 004.

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BOARD OF DIRECTORS

Dr T Subbarami Reddy

Smt T Indira Subbarami Reddy

Sri T V Sandeep Kumar Reddy

Sri Abhay Soi

Sri T R Rajagopalan

Sri S Venkata Swamy

Dr A K Bhattacharya

Smt T Sarita Reddy

Chairman (Upto 30.6.2009)

Chairperson (w.e.f. 30.6.2009)

Vice Chairman & Managing Director

RLPL Nominee

Director

Director

Director

Executive Director

COMPLIANCE OFFICER

Sri Chinna Gurappa

Vice President (Finance & Accounts)

AUDITORS

Deloitte Haskins & Sells

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

Fourteenth Annual Report**NOTICE**

NOTICE is hereby given that the **Fourteenth Annual General Meeting** of the members of the Company will be held at Surana Udyag Hall, Federation House, Door No: 11-6-841, Red Hills, Hyderabad- 500004 on Friday the 31st day of July, 2009 at 4.00 PM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2009, the Profit and Loss Account and Cash Flow Statement for the year ended on 31st March, 2009 and the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. T Indira Subbarami Reddy who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a Director in place of Dr. AK Bhattacharya who retires by rotation and being eligible offers himself for reappointment.
4. To consider and if thought fit, to pass the following resolution as ordinary resolution.

"RESOLVED THAT M/s. Deloitte Haskins & Sells, 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 with or without modification the following resolution as special resolution

"RESOLVED THAT the company do make an intimation to the Board for Industrial and Financial Reconstruction (BIFR) under section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 regarding erosion of more than 50% of the net worth of the company".

"FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and things that may be necessary in connection with the intimation of erosion of 50% of net worth to the BIFR".

For and on behalf of the Board

Place : Hyderabad
Date : 30th June 2009

T Indira Subbarami Reddy
Chairperson

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**Item no.5: Intimation to Board for Industrial and Financial Reconstruction (BIFR)**

The Board of Directors of the Company have noted that the Company suffered losses during the accounting years 2007-08 and 2008-09 on account of higher interest, cane development expenses, doubtful debts and lower sales realization for sugar. These losses resulted in erosion of more than 50% of the net worth of the company. In terms of section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, the company is a potential sick company and company has to report the facts of the erosion to the BIFR. The intimation on such potential sickness of the company to be considered by the members and to authorize the board of directors to intimate BIFR, in the prescribed Form-C under the said act and hence this resolution.

None of the Directors of the Company are in any way concerned or interested in the resolution except has the members of the Company.

For and on behalf of the Board

Place : Hyderabad
Date : 30th June 2009

T Indira Subbarami Reddy
Chairperson

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Fourteenth Annual Report of your company along with the Audited Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

(Rs in Lakhs)

Description	2008-09	2007-08
Revenue (Net of Excise Duty & Sales Tax)	7379.14	6270.91
Increase/(Decrease) in stocks	(1323.25)	1216.61
Profit/(Loss) before depreciation and interest	818.80	107.25
Finance Charges (Interest)	1083.47	1094.64
Depreciation	757.76	515.04
Profit/(Loss) before tax	(1398.83)	(1503.43)
Non-Recurring Income – Remission of FITL	—	619.69
Provision for tax	7.77	4.42
Profit/(Loss) after tax	(1406.60)	(888.16)

REVIEW OF OPERATIONS

Performance during the financial year 2008-09

Your Directors are pleased to report that during the year under review, the company's crushing operations for the season 2007-08 has continued till 14th May 2008. The crushing operations for the season 2008-09, has commenced on 25th November 2008 and closed the operations on 18th February 2009. During the year, company has crushed 2.23 Lakh tonnes of sugar cane with an average recovery of 10.35% during the year.

During the year the Distillery Unit has produced 51.04 Lakh Litres of Rectified Spirit (RS)/Extra Neutral Alcohol (ENA). Company has sold 49.01 Lakh Litres of RS/ENA with an average realization of Rs.22.88 per litre.

Prospects for the financial year 2009-10

The Company is estimating to crush lower quantity of 2.00 lakh tones of sugar cane during the current year on account of lower availability of the sugar cane. The Company is estimated to produce RS/ENA

around 100 Lakh litres during the current accounting year.

DIVIDEND ON PREFERENCE SHARES

As the company incurred losses during the year under review, the Directors have not recommend any dividend of 6% on Cumulative Redeemable Preference Shares.

LISTING OF SECURITIES

The company's shares are listed with Stock Exchange, Mumbai and the annual listing fee for the year 2009-10 has been paid to the Stock Exchange at Mumbai.

DIRECTORS

During the year Dr. T Subbarami Reddy has been appointed as Director and Chairman on the Board of your company. He tendered his resignation as Director of the Company w.e.f. 30th June 2009. Mrs. T. Indira Subbarami Reddy was appointed as Chairperson of the Company w.e.f. 30th June 2009.

Mrs. T Indira Subbarami Reddy and Dr. AK Bhattacharya will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

The Nomination of Sri DK Kambale as IDBI's Nominee Director and Sri. V Udayashankar as IFCI's Nominee has been withdrawn by the respective Financial Institutions on account of repayment of their debt through One Time Settlement on 31.03.2008. Mr. N Nageswara Rao resigned as Director of the Company w.e.f. 28th April 2008.

PUBLIC DEPOSITS

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

PARTICULARS OF EMPLOYEES

There are no employee 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. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad will retire at the conclusion of the ensuing Annual General Meeting as the Statutory Auditors of the company. They have signified their willingness to accept

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reappointment 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 2009-10.

CONSERVATION OF ENERGY

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

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

MERGER

Your directors are proposing to merge the M/s GSR Sugars Private Limited (group company) with the company for consolidation of the business and for future growth of the company. A merger committee has been formed at the Board Meeting held on 29.07.2008, with two directors from the company and one director from M/s. GSR Sugars Private Limited to evaluate, discuss and finalize the scheme of merger. The merger process has not taken place yet due to non-receipt of certain clearances from the statutory authorities.

INTIMATION TO BIFR

On account of higher interest, un-remunerative sugar prices, heavy cane development expenses and provision for doubtful debts, the company has incurred heavy losses during the last two years and resulted in erosion of more than 50% of its net worth and is potentially sick company under the Sick Industrial Companies (Special Provisions) Act, 1985.

After getting the approval of shareholders at the ensuing Annual General Meeting, the company is also intimating to Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial

Companies (Special Provisions) Act, 1985 on the erosion of more than 50% of the net worth of the company.

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 31.03.09 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, RLPL, 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

T Indira Subbarami Reddy
Chairperson

Place : Hyderabad

Date : 30th June 2009

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 : i. Common condensate and Flash system are provided to Evaporators. This has reduced the power consumption to the extent of 20HP. There is a steam saving of around 1.5% on cane in view of the provision of Flash system.
- ii. One multijet condenser is replaced by single entry SS condenser has resulted in saving of power.
- b) Additional Investment and Proposals, if any, being implemented for reduction of Consumption of energy : Company has spent around Rs.12 crore and added the following equipments for the conservation of energy by using the bagasse in effective manner at distillery unit:-
- i. 16 Tonne per hour capacity boiler.
- ii. 1.0 MW Turbine for power generation.
- iii. Evaporators for evaporation of spent wash.
- iv. NE 1750 Batch centrifugal machine for A Masseccuite curing has replaced two old machinery for saving of power.
- c) Impact of the measures at (a) and (b) above for reduction of consumption and consequent impact on the cost of production : The above measures will result in the following advantages:-
- i. Steam & power required for distillery unit will be met from new boiler & turbine instead from the sugar unit. There will be saving in power due to additional power generation.
- ii. Sugar factory can be operated at rated capacity of 3500 TCD.
- iii. Spent wash quantity will be reduced to 20% of the volume and reduce the pollution control problems and consumption of filter cake.
- iv. Considerable saving in power is achieved due to the addition of this higher capacity DC drive centrifugal machine.
- 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

Fourteenth Annual Report**FORM A**

(See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current year (2008-09)	Previous year (2007-08)
A) POWER AND FUEL CONSUMPTION		
1) ELECTRICITY		
a) PURCHASED		
Units KWH (Lakhs)	5.97	6.14
Total Amount (Rs.Lakhs)	35.99	30.37
Rate/Unit (Rs.)	6.03	4.95
b) OWN GENERATION		
i) Through Diesel Generator		
Units KWH	15948	5100
Unit per Ltr. of Diesel Oil- KWH	2.14	1.92
Cost/Unit (Rs.)	16.72	17.57
ii) Through Steam Turbine/Generator		
Units KWH (lacs)	149.61	248.52
Units per ton of Bagasse/paddy husk	200.33	155.09
Cost/Unit (Rs.)	2.85	1.93
2) COAL		
Qty. (Tons)	70.88	Nil
Total Cost (Rs lacs)	2.06	Nil
Average Rate (Rs.)	2900	Nil
3) PADDY HUSK		
Qty. (Tons)	Nil	Nil
Total Cost (Rs Lacs)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
4) BAGASSE		
Qty. (Tons)	86761	160234
Total Cost (Rs Lacs)	318.40	480.70
Cost Per Ton (Rs.)	366.98	300
5) FURNACE OIL		
Qty. (Tons)	Nil	Nil
Total Cost (Rs lacs)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
6) DIESEL OIL		
Qty. (Ltrs)	7440	2655
Total Cost (Rs Lacs)	2.66	0.90
Average Rate (Rs.)	35.77	33.75
B) CONSUMPTION PER UNIT OF PRODUCTION		
Electricity Per Ton of sugar (KWH)	391	336

*Consumption per unit has increased on account of running of the plant with 100% Electrification.

Annexure - B to Directors' Report

Corporate Governance Report

A. Corporate Governance Philosophy

The Company is a firm believer in core values of Corporate Governance Code. The company fully understands the rights of its shareholders to have information on the performance of the company and considers itself a trustee of its shareholders. The company is committed to good corporate governance, adherence to Statutory and regulatory prescriptions, care for environment and social responsibility.

The Company has adopted a code of conduct for members of the Board and senior management, who have all affirmed in writing their adherence to the code.

B. Board of Directors

The composition of the Board is well balanced with expertise drawn from Industry, Management, Finance and Agriculture. The Company has Non executive Chairman.

i) Composition and category of directors as on 31st March 2009.

Category	No. of Directors
Promoter Directors	4
Non Executive Non Independent Directors	—
Non executive Independent Directors	4

ii) Attendance of each director at the Board meetings held during the year and at the last Annual General meeting and the Number of other Boards / Board committees in which the Directors are either Member or Chairman.

Name of the Director	No. of Board Meetings Attended	Attendance at last AGM held on 30.09.2008	No. of Directorships held in other Companies	
			Public	Private
Dr T Subbarami Reddy ¹	1	NA	—	—
Smt. T Indira Subbarami Reddy	3	Present	4	25
Sri T V Sandeep Kumar Reddy	6	Not Present	10	25
Sri Abhay Soi	6	Not Present	1	7
Sri T R Rajagopalan	7	Present	1	2
Sri S Venkata Swamy	8	Present	—	—
Dr A K Bhattacharya	5	Not Present	2	—
Smt. T Sarita Reddy	8	Present	3	18
Sri.V Udayashankar ²	—	Not Present	—	—
Sri.DK Kambale ³	2	Not Present	—	—
Sri N Nageswara Rao ⁴	—	NA	—	—

¹ Dr. T Subbarami Reddy was appointed as director and chairman of the company w.e.f. 30.10.2008

² Sri.V Udayashankar ceased to be the IFCI Nominee w.e.f. 27.10.2008.

³ Sri.DK Kambale ceased to be the IDBI Nominee w.e.f. 18.03.2009.

⁴ Sri N Nageswara Rao ceased to be the director of the Company w.e.f 28th April 2008.

During the financial year 2008-09, Eight Board meetings were held on 28th April 2008, 14th July 2008, 29th July 2008, 30th August 2008, 30th September 2008, 30th October 2008, 23rd December 2008 and 31st January 2009.

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C. Audit Committee

The Audit Committee was constituted in terms of Section 292A of the Companies Act, 1956 and as per the provisions of Clause 49 of the Listing Agreement.

i) Brief Description of terms of reference

The terms of reference of the Audit Committee is in conformity with the provisions of Sub Clause II of Clause 49 of the Listing agreements entered with the Bombay Stock Exchange, which, inter alia includes the following:

- Oversight of the Company's financial reporting process.
- Recommending appointment and removal of external auditors and fixing of their fees.
- Reviewing with management the quarterly, half yearly and annual financial results/ statements with special emphasis on accounting policies and practices, compliances with accounting standards and other legal requirements concerning financial statements.
- Reviewing the adequacy of the Audit and compliance functioning including their policies, procedures, techniques and other regulatory requirements.
- Reviewing the adequacy of internal control systems and significant audit findings.
- Discussion with external auditors regarding nature and scope of audit.

ii) Composition of the Audit committee and the details of Meetings held and attendance during the Financial Year 2008-09.

The Audit Committee meetings were held five times during the financial year 2008-09 on 28th April 2008, 29th July 2008, 30th August 2008, 30th October 2008 and 31st January 2009.

The composition of the Audit Committee and the attendance of each director at these Meetings as follows:-

S.No.	Members of the Audit committee	No.of meetings Attended
1	Sri T R Rajagopalan Chairman	5
2	Sri V Udhayashankar (upto 27.04.2008) Member	—
3	Sri. Abhay Soi (from 28.04.2008) Member	5
4	Smt T Sarita Reddy Member	5

D. Remuneration Committee

i) Brief description of terms of reference

This committee has a mandate to evaluate compensation and benefits for Executive Directors.

ii) Composition of the Remuneration Committee and the details of Meetings held and attendance during the Financial Year 2008-09.

The Remuneration Committee consists entirely of Non Executive Directors and the composition is as follows:

1. Sri T R Rajagopalan - Chairman
2. Sri S Venkataswamy - Member
3. Sri. V Udaya Shankar (till 27.04.2008) - Member
4. Sri. Abhay Soi (from 28.04.2008) - Member

One Remuneration Committee meeting was held on 30th August 2008 during the financial year 2008-09 and all the directors were present.

ii) The Remuneration policy of the Company is summarized as follows:

i) For Managing Director:

The total remuneration, subject to shareholders approval consists of

- a fixed component consisting of salary, allowances and perquisites and benefits are in line with the Company's rules for senior managerial personnel