Gayatri

GAYATRI SUGARS LIMITED

SIXTEENTH ANNUAL REPORT
2010-11

Notes:

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 08.08.2011 to 10.08.2011 (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.
9. 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

16th Annual General Meeting

Day	:	Wednesday
Date	:	10th August, 2011
TIME	:	4.00 P.M.
Venue	:	Surana Udyog Hall, Federation House, D.No. 11-6-841, Red Hills, Hyderabad – 500 004.

SIXTEENTH ANNUAL REPORT
2010-11

BOARD OF DIRECTORS

Smt T Indira Subbarami Reddy	Chairperson
Sri T V Sandeep Kumar Reddy	Vice Chairman
Sri T R Rajagopalan	Director
Sri P Maruthi Babu	Director
Sri S Venkata Swamy	Director
Smt T Sarita Reddy	Executive Director

COMPLIANCE OFFICER

Sri Chinna Gurappa — Chief Finance Officer

AUDITORS

M/s Deloitte Haskins & Sells
Chartered Accountants
Secunderabad

BANKERS

Andhra Bank
Union Bank of India
State Bank of India
Bank of Baroda
Punjab National Bank

REGISTERED OFFICE

B2, 2nd Floor, 6-3-1090
TSR Towers
Rajbhavan Road,
Somajiguda,
Hyderabad – 500 082.
Phone Nos: 23414821/23/24/25/26
Fax No:23414827
Email:gayatrisugars@sify.com

FACTORIES

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

Nizamsagar Unit
Maagi Village
Nizamsagar Mandal
Nizamabad District
Andhra Pradesh
Phone No: (08465) 275577
Fax No: (08465) 275800

NOTICE TO MEMBERS

NOTICE is hereby given that the **Sixteenth Annual General Meeting** of the members of the Company will be held at Surana Udyog Hall, Federation House, Door No: 11-6-841, Red Hills, Hyderabad- 500 004 on Wednesday the 10th day of August, 2011 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, 2011, the Profit and Loss Account and Cash flow Statement for the year ended on 31st March, 2011 and the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Smt. T Indira Subbarami Reddy who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in place of Sri TV Sandeep Kumar Reddy, who retires by rotation and being eligible, offers himself for reappointment
4. To consider and if thought fit, to pass the following resolution as an 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. Approval for Payment of remuneration of Smt. T Sarita Reddy, Executive Director.

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

   "RESOLVED THAT approval of the Shareholders accorded at their meeting held on 31st July 2010, interms of the provisions of sections 198, 269 and 310 read with Scheduled XIII and other applicable provisions if any of the Companies Act, 1956, based on the recommendations made by the Remuneration Committee, Audit committee and Board of Directors for payment of the remuneration to Smt T Sarita Reddy as Executive Director of the company for the period from 01.05.2010 to 30.04.2013 be and is hereby further noted and ratified **for seeking the approval of the Central Government** as per the following terms and conditions.

   1. **Salary**

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

   2. **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 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".

"FURTHER RESOLVED that Smt T Sarita Reddy, Executive Director be and is hereby further authorised to make an application to Central Government for / ratification / approval of the above said terms and conditions of appointment.

6. **Contribution to specific charitable and other funds – Ex post facto approval given to directors.**
To consider and if thought fit to pass, with or without modification, the following resolution as Special Resolution

"RESOLVED that pursuant to section 293(1)(e) of the Companies Act, 1956, the aggregate contribution of the sum of Rs.6,00,000/- made by the Board of Directors of the Company to the charitable institution 'TSR Foundation' be and the same is hereby confirmed, approved and ratified".

7. **Authority to directors to contribute to charitable and other funds.**

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

"RESOLVED that in accordance with the provisions of section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby authorizes the Board of Directors of the Company to contribute and subscribe on behalf of the Company to charitable institution TSR Foundation and other funds not directly relating to the business of the Company or the welfare of its employees, any amount the aggregate of which will in any financial year exceed Rs. 50,000 or 5% of the Company's average net profits as determined in accordance with the provisions of sections 349 and 350 of the said Act, during the three financial years immediately preceding subject to the maximum of Rs. 10,00,000 or 5% of the Company's average net profits determined as aforesaid, whichever is greater.

For and on behalf of the Board

Place : Hyderabad
Date : 30th May 2011

T Indira Subbarami Reddy
Chairperson

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

Item No.5: Remuneration to Smt. T Sairta Reddy as Executive Director of the company

The Remuneration Committee, Audit Committee and Board of Directors at their respective meetings held on 20.04.2010 approved the appointment of Smt. T Sarita Reddy as Executive Director of the company w.e.f.1.05.2010 and the same was approved by the members of the company at their meeting held on 31.07.2010.

It has been noticed that there was deafult in repayment of principal amount on Debentures during the relevant period and as such approval of Central Government would have been obtained and that the same has not been obtained. Having noticed the same, it is proposed to seek ratification / approval of Central Government now.

The board of directors commends the resolution for your approval.

None of the directors are interested in the said resolution except Smt. T Indira Subbarami Reddy, Sri. TV Sandeep Kumar Reddy and Smt. T Sarita Reddy.

I. GENERAL INFORMATION:

1 Nature of Industry — Sugar and Seasonal

2 Date of commencement of commercial production — November 1997

3 Financial Performance (Rs. in lakhs)

Particulars	**2010-11**	2009-10	2008-09
Gross Revenue	**11630**	6206	7670
Total Expenditure	**9825**	5615	7695
Operating Profit / (Loss)	**(948)**	(519)	(1399)

4 Export Performance — No export during the year 2010-11, 2009-10 & 2008-09

II. INFORMATION ABOUT THE APPOINTEE:

1 Name of the Director — T Sarita Reddy

2 Date of Birth — 14.04.1971

3 Date of Appointment — Reappointment as Executive Director w.e.f. 1.5.2010.

4 Experience — 11 years experience in the Management, Execution of Projects and running of the companies

5 Qualifications — MBA

6 Past Remuneration — Upto Rs.4,00,000/- per month as per eligibility under Sch.XIII

7 Job Profile — Managing the overall affairs of the company as Executive Director

8 Remuneration Proposed — Upto Rs.4,00,000/- per month as per eligibility under Sch.XIII

In the same sugar industry other companies are paying higher remuneration package. Further the present compensation package approved for the Executive Director of the Company is much lower as compared to remuneration paid in similar industry. In view of the contribution and time devoted by her it is essential that they be remunerated suitably.

III. OTHER INFORMATION:

1. Reasons for inadequacy of Profits:

The inadequacy of the profits for the company on account of the lower sugar production, higher sugar cane rates due to controls exercising by the Government of India. Also 10% of the sugar production is being sold to the Government of India, under PDS as per the rates prescribed by the Government of India, which is very low and even the same is lower than the cost of sugar cane.

2. Steps taken or proposed to be taken for improvement:

The Company is planning to get higher sugar cane through arraning the loans to the farmers, which will give better availability of sugar cane and better utilization of capacity. Also company is planning to upgrade the equipment to get the higher recovery of sugar, so that the cost of sugar production will be lower.

3. Expected increase in productivity and profits"

With the improvement in the availability of sugar cane, the receipt of continuous supply to the factory, will improve the productivity and hence the cost of production will decrease and in turn improves the profitability.

IV. DISCLOSURES:

The shareholders of the Company shall be informed of the remuneration package to the Managing Personnel in the Annual Report of the Company.

The management of company would like to approach the Central Government to approve the payment of remuneration to Smt. T Sarita Reddy w.e.f.01.06.2011 to 30.04.2013 and to ratify the remuneration paid to her w.e.f.01.05.2010 to 31.05.2011.

Item No. 6: Contribution to specific charitable and other funds – Ex post facto approval given to directors.

The company had in the year 2010 –11 contributed an aggregate sum of Rs. 6 Lacs to the charitable and other funds, as set out in the resolution. As the company incurred loss during the year and amount contributed is not in accordance with sections 349 and 350 of the Companies Act, 1956, approval and ratification of the shareholders is being sought under section 293(1)(e) of the Companies Act, 1956.

None of the directors concerned or interested in the resolution to the extent of the contribution made to the TSR Foundation.

Item No. 7: Authority to directors to contribute to charitable and other funds.

The Company is authorized by its articles to subscribe to charitable and other funds not directly relating to the business of the Company or the welfare of its employees. By virtue of section 293(1)(e) of the Act, however, the maximum limit which can be so subscribed in any financial year is Rs. 50000 or 5% of the company's average net profits as determined in accordance with sections 349 and 350 of the Companies Act, 1956, during the three immediately preceding financial years, whichever is greater. Section 293(1)(e) permits such subscriptions in excess of these limits if shareholders approve. As such, your Board seeks sanction to make such subscriptions in a financial year up to a limit of Rs. 10,00,000 or 5% of the Company's average net profits as determined in accordance with sections 349 and 350 of the Companies Act, 1956, during the three immediately preceding financial years, whichever is greater. The Board commends this resolution for acceptance.

None of the Directors is in any way concerned or interested in the resolution proposed to be passed.

For and on behalf of the Board

Place : Hyderabad
Date : 30th May 2011

T Indira Subbarami Reddy
Chairperson

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Sixteenth Annual Report of your company along with the Audited Accounts for the year ended 31st March 2011.

FINANCIAL RESULTS (Rs in lacs)

Description	2010-11*	2009-10
Revenue (Net of Excise Duty & Sales Tax)	**10971.26**	**6105.88**
(Increase)/Decrease in stocks	**(5030.28)**	**805.09**
Profit/(Loss) before depreciation and interest	**2442.87**	**1080.51**
Finance Charges (Interest)	**2094.07**	**1010.07**
Depreciation	**1296.63**	**589.87**
Profit/(Loss) before tax	**(947.83)**	**(519.43)**
Provision for tax	**-**	**-**
Profit/(Loss) after tax	**(947.83)**	**(519.43)**

* Consequent to the approval of the Hon'ble High Court of Andhra Pradesh to the Scheme of amalgamation, the business of GSR Sugars Private Limited has been transferred to the company with effect from 01.04.2010. Hence the figures of the current financial year ended 31.03.2011 are not comparable with the figures of the previous financial year ended 31.03.2010.

REVIEW OF OPERATIONS

Performance during the financial year 2010-11

Your Directors are pleased to report that during the year under review, the company's crushing operations for the season 2010-11 has commenced on 26th November 2010 and closed the operations on 31st March 2011 for the Kamreddy Unit (Gayatri Sugars Limited) and has commenced on 24th November 2010 and closed the operations on 27th March 2011 for the Nizamsagar Unit (formerly GSR Sugars Private Limited). During the year, company has crushed 3.07 Lakh Tonnes of sugar cane and produced sugar of 3.23 Lakhs quintals with an average recovery of 10.53% at Kamreddy Unit and has crushed 2.50 Lakh Tonnes of sugar cane and produced sugar of 2.53 lakh quintals with an average recovery of 10.12%.

During the year the Distillery Unit has produced 60.69 Lakh Litres of Rectified Spirit (RS)/Extra Neutral Alcohol (ENA). Company has sold 68.55 Lakh Litres of RS/ENA with an average realization of Rs.24.61 per litre.

Prospects for the financial year 2011-12

The Company is estimating to crush higher quantity of 7 lakh tonnes of sugar cane during the current year on account of better availability of the sugar cane. The Company is estimating to produce RS/ ENA around 90 Lakh litres during the current accounting year.

DIVIDEND ON PREFERENCE SHARES

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

LISTING OF SECURITIES

The company's shares are listed with Bombay Stock Exchange, Mumbai and the annual listing fee for the year 2011-12 has been paid to the Bombay Stock Exchange at Mumbai. Application have been made to Bombay Stock Exchange for listing of 4,37,03;643 equity shares of Rs. 10/- each and approvals are awaited.

DIRECTORS

Smt. T Indira Subbarami Reddy and Sri.TV Sandeep Kumar Reddy will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

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 reappointment and have further confirmed their eligibility under Section 224 (1-B) of the Companies Act, 1956.

Response to Auditors observations

With reference to the observations made by the Statutory Auditors in para 4, 5 & 6(e) of the Audit Report, the management response there to as follows:-

- **Para 5 & 6(e) on valuation of inventories:-** The company is of view that being a seasonal industry have to hold inventories for longer period and also the sugar sales being regulated by Government of India, the loading of interest

on working capital is more appropriate instead of charging of in the year.

- **Para 4 on remuneration to Executive Director:-** The company proposes to make an application to Central Government seeking its approval.

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. M/s. K Narasimha Murthy & Co, Cost Accountants was appointed as Cost Auditor of the company for the year 2011-12.

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

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.

SCHEME OF AMALGAMATION OF GSR SUGARS PRIVATE LIMITED WITH COMPANY

The Hon'ble High Court of Andhra Pradesh vide its order dated 18th February 2011 had approved the Scheme of Amalgamation under sections 391 to 394 of the Companies Act, 1956.

The Company has filed the Hon'ble High Court of Andhra Pradesh order dated 18.02.2011 with Registrar of Companies, A.P. Hyderabad on 23rd March 2011. Accordingly the Scheme of Amalgamation became effective from 23rd March 2011 with 1st April 2010 as the Appointed Date. In accordance with the orders, the board of directors at their meeting held on 29th April 2011, have allotted the shares to the eligible shareholders, as per the Scheme of Amalgamation. As per Scheme of Amalgamation the Authorised Share Capital of the company has become Rs. 90 crores and the resultant paid up share capital has become Rs. 59.85 crores.

The detailed salient features of the Scheme of Amalgamation have been given in note no. 1 of the notes on accounts.

INTIMATION TO BIFR

As at 31.03.2009, the accumulated losses has resulted in erosion of more than 50% of the net worth of the company and the company has become potentially sick company under the Sick Industrial Companies (Special Provisions) Act, 1985. Company had intimated to the Board for Industrial and Financial Reconstruction (BIFR) on 22.09.2009 the potential sickness of the company. As on 31.03.2011 the net worth of the company has improved and a letter is being filed with BIFR.

DIRECTORS RESPONSIBILITY STATEMENT

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

1. That in preparation of lthe Annual Accounts the applicable Accounting Standards have been followed by the company, except for the qualification & matter of attention by the statutory auditors in their report.
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 31.03.2011 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, YES BANK Limited, Andhra Bank, Union Bank of India, Sugar Development Fund, Indian Overseas Bank, State Bank of India, Bank of Baroda, Punjab National Bank and CDR cell. 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

Place: Hyderabad
Date : 30th May 2011

T Indira Subbarami Reddy
Chairperson

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. The super heater coils, air preheaters tubes, water spraying system for boilers has been replaced to improve the efficiency of boilers at Kamareddy Unit. ii. For increasing the efficiency of boiler at distillery plant at Kamareddy Unit, RO Plant was errected. iii. The boiler has been modified to use coal as fuel and installed the coal carrying system at Nizamsagar Unit to produce power through coal.
b.	Additional Investment Proposals, if any, being implemented for reduction of Consumption of energy	For improving the efficiency of the boilers and to reduce the fuel consumption at both the units the required modification will be carried out with the reasonable capital expenses.
c.	Impact of the measures at (a) and (b) above for reduction of consumption and consequent impact on the cost of production	i. The plant efficiency has increased and the crushing capacity has reached to rated capacity at Kamareddy Unit. ii. The consumption of fuel has decreased in Distillery plant at Kamareddy Unit. iii. Power has been produced during the off-season and exported.
d.	Total energy consumption and energy consumption per unit of production as per From A	Enclosed

B) TECHNOLOGY ABSORPTION :

e.	Efforts made in technology as per Form B	: Plants at both the manufacturing units are as per standard specifications of Government of India