



GAYATRI SUGARS LIMITED

**SEVENTEENTH ANNUAL REPORT
2011-12**

17th Annual General Meeting

Day : Tuesday

Date : 25th September, 2012

TIME : 4.00 P.M.

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

SEVENTEENTH ANNUAL REPORT 2011-12

BOARD OF DIRECTORS

Smt T Indira Subbarami Reddy

Sri T V Sandeep Kumar Reddy

Sri T R Rajagopalan

Sri P Maruthi Babu

Sri S Venkata Swamy

Smt T Sarita Reddy

Chairperson

Vice Chairman

Director

Director

Director

Executive Director

CHIEF FINANCIAL OFFICER

Mr. Chinna Gurappa - Till 11.05.2012

Mr. VR Prasad - From 12.05.2012

COMPLIANCE OFFICER

Mr. Chinna Gurappa - Till 11.05.2012

Mr. B. Shankar Rao - From 12.05.2012

REGISTERED OFFICE

B2, 2nd Floor, 6-3-1090,
TSR Towers, Rajbhavan Road,
Somajiguda, Hyderabad – 500 082.

Phone Nos: 23414823/26

Fax No: 23414827

Email: gayatrisugars@sify.com

AUDITORS

M/s Deloitte Haskins & Sells
Chartered Accountants
Secunderabad

COST AUDITORS

M/s Narasimha Murthy & Co
Cost Accountants,
Hyderabad

BANKERS

Andhra Bank
Union Bank of India
State Bank of India
Bank of Baroda
Indian Overseas Bank
Punjab National Bank
Yes Bank

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

NOTICE is hereby given that the 17th ANNUAL GENERAL MEETING of M/s. Gayatri Sugars Limited will be held at Surana Udyog Hall , The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad – 500 004, on Tuesday 25th day of September, 2012 at 4 p.m to transact the following businesses.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, the Profit and Loss Account and Cash flow statement for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri T.R.Rajagopalan, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri P. Maruthi Babu, who retires by rotation, and being eligible, offers himself for re-appointment.
4. **TO APPOINT AUDITORS AND FIX THEIR REMUNERATION**

To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad be and are hereby appointed as Statutory Auditors of the Company to hold the 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”.

By order of the Board
For **GAYATRI SUGARS LIMITED**

Place: Hyderabad
Date: 30.07.2012.

(**T. Sarita Reddy**)
Executive Director

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. Proxies, in order to be effective must be received at the company's registered office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. Must be supported by appropriate resolution / authority as applicable, issued on behalf of the nominating organization.
2. The Register of Members and the Share Transfer Books of the Company will be closed from Friday the 21st September, 2012 to Tuesday 25th September, 2012 (both days inclusive).
3. Shareholders are requested to bring their copies of Annual Report to the Annual General Meeting.
4. 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 mention their folio no. in the attendance slip for attending the meeting.
5. Members are requested to intimate the Registrars and share transfer agents of the company, M/s. Venture Capital and Corporate Investments Private Limited, H.No. 12-10-167, Bharat Nagar, Hyderabad – 500018 cont: 040- 23818475, 23818476 immediately for any change in their address.
6. A member desirous of seeking any information on the accounts or operations of the Company is requested to forward his / her query to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.
7. Appointment/Reappointment of Directors along with brief profile of as per clause 49 of the Listing agreement.

By order of the Board
For **GAYATRI SUGARS LIMITED**

Place: Hyderabad
Date: 30.07.2012.

(**T. Sarita Reddy**)
Executive Director

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Seventeenth Annual Report of your company along with the Audited Accounts for the year ended 31st March 2012.

FINANCIAL RESULTS

(Rs in lakhs)

Description	2011-12	2010-11
Revenue (Net of Excise Duty & Sales Tax)	21891.44	11261.51
(Increase)/Decrease in stocks	3581.65	(5030.28)
Profit/(Loss) before depreciation and interest	2180.83	2442.87
Finance Charges (Interest)	2395.91	2094.07
Depreciation	1259.89	1296.63
Profit/(Loss) before tax	(1474.97)	(947.83)
Provision for tax	—	—
Profit/(Loss) after tax	(1474.97)	(947.83)

REVIEW OF OPERATIONS

Performance during the financial year 2011-12

Your Directors are pleased to report that during the year under review, the company's crushing operations for the season 2011-12 has commenced on 11th November 2011 and closed the operations on 16th March 2012 for the Kamreddy Unit and has commenced on 14th November 2011 and closed the operations on 18th March 2012 for the Nizamsagar Unit. During the year, company has crushed 3.00 Lakh Tonnes of sugar cane and produced sugar of 3.23 Lakhs quintals with an average recovery of 10.75% at Kamareddy Unit and has crushed 2.62 Lakh Tonnes of sugar cane and produced sugar of 2.83 lakh quintals with an average recovery of 10.79% at Nizamsagar Unit.

During the year the Distillery Unit has produced 71.82 Lakh Litres of Rectified Spirit (RS)/Extra Neutral Alcohol (ENA). Company has sold 71.29 Lakh Litres of RS/ENA with an average realization of Rs.24.93 per litre.

Prospects for the financial year 2012-13

The Company is estimating to crush quantity of around 5.75 lakh tones of sugar cane during the current Financial year 2012-13 on account of better availability of the sugar cane and estimating to

produce RS/ENA around 80 Lakh litres during the current Financial year 2012-13.

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 2012-13 has been paid to the Bombay Stock Exchange at Mumbai.

DIRECTORS

Sri. TR Rajagopalan and Sri. P. Maruthi Babu 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

No employee in the company is drawing the remuneration in excess of the limits mentioned 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.

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. Narasimha Murthy & Co, Cost Accountants was appointed as Cost Auditor of the company for the year 2012-13.

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 Practicing Company Secretary is given in the Annexure – B and Annexure – C respectively and form part of this report.

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 the Annual Accounts the applicable Accounting Standards have been followed by the company and there has been no material departure;
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 31.03.2012 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 : 09th May 2012

P. Maruthi Babu

Director

T. Sarita Reddy

Executive Director

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

- | | |
|--|---|
| <p>a. Energy Conservation Measures</p> | <p>i. Air preheater tubes, ID Fan impeller for boiler were already replaced to improve the efficiency of the boilers at Kamareddy Unit.</p> <p>ii. Harmonic filters are already installed to avoid Harmonics in DC drives, equipment cost at of Rs.30.00 Lakhs at Kamareddy Unit.</p> |
| <p>b. Additional Investment Proposals, if any, being implemented for reduction of Consumption of energy</p> | <p>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 to reduced the steam consumption by around 40% at Kamareddy Unit.</p> |
| <p>c. Impact of the measures at (a) and (b) above for reduction of consumption and consequent impact on the cost of Production</p> | <p>i. The plant efficiency has increased and the crushing capacity has reached to rated capacity at Kamareddy Unit.</p> <p>ii. After installation of Harmonic production Filters power consumption per tonne of cane came down to 2 to 3 units and power factor also improved.</p> |
| <p>d. Total energy consumption and energy consumption per unit of production as per Form A</p> | <p>Enclosed</p> |

B) TECHNOLOGY ABSORPTION:

- | | |
|--|---|
| <p>e. Efforts made in technology as per Form B</p> | <p>Plants at both the manufacturing units are as per standard specifications of Government of India</p> |
|--|---|

C) FOREIGN EXCHANGE EARNINGS & OUT GO:

- | | |
|--|--|
| <p>f. Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services ; and export plans.</p> | <p>NIL</p> |
| <p>g. Total Foreign exchange used & Earned</p> | <p>Total Foreign exchange used : NIL
Total Foreign exchange Earned : NIL</p> |

FORM A
(See Rule 2)
FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Sl No	Particulars	Current Year 2011-12		Previous Year 2010-11	
		Kamareddy Unit	Nizamsagar Unit	Kamareddy Unit	Nizamsagar Unit
A	POWER AND FUEL CONSUMPTION				
	1. ELECTRICITY				
	a) PURCHASED				
	Units KWH (Lakhs)	6.32	5.66	5.63	5.21
	Total Amount (Rs. Lakhs)	36.39	23.44	35.33	63.44
	Rate/Unit (Rs.)	5.75	4.14	6.27	12.18
	b) OWN GENERATION				
	i) Through Diesel Generator				
	Units KWH	2424	2800	7404	7800
	Units per Ltr. of Diesel Oil-KWH	2.65	2.72	2.75	2.22
	Cost / Unit (Rs.)	16.31	16.69	14.64	18.14
	ii) Through Steam Turbines / Generator				
	Units KWH (lacs)	163.45	232.74	178.40	236.73
	Units per tonne of Bagasse/paddy husk	236.88	284.40	197.47	309.25
	Cost/Unit (Rs.)	2.62	2.19	2.81	1.78
	2) COAL				
	Quantity (Tonnes)	2449	Nil	2440	2197
	Total Cost (Rs. Lakhs)	86.99	Nil	73.91	69.21
	Average Rate (Rs.)	3552	Nil	3029	3120
	3) PADDY HUSK/FIREWOOD				
	Quantity (Tonnes)	Nil	Nil	Nil	308
	Total Cost (Rs. Lakhs)	Nil	Nil	Nil	4.43
	Average Rate (Rs.)	Nil	Nil	Nil	1440
	4) BAGASSE				
	Quantity (Tonnes)	96300	81835	91154	76550
	Total Cost (Rs. Lakhs)	599.17	509.01	501.35	421.02
	Cost Per Tonne (Rs.)	622	622	550	550
	5) FURNACE OIL				
	Quantity (Tonnes)	Nil	Nil	Nil	Nil
	Total Cost (Rs. Lakhs)	Nil	Nil	Nil	Nil
	Average Rate (Rs.)	Nil	Nil	Nil	Nil
	6) DIESEL OIL				
	Quantity (Tonnes)	22785	1030	2692	3510
	Total Cost (Rs. Lakhs)	9.85	0.47	1.08	14.13
	Average Rate (Rs.)	43.24	45.38	40.11	40.25
B	CONSUMPTION PER UNIT OF PRODUCTION				
	Electricity Per Ton of Sugar (KWH)	377	361	323	373

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 2012

Category	No. of Directors
Promoter Directors	3
Non Executive Non Independent Directors	—
Non executive Independent Directors	3

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 10.08.2011	No. of Directorships held in other Companies	
			Public	Private
Smt. T Indira Subbarami Reddy	1	Not Present	6	22
Sri T V Sandeep Kumar Reddy	3	Not Present	13	25
Sri T R Rajagopalan	6	Present	1	2
Sri P Maruthi Babu	7	Present	3	4
Sri S Venkata Swamy	7	Present	—	—
Smt. T Sarita Reddy	7	Present	3	17

During the financial year 2011-12, Seven Board meetings were held on 8th April 2011, 29th April 2011, 30th May 2011, 10th August 2011, 11th November 2011, 23rd January 2012 and 7th February 2012.

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 are 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 2011-12.

The Audit Committee meetings were held 4 times during the financial year 2011-12 on 30th May 2011, 10th August 2011, 11th November 2011 and 7th February 2012 and periodically reviewed all the matters pertaining to the items of reference.

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	4
2	Sri. P Maruthi Babu Member	4
3	Smt T Sarita Reddy Member	4

D. Remuneration Committee

i) Brief description of terms of reference

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

i) Composition of the Remuneration Committee and the details of Meetings held and attendance during the Financial Year 2011-12.

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

- | | | |
|------------------------|---|----------|
| 1. Sri T R Rajagopalan | – | Chairman |
| 2. Sri S Venkataswamy | – | Member |
| 3. Sri. P Maruthi Babu | – | Member |

One Remuneration Committee meeting was held on 30th May 2011 during the financial year 2011-12 and all the members were present.

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

i) For Managing Director/Executive 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.

ii) For Non Executive Directors

Sitting fees is paid as per the Companies Act, 1956 and the Articles of Association of the Company, for attending meetings of the Board or any committees of the Board. Directors are also reimbursed actual travel costs and incidental expenses incurred for attending such meetings or in connection with the Company's business.