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GAYATRI SUGARS LIMITED

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.

FOURTEENTH ANNUAL REPORT 2008-09

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

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 |

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

- a variable component linked to the performance of the Company as well as the Managing Director consisting of Commission and special allowances as determined by the Remuneration Committee.

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.

iii) Remuneration and sitting fees paid to the directors during the financial year 2008-09.

Name of the Director	Category	Remuneration payable /paid	
		Salary & Perks (Rs.Lakhs)	Sitting fees (Rs)
Dr. T Subbarami Reddy	Non Executive Chairman	-	1,000
Smt. T Indira Subbarami Reddy	Non Executive / Promoter	-	3,000
Sri T V Sandeep Kumar Reddy	Executive Vice Chairman & Managing Director	-	-
Sri DK Kambale	Independent-IDBI Nominee	-	2,000
Sri V Udhayshankar	Independent-IFCI Nominee	-	-
Sri N Nageswara Rao	Non Executive / Independent	-	-
Sri. Abhay Soi	Independent-RLPL Nominee	-	12,000
Sri T R Rajagopalan	Non Executive / Independent	-	13,000
Sri S Venkata Swamy	Non Executive / Independent	-	9,000
Dr A K Bhattacharya	Non Executive / Independent	-	5,000
Smt. T Sarita Reddy	Executive Director	33.31	-

E. Shareholders Grievance Committee

i) Terms of reference

The Committee was constituted to specifically look into the redressal of shareholder and investor complaints like transfer of shares, non receipt of balance sheet and non receipt of declared dividend.

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

No meeting of the Shareholders Grievance Committee was required to be held since there were no complaints received by the company from the investors.

S.No.	Members of the committee	No. of meetings attended
1	Sri S Venkataswamy (Chairman)	NA
2	Sri T V Sandeep Kumar Reddy	NA
3	Smt T Sarita Reddy	NA

iii) Name and designation of Compliance officer.

Sri Chinna Gurappa, Vice President (Finance & Accounts) is the Compliance Officer of the Company.

iv) The status of investors queries / complaints is as under:-

No. of Investor queries / complaints received in the year 2008-09	Pending at the end of the year 2008-09	No. of pending share transfers
Nil	Nil	Nil

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F. General Body Meetings

i) The Annual General Meetings (AGMs) of the company have been held at the following places during the last three years.

Year	Venue	Day and Date	Time
2007-08	Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, Basheerbagh, King Koti Road, PB no.1088, Hyderabad – 500 029	Tuesday the 30 th day of September 2008	11.30 AM
2006-07	Dr K L N Prasad Auditorium, Federation House, Door No.11-6-841, Red Hills, Hyderabad-500004.	Friday the 14 th day of September 2007	10.30 AM
2005-06	Dr K L N Prasad Auditorium, Federation House, Door No 11-6-841, Red Hills, Hyderabad-500004.	Wednesday the 27 th day of September 2006	3.30 PM

All the Special Resolutions placed before the shareholders at the above meetings were approved. There were no resolutions requiring approval through Postal Ballot.

G. Disclosures

i) Disclosures on materially significant related party transactions

There have been no materially significant related party transactions with the Company's Promoters, Directors, the Management, their subsidiaries or relatives which may have potential conflict with the interests of the company. The necessary disclosures regarding the transactions with Related Parties are given in the Notes to the Accounts.

ii) Risk Management

Business risk evaluation and management is an ongoing process with the organization.

iii) Details of Non-compliance by the company, penalties, strictures imposed on the company by the Stock Exchanges, SEBI or any Statutory Authorities or any matter related to capital markets.

The company has complied with all the requirements of the listing agreement with the stock exchanges as well as regulations and guidelines of SEBI. No penalties or strictures imposed by SEBI, Stock Exchanges or any Statutory Authorities on matters relating to the capital markets during the last three years.

iv) Means of Communication

The quarterly, half yearly un-audited financial results and the annual audited financial results are published in leading News Papers namely Business Standard and Andhra Bhoomi or Andhra Prabha.

H. Management's Discussion and Analysis Report

Overall review:

The Company has crushed 2.23 lakh tonnes (previous year 4.74 lakh tonnes) of sugar cane with an average recovery of 10.35% (previous year 10.04%). The Company has sold 3.76 lakh quintals (previous year 4.33 Lakh quintals) of sugar. The company's average sales realization of sugar has increased to Rs.1598/- per quintal during the current year as compared to Rs.1191/- per quintal in the previous year on account of downturn in the sugar market. Company made a cash profit of Rs. 550 Lakhs during the year. However on account of making provisions for additional depreciation, bad & doubtful debts and cane development expenses, company has incurred loss during the year.

Sugar Industry Analysis:

The sugar production in India has dropped to 14.70 million tonnes in the season 2008-09 (26.33 million tonnes during the 2007-08) was lower by 45% of the previous season sugar production. This fall in production of sugar during the sugar season 2008-09 will result in improving the sugar prices in future as the sugar stocks are also getting reduced due to lower availability of sugar. The expected sugar consumption in India is around 22 million tonnes per annum. The expected sugar production in India for the next sugar season 2009-10 would be around 15 million tonnes on account of fall in sugarcane due to un-remunerative sugar cane rates.

In view of the situation Government of India is allowing the companies to import raw sugar and white sugar to meet the demand for the sugar. Indian Sugar Mills Association is pursuing with Government of India to decontrol the sugar industry, to get the long term export policy to get the higher realization, to assist the sugar exporting factories to mitigate the losses in export, to mandate the blending of ethanol at 10% with petrol and also aim at the final target at 25% as was done in Brazil. Also, pursuing for reduction of the weightage of sugar in wholesale price index and for advising the state utilities to pay remunerative rates for energy exporting by the co-generation plants in India.

Production:

The company has made a lower production of sugar of 22849 tonnes during the year as-compared to the production of 47564 tonnes during the previous year.

Revenue:

Despite the reduction of volumes, the turnover during the year was higher at Rs.73.79 crores as compared to Rs.62.71 crores during the previous year, due to improving the realization of sugar rates.

I. Compliance of Insider Trading norms

The Company has adopted the code of internal procedures and conduct for listed Companies notified by the Securities Exchange Board of India prohibiting insider trading.

J. General Shareholders' information

a) Date, Time and Venue of AGM

Day, Date and Time	Friday the 31 st day of July, 2009 at 4.00 P.M
Venue	Surana Udyog Hall, Federation House, Door No: 11-6-841, Red Hills, Hyderabad- 500004.

b) Profile of Directors seeking reappointment/appointment

Brief resume of Directors and nature of their expertise in functional areas	Directorships / Committee Memberships in other companies	Shareholding in the Company
a. Smt.T Indira Subbarami Reddy. She is B.Com and having about 22 years of experience in business and industry. She provides direction to the Company using her business skills.	Gayatri Projects Limited, Gayatri Tissue and Papers Limited, Gayatri Thermal Power Corporation Limited, Gayatri Hitech Hotels Limited and other 25-private limited companies.	30,33,097 equity shares.
b. Dr. AK Bhattacharya He is MSc. Phd. & CAIIB and a retired Chairman & Managing Director of UBI and retired Managing Director of State Bank of Hyderabad.	Varun Shipping Company Limited Khaitan Electricals Limited	Nil

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- c) **Financial year** April 1 to March 31
d) **Date of Book closure** 28th July 2009 to 31st July 2009 (both days inclusive)
e) **Dividend Payment date** Not Applicable
f) **Listing on Stock Exchanges** The Bombay Stock Exchange Ltd
PJ Towers, Dalal Street, Fort, Mumbai - 400001.
g) **Stock code** 532183
h) **Market Price data : High/ Low during each month in the Financial year 2008-09**

Month	High Rs.	Low Rs.	Volume (Nos)
April 2008	8.50	6.09	10,72,873
May 2008	8.56	7.26	9,61,156
June 2008	7.64	5.60	5,81,480
July 2008	7.74	4.92	8,30,573
August 2008	10.75	6.94	23,24,483
September 2008	7.82	5.42	4,75,070
October 2008	5.82	3.80	4,86,761
November 2008	4.50	3.24	2,80,769
December 2008	4.79	3.38	3,67,948
January 2009	5.22	3.97	5,32,306
February 2009	4.59	3.52	8,22,897
March 2009	3.84	3.15	3,53,809

i) **Registrar and Transfer Agents**

Venture Capital and Corporate Investments Limited,
House No. 12-10-167, Bharat Nagar, Hyderabad - 500018 Ph: 23818475, 23818476

j) **Share transfer system**

Shares lodged for physical transfer would be registered within a period of 15 days if the documents are complete in all respects. The shares duly transferred would be dispatched to the shareholders concerned within a week from the date of approval of transfers by the Share Transfer committee. For this purpose, the Share Transfer Committee meets as often as required. Adequate care is taken to ensure that no transfers are pending for more than a fortnight. As the Company's shares are currently traded in dematerialized form the transfers are processed and approved in the electronic form by NSDL/ CDSL through their depository participants.

k) **Shareholding Pattern**

Equity Shares of Rs.10/- each

Shareholders	As on 31 st March, 2009		As on 31 st March, 2008	
	No. of Shares	%	No. of Shares	%
Promoters	15419668	35.87	15319668	35.64
Financial Institutions and Banks	4407820	10.25	4407820	10.25
Private corporate bodies	2802430	6.52	3146068	7.32
Indian Public	20207338	47.00	19971969	46.45
NRI/OCB	155884	0.36	147615	0.34
Total	42993140	100.00	42993140	100.00

l) Distribution of Shareholding as on 31st March, 2009

Nominal Value	Holders		Amount	
	No	% to Total	In Rs.	% to Total
Upto 5000	12,920	64.31	3,42,75,210	7.97
5001-10000	3,748	18.65	3,40,52,370	7.92
10001-20000	1,736	8.64	2,90,07,460	6.74
20001-30000	575	2.86	1,52,73,890	3.55
30001-40000	253	1.25	93,62,350	2.17
40001-50000	303	1.50	1,47,22,010	3.42
50001-100000	318	1.58	2,42,80,640	3.64
100001 and above	236	1.17	26,89,57,470	62.55
TOTAL	20,089	100.00	42,99,31,400	100.00

m) Dematerialization of shares and liquidity

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialized form.

Status of Dematerialization of shares as on March 31, 2009.

Held in NSDL: 22597257 shares

Held in CDSL: 20171549 shares

n) ADR's / GDR's

As on date, the Company has not issued GDRs, ADRs or any other Convertible Instruments and as such, there is no impact on the Equity share capital of the Company.

o) Principal Transfer Agents and Registrar

Physical and Demat Share Transfer Agents and Registrars

Venture Capital and Corporate Investments Limited,

House No. 12-10-167, Bharat Nagar, Hyderabad - 500018 Ph: 23818475, 23818476

p) Address for correspondence

Registered Office :

Gayatri Sugars Limited

Door No. 6-3-663/E, Flat No.301, Diamond House, Punjagutta, Hyderabad - 500 082.

Contact Person :

Sri C. Gurappa, Vice President (Finance & Accounts) & Compliance Officer

Phone: 23414823, Fax : 23414827

Email : gayatrisugars@sify.com

For and on behalf of the Board

T Indira Subbarami Reddy
Chairperson

Place : Hyderabad

Date : 30th June 2009

Annexure – C to Directors' Report

Company Secretary's Certificate on compliance of conditions of corporate governance as per Clause 49 of the Listing Agreement with the Stock Exchanges

To
The Members of
Gayatri Sugars Limited

We have examined the compliance of conditions of corporate governance by Gayatri Sugars Limited ("the Company") for the year ended 31st March 2009, as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We have been explained that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **P Jagannatham & Co**
Company Secretaries

Place: Hyderabad
Date: 30th June, 2009

K Anupama
Partner
CP.No.7738

DECLARATION BY CEO OF THE COMPANY ON CODE OF CONDUCT

I, TV Sandeep Kumar Reddy, Vice Chairman & Managing Director, hereby declare that as provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the senior management personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended 31st March 2009.

For **Gayatri Sugars Limited**

Place: Hyderabad
Date: 30th June 2009

TV Sandeep Kumar Reddy
Vice Chairman & Managing Director

CEO CERTIFICATION

As required by sub-clause V of Clause 49 of the Listing Agreement with the Stock Exchanges, we have certified to the Board that for the financial year ended 31st March 2009, the Company has complied with the requirements of the said sub-clause.

For **Gayatri Sugars Limited**

Place: Hyderabad
Date: 30th June 2009

TV Sandeep Kumar Reddy
Vice Chairman & Managing Director

AUDITORS' REPORT

To the Members of
Gayatri Sugars Limited

1. We have audited the attached Balance Sheet of **Gayatri Sugars Limited** as at 31st March, 2009, the Profit and Loss Account and the Cash Flow statement for the year ended on that date both, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report as follows:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement

dealt with by this report are in agreement with the books of account;

- (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants

Place: Hyderabad
Date: 30.06.2009

Ganesh Balakrishnan
Partner
Membership No. 201193

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

i. In respect of its fixed assets:

- (a) The Company has maintained adequate records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Some of the fixed assets have been physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

ii. In respect of its inventories:

- (a) According to the information and explanation given to us, the management has physically verified inventory during the year. In our opinion having regard to the nature of business and location of stocks, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories. The discrepancies noticed between the physical stocks and book records were not material and have been properly dealt in the books of accounts.

iii. In respect of loans and advances:

- (a) According to the information and

explanations given to us, the Company had taken, interest free unsecured loans, from Companies or other persons listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.177,602,133/- and the year-end balance of unsecured loans taken from such parties was Rs. 177,602,133.

- (b) According to the information and explanations given to us, the loans taken by the company do not have any stipulation for payment of principal and interest and hence no amount outstanding as at 31st March, 2009 is considered as overdue.

- (c) According to the information and explanations given to us, the Company has given, interest, free advances in the nature of loans to Company listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.89,381,808/- and the year-end balance of loans given to such parties was Rs.81,737,897/-.

- (d) In our opinion and according to the information and explanation given to us, the terms and conditions of such loans are prima facie not prejudicial to the interest of the company.

- (e) According to the information and explanations given to us, reasonable steps are being taken by the Company for the recovery of the principal amount during the year.

- iv. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and we have not observed any continuing failure to correct major weaknesses in such control system.

- v. In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956 to the best of our knowledge and belief and according to the information and explanations given to us:

(a) we are of the opinion that, the particulars of contracts or arrangements in which directors were interested as contemplated under section 297 and sub-section (6) of section 299 of the Companies Act, 1956 and that need to be entered in the register maintained under the said section, have been so entered.

(b) In our opinion, the transactions (excluding loans reported under paragraph (iii) above) exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are *prima facie* reasonable having regard to prevailing market prices at that time, where such market prices are available.

vi. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from the public. Accordingly, the provisions of paragraph 4 (xiv) of the CARO, 2003 are not applicable to the Company.

vii. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.

viii. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of sugar and distillery units pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

ix. In respect of statutory dues:

(a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including provident fund, employee's state insurance, sales tax, state value added

tax, service tax, custom duty, excise duty, cess and any other material statutory dues applicable to it *except for undisputed income tax* dues which have been outstanding for a period of more than six months from the date they became payable is given below:

Nate of the Statute	Nature of dues	Amount (Rupees)	Related Period
Income Tax Act, 1961	Corporate Dividend Tax	802,523	2006-07

(b) According to information and explanations given to us, as at 31st March, 2009, there were no dues of Income Tax, Customs Duty, Service Tax, Excise duty, Wealth tax, Sales Tax and Cess which have not been deposited on account of any dispute.

x. The Company has accumulated losses of Rs.401,981,928 which is more than 50% of net worth of the Company at year end. The Company has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and Debenture holders.

xii. In our opinion and according to the information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares and debentures and other securities. Accordingly, the provisions of paragraph 4 (xii) of the CARO, 2003 are not applicable to the Company.

xiii. In our opinion, the Company is not a Chit Fund or a Nidhi or Mutual Benefit Fund/Society. Accordingly, the provisions of paragraph 4 (xiii) of the CARO, 2003 are not applicable to the Company.

xiv. In our opinion and according to the information and explanation given to us, the Company does not deal of trade in shares, securities, debentures, and other investments. Accordingly, the provisions of paragraph 4 (xiv) of the CARO, 2003 are not applicable to the Company.

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- xv. In our opinion and according to the information and explanation given to us, the terms and conditions of the guarantees given by the Company for loans taken by Farmers from bank are not *prima facie* prejudicial to the interest of the Company.
- xvi. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds to the extent of Rs. 385,482,926/- raised on short term basis have been used by the company for long term purposes.
- xviii. According to the information and explanation given to us, the Company has not made preferential allotment of share during the year to parties and companies covered in register maintained under section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, the Company has not created the securities in favour of debentures holders for Rs. 350,000,000 issued during the year.
- xx. During the year covered by our audit report, the Company has not raised any money by public issues.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

Place: Hyderabad
Date: 30.06.2009

Ganesh Balakrishnan
Partner
Membership No. 201193

BALANCE SHEET AS AT MARCH 31, 2009

(Rupees)

Particulars	SCH No	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholders Funds:			
Share Capital	A	525,220,530	525,220,530
Loan Funds:			
Secured Loans	B	958,185,754	897,066,442
Unsecured Loans	C	177,602,133	169,552,133
		<u>1,135,787,887</u>	<u>1,066,618,575</u>
TOTAL		<u>1,661,008,417</u>	<u>1,591,839,105</u>
APPLICATION OF FUNDS:			
Fixed Assets:	D		
Gross Block		1,158,109,953	1,172,620,491
Less: Depreciation		437,800,662	370,556,264
Net Block		<u>720,309,291</u>	<u>802,064,227</u>
Capital Work-in-Progress [Including Capital Advances of Rs.3,955,000 (31.3.2008 Rs.Nil)]		122,151,151	842,460,442
		<u>842,460,442</u>	<u>12,156,267</u>
Current Assets, Loans and Advances	E		
Inventories		400,362,709	535,268,237
Sundry Debtors		12,511,769	46,090,567
Cash and Bank Balances		3,266,961	19,690,294
Loans and Advances		115,200,645	139,296,331
		<u>531,342,084</u>	<u>740,345,429</u>
Less: Current Liabilities and Provisions	F		
Liabilities		102,101,023	209,219,787
Provisions		12,675,014	14,828,428
		<u>114,776,037</u>	<u>224,048,215</u>
Net Current Assets		416,566,047	516,297,214
Profit and Loss Account		401,981,928	261,321,397
TOTAL		<u>1,661,008,417</u>	<u>1,591,839,105</u>

Significant Accounting Policies and
Notes on Accounts

N

The schedule referred to the above form an
integral part of the Balance Sheet

As per report of even date attached
for **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board

Ganesh Balakrishnan
Partner

T V Sandeep Kumar Reddy
Vice Chairman and
Managing Director

T Sarita Reddy
Executive Director

Place: Hyderabad
Date: 30.06.2009

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

(Rupees)

PARTICULARS	SCH	Year Ended 31.03.2009	Year Ended 31.03.2008
INCOME:			
Revenue from sale of products	G	766,345,992	683,273,757
Less: Duties and Taxes		33,581,706	63,336,523
Net Revenue		732,764,286	619,937,234
Other Income	H	5,150,357	7,154,467
TOTAL		737,914,643	627,091,701
EXPENDITURE:			
Cost of Raw materials		362,770,894	559,637,858
Decrease / (Increase) in Stock	I	132,325,725	(121,661,392)
Personnel Expenses	J	44,594,426	48,270,462
Manufacturing and Administrative Expenses	K	147,899,487	125,090,163
Selling and Distribution Expenses	L	6,084,079	5,029,257
Depreciation (Refer Note 12 of "B" of Schedule "N")		75,776,109	51,504,267
Finance Charges	M	108,347,249	109,564,645
TOTAL		877,797,969	777,435,260
Loss Before Extra Ordinary Item and Tax		(139,883,326)	(150,343,559)
Non-Recurring Income			
Remission of Funded Interest Term Loan		—	61,969,340
Loss Before Tax		(139,883,326)	(88,374,219)
Taxes:			
Income Tax related to earlier year		330,335	—
Fringe Benefit Tax		446,870	441,574
Loss After Tax		(140,660,531)	(88,815,793)
Balance brought forward from previous year		(261,321,397)	(172,505,604)
Loss carried to Balance Sheet		(401,981,928)	(261,321,397)
Significant Accounting Policies and Notes on Accounts	N		
Earnings per share of face value of Rs.10/- each (Refer Note 7 of "B" of Schedule "N")			
Basic and Diluted		(3.58)	(2.21)
The schedule referred to the above form an integral part of the Profit and Loss Account			

As per report of even date attached
for **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board

Ganesh Balakrishnan
Partner

T V Sandeep Kumar Reddy
Vice Chairman and
Managing Director

T Sarita Reddy
Executive Director

Place: Hyderabad
Date: 30.06.2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(Rupees)

Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
A. CASHFLOW FROM OPERATING ACTIVITIES		
Net Loss before tax	(139,883,326)	(88,374,219)
Adjusted for:		
Depreciation	75,776,109	51,504,267
Loss on sale of Assets	4,404,284	—
Interest Expense (net)	107,896,011	99,795,347
Miscellaneous Expenses Written off	—	561,631
Interest Suspense Written off	—	8,894,004
Other non-cash items	—	(61,969,340)
Operating Profit before Working capital changes	48,193,078	10,411,690
Adjusted for		
Decrease in Trade and other receivables	57,674,487	53,821,642
Decrease/ (Increase) in Inventories	134,905,528	(125,790,289)
(Decrease) / Increase in Current Liabilities	(109,272,179)	55,571,408
Cash generated/ (Used) from operations	131,500,913	(5,985,549)
Direct Taxes paid	(777,205)	(665,467)
Extra - Ordinary items	—	61,969,340
Net Cashflow from Operations	130,723,708	55,318,324
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assests	(110,520,342)	(85,627,878)
Proceeds on Sale of Fixed Assests	2,100,001	—
Interest received	451,238	875,294
Net Cash used in investing activities	(107,969,103)	(84,752,584)
C. CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term borrowings	79,581,041	417,491,934
Changes in Working Capital Finance	121,466,152	50,525,150
Repayment of Long Term borrowings	(139,927,881)	(427,065,112)
Proceeds from Other borrowings	8,050,000	89,348,931
Interest Paid	(108,347,249)	(109,564,645)
Net Cashflow (used in) / from financing activities	(39,177,937)	20,736,258
Net Decrease in Cash and	(16,423,332)	(8,698,002)
Cash Equivalents (A+B+C)		
Cash & Cash equivalents as at 1st April	19,690,294	28,388,296
Cash & Cash equivalents as at 31st March	3,266,961	19,690,294

- Note: 1) The above Cash Flow Statement has been prepared using the Indirect Method as per Accounting Standard -3 Cash Flow Statement notified by the Companies (Accounting Standards) Rules, 2006.
 2) Previous year's figures have been regrouped /rearranged where ever necessary to confirm to current year's classification.
 3) Amounts in bracket represent cash outflow.

As per report of even date attached
 for **Deloitte Haskins & Sells**
 Chartered Accountants

For and on behalf of the Board

Ganesh Balakrishnan
 Partner

T V Sandeep Kumar Reddy
 Vice Chairman and
 Managing Director

T Sarita Reddy
 Executive Director

Place: Hyderabad
 Date: 30.06.2009

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees)

PARTICULARS	As At 31.03.2009	As At 31.03.2008
SCHEDULE A: SHARE CAPITAL		
Authorised Capital		
43,000,000 Equity Shares of Rs.10/- each (31.03.2008:43,000,000 Equity Shares of Rs.10/- each)	430,000,000	430,000,000
10,000,000 Preference Shares of Rs.10/- each (31.03.2008:10,000,000 Preference Shares of Rs.10/- each)	100,000,000	100,000,000
	<u>530,000,000</u>	<u>530,000,000</u>
Issued, Subscribed and Paid-up:		
42,993,140 Equity Shares of Rs.10/- each subscribed and called up in full (31.03.2008:42,993,140 Equity Shares of Rs.10/- each)	429,931,400	429,931,400
Less: Calls in Arrears	79,000	79,000
	<u>429,852,400</u>	<u>429,852,400</u>
9,536,813 6% Cumulative Redeemable Preference Shares of Rs.10/- each (Refer point 2 of "B" of Schedule "N") (31.03.2008: 9,536,813 6% Cumulative Redeemable Preference Shares of Rs.10/- each)	95,368,130	95,368,130
	<u>525,220,530</u>	<u>525,220,530</u>
SCHEDULE B: SECURED LOANS		
14% Secured Non-Convertible Debentures*	350,000,000	—
Debenture Application Money [Refer Note 3 (c) of "B" of Schedule "N"]	—	347,813,439
From Banks:		
Term Loans [Refer Note 3 (a,b and e) of "B" of Schedule "N"]*	298,835,802	363,400,000
Interest Accrued and Due	4,909,292	2,827,685
Cash Credit [Refer Note 3 (d) of "B" of Schedule "N"]	304,440,660	182,974,508
Vehicle Loan	—	50,810
	<u>958,185,754</u>	<u>897,066,442</u>
SCHEDULE C: UNSECURED LOANS		
From Directors	106,644,202	117,453,202
From Company	70,957,931	52,098,931
	<u>177,602,133</u>	<u>169,552,133</u>

* Term loans re payable and debenture to be redeemable in next 12 months is Rs. 190,316,000

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - D : FIXED ASSETS SCHEDULE

(Rupees)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2008	ADDITIONS	DEDUCTIONS	AS AT 31.03.2009	UP TO 01.04.2008	FOR THE YEAR	DEDUCTIONS	UP TO 31.03.2009	AS AT 31.03.2009	AS AT 31.3.2008
Land - Free hold	20,096,247	—	—	20,096,247	—	—	—	—	20,096,247	20,096,247
Buildings	215,564,632	—	—	215,564,632	50,848,140	6,333,339	—	57,181,479	158,383,153	164,716,492
Plant & Machinery	925,736,745	—	15,035,996	910,700,749	311,784,415	68,721,572	8,531,711	371,974,276	538,726,473	613,952,330
Vehicles	6,141,131	436,456	—	6,577,587	3,466,873	612,602	—	4,079,475	2,498,112	2,674,258
Furniture and Fixtures	1,525,937	—	—	1,525,937	1,012,675	96,592	—	1,109,267	416,670	513,262
Computers	3,555,799	89,002	—	3,644,801	3,444,161	12,004	—	3,456,165	188,636	111,638
Total	1,172,620,491	525,458	15,035,996	1,158,109,953	370,556,264	75,776,109	8,531,711	437,800,662	720,309,291	802,064,227
Previous Year	815,787,814	357,824,575	991,898	1,172,620,491	319,051,997	51,504,267	—	370,556,264	802,064,227	—

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees)

PARTICULARS	As At 31.03.2009	As At 31.03.2008
SCHEDULE E: CURRENT ASSETS LOANS AND ADVANCES		
1. Inventories (At cost or Net realizable value)		
Stores Chemicals and Others	20,968,760	23,548,563
Stock in Process	—	10,516,477
Finished Goods	379,393,949	501,203,197
(Ref : Note 5(b) of "B" of Schedule "N")	<u>400,362,709</u>	<u>535,268,237</u>
2. Sundry Debtors (Unsecured)		
Over Six Months		
Considered Good	163,826	42,971,220
Considered Doubtful	37,640,339	—
	<u>37,804,165</u>	<u>42,971,220</u>
Less: Provision for Doubtful Debts	37,640,339	—
	<u>163,826</u>	<u>42,971,220</u>
Others Considered Good	12,347,943	3,119,347
	<u>12,511,769</u>	<u>46,090,567</u>
3. Cash and Bank Balances		
Cash on Hand	48,808	98,811
Balances with Scheduled Banks:		
in Current Accounts	3,218,153	8,974,967
in Deposit Accounts	—	10,616,516
	<u>3,266,961</u>	<u>19,690,294</u>
4. Loans and Advances (Unsecured and considered good)		
Loans and Advances - Body corporate (Maximum amount due Rs.89,381,808) (Refer Note 10 of "B" of Schedule "N")	81,737,897	51,700,900
Advances Recoverable in Cash or in Kind or Value to be Received	28,826,084	82,405,038
Deposits with		
Government	1,005,145	1,704,806
Others	1,242,012	1,384,512
Prepaid Expenses	1,146,809	969,336
Advance Taxes and Tax Deducted at Sources	1,242,698	1,131,739
	<u>115,200,645</u>	<u>139,296,331</u>
SCHEDULE F: CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
Due to Micro, Small and Medium Enterprises (Refer Note 13 of "B" of Schedule "N")	47,445	—
Due to Others	72,830,689	168,941,294
Advance from Customers / Others	3,171,005	1,608,451
Other Liabilities	26,051,884	38,670,042
	<u>102,101,023</u>	<u>209,219,787</u>
Provisions		
Preference Dividend	5,722,088	5,722,088
Corporate Dividend Tax	802,523	802,523
Gratuity (Refer Note 9 of "B" of Schedule "N")	4,804,463	6,095,499
Compensated absences (Refer Note "ii" of 9 of "B" of Schedule "N")	1,280,108	2,208,318
Fringe Benefit Tax	65,832	—
	<u>12,675,014</u>	<u>14,828,428</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rupees)

PARTICULARS*	Year Ended 31.03.2009	Year Ended 31.03.2008
SCHEDULE G: REVENUE		
Sales of:		
Sugar	638,386,140	556,378,981
Rectified Spirit	116,589,526	101,640,429
Molasses	1,415,617	5,953,419
Power	9,954,709	19,300,928
	<u>766,345,992</u>	<u>683,273,757</u>
SCHEDULE H: OTHER INCOME		
Interest on Fixed Deposits with Bank	451,238	875,294
[Tax Deducted at Sources Rs.110,015/- (31.03.2008 Rs.200,295/-)]		
Scrap Sales	248,659	1,745,768
Miscellaneous Income	4,450,460	4,533,405
	<u>5,150,357</u>	<u>7,154,467</u>
SCHEDULE I: (DECREASE) / INCREASE IN STOCK		
Closing Stock		
Finished Goods (Ref note 5(b) of "B" of Schedule "N")	379,393,949	501,203,197
Stock in Process	—	10,516,477
	<u>379,393,949</u>	<u>511,719,674</u>
Opening Stock		
Finished Goods	501,203,197	379,330,282
Stock in Process	10,516,477	10,728,000
	<u>511,719,674</u>	<u>390,058,282</u>
	<u>(132,325,725)</u>	<u>121,661,392</u>
SCHEDULE J: PERSONNEL EXPENSES		
Salaries, Wages and Bonus	38,942,842	38,741,251
(Ref Note 6 of B of Schedule "N")		
Contributions to Provident Fund	3,910,404	3,910,408
Gratuity Expenses	(603,662)	1,590,391
Compensated absences	711,642	2,259,879
Staff Welfare Expenses	1,633,200	1,768,533
	<u>44,594,426</u>	<u>48,270,462</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rupees)

PARTICULARS	Year Ended 31.03.2009	Year Ended 31.03.2008
SCHEDULE K: MANUFACTURING AND ADMINISTRATION EXPENSES		
A. Manufacturing:		
Consumption of Chemicals, Stores and Consumables	61,145,975	82,888,663
Distillery Expenses	2,240,469	3,649,164
Handling Charges	9,693,229	11,759,105
Power and Fuel	3,599,106	3,036,850
Repairs and Maintenance:		
Plant and Machinery	5,879,956	4,754,442
Buildings	172,314	84,124
Others	538,506	1,579,252
	<u>6,590,776</u>	<u>6,417,818</u>
Total	<u>83,269,555</u>	<u>1,07,751,600</u>
B. Administration Expenses:		
Rent, Rates and Taxes	2,321,549	1,744,499
Insurance	1,340,187	1,672,525
Travelling and Conveyance	3,505,427	3,086,947
Printing and Stationery	440,132	353,777
Communication Expenses	909,462	1,100,034
Legal and Professional Fee	7,151,534	3,173,408
Directors Sitting Fee	52,000	31,000
Auditors Remunerations	1,000,000	350,000
Loss on sale of Fixed Assets	4,404,284	—
Preliminary and Capital Issue Expenses Written off	—	561,630
Provision for doubtful debts	37,640,339	—
Others	5,865,018	5,264,743
	<u>64,629,932</u>	<u>17,338,563</u>
Total	<u>64,629,932</u>	<u>17,338,563</u>
Total (A and B)	<u>147,899,487</u>	<u>1,25,090,163</u>

SCHEDULE L: SELLING AND DISTRIBUTION EXPENSES

Freight and Forwarding Charges	2,457,396	4,004,431
Commission Expenses	3,626,683	1,024,826
	<u>6,084,079</u>	<u>5,029,257</u>

SCHEDULE M: FINANCE CHARGES

Interest:		
on Term Loans	36,124,854	71,069,443
on Cash Credits	21,080,708	35,303,933
on Debentures	49,154,114	—
on Vehicle Loan and Others	4,562	64,271
	<u>106,364,238</u>	<u>106,437,647</u>
Bank Charges	1,983,011	3,126,998
	<u>108,347,249</u>	<u>109,564,645</u>

SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE – N: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of Accounting

The financial statements are prepared under the historical cost convention on accrual basis and in accordance with accounting principles generally accepted in India and accounting standards notified by the Companies (Accounting Standards) Rules, 2006.

2. Fixed Assets

Fixed Assets are stated at cost (net of CENVAT) less depreciation. Cost includes installation and expenditure during construction, including freight, insurance, borrowing costs and incidental expenses relating to acquisition. Fixed assets costing less than Rs.5,000 are fully depreciated in the year of purchase. Depreciation is provided on straight line method as per the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

3. Impairment of Assets

At each Balance Sheet date, the carrying values of the assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where there is an indication that there is a likely impairment loss for a group of assets, the company estimates the recoverable amount of the group of assets as a whole, to determine the value of impairment.

4. Inventories

Raw materials, Stores & Spares and Consumables are valued at First in First out basis. Cost includes applicable taxes, duties, transport and handling cost. Work in progress is taken as cost of input raw materials and estimated cost of manufacture up to the various stages of completion. Finished goods are valued at cost or net realizable value whichever is lower. Levy sugar is valued at Net realizable value. By-products are valued at estimated net realisable value as the cost is not ascertainable.

5. Deferred Tax

Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods.

Deferred Tax assets on accumulated losses and unabsorbed depreciation are recognized only to the extent that there is virtual certainty of realization of such assets in future.

6. Employee Benefits

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are recorded in accordance with Accounting Standard (AS-15) "Employee Benefits" notified by the Companies (Accounting Standards) Rules, 2006.

i Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees on retirement, death while in employment or on termination of employment in an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Gratuity plan's of the entity is an unfunded plan. The Company accounts for the liability for future Gratuity benefits on the basis of an independent actuarial valuation.

ii Provident Fund

In accordance with applicable local laws, eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan to which both the employee and employer contribute monthly at a determined rate (currently up to 12% of an employee's salary). These contributions are either made to the respective Regional Provident

Fund Commissioner, or the Central Provident Fund under the state pension scheme, and are expensed as incurred.

iii Liability for Compensated Absences

Liability for Compensated Absences is treated as a long term liability and is accounted for the liability for future benefits on the basis of an Independent Actuarial Valuation.

7. Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, sales returns but inclusive of excise duty.

Revenue from sale of power is recognised when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the purchasing party.

8. Borrowing Costs

Borrowing cost that are attributable to the acquisition or construction of qualifying assets are capitalised till the date the assets put to use. All other borrowing costs are charged to revenue.

9. Leases

Leases, where the lessor retains substantially all the risks and rewards incidental to the ownership are classified as operating leases. Operating lease payments are recognized as an expense in Profit & Loss account on Straight Line basis over the lease term.

10. Earning Per Share

The basic and diluted earning per share ("EPS") is calculated by dividing the profit / (loss) after tax by the weighted average number of Equity Shares outstanding.

11. Provision and Contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement. A contingent asset is neither recognised nor disclosed.

B) NOTES ON ACCOUNTS:

1. Contingent liabilities not provided for:

- a. Dividend on 6% cumulative Preference Shares- Rs.11,444,176/- (31.03.2008– Rs.5,722,088/-)
- b. Claims against the company not acknowledged as debt – Rs. 3,817,077/- (31.03.2008 – Rs. Nil)
- c. The company has received notice of demand from Rajasthan Leasing Private Limited (RLPL), the Debenture Holder's regarding payment of penal charges for non-fulfilment of certain obligation by the Company in terms of the Debenture Agreement dated 30.3.2008 to the extent of Rs. 75,600,000/-. The Company has not acknowledged the claim made by RLPL as debts and is in the process of obtaining waiver of penal charges from RLPL.

2. 6% Redeemable Cumulative Preference Shares are due for redemption on or after April 1, 2017.

3. Secured Loans:-

- a. Term Loan from Indian Overseas Bank (IOB) is secured by an exclusive first charge on the buildings and plant & machinery of the distillery unit both present and future and second charge on the fixed assets of the sugar unit on pari-passu basis with working capital banks.
- b. Term Loan – Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU) are secured by a pari-passu residual charge on all the Company's immovable properties, both present and future and a residual charge by way of hypothecation of movable properties (excluding the inventories and book debts) both present and future.

- c. The Company has entered into Debenture agreement with the Rajasthan Leasing Private Limited (RLPL) on March 30, 2008 to subscribe for 14% Secured Non-Convertible Debentures (NCDs) amounting to Rs. 350,000,000/- . An amount of Rs. 347,813,439/- have been received on March 31, 2008 and the balance amount of Rs. 2,186,561/- have been received on April 2, 2008 and the debentures were allotted to RLPL on April 28, 2008. The Debenture Certificates were issued on April 27, 2009. These NCDs are secured by an exclusive first charge on all the Company's immovable properties (excluding buildings and plant & machinery of distillery unit), both present and future and a first charge by way of hypothecation of movable properties (excluding the inventories & book debts) both present and future and a second charge on the buildings and plant & machinery of distillery unit on pari-passu basis with working capital banks. Further, the NCDs are secured by way of pledge of the equity shares of the promoters in Gayatri Sugars Limited (15,319,668 of Rs.10/- each) and GSR Sugars Private Limited (Rs.286,810,000/-). The securities for debenture holders have been created on April 25, 2009. The Debentures are redeemable in 4 instalments; the first installment falling due on June 30, 2009. The Company has requested for extension of time with RLPL for payment of 1st installment.
- In view of the inadequacy of the profits the company has not created the Debenture Redemption Reserve during the year.
- d. Cash Credits from banks are secured by way of pari-passu first charge on all current assets of the company i.e. Raw Materials, Stock in Process, Finished Goods, Stores and Spares, book debts etc. and also secured by way of pari-passu second charge on the company's immovable and movable properties.
- e. Term Loan, NCDs and Cash Credits are guaranteed by the promoter directors of the Company.
- f. Crop loans given to Farmers by Union Bank of India, Nizamabad have been guaranteed by the company. Amount outstanding Rs.11,495,288/- (31.3.2008 - Rs.26,802,499/-)
4. Estimated amount of contracts remaining to be executed on account of Capital expenditure and not provided for Rs.6,677,000/- (31.3.2008- Rs.56,155,000/-), net of advances is Rs.3,958,000/-(31.3.2008 - Rs.Nil).
5. Additional Information as required pursuant to Para 3 and 4 (C&D) of the Part II of the Schedule VI of the Companies Act, 1956.

a. Particulars regarding capacity and Production;

Particulars	UOM	2008 - 09	2007 - 08
i. Sugar			
Licensed*	TCD	5,000	5,000
Installed*	TCD	3,500	3,500
Actual Production#	QTL	228,490	475,640
ii. Rectified Spirit			
Licensed*	KLPD	50	50
Installed*	KLPD	50	50
Actual Production#	Liters	5,129,822	6,642,347
iii. Molasses			
Actual Production#	MT	10,203	24,153
iv. Power			
Licensed*	MW	9	9
Installed*		9	9
Actual Production#	KWH	14,961,000	24,851,688

* As certified by the Management.

Crushing season ended on February 18, 2009

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b. Sales and Stock

(Rupees)

Particulars	UOM	2008-09		2007-08	
		Qty	Value	Qty	Value
i. Opening Stock					
Sugar	QTL	310,867	412,389,945	268,583	336,725,077
Rectified Spirit	Liters	1,448,502	23,364,336	—	—
Molasses	MT	18,654	61,045,216	17,078	36,419,505
Bagasse	MT	12,582	4,403,700	20,619	6,185,700
TOTAL			501,203,197		379,330,282
ii. Sales					
Sugar	QTL	376,038	638,386,140	433,356	556,378,981
Rectified Spirit	Liters	4,929,055	116,589,526	5,193,845	101,640,429
Molasses					
- Sales	MT	281	1,415,617	3,494	5,953,419
- Transfer to Distillery	MT	21,326	—	19,083	—
Power	KWH	3,203,400	9,954,709	6,456,448	19,300,928
TOTAL			766,345,992		683,273,757
iii. Closing Stock					
Sugar	QTL	*163,319	299,096,513	310,867	412,389,945
Rectified Spirit	Liters	1,652,269	39,522,274	1,448,502	23,364,336
Molasses	MT	7,250	40,308,302	18,654	61,045,216
Bagasse	MT	502	466,860	12,582	4,403,700
TOTAL			379,393,949		501,203,197

* Includes 14920 Qtls of Levy Sugar valued at Net Realizable Value.

c. Details of Raw Materials purchased Consumed

(Rupees)

Description	UOM	2008-09		2007-08	
		Quantity	Value	Quantity	Value
i. Sugarcane	MT	222,521	359,448,391	473,625	549,115,608
ii. Molasses	MT	800	3,322,503	7,951	10,522,250
TOTAL			362,770,894		559,637,858

d. Value of imported and indigenous materials consumed:

(Rupees)

Description	2008-09		2007-08	
	%	Value	%	Value
i. Raw material – Sugarcane and Molasses				
- Imported	—	—	—	—
- Indigenous	100%	362,770,894	100%	559,637,858
	100%	362,770,894	100%	559,637,858
ii. Stores, Spares & Consumables				
- Imported	—	—	—	—
- Indigenous	100%	61,145,975	100%	82,888,663
TOTAL	100%	61,145,975	100%	82,888,663

6. Directors' Remuneration: Executive Director (Ref Schedule "J")

(Rupees)

Particulars	2008-09	2007-08
Salary	2,593,750	1,475,000
Allowances	249,000	144,000
Perquisites	488,437	706,721
TOTAL	3,331,187	2,325,721

As the Company has incurred loss during the year and has accumulated loss as on March 31, 2009, and hence no commission has been paid and details of computation of net profit in accordance with section 349 of the Companies Act, 1956 has not been given.

7. Earnings Per Share:

(Rupees)

Particulars	Units	2008-09	2007-08
Loss After Tax	Rupees	(140,660,531)	(88,815,793)
Preference dividend not declared	Rupees	(13,389,113)	(6,694,557)
Loss after preference dividend	Rupees	(154,049,644)	(94,880,350)
Weighted Average Equity Shares	No.	42,993,140	42,993,140
Basic Earning Per Share / Diluted Earning Per Share	Rupees	(3.58)	(2.21)
Face Value of Equity Share	Rupees	10	10

8. Segment Reporting:

There are two reportable Segments in the company namely Sugar and Distillery under Accounting Standard – 17 on 'Segment Reporting' notified by the Companies (Accounting Standard) Rules, 2006. The segment results are given below:

REVENUE	Sugar		Distillery		Elimination		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
External Sales	*620,701,601	518,296,805	112,062,684	101,640,429	—	—	732,764,285	619,937,234
Inter-segment sales	89,681,830	56,100,000	—	—	89,681,830	56,100,000	—	—
Total Revenue	710,383,431	574,396,805	112,062,684	101,640,429	89,681,830	56,100,000	732,764,285	619,937,234
Results	6,105,688	(65,485,895)	(5,151,784)	17,552,515	—	—	953,904	(47,933,380)
Unallocated corporate Expenses	—	—	—	—	—	—	—	—
Operating Profit	6,105,688	(65,485,895)	(5,151,784)	17,552,515	—	—	953,904	(47,933,380)
Interest expenses	81,779,350	85,120,480	26,567,899	24,444,165	—	—	108,347,249	109,564,645
Interest and other income	—	—	—	—	—	—	5,150,357	7,154,467
Loss from ordinary activities	—	—	—	—	—	—	(102,242,987)	(150,343,559)
Extra-ordinary items	—	—	—	—	—	—	(37,640,339)	61,969,340
Net Profit	—	—	—	—	—	—	(139,883,326)	(88,374,219)
OTHER INFORMATION								
Segment Assets	1,333,913,001	1,578,974,882	355,539,035	333,991,038	—	—	1,689,452,036	1,912,965,920
Unallocated corporate assets	—	—	—	—	—	—	—	—
Total Assets	1,333,913,001	1,578,974,882	355,539,035	333,991,038	—	—	1,689,452,036	1,912,965,920
Segment Liabilities	874,140,349	981,617,177	376,419,012	309,049,613	—	—	1,250,563,924	1,290,666,790
Unallocated corporate liabilities	—	—	—	—	—	—	—	—
Total Liabilities	874,144,387	981,617,177	376,419,537	309,049,613	—	—	1,250,563,924	1,290,666,790
Capital Expenditure	—	—	122,151,151	12,156,267	—	—	122,151,151	12,156,267
Unallocated corporate capital Expenditure	—	—	—	—	—	—	—	—
Total Capital Expenditure	—	—	122,151,151	12,156,267	—	—	122,151,151	12,156,267
Depreciation	61,562,702	40,872,267	14,213,408	10,632,000	—	—	75,776,109	51,504,267
Unallocated corporate Depreciation	—	—	—	—	—	—	—	—
Total Depreciation	61,562,702	40,872,267	14,213,408	10,632,000	—	—	75,776,109	51,504,267

* Includes sale of power (Rs.9,954,709) and sale of molasses (Rs.1,415,617) as the Products has not satisfied the condition of 10% of total revenue as stated in AS-17.

9. Disclosures as required under Accounting Standard AS-15

i Gratuity

This is a defined benefit plan as detailed and the liability for which is determined on the basis of actuarial valuation and is an unfunded plan as of March 31, 2009.

ii Compensated absences

Leave which accrue to the employees and which can be carried to future periods but are expected to be en-cashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employee perform the services that the benefit covers and the liabilities are reported at the un-discount amount of the benefits after deducting amounts already paid. Where there is restriction on availment of encashment of such accrued benefit or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the project unit credit method.

iii Accounting Policy for recognizing actuarial gains and losses

Immediate recognition in the Statement of Profit and Loss.

iv Scheme Description

The Scheme provides for a lump sum benefit, subject to a vesting period of 5 years in case of early separation, based on final salary and years of service.

v Actuarial valuation method: - Projected Unit Credit.

vi Disclosures required in accordance with the AS-15 are set out in the table below:

Components of Employer Expense (Rupees)

Particulars	2008-09
Current Service Cost	717,585
Interest Cost	576,997
Expected Return on Plan Assets	—
Actuarial Gains	(3,015,212)
Total expense recognized in the Statement of Profit and Loss Account	(1,720,630)

Actual Contribution and Benefit Payments (Rupees)

Particulars	2008-09
Actual Benefit Payments	687,374
Actual Contributions	—

Net Liability recognized in Balance Sheet (Rupees)

Particulars	2008-09
Present Value of Defined Benefit Obligation	7,212,467
Fair Value on Plan Assets	—
Liability recognized in Balance Sheet	4,804,463

Change in Defined Benefit Obligations (DBO) (Rupees)

Particulars	2008-09
Present Value of DBO at the beginning of the year	7,212,467
Current Service Cost	717,585
Interest Cost	576,997
Actuarial Gains	(3,015,212)
Benefits Paid	687,374
Present Value of DBO at the End of Year	4,804,463

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Actuarial Assumptions

- Discount Rate: 8%
- Expected Return on Plans Assets: 0%
- Salary Escalation Rate: 4%
- Attrition Rate: 5%

Note: In view of the non availability of information previous year's amounts has not been furnished.

10. Particulars of Loans and Advances in the nature of loans as required by clause 32 of the Listing Agreement.

Name of the Company	Balance as on		Maximum outstanding during	
	31.3.2009	31.3.2008	2008-09	2007-08
Loans to companies in which directors are interested				
GSR Sugars Private Limited	81,737,897	51,700,990	89,381,808	51,700,990
Mohan Project Contractors Private Limited	—	46,378,126	48,729,126	46,378,126
Loans and advances where there is no repayment schedule	81,737,987	98,079,116	138,110,934	98,079,116
Loans where no interest is charged or interest is below section 372 A of Companies Act, 1956.	81,737,987	98,079,116	138,110,934	98,079,116

11. Related Party Disclosures for the year ended March 31, 2009

(i) List of Related parties;

S. No.	Particulars	Relationship
1.	Dr. T Subbarami Reddy	Key Management Personal
2.	Smt. T Indira Subbarami Reddy	Key Management Personal
3.	Mr. T.Sandeep Kumar Reddy	Key Management Personal
4.	Smt. T. Sarita Reddy	Key Management Personal
5.	GSR Sugars Private Limited	Company Under Common Management
6.	Gayatri Tissue & Papers Limited	Company Under Common Management
7.	Mohan Project Contractors Private Limited	Company Under Common Management
8.	Gayatri Projects Limited	Company Under Common Management
9.	Gayatri Fin Holdings Private Limited	Company Under Common Management
10.	TSR Foundation	Trust under Common Management

(ii) The related party transactions for the company during the year under audit as per Accounting Standard 18 is as under:

(Rupees)

Particulars	Key Management Personnel	Relatives of key management personnel	Other related parties	Total
Remuneration	3,331,187 (2,325,721)	— —	— —	3,331,187 (2,325,721)
Purchase of Goods	— —	— —	3,322,503 (—)	3,322,503 (—)
Receiving of Services	— —	— —	2,351,000 (—)	2,351,000 (—)
Finance (advance given)	— —	— —	31,437,986 (48,025,770)	31,437,986 (48,025,770)
Contributions towards Donations	— —	— —	650,000 (550,000)	650,000 (550,000)
Write.off of payables	— —	— —	426,942 (—)	426,942 (—)
Write off of Receivables	— —	— —	46,378,126 (—)	46,378,126 (—)
Outstandings Receivable	— —	— —	81,737,897 (97,062,570)	81,737,897 (97,062,570)

12. During the current year, the Company has re-estimated the useful lives of some of its Fixed Assets i.e. Mill Rollers, Sugar Cane Crushers and Juice Boiling Pans and provided higher rate of depreciation. Accordingly the depreciation charge for the year is higher by Rs. 21,203,772/-.

13. Details as per the requirements under MSMED Act 2006;

(Rupees)

S No	Particulars	2008-09	2007-08
1	Principal amount remaining unpaid at the end of the year	42,883	Nil
2	The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appropriate date	Nil	Nil
3	The amount of interest due and payable for the period of delay in making payment.	4,562	Nil

The disclosure is based on information available and communications received by the company regarding the status of the suppliers.

14. The Deferred Tax Asset/ liability on account of carried forward business losses and unabsorbed depreciation have not been recognized on grounds of prudence.

15. Figures for the previous year have been regrouped and reclassified wherever necessary.

Signature to Schedule A to N

For and on behalf of the Board

T V Sandeep Kumar Reddy
Vice Chairman and
Managing Director

T Sarita Reddy
Executive Director

Place: Hyderabad
Date: 30.06.2009

GAYATRI SUGARS LIMITED

D.No. 6-3-663/E, Flat No. 301, Diamond House,
Punjagutta, Hyderabad - 500 082. Andhra Pradesh

FORM OF PROXY

I/We of

being a member/members of Gayatri Sugars Limited hereby appoint

..... of

failing him of

as my/our proxy to vote for me/us and of my/our behalf at the 14th Annual General Meeting to be held at 4.00 p.m. on Friday, the 31st July, 2009 or at any adjournment thereof.

Signed this day of of 2009

Affix
Re. 1/-
revenue
stamp

Regd Folio No.

No of Shares

ATTENDANCE SLIP

14th Annual General Meeting

(To be handed over at the entrance of the Meeting Hall)

Name of the Member :

Members Folio No :

No of shares held :

Name of Proxy :
(in case of Proxies only)

I hereby record my presence at the 14th Annual General Meeting of the Company on Friday, the 31st July, 2009.

.....
*Member/Proxy Signature

*to be signed at the time of handing over the slip.

**PRINTED MATTER
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If undelivered, please return to :

Unit : GAYATRI SUGARS LIMITED

Venture Capital and Corporate Investments Limited

H.No. 12-10-167, Bharat Nagar,
Hyderabad - 500 018.

Ph: 2381 8475, 2381 8476