



GAYATRI SUGARS LIMITED

**SIXTEENTH ANNUAL REPORT
2010-11**

Sixteenth Annual Report

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES DULY STAMPED AND SIGNED MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING. Members / Proxies are also requested to bring along with them the Annual Reports being sent to them.
2. Members are requested to notify immediately any change, in their address to the company at the Registered Office.
3. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the company at least 7 days before the date of the meeting, so that the information required by the members may be made available at the meeting.
4. Members holding more than one share certificate in the same name under different folios are requested to apply for consolidation of such folios in one folio and send relevant share certificates to the company's registrars and share transfer agents M/s.Venture Capital and Corporate Investments Limited.
5. Members, who hold shares in dematerialized form, are requested to write their client ID and DP ID Nos and those who hold shares in physical form are requested their folio No in the attendance slip for attending the meeting.
6. The Register of Members and the Share Transfer Registers will be closed from 08.08.2011 to 10.08.2011 (Both days inclusive)
7. Members are requested to intimate the Registrars and share transfer agents of the Company, M/s Venture Capital and Corporate Investments Limited, House No. 12-10-167, Bharat Nagar, Hyderabad - 500018 Ph: 23818475, 23818476 immediately of any change in their address.
8. An Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 is annexed hereto.
9. As per Government notification dated 21.04.2011, company initiated to send future Annual Reports and other communication through e-mail also (electrical mode). Hence, please avail the facility by registering your email id at info@vccilindia.com

16th Annual General Meeting

Day : Wednesday

Date : 10th August, 2011

TIME : 4.00 P.M.

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

SIXTEENTH ANNUAL REPORT 2010-11

BOARD OF DIRECTORS

Smt T Indira Subbarami Reddy
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

COMPLIANCE OFFICER

Sri Chinna Gurappa

Chief Finance Officer

AUDITORS

M/s Deloitte Haskins & Sells
Chartered Accountants
Secunderabad

BANKERS

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

REGISTERED OFFICE

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

FACTORIES

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

Nizamsagar Unit

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

NOTICE TO MEMBERS

NOTICE is hereby given that the **Sixteenth Annual General Meeting** of the members of the Company will be held at Surana Udyog Hall, Federation House, Door No: 11-6-841, Red Hills, Hyderabad- 500 004 on Wednesday the 10th day of August, 2011 at 4.00 pm to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2011, the Profit and Loss Account and Cash flow Statement for the year ended on 31st March, 2011 and the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Smt. T Indira Subbarami Reddy who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in place of Sri TV Sandeep Kumar Reddy, who retires by rotation and being eligible, offers himself for reappointment
4. To consider and if thought fit, to pass the following resolution as an ordinary resolution.

"RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad be and are hereby reappointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be mutually agreed to between the Board of Directors and the Auditors".

SPECIAL BUSINESS

5. Approval for Payment of remuneration of Smt. T Sarita Reddy, Executive Director.

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

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

1. **Salary**

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

2. **Perquisites**

- i) **Housing:**

If required, free furnished residential accommodation with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc, the monetary value of which may be evaluated as per Rule 3 of the Income Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 25% of the Salary.

- ii) **Medical Reimbursement:**

Expenses incurred for herself and her family subject to a ceiling of one month's salary in a year or 3 months salary over a period of 3 years.

- iii) **Leave Travel Concession:**

One month salary per year for herself and her family.

- iv) **Club Fees:**

Subject to a maximum of two clubs. This will not include admission and Life membership Fees.

- v) **Personal Accident Insurance:**

Premium not to exceed Rs.4,000/- per annum.

- vi) **Provident Fund:**

Company's contribution towards Provident Fund at 12% of her salary or at any rate applicable from time to time.

vii) Gratuity:

Gratuity not exceeding half a month's salary for each completed year of service.

viii) Leave:

Entitled to one month's leave, as per the rules of the Company on full pay, for every 11 months of service.

Encashment of leave at the end of the tenure will not be included in computation of the ceiling on perquisites.

ix) Telephone:

Free telephone facility at the residence for the use of the Company's business.

x) Car:

Use of Company's Car on Company's business with Driver and all expenses on maintenance, repairs and cost of petrol.

(Provision of Car for use of Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Director)

xi) Any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

"RESOLVED FURTHER that in the event of loss or inadequacy of profit in any financial year of the Company during the term of her office as Executive Director, the remuneration and perquisites set out above be paid or granted to Smt. T Sarita Reddy as minimum remuneration stipulated in Section II of part II of Scheduled XIII of the said Act or such other amount and perquisites as may be provided in the said Scheduled XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof".

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter, vary such salary, commission and perquisites as may be permitted by any applicable law from time to time during the said period of office and as may be agreed to by the Board of Directors of the Company and Smt. T. Sarita Reddy".

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

6. Contribution to specific charitable and other funds – Ex post facto approval given to directors.

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

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

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

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

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

For and on behalf of the Board

Place : Hyderabad
Date : 30th May 2011

T Indira Subbarami Reddy
Chairperson

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No.5: Remuneration to Smt. T Sairta Reddy as Executive Director of the company**

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

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

The board of directors commends the resolution for your approval.

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

I. GENERAL INFORMATION:

1 Nature of Industry Sugar and Seasonal

2 Date of commencement of commercial production November 1997

3 Financial Performance (Rs. in lakhs)

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

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

II. INFORMATION ABOUT THE APPOINTEE:

1 Name of the Director T Sarita Reddy

2 Date of Birth 14.04.1971

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

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

5 Qualifications MBA

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

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

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

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

III. OTHER INFORMATION:**1. Reasons for inadequacy of Profits:**

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

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

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

3. Expected increase in productivity and profits"

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

IV. DISCLOSURES:

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

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

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

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

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

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

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

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

For and on behalf of the Board

Place : Hyderabad
Date : 30th May 2011

T Indira Subbarami Reddy
Chairperson

DIRECTORS' REPORT

Dear Members,

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

FINANCIAL RESULTS (Rs in lacs)

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

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

REVIEW OF OPERATIONS

Performance during the financial year 2010-11

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

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

Prospects for the financial year 2011-12

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

DIVIDEND ON PREFERENCE SHARES

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

LISTING OF SECURITIES

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

DIRECTORS

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

PUBLIC DEPOSITS

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

PARTICULARS OF EMPLOYEES

There are no employee in the company who are drawing prescribed salary under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

AUDITORS

The Auditors M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad will retire at the conclusion of the ensuing Annual General Meeting as the Statutory Auditors of the company. They have signified their willingness to accept reappointment and have further confirmed their eligibility under Section 224 (1-B) of the Companies Act, 1956.

Response to Auditors observations

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

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

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

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

COST AUDIT

The Central Government pursuant to Section 233 B of the Companies Act, 1956 has ordered that the company carries out an audit of cost accounts relating to sugar every year. M/s. K Narasimha Murthy & Co, Cost Accountants was appointed as Cost Auditor of the company for the year 2011-12.

CONSERVATION OF ENERGY, ETC

Information relating to Conservation of energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure-A which forms part of this Report.

CORPORATE GOVERNANCE

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

SCHEME OF AMALGAMATION OF GSR SUGARS PRIVATE LIMITED WITH COMPANY

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

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

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

INTIMATION TO BIFR

As at 31.03.2009, the accumulated losses has resulted in erosion of more than 50% of the net worth of the company and the company has become potentially sick company under the Sick Industrial

Companies (Special Provisions) Act, 1985. Company had intimated to the Board for Industrial and Financial Reconstruction (BIFR) on 22.09.2009 the potential sickness of the company. As on 31.03.2011 the net worth of the company has improved and a letter is being filed with BIFR.

DIRECTORS RESPONSIBILITY STATEMENT

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

1. That in preparation of the Annual Accounts the applicable Accounting Standards have been followed by the company, except for the qualification & matter of attention by the statutory auditors in their report.
2. That your directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company as at 31.03.2011 and of the profit or loss of the company for the year ended on that date;
3. That your directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That your Directors have prepared annual accounts on a going concern basis.

INDUSTRIAL RELATIONS

The Industrial Relations continued to be peaceful during the year.

ACKNOWLEDGEMENTS

The Board of Directors would like to place on record their appreciation of the assistance and guidance extended by the Financial Institutions/Banks viz, YES BANK Limited, Andhra Bank, Union Bank of India, Sugar Development Fund, Indian Overseas Bank, State Bank of India, Bank of Baroda, Punjab National Bank and CDR cell. Your Directors express their gratitude to the shareholders for the confidence reposed in the management. Your Directors also place on record their sincere appreciation of the total commitment and hard work put in by all the employees of the company.

For and on behalf of the Board

Place: Hyderabad
Date : 30th May 2011

T Indira Subbarami Reddy
Chairperson

Annexure - A to Directors' Report

Information required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in respect of Board of Directors) Rule, 1988.

A. CONSERVATION OF ENERGY

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

B) TECHNOLOGY ABSORPTION :

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

FORM A

(See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Sl No	Particulars	Current Year 2010-11		Previous Year 2009-10
		Kamareddy Unit	Nizamsagar Unit	
A	POWER AND FUEL CONSUMPTION			
	1. ELECTRICITY			
	a) PURCHASED			
	Units KWH (Lakhs)	5.63	5.21	7.03
	Total Amount (Rs. Lakhs)	35.33	63.44	34.45
	Rate/Unit (Rs.)	6.27	12.18	4.90
	b) OWN GENERATION			
	i) Through Diesel Generator			
	Units KWH	7404	7800	25248
	Units per Ltr. of Diesel Oil-KWH	2.75	2.22	2.47
	Cost / Unit (Rs.)	14.64	18.14	14.43
	ii) Through Steam Turbines / Generator			
	Units KWH (lacs)	178.48	236.41	73.49
	Units per tonne of Bagasse/paddy husk	197.47	309.25	242.14
	Cost/Unit (Rs.)	2.81	1.78	3.92
	2) COAL			
	Quantity (Tonnes)	2440	2197	3359
	Total Cost (Rs. Lakhs)	73.91	69.21	127.74
	Average Rate (Rs.)	3029	3120	3803
	3) PADDY HUSK/FIREWOOD			
	Quantity (Tonnes)	Nil	308	90
	Total Cost (Rs. Lakhs)	Nil	4.43	1.71
	Average Rate (Rs.)	Nil	1440	1900
	4) BAGASSE			
	Quantity (Tonnes)	91154	76550	30033
	Total Cost (Rs. Lakhs)	501.35	421.02	283.98
	Cost Per Tonne (Rs.)	550	550	945.57
	5) FURNACE OIL			
	Quantity (Tonnes)	Nil	Nil	Nil
	Total Cost (Rs. Lakhs)	Nil	Nil	Nil
	Average Rate (Rs.)	Nil	Nil	Nil
	6) DIESEL OIL			
	Quantity (Tonnes)	2692	3510	10220
	Total Cost (Rs. Lakhs)	1.08	14.13	3.64
	Average Rate (Rs.)	40.11	40.25	35.62
B	CONSUMPTION PER UNIT OF PRODUCTION			
	Electricity Per Ton of Sugar (KWH)	323	373	362

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 2011

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 31.07.2010	No. of Directorships held in other Companies	
			Public	Private
Smt. T Indira Subbarami Reddy	4	Not Present	5	23
Sri T V Sandeep Kumar Reddy	3	Not Present	12	27
Sri Abhay Soi*	-	N.A.	1	7
Sri T R Rajagopalan	5	Present	1	2
Sri P Maruthi Babu	5	Present	-	7
Sri S Venkata Swamy	5	Present	-	-
Dr A K Bhattacharya**	-	N.A.	2	-
Smt. T Sarita Reddy	5	Present	4	18

* Mr. Abhay Soi, ceased to be director w.e.f. 20.04.2010

**Dr. A.K. Bhattacharya ceased to be director w.e.f.29.05.2010

During the financial year 2010-11, Five Board meetings were held on 20th April 2010, 29th May 2010, 31st July 2010, 10th November 2010 and 27th January 2011.

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 2010-11.

The Audit Committee meetings were held five times during the financial year 2010-11 on 20th April 2010, 29th May 2010, 31st July 2010, 10th November 2010 and 27th January 2011 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	5
2	Sri. P Maruthi Babu Member	5
3	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.

i) Composition of the Remuneration Committee and the details of Meetings held and attendance during the Financial Year 2010-11.

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. P Maruthi Babu | - | Member |

One Remuneration Committee meeting was held on 20th April 2010 during the financial year 2010-11 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.
- 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 directors during the financial year 2010-11.

Name of the Director	Category	Remuneration payable /paid	
		Salary & Perks (Rs.Lakhs)	Sitting fees (Rs)
Smt. T Indira Subbarami Reddy	Non Executive Chairperson	—	4,000
Sri T V Sandeep Kumar Reddy	Non Executive Vice Chairman	—	3,000
Sri T R Rajagopalan	Non Executive / Independent	—	11,000
Sri. P Maruthi Babu	Non Executive / Independent	-	11,000
Sri S Venkata Swamy	Non Executive / Independent	—	6,000
Smt. T Sarita Reddy	Executive Director	39.43	—

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 2010-11.

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, Chief Finance Officer is the Compliance Officer of the Company.

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

No. of Investor queries / complaints received in the year 2010-11	Pending at the end of the year 2010-11	No. of pending share transfers
Nil	Nil	Nil

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
2009-10	Surana Udyog Hall, Federation House, Door No 11-6-841, Red Hills, Hyderabad-500004.	Saturday the 31 st day of July 2010	4.00 PM
2008-09	Surana Udyog Hall, Federation House, Door No 11-6-841, Red Hills, Hyderabad-500004.	Friday the 31 st day of July 2009	4.00 PM
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

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.

H) Management's Discussion and Analysis Report

Overall review:

The Company has crushed 5.57 lakh tonnes (previous year 1.07 lakh tonnes) of sugar cane and produced 5.76 lakh quintal of sugar with an average recovery of 10.34% (previous year 10.22%). The Company has sold 3.44 lakh quintals (previous year 1.89 Lakh quintals) of sugar. The company's average sales realization of sugar has increased to Rs.2625/- per quintal during the current year as compared to Rs.2492/- per quintal during the previous year on account of better market conditions. Company has earned cash profit of Rs.349 Lakhs during the year as compared to the cash profit of Rs.100 Lakhs during the previous year. The cash profit increased on account of better sales realisation.

Sugar Industry Analysis:

The sugar production has improved to 25.50 million tonnes in the season 2010-11 (15.30 million tonnes during the 2009-10). This increase in production of sugar during the sugar season 2010-11 will result in improving the availability of sugar for export to other countries and lessen the import of sugar. The expected sugar consumption in India is around 24.50 million tonnes per annum. The expected sugar production in India for the next sugar season 2011-12 would be around 27.50 million tonnes on account of improvement in sugarcane due to remunerative sugar cane rates.

In view of the situation Government of India is allowing the companies to export sugar so that the rates will improve. 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. During the previous year the sugar rates was stable on account of getting imported the required sugar from outside countries. The ISMA is asking the Government of India to impose the custom duty on White Sugar, so that the sugar prices will improve in the domestic market.

Production:

The company has made a higher production of sugar of 57612 tonnes (both the company and GSR Sugars Private Limited) during the year as compared to the production of 10891 tonnes during the previous year.

Revenue:

On account of the increase in of volumes and with inclusion of the turnover of GSR Sugars Private Limited, the turnover during the year has increased to Rs.109.71 Crores as compared to Rs.61.06 crores during the previous year. The improvement of sales was higher at 79.6% only as compared to the previous year, due to improving in the 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	10 th day of August, 2011 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 a B. Com has about 23 years of experience in business and industry. She provides direction to the Company using her business skills. She is the chairperson of the company.	She is the Chairperson of Gayatri Projects Limited and many Gayatri group of companies.	3793509 Equity Shares
b. Sri. TV Sandeep Kumar Reddy He is MS (CEM) USA, having 19 years of expericne in the industry He is Vice Chairman of the company and the member of the Shareholders Grievance Committee of the company	He is the Managing Director of Gayatri Projects Limited and the director in many other companies in the Gayatri Group.	6763032 Equity Shares

- c) **Financial year** April 1 to March 31
- d) **Date of Book closure** 8th August 2011 to 10th August 2011 (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 2010-11

Month	High Rs.	Low Rs.	Volume (Nos)
April 2010	5.25	4.25	7,21,192
May 2010	4.74	3.71	3,83,488
June 2010	4.48	3.80	4,14,631
July 2010	4.48	3.97	5,72,066
August 2010	4.19	3.76	5,67,777
September 2010	4.46	3.80	9,30,880
October 2010	4.75	3.81	6,71,774
November 2010	6.30	3.70	20,18,616
December 2010	4.61	3.86	6,06,290
January 2011	4.87	3.32	4,64,683
February 2011	3.96	2.90	4,93,810
March 2011	3.29	2.40	4,19,979

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

Shareholders	As on 31.03.2011* (post Amalgamation)		As on 31.03.2011 (pre amalgamation)		As on 31.03.2010	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters	25041325	57.30	15419668	35.87	15419668	35.87
Financial Institutions and Banks	1750553	4.00	4407820	10.25	4407820	10.25
Private corporate bodies	8433431	19.30	2194119	5.10	2736831	6.37
Indian Public	8429285	19.29	20822408	48.43	20294621	47.20
NRI/OCB	49050	0.11	149125	0.35	134200	0.31
Total	43703643	100.00	42993140	100.00	42993140	100.00

* This shareholding pattern is after issue of shares on 29.04.2011 is in accordance with the scheme of amalgamation which is matching with the share capital as per books of accounts, as the scheme is effective from 01.04.2010.

l) Distribution of Shareholding as on 31st March, 2011

Nominal Value	Holders		Amount	
	No	% to Total	In Rs.	% to Total
Upto 5000	11,920	62.34	30,11,064	7.00
5001-10000	3,513	18.84	31,90,635	7.42
10001-20000	1,700	9.12	28,19,462	6.55
20001-30000	603	3.23	16,04,197	3.73
30001-40000	248	1.33	9,07,949	2.11
40001-50000	316	1.69	15,30,466	3.56
50001-100000	377	2.02	29,02,268	6.75
100001 and above	261	1.40	2,70,27,099	62.86
TOTAL	18,638	100.00	4,29,93,140	100.00

j) 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, 2011.

Held in NSDL:21771670 shares

Held in CDSL:21096268 shares

k) 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.

l) Share 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

m) Address for correspondence and contact persons for investor queries**Registered Office:**

Gayatri Sugars Limited

B2, 2nd Floor, 6-3-1090, TSR Towers

Rajbhavan Road, Somajiguda

Hyderabad – 500 082.

Contact Person:

Sri Chinna Gurappa, Chief Finance Officer & Compliance Officer

Phone: 23414823, Fax: 23414827

Email : gayatrisugars@sify.com

n) Equity Shares in the Suspense Account

There are no details in respect of equity shares lying in the share suspense account required to be covered as per clause 5A(1) and 5A(II) of Listing Agreement.

For and on behalf of the Board

Place : Hyderabad
Date : 30th May 2011

T Indira Subbarami Reddy
Chairperson

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 2011, as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchanges in India.

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.

In our opinion, and to the best of our information and according to the explanations given to us, 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 Puttaparthi Jagannatham & Co
Company Secretaries**

Place: Hyderabad
Date: 30th May 2011

Bandaru Rama
Partner
CP.No.7739

DECLARATION BY CEO OF THE COMPANY ON CODE OF CONDUCT

I, T Sarita Reddy, Executive 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 2011.

For Gayatri Sugars Limited

Place: Hyderabad
Date: 30th May 2011

T Sarita Reddy
Executive Director

CEO AND CFO 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 2011, the Company has complied with the requirements of the said sub-clause.

For Gayatri Sugars Limited

For Gayatri Sugars Limited

Place: Hyderabad
Date: 30th May 2011

T Sarita Reddy
Executive Director

Chinna Gurappa
Chief Finance Officer

AUDITORS' REPORT

TO THE MEMEBERS OF
GAYATRI SUGARS LIMITED

1. We have audited the attached Balance Sheet of **GAYATRI SUGARS LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company 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 the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 in terms of Section 227(4A) 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.
4. Attention is invited to Note 11 of "B" of Schedule "O" forming part of the financial statements, regarding remuneration paid to the Executive Director of Rs. 39,42,256/- are subject to the approval of the Central Government. The Company proposes to make an application to the Central Government seeking rectification approval for the remuneration paid.
5. Attention to Note 3 of "B" of Schedule "O" forming part of the financial statements regarding valuation of finished goods inventory which is not in accordance with the requirements of AS 2 "Valuation of Inventories" notified by the (Companies Accounting Standards) Rules, 2006.
6. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) 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;
 - (b) 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;

- (c) 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;
- (d) in our opinion, **subject to our comments in paragraph 5 above**, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- (e) Had finished goods inventories been valued in accordance with the requirements of AS 2 "Valuation of Inventories":
 - ◆ *Loss for the year after Tax would have been Rs. 137,488,295/- as against the disclosed figure of Rs.94,782,687*
 - ◆ *Accumulated loss as at March 31, 2011 would have been Rs 137,488,295 as against the disclosed figure of Rs 94,782,687*
 - ◆ *Net Current Assets would have been Rs. 381,786,730 as against the disclosed figure of Rs. 424,492,337.*
 - ◆ *Earnings Per Share (Loss Per Share) would have been Rs. 3.40 as against the disclosed figure of Rs 2.43*

Subject to the above, 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

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.
7. On the basis of the written representations received from the Directors as on 31st March, 2011 taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Registration No.008072S

Ganesh Balakrishnan
Partner
Membership No.201193

Place : Hyderabad
Date : May 30, 2011

ANNEXURE TO THE AUDITORS' REPORT

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

(i) Having regard to the nature of the Company's business / activities, clause 4(v), (vi), (x), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of CARO are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the 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 a 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.

(iii) In respect of its inventory:

(a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.

(b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were 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 explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iv) According to the information and explanations given to us, the Company has not granted any

loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Company has taken loans aggregating Rs.81,100,000 from one party during the year. At the year-end, the outstanding balance of such loans taken aggregated Rs.77,100,000 (One Party) and the maximum amount involved during the year was Rs.77,100,000 (One Party).

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.

(c) The payments of principal amounts and interest in respect of such loans are regular as per stipulations.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(vi) 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.

(vii) We have broadly reviewed the books of account maintained by the Company 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 in respect of Sugar and Distillery units and are of the opinion that *prima facie* the prescribed accounts and records have been made and

Sixteenth Annual Report

maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

(viii) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it, with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable, except as given below:

Statute	Nature of dues	Period to which the amount relates	Amount involved (Rs.)
Income Tax Act, 1961	Dividend Distribution Tax	2006-07	802,523

(c) There were no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2011 on account of disputes.

(ix) According to the records of the company examined by us and the information and explanation given to us, the company has defaulted in repayment of dues to the financial institution as at the balance sheet date. Such delays have been summarized below indicating the maximum amount of delay and the maximum period :

Lender	Maximum amount of default (Rs.)	Maximum period of delay as at March 31, 2011 (Rs.)
Indian Overseas Bank :		
Principal	2,818,000	86
Interest	1,034,600	32
State Bank of India :		
Principal	1,133,333	31
Punjab National Bank :		
Principal	350,000	37
Bank of Baroda :		
Principal	1,087,500	84
Andhra Bank :		
Principal	766,667	88

(x) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks are not *prima facie* prejudicial to the interests of the Company.

(xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

(xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.

(xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
Registration No. 0080725

Ganesh Balakrishnan

Partner

Membership No. 201193

Place : Hyderabad

Date : May 30, 2011

BALANCE SHEET AS AT 31 MARCH 2011

(Amount in Rupees)

Particulars	Schedules	As at 31 March 2011	As at 31 March 2010
I SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	598,475,285	525,220,530
Reserves and Surplus	B	21,584,190	—
Loan Funds:			
Secured Loans	C	1,640,229,909	930,709,843
Unsecured Loans	D	77,100,000	228,252,133
		<u>1,717,329,909</u>	<u>1,158,961,976</u>
Total		<u>2,337,389,384</u>	<u>1,684,182,506</u>
II APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		2,571,612,370	1,293,488,972
Less: Depreciation		758,529,340	496,331,918
Net Block		<u>1,813,083,030</u>	<u>797,157,054</u>
Capital Work-In-Progress		5,031,329	—
[Includes Capital Advances of Rs.Nil (31.03.2010: Rs. Nil)]		<u>1,818,114,359</u>	<u>797,157,054</u>
Current Assets, Loans and Advances	F		
Inventories		992,228,101	319,697,183
Sundry Debtors		91,540,707	9,593,122
Cash and Bank Balances		36,785,971	20,880,077
Loans and Advances		63,597,080	198,327,543
		<u>1,184,151,859</u>	<u>548,497,925</u>
Less: Current Liabilities and Provisions	G		
Liabilities		740,486,902	102,494,408
Provisions		19,172,619	12,903,045
		<u>759,659,521</u>	<u>115,397,453</u>
Net Current Assets		<u>424,492,338</u>	<u>433,100,472</u>
Profit and Loss Account		<u>94,782,687</u>	<u>453,924,980</u>
Total		<u>2,337,389,384</u>	<u>1,684,182,506</u>
Significant Accounting Policies and Notes	O		

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

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

(Registration No. 008072S)

For and on behalf of the Board**Ganesh Balakrishnan**
Partner**T V Sandeep Kumar Reddy**
Vice Chairman**T Sarita Reddy**
Executive DirectorPlace: Hyderabad
Date: 30 May 2011**Chinna Gurappa**
Chief Finance Officer

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

(Amount in Rupees)

PARTICULARS	SCH No.	For the Year Ended 31 March 2011	For the Year Ended 31 March 2010
INCOME :			
Gross Sales	H	1,156,206,536	613,330,868
Less: Excise Duty		65,890,537	10,000,359
Net Sales		1,090,315,999	603,330,509
Other Income	I	6,810,213	7,257,654
Total		1,097,126,212	610,588,163
EXPENDITURE :			
Raw Materials consumed (Refer Note 10(c) of "B" of Schedule "O")		1,123,945,253	314,419,344
(Increase) / Decrease in Stocks	J	(503,028,445)	80,509,299
Manufacturing Expenses	K	132,659,101	44,005,940
Employee Cost	L	75,063,780	44,704,779
Administration and Selling Expenses	M	24,199,010	18,897,756
Interest and Finance Charges	N	209,407,136	101,006,944
Depreciation/Amortisation	E	129,663,064	58,987,153
Total		1,191,908,899	662,531,215
Loss Before Taxes		(94,782,687)	(51,943,052)
Taxes		—	—
Loss After Taxes		(94,782,687)	(51,943,052)
Balance Brought Forward From Previous Year		(453,924,980)	(401,981,928)
Less: Loss written off against share capital as per court order (Refer Note 1 (f) of "B" of Schedule "O")		453,924,980	—
Loss carried to Balance Sheet		(94,782,687)	(453,924,980)
Earnings Per Share - Face Value of Rs. 10/- each (Refer Note 12 of "B" of Schedule "O")			
Basic and Diluted		(2.43)	(1.36)
Significant Accounting Policies and Notes	O		

The schedules referred to the above form an integral part of the Profit and Loss Account
In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

For and on behalf of the Board

Ganesh Balakrishnan
Partner

T V Sandeep Kumar Reddy
Vice Chairman

T Sarita Reddy
Executive Director

Place: Hyderabad
Date: 30 May 2011

Chinna Gurappa
Chief Finance Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

(Amount in Rupees)

Particulars	Year Ended 31 March 2011	Year Ended 31 March 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Loss Before Tax	(94,782,687)	(51,943,052)
Adjustment For:		
Depreciation/Amortisation	129,663,064	58,987,153
Loss / (Profit) on Sale of Fixed Assets (net)	62,864	(78,000)
Interest Income	(1,188,956)	—
Interest Expense	209,407,137	101,006,944
Operating Profit before Working Capital Change	243,161,422	107,973,045
Adjusted For:		
Increase in Trade and Other Receivables	(7,466,240)	(47,233,467)
(Increase) / Decrease in Inventories	(504,306,170)	80,665,526
Increase in Current Liabilities	524,763,695	621,416
Net Cash Generated from Operations	256,152,707	142,026,520
Tax (Paid) / Refund	(118,575)	489,582
Net Cash Flow from Operating Activities (A)	256,034,132	142,516,102
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,059,789)	(13,617,440)
Subsidy Received	2,000,000	—
Proceeds on Sale of Fixed Assets	12,100	78,000
Interest Received	1,188,956	—
Net Cash Used in Investing Activities (B)	(2,858,733)	(13,539,440)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	—	354,460,235
Repayment of Long Term Borrowings	(201,119,954)	(50,316,000)
Proceeds from Vehicle Loan	626,121	—
Redemption of Non Convertible Debentures	—	(350,000,000)
Changes in Working Capital Borrowings	76,752,348	19,374,801
Advances to a Body Corporate	—	(33,530,691)
Proceeds from Unsecured Loans	77,099,967	50,650,000
Share Issue Expenses	(2,565,810)	—
Interest Paid	(204,767,035)	(102,001,891)
Net cash Used in Financing Activities (C)	(253,974,363)	(111,363,546)
D. Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	(798,964)	17,613,116
E. CASH AND CASH EQUIVALENTS		
At the Beginning of the Year	20,880,077	3,266,961
Opening Balance Transferred under Scheme of Amalgamation on 01-04-2010 (Refer point 1(c) of "B" of Schedule "O")	16,704,858	—
At the End of the Year	36,785,971	20,880,077

Note:

- The cash flow statement is prepared in accordance with the indirect method stated in Accounting Standard 3 on 'Cash Flow Statement' and presents the Cash Flows by Operating, Investing and Financing activities.
- Cash and Cash Equivalents include Rs. 16,038,418 (31.03.2010: Rs.Nil) pledged with Banks as Security.
- Figures in brackets represents cash outflows.

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

(Registration No. 008072S)

Ganesh Balakrishnan
 Partner

 Place: Hyderabad
 Date: 30 May 2011

For and on behalf of the Board

T V Sandeep Kumar Reddy
 Vice Chairman

Chinna Gurappa
 Chief Finance Officer

T Sarita Reddy
 Executive Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

Particulars	As at 31 March 2011	As at 31 March 2010
SCHEDULE A: SHARE CAPITAL		
Authorised Capital		
(Refer point "h" of Note 1 of "B" of Schedule "O")		
65,000,000 Equity Shares of Rs.10/- each	650,000,000	430,000,000
(31.03.2010: 43,000,000 Equity Shares of Rs.10/- each)		
25,000,000 Preference Shares of Rs.10/- each	250,000,000	100,000,000
(31.03.2010: 10,000,000 Preference Shares of Rs.10/- each)		
	<u>900,000,000</u>	<u>530,000,000</u>
Issued, Subscribed and Paid-up		
42,993,140 (31.03.2010:42,993,140) Equity Shares of Rs.10/- each	429,931,400	429,931,400
Less: Adjustment of Carried Forward Loss as per the Scheme	259,185,400	
(Refer point "f" of Note 1 of "B" of Schedule "O")		
	<u>170,746,000</u>	
Less: Calls Unpaid (Reduced as per Scheme)	31,375	79,000
	<u>170,714,625</u>	<u>429,852,400</u>
Equity Share Capital Suspense Account :		
32,303,001 Equity Shares of Rs. 10 each to be issued	323,030,010	—
to the shareholders of GSRSP as per the Scheme		
Less: Adjustment of Carried Forward Loss as per the Scheme	194,739,580	
(Refer point "f" of Note 1 of "B" of Schedule "O")		
	<u>128,290,430</u>	
13,800,000 Equity Shares of Rs. 10 each to be issued		
on conversion of Unsecured Loan as per the Scheme	138,000,000	—
	<u>266,290,430</u>	
	<u>437,005,055</u>	
Preference Share Capital Suspense Account :		
6,610,210 6% Cumulative Optionally Convertible		
Preference Shares of Rs.10/- each to be issued as per	66,102,100	—
the Scheme (Refer point 7(ii) of "B" of Schedule "O")		
9,536,813 (31.03.2010: 9,536,813) 6% Cumulative		
Redeemable Preference Shares of Rs.10/- each	95,368,130	95,368,130
(Refer point 7(i) of "B" of Schedule "O")		
	<u>598,475,285</u>	<u>525,220,530</u>
SCHEDULE B: RESERVES AND SURPLUS		
Securities Premium Account		
(Refer point 1(g) of "B" of Schedule "O")		
Addition During the Year	24,150,000	—
Less: Share Issue Expenses (Net of Deferred Tax Asset Rs. Nil)	2,565,810	—
	<u>21,584,190</u>	<u>—</u>
SCHEDULE C: SECURED LOANS		
(Refer Note 8 of "B" of Schedule "O")		
A. Term Loans		
- Banks	821,357,451	602,980,037
- Others	199,160,000	—
B. Cash Credit		
- Banks	605,926,305	323,815,461
C. Vehicle Loans		
- Others	783,525	—
Interest Accrued and Due	13,002,628	3,914,345
	<u>1,640,229,909</u>	<u>930,709,843</u>
(Instalments falling due within next 12 months)	<u>301,728,000</u>	<u>90,366,000</u>
SCHEDULE D: UNSECURED LOANS		
From Companies	77,100,000	119,957,931
From Directors	—	108,294,202
	<u>77,100,000</u>	<u>228,252,133</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - E : FIXED ASSETS SCHEDULE

(Amount in Rupees)

Particulars	Gross Block				Depreciation/Amortisation					Net Block		
	As at 01 April 2010	Assets Transferred under the Scheme of Amalgamation as on April 01, 2010 (Refer Note 1)	Additions	Deletion	As at 31 March 2011	As at 01 April 2010	Cumulative Depreciation on Assets Transferred under the Scheme of Amalgamation as on April 01, 2010 (Refer Note 1)	For the year	On Deletion	Upto 31 March 2011	As at 31 March 2011	As at 31 March 2010
I. TANGIBLE ASSETS												
Land - Free Hold	20,096,247	13,244,004	-	-	33,340,251	-	-	-	-	-	33,340,251	20,096,247
Buildings	215,564,632	148,792,787	-	-	364,357,419	63,514,818	9,329,035	10,402,776	-	83,246,629	281,110,790	152,049,814
Plant & Machinery (Refer Note 2)	1,046,494,095	990,137,400	736,000	2,000,000	2,035,367,495	423,900,295	121,570,259	105,537,656	166,315	650,841,895	1,384,525,600	622,593,800
Vehicles	6,121,690	1,562,275	1,246,650	124,500	8,806,115	4,248,449	383,927	823,861	49,536	5,406,701	3,399,414	1,873,241
Furniture & Fixtures	1,525,937	533,471	-	-	2,059,408	1,205,859	130,632	330,673	-	1,667,164	392,244	320,078
Computers	3,686,371	2,769,727	41,704	-	6,497,802	3,462,497	1,336,356	454,472	-	5,253,325	1,244,477	223,874
II. INTANGIBLE ASSETS												
Goodwill on Amalgamation	-	-	121,183,880	-	121,183,880	-	-	12,113,626	-	12,113,626	109,070,254	-
Total	1,293,488,972	1,157,039,664	123,208,234	2,124,500	2,571,612,370	496,331,918	132,750,209	129,663,064	215,851	758,529,340	1,813,083,030	797,157,054
Previous Year	1,158,109,953	-	135,834,916	455,897	1,293,488,972	437,800,662	-	58,987,153	455,897	496,331,918	797,157,054	-

Notes:

1. Refer point 1(b) and 1(c) of "B" of Schedule "O".
2. Deletion represents subsidy received during the year.

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

Particulars	As at 31 March 2011	As at 31 March 2010
SCHEDULE F: CURRENT ASSETS LOANS AND ADVANCES		
1. Inventories [At cost or net realizable value]		
Stores, Spares and Others	27,152,343	20,812,533
Finished Goods		
(Including Goods-In-Transit Rs.Nil (31.03.2010) Rs.42,884,495)		
(Ref : Note 10 (b) (iii) of "B" of Schedule "O")	899,965,327	261,077,012
Stock-in-Process	23,937,847	
By-products	41,172,584	37,807,638
	<u>992,228,101</u>	<u>319,697,183</u>
2. Sundry Debtors - (Unsecured)		
Over Six Months		
Considered Good	5,584	5,584
Considered Doubtful	—	37,491,780
	<u>5,584</u>	<u>37,497,364</u>
Less: Provision for Doubtful Debts	—	37,491,780
	<u>5,584</u>	<u>5,584</u>
Others - Considered Good	91,535,123	9,587,538
	<u>91,540,707</u>	<u>9,593,122</u>
3. Cash and Bank Balances		
Cash on Hand	122,198	274,225
Balances with Scheduled Banks		
in Current Accounts	20,625,355	5,605,852
In Deposit Accounts	16,038,418	15,000,000
(Pledged with bank as security against borrowings Rs.16,038,418 (31.03.2010 Rs.Nil))		
	<u>36,785,971</u>	<u>20,880,077</u>
4. Loans and Advances - (Unsecured)		
Advances to:		
A body corporate		
(Maximum Amount due Rs. Nil (31.03.2010) Rs.123,210,188)		
(Refer Note 15 of "B" of Schedule "O")	—	115,268,588
Advances recoverable in cash or in kind or for value to be received		
Considered Good (Refer Note 4 of "B" of Schedule "O")	51,053,997	77,906,444
Considered Doubtful	3,645,045	2,109,847
	<u>54,699,042</u>	<u>80,016,291</u>
Less: Provision for Doubtful Advances	3,645,045	2,109,847
	<u>51,053,997</u>	<u>77,906,444</u>
Deposits with		
Government	6,222,859	1,018,092
Others	1,856,837	1,344,016
Prepaid Expenses	3,657,528	2,103,119
Tax Deducted at Source	805,859	687,284
	<u>63,597,080</u>	<u>198,327,543</u>
SCHEDULE G: CURRENT LIABILITIES AND PROVISIONS		
1. Current Liabilities		
Sundry Creditors		
Dues to Micro, Small and Medium Enterprises		
(Refer Note 18 of "B" of Schedule "O")	1,645,157	40,415
Due to Others	648,237,380	83,579,182
Advance from Customers	327,508	484,534
Other Liabilities	49,062,663	12,586,576
Interest Accrued But not Due	41,214,194	5,803,701
	<u>740,486,902</u>	<u>102,494,408</u>
2. Provisions		
Preference Dividend	5,722,088	5,722,088
Corporate Dividend Tax	802,523	802,523
Gratuity (Refer Note 14 of "B" of Schedule "O")	10,226,953	5,240,486
Compensated Absences (Refer Note of 14 of "B" of Schedule "O")	2,421,055	1,137,948
	<u>19,172,619</u>	<u>12,903,045</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Amount in Rupees)

PARTICULARS	For Year Ended 31 March 2011	For Year Ended 31 March 2010
SCHEDULE H: GROSS SALES		
Sale of :		
Sugar	935,507,050	488,669,865
Rectified Spirit	168,671,572	121,309,739
Power	52,027,914	3,351,264
	<u>1,156,206,536</u>	<u>613,330,868</u>
SCHEDULE I: OTHER INCOME		
Interest on Fixed Deposits with Bank [Tax deducted at source Rs. 118,575 (31.03.2010: Rs.Nil)]	1,188,956	—
Scrap Sales	868,707	1,471,600
Profit on Sale of Fixed Asset	—	78,000
Insurance Claims Received	600,841	1,526,288
Excess Provision and Credit balances written back	1,866,709	1,732,683
Miscellaneous Income	2,285,000	2,449,083
	<u>6,810,213</u>	<u>7,257,654</u>
SCHEDULE J: (INCREASE) / DECREASE IN STOCKS		
Closing Stock		
Finished Goods (Ref: Note 10 (b)(iii) of "B" of Schedule "O")	941,137,911	298,884,650
Stock in Process	23,937,847	—
	<u>965,075,758</u>	<u>298,884,650</u>
Opening Stock		
Finished Goods	298,884,650	379,393,949
Add: Stock transferred under Scheme of Amalgamation	163,162,663	—
	<u>462,047,313</u>	<u>379,393,949</u>
(Increase) / Decrease In Stock	<u>(503,028,445)</u>	<u>80,509,299</u>
SCHEDULE K: MANUFACTURING EXPENSES		
Consumption of Stores, Spares and Chemicals	99,315,565	31,627,919
Distillery Expenses	4,032,194	1,763,156
Handling Charges	6,547,002	3,145,047
Power and Fuel	9,878,128	3,536,670
Repairs and Maintenance		
Plant and Machinery	11,151,911	3,643,340
Buildings	1,062,373	112,056
Others	671,928	177,752
	<u>132,659,101</u>	<u>44,005,940</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Amount in Rupees)

PARTICULARS	For Year Ended 31 March 2011	For Year Ended 31 March 2010
SCHEDULE L: EMPLOYEE COST		
Salaries, Wages and Bonus (Ref: Note 11 of "B" of Schedule "O")	60,179,054	35,640,849
Contributions to Provident Fund	4,953,239	3,882,442
Gratuity	4,920,279	1,830,256
Compensated Absences	2,262,144	1,431,711
Staff Welfare Expenses	2,749,064	1,919,521
	<u>75,063,780</u>	<u>44,704,779</u>
SCHEDULE M: ADMINISTRATION AND SELLING EXPENSES		
Rent, Rates and Taxes	3,988,095	3,899,400
Insurance	2,544,333	1,007,171
Travelling and Conveyance	4,170,481	3,160,318
Printing and Stationery	307,356	224,726
Communication Expenses	937,286	661,419
Legal and Professional Charges	2,872,673	1,753,425
Director's Sitting Fee	57,000	59,000
Auditor's Remuneration	1,200,000	800,000
Loss on Sale of Fixed Assets (Net)	62,864	—
Bad Debts	—	793,353
Provision for Doubtful Debts	—	2,109,847
Amalgamation Expenses	1,480,472	—
Other Expenses	6,426,146	4,096,557
Selling Expenses	152,304	332,540
	<u>24,199,010</u>	<u>18,897,756</u>
SCHEDULE N: INTEREST AND FINANCE CHARGES		
Interest:		
Term Loans	124,655,541	24,519,240
Cash Credit	71,627,142	23,890,916
Debentures	—	48,865,754
Others	3,526,695	2,122,305
Bank and Other Finance Charges	9,597,758	1,608,729
	<u>209,407,136</u>	<u>101,006,944</u>

SCHEDULE-O : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of preparation of financial statements :

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. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported year. Actual results could differ from those estimates.

3. 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.

Goodwill on Amalgamation is being amortised on Straight Line Basis over a period of ten years.

4. 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.

5. 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 including borrowing 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.

6. 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.

7. 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 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 leave is treated as a short term liability and is accounted for as and when earned by the employee.

8. 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.

9. Borrowing Costs

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

10. 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 and Loss account on Straight Line basis over the lease term.

11. Earnings Per Share

The basic and diluted earnings per share ("EPS") are calculated by dividing the profit / (loss) after tax by the weighted average number of Equity Shares outstanding. Diluted earnings per share is computed by dividing net profits for the year, adjusted for the effects of dilutive potential equity shares, attributable to the Equity Shareholders by the weighted average number of the equity shares and dilutive potential equity shares outstanding during the year except where the results are anti dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date.

12. Provisions 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. Scheme of Arrangement between the Gayatri Sugars Limited ("GSL", "the Transferee Company", "the Company") and GSR Sugars Private Limited ("GSR SPL", "the Transferor Company"):

Pursuant to the Scheme of Arrangement ("the Scheme") between Gayatri Sugars Limited ("GSL", the "transferee company", "the Company") and GSR Sugars Private Limited ("GSR SPL", the "transferor company"), as approved by the respective company's shareholders and subsequently approved by the Hon'ble High Court of Andhra Pradesh on February 18, 2011. The approved Scheme was filed with the Registrar of Companies – Andhra Pradesh, on March 23, 2011. The board of directors at their meeting held on April 08, 2011 have taken on record the aforesaid order of the Hon'ble High Court of Andhra Pradesh for Scheme of Amalgamation. The board of directors at their meeting held on April 29, 2011, have allotted the shares to the eligible shareholders, as per the Scheme of Amalgamation.

The salient features of the scheme implemented are as under:

- a) The amalgamation was classified as in the nature of "Merger" and was accounted under "Pooling of Interest Method" as per Accounting Standard 14 (AS 14) "Accounting for Amalgamations". Accordingly, the assets, liabilities and other reserves of the erstwhile GSR SPL have been taken over at their book values.
- b) The entire business and undertaking of GSR SPL including all assets, liabilities, duties and obligations have been transferred to and vested in the Company with effect from April 01, 2010;
- c) The Assets and Liabilities taken over from the GSR SPL as per the scheme of arrangement is as follows:

Particulars	Amount in Rupees
Gross Block of Fixed Assets	1,157,039,664
Depreciation	132,750,209
Net Block of Fixed Assets	1,024,289,455
Capital Work in Progress	1,162,176
Inventories :	
Stores, Spares and Others	5,062,084
Finished Goods	163,162,663
Sundry Debtors	5,989,619
Cash and Bank Balances	16,704,858
Loans and Advances	48,911,276
Total Assets	1,265,282,131
Secured Loans	864,031,940
Current Liabilities and Provisions	199,246,088
Share Application Money	110,345
Total Liabilities	1,063,388,373
Net Assets taken over as per Scheme of Arrangement	201,893,758
Consideration – Share Issued to GSR SPL Shareholders	323,030,013
Goodwill Arising out of Amalgamation	121,136,255
Add: Reduction in Call in arrears as per Scheme	47,625
Net Goodwill Accounted on Amalgamation	121,183,880

- d) The issued and paid up capital of GSR SPL shall be reduced and restructured to the extent of the accumulated losses as at March 31, 2010;

- e) The shareholders of GSR SPL shall be issued 16 shares in GSL for every 10 shares held in GSR SPL.
- f) The share capital of the GSL after issue of equity shares to the shareholders of GSR SPL to be reduced and restructured to the extent of accumulated loss amounting to Rs.259,185,400/- out of total accumulated loss of Rs.453,924,980/- as at March 31, 2010 adjusted against the existing capital of Rs.429,931,400/- and the balance of Rs.194,739,580/- against potential allotment of Equity shares to shareholders of GSR SPL. The reduced share capital to be consolidated into 29,903,643 equity shares of Rs.10 each;
- g) The unsecured loans of promoters of Rs.228,252,100/- as on March 31, 2010 in the GSL to be converted into 13,800,000 equity shares of Rs.10 each at a premium of Rs.1.75 per share and 6,610,210 (total Securities Premium Rs.24,150,000/-) cumulative optionally convertible preference shares of Rs.10 each at a coupon rate of 6% p.a.
- h) As per the scheme of arrangement, the authorized capital of the GSL and the GSR SPL shall stand clubbed together. The Authorized Capital shall be as under :

Particulars	Number of shares	Face Value per share (Rs.)	Total Share Capital (Rs.)
Equity Shares	65,000,000	10	650,000,000
Preference shares	25,000,000	10	250,000,000
Total			900,000,000

- i) No fractional shares shall be issued pursuant to the scheme. Fractional shares arising shall be consolidated into fully paid up shares of Rs.10 each and shall be issued to a Trustee appointed by the Board of the Transferee Company who shall within reasonable time sell such shares in one or more tranches in the stock market or otherwise and distribute the net proceeds thereof after deducting the reasonable expenses at actuals and taxes, if any to those who are entitled for such fractional entitlement or shares.
2. Contingent Liabilities Not Provided for:
 - a) Dividend on 6% Cumulative Preference Shares-Rs.26,601,414/- (31.03.2010-Rs.19,951,060/-).
 - b) Dividend on 6% Cumulative Optionally Convertible Preference Shares - Rs.4,609,531/- (31.03.2010 - Nil).
 - c) Claims against the company not acknowledged as debt Rs.2,299,377/- (31.03.2010 - Rs.2,299,377/-).
 - d) Crop loans given to farmers by the banks have been guaranteed by the Company. Amount outstanding Rs.156,246,160/- (31.3.2010 - Rs.68,289,157/-)
 3. During the year, Company has considered interest paid on working capital as part of the cost in the valuation of Finished Good Inventory. Had the valuation been done as in the previous year (without considering the interest paid on working capital as part of the cost), the loss for the year would have been higher by Rs.42,705,608/- the finished good inventory value would have been lower by Rs.42,705,608/-.
 4. Loans and Advances include Rs.10,490,081/- receivable from Banks paid towards interest on loans under SEFASU (Scheme for Extending Financial Assistance to Sugar Undertakings). Under the scheme, the concessional interest is reimbursed by the Central Government directly to the banks. Upon reimbursement from the Central Government the interest recovered by the banks will be reimbursed to the Company. Considered good for recovery by the management.
 5. The Company had made the provision towards preference dividend of Rs.5,722,088/- and dividend distribution tax thereon of Rs.802,523/- during the year ended March 31, 2007. In view of the carried forward losses in the books, the Company had not remitted the dividend and tax thereon and is in the process of obtaining consent for not remitting the same.

6. During the year, the Company paid donation of Rs.6,00,000/- to public charitable institutions, which is subject to the approval of the members.
7. Terms of redemption of Preference shares:
 - i. 9,536,813 6% Cumulative Redeemable Preference Shares are due for redemption on or after April 01, 2017.
 - ii. 6,610,210 6% Cumulative Optionally Convertible Preference Shares are due for redemption at the end of 5 years from the appointed date (i.e. April 01, 2010) or convertible into equity shares of Rs.10 each at a premium of Rs.1.75 per share, at the option of the preference shareholders.
8. **Secured Loans:-**
 - i. Kamareddy Unit
 - a. Term Loan from Indian Overseas Bank (IOB) is secured by an exclusive first charge on the buildings and plant and 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. Term Loan from YES BANK Limited is secured by an exclusive first charge on all the fixed assets of the company, both present and future including the land on which distillery assets have been set up excluding the building and plant and equipment solely relating to the distillery unit charged to IOB and second pari-passu charge on the fixed assets of distillery unit along with working capital banks. Further, the term loan is secured by way of pledge and non-disposal undertaking of the equity shares of the promoters in Gayatri Sugars Limited (15,419,668 of Rs.10 each) and GSR Sugars Private Limited (28,681,000 of Rs.10 each) at the time of availing term loan on March 31, 2010.
 - 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 and Cash Credits loans are guaranteed by the promoter directors of the Company.
 - ii. Nizamsagar Unit
 - a. Term Loan from Union Bank of India and Andhra Bank are secured by a pari-passu first charge on the immovable and movable properties of the Company both present and future whether installed or not and secured by equitable mortgage by way of deposit of title deeds of land in favour of the banks.
 - b. Term Loan from Sugar Development Fund (SDF) is secured by the exclusive second charge created in favour of Government of India on the whole of the immovable and moveable properties of the Company both present & future whether installed or not and by the exclusive second charge in favour of the Government of India on the Company's Inventories and book debts.
 - c. The above loan (SDF) is given for a period of 13 years including moratorium period of 8 years. The first installment is falling due on April 01, 2014.
 - d. Term Loan – Scheme of 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 pari-passu residual charge by way of hypothecation of movable properties (excluding the inventories and book debts) both present and future.

- e. Working Capital Loan 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.
 - f. The Loans are further secured by way of personal guarantee of certain Directors.
 - g. Vehicle loans are secured by Hypothecation of Vehicles.
9. Estimated amount of contracts remaining to be executed on account of Capital expenditure and not provided for Rs.475,000/- (31.3.2010- Rs. Nil), net of advances is Rs. Nil (31.3.2010 - Rs. Nil).
 10. Additional Information as required pursuant to Para 3 and 4 (C and D) of the Part II of the Schedule VI of the Companies Act, 1956.

a. Particulars regarding Capacity and Production :

	Particulars	UOM	2010 - 11	2009 -10
i.	Sugar			
	Licensed*			
	a. Kamareddy Unit	TCD	5,000	5,000
	b. Nizamsagar Unit	TCD	4,000	—
	Installed*			
	a. Kamareddy Unit	TCD	3,500	3,500
	b. Nizamsagar Unit	TCD	3,000	—
	Actual Production			
	a. Kamareddy Unit	QTL	323,320	108,910
	b. Nizamsagar Unit	QTL	252,799	—
	(excludes reprocess of BISS Sugar 1500 quintals at Kamareddy Unit and 3430 quintals at Nizamsagar Unit)			
ii.	Rectified Spirit –Kamareddy Unit			
	Licensed*	KLPD	50	50
	Installed*	KLPD	50	50
	Actual Production	Liters	6,069,328	3,656,928
iii.	Molasses			
	Actual Production			
	a. Kamareddy Unit	MT	11,786	4,138
	b. Nizamsagar Unit	MT	14,200	—
iv.	Power			
	Licensed*			
	a. Kamareddy Unit	MW	9	9
	b. Nizamsagar Unit	MW	16.25	—
	Installed*			
	a. Kamareddy Unit	MW	9	9
	b. Nizamsagar Unit	MW	16.25	—
	Actual Production			
	a. Kamareddy Unit	KWH	17,848,000	8,077,338
	b. Nizamsagar Unit	KWH	23,641,000	—

* As certified by the Management.

b. Sales and Stock

(Amount in Rupees)

	Particulars	UOM	2010-11		2009-10	
			Qty	Value (Rs.)	Qty	Value (Rs.)
i.	Opening Stock					
A	Finished Goods					
	Sugar					
	- Kamareddy Unit	QTL	67,646	173,292,732	163,319	299,096,513
	- Nizamsagar Unit	QTL	42,962	111,289,472	-	-
	Sub-total		110,608	284,582,204	163,319	299,096,513
	Sugar in Transit					
	- Kamareddy Unit	QTL	15,379	42,884,495	—	—
	- Nizamsagar Unit	QTL	14,763	38,815,796	—	—
	Sub-total	QTL	30,142	81,700,291	—	—
	Rectified Spirit	Liters	1,425,390	44,899,785	1,652,269	39,522,274
	Total (a)			411,182,280		338,618,787
B	By Products					
	Molasses					
	- Kamareddy Unit	MT	6,423	37,121,638	7,250	40,308,302
	- Nizamsagar Unit	MT	2,262	13,057,395	—	—
	Sub-total	MT	8,685	50,179,033	7,250	40,308,302
	Bagasse					
	- Kamareddy Unit	MT	686	686,000	502	466,860
	- Nizamsagar Unit	MT	—	—	—	—
	Sub-total	MT	686	686,000	502	466,860
	Total (b)			50,865,033		40,775,162
	Total (a+b)			462,047,313		379,393,949
ii	Sales					
	Sugar					
	- Kamareddy Unit	QTL	146,408	401,188,070	189,204	488,669,865
	- Nizamsagar Unit	QTL	197,717	534,318,980	—	—
	Sub-total	QTL	344,125	935,507,050	189,204	488,669,865
	Rectified Spirit	Liters	6,855,070	168,671,572	3,883,807	121,309,739
	Molasses					
	- Transfer to / Consumption at Distillery	MT	21,767	—	4,965	—
	Power					
	- Kamareddy Unit	KWH	5,665,800	14,921,244	1,117,200	3,351,264
	- Nizamsagar Unit	KWH	14,109,000	37,106,670	—	—
	Sub-total	KWH	19,774,800	52,027,914	1,117,200	3,351,264
	TOTAL			1,156,206,536		613,330,868

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(Amount in Rupees)

	Particulars	UOM	2010-11		2009-10	
			Qty	Value (Rs.)	Qty	Value (Rs.)
iii	Closing Stock					
	Finished Goods					
	Sugar*					
	- Kamareddy Unit	QTL	259,937	619,623,287	83,025	216,177,227
	- Nizamsagar Unit	QTL	112,807	263,551,280	—	—
	Sub-total	QTL	372,744	883,174,567	83,025	216,177,227
	Rectified Spirit	Liters	639,648	16,790,760	1,425,390	44,899,785
	Total			899,965,327		261,077,012
	By-products					
	Molasses (ByProduct)					
	- Kamareddy Unit	MT	4,275	13,256,488	6,423	37,121,638
	- Nizamsagar Unit	MT	8,630	24,788,296	—	—
	Sub-total	MT	12,905	38,044,784	6,423	37,121,638
	Bagasse (ByProduct)					
	- Kamareddy Unit	MT	3,028	3,027,800	686	686,000
	- Nizamsagar Unit	MT	100	100,000	—	—
	Sub-total	MT	3,128	3,127,800	686	686,000
				41,172,584		37,807,638
	TOTAL			941,137,911		298,884,650

* Includes 57,897 quintals (31.03.2010 11,289 quintals) of Levy Sugars valued at Net Realizable Value.

c. Details of Raw Materials Consumed

(Amount in Rupees)

	Particulars	UOM	2010-11		2009-10	
			Qty	Value (Rs.)	Qty	Value (Rs.)
i.	Sugarcane					
	- Kamareddy Unit	MT	307,020	604,324,314	106,778	237,710,232
	- Nizamsagar Unit	MT	250,250	493,624,238	—	—
	Sub-total	MT	557,270	1,097,948,552	106,778	237,710,232
ii.	Molasses	MT	26,067	25,996,701	17,277	76,709,112
	TOTAL			1,123,945,253		314,419,344

d. Value of imported and indigenous materials consumed:

(Amount in Rupees)

i.	Raw material – Sugarcane and Molasses	2010-11		2009-10	
		—	—	—	—
	- Imported	100%	1,123,945,253	100%	314,419,344
	- Indigenous	100%	1,123,945,253	100%	314,419,344
	TOTAL	100%	1,123,945,253	100%	314,419,344
ii.	Stores, Spares & Consumables				
	- Imported	—	—	—	—
	- Indigenous	100%	99,315,565	100%	31,627,919
	TOTAL	100%	99,315,565	100%	31,627,919

11. Directors' Remuneration: Executive Director (Refer Schedule – L) :
(Amount in Rupees)

Particulars	2010-11	2009-10
Salary	3,375,000	3,375,000
Allowances	324,000	324,000
Perquisites	243,256	258,116
TOTAL	3,942,256	3,957,116

Executive Director of the Company was appointed with effect from May 1, 2010 for a period of three years. The members have approved the remuneration and are subject to approval of the Central Government.

12. Earnings Per Share:
(Amount in Rupees)

Particulars	Units	2010-11	2009-10
Loss After Tax	Rupees	(94,782,687)	(51,943,052)
Preference dividend not declared	Rupees	(11,259,885)	(6,694,557)
Loss after preference dividend	Rupees	(106,042,572)	(58,637,609)
Weighted Average Equity Shares	No.	43,703,643	42,993,140
Equity shares as at the beginning of the year	No.	42,993,140	—
Net adjustment for reduction and potential issue of shares	No.	710,503	—
Weighted average number of shares	No.	43,703,643	—
Basic and Diluted Earnings Per Share	Rupees	(2.43)	(1.36)
Face Value of Equity Share	Rupees	10	10

As the Company has incurred the loss during the year, no diluted earnings per share have been calculated, since it is anti-dilutive.

13. 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:

	Sugar		Distillery		Elimination		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
REVENUE								
External Sales	921,826,450	482,020,770	168,489,549	121,309,739	—	—	1,090,315,999	603,330,509
Inter-segment sales	64,888,762	31,489,898	—	—	64,888,762	31,489,898	—	—
Total Revenue	986,715,212	513,510,668	168,489,549	121,309,739	64,888,762	31,489,898	1,090,315,999	603,330,509
Results	149,946,050	57,127,770	(42,131,813)	(15,321,531)	—	—	107,814,237	41,806,238
Unallocated corporate Expenses	—	—	—	—	—	—	—	—
Operating Profit	149,946,050	57,127,769	(42,131,813)	(15,321,531)	—	—	107,814,237	41,806,238
Interest expenses	188,272,652	76,908,948	21,134,485	24,097,996	—	—	209,407,137	101,006,944
Interest and other income	—	—	—	—	—	—	6,810,213	7,257,654
Net Loss	—	—	—	—	—	—	(94,782,687)	(51,943,052)
OTHER INFORMATION								
Segment Assets	2,502,271,888	833,095,411	390,924,077	512,559,569	—	—	2,893,195,965	1,345,654,980
Unallocated corporate assets	—	—	—	—	—	—	109,070,254	—
Total Assets	2,502,271,888	833,095,411	390,924,077	512,559,569	—	—	3,002,266,219	1,345,654,980
Segment Liabilities	2,153,096,678	756,453,018	240,268,142	283,129,668	—	—	2,393,364,820	1,039,582,685
Unallocated corporate liabilities	—	—	—	—	—	—	83,624,611	234,776,744
Total Liabilities	2,153,096,678	756,453,018	240,268,142	283,129,668	—	—	2,476,989,431	1,274,359,429
Capital Expenditure - Tangible	2,024,354**	135,834,916	—	—	—	—	2,024,354	135,834,916
Depreciation	97,247,458	40,087,550	20,301,980	18,899,603	—	—	117,549,438	58,987,153
Unallocated Amortisation	—	—	—	—	—	—	12,113,626	—
Total Depreciation / Amortisation	109,361,084	40,087,550	20,301,980	18,899,603	—	—	129,663,064	58,987,153

* Includes sale of power Rs.52,027,914/- (31.03.2010 Rs.3,351,264/-), as the Product has not satisfied the condition of 10% of total revenue as stated in AS-17, the same has been included in Revenue of Sugar Segment.

** Excludes Goodwill Rs.121,183,880/- arising on Amalgamation.

14. 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, 2011.

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

(Amount in Rupees)

Particulars	Gratuity		Compensated Absences	
	2010-11	2009-10	2010-11	2009-10
Current Service Cost	8,21,182	3,60,777	268,481	42,363
Interest Cost	460,146	3,84,357	121,609	1,02,408
Past Service Cost	21,323	—	—	—
Actuarial Loss /(Actual Gain)	3,617,628	10,85,122	1,872,054	12,86,940
Total expense /(Gain) recognized in the Statement of Profit and Loss Account	4,920,279	18,30,256	2,262,144	14,31,711

Actual Contribution and Benefit Payments

(Amount in Rupees)

Particulars	Gratuity		Compensated Absences	
	2010-11	2009-10	2010-11	2009-10
Actual Benefit Payments	(4,45,157)	(13,94,233)	(1,361,200)	(15,73,871)
Actual Contributions	—	—	—	—

Change in Defined Benefit Obligations (DBO)
(Amount in Rupees)

Particulars	Gratuity		Compensated Absences	
	2010-11	2009-10	2010-11	2009-10
Present Value of DBO at the beginning of the year*	5,751,831	48,04,463	1,520,111	12,80,108
Current Service Cost	8,21,182	3,60,777	268,481	42,363
Interest Cost	460,146	3,84,357	121,609	1,02,408
Actuarial Loss / (Gain)	3,617,628	10,85,122	1,872,054	12,86,940
Past Service Cost	21,323	—	—	—
Benefits Paid	(4,45,157)	13,94,233	(1,361,200)	15,73,871
Present Value of DBO at the End of Year	1,02,26,953	52,40,486	24,21,055	11,37,948

*Includes opening balance of the Transferor Company.

Actuarial Assumptions

Particulars	2010-11	2009-10
Discount Rate	8%	8%
Salary Escalation Rate	4%	4%
Attrition Rate	5%	5%

Note:

- (i) In accordance with the payment of Gratuity Act, 1972 the company provides for gratuity covering eligible employees.
- (ii) The discount rate is based on the prevailing market yield on Indian Government Securities as at the balance sheet date for the estimated term of the obligations.

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

(Amount in Rupees)

Name of the Company	Balance as on		Maximum outstanding during	
	31.3.2011*	31.3.2010	2010-11*	2009-10
Loans to companies in which directors are interested GSR Sugars Private Limited	—	115,268,588	—	123,210,188
Loans and advances where there is no repayment schedule	—	115,268,588	—	123,210,188
Loans where no interest is charged or interest is below section 372 A of Companies Act, 1956.	—	115,268,588	—	123,210,188

* Not Applicable: GSR Sugars Private Limited amalgamated with the Company with effect from 01.04.2010.

16. Related Party Disclosures for the year ended March 31, 2011
(i) List of Related parties:

S. No.	Particulars	Relationship
1.	Dr. T Subbarami Reddy	Promoter / Shareholder
2.	Smt. T Indira Subbarami Reddy	Key Management Personnel
3.	Sri. TV Sandeep Kumar Reddy	
4.	Smt. T Sarita Reddy	
5.	GSR Sugars Private Limited (amalgamated with company w.e.f. April 01, 2010)	Company Under Common Management
6.	Gayatri Projects Limited	
7.	Gayatri Financial Holdings Limited	
8.	TSR Holdings Private Limited	
9.	Deep Corporation Private Limited	
10.	Gayatri Tissue and Papers Limited	
11.	Mohan Project Contractors Private Limited	Major shareholder having common independent director
12.	TSR Foundation	Trust under Common Management

(ii) The related party transactions for the company during the year under audit as per Accounting Standard - 18 are as under:
(Amount in Rupees)

Particulars	Key Management Personnel	Relatives of key management personnel	Other related parties	Total
Remuneration T Sarita Reddy –ED	3,942,256 (3,957,116)	— —	— —	3,942,256 (3,957,116)
Issue of Equity Shares (Including Premium of Rs.1.75 per share amounting Rs.24,150,000) : (Refer 1(g) above)				
Dr. T Subbarami Reddy	36,203,207 (—)	— —	— (—)	36,203,207 (—)
Smt. T Indira Subbarami Reddy	15,000,003 (—)	— —	— (—)	15,000,003 (—)
Sri. TV Sandeep Kumar Reddy	57,090,994 (—)	—	— (—)	57,090,994 (—)
Gayatri Financial Holdings Limited	— (—)	— (—)	53,855,796 (—)	53,855,796 (—)
Total				162,150,000

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Issue of Preference Shares : (Refer 1(g) above)				
Mohan Project Contractors Private Limited	— (—)	— (—)	49,000,000 (—)	49,000,000 (—)
Gayatri Financial Holdings Limited	— (—)	— (—)	17,102,100 (—)	17,102,100 (—)
Total				66,102,100
Purchase of Goods GSR Sugars Private Limited	— (—)	— (—)	— (49,739,824)	— (49,739,824)
Receipt of Services (Mohan Project Contractors Private Limited)	— (—)	— (—)	— (1,862,124)	— (1,862,124)
Advance given (GSR Sugars Private Limited)	— (—)	— (—)	— (33,530,691)	— (33,530,691)
Advance received Mohan Project Contractors Private Limited	— (—)	— (—)	77,100,000 (—)	77,100,000 (—)
Sri. TVSandeep Kumar Reddy	— (1,650,000)	— (—)	— (—)	— (1,650,000)
Contributions towards Donations –TSR Foundation	— —	— —	600,000 (600,000)	600,000 (600,000)
Rent paid Deep Corporation Private Limited	— (—)	— (—)	7,13,133 (—)	7,13,133 (—)

(iii) Related Party Balances:

(Amount in Rupees)

a. Receivable : (GSR Sugars Private Limited)	—	—	— (115,268,588)	— (115,268,588)
Payables (Unsecured Loans)				
a.Mohan Project Contractors Private Limited	— (—)	— (—)	77,100,000 (49,000,000)	77,100,000 (49,000,000)
b.Gayatri Financial Holdings Limited	— (—)	— (—)	— (70,957,931)	— (70,957,931)
Total			77,100,000 (119,957,931)	77,100,000 (119,957,931)
c. Dr. T Subbarami Reddy	— (36,203,202)	— —	— —	— (36,203,202)
d.Smt. T Indira Subbarami Reddy	— (15,000,000)	— —	— —	— (15,000,000)
e. Sri TVSandeep Kumar Reddy	— (57,091,000)	— —	— —	— (57,091,000)
Total	— (108,294,202)	— —	— —	— (108,294,202)

Figures in brackets represents previous year.

17. Auditors Remuneration :

(Amount in Rupees)

Particulars	2010-11	2009-10
Statutory Audit Fee	1,200,000	800,000
Total	1,200,000	800,000

18. Details as per the requirements under MSMED Act 2006 :

(Amount in Rupees)

S No	Particulars	2010-11	2009-10
1	Principal amount remaining unpaid at the end of the year	1,645,157	27,752
2	The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appropriate date	—	—
3	The amount of interest due and payable for the period of delay in making payment.	—	12,663
	Total	1,645,157	40,415

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

19. The Company has not created Deferred Tax Asset arising on account of carried forward business losses and unabsorbed depreciation in the book of accounts on the basis of prudence.
20. The financial results of the current year are inclusive of the results of the transferor Company (i.e. GSR Sugars Private Limited) being amalgamated with the Company effective April 01, 2010, the figures of current year are not comparable with that of the previous year.
21. Figures for the previous year have been regrouped and reclassified wherever necessary.

For and on behalf of the Board

TV Sandeep Kumar Reddy
Vice Chairman

T Sarita Reddy
Executive Director

Place: Hyderabad
Date: 30 May 2011

Chinna Gurappa
Chief Finance Officer

GAYATRI SUGARS LIMITED

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

FORM OF PROXY

I/We of
..... being
a member/members of Gayatri Sugars Limited hereby appoint
..... of
..... failing
him/her of
..... as my/
our proxy to vote for me/us and of my/our behalf at the 16th Annual General Meeting to be held
at 4.00 p.m. on Wednesday, the 10th August, 2011 or at any adjournment thereof.

Signed this day of of 2011

Affix
Re. 1/-
revenue
stamp

Regd Folio No.

No of Shares

ATTENDANCE SLIP

16th 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 16th Annual General Meeting of the Company on Wednesday,
the 10th August, 2011.

.....
*Member/Proxy Signature

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

If undelivered, please return to :

Unit : GAYATRI SUGARS LIMITED

Venture Capital and Corporate Investments Pvt. Ltd.

H.No. 12-10-167, Bharat Nagar,

Hyderabad - 500 018.

Ph: 2381 8475, 2381 8476