



BioOrganics Limited
(Formerly Gayatri Starchkem Limited)

20th Annual Report 2010 - 11

20th Annual General Meeting

Day : **Tuesday**

Date : **27th September 2011**

Time : **03.00 P.M.**

Venue : “SURANA UDYOG AUDITORIUM”,
FAPCCI Building, Federation House,
11-6-841, Red Hills, Hyderabad – 500 004

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COMPANY INFORMATION

BOARD OF DIRECTORS

| | |
|-----------------------------------|---|
| Sri T. Sandeep Kumar Reddy | <i>Chairman</i> |
| Sri P. Maruthi Babu | <i>Director</i> |
| Sri T.G. Pandya | <i>Director</i> |
| Sri J. N. Karamchetti | <i>Director</i> |
| Smt T. Sarita Reddy | <i>Director</i> |
| Sri. T. R. Rajagopalan | <i>Director</i> |
| Sri. C.V. Rayudu | <i>Whole Time Director</i> (w.e.f. 28/05/2011) |

COMPANY SECRETARY : **K.S.V.S. Sastry**

AUDITORS : M/s. BSR and Co
Chartered Accountants
Reliance Humsafar
IV floor, Road No:11
Banjara Hills
Hyderabad - 500034

**REGISTERED OFFICE&
INVESTOR RELATION DEPT.,** : 6-3-1090/C/A/1, 1st floor
Lovely Mansion, Rajbhavan Road,
Somjiguda, Hyderabad - 500 082.
Ph: 66100111/66100222, Fax:66100333
E-mail: info@gayatribioorganics.com

FACTORY:

- 1) NH-9, Nandikandi Village
Sadasivapet Mandal
Medak District
Andhra Pradesh - 502 306
- 2) Balabhadrapuram Village
Biccavole Mandal
East Godavari District
Andhra Pradesh - 533343

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NOTICE

NOTICE is hereby given that the **20th Annual General Meeting** of the members of Gayatri BioOrganics Limited will be held at the "SURANA UDYOG AUDITORIUM", FAPCCI Building, Federation House, 11-6-841, Red Hills, Hyderabad-500004 on Tuesday, 27th day of September, 2011 at 03.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet of the company as at 31.03.2011 and the Profit and Loss account for the year ended on that date and the Report of Directors' and the Auditors thereon.
2. To appoint a Director in place of Sri. T.G. Pandya, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri. P.Maruthi Babu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri. T. Sandeep Kumar Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

To consider and, if thought fit, to pass with or without modification(s), following Resolution as an **Ordinary Resolution:**

"RESOLVED THAT M/s. B S R and Co, Chartered Accountants, Reliance Humsafar, IV floor, Road No:11, Banjara Hills, Hyderabad - 500034 be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and are hereby authorized to fix their remuneration."

SPECIAL BUSINESS:

6. **To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Sri C.V. Rayudu who was appointed as an Additional Director in the meeting of the Board of Directors held on 28th May 2011, whose term expires at the ensuing Annual General Meeting of the Company and for the appointment of whom the Company has received a notice in writing proposing his candidature for the office of the Director be and is hereby appointed as a Director of the Company whose period of office shall not be liable to retire by rotation."

7. **To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of sections 198, 269 and 309 and other applicable provisions, if any of the Companies Act, 1956 read with Schedule XIII as amended, the approval of the members of the Company be and is hereby accorded to appointment of Sri. C.V. Rayudu, as Non Rotational Whole Time Director for a period of 3 years with effect from 28th May, 2011 on a Monthly Remuneration of Rs.1,50,000/- excluding the perquisites as mentioned below.

- a. Contribution to Provident Fund as per Service Rules of the Company
- b. Reimbursement of Medical Expenditure for an amount of Rs.15,000/- per annum
- c. Leave Travel Allowance for an amount of Rs.25,000/- per annum
- d. Gratuity payable shall not exceed half a month's salary for each completed year of service."

"FURTHER RESOLVED THAT the said remuneration shall be the minimum remuneration payable to Sri. C.V. Rayudu as Whole Time Director of the Company pursuant to the provisions of Section II part II of the Companies Act, 1956 as amended from time to time subject to the compliance in the event of inadequate profits during any particular period."

By Order of the Board

Sd/-

T. Sandeep Kumar Reddy
Chairman

Place: Hyderabad
Date: 11.08.2011

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Books will remain closed from 23rd September, 2011 to 27th September 2011 (both days inclusive).
4. The Members are requested to intimate immediately any change in their address to the Company at the Registered Office or M/s Venture Capital and Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad 500018.
5. Members desiring any information as regards the Accounts are requested to write to the Company not less than seven days before the date of the meeting to enable the Management to keep the information ready at the meeting.
6. Members / Proxies are requested to bring their Annual Report to the meeting and the attendance slip duly filed in for attending the meeting. Copies of Annual Reports will not be provided at the meetings.
7. 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

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

ITEM NO. 6 & 7

Sri C.V. Rayudu was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 28th May, 2011. Pursuant to Section 260 of the Companies Act, 1956, Sri C.V. Rayudu holds office only up to the Annual General Meeting. As required under Section 257 of the said Act, notice has been received from a member along with deposit of Rs. 500/- signifying his intention to propose Sri C.V. Rayudu as a candidate for the office of Director.

The Board of Directors has also appointed Sri C.V. Rayudu as a Whole Time Director of the Company for a period of 3 years effective from 28th May, 2011 on the terms and conditions as set out in the resolution, subject to the approval of shareholders of the Company.

The remuneration payable to Sri C.V. Rayudu was also approved by the remuneration committee of the company.

Sri. C.V. Rayudu is a B.com, B.L. Graduate and having his Post graduation in MPM. He is having around 26 years of rich experience in various Starch and Other Industries. As on the date of his appointment as Whole Time Director of the Company, he was holding the position of Vice President (Operations) and in charge of the whole operations of the Company. He is associated with our Company for the last 12 years and instrumental in bringing up the company out of BIFR and improving the financial performance of the Company.

As per the provisions of Section 198, 269 and 309 read with Schedule XIII to the Companies Act, 1956, the appointment of and remuneration to Whole Time Director requires the approval of the shareholders in General Meeting by way of a special resolution.

None of the Directors of the Company is interested in the above resolution.

By Order of the Board

Sd/-

T. Sandeep Kumar Reddy
Chairman

Place: Hyderabad
Date: 11.08.2011

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DIRECTORS' REPORT

To
The Members of
Gayatri BioOrganics Limited
Your Directors present the Twentieth Annual Report along with the Audited Financial Statements and the Auditor's Report thereon for the period ended 31st March, 2011.

FINANCIAL RESULTS

| | Rs. in lakhs | |
|--------------------------|-----------------|------------|
| | 31.03.2011 | 31.03.2010 |
| Income from Operations | 8,652.64 | 6,164.41 |
| Other Income | 90.51 | 62.67 |
| Total Income | 8,743.16 | 6,227.08 |
| Total Expenditure | 7,798.38 | 5,698.64 |
| Finance Charges | 312.81 | 84.58 |
| Depreciation | 306.39 | 294.68 |
| Provision for Taxation | 38.50 | -- |
| Net Profit / (Loss) | 287.07 | 149.18 |

PERFORMANCE DURING THE YEAR UNDER REVIEW

SORBITOL DIVISION

The Company produced 7,313 MTs of Sorbitol during the Financial Year ended 31st March, 2011 which is nearly 85.53 % of the installed capacity. The Company also targeted achieving 100% installed capacity of the Sorbitol Plant and succeeded in achieving the same by end of the quarter.

STARCH DEPARTMENT

Even though the performance of this plant is better when compared to previous year, there is still scope for improvement if the market conditions are more conducive. The Company crushed 53,730 MTs maize as against 40,007 MTs maize during the previous year.

The Company has also acquired another existing Starch Plant with a installed capacity of 45000 MTPA located at Balabhadrapuram Village, Biccavole Mandal, East Godavari District, Andhra Pradesh and also commenced the commercial production at the said unit. The benefits from this unit is expected to accrue from the second half of the year.

EXPORTS

The Company did not do any exports during the year since the prices in international markets continue to be unremunerative.

OUTLOOK FOR THE FINANCIAL YEAR 2010-11

It is gratifying to say that the products of this Company are well accepted in the market and are being patronized by the major clients. The Company is hopeful of achieving 100% of the installed capacity.

The maize crop during the year in the state is good and bumper harvest is expected. With this scenario we are hopeful of achieving higher operational levels at both the units of the company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Industry Structure and Developments.

Sorbitol and Starch industries in India are very much fragmented and scattered through out India. In case of Sorbitol at present only four major players are there in South India. When it comes to Starch, nearly 50% of Indian Starch production comes from Gujarat where four major Starch Factories are located.

The growth in demand for Sorbitol is fluctuating. Presently the prices are encouraging. When it comes to Starch, since 60% of starch goes for food based industry, the demand is not even throughout the year. Further the industry is also suffering from excess capacity and can be compensated only when the demand picks up continuously.

b. Opportunities, Threats, Risks and concerns

Starch Industry has a very bright future as its application in various other industries which are showing good developments in the recent past. However, raw material availability at reasonable prices and cheaper imports of starch from the neighboring Countries will have an impact on the profitability of the Industry and your Company is not an exception to it.

The company has also facing the threat of import of Sorbitol.

However, your company is likely to face competition from other competitors; there may be risks inherent in meeting unforeseen situations not uncommon in the industry. Your company is aware of these challenges and is geared to meet them.

c. Out look

The outlook for the company's products is reasonably good but the management feels that the company can achieve better results only if it can reach its full capacities which is possible only when the company is provided with sufficient working capital.

d. Risks and Concerns.

Sorbitol and Starch being agro based industries there is no risk of product obsolescence or steep fall in demand by way of product substitution. Therefore your directors do not foresee any major risks and concerns, except as discussed above.

e. Internal Control Systems and their adequacy:

The company has developed adequate internal control and reporting systems and is well placed.

f. Financial / Operational performance:

This has already been discussed in this report.

g. Human Resources / Industrial Relations :

The company employs about 300 people both in Sorbitol and Starch divisions including Head Office. The Company enjoys very cordial relations with the staff, workers and with workers union. The industrial relations continued to be cordial during the year under review.

CAUTIONARY STATEMENT:

Statements in this "Management Discussion & Analysis" may be considered to be "forward looking statements" only. Actual results could differ materially from those expressed or implied within the meaning of applicable securities laws or regulations.

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LISTING OF SECURITIES

- (a) The Company's Shares are listed with Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023.
- (b) The Company paid Listing fees for the year 2011-12 to Bombay Stock Exchange Limited.

DIRECTORS

Sri. T.G. Pandya, who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment

Sri. P.Maruthi Babu, who retires by rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment

Sri. T. Sandeep Kumar Reddy, who retires rotation at the ensuing Annual General Meeting is eligible for reappointment and offered himself for re appointment.

Sri. C.V. Rayudu, Additional Director be regularized as Director at the ensuing General Meeting and his appointment as a Whole time Director also put before the members for their approval at ensuing Annual General Meeting.

APPOINTMENT OF AUDITORS

The Members are requested to consider the re-appointment of M/s. B S R and Co, Chartered Accountants as Statutory Auditors from this Annual General Meeting to the conclusion of the next Annual General Meeting. The Board recommends their re-appointment.

COST AUDITORS

The Board of directors during the year appointed M/s. Narasimha Murthy & Co, Cost Accountants, 3-6-365, 104 & 105, Pavani Estates, Y.V. Rao Mansion, Himayathnagar, Hyderabad 500029 as cost auditors for the financial year 2010-11.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration exceeding the limits as specified under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended time to time.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information required under Section 217 (1) (e) of the Companies Act 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/ Outgo is appended hereto and forms part of this report as Annexure - A.

AUDITORS REPORT

With regard to Point No. ix (a) of Annexure to Auditor's Report, there was a slight delays in remitting the Provident fund, Employees State Insurance and Sales tax due to administrative reasons. However, there were no outstanding dues to above authorities as on date except to Service Tax authorities for an amount of Rs 86,267/-.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance along with Company Secretary Certificate on its compliance, certificate of the Chairman regarding adoption of Code of Conduct and Certificate by

Whole Time Director and GM (Finance) in respect of financial reporting is given in the Annexure - B, Annexure- C, Annexure-D and Annexure - E respectively which forms part of this report.

The Ministry of Corporate Affairs has announced the Corporate Governance Voluntary Guidelines 2009. The preamble mentioned about good practices for adoption by the Companies, which are in addition to the existing ones and recommendatory in nature.

Your Company has reviewed the above guidelines to ensure the adherence of the same voluntarily to the extent possible, in line with the requirements. Accordingly, the recommendatory voluntary guideline pertaining to the tenure of Independent Director for a period not exceeding 6 years, the attention of the members drawn to the fact that in your Company the tenure of Sri P. Maruthi Babu and Sri. T.G. Pandya, as Independent Directors was crossed the recommendatory limit of 6 years. However, the Board felt the valuable guidance and contributions made by both the directors during their tenure as Independent directors in the growth of the Company are invaluable and decided to avail their guidance and wisdom for some more time for the better performance of the Company in the years to come. Hence, the Company could not able to adhere to the above referred recommendatory Corporate Governance Voluntary Guideline for the time being.

Sri. C.V. Rayudu, Additional Director be regularized as Director at the ensuing General Meeting and his appointment as a Whole time Director also put before the members for their approval at ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT:

According to Section 217 (2AA) of the Companies Act, 1956 your directors state:

- (i) that in the preparation of Annual Accounts for the year ended 31st March, 2011, the applicable accounting standards have been followed along with the proper explanation relating to material departures:
- (ii) that the 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 at the end of the financial year ended 31st March, 2011 and of the profit and loss of the company for that period:
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities:
- (iv) that the directors have prepared the annual accounts on a going concern basis.

PUBLIC DEPOSITS:

The Company has not accepted any deposits as per Section 58A of the Companies Act, 1956 during the year under review.

ACKNOWLEDGEMENTS:

Your Directors would like to place on record their sincere appreciation and gratitude to all Financial Institutions, Company's Bankers, Shareholders, Government Agencies, Suppliers, Customers and all the Employees of the Company for their Co-operation and support during the year.

By Order of the Board

Sd/-

T. Sandeep Kumar Reddy
Chairman

Place: Hyderabad
Date: 11.08.2011

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ANNEXURE - 'A' TO DIRECTORS REPORT

Disclosure of Particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo as required under the **Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988** and forming part of the report of Board of Directors for the year ended 31st March 2011

FORM - "A"

PARTICULARS UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998.

A. CONSERVATION OF ENERGY

| A. POWER AND FUEL CONSUMPTION | Current Year 2010-11 | Previous Year 2009-10 |
|------------------------------------|-------------------------|--------------------------|
| 1. Electricity | | |
| a) Purchased Unit(Kwh) | 1,18,14,494 | 1,10,17,400 |
| Total Cost (Rs. In lakhs) | 475.04 | 379.40 |
| Rate/Unit Rs. | 4.02 | 3.44 |
| b) Own Generation | | |
| i. Through Diesel Generator: | | |
| Unit(Kwh) | 9,008 | 12,472 |
| Units per Ltr. of Diesel Oil (KWH) | 1.30 | 2.06 |
| Cost/Unit (Rs/KWH) | 31.01 | 19.56 |
| 2. HUSK | | |
| Quantity (MTs) | 14,976.41 | 12,577.96 |
| Total cost (in Rs.in Lakhs) | 379.77 | 296.18 |
| Average cost per Ltr (Rs) | 2.54 | 2.35 |
| 3. DIESEL OIL | | |
| Quantity (K.ltrs) | 8.47 | 6.96 |
| Total amount (Rs. In Lakhs) | 3.40 | 2.44 |
| Average cost per Ltr (Rs) | 40.19 | 35.04 |

FORM - "B"

PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

| | |
|---|-------|
| A. RESEARCH AND DEVELOPMENT (R&D) | : NIL |
| B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION | : NIL |
| C. FOREIGN EXCHANGE EARNINGS AND OUTGO: | |
| 1. FOREIGN EXCHANGE EARNINGS (FOB) | : NIL |
| 2. FOREIGN EXCHANGE OUTGO (CIF) | : NIL |

By Order of the Board

Place: Hyderabad
Date: 11.08.2011

Sd/-
T. Sandeep Kumar Reddy
Chairman

**ANNEXURE – ‘B TO DIRECTORS REPORT
CORPORATE GOVERNANCE REPORT FOR THE YEAR 2010-11**

(As per Clause 49 of the listing Agreement entered into with the Stock Exchanges)

1. 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 intimation on the performance of the Company and considers itself a trusty 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 affirmed in writing their adherence to the Code.

2. Board of Directors

(a) Composition:

The Board of Directors consists of Seven Directors as follows:

Board of Directors

| | |
|----------------------------|--|
| Sri T. Sandeep Kumar Reddy | Chairman & Promoter Director |
| Sri P. Maruthi Babu | Non Executive & Independent Director |
| Sri T.G.Pandya | Non Executive & Independent Director |
| Sri J. N. Karamchetti | Non Executive & Independent Director |
| Smt. T. Sarita Reddy | Non Executive & Promoter Director |
| Sri. T.R. Rajagopalan | Non Executive & Independent Director |
| Sri. C.V. Rayudu | Whole Time Director (w.e.f 28/05/2011) |

The following table shows the composition of directors and their attendance at the board meetings held on the dates below mentioned and the last Annual General Meeting which was held on 28th September 2010.

| Name | Category | Board Meetings Attended | Attendance at the last AGM | No. of Director-ships held in other Companies | |
|-----------------------------|---------------------------------------|-------------------------|----------------------------|---|---------|
| | | | | Public | Private |
| Sri. T. Sandeep Kumar Reddy | Promoter-Chairman | 4 | Yes | 13 | 27 |
| Sri T.G.Pandya | Non -Executive & Independent Director | 5 | Yes | NIL | NIL |
| Sri. P. Maruthi Babu | Non-Executive & Independent Director | 5 | Yes | 4 | 4 |
| Sri. J.N. Karamchetti | Non-Executive & Independent Director | 5 | Yes | NIL | NIL |
| Smt. T. Sarita Reddy | Non Executive & Promoter Director | 4 | No | 3 | 17 |
| Sri. T. R. Rajagopalan | Non Executive & Independent Director | 5 | No | 1 | 2 |
| Sri C.V. Rayudu* | Whole Time Director | NA | N.A. | NIL | NIL |

* appointed as additional Director on 28th May, 2011 and in the same meeting appointed as Whole Time Director.

(b) Board Meetings held during the year 2010-11:

The Board meets at least once in a quarter to consider among other business, the quarterly performance of the Company and financial results. During the financial year 2010-2011 the Board Meeting was held Five times as follows:

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| S.No | Date of Board Meeting |
|------|-----------------------|
|------|-----------------------|

- | | |
|----|--------------------------------|
| 1. | 12 th May 2010 |
| 2. | 2 nd August 2010 |
| 3. | 10 th November 2010 |
| 4. | 8 th February 2011 |
| 5. | 30 th March 2011 |

(c) Details of Directors seeking appointment /re-appointment as required under clause 49 of the listing agreement

As per the requirements of the Listing Agreement with Stock Exchanges on Corporate Governance, the information about the Directors proposed to be Appointed / re-appointed is given as under.

Sri. T.G. Pandya, P. Maruthi Babu and Sri T. Sandeep Kumar Reddy retires by rotation in this Annual General Meeting and being eligible offers themselves for reappointment.

Sri. C.V. Rayudu appointed as additional Director of the Company and he also appointed as Whole Time Director of the Company. His appointment as Director and whole time Director ratifies in ensuing Annual General Meeting.

A brief resume about the Director:

Sri. T.G. Pandya

Sri T. G. Pandya is aged 76 years and is a graduate in commerce. He is having vast experience in the starch field and worked with Lakshmi Starch Ltd. as General Manager for considerable number of years. His administrative and commercial experience would be of immense use to the company. It is therefore expedient in the interest of the company to continue him as the director of the company.

Sri. P. Maruthi Babu

Sri P. Maruthi Babu is a graduate in electrical engineering having vast experience and had an active service of 40 years of which 19 years service in Andhra Pradesh State Electricity Board and 17 in years in Central Autonomous Organization Le Central Board of Irrigation & Power. He has vast experience in Electrical Engineering, Administration and Accounts. His experience in electrical engineering will be of immense benefit to the company. As a senior officer in charge of Accounts in Central Board of Irrigation & Power, his experience is being used in the Company for the benefit of reviewing the performance of Finance and Accounts of the Company.

Sri T. Sandeep Kumar Reddy

Sri. T. Sandeep Kumar Reddy aged about 45 years has done Masters in Construction Engineering and Management from University of Michigan at Ann Arbor, USA and holds, a Bachelor Degree in Civil Engineering from Purdue University.

Sri C.V. Rayudu

Sri. C.V. Rayudu is a B.com, B.L. Graduate and having his Post graduation in MPM. He is having around 26 years of rich experience in various Starch and Other Industries. As on the date of his appointment as Whole Time Director of the Company, he was holding the position of Vice President (Operations) and in charge of the whole operations of the Company. He is associated with our Company for the last 12 years and instrumental in bringing up the company out of BIFR by way of improving the operational and the financial performance of the Company.

3 Audit Committee

The Audit Committee constituted by the Board of Directors consists of Non-Executive Independent Directors, namely:

| | |
|----------------------|---------------------------|
| Sri P. Maruthi Babu | Chairman of the Committee |
| Sri T.G.Pandya | Member |
| Sri. T.R. Rajgopalan | Member |

The Constitution of Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956

The responsibilities of the Audit Committee are as defined under the code of Corporate Governance and include reviewing of internal Audit Reports, discussing with Statutory Auditors on their observations with regard to the books of Account, review of internal control measures etc,

The Audit Committee meetings were held Four times during the financial year 2010-11 on 12th May, 2010, 2nd August, 2010, 10th November, 2010 and 8th February, 2011 and all the members of the Audit Committee attended the above said meetings.

4. Remuneration Committee

The Board constituted a Remuneration Committee on 28th May, 2011 with three Non Executive Independent Directors and said committee was approved the remuneration payable to Sri. C.V. Rayudu, Whole Time Director of the Company. The Company is paying sitting fees to all the non executive directors of the Company towards the board meetings attended by them.

5. Share Transfer Committee

The Company has a Share Transfer Committee comprises of Sri T..Sandeep Kumar Reddy, Sri P. Maruthi Babu and Sri. T.G. Pandya.

The Committee is looking after the matters of transfer and transmission of shares and issue of duplicate share certificates. The Committee has been meeting at regular intervals.

6. Annual General Meetings

The Annual General Meetings of the Company (AGM) has been held at the following places during the last three years.

| Year | Venue | Day and Date | Time |
|-----------|---|---|-----------|
| 2007-2008 | SURANA UDYOG AUDITORIUM FAPCCI Building, Federation House, Red Hills, Hyderabad – 500 004 | Wednesday 24 th September, 2008 | 3.00 P.M |
| 2008-2009 | SURANA UDYOG AUDITORIUM FAPCCI Building, Federation House, Red Hills, Hyderabad – 500 004 | Wednesday 23 rd September, 2009 | 11.00 A.M |
| 2009-2010 | SURANA UDYOG AUDITORIUM FAPCCI Building, Federation House, Red Hills, Hyderabad – 500 004 | Tuesday 28 th September, 2010 | 3.00 P.M |

7. Disclosures

a) Means of Communication

The quarterly/ annual unaudited/ audited financial results of the Company are sent to the Stock Exchanges after they are approved by the Board of Directors. The Management Discussion and Analysis forms part of the Annual Report.

b) Management's Discussion and Analysis Report

The Management's Discussion and Analysis Report forms part of Annual Report and Covered in the Directors' Report.

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c) Disclosures on materially significant related party transactions:

The necessary disclosures regarding the transaction with related parties are given in the Notes to the Accounts.

d) Risk Management

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

e) Compliance certificate

Certificate of the Company Secretary has been obtained on the compliance of the conditions of Corporate Governance in terms of Clause 49 of the Listing Agreement of the Stock Exchanges and the same is annexed as Annexure – C. Declaration by Chairman of the Company on Code of Conduct is annexed as Annexure – D.

f) General Shareholder's information

i) Annual General Meeting

| | | |
|-------|---|--|
| Day | : | Tuesday |
| Date | : | 27 th September, 2011 |
| Time | : | 3.00 PM |
| Venue | : | Surana Udyog Auditorium "FAPCCI" Building, Federation House, H.No: 11-6-841, Red Hills, Hyderabad – 500 004. |

ii) Financial Calendar

| | |
|---|-----------------|
| Annual General Meeting | September, 2011 |
| Unaudited results for the | |
| - Quarter ending 30 th June, 2011 | August, 2011 |
| - Quarter ending 30 th September, 2011 | November, 2011 |
| - Quarter ending 31 st December, 2011 | February, 2012 |

iii) Date of Book closure 23rd September, 2011 to 27th September 2011

iv) Dividend No dividend was recommended

v) Listing on Stock Exchanges:

Bombay Stock Exchange Limited,
P J Towers, Dalal Street, Mumbai – 400 001.

vi) Registrar and Transfer Agent

The Company has appointed M/s Venture Capital Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad 500018 as Registrar and Transfer Agent for both physical and Demat shares of the company. Shareholders are requested to send their shares for transfer or for Demat either to the company or RTA.

vii) Dematerialization of Shares and liquidity

| | | |
|-------------------------|---|-------------------------|
| ISIN No | : | INE 052 E 01015. |
| Depository Connectivity | : | CDSIL & NSDL |

viii) Market Price Data : High, Low during each month in last Financial Year :

(Source : BSE Website)

| Month | BSE, Mumbai | |
|-----------------|-------------|-----------|
| | High (Rs.) | Low (Rs.) |
| April, 2010 | 12.43 | 8.55 |
| May, 2010 | 11.50 | 9.01 |
| June, 2010 | 10.60 | 8.58 |
| July, 2010 | 13.96 | 8.40 |
| August, 2010 | 15.75 | 11.05 |
| September, 2010 | 11.81 | 9.21 |
| October, 2010 | 12.86 | 10.31 |
| November, 2010 | 12.29 | 9.52 |
| December, 2010 | 10.20 | 7.93 |
| January, 2011 | 11.10 | 8.17 |
| February, 2011 | 11.22 | 8.67 |
| March, 2011 | 11.95 | 8.20 |

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

| S.No | Category | Shareholders | | Amount (In Rs.) | % of Holding |
|------|----------------|---------------|---------------|--------------------|---------------|
| | | Nos. | % | | |
| 1. | upto – 500 | 19,819 | 92.85 | 30,62,047 | 6.01 |
| 2. | 501 – 1,000 | 1,012 | 4.74 | 8,12,223 | 1.59 |
| 3. | 1,001 – 2,000 | 297 | 1.39 | 4,40,002 | 0.86 |
| 4. | 2,001 - 3,000 | 77 | 0.36 | 1,97,271 | 0.38 |
| 5. | 3,001 – 4,000 | 18 | 0.08 | 62,368 | 0.12 |
| 6. | 4,001 – 5,000 | 30 | 0.14 | 1,44,131 | 0.28 |
| 7. | 5,001 -10,000 | 44 | 0.20 | 3,40,676 | 0.66 |
| 8. | 10,001 & Above | 46 | 0.21 | 4,58,66,272 | 90.06 |
| | | 21,343 | 100.00 | 5,09,24,990 | 100.00 |

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x) Shareholding Pattern Equity Shares of Rs.10/- each

| Shareholders | As on 31 st March, 2011 | | As on 31 st March, 2010 | |
|----------------------------------|------------------------------------|---------------|------------------------------------|---------------|
| | No. of shares | % | No. of shares | % |
| Promoters | 2,60,24,816 | 51.10 | 1,84,99,816 | 42.63 |
| Financial Institutions and Banks | 6,12,823 | 1.20 | 5,19,300 | 1.20 |
| Private Corporate Bodies | 3,03,325 | 0.60 | 1,36,389 | 0.31 |
| Foreign Body Corporate | 184,99,990 | 36.33 | 1,84,99,990 | 42.63 |
| Indian Public | 45,26,775 | 8.89 | 47,87,795 | 11.03 |
| NRI/OCB | 9,57,261 | 1.88 | 9,56,700 | 2.20 |
| Total | 5,09,24,990 | 100.00 | 4,33,99,990 | 100.00 |

xi) Outstanding GDRs/ADRs/Warrants or any Convertible instruments

The Company does not have outstanding GDRs/ADRs/Warrants, However, the Company is having 30,85,635 6% cumulative redeemable convertible preference shares of Rs. 100/- each.

xii) Plant Location

- (a) NH-9, Nandikandi Village, Sadasivapet Mandal
Medak District, Andhra Pradesh – 502 306.
- (b) Balabhadrapuram Village
Biccavole Mandal
East Godavari District
Andhra Pradesh - 533343

xiii) Address for Correspondence

Secretarial Department,
Gayatri BioOrganics Limited,
6-3-1091/C/A/1, Lovely Mansion,
Rajbhavan Road, Somajiguda,
Hyderabad – 500 082.

Members are requested to quote their registered folio number / DP ID number, Customer ID number in all the correspondence with the Company. Members are advised to deliver the share certificates along with necessary documents for physical transfer as well as demat purpose at the above address or at the RTA office.

ANNEXURE C TO DIRECTORS' REPORT

CERTIFICATE

Auditors' 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 BIOORGANICS LIMITED

We have examined the compliance of conditions of Corporate Governance by Gayatri BioOrganics Limited ('the Company') for the year ended 31st March, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examinations has been limited to a review of the procedure and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. 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, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreements.

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

For Gayatri BioOrganics Limited

Sd/-

Y. Koteswara Rao

Practicing Company Secretary
C.P. No. 7427

Place : Hyderabad
Date : 11-08-2011

ANNEXURE D OF DIRECTORS' REPORT

DECLARATION BY CHAIRMAN OF THE COMPANY ON CODE OF CONDUCT

I, T. Sandeep Kumr Reddy, Chairman of Gatatri BioOrganics Limited, hereby confirm pursuant to Clause 49(1)(D) of the Listing Agreement that:

- 1) The Board of Director of Gatatri BioOrganics Limited has laid down a code of conduct for all board members and senior management of the Company. The code of conduct has also been posted in the Company's website viz [www. gayatribioorganics.com](http://www.gayatribioorganics.com)
- 2) All the members of the Board and senior management of the Company have confirmed the compliance with the Code of Conduct for the year ended 31st March, 2011.

For Gayatri BioOrganics Limited

Place : Hyderabad
Date : 11-08-2011

Sd/-
T. Sandeep Kumar Reddy
Chairman

ANNEXURE - E TO DIRECTORS' REPORT

**To
The Board of Directors,
Gayatri BioOrganics Limited,**

We have certify that :

- a) We have reviewed financial statements and the cash flow statement for the financial year ended 31st March, 2011 and to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to the financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We further certify that:
 - i) There have been no significant changes in internal control during this year.
 - ii) There have been no significant changes in accounting policies during this year.
 - iii) There have been no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control system.

For Gayatri BioOrganics Limited

Place : Hyderabad
Date : 28.05.2011

Sd/-
C.V. Rayudu
Whole Time Director

Sd/-
P.V. Narayana Rao
GM (Finance)

AUDITORS' REPORT

To
The Members
GAYATRI BIOORGANICS LIMITED
Hyderabad

- 1 We have audited the attached balance sheet of Gayatri BioOrganics Limited ("the Company") as at 31 March 2011, the profit and loss account and the cash flow statement for the year ended on that date, 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 ('the Order'), as amended, issued by the Ministry of Corporate Affairs in terms of sub-section (4A) of Section 227 of the Companies Act 1956, (the Act) we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (v) on the basis of written representations received from the directors, as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and Gayatri BioOrganics Limited
 - (vi) 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 Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
 - b. in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

for **B S R and Co**
Chartered Accountants
Firm Registration No.: 128510W

Sd/-
Zubin Shekary
Partner
Membership No: 48814

Place : Hyderabad
Date : 28 May 2011

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of our report of even date to the members of Gayatri BioOrganics Limited ("the Company") for the year ended 31 March 2011. We report that:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noted on such verification.
- c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- ii) a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. For stocks lying with the third parties at the year-end, written confirmations have been obtained.
- b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
- iii) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 (the Act). Hence clause 4 (iii) (a), (b), (c) and (d) of the Order is not applicable.
- b) The Company has taken loan from a person covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs. 33,884,425 and the year end balance of such loans was Rs. 14,305,737.
- c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from other parties listed in the register maintained under section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.
- d) In the case of loans taken from a person listed in the register maintained under section 301, there are no fixed terms for repayment of the principal amount and payment of interest and accordingly clause 4(iii)(g) of the Order is not applicable.
- iv) 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 the purchase of inventories and fixed assets and with regard to the sale of goods. The Company is not engaged in any sale of services. We have not observed any major weakness in the internal control system during the course of our audit.
- v) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements entered in the register maintained under section 301 of the Act and exceeding the value of rupees five lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public.

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- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- ix) a) According to the information and explanations given to us and on the basis of examination of the records of the Company, amounts deducted/accrued in the books of accounts in respect of undisputed statutory dues in respect of Income tax, Excise duty, Custom duty and other material statutory dues have been regularly deposited with appropriate authorities except for Provident fund, Employees State Insurance and Sales tax where there have been slight delays. As explained to us, the provisions of Investor Education and Protection fund and Wealth tax are not applicable to the Company.

Further, there were no dues on account of Cess under Section 441A of the Act, since the date from which the aforesaid section comes into force has not been notified by the Central Government.

According to the information and explanations given to us, except for undisputed amount payable in respect of service tax (Rs 86,267) which is outstanding for more than six months, there are no undisputed amounts payable in respect of Provident Fund, Employees' state insurance, Income tax, Customs duty, Excise duty, Cess and other material statutory dues that were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Excise duty and Cess which have not been deposited with the appropriate tax authorities on account of any dispute. According to the information and explanations given to us, the following dues of customs duty have not been deposited by the Company on account of disputes:

| <i>Name of the statute</i> | <i>Nature of the dues</i> | <i>Amount in Rs. 2010-2011</i> | <i>Period to which the amount relates</i> | <i>Forum where dispute is pending</i> |
|----------------------------|---------------------------|--------------------------------|---|---------------------------------------|
| The Custom Act, 1962 | Customs duty | 79,512,120* | Financial year 1994-95 | CESTAT-Bangalore |

* Rs. Out of the above amount Rs. 3,700,000 has been paid under protest.

- x) The Company has accumulated losses at the end of the financial year which exceeds fifty per cent of its net worth. The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers and to any financial institutions during the year. The Company did not have any outstanding debentures during the year.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society.
- xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities or debentures and other investments.
- xv) 1. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) 2. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

Gayatri BioOrganics Limited

- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- xviii) According to the information and explanation given to us, the Company has made preferential allotment of shares to parties covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company
- xix) The Company did not have any outstanding debentures during the year.
- xx) The Company has not raised any money by public issues.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R and Co**
Chartered Accountants
Firm Registration No.: 128510W

Sd/-
Zubin Shekary
Partner
Membership No: 48814

Place: Hyderabad
Date: 28 May 2011

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BALANCE SHEET AS AT 31st MARCH, 2011

| PARTICULARS | SCH | As At 31st March 2011 Rs. | As At 31st March 2010 |
|--|-----|---------------------------------|--------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Share capital | 2 | 817,813,400 | 817,813,400 |
| Reserves and surplus | 3 | 1,000,000 | 1,000,000 |
| | | 818,813,400 | 818,813,400 |
| Loan funds | | | |
| Secured loans | 4 | 486,648,566 | 56,926,817 |
| Unsecured loan | 5 | 14,305,737 | 33,636,040 |
| | | 1,319,767,703 | 909,376,257 |
| APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Gross block | 6 | 651,922,905 | 646,024,153 |
| Less: Accumulated depreciation | | 378,145,374 | 347,816,361 |
| Net block | | 273,777,531 | 298,207,792 |
| Capital work in progress | | 194,065,009 | 13,334,068 |
| | | 467,842,540 | 311,541,860 |
| Investments | 7 | 15,000 | 15,000 |
| Current assets, loans and advances | | | |
| Inventories | 8 | 116,488,529 | 111,923,547 |
| Sundry debtors | 9 | 156,806,372 | 80,981,233 |
| Cash and bank balances | 10 | 185,440,538 | 17,375,199 |
| Loans and advances | 11 | 33,375,923 | 21,074,160 |
| | | 492,111,363 | 231,354,139 |
| Current liabilities and provisions | | | |
| Current liabilities | 12 | 70,159,746 | 98,346,886 |
| Provisions | 13 | 13,374,416 | 7,227,867 |
| | | 83,534,162 | 105,574,753 |
| Net current assets | | 408,577,201 | 125,779,386 |
| Debit balance in profit and loss account | | 443,332,962 | 472,040,011 |
| | | 1,319,767,703 | 909,376,257 |
| Significant accounting policies | 1 | | |
| Notes to accounts | 21 | | |
| The Schedules referred to above form an integral part of the Balance Sheet | | | |

As per our report attached

for **B S R and Co**

Chartered Accountants

Firm Registration No:128510W

for **Gayatri BioOrganics Limited**

Sd/-
Zubin Shekary
Partner
Membership No.: 48814

Sd/-
P.Maruthi Babu
Director

Sd/-
K S V S Sastry
Company Secretary

Sd/-
T.Sandeep Kumar Reddy
Chairman

Place : Hyderabad
Date : 28 May 2011

Gayatri BioOrganics Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

| PARTICULARS | SCH | Year Ended 31st March 2011 Rs. | Year Ended 31st March 2010 Rs. |
|---|--------|--------------------------------------|--------------------------------------|
| Income | | | |
| Sales, gross | | 909,734,543 | 633,634,403 |
| Less: excise duty on sales | | (44,469,638) | (17,093,808) |
| Sales, net | | 865,264,904 | 616,540,595 |
| Other income | 14 | 9,050,615 | 6,267,447 |
| | | 874,315,519 | 622,808,041 |
| Expenditure | | | |
| Material costs | 15 | 632,541,187 | 441,738,210 |
| "(Increase) / decrease in inventories of finished goods "and work in progress" | 16 | (6,805,688) | 9,109,448 |
| Personnel expenses | 17 | 51,924,308 | 41,982,807 |
| Manufacturing expenses | 18 | 75,415,973 | 53,927,107 |
| Administrative and selling expenses | 19 | 26,762,690 | 23,205,942 |
| Finance charges | 20 | 31,280,987 | 8,457,597 |
| Depreciation | 6 | 30,639,013 | 29,468,131 |
| | | 841,758,470 | 607,889,242 |
| Profit before tax | | 32,557,049 | 14,918,800 |
| Provision for tax | | | |
| Current tax | | 3,850,000 | — |
| Deferred tax expense/(benefit) | 21 (4) | — | — |
| Profit after tax | | 28,707,049 | 14,918,800 |
| Balance in profit and loss account brought forward | | (472,040,011) | (486,958,811) |
| Balance in profit and loss account carried forward to the balance sheet | | (443,332,962) | (472,040,011) |
| Earnings per share | | | |
| Basic - Par value Rs.10 per share | 21 (5) | 0.15 | (0.28) |
| Diluted - Par value Rs.10 per share | 21 (5) | 0.15 | (0.28) |
| Significant accounting policies | 1 | | |
| Notes to accounts | 21 | | |

The Schedules referred to above form an integral part of the profit and loss account

As per our report attached

for **B S R and Co**

for **Gayatri BioOrganics Limited**

Chartered Accountants

Firm Registration No:128510W

Sd/-
Zubin Shekary
Partner
Membership No.: 48814

Sd/-
P.Maruthi Babu
Director

Sd/-
K S V S Sastry
Company Secretary

Sd/-
T.Sandeep Kumar Reddy
Chairman

Place : Hyderabad
Date : 28 May 2011

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

| PARTICULARS | Year Ended 31st March 2011 Rs. | Year Ended 31st March 2010 Rs. |
|---|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Profit before taxes and extraordinary items | 32,557,049 | 14,918,800 |
| Adjustments to reconcile profit before taxes and extraordinary items to cash (used in)/ provided by operating activities: | | |
| Depreciation | 30,639,013 | 29,468,131 |
| Interest income | (3,140,088) | (357,626) |
| Interest expense | 31,280,987 | 7,601,625 |
| Provision for doubtful debts | 235,927 | 608,973 |
| Provision for gratuity and compensated absences | 3,401,028 | 489,864 |
| Operating cash flows before working capital changes and other assets | 94,973,916 | 52,729,767 |
| Increase in inventories | (4,564,982) | (58,530,472) |
| Increase in sundry debtors | (76,061,067) | (8,859,065) |
| Increase in loans and advances | (11,974,775) | (6,957,479) |
| (Decrease)/increase in current liabilities and provisions | (65,494,168) | 24,881,350 |
| Cash (used in)/ generated from operations | (63,121,076) | 3,264,101 |
| Income taxes paid, net | (899,057) | (19,916) |
| Net cash (used in) / provided by operating activities | (64,020,133) | 3,244,185 |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (150,137,144) | (32,500,522) |
| Interest received | 3,112,157 | 253,550 |
| Net cash used in investing activities | (147,024,987) | (32,246,972) |
| Cash flows from financing activities | | |
| Repayment of borrowings | (27,855,664) | (4,785,805) |
| Proceeds from borrowings | 437,577,413 | 50,968,710 |
| Interest paid | (30,611,290) | (7,113,133) |
| Net cash provided by financing activities | 379,110,459 | 39,069,772 |
| Net increase in cash and cash equivalents | 168,065,339 | 10,066,985 |
| Cash and cash equivalents at the beginning of the year | 17,375,199 | 7,308,214 |
| Cash and cash equivalents at the end of the year | 185,440,538 | 17,375,199 |
| Notes: | | |
| 1. Cash and cash equivalents comprise: | | |
| Cash on hand | 921,554 | 603,362 |
| Balances with scheduled banks in current accounts | 184,518,984 | 16,771,837 |
| | 185,440,538 | 17,375,199 |

As per our report attached for **B S R and Co**
Chartered Accountants
Firm Registration No.:128510W

for **Gayatri BioOrganics Limited**

Sd/-
Zubin Shekary
Partner
Membership No.: 48814

Sd/-
P.Maruthi Babu
Director

Sd/-
K S V S Sastry
Company Secretary

Sd/-
T.Sandeep Kumar Reddy
Chairman

Place : Hyderabad
Date : 28 May 2011

CERTIFICATE

We have examined the above Cash Flow Statement of Gayatri BioOrganics Limited for the year ended 31st March, 2011. The statement has been prepared with the corresponding audited Profit and Loss account and Balance Sheet of the Company for the year ended 31st March, 2011

Sd/-
Zubin Shekary
Partner
Membership No.: 48814

Sd/-
P.Maruthi Babu
Director

Sd/-
K S V S Sastry
Company Secretary

Sd/-
T.Sandeep Kumar Reddy
Chairman

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1: SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented under the historical cost convention on the accrual basis in accordance with the Indian Generally Accepted Accounting Principles (Indian GAAP). Indian GAAP comprises of accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. The financial statements are presented in Indian rupees.

2. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenue and expenses for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3. Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets acquired but not ready for their intended use before such date are disclosed as capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the rates specified in Schedule XIV of the Companies Act, 1956. In the opinion of management, the rates specified in Schedule XIV reflect the useful lives of these assets. Depreciation is calculated on a pro-rata basis from/up to the date the assets are purchased/sold. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

4. Investments

Long-term investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

5. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

| | |
|------------------------------------|---|
| Raw materials | First-in-first-out (FIFO) |
| Stores and spares | Weighted average method |
| Work-in-process and finished goods | FIFO and including an appropriate share of production overheads |

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6. Employee benefits

Contributions to the recognised provident fund and superannuation scheme, which are defined contribution schemes, are charged to the profit and loss account.

Employee gratuity and long term compensated absences, which are defined benefits, are accrued based on the actuarial valuation at the balance sheet date and are charged to profit and loss account. All actuarial gains and losses arising during the year are recognised in the profit and loss account.

7. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer, which generally coincides with the dispatch of goods and is stated net of returns, rebates, sales tax and applicable trade discounts and allowances.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

8. Foreign currency transactions

Foreign currency transactions are recorded using the exchange rates prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the year end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

9. Income tax

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or benefit reflects the tax effects of timing differences between accounting income and taxable income for the year. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/virtually certain to be realised.

The break-up of the deferred tax assets and liabilities as at the balance sheet date has been arrived at after setting-off deferred tax assets and liabilities where the Company has a legally enforceable right and an intention to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternate Tax (MAT) Credit entitlement

MAT credit entitlement represents the amounts paid in a year under section 115JA/ 115JB of the Income Tax Act 1961 ('IT Act') which is in excess of the tax payable, computed on the basis of normal provisions of the IT Act. Such excess amount can be carried forward for set off in future periods in accordance with the relevant provisions of the IT Act. The Company is having accumulated tax losses and brought forward depreciation on the Balance sheet date. It is not probable at the balance sheet date that the company will pay normal income tax during the specified period, when such credit would be adjusted. Hence, the credit does not represent a resource controlled by the Company as a result of past events which may result in future economic benefits for the Company. Accordingly the Company does not recognize any MAT credit as an asset in the Balance sheet and charged off to the profit and loss account, as a current tax expense.

10. Leases

Assets taken on lease where the Company acquires substantially the entire risks and rewards incidental to ownership are classified as finance leases. The amount recorded is the lesser of the present value of minimum lease rental and other incidental expenses during the lease term or the fair value of the assets taken on lease. The rental obligations, net of interest charges, are reflected as secured loans. Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense on a straight line basis over the lease term.

11. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). In computing dilutive earnings per share, only potential equity shares that are dilutive and that either reduce earnings per share or increase loss per share are included.

12. Provisions and contingent liabilities

The Company creates a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount for the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resource is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

13. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that any assets forming part of its cash generating units may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the reassessed recoverable amount subject to a maximum of depreciated historical cost.

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SCHEDULES FORMING PART OF ACCOUNTS

| PARTICULARS | As At 31st March 2011 Rs. | As At 31st March 2010 Rs. |
|---|---------------------------------|---------------------------------|
| SCHEDULE 2: SHARE CAPITAL | | |
| <i>Authorised</i> | | |
| 51,000,000 (previous year: 51,000,000) equity shares of Rs.10 each | 510,000,000 | 510,000,000 |
| "3,900,000 (previous year: 3,900,000) 6% cumulative redeemable "optionally convertible preference shares of Rs.100 each" | 390,000,000 | 390,000,000 |
| | 900,000,000 | 900,000,000 |
| <i>Issued, subscribed and paid-up</i> | | |
| 50,924,990 (previous year: 43,399,990) equity shares of Rs.10 each. | 509,249,900 | 433,999,900 |
| "3,085,635 (previous year: 3,838,135) 6% cumulative redeemable "optionally convertible preference shares of Rs.100 each." | 308,563,500 | 383,813,500 |
| | 817,813,400 | 817,813,400 |
| <p>The Company had issued 3,838,135 outstanding 6% cumulative redeemable convertible preference shares of Rs.100 each to the Promoters on 12 September 2007. Out of these shares 752,500 shares were due to be converted after the expiry of 36 months at par. The remaining 3,085,635 shares shall carry the option of being converted at the option of the holder into ordinary equity shares of the Company after the expiry of a period of sixty months at a price to be determined in accordance with the then prevailing SEBI (DIP) guidelines or can be redeemed by the Company at par after the end of year 5, 6, 7 and 8 from the date of allotment. As on 10 November 2010 the Company converted 752,500 convertible preference shares into equity shares of the Company.</p> | | |
| SCHEDULE 3: RESERVES AND SURPLUS | | |
| Central subsidy | 1,000,000 | 1,000,000 |
| | 1,000,000 | 1,000,000 |
| Schedule 4: SECURED LOANS | | |
| <i>From banks</i> | | |
| Cash credit (Note 1) | 143,614,623 | 6,037,210 |
| Term Loans-Vehicles (Note 2) | 533,943 | 889,607 |
| Term Loan-Plant and Machinery (Note 3) | 100,000,000 | - |
| <i>From others</i> | | |
| State Industrial and Investment Corporation of Maharashtra Limited (Note 4) | 242,500,000 | 50,000,000 |
| | 486,648,566 | 56,926,817 |

Notes

- Secured against the first charge by way of hypothecation on entire block of assets, present and future, including entire stocks, book debts, loans and advance etc., at the Balabadrapuram units planned to be acquired by the Company and second charge on current assets at Nandikandi unit.
- Against hypothecation of Vehicles.
- Secured against the second charge on entire block of assets of the Company situated at Balabadrapuram planned to be acquired by the Company, including land.
- Secured against first charge and hypothecation of entire fixed assets of the Company, both present and future, including land and building together with plant and machinery at Nandikandi unit and irrevocable personal guarantee of the Director.

SCHEDULE 5: UNSECURED LOAN

| | | |
|----------------------|-------------------|------------|
| Loan from a Director | 14,305,737 | 33,636,040 |
| | 14,305,737 | 33,636,040 |

[Of the above, an amount of Rs. 10,762,154 (previous year: Rs. 10,762,154) carries no interest. The balance amount of Rs. 2,385,393 (previous year: Rs.22,385,393) carries interest at the rate of 15% per annum. The loan does not have fixed repayment terms and will be repaid subject to the Company having adequate cash profits.]

**SCHEDULE - 6
FIXED ASSETS**

| S. No. | PARTICULARS | GROSS BLOCK | | | | ACCUMULATED DEPRECIATION | | | | NET BLOCK | |
|--------|--------------------------|------------------------------|------------------|------------------|-----------------------------|------------------------------|-------------------------------|------------------|-----------------------------|-----------------------------|-------------------------------|
| | | As at 1 April 2010 Rs. | Additions Rs. | Deletions Rs. | As at 31-Mar-2011 Rs. | As at 1 April 2010 Rs. | Charge for the Year Rs. | Deletions Rs. | As at 31 Mar 2011 Rs. | As at 31 Mar 2011 Rs. | As at 31 March 2010 Rs. |
| | Land (freehold) | 11,310,686 | 464,000 | — | 11,774,686 | — | — | — | — | 11,774,686 | 11,310,686 |
| | Buildings | 154,615,010 | 39,549 | — | 154,654,559 | 61,513,715 | 5,164,141 | — | 66,677,856 | 87,976,703 | 93,101,295 |
| | Plant and machinery | 466,061,051 | 3,489,472 | — | 469,550,523 | 276,469,070 | 24,748,114 | — | 301,217,184 | 168,333,339 | 189,591,981 |
| | Computers | 2,723,211 | 334,557 | — | 3,057,768 | 2,484,755 | 80,866 | — | 2,565,621 | 492,147 | 238,456 |
| | Office equipment | 2,450,890 | — | — | 2,450,890 | 1,369,523 | 116,418 | — | 1,485,941 | 964,949 | 1,081,367 |
| | Furniture and fittings | 2,659,091 | 47,650 | — | 2,706,741 | 2,323,569 | 168,895 | — | 2,492,464 | 214,277 | 335,522 |
| | Air conditioners | 382,357 | 26,200 | — | 408,557 | 234,093 | 18,363 | — | 252,456 | 156,101 | 148,264 |
| | Vehicles | 5,821,857 | 1,807,324 | 310,000 | 7,319,181 | 3,421,636 | 342,216 | 310,000 | 3,453,852 | 3,865,329 | 2,400,221 |
| | Total | 646,024,153 | 6,208,752 | 310,000 | 651,922,905 | 347,816,361 | 30,639,013 | 310,000 | 378,145,374 | 273,777,531 | 298,207,792 |
| | Previous year | 620,970,929 | 25,053,224 | — | 646,024,153 | 318,348,230 | 29,468,131 | — | 347,816,361 | 298,207,792 | — |
| | Capital work in progress | 2,940,977 | 191,124,032 | — | 194,065,009 | — | — | — | — | 194,065,009 | 2,698,571 |

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| PARTICULARS | As At 31st March 2011 Rs. | As At 31st March 2010 Rs. |
|--|---------------------------------|---------------------------------|
| SCHEDULE 7: INVESTMENTS (Long term at cost) | | |
| i. Quoted investments | | |
| Non trade | | |
| 3,000 (previous year 3,000) equity shares (Face Value Rs. 10) in S.S.Organics Limited | 30,000 | 30,000 |
| ii. Unquoted investments | | |
| Non trade | | |
| 7,100 (previous year 7,100) equity shares (Face value Rs.10) in East, West Travel and Trade links | 284,000 | 284,000 |
| 1,000 (previous year 1,000) equity shares (Face value Rs. 10) in Sri Lakshmi Engg. Limited | 26,900 | 26,900 |
| | 340,900 | 340,900 |
| less: Provision for permanent diminution | (325,900) | (325,900) |
| | 15,000 | 15,000 |
| Aggregate cost of quoted investments | 30,000 | 30,000 |
| Aggregate cost of unquoted investments | 310,900 | 310,900 |
| Market value of quoted investments | 24,000 | 15,000 |
| SCHEDULE 8: INVENTORIES | | |
| Raw materials | 93,864,658 | 96,745,615 |
| Stores and spares | 7,732,431 | 7,213,680 |
| Work in process | 6,955,852 | 5,609,405 |
| Finished goods | 7,935,588 | 2,354,847 |
| | 116,488,529 | 111,923,547 |
| SCHEDULE 9: SUNDRY DEBTORS | | |
| <i>(Unsecured)</i> | | |
| Debts outstanding for a period exceeding six months | | |
| Considered good | 3,950,965 | 1,937,316 |
| Considered doubtful | 7,648,327 | 7,412,399 |
| Other debts | | |
| Considered good | 152,855,408 | 79,043,917 |
| Considered doubtful | — | — |
| | 164,454,699 | 88,393,632 |
| less: Provision for doubtful debts | (7,648,327) | (7,412,399) |
| | 156,806,372 | 80,981,233 |
| SCHEDULE 10: CASH AND BANK BALANCES | | |
| Cash on hand | 921,554 | 603,362 |
| Balances with scheduled banks | | |
| -in current accounts | 174,293,354 | 16,771,837 |
| -in deposit accounts | 10,225,630 | — |
| | 185,440,538 | 17,375,199 |

Gayatri BioOrganics Limited

| PARTICULARS | As At 31st March 2011 Rs. | As At 31st March 2010 Rs. |
|---|---------------------------------|---------------------------------|
| SCHEDULE 11: LOANS AND ADVANCES | | |
| <i>(Unsecured)</i> | | |
| <i>Considered good</i> | | |
| Advances recoverable in cash or kind or value to be received | 17,234,457 | 9,187,449 |
| Balance with excise authorities | 6,534,122 | 4,576,971 |
| Deposits | 9,607,344 | 7,309,740 |
| <i>Considered doubtful</i> | | |
| Advances recoverable in cash or kind or value to be received | 3,783,309 | 3,783,309 |
| Deposits | 510,000 | 510,000 |
| | 37,669,232 | 25,367,469 |
| less: Provision for doubtful advances/deposits | (4,293,309) | (4,293,309) |
| | 33,375,923 | 21,074,160 |
| SCHEDULE 12: CURRENT LIABILITIES | | |
| Sundry Creditors | | |
| " - total outstanding due to micro and small enterprises " (refer note 14 of schedule 21)" | 2,212,903 | 1,170,455 |
| - total outstanding due to creditors other than micro and small enterprises | 61,677,284 | 87,564,758 |
| Advances from customers | 2,188,048 | 5,467,456 |
| Other liabilities | 4,081,511 | 4,144,217 |
| | 70,159,746 | 98,346,886 |
| SCHEDULE 13: PROVISIONS | | |
| Provision for tax (net of advance tax of Rs. 600,000 (previous year Rs. Nil)) | 3,250,000 | — |
| Gratuity (refer note 13 of schedule 21) | 8,649,287 | 5,924,512 |
| Compensated absences | 1,475,129 | 1,303,355 |
| | 13,374,416 | 7,227,867 |

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SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

| PARTICULARS | For the Year ended 31st March 2011 Rs. | For the Year ended 31st March 2010 Rs. |
|---|--|--|
| SCHEDULE 14: OTHER INCOME | | |
| Interest [(Tax deducted at source Rs. 290,305 (Previous year Rs. 54,531)] | 3,140,088 | 357,626 |
| Scrap sales | 4,215,972 | 2,859,234 |
| Sale of husk ash | 750,227 | 1,848,048 |
| Miscellaneous income | 944,328 | 1,202,539 |
| | 9,050,615 | 6,267,447 |
| SCHEDULE 15: MATERIAL COST | | |
| Raw material consumed | | |
| Opening stock | 96,745,615 | 31,563,045 |
| Add: Purchases | 629,660,230 | 506,920,780 |
| | 726,405,845 | 538,483,825 |
| Less: Closing stock | 93,864,658 | 96,745,615 |
| | 632,541,187 | 441,738,210 |
| "Schedule 16: (Increase) / decrease in inventories of finished goods" and work in progress | | |
| Opening stock | | |
| Work in progress | 5,609,405 | 5,571,078 |
| Finished goods | 2,354,846 | 11,403,374 |
| Less: Closing stock | | |
| Work in progress | 6,955,852 | 5,609,405 |
| Finished goods | 7,935,588 | 2,354,847 |
| (Increase)/decrease in stock | (6,927,189) | 9,010,200 |
| Increase/(decrease) in excise duty due to closing inventory | 121,501 | 99,248 |
| | (6,805,688) | 9,109,448 |
| SCHEDULE 17: PERSONNEL EXPENSES | | |
| Salaries, wages and bonus | 41,853,917 | 36,339,477 |
| Contribution to provident and other funds | 4,168,775 | 3,592,056 |
| Gratuity and compensated absences | 3,401,028 | 489,864 |
| Staff welfare expenses | 2,500,588 | 1,561,410 |
| | 51,924,308 | 41,982,807 |
| SCHEDULE 18: MANUFACTURING EXPENSES | | |
| Power and fuel | 47,504,010 | 37,940,412 |
| Repairs and maintenance | | |
| - Building | 172,416 | 288,776 |
| - Plant and machinery | 3,381,013 | 2,256,351 |
| - Others | 2,892,682 | 920,202 |
| Stores and spares | 11,450,654 | 7,287,991 |
| Material handling charges | 10,015,198 | 5,233,375 |
| | 75,415,973 | 53,927,107 |

Gayatri BioOrganics Limited

| PARTICULARS | For the Year ended 31st March 2011 Rs. | For the Year ended 31st March 2010 Rs. |
|---|--|--|
| SCHEDULE 19: ADMINISTRATIVE AND SELLING EXPENSES | | |
| Transportation | 1,797,392 | 768,652 |
| Commission and discounts | 5,562,285 | 4,869,378 |
| Insurance | 1,482,690 | 1,184,154 |
| Rent, rates and taxes | 1,522,548 | 1,089,959 |
| Listing fee | 48,000 | 148,112 |
| Vehicle hire and maintenance | 1,062,970 | 880,502 |
| Conveyance and traveling | 673,120 | 408,429 |
| Directors sitting fee | 358,000 | 396,000 |
| Printing and stationery | 405,784 | 245,183 |
| Post, telephone and telex | 494,208 | 409,249 |
| Legal and professional charges | 3,848,069 | 5,163,594 |
| Subscription, books and periodicals | 55,626 | 27,070 |
| Provision for bad and doubtful debts | 235,927 | 608,973 |
| Water expenses | 3,580,976 | 3,732,525 |
| Security expenses | 1,872,844 | 1,099,761 |
| Miscellaneous expenses | 3,762,251 | 2,174,401 |
| | 26,762,690 | 23,205,942 |
| SCHEDULE 20: FINANCIAL CHARGES | | |
| Interest | | |
| - on fixed period loans | 25,733,764 | 1,677,055 |
| - on cash credits | 2,714,056 | 1,875,099 |
| - on unsecured loan from Director | 744,109 | 4,049,471 |
| Bank charges | 2,089,058 | 855,972 |
| | 31,280,987 | 8,457,597 |

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SCHEDULE 21: NOTES TO ACCOUNTS

1. In November 2000, the Company was declared to be a sick industrial company under the Sick Industrial Companies (Special Provisions) Act, (SICA) 1985. Industrial Development Bank of India, which was appointed as the operating agency has sanctioned the Rehabilitation Scheme on 29 May 2008. The scheme among other things envisages the reliefs and the concessions to be provided to the Company by various authorities, sources of finance and the application funds. On 28 June 2010 the Board of Industrial and Financial Reconstruction (BIFR) passed orders relieving the Company from the purview of SICA considering the net worth of the Company. Accordingly the Company ceased to be a Sick Industrial Company during the year.

2. Capital commitments and contingent liabilities

| | As at 31 March 2011 | As at 31 March 2010 |
|---|------------------------|------------------------|
| i. Estimated amount of contracts, net of advances, remaining to be executed on capital account and not provided for | 250,000 | 2,645,000 |
| ii. Contingent liabilities | | |
| a. Customs and sales tax* | 79,512,120 | 75,949,800 |
| b. Claim against the Company not acknowledged as debts | 18,022,000 | 18,022,000 |
| c. Arrears of dividend on cumulative preference shares including tax on dividends | 90,384,509 | 68,795,787 |
| * Amount paid under protest Rs.3,700,000. | | |

3. Legal and professional charges includes the statutory auditors' remuneration as given below:

| | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|------------------------|-------------------------------------|-------------------------------------|
| Audit fees | 550,000 | 550,000 |
| Others | 375,000 | 375,000 |
| Out of pocket expenses | 22,652 | 13,640 |
| Total | 947,652 | 938,640 |

4. Income tax expense

Current tax

Current tax provision for the year is Rs. 3,850,000 (previous year: Rs. Nil)

Deferred tax

Deferred tax assets has been recognised only to the extent of deferred tax liability on excess depreciation provided in the books of accounts over depreciation allowable under the income tax laws since this is virtually certain of realisation. In absence of virtual certainty of realisation, deferred asset on carry forward losses and other timing differences have not been recognised. Accordingly there was no impact on profit and loss account for the year.

Deferred tax liability

| | | |
|--|--------------|--------------|
| Excess of depreciation provided in accounts over depreciation allowable under income tax law | (50,507,794) | (60,216,913) |
| Deferred tax asset | | |
| Bought forward business loss under income tax law | 50,507,794 | 60,216,913 |
| Net | — | — |

5. Earnings per share (EPS)

Basic and diluted number of shares and Earnings per share is set out below:

| | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|--|---|--|
| Earnings | | |
| Net profit for the year | 28,707,049 | 14,918,800 |
| Less : Preference dividends including tax on dividends | 21,660,232 | 26,942,556 |
| Net profit for calculation of basic earnings per share | 7,046,817 | (12,023,756) |
| Add: Dividends and dividend tax on convertible preference shares | 21,660,232 | 26,942,556 |
| Net profit for calculation of diluted earnings per share | 28,707,049 | 14,918,800 |
| Shares | | |
| Number of equity shares outstanding at the beginning of the year | 43,399,990 | 43,399,990 |
| Add: Equity shares issued during the year | 7,525,000 | — |
| Total number of equity shares outstanding at the end of the year | 50,924,990 | 43,399,990 |
| Weighted average number of equity shares outstanding during the year - (Basic) | 46,327,524 | 43,399,990 |
| Weighted average number of equity shares outstanding during the year - (Diluted) | 80,919,845 | 86,045,934 |
| Earnings per share of par value Rs.10 - Basic | 0.15 | (0.28) |
| Earnings per share of par value Rs.10 - Diluted | 0.15 | (0.28) |

The conversion of outstanding Cumulative Redeemable Optionally Convertible Preference Shares into equity, if made would have the effect of increasing/(reducing) the earning/(loss) per share and would therefore be anti-dilutive. Hence the preference shares are anti-dilutive and are ignored in the calculation of diluted earnings per share.

Additional information pursuant to the provisions of paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956

6. Licensed capacity, installed capacity and actual production

In metric tonnes

| Class of goods | As at 31 March 2011 | | | As at 31 March 2010 | | |
|--------------------|---------------------|--------------------|-------------------|---------------------|--------------------|-------------------|
| | Licensed capacity | Installed capacity | Actual production | Licensed capacity | Installed capacity | Actual production |
| Sorbitol | 8,550 | 8,550 | 7,313 | 8,550 | 8,550 | 7,034 |
| Starch | 45,000 | 45,000 | 27,805 | 45,000 | 45,000 | 19,614 |
| Starch by-products | — | — | 12,332* | — | — | 9,081* |

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Note:

Licensed and installed capacities are as certified by the management and have not been verified by the auditors as this is a technical matter.

* In case of starch by - products, the production capacity figures given are on dry basis.

7. (A) Particulars of production, sale and stock

In metric tonnes

| For the year ended 31 March 2011 | | | | | | | |
|----------------------------------|---------------|------------------|------------|----------|--------------------|---------------|------------------|
| | Opening stock | | Production | Sales | | Closing stock | |
| Class of goods | Quantity | Value | Quantity | Quantity | Value | Quantity | Value |
| Sorbitol | 29 | 812,882 | 7,313 | 7,237 | 217,201,515 | 105 | 2,904,171 |
| Starch | 29 | 589,840 | 27,805 | 27,569 | 580,387,569 | 265 | 4,735,509 |
| Starch by- products | 40 | 952,125 | 12,332 | 12,356 | 112,145,459 | 16 | 295,908 |
| Total | — | 2,354,847 | — | — | 909,734,543 | — | 7,935,588 |

7. (B) Particulars of production, sale and stock

In metric tonnes

| For the year ended 31 March 2010 | | | | | | | |
|----------------------------------|---------------|-------------------|------------|----------|--------------------|---------------|------------------|
| | Opening stock | | Production | Sales | | Closing stock | |
| Class of goods | Quantity | Value | Quantity | Quantity | Value | Quantity | Value |
| Sorbitol | 319 | 8,619,702 | 7,034 | 7,324 | 187,892,798 | 29 | 812,882 |
| Starch | 192 | 2,595,949 | 19,614 | 19,777 | 334,254,308 | 29 | 589,840 |
| Starch by- products | 8 | 187,723 | 9,081 | 9,049 | 111,487,297 | 40 | 952,125 |
| Total | — | 11,403,374 | — | — | 633,634,403 | — | 2,354,847 |

8. Consumption of raw materials

In metric tonnes

| Raw materials | For the year ended 31 March 2011 | | For the year ended 31 March 2010 | |
|---------------|----------------------------------|--------------------|----------------------------------|--------------------|
| | Quantity | Value | Quantity | Value |
| Maize | 53,730 | 524,639,285 | 40,007 | 360,771,653 |
| Chemicals | — | 25,112,192 | — | 20,300,993 |
| Others* | — | 82,789,710 | — | 60,665,564 |
| Total | | 632,541,187 | — | 441,738,210 |

*None of these items individually exceeds 10% of the total consumption.

9. (A) Details of imported and indigenous raw material

| Raw materials | For the year ended 31 March 2011 | % Percentage | For the year ended 31 March 2010 | % Percentage |
|---------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
| Raw materials | | | | |
| Imported | — | — | — | — |
| Indigenous | 632,541,187 | 100 | 441,738,210 | 100 |
| Total | 632,541,187 | 100 | 441,738,210 | 100 |

(B) Details of imported and indigenous stores and spares

| Raw materials | For the year ended 31 March 2011 | % Percentage | For the year ended 31 March 2010 | % Percentage |
|-------------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
| Stores and spares | | | | |
| Imported | — | — | — | — |
| Indigenous | 11,450,645 | 100 | 7,287,991 | 100 |
| Total | 11,450,645 | 100 | 7,287,991 | 100 |

10. CIF Value of imports as given below :

| | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|---------------|-------------------------------------|-------------------------------------|
| Capital goods | — | 1,461,964 |

11. Related party transactions

A) Key Management Personnel:

| Name of the related party | Nature of relationship |
|---------------------------|------------------------|
| T Sandeep Kumar Reddy | Promoter Director |

B) Related parties with whom transactions have taken place during the year:

| Particulars | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|--|-------------------------------------|-------------------------------------|
| Interest expense on loan from Key Management Personnel | 744,109 | 3,547,293 |
| Repayment of loan to Key Management Personnel | 20,074,412 | 4,391,607 |

C) Balances payable to related parties are as follows:

| Particulars | As at 31 March 2011 | As at 31 March 2010 |
|------------------------------------|------------------------|------------------------|
| Loan from Key Management Personnel | 14,305,737 | 33,636,040 |

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D) No managerial remuneration has been paid during the year

12. Segment reporting

The entire operations of the Company relate to only one segment namely, "Maize Processing and its sales in India" and accordingly there is only one business and geographical segment.

13. Employee benefits

The following table sets out the status of the gratuity plan as required under AS 15 (Revised) Reconciliation of opening and closing balances of the present value of the defined benefit Obligation

Change in Defined Benefit Obligation

| Particulars | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|---|-------------------------------------|-------------------------------------|
| Obligation at beginning of the year | 5,924,512 | 4,728,756 |
| Current service cost | 370,240 | 378,300 |
| Interest cost | 473,961 | 212,939 |
| Past service cost | 79,245 | - |
| Actuarial loss | 2,009,821 | 845,515 |
| Benefits paid | (208,492) | (240,998) |
| Obligation as at the end of the year | 8,649,287 | 5,924,512 |

Amount recognised in balance sheet

| Particulars | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Present value of funded obligations | 8,649,287 | 5,924,512 |
| Fair value on plan assets | — | — |
| Net liability/(asset) | 8,649,287 | 5,924,512 |

Expense recognised in statement of profit and loss account

Particulars

For the year ended

31 March 2011

For the year ended

31 March 2010

Current service cost

370,240

212,939

Interest cost

473,961

378,300

Expected return on plan assets

—

—

Past service cost

79,245

—

Net actuarial loss recognised in the year

2,009,821

845,515

Amount included in "Personnel expenses"

2,933,267

1,436,754

Summary of actuarial assumptions

| Particulars | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Discount Rate (p.a.) | 8.00% | 7.00% |
| Salary escalation rate (p.a.) | 10.00% | 10.00% |

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

The Company does not have any plan assets.

14. Amounts payable to Micro, Small and Medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises has been made in the financial statements based on information received and available with the Company. Further, in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

| | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|---|-------------------------------------|-------------------------------------|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year. | 2,212,903 | 1,170,455 |
| The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year | Nil | Nil |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act | Nil | Nil |
| The amount of interest accrued and remaining unpaid at the end of the year | 384,434 | 378,208 |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise | Nil | Nil |

15. Previous year comparatives

Previous year's figures have been regrouped / reclassified, where necessary, to conform to current year's classification.

for **B S R and Co**
Chartered Accountants
Firm Registration No:128510W

for **Gayatri BioOrganics Limited**

Sd/-
Zubin Shekary
Partner
Membership No.: 48814

Sd/-
P. Maruthi Babu
Director

Sd/-
K S V S Sastry
Company Secretary

Sd/-
T.Sandeep Kumar Reddy
Chairman

Place : Hyderabad
Date : 28 May 2011

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ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT,1956. FOR THE YEAR ENDED 31st MARCH, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

| | | | | | |
|--------------------|---|-------------|------------|---|----|
| Registration No | : | 13512 | State Code | : | 01 |
| Balance Sheet Date | : | 31-Mar-2011 | | | |

II Capital raised during the year (Amt in Rs.Thousands)

| | | | | | |
|--------------|---|-----|-------------------|---|-----|
| Public Issue | : | NIL | Rights Issue | : | NIL |
| Bonus issue | : | NIL | private placement | : | NIL |

III Position of Mobilisation and Deployment of Funds

(Amt in Rs.Thousands)

| | | | | | |
|----------------------|---|-----------|--------------------|---|-----------|
| Total Liabilities | : | 1,319,768 | Total Assets | : | 1,319,768 |
| Source of funds | | | | | |
| Paid-up Capital | : | 8,17,813 | Reserves & Surplus | : | 1,000 |
| Secured Loans | : | 486,649 | Unsecured Loans | : | 14,306 |
| Application of Funds | | | | | |
| Net Fixed Assets | : | 467,843 | Investments | : | 15 |
| Net Current Assets | : | 408,577 | Misc.Expenditure | : | — |
| Accumulated Loss | : | 443,333 | | | |

IV Performance of company (Amt in Rs.Thousands)

| | | | | | |
|--------------------------|---|---------|-------------------------|---|---------|
| Turnover | : | 865,265 | Total Expenditure | : | 845,608 |
| Profit (Loss) Before Tax | : | 28,707 | Profit (Loss) After Tax | : | 28,707 |
| Earning Per Share | : | 0.35 | Dividend @ % | : | NIL |

V Generic names of Three principal products /services of companies (as per monetary terms) Item Code No. (ITC CODE)

Product Description

| | |
|-----------------------|---------|
| D-GLUCITOL (SORBITOL) | 2905.44 |
| DEXTROSE | 1702.29 |
| STARCH | 1103.00 |

GAYATRI BIOORGANICS LIMITED

6-3-1090/C/A/1, 1st Floor Lovely Mansion, Rajbhavan Road, Somjiguda, Hyderabad – 500 082.
Ph: 66100111/66100222, Fax: 66100333, E-mail: info@gayatribioorganics.com

ATTENDANCE SLIP

SLIP DULY FILLED IN TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

Regd Folio No:

No. of Shares held

SHAREHOLDER'S NAME: Mr /Mrs/Miss.....
(In Block Capitals)

IN CASE OF PROXY
NAME OF THE PROXY : Mr/ Mrs/Miss.....

I Certify that I am a Registered Shareholder / Proxy for the Registered Shareholder of the Company.

I hereby record my presence at the 20th Annual General Meeting of the Company to be held **on Tuesday, The 27th September, 2011 at 03.00 P.M. at "SURANA UDYOG AUDITORIUM, 'FAPCCI' Building Federation House, H.No. 11-6-841, Red Hills, Hyderabad – 500 004.**

Member's / Proxy's Signature

- Notes: 1. Please bring this Attendance Slip when you are attending the Meeting.
2. Please do not bring with you any person who is not a member of the Company



GAYATRI BIOORGANICS LIMITED

6-3-1090/C/A/1, 1st Floor Lovely Mansion, Rajbhavan Road, Somjiguda, Hyderabad – 500 082.
Ph: 66100111/66100222, Fax: 66100333, E-mail: info@gayatribioorganics.com

PROXY

Regd Folio No:

No. of Shares held

I / We.....of.....

being a member / member(s) of the GAYATRI BIOORGANICS LIMITED do hereby appoint

Sri / Smt.....of

.....or failing him / her Sri / Smt.....

of as my / our proxy to attend and vote for me / us on my / our behalf at the 20th Annual General Meeting of the Company to be held on **on Tuesday, The 27th September, 2011 at 03.00 P.M.** at any adjournment thereof.

Signed this.....day of.....2011.

Signature of the Shareholder/s _____

Affix
Revenue
Stamp

Note : The Proxy form duly completed must be deposited at the Regd.Office of the Company not less than 48 hours before the time for holding the Meeting.

**PRINTED MATTER
BOOK - POST**

If undelivered, please return to:



BioOrganics Limited

(Formerly Gayatri Starchkem Limited)

6-3-1090/C/A/1, 1st Floor, Lovely Mansion,
Rajbhavan Road, Somajiguda,

HYDERABAD – 500 082.

Ph : 66100111 / 66100222, Fax : 66100333

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