

57

**THE
GODAVARI
SUGAR MILLS
LIMITED**

**ANNUAL REPORT & ACCOUNTS
1996-97**

THE GODAVARI SUGAR MILLS LIMITED

(Incorporated under the Indian Companies Act, VII of 1913)

Board of Directors :

SHRI K. J. SOMAIYA

Chairman

DR. B. V. BHOOTA

DR. C. B. PURANDARE

SHRI N. C. SAYTA

SHRI H. J. MEHTA

(Nominee of Bank of India)

SHRI K. PERSHAD

SHRI B. R. BARWALE

SHRI INDUBHAI C. PATEL

DR. S. K. SOMAIYA

V. B. BAGAL

(Director-Works w.e.f. 2-9-1997)

SHRI P. M. KAVADIA

(Whole-time Director)

Secretary and General Manager (Finance)

SHRI S. R. PARIKH

Bankers :

BANK OF INDIA

UNION BANK OF INDIA

Solicitors :

MULLA & MULLA AND CRAIGIE BLUNT AND CAROE

Auditors :

AMBALAL THAKKAR & CO.

Registered Office :

FAZALBHOY BUILDING,
MAHATMA GANDHI ROAD,
FORT, MUMBAI - 400 023.

THE GODAVARI SUGAR MILLS LIMITED

NOTICE

Notice is hereby given that Fifty-Seventh Annual General Meeting of The Godavari Sugar Mills Limited will be held on Tuesday the 30th September, 1997 at 3.30 p.m. at the Registered Office of the Company at Fazalbhoy Building, 45/47, Mahatma Gandhi Road, Mumbai - 400 023 to transact the following business:

ORDINARY BUSINESS :

1. To consider and adopt Audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date, and the Directors' and Auditors' Report thereon.
2. To declare dividend on Equity and Preference Shares.
3. To appoint a Director in place of Dr. C. B. Purandare who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. S. K. Somaiya who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri B. R. Barwale who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

7. To consider and, if thought fit, to pass, with or without modification, if any, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri V. B. Bagal be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. To consider and, if thought fit, to pass, with or without modification, if any, the following resolution as an Ordinary Resolution :

"RESOLVED that in supersession of Resolution passed at the Extra ordinary General Meeting of the Company held on 25th February, 1997 and pursuant to Section 293 (1) (d) of the Companies Act, 1956, and all other enabling provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's

bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs.300 Crores."

9. To consider and, if thought fit, to pass, with or without modification, if any, the following resolution as an Ordinary Resolution :

"RESOLVED THAT the consent of the Company be and is hereby accorded u/s 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including statutory modifications or re-enactment thereof) to the Board of Directors of the Company (hereinafter referred to as "the Board") to transfer/sell/ dispose of and/or mortgage and/or charge and/or hypothecation, in addition to the mortgage/ charge created or to be created by the Company on such terms and conditions and at such time or times and in such form or manner and with such ranking as "the Board" may determine on all or any of the movable and/or immovable properties of the Company or the whole or substantially the whole or part of any one or more or all the undertakings of the Company including the present and/or future properties of the Company in favour of All India Financial Institutions, State Financial Institutions, State Industrial Development Corporations, Banks or other Lender(s), Agent(s) and Trustee(s) or such other person(s) for securing the borrowings of the Company availed/to be availed by way of Term Loans (Rupees or Foreign Currency) / Assets Credit Scheme/ Equipment Credit Scheme/Leasing/Credit Facilities and Securities (comprising fully/partly convertible debenture and/ or non-convertible debentures with or without warrants, with or without premium and/or secured premium notes and/or floating rate notes/bonds and/or secured premium notes and/or other debt instruments) issued, to be issued by the Company from time to time subject to the limits laid down u/s 293 (1) (a) of the Companies Act, 1956, together with interest, additional interest, compound interest in case of default, accumulated interest, commitment charges, liquidated damages, premia or prepayment, remuneration to Agent(s) /Trustee(s), premium on redemption, all other costs, charges, expenses and including any increase as a result of the devaluation/ revaluation/fluctuation in the rates of exchange and all other monies payable by the Company to respective financial institutions and/or

bankers in the terms of their agreement/letter of sanction/memorandum of terms and conditions or any other document entered into or to be entered into by the Company in respect of the said Loan/borrowings/debentures/other debt instrument and containing such terms and conditions and covenants in respect of the enforcement of security as may be stipulated in this behalf and agreed between "the Board" or Committee thereof and the Lender (s) /Agent (s) /Trustee(s) and the security to rank pari passu with or second or subservient to the mortgages and/or charges and/or hypothecation already created or to be created in the future by the Company or in such other manner as may be agreed to between the concerned parties as such as may be thought expedient by the Board of Directors of the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary for giving effect to the above Resolution."

10. To consider and, if thought fit, to pass, with or without modification, if any, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Sec. 269, 309, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Shri V.B. Bagal, as Director (Works) of the Company for a period of 3 years from 1st September, 1997 on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Shri V.B. Bagal (a copy whereof initialled by the Chairman for the purpose of identification is placed before the meeting), which agreement is hereby specifically sanctioned with liberty to alter and vary the terms and conditions of the said appointment and/or agreement from time to time by the Board of Directors of the Companies as they may, at their discretion deem fit, so as not to exceed the limits specified in the schedule XIII of the Companies Act, 1956 (including any Statutory modification or re-enactment thereof, for the time in force), or any amendment made thereto).

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, to give effect to this resolution."

By Order of the Board of Directors,

S. K. SOMAIYA

Director

MUMBAI : Dated 2nd September, 1997

Note :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member of the Company.

An instrument of proxy in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

2. Members are requested to bring their copy of Annual Report and Accounts and produce attendance slip duly filled in for attendance at the meeting.
3. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the business under Items 7 to 10 set out above are annexed hereto.

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

ITEM NOS :

7. Shri V. B. Bagal was appointed as Additional Director by the Board of Directors in their Meeting held on 2nd September, 1997, as per Section 260 of the Companies Act, 1956.

Pursuant to Section 260 of the Companies Act, 1956 Shri V. B. Bagal will hold office as Director upto the date of ensuing Annual General Meeting. The Company has received a Notice in writing from members (alongwith the Deposit of required amount) proposing the candidature of Shri V. B. Bagal for the office of Director u/s 257 of the Companies Act, 1956.

None of the Directors other than Shri V. B. Bagal are interested in this resolution.

8. Under Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors of a Company cannot, except with the consent of the company in general meeting, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose. The Shareholders at the Extra-Ordinary General meeting of the Company held on 25th February, 1997, had accorded their consent to the Board of Directors borrowing upto Rs. 250 Crores. To meet the capital expenditure requirements for cogeneration project and other plans on hand and for additional working capital needs, as also to provide for the issue of any debt/debt related instrument in the Indian and/or International Market, it may be necessary to enhance the present borrowing limit. Shareholders' approval is therefore being sought pursuant to Section 293 (1) (d) of the Companies Act, 1956 to increase the borrowing limit to Rs. 300 Crores.

None of the Directors of the Company is, in any way concerned or interested in this resolution.

9. Your Company needs to borrow funds from time to time for business requirements and for this purpose it may have to create Charge/mortgage the assets of the Company as Security which may amount to disposing of whole or substantially whole of the undertakings of the Company. Hence the proposed Resolution in terms of Section 293 (1) (a) of the Companies Act, 1956 is comended for the approval of the Shareholders.

None of the Directors of the Company is, in any way concerned or interested in this resolution.

10. Shri V.B. Bagal was appointed as Director (Works) of the Company for a period of 3 years from 1st Septmber, 1997 to 31st August, 2000 in the Board Meeting held on 2nd September, 1997 on the remuneration and perquisites stated below :

1. Salary : Rs. 21,000 - 1,000 - 23,000 p. m.
2. Commission : 1% of net Profits subject to a limit of Rs. 50,000/- p. a.
3. Housing : Furnished Quarter at factory.
4. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962, subject to a ceiling fo 10% of the salary.
5. Medical : As per Company's Rules.
Reimbursement

6. Leave Travel : For self and family once in a Reimbursement year incurred in accordance with the rules specified by the Company.
7. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
8. Gratuity : As per Company's Rules.
9. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
10. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Shri V.B. Bagal.

The Board recommends the appointment of Shri V.B. Bagal as Director (Works). As his appointment falls well within the Provisions of Schedule XIII of the Companies Act, 1956 the approval of Central Government is not necessary. The Board recommends the resolution for approval.

Shri V.B. Bagal may be deemed to be interested in this Resolution.

By Order of the Board of Directors,

S. K. SOMAIYA

Director

MUMBAI : Dated 2nd September, 1997

THE GODAVARI SUGAR MILLS LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Fifty-Seventh Annual Report and the Audited Statements of Accounts of the Company for the year ended 31st, March, 1997.

(A) FINANCIAL RESULTS :		(Rs. in Lacs)
Gross Operating Profit		1,438.01
Add : Excess Provision for Cane Purchase and Purchase Tax for Season 1994-95		85.62
		<u>1,523.63</u>
Less : Interest	861.36	
Depreciation	52.98	
Provision for Taxation (Including Dividend Tax of Rs. 9.75 lacs)	209.75	
		<u>1,124.09</u>
Net Profit for the year		399.54
Adding thereto:		
Balance Profit brought forward from last year		3.63
		<u>403.17</u>
Less: Short Provision for taxation for earlier years		138.41
Profit available for appropriation		<u>264.76</u>
APPROPRIATIONS :		
Proposed Dividend :		
i) On Preference Shares @7.8572%	1.46	
ii) On Equity Shares @20%	96.00	
		<u>97.46</u>
Transfer to General Reserve		160.00
Balance carried to Balance Sheet		7.30
		<u>264.76</u>

(B) MANUFACTURING RESULTS OF SAMEERWADI :

The results for the year reflect working of two crushing seasons i.e. part of 1995-96 and part of 1996-97. It covers the period from 1-4-1996 to 31-3-1997 the results whereof are produced below:

Period	Cane Crushed (M.T.)	Sugar Manufactured (Qtl.)
1-4-1996 to 31-7-1996	4,85,842	5,16,575
26-10-1996 to 31-3-1997	7,12,101	8,52,470
Total	11,97,943	13,69,045

Average recovery works out to 11.41%

The final figures for crushing and production for Crushing Season 1996-97 and comparative figures for 1995-96 are as under:-

	1996-97	1995-96
Cane Crushed (M.T.)	8,94,182	11,02,767
Sugar Manufactured (Qtl.)	10,73,920	12,58,950
Recovery (%)	11.93	11.40

The cane crushing target during the year under report underwent a change after the Season commenced. There was a gradual decline in the cane supplies as the Season advanced. This was on account of the fact that due to frequent power cuts, Borewell pumps and river lifts were not working to the required extent leading to water shortage and gradual drying of cane which led to heavy fall in the cane yields.

Accordingly, the cane crushing during the Season 1996-97 was 8.94 lac tonnes. However, the Recovery percentage substantially improved to 11.93%.

(C) CANE PRICE SETTLEMENT OF PREVIOUS YEARS :

In terms of MOU arrived at between the Company and cane growers association, Sameerwadi in the meeting held on 17th and 18th November, 1995 in the Chamber of Hon'ble Minister for Sugar, Textile, Environment & Ecology, Sameerwadi's final cane price for above two Seasons was linked with M/s.UGAR Sugar's cane price on pro-rata recovery basis. Recently, Ugar has declared its final cane price @ Rs.790/- per M.T. & Rs.715/- per M.T. for the Seasons 1994-95 and 1995-96 ex-field. Accordingly on prorata recovery basis, our final cane prices work out to Rs.743.75 and 747.80 per M. T. respectively for the above years.

(D) PROGRESS IN "COGENERATION"PROJECT :

The Company has appointed M/s.Desein Consultants Private Ltd., New Delhi as Project Consultants for the Cogeneration Project, having regard to their considerable experience in implementation of several Power Projects. The consultants would provide comprehensive services including preparation of Detailed Project Report (DPR), Engineering & Supervisory Services for Testing, Commissioning, and guarantee runs for the Cogeneration Plant. The Consultants have since visited Sameerwadi site and have gathered all the relevant data and are now preparing the Detailed Project Report (DPR) and taking further steps in this regard.

(E) LEVY PRICE MATTERS IN SUPREME COURT 1974-75 TO 1979-80 SEASON :

In terms of the Supreme Court order dtd. 28.1.1997 Government of India has requested the State Governments to furnish information in respect of the

above years to enable the Central Government to work out the 5A prices for all the zones so that the revision in levy prices for the above years can be determined and announced.

(F) LEVY PRICE FOR SEASON 1985-86 FOR SAMEERWADI FACTORY :

The Company's SLP in Supreme Court against the order dated 20-12-1990 of Karnataka High Court is still to be heard finally. In view of the Supreme Court Judgement in (E) above, the Company proposes after consulting the counsels, to take up the plea of consideration of 5A price in the computation of Levy Price for the Season 1985-86.

(G) ADDITIONAL LEVY PRICE MATTERS OF ERSTWHILE LAKSHMIWADI FACTORY FOR THE YEARS 1981-82 TO 1983-84 :

The matter is listed in General List in Supreme Court. It is expected to reach for hearing in the next two to three months time.

(H) LEGAL MATTERS IN RESPECT OF LAKSHMIWADI 38 WORKERS :

- i) The appeal filed by 38 workers of erstwhile Lakshmiwadi factory against judgement of Labour Court at Ahmednagar in the matter of reinstatement of workers after 8.4.1988 will be coming up for hearing in September, 1997.
- ii) Similarly the Company's Writ Petition in High Court of Mumbai (Aurangabad Bench) against the order of the Industrial Court in favour of 38 workers for payment of unpaid wages, Bonus, D.A., etc. for the period of Closure i.e. from 16-12-1986 to 8-4-1988 has not yet reached the stage of hearing.

(I) DIVIDENDS :

The Directors recommend for consideration of Shareholders at the Annual General Meeting payment of Preference Dividend at 7.8572% on the Redeemable Preference Shares and also 20% Dividend on Equity Shares subject to deduction of tax for the year ended 31st March, 1997.

(J) DISCLOSURE WITH RESPECT TO CONSERVATION OF ENERGY ETC. :

The particulars about conservation of energy, etc. pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are set-out in the Annexure forming part of this report.

(K) AUDITORS :

M/s. Ambalal Thakkar & Co., Auditors of the Company retire and being eligible, offer themselves for re-appointment.

(L) GENERAL :

- i) Dr. C. B. Purandare, Dr. S. K. Somaiya and Shri B. R. Barwale retire from the Board by rotation and being eligible, offer themselves for re-appointment.
- ii) Your Directors place on record their sincere appreciation of the co-operation and assistance extended by the Company's Bankers viz. Bank of India and Union Bank of India, the Karnataka Government, cane suppliers and the staff of the Company.
- iii) The statement showing particulars of employees drawing remuneration of Rs.3 lacs or more per year or Rs.25,000/- per month or more during the year or for part of the year is shown in the annexure forming part of the report.
- iv) A statement relating to subsidiary Company Godavari Investment & Finance Corporation Limited, pursuant to Section 212 of the Companies Act, 1956 is attached to the Balance Sheet.

By Order of the Board of Directors,

S. K. SOMAIYA
P. M. KAVADIA } Directors

Mumbai : Dated 2nd September, 1997

THE GODAVARI SUGAR MILLS LIMITED

ANNEXURE TO DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of Particulars, in the Report of the Board of Directors) Rules, 1988 and Forming part of Directors' Report for the year ended 31st March, 1997.

Conservation of Energy / Technology / Absorption / Foreign Exchange earnings and outgo.

(A) CONSERVATION OF ENERGY

In addition to the existing steam economy measures, it is planned to add Double effect Vapour Cell to modify the existing evaporator system which will enable us to achieve higher production with fuel economy.

FORM "A"

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Current Year	Previous Year
(A) POWER AND FUEL CONSUMPTION			
1. ELECTRICITY			
(a) Purchased			
Units	KWH	130,800	5,45,054
Total Amount	Rs.	972,710	16,57,305
Rate	Rs./KWH	7.44	3.04
(b) Own Generation			
i) Through Diesel Generator			
Units	KWH	189,648	2,96,780
Units per Litre of Diesel Oil	KWH/Ltr.	2.06	3.00
Cost Per Unit	Rs./KWH	4.58	2.75
ii) Through Steam Turbine Generator			
Units	KWH	2,69,47,120	2,01,42,598
Units per K.G. of Bagasse	KWH	0.20	0.15
Cost per Unit	Rs./KWH	0.50	0.67
2. COAL (IInd GRADE)			
Quantity	M.T.	527.985	235.61
Total Amount	Rs.	11,62,239	5,09,698
Average Rate	Rs./M.T.	2,201	2,163
(The Coal is used for manufacture of Lime only)			
3. OTHERS / FOR INTERNAL GENERATION			
Fire Wood	M.T.	370.665	187.520
Total Cost	Rs.	340,534.29	1,26,574
Rate / Unit	Rs./M.T.	918.71	675
BAGASSE			
Purchased	M.T.	NIL	NIL
Produced & Utilised for Power Generation	M.T.	130,807	1,35,850
Total Cost	Rs.	13,080.700	1,35,85,000
Rate (Average)	Rs./M.T.	100	100
(B) CONSUMPTION PER UNIT OF SUGAR PRODUCTION			
Electricity	KWH/QTLS.	23.38	18.30
COAL (IInd GRADE)	M.T./QTLS.	0.0003654	0.000205
Fire Wood	M.T./QTLS.	0.0003434	0.000164
Bagasse	M.T./QTLS.	0.20	0.25

(B) TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form "B"

FORM "B"

(Disclosure of Particulars with respect to Technology Absorption)

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company.

R & D activities are related to upgradation of process technology, product improvement, recovery improvement and cost reduction and Bagasse handling R & D evaluated different biocides, antiscalants and decolourising agents. R & D associated its efforts with co-generation project of 28 MW capacity.

2. Benefits derived as a result of above R & D.

R & D activities helped in process improvement to reduce losses, and to produce export quality sugar. Addition of TRPF units helped to achieve higher crushing rate with good milling results. R & D is making further efforts to minimise steam consumption and improve efficiency of boilers.

3. Plan of Action:

In future R & D efforts will be continued towards automation at different stations, plant expansion and balancing. The co-generation project will be installed to export about 21 MW power.

4. Expenditure

- i) Capital
ii) Recurring
iii) Total
iv) Total R & D expenditure as a percentage of total turnover.

NI
98601
98601
0.07

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION :

R & D is involved in the adoption of developments like TRPF units on mills, installation of continuous pan and latest machines. It is also involved in application of cost effective process additives and pollution control equipments, and steam saving devices.

BENEFITS

1. Adoption of new developments in milling plant and commissioning of continuous pan and latest machines enabled higher crushing rate and total crush with higher sugar recovery and better quality sugar.
2. We have not imported any technology.

(C) FOREIGN EXCHANGE EARNINGS : RS. Nil
FOREIGN EXCHANGE OUTGO : RS. 3,73,535

BY ORDER OF THE BOARD OF DIRECTORS,

S. K. SOMAIYA
P. M. KAVADIA } Directors

MUMBAI : Dated 2nd September, 1997

THE GODAVARI SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1997

We have examined the attached Balance Sheet and the Profit and Loss Account annexed thereto which are in agreement with the Company's Book of Accounts.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, in our opinion, and on the basis of such checks of books and records as we considered appropriate and according to the information and explanations given to us during the normal course of audit, which were necessary to the best of our knowledge and belief, we report that :-

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets. Physical verification of all the assets has been conducted by the management at the close of the year and no material discrepancies were noticed.
2. The Fixed Assets of the Company have not been revalued during the year.
3. Physical verification had been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials and no material discrepancies have been noticed on such physical verification as compared to book records. The procedure followed by the management for such physical verification are in our opinion reasonable and adequate in relation to the size of the Company and the nature of its business. On the basis of our examination we are satisfied that the valuation of its stocks is fair and proper in accordance with normally accepted accounting principles.
4. The Company has not taken any loans from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956 or covered by the definition of Companies under the same management under Section 370(1B) of the Companies Act, 1956.
5. The Company has not given any Loans to any company, firms or other parties. Advances in the nature of loans are being recovered as stipulated.
6. In our opinion and according to the information

and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchases of Raw Materials, Stores, Plant and Machineries, Equipments and Other Assets and for the sale of goods.

7. According to the information and explanation given to us, there have been no transactions of purchase of plant and machineries, equipments and fixed assets of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register(s) maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000/- or more in respect of each party.
8. Reasonable provision has been made in the Accounts for unserviceable or damaged stores, raw material and finished goods.
9. Provision of Section 58A of Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the Deposits are not applicable as the Company has not invited any Deposits from the Public.
10. The Company has maintained reasonable records for the sale and disposal of by-products and scrap.
11. In our opinion, Company has an adequate Internal Audit System commensurate with the size and nature of its business.
12. According to the records produced and information given to us, we are of the opinion, that the Cost Records and Accounts as prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 have been maintained by the Company but no detailed examination of such Records and Accounts had been carried out by us.
13. The Company is regular in depositing Provident Fund dues with the appropriate authorities.
14. According to the information and explanations given to us and records examined by us, there are no undisputed amounts payable in respect of Income Tax, Sales Tax, Custom Duty and Excise Duty outstanding for a period exceeding six months from the date they became payable.

15. No personal expenses have been charged to revenue account.

16. The Company is not a Sick Industrial Company within the meaning of Section 3(1)(0) of the Sick Industrial Companies (Special Provisions), Act, 1985.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper Books of Accounts as required by the Companies Act, 1956 have been kept by the Company so far as appears from our examination of these books.

In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account subject to note 4 regarding change in the method of valuation of closing stock and its effect on the profit of the year of the Company and read with other notes thereon give the information required by the Act in the manner so required and present a true and fair view of the state of the Company's affairs at the close of the above financial year and of Profit for the year.

For **AMBALAL THAKKAR & CO.**
Chartered Accountants

G. P. Bhatt
Partner

Camp NAGPUR : Dated 2nd September, 1997

THE GODAVARI SUGAR MILLS LIMITED

Balance Sheet as at 31st March, 1997

			(Rs. in lacs) 31-03-97	(Rs. in lacs) 31-03-96
SOURCES OF FUNDS:				
SHAREHOLDERS' FUNDS:				
(a) Share Capital	1		498.51	498.51
(b) Reserves & Surplus	2		1,109.07	945.40
			<u>1,607.58</u>	<u>1,443.91</u>
LOANS:				
(a) Secured Loans	3		4,886.11	4,464.99
(b) Unsecured Loans	4		2,064.41	956.46
			<u>6,950.52</u>	<u>5,421.45</u>
			<u>8,558.10</u>	<u>6,865.36</u>
TOTAL FUNDS EMPLOYED				
APPLICATION OF FUNDS:				
FIXED ASSETS:				
(a) Gross Block	5	2,219.43		2,081.02
(b) Less : Depreciation		<u>1,153.03</u>		<u>1,100.05</u>
(c) Net Block			1,066.40	980.97
(d) Work in Progress			24.75	-
(e) Advance paid for co-generation Project			<u>7.80</u>	<u>1.80</u>
			<u>1,098.95</u>	<u>982.77</u>
INVESTMENTS				
	6		11.07	6.57
CURRENT ASSETS				
(a) Inventories	7	9,696.64		7,879.88
(b) Debtors	8	125.43		91.51
(c) Cash & Bank Balances	9	65.84		289.99
(d) Fixed Deposits	10	310.39		308.56
(e) Loans and Advances	11	995.59		985.76
		<u>11,193.89</u>		<u>9,555.70</u>
LESS : CURRENT LIABILITIES				
	12			
(a) Current Liabilities		3,409.26		3,306.22
(b) Provisions		<u>336.55</u>		<u>373.46</u>
		<u>3,745.81</u>		<u>3,679.68</u>
Net Current Assets			<u>7,448.08</u>	<u>5,876.02</u>
TOTAL ASSETS				
			<u>8,558.10</u>	<u>6,865.36</u>
CONTINGENT LIABILITIES				
	13			
NOTES ON ACCOUNTS				
	20			

Accompanying to our Report of even date annexed

For AMBALAL THAKKAR & CO.
CHARTERED ACCOUNTANTS

G.P. BHATT
Partner

S. R. PARIKH
Secretary and
General Manager (Finance)

S. K. SOMAIYA	} Directors
C. B. PURANDARE	
N. C. SAYTA	
K. PERSHAD	
I. C. PATEL	
B. V. BHOOTA	
B. R. BARWALE	
P. M. KAVADIA	
(Whole-time Director)	

Camp NAGPUR : Dated 2nd September, 1997

MUMBAI : Dated 2nd September, 1997

THE GODAVARI SUGAR MILLS LIMITED

Profit and Loss Account for the year ended 31st March, 1997

		(Rs. in lacs) 31-03-97	(Rs. in lacs) 31-03-96
SCHEDULES			
INCOME:			
Sales	14	13,216.36	12,275.30
Other Income	15	394.48	161.94
Increase in Stock	16	1,820.04	453.23
Write Back-Provision of Cane cost 1994-95		85.62	-
		<u>15,516.50</u>	<u>12,890.47</u>
EXPENDITURE:			
Sugar Cane Cost		10,851.70	8,632.24
Manufacturing and Other Expenses	17	2,353.39	1,853.33
Excise Duty & Sugar Development Cess		787.78	798.61
Interest & Financial Charges	18	861.36	699.54
Depreciation	5	52.98	46.96
		<u>14,907.21</u>	<u>12,030.68</u>
PROFIT BEFORE TAX :		609.29	859.79
Provision for Taxation (Including Dividend Tax of Rs. 9.75 lacs)		209.75	150.00
Net Profit for the Year		399.54	709.79
Balance Profit brought forward from last year		3.63	4.90
		<u>403.17</u>	<u>714.69</u>
Provisions - Cane Cost and Cane Purchase Tax for 1993-94		-	360.81
- Short Provision for Taxation for earlier years		138.41	176.79
		<u>138.41</u>	<u>537.60</u>
Profit available for appropriations		<u>264.76</u>	<u>177.09</u>
APPROPRIATIONS:			
Proposed Dividend			
(a) On Preference Share @7.8572%		1.46	1.46
(b) On Equity Shares @20%		96.00	72.00
General Reserve		160.00	100.00
Balance Carried to Balance Sheet		7.30	3.63
		<u>264.76</u>	<u>177.09</u>
Computation of Whole-time Director's Commission	19		
Notes on Accounts	20		

Accompanying to our Report of even date annexed

For AMBALAL THAKKAR & CO.
CHARTERED ACCOUNTANTS

G.P. BHATT
Partner

S. R. PARIKH
Secretary and
General Manager (Finance)

S. K. SOMAIYA	} Directors
C. B. PURANDARE	
N. C. SAYTA	
K. PERSHAD	
I. C. PATEL	
B. V. BHOOTA	
B. R. BARWALE	
P. M. KAVADIA	
(Whole-time Director)	

Camp NAGPUR : Dated 2nd September, 1997

MUMBAI : Dated 2nd September, 1997

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31.3.1997

(Rs.in lacs)
31-03-97

(Rs.in lacs)
31-03-96

Schedules annexed to and forming part of Balance Sheet as at 31st March, 1997 and Profit and Loss Account for the year ended 31st March, 1997.

SCHEDULE 1 - SHARE CAPITAL :

AUTHORISED :

1,93,00,000	Ordinary (Equity) Shares of Rs.10/- each	1,930.00		1,930.00
20,000	7.8572% subject to deduction of tax at source Redeemable Cumulative Second Preference Shares of Rs.100/- each	20.00		20.00
50,000	9½% subject to deduction of tax at source Redeemable Cumulative Third Preference Shares of Rs.100/- each	50.00		50.00
			<u>2,000.00</u>	<u>2,000.00</u>

ISSUED AND SUBSCRIBED CAPITAL :

48,00,000	Ordinary (Equity) Shares of Rs.10/- each fully paid up. Out of the above shares 47,00,000 shares are allotted as fully paid up by way of Bonus Shares, by capitalisation of General Reserve	480.00		480.00
18,509½	7.8572% subject to deduction of tax at source Redeemable Cumulative Preference Shares of Rs.100/- each fully paid-up, liable to be redeemed at the option of the Company at any time and from time to time after giving three months' notice of the intention to redeem the same	18.51		18.51
			<u>498.51</u>	<u>498.51</u>

SCHEDULE 2 - RESERVES AND SURPLUS :

(A)	GENERAL RESERVE:			
	As per last Balance Sheet	931.77		831.77
	Add : Transferred from investment Reserve	4.25		-
		<u>936.02</u>		<u>831.77</u>
	Add : Transferred from Profit during the year	160.00		100.00
			1,096.02	<u>931.77</u>
(B)	Investment Allowance Reserve		5.75	10.00
(C)	Profit and Loss Account		7.30	3.63
			<u>1,109.07</u>	<u>945.40</u>

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31.3.1997

(Rs.in lacs)
31-03-97

(Rs.in lacs)
31-03-96

SCHEDULE 3 - SECURED LOANS :

From Banks

(a) Cash Credit Account with Banks against hypothecation of all tangible movable Assets of the Company including Stocks of Sugar, Stores, Chemicals, Spares, etc. and second charge by way of Equitable Mortgage on Block of Fixed Assets of Company's unit at Sameerwadi (excluding Agricultural Assets) and fully guaranteed by two Directors.

(i) Bank of India	668.99	1,043.41
(ii) Union Bank of India	541.32	1,616.14
(iii) Working Capital Demand Loan (Bank of India)	1,650.00	620.00
(iv) Working Capital Demand Loan (Union Bank of India)	1,650.00	620.00
	<u>4,510.31</u>	<u>3,899.55</u>

(b) Term Loan :

(i) Bank of India	8.47	48.00
(ii) Union Bank of India	8.71	18.25
	<u>17.18</u>	<u>66.25</u>

(c) Working Capital Term Loan

(i) Bank of India	16.48	34.48
(ii) Union Bank of India		23.38
	<u>16.48</u>	<u>57.86</u>

(d) Funded Interest Term Loan A/c.I Bank of India

29.25

(e) Funded Interest Term Loan A/c.II Bank of India

0.98 27.98

(f) Funded Interest Term Loan A/c.III

(i) Bank of India	0.60	24.60
(ii) Union Bank of India	0.60	24.60
	<u>1.20</u>	<u>49.20</u>

Note :

Term Loan and Other Loans as above are secured by First Pari Passu Charge by way of Equitable Mortgage on Fixed Assets of the Company (excluding Agricultural Assets) and agreeing to create First Pari Passu Equitable Mortgage on two flats at Mumbai as collateral security.

4,546.15 4,130.09

Agri Finance against hypothecation of Cane Crops

4.20 4.60
4,550.35 4,134.69

Hire Purchase Finance

335.76 330.30
4,886.11 4,464.99

SCHEDULE 4 - UNSECURED LOANS :

(a) 200 6% Debentures of Rs.10,000/- each fully paid-up Redeemable at the option of the company

20.00 20.00

(b) Deposits from Cultivators

2,044.41 936.46
2,064.41 956.46

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31-03-1997

SCHEDULE - 5 FIXED ASSETS

(Rs. in lacs)

PARTICULARS	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Gross Block as on 1st April, 1996	Additions during the year	Deletion during the year	Gross Block as on 31st March, 1997	Depreciation Written off upto 31st March, 1996	Depreciation Written off during the year	Total Depreciation upto 31st March, 1997	Net Depreciated Block as at 31st March, 1997	Net Depreciated Block as at 31st March, 1996
Freehold Land		16.06	0.25	0.51	15.80	—	—	—	15.80	16.06
Leasehold Land Development Expenses		2.39	—	—	2.39	—	—	—	2.39	2.39
Leasehold Premium on Garage		0.12	—	—	0.12	0.11	—	0.11	0.01	0.01
Building & Pucca Quarters at Factories		331.76	0.21	—	331.97	100.66	6.57	107.23	224.74	231.10
Temporary Quarters		6.36	—	—	6.36	3.82	0.04	3.86	2.50	2.54
Temporary Quarters at Farms		1.41	—	—	1.41	1.24	—	1.24	0.17	0.17
General Machinery		1,328.09	61.31	—	1,389.40	845.41	29.75	875.16	514.24	482.68
Electrical Machinery		196.52	—	—	196.52	45.30	8.45	53.75	142.77	151.22
Agricultural Machinery		12.76	0.46	—	13.22	8.36	0.24	8.60	4.62	4.40
Electrical Installation & Fittings		11.65	—	—	11.65	9.80	0.27	10.07	1.58	1.85
Furniture & Office Equipments		34.23	20.04	—	54.27	20.04	1.39	21.43	32.84	14.19
Weigh Bridges		23.20	3.69	—	26.89	11.55	0.81	12.36	14.53	11.65
Molasses & Other Storage Tanks		32.52	—	—	32.52	20.35	0.68	21.03	11.49	12.17
Motor Cars, Lorries & Cycles		42.86	19.34	—	62.20	20.37	3.42	23.79	38.41	22.49
Carts & Trucks		4.57	—	—	4.57	0.32	0.01	0.33	4.24	4.25
Laboratory Apparatus		3.29	—	—	3.29	1.44	0.10	1.54	1.75	1.85
Roads, Drainage & Tube Wells		14.17	19.80	—	33.97	4.89	0.22	5.11	28.86	9.28
Dead Stock		2.04	—	—	2.04	1.19	0.04	1.23	0.81	0.85
Library		0.07	—	—	0.07	0.06	—	0.06	0.01	0.01
Irrigation Lifts		4.30	—	—	4.30	3.96	0.02	3.98	0.32	0.34
Live Stock		0.31	0.22	—	0.53	0.25	—	0.25	0.28	0.06
Computers		12.34	13.60	—	25.94	0.93	0.97	1.90	24.04	11.41
Total		2,081.02	138.92	0.51	2,219.43	1,100.05	52.98	1,153.03	1,066.40	980.97

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31.3.1997

(Rs.in lacs)
31-03-97

(Rs.in lacs)
31-03-96

SCHEDULE 6 - INVESTMENTS (At Cost) :

(A) INVESTMENT IN SHARES OF SUBSIDIARY COMPANY:

2,000 Partly Paid-up Ordinary (Equity) Shares of Godavari Investment and Finance Corporation Limited of Rs.100/- each Rs.50/- paid up per Share (unquoted)

1.00 1.00

(B) OTHER INVESTMENTS :

(i) National Defence Certificate deposited with Electricity Department, Bhopal	0.04		0.03
(ii) 7 years National Savings Certificates.	—		0.51
(iii) National Savings Certificates deposited with Excise Commissioner, U.P. and Hydro Electric Division, Gorakhpur.	0.01		0.01
(iv) 4½% U.P. State Development Loan of 1972 (Face Value Rs.2,000/-)	0.02		0.02
(v) Investment in bonds of Krishna Jal Nidhi Nigam Ltd., Bangalore	5.00		5.00
(vi) Application Money for Bank of India shares	5.00		—

10.07 5.57

11.07 6.57

SCHEDULE 7 - INVENTORIES :

(i) Stores, Chemicals and Spares (at cost as per inventories valued and certified by a Director)	412.56		417.04
In Transit	7.64		6.44
		420.20	423.48
(ii) Stock-in-trade (as per Inventories valued and certified by a Director)			
(a) Sugar at Cost	9,098.67		7,315.08
(b) Sugar in Process at Cost	92.16		75.99
(c) Molasses at Market Rate	63.60		34.29
(d) Bagasse	3.23		22.93
(e) Standing Crop at Cost	12.85		3.89
(f) Food Grains at Market Value	5.93		4.22
		9,276.44	7,456.40
		9,696.64	7,879.88

SCHEDULE 8 - SUNDRY DEBTORS :

Sundry Debtors (Unsecured and considered good except otherwise stated)

(a) Debts Outstanding for more than six months	56.02		23.29
(b) Other Debts	69.41		68.22
		125.43	91.51

SCHEDULE 9 - CASH AND BANK BALANCES :

(a) Cash, Cheques and Drafts on hand and in transit (including Stamp on hand Rs.27,318/-)	17.36		232.52
(b) In Current Account with Scheduled Banks	47.30		56.87
(c) In Current Account with Non-scheduled Bank: Bijapur District Central Co-op-Bank Ltd., Mahalingpur (Maximum balance during the year Rs.19,43,649/-; previous year Rs.11,21,472/-)	1.13		0.55
(d) Fixed Deposits with Scheduled Bank (Lodged with Excise Department, Mudhol)	0.05		0.05
		65.84	289.99

SCHEDULE 10 - FIXED DEPOSITS :

Fixed Deposits with Scheduled Banks (Under Lien for the Guarantees)	307.14		300.47
Accrued Interest on above	3.25		8.09
		310.39	308.56

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31.3.1997

(Rs.in lacs)
31-03-97

(Rs.in lacs)
31-03-96

SCHEDULE 11 - LOANS AND ADVANCES :

(Unsecured and considered good except otherwise stated)
Advances Recoverable in Cash or Kind or for value to be received
(including Advances to the Officers of the Company Rs.2,22,077/-)
(Maximum Debit balance during the year Rs.2,62,094/- Amount in
dispute Rs.1,86,801/- towards due for Central Excise Duty.)

Considered Doubtful

Less : Provision for Doubtful Advances

Advance Income Tax (Includes Income Tax deducted at source)

Deposit with High Court & Others

Interest, etc. on Hire Purchase Finance

Levy Sugar Price Difference

480.46

0.64

481.10

0.64

348.52

43.64

121.66

1.31

480.46

515.13

995.59

459.64

0.64

460.28

0.64

459.64

334.69

79.38

110.74

1.31

526.12

985.76

SCHEDULE 12 - CURRENT LIABILITIES AND PROVISIONS:

(A) CURRENT LIABILITIES :

(i) Sundry Creditors

(ii) Advance from Customers against sale of Land

(iii) Due to Whole-time Director

(iv) Liability for Income Tax

3,402.63

4.31

2.17

0.15

3,409.26

3,302.38

3.34

0.50

3,306.22

(B) PROVISIONS:

(i) Proposed Dividend

(a) On Preference Shares

(b) On Equity Shares

(ii) Provision for Taxation

(iii) Provision for Dividend Tax

1.46

96.00

229.34

9.75

97.46

239.09

336.55

3,745.81

1.46

72.46

73.46

300.00

-

300.00

373.46

3,679.68

SCHEDULE 13 - CONTINGENT LIABILITIES (Not Provided for):

(i) Uncalled Liability on Partly Paid-up Shares held as Investment in Godavari Investment and Finance Corporation Ltd., a Subsidiary Company.

(ii) In respect of Counter Guarantee given by the Company in favour of Banks in lieu of Guarantees given by them in favour of the High Court of Karnataka at Bangalore, for Levy Sugar Price Difference for the Season 1985-86.

1.00

17.37

1.00

17.37

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Profit and Loss A/c. for the year ending 31.3.1997

(Rs.in lacs)
1996-97

(Rs.in lacs)
1995-96

SCHEDULE 14 - SALES :

Sugar	13,050.85	12,109.74
Molasses	158.13	165.56
Sugar Cane	7.38	-
	<u>13,216.36</u>	<u>12,275.30</u>

SCHEDULE 15 - OTHER INCOME :

Sundry Receipts	129.53	49.29
Income from Immovable Property	6.05	14.06
Sundry Receipts being Market Value of Farm Produce, etc.	8.53	12.50
Sundry Credit Balances Written Back	2.40	9.15
Claims and Refund	-	0.21
Interest on Fixed Deposits and Others	143.66	76.76
Subsidy towards interest, storage & insurance charges on Buffer stock	64.02	-
Claims received on loss of Bagasse in fire	16.12	-
Profit on sale of land	24.17	-
	<u>394.48</u>	<u>161.97</u>
Less:- Loss on Sale of Live Stock	-	0.03
	<u>394.48</u>	<u>161.94</u>

SCHEDULE 16 - INCREASE IN STOCK :

Closing Stock :		
Sugar	9098.67	7,315.08
Sugar-in-process	92.16	75.99
Molasses	63.60	34.29
Bagasse	3.23	22.93
Standing Crop of Food Grains	12.85	3.89
Food Grains	<u>5.93</u>	<u>4.22</u>
	9,276.44	7,456.40
Less : Opening Stock :		
Sugar	7,315.08	6,839.02
Sugar-in-process	75.99	99.39
Molasses	34.29	42.60
Bagasse	22.93	18.05
Standing Crop of Food Grains	3.89	2.32
Food Grains	<u>4.22</u>	<u>1.79</u>
	7,456.40	7,003.17
	<u>1,820.04</u>	<u>453.23</u>

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Profit and Loss A/c. for the year ending 31.3.1997

(Rs.in lacs)
1996-97

(Rs.in lacs)
1995-96

SCHEDULE 17 - MANUFACTURING AND OTHER EXPENSES :

MANUFACTURING EXPENSES :

Power and Fuel	27.22	32.21
Packing Forwarding and Storage	412.05	263.06
Stores, Chemicals and Spare Parts consumed	231.99	171.32
Lease Rent	33.75	38.61
Insurance Premium	42.40	32.71
Agricultural Development expenses	13.38	11.94
Expenses on Scientific Research	9.86	8.90
Contribution to Scientific Research Institution	15.00	10.00
Outstanding Claims for Central Excise Duty written off	0.88	-
	<u>786.53</u>	<u>568.75</u>

REPAIRS AND MAINTENANCE :

Plant and Machinery	305.96	235.94
Building	28.40	28.83
Others	12.99	10.74
	<u>347.35</u>	<u>275.51</u>

EMPLOYEES REMUNERATION AND BENEFITS :

Salaries, Wages and Bonus	753.15	626.38
Contribution to Provident Fund & Other Fund	49.12	42.19
Staff Welfare Expenses	41.61	44.22
Group Gratuity Insurance Premium	16.91	15.05
	<u>860.79</u>	<u>727.84</u>

OFFICE AND ESTABLISHMENT EXPENSES :

Rent	31.96	6.52
Rates and Taxes	21.83	24.79
Miscellaneous Expenses	184.64	155.65
Telephone Expenses	43.11	35.64
Travelling Expenses	38.66	29.56
Legal and Professional Charges	20.37	13.72
Guarantee Commission	0.64	1.01
Charity and Donation	2.52	3.23
Cost Audit Fees and Travelling Expenses	0.10	0.10
Sundry Debit Balances Written Off	0.03	0.10
	<u>343.86</u>	<u>270.32</u>

AUDITORS' REMUNERATION :

Audit Fees	0.20	0.20
Tax Audit Fees	0.08	0.08
Auditors' Travelling Expenses	0.07	0.02
	<u>0.35</u>	<u>0.30</u>

DIRECTORS' REMUNERATION, FEES AND TRAVELLING EXPENSES :

Remuneration	4.86	3.10
Fees	0.20	0.29
Travelling - (including Foreign Travelling of Rs.0.74 lacs)	9.45	7.22
	<u>14.51</u>	<u>10.61</u>
	<u>2,353.39</u>	<u>1,853.33</u>

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Profit and Loss A/c. for the year ending 31.3.1997	(Rs.in lacs) 1996-97	(Rs.in lacs) 1995-96
SCHEDULE 18 - INTEREST:		
Cash Credit Account	801.81	623.72
Fixed Loans	25.69	43.04
Debentures	1.20	1.20
Other Loans	1.31	3.31
Hire Purchase Finance	31.35	28.27
	<u>861.36</u>	<u>699.54</u>
SCHEDULE 19 - COMPUTATION OF WHOLE-TIME DIRECTOR'S REMUNERATION :		
Net Profit as per Profit and Loss Account	399.54	709.79
Add:		
i) Whole-time Director's Remuneration	4.86	3.35
ii) Depreciation	<u>52.98</u>	<u>46.96</u>
	57.84	50.31
	<u>457.38</u>	<u>760.10</u>
Less : Depreciation to the extent specified in Section 350 of Companies Act, 1956	52.98	46.96
	<u>404.40</u>	<u>713.14</u>
Commission @1% on the Net Profit	4.04	7.13
As per Agreement Limited to	<u>1.00</u>	<u>0.75</u>
Total Managerial Remuneration:		
Remuneration	3.50	2.46
Commission	1.25	0.50
Company's Contribution to Provident Fund	0.35	0.25
Perquisites	0.11	0.14
	<u>5.21</u>	<u>3.35</u>

THE GODAVARI SUGAR MILLS LIMITED

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1997

SCHEDULE 20

NOTES : (1) SIGNIFICANT ACCOUNTING POLICIES:

- a) System of Accounting:
 - i) The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis except bonus which is debited on payment basis.
 - ii) Financial Statements are based on historical costs.
 - iii) Fixed Assets are carried at cost of acquisition or construction.
 - iv) Investments are valued at cost of acquisition.
- b) The Liability as on 31-3-1997 for accrued gratuity to employees under the payment of Gratuity Act, 1972 as per Actuary's Certificate is Rs.1,91,84,828/-. The same is covered under Cash Accumulation Scheme of Group Gratuity Insurance with Life Insurance Corporation of India.
- c) Provision for Leave Encashment payable on retirement has not been made as per requirement of Accounting Standard 15 which has been made mandatory from 1.4.1995, as the liability is not ascertained.
- (2) Income Tax and Wealth Tax Assessments upto Accounting Year 31-3-1993 (Assessment Year 1993-94) have been completed and the demands upto Asst. Year 1993-94 have been fully provided although disputed and pending in appeals.
- (3) Depreciation on Fixed Assets has been provided on W.D.V. Method upto 30.9.95 and thereafter on S.L.M.
- (4) Closing Stock of Sugar is valued at cost or market value whichever is lower. Till last year quantity sold upto 31st July out of the Free Sugar stock was valued on realised value basis and balance stock on that date was valued at cost. Due to change in basis of valuation, the profit for the year is lower by Rs. 718.95 lacs.
- (5) No Provision has been made in the Accounts for following Disputed Liabilities in respect of Sameerwadi Factory.
 - a) Show Causes Notice for Rs.43.59 lacs and Rs. 42.02 lacs for period 1-4-1990 to 31-3-1991 and 1-4-1991 to 31-3-1992 respectively by Dy. Commissioner of Commercial Taxes (Intelligence), Belgaum by SUO MOTO revision for payments of Cane Purchase Tax on Harvesting and Transport Charges as the dept. has not taxed the same in assessments completed for subsequent years also.
 - b) Demand of Rs. 79.30 lacs from Superintendent of Excise, Bijapur on 2736.945 M.T. of Molasses destroyed in 1990 with the permission of Central and State Excise Department.
 - c) Demand of Rs.30.73 lacs (including interest of Rs.13.16 lacs) plus interest @Rs.21,715.50 per month for the period beyond 15-8-1992 for depositing the additional Levy Price collected together with interest in Levy Sugar Price equalisation Fund in view of dismissal of Company's appeal by Division Bench of High Court of Karnataka filed against Single Judge's order of the same Court dismissing Writ Petition filed for Levy Price determination for season 1985-86. The company has filed an appeal in Supreme Court against this order, which is admitted and pending.
- (6) Statement under Section 217(2A) of the Companies Act 1956 read with Rule 2 of the Companies (Particulars of Employees) Rules 1975 in regard to:-

	Numbers	Salary, Bonus & Allowance Rs.	Provident Fund & Other Fund Rs.
a) Employees who are employed throughout the year at a remuneration which in the aggregate was not less than Rs.3,00,000/- per annum or Rs.25,000/- per month.	3 (3)	12,32,363 (11,64,724)	90,500 (91,700)
b) Employees of the Company who are in receipt of or entitled to receive emoluments amounting to Rs.25,000/- per month for part of the year.	NIL (NIL)	NIL (NIL)	NIL (NIL)

NOTE : Figures shown in bracket pertain to previous year.

(7) Quantitative information in respect of goods manufactured:

Name of the Factory					Licensed Capacity M.T.	Installed and utilised Capacity as certified by the Factory Manager M.T.		
Sameerwadi					6,440	5,000		
Goods Manufactured.	Opening Stock		Production Quantity M.T.	Quantity sent for reprocessing and loss due to Driage M.T.	Sales		Closing Stock	
	Quantity M.T.	Value Rs.			Quantity M.T.	Value Rs.	Quantity M.T.	Value Rs.
Sugar	73,122.6 (72,149.8)	73,15,08,128 (68,39,01,851)	1,36,904.5 (1,14,699.0)	683.4 (225.0)	1,17,052.8 (1,13,501.2)	1,30,50,85,127 (1,21,09,73,045)	92,290.9 (73,122.6)	90,98,67,289 (73,15,08,128)
Molasses	12,961.254 (8,519.154)	34,29,332 (42,59,577)	43,572.060 (35,525.420)	NIL (NIL)	42,953.375 (31,083.320)	1,58,13,448 (1,65,55,570)	13,579.939 (12,961.254)	63,60,447 (34,29,332)

Note : Figures shown in bracket pertain to previous year.

Raw Materials Purchased and Consumed :		Quantity Purchased & Consumed M.T.	Value Rs.	Previous year Quantity Purchased & Consumed	Value Rs.
Stores and Spares Consumed	Sugar Cane	11,85,963 (Nett)	1,01,72,49,883	9,70,606 (Nett)	79,15,24,771
		Value Rs.	%	Value Rs.	%
	Imported	NIL	NIL	NIL	NIL
	Indigenous	2,31,99,205	100%	1,70,91,524	100%
		2,31,99,205	100%	1,70,91,524	100%

C.I.F. Value of Imports		Current Year	Previous Year
i) Raw Materials		NIL	NIL
ii) Stores and Spares		NIL	NIL
iii) Capital Goods		NIL	NIL

8) Expenses incurred in Foreign Currency Rs. 3,73,535/- Rs. 5,46,889

In the Opinion of the Board, the Current Assets, Loan and Advances are of the Value stated, if realised in ordinary course of business. The provision for known liabilities and depreciation is adequate and not in excess of the amount reasonably necessary.

Accompanying to our Report of even date annexed

For AMBALAL THAKKAR & CO.
CHARTERED ACCOUNTANTS

G.P. BHATT
Partner

S. R. PARIKH
Secretary and
General Manager (Finance)

S. K. SOMAIYA
C. B. PURANDARE
N. C. SAYTA
K. PERSHAD
I. C. PATEL
B. V. BHOOTA
B. R. BARWALE
P. M. KAVADIA
(Whole-time Director)

Directors

Camp NAGPUR : Dated 2nd September, 1997

MUMBAI : Dated 2nd September, 1997

THE GODAVARI SUGAR MILLS LIMITED

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 2945 State Code 11
 Balance Sheet Date 31 03 97

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Right Issue
Nil	Nil
Bonus Shares	Private Placement
Nil	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
8,55,810	8,55,810
Sources of Funds	Reserves & Surplus
Paid-up Capital	1,10,907
49,851	Unsecured Loans
Secured Loans	2,06,441
4,88,611	Investments
Application of Funds	1,107
Net Fixed Assets	Misc. Expenditure
1,09,895	Nil
Net Current Assets	
7,44,808	
Accumulated Losses	
Nil	

IV. Performance of Company (Amount in Rs. Thousands)

Turnover & other income	Total Expenditure
15,51,650	14,90,721
+/- Profit/Loss Before Tax	+/- Profit/ Loss After Tax
+ 60,929	+ 39,954
Earning per Share in Rs.	Dividend rate%
8.32	20

V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) 1701.11
 Product Description Sugar

Accompanying to our Report of even date annexed

For AMBALAL THAKKAR & CO.
 CHARTERED ACCOUNTANTS

G.P. BHATT
 Partner

S. R. PARIKH
 Secretary and
 General Manager (Finance)

S. K. SOMAIYA
 C. B. PURANDARE
 N. C. SAYTA
 K. PERSHAD
 I. C. PATEL
 B. V. BHOOTA
 B. R. BARWALE
 P. M. KAVADIA
 (Whole-time Director)

Directors

THE GODAVARI SUGAR MILLS LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO A SUBSIDIARY

- (1) The company holds the whole of the Subscribed Capital of Rs.2,00,000/- (of which Rs.1,00,000/- has been paid up) in GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED, as at 31st March, 1997.
- (2) GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED earned a profit of Rs.13,096/- after providing Rs.2,500/- for taxation for the year ended 31st March, 1997. After adding previous year's carried forward profit of Rs.6,862/- the profit comes to Rs.19,958/-. The said Profit has been appropriated by the Subsidiary Company and no adjustment has been made in the Books of The Godavari Sugar Mills Limited for the same.
- (3) There has been no change in the interest of the Company in GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED during the year ended 31st March, 1997.

S. R. PARIKH
Secretary and

General Manager (Finance)

MUMBAI : Dated 2nd September, 1997

S. K. SOMAIYA	} Directors
C. B. PURANDARE	
N. C. SAYTA	
K. PERSHAD	
I. C. PATEL	
B. V. BHOTA	
B. R. BARWALE	
P. M. KAVADIA	
(Whole-time Director)	

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

DIRECTORS' REPORT

The Shareholders,
Godavari Investment & Finance Corporation Limited,
Mumbai.

Your Directors submit herewith their Forty-second Annual Report and Audited Accounts of the Company for the year ended 31st March, 1997.

The working of the Company for the year resulted in a Profit of Rs.15,596/-. After providing for taxation of Rs.2,500/- and adjusting the previous year's Profit of Rs.6,862/- the total Profit comes to Rs.19,958/- which has been appropriated as under :-

a) Transfer to General Reserve	Rs. 1,400/-
b) Proposed Dividend @ 10%	Rs. 10,000/-
c) Balance carried to Balance Sheet	Rs. 8,558/-
	<hr/>
	Rs. 19,958/-

DIRECTORS :

Shri R. Venkataraman retires by rotation and being eligible, offer himself for re-appointment.

CONSERVATION OF ENERGY :

The Companies (disclosure particulars in the Report of Board of Directors) Rules, 1988 with regard to annexing particulars about conservation of Energy/Technical absorption do not apply to the Company.

There was no expenditure/earnings in foreign exchange during the year under report.

PARTICULARS OF EMPLOYEES :

There were no employees, employed during the year or part thereof drawing remuneration as mentioned in Section 217(2A) of the Companies Act, 1956.

You are requested to appoint Auditors for the current year and to fix their remuneration.

For and on behalf of the Board of Directors,

S. K. SOMAIYA
R. VENKATARAMAN } Directors

MUMBAI : Dated 1st September, 1997.

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have Audited the Balance Sheet of Godavari Investment and Finance Corporation Limited as at 31st March, 1997 and the Annexed Profit and Loss Account for the year ended on that date and have to report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit:
2. In our opinion, proper Books of Accounts as required by law, have been kept by the Company so far as they appear from our examination of the Books.
3. The Balance Sheet and the Profit and Loss Account dealt with by this Report are in agreement with the Books of Accounts;
4. In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997 and
 - (b) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988, we further state that :-

1. As the Company does not have any Fixed Assets, Clause I & II of Para 4A of the Order do not apply. As the Company has not carried on any manufacturing or trading activity clause III, IV, V, VI, X, XI, XII, XIV, XVI of Paragraph 4A of the Order are not applicable to the Company.
2. As the Company has not taken any loans from anybody, clause VII of Paragraph 4A of the Order is not applicable to the Company.
3. The Company has not given any loans and / or Advances in the nature of loans to any Company, Firm and Other Parties.
4. As the Company has not invited any Deposits from Public, the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company.
5. As the Paid-up Capital of the Company is less than Rs. 25 lacs, Provisions of the maintenance of Internal Audit System do not apply.
6. We are informed that the Company is not covered by the Employees State Insurance Act, 1948 and Employees Provident Fund Act and therefore clause XVII does not apply.
7. According to the information and explanations given to us there are no undisputed amounts payable in respect of Income-tax, Wealth Tax, etc. which have remained outstanding as at 31st March, 1997, for a period of more than six months from the date they become payable.
8. According to the information and explanations given to us and the records of the Company examined by us no personal expenses have been charged to revenue account.
9. The Company is not a Sick Industrial Company within the meaning of Clause (0) of Sub-section (i) of Section 3 of the Sick Industrial Companies (Special Profession) Act, 1985.

**FOR Y. S. MUZUMDAR & CO.
CHARTERED ACCOUNTANTS**

**Y. S. MUZUMDAR
Proprietor**

MUMBAI : Dated 1st September, 1997

GODAVARI INVESTMENT AND BALANCE SHEET

AS AT 31ST MARCH, 1996	LIABILITIES	AS AT 31ST MARCH, 1997		
Rupees		Rupees	Rupees	Rupees
5,00,000	I. AUTHORISED CAPITAL : 5,000 Ordinary (Equity) Shares of Rs.100/- each			5,00,000
1,00,000	II SUBSCRIBED CAPITAL : 2,000 Ordinary (Equity) Shares of Rs.100/- each on which Rs.50/- has been paid and called up, held by holding Company The Godavari Sugar Mills Limited			1,00,000
-	III. RESERVES AND SURPLUS : General Reserve created during the year		1,400	
3,117	Profit as per last Balance Sheet	6,862		
3,745	ADD : Profit during the year	<u>1,696</u>	<u>8,558</u>	
6,862				9,958
39,123	IV CURRENT LIABILITIES AND PROVISIONS :			
15,623	(A) Current Liabilities :			
-	Sundry Creditors		38,376	
54,746	(B) Provision for Taxation		18,123	
	(C) Proposed Dividend		<u>10,000</u>	
				66,499
	CONTINGENT LIABILITY : For A. Y. 1991-92 demand of Income Tax of Rs.5,33,867/- was raised which is disputed and contested in Appeal.			
	NOTE : The member of Employees of the Company who are in receipt of or are entitled to receive remuneration amounting in the aggregate of Rs.25,000/- or more per mensem for the whole year or any part of the year - NIL.			
1,61,608	TOTAL RUPEES :			<u>1,76,457</u>

Accompanying to our report of even date annexed

FOR Y. S. MUZUMDAR & CO.
CHARTERED ACCOUNTANTS

MUMBAI : Dated 1st September, 1997.

Y. S. MUZUMDAR
Proprietor

FINANCE CORPORATION LIMITED

AS AT 31ST MARCH, 1997

AS AT 31ST MARCH, 1996	ASSETS	AS AT 31ST MARCH, 1997
Rupees		Rupees Rupees Rupees
7,200	I. INVESTMENT (AT COST UNQUOTED) 200 Fully paid up Equity Shares of Mamli Private Limited	7,200
202 12,909	II. CURRENT ASSETS, LOANS AND ADVANCES : (A) CASH AND BANK BALANCES : Cash on Hand 300 In Current Account with a Schedule Bank 21,389	21,689
13,111	(B) LOANS AND ADVANCES : (Secured and considered good as Certified by a Director except otherwise stated) (i) Loans to Cane Growers 4,338 (ii) Deposits 29,000 (iii) Advances recoverable in Cash or Kind 101 (iv) Advance Income Tax 3,517 (v) Income Tax for A. Y. 1991-92 1,00,000 (vi) Income Tax deducted at source 10,612	169,257
4,338 29,000 101 1,083 1,00,000 6,775 1,54,408		
1,61,608	TOTAL RUPEES :	1,76,457

The Provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

S. K. SOMAIYA
R. VENKATARAMAN } DIRECTORS

Mumbai : Dated 1st September, 1997

**GODAVARI INVESTMENT AND
PROFIT AND LOSS ACCOUNT FOR**

FOR THE YEAR ENDED 31ST MARCH, 1996		FOR THE YEAR ENDED 31ST MARCH, 1997
Rupees		Rupees
1,200	To Salary	1,200
850	To Profession Tax	850
205	To Miscellaneous Expenses	402
1,200	To Office Rent	1,200
500	To Audit Fees	500
3,200	To Provision for Taxation	2,500
3,745	To Profit carried down	13,096
10,900	TOTAL RUPEES :	19,748
-	To General Reserve	1,400
-	To Proposed Dividend	10,000
6,862	To Profit carried to Balance Sheet	8,558
6,862	TOTAL RUPEES :	19,958

Accompanying to our report of even date annexed

FOR Y. S. MUZUMDAR & CO.
CHARTERED ACCOUNTANTS

Y. S. MUZUMDAR
Proprietor

MUMBAI : Dated 1st September, 1997.

FINANCE CORPORATION LIMITED

THE YEAR ENDED 31ST MARCH, 1997

FOR THE YEAR ENDED 31ST MARCH, 1996		FOR THE YEAR ENDED 31ST MARCH, 1997
Rupees		Rupees
7,900	By Bad Debts now recovered	3,148
3,000	By Dividend	16,600
10,900	TOTAL RUPEES :	19,748
3,117	By Balance as per Balance Sheet	6,862
3,745	By Profit brought down	13,096
6,862	TOTAL RUPEES :	19,958

S. K. SOMAIYA }
R. VENKATARAMAN } DIRECTORS

Mumbai : Dated 1st September, 1997