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**THE
GODAVARI
SUGAR MILLS
LIMITED**

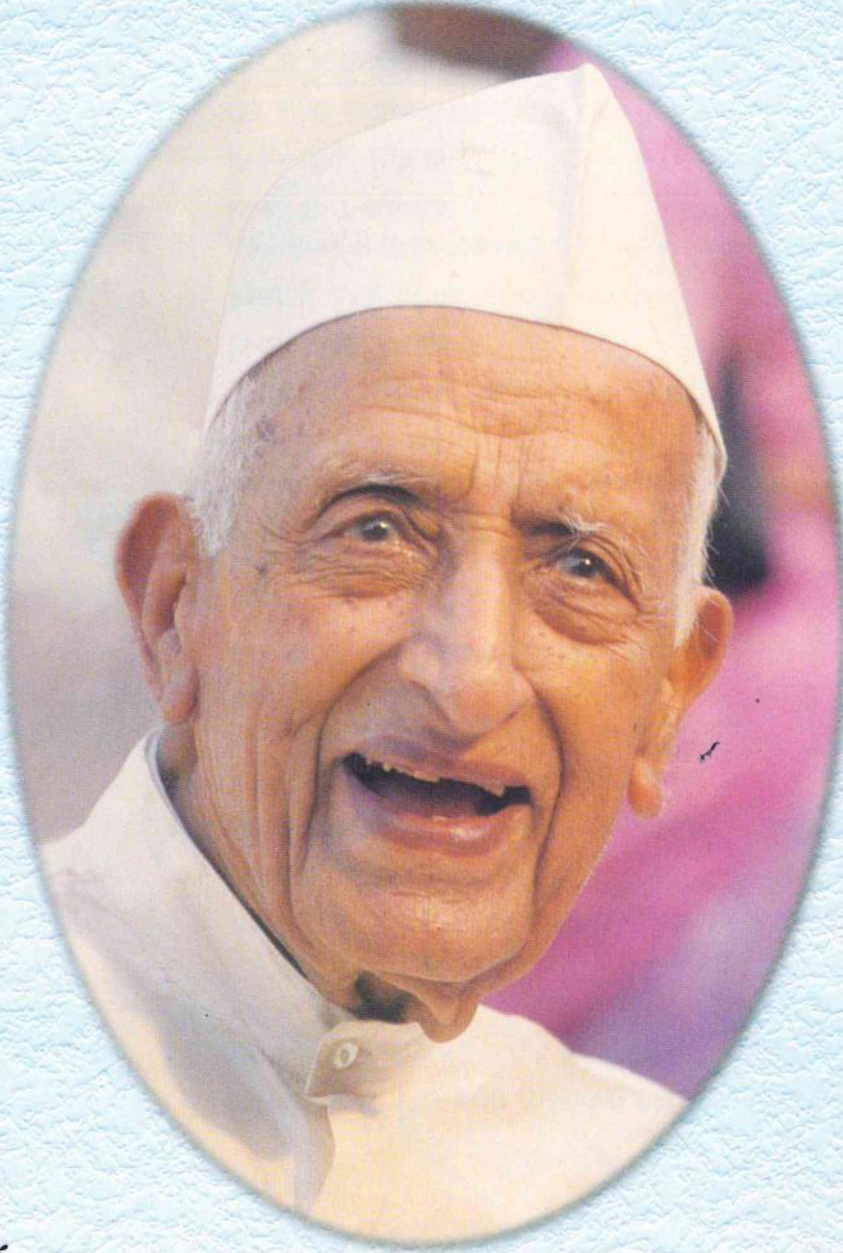
**ANNUAL REPORT & ACCOUNTS
1998-99**

। न मानुषात् परो धर्मः ।

"There is no religion greater than Humanity"

*With deep sense of gratitude to our
respected Founder*

Late Puja Shri Karamshibhai J. Somaiya



* 16-5-1902 *

* 9-5-1999 *

“न त्वहं कामये राज्यं, न स्वर्गं नापुनर्भवम् ।

कामये दुःखतप्तानां प्राणिनामार्तिनाशनम् ॥”

*"Neither do I aspire for Kingdom nor for heaven, nor do I desire to be free from rebirth;
my only prayer is to alleviate the sufferings of all beings afflicted by pain!"*

THE GODAVARI SUGAR MILLS LIMITED

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

Board of Directors :

SHRI K. J. SOMAIYA (Passed away on 9 - 5 - 99)

DR. S. K. SOMAIYA

Chairman & Managing Director (from 1 - 6 - 99)

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

SHRI P. M. KAVADIA

(Whole-time Director)

SHRI V. B. BAGAL

(Director-Works)

Secretary and General Manager (Finance)

SHRI S. R. PARIKH

Bankers and Institutions

BANK OF INDIA

UNION BANK OF INDIA

INDUSTRIAL DEVELOPEMENT BANK OF INDIA

SICOM LTD.

Solicitors :

MULLA & MULLA AND CRAIGIE BLUNT AND CAROE

Auditors :

AMBALAL THAKKAR & CO.

Registered Office :

FAZALBHOY BUILDING.

45/47, MAHATMA GANDHI ROAD,

FORT, MUMBAI - 400 001.

THE GODAVARI SUGAR MILLS LIMITED

NOTICE

NOTICE is hereby given that Fifty-Ninth Annual General Meeting of the THE GODAVARI SUGAR MILLS LIMITED, will be held on Tuesday, the 20th July, 1999 at 5.00 p.m. at Registered Office of the Company at Fazalbhoy Building, 4th Floor, 45/47, Mahatma Gandhi Road, Mumbai-400 001, to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt Audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Dr. B. V. Bhoota who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Kailash Pershad who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri P. M. Kavadia 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, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :

A) Insert the following Article 83A after Article 83.

- 83A. 1) The Company shall, subject to the provisions of the Act, be entitled to agree with any Person, Firm, Corporation, Financial Institution that he or it shall have the right to appoint his or its nominee on the Board of Directors of the Company upon such terms and conditions as the Company may deem fit.
- 2) Such nominees and their successors in the office appointed under this Article shall be called Nominee Directors of the Company.
- 3) The Nominee Directors, appointed in terms of these clauses, shall be entitled to hold office until requested to retire by

the person, firm, corporation or institution who may have appointed them and will not be bound to retire by rotation.

B) Article 126 be replaced by the following :-

126. Every deed or other instrument to which the Seal of the Company is required to be affixed shall, unless the same is executed on behalf of the Company by a duly Constituted Attorney of the Company, be sealed in the presence and under the signature of any one Director of the Company or of any other person authorised or appointed from time to time by the Board PROVIDED NEVERTHELESS that Certificates of Shares may be sealed and signed in the manner provided for in the Companies (Issue of Share Certificates) Rules, 1960 or any statutory amendment thereof for the time being in force."

8. 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, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") approval be and is hereby accorded to the appointment of Dr. S. K. Somaiya as Chairman & Managing Director of the Company for a period of five years from 1st June, 1999 on remuneration and other terms as under :

1. Salary : Rs. 87,500/- per month with an annual increment of 10%.
 2. Commission : 1% of the net Profit
- Perquisites :
- i) Housing :
 - a) The expenditure by the Company on hiring furnished accommodation will be subject to the ceiling of sixty percent of the salary over and above ten percent payable by Dr. S. K. Somaiya.
 - b) In case the accommodation is owned by the Company, 10 percent of the salary of Dr. S. K. Somaiya shall be deducted by the Company.
 - c) In case no accommodation is provided by the Company, Dr. S. K. Somaiya shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.

- ii) 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 of 10% of the salary.
- iii) Medical Reimbursement :
Within or outside India for him as well as spouse.
- iv) Leave Travel Reimbursement :
Within or outside India for him as well as spouse.
- v) Club Fees :
Subject to maximum of 2 clubs. Admission and life membership fees as per rules of the Company.
- vi) Personal Accident Insurance/Medical Insurance or any other coverage as per rules of the Company. Annual Premium to be paid by the Company.
- vii) Provision of car with driver for use on Company's business and telephone at residence. The amount attributable to Company's business use shall not be considered as part of remuneration/perquisites.
- viii) Contribution to provident fund, superannuation fund or annuity fund at the rates applicable from time to time in the Company.
- ix) Gratuity not exceeding half a month's salary for each completed year of tenure.
- x) Encashment of leave at the end of the tenure which will not be considered as part of remuneration/perquisites.
- xi) Appointee shall be entitled to reimbursement of entertainment expenses actually incurred in course of legitimate business of the Company.
- xii) Appointee shall be eligible for housing, education, medical and other loans or facilities as applicable in accordance with the rules of the Company."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of Profits in any financial year during the currency of aforesaid period the Managing Director shall be entitled to above salary as minimum remuneration as above in addition thereto perquisites not exceeding the limits specified in - Section 2 of Part II of Schedule XIII of Companies Act, 1956.

RESOLVED FURTHER THAT the terms & conditions of appointment and remuneration given above may be altered and varied from time to time by Board of Directors of the Company as it may at its discretion deem fit so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any Statutory modification

or re-enactment thereof for the time being in force or any amendment made thereto from time to time."

"RESOLVED FURTHER THAT the total remuneration including perquisites payable to all the directors shall not exceed 5% to any one director or 10% collectively to Managing Director/Whole-time Director in accordance with provisions of Section 198 and 309 of the Companies Act, 1956."

- 9. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

"RESOLVED THAT in supersession of the resolution passed on 29th September, 1995 at the Annual General Meeting of the Company and subject to the Provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby given to enhancement of fees of Shri Samir S. Somaiya, a relative of Dr. S. K. Somaiya, Chairman & Managing Director of the Company who is holding an office of Profit under the Company as a Technocrat and Management adviser, from Rs.10,500/- p.m. to Rs.19,500/- p.m. with effect from 1st June, 1999."

By order of the Board of Directors,

S. K. Somaiya
Chairman & Managing Director

Place : Mumbai

Date : 19th June, 1999

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 copies of Notice of the meeting 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 item no. 7 to 9 set out above is annexed hereto.

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

ITEM NO.

- 7. As per section 31 of the Companies Act, 1956, it is necessary to pass a Special Resolution to amend any of the provisions of Articles of Association.

(A) The existing Articles of Association does not contain specific provision for appointment of 'Nominee Director' of Person, Firm,

Corporation, Banks or Financial Institutions who extend financial facilities to the Company.

The above amendment is to give specific power for such appointment.

- (B) As per the existing Article 126, the Common Seal of the Company can be affixed only before Constituted Attorney or before any two Directors of the Company. This sometimes causes delay in the execution of documents. Through above amendment the common seal can now be affixed and documents could be executed by Constituted Attorney or by any one Director or by any other person duly authorised by the Board of the Company.

The Board of Directors recommends the Special Resolution for your approval.

None of the Directors of the Company is concerned or interested in amendment/insertion as mentioned at point no. A & B of item no. 7.

8. The Board of Directors at their meeting held on 19th June, 1999 has appointed Dr. S. K. Somaiya as Chairman & Managing Director of the Company for a period of five years from 1st June, 1999 to 31st May, 2004 on remuneration and other terms as contained in the resolution. Dr. S. K. Somaiya is past President of Indian Sugar Mills Association and is associated with Sugar Industry and with the Company as director in charge since last over four decades. After passing away of Shri K. J. Somaiya, former chairman of the Company the Board has considered expedient in Company's interest the appointment of Dr. S. K. Somaiya as Chairman and Managing Director of the Company. His remuneration is commensurate with the responsibilities entrusted on him. As per schedule XIII Part I(c) of the Companies Act, 1956 a person who has attained the

age of 70 years can be appointed only where his appointment is approved by a Special Resolution passed by the Company in general meeting. As Dr. S. K. Somaiya has already attained this age, approval of shareholders is required by passing Special Resolution. Hence the resolution.

None of the Directors except Dr. S. K. Somaiya is concerned or interested in the resolution.

The Board of Directors recommends the Special Resolution for your approval.

9. Shri Samir S. Somaiya was appointed as Technocrat and Management Adviser of the Company in 55th Annual General Meeting of the Company. Shri Samir S. Somaiya is related to Dr. S. K. Somaiya, Chairman & Managing Director of the Company and as such enhancement of fees has to be approved by a Special Resolution of the Members.

Considering the educational qualifications of Shri Samir S. Somaiya and services rendered till date, the Directors recommend the resolution set out at Item No. 10 of the Notice for the approval of the Shareholders.

None of the Directors, except Dr. S. K. Somaiya, Chairman and Managing Director of the Company being the father of Shri Samir S. Somaiya is considered interested in the resolution.

By order of the Board of Directors,

S. K. Somaiya
Chairman & Managing Director

Place : Mumbai.

Date : 19th June, 1999

THE GODAVARI SUGAR MILLS LIMITED

DIRECTORS' REPORT

Dear Shareholders,

At the outset, the Board wishes to record with a deep sense of sorrow the sad demise of Founder of the Group and the Company's Chairman, Shri K. J. Somaiya on the 9.5.99. Shri Somaiya put up the Company's first sugar factory, viz. "Sakarwadi" at Kanhegaon in 1939 and the second factory, viz "Lakshmiwadi" in 1941 at Kopargaon, both in District Ahmednagar, (Maharashtra). Simultaneously, with his sustained efforts, the Company developed agricultural farms extending over 12,000 acres which revolutionised sugarcane cultivation in the State and through its results, brought Maharashtra on the world map of Sugarcane with the highest Sugarcane Yield and Recovery of Sugar. The Company's third sugar factory, viz. "Sameerwadi" was put up in the year 1971 at Saidapur, Taluka Mudhol, the Dist. Bagalkot in Karnataka State. In course of time, as per the policy of Maharashtra Govt. to co-operativise the Joint-Stock sugar factories, Sakarwadi and Lakshmiwadi plants were taken over by the State Govt. for co-operativisation in 1984-85. The Company owes its existence and its present position solely to the efforts made by the founder, Shri K. J. Somaiya and the team of dedicated workers. Shri Somaiya was not merely an industrialist but a humanist, a philanthropist, an educationist and a visionary. The Board, at its meeting held on 19.6.99, paid glowing tributes to the services rendered by the Founder.

Your Directors have pleasure in presenting their Fifty-Ninth Annual Report and the Audited Statements of Accounts of the Company for the year ended 31st March, 1999.

(A) FINANCIAL RESULTS :

(Rs. in lacs)

Gross Operating Profit	2,083.40
Less : Interest	1,073.12
Depreciation	97.23
Provision for Taxation	225.00
	<u>1,395.35</u>
Net Profit for the year	688.05
Less : Short Provision for taxation of earlier year	6.90
	<u>681.15</u>
Adding thereto:	
Balance Profit brought forward from last year	17.18
Profit available for appropriation	<u>698.33</u>

APPROPRIATIONS :

Dividend On Preference Shares till date of redemption @7.8572% paid	0.30
Proposed dividend on Equity Shares @17%	142.80
Transfer to General Reserve	525.00
Corporate Dividend Tax	15.71
Balance carried to Balance Sheet	14.52
	<u>698.33</u>

(B) MANUFACTURING RESULTS OF SAMEERWADI :

- (i) The results for the year reflect working of two crushing seasons i.e. part of 1997-98 and part of 1998-99. It covers the period from 1-4-1998 to 31-3-1999 the results whereof are produced below :

Period	Cane Crushed (M.T.)	Sugar Manufactured (Qtl.)
01-04-1998 to 22-06-1998	3,80,826	4,38,310
22-10-1998 to 31-03-1999	8,21,272	9,81,200
Total	12,02,098	14,19,510

The figures of crushing and production upto 15th June, 1999 for Crushing Season 1998-99 and comparative figures for 1997-98 are as under:-

	1998-99 (Upto 15.6.99)	1997-98 (Season ended 23.6.98)
Cane Crushed (M.T.)	11,23,230	10,41,123
Sugar Manufactured (Qtl.)	13,00,470	12,32,140
Recovery (%)	11.54	11.61

Sameerwadi Factory commenced its crushing operations on 12-10-1998 and is still continuing. We expect to continue to crush upto end of July, 1999. The total sugar production as on 15-06-1999 was 13,00,470 quintals.

- (ii) The overall position of cane crop in the country and availability of sugar cane to the factories have been satisfactory and better than last year. Hence sugar production during the current season 1998-99 is estimated at 154 lac tonnes against last year's production of 128.55 lac tonnes.

(C) PROJECTS ON HAND :

i) COGENERATION PROJECT AT SAMEERWADI :

The Company is actively implementing the Cogeneration Project. EPC Contract has been issued to BSES Ltd. Financial tie up for the Project is expected to be completed by end of July, 1999.

ii) MODERNISATION PLAN FOR SUGAR FACTORY AT SAMEERWADI :

Sugar Technology Mission, Dept. of Govt. of India, New Delhi, made technical assessment of Company's Sugar Factory. The project report of the Company for modernisation and optimisation of its capacity has been approved by S.T.M. Industrial Development Bank of India has already sanctioned loan for the project and balance loan would be received from Sugar Development Fund on the basis of Financial Appraisal Report of IDBI.

iii) DAIRY ACTIVITY :

The Company has started dairy activity on a small scale by processing procured milk of about 12,000 litres per day and selling the same as well as converting into Milk Powder and Ghee for sale.

iv) SELLING OF SUGAR IN SMALL PACKS :

The Company has initiated sale of Sugar in small packs of 5 kg. and 1 kg. under the trademark 'Must'. There has been a positive response from the market.

(D) REVISION IN LEVY SUGAR PRICE FOR 1998-99 SEASON :

The Govt. of India is still to announce revised levy prices for the current season 1998-99 though eight months have passed after the start of the season. The price notified for 1997-98 is still continued and when revised levy prices are announced the difference between the revised price and the current price would be reimbursed by Govt. of India on the quantities despatched till the announcement of the revised levy prices.

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

Sugar Industry had represented to Govt. of India that the levy prices based on 5A prices be reworked in accordance with the judgement of the Supreme Court dated 28-01-1997. Pursuance to this order, it is understood that Govt. of India has notified the revised levy prices in April, 1999 but not yet circulated.

This has been done in view of the contempt Petition which had been filed by Indian Sugar Mills Association and some factories of U.P. & Bihar in Supreme Court against the Govt. of India for delay in notifying the revised levy prices for the above years & disbursement of the differential amount as also in respect of interpretation of Supreme Court judgement in the matter. This contempt Petition is pending.

(F) ADDITIONAL LEVY PRICE MATTERS OF ERST-WHILE LAKSHMIWADI FACTORY FOR THE SEASONS 1980-81 TO 1983-84 :

For 1980-81 season, S.L.P. of Govt. of India against order of Delhi High Court in Company's favour is pending in Supreme Court. For seasons 1981-1982 to 1983-1984

Company's writ petitions are listed in Delhi High Court. The same are also pending.

(G) DIVIDENDS :

The Directors recommend for consideration of Shareholders at the Annual General Meeting, payment of Preference Dividend at 7.8572% on the Preference Shares upto date of redemption and also 17% Dividend on Equity Shares including pro-rata on bonus shares issued during the year for the year ended 31st March, 1999.

(H) 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.

(I) AUDITORS :

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

(J) GENERAL :

i) Dr. B. V. Bhoota, Shri Kailash Pershad and Shri P. M. Kavadia retire from the Board by rotation 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, Union Bank of India, Industrial Development Bank of India and SICOM Ltd. as well as the Karnataka Government, cane suppliers and labour and the staff of the Company.

iii) The Statement showing particulars of employees drawing remuneration of Rs.6 lacs or more per year or Rs. 50,000/- 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

Chairman & Managing Director

Place : Mumbai

Dated : 19th June, 1999

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, 1999.

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 at Sameerwadi factory to modify the existing evaporator system which will enable it to achieve higher production with fuel economy.

FORM "A"

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Current Year	Previous Year
(A) POWER & FUEL CONSUMPTION :			
1. ELECTRICITY			
(a) Purchased			
Units	KWH	6,26,764	5,74,914
Total Amount	Rs.	32,74,497	25,58,159
Rate	Rs./KWH	5.22	4.45
(b) Own Generation			
i) Through Diesel Generator			
Units	KWH	2,18,196	2,15,429
Units per litre of diesel oil	KWH	1.41	2.97
Cost per Unit	Rs./KWH	8.76	3.69
ii) Through Steam Turbine Generator			
Units	KWH	2,48,17,907	1,73,94,983
Units per K.G. of Bagasse	KWH	0.17	0.22
Cost per Unit	Rs./KWH	0.59	0.45
2. COAL (IInd GRADE)			
Quantity	M.T.	7,21,580	3,71,760
Total Amount	Rs.	16,69,215	8,18,636
Average Rate	Rs./ M.T.	2,313	2,202
(The Coal is used for manufacture of Lime only)			

3. OTHER / INTERNAL GENERATIONS

Fire Wood	M.T.	630.00	446.900
Total Cost	Rs.	5,99,695.00	3,79,837.00
Rate / Unit	Rs./M.T.	952.00	849.94
BAGASSE			
Purchased	M.T.	NIL	NIL
Produced & Utilised for Power Generation	M.T.	3,47,875	2,43,457
Total Cost	Rs.	3,47,86,500	2,43,45,700
Rate (Average)	Rs./M.T.	100	100

(B) CONSUMPTION PER UNIT OF SUGAR PRODUCTION

Electricity	KWH/QTLS.	17.63	17.70
COAL (IInd GRADE)	M.T./QTLS.	0.0005083	0.0003618
Fire Wood	M.T./QTLS.	0.0004438	0.0004349
Bagasse	M.T./QTLS.	0.25	0.24

(B) TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form "B"

FORM 'B'

(Disclosure of Particulars with respect to Technology Absorption)

RESEARCH & 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. R & D evaluated different biocides, antiscalents and declourising agents. R & D is associated with co-generation project of 24 MW capacity.

2. Benefits derived as a result of the 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 helps in cost reduction and resources conservation.

3. Future 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 17 MW power.

4. Expenditure

(i) Capital	NIL
(ii) Recurring	975393
(iii) Total	975393
(iv) Total R & D expenditure as a percentage of total turnover.	0.05%

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. 13,09,606/-

By order of the Board of Directors,

S. K. Somaiya
Chairman & Managing Director

MUMBAI : Dated : 19th June, 1999

THE GODAVARI SUGAR MILLS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999

We have examined the attached Balance Sheet and the Profit and Loss Account annexed thereto which are in agreement with the Company's Books 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 procedures 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 or 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. Provisions 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 and the Profit & Loss Account and Balance Sheet comply with the requirements of Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.

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 read together with Note No. 1 (d) regarding Y2K preparedness and 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

MUMBAI : Dated 19th June, 1999

THE GODAVARI SUGAR MILLS LIMITED

Balance Sheet as at 31st March, 1999

			(Rs. in lacs) 31-03-99	(Rs. in lacs) 31-03-98
SCHEDULES				
SOURCES OF FUNDS:				
SHAREHOLDERS' FUNDS:				
(a) Share Capital	1		1,200.00	498.51
(b) Reserves & Surplus	2		1,121.29	1,318.95
			<u>2,321.29</u>	<u>1,817.46</u>
LOANS:				
(a) Secured Loans	3		6,937.35	6,317.87
(b) Unsecured Loans	4		1,158.59	1,912.45
			<u>8,095.94</u>	<u>8,230.32</u>
TOTAL FUNDS EMPLOYED			<u>10,417.23</u>	<u>10,047.78</u>
APPLICATION OF FUNDS:				
FIXED ASSETS:				
(a) Gross Block	5	3,139.54		2,597.15
(b) Less : Depreciation		1,313.60		1,216.37
(c) Net Block			1,825.94	1,380.78
(d) Work in Progress			283.93	—
(e) Advance paid for co-generation Project			64.89	50.48
			<u>2,174.76</u>	<u>1,431.26</u>
INVESTMENTS	6		9.33	9.31
CURRENT ASSETS				
(a) Inventories	7	9,042.49		9,613.97
(b) Debtors	8	328.29		247.36
(c) Cash & Bank Balances	9	621.04		208.14
(d) Fixed Deposits	10	44.70		309.33
(e) Loans and Advances	11	2,033.87		1,756.68
			<u>12,070.39</u>	<u>12,135.48</u>
LESS : CURRENT LIABILITIES	12			
(a) Current Liabilities		3,067.88		2,979.47
(b) Provisions		769.37		548.80
		<u>3,837.25</u>		<u>3,528.27</u>
Net Current Assets			8,233.14	8,607.21
TOTAL ASSETS			<u>10,417.23</u>	<u>10,047.78</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
(Chairman & Managing Director)

N. C. SAYTA
C. B. PURANDARE
INDUBHAI C. PATEL
B. V. BHOOTA
P. M. KAVADIA
(Whole-time Director)

— Directors

MUMBAI : Dated 19th June, 1999

MUMBAI : Dated 19th June, 1999

THE GODAVARI SUGAR MILLS LIMITED

Profit and Loss Account for the year ended 31st March, 1999

		(Rs. in lacs) 1998-99	(Rs. in lacs) 1997-98
INCOME:			
SCHEDULES			
Sales	14	19,265.68	14,232.42
Other Income	15	310.90	254.38
Increase / (Decrease) in Stock	16	(637.15)	(100.86)
		<u>18,939.43</u>	<u>14,385.94</u>
EXPENDITURE:			
Sugar Cane Cost		12,475.87	8,796.69
Manufacturing and Other Expenses	17	2,854.34	2,464.19
Excise Duty & Sugar Development Cess		1,152.69	915.14
Interest & Financial Charges	18	1,073.12	984.20
Milk Purchased & Procurement Expenses		373.13	-
Depreciation	5	97.23	63.34
		<u>18,026.38</u>	<u>13,223.56</u>
PROFIT BEFORE TAX :		913.05	1,162.38
Provision for Taxation (Including Dividend Tax of Rs. 12.15 lacs in previous year)		225.00	187.15
Net Profit for the year		688.05	975.23
Balance Profit brought forward from last year		17.18	7.30
		<u>705.23</u>	<u>982.53</u>
Add :- Write Back of Excess Provision of Cane Price for earlier years		-	24.02
		<u>705.23</u>	<u>1,006.55</u>
Less :- Provisions			
- Short Provision for Taxation of earlier years		6.90	187.12
- Short Provision for Cane Price & Tax of 1994-95		-	43.72
- Short Provision for Cane Price & Tax of 1996-97		-	437.08
		<u>6.90</u>	<u>667.92</u>
Profit available for appropriations		<u>698.33</u>	<u>338.63</u>
APPROPRIATIONS:			
Proposed Dividend			
(a) On Preference Share @7.8572%		0.30	1.45
(b) On Equity Shares @17%		142.80	120.00
General Reserve		525.00	200.00
Corporate Dividend Tax		15.71	-
Balance Carried to Balance Sheet		14.52	17.18
		<u>698.33</u>	<u>338.63</u>
COMPUTATION OF COMMISSION PAYABLE TO EXECUTIVE DIRECTORS		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
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(Whole-time Director)

— Directors

MUMBAI : Dated 19th June, 1999

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THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31st March, 1999

(Rs.in lacs)
31-03-99

(Rs.in lacs)
31-03-98

Schedules annexed to and forming part of Balance Sheet as at 31st March, 1999 and Profit and Loss Account for the year ended 31st March, 1999.

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 :

1,20,00,000	Ordinary (Equity) Shares of Rs.10/- each fully paid up. Out of the above shares 1,13,00,000 shares are allotted as fully paid up by way of Bonus Shares, by capitalisation of General Reserve	1,200.00	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
	Less : Redeemed during the year	18.51	-
		<u>-</u>	<u>18.51</u>
		<u>1,200.00</u>	<u>498.51</u>

SCHEDULE 2 - RESERVES AND SURPLUS :

(A) GENERAL RESERVE:

As per last Balance Sheet	1,301.77	1,096.02
Add : Transferred from investment Reserve	-	5.75
	<u>1,301.77</u>	<u>1,101.77</u>
Add : Transferred from Profit during the year	525.00	200.00
	<u>1,826.77</u>	<u>1,301.77</u>
Less : Transferred to Share Capital for Bonus Shares	720.00	-
	<u>1,106.77</u>	<u>1,301.77</u>

(B) INVESTMENT ALLOWANCE RESERVE

As per last Balance Sheet	-	5.75
Less : Transferred to General Reserve	-	5.75
	<u>-</u>	<u>-</u>

(C) PROFIT AND LOSS ACCOUNT

14.52	17.18
<u>1,121.29</u>	<u>1,318.95</u>

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31st March, 1999

(Rs.in lacs)
31-03-99

(Rs.in lacs)
31-03-98

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 First pari passu charge by way of Equitable Mortgage on Block of Fixed Assets of Company (excluding Agricultural Assets) and fully guaranteed by a Director.

(i) Bank of India	3,311.67	2,902.30
(ii) Union Bank of India	3,125.68	3,415.57
	6,437.35	6,317.87

- (b) Term Loan :

Industrial Development Bank of India	400.00	-
--------------------------------------	--------	---

- (c) Sugar Development Fund

100.00	-
6,937.35	6,317.87

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

832.51 1,542.87

- (c) Hire Purchase Finance

306.08 349.58

1,158.59	1,912.45
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THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31-03-1999

SCHEDULE 5 FIXED ASSETS

(Rs. in lacs)										
PARTICULARS	Gross Block as on 1st April, 1998	Additions during the year	Deletion during the year	Gross Block as on 31st March, 1999	Depreciation Written off upto 31st March, 1998	Depreciation Written off during the year	Total Depreciation upto 31st March, 1999	Net Depreciated Block as at 31st March, 1999	Net Depreciated Block as at 31st March, 1998	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Freehold Land	15.80	14.30	—	30.10	—	—	—	30.10	15.80	
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	392.93	0.15	—	393.08	114.14	8.60	122.74	270.34	278.79	
Temporary Quarters	6.36	—	—	6.36	3.91	0.05	3.96	2.40	2.45	
Temporary Quarters at Farms	1.41	—	—	1.41	1.24	—	1.24	0.17	0.17	
General Machinery	1,599.06	463.20	—	2,062.26	910.61	55.01	965.62	1,096.64	688.45	
Electrical Machinery	220.59	—	—	220.59	63.16	9.72	72.88	147.71	157.43	
Agricultural Machinery	15.24	0.43	—	15.67	8.85	0.25	9.10	6.57	6.39	
Electrical Installation & Fittings	11.65	4.38	—	16.03	10.34	0.22	10.56	5.47	1.31	
Furniture & Office Equipments	76.58	10.21	—	86.79	23.93	3.93	27.86	58.93	52.65	
Weigh Bridges	26.89	1.30	—	28.19	13.28	0.84	14.12	14.07	13.61	
Molasses & Other Storage Tanks	32.52	—	—	32.52	21.71	0.68	22.39	10.13	10.81	
Motor Cars, Lorries & Cycles	98.52	18.28	—	116.80	28.40	7.87	36.27	80.53	70.12	
Carts & Trucks	4.57	—	—	4.57	0.34	0.01	0.35	4.22	4.23	
Laboratory Apparatus	3.29	—	—	3.29	1.64	0.11	1.75	1.54	1.65	
Roads, Drainage & Tube V.	39.21	1.97	—	41.18	5.61	0.58	6.19	34.99	33.60	
Dead Stock	2.04	8.30	—	10.34	1.27	0.34	1.61	8.73	0.77	
Library	0.07	—	—	0.07	0.06	—	0.06	0.01	0.01	
Irrigation Lifts	4.30	0.14	—	4.44	4.00	0.02	4.02	0.42	0.30	
Live Stock	0.77	—	—	0.77	0.25	—	0.25	0.52	0.52	
Computers	42.84	19.73	—	62.57	3.52	9.00	12.52	50.05	39.32	
TOTAL :	2,597.15	542.39	—	3,139.54	1,216.37	97.23	1,313.60	1,825.94	1,380.78	

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31st March, 1999

(Rs.in lacs)
31-03-99

(Rs.in lacs)
31-03-98

SCHEDULE 6 - INVESTMENTS (At Cost) :

(A) INVESTMENT IN SHARES OF SUBSIDIARY COMPANIES :

- (i) 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

- (ii) 172 Fully Paid up Equity Shares of Padmanabh Agencies Ltd. of Rs. 10/- each

0.02 -

(B) OTHER INVESTMENTS :

- (i) National Defence Certificates deposited with Electricity Department, Bhopal 0.03

0.03

- (ii) National Savings Certificates deposited with Excise Commissioner, U.P. and Hydro Electric Division, Gorakhpur. 0.02

0.02

- (iii) 4½% U.P. State Development Loan of 1972 (Face Value Rs.2,000/-) 0.02

0.02

- (iv) Investment in bonds of Krishna Jal Nidhi Nigam Ltd., Bangalore 5.00

5.00

- (v) 7200 Equity Shares of Bank of India (Market Value Rs.1.44 lacs) 3.24

3.24

8.31 8.31

9.33 **9.31**

SCHEDULE 7 - INVENTORIES :

- (i) Stores, Chemicals and Spares (at cost as per inventories valued and certified by a Director)

473.66 423.84

- Dairy Stores (at cost as per inventories valued and certified by a Director)

7.49 -

- In Transit

22.89 14.54

504.04 438.38

- (ii) Stock-in-trade (as per Inventories valued and certified by a Director)

- (a) Sugar at Cost or Market Price whichever is lower

8,292.04 8,905.53

- (b) Sugar in Process at Cost

109.81 93.72

- (c) Molasses at Market Rate

48.51 144.32

- (d) Bagasse

10.86 17.92

- (e) Foodgrain / Jaggery at Cost

9.71 14.10

- (f) Dairy Products at Market price

65.62 -

- (g) Crop in Progress

1.90 -

8,538.45 9,175.59

9,042.49 **9,613.97**

SCHEDULE 8 - SUNDRY DEBTORS :

Sundry Debtors (Unsecured and considered good except otherwise stated)

- (a) Debts Outstanding for more than six months

109.82 67.19

- (b) Other Debts

218.47 180.17

328.29 **247.36**

SCHEDULE 9 - CASH AND BANK BALANCES :

- (a) Cash, Cheques and Drafts on hand and in transit (including Stamp on hand Rs.31,586/-)

164.32 161.95

- (b) In Current Account with Scheduled Banks

455.55 44.21

- (c) In Current Account with Non-scheduled Bank: Bijapur District Central Co-op.Bank Ltd., Mahalingpur (Maximum balance during the year Rs.11,99,569/- previous year Rs.20,18,498/-)

1.12 1.93

- (d) Fixed Deposits with Scheduled Bank (Lodged with Excise Department, Mudhol)

0.05 0.05

621.04 **208.14**

SCHEDULE 10 - FIXED DEPOSITS :

Fixed Deposits with Scheduled Banks (Under Lien for the Guarantees)

43.49 293.96

Accrued Interest on above

1.21 15.37

44.70 **309.33**

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Balance Sheet as at 31st March, 1999

(Rs.in lacs)
31-03-99

(Rs.in lacs)
31-03-98

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 Company Rs. 1,16,071/-) (Maximum Debit balance during the year Rs. 1,22,070/- Amount in dispute Rs.1,86,801/- towards due for Central Excise Duty.)	818.13	704.52
Considered Doubtful	0.64	0.64
Less : Provision for Doubtful Advances	818.77 0.64	705.16 0.64
	818.13	704.52
Padmanabh Agencies Ltd. - A Subsidiary Company	0.15	-
Advance Income Tax (includes Income Tax Deducted at Source)	1,077.24	875.11
Deposit with High Court & Others	61.39	46.88
Interest, etc. on Hire Purchase Finance	75.65	128.86
Levy Sugar Price Difference	1.31	1.31
	1,215.59	1,052.16
	2,033.87	1,756.68

SCHEDULE 12 - CURRENT LIABILITIES AND PROVISIONS:

(A) CURRENT LIABILITIES :		
(i) Sundry Creditors	3,061.68	2,973.47
(ii) Advance from Customers against sale of Land	4.31	4.31
(iii) Due to Executive Directors	1.75	1.54
(iv) Liability for Income Tax	0.14	0.15
	3,067.88	2,979.47
(B) PROVISIONS :		
(i) Proposed Dividend		
(a) On Preference Shares	-	1.45
(b) On Equity Shares	142.80	120.00
	142.80	121.45
(ii) Provision for Taxation	610.86	415.20
(iii) Provision for Dividend Tax	15.71	12.15
	626.57	427.35
	769.37	548.80
	3,837.25	3,528.27

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.	1.00	1.00
(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.	17.37	17.37

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Profit and Loss A/c. for the year ending 31st March, 1999

(Rs.in lacs)
1998-99

(Rs.in lacs)
1997-98

SCHEDULE 14 - SALES :

Sugar	18,456.16	13,803.90
Molasses	500.43	428.36
Sugar Cane	0.02	0.16
Dairy Product Sale	309.07	-
	<u>19,265.68</u>	<u>14,232.42</u>

SCHEDULE 15 - OTHER INCOME :

Sundry Receipts	107.56	62.94
Income from Immovable Property	2.35	2.65
Sundry Receipts being Market Value of Farm Produce etc.	14.67	9.05
Sundry Credit Balances Written Back	51.16	0.04
Claims and Refund	3.86	0.52
Interest on Fixed Deposits and Others	35.04	26.16
Subsidy towards Interest, Storage & Insurance Charges on Bufferstock	96.12	152.92
Dividend	0.14	0.10
	<u>310.90</u>	<u>254.38</u>

SCHEDULE 16 - INCREASE/(DECREASE) IN STOCK :

Closing Stock :		
Sugar	8,292.04	8,905.53
Sugar-in-process	109.81	93.72
Molasses	48.51	144.32
Bagasse	10.86	17.92
Sugarcane / Jaggery	3.37	3.00
Food Grain	8.23	11.10
Dairy Products	65.62	-
	<u>8,538.44</u>	<u>9,175.59</u>
Less : Opening Stock :		
Sugar	8,905.53	9,098.67
Sugar-in-process	93.72	92.16
Molasses	144.32	63.60
Bagasse	17.92	3.24
Sugarcane	3.00	5.93
Food Grain	11.10	12.85
	<u>9,175.59</u>	<u>9,276.45</u>
	<u>(637.15)</u>	<u>(100.86)</u>

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Profit and Loss A/c. for the year ending 31st March, 1999

(Rs.in lacs)
1998-99

(Rs.in lacs)
1997-98

SCHEDULE 17 - MANUFACTURING AND OTHER EXPENSES :

MANUFACTURING EXPENSES :

Power and Fuel	70.72	53.39
Packing Forwarding and Storage	429.21	295.89
Stores, Chemicals and Spare Parts consumed	227.05	163.80
Lease Rent	27.92	32.92
Insurance Premium	33.82	34.38
Agricultural Development Expenses	22.36	22.68
Expenses on Scientific Research	9.75	7.67
Contribution to Scientific Research Institution	15.00	15.00
	<u>835.83</u>	<u>625.73</u>

REPAIRS AND MAINTENANCE :

Plant and Machinery	313.07	414.67
Buildings	23.67	43.58
Others	23.88	15.82
	<u>360.62</u>	<u>474.07</u>

EMPLOYEES REMUNERATION AND BENEFITS :

Salaries, Wages and Bonus	950.21	764.25
Contribution to Provident Fund & Other Fund	77.34	58.94
Welfare Expenses	56.20	61.74
Workmen Compensation	0.09	1.20
Group Gratuity Insurance Premium	30.00	18.00
	<u>1,113.84</u>	<u>904.13</u>

OFFICE AND ESTABLISHMENT EXPENSES :

Rent	20.33	10.72
Rates and Taxes	47.74	54.68
Miscellaneous Expenses	275.17	244.83
Telephone Expenses	53.66	56.05
Travelling Expenses	59.93	47.02
Legal and Professional Charges	43.32	21.65
Guarantee Commission	12.00	0.49
Charity and Donation	2.07	1.49
Cost Audit Fees and Travelling Expenses	0.10	0.10
Sundry Debit Balances Written Off	0.01	0.02
	<u>514.33</u>	<u>437.05</u>

AUDITORS' REMUNERATION :

Audit Fees	0.20	0.20
Tax Audit Fees	0.08	0.08
Auditors' Travelling Expenses	0.05	0.10
	<u>0.33</u>	<u>0.38</u>

DIRECTORS' REMUNERATION, FEES AND TRAVELLING EXPENSES :

Remuneration	8.18	6.92
Fees	0.30	0.25
Travelling (including Foreign Travelling of Rs. 7.46 lacs)	20.91	15.66
	<u>29.39</u>	<u>22.83</u>
	<u><u>2,854.34</u></u>	<u><u>2,464.19</u></u>

THE GODAVARI SUGAR MILLS LIMITED

Schedules to Profit and Loss A/c. for the year ending 31st March, 1999		(Rs.in lacs) 1998-99	(Rs.in lacs) 1997-98
SCHEDULE 18 - INTEREST & FINANCIAL CHARGES :			
Cash Credit Account		999.43	863.13
Fixed Loans		4.86	67.47
Debentures		1.20	1.20
Other Loans		16.59	10.07
Hire Purchase Finance		51.04	42.33
		1,073.12	984.20
SCHEDULE 19 - COMPUTATION OF EXECUTIVE DIRECTORS' COMMISSION AND REMUNERATION			
Net Profit as per Profit and Loss Account		913.05	975.23
Add:			
i) Executive Directors' Remuneration	8.96		7.58
ii) Depreciation	97.23		63.34
		106.19	70.92
		1,019.24	1,046.15
Less : Depreciation to the extent specified in Section 350 of Companies Act, 1956		205.58	63.34
		813.66	982.81
Commission @1% on the Net Profit		8.14	9.83
As per Agreement Limited to		1.75	1.54
Total Managerial Remuneration:			
Remuneration	3.57	2.86	6.43
Commission	1.25	0.50	1.75
Company's Contribution to Provident Fund	0.43	0.35	0.78
Perquisites	-	-	0.39
	5.25	3.71	8.96

THE GODAVARI SUGAR MILLS LIMITED

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999

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 31-3-1999 for accrued gratuity to employees under the payment of Gratuity Act, 1972 as per Actuary's Certificate is Rs.2,77,29,083/-. 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 as the liability is not ascertained.
 - d) All activities of the company are being made Y2K compliant. Certain software application have already been upgraded to meet this compliant and others are being upgraded. Hardware which does not meet Y2K standard will be replaced. Y2K compliant is expected to be achieved by 30-9-99.
- (2) Income Tax and Wealth Tax Assessments upto Accounting Year 1995-96 (Assessment Year 1996-97) have been completed and Liabilities are provided for and paid.
 - (3) Depreciation on Fixed Assets has been provided on W.D.V. Method upto 30.9.95 and thereafter on S.L.M. as prescribed in Schedule XIV of the Companies Act, 1956.
 - (4) Closing Stock of Sugar is valued at cost or market value whichever is lower.
 - (5) No Provision has been made in the Accounts for following Disputed Liabilities.
 - A) In respect of Sameerwadi Factory :-
 - a) No Provision has been made for demand of Rs. 43.59 lacs and Rs. 42.02 lacs for Cane Purchase Tax on harvesting and transport charges for 1990-91 and 1991-92 for Sameerwadi as the Company has filed appeal before the Tribunal against order of Joint Commissioner, Commercial Taxes (Admn.), Belgaum and have obtained stay after complying conditions for the same.
 - b) Demand of Rs.79.80 lacs dated 1-10-1991 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 dated 11-9-1991 (including interest of Rs.13.16 lacs) plus interest @Rs.21,715.50 per month for the period beyond 15-8-1991 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.
 - B) In respect of erstwhile Sakarwadi and Lakshmiwadi Factories :-
Company has filed appeal before Asstt. Commissioner of Sales Tax (Appeal), Nasik for Sales Tax, Interest & Penalties of Rs.209.33 lacs levied on Plant and Machinery of erstwhile factories at Sakarwadi and Lakshmiwadi. Company also got stay of demand from Sales Tax Tribunal Mumbai on payment of Rs. 5 lacs. This liability is covered by agreements with purchasers of Plant as recoverable from them.
 - (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.6,00,000/- (Previous year Rs.3,00,000/-) per annum or Rs.50,000/- (Previous year Rs.25,000/-) per month.	NIL (4)	NIL (20,50,295)	NIL (1,57,367)
b) Employees of the Company who are in receipt of or entitled to receive emoluments amounting to Rs.50,000/- (Previous year 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	5,500		
Goods Manufactured	Opening Stock		Production Quantity M.T.	Quantity sent for reprocessing and loss due to Drilage M.T.	Sales		Closing Stock	
	Quantity M.T.	Value Rs.			Quantity M.T.	Value Rs.	Quantity M.T.	Value Rs.
Sugar	80,201.00 (92,290.9)	89,05,53,286 (90,98,67,289)	1,41,951.0 (1,01,913.0)	2,157.0 (1,750.8)	1,44,699.8 (1,12,252.1)	1,84,56,15,833 (1,38,03,90,412)	75,295.2 (80,201.0)	82,92,03,875 (89,05,53,286)
Molasses	14,049.519 (13,579.939)	1,44,31,961 (63,60,447)	46,675.20 (30,092.430)	NIL (NIL)	41,318.525 (29,622.850)	5,00,42,825 (4,28,35,520)	19,406.194 (14,049.519)	48,51,549 (1,44,31,961)

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.
Sugar Cane		12,02,098	1,15,83,32,158	8,42,372	81,71,21,970
Stores and Spares Consumed		Value Rs.	%	Value Rs.	%
Imported		NIL	NIL	NIL	NIL
Indigenous		2,27,04,543	100%	1,63,79,980	100%
		2,27,04,543	100%	1,63,79,980	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.13,09,606/-	Rs.10,05,551/-

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.

Note : Figures of previous year have been re-grouped and re-cast wherever 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
(Chairman & Managing Director)

N. C. SAYTA
C. B. PURANDARE
INDUBHAI C. PATEL
B. V. BHOOTA
P. M. KAVADIA
(Whole-time Director)

} Directors

MUMBAI : Dated 19th June, 1999

MUMBAI : Dated 19th June, 1999

THE GODAVARI SUGAR MILLS LIMITED

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details		Registration No. <input type="text" value="2945"/>	State Code <input type="text" value="11"/>
Balance Sheet Date		<input type="text" value="31"/> <input type="text" value="03"/> <input type="text" value="99"/>	
II. Capital Raised during the year (Amount in Rs. Thousands)			
	Public Issue	<input type="text" value="Nil"/>	Right Issue <input type="text" value="Nil"/>
	Bonus Shares	<input type="text" value="72,000"/>	Private Placement <input type="text" value="Nil"/>
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
	Total Liabilities	<input type="text" value="14,25,448"/>	Total Assets <input type="text" value="14,25,448"/>
Sources of Funds	Paid-up Capital	<input type="text" value="1,20,000"/>	Reserves & Surplus <input type="text" value="1,12,129"/>
	Secured Loans	<input type="text" value="6,93,735"/>	Unsecured Loans <input type="text" value="1,15,859"/>
Application of Funds	Net Fixed Assets	<input type="text" value="2,17,476"/>	Investments <input type="text" value="933"/>
	Net Current Assets	<input type="text" value="8,23,314"/>	Misc. Expenditure <input type="text" value="Nil"/>
	Accumulated Losses	<input type="text" value="Nil"/>	
IV. Performance of Company (Amount in Rs. Thousands)			
	Turnover & other income	<input type="text" value="18,93,943"/>	Total Expenditure <input type="text" value="18,02,638"/>
	+/- Profit/Loss Before Tax	<input type="text" value="+ 91,305"/>	+/- Profit/ Loss After Tax <input type="text" value="+ 68,805"/>
	Earning per Share in Rs.	<input type="text" value="5.73"/>	Dividend rate% <input type="text" value="17"/>
V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)			
	Item Code No. (ITC Code)	<input type="text" value="1701.11"/>	
	Product Description	<input type="text" value="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
(Chairman & Managing Director)
N. C. SAYTA
C. B. PURANDARE
INDUBHAI C. PATEL
B. V. BHOOTA
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 COMPANIES

I. GODAVARI INVESTMENT AND FINANCE CORPORATION LTD.

- (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 the Subsidiary Company as at 31st March, 1999.
- (2) The Subsidiary Company earned a profit of Rs.3,240/- after providing Rs.2,050/- for taxation for the year ended 31st March, 1999. After adding previous year's carried forward profit of Rs.25,062/- and after providing Short / Excess provisions of taxation of Rs.2,42,263/- and Rs. 1,127/- respectively of earlier years, the loss comes to Rs.2,12,834/-. The said Loss has been carried to Balance Sheet of 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 the Subsidiary Company during the year ended 31st March, 1999.

II. PADMANABH AGENCIES LTD.

- (1) The Company also holds whole of the Subscribed Capital of Rs. 1,720/- in the Subsidiary Company. There were no activities during the year in the Subsidiary Company.
- (2) The advance to the Subsidiary Company as on 31st March, 1999 was Rs. 15,000/-

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
(Chairman & Managing Director)

N. C. SAYTA
C. B. PURANDARE
INDUBHAI C. PATEL
B. V. BHOOTA
P. M. KAVADIA
(Whole-time Director)

— Directors

MUMBAI : Dated 19th June, 1999

MUMBAI : Dated 19th June, 1999

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

DIRECTORS' REPORT

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

Your Directors submit herewith their Forty-Fourth Annual Report and Audited Accounts of the Company for the year ended 31st March, 1999.

The working of the Company for the year resulted in a Profit of Rs.3,240/-, after providing for taxation of Rs.2,050/-. There is a short Provision of Income Tax of earlier year by Rs.2,42,263/-. The results of Company are as under :-

Net Profit after taxation	Rs. 3,240/-
ADD : Profit of Last Year	Rs. 25,062/-
Excess Provision of Taxation	Rs. 1,127/-
	<hr/>
	Rs. 29,429/-
LESS : Short Provision for Taxation as above	Rs. 2,42,263/-
	<hr/>
Net Loss Carried to Balance Sheet	Rs. 2,12,834/-

In view of the Loss the Directors do not recommend any dividend for the year.

DIRECTORS :

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 10th June, 1999

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have Audited the Balance Sheet of Godavari Investment and Finance Corporation Limited as at 31st March, 1999 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, 1999 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, 1999, 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 (i) of Sub-section (i) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

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

**Y. S. MUZUMDAR
Proprietor**

MUMBAI : Dated 10th June, 1999

GODAVARI INVESTMENT AND BALANCE SHEET

AS AT 31ST MARCH, 1998	LIABILITIES	AS AT 31ST MARCH, 1999
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
1,400	III. RESERVES AND SURPLUS : As per last Balance Sheet	1,400
25,062	Profit & Loss Account	25,062
-	Less : Transfer to miscellaneous Expenses per contra	25,062
25,062		-
26,462		1,400
40,776	IV CURRENT LIABILITIES AND PROVISIONS : (A) CURRENT LIABILITIES : Sundry Creditors	1,52,126
22,164	(B) Provision for Taxation	21,043
62,940		1,73,169
	NOTE : Employees of the Company who are in receipt of or are entitled to receive remuneration amounting in the aggregate of Rs. 6,00,000/- (previous year Rs. 3,00,000/-) for the whole year or any part of the year Rs. 50,000/- (previous year Rs. 25,000/-) or more per mensem - NIL.	
1,89,402	TOTAL RUPEES :	2,74,569

Accompanying to our report of even date annexed

FOR Y. S. MUZUMDAR & CO.
CHARTERED ACCOUNTANTS

Y. S. MUZUMDAR
Proprietor

MUMBAI : Dated 10th June, 1999

FINANCE CORPORATION LIMITED

AS AT 31ST MARCH, 1999

AS AT 31ST MARCH, 1998	ASSETS	AS AT 31ST MARCH, 1999
Rupees		Rupees Rupees Rupees
7,200	I. INVESTMENT (AT COST UNQUOTED) 200 Fully paid up Equity Shares of Mamli Private Limited	7,200
200	II. CURRENT ASSETS, LOANS AND ADVANCES :	
34,434	(A) CASH AND BANK BALANCES :	
	Cash on Hand 307	
	In Current Account with a Schedule Bank 5,584	
34,634		5,891
	(B) LOANS AND ADVANCES :	
	(Secured and considered good as Certified by a Director except otherwise stated)	
4,338	(i) Loans to Cane Growers	4,338
29,000	(ii) Deposits	29,000
101	(iii) Advances recoverable in Cash or Kind	101
3,517	(iv) Advance Income Tax	7,560
1,00,000	(v) Income Tax for A. Y. 1991-92	-
10,612	(vi) Income Tax deducted at source	7,645
1,82,202		54,535
	III. MISCELLANEOUS EXPENDITURE :	
-	PROFIT & LOSS A/c.	
-	Loss as per profit & Loss A/c.	2,37,896
-	Less Balance of profit transferred per contra	25,062
		2,12,834
1,89,402	TOTAL RUPEES :	2,74,569

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 10th June, 1999

GODAVARI INVESTMENT AND

PROFIT AND LOSS ACCOUNT FOR

FOR THE YEAR ENDED 31ST MARCH, 1998		FOR THE YEAR ENDED 31ST MARCH, 1999
Rupees		Rupees
1,200	To Salary	1,200
1,000	To Profession Tax	1,500
1,250	To Miscellaneous Expenses	1,525
1,200	To Office Rent	1,200
500	To Audit Fees	500
4,041	To Provision for Taxation	2,050
17,504	To Profit carried down	3,240
26,695	TOTAL RUPEES :	11,215
1,000	To Dividend Tax of earlier year	-
-	To Short Provision for Taxation	2,42,263
25,062	To Profit carried to Balance Sheet	-
26,062	TOTAL RUPEES :	2,42,263

Accompanying to our report of even date annexed

FOR Y. S. MUZUMDAR & CO.
CHARTERED ACCOUNTANTS

Y. S. MUZUMDAR
Proprietor

MUMBAI : Dated 10th June, 1999

THE YEAR ENDED 31ST MARCH, 1999

S. K. SOMAIYA | **DIRECTORS**
R. VENKATARAMAN

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ATTENDANCE SLIP

THE GODAVARI SUGAR MILLS LIMITED

Registered Office : Fazalbhoj Building, Mahatma Gandhi Road, Fort, Mumbai-400 001.

FIFTY NINTH ANNUAL GENERAL MEETING

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE REGISTERED OFFICE OF THE COMPANY
I/We hereby record my/our presence at the FIFTY NINTH ANNUAL GENERAL MEETING held at
Fazalbhoj Building, Mahatma Gandhi Road, Fort, Mumbai-400 001, on Tuesday, the 20th July, 1999
at 5.00 p.m.

.....
Name/s of the Shareholder/s or Proxy
(in Block Letters)

.....
Regd. Folio No.

.....
Signature/s of the Shareholder/s or Proxy

..... TEAR HERE

PROXY

THE GODAVARI SUGAR MILLS LIMITED

Registered Office : Fazalbhoj Building, Mahatma Gandhi Road, Fort, Mumbai-400 001.

I/We
of
being a member/members of THE GODAVARI SUGAR MILLS LIMITED, hereby
appoint
of.....or failing him.....
of.....or failing him.....
of.....as my/our proxy in my/our absence
to attend and vote for me/us on my/our behalf at the FIFTY NINTH ANNUAL GENERAL MEETING of the
Company to be held on Tuesday, the 20th July, 1999 at 5.00 p. m. and any adjournment thereof :

Signed this.....day of.....1999

.....
Regd. Folio No.

Signature.....

affix a
1 Rupee
Revenue
Stamp

Note : The duly completed Proxy Form must be deposited at the Registered Office of the Company at
Fazalbhoj Building, Mahatma Gandhi Road, Fort, Mumbai 400 001 not less than 48 hours before the time
fixed for holding the meeting.