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Annual Report

THE GODAVARI SUGAR MILLS LIMITED

2003-2004

Bankers and Institutions :

Andhra Bank
Bank of Baroda
Bank of India
Industrial Development Bank of India
SICOM Ltd.
State Bank of India
Sugar Development Fund
Sugar Technology Mission
Syndicate Bank
Union Bank of India

Solicitors :

Gagrat & Co.
Hariani & Co.
Mulla & Mulla and Craigie Blunt and Caroe

Auditors :

Ambalal Thakkar & Associates
Chartered Accountants

Registered Office:

Fazalbhoj Building,
45/47, Mahatma Gandhi Road,
Fort, Mumbai- 400 001, INDIA

Board of Directors :

Dr. S. K. Somaiya
(Chairman & Managing Director)

Shri Samir S. Somaiya
(Executive Director)

Shri Indubhai C. Patel

Dr. B. R. Barwale

Shri N. C. Sayta

Shri Kailash Pershad

Shri K. H. Viswanathan
*(Nominee of Industrial Development
Bank of India [w.e.f - 7TH June, 2004])*

Dr. K. V. Raghavan

Prof. Rooshikumar Pandya

Shri P. M. Kavadia
(Whole-time Director)

Shri P. K. R. Nair
(Director-Works)

Shri S. B. Desai
(Senior Manager & Company Secretary)

DIRECTORS' REPORT

To the members,

Your Directors have pleasure in presenting their Sixty-Fourth Annual Report and the Audited Statements of Accounts of the Company for the year ended 31st March, 2004.

A. FINANCIAL RESULTS:

		2003-2004 Rs. in lacs	2002-2003 Rs. in lacs
Gross Turnover		<u>33,856.55</u>	<u>28,160.87</u>
Gross Operating Profit		3,987.13	3,263.72
Less : Interest	3,090.47		2,248.77
Depreciation	<u>1,132.18</u>		<u>641.12</u>
		<u>4,222.65</u>	<u>2,889.89</u>
Profit / (Loss) before Tax		<u>(235.52)</u>	<u>373.83</u>
Add : Deferred Tax Asset/(Liabilities)		887.76	(9.91)
Profit for the year		<u>652.24</u>	<u>363.92</u>
Less : Prior period items	172.79		271.44
Add : Excess Provision for Taxation	<u>31.10</u>		<u>68.76</u>
		<u>141.69</u>	<u>202.68</u>
		<u>510.55</u>	<u>161.24</u>
Adding thereto : Balance Profit brought forward from last year		19.54	46.10
Add : Transfer from General Reserve		-	200.00
Profit available for Appropriation		<u>530.09</u>	<u>407.34</u>
APPROPRIATIONS:			
Proposed Dividend :			
a) On Preference Shares		-	149.14
b) On Equity Shares		-	184.83
Corporate Dividend Tax		-	43.83
General Reserve		-	10.00
Balance Carried to Balance Sheet		<u>530.09</u>	<u>19.54</u>
		<u>530.09</u>	<u>407.34</u>

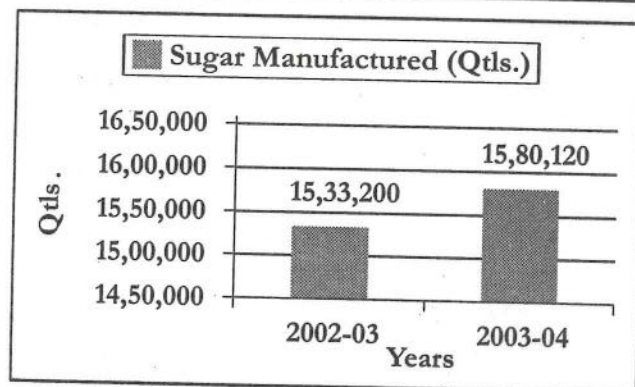
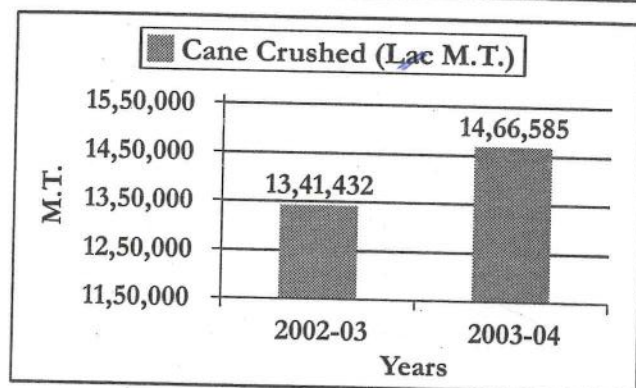
DIRECTORS' REPORT

B. Manufacturing Results :

Sugar Division :

- i) The results for the year which reflect working of two crushing sugar seasons i.e. part of 2002-2003 and part of 2003-2004, are as follows:

Period	Cane Crushed (M.T.)	Sugar Manufactured (Qtls.)
01-04-2003 to 23-05-2003	3,45,954	3,58,420
26-09-2003 to 28-02-2004	11,20,631	12,21,700
Total	14,66,585	15,80,120
Previous Year	13,41,432	15,33,200



- ii) The final figures of crushing and production for crushing season 2003-04 and comparative figures for 2002-03 season are as under:

Season	2003-2004	2002-2003
Season ended on	28-02-2004	23-05-2003
Cane crushed (M.T.)	11,20,631	15,58,644
Sugar Manufactured (Qtls.)	12,21,700	17,49,530
Recovery %	10.79	11.12

The duration of the crushing season 2003-04 was substantially reduced to 156 days as compared to 232 days for the previous crushing season 2002-03. This was mainly due to the severe drought conditions experienced by North Karnataka region for the third consecutive year where the Sugar factory is located. The crushing for the season ended 2003-04 was lower than the previous season 2002-03 by 4.38 lacs M.T. inspite of fact that the crushing per day increased by 465 M.T. over the previous season.

Sugar Production :

Particulars	Karnataka	India	Company
Season 2003 - 04 (lacs M.T.)	10.40	133.80	1.22
Season 2002 - 03 (lacs M.T.)	17.91	199.14	1.75
(Decrease) (lacs M.T.)	(7.51)	(65.34)	(0.53)
(Decrease) %	(42)	(33)	(30)

It is evident from the above table that though there is a drastic fall in the Company's Sugar Production for the season 2003-04 as compared to the last season our performance is comparatively better than the average for the State of Karnataka as well as for the Country as a whole.

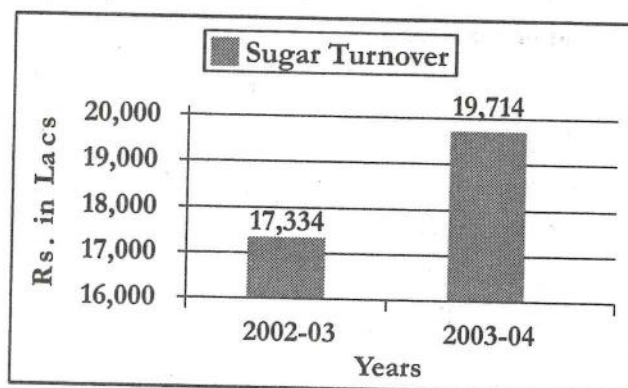
Recovery :

On account of the prevailing drought the recovery also fell from 11.12 % for the previous season to 10.79 % for the crushing season 2003-04.

Particulars	Karnataka	India	Company
Season 2003 - 04 (%)	10.25	10.20	11.12
Season 2002 - 03 (%)	10.82	10.36	10.79
(Decrease)	(0.57)	(0.16)	(0.33)

The fall in Recovery for your Company was lesser than the fall for the State of Karnataka but more than for the Country as a whole.

Sugar Sales during the year increased from Rs. 17,334 lacs for the previous year to Rs. 19,714 lacs mainly on account of increase in Sugar Export Sales.



The Sugar Division of the Company posted a substantial loss for the Financial year ended 31st March, 2004 mainly due to crushing season 2003-04 ending on 28th February, 2004 and substantial drop in sugar recovery from sugarcane.

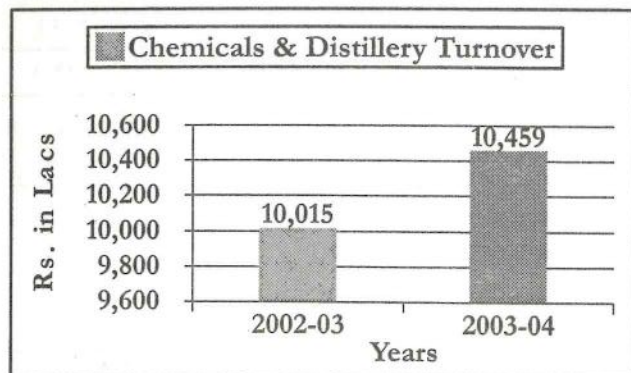
The Sugar Industry has represented to the Central Government for various Fiscal and other Reliefs, both short term and long term on the lines given for Textile and Steel Industries. These measures are under active consideration of the Ministry of Food & Agriculture as well as the Finance Ministry.

The Central Government is also considering measures specifically for drought affected States like Maharashtra, Karnataka, Tamil Nadu etc to tide over the problems arising out of lower production due to shorter duration of the season, steps to improve production and productivity of sugar cane crop etc.,

DIRECTORS' REPORT

Distillery & Chemical Division :

Your Company's Turnover of the Distillery & Chemical Division increased from Rs. 10,015 lacs for the previous year 2002-03 to Rs 10,459 lacs during the year ended March 31st 2004.



This was mainly on account of commissioning of the Ethanol Project at Sameerwadi Distillery.

The commissioning of the Ethanol Project has helped in improving the Profitability of this Division.

Drought conditions for the third consecutive year in Maharashtra and Karnataka have adversely affected availability of Molasses for the Financial year 2004-05 in both the States and the same will continue for the first half of the Financial year 2005-06. The shortage of Molasses in local markets will have a cascading effect on its prices. The Price of Molasses in Maharashtra have more than doubled in the last six months and its availability is very Limited. To combat the same the company has proactively shifted its procurement policy from local purchase of Molasses and Specially Denatured Spirit (SDS) to direct import of SDS and to some extent Molasses.

Co-generation Division :

Financial year 2003-04 was the first full year of working for the above division as the Plant was capitalised on 1st March, 2003. Turnover of the said division for the current financial year was Rs. 3,369 lacs, last year being Rs. 168 lacs. The Plant has achieved a peak capacity utilization of 100 %.

On account of the drought in our region, our sugar season ended on 28th February, 2004 itself, crushing being restricted to only 156 days. Raw material availability i.e bagasse will be hampered during the forthcoming Financial year also.

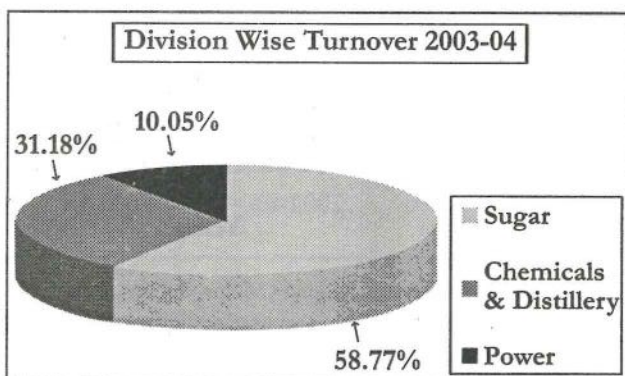
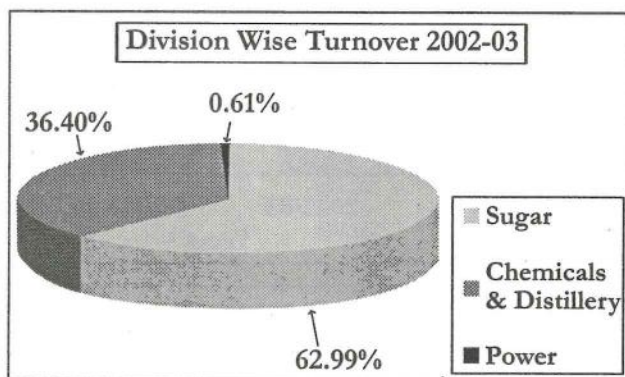
To obviate the problem of low cane availability during the current financial year, the company have made arrangements for procurement and feeding alternate agro fuel along with on line bagasse. We are also converting our existing boiler to fire coal as an additional fuel. Engineering work has already started for the same. Since the procurement of agro fuels is again seasonal and follows the demand / supply trend in the area, the coal firing will give us a steady means of power production independent of vagaries of nature.

Your Company is entitled for the Financial year 2003-04 the rate of Rs. 3.49 per kwh of the energy exported as per the PPA executed with Karnataka Power Transmission Corporation Limited (KPTCL) on 8th October, 1999. However during the

year under review KPTCL has paid at the rate of Rs. 3.16 per kwh (Rate applicable for the financial year 2001-02) of the energy exported.

Further KPTCL had unilaterally disconnected grid connection to the generating plant of the Company. Your Company filed a writ petition to the Hon'ble High Court of Karnataka at Bangalore against this unjustified disconnection as well as seeking redress to KPTCL's contention of declaring our valid PPA as null and void. Simultaneously KPTCL also wanted to reduce the tariff to Rs. 2.80 per kwh of the energy exported.

The Hon'ble High Court of Karnataka passed an interim order directing KPTCL to restore grid connection to the generating plant of the Company and subject to the result of the petition filed by the Company, to pay the electricity charges at Rs. 2.80 per kwh and if ultimately, this Court holds that the Company is entitled for the higher cost, KPTCL shall pay the same. KPTCL has reconnected the grid connection to the cogeneration plant.



C. Dividends :

The Directors regret their inability to recommend any Dividend on Equity and Preference Shares for the year ended 31st March, 2004 with a view to conserve the resources.

D. Projects :

Sugar Division

i) Ethyl Lactate Project :

We are implementing project of Ethyl Lactate plant having capacity of 450 M.T. Ethyl Lactate is an eco friendly solvent. Basic raw materials for this product are Molasses, Alcohol & Calcium Carbonate.

Ethyl Lactate is an ideal replacement for the toxic glycol ethers. It is safe solution for the cleaning of printing equipment, lithographic plates etc. Ethyl Lactate with its high degree of solvency is also considered excellent for cleaning equipment used for UV curing ink. It is used as solvent in inks, paints, nitrocellulose, varnishes & lacquers. It can be also used as flavour in pharmaceuticals.

The Project is at an advanced stage of completion.

Distillery & Chemical Division

i) **Extra Neutral Alcohol (ENA) :**

In line with the trend to make multipurpose distilleries, catering to requirement of Alcohol for industrial, beverage & fuel use, your Company has set up the ENA plant of 40 KL per day capacity at Sameerwadi.

ii) **Ethanol For Blending With Petrol :**

The Company has commissioned a 50 KLPD, Ethanol Plant at Sameerwadi in October, 2003. The Government has currently allowed for 5% blending of ethanol with gasoline. Testing is currently being done for 10 % and it may be allowed in future. In view of heavy dependence of the country on the imported petroleum, no adverse policy/regulation is anticipated in near future for fuel ethanol sector.

iii) **Crotonaldehyde :**

Crotonaldehyde is used as a denaturant for ethanol which is blended in fuel i.e. petrol. The other application of Crotonaldehyde is as a base material for food additives, pharmaceuticals, feed additives, cosmetics, paper based industry & others. There are only 3-4 known manufacturers for this product who are based at China, South Africa & Japan. Globally there exists a demand for the product which is not effectively being fulfilled by the present players. The Company has set up a 16 TPD plant at its unit at Sakarwadi. The commercial production of the same started in February, 2004.

iv) **Sweet Sorghum :**

To make good the shortfall of raw material especially during the drought years, it is programmed to try alternate sources of raw materials for the production of ethanol and feed stock for Co-Generation.

Your Company has undertaken the cultivation of Sweet Sorghum which is considered as an additional feedstock, which will complement sugarcane. Sweet Sorghum has advantages of low water and fertilizers requirements, small crop cycle of 4 months and can generate bagasse, similar to sugarcane. Your Company would very shortly taking trials to assess the results.

E. Auditors' Report :

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

F. Auditors :

The Statutory Auditors of the Company M/s Ambalal Thakkar & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and have expressed their inability for being reappointed as Statutory Auditors of the Company for the year ending 31st March, 2005, due to other pre-occupations.

In view of the above, your Directors have approved the appointment of M/s Desai Saksena & Associates, Chartered Accountants, as Statutory Auditors of the Company to conduct the Audit for the year ending 31st March, 2005, subject to the approval of the Shareholders in the ensuing Annual General Meeting.

G. Cost Auditors :

M/s. B.J.D. Nanabhoy & Co., Cost Accountants, have been re-appointed as Cost Auditors of the Company.

H. Audit Committee :

Audit Committee of your Company consists of three Directors, viz.

- 1) Shri Indubhai C. Patel - Chairman
- 2) Shri Samir S. Somaiya
- 3) Shri Kailash Pershad

The terms of reference to the Audit Committee include periodical discussions with Auditors about Internal Control System, and scope of Audit, review of Annual Financial Statement before submission to the Board, and compliance of Internal Control System.

I. Directors' Responsibility Statement :

Pursuant to section 217 (2AA) of the Companies Act, the Directors hereby confirm that:

- (i) Accounting Standards have been followed alongwith proper explanation relating to material departures.
- (ii) The accounting policies of the Company have been consistently followed and estimates have been made reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) Annual accounts are prepared on a going concern basis.

J. Insurance :

The Company has made necessary arrangements for adequately insuring its insurable assets.

K. Fixed Deposits :

Deposits which became due for renewal/payment on or before 31st March, 2004 have been renewed / paid.

L. Directors :

Shri Kailash Pershad, Shri Samir S. Somaiya and Shri P.M. Kavadia retire from the Board by rotation and being eligible have offered themselves for re-appointment.

M. Particulars of Employees :

As required by the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) the names and other particulars of employees are set out in the annexure to the Directors' Report.

N. 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 to the Board of Directors) Rules, 1988, are set out in the Annexure forming part of this report.

O. People & the Community :

The company maintains strong and active relationship with its suppliers and customers and attributes this to the experience, ability and dedication of its people. Your company is a major employer in its region and it recognises its responsibility to the community. The company recruits personnel locally and actively supports education, health welfare, emergency services, the environment, sport, culture and the arts.

As a part of our corporate values, we believe in supporting and making contribution to the growth and development of rural sector in India.

P. Industrial Relations :

The Company maintains harmonious and cordial relations with its workers and staff in all its Divisions, which have enabled it to achieve performance level on all fronts.

Q. Appreciation :

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, Andhra Bank, State Bank of India, Bank of Baroda, Syndicate Bank and the Financial Institutions viz. Sugar Development Fund, Sugar Technology Mission, I.D.B.I., SICOM, ICICI Bank Ltd., as well as the Karnataka & Maharashtra Government, customers, suppliers, labour and the staff of the company.

R. Subsidiary Companies u/s. 212 of the Companies Act:

The Company's Investment in the Subsidiary Companies is insignificant. During the year under review, none of the subsidiary companies had undertaken any material operations, and the Balance Sheet exposure is immaterial. As per para 4.3 of the Accounting Standard (AS) 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India, are intended to apply only on material items.

In view of the above, Consolidated Audited Statement of Accounts of Subsidiary Companies are not provided. However Statement relating to Subsidiary Companies i.e. Godavari Investment & Finance Corporation Limited and Padmanabh Agencies Limited, pursuant to Section 212 of the Companies Act, 1956 is attached to the Balance Sheet.

By Order of the Board of Directors,

PLACE : Mumbai

DATE : 6th September, 2004.

S. K. SOMAIYA

Chairman & Managing Director

ANNEXURE "A" TO THE DIRECTORS' REPORT

Statement under section 217(2A) of the Companies Act, 1956 read with Rule 2 of the Companies (Particulars of Employees) Rules, 1975 in regards to the employees :

(A) EMPLOYED THROUGHOUT THE YEAR AND RECEIPT OF REMUNERATION IN THE AGGREGATE OF NOT LESS THAN RS. 24 LACS.

Name of the Employee	Designation and nature of duties	Remuneration Received (Rs.)	Nature of the Employment whether contractual or otherwise	Qualifications & Experience of the Employee	Date of Commencement of Employment	Age	Last Employment held by such Employee before joining the company
Dr. S. K. Somaiya	Chairman & Managing Director	34,60,039/-	Contractual	B.Sc. (Hons), LL.B., D.Sc. (honoris causa)	01-06-1999	76 yrs.	Somaiya Organics (India)Ltd., Chairman & Managing Director

(B) EMPLOYEES OF THE COMPANY WHO WERE EMPLOYED PART OF THE YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION FOR THAT YEAR IN THE AGGREGATE OF NOT LESS THAN RS. 2,00,000/- P.M.

*** NIL ***

NOTES : Remuneration received as shown in the statement includes salary, bonus, commission, house rent allowance or value for perquisites for accommodation, motor car perquisite and other allowances like contribution to provident fund, leave travel facility and reimbursement of medical expenses as applicable.

By Order of the Board of Directors,

S. K. SOMAIYA
Chairman & Managing Director

PLACE : Mumbai
DATE : 6th September, 2004.

ANNEXURE "B" TO THE 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, 2004

Conservation of Energy / Technology Absorption / Foreign Exchange Earnings and Outgo.

Sugar & Co-generation Division :

(A) CONSERVATION OF ENERGY

- a) It is planned to recover and utilise the flash produced by Circulating of condensates from one calandria to the following calandria in the evaporator bodies, alternatively to utilise the sensible heat of the hot condensate for heat of sulphured juice (or mixed juice) which will enable us in the saving of steam consumption up to 2% on cane.
- b) The instrumentation/automation is being implemented in the plant for better control which will result in saving of energy (steam & electricity) besides higher production & quality.

FORM "A"

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Current Year	Previous Year
(I)	POWER AND FUEL CONSUMPTION :		
1.	ELECTRICITY		
(a)	Purchased		
	Units	KWH	--
	Total Amount	Rs.	17,943
	Rate	Rs./KWH	7,96,849*
			44.41
	*Demand Charges paid for HT-1, thereafter disconnected.		
	Power is taken from Co-generation facility.		
	MD deposit recovered after disconnection		
(b)	Own Generation		
i)	Through Diesel Generator		
	Units	KWH	65,542
	Units per Litre of Diesel Oil	KWH/Ltr.	79,213
	Cost per Unit	Rs./KWH	4.68
			2.89
ii)	Through Steam Turbine Generator (Sugar Plant)		
	Units	KWH	98,12,271
	Units per K. G. of Bagasse	KWH	1,91,40,511
	Cost per Unit	Rs./KWH	0.15
			0.17
(c)	Power taken from Co-generation		
	Units	KWH	2,10,14,000
	Total Amount	Rs.	2,28,66,156
	Cost per Unit	Rs./KWH	1.09
			NIL
(d)	Steam taken from Co-generation		
	Units	M.T.	2,20,002
	Total Amount	Rs.	7,40,22,808
	Cost per Unit	Rs./M.T.	336.46
			NIL
2.	OTHER / INTERNAL GENERATIONS		
a)	Fire Wood	M.T.	535.36
	Total Cost	Rs.	6,34,262.40
	Rate /Unit	Rs./M.T.	1,184.74
			298.70
b)	Bagasse		
	Purchased	M.T.	NIL
	Produced & Utilised for Power Generation	M.T.	64,354.78
	Total Cost	Rs.	1,28,70,957
	Rate (Average)	Rs./M.T.	200
			1,09,609.68
			2,19,21,936
			200
(II)	CONSUMPTION PER UNIT OF SUGAR PRODUCTION		
	Electricity	KWH/QTLS	19.55
	Coal (Ind Grade)	M.T./QTLS	NIL
	Fire Wood	M.T./QTLS	0.000339
	Bagasse	M.T./QTLS	0.04
			19.99
			NIL
			0.000195
			0.07

ANNEXURE "B" TO THE DIRECTORS' REPORT

Distillery & Chemical Division :

(A) CONSERVATION OF ENERGY:

- (a) Energy Conservation measures taken:
Methane gas recovery plant from spent wash of Distillery- working was satisfactory.
- (b) Overall steam to coal ratio increased from 4.56 to 4.60 during this year due to increased utilisation of FBC Boiler.
- (c) 400 TR Chiller utilisation helped us to run the plant normally during summer, resulting in increased productivity.
- (d) D.G. Utilisation reduced further compared to 2002-03 due to proper planning & distribution of power with Production planning

FORM "A"

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		For Chemical Division		For Distillery Division	
		Current Year	Previous Year	Current Year	Previous Year
(I) POWER & FUEL CONSUMPTION:					
1 ELECTRICITY :-					
(a) PURCHASED :					
Unit	KWH	1,20,31,520	1,08,90,615	69,110	1,03,836
Total Amount	Rs.	4,59,03,417	4,25,82,714	10,32,933	11,03,058
Rate	Rs./KWH	3.82	3.91	14.95	10.62
(b) OWN GENERATION :					
i) Through Diesel Generator					
(Kirloskar D.G.Set)					
Unit	KWH	4,65,276	6,76,739	3,07,044	2,64,324
Diesel Consumption.	Ltrs.	1,55,138	2,18,004	87,130	81,745
Unit per litre of diesel oil	KWH	3.00	3.10	3.52	3.23
Cost per Unit.	Rs./KWH	8.09	7.12	6.51	6.40
ii) Through Steam Engine					
(BM Engine & Turbine)					
Unit per K.G .	KWH	38,02,793	37,08,272	20,44,528	16,74,732
Cost per unit.	Rs./KWH				
After generation of power, the steam is consumed fully in the process. So, there is no appreciable cost for power generation. In practice, we get power as a by-product with nominal / low cost per unit.					
(c) Steam taken from Co-generation :					
Unit	M.T.			1,573	NIL
Total Amount	Rs.			10,20,345	NIL
Rate	Rs./M.T.			649	NIL

ANNEXURE "B" TO THE DIRECTORS' REPORT

		For Chemical Division		For Distillery Division		
		Current Year	Previous Year	Current Year	Previous Year	
2	COAL (B/C/D GRADE)					
	Coal consumed (Qty)	M.T.	27,640	25,243	826	751
	Total Cost	Rs.	6,30,79,455	5,50,29,740	21,62,802	17,18,169
	Average Rate	Rs./M.T.	2,282	2,180	2,618	2,289
	Bagasse Cosumed	M.T.	NIL	NIL	16,964	13,647
	Total Cost	Rs	NIL	NIL	1,68,77,492	1,46,34,208
	Average Rate	Rs/M.T.	NIL	NIL	994.88	1,072
	Biogas consumed	M3	1,11,19,377	1,12,50,783	50,60,700	61,22,375
	Total Steam generation	M.T.	1,86,743	1,73,761	52,787	45,966
	Steam generation per MT of coal.	M.T.	4.66	4.60	2.84	3.30
	Fire Wood consumed	M.T.	NIL	NIL	815	NIL
	Total Cost	Rs.	NIL	NIL	9,40,862	NIL
	Average Rate	Rs.	NIL	NIL	1,154.43	NIL
	Firewood Chips	M.T.	NIL	NIL	20	NIL
	Total Cost	Rs.	NIL	NIL	32,000	NIL
	Average Rate	Rs.	NIL	NIL	1,600	NIL

(II) CONSUMPTION PER UNIT OF PRODUCTION:

i) ALCOHOL

Production	K.L.	26,195	25,161	20,869	16,643
Electricity	KWH	52,64,938	50,10,405	21,85,614	18,75,335
Units / KL of Prod.	KHW/KL	200.99	199.13	105	113
Coal	M.T.	2,766	2,120	826	751
Bagasse	M.T.	NIL	NIL	16,964	13,647
Firewood	M.T.	NIL	NIL	815	NIL
Firewood Chips	M.T.	NIL	NIL	20	NIL
Biogas (Equ. Coal = 12531)	M3	1,11,19,377	1,12,50,783	50,60,700	61,22,375
Coal Ratio	M.T./KL	0.58	0.58	0.89	0.89
Steam Ratio	M.T./KL	2.70	2.68	2.53	2.76

ii) ACETALDEHYDE

Production	M.T.	16,807	17,025	NIL	NIL
Electricity	KWH	30,31,328	29,63,471	NIL	NIL
Units / MT of Prod.	KWH/M.T.	180.36	174.07	NIL	NIL
Coal	M.T.	8,463	8,019	NIL	NIL
Coal Ratio	M.T./M.T.	0.50	0.47	NIL	NIL
Steam Ratio	M.T./M.T.	2.35	2.17	NIL	NIL

ANNEXURE "B" TO THE DIRECTORS' REPORT

		For Chemical Division		For Distillery Division	
		Current Year	Previous Year	Current Year	Previous Year
iii) ACETIC ACID					
Production	M.T.	16,166	16,071	NIL	NIL
Electricity	KWH	49,45,851	49,03,476	NIL	NIL
Units / MT of Prod.	KWH/M.T.	305.94	305.11	NIL	NIL
Coal	M.T.	6,120	5,629	NIL	NIL
Coal Ratio	M.T./M.T.	0.38	0.35	NIL	NIL
Steam Ratio	M.T./M.T.	1.76	1.61	NIL	NIL
iv) ETHYL ACETATE					
Production	M.T.	11,942	12,159	NIL	NIL
Electricity	KWH	27,12,241	23,98,373	NIL	NIL
Units / MT of Prod.	KWH/M.T.	227.12	197.24	NIL	NIL
Coal	M.T.	10,094	9,475	NIL	NIL
Coal Ratio	M.T./M.T.	0.85	0.78	NIL	NIL
Steam Ratio	M.T./M.T.	3.94	3.58	NIL	NIL
v) CROTO 85%					
Production	M.T.	185	NIL	NIL	NIL
Electricity	KWH	84,177	NIL	NIL	NIL
Units / MT of Prod.	KWH/M.T.	454.00	NIL	NIL	NIL
Coal	M.T.	181	NIL	NIL	NIL
Coal Ratio	M.T./M.T.	0.98	NIL	NIL	NIL
Steam Ratio	M.T./M.T.	4.57	NIL	NIL	NIL
vi) CROTO 99%					
Production	M.T.	37	NIL	NIL	NIL
Electricity	KWH	11,054	NIL	NIL	NIL
Units / MT of Prod.	KWH/M.T.	297.00	NIL	NIL	NIL
Coal	M.T.	16	NIL	NIL	NIL
Coal Ratio	M.T./M.T.	0.43	NIL	NIL	NIL
Steam Ratio	M.T./M.T.	2.01	NIL	NIL	NIL
vii) BIO-EARTH COMPOST(BHUMILABH)					
Production	M.T.	NIL	NIL	24,450	24,748
Electricity	KWH	NIL	NIL	1,07,135	1,17,058
Units / MT of Prod.	KWH/M.T.	NIL	NIL	4.38	4.73
viii) ETHANOL/FUEL ALCOHOL					
Production	K.L.	NIL	NIL	4,723	NIL
Electricity	KWH	NIL	NIL	89,578	NIL
Units / KL of Prod.	KWH/KL	NIL	NIL	18.97	NIL
Steam consumed	M.T.	NIL	NIL	2,627	NIL
Steam Ratio	M.T./KL	NIL	NIL	0.56	NIL

(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, new product development, recovery improvement and cost reduction. R & D evaluates and identifies cost effective process additives. R & D is involved in adoption of new technologies.

2) Benefits derived as a result of above R & D :

- a) R & D activities helped in process improvement and quality of the product. Products are developed and commercialised. R & D helps in cost reduction and resource conservation.
- b) R & D activities have resulted in developing a product Ethyl Lactate which is non toxic, biodegradable and have excellent solvent properties that can replace toxic and halogenated solvents for a wide range of industrial and consumer uses. The process is based on improved strain for the fermentation that permits low-cost synthesis of high-purity ethyl lactate and other lactate esters from molasses which is used as a feedstock. The down stream process is developed in such a way that we get rid of impurities of starting raw material. The Technology is being commercialized during the Financial Year 2004-05.

3) Future Plan of Action :

In future R & D efforts will be continued towards automation of different stations, expansion and balancing of plant and new product development. Development of products based on agricultural and industrial bio-technology and molecular biology will be done. More work in the area of new derivatives of Ethanol, Acetaldehyde and other speciality chemicals will be taken up.

4) Expenditure :

	Rs. in Lacs
i) Capital	Rs. 318.74
ii) Recurring	Rs. 78.37
iii) Total	Rs. 397.11
iv) Total R & D expenses as a percentage of total turnover	1.17%

TECHONLOGY ABOSRPTION, ADOPTION AND INNOVATION :

R & D is involved in the adoption of new developments like - hydraulic drives, TRPF on mills, continuous pans and latest machines and process control units. It is also involved in the application of cost - effective additives, process control and pollution control equipments.

BENEFITS:

1. Adoption of new developments in milling plant and commissioning of continuous pans, and latest high capacity, energy efficient machines enabled higher crushing rate and and better quality of sugar.
2. We have not imported any technology.

Rs. in Lacs

(C) FOREIGN EXCHANGE

EARNINGS	: 3,377.83
OUTGO	: 658.72

By Order of the Board of Directors,

S. K. SOMAIYA

Chairman & Managing Director

PLACE : Mumbai

DATE : 6th September, 2004.

**AUDITORS' REPORT TO THE MEMBERS OF THE GODAVARI SUGAR MILLS LIMITED
ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004**

1. We have audited the attached Balance Sheet of **THE GODAVARI SUGAR MILLS LIMITED** as at 31st March, 2004, and the Profit and Loss Account for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentations. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure, referred to in paragraph 3 above, we report that:
 - a) 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;
 - b) In our opinion, *subject to Note No. 1(A)(i) of notes annexed to accounts regarding policy of accounting of bonus on cash basis*, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and the Profit and Loss Account deal with by this report subject to :
 - i. *Note 1(D) (ii) of notes annexed to accounts regarding non-provision of Leave Encashment Salary as per Accounting Standard – 15 as the same has not been ascertained by the Company as on 31st March, 2004;*
 - ii. *Note 1 (H) (ii) of notes annexed to accounts regarding consideration of interest cost that do not contribute to bringing the inventories to their present location and condition, in the valuation of stock at the beginning and at the close of the year. Accordingly opening and closing stock are higher by Rs.1,185.22 lacs and Rs.1,079.12 lacs respectively and the profit for the year is lower by net effect of Rs. 106.10 lacs;*
- e) comply with Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the Directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March, 2004 from being appointed as a Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to our remarks in paragraph 4(b) & 4(d) above and note no.13 regarding non confirmation of balances of Debtors, Creditors and Loans and advances* read together with notes thereon and attached thereto give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India : -
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004; and
 - ii) in the case of the Profit and Loss Account, of the Profit (after the provision of deferred tax) for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **AMBALAL THAKKAR & ASSOCIATES**
Chartered Accountants

(**Rahul V. Hariyani**)
Partner
M.No.103812

PLACE : Mumbai
DATE : 6th September, 2004.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of the Auditor's Report of even date to the members of **The Godavari Sugar Mills Limited** on the accounts for the year ended 31st March, 2004).

- (i) The nature of the Company's business/activities during the year have been such that clauses (xiii), and (xiv) of the paragraph 4 of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as Order) are not applicable to the Company for the year.
- (ii) In respect of its fixed assets;
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - (b) As per the information and explanation given to us, the Company has designed a phased programme for the physical verification of its fixed assets and accordingly a portion of fixed assets are verified every year to cover all the items in the reasonable time frame. Pursuant to said programme, during the year also a portion of fixed assets of the Company has been physically verified by the management. As explained to us, no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
 - (c) During the year, the company has not disposed off a substantial part of fixed assets.
- (iii) In respect of its inventories;
 - (a) As explained to us, inventories have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) On the basis of our examination of the records of inventory, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of stock as compared to book records were not material and have been properly dealt with in the books of accounts.
- (iv) In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 according to the information and explanation given to us;
 - (a) The Company has not taken loans from companies, firms or any other parties covered in the register maintained under section 301 of the Companies Act, 1956 except for Inter-corporate deposits from sixteen companies. The maximum amount involved in such transactions at any time during the year was Rs.1,070.88 lacs and year end balance of Inter-corporate deposits taken from such parties was Rs.566.94 lacs. During the year the Company has not granted any loans to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (b) The rate of interest and other terms and conditions on which the Inter-corporate deposits has been taken by the Company from the companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- (d) There is no overdue amount of Inter-corporate deposits taken from the companies listed in the register maintained under section 301 of the Companies Act, 1956.
- (v) In our opinion, and according to the information and explanation given to us, having regard to the explanations that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.
- (vi) In respect of the transactions entered in the register maintained under section 301 of the Companies Act, 1956;
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that transactions that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, and having regard to our comments in item (iv) above, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vii) According to the information and explanations given to us, in our opinion the Company has complied with the provisions of section 58 A and 58 AA of the Companies Act, 1956 and the rules framed there under. To the best of our knowledge and according to the information and explanations given to us, no order on the Company under the aforesaid section has been passed by the Company Law Board.
- (viii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

- (ix) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956 relating to the manufacture of sugar and industrial alcohol and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 in respect of the Company's other product.
- (x) According to the information and explanations given to us in respect of statutory and other dues
- (a) The Company has been generally regular in depositing undisputed statutory dues, including Provident fund, Investor education and protection fund, Employees' State Insurance, Income Tax, Sales tax, Wealth Tax, Custom duty, Excise Duty, Cess and any other statutory dues, applicable to it, with the appropriate authorities during the year.
- (b) According to the information and explanations given to us and the records of the Company examined by us the particulars of sales tax/income tax/excise duty service tax, as on 31st March, 2004 which have not been deposited on account of any dispute are as under:

Particulars	Financial Year to which it Pertains	Forum Where Dispute is pending	Amount (Rs. in Lacs)
Sales Tax (Central & State)	1990-91, 1991-92	Tribunal	85.61
	1992-93	Commissioner	44.31
State Excise Duty	1989-90	Deputy Commissioner	79.80
Central Excise Duty	1997-98	Assistant Commissioner	0.04
	1987 -88 to 1992-93	Commissioner	2.25
	2001-02 to 2003-04	Tribunal	12.66
	2003-04	Assistant Commissioner	4.30
Service Tax	1997-98 to 1998-99	Commissioner	9.47
Income Tax	1996-97 to 1998-99	ITAT	100.88

- (xi) The Company does not have accumulated losses at the end of the financial year and it has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions or banks.
- (xiii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and any other securities.
- (xiv) In our opinion and according to the information and explanation given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions, are not, prima facie, prejudicial to the interest of the Company.
- (xv) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvi) According to the information and explanations given to us and on an over all examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long term investments. No long-term funds have been used to finance short term assets except permanent working capital.
- (xvii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year, therefore, the paragraph 4 (xviii) of the Order is not applicable to the Company.
- (xviii) According to the information and explanations given to us, the Company has not issued any debentures during the year, therefore, the paragraph 4(xix) of the Order is not applicable to the Company.
- (xix) The Company has not raised any money by way of public issue during the year, therefore, the paragraph 4 (xx) of the Order not applicable to the Company.
- (xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **AMBALAL THAKKAR & ASSOCIATES**
Chartered Accountants

Rahul V. Hariyani
(Partner)
M. No. 103812

PLACE : Mumbai
DATE : 6th September, 2004.

BALANCE SHEET AS AT 31ST MARCH, 2004

			31.03.2004 (Rs.in lacs)	31.03.2003 (Rs.in lacs)
SCHEDULES				
SOURCES OF FUNDS:				
SHAREHOLDERS' FUNDS:				
(a) Share Capital	1		3,648.25	3,648.25
(b) Reserves & Surplus	2		3,282.67	2,547.12
			<u>6,930.92</u>	<u>6,195.37</u>
Deferred Tax Liability (Net)			162.96	1,050.73
LOANS:				
(a) Secured Loans	3		24,089.12	23,343.66
(b) Unsecured Loans	4		6,423.85	3,789.72
			<u>30,512.97</u>	<u>27,133.38</u>
TOTAL FUNDS EMPLOYED			<u>37,606.85</u>	<u>34,379.48</u>
APPLICATION OF FUNDS:				
FIXED ASSETS:				
(a) Gross Block	5	24,625.59		21,186.88
(b) Less : Depreciation		<u>5,368.82</u>		<u>4,262.38</u>
(c) Net Block			19,256.77	16,924.50
(d) Work in Progress			<u>919.57</u>	<u>1,563.09</u>
			<u>20,176.34</u>	<u>18,487.59</u>
INVESTMENTS	6		26.06	22.06
CURRENT ASSETS:				
(a) Inventories	7	15,605.29		16,130.87
(b) Debtors	8	1,933.51		2,017.78
(c) Cash / Bank Balances	9	956.39		624.59
(d) Loans and Advances	10	<u>4,581.98</u>		<u>4,034.82</u>
			23,077.17	22,808.06
LESS : CURRENT LIABILITIES:	11			
(a) Current Liabilities		5,904.42		6,729.72
(b) Provisions		<u>-</u>		<u>377.80</u>
			<u>5,904.42</u>	<u>7,107.52</u>
Net Current Assets			17,172.75	15,700.54
MISCELLANEOUS EXPENDITURE:				
(to the extent not written off or adjusted)				
Deferred Revenue Expenditure			231.70	169.29
TOTAL FUNDS DEPLOYED			<u>37,606.85</u>	<u>34,379.48</u>
Notes Forming Part of the Accounts	19			

As per our Report of even date annexed

For AMBALAL THAKKAR & ASSOCIATES
Chartered Accountants

Rahul V. Hariyani
Partner

Place : Mumbai
Date : 6th September, 2004.

S. B. Desai
Senior Manager &
Company Secretary

N. S. Khetan
General Manager
(F & A)

S. K. Somaiya Chairman & Managing Director
N. C. Sayta } Directors
Kailash Pershad }
P. M. Kavadia Whole-time Director

Place : Mumbai
Date : 6th September, 2004.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

		31.03.2004 (Rs.in lacs)	31.03.2003 (Rs.in lacs)
SCHEDULES			
INCOME :			
Sales	12	33,856.55	28,160.87
Other Income	13	474.69	500.53
Increase / (Decrease) in Stock	14	487.80	606.56
		<u>34,819.04</u>	<u>29,267.96</u>
EXPENDITURE :			
Raw Material Cost	15	20,066.17	16,635.41
Purchase of Goods for resale		359.69	467.29
Manufacturing and Other Expenses	16	7,307.07	6,206.83
Excise Duty & Sugar Development Cess		3,098.98	2,694.71
Interest & Financial Charges	17	3,090.47	2,248.77
Depreciation		1,132.18	641.12
		<u>35,054.56</u>	<u>28,894.13</u>
PROFIT / (LOSS) BEFORE TAX		(235.52)	373.83
Provision for Taxation :			
Add : Deferred Tax / Assets		887.76	(9.91)
PROFIT FOR THE YEAR		652.24	363.92
Less. : Prior Period Items		172.79	271.44
Add : Excess provision for taxation written back		31.10	68.76
		<u>510.55</u>	<u>161.24</u>
Balance Profit brought forward from last year		19.54	46.10
Add : Transferred From General Reserve		-	200.00
PROFIT AVAILABLE FOR APPROPRIATIONS		530.09	407.34
APPROPRIATIONS :			
Proposed Dividend :			
a) On Preference Shares		-	149.14
b) On Equity Shares		-	184.83
Corporate Dividend Tax		-	43.83
General Reserve		-	10.00
Balance Carried to Balance Sheet		530.09	19.54
		<u>530.09</u>	<u>407.34</u>
COMPUTATION OF COMMISSION PAYABLE TO MANAGING DIRECTOR/EXECUTIVE DIRECTOR	18		
Notes Forming Part of the Accounts	19		

As per our Report of even date annexed

For AMBALAL THAKKAR & ASSOCIATES
Chartered Accountants

Rahul V. Hariyani
Partner

Place : Mumbai
Date : 6th September, 2004.

S. B. Desai
Senior Manager &
Company Secretary

N. S. Khetan
General Manager
(F & A)

S. K. Somaiya Chairman & Managing Director
N. C. Sayta
Kailash Pershad } Directors
P. M. Kavadia Whole-time Director

Place : Mumbai
Date : 6th September, 2004.

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

		31.03.2004 (Rs. in lacs)	31.03.2003 (Rs. in lacs)
Schedules annexed to and forming part of Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the year ended 31 st March, 2004.			
SCHEDULE 1 - SHARE CAPITAL :			
AUTHORISED:			
3,00,00,000 Ordinary (Equity) Shares of Rs.10/- each	3,000.00		3,000.00
30,00,000 Redeemable Preference Shares of Rs.100/- each	3,000.00		3,000.00
		<u>6,000.00</u>	<u>6,000.00</u>
ISSUED AND SUBSCRIBED CAPITAL :			
Equity Share Capital :			
1,84,82,500 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.		1,848.25	1,848.25
12% Redeemable Cumulative Preference Share Capital :			
18,00,000 Shares of Rs 100/- each	1,800.00		1,100.00
Add : 7,00,000 Shares of Rs. 100/- each issued & fully paid up during the year	-		700.00
		<u>1,800.00</u>	<u>1,800.00</u>
		<u>3,648.25</u>	<u>3,648.25</u>
SCHEDULE 2 - RESERVES AND SURPLUS :			
(a) GENERAL RESERVE :			
As per the last Balance Sheet		1,543.09	2,773.91
Add : Transferred from Profit during the year Under Rule 2 of The Companies (Transfer of Profits to Reserves) Rules, 1975	-		10.00
Less : Utilized for Provision for Deferred Tax Liability as on 01.04.02	-		1,040.82
Less : Transferred to Profit & Loss Account Under Rule 2 of The Companies (Declaration of Dividend out of Reserves) Rules, 1975	-		200.00
		-	(1,230.82)
		<u>1,543.09</u>	<u>1,543.09</u>
(b) SECURITIES PREMIUM RESERVE :			
As per the last Balance Sheet		290.00	290.00
(c) GRANT-USAID (For Co-Generation Project) (Refer Note 9) :			
As per the last Balance Sheet	296.24		166.30
Add : Received during the year	-		129.94
		<u>296.24</u>	<u>296.24</u>
(d) Capital Reserve :			
As per the last Balance Sheet	398.25		398.25
Add : Addition during the year (Refer Note No. 9)	225.00		-
		<u>623.25</u>	<u>398.25</u>
(e) PROFIT AND LOSS ACCOUNT			
		<u>530.09</u>	<u>19.54</u>
		<u>3,282.67</u>	<u>2,547.12</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE 3 - SECURED LOANS :

A Sugar Division

From Banks

(a) Cash Credit Account with

(i) Bank of India	5,129.86	3,879.99
(ii) Union Bank of India	4,801.07	4,888.56
(iii) Andhra Bank	2,107.15	1,925.84

(All the above loans are Secured Against hypothecation of all tangible movable Assets of the Company including Stocks of Sugar, Stores, Chemicals Spares, etc and First Pari Passu charge alongwith Lenders of Co-generation Project by way of Equitable Mortgage on Block of Fixed Assets of the Company unit at Sameerwadi (excluding Agricultural Assets) and fully guaranteed by a Director.)

12,038.08 10,694.39

(b) Term Loans :

(i) From Industrial Development Bank of India (Secured by hypothecation by way of exclusive first charge on specific Equipments.)	94.50	220.50
(ii) From SICOM Ltd. (Secured by mortgage of Lakshmiwadi Land and hypothecation by way of exclusive first charge of specific Assets)	63.56	154.06
(iii) From Bank of India (Secured by hypothecation of all tangible moveable Assets of the Company and first pari passu charge by way of Equitable Mortgage of Fixed Assets of Company's unit at Sameerwadi (excluding Agricultural Assets) and fully guaranteed by a Director and Second Charge on Co-Generation Assets also for Corporate Loan)	800.00	875.28
(iv) From Union Bank of India (Secured by hypothecation of all tangible moveable Assets of the Company and first pari passu charge by way of Equitable Mortgage of Fixed Assets of Company's unit at Sameerwadi (excluding Agricultural Assets) and fully guaranteed by a Director and Second Charge on Co-Generation Assets also for Corporate Loan)	812.83	903.27
(v) From Sugar Technology Mission (Secured by hypothecation by way of exclusive first charge on the Assets to be created under the ERP project and second charge on the stock of sugar, molasses and stores)	61.20	81.60
(vi) From Sugar Technology Mission (Secured by hypothecation by way of exclusive first charge on the machinery, equipment tools & accessories under the Ethyl Lactate Project)	72.00	-
(vii) From Andhra Bank (Secured by hypothecation of all tangible moveable Assets of the Company and first pari passu charge by way of Equitable Mortgage of Fixed Assets of Company's Sugar unit at Sameerwadi (excluding Agricultural Assets) and fully guaranteed by a Director and Second Charge on Co-Generation Assets also for Corporate Loan)	414.00	-
(viii) From Sugar Development Fund (Second charge on Sugar Block of Fixed Assets of Company's unit at Sameerwadi)	940.00	940.00
(ix) Instalments Due for Purchase of Assets Under H.P.Finance (Hypothecated against specific Assets)	13.79	10.16

3,271.88 3,184.87

15,309.96 13,879.26

B Co-generation Project :

(a) Term Loans :

(i) Industrial Development Bank of India	3,450.00	3,450.00
(ii) Andhra Bank	1,741.92	1,741.92
(iii) State Bank of India	1,306.64	1,368.89

(All the above Loans are secured by way of first charge on Co-generation assets and power receivables and first pari passu charge alongwith Consortium Bankers by way of Equitable Mortgage on Block of Fixed Assets of the Company's unit at Sameerwadi (excluding Agricultural Assets))

6,498.56 6,560.81

CARRIED OVER

21,808.52 20,440.08

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

	31.03.2004 (Rs. in lacs)	31.03.2003 (Rs. in lacs)
BROUGHT FORWARD	21,808.52	20,440.08
C Distillery & Chemical Division		
From Banks		
(a) Cash Credit & Bills Discounting Account with :		
(i) Bank of Baroda Cash Credit Account	710.24	779.28
(ii) Bank of Baroda Packing Credit Account	-	20.26
(iii) Syndicate Bank Cash Credit Account	166.26	180.34
(iv) Syndicate Bank Bills Discounting	-	22.98
(v) Syndicate Bank Packing Credit Account	-	107.98
(vi) Bank of Baroda Bills Discounting	-	23.07
(All the above Loans are Secured by First Charge by hypothecation of Raw Materials, Stock-in Process, Finished goods, Chemicals, Stores, Spares & Collateral security of Book Debts, Equitable Mortgage of Fixed Assets & Hypothecation on movable Machineries both present & future at Sakarwadi and Second Charge on pari passu basis by way of Equitable Mortgage on the Fixed Assets of Sameerwadi Unit & Second Charge on the Fixed Assets acquired under Foreign Currency Loan from IDBI.)	876.50	1,133.91
(b) Term Loans :		
(i) Foreign Currency Loan from Industrial Development Bank of India (Secured by Hypothecation by way of First Charge on the Specific Equipments, First Pari-Passu Charge with KSIIDC on the Fixed Assets at Sameerwadi, Second Charge on the Assets at Sakarwadi and Second Charge on the Current Assets of the Company.)	96.63	185.02
(ii) Bank of Baroda - Corporate Loan (Equitable Mortgage of Fixed Assets at Sakarwadi on First pari passu basis, except specified charge and second charge on Company's Fixed Assets at Sameerwadi.)	913.38	1,140.00
(iii) Bank of Baroda - Turbine Loan (Secured by hypothecation by way of first charge on Turbine 800 KW at Sakarwadi)	18.38	-
(iv) From CITI Bank (Secured by hypothecation of Flat at Giriraj.)	-	0.29
(v) From SICOM Ltd. (Secured by mortgage of specific Sakarwadi land and hypothecation by way of first charge of specific assets)	350.00	415.00
(vi) Instalments Due for Purchase of Assets Under H.P.Finance (Hypothicated against specific Assets)	25.71	29.36
	1,404.10	1,769.67
	24,089.12	23,343.66
SCHEDULE 4 - UNSECURED LOANS :		
(a) Loans from Shareholders	57.45	57.43
(b) Public Deposits	105.88	25.04
(c) Loan from Director	15.88	15.47
(d) Deposits from Cultivators	911.19	717.20
(e) Interest Free Sales Tax Loan from SICOM	256.50	256.50
(f) Other Loans & Advances		
From Banks	3,474.76	1,717.75
From Others	1,602.19	1,000.33
	5,076.95	2,718.08
	6,423.85	3,789.72

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

SCHEDULE 5 - FIXED ASSETS :

(Rs. in Lacs)

PARTICULARS	Gross Block As on 1st April, 2003	Additions during the year	Deductions/ Adjustments during the year	Gross Block As on 31st March, 2004	Depreciation Written off upto 31st March, 2003	Depreciation Written off during the year	Deductions/ Adjustments of Depreciation	Total Depreciation upto 31st March, 2004	Net Depreciated Block as at 31st March, 2004	Net Depreciated Block as at 31st March, 2003
Sugar :										
Factory & Other Land	277.70	8.98	-	286.68	-	-	-	-	286.68	277.70
Farm Land	10.10	-	-	10.10	-	-	-	-	10.10	10.10
Live Stock	1.06	-	-	1.06	0.25	-	-	0.25	0.81	0.81
Non Factory Building	522.83	25.65	-	548.48	89.70	8.57	-	98.27	450.21	433.13
Factory Building	221.35	5.81	-	227.16	83.82	7.39	-	91.21	135.95	137.53
Agricultural Machinery	13.45	-	-	13.45	9.22	0.64	-	9.86	3.59	4.23
Plant & Machinery	5111.52	1,060.79	-	6172.31	1,864.40	262.12	-	2,126.52	4045.79	3247.12
Furniture & Fixtures	76.42	30.48	-	106.90	30.14	5.68	-	35.82	71.08	46.28
Office Equipments	100.20	13.70	-	113.90	31.15	6.17	-	37.32	76.58	69.05
Motor Vehicles	218.08	17.77	10.13	225.72	89.67	20.10	6.17	103.60	122.12	128.41
Computers	442.73	17.47	-	460.20	178.92	70.80	-	249.72	210.48	263.81
Total Sugar (A)	6995.44	1,180.65	10.13	8,165.96	2,377.27	381.47	6.17	2,752.57	5,413.39	4,618.17
Co-generation :										
Factory & Other Land	-	-	-	-	-	-	-	-	-	-
Farm Land	-	-	-	-	-	-	-	-	-	-
Live Stock	-	-	-	-	-	-	-	-	-	-
Non Factory Building	25.81	16.00	-	41.81	0.04	0.45	-	0.49	41.32	25.77
Factory Building	225.12	9.04	-	234.16	0.64	7.52	-	8.16	226.00	224.48
Agricultural Machinery	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	8,542.41	500.97	-	9,043.38	40.37	475.83	-	516.20	8,527.18	8,502.04
Furniture & Fixtures	6.15	1.00	-	7.15	0.03	0.45	-	0.48	6.67	6.12
Office Equipments	197.06	11.06	-	208.12	1.06	12.49	-	13.55	194.57	196.00
Motor Vehicles	27.54	124.23	-	151.77	0.26	4.15	-	4.41	147.36	27.28
Computers	5.51	-	-	5.51	0.08	0.89	-	0.97	4.54	5.43
Total Co-generation (B)	9,029.60	662.30	-	9,691.90	42.48	501.78	-	544.26	9,147.64	8,987.12
Total (A + B)	16,025.04	1,842.95	10.13	17,857.86	2,419.75	883.25	6.17	3,296.83	14,561.03	13,605.29
Distillery & Chemical :										
Factory & Other Land	240.60	5.02	-	245.62	-	-	-	-	245.62	240.60
Non Factory Building	83.86	10.40	-	94.26	11.41	1.37	-	12.78	81.48	72.45
Factory Building	143.02	50.85	-	193.87	38.69	4.74	-	43.43	150.44	104.33
Plant & Machinery	4,312.11	1,569.95	48.45	5,833.61	1,657.39	202.12	17.40	1,842.11	3,991.51	2,654.72
Furniture & Fixtures	71.72	8.50	-	80.22	17.78	4.11	-	21.89	58.33	53.94
Office Equipments	44.93	4.83	-	49.76	9.27	2.54	-	11.81	37.95	35.66
Motor Vehicles	120.78	0.46	2.17	119.07	50.96	10.55	2.17	59.34	59.73	69.82
Computers	144.82	6.50	-	151.32	57.13	23.51	-	80.64	70.68	87.69
Total Distillery & Chemical (C)	5,161.84	1,656.51	50.62	6,767.73	1,842.63	248.94	19.57	2,071.99	4,695.74	3,319.21
Grand Total (A + B + C)	21,186.88	3,499.46	60.75	24,625.59	4,262.38	1,132.19	25.74	5,368.82	19,256.77	16,924.50
Previous Year 2002-03	11,341.98	9,899.96	55.06	21,186.88	3,634.05	641.12	12.79	4,262.38	16,924.50	16,924.50
Capital Work in Progress										
Sugar Division									317.83	327.68
Cogeneration									5.20	-
Distillery & Chemical									596.54	1,235.41
Total Capital Work in Progress									919.57	1,563.09

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

	31.03.2004 (Rs. in lacs)	31.03.2003 (Rs. in lacs)
SCHEDULE 6 - INVESTMENTS (At Cost)		
A Sugar Division		
(a) INVESTMENT IN SHARES OF SUBSIDIARY COMPANY : (UNQUOTED)		
(i) 5,000 Ordinary (Equity) Shares of Godavari Investment and Finance Corporation Limited of Rs.100/- each	5.00	5.00
(ii) 50,000 Equity Shares of Padmanabh Agencies Ltd. for Rs.10/- each	<u>5.00</u>	<u>1.00</u>
	10.00	6.00
(b) OTHER INVESTMENTS : (QUOTED)		
(i) 7200 Equity Shares of Bank of India (Market Value Rs. 4.24 lacs)	3.24	3.24
(ii) 35900 Shares of UBI (Market Value Rs. 18.92 lacs)	<u>5.74</u>	<u>5.74</u>
	8.98	8.98
B Distillery & Chemical Division		
(UNQUOTED)		
(i) 210 Equity Shares of Rs.100/- each of The Book Centre Ltd. fully paid-up.	0.21	0.21
(ii) 80 Shares of Rs.25/- each of Raghuvanshi Co-operative Bank Ltd.	0.02	0.02
(QUOTED)		
(i) 1,500 Equity Shares of Rs.100/- each of Oriental Power Cables Ltd. fully paid-up.	1.50	1.50
(ii) 500 Equity Shares of Rs.10/- each of Kutch Salt & Allied Industries Ltd. fully paid-up.	0.01	0.01
(iii) 450 Equity Shares of Rs.100/- each of Somaiya Organics (India) Ltd. fully paid-up.	0.45	0.45
(iv) 5000 Equity Share of Rs.10/- each at a Premium of Rs. 75/- per share of Bank of Baroda fully paid (Market Value Rs. 12.13 Lacs)	4.25	4.25
(OTHERS)		
(i) Immovable Property (For Investment Purposes)	<u>2.40</u>	<u>2.40</u>
	8.84	8.84
Less : Provision-for diminution in investments	<u>1.76</u>	<u>1.76</u>
	7.08	7.08
	<u>26.06</u>	<u>22.06</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

31.03.2004
(Rs. in lacs)

31.03.2003
(Rs. in lacs)

SCHEDULE 7 - INVENTORIES (as taken, valued and certified by the Management) :

Sugar Division :

(i) Stores, Chemicals and Spares		764.94	701.24
(ii) Stock-in-trade			
(a) Sugar at Cost or Market Price whichever is lower	13,338.86		12,762.99
(b) Sugar in Process at Cost	-		199.80
(c) Molasses at Market Rate	88.94		167.08
(d) Own Bagasse	-		3.45
(e) Purchased Bagasse	175.42		978.56
(f) Crop in Progress	11.50		4.09
(g) Foodgrain	2.73		5.36
		13,617.45	14,121.33
		14,382.39	14,822.57

Distillery & Chemical Division :

(i) Stores, Chemicals and Spares	235.74		341.36
(ii) Stock-in-trade	517.97		375.19
(iii) Work in Process	46.97		1.21
(iv) Raw Materials	422.22		590.54
		1,222.90	1,308.30
		15,605.29	16,130.87

SCHEDULE 8 - SUNDRY DEBTORS :

Sundry Debtors (Unsecured and considered good except otherwise stated) :

(a) Debts Outstanding for more than six months	536.75		187.70
(b) Other Debts	1,396.76		1,830.08
		1,933.51	2,017.78

SCHEDULE 9 - CASH AND BANK BALANCES : .

(a) Cash, Cheques and Drafts on hand and in transit	79.30		31.58
(b) In Current Account with Scheduled Banks	277.27		135.31
(c) Fixed Deposits with Scheduled Bank (Lodged with Excise Department, Bijapur)	0.05		0.05
(d) Fixed Deposits with Banks	599.77		457.65
		956.39	624.59

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

	31.03.2004 (Rs. in lacs)	31.03.2003 (Rs. in lacs)
SCHEDULE 10 - LOANS AND ADVANCES :		
(Unsecured and considered good except otherwise stated)		
Advances Recoverable in Cash or Kind or for value to be received	3,761.54	3,270.73
Advances to Subsidiary Company	0.35	0.30
Advance Income Tax (Net of Provisions For Tax)	532.09	562.39
Deposit with Excise Authorities & Others	288.00	201.40
	<u>820.44</u>	<u>764.09</u>
	<u><u>4,581.98</u></u>	<u><u>4,034.82</u></u>

SCHEDULE 11 - CURRENT LIABILITIES AND PROVISIONS :

(A) CURRENT LIABILITIES :

(i) Sundry Creditors & other liabilities	5,306.00	6,473.44
(ii) Interest accrued but not due	598.42	243.19
(iii) Due to Directors	-	13.09
	<u>5,904.42</u>	<u>6,729.72</u>

(B) PROVISIONS:

(i) Dividend on Equity Shares	-	184.83
(ii) Dividend on Preference Shares	-	149.14
(iii) Provision for Dividend Tax	-	43.83
	<u>-</u>	<u>377.80</u>
	<u><u>5,904.42</u></u>	<u><u>7,107.52</u></u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	31.03.2004 (Rs. in lacs)	31.03.2003 (Rs. in lacs)
SCHEDULE 12 - SALES :		
Sugar		
Fertiliser	19,714.46	17,333.86
Molasses	329.89	388.09
Less : Inter Unit Transfer	607.81	895.76
	<u>607.81</u>	<u>640.88</u>
Pressmud	-	254.88
Less : Inter Unit Transfer	16.31	17.88
	<u>16.31</u>	<u>16.52</u>
Bagasse & others	-	1.36
Less : Inter Unit Transfer	755.30	103.31
	<u>755.30</u>	<u>103.31</u>
Power & Steam	-	-
Less : Inter Unit Transfer	4,347.87	167.89
	<u>979.09</u>	<u>-</u>
Chemicals	3,368.78	167.89
Alcohol/Fuel Alcohol/Bio Fert.	6,581.76	7,076.78
	<u>3,861.66</u>	<u>2,938.01</u>
	<u>33,856.55</u>	<u>28,160.86</u>
SCHEDULE 13 - OTHER INCOME :		
Foreign Exchange Fluctuation (Net)	254.54	47.82
Income from Immovable Property	3.39	7.40
Sale of Farm Produce	25.19	25.41
Claims and Refund	22.48	32.52
Interest on Fixed Deposits and Others	127.91	126.90
Profit on Sale of Assets	-	88.56
Dividend	2.21	0.51
Sundry Balances Written Back	-	70.07
Miscellaneous Income	38.97	101.34
	<u>474.69</u>	<u>500.53</u>
SCHEDULE 14 - INCREASE IN STOCK :		
Closing Stock :		
Sugar Division	13,442.04	13,142.77
Distillery & Chemical Division	564.93	376.40
Less	<u>14,006.97</u>	<u>13,519.17</u>
Opening Stock :		
Sugar Division	13,142.77	12,390.46
Distillery & Chemical Division	376.40	522.15
	<u>13,519.17</u>	<u>12,912.61</u>
Increase / (Decrease) in Stock	<u>487.80</u>	<u>606.56</u>
SCHEDULE 15 - RAW MATERIALS CONSUMED :		
Sugar Division :		
Sugarcane Cost	15,010.36	12,632.73
Power Division :		
Bagasse	2,228.38	68.55
Less : Inter Unit Transfer	720.34	68.55
	<u>1,508.04</u>	<u>-</u>
Distillery & Chemical Division :		
Alcohol	947.67	1,051.13
Acetic Acid	-	136.10
Molasses	2,962.51	3,392.72
Less : Inter Unit Transfer	607.81	640.88
	<u>2,354.70</u>	<u>2,751.84</u>
Chemicals	267.85	114.89
Less : Inter Unit Transfer	22.45	51.28
	<u>245.40</u>	<u>63.61</u>
	<u>20,066.17</u>	<u>16,635.40</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

		31.03.2004 (Rs. in lacs)	31.03.2003 (Rs. in lacs)
SCHEDULE 16 - MANUFACTURING AND OTHER EXPENSES :			
MANUFACTURING EXPENSES :			
Power and Fuel	2,502.51		1,252.39
Less : Inter Unit Transfer	<u>1,007.85</u>		<u>-</u>
		1,494.66	1,252.39
Packing, Forwarding and Storage		546.82	625.28
Stores, Chemicals and Spare Parts consumed	1,003.64		750.64
Less : Inter Unit Transfer	<u>0.07</u>		<u>-</u>
		1,003.57	750.64
Lease Rent		4.87	4.93
Insurance Premium		110.94	99.16
Excise Establishment Charges		19.98	23.45
Expenses on Scientific Research (R & D)		14.88	2.53
Contribution to Scientific Research Institution		<u>16.11</u>	<u>15.00</u>
		3,211.83	2,773.38
REPAIRS AND MAINTENANCE :			
Plant and Machinery		389.54	329.40
Buildings		109.22	55.46
Others		<u>137.72</u>	<u>88.08</u>
		636.48	472.94
EMPLOYEES REMUNERATION AND BENEFITS :			
Salaries, Wages and Bonus		1,873.44	1,661.97
Contribution to Provident Fund & Other Fund		169.37	166.26
Welfare Expenses		131.12	85.84
Group Gratuity Insurance Premium		<u>85.06</u>	<u>82.20</u>
		2,258.99	1,996.27
OFFICE AND ESTABLISHMENT EXPENSES :			
Rent		16.95	14.62
Rates and Taxes		121.79	105.54
Miscellaneous Expenses		416.23	329.85
Telephone Expenses		42.92	35.72
Travelling Expenses		113.32	71.26
Legal and Professional Charges		147.01	62.09
Charity and Donation		7.17	4.62
Cost Audit Fees and Travelling Expenses		0.40	0.32
Agricultural Development Expenses		45.69	15.49
Diminution of investments		-	0.27
Sundry Balances Written off		9.77	-
Loss on sale of Assets		<u>42.57</u>	<u>-</u>
		963.82	639.78
SELLING & DISTRIBUTION EXPENSES :			
		124.80	219.80
AUDITORS' REMUNERATION :			
Audit Fees / Tax Audit Fees		3.39	3.20
Certification fees		0.13	0.18
Auditors' Travelling Expenses		<u>0.11</u>	<u>0.09</u>
		3.63	3.47
DIRECTORS' REMUNERATION, FEES AND TRAVELLING EXPENSES :			
Remuneration		58.99	65.26
Fees		0.48	0.72
Travelling		<u>48.05</u>	<u>35.21</u>
		107.52	101.19
		7,307.07	6,206.83

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	31.03.2004 (Rs. in lacs)	31.03.2003 (Rs. in lacs)
SCHEDULE 17 - INTEREST & FINANCIAL CHARGES :		
Cash Credit	1,079.78	1,205.58
Term Loans	1,579.79	668.69
Debentures	-	2.53
Other Loans	243.14	192.59
Hire Purchase Finance / Financial Charges	187.76	179.38
	<u>3,090.47</u>	<u>2,248.77</u>

SCHEDULE 18 - COMPUTATION OF COMMISSION PAYABLE TO DIRECTORS :

Net Profit/(Loss) as per Profit and Loss Account	(235.52)	373.83
Add :		
i) Directors' Remuneration	58.99	65.26
ii) Depreciation	<u>1,132.18</u>	<u>641.12</u>
	<u>1,191.17</u>	<u>706.38</u>
	955.65	1,080.21
Add:		
i) (Profit)/Loss on Sale of Fixed Asset	42.57	(88.56)
ii) Sundry Credit Balances Written off/(Written Back)	<u>9.77</u>	<u>(70.07)</u>
	<u>52.34</u>	<u>(158.63)</u>
	1,007.99	921.58
Less :		
i) Depreciation to the extent specified in Section 350 of Companies Act, 1956	1,132.18	641.12
Net Profit / (Loss) for purposes of commission	<u>(124.19)</u>	<u>280.46</u>
Managing Director's Commission @3% on the Net Profit	-	8.09
Executive Directors Commission @1% on the Net Profit to each.	-	2.70
Total Commission payable	<u>-</u>	<u>10.79</u>

SCHEDULE 19

NOTES:

1) SIGNIFICANT ACCOUNTING POLICIES :

A) System of Accounting :

- i) The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis, except bonus, which is debited on payment basis.
- ii) Financial Statements are based on historical costs convention.

B) Fixed Assets and Depreciation :

- i) Fixed Assets are carried at cost of acquisition or construction. The cost of acquisition includes taxes, duties (net of excise duty/counter veiling duty to the extent to which CENVAT credit availed) and other direct costs attributable to the cost of fixed asset.
- ii) Software is capitalized where it is expected to provide future enduring economic benefits. Capitalisation cost includes license fees, cost of implementation/system, integration services & incidental expenses related to acquisition.
- iii) Depreciation on Fixed Assets has been provided on S.L.M. as per the rates prescribed in Schedule XIV of the Companies Act, 1956.

C) Investments :

Long Term Investments are carried at cost less provision, if any, for permanent diminution in value of such investments.

D) Retirement Benefits :

- i) The Liability as on 31-3-2004 for accrued gratuity to employees under the Payment of Gratuity Act, 1972 as per Actuary's Certificate is Rs. 739.31 Lacs (Rs.592.56 Lacs of previous year). The same is covered under Cash Accumulation Scheme of Group Gratuity Insurance with 'Life Insurance Corporation of India' (LIC). The contribution for the year of Rs 85.06 Lacs (Previous year Rs. 82.20 Lacs) has been paid to LIC under the said scheme.
- ii) Provision for leave encashment payable on retirement has not been made as per requirement of Accounting Standard 15, which has been made mandatory from 1st April, 1995, as the liability is not ascertained.
- iii) Contribution to Provident Fund is accounted on accrual basis with corresponding contribution to recognized fund.

E) Foreign Currency Transactions :

- i) Foreign Currency Loans, if any, for financing Fixed Assets and Current Assets and Liabilities in foreign currency outstanding at the close of the financial year are revalorized at the contracted and/or appropriate exchange rates.
- ii) Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction.
- iii) Fluctuation in foreign currencies amounting to Rs.96.35 lacs in respect of outstanding FCNR (B) & FCL loan is adjusted to the outstanding loan amounts.
- iv) Premium / Discount on forward contracts are amortised over the period of the contract.

F) Revenue Recognition :

- i) Sales of goods are recognised on despatches to the customers & includes Excise Duty.
- ii) Dividends are recognised when the right to receive them is established.
- iii) Credit on account of Custom Duty & other benefits, which are due to be received with a reasonable certainty, are accrued upon completion of exports.

G) Expenditure on Research & Development :

- i) Costs of revenue nature are charged to the profit & loss account when incurred.
- ii) Expenses of capital nature are capitalised and depreciation is provided thereon as per schedule XIV of the Companies Act, 1956.

H) Inventories :

- i) a) Raw Materials, Stores, Spares and Chemicals and Crop in Progress are valued at cost or at net realizable value whichever is less. Cost is generally arrived at on moving average basis.
- b) Finished stock & process stock are valued at cost or market price whichever is lower.
- c) Molasses, Bagasse and waste/scrap is valued at net realisable value.
- d) The valuation of inventories includes taxes, duties (net of excise duty/counter veiling duty to the extent to which CENVAT credit availed, as well as sales tax set offs,) and other direct costs attributable to the cost of inventory.

- ii) As per the Accounting Standard-2 (Revised) "Valuation of Inventories" issued by the Institute of Chartered Accountants of India with effect from 1st April 1999, interest "usually" should not be part of Inventory Valuation. However, the Management is of the view that considering the seasonal nature of the Industry and also release/sale procedures, wherein the company has to depend on Government Policy, followed by the fact that on an average the Company is carrying Inventory of Sugar for nearly 8 to 10 months, the interest should be part of the Valuation. The Company has accordingly valued the Inventory on consistent basis.
- iii) Excise duty payable on finished goods lying in the factory as on 31st March, 2004 is neither provided nor considered in valuation of closing stock of finished goods as on 31st March, 2004. This has no impact on the financial results for the year.

I) Deferred Revenue Expenditure :

Deferred Revenue Expenditure is written off to the profit & loss account as determined by the management for a period not exceeding ten years.

J) Borrowing Cost :

Borrowing Costs that are attributable to acquisition of or constructing of qualifying assets are capitalized as part of the cost of such assets. A Qualifying Asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

K) Capital Work In Progress :

Directly identifiable pre-operative expenses of new projects under implementation of Capital nature are carried forward under Capital Work-in-Progress, pending capitalisation to the relevant Fixed Assets.

L) Taxes on Income :

- i) Tax on Income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on expected outcome of assessments / appeals .
- ii) Deferred Tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet Date.
- iii) Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty or virtual certainty as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

2) ISSUE OF PREFERENCE SHARES :

Pursuant to Section 80 (5A) of the companies Act, 1956 the 12 % Redeemable Cumulative Preference Shares of Rs. 100 each are Redeemable at the option of the Company within a period of 20 years from the dates of issue detailed as under :

Date of Issue	No of Shares	Face Value (Rs in lacs)
30/03/01	75,000	75
20/12/01	7,06,000	706
23/03/02	3,19,000	319
27/12/02	5,35,000	535
24/03/03	1,65,000	165
TOTAL	18,00,000	1800

3) SMALL SCALE & ANCILLIARY INDUSTRIES :

The name of the parties as regards amounts due to Small Scale and/or Ancillary industrial suppliers on account of principal and/or interest as at the close of the year exceeding Rupees One Lac for more than thirty days is given as under:

Jaishil Sulphur & Chemicals, Newkem Products Corpn., Proton Engg. Works, Kamakshi Engg., Madhukar Industries, V Plast, Melfrank Engineers, Patco Industrial Suppliers, Taneja Plastics, Bharat Fire Engineers, Premier Grinders & Packers, Chinchwade & Associates, Fire & Safety Services, Satish Steel Works & Marsh Engineers.

This disclosure is based on the information available 'with the Company'.

4) MAJOR COMPONENTS OF DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES:

Description	Balance as on 31/03/03 Rs.in lacs	Arising during the year Rs.in lacs	Balance as on 31/03/04 Rs.in lacs
Deferred Tax Liability on account of:			
Timing Difference in Depreciation	2083.07	1816.62	3899.69
Deferred Revenue expenditure	60.74	(11.69)	49.05
Total	2143.81	1804.93	3948.74
Deferred Tax Assets on account of:			
Unabsorbed Depreciation	1093.08	2692.70	3785.78
Net Deferred Tax Liability / (Asset)	1050.73	(887.76)	162.96

Deferred tax assets are recognised and carried forward as there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised due to stabilisation of Co-Generation Plant and complete forward integration of Sugar, Distillery & Co-Generation.

5) CONTINGENT LIABILITIES (Not Provided for) :

a) Claims against the Company not acknowledged as Debts :

Particulars	31/03/04 Rs. in Lacs	31/03/03 Rs. in lacs
Sales tax liability that may arise in respect of matters in appeal	129.92	129.92
State Excise liability that may arise in respect of matters in appeal	79.80	79.80
Central Excise / Service Tax Liability that may arise in respect of matters in appeal	28.72	24.29
Income Tax Liability (Including Interest) that may arise in respect of matters in appeal	100.88	4.48

6) PRIOR PERIOD ITEMS :

Cane Price of Previous years	128.61	280.38
Insurance Premium	38.21	-
Others	12.52	-
Sub Total	179.34	280.38
Less : H&T Commission of Previous years Written back	6.55	8.94
Total	172.79	271.44

- 7) Amount of borrowing costs capitalized during the period
- 28.98 1,096.25
- 8) Estimated amount of contract remaining to be executed on capital account and not provided for NIL (Previous Year Rs. 2,091.64 lacs).
- 9) The Company is eligible for a Capital subsidy from KREDL to the extent of Rs. 450 lacs, out of which the company has received a sanction of Rs. 225 Lacs on 30th June, 2003, which has been accounted as a Capital Reserve in the year of sanction. Further the company is eligible for USAID Grant of Rs. 425 Lacs for the said Project, out of which the company has received and accounted till 31st March, 2004 Rs. 296.24 Lacs as shown under Reserves. The Company has made its relevant application to IDBI (Nodal Agency for USAID) for the Balance amount of Rs. 128.76 lacs, which is awaited.

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004

10. (a) Quantitative information in respect of goods manufactured :

SUGAR DIVISION :

Name of the Factory : Sameerwadi Unit
 Licensed Capacity : 10,000 M. T.
 Installed utilised Capacity
 as certified by the Factory Manager : 8,500 M. T.

(Rs. in Lacs)									
Goods Manufactured	Opening Stock		Production	Quantity sent for reprocessing & loss due to Damage & Damaged Ex-sugar	Damage Sugar taken back in the System	Sales		Closing Stock	
	Quantity M.T.	Value Rs. in Lac				Quantity M.T.	Value Rs.	Quantity M.T.	Value Rs.
Sugar	1,07,664.550 99,829.850	12,762.99 11,978.87	1,58,670.000 153,809.000	2,146.000 1,465.950	5.300 146.250	1,57,260.300 1,44,654.600	18,323.61 16,290.20	1,06,933.550 1,07,664.550	13,336.23 12,762.99
Molasses	13,366.314 15,032.214	167.08 150.32	64,228.800 54,888.000	- -	- -	68,700.620 56,553.900	607.81 612.98	8,894.494 13,366.314	88.94 167.08

Note: Figures shown below the line are of Previous Year.

(b) Raw Materials Purchased and Consumed :

	Current Year		Previous Year	
	M.T.	Rs.	M.T.	Rs.
	Value Rs.	%	Value Rs.	%
Sugar Cane Consumed	14,66,585	14,138.76	13,41,432	11,835.92
Stores and Spares Consumed	-	-	-	-
Imported	687.47	100%	490.96	100%
Indigenous	-	-	-	-
TOTAL	687.47	100%	490.96	100%

Note:(1) 23240 Qds of sugar stock lying at Tuticorin port (unshipped quantity of export sugar), but accounted in the system through billing doc.461000209 dt.30.12.2003
 Note:(2) 53 Qds (50 KG, 106 Bag) Unshipped damaged export returned from B.P.T. Port on 12-04-2003 for reprocessing purpose, vide F.I. Doc No.20038789 dtd.31.03.2004

CO-GENERATION DIVISION :

Installed Capacity 24 MWH

Particulars	Generated	Export to Grid
Power MWH	1,32,494.00	99,037.50

(b) Raw Materials Purchased and Consumed: (Excluding Inter Unit Transfer Value)

	Qty (M.T.)	Rs. in lacs
Purchased Raw Material	1,38,051.28	1,508.04
Bagasse (Inter Unit Manufactured)	1,60,789.03	-

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004

(a) Quantitative information in respect of goods manufactured: DISTILLERY & CHEMICAL DIVISION :

Goods Manufactured	Unit	Licensed Capacity (Annual)	Installed Capacity (Annual) (As Certified by Director, (Works))
AT SAKARWADI :			
Rectified Spirit	HL	4,50,000	3,00,000
Acetaldehyde	MT.	23,000	18,000
Acetic Acid	MT.	25,000	20,000
Ethyl Acetate	MT.	18,000	12,000
Other Acetates	MT.	1,800	1,800
AT SAMEERWADI :			
Rectified Spirit	HL	1,80,000	1,80,000
Fuel Alcohol (Ethanol)	HL	1,50,000	1,50,000

Goods Manufactured	Unit	Opening Stock		Actual Production / Purchase (Excluding Normal Loss)	Sales		Closing Stock	
		Quantity	Value (Rs.in lacs)		Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
(i) AT SAKARWADI :								
Rectified Spirit	HL	3,389.69	33.42	2,61,945.53	-	-	5,985.08	57.58
Acetaldehyde	MT.	2,144.13	21.92	2,51,609.57	-	-	3,389.69	33.42
		12.32	2.23	16,806.87	3,033.765	658.47	28.49	5.06
Acetic Acid	M.T.	40.89	7.79	17,025.60	3,655.715	792.18	12.32	2.23
		358.39	65.97	16,165.05	7,778.879	1,574.51	176.46	32.55
Ethyl Acetate	MT.	65.47	12.78	16,053.44	7,020.687	1,403.88	358.39	65.97
		175.43	42.74	11,941.19	11,906.15	3,276.27	210.48	51.05
		301.63	76.70	12,158.70	12,284.90	3,665.55	175.43	42.74
Traded Goods : Acetic Acid	MT.			108.06	108.06	21.50	-	-
Ethyl Acetate	MT.			141.02	141.02	38.20	-	-
				363.61	363.61	113.88	-	-
(ii) AT SAMEERWADI :								
Rectified Spirit	HL	13,710.39	137.57	2,08,694.79	1,61,607.88	2,029.07	10,899.45	109.27
Bio-Earth	MT.	7,714.18	82.93	1,66,473.33	1,60,477.12	2,015.06	13,710.39	137.57
		16,746.26	80.73	23,793.43	18,940.798	126.65	21,598.89	104.33
Fuel Alcohol (Ethanol)	HL	11,527.26	115.34	23,392.26	18,172.274	104.01	16,747.25	80.73
		-	-	47,227.98	40,600.00	726.74	6,627.98	74.56
Traded Goods : Rectified Spirit	HL			2.39	2.39	0.03	-	-
				38.63	38.63	0.48	-	-

Notes : 1. Acetaldehyde is intermediary product for the manufacture of Acetic Acid.
2. Figures shown below the line are of Previous Year.

b) Consumption of Raw Materials :

	Unit	Current Year		Previous Year	
		Quantity	Amount (Rs.in lacs)	Quantity	Amount (Rs.in lacs)
Molasses	M.T.	1,24,677.85	2,354.70	1,36,885.68	2,751.84
Molasses (Inter Unit Manufactured)	M.T.	68,700.62	-	39,562.14	-
Rectified Spirit (Own Manufactured - SAK)	H.L.	2,59,350.14	-	2,50,364.01	-
Special Denatured Spirit (Local)	H.L.	57,192.60	644.72	81,398.14	920.10
Special Denatured Spirit (Import)	H.L.	23,870.77	302.95	10,425.96	131.03
Rectified Spirit Purchased	H.L.	-	-	1,520.00	10.35
Acetaldehyde (Own Manufactured)	M.T.	13,756.94	-	13,398.46	-
Acetic Acid (Own Manufactured)	M.T.	8,568.10	-	8,739.83	-
Acetic Acid Purchased	M.T.	-	-	642.07	136.10
Other		-	245.40	-	53.26
Total		-	3,547.77	-	4,002.68

c) C.I.F. Value of Imports (SDS) : H.L. 12,409.50 114.09 21,947.00 228.11

d) Value of Raw Materials Consumed :

	Amount (Rs.in lacs)	%	Amount (Rs.in lacs)	%
i) Indigenous	3,244.82	91.46	3,871.65	96.73
ii) Imported (Chemicals including deemed)	302.95	8.54	131.03	3.27
Total	3,547.77	100.00	4,002.68	100.00

e) Value of Stores and Spare Parts Consumed :

i) Indigenous	235.80	100%	186.79	100%
ii) Imported :	-	-	-	-
Total	235.80	100%	186.79	100%

f) Earning in Foreign Currency :

	927.41	2,163.21
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g) Expenditure in Foreign Currency :

i) For Capital Goods			
a) Research & Development	-	-	-
b) Other (including installment on Foreign Currency Loans equivalent to Indian Rs. 88.39 lacs (previous year Rs. 92.54 lacs))	88.39	92.54	
ii) Other expenses (including interest on Foreign Currency Loans equivalent to Indian Rs. 18.37 lacs (previous year Rs. 30.29 lacs))	35.75	30.29	
Total	124.14	122.83	

(11) Particulars of Segment Information as required by Accounting Standard (As-17) "Segment Reporting"

(Rs in Lacs)

	Sugar	Cogen	Distillery & Chemical	Total
A Revenue				
External Sales revenue	20,044.35	3,368.78	10,443.42	33,856.55
Inter Segment transfers	1,373.22	979.09	0.07	2,352.38
Other Income	362.69	34.90	77.10	474.69
B Result				
Operating Profit	340.08	1,187.55	1,185.63	2,713.26
Interest Expenses	1,717.04	832.64	540.79	3,090.47
C Other information				
Capital employed	1,684.93	2,413.75	2,763.50	6,862.18
Segment Assets	16,992.03	2,049.24	4,035.90	23,077.17
Segment liabilities	22,076.90	8,912.95	5,427.54	36,417.39
Other unallocable corporate assets				838.58
Capital assets including CWIP	5,001.26	9,152.84	5,183.65	19,337.76
D Segment Depreciation	314.14	501.78	232.61	1,048.53
Unallocated depreciation				83.65
E Non cash expenses other than Depreciation	2.22		40.35	42.57

Significant Accounting Policies

- 1 Business segments are determined on the basis of goods manufactured and in accordance with Accounting Standard AS-17.
- 2 Segment Report is prepared in conformity with accounting policies adopted for preparing and presenting financial statements.
- 3 Inter-segment transfers are recorded at cost except for own generated Bagasse and Molasses , the cost of which are unascertainable and which are recorded at prevalent market prices.

(12) Related party disclosures As required by AS-18, "Related Party Disclosure" are given below

CATEGORY I :

Subsidiaries

Godavari Investment & Finance Corporation Ltd. and Padmanabh Agencies Ltd.

CATEGORY II :

Key Management Personnel & Relatives

Dr. S.K.Somaiya, Mr Samir S.Somaiya, Mr P.K.R Nair, Mr P.M.Kavadia and Mrs. Maya S. Somaiya

CATEGORY III :

Associates

The Brainstorming Company (International) Private Limited, The Book Centre Limited, Akhand Warehousing Pvt. Ltd., Ashwa Transport Pvt. Ltd., Bahar Warehousing Co. Pvt. Ltd., Dream Flower Transport Pvt. Ltd., Hamir Trading Co. Pvt. Ltd., Indigo Investments Ltd., Jasmine Trading Co. Pvt. Ltd., Jupiter warehousing Pvt. Ltd., K.J. Somaiya & Sons Pvt. Ltd., Karnataka Organics Chemicals Limited, Lakshmiwadi Sugar Factory Pvt. Ltd., Lotus Fragrance Traders Pvt. Ltd., Rajvanshi Investments Pvt. Ltd., Sakarwadi Trading Company Pvt. Ltd., Somaiya Agencies Pvt. Ltd., Topaz Warehousing Co. Pvt. Ltd.

Details of transactions with the related parties during the year

(Rs in lacs)

	Category I	Category II	Category III
1 Remuneration	-	58.99	-
2 Interest	-	7.15	92.73
3 Purchases	-	-	39.64
4 Loans & Advances	0.35	-	-
5 Unsecured Loans	-	73.33	566.94
6 Trade & other Creditors	-	-	11.94
7 Investments	10.00	-	-

13) Balances of Debtors, Creditors and Loans & Advances are subject to confirmations.

14) Figures of previous year have been re-grouped and re-cast wherever necessary.

As per our Report of even date annexed

For AMBALAL THAKKAR & ASSOCIATES
Chartered Accountants

Rahul V. Hariyani
Partner

Place : Mumbai
Date : 6th September, 2004.

S. B. Desai
Senior Manager &
Company Secretary

N. S. Khetan
General Manager
(F & A)

S. K. Somaiya Chairman & Managing Director
N. C. Sayta
Kailash Pershad } Directors
P. M. Kavadia Whole-time Director

Place : Mumbai
Date : 6th September, 2004.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional information pursuant to Part IV to the Companies Act, 1956

I. Registration Details

Registration No.

2945

State Code

11

Balance Sheet Date

31

03

2004

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

Public Issue

NIL

Right Issue

NIL

Bonus Shares

NIL

Private Placement

NIL

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

Total Liabilities

37,60,685

Total Assets

37,60,685

Sources of Funds

Paid-up Capital

3,64,825

Reserves & Surplus

3,28,267

Secured Loans

24,08,912

Unsecured Loans

6,42,385

Application of Funds

Net Fixed Assets

20,17,634

Investments

2,606

Net Current Assets

17,17,275

Misc. Expenditure

23,170

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

Turnover & Other Income

34,81,904

Total Expenditure

35,05,456

+/- Profit/Loss Before Tax

-

23,552

+/- Profit / Loss After Tax

+

51,055

Earning per Share in Rs.

-

Dividend Rate %

-

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

Item Code No. (ITC Code)

1701.11

Product Description

SUGAR

Item Code No. (ITC Code)

2915.10

Product Description

ACETIC ACID

Item Code No. (ITC Code)

2915.90

Product Description

ETHYLACETATE

As per our Report of even date annexed

For AMBALAL THAKKAR & ASSOCIATES
Chartered Accountants

Rahul V. Hariyani
Partner

Place : Mumbai
Date : 6th September, 2004.

S. B. Desai
Senior Manager &
Company Secretary

N. S. Khetan
General Manager
(F & A)

S. K. Somaiya Chairman & Managing Director

N. C. Sayta

Kailash Pershad } Directors

P. M. Kavadia Whole-time Director

Place : Mumbai
Date : 6th September, 2004.

CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2004

	Current Year Rs. in Lacs (235.52)	Previous Year Rs. in Lacs 373.83
A. Cash flow from Operating Activities :		
Net Profit / (Loss) before tax		
Adjusted for :		
Depreciation	1,132.18	641.12
Interest Received on Fixed Deposits and Others	(127.91)	(126.90)
Foreign Exchange Fluctuation (NET)	(254.54)	(47.82)
Income From Immovable Property	(3.39)	(7.40)
Profit on Sale of Assets	-	(88.56)
Loss on Sale of Assets	42.57	-
Dividend Received	(2.21)	(0.51)
Interest Expenses	3,090.47	2,163.54
Proposed Dividend	-	(377.80)
Prior period Adjustment	(141.69)	(202.68)
Operating Profit before Working capital changes	3,735.48	1,952.99
	<u>3,499.96</u>	<u>2,326.82</u>
Adjustments for :		
Trade Receivables	84.28	(341.43)
Inventories	525.59	(1,646.70)
Loans & Advances	(577.46)	(391.63)
Deferred Revenue	(62.41)	(132.33)
Trade Payables & Provisions	(1,203.10)	1,435.82
	<u>(1,233.10)</u>	<u>(1,076.27)</u>
Cash generated from operations	2,266.86	1,250.55
Taxes (Provisions , payables/(receipts))	30.30	(361.95)
NET CASH FROM OPERATING ACTIVITY	30.30	(361.95)
	<u>2,297.16</u>	<u>1,612.50</u>
B. Cash flow from Investing Activities :		
Purchase of Fixed Assets	(2,881.71)	(2,831.93)
Sale of Fixed Assets	60.75	130.83
Purchase of Investments	(4.00)	(10.21)
Interest Received on Fixed Deposits and Others	127.91	126.90
Foreign Exchange Fluctuation (NET)	254.54	47.82
Income From Immovable Property	3.39	7.40
Profit on Sale of Assets	-	88.56
Loss on Sale of Assets	(42.57)	-
Dividend Received	2.21	0.51
NET CASH USED IN INVESTING ACTIVITIES	(2,479.48)	(2,440.12)
C. Cash flow from Financing Activities :		
Proceeds from issue of Share Capital	-	700.00
Amounts Borrowed (Net)	2,293.31	2,869.02
Interest paid	(3,090.47)	(2,163.54)
Grant Received (USAID)/Capital Subsidy	225.00	129.94
	<u>(572.16)</u>	<u>1,535.42</u>
NET CASH USED IN FINANCING ACTIVITIES	(754.48)	707.80
Net changes in Cash & Cash equivalents		
CASH & CASH EQUIVALENTS - (OPENING BALANCE)		
Cash & Bank Balance	624.59	1,094.22
Cash Credit Account	(11,828.30)	(13,005.73)
	<u>(11,203.71)</u>	<u>(11,911.51)</u>
CASH & CASH EQUIVALENTS - (CLOSING BALANCE)		
Cash & Bank Balance	956.39	624.59
Cash Credit Account	(12,914.58)	(11,828.30)
	<u>(11,958.19)</u>	<u>(11,203.71)</u>
	<u>(754.48)</u>	<u>707.80</u>

As per our Report of even date annexed

For AMBALAL THAKKAR & ASSOCIATES
Chartered Accountants

S. K. Somaiya Chairman & Managing Director

N. C. Sayta
Kailash Pershad } Directors

P. M. Kavadia Whole-time Director

Rahul V. Hariyani
Partner

S. B. Desai
Senior Manager &
Company Secretary

N. S. Khetan
General Manager
(F & A)

Place : Mumbai
Date : 6th September, 2004.

Place : Mumbai
Date : 6th September, 2004.

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

2003-2004

I. **GODAVARI INVESTMENT AND FINANCE CORPORATION LTD.**

- 1) The Company holds the whole of the Subscribed Capital of Rs. 5,00,000/- in the Subsidiary Company as at 31st March, 2004.
- 2) The Subsidiary Company made a profit of Rs. 1,06,065/-. The Company has made a provision of Rs. 9,000/- for taxation as per book profit. After adjusting previous year's loss of Rs. 2,08,376/-, the balance loss comes to Rs. 1,02,311/-, which has been carried to next year. 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, 2004.
- 4) The advance to the Subsidiary Company as on 31st March, 2004 was Rs. NIL.

II. **PADMANABH AGENCIES LTD.**

- 1) The Company also holds whole of the Subscribed Capital of Rs. 5,00,000/- 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, 2004 was Rs. 35,100/-.

S. B. Desai
Senior Manager &
Company Secretary

N. S. Khetan
General Manager
(F & A)

S. K. Somaiya Chairman & Managing Director
N. C. Sayta
Kailash Pershad } Directors
P. M. Kavadia Whole-time Director

Place : Mumbai
Date : 6th September, 2004.

DIRECTORS' REPORT

The Shareholders,
Godavari Investment and Finance Corporation Ltd.,
Mumbai.

Your Directors submit herewith their Forty Ninth Annual Report and Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

During the year under review, the company made profit of Rs.1,11,311/-. After making the provision of tax for Rs. 9,000/- and adjusting the carried forward loss of Rs. 2,08,376/-, loss carried to Balance sheet amounted Rs. 1,06,065/-. Your Directors do not recommend any Dividend.

DIRECTORS:

Shri J.R. Shukla retires by rotation and being eligible, offers himself for re-appointment.

CONSERVATION OF ENERGY:

Your Company being engaged in investment and finance activities the particulars required to be given under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 do not apply to the Company.

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

PARTICULARS OF EMPLOYEES:

The Company does not have any employee to whom the provisions of the companies (Particulars of Employees) Rules, apply.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217 of the Companies Act, 1956 the Directors hereby confirm that:

- i) In the preparation of the annual accounts, the applicable accounting Standards have been followed along with proper explanation relating to material departures.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year and of the profit of the Company for the year.
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability.
- iv) The Directors have prepared the annual accounts on a going concern basis.
- v) M/s.Y.S. MUZUMDAR & CO Chartered Accountants retire at the ensuing annual general meeting. They being eligible, offer themselves for reappointment.

For and on behalf of the Board of Directors,

R. VENKATARAMAN

J. R. SHUKLA

} Directors

PLACE : Mumbai

DATE : 6th September, 2004.

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED
AUDITORS' REPORT TO THE SHAREHOLDERS

TO THE MEMBERS OF GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

We have audited the attached Balance Sheet of GODAVARI INVESTMENT & FINANCE CORPORATION LIMITED as at 31st March, 2004 and Profit & Loss A/c for the year ended on that date annexed thereto. These Financial statements are the responsibility of the company's management. Our Responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- 1) the company is not covered by the Manufacturing and Other Companies (Auditors Report) Order 2003 issued by the Central Government of India in terms of section 227 (4A) of Companies Act, 1956 and hence no annexure is annexed.
- 2) Further we report that :
 - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
 - II. In our opinion, proper Books of Accounts as required by Law have been kept by the Company so far as it appears from our examination of those books;
 - III. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of Accounts.
 - IV. In our opinion, Profit & Loss Account and the Balance Sheet dealt comply with by this report comply with the Accounting Standards as referred to in Sub section (3C) of section 211 of the Companies Act, 1956;
 - V. On the basis of the written representations received from the Directors, and taken as record by the Board of Directors, we report that none of Directors of the company is disqualified as on 31st march, 2004 from being appointed as Directors in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - VI. In our opinion and to the best of our information and according to the explanation given to us, the said statement of Accounts together with the notes appearing thereon 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, 2004 and
 - b) In the case of the Profit & Loss Account of the profit of the Company for the year ended 31st March, 2004.

For **Y. S. MUZUMDAR & CO.**
Chartered Accountants

Y. S. MUZUMDAR
(Proprietor)

PLACE : Mumbai

DATE : 6th September, 2004.

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2004

	SCHEDULES	Rupees	31-03-2004 Rupees	31.03.2003 Rupees
SOURCE OF FUNDS :				
SHAREHOLDERS' FUNDS:				
(a) Share Capital	1	5,00,000		5,00,000
(b) Reserves & Surplus	2	<u>1,400</u>		<u>1,400</u>
			5,01,400	5,01,400
LOANS :				
(a) Secured Loans			-	-
(b) Unsecured Loans			-	-
TOTAL FUNDS EMPLOYED			<u>5,01,400</u>	<u>5,01,400</u>
APPLICATION OF FUNDS :				
INVESTMENTS	3		7,200	7,200
CURRENT ASSETS				
(a) Debtors	4	97,050		7,200
(b) Cash and Bank Balances	5	24,352		2,76,274
(c) Loans and Advances	6	<u>2,76,773</u>		<u>4,415</u>
		3,98,175		2,87,889
LESS CURRENT LIABILITIES & PROVISIONS				
(a) Current Liabilities	7	1,040		1,240
(b) Provisions	8	<u>9,000</u>		<u>825</u>
		10,040		2,065
NET CURRENT ASSETS			3,88,135	2,85,824
PROFIT & LOSS ACCOUNT			1,06,065	2,08,376
TOTAL FUNDS EMPLOYED			<u>5,01,400</u>	<u>5,01,400</u>
NOTES ON ACCOUNTS	11			

As per our report of even date

For **Y. S. MUZUMDAR & CO.**
Chartered Accountants

Y. S. MUZUMDAR
(Proprietor)

PLACE : Mumbai

DATE : 6th September, 2004.

R. VENKATARAMAN

J. R. SHUKLA

} Directors

PLACE : Mumbai

DATE : 6th September, 2004.

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	SCHEDULES	31-03-2004 Rupees	31.03.2003 Rupees
INCOME :	9	<u>1,15,176</u>	<u>7,200</u>
EXPENDITURE :			
Establishment and other Expenses	10	<u>3,865</u>	<u>4,956</u>
PROFIT BEFORE TAX :		1,11,311	2,244
Provision for Taxation		9,000	825
Net Profit / (Loss) for the Year		1,02,311	1,419
Balance Loss brought forward from last year		(2,08,376)	(2,09,795)
Loss available for Appropriations		<u>1,06,065</u>	<u>(2,08,376)</u>
APPROPRIATIONS :			
Balance being loss Carried to Balance Sheet		<u>1,06,065</u>	<u>(2,08,376)</u>
NOTES ON ACCOUNTS :	11		

As per our report of even date

For **Y. S. MUZUMDAR & CO.**

Chartered Accountants

Y. S. MUZUMDAR

(Proprietor)

PLACE : Mumbai

DATE : 6th September, 2004.

R. VENKATARAMAN

J. R. SHUKLA

} Directors

PLACE : Mumbai

DATE : 6th September, 2004.

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2004

	31-03-2004 Rupees	31-03-2003 Rupees
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED CAPITAL :		
5,000 Ordinary (Equity) Shares of Rs.100/- each fully paid up	<u>5,00,000</u>	<u>5,00,000</u>
ISSUED AND SUBSCRIBED CAPITAL		
5000 Equity Shares of Rs.100/- each (previous years 2000 Equity Shares of Rs.100/- each on which Rs.50/-has been paid and called up, held by holding company The Godavari Sugar Mills Ltd.)	<u>5,00,000</u>	<u>5,00,000</u>
SCHEDULE 2 : RESERVE AND SURPLUS		
General Reserve	1,400	1,400
Profit & Loss Account	(1,06,065)	(2,08,376)
SCHEDULE 3 : INVESTMENT		
720 Equity Shares of Rs.10/- each of Mamli Pvt. Ltd.	<u>7,200</u>	<u>7,200</u>
SCHEDULE 4 : DEBTORS		
Debts outstanding for a period exceeding six months considering good less than six months	- 97,050 <u>97,050</u>	- 7,200 <u>7,200</u>
SCHEDULE 5 : CASH & BANK BALANCE		
Cash on hand	146	2
In current account with Scheduled Bank	24,206	2,76,272
	<u>24,352</u>	<u>2,76,274</u>
SCHEDULE 6 : LOANS & ADVANCES		
Loans to cane growers	4,338	4,338
Income tax	4,204	77
Advances	800	-
Loans to Companies	2,67,431	-
	<u>2,76,773</u>	<u>4,415</u>
SCHEDULE 7 : CURRENT LIABILITIES		
Sundry Creditors	1,040	1,240
	<u>1,040</u>	<u>1,240</u>
SCHEDULE 8 : PROVISIONS		
Provision for Income Tax for the year	9,000	825
	<u>9,000</u>	<u>825</u>
SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004		
SCHEDULE 9 : INCOME		
Consultancy Charges	-	7,200
Interest Received	21,926	-
Sundry Balance Written Off	93,250	-
	<u>1,15,176</u>	<u>7,200</u>
SCHEDULE 10 : ESTABLISHMENT EXPENSES		
Establishment and other Expenses		
Professional Tax	1,700	1,700
Miscellaneous Expenditure	500	-
Fees & Stamp	600	2,100
Bank Charges	25	91
Audit Fees	1,040	1,065
	<u>3,865</u>	<u>4,956</u>

SCHEDULE : 11 NOTES ON ACCOUNTS

Significant Accounting Policy

I. ACCOUNTING CONCEPT

Financial Statements are drawn using the historical cost convention, adopting on accrual basis. Accounting policies not referred to otherwise, are in consistent with generally accepted accounting principles.

II. INVESTMENTS

Investments are stated at cost and are in the nature of long term investments

- 1) The requirements of schedule VI to the Companies Act, 1956, regarding additional information are not applicable to the company.
- 2) Previous years' figures have been regrouped and rearranged wherever necessary.
- 3) No provision for gratuity payment has been made in the books as The Payment of Gratuity Act, 1972, is not applicable to the company.

As per our report of even date

For **Y. S. MUZUMDAR & CO.**
Chartered Accountants

Y. S. MUZUMDAR
(Proprietor)

PLACE : Mumbai

DATE : 6th September, 2004.

R. VENKATARAMAN

J. R. SHUKLA

} Directors

PLACE : Mumbai

DATE : 6th September, 2004.

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional information pursuant to Part IV to the Companies Act, 1956

I. Registration Details

Registration No.	9707	State Code	11
Balance Sheet Date	31 03 2004		

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

Public Issue

NIL*

Bonus Shares

NIL

Right Issue

NIL

Private Placement

NIL

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

Total Liabilities

501

Sources of Funds

Paid-up Capital

500

Secured Loans

NIL

Application of Funds

Net Fixed Assets

NIL

Net Current Assets

388

Accumulated Losses

106

Total Assets

501

Reserves & Surplus

1

Unsecured Loans

NIL

Investments

7

Misc. Expenditure

NIL

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

Turnover & Other Income

115

+/- Profit/Loss Before Tax

+

111

Earning per Share in Rs.

20.46

Total Expenditure

3

+/- Profit / Loss After Tax

+

102

Dividend Rate %

NIL

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

Item Code No. (ITC Code)	NIL
Product Description	NIL
Item Code No. (ITC Code)	NIL
Product Description	NIL
Item Code No. (ITC Code)	NIL
Product Description	NIL

As per our report of even date

For Y. S. MUZUMDAR & CO.

Chartered Accountants

Y. S. MUZUMDAR

(Proprietor)

PLACE : Mumbai

DATE : 6th September, 2004.

R. VENKATARAMAN

J. R. SHUKLA

} Directors

PLACE : Mumbai

DATE : 6th September, 2004.

DIRECTORS' REPORT

The Shareholders,
PADMANABH AGENCIES LIMITED ,
MUMBAI.

Yours Directors submit herewith Sixth Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 2004.

The Company has not yet commenced any business activity. Your Directors are exploring possibilities of commencing Business Activities.

Increase in Capital:

During the year under review, the company issued and allotted 40,000 Equity Shares of Rs. 10/- each fully paid aggregating to Rs. 4,00,000/- to its holding company viz. The Godavari Sugar Mills Limited.

Directors' Responsibility Statement:

As required under Section 217 of the Companies Act, 1956 the Directors hereby confirm that:

- i) accounting standards have been followed along with proper explanation relating to material departures.
- ii) the accounting policies of the Company have consistently followed and estimates have been made reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year.
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) annual accounts are prepared on a going concern basis.

CONSERVATION OF ENERGY:

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 in respect of conservation of energy are not applicable to the company. The company has neither used nor earned foreign exchange during the year under review.

Director Shri S.S.Somaiya retires by rotation, but being eligible offers himself for reappointment.

PARTICULARS OF EMPLOYEES:

The Company does not have any employee to whom the Companies (Particulars of Employees) Rules, 1975 apply.

AUDITORS:

M/s Y.S.Muzumdar & Co., Chartered Accountants, Auditors of the company retire at the ensuing annual general meeting. They being eligible offer themselves for reappointment.

For and on behalf of the Board of Directors,

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

PLACE : Mumbai

DATE : 6th September, 2004.

TO THE MEMBERS OF PADMANABH AGENCIES LIMITED.

We have audited the attached Balance Sheet of PADMANABH AGENCIES LIMITED as at 31st March, 2004 and Profit & Loss A/c for the year ended on that date annexed thereto. These Financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- 1) the company is not covered by the Manufacturing and Other Companies (Auditors Report) Order 2003 issued by the Central Government of India in terms of section 227 (4A) of Companies Act, 1956 and hence no annexure is annexed.
- 2) Further we report that :
 - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
 - II. In our opinion, proper Books of Accounts as required by Law have been kept by the Company so far as it appears from our examination of those books;
 - III. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of Accounts.
 - IV. In our opinion, Profit & Loss Account and the Balance Sheet dealt comply with by this report comply with the Accounting Standards as referred to in Sub section (3C) of section 211 of the Companies Act, 1956;
 - V. On the basis of the written representations received from the Directors, and taken as record by the Board of Directors, we report that none of Directors of the company is disqualified as on 31st march, 2004 from being appointed as Directors in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - VI. In our opinion and to the best of our information and according to the explanation given to us, the said statement of Accounts together with the notes appearing thereon 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, 2004.

For **Y. S. MUZUMDAR & CO.**
Chartered Accountants

Y. S. MUZUMDAR
(Proprietor)

PLACE : Mumbai

DATE : 6th September, 2004.

PADMANABH AGENCIES LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2004

As at 31-03-2003	LIABILITIES	As at 31-03-2004	As at 31-03-2003	ASSETS	As at 31-03-2004
Rupees		Rupees	Rupees		Rupees
	I. AUTHORISED CAPITAL :			I. CASH AND BANK BALANCES :	
10,00,000	1,00,000 Shares of Rs.10/- each	10,00,000	1,07,237	Cash At Bank	5,05,412
	II. SUBSCRIBED CAPITAL :			II. MISCELLANEOUS EXPENDITURE :	
1,00,000	50,000 Shares of Rs. 10/- each	5,00,000	22,883	Preliminary Expenses	30,728
	Fully paid up				
	III. CURRENT LIABILITIES AND PROVISIONS :				
29,850	Loans from The Godavari Sugar Mills Ltd.	35,100			
270	Outstanding Expenses	1,040			
30,120		36,140			
1,30,120	TOTAL RUPEES :	5,36,140	1,30,120	TOTAL RUPEES :	5,36,140

Since Commercial Activity has not commenced during the year 2003-2004, no Profit & Loss Account has been prepared.

Accompanying to our report of even date annexed

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

For **Y. S. MUZUMDAR & CO.**
Chartered Accountants

Y. S. MUZUMDAR
(Proprietor)

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

PLACE : Mumbai

DATE : 6th September, 2004.

PLACE : Mumbai

DATE : 6th September, 2004.