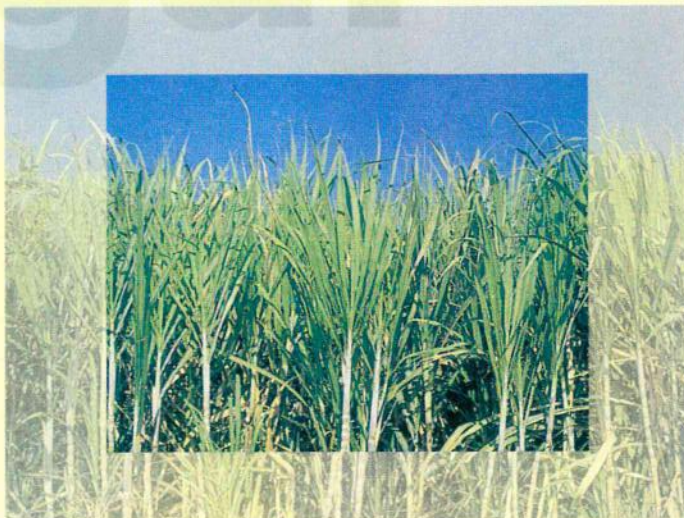


Bulk Organic Chemicals

Sugar



Speciality
Chemicals

Organic
Fertilizers

Renewable
Energy

Rural Development

Agriculture &
Agricultural
Research

Ethanol

65

Annual Report

The Godavari Sugar Mills Limited

2004-2005

Mission Statement...

*To be a **World-Class Global Organization.***

*To be the **Leading Integrated Producer**
of Sugar and downstream products in India.*

*To continuously **Add Value** to every part of Sugarcane
that the company processes.*

*To visualise, understand and meet
Customer needs and expectations.*

*To provide **Superior Returns** to Shareholders through
Efficient Management,
Innovation and Teamwork.*

*To Participate in, and Contribute to the
**All-round development of the
Community**
in which the company operates.*

Bankers and Institutions :

Andhra Bank
Bank of Baroda
Bank of India
Industrial Development Bank of India Limited
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 :

Desai Saksena & 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 Viney Kumar
*(Nominee of Industrial Development
Bank of India)*
Dr. K. V. Raghavan
Prof. Rooshikumar Pandya
Shri P. M. Kavadia
(Whole-time Director)
Shri P. K. R. Nair
(Director-Works)



Sugar

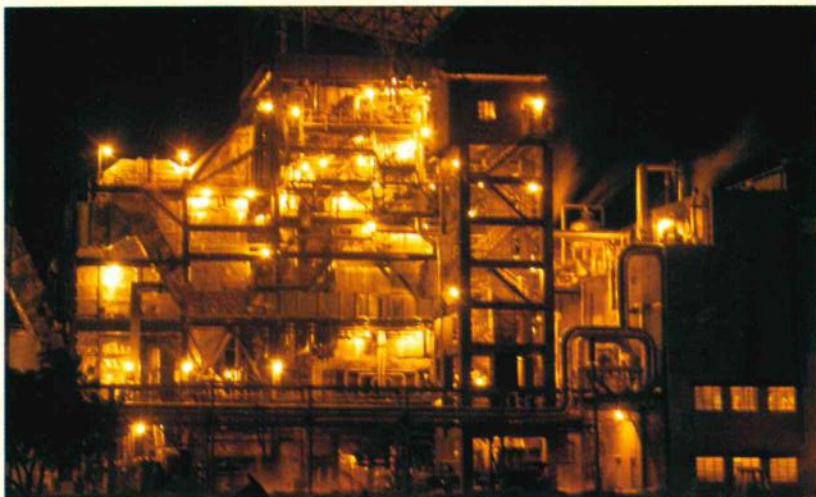


Fertilizer Services

Bio-Fertilizers



Energy



Alcohol &
Chemicals

Research



From Cane

Helping Farmers improve the
Quality & Yield of Harvest.

Growing the Wealth of
Farmers



To Customers

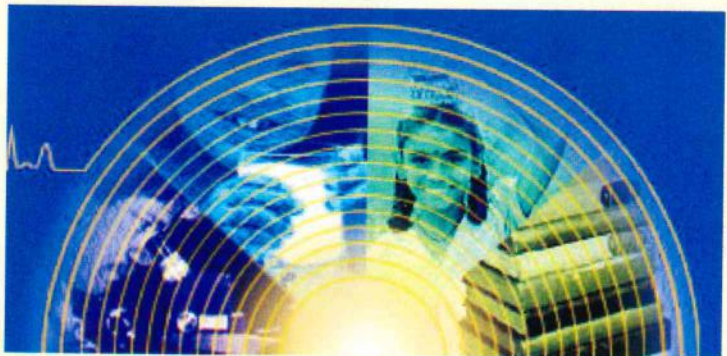


Value added products- Sugar,
Power, Ethanol,
Bio Fertilizers & Chemicals.

Adding Value to Cane
& its derivatives
Bagasse, Molasses &
Pressmud.

To Community

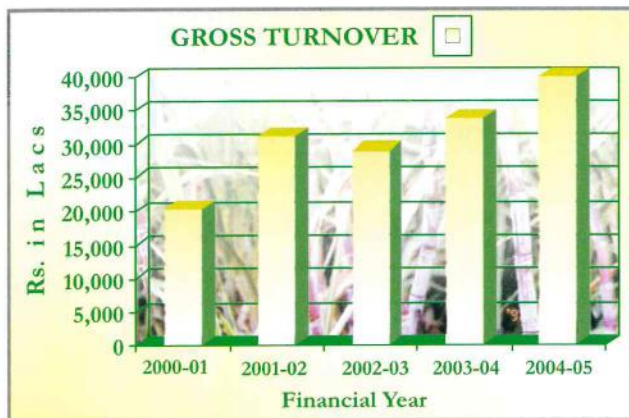
Social Development
Enriching Lives



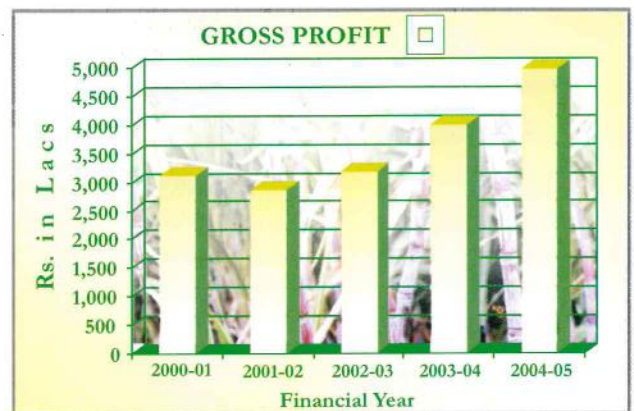
The Godavari Sugar Mills Limited

VALUE ADDITION & GROWTH *(From 2000-01 To 2004-05)*

GROWTH IN TURNOVER



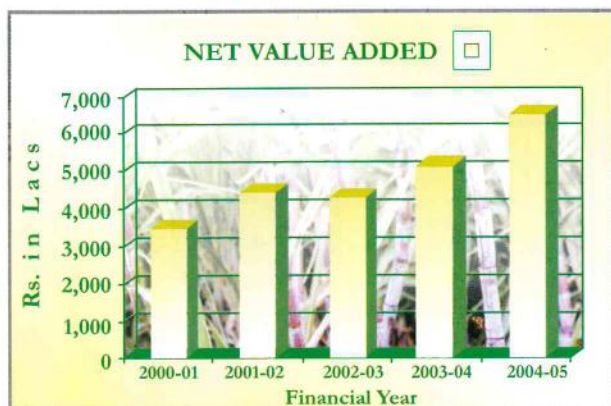
GROWTH IN GROSS PROFIT



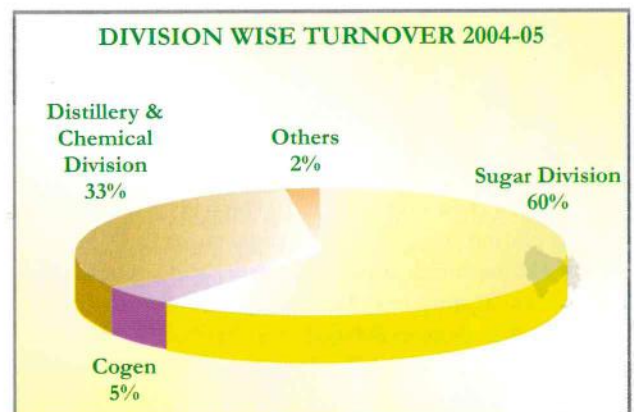
VALUE ADDED STATEMENT

Particulars	(All figures in Rs. Lacs)				
	Years				
	2004-05	2003-04	2002-03	2001-02	2000-01
Income from Production (Sales stock adj)	34,761.33	31,123.18	26,833.43	28,171.73	19,751.65
Add: Other Income	356.34	542.96	500.53	277.70	274.28
Corporate Output	35,117.67	31,666.14	27,333.96	28,449.43	20,025.93
Less: RMC	21,837.11	20,425.86	17,863.41	18,981.08	13,589.88
Less: Mfg. & Other Expenses (Without Employee Cost)	5,961.58	5,166.95	4,552.60	4,535.01	2,688.55
Gross Value added	7,588.98	6,073.33	4,917.95	4,933.34	3,747.50
Less: Depreciation	1,342.64	1,132.18	641.12	515.59	273.12
Net Value added	6,246.34	4,941.15	4,276.83	4,417.75	3,474.38
Allocation of Net Value added					
To Personnel (Employee Cost)	2,635.29	2,258.99	2,010.90	2,180.03	1,333.81
To Government (Tax)	136.46	(918.86)	(15.02)	(29.67)	(81.52)
To Creditors (Interest)	3,213.64	3,090.47	2,163.54	2,128.75	1,773.23
To Investors (Dividend)	--	--	333.97	233.83	181.30
To company (Retained Earnings)	260.96	510.55	(216.56)	(95.19)	267.55

NET VALUE ADDED



DIVISION WISE PERFORMANCE



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their **Sixty Fifth** Annual Report and the Audited Statements of Accounts of the Company for the year ended 31st March, 2005.

A. Financial Results:

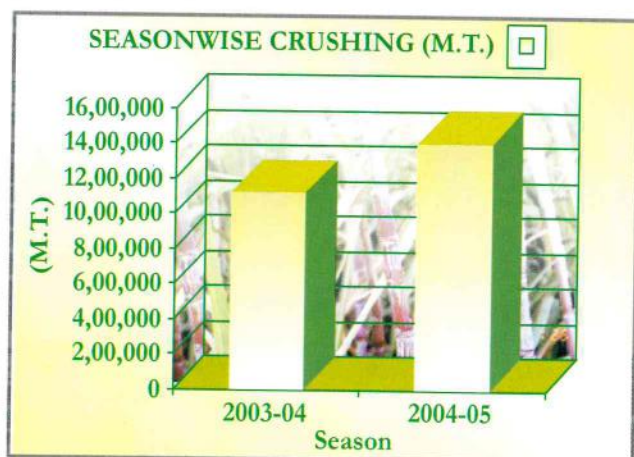
Particulars	2004-2005	2003-2004
	Rs. in lacs	Rs. in lacs
Gross Turnover	39,891.58	33,734.36
Gross Operating Profit	4,966.97	3,987.13
Profit / (Loss) for the year	279.07	652.24
Balance carried to Balance Sheet	791.05	530.09

B. Manufacturing Results :

Sugar Division :

i) The results for the division are as follows:

Particulars	Season		Financial Year	
	2004-05	2003-04	2004-05	2003-04
Start of Crushing Season/ Financial Year	11.09.2004	26.09.2003	01.04.2004	01.04.2003
Close of Crushing Season/ Financial Year	18.05.2005	28.02.2004	31.03.2005	31.03.2004
Crushing Duration (Days)	206	156	158	208
Cane Crushed (MT)	14,07,682	11,20,631	11,50,950	14,66,585
Recovery (%)	10.42	10.79	10.76	10.77
Raw Sugar Processed (Qtls)	1,75,030	0	8,250	0
Recovery (%)	96	0	96	0
Sugar Bagged (Qtls)	16,49,480	12,21,700	12,51,440	15,80,120



Increase in Crushing:

In spite of third consecutive drought that had severely reduced planting of cane during the previous years, primarily affecting areas of Maharashtra, Karnataka and Tamil Nadu, your company increased its Crushing from **11 Lac M.T. in Season 2003-04 to 14 Lac M.T. in Season 2004-05**. This has been mainly due to sustained Investments made by the company in the capital assets through the introduction of automation and capacity Debottlenecking, increasing the sugarcane crushing capacity.

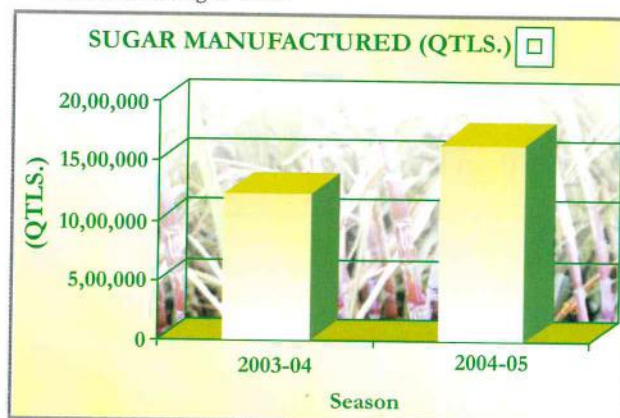
To fill the gap between demand and reduced local supply, to make use of the existing enhanced facilities and for generating positive contribution to the operations, your company has imported 41,350 M.T. of Raw Sugar to be processed during the supplementary season 2004-05, off-season 2004-05 and the sugar season 2005-06. The Recovery on Raw Sugar has been 96%.

Increase in Sugar Production:

Particulars	Karnataka	India	Company
Season 2004 - 05 (lacs M.T.)	11.00*	127.00**	1.65
Season 2003 - 04 (lacs M.T.)	10.40	139.95*	1.22
Increase/(Decrease)	+0.60	(12.95)	0.43
Increase/(Decrease) %	5.77	(9.25)	35

* Estimate according to SISMA

** Estimate according to ISMA

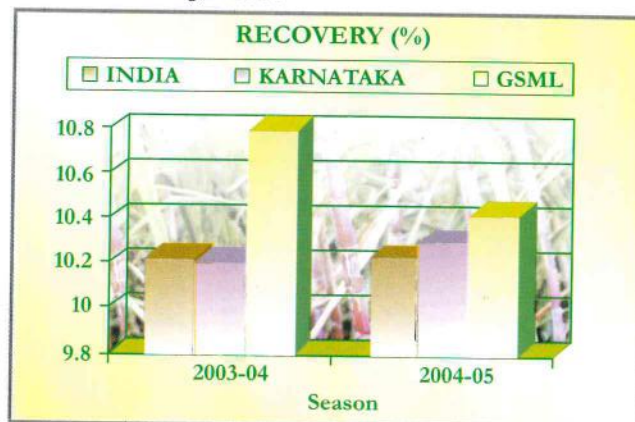


Recovery :

On account of the prevailing drought the recovery also fell from 10.79% for the previous season to 10.42% for the crushing season 2004-05.

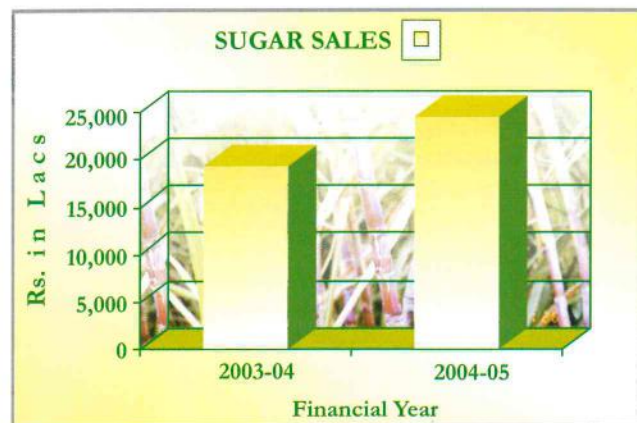
Particulars	Karnataka	India	Company
Season 2004 - 05	10.30*	10.23*	10.42
Season 2003 - 04	10.21*	10.22*	10.79
Increase/(Decrease)	0.09	0.01	(0.37)
Increase/(Decrease) %	0.88	0.10	(3)

* Estimate according to ISMA



Increase in Sugar Turnover :

Sugar Sales during the year increased from Rs. 19,658 lacs for the previous year to Rs 24,492 lacs. Thus it increased by 25%, inspite of third consecutive drought. This was essentially due to increase in the free sale sugar prices.

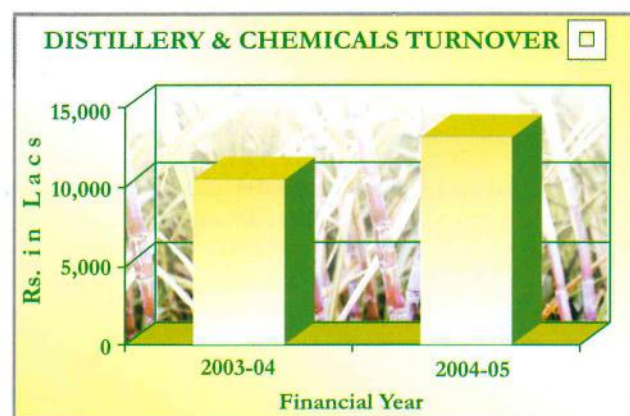


Distillery & Chemical Division :

The Distillery is now versatile and has the ability to produce Rectified Spirit, Anhydrous Alcohol, Extra Neutral Alcohol and any other type of Alcohol that the market desires.

New Specialty Chemicals have been added to the product range and are contributing effectively. These are exported across the globe and your company has procured orders worth more than Rs. 20 Crores for the same. Sustained demand internationally will lead the company to double the capacity of these Chemicals.

Your Company's Turnover of the Distillery & Chemical Division increased from Rs. 10,378 lacs for the previous year 2003-04 to Rs 13,032 lacs during the year ended March 31st, 2005. This was mainly on account of commissioning of Extra Neutral Alcohol at the Sameerwadi Distillery Unit supplemented with better realization and volume growth.



Drought conditions continued during the year in Maharashtra & Karnataka, adversely affecting the availability of molasses. The prices of molasses in Maharashtra have more than doubled. 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.

Organic Manure :

The Bio-Compost marketed under the Brand name "Bhumilabh" has given outstanding results & has been certified by "Ecocert". This organic certification will now enable the product to be accepted and exported to foreign destinations.

Co-generation Division :

Your Company's Turnover of the Co-generation Division decreased from Rs. 3,369 lacs for the previous year 2003-04 to Rs 1,878 lacs during the year ended March 31st, 2005. This was mainly due to non-availability of raw material i.e. Bagasse, due to drought in our factory region.

To obviate the problem of low cane availability during the current financial year, the company has made arrangements for procurement and feeding alternate agro fuels along with on line bagasse. We have also converted our existing boiler to fire coal as an additional fuel. 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 2004-05 the rate of Rs 3.65 per kwh of the energy exported as per the Power Purchase Agreement (PPA) executed with Karnataka Power Transmission Corporation Limited (KPTCL), on 8th October, 1999. However during the year under review KPTCL has paid the rate of Rs 3.16 per Kwh upto 21st July, 2004 and thereafter KPTCL unilaterally further reduced the tariff to Rs 2.80 per Kwh.

The company has contested the unilateral reduction in the tariff before The Hon'ble High Court of Karnataka. Karnataka Electricity Regulatory Commission (KERC) has awarded that PPAs approved by KERC before 10th June, 2004 are eligible for tariff at MNES rate.

C. Financial Re-Engineering:

The Company had to undertake a comprehensive Financial Re-engineering on account of the difficulties caused by continuous drought for three years. The same had dented the Cash Flow of the Company to a considerable extent. Further, the liquidity pressure was compounded with Karnataka Power Transmission Corporation Ltd. (KPTCL) not paying as per the rates contracted in the PPA.

Hence a Re-Engineering under the Corporate Debt Restructuring (CDR) mechanism of the Reserve Bank of India was undertaken to realign the Interest rate according to prevailing market rates and refix the Term Liabilities in tune with the projected future cash flows. The final sanction from the CDR cell was received by your company vide letter CDR/1705 dated March 31, 2005, subject to sanction from respective participating lenders. The said restructuring will enable the company to consolidate its liquidity position. The company is grateful to all the participating lenders for their timely support and co-operation.

D. Dividends:

Even though there is an improved performance during the year under review, in order to conserve the resources,

the directors regret their inability to recommend any Dividend on Equity and Preference Shares for the year ended 31st March, 2005.

E. Enhancement of Equity Share Capital:

Your Company made private placement of 65,00,000 Equity Shares of Rs.10/- each at par, aggregating to Rs. 650 lacs, which includes Inter Corporate Deposits converted into equity Rs 400 lacs according to the restructuring package envisaged under the CDR mechanism. The paid-up Equity Share Capital of the company after this issue now is Rs.2,498.25 lacs.

It is proposed to convert the Preference Share Capital into Equity Share Capital, subject to the approval of preference shareholders.

F. Projects:**Sugar Division**

In our continuous mission for Innovation led Value Addition, 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. This project has been funded by Sugar Technology Mission (STM).

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 started the setting up ENA plant of 40 KL per day capacity at Sameerwadi in the previous year, which has been stabilized this year. The quality of the ENA manufactured by your Company has been widely accepted well over the existing manufacturers.

ii) Distillery Revamping :

Your company is also planning to undertake the above project at its factory at Sameerwadi. This will result in increased recovery of alcohol from molasses.

iii) Ethyl Acetate & Paraldehyde :

Due to huge demand including the international demand, the Company has increased the production capacity of Ethyl Acetate from 12,000 M.T. per annum to 18,000 M.T. per annum. Similarly Paraldehyde has been increased from 300 M.T. per annum to 600 M.T. per annum.

iv) Pollution Control :

To improve the Water Recovery and for greater Environmental concerns, the Company has installed Reverse Osmosis (RO) Plant at Sakarwadi which will also reduce the water consumption i.e. recycling of spent wash.

G. 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.

H. Auditors :

M/s. Desai Saksena & Associates, Chartered Accountants, Auditors of the company, retire and being eligible, confirm their willingness for reappointment.

I. Cost Auditors :

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

J. 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, Scope of Audit, Review of Risk factors, Major Accounting Policies and review of Annual Financial Statement before submission to the Board.

K. 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.

L. Insurance :

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

M. Fixed Deposits :

There has been a tremendous jump in the Fixed Deposits

raised by the company during the Financial Year 2004-05 from Rs. 179 Lacs to Rs. 890 Lacs. The said Fixed Deposits are mostly received from the Cultivators who supply cane to the company, re-imposing the faith they have on the company, a relationship built over three decades of sustained business and the mutual trust between the cultivators and the management of the company.

N. Voluntary Retirement Scheme (VRS) :

With the twin objectives of enhancing the efficiency of the operations and becoming cost effective, the Company offered VRS to the employees of the Company. Total 174 employees have been relieved under said scheme with effect from 15th April, 2005. The VRS was implemented in a spirit of co-operation and understanding. So much so, that at the Sugar Technologist Association of India (STAI) sugar conference, the company's presentation on VRS and improved productivity, was jointly authored by the Union leader and the CEO.

O. Directors :

Dr. K. V. Raghavan, Prof. Rooshikumar Pandya and Shri P.K.R. Nair retire from the Board by rotation and being eligible have offered themselves for re-appointment. Mr. Viney Kumar has been nominated by Industrial Development Bank of India Ltd. in place Mr. K.H.Viswanathan.

Your Directors place on record their sincere appreciation of the co-operation, assistance extended and services rendered by Mr. K.H.Viswanathan during the tenure of his office as Nominee Director.

P. 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.

Q. 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.

R. 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 and commitment for the development to the community. The company recruits personnel locally and actively supports education, health, welfare, emergency services and the environment. There is encouragement to preserve and improve rural sports, 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.

Low Cost Drip Irrigation:

It is needless to mention the water saving and enhancement of cane productivity by using micro-irrigation system. Despite these merits, adoptability of drip irrigation system in sugarcane is very negligible owing the high cost of the system. Your Company has made rigorous efforts to bring Low Cost Irrigation system to the farmers. This system is costing Rs.8,000 to Rs. 10,000 per acre against Rs.20,000 to Rs.25,000 per acre, in case of others. In addition it will suffice all the technical requirement of high cost drip systems. Micro Irrigation systems viz., Drip and Sprinkler systems are been tested and trials are conducted, which are showing effective results.

Water Harvesting:

The company has actively undertaken Water Harvesting Program in Sameerwadi area to conserve and develop the natural resources viz., soil and water, with active participation of the farmers. The Sultanapur-Handigund Micro-Shed was demarcated and check dams were built across the nala resulting in substantial improvement of water level in open well and bore wells as well. Efforts were made in imparting training to the water users falling in this micro-watershed area so as to enhance their capacity building and adopt new crop techniques. The supply of fruits and trees species to the beneficiaries of this was done as a holistic approach for sustainable growth of the area.



Seminar for Panchayat members:

Your company has taken a lead role to disseminate the various facets of the Panchayat, including the area of empowerment given to their members. This was organized in the name of "Abhodayad Ariu - Acharaneya Samavesha", which was attended in large, covering many villages and panchayats. Seminars were conducted covering diverse topics like Education, Aids, Work Ethics, Decentralization of Power and development, Role of press in rural development etc.

Adoption of high cane yield technology in sugarcane:

Declining cane yields coupled with increased costs of production pose great concern in sugar industry. Hence, there is reason to look at some of the agronomic manipulations to reduce production costs and maximize yields. Therefore, a participatory rural appraisal has been conducted over an area of 2000-3000 acres confirming the benefits of altered crop geometry along with adoption of other recommended practices by increasing cane yield by 20-30 from the existing ones. This project was carried in the Sameerwadi area, by way of field demonstrations, training to farmers and field staff coupled with the supply of required inputs.

**S. Industrial Relations :**

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

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

U. 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 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 Pvt. Ltd., pursuant to Section 212 of the Companies Act, 1956 are attached to the Balance Sheet.

By Order of the Board of Directors,

Place : Mumbai

Date : 6th September, 2005.

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	50,55,853/-	Contractual	B.Sc. (Hons), LL.B., DSc. (honoris causa)	01-06-1999	77 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,

Place : Mumbai

Date : 6th September, 2005.

S. K. SOMAIYA
Chairman & Managing Director

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, 2005.

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

Sugar & Co-generation Division :

(A) CONSERVATION OF ENERGY :

1. Installing one - 3 MVA transformer to utilise the power generated from Co-gen, instead presently generating power in sugar plant which in turn will save bagasse.
2. Replacing the present economiser of Boiler No. 7 of sugar plant with that of higher heating surface to improve boiler efficiency.
3. Installing Vapour Line Juice Heater (VLJH) for KI evaporator to utilise waste heat of vapours of last body of evaorator.
4. Installing liquid to liquid heat exchanger to heat raw juice after VLJH to utilise waste heat of vapour condensates.
5. Making arrangement for second stage dilution of the flocculant addition with clear juice instead of hot water to reduce steam consumption.
6. To use clear juice to substitute all water use on the A-Pans to reduce steam consumption.

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.	--*	1,70,100*
Rate	Rs./KWH	--	--
*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	2,23,906	65,542
Units per Litre of Diesel Oil	KWH/Ltr.	4.19	4.68
Cost per Unit	Rs./KWH	7.21	5.00
ii) Through Steam Turbine Generator (Sugar Plant)			
Units	KWH	49,41,276	98,12,271
Units per K. G. of Bagasse	KWH	0.16	0.15
Cost per Unit	Rs./KWH	4.69	1.29

(c) Power taken from Co-generation :

Units	KWH	1,79,28,280	2,10,14,000
Total Amount	Rs.	2,93,37,847	2,28,66,156
Cost per Unit	Rs./KWH	1.64	1.09

(d) Steam taken from Co-generation :

Units	M.T.	1,72,298	2,20,002
Total Amount	Rs.	5,61,69,148	7,40,22,808
Cost per Unit	Rs./M.T.	326.00	336.46

2. OTHER / INTERNAL GENERATIONS :

a) Fire Wood	M.T.	160.00	535.36
Total Cost	Rs.	1,87,998.25	6,34,262.40
Rate /Unit	Rs./M.T.	1,174.99	1,184.74
b) Bagasse			
Purchased	M.T.	NIL	NIL
Produced & Utilised for Power Generation	M.T.	31582.59	64,354.78
Total Cost	Rs.	2,36,86,943	1,28,70,957
Rate (Average)	Rs./M.T.	750	200

(II) CONSUMPTION PER UNIT OF SUGAR PRODUCTION :

Electricity	KWH/QTLS.	18.45	19.55
Coal (IInd Grade)	M.T./QTLS.	NIL	NIL
Fire Wood	M.T./QTLS.	0.000007	0.000339
Bagasse	M.T./QTLS.	0.0014	0.04

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 decreased from 4.66 to 4.52 during this year.
- (c) 400 TR Chiller utilisation helped us to run the plant normally during summer, resulting in increased productivity.

ANNEXURE "B" TO THE DIRECTORS' REPORT

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	91,54,870	1,20,31,520	53,562	69,110
Total Amount	Rs.	3,42,57,347	4,59,03,417	9,93,522	10,32,933
Rate	Rs./KWH	3.74	3.82	18.55	14.95

(b) Own Generation:

i) Through Diesel Generator

(Kirloskar D.G.Set)

Unit	KWH	1,78,596	4,65,276	1,47,288	3,07,044
Diesel Consumption.	Ltrs.	52,538	1,55,138	58,802	87,130
Unit per litre of diesel oil	KWH	3.40	3.00	2.50	3.52
Cost per Unit.	Rs./KWH	-	8.09	10.25	6.51

ii) Through Steam Engine (BM Engine & Turbine)

Unit per K.G.	KWH	34,21,250	38,02,793	15,19,310	20,44,528
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) Power taken from Co-generation:

Unit	KWH	-	-	3,67,550	-
Total Amount	Ltrs.	-	-	10,21,983	-
Rate	Rs./KWH	-	-	2.78	-

(d) Steam taken from Co-generation:

Unit	M.T.	-	-	15,089	1,573
Total Amount	Rs.	-	-	64,14,906	10,20,345
Rate	Rs./M.T.	-	-	425	649

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.	25,775	27,640	253	826
Total Cost	Rs.	6,43,85,950	6,30,79,455	7,30,522	21,62,802
Average Rate	Rs./M.T.	2,498	2,282	2,887	2,618
Bagasse Cosumed	M.T.	NIL	NIL	14,358	16,964
Total Cost	Rs.	NIL	NIL	1,63,64,787	1,68,77,492
Average Rate	Rs./M.T.	NIL	NIL	1,139.73	994.88
Biogas consumed	M3	27,39,098	1,11,19,377	36,13,340	50,60,700
Total Steam generation	M.T.	1,30,366	1,86,743	42,818	52,787
Steam generation per MT of coal/Bagasse	M.T.	4.52	4.66	2.93	2.84
Fire Wood consumed	M.T.	NIL	NIL	NIL	815
Total Cost	Rs.	NIL	NIL	NIL	9,40,862
Average Rate	Rs.	NIL	NIL	NIL	1,154.43
Firewood Chips	M.T.	NIL	NIL	23	20
Total Cost	Rs.	NIL	NIL	47,649	32,000
Average Rate	Rs.	NIL	NIL	2,100	1,600

(II) CONSUMPTION PER UNIT OF PRODUCTION :

i) Alcohol :

Production	K.L.	4,955	26,195	9,248	20,869
Electricity	KWH	11,71,588	52,64,938	10,24,346	21,85,614
Units / KL of Prod.	KHW/K.L.	232.37	200.99	111	105
Coal	M.T.	674	2,766	253	826
Bagasse	M.T.	NIL	NIL	14,358	16,964
Firewood	M.T.	NIL	NIL	NIL	815
Firewood Chips	M.T.	NIL	NIL	23	20
Biogas	M3	27,39,098	1,11,19,377	36,13,340	50,60,700
Coal Ratio	M.T./K.L.	0.74	0.58	1.58	0.89
Steam Ratio	M.T./K.L.	3.34	2.70	3.23	2.53

ii) Acetaldehyde :

Production	M.T.	14,594	16,807	NIL	NIL
Electricity	KWH	36,73,381	30,31,328	NIL	NIL
Units / MT of Prod.	KWH/M.T.	251.70	180.36	NIL	NIL
Coal	M.T.	8,267	8,463	NIL	NIL
Coal Ratio	M.T./M.T.	0.57	0.50	NIL	NIL
Steam Ratio	M.T./M.T.	2.56	2.35	NIL	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 downstream 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. 35.57
ii) Recurring	Rs. 101.44
iii) Total	Rs. 137.01
iv) Total R & D expenses as a percentage of total turnover	0.34%

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.

(C) FOREIGN EXCHANGE :

	Rs. in Lacs
EARNINGS	: 905.90
OUTGO	: 3947.42

By Order of the Board of Directors,

Place : Mumbai

Date : 6th September, 2005.

S. K. SOMAIYA
Chairman & Managing Director

AUDITORS' REPORT

To The Members of

THE GODAVARI SUGAR MILLS LIMITED,

We have audited the attached Balance Sheet of **THE GODAVARI SUGAR MILLS LIMITED** as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date, annexed thereto and Cash Flow Statement for the year ended on that date. 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.

1. 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 for our opinion.
2. 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 hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
3. Further to our comments in the Annexure, referred to in paragraph 2 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, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet and Profit and Loss Account and Cash Flow Statement 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 and Cash Flow Statement dealt with by this report subject to **Refer to Note No. 8 of notes annexed to accounts regarding overstatement of Power Sales and corresponding Debtors by Rs. 442.98 lacs, in case of adverse judgment by Hon'ble Karnataka High court.**
comply with mandatory Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e) In our opinion, and based on information and explanation given to us, none of the directors are disqualified as on 31st March 2005 from being appointed as directors 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 remark in paragraph 3(d) above and note no. 9 regarding non confirmation of balances of Debtors, Creditors, certain loans from Financial Institution and Banks, certain advances** read together with the Significant Accounting Policies and other notes thereon 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 so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - ii) in so far as it relates to the Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii) in so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **DESAI SAKSENA & ASSOCIATES**
Chartered Accountants

Dr. S. N. Desai
Partner
M.No.32546

Place : Mumbai
Date : 6th September, 2005.

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 2 of the Auditors' Report of even date.

- (i) 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 on the basis of available information.
 - (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 the fixed assets are verified every year to cover all the items in 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) In our opinion, the company has not disposed off a substantial part of fixed assets during the year and the going concern status of the company is not affected.
- (ii) 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 and according to information and explanation given to us, 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) The Company has maintained proper records of inventories. As explained to us there were no material discrepancies noticed on physical verification of inventory as compared to book records.
- (iii) According to the information and explanation given to us; 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
 - a) The Company has not granted any loans during the year to the parties covered in the register maintained under section 301 of the Companies Act, 1956
 - b) The Company has not taken loans from parties covered in the register maintained under section 301 of the Companies Act, 1956
 - c) The Company has repaid inter corporate deposit from the companies listed in register maintained under section 301, by way of conversion of said loans into share capital.
 - d) The rate of interest paid on such inter corporate deposits which were taken in earlier years from the companies listed in register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (iv) In our opinion, and according to the information and explanation given to us, exception to 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 system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.
- (v) In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956;
 - a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered in 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.
- (vi) 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.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) 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.

ANNEXURE TO THE AUDITORS' REPORT

(ix) In respect of statutory dues:

- a) According to the information, explanations and records of the Company, in respect of statutory and other dues, the Company has been generally regular in depositing undisputed statutory dues, including Provident fund, Employees' State Insurance, Income Tax, Sales tax, Custom duty, Excise Duty, Cess and any other statutory dues, applicable to it, with the appropriate authorities during the year.
- b) According to information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2005 for a period more than six months from the date of becoming payable.
- c) The disputed statutory dues aggregating to Rs.321.77 that have not been deposited on account of disputed matters pending before appropriate authorities as at 31st March, 2005 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
Cane Purchase Tax	1996-97	Deputy Commissioner	29.85
State Excise Duty	1989-90	Deputy Commissioner	79.80
State Excise supervision charges	01.01.96 to 30.09.2000	Commissioner of State Excise	10.81
Central Excise Duty	1997-98	Assistant Commissioner	0.04
	2001-02 to 2003-04	Tribunal	12.66
	2004-05	Assistant Commissioner	3.60
	2004-05	Joint Commissioner	4.99
	2003-04	Assistant Commissioner	4.30
Service Tax	1997-98 to 1998-99	Commissioner	9.47
Income Tax	1996-97 to 1998-99	ITAT	36.33

- (x) 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.
- (xi) Based on our audit procedure and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions or banks as per Capital Debt Restructuring Package approved by consortium of the Lenders.
- (xii) 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.

- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore the provision of clause 4(xiii) of Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- (xiv) According to information and explanation given to us, we are of the opinion that the Company is not trading in shares, debentures and other investments. Therefore the provision of clause 4(xiv) of Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- (xv) In our opinion and according to the information and explanation given to us, the terms and conditions on which the Company has given guarantees which are in the nature of tripartite arrangement for loans taken by others from banks or financial institutions, are not, prima facie, prejudicial to the interest of the Company.
- (xvi) 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.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that 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.
- (xviii) According to the information and explanations given to us, the Company has made preferential allotment of shares during the year.
- (xix) 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.
- (xx) 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.
- (xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For **DESAI SAKSENA & ASSOCIATES**
Chartered Accountants

Dr. S. N. Desai
Partner
M. No. 32546

Place : Mumbai
Date : 6th September, 2005.

THE GODAVARI SUGAR MILLS LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2005

		(Rs.in lacs)	
		31.03.2005	31.03.2004
SCHEDULES			
SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS :			
(a) Share Capital	1	4,298.25	3,648.25
(b) Reserves & Surplus	2	3,850.93	3,282.67
		<u>8,149.18</u>	<u>6,930.92</u>
Deferred Tax Liability (Net)		257.99	162.96
LOANS :			
(a) Secured Loans	3	23,445.05	24,089.12
(b) Unsecured Loans	4	5,267.86	6,673.87
		<u>28,712.91</u>	<u>30,762.99</u>
TOTAL FUNDS EMPLOYED		<u>37,120.08</u>	<u>37,856.87</u>
APPLICATION OF FUNDS :			
FIXED ASSETS :			
(a) Gross Block	5	26,349.19	24,625.59
(b) Less : Depreciation		<u>6,685.85</u>	<u>5,368.82</u>
(c) Net Block		19,663.34	19,256.77
(d) Work in Progress		1,361.17	919.57
		<u>21,024.51</u>	<u>20,176.34</u>
INVESTMENTS	6	23.85	23.66
CURRENT ASSETS :			
(a) Inventories	7	15,066.13	15,605.29
(b) Debtors	8	2,482.89	2,316.17
(c) Cash / Bank Balances	9	545.01	956.39
(d) Loans and Advances	10	<u>2,800.46</u>	<u>3,154.51</u>
		20,894.49	22,032.36
LESS : CURRENT LIABILITIES :	11		
(a) Current Liabilities		4,992.58	4,607.19
(b) Provisions		<u>-</u>	<u>-</u>
		4,992.58	4,607.19
Net Current Assets		<u>15,901.91</u>	<u>17,425.17</u>
MISCELLANEOUS EXPENDITURE :			
(to the extent not written off or adjusted)			
Deferred Revenue Expenditure		169.81	231.70
TOTAL FUNDS DEPLOYED		<u>37,120.08</u>	<u>37,856.87</u>
Notes Forming Part of the Accounts	19		

As per our Report of even date annexed

For DESAI SAKSENA & ASSOCIATES
Chartered Accountants

Dr. S. N. Desai
Partner

Place : Mumbai
Date : 6th September, 2005.

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

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

Place : Mumbai
Date : 6th September, 2005.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

		(Rs.in lacs)	
		31.03.2005	31.03.2004
SCHEDULES			
INCOME :			
Sales	12	39,891.58	33,734.36
Other Income	13	356.34	542.96
Increase / (Decrease) in Stock	14	(1,766.02)	487.80
		<u>38,481.90</u>	<u>34,765.12</u>
EXPENDITURE :			
Raw Material Cost	15	21,098.84	20,066.17
Purchase of Goods for resale		738.27	359.69
Manufacturing and Other Expenses	16	8,313.58	7,253.15
Excise Duty & Sugar Development Cess		3,364.24	3,098.98
Interest & Financial Charges	17	3,213.63	3,090.47
Depreciation		1,342.64	1,132.18
		<u>38,071.20</u>	<u>35,000.64</u>
PROFIT /(LOSS) BEFORE TAX		410.70	(235.52)
Provision for Taxation :			
Add/(Less) : Current Tax		(36.60)	-
Add/(Less) : Deferred Tax : Assets /(Liabilities)		<u>(95.03)</u>	<u>887.76</u>
PROFIT FOR THE YEAR		279.07	652.24
Add/(Less) : Prior Period Items		(13.28)	(172.79)
Add : Excess/(Short) provision for taxation		(4.83)	31.10
		<u>260.96</u>	<u>510.55</u>
Balance Profit brought forward from last year		530.09	19.54
BALANCE PROFIT CARRIED TO BALANCE SHEET		<u>791.05</u>	<u>530.09</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 DESAI SAKSENA & ASSOCIATES
Chartered Accountants

Dr. S. N. Desai
Partner

Place : Mumbai
Date : 6th September, 2005.

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

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

Place : Mumbai
Date : 6th September, 2005.

SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

		31.03.2005	(Rs.in lacs) 31.03.2004
SCHEDULE 1 - SHARE CAPITAL :			
AUTHORISED :			
4,20,00,000 Ordinary (Equity) Shares of Rs.10/- each	4,200.00		3,000.00
18,00,000 Redeemable Preference Shares of Rs.100/- each	<u>1,800.00</u>		<u>3,000.00</u>
		<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
65,00,000 Add : 65,00,000 Shares of Rs. 10/- each issued & fully paid up during the year	<u>650.00</u>		<u>-</u>
		2,498.25	1,848.25
12% Redeemable Cumulative Preference Share Capital :			
18,00,000 Shares of Rs 100/- each		<u>1,800.00</u>	<u>1,800.00</u>
		<u>4,298.25</u>	<u>3,648.25</u>
SCHEDULE 2 - RESERVES AND SURPLUS :			
(a) GENERAL RESERVE :			
As per the last Balance Sheet		1,543.09	1,543.09
(b) SECURITIES PREMIUM RESERVE :			
As per the last Balance Sheet		290.00	290.00
(c) GRANT-USAID (For Co-Generation Project) (Refer Note No. 10) :			
As per the last Balance Sheet	296.24		296.24
Add : Received during the year	<u>82.30</u>		<u>-</u>
		378.54	296.24
(d) CAPITAL RESERVE :			
As per the last Balance Sheet	623.25		398.25
Add : Addition during the year (Refer Note No. 10)	<u>225.00</u>		<u>225.00</u>
		848.25	623.25
(e) PROFIT AND LOSS ACCOUNT			
		791.05	530.09
		<u>3,850.93</u>	<u>3,282.67</u>

SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

		31.03.2005	(Rs. in lacs) 31.03.2004
SCHEDULE 3 - SECURED LOANS :			
A Sugar Division			
From Banks			
(a) Term Loans/Corporate Loans :			
(i) Bank of India	757.85		800.00
(ii) Union Bank of India	722.25		812.83
(iii) Andhra Bank	350.87		414.00
(All the above loans are 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.)	1830.97		2026.83
(iv) From Industrial Development Bank of India (Secured by hypothecation by way of exclusive first charge on specific Equipments.)	31.50		94.50
(v) From SICOM Ltd. (Secured by mortgage of Lakshmiwadi Land and hypothecation by way of exclusive first charge of specific Assets)	5.00		63.56
(vi) 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)	40.80		61.20
(vii) From Sugar Technology Mission (Secured by hypothecation by way of exclusive first charge on the machinery, equipment tools & accessories under the Ethyl Lactate Project)	280.00		72.00
(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)	57.75		13.79
		3,186.02	3,271.88
(b) Cash Credit Account with			
(i) Bank of India	5,076.48		5,129.86
(ii) Union Bank of India	4,787.90		4,801.07
(iii) Andhra Bank	2,003.06		2,107.15
(All the above loans are Secured First charge by hypothecation of raw materials, Stocks of Sugar, Stores, Chemicals Spares, etc. and Equitable Mortgage on Block of Fixed Assets of the Company's Sugar unit at Sameerwadi (excluding Agricultural Assets) pari passu with Term lenders of Co-generation project and fully guaranteed by a Director.)		11,867.44	12,038.08
		15,053.46	15,309.96
B Co-generation Division :			
(a) Term Loans :			
(i) Industrial Development Bank of India Ltd.	3,530.00		3,450.00
(ii) Andhra Bank	1,464.05		1,741.92
(iii) State Bank of India	1,201.91		1,306.64
(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 Sugar unit at Sameerwadi (excluding Agricultural Assets))		6,195.96	6,498.56

SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

	31.03.2005	(Rs. in lacs) 31.03.2004
SCHEDULE 3 (Continued...)		
C Distillery & Chemical Division		
From Banks		
(a) Term Loans :		
(i) Foreign Currency Loan from Industrial Development Bank of India Ltd. (Secured by Hypothecation by way of First Charge on the Specific Equipments, First Charge 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
(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.)	668.25	913.38
(iii) Bank of Baroda - Turbine Loan (Secured by hypothecation by way of first charge on Turbine 800 KW at Sakarwadi)	41.26	18.38
(iv) From SICOM Ltd. (Secured by mortgage of specific Sakarwadi land and hypothecation by way of first charge of specific assets)	249.22	350.00
(v) Instalments Due for Purchase of Assets Under H.P.Finance (Hypothicated against specific Assets)	22.43	25.71
	981.16	1,404.10
(b) Cash Credit & Bills Discounting Account with :		
(i) Bank of Baroda	1,003.16	710.24
(ii) Syndicate Bank	211.31	166.26
(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.)	1,214.47	876.50
	23,445.05	24,089.12
SCHEDULE 4 - UNSECURED LOANS :		
(a) Public Deposits	889.73	179.21
(b) Deposits from Cultivators	569.74	911.19
(c) Interest Free Sales Tax Loan from SICOM	243.59	256.50
(d) Other Loans & Advances		
From Banks	2,478.34	3,724.78
From Others	1,086.46	1,602.19
	3,564.80	5,326.97
	5,267.86	6,673.87

SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31ST MARCH, 2005
SCHEDULE 5 - FIXED ASSETS :

PARTICULARS	(Rs. in Lacs)									
	Gross Block As on 1st April, 2004	Additions during the year	Deductions/ Adjustments during the year	Gross Block As on 31st March, 2005	Depreciation Written off upto 31st March, 2004	Depreciation Written off during the year	Deductions/ Adjustments of Depreciation	Total Depreciation upto 31st March, 2005	Net Depreciated Block as at 31st March, 2005	Net Depreciated Block as at 31st March, 2004
Sugar :										
Factory & Other Land	286.68	-	-	286.68	-	-	-	-	286.68	286.68
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	548.48	49.73	-	598.21	98.28	9.34	-	107.62	490.59	450.20
Factory Building	227.16	3.79	-	230.95	91.21	7.64	-	98.85	132.10	135.95
Agricultural Machinery	13.45	0.63	-	14.08	9.86	0.65	-	10.51	3.57	3.59
Plant & Machinery	6172.31	449.30	-	6621.61	2,126.52	329.02	-	2,455.54	4166.07	4045.79
Furniture & Fixtures	106.91	20.15	-	127.06	35.82	7.18	-	43.00	84.06	71.09
Office Equipments	113.91	16.56	-	130.47	37.32	7.51	-	44.83	85.64	76.59
Motor Vehicles	225.72	57.00	-	282.72	103.60	22.37	-	125.97	156.75	122.12
Computers	460.20	36.22	-	496.42	249.72	69.21	-	318.93	177.49	210.48
Total Sugar (A)	8,165.98	633.38	-	8,799.36	2,752.58	452.92	-	3,205.50	5,593.86	5,413.40
Co-generation :										
Non Factory Building	41.80	2.63	-	44.43	0.49	0.71	-	1.20	43.23	41.31
Factory Building	234.16	6.36	-	240.52	8.16	7.97	-	16.13	224.39	226.00
Plant & Machinery	9,043.38	258.25	-	9,301.63	516.20	512.83	-	1,029.03	8,272.60	8,527.18
Furniture & Fixtures	7.14	0.36	-	7.50	0.48	0.47	-	0.95	6.55	6.66
Office Equipments	208.12	0.20	-	208.32	13.54	13.19	-	26.73	181.59	194.58
Motor Vehicles	151.78	5.57	-	157.35	4.41	17.43	-	21.84	135.51	147.37
Computers	5.51	-	-	5.51	0.97	0.89	-	1.86	3.65	4.54
Total Co-generation (B)	9,691.89	273.37	-	9,965.26	544.25	553.49	-	1,097.74	8,867.52	9,147.64
Total (A + B)	17,857.87	906.75	-	18,764.62	3,296.83	1,006.41	-	4,303.24	14,461.38	14,561.04
Distillery & Chemical :										
Factory & Other Land	245.62	-	-	245.62	-	-	-	-	245.62	245.62
Non Factory Building	94.26	59.99	-	154.25	12.78	1.64	-	14.42	139.83	81.48
Factory Building	193.86	0.51	-	194.37	43.43	6.18	-	49.61	144.76	150.43
Plant & Machinery	5,833.61	716.15	5.87	6,543.89	1,842.11	285.59	5.87	2,121.83	4,422.06	3,991.50
Furniture & Fixtures	80.22	6.96	-	87.18	21.89	4.89	-	26.78	60.40	58.33
Office Equipments	49.76	4.93	-	54.69	11.81	2.88	-	14.69	40.00	37.95
Motor Vehicles	119.07	56.32	31.61	143.78	59.34	11.38	19.74	50.98	92.80	59.73
Computers	151.32	9.47	-	160.79	80.64	23.66	-	104.30	56.49	70.68
Total Distillery & Chemical (C)	6,767.72	854.33	37.48	7,584.57	2,072.00	336.22	25.61	2,382.61	5,201.96	4,695.72
Grand Total (A + B + C)	24,625.59	1,761.08	37.48	26,349.19	5,368.83	1,342.63	25.61	6,685.85	19,663.34	19,256.76
Previous Year 2003-04	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
Capital Work in Progress										
Sugar Division									714.30	317.83
Cogeneration									172.55	5.20
Distillery & Chemical *									*474.32	596.54
Total Capital Work in Progress									1361.17	919.57

* (Assets Impaired amounting to Rs. 57.14 lacs (previous year Rs. NIL), reduced from CWTIP)

SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

	31.03.2005	(Rs. in lacs) 31.03.2004
SCHEDULE 6 - INVESTMENTS (At Cost)		
A Sugar Division		
(a) OTHER INVESTMENTS :		
(QUOTED)		
(i) 7200 Equity Shares of Bank of India (Market Value Rs. 7.43 lacs)	3.24	3.24
(ii) 35900 Shares of UBI (Market Value Rs. 39.63 lacs)	5.74	5.74
	<u>8.98</u>	<u>8.98</u>
(b) 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 Pvt. Ltd. for Rs.10/- each	5.00	5.00
	<u>10.00</u>	<u>10.00</u>
B Distillery & Chemical Division		
(a) (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
(iii) 4500 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. 10.80 Lacs)	4.25	4.25
(b) (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
(iii) National Savings Certificate for Sales Tax at Nagar	0.20	-
	<u>6.63</u>	<u>6.44</u>
Less : Provision-for diminution in investments	1.76	1.76
	<u>4.87</u>	<u>4.68</u>
	<u>23.85</u>	<u>23.66</u>
SCHEDULE 7 - INVENTORIES (as taken, valued and certified by the Management) :		
(a) Sugar Division :		
(i) Stocks-in-trade	11,184.65	13,427.80
(ii) Stores, Chemicals and Spares, Packing Materials	811.63	764.94
(iii) Work in Process	214.37	-
(iv) Raw Materials	612.40	189.65
	<u>12,823.05</u>	<u>14,382.39</u>
(b) Distillery & Chemical Division :		
(i) Stocks-in-trade	838.39	517.97
(ii) Stores, Chemicals and Spares, Packing Materials	376.24	235.74
(iii) Work in Process	3.55	46.97
(iv) Raw Materials	1,024.90	422.22
	<u>2,243.08</u>	<u>1,222.90</u>
	<u>15,066.13</u>	<u>15,605.29</u>

SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31ST MARCH, 2005

31.03.2005 (Rs. in lacs)
31.03.2004

SCHEDULE 8 - SUNDRY DEBTORS :

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

(a) Debts Outstanding for more than six months	693.33	536.75
(b) Other Debts	1,789.56	1,779.41
	<u>2,482.89</u>	<u>2,316.17</u>

SCHEDULE 9 - CASH AND BANK BALANCES :

(a) Cash, Cheques and Drafts on hand and in transit	113.71	79.30
(b) In Current Account with Scheduled Banks	169.89	277.27
(c) Fixed Deposits with Scheduled Bank (Lodged with Excise Department, Bijapur)	0.05	0.05
(d) Fixed Deposits with Banks	261.36	599.77
	<u>545.01</u>	<u>956.39</u>

SCHEDULE 10 - LOANS AND ADVANCES :

(Unsecured and considered good except otherwise stated)

(a) Advances Recoverable in Cash or Kind or for value to be received	2,031.66	2,334.07
(b) Advances to Subsidiary Company	0.01	0.35
(c) Advance Income Tax (Net of Provisions For Tax)	529.62	532.09
(d) Deposit with Excise Authorities & Others	239.17	288.00
	<u>768.80</u>	<u>820.44</u>
	<u>2,800.46</u>	<u>3,154.51</u>

SCHEDULE 11 - CURRENT LIABILITIES AND PROVISIONS :

CURRENT LIABILITIES :

(i) Sundry Creditors & other liabilities	4,039.24	4,008.77
(ii) Interest accrued but not due	953.34	598.42
	<u>4,992.58</u>	<u>4,607.19</u>
	<u>4,992.58</u>	<u>4,607.19</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

		31.03.2005	(Rs. in lacs) 31.03.2004
SCHEDULE 12 - SALES :			
Sugar	24,491.62		19,658.14
Less : Inter Unit Transfer	<u>280.00</u>		<u>-</u>
		24,211.62	19,658.14
Fertiliser		769.58	329.89
Molasses	1,324.83		607.81
Less : Inter Unit Transfer	<u>1,324.83</u>		<u>607.81</u>
		-	-
Pressmud	11.83		16.31
Less : Inter Unit Transfer	<u>11.83</u>		<u>16.31</u>
		-	-
Bagasse & others	1,242.79		755.30
Less : Inter Unit Transfer	<u>1,242.79</u>		<u>755.30</u>
		-	-
Power & Steam	3,089.06		4,347.87
Less : Inter Unit Transfer	<u>1,211.08</u>		<u>979.09</u>
		1,877.98	3,368.78
Chemicals		8,481.92	6,524.69
Alcohol/Fuel Alcohol/Bio Fert.		4,550.48	3,852.86
		39,891.58	33,734.36

SCHEDULE 13 - OTHER INCOME :

Scrap Sales	43.16	68.27
Foreign Exchange Fluctuation (Net)	8.80	254.54
Income from Immovable Property	4.59	3.39
Sale of Farm Produce	33.45	25.19
Claims and Refund	76.35	22.48
Interest on Fixed Deposits and Others	146.11	127.91
Dividend	1.63	2.21
Miscellaneous Income	42.25	38.97
	356.34	542.96

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 2005**

	31.03.2005	(Rs. in lacs) 31.03.2004
SCHEDULE 14 - INCREASE / (DECREASED) IN STOCK :		
Closing Stock :		
Sugar Division	11,399.02	13,442.04
Distillery & Chemical Division	841.93	564.93
	<u>12,240.95</u>	<u>14,006.97</u>
Less		
Opening Stock :		
Sugar Division	13,442.04	13,142.77
Distillery & Chemical Division	564.93	376.40
	<u>14,006.97</u>	<u>13,519.17</u>
Increase / (Decrease) in Stock	<u>(1,766.02)</u>	<u>487.80</u>
SCHEDULE 15 - RAW MATERIALS CONSUMED :		
Sugar Division :		
Sugarcane Cost	16,102.04	15,010.36
Power Division :		
Bagasse	1,454.78	2,228.38
Less : Inter Unit Transfer	1,198.39	720.34
	<u>256.39</u>	<u>1,508.04</u>
Distillery & Chemical Division :		
Alcohol	4,106.60	947.67
Molasses	1,917.09	2,962.51
Less : Inter Unit Transfer	1,324.83	607.81
	<u>592.26</u>	<u>2,354.70</u>
Chemicals	53.38	267.85
Less : Inter Unit Transfer	11.83	22.45
	<u>41.55</u>	<u>245.40</u>
	<u>21,098.84</u>	<u>20,066.17</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 2005**

(Rs. in lacs)
31.03.2005 31.03.2004

SCHEDULE 16 - MANUFACTURING AND OTHER EXPENSES :

MANUFACTURING EXPENSES :

Power and Fuel	2,585.05		2,502.51
Less : Inter Unit Transfer	<u>1,239.22</u>		<u>1,007.85</u>
		1,345.83	1,494.66
Packing, Forwarding and Storage		503.96	537.93
Stores, Chemicals and Spare Parts consumed	1,129.36		958.61
Less : Inter Unit Transfer	<u>16.25</u>		<u>0.07</u>
		1,113.11	958.54
Excise Establishment Charges		21.37	19.98
Expenses on Scientific Research (R & D)		7.40	14.88
Contribution to Scientific Research Institution		<u>16.45</u>	<u>16.11</u>
		3,008.12	3,042.10

REPAIRS AND MAINTENANCE :

Plant and Machinery	364.54		389.54
Buildings	88.42		109.22
Others	<u>194.52</u>		<u>137.72</u>
		647.48	636.48

EMPLOYEES REMUNERATION AND BENEFITS :

Salaries, Wages and Bonus	2,201.81		1,873.44
Contribution to Provident Fund & Other Fund	169.18		169.37
Welfare Expenses	179.78		131.12
Group Gratuity Insurance Premium	<u>84.52</u>		<u>85.06</u>
		2,635.29	2,258.99

OFFICE AND ESTABLISHMENT EXPENSES :

Rent, Rates and Taxes	159.63		143.61
Telephone Expenses	45.22		42.92
Travelling Expenses	111.15		113.32
Insurance Premium	153.37		110.94
Legal and Professional Charges	162.49		147.01
Charity and Donation	15.18		7.17
Agricultural Development Expenses	91.03		45.69
DFRC/DEPB/Sundry Written off	344.78		-
General Expenses	581.02		426.00
Impairment/Loss on sale of Assets	<u>62.87</u>		<u>42.57</u>
		1726.74	1079.23

SELLING & DISTRIBUTION EXPENSES :

139.66 124.80

AUDITORS' REMUNERATION :

Audit Fees/Tax Audit Fees	3.21		3.39
Certification fees	-		0.13
Auditors' Travelling Expenses	<u>0.14</u>		<u>0.11</u>
	3.35		3.63
Cost Audit Fees and Travelling Expenses	<u>0.37</u>		<u>0.40</u>
		3.72	4.03

DIRECTORS' REMUNERATION, FEES AND TRAVELLING EXPENSES :

Remuneration	82.28		58.99
Fees	0.66		0.48
Travelling	<u>69.63</u>		<u>48.05</u>
		152.57	107.52
		8,313.58	7,253.15

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 2005**

	31.03.2005	(Rs. in lacs) 31.03.2004
SCHEDULE 17 - INTEREST & FINANCIAL CHARGES :		
Cash Credit	1,153.66	1,079.78
Term Loans	1,585.56	1,579.79
Other Loans	286.00	243.14
Hire Purchase Finance / Financial Charges	188.41	187.76
	<u>3,213.63</u>	<u>3,090.47</u>
SCHEDULE 18 - COMPUTATION OF COMMISSION PAYABLE TO DIRECTORS :		
Net Profit/(Loss) as per Profit and Loss Account	410.70	(235.52)
Add :		
i) Working Directors' Remuneration	82.28	58.99
ii) Depreciation	<u>1,342.64</u>	<u>1,132.18</u>
	<u>1,424.92</u>	<u>1,191.17</u>
	<u>1,835.62</u>	<u>955.65</u>
Add:		
i) (Profit)/Loss on Sale of Fixed Asset	62.87	42.57
ii) Sundry Credit Balances Written off/(Written Back)	<u>-</u>	<u>9.77</u>
	<u>62.87</u>	<u>52.34</u>
	<u>1,898.49</u>	<u>1,007.99</u>
Less :		
i) Depreciation to the extent specified in Section 350 of Companies Act, 1956	<u>1,342.64</u>	<u>1,132.18</u>
Net Profit /(Loss) for purposes of commission	<u>555.85</u>	<u>(124.19)</u>
Managing Director's Commission @3% on the Net Profit	16.03	-
Executive Directors Commission @1% on the Net Profit to each.	<u>5.34</u>	<u>-</u>
Total Commission payable	<u>21.37</u>	<u>-</u>

SCHEDULE 19

NOTES:

1) **SIGNIFICANT ACCOUNTING POLICIES :**

A) **System of Accounting :**

The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India and the provisions of Companies Act, 1956.

B) **Use of Estimates:**

The preparation of financial statement requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

C) **Leased Assets:**

Asset taken on lease is for a period not exceeding five years. Due to short period of lease, lease rental pertaining to said assets are charged to the revenue, in the year in which it is incurred.

D) **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 capitalised 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 Straight Line Method as per the rates prescribed in Schedule XIV of the Companies Act, 1956.

E) **Impairment of Assets:**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired.

F) **Investments:**

Long Term Investments are carried at cost less provision, if any, for permanent diminution in value of such investments. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

G) **Retirement Benefits:**

- i) The Liability as on 31-3-2005 for accrued gratuity to employees under the Payment of Gratuity Act, 1972 as per Actuary's Certificate is **Rs. 698.88 Lacs** (Rs.739.31 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 84.53 Lacs** (Previous year Rs. 85.06 Lacs) has been paid to LIC under the said scheme.
- ii) Provision for leave encashment upto 31st March 2005, payable on retirement has been made as per requirement of Accounting Standard 15, which has been made mandatory from 1st April, 1995.
- ii) Contribution to Provident Fund is accounted on accrual basis with corresponding contribution to recognized fund.

H) **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 revalued 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.5.38 lacs (previous year 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.

I) **Revenue Recognition:**

- i) Sales of goods are recognised on dispatches to the customers & includes Excise Duty, adjusted for discounts.
- 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.
- iv) Power Sales are recognised as per Power Purchase Agreement (PPA).

J) Expenditure on Research & Development:

- i) Costs of revenue nature are charged to the profit and 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.

K) Inventories:

- 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 realizable 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.

L) Excise Duty and Sales Tax:

Excise duty and sales tax payable on finished goods lying in the factory as on 31st March, 2005 is neither provided nor considered in valuation of closing stock of finished goods as on 31st March, 2005. This has no impact on the financial results for the year.

M) Deferred Revenue Expenditure:

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

N) Borrowing Costs:

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.

O) 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.

P) 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 realised.

Q) Government Grants:

Government grants are recognised only when there is a reasonable assurance that the conditions attached to the grants will be complied. Government grants in the nature of Project Capital Subsidy are credited to Capital Reserve and USAID Grant.

R) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent Liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

2) 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 Rs. One lac for more than thirty days is given as under:

Alkali Kasture, A.G. Engineers, Liberty Industries, Autogeneous Welding & Repairs, Shaunak Chemicals, Jaishil Sulphur, Proton Engineering, V. Plast, Patco Industrial, Satish Steel Works.

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

		(Rs. in lacs)
	31.03.05	31.03.04
3) DEFERRED TAX LIABILITIES (NET) :		
Description		
(A) Deferred Tax Liabilities :		
Related to Fixed Asstes	3642.19	3948.74
(B) Deferred Tax Assets :		
Unabsorbed Depreciation	3384.20	3785.78
(A) - (B)	<u>257.99</u>	<u>162.96</u>
4) CONTINGENT LIABILITIES (Not Provided for) :		
a) Claims against the Company not acknowledged as Debts :		
Particulars		
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	45.87	28.72
Income Tax Liability (Including Interest)		
that may arise in respect of matters in appeal	36.33	100.88
Cane Purchase Tax	29.85	-
b) Arrears of Cumulative Preference Shares Dividend	432.00	216.00
5) PRIOR PERIOD ITEMS :		
Cane Price of Previous years	-	128.61
Insurance Premium	-	38.21
Others	18.51	12.52
Sub Total	18.51	179.34
Less : H & T Commission of Previous years Written back	-	6.55
Total	18.51	172.79
6) Amount of borrowing costs capitalized during the period	15.58	28.98
7) Estimated amount of contract remaining to be executed on capital account and not provided for Rs 166.00 lacs. (Previous Year-Rs. NIL lacs).		
8) For the Financial year, Company is entitled for the rate of Rs 3.65 per KWH of the energy exported as per the Power Purchase Agreement (PPA) executed with Karnataka Power Transmission Corporation Limited (KPTCL), on 8 th October 1999. However during the year under review KPTCL has paid the rate of Rs 3.16 per KWH (applicable rate for financial year 2002-2003) upto mid July 2004 and Rs 2.80 per KWH as per Honorable High Court of Karnataka's interim order. The company has contested the unilateral reduction in the tariff before The Honorable High Court of Karnataka and the matter is subjudice. In the mean time Karnataka Electricity Regulatory Commission (KERC) have awarded that PPA approved by them before 10 th June 2004 are eligible for tariff at PPA rate. In view of the said facts the Company has recognized the income of power sales to KPTCL as per PPA rate and amount receivable from KPTCL is considered as good.		
9) Balances of Debtors, Creditors, certain loans from Financial Institution and Banks, certain advances are subject to confirmation.		
10) The Company is eligible for a Capital subsidy from KREDL to the extent of Rs. 450 lacs which has been accounted as a Capital Reserve. The company has received till date a sum of Rs 363.97. Further the company is eligible for USAID Grant of Rs. 425 Lacs for the Co-generation Project, out of which the company has received and accounted till 31st March, 2005 Rs. 378.54 Lacs as shown under Reserves, and thereafter Rs. 45.65 has been received. The Company has made its relevant application to IDBI (Nodal Agency for USAID) for the Balance amount of Rs. 0.81 lacs, which is awaited.		

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

11) (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.

Goods Manufactured	Opening Stock		Production	Quantity sent for reprocessing & loss due to Drriage & Damaged Ex-sugar	Damage Sugar taken back in the System	Cons. for Lactic Acid Plant	Sales		Closing Stock	
	Quantity M.T.	Value Rs. in Lac	Quantity M.T.	M.T.	M.T.	M.T.	Quantity M.T.	Value Rs.	Quantity M.T.	Value Rs.
Sugar	1,06,933.550	13,336.23	1,25,250.500	1,954.850	-	-	1,56,295.900	23,203.95	73,933.300	10,494.57
	1,07,664.550	12,762.99	1,58,670.000	2,146.000	5,300	-	1,57,260.300	18,323.61	1,06,933.550	13,336.23
Molasses	8,894.494	88.94	47,724.900	-	-	85,300	40,142.180	1,107.96	16,391.914	688.37
	13,366.314	167.08	64,228.800	-	-	-	68,700.620	607.81	8,894.494	88.94

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.
a) Sugar Cane Consumed	11,50,950	16,000.45	14,66,585	15,010.36
b) Raw Sugar Consumed	825	101.59	-	-
Total	-	16,102.04	-	15,010.36
Stores and Spares Consumed	Value Rs.	%	Value Rs.	%
Imported	-	-	-	-
Indigenous	713.44	100	687.47	100
TOTAL	713.44	100	687.47	100

Note : 23,240 Qdts of unshipped export sugar lying at Tuticorin Port, subsequently 23,228 Qdts despatched as Free Sale during May 2005 and June 2005 against May 2005 Free Sale R.O. and 12 Qdts shown as transit loss.

CO-GENERATION DIVISION :

Installed Capacity 24 MWH

Particulars	Current Year		Previous Year	
	Generated	Export to Grid	Generated	Export to Grid
Power MWH	77,974.00	53,943.00	1,32,494.00	99,037.50

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

Particulars	Current Year		Previous Year	
	Qty (M.T.)	Rs. in lacs	Qty (M.T.)	Rs. in lacs
Purchased Raw Material	1,60,432.32	256.39	1,38,051.28	1,508.04
Bagasse (Inter Unit Manufactured)	10,639.03	-	1,60,789.03	-

... information in respect of goods manufactured:

Installed Capacity (Annual
(As Certified by Director, (Works)))

Rectified spirit	
Notes:	1 Acetaldehyde is intermediary product for the manufacture of Acetic Acid.

b) Consumption of Raw Materials :

	Unit	Current Year		Previous Year	
		Quantity	Amount (Rs.in lacs)	Quantity	Amount (Rs.in lacs)
Molasses	M.T.	29,388.40	777.32	1,24,677.85	2,354.70
Molasses (Import)	M.T.	5,411.315	307.88	-	-
Molasses (Inter Unit Manufactured)	M.T.	45,505.28	-	68,700.62	-
Rectified Spirit (Own Manufactured - SAK)	H.L.	55,535.87	-	2,59,350.14	-
Rectified Spirit (Own Manufactured - SMR)	H.L.	15,264.27	-	-	-
Special Denatured Spirit (Local)	H.L.	45,652.64	729.59	57,192.60	644.72
Special Denatured Spirit (Import)	H.L.	2,08,211.22	2,844.87	23,870.77	302.95
Rectified Spirit Purchased	H.L.	1,589.42	9.33	-	-
Acetaldehyde (Own Manufactured)	M.T.	11,826.46	-	13,756.94	-
Acetic Acid (Own Manufactured)	M.T.	8,564.13	-	8,568.10	-
Ethyl Acetate	M.T.	71.65	-	-	-
Other		6,921.632	71.41	-	245.40
Total		-	4,740.41	-	3,547.77

c) C.I.F. Value of Imports (SDS) :

	H.L.	23,670.088	3410.59	12,409.50	114.09
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d) Value of Raw Materials Consumed :

	Amount (Rs.in lacs)	%	Amount (Rs.in lacs)	%
i) Indigenous	1,587.66	33.49	3,244.82	91.46
ii) Imported (Chemicals including deemed)	3,152.75	66.51	302.95	8.54
Total	4,740.41	100.00	3,547.77	100.00

e) Value of Stores and Spare Parts Consumed :

i) Indigenous	216.34	100%	235.80	100%
ii) Imported :	-	-	-	-
Total	216.34	100%	235.80	100%

f) Earning in Foreign Currency :

	905.89		927.41
--	--------	--	--------

g) Expenditure in Foreign Currency :

i) For Capital Goods			
a) Research & Development	-	-	-
b) Other (including installment on Foreign Currency Loans equivalent to Indian Rs. 85.97 lacs (previous year Rs. 88.39 lacs))	85.97		88.39
ii) Other expenses (including interest on Foreign Currency Loans equivalent to Indian Rs. 2.21 lacs (previous year Rs. 35.75 lacs))	64.60		35.75
Total	-		124.14

12) 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	24,981.20	1,877.98	13,032.40	39,891.58
Inter Segment Transfers	2,720.28	1333.99	9.32	4,063.59
Other Income	247.76	3.92	104.66	356.34
B Result				
Operating Profit	1871.66	742.45	1,139.57	3,753.68
Interest Expenses	2,026.65	689.49	497.49	3,213.63
C Other information				
Share Capital Employed	1,782.55	2,801.20	3,789.45	8,373.20
Segment Assets	15,280.48	2,099.49	3,507.76	20,887.73
Segment Liabilities	22,641.13	7,015.70	3,905.04	33,561.88
Other Unallocable Corporate Assets				957.86
Capital Assets including CWIP	5,514.96	9,040.05	5,511.63	20,066.65
D Segment Depreciation	377.47	553.49	319.72	1,250.68
Unallocated Depreciation				91.96
E Non cash expenses other than Depreciation			62.87	62.87

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.

13) 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 Private 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 Mines & Mineral 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	-	88.75	-
2	Interest	-	9.34	38.00
3	Purchases	-	-	29.58
4	Loans & Advances	0.01	-	-
5	Unsecured Loans	-	66.78	-

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

As per our Report of even date annexed

For DESAI SAKSENA & ASSOCIATES
Chartered Accountants

Dr. S. N. Desai
Partner

Place : Mumbai
Date : 6th September, 2005.

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

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

Place : Mumbai
Date : 6th September, 2005.

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

2005

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

Public Issue

NIL

Right Issue

NIL

Bonus Shares

NIL

Private Placement

65,000

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

Total Liabilities

42,11,266

Total Assets

42,11,266

Sources of Funds

Paid-up Capital

4,29,825

Reserves & Surplus

3,85,093

Secured Loans

23,44,505

Unsecured Loans

5,26,786

Application of Funds

Net Fixed Assets

21,02,451

Investments

2,385

Net Current Assets

15,90,191

Misc. Expenditure

16,981

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

Turnover & Other Income

38,48,190

Total Expenditure

38,07,120

+/- Profit/Loss Before Tax

+

41,070

+/- Profit / Loss After Tax

+

26,096

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 DESAI SAKSENA & ASSOCIATES
Chartered Accountants

Dr. S. N. Desai
Partner

Place : Mumbai
Date : 6th September, 2005.

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

S. K. Somaiya Chairman & Managing Director

Samir S. Somaiya Executive Director

N. C. Satya

Kailash Pershad

Directors

P. M. Kavadia

Whole-time Director

Place : Mumbai

Date : 6th September, 2005.

CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2005

		2004-05		(Rs. in Lacs)
A.	Cash flow from Operating Activities :	410.70		2003-04 (235.52)
	Net Profit / (Loss) before tax			
	Adjusted for :			
	Depreciation	1,342.64		1,132.18
	Interest Received on Fixed Deposits and Others	(146.11)		(127.91)
	Foreign Exchange Fluctuation (NET)	(8.80)		(254.54)
	Income From Immovable Property	(4.59)		(3.39)
	Impairment/Loss on Sale of Assets	62.87		42.57
	Dividend Received	(1.63)		(2.21)
	Interest Expenses	3,213.63		3,090.47
	Provision for Tax	(36.60)		-
	Prior period Adjustment	(18.11)	4,403.30	(141.69)
				3,735.48
	Operating Profit before Working capital changes		4,814.00	3,499.96
	Adjustments for :			
	Trade Receivables	(166.72)		(298.39)
	Inventories	539.18		525.59
	Loans & Advances	351.58		850.01
	Deferred Revenue	61.89		(62.40)
	Trade Payables & Provisions	385.39	1,171.32	(2,500.33)
				(1,485.52)
	Cash generated from operations		5,985.32	2,014.44
	Taxes (Provisions, payables/(receipts))		2.46	30.30
	NET CASH FROM OPERATING ACTIVITY		5,987.78	2,044.74
B.	Cash flow from Investing Activities :			
	Purchase of Fixed Assets	(2,259.81)		(2,881.71)
	Sale of Fixed Assets	6.14		60.75
	Purchase of Investments	(0.20)		(1.61)
	Interest Received on Fixed Deposits and Others	146.11		127.91
	Foreign Exchange Fluctuation (NET)	8.80		254.54
	Income From Immovable Property	4.59		3.39
	Loss on Sale of Assets	-		(42.57)
	Dividend Received	1.63		2.21
	NET CASH USED IN INVESTING ACTIVITIES		(2,092.74)	(2,477.09)
C.	Cash flow from Financing Activities :			
	Issue of Share Capital	650.00		-
	Amounts Borrowed (Net)	(2,217.42)		2,543.34
	Interest paid	(3,213.63)		(3,090.47)
	Grant Received (USAID)/Capital Subsidy	307.30		225.00
			(4473.75)	(322.13)
	NET CASH USED IN FINANCING ACTIVITIES		(578.71)	(754.48)
	Net changes in Cash & Cash equivalents			
	CASH & CASH EQUIVALENTS -			
	(OPENING BALANCE)			
	Cash & Bank Balance	956.39		624.59
	Cash Credit Account	(12,914.58)	(11,958.19)	(11,828.30)
				(11,203.71)
	CASH & CASH EQUIVALENTS -			
	(CLOSING BALANCE)			
	Cash & Bank Balance	545.02		956.39
	Cash Credit Account	(13,081.92)	(12,536.90)	(12,914.58)
			(578.71)	(11,958.19)
				(754.48)

As per our Report of even date annexed

For DESAI SAKSENA & ASSOCIATES
Chartered Accountants

Dr. S. N. Desai
Partner

Place : Mumbai
Date : 6th September, 2005.

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

S. K. Somaiya Chairman & Managing Director

Samir S. Somaiya Executive Director

N. C. Satya
Kailash Pershad } Directors

P. M. Kavadia Whole-time Director

Place : Mumbai
Date : 6th September, 2005.

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

2004-2005

I. GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

- 1) The Company holds the whole of the Subscribed Capital of Rs. 5,00,000/- in the Subsidiary Company as at 31st March, 2005.
- 2) The Subsidiary Company made a profit of Rs. 61,294/- after making the provision of tax for the year Rs 5,200/- and excess provision for earlier year taxation Rs 881/-. Adjusting the carried forward loss of Rs.1,06,065/-, the loss carried to balance sheet amounted Rs 44,771/-. 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, 2005.
- 4) The advance to the Subsidiary Company as on 31st March, 2005 was Rs. NIL.

II. PADMANABH AGENCIES PRIVATE LIMITED

- 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, 2005 was Rs. 700/-.

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

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

Place : Mumbai
Date : 6th September, 2005.

DIRECTORS' REPORT

Dear Shareholders,

Godavari Investment and Finance Corporation Limited.

Your Directors submit herewith their Fiftieth Annual Report and Audited Accounts of the Company for the year ended 31st March, 2005.

Financial Results :

During the year under review, the company made profit of Rs. 65,613/-. After making the provision for tax of Rs 5,200/- for the year, adjusting excess provision for tax of Rs. 881/- and adjusting the brought forward loss of Rs.1,06,065/-, the loss of Rs. 44,771/- is carried to Balance Sheet. Your Director do not recommend for any Dividend.

Directors :

Shri S.K.Somaiya 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 (2AA) 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.YS.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, 2005.

AUDITORS' REPORT

To The Members of Godavari Investment And Finance Corporation Limited.

We have audited the attached Balance Sheet of Godavari Investment And Finance Corporation Limited as at 31st March, 2005 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.

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 the Law have been kept by the Company so far as it appears from our examination of those books.
 - III. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
 - IV. In our opinion, Profit and Loss Account and the Balance Sheet dealt with 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, 2005 from being appointed as a Director 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 explanations 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, 2005; and
 - b) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on 31st March, 2005.

For Y. S. MUZUMDAR & CO.

Chartered Accountants

Y. S. MUZUMDAR

(Proprietor)

Place : Mumbai

Date : 6th September, 2005.

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule	Rupees	31.03.2005 Rupees	31.03.2004 Rupees
SOURCE OF FUNDS :				
SHAREHOLDERS' FUNDS:				
(a) Share Capital	1	5,00,000		5,00,000
(b) Reserves & Surplus	2	1,400		1,400
			<u>5,01,400</u>	<u>5,01,400</u>
LOANS :				
(a) Secured Loans			-	-
(b) Unsecured Loans			-	-
TOTAL			<u>5,01,400</u>	<u>5,01,400</u>
APPLICATION OF FUNDS :				
INVESTMENTS :	3		-	7,200
CURRENT ASSETS :				
(a) Debtors	4	1,34,400		97,050
(b) Cash and Bank Balances	5	3,27,271		24,352
(c) Loans and Advances	6	5,195		2,77,598
		<u>4,66,866</u>		<u>3,99,000</u>
LESS CURRENT LIABILITIES & PROVISIONS :				
(a) Current Liabilities	7	5,037		1,865
(b) Provisions	8	5,200		9,000
		<u>10,237</u>		<u>10,865</u>
NET CURRENT ASSETS :			<u>4,56,629</u>	<u>3,88,135</u>
MISCELLANEOUS EXPENDITURE :				
Profit & Loss Account			<u>44,771</u>	<u>1,06,065</u>
TOTAL			<u>5,01,400</u>	<u>5,01,400</u>

As per our Report of even date

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

R. VENKATARAMAN }
Directors
J. R. SHUKLA }

Y. S. MUZUMDAR
(Proprietor)

Place : Mumbai

Date : 6th September, 2005.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule	31.03.2005 Rupees	31.03.2004 Rupees
INCOME :	9	<u>69,154</u>	<u>1,15,176</u>
EXPENDITURE :			
Establishment and other Expenses	10	<u>3,541</u>	<u>3,865</u>
PROFIT BEFORE TAX :		<u>65,613</u>	<u>1,11,311</u>
Provision for Taxation		<u>5,200</u>	<u>9,000</u>
Add excess provision for Tax for earlier years		<u>881</u>	<u>-</u>
Net Profit/(Loss) for the Year		<u>61,294</u>	<u>1,02,311</u>
Balance Loss brought forward from last year		<u>1,06,065</u>	<u>2,08,376</u>
Balance Loss carried to Balance Sheet		<u>44,771</u>	<u>1,06,065</u>
Notes Forming Part of the Accounts	11		

As per our Report of even date

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

R. VENKATARAMAN }
Directors
J. R. SHUKLA }

Y. S. MUZUMDAR
(Proprietor)

Place : Mumbai

Date : 6th September, 2005.

GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	31-03-2005 Rupees	31-03-2004 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		
5,000 Equity Shares of Rs.100/- each (Entire Capital held by The Godavari Sugar Mills Limited - holding company)	<u>5,00,000</u>	<u>5,00,000</u>
SCHEDULE 2: RESERVE AND SURPLUS		
General Reserve	<u>1,400</u>	<u>1,400</u>
SCHEDULE 3: INVESTMENT		
720 Equity Shares of Rs.10/- each of Mamli Pvt. Ltd.	<u>-</u>	<u>7,200</u>
SCHEDULE 4: DEBTORS (Unsecured and considered good except otherwise stated) :		
(a) Debts Outstanding for more than six months	89,850	7,200
(b) Other Debts	<u>44,450</u>	<u>89,850</u>
	<u>1,34,400</u>	<u>97,050</u>
SCHEDULE 5: CASH & BANK BALANCE		
Cash on hand	546	146
In fixed deposit account with Scheduled Bank	3,00,000	-
In current account with Scheduled Bank	<u>26,725</u>	<u>24,206</u>
	<u>3,27,271</u>	<u>24,352</u>
SCHEDULE 6: LOANS & ADVANCES		
Loans to cane growers	4,338	4,338
Income tax	857	5,029
Advances	-	800
Loans to Companies	-	2,67,431
	<u>5,195</u>	<u>2,77,598</u>
SCHEDULE 7: CURRENT LIABILITIES		
Sundry Creditors	1,122	1,040
Income Tax Payable	<u>3,915</u>	<u>825</u>
	<u>5,037</u>	<u>1,865</u>
SCHEDULE 8: PROVISIONS		
Provision for Income Tax for the year	<u>5,200</u>	<u>9,000</u>
SCHEDULE 9: INCOME		
Interest Received	11,804	21,926
Sundry Balance Written Back	44,550	93,250
Profit on Sales of Investments	<u>12,800</u>	<u>-</u>
	<u>69,154</u>	<u>1,15,176</u>
SCHEDULE 10: ESTABLISHMENT EXPENSES		
Professional Tax	1,700	1,700
Miscellaneous Expenditure	-	500
Fees & Stamp	600	600
Bank Charges	25	25
Audit Fees	<u>1,216</u>	<u>1,040</u>
	<u>3,541</u>	<u>3,865</u>

STATEMENT ON SIGNIFICANT ACCOUNTING POLICY FOR THE YEAR ENDED 31ST MARCH, 2005

SCHEDULE : 11 NOTES FORMING PART OF THE ACCOUNTS

Significant Accounting Policy

1. 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.

2. INVESTMENTS

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

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

As per our Report of even date

For Y. S. MUZUMDAR & CO.
Chartered Accountants

Y. S. MUZUMDAR
(Proprietor)

Place : Mumbai

Date : 6th September, 2005.

R. VENKATARAMAN

J. R. SHUKLA

} Directors

Place : Mumbai

Date : 6th September, 2005.

DIRECTORS' REPORT

Dear Shareholders,
Padmanabh Agencies Private Limited.

Yours Directors submit herewith Seventh Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 2005.

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

Directors' Responsibility Statement:

As required under Section 217 (2AA) 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 related to 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 P. M. Kavadia 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, 2005.

AUDITORS' REPORT

To The Members of Padmanabh Agencies Private Limited.

We have audited the attached Balance Sheet of Padmanabh Agencies Pvt. Ltd. as at 31st March, 2005. Since the Company has not commenced commercial activity, no Profit and Loss Account has been prepared. 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 dealt with by this report are in agreement with the books of Accounts.
 - IV. In our opinion, 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, 2005 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 of the Balance Sheet of the state of Affairs of the Company as at 31st March, 2005.

For Y. S. MUZUMDAR & CO.
Chartered Accountants

Y. S. MUZUMDAR
(Proprietor)

Place : Mumbai

Date : 6th September, 2005.

PADMANABH AGENCIES PRIVATE LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2005

31.03.2004	LIABILITIES	31.03.2005	31.03.2004	ASSETS	31.03.2005
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	5,05,412	Cash at Bank	4,69,792
	II. SUBSCRIBED CAPITAL :			II. MISCELLANEOUS EXPENDITURE :	
5,00,000	50,000 Shares of Rs. 10/- each	5,00,000	30,728	Preliminary Expenses	31,979
	Fully paid up				
	(Entire Capital held by				
	The Godavari Sugar Mills Limited				
	- holding company)				
	III. CURRENT LIABILITIES AND				
	PROVISIONS :				
35,100	Loans from The Godavari				
	Sugar Mills Ltd.	700			
1,040	Outstanding Expenses	1,071			
36,140		1,771			
5,36,140	TOTAL	5,01,771	5,36,140	TOTAL	5,01,771

Since Commercial Activity has not commenced till 31st March, 2005, no Profit and 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, 2005.

Place : Mumbai
Date : 6th September, 2005.