

# Sugar

## Organic Fertilizers

## Rural Development

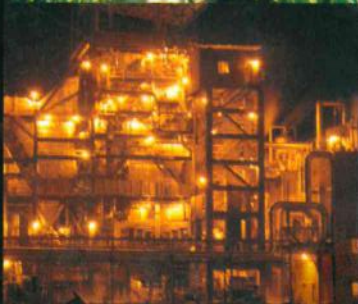
## Renewable Energy

## Bulk Organic Chemicals

## Special Chemicals

## Agriculture & Agricultural Research

# Ethanol



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2005-2006

66th Annual Report

The Godavari Sugar Mills Ltd

# Our Mission

*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 provide a rewarding work environment.*

*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 Ltd.  
SICOM Ltd.  
State Bank of India  
Sugar Development Fund  
Sugar Technology Mission  
Syndicate Bank  
Union Bank of India

**Solicitors :**

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

**Auditors :**

Desai Saksena & Associates  
*Chartered Accountants*

**Registered Office:**

Fazalbhoy 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 Ltd.)*

Dr K V Raghavan

Prof Rooshikumar Pandya

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

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

Shri S P Gupta  
*(Senior Manager & Company Secretary)*



Founder

Padmabhushan Late Shri Karamshibhai J Somaiya

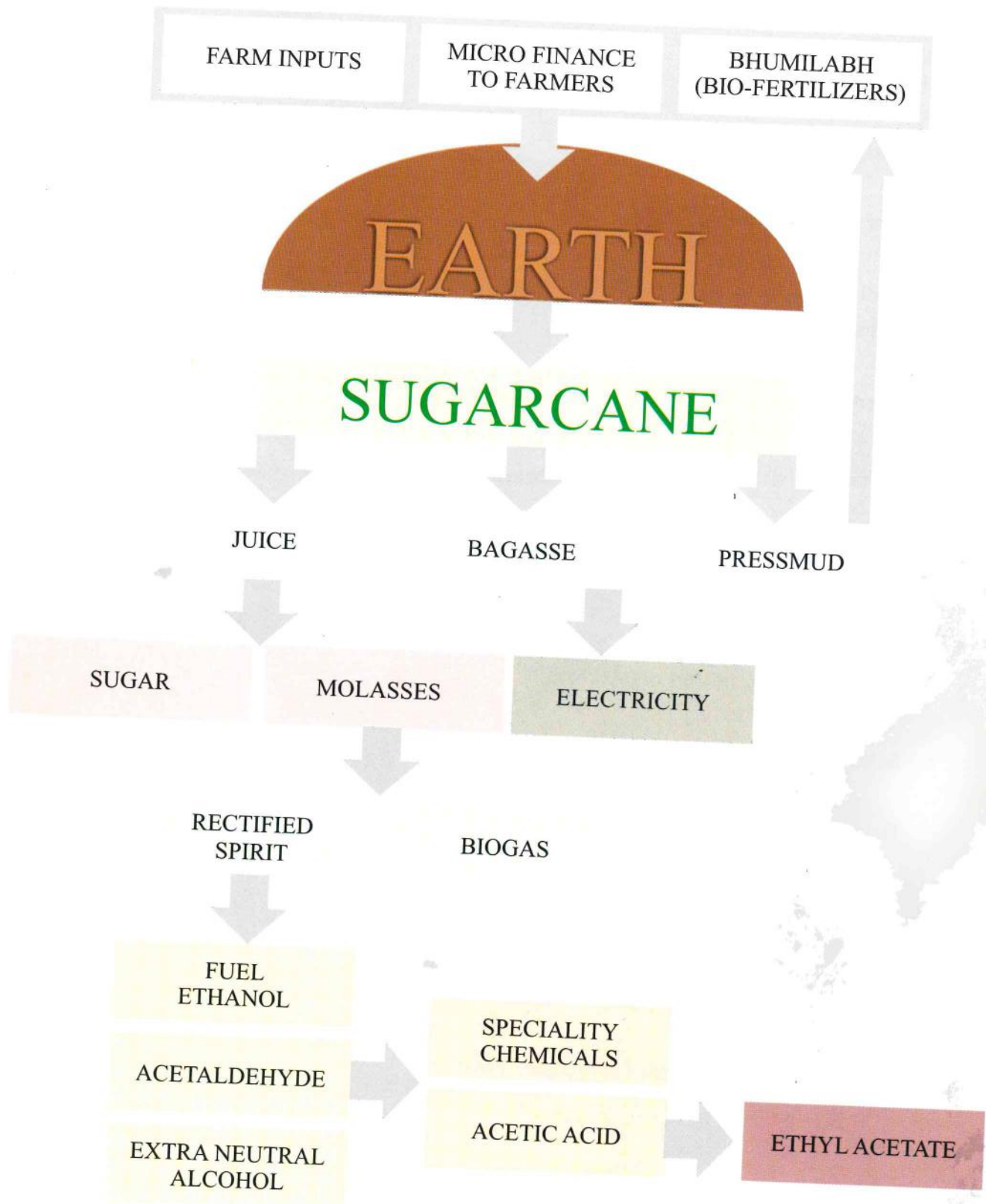
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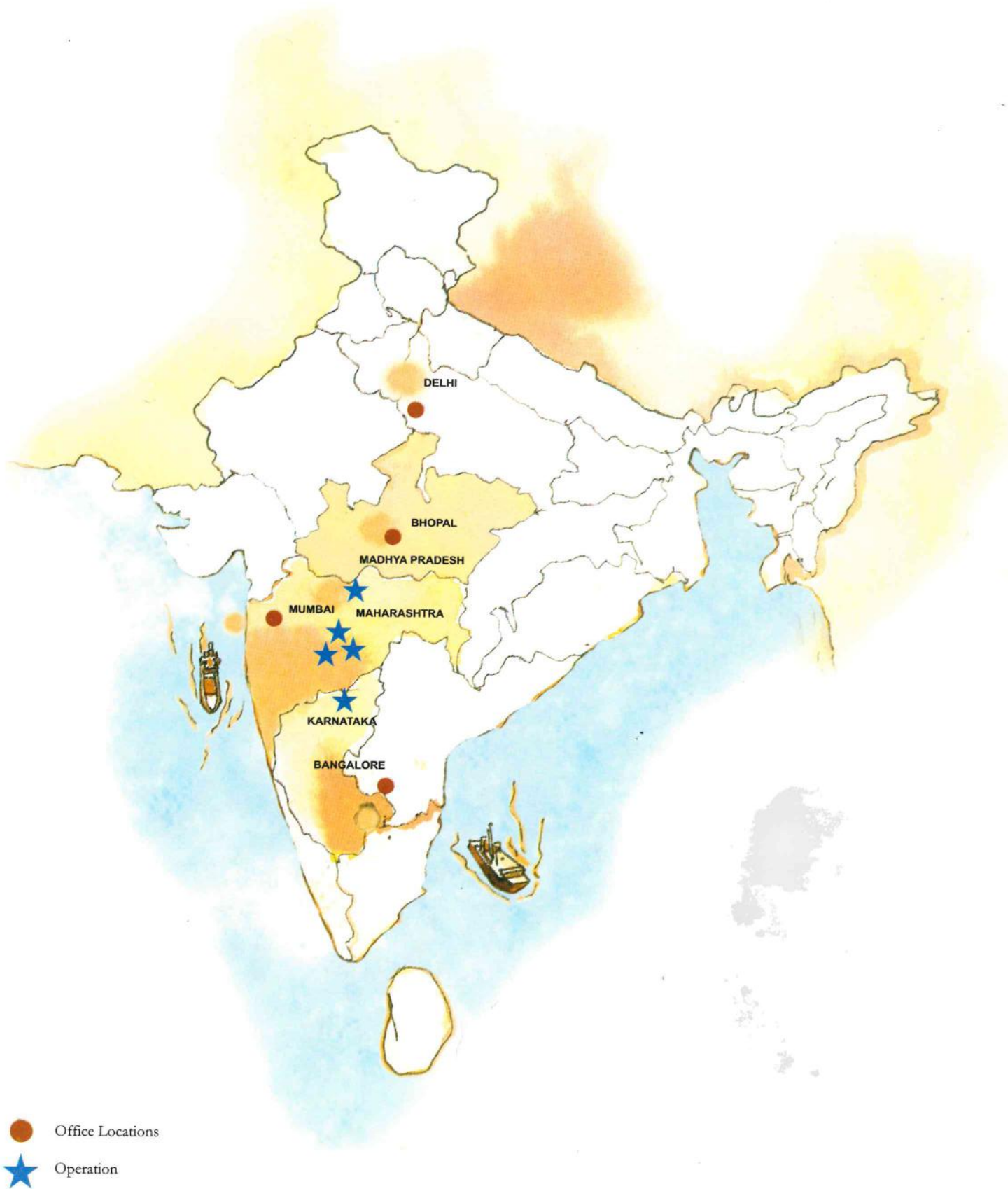
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# The Godavari Sugar Mills Ltd

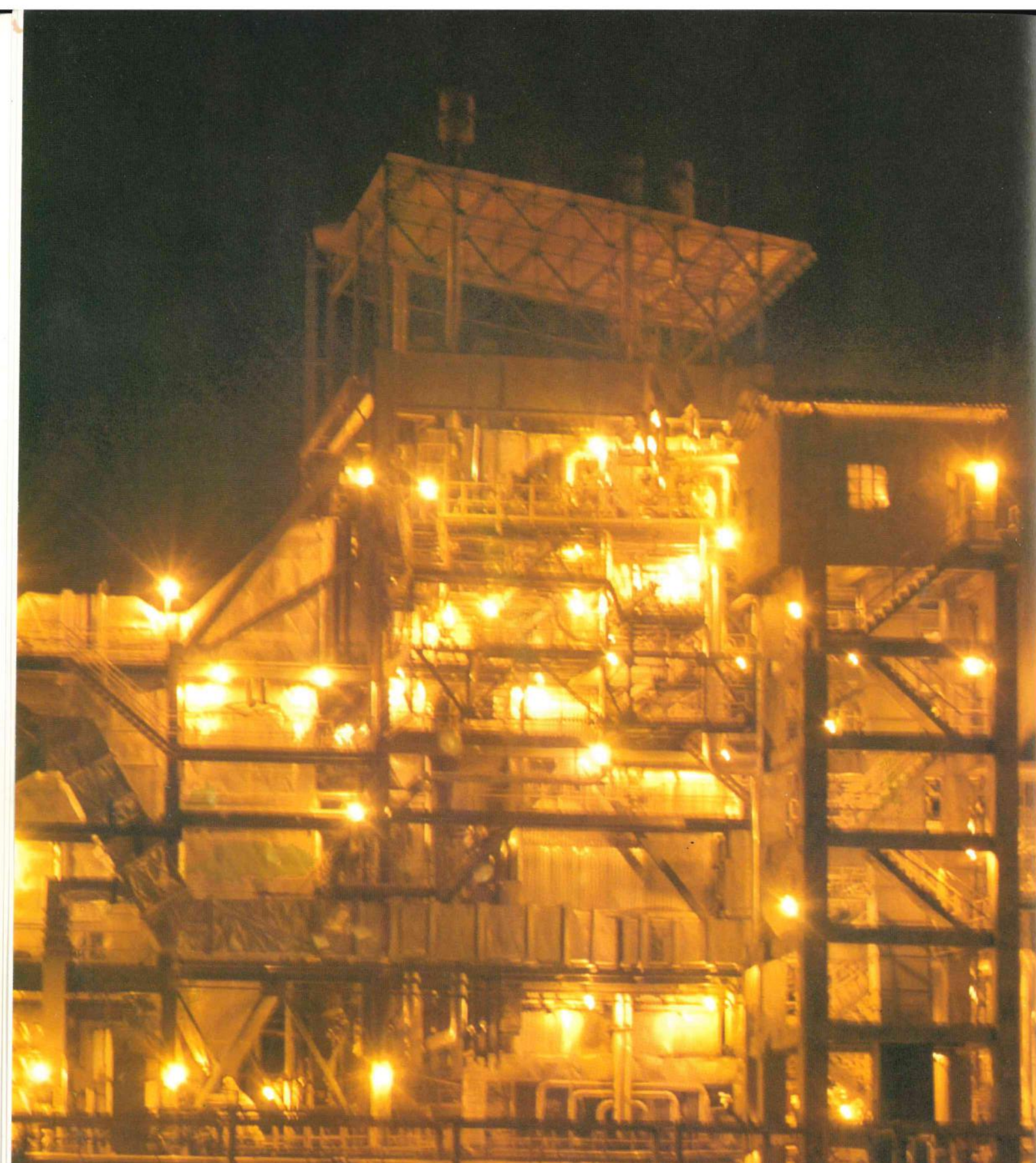
## Value Chain



# The Godavari Sugar Mills Ltd



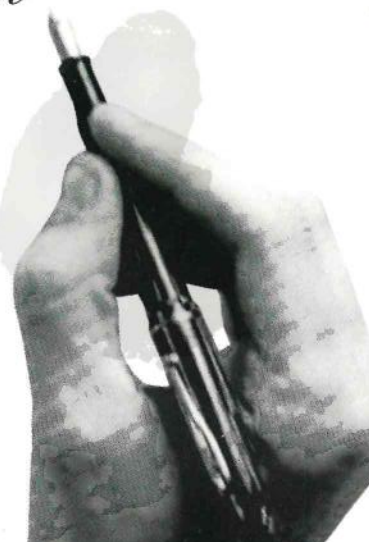






## *Chairman's Outlook*

A Good Time for  
Sugarcane based  
Biorefineries



## Macroeconomic Changes

### EU, WTO and Sugar

As a consequence of the World Trade Organisation (WTO) ruling, over 6 million tons of subsidized European Union (EU) sugar will exit the world market (out of a total of 45 million tons traded).

### Oil Price Increase and Ethanol

Dramatic increases in oil prices and Brazil's successful use of ethanol as a transportation fuel have led other Government's including India to encourage ethanol blending.

### Carbon Trading and Climate Change

Emissions trading is providing an additional revenue source, much needed to supplement and finance investment in greenhouse gas reducing bagasse based cogeneration of power.

### Electricity and Open Access

The Indian Electricity Act, 2003 provides for Open Access, and is creating alternative buyers for electricity

### Indian Sugar Co-Operatives And Private Industry

Sickness in the Maharashtra sugar industry, coupled with high cane plantations have led to leasing of cooperatives to more efficient Sugar Companies.

## A Good Time for Sugarcane based Biorefineries

*Sugar, Ethanol, Energy, and Chemicals from Renewable Resources*

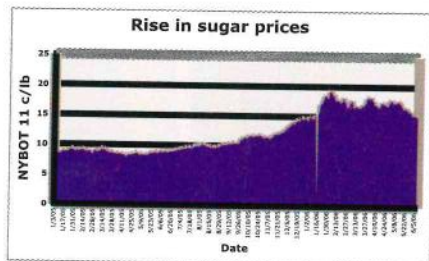




The past year has been an exciting one for the cane sugar industry. There have been enormous and structural changes in the world economy, especially relating to sugar and ethanol. What is more striking is that these changes are not related to each other. They happen to be connected in time.

### Sugar and International Trade

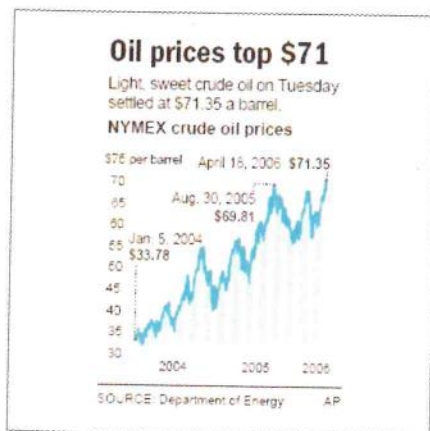
Consequent to the WTO ruling, subsidized EU sugar exports were found to be in violation of its commitments, and at least 6 million tons of EU sugar exports will reduce from the world trade in sugar. This is a change in the supply curve, and sugar prices have increased from \$200 per ton in 2004 to over \$400 per ton currently. These are the highest sugar prices in the last few years. While we continue to expect sugar prices to remain volatile, they will fluctuate around a higher mean.



The gap created in international trade presents an opportunity to countries rich in sugarcane like Brazil and India.

### Oil price increase and Ethanol

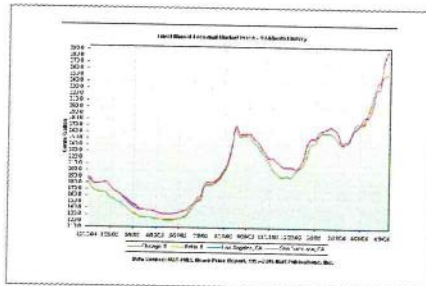
The past year has also witnessed oil price increases. As the demand for oil outpaces supply, and since oil production has peaked, the price of oil has dramatically increased over the past year.



The increase in oil prices has fueled demand for ethanol.

Countries around the world are seeking to emulate Brazil's example in using ethanol for driving their cars. The USA has seen its

demand of ethanol rise dramatically over the past few months. This is also reflected the rapid increase in ethanol price, especially in the USA.



Brazil operates flexible cane sugar facilities, and can produce ethanol and/ or sugar, depending on the price differential between ethanol and sugar. The high prices of ethanol in the USA are ensuring Brazil's cane mills keep producing ethanol.

In India too, the Government has begun to realize that the country's future energy security will have to be partially secured from renewable resources. The 5% ethanol blending program is being reinstated. In future, cane mills may even produce ethanol directly from sugarcane juice, as is done in Brazil. In fact, the Karnataka Government specially mentioned that this would be allowed in its 2006-07 budget.

The 5% blending of ethanol in India, and the encouragement/ legislation of the use of ethanol in other parts of the world represents a new demand creation.

### Carbon Trading and Climate Change

The sale of Carbon Emission Reduction (CER's) by projects that are reducing greenhouse gas emissions has begun. As the world begins to realize the consequences of climate change and global warming, incentives for projects that reduce greenhouse gas emissions will only improve. Co-generation of power from bagasse is eligible for such credits.

### Electricity and Open Access

The Indian Electricity Act of 2003 has provided for open access, which means that 'the non-discriminatory provision for the use of transmission lines or distribution system or associated facilities with such lines or system by any licensee or consumer or a person engaged in generation in accordance with the regulations specified by the Appropriate Commission.'

This market has now been created and independent generators and distributors are beginning to sign Power Purchase Agreements. Compared to the previous environment in which the sugar companies could only sell power to one power utility, there is now a choice to sell power to other customers.

### Co-operative Movement comes full circle

Of the around 200 sugar mills in the state of Maharashtra, most are in the co-operative sector. The co-operative movement eliminated the private sector when it came, helped by Government policy and state subsidy. However, over time, only the efficient have survived, and many of the over 200 co-operatives in the state of Maharashtra have fallen sick. The Government has realized that the best way to utilize this capital efficiently is to lease some of these facilities to better sugar managements. Such a change in the Government has come after about 50 years, but it is with the realization, that without such 'privatization', standing cane would not be harvested, leading to incalculable loss to the cane farmers of the state.

### The Godavari Sugar Mills Ltd. in the context of these changes

The Godavari Sugar Mills Ltd. is well positioned to take advantage of these changes in the international and domestic environment. In the last few months, the company has exported over 25,000 tons of sugar at good prices and is establishing a close working relationship with a few large international sugar trading houses.

The company has also taken on lease two co-operative sugar factories in Maharashtra, thereby increasing its sugar capacity and diversifying its operations geographically. By this method, the company will produce 50% more sugar in the coming year and will be well placed to export more sugar to the world market.

The company has also taken on lease a distillery in Maharashtra to meet the gap in its ethanol demand for chemicals, as it continues to expand chemicals made from ethanol. The company is debottlenecking the manufacture of specialty chemicals and ethyl acetate. As the price of petroleum feedstocks rise, gasoline blending and use of ethanol as a chemical feedstock will find increasing use and relevance.

The company has received "Host Country Approval" for sale of Carbon Credits. With subsequent verification, the company will begin the sale of these CERs.

Finally, the company is in active dialogue with power distribution companies that have been licensed under 'Open Access'. The company hopes to fetch better rates for its power generation through possible alternative contracts.

S. K. Somaiya

Chairman of the Board of Directors







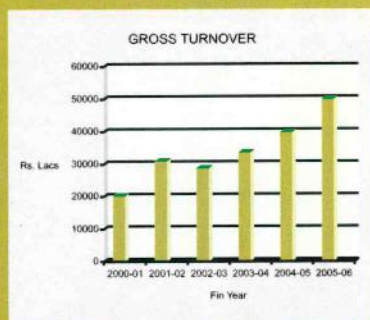
# *Directors' Report*

An improvement in  
performance



## Growth

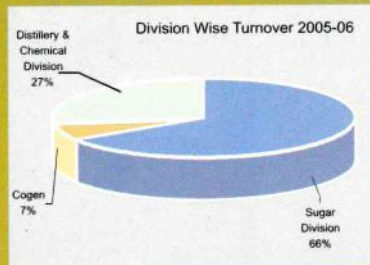
### Increase in Sales



### Increase in Profitability



### Diversified Portfolio



An improvement in performance

*Growth and Diversification*



Dear Shareholders,

Your Directors have pleasure in presenting their Sixty Sixth Annual Report and the Audited Statements of Accounts of the Company for the year ended 31 March, 2006.

#### FINANCIAL RESULTS :

Rs. in lacs

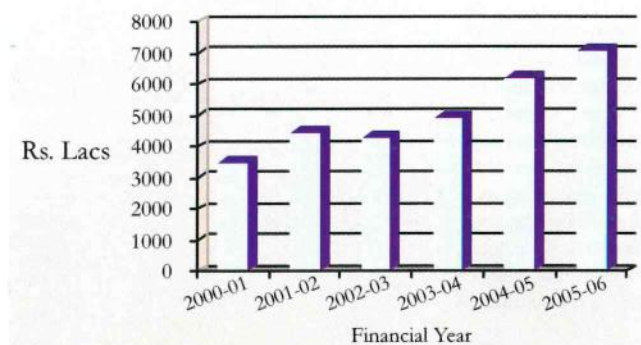
	2005-06	2004-05
Gross Turnover	50,103	39,892
Gross Operating Profit	6,475	4,878
Net Profit (after Tax) for the year	1,025	279
Net Profit (after Tax) available for appropriation	1,025	261

#### VALUE ADDED STATEMENT:

(Rs. in Lacs)

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Income from Production (Net Sales after stock adjustment)	51,963	34,761	31,123	26,833	28,171	19,751
Add: Other Income	474	356	542	500	277	274
<b>Corporate Output</b>	<b>52,437</b>	<b>35,117</b>	<b>31,666</b>	<b>27,333</b>	<b>28,449</b>	<b>20,025</b>
Less: Raw Material	37,217	21,837	20,425	17,863	18,981	13,589
Less: Mfg. & Other Expenses (Without Employee Cost)	6,738	5,703	5,166	4,552	4,535	2,688
<b>Gross Value added</b>	<b>8,482</b>	<b>7,578</b>	<b>6,073</b>	<b>4,917</b>	<b>4,933</b>	<b>3,747</b>
Less: Depreciation	1,407	1,343	1,132	641	515	273
<b>Net Value added</b>	<b>7,075</b>	<b>6,236</b>	<b>4,941</b>	<b>4,276</b>	<b>4,417</b>	<b>3,474</b>
<b>Allocation of Net Value added</b>						
To Personnel (Employee Cost)	2,690	2,718	2,258	2,010	2,180	1,333
To Government (Tax)	566	132	(918)	(15)	(29)	(81)
To Creditors (Interest)	2,794	3,125	3,090	2,163	2,128	1,773
To Investors (Dividend)	--	--	--	333	233	181
To Company (Retained Earnings)	1,025	261	510	(216)	(95)	267

#### Net Value Added





**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 31 March, 2006.

**Enhancement of Equity Share Capital:**

Your Company has enhanced the Equity Share Capital by 25,00,000 Equity Shares of Rs.10/- each at par, aggregating to Rs. 250 lacs. Hence the paid up Equity Share Capital of the company after this enhancement now stands at Rs. 2748.25 lacs.

**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.

**Auditors:**

M/s. Desai Saksena & Associates, Chartered Accountants, Auditors of the company, retire and being eligible, have confirmed their willingness for re-appointment.

**Cost Auditors:**

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

**Audit Committee:**

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

- Shri Indubhai C. Patel - Chairman
- Shri Samir S. Somaiya
- Shri Kailash Pershad

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

**Directors' Responsibility Statement:**

Pursuant to 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 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.

**Insurance:**

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

**Fixed Deposits:**

Your company continues to receive the fixed deposits from the Cultivators who supply cane to the company, re-imposing the faith they have on the company, a relationship built over more than three decades of sustained business and the mutual trust between the cultivators and the management of the company. This has led to increase in the Fixed Deposits during the Financial Year 2005-06 from Rs. 890 Lacs to Rs.1091 Lacs.

**Directors:**

Shri I.C.Patel, Dr.B.R.Barwale & Shri N.C.Sayta retire from the Board by rotation and being eligible, have offered themselves for re-appointment.

**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.

**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.

**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 recognizes 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.

**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.

**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.

**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.

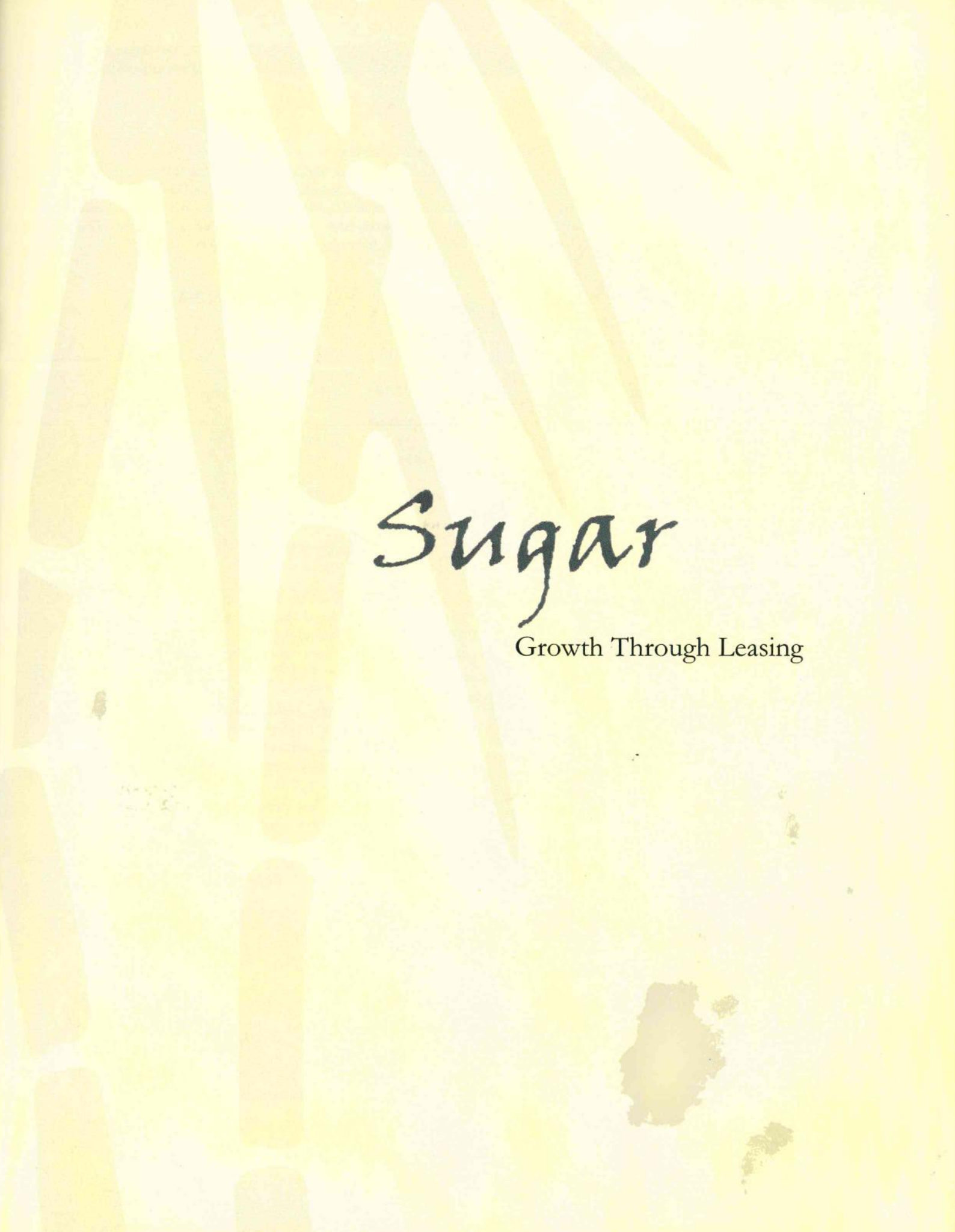
In view of the above, Consolidated Audited Statement of Accounts of Subsidiary Companies are not provided. However Statement relating to Subsidiary Companies i.e. Godavari Investment & Finance Corporation Limited and Padmanabh Agencies Pvt. Ltd., pursuant to Section 212 of the Companies Act, 1956 are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

By Order of the Board of Directors,

**S. K. SOMAIYA**  
Chairman & Managing Director

Place : Mumbai  
Date : 27 June, 2006





# *Sugar*

Growth Through Leasing

## Sugar

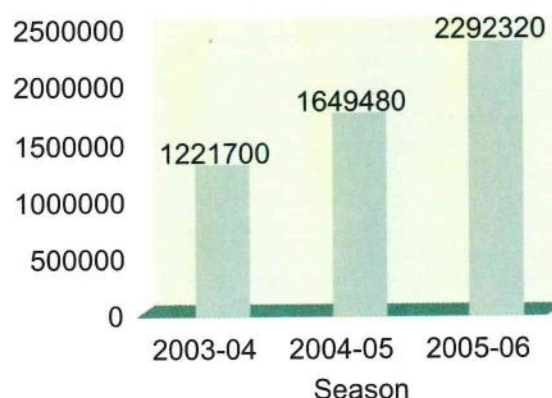
### *Growth Through Leasing*

The company resumed the production of sugar in Maharashtra last year, by taking on lease cooperative mills in the districts of Kolhapur and Satara. These factories are located in the high recovery areas of South Maharashtra. Leasing provides a low capital approach to expanding sugar capacity. The company has also leased an ethanol distillery in Solapur. The company will pursue growth through a combination of leasing and fixed capital investments.

#### **Increase in Crushing:**

Your company increased its Crushing from 14 Lac MT in Season 2004-05 to 18 Lac MT in Season 2005-06. This has been mainly due to sustained Investments made by the company in the capital assets through the introduction of automation and capacity Debottlenecking, thereby increasing the sugarcane crushing capacity.

#### **Sugar Manufactured (Qtls)**



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 processed Imported Raw Sugar both during the off-season and the season, which has contributed to additional utilization of the assets.

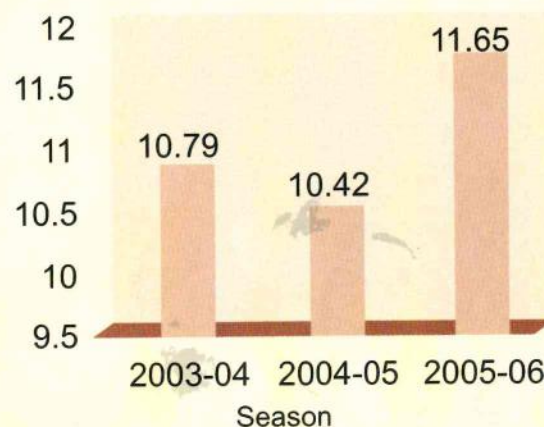
#### **Acquisition on Lease of two Sugar Units:**

Your company has made a strategic move by acquiring on lease two Sugar units in Maharashtra each having a capacity of 2500 TCD. These are in the Cane rich and High Recovery zones of South Maharashtra.


#### **Increase in Recovery:**

Your company not only had increased crushing but also had high recovery at Sameerwadi as shown below:

#### **Recovery %**







# Distillery & Chemicals

Flexibility, Economies of Scale &  
Global Reach

## Distillery & Chemicals

### *Multi Product & Increased Exports*

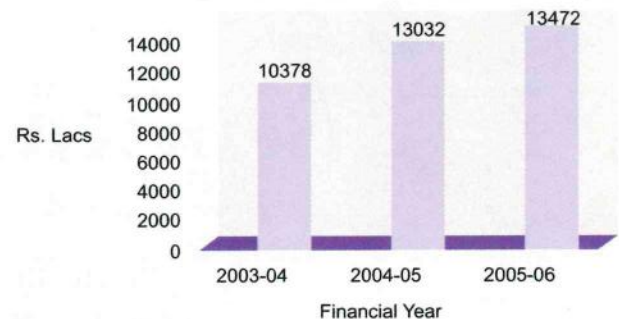
The Distillery is now versatile and has the ability to produce Rectified Spirit, Anhydrous Alcohol, Extra Neutral Alcohol and any other type of Alcohol that the market desires.

New Specialty Chemicals have been added to the product range and are contributing effectively. These are exported across the globe. Sustained demand internationally will lead the company to double the capacity of these Chemicals.

#### **Increase in Turnover:**

Your Company's Turnover of the Distillery & Chemical Division increased from Rs.13032 Lacs for the previous year 2004-05 to Rs.13472 Lacs during the year ended 31 March, 2006. Export during the year has been Rs.2084 Lacs as against Rs.906 Lacs during previous year mainly on account of Exports of specialty chemicals. Though China has been very competitive, your company has been able to export substantially to the Chinese market.

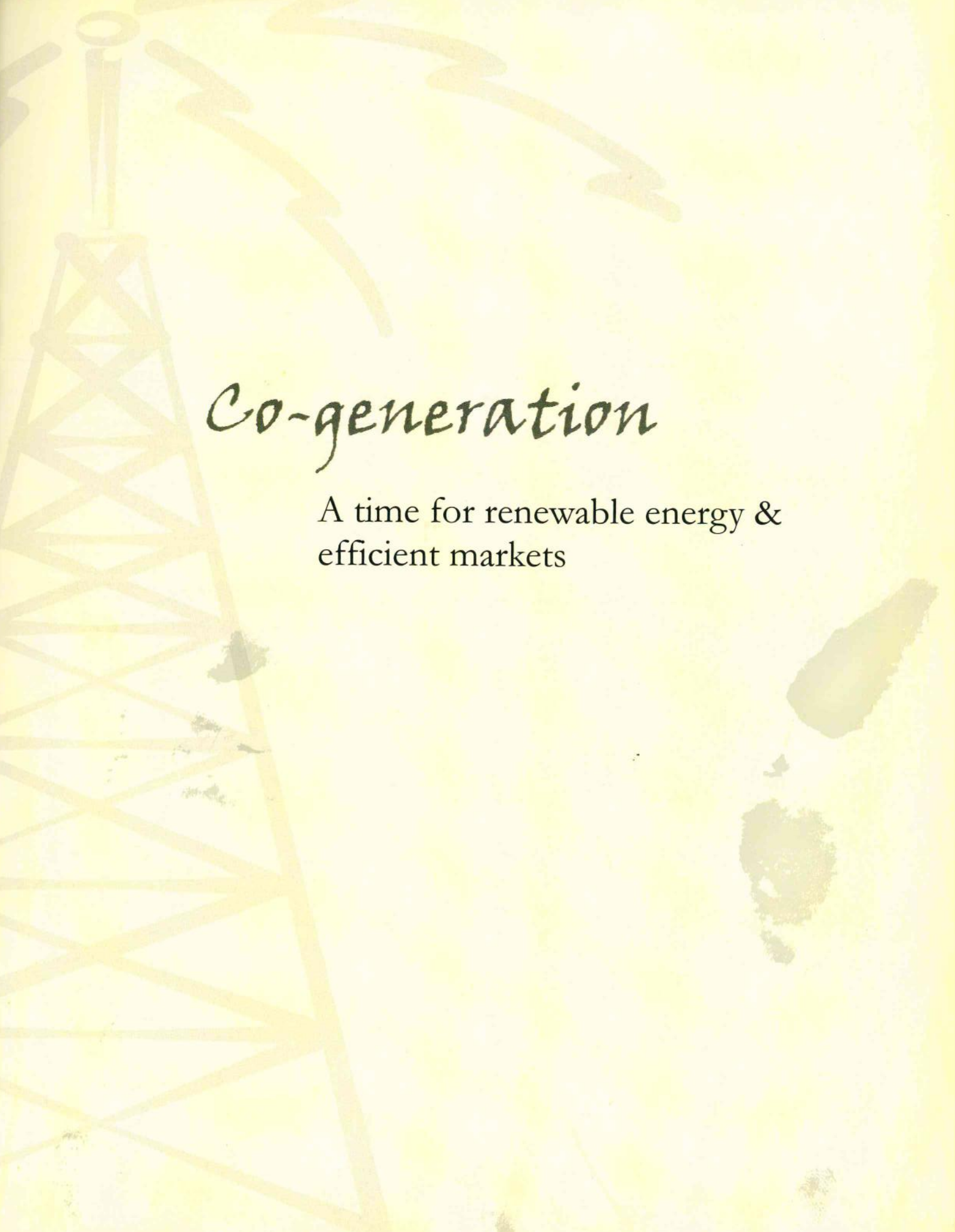
#### **Distillery & Chemicals Turnover**



#### **Acquisition of Distillery on Lease:**

As a strategic decision your company has acquired on lease a Distillery in Maharashtra to serve the Alcohol needs for the Sakarwadi (Chemical) unit. Thus this will not only assure continuous supply of Alcohol thereby reducing Raw material risk but also reduction in cost.





# *Co-generation*

A time for renewable energy &  
efficient markets

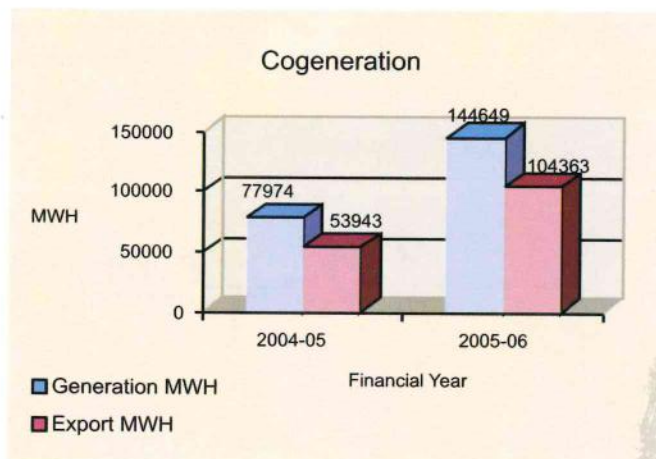
## Cogeneration

### Open Access Carbon Emissions

The Cogeneration division has been converted into Multi Fuel. "Open Access" has enabled the company to explore opportunities for selling power to third parties. The division has been given "Host Country Approval" to avail the benefits of Clean Development Mechanism (CDM).

#### Increase in Turnover:

Your Company's Turnover of the Co-generation Division increased from Rs.1878 Lacs for the previous year 2004-05 to Rs 3710 Lacs during the year ended 31 March, 2006. Due to increase in crushing there was better availability of raw material i.e. Bagasse thereby increasing production and turnover as shown below.



Your company is entitled for the financial year 2005-06 the rate of Rs 3.83 per kwh of the energy exported as per the Power Purchase Agreement (PPA) executed with Karnataka Power Transmission Corporation Limited (KPTCL), on 8 October, 1999. However during the year under review KPTCL has paid the interim rate of Rs 2.80 per Kwh.

Karnataka Electricity Regulatory Commission (KERC) has ruled that PPAs approved by KERC before 10 June, 2004 are eligible for tariff at Ministry of Non Conventional Energy Sources (MNES) rate.

#### Open Access:

Under the Electricity Act, 2003 & subsequent notifications & clarifications from time to time, Open Access for sale of power to third parties has been made possible. Presently power rates quoted by private traders are around Rs. 3.60 per Kwh (or more) net of Wheeling, Cess & other charges and better payment terms.

Thus not only the rates are better than the interim rate of Rs. 2.80/Kwh, it also offers liquidity. Your company hence would like to avail the "Open Access" policy & offer power to third parties.

In view of this for the current year the revenues have been accounted at Rs. 3.60/Kwh as against PPA rate of Rs. 3.83/Kwh.

#### Host Country Approval:

Your company has also been given "Host country Approval" by the Ministry of Environment & Forest (Government of India) to avail the benefits of Clean Development Mechanism (CDM) for the "Bagasse based 24 MW Power Generation Project Activity" at Sameerwadi. The Carbon Emissions Reduction (CERs) would be available soon subject to CDM validation, registration with the United Nations Framework Convention of Climate Change (UNFCCC) & thereafter certification by another validator.





वसुधैव कुटुम्बकम् ॥

*All the world is one*

*Farmer Outreach*

*In the Fields.....*

**Biotechnology, biopesticides, and tissue culture**

Tissue culture, Biopesticides and new variety development.

**High yield technology**

2400 acres adopted last year with a average yield increase of 36%

**Microfinance**

Rs. 15 crores disbursed last year to farmers. Average transaction size Rs. 4,000.

**Wireless networking**

4 Villages and farmers connected on a wifi network.

**One time land application at sakarwadi**

Win-win application of nutrient rich waste stream on farmers field.

**In the fields**



### In the Fields

Sugar is grown in the fields. To improve efficiencies, effort has to be spent in the fields, with the farmers, to understand their technical and social problems. The company works closely with the farmers, through its cane development department, as well as its sponsored research center, K. J. Somaiya Institute of Applied Agricultural Research (KIAAR).

KIAAR has done much work in testing new varieties, understanding and suggesting newer and better agronomy practices, and providing biopesticides and pure seed material that is free from disease.

Work done in the labs has to reach the farmers. Our work is a combination of current and cutting edge technology, combined with an extremely good extension system that is intimate with the farmer.

Trips are also arranged with farmers, to develop a sense of togetherness and partnership.



### Biotechnology, Bio- pesticides, and Tissue Culture

The company sponsors the KIAAR. The KIAAR has setup a modern tissue culture, biopesticide and biotechnology lab.

In addition to the laboratories, the KIAAR has



its experimental farms, where foundation seed is grown, and new varieties are tested. The KIAAR is a recognized centre for testing varieties developed by Indian Council of Agricultural Research (ICAR). KIAAR also works closely with Dharwad Agricultural University. Students do their Master's and Ph.D. work at KIAAR.

White woolly aphid is a serious pest on

Sugarcane crop. It first appeared in Karnataka in August 2002, and widely spread throughout the state. Within a very short period it was reported that about 26% yield reduction occurred because of heavy infestation of this pest. Since chemical control is ineffective and environmentally harmful, the company decided to help its farmers by providing a biological solution to the problem



The predator viz. *Micromus igoratus* was identified as the ideal biopesticide to combat this problem, and a predator rearing laboratory at a village, Dhawaleswar, was established, in collaboration with U.A.S., Dharwad. The predator production lab was started in September 2005.

### High Yield Technology for improving Sugarcane productivity

Although new varieties have been introduced in the laboratories, sugarcane productivity has been stagnant in the farmer's fields. On the contrary, the yield of sugarcane in many areas have shown a declining trend. Important reasons for reduction in cane yield are:

- Adverse effects of various biotic and abiotic stresses on cane crop
- Use of imbalance and over / under use of chemical fertilizers
- Un-controlled and faulty irrigation schedules and methods
- Deterioration of physical conditions of soil due to poor drainage.
- Less / no use of organic manures and/or bio-agents in sugarcane cultivation
- Use of poor quality cane seeds
- Adoption of unscientific agronomic practices

To combat these trends, the company decided to implement a high yield technology under the guidance of Dr. Hapase in the farmers' fields. The targets of the program were:

- To increase per acre sugarcane yield of participating farmers by 40%
- To improve sugar recovery by around 1% unit.
- To cut down the cost of cane production by Rs. 3000 to Rs. 5000 per acre.

- To enhance soil physical, chemical and biological properties
- To achieve over all C:B ratio of 1:4 to 1:6
- To increase the water use efficiency



The company provided Bhumilabh, microfinance, farm inputs, advice, training, and supervision and over 2400 acres were covered across 13 clusters. Average yields increased over 36%, and average cost of planting was less than around 10%. The company sincerely believes, that work in the lab must be translated to work in the field, and this technology is one way of bringing it out.

### Microfinance

Technology is not enough to bring about change in the villages. Often there is no finance available for the farmers to buy fertilizers, at the right time. Often, interest rates that farmers pay are exorbitant, especially when borrowed from the village moneylenders.

The company lends money to farmers, after borrowing the same from banks. The company has developed its own sophisticated credit rating system, to predict contract fulfillment, and hence the loan repayments. The micro-finance program has grown to over Rs. 15 crore last year, and there have been no defaults until now.

### Wireless Networking

The company's initiatives and their penetration is a function of distance from the factory, where applications are made. Bringing wireless networking is a means of taking the services to the farmers, in their villages. Currently, 4 villages are running the company's applications on a WiFi network. Farmers are applying for loans, booking sugarcane, and accessing information from these centers.



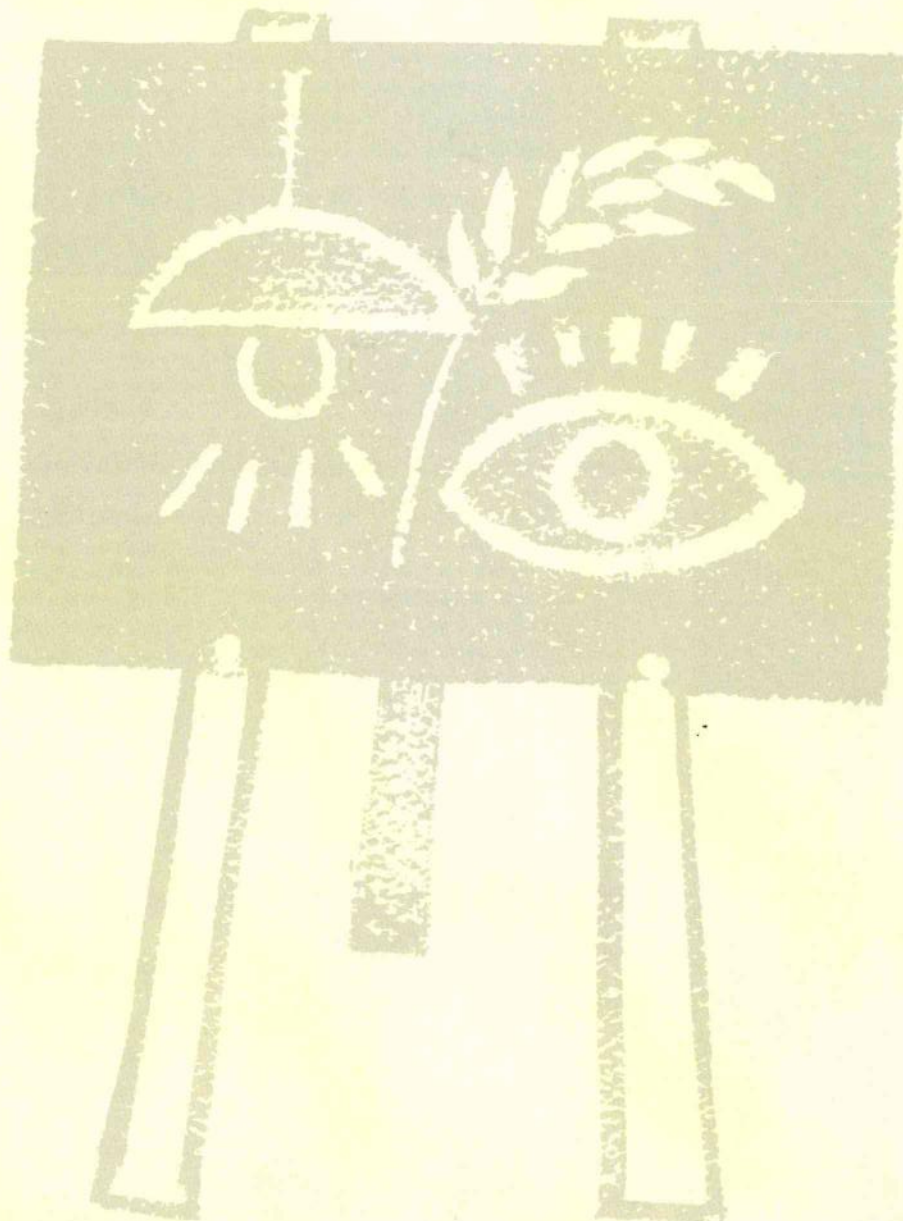
### One Time Land Application at Sakarwadi

Distilleries have an post digestion effluent that is rich in nutrients. The company worked with the farmers, under the guidance of Raturi Krishi Vidyapeeth, to demonstrate to farmers the benefits of calibrated one time land application on their fields. The program has been so successful that the farmers are queuing up for participation in the program.



# *Social Responsibility*

A Tradition of Reaching Out.....



न मानुषात् परो धर्मः॥

*There is no greater religion than humanity*

## Activities

### Help a child to study

74 Children Benefited so far

### Panchmukhi program at Madbhavi

Devdasi rehabilitation

School attendance

Sanitation

Water conservation

### Biofuels at Handigund

### Panchayat training

### World class school at Sameerwadi

### Other social activities

Volleyball tournaments

Rangoli

Health and AIDS awareness

Law awareness

## A Tradition of Reaching Out





### A Tradition of Reaching Out

Long before Corporate Social Responsibility became an oft-uttered word, The Godavari Sugar Mills Ltd. has always reached out to the population that it serves, and derives much value from.

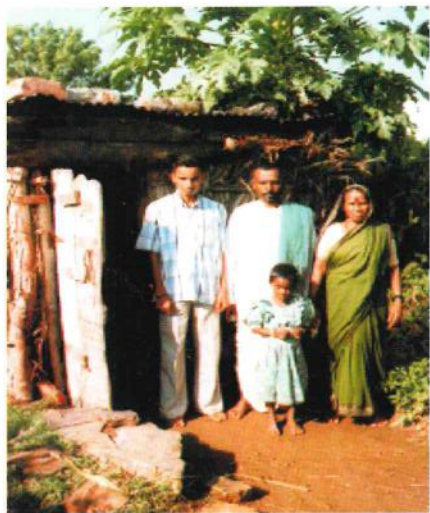
We have been trying to return to society, the good we have earned from it. Some examples of our work are mentioned below:

#### Help a child to study



There is always a story behind every cause and this is no different. We came across a young boy whose results in the 10th grade exams were so outstanding, that he appeared in the merit list put forth by the state of Karnataka. He was the son of a labourer, and did not even have an assured access to electricity. His parents earned maximum Rs. 80/- per day. To achieve such results despite seemingly insurmountable odds was truly inspiring. He would need Rs.5000/- to study beyond the 10th grade and live away since there was no school/college of higher education near his home. His parents did mention that they would borrow to help their son study. But even if they did manage that, there would be no money to also help their 13-year-old intelligent daughter study further.

The Godavari Sugar Mills Ltd. along with the Somaiya Trust is helping to identify such smart children and plays the role of catalyst to ensure that these children do get their opportunity to study.



For a child such as he to return to hard labour for want of financial support would be our shame, and certainly a disincentive for his parents, teachers, his sister, and his classmates, who would then see no merit in studying so hard and achieving so much.

Since July 2002, totally 74 students have benefited in different categories from 1st PUC (11th grade) to Engineering, Medicine, etc. One student, Jyoti Bundi, has already graduated with an Engineering degree and has got a job with a computer company in Bangalore. She too has promised to help with the sponsorship of one child.

For more details, on this program, visit [www.somaiya.org/helpachild](http://www.somaiya.org/helpachild)

#### Panchmukhi Programme

Under the guidance of Dr. H.M.Maralusiddaiha, a Panchmukhi programme, which is made of five facts namely:

- ◆ Health
- ◆ Education
- ◆ Employment
- ◆ Harmony and
- ◆ Local empowerment

has been launched by The Godavari Sugar Mills Ltd. in Madbhavi village of Mudhol taluka in Bagalkot district of Karnataka in May 2003. Since then, we have been conducting so many social activities based on five ethics of Panchmukhi. Through these activities we have:

#### ● Devadasi Rehabilitation

As many as 16 devadasis have been rehabilitated through counseling.

Now few of them are earning by stitching



clothes, few are working as farm labourers and few of them are rearing sheep and buffalos.

#### ● School Attendance

The village school attendance was previously 65-70%. Through active counseling of parents, this has been brought to 100%.

#### ● Sanitation

In village only few houses (about 8- 10%) have a separate toilet facilities. Rest of the villagers do not have even common toilets.

Now with our continuous efforts Government authorities have sanctioned

amount for construction of 24 common toilets at different locations separately for women and men.

#### ● Water Conservation

The village was facing severe shortage of even drinking water during summer. Villagers used to bring drinking water by walking a few kilometers every day. Bore wells, open wells and canals used to dry up. Now 15 acres of a water tank has been made and since then (from November-December- 2004) there is no scarcity of water even for field crops.

The plan for water harvesting tanks have been



in place for a long time in the village. The company helped facilitate the implementation of much needed plan.

#### Biofuels at Handigund Village

The future power plant will be decentralized and village based. The company has recognized the importance of biofuels, and has catalyzed a program that brings together the Government, a local engineering college, and the village of Handigund.

The Department of Science and Technology, Govt. of India – provided, 100% fund to establish bio-diesel plant at Handigund village in Raibag taluka of Belgaum district. J.S.S. Academy of Technical Education, Bangalore, will supply this plant.

Initially this plant will be utilized to lift drinking water from two bore wells, one connectivity each to refrigerator of veterinary hospital and milk society, one connectivity to school for the use of laboratory and one connectivity each to society office, milk society, cooperative bank and library.

96 acres of waste land in the village will be brought under plantation of Jatropha / Pongamia for getting raw material for the bio-diesel plant

#### Panchayat Training

It is needless to mention that Mahatma Gandhi was of strong opinion to strengthen and empower the panchayats as he believed the prosperity of India lies in development of rural sector. To corroborate the same although there are many reforms that have been taken place in various states but the effective activities by these panchayat still needs to be improved. There is lack of knowledge level of their powers and interactions with line



departments amongst the functionaries of panchayat who are holding the key of over all development of the villages. Therefore, as a unique example The Godavari Sugar Mills Ltd., Sameerwadi has taken a lead role to disseminate the various facets of the panchayats including the area of empowerment given to their members.

This was organized in the name of **Abhudayad Ariu – Acharaneya Samavesha** at Shri Shivalingeshwar Kalayanmantap,



Sameerwadi on May 1 & 2, 2005. There were 328 members of 15 gram panchayat covering 28 villages, which are within 10-12 km radius of Sameerwadi.

#### Other Social Activities

**Volleyball tournaments:** These tournaments are being conducted at least once in 6 months by inviting nearby village teams.

For encouragement of rural art, Rangoli competitions are being conducted during festivals in the village itself.

With help of judicial court of Mudhol, Law



awareness programme was conducted in collaboration with help of Self-help groups of the village. More than 500 villagers have taken the benefit.



One-day seminar was organized for the benefit of villages especially for baby feeding mothers, kids etc. with the help of Dept. of food and

nutrition, University of Agricultural Science, Dharwad. About 100 unemployed ladies including Devadasis have taken benefit.

**HIV / AIDS Awareness Programme:** These awareness programmes are being organized in the village with the help of NGO working for a project on HIV / AIDS

Free dental check-up camp for primary school students was organized. More than 154 student patients have taken treatment.

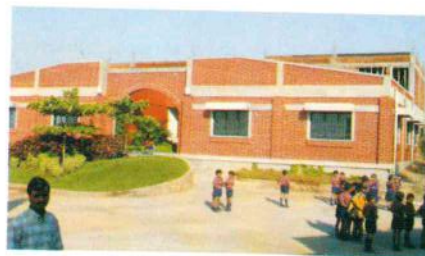
Free medical camp was organized for villagers. More than 300 patients have taken the benefit. These camps are held regularly with the assistance of Somaiya Ayurvihar, the hospital and medical college being managed by the Somaiya Trust. These medical camps are held at Sakarwadi and Sameerwadi, the two primary locations of the company. During the coming



year, these camps will also be held at the new sites that are now being operated by the company.

#### World Class School at Sameerwadi

The Company has also helped found a modern English medium school at its factory premises in rural Karnataka. The school will apply for CBSE certification this coming year. The school has been an interesting social experiment. In the past, farmers' children would study in village school, workers' children in the factory school, and the officers' children would study at a private school nearby. This school would have the children of the farmers, workers, and officers, all sitting side by side.





## 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	88,08,531/-	Contractual	B.Sc. (Hons), LL.B., D.Sc. (honoris causa)	01-06-1999	78 yrs.	Somaiya Organics (India) Ltd., Chairman & Managing Director
Shri S. S. Somaiya	Executive Director	60,17,836/-	Contractual	B.E. (Chem), M.B.A. (Finance)	29-09-2000	38 yrs.	Somaiya Organo-Chemicals Ltd. 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 : 27 June, 2006

**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 31 March, 2006

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

### Sugar & Co-generation Division

#### (A) CONSERVATION OF ENERGY

1. Variable frequency drives installed for co-generation boiler FD fans for reducing energy consumption.
2. Auto start stop facility provided for co-generation boiler submergible ash conveyor to reduce operation time.
3. Arrangement made for recovery of condensate from HP & LP steam line drains.
4. Installed 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
5. Replaced the present economiser of Boiler No. 7 of sugar plant with that of higher heating surface to improve boiler efficiency.
6. Installed Vapour Line Juice Heater (VLJH) for KI evaporator to utilise waste heat of vapours of last body of evaporator.
7. Installed liquid to liquid heat exchanger to heat raw juice after VLJH to utilise waste heat of vapour condensates.
8. Making arrangement for second stage dilution of the flocculant addition with clear juice instead of hot water to reduce steam consumption
9. 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)	<b>POWER AND FUEL CONSUMPTION :</b>		
1.	<b>ELECTRICITY</b>		
(a)	<b>Purchased</b>	KWH	NIL
(b)	<b>Own Generation</b>		
i)	Through Diesel Generator		
	Units	KWH	26349
	Units per Litre of Diesel Oil	KWH/Ltr.	2.05
	Cost per Unit	Rs./KWH	15.86
ii)	Through Steam Turbine Generator (Sugar Plant)		
	Units	KWH	3866517
	Units per K. G. of Bagasse	KWH/KG	0.15
	Cost per Unit	Rs./KWH	3.23
(c)	<b>Power taken from Co-generation</b>		
	Units	KWH	26978430
	Total Amount	Rs.	37523882.52
	Cost per Unit	Rs./KWH	1.39
(d)	<b>Steam taken from Co-generation</b>		
	Units	M.T.	337,632.30
	Total Cost	Rs.	133,734,336.01
	Cost per Unit	Rs./M.T.	396.09
2.	<b>OTHER / INTERNAL GENERATIONS</b>		
a)	Fire Wood	M.T.	91.92
	Total Cost	Rs.	114650.23
	Rate /Unit	Rs./M.T.	1247.28
b)	Bagasse		
	Purchased	M.T.	NIL
	Produced & Utilised for Power Generation	M.T.	25000.79
	Total Cost	Rs.	12,500,395
	Rate (Average)	Rs./M.T.	500



# ANNEXURE "B" TO THE DIRECTORS' REPORT

## (II) CONSUMPTION PER UNIT OF SUGAR PRODUCTION

Electricity	KWH/QTLS.	14.93	18.45
Coal (Ind Grade)	M.T./QTLS.	NIL	NIL
Fire Wood	M.T./QTLS.	0.000004	0.000007
Bagasse	M.T./QTLS.	0.0121	0.0014

### Distillery & Chemical Division :

#### (A) CONSERVATION OF ENERGY:

- Energy Conservation measures taken:  
Methane gas recovery plant from spent wash of Distillery-not working due to distillery stoppage.
- 400 TR Chiller utilisation helped us to run the plant normally during summer, resulting in increased productivity.

#### B) TECHNOLOGY ABSORPTION :-

Efforts made in technology absorption are as per Form "B" given hereunder-

### FORM "A"

#### DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		For Chemical Division	For Distillery Division
		Current Year	Previous Year

#### (I) POWER & FUEL CONSUMPTION:

##### 1 ELECTRICITY :-

##### (a) Purchased

Unit	KWH	8,528,404	9,154,870	-	53,562
Total Amount	Rs.	32,606,130	34,257,347	162,000	993,522
Rate	Rs./KWH	3.82	3.74	-	18.55

##### (b) Own Generation

##### i) Through Diesel Generator (Kirloskar D.G.Set)

Unit	KWH	118,250	178,596	276	147,288
Diesel Consumption.	Ltrs.	40,523	52,538	83	58,802
Unit per litre of diesel oil	KWH	2.92	3.40	3.33	2.50
Cost per Unit.	Rs./KWH	12.09	8.23	12.11	10.25

##### 2 Power taken from Co-generation

Unit	KWH	-	-	871,626	367,550
Total Cost	Ltrs.	-	-	1,557,478	1,021,983
Cost per unit	Rs./KWH	-	-	1.79	2.78

##### (ii) Through Steam Engine Turbine

Unit per K.G.	KWH	3,559,744	3,421,250	774,672	1,519,310
Cost per unit.	Rs./KWH	-	-	-	-

After generation of power, the steam is consumed fully in the process. So, there is no appreciable cost for power generation. In practice, we get power as a by-product with nominal / low cost per unit.

##### (c) Steam taken from Co-generation/Sugar Division

Unit	M.T.	-	-	12,784	15,089
Total Cost	Rs.	-	-	5,027,919	6,414,906
Cost per unit	Rs./M.T.	-	-	393	425

# 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) Local	M.T.	15,369	25,775	198.75	253
	Total Cost - Local	Rs.	43,031,531	64,385,950	584,753	730,522
	Average Rate - Local	Rs./M.T.	2,800	2,498	2,942	2,887
	Coal Cosumed (Qty) - Import	M.T.	11,621	-	-	-
	Total Cost - Import	Rs.	31,138,610	-	-	-
	Average Rate - Import	Rs./M.T.	2,679	-	-	-
	Biogasse consumed	MT	-	-	11,011	14,358
	Total Cost	Rs.	-	-	17,183,930	16,364,787
	Average Rate	Rs/MT	-	-	1,560.64	1,139.73
	Biogas consumed	M3	155,737	2,739,098	2,081,900	3,613,340
	Total Steam generation	M.T.	129,677	130,366	20,286	42,818
	Steam generation per MT of coal.	M.T.	4.77	4.52	1.50	2.30
	Firewood Chips	M.T.	NIL	NIL	-	23
	Total Cost	Rs.	NIL	NIL	-	47,649
	Average Rate	Rs.	NIL	NIL	-	2,100
(II) CONSUMPTION PER UNIT OF PRODUCTION :						
i)	ALCOHOL					
	Production	K.L.	3,782	4,955	5,795	9,248
	Electricity	KWH	1,118,030	1,171,588	849,464	1,024,346
	Units / KL of Production	KHW/K.L.	295.63	232.37	147	111
	Coal	M.T.	2,474	674	199	253
	Bagasse	M.T.	-	-	11,011	14,358
	Firewood Chips	M.T.	-	-	-	23
	Biogas	M3	155,737	2,739,098	2,081,900	3,613,340
	Coal Ratio	M.T./K.L.	0.65	0.74	1.93	1.58
	Steam Ratio	M.T./K.L.	3.12	3.34	3.58	3.14
ii)	ACETALDEHYDE					
	Production	M.T.	16,592	14,594	NIL	NIL
	Electricity	KWH	3,204,498	3,673,381	NIL	NIL
	Units / MT of Production	KWH/M.T.	193.14	251.70	NIL	NIL
	Coal	M.T.	6,313	8,267	NIL	NIL
	Coal Ratio	M.T./M.T.	0.38	0.57	NIL	NIL
	Steam Ratio	M.T./M.T.	1.82	2.56	NIL	NIL
iii)	ACETIC ACID					
	Production	M.T.	12,392	13,816	NIL	NIL
	Electricity	KWH	4,465,616	5,092,642	NIL	NIL
	Units / MT of Production	KWH/M.T.	360.37	368.60	NIL	NIL
	Coal	M.T.	5,271	5,835	NIL	NIL
	Coal Ratio	M.T./M.T.	0.43	0.42	NIL	NIL
	Steam Ratio	M.T./M.T.	2.03	1.91	NIL	NIL



## ANNEXURE "B" TO THE DIRECTORS' REPORT

### (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 indentifies cost effective process additives. R & D is involved in adoption of new technologies.
- 2) Benefits derived as a result of above R & D :
  - a) R & D activities helped in process improvement and quality of the product. Products are developed and commercialised. R & D helps in cost reduction and resource conservation.
  - b) R & D activities have resulted in developing a product Ethyl Lactate which is non toxic, biodegradable and have excellent solvent properties that can replace toxic and halogenated solvents for a wide range of industrial and consumer uses. The process is based on improved strain for the fermentation that permits low-cost synthesis of high-purity ethyl lactate and other lactate esters from molasses which is used as a feedstock. The down stream process is developed in such a way that we get rid of impurities of starting raw material. The Technology is being commercialized during the Financial Year 2005-06.
- 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. 1.18
ii) Recurring	Rs. 121.96
iii) Total	Rs. <u>123.14</u>
iv) Total R & D expenses as a percentage of total turnover	0.36%

##### TECHONLOGY ABOSRPTION, ADOPTION AND INNOVATION :

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

##### BENEFITS :

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

Rs. in Lacs

### (C) FOREIGN EXCHANGE

EARNINGS	:	2,084.47
OUTGO	:	303.24

By Order of the Board of Directors,

Place : Mumbai

Date : 27 June, 2006

**S. K. SOMAIYA**  
Chairman & Managing Director





## Auditors' Report

## 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 31 March, 2006 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub section (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:

*Note No.8 of Schedule no. 18 annexed to accounts regarding excess sale of Power by Rs. 820.68 lacs and cumulative Debtors of Rs. 1,565.13 lacs, in case of adverse judgment by Honorable Karnataka High Court.*

comply with mandatory Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

- e) On the basis of written representations received from Directors as on 31 March, 2006 and taken on record by the Board of Directors, we report that, none of the directors are disqualified as on 31 March, 2006 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 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 case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2006;
  - ii) in case of the Profit and Loss Account, of the Profit for the year ended on that date; and
  - iii) in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **DESAI SAKSENA & ASSOCIATES**  
Chartered Accountants

Place : Mumbai  
Date : 28 June, 2006

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



## 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 taken loans from two parties. In respect of said loan the maximum amount outstanding at any time during the year is Rs.450.00 lacs and year end balance is Rs.450.00 lacs
  - c) The rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- d) The principal and interest payments are regular as stipulated.
- (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, the Company Law Board has passed no order on the Company under the aforesaid section.
- (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.
- (ix) In respect of statutory dues:



## ANNEXURE TO THE AUDITORS' REPORT

- 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. According to information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31 March, 2006, for a period more than six months from the date of becoming payable.
- b) The disputed statutory dues aggregating to Rs. 581.80 lacs that have not been deposited on account of disputed matters pending before appropriate authorities as at 31 March, 2006, are as under:

Particulars	Financial Year to which it Pertains	Forum Where Dispute is pending	Amount (Rs. in Lacs)
Sales Tax (Central & State)	1990-91, 1991-92	Tribunal	85.61
	1992-93	Commissioner	44.31
State Excise Duty	1989-90	Deputy Commissioner	20.59
State Excise supervision charges	01.01.96 to 30.09.2000	Commissioner of State Excise	10.81
Central Excise Duty	2001-02 to 2005-06	Tribunal	392.30
	2004-05	Assistant Commissioner	3.60
	2004-05	Joint Commissioner	4.99
Service Tax	1997-98 and 1998-99	Tribunal	9.47
Income Tax	1996-97 to 1998-99	ITAT	10.12
<b>Total</b>			<b>581.80</b>

- (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 (Auditors' 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 (Auditors' 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 : 28 June, 2006



Balance Sheet  
&  
Profit & Loss Account

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**THE GODAVARI SUGAR MILLS LIMITED**  
**BALANCE SHEET AS AT 31 MARCH, 2006**

			( Rs.in lacs )	
			31.03.2006	31.03.2005
<b>SCHEDULES</b>				
<b>SOURCES OF FUNDS :</b>				
<b>SHAREHOLDERS' FUNDS :</b>				
(a) Share Capital	1		4,548.25	4,298.25
(b) Reserves & Surplus	2		4,922.38	3,850.93
			<u>9,470.63</u>	<u>8,149.18</u>
Deferred Tax Liability (Net)			653.93	257.99
<b>LOANS :</b>				
(a) Secured Loans	3		23,462.19	23,445.05
(b) Unsecured Loans	4		4,172.21	5,267.86
			<u>27,634.40</u>	<u>28,712.91</u>
<b>TOTAL FUNDS EMPLOYED</b>			<u><b>37,758.96</b></u>	<u><b>37,120.08</b></u>
<b>APPLICATION OF FUNDS :</b>				
<b>FIXED ASSETS :</b>				
(a) Gross Block	5	28,003.33		26,349.19
(b) Less : Depreciation		<u>8,062.11</u>		<u>6,685.85</u>
(c) Net Block			19,941.22	19,663.34
(d) Work in Progress			<u>1,251.85</u>	<u>1,361.17</u>
			21,193.07	21,024.51
<b>INVESTMENTS</b>	6		30.93	23.85
<b>CURRENT ASSETS :</b>				
(a) Inventories	7	18,070.23		15,066.13
(b) Debtors	8	4,323.81		2,482.89
(c) Cash and Bank Balances	9	850.85		545.01
(d) Loans and Advances	10	<u>1,864.95</u>		<u>2,800.46</u>
			25,109.84	20,894.49
<b>LESS : CURRENT LIABILITIES :</b>	11			
(a) Current Liabilities		8,757.24		4,840.94
(b) Provisions		<u>156.44</u>		<u>151.64</u>
			8,913.68	4,992.58
Net Current Assets			16,196.16	15,901.91
<b>MISCELLANEOUS EXPENDITURE :</b>				
<b>(to the extent not written off or adjusted)</b>				
Deferred Revenue Expenditure			338.80	169.81
<b>TOTAL FUNDS DEPLOYED</b>			<u><b>37,758.96</b></u>	<u><b>37,120.08</b></u>
<b>Significant Accounting Policies &amp; Notes</b>	18			
<b>Forming Part of the Accounts</b>				

As per our Report of even date annexed

For DESAI SAKSENA & ASSOCIATES  
Chartered Accountants

Dr. S. N. Desai  
Partner

Place : Mumbai  
Date : 28 June, 2006

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

S. P. Gupta  
(Sr Manager &  
Company Secretary)

S. K. Somaiya Chairman & Managing Director

Samir S. Somaiya Executive Director

N. C. Sayta  
Kailash Pershad  
P. M. Kavadia } Directors

Place : Mumbai  
Date : 27 June, 2006



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH,2006**

		31.03.2006	( Rs.in lacs ) 31.03.2005
<b>SCHEDULES</b>			
<b>INCOME :</b>			
Sales	12	50,103.34	39,891.58
Other Income	13	473.69	356.34
Increase / (Decrease) in Stock	14	5,489.36	(1,766.02)
		<u>56,066.39</u>	<u>38,481.90</u>
<b>EXPENDITURE :</b>			
Raw Material Cost	15	35,958.16	21,098.84
Purchase of Goods for resale		575.58	738.26
Manufacturing and Other Expenses	16	9,427.27	8,402.57
Excise Duty & Sugar Development Cess		3,630.15	3,364.24
Interest & Financial Charges	17	2,794.37	3,124.66
Depreciation	5	1,407.27	1,342.63
		<u>53,792.80</u>	<u>38,071.20</u>
<b>PROFIT BEFORE EXTRA ORDINARY ITEM &amp; TAXES</b>		2,273.59	410.70
Less : Extra Ordinary Item		682.66	-
<b>PROFIT BEFORE TAX</b>		1,590.93	410.70
<b>Provision for Taxation :</b>			
Current Tax		138.00	36.60
Fringe Benefit Tax		32.00	-
Deferred Tax Expenses		395.94	95.03
		<u>565.94</u>	<u>131.63</u>
<b>PROFIT FOR THE PERIOD</b>		1,024.99	279.07
Less : Prior Period Items (net)		-	(13.28)
Less : Short provision for taxation written back		-	(4.83)
		<u>1,024.99</u>	<u>260.96</u>
Balance Profit brought forward from last year		791.05	530.09
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<u>1,816.04</u>	<u>791.05</u>
<b>Significant Accounting Policies &amp; Notes Forming Part of the Accounts</b>		18	

As per our Report of even date annexed  
For DESAI SAKSENA & ASSOCIATES  
Chartered Accountants

Dr. S. N. Desai  
Partner

Place : Mumbai  
Date : 28 June, 2006

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

S. P. Gupta  
(Sr Manager &  
Company Secretary)

S. K. Somaiya Chairman & Managing Director

Samir S. Somaiya Executive Director

N. C. Sayta  
Kailash Pershad } Directors  
P. M. Kavadia }

Place : Mumbai  
Date : 27 June, 2006

# **SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31 MARCH, 2006**

		31.03.2006	( Rs.in lacs ) 31.03.2005
<b>SCHEDULE 1 - SHARE CAPITAL :</b>			
<b>AUTHORISED :</b>			
4,20,00,000 Equity Shares of Rs.10/- each (4,20,00,000)	4,200.00		4,200.00
18,00,000 Redeemable Preference Shares of Rs.100/- each (18,00,000)	1,800.00		1,800.00
		<u>6,000.00</u>	<u>6,000.00</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>			
<b>Equity Share Capital :</b>			
2,49,82,500 Equity Shares of Rs.10/- each fully paid up. (1,84,82,500)	2,498.25		1,848.25
25,00,000 Add : 25,00,000 Shares of Rs. 10/- each issued & fully paid up (65,00,000) during the year	250.00		650.00
Out of the above, 1,13,00,000 shares were allotted as fully paid bonus shares by way of Capitalisation of Reserves.		2,748.25	2,498.25
<b>Preference Share Capital :</b>			
18,00,000 12% Redeemable Cumulative Preference Shares of Rs 100/- (18,00,000) each fully paid up		1,800.00	1,800.00
		<u>4,548.25</u>	<u>4,298.25</u>
<b>SCHEDULE 2 - RESERVES AND SURPLUS :</b>			
(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) Capital Reserve :			
As per the last Balance Sheet	1,226.79		919.49
Add : Addition during the year	46.46		307.30
		1,273.25	1,226.79
(d) Profit & Loss Account		1,816.04	791.05
		<u>4,922.38</u>	<u>3,850.93</u>



**SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31 MARCH, 2006**

		31.03.2006	(Rs. in lacs) 31.03.2005
<b>SCHEDULE 3 - SECURED LOANS :</b>			
<b>A Sugar Division</b>			
<b>From Banks and Financial Institutions</b>			
<b>(a) Term Loans :</b>			
(i) From Bank of India	2503.36		757.85
(ii) From Union Bank of India	2,401.08		722.25
(iii) From Andhra Bank	1,206.06		350.87
(Secured by first pari passu charge of Equitable Mortgage on the Fixed Assets of Company (excluding Sakarwadi unit, specific charge & agricultural assets). Also subservient first ranking charge on Sakarwadi unit & second charge on Sugar division current assets and guaranteed by a Director)	6,110.50		1,830.97
(iv) From Industrial Development Bank of India Ltd. (Secured by hypothecation of exclusive first charge on specific Equipments)	-		31.50
(v) From SICOM Ltd. (Secured by mortgage of Land and hypothecation by way of exclusive first charge of specific Assets)	0.25		5.00
(vi) From Sugar Technology Mission (Secured by hypothecation by way of exclusive first charge on the Assets created under the ERP project and second charge on the stock of sugar, molasses and stores)	20.40		40.80
(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		280.00
(viii) From Sugar Development Fund (Second charge on Sugar Block of Fixed Assets of Company's unit of Sameerwadi)	752.00		940.00
(ix) Instalments Due for Purchase of Assets Under H.P. Finance (Hypothecated against specific Assets)	53.27		57.75
		<b>7,216.42</b>	<b>3,186.02</b>
<b>(b) Cash Credit Account with :</b>			
(i) Bank of India	3,501.47		5,076.48
(ii) Union Bank of India	2,513.25		4,787.90
(iii) Andhra Bank	1,210.09		2,003.06
(Secured by hypothecation of first charge on tangible movable Assets of the Company including Stocks of Sugar, Stores, Spares, etc and second charge on Equitable Mortgage on Block of Fixed Assets of the Company (excluding specific charge & agricultural assets) and fully guaranteed by a Director)		<b>7,224.81</b>	<b>11,867.44</b>
		<b>14,441.23</b>	<b>15,053.46</b>
<b>B Co-generation Division :</b>			
<b>(a) Term Loans :</b>			
(i) Industrial Development Bank of India Ltd.	4,115.68		3,530.00
(ii) Andhra Bank	1,790.09		1,464.05
(iii) State Bank of India	1,348.37		1,201.91
(Secured by first pari passu charge of Equitable Mortgage on the Fixed Assets of Company (excluding Sakarwadi unit, specific charge & agricultural assets). And also first charge on Power receivables and subservient first ranking charge on pari passu basis on Sakarwadi unit.		<b>7,254.14</b>	<b>6,195.96</b>

**SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31 MARCH, 2006**

	31.03.2006	(Rs. in lacs) 31.03.2005
<b>SCHEDULE 3 (Continued...)</b>		
<b>C Distillery &amp; Chemical Division</b>		
<b>From Banks and Financial Institutions</b>		
<b>(a) Term Loans :</b>		
(i) 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.)	503.29	668.25
(ii) Bank of Baroda - Turbine Loan (Secured by hypothecation by way of first charge on Turbine 800 KW at Sakarwadi)	16.89	41.26
(iii) From SICOM Ltd. (Secured by mortgage of specific Sakarwadi land and hypothecation by way of first charge of specific assets)	152.22	249.22
(iv) Instalments Due for Purchase of Assets Under H.P. Finance (Hypothicated against specific Assets)	32.93	22.43
	<u>705.33</u>	<u>981.16</u>
<b>(b) Cash Credit Account with :</b>		
(i) Bank of Baroda	854.03	1,003.16
(ii) Syndicate Bank (Secured by hypothecation of First Charge of Raw Materials, Stock-in-process, Finished goods, Chemicals, Stores, Spares etc of Distillery & Chemical Division & Collateral security of Book Debts, & Second Charge on parri pasu basis by way of Equitable Mortgage on Fixed assets of the Company except specific charge & agricultural assets)	<u>207.46</u>	<u>211.31</u>
	<b>1,061.49</b>	<b>1,214.47</b>
	<u><u>23,462.19</u></u>	<u><u>23,445.05</u></u>
<b>SCHEDULE 4 - UNSECURED LOANS :</b>		
(a) Public Deposits	1,076.77	1,445.47
(b) Deposits from Director	14.00	14.00
(c) Interest Free Sales Tax Deferment Loan	192.29	243.59
(d) Short Term Loans		
From Banks	1,071.89	2,478.34
From Others	<u>1,817.26</u>	<u>1,086.46</u>
	<b>2,889.15</b>	<b>3,564.80</b>
	<u><u>4,172.21</u></u>	<u><u>5,267.86</u></u>



**SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31 MARCH, 2006**  
**SCHEDULE 5 - FIXED ASSETS :**

(Rs. in Lacs)

Sr. No.	PARTICULARS	Gross Block As on 1st April, 2005	Additions during the year	Deductions/ Adjustments during the year	Gross Block As on 31 March, 2006	Depreciation Written off upto 31 March, 2005	Depreciation Written off during the year	Deductions/ Adjustments of Depreciation	Total Depreciation upto 31 March, 2006	Net Depreciated Block as at 31 March, 2006	Net Depreciated Block as at 31 March, 2005
<b>A</b>	<b>Manufacturing/ Agricultural Division</b>										
1	Land	287.79	-	-	287.79	-	-	-	-	287.79	287.79
2	Live Stock	1.06	0.43	-	1.49	0.25	-	-	0.25	1.24	0.81
3	Building	1,369.31	17.83	-	1,387.14	272.45	33.55	-	306.00	1,081.14	1,096.86
4	Agricultural Machinery	14.08	0.56	-	14.64	10.51	0.68	-	11.19	3.45	3.57
5	Plant & Machinery	22,467.13	1,539.04	-	24,006.17	5,606.39	1,187.52	-	6,793.91	17,212.26	16,860.74
6	Office Equipments	1,277.97	78.95	-	1,356.92	582.08	129.30	-	711.38	645.54	695.89
7	Motor Vehicles	583.83	59.42	42.08	601.17	198.79	54.70	31.02	222.47	378.70	385.04
	<b>Sub - Total</b>	<b>26,001.17</b>	<b>1,696.23</b>	<b>42.08</b>	<b>27,655.32</b>	<b>6,670.47</b>	<b>1,405.75</b>	<b>31.02</b>	<b>8,045.20</b>	<b>19,610.12</b>	<b>19,330.71</b>
<b>B</b>	<b>Real Estate Division</b>										
1	Land	254.61	-	-	254.61	-	-	-	-	254.61	254.61
2	Building & Apartment	93.40	-	-	93.40	15.39	1.52	-	16.91	76.49	78.01
	<b>Sub - Total</b>	<b>348.01</b>	<b>-</b>	<b>-</b>	<b>348.01</b>	<b>15.39</b>	<b>1.52</b>	<b>-</b>	<b>16.91</b>	<b>331.10</b>	<b>332.62</b>
	<b>Total (A + B)</b>	<b>26,349.18</b>	<b>1,696.23</b>	<b>42.08</b>	<b>28,003.33</b>	<b>6,685.86</b>	<b>1,407.27</b>	<b>31.02</b>	<b>8,062.11</b>	<b>19,941.22</b>	<b>19,663.33</b>
	<b>Previous Year</b>	<b>24,625.59</b>	<b>1,761.08</b>	<b>37.48</b>	<b>26,349.19</b>	<b>5,368.83</b>	<b>1,342.63</b>	<b>25.61</b>	<b>6,685.85</b>	<b>19,663.34</b>	<b>19,256.76</b>

**SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31 MARCH, 2006**

	31.03.2006	(Rs. in lacs) 31.03.2005
<b>SCHEDULE 6 - INVESTMENTS (At Cost)</b>		
<b>(a) Other Investments :</b>		
Quoted		
(i) 7,200 (7,200) Equity Shares of Rs.10/- each of Bank of India	3.24	3.24
(ii) 4,048 ( Nil ) Equity Shares of of Rs.10/- each Andhra Bank	3.64	-
(iii) 35,900 (35,900) Equity Shares of of Rs.10/- each Union Bank of India	5.74	5.74
(iv) 1,500 ( 1,500 ) Equity Shares of Rs.100/- each of Oriental Power Cables Ltd.	1.50	1.50
(v) 4,500 ( 4,500 ) Equity Shares of Rs.10/- each of JR Organics (India) Ltd.	0.45	0.45
(vi) 6,491 ( 5,000 ) Equity Share of Rs.10/- each of Bank of Baroda	7.68	4.25
	<u>22.25</u>	<u>15.18</u>
Unquoted		
(i) National Savings Certificate for CWC	0.01	-
(ii) 210 ( 210 ) Equity Shares of Rs.100/- each of The Book Centre Ltd.	0.21	0.21
(iii) 80 ( 80 ) Shares of Rs.25/- each of Raghuvanshi Co-operative Bank Ltd.	0.02	0.02
(iv) National Savings Certificate (Deposited with Sales Tax Department)	0.20	0.20
	<u>0.44</u>	<u>0.43</u>
<b>(b) Investments in shares of Subsidiary Company :</b>		
(i) 5,000 ( 5,000 ) Equity Shares of Rs.100/- each of Godavari Investment & Finance Corporation Limited	5.00	5.00
(ii) 50,000 ( 50,000 ) Equity Shares of Rs.10/- each of Padmanabh Agencies Pvt. Ltd.	5.00	5.00
	<u>10.00</u>	<u>10.00</u>
	<u>32.69</u>	<u>25.61</u>
Less : Provision-for diminution in investments	<u>1.76</u>	<u>1.76</u>
	<u><u>30.93</u></u>	<u><u>23.85</u></u>

	Book Value as at		Market Value as at	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
Quoted Investments	20.49	13.42	71.70	57.86
Unquoted Investments	<u>10.44</u>	<u>10.43</u>	<u>-</u>	<u>-</u>
	<u><u>30.93</u></u>	<u><u>23.85</u></u>	<u><u>71.70</u></u>	<u><u>57.86</u></u>

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

**(a) Sugar Division :**

(i) Raw Materials	1,197.59	612.40
(ii) Work in Process	199.57	214.37
(iii) Stocks-in-trade	14,359.19	11,184.65
(iv) Stores, Chemicals and Spares, Packing Materials	984.44	811.63
	<u>16,740.79</u>	<u>12,823.05</u>

**(b) Distillery & Chemical Division :**

(i) Raw Materials	639.47	1,024.90
(ii) Work in Process	14.38	3.55
(iii) Stocks-in-trade	395.37	838.39
(iv) Stores, Chemicals and Spares, Packing Materials	280.22	376.24
	<u>1,329.44</u>	<u>2,243.08</u>
	<u><u>18,070.23</u></u>	<u><u>15,066.13</u></u>



**SCHEDULES FORMING THE PART OF BALANCE SHEET AS AT 31 MARCH, 2006**

		31.03.2006	(Rs. in lacs) 31.03.2005
<b>SCHEDULE 8 - SUNDRY DEBTORS (Unsecured, Considered Good) :</b>			
(a) Debtors Outstanding for a period exceeding six months	1,455.28		693.33
(b) Other Debtors	2,868.53		1,789.56
		<u>4,323.81</u>	<u>2,482.89</u>
<b>SCHEDULE 9 - CASH AND BANK BALANCES :</b>			
(a) Cash, Cheques and Drafts on hand and in Transit	77.62		113.71
(b) In Current Account with Scheduled & Other Banks	227.17		169.89
(c) Fixed Deposits with Scheduled Bank	546.06		261.41
		<u>850.85</u>	<u>545.01</u>
<b>SCHEDULE 10 - LOANS AND ADVANCES (Unsecured and considered good) :</b>			
(a) Advances Recoverable in Cash or Kind or for value to be received	903.28		2,031.66
(b) Advances to Subsidiary Company	0.01		0.01
(c) Advance Income Tax ( Net of Provisions )	515.21		529.62
(d) Balance with Excise Departments Including Cenvat Credits & others	446.45		239.17
		<u>1,864.95</u>	<u>2,800.46</u>
<b>SCHEDULE 11 - CURRENT LIABILITIES AND PROVISIONS :</b>			
<b>(A) Current Liabilities :</b>			
(i) Sundry Creditors & Other Liabilities	8,605.24		3,887.60
(ii) Interest Accrued but not Due	152.00		953.34
		<u>8,757.24</u>	<u>4,840.94</u>
<b>(B) Provisions :</b>			
(i) Provision for Leave Encashment		<u>156.44</u>	<u>151.64</u>
		<u>8,913.68</u>	<u>4,992.58</u>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED  
31 MARCH, 2006**

		<b>31.03.2006</b>	<b>(Rs. in lacs) 31.03.2005</b>
<b>SCHEDULE 12 - SALES :</b>			
Sugar	31,904.10		24,211.62
Fertilisers	602.29		769.58
Molasses	415.85		-
Power	3,709.53		1,877.98
Chemicals	10,197.75		8,481.92
Alcohol/Fuel Alcohol/Bio Fertilizers	3,273.82		4,550.48
		<b>50,103.34</b>	<b>39,891.58</b>
<b>SCHEDULE 13 - OTHER INCOME :</b>			
Foreign Exchange Fluctuation (Net)	-		8.80
Sale of Farm Produce	64.41		33.45
Claims and Refund	7.92		76.35
Interest on Fixed Deposits and Others	252.41		146.11
Dividend	0.81		1.63
Miscellaneous Income	148.14		90.00
		<b>473.69</b>	<b>356.34</b>
<b>SCHEDULE 14 - INCREASE / (DECREASE) IN STOCK :</b>			
<b>Closing Stock :</b>			
Sugar Division	17,320.55		11,399.02
Distillery & Chemical Division	409.76		841.93
		<b>17,730.31</b>	<b>12,240.95</b>
<b>Less : Opening Stock :</b>			
Sugar Division	11,399.02		13,442.04
Distillery & Chemical Division	841.93		564.93
		<b>12,240.95</b>	<b>14,006.97</b>
Increase / (Decrease) in Stock		<b>5,489.36</b>	<b>(1,766.02)</b>
<b>SCHEDULE 15 - RAW MATERIALS CONSUMED :</b>			
Sugarcane & Raw Sugar	28,415.46		16,102.04
Bagasse & others	1,681.17		256.39
Alcohol	5,446.74		4,106.60
Molasses	245.21		592.26
Chemicals	169.58		41.55
		<b>35,958.16</b>	<b>21,098.84</b>



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED  
31 MARCH, 2006**

		31.03.2006	(Rs. in lacs) 31.03.2005
<b>SCHEDULE 16 - MANUFACTURING AND OTHER EXPENSES :</b>			
<b>Manufacturing Expenses :</b>			
Power and Fuel	1,387.28		1,345.83
Packing, Forwarding and Storage	1,056.78		503.96
Stores, Chemicals and Spare Parts consumed	1,336.57		1,113.11
Lease Rent	161.28		5.12
Excise Establishment Charges	18.29		21.37
Expenses on Scientific Research (R & D)	16.38		7.40
Contribution to Scientific Research Institution	18.10		16.45
		<b>3,994.68</b>	<b>3,013.24</b>
<b>Repairs and Maintenance :</b>			
Plant and Machinery	471.92		364.54
Buildings	67.32		88.42
Others	202.12		194.52
		<b>741.36</b>	<b>647.48</b>
<b>Employees Remuneration and Benefits :</b>			
Salaries, Wages and Bonus (including Directors Remuneration)	2,317.77		2,312.58
Contribution to Provident Fund & Other Fund	141.77		140.70
Welfare Expenses	137.77		179.78
Group Gratuity Insurance Premium	92.14		84.52
		<b>2,689.45</b>	<b>2,717.58</b>
<b>Office and Establishment Expenses :</b>			
Rent, Rates and Taxes	185.03		154.51
Insurance	169.65		153.37
Agricultural Development Expenses	62.76		91.03
DFRC /DEPB /Subsidy / Sundry balances written off	64.63		344.78
General Expenses	1,144.80		1,074.38
Loss on sale of Assets	8.64		62.87
		<b>1,635.51</b>	<b>1,880.94</b>
<b>Selling and Distribution Expenses :</b>		<b>360.74</b>	<b>139.66</b>
<b>Auditors' Remuneration :</b>			
Audit Fees and Tax Audit Fees	5.00		3.21
Certification fees	0.35		0.32
Out of pocket expenses	0.18		0.14
		<b>5.53</b>	<b>3.67</b>
		<b>9,427.27</b>	<b>8,402.57</b>
<b>SCHEDULE 17 - INTEREST &amp; FINANCIAL CHARGES :</b>			
Cash Credit		1,240.42	1,153.66
Term Loan		1,131.47	1,585.56
Other Finance Charges		422.48	385.44
		<b>2,794.37</b>	<b>3,124.66</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2006**

**SCHEDULE 18**

**1) SIGNIFICANT ACCOUNTING POLICIES :**

**A) Basis of Preparation of financial Statements:**

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:**

Operating Leases: Rentals are expressed with reference to lease terms and other considerations.

**D) Fixed Assets and Depreciation:**

- i) Fixed Assets are stated at cost net of Cenvat and Value added tax less accumulated depreciation including impairment loss. All cost including financing cost till commencement of commercial production, net charges on foreign exchange contracts and adjustment arising from exchange rate variation attributable to the fixed assets are capitalised.
- 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 its' acquisition.
- iii) Depreciation on Fixed Assets has been provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

**E) Foreign Currency Transactions:**

- i) Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction.
- ii) Monetary items denominated in Foreign Currencies are reinstated at the year-end rates.
- iii) In case of monetary items that are covered by forward exchange contract, the difference between the year-end rate and the rate on the date of contract is recognised as exchange difference and the premium paid on forward contracts has been recognised over the life of contract.

**F) Investments:**

Current investments are carried at the lower of cost and quoted/fair value. 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) Inventories:**

- i) Raw Materials, Stores, Spares and Chemicals and Crop in Progress are valued at cost or at net realisable value whichever is less. Cost is generally arrived at on moving average basis.
- ii) Finished stock & process stock are valued at cost or net realisable value whichever is lower.
- iii) Molasses, Bagasse and waste/scrap is valued at net realisable value.
- iv) The valuation of inventories includes taxes, duties of non refundable nature and direct expenses, net of excise duty/counter veiling duty/education cess and value added tax and other direct cost attributable to the cost of inventory.

**H) 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.

**I) Provision for Current tax and Deferred tax :**

- 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 resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted and 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.



**J) 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.

**K) 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.

**L) 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 at the rate of Rs 3.60 /KWH as against Power Purchase Agreement (PPA) rate of Rs 3.83 /KWH

**M) Turnover :**

Turnover includes sale of goods, excise duty net of sales tax, adjusted for discounts.

**N) Excise Duty and Sales Tax :**

Finished goods attracting excise duty and sales tax, lying in the factory as at 31 March, 2006, could not be separated into those for sale in domestic market and /or export market. Hence excise duty and sales tax payable is not determinable on the manufactured goods lying in the stock at the year-end. However, this has no impact on profit during the year due to non-provisioning.

**O) Expenditure on Research & Development :**

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

**P) Retirement Benefits:**

- i) Company's contribution to provident fund and family pension fund are charged to Profit and Loss Account.
- ii) The Liability as on 31-3-2006 for accrued gratuity to employees under the Payment of Gratuity Act, 1972 as per Actuary's Certificate is Rs. 717.67 Lacs (Rs.698.88 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 92.14 Lacs (Previous year Rs. 84.53 Lacs) has been paid to LIC under the said scheme.

**Q) Deferred Revenue Expenditure:**

Deferred Revenue Expenditure is written off to the Profit & Loss Account as determined by the management for a period not exceeding ten years.

**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:

Proton Engg. Works, Madhukar Industries, V Plast, Patco Industrial Supplies, Taneja Plastics, Bharat Fire Engineers, Satish Steel Works & Marsh Engineers.

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

# NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2006

	31.03.06	(Rs. in lacs) 31.03.05
3) DEFERRED TAX LIABILITIES (NET)		
Description		
(A) Deferred Tax Liabilities :		
Related to Fixed Asstes	3,664.90	3,642.19
(B) Deferred Tax Assets :		
Unabsorbed Depreciation	3,010.97	3,384.20
(A) - (B)	<u>653.93</u>	<u>257.99</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	31.40	79.80
* Central Excise and Service Tax Liability that may arise in respect of matters in appeal	410.36	45.87
* Income Tax Liability (Including Interest) that may arise in respect of matters in appeal	10.12	36.33
* Bank Guarantee issued by bank on behalf of the Company	303.75	-
* Cane Purchase Tax	-	29.85
b) Arrears of Cumulative Preference Share Dividend	648.00	432.00
5) EXTRA-ORDINARY ITEMS :		
Cane Price of Previous years *	682.66	-
*Pertaining to seasons 2002-03, 2003-04 and 2004-05, as the final price of the cane was settled during the year.		
6) Amount of borrowing costs capitalized during the period	15.00	15.58
7) Estimated amount of contract remaining to be executed on capital account and not provided for Rs 112 lacs (Previous Year - Rs. 166 lacs).		
8) For the Financial year, Company is entitled for the rate of Rs 3.83 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 2.80 per KWH as per Honorable High Court of Karnataka's interim order dated 22nd July 2004. The company has contested the unilateral reduction in the tariff before The Honourable High Court of Karnataka and the matter is subjudice. In the meantime Karnataka Electricity Regulatory Commission (KEREC) has determined that PPA approved by them before 10th June 2004, are eligible for tariff as per the said PPA rates. Further a Senior Counsel has also opined that the company is entitled for tariff as per PPA rate, i.e. for the financial year 2005-06 for the rate of Rs 3.83 / KWH of it's energy exported. Notwithstanding the above, pending the final order of The Honourable High Court of Karnataka, the Company has conservatively recognized the income of power sales to KPTCL at a rate of Rs 3.60 / KWH i.e. less by Rs 0.23 / KWH as against the PPA rate of Rs 3.83 / KWH. Accordingly the company has written off sundry debtors amounting to Rs. 260.94 lacs (Rs.NIL last year). The amount receivable from KPTCL is considered as good.		
9) Certain balances of Debtors, Creditors, loans from Financial Institution, Banks, Deposits and advances are subject to confirmation.		
10) OBLIGATION UNDER NON - CANCELLATION OPERATING LEASE:		
Particulars	31.03.2006	(Rs. in lacs) 31.03.2005
Not later than one year	591.40	Nil
Later than one year but not later than five years	2,247.50	Nil
Later than five years	Nil	Nil



	31.03.06	(Rs. in lacs) 31.03.05
<b>11) MANAGERIAL REMUNERATION:</b>		
<b>a) Computation</b>		
Profit Before Tax	1,590.93	410.70
<b>Add:</b>		
Working Director's Remuneration	158.94	82.28
Depreciation	<u>1,407.27</u>	<u>1,342.64</u>
	<u>1,566.21</u>	<u>1,424.92</u>
	<u>3,157.14</u>	<u>1,835.62</u>
<b>Add:</b>		
Loss on sale of assets	8.64	62.87
	<u>3165.78</u>	<u>1898.49</u>
<b>Less: Depreciation</b>	<u>1407.27</u>	<u>1342.64</u>
	<u>1758.51</u>	<u>555.85</u>
Managing Director commission	50.24	16.03
Executive Director commission	<u>33.50</u>	<u>5.34</u>
<b>Total</b>	<u><u>83.74</u></u>	<u><u>21.37</u></u>
<b>b) Break up of Managerial Remuneration</b>		
Remuneration	52.18	41.64
Contribution to Provident Fund	6.26	5.00
Perquisites	16.76	14.27
Commission	<u>83.74</u>	<u>21.37</u>
<b>Total</b>	<u><u>158.94</u></u>	<u><u>82.28</u></u>

**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2006**

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

<b>SUGAR DIVISION :</b>									
Name of the Factory : Sugar Units at Sameerwadi, Tambale & Songaon									
Licensed Capacity : 15,000 M.T.									
Installed utilised Capacity as certified by the Factory Manager : 11,800 M.T.									
Goods Manufactured	Opening Stock		Production		Quantity sent for reprocessing & loss due to Driage & Damaged Ex-sugar	Cons. for Lactic Acid Plant	Sales (includes Inter Unit Transfer)		Closing Stock
	Quantity M.T.	Value Rs. in Lac	Quantity M.T.	Value Rs. in Lac			Quantity M.T.	Value Rs. in Lac	
Sugar	73,933.300 106,933.550	10,494.57 13,336.23	222,777.000 125,250.500		3,018.900 1,954.850	- -	185,195.800 156,295.900	30,421.66 23,203.95	108,495.600 73,933.300
Molasses	16,391.914 8,894.494	688.37 88.94	66,842.600 47,724.900		- -	85.300	58,102.610 40,142.180	1,718.53 1,107.96	25,131.904 16,391.914
									16,737.74 10,494.57 350.09 688.37

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

**(b) Raw Materials Purchased and Consumed :**

	Current Year 05-06		Previous Year 04-05	
	M.T.	Rs. in Lac	M.T.	Rs. in Lac
a) Sugar Cane Consumed	1,616,495.911	23,834.35	1,150,950.000	16,000.45
b) Raw Sugar Consumed	34,464.148	4,581.11	825.000	101.59
<b>Total</b>	-	26,105.55	-	16,102.04
Stores and Spares Consumed	Value Rs.	%	Value Rs.	%
Imported	-	-	-	-
Indigenous	932.22	100%	713.44	100%
<b>TOTAL</b>	864.62	100%	713.44	100%

**(c) C.I.F. Value of Imports (in Rs.) :**

	Current Year	Previous Year
i) Raw Materials	-	4617.63
ii) Stores and Spares	18.88	-
iii) Capital Goods	11.60	22.89
<b>(d) Earning in Foreign Currency :</b>	-	-
<b>(e) Expenses incurred in Foreign Currency :</b>	303.24	363.36

**CO-GENERATION DIVISION :**

Installed Capacity		24 MW			
		Current Year 05-06		Previous Year 04-05	
Particulars		Generated	Export to Grid	Generated	Export to Grid
Power MWH		144,649.00	104,362.50	77,974.00	53,943.00

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

	Current Year 05-06		Previous Year 04-05	
	Qty (M.T.)	Rs. in lacs	Qty (M.T.)	Rs. in lacs
Purchased Raw Material	107,573.50	1681.17	160,432.32	256.39
Bagasse and others	228,075.58	-	10,639.03	-
Bagasse (Inter Unit Manufactured)				



**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2006**

**(a) Quantitative information in respect of goods manufactured :**

**DISTILLERY & CHEMICAL DIVISION :**

Goods Manufactured	Unit	Licensed Capacity (Annual)	Installed Capacity (Annual) (As Certified by Director (Works))	Sales			Closing Stock		
				Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
<b>AT SAKARWADI :</b>									
Rectified Spirit	HL	450,000	3,00,000						
Acetaldehyde	MT.	23,000	18,000						
Acetic Acid	MT.	25,000	20,000						
Ethyl Acetate	MT.	18,000	18,000						
Other Acetates	MT.	1,800	1,800						
<b>AT SAMEERWADI :</b>									
Rectified Spirit / Extra Neutral Alcohol	HL	1,80,000	1,80,000						
Fuel Alcohol (Ethanol)	HL	1,50,000	1,50,000						
Goods Manufactured	Unit	Opening Stock		Actual Production / Purchase (Excluding Normal Loss)	Value (Rs.in lacs)	Sales		Closing Stock	
		Quantity	Value (Rs.in lacs)			Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
<b>(i) AT SAKARWADI :</b>									
Rectified Spirit	HL	-	-	37,818.55	-	-	-	2,790.39	38.00
		5,985.08	57.58	49,550.79	-	-	-	-	-
Acetaldehyde	MT.	36.45	10.64	16,591.58	818.48	2,483.84	818.48	35.98	8.42
		28.49	5.06	14,594.45	879.30	2,760.02	879.30	36.45	10.64
Acetic Acid	M.T.	102.93	28.74	12,391.75	628.98	1,916.76	628.98	360.12	84.90
		176.46	32.55	13,816.13	1,645.64	5,325.53	1,645.64	102.93	28.74
Ethyl Acetate	MT.	186.42	68.28	14,705.39	6,055.00	14,687.37	6,055.00	102.24	34.85
		210.48	51.05	12,009.57	4,772.52	11,961.98	4,772.52	186.42	68.28
<b>(ii) AT SAMEERWADI :</b>									
Rectified Spirit	HL	8,098.65	152.76	57,979.15	1,498.16	61,294.35	1,498.16	3,990.78	59.54
		10,899.45	109.27	92,494.65	2,021.46	80,031.18	2,021.46	8,098.65	152.76
Bio-Earth	MT.	15,878.31	79.29	25,498.90	165.52	23,786.432	165.52	14,366.83	73.74
		21,598.89	104.33	26,206.85	159.16	25,005.812	159.16	15,878.31	79.29
Fuel Alcohol (Ethanol)	HL	3,270.97	71.99	755.93	61.08	3,041.35	61.08	985.55	16.02
		6,627.98	74.56	14,472.99	321.72	17,830.00	321.72	3,270.97	71.99
Extra Neutral Alcohol	HL	3,799.99	90.63	20,410.80	718.37	23,920.00	718.37	290.79	4.98
		-	-	47,109.99	1,347.08	43,310.00	1,347.08	3,799.99	90.63
Traded Goods : Rectified Spirit	HL			26.70					
				17.55					

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

2. Figures shown below the line are of Previous Year.

3. The Sales figures in value are shown net of Central Excise Duties.

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2006

**b) Consumption of Raw Materials (Excluding Inter Unit Transfer) :**

	Unit	Current Year 05-06		Previous Year 04-05	
		Quantity	Amount (Rs.in lacs)	Quantity	Amount (Rs.in lacs)
Molasses	M.T.	19,317.46	245.22	29,388.40	777.32
Molasses (Import)	M.T.	-	-	5,411.315	307.88
Molasses (Inter Unit Manufactured)	M.T.	30,142.68	-	45,505.28	-
Rectified Spirit (Own Manufactured - SAK)	H.L.	35,028.16	-	55,535.87	-
Rectified Spirit (Own Manufactured - SMR)	H.L.	792.67	-	15,264.27	-
Special Denatured Spirit (Local)	H.L.	28,767.02	554.38	45,652.64	729.59
Special Denatured Spirit (Import)	H.L.	289,396.31	4,892.36	208,211.22	2,844.87
Rectified Spirit Purchased	H.L.	5,000.00	74.00	1,589.42	9.33
Acetaldehyde (Own Manufactured)	M.T.	14,108.218	-	11,826.46	-
Acetic Acid (Own Manufactured)	M.T.	10,217.800	-	8,564.13	-
Ethyl Acetate	M.T.	102.20	-	71.65	-
Other		6,921.632	95.57	-	71.41
Total		-	5,861.53	-	4,740.41
<b>c) C.I.F. Value of Imports (SDS) :</b>		23,071.241	3,785.16	23,670.088	3,410.59
<b>d) Value of Raw Materials Consumed :</b>		Amount (Rs.in lacs)	%	Amount (Rs.in lacs)	%
i) Indigenous		969.17	16.53	1,587.66	33.49
ii) Imported (Chemicals including deemed)		4,892.36	83.47	3,152.75	66.51
Total		5,861.53	100.00	4,740.41	100.00
<b>e) Value of Stores and Spare Parts Consumed :</b>					
i) Indigenous		211.79	100	216.34	100
ii) Imported		-	-	-	-
Total		211.79	100	216.34	100
<b>f) Earning in Foreign Currency :</b>			2,084.47		905.89
<b>g) Expenditure in Foreign Currency :</b>			-		150.57



**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2006**

**(13) Particulars of Segment Information as required by Accounting Standard (AS-17) "Segment Reporting"**

	(Rs in Lacs)									
	Sugar		Cogen		Dist. & Chem.		Unallocated		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
<b>A Segment Revenue</b>										
External Sales revenue	32,922.24	24,981.20	3,709.53	1,877.98	13,471.57	13,032.40	-	-	50,103.34	39,891.58
Inter Segment transfers	3,241.59	2,720.28	1,893.10	1,333.99	-	9.32	-	-	5,134.69	4,063.59
Other Income	121.10	124.42	0.05	0.31	100.13	85.51	-	-	221.28	210.23
Unallocated Interest Income	-	-	-	-	-	-	252.41	146.11	252.41	146.11
<b>B Segment Result Before Interest</b>										
Operating Profit	3,111.92	1,605.73	1,624.56	734.11	79.04	1,049.40	-	-	4,815.52	3,389.25
Unallocated Interest Expenses	-	-	-	-	-	-	2,794.37	3,124.66	2,794.37	3,124.66
<b>C Other information</b>										
Segment Assets	17,535.66	14,773.53	4,616.68	2,095.80	2,442.30	3,495.57	854.03	699.41	25,448.67	21,064.31
Segment liabilities	24,430.32	22,738.59	8,321.98	7,018.82	3,795.62	3,948.01	-	-	36,547.92	33,705.43
Capital assets including CWIP	6,566.65	6,308.16	8,697.55	9,040.07	5,928.88	5,676.28	-	-	21,193.08	21,024.51
<b>D Segment Depreciation</b>										
	485.88	452.92	562.18	553.49	359.20	336.22	-	-	1,407.27	1,342.63
<b>E Non cash expenses other than Depreciation</b>										
	8.64	-	-	-	-	62.87	-	-	8.64	62.87

**Significant Accounting Policies**

- 1 Segment Report is prepared in conformity with accounting policies adopted for preparing and presenting financial statements.
- 2 Inter-segment transfers are recorded at cost except for own generated bagasse and Molasses, cost of which is unascertainable and which are recorded at prevalent market prices.

# NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 2006

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) Pvt Ltd., The Book Centre Ltd., Jasmine Trading Co. Pvt. Ltd., K.J.Somaiya & Sons Pvt. Ltd., Lakshmiwadi Mines & Minerals Pvt. Ltd., Sakarwadi Trading Company Pvt. Ltd., Somaiya Agencies Pvt. Ltd., Somaiya Chemical Industries Pvt. Ltd.

## Details of transactions with the related parties during the year

		(Rs in lacs)					
		Category I		Category II		Category III	
		2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
1	Remuneration	-	-	158.94	88.75	-	-
2	Interest	-	-	8.19	9.34	9.11	38.00
3	Purchases	-	-	-	-	28.85	29.58
4	Rent	-	-	-	-	31.15	-
5	Royalty	-	-	-	-	46.51	-
6	Services	-	-	-	-	34.93	-
7	Loans & advances given	0.01	0.01	-	-	0.01	-
8	Unsecured loans/Inter Corporate Deposits recd.	-	-	-	66.78	450.00	-

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

Signatures to Schedule No. 1 to 18 attached to Balance Sheet and Profit & Loss Account

S. K. Somaiya Chairman & Managing Director

Samir S. Somaiya Executive Director

N. C. Sayta

Kailash Pershad } Directors

P. M. Kavadia }

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

S. P. Gupta  
(Sr Manager &  
Company Secretary)

Place : Mumbai  
Date : 27 June, 2006



# 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 2006		

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

Public Issue	NIL	Right Issue	NIL
Bonus Shares	NIL	Private Placement	25,000

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

Total Liabilities	377,58,96	Total Assets	377,58,96
Sources of Funds	Paid-up Capital	Reserves & Surplus	49,22,38
	45,48,25	Unsecured Loans	41,72,21
	Secured Loans	Investments	30,93
	234,62,19	Misc. Expenditure	3,38,80
Application of Funds	Net Fixed Assets		
	211,93,07		
	Net Current Assets		
	161,96,16		

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

Turnover & Other Income	560,66,39	Total Expenditure	544,75,46
+/- Profit/Loss Before Tax	+ 15,90,93	+/- Profit / Loss After Tax	+ 10,24,99
Earning per Share in Rs.	3.23	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	ETHYL ACETATE

S. K. Somaiya Chairman & Managing Director  
 Samir S. Somaiya Executive Director  
 N. C. Sayta }  
 Kailash Pershad } Directors  
 P. M. Kavadia }

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

S. P. Gupta  
(Sr Manager &  
Company Secretary)

Place : Mumbai  
Date : 27 June, 2006

# CASH FLOW FOR THE YEAR ENDED 31 MARCH, 2006

		2005-06		(Rs. in Lacs)
<b>A. Cash flow from Operating Activities :</b>		<b>1,024.99</b>		<b>279.08</b>
Net Profit / (Loss) after tax				
Adjusted for :				
Depreciation	1,407.27		1,342.63	
Interest Received on Fixed Deposits and Others	(252.41)		(146.11)	
Foreign Exchange Fluctuation (NET)	(94.55)		(8.80)	
Income From Immovable Property	(3.51)		(4.59)	
Loss on Sale of Assets	8.64		62.87	
Dividend Received	(0.81)		(1.63)	
Interest Expenses	2,794.37		3,124.66	
Provision for Tax	138.00		36.60	
Deferred Taxes amortised net of payment	395.94		95.03	
Extra Ordinary Item	682.66		-	
Prior period Adjustment	-	<b>5,075.60</b>	(18.11)	<b>4,482.55</b>
Operating Profit before Working capital changes		<b>6,100.59</b>		<b>4,761.63</b>
Adjustments for :				
Trade Receivables	(1,840.92)		(166.72)	
Inventories	(3,004.10)		539.18	
Loans & Advances	951.63		347.71	
Deferred Revenue	(168.99)		61.89	
Trade Payables & Provisions	3,921.10	<b>(141.28)</b>	385.39	<b>1,167.45</b>
Cash generated from operations		<b>5,959.31</b>		<b>5,929.08</b>
Extra Ordinary Item	(682.66)		-	
Taxes paid	(154.05)	<b>(836.71)</b>	(30.28)	<b>(30.28)</b>
NET CASH FROM OPERATING ACTIVITY		<b>5,122.60</b>		<b>5,898.80</b>
<b>B. Cash flow from Investing Activities :</b>				
Purchase of Fixed Assets	(1,586.92)		(2,259.82)	
Sale of Fixed Assets	2.41		6.14	
Purchase of Investments	(7.08)		(0.20)	
Interest Received on Fixed Deposits and Others	252.41		146.11	
Foreign Exchange Fluctuation (NET)	94.55		8.80	
Income From Immovable Property	3.51		4.59	
Dividend Received	0.81		1.63	
NET CASH USED IN INVESTING ACTIVITIES		<b>(1,240.31)</b>		<b>(2,092.75)</b>
<b>C. Cash flow from Financing Activities :</b>				
Proceeds from issue of Share Capital	250.00		650.00	
Proceeds from long term borrowings	1,938.56		375.09	
Payments of long term borrowings	(633.56)		(1,186.48)	
Short term borrowings ( Net )	(2,383.54)		(1,238.68)	
Interest paid	(2,794.37)		(3,124.66)	
Grant Received / Capital Subsidy	46.46		307.30	
NET CASH USED IN FINANCING ACTIVITIES		<b>(3,576.45)</b>		<b>(4,217.43)</b>
Net changes in Cash & Cash equivalents		<b>305.84</b>		<b>(411.38)</b>
Opening balance of Cash & Cash equivalents		<b>545.01</b>		<b>956.39</b>
Closing balance of cash & cash equivalents		<b>850.85</b>		<b>545.01</b>
		<b>305.84</b>		<b>(411.38)</b>

As per our Report of even date annexed

For DESAI SAKSENA & ASSOCIATES  
Chartered Accountants

Dr. S. N. Desai  
Partner

Place : Mumbai  
Date : 28 June, 2006

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

S. P. Gupta  
(Sr Manager &  
Company Secretary)

S. K. Somaiya Chairman & Managing Director

Samir S. Somaiya Executive Director

N. C. Sayta  
Kailash Pershad  
P. M. Kavadia } Directors

Place : Mumbai  
Date : 27 June, 2006



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

**2005-2006**

**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 31 March, 2006.
- 2) The Subsidiary Company made a profit of Rs. 6,650/- after making the provision of tax for the year Rs 3,500/- and excess provision for earlier year taxation Rs 85/-. Adjusting the carried forward loss of Rs 44,771/-, the loss carried to balance sheet amounted Rs 38,121/-. 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 31 March, 2006.
- 4) The advance to the Subsidiary Company as on 31 March, 2006 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 31 March, 2006 was Rs. 900/-.

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**S. K. Somaiya** Chairman & Managing Director

**Samir S. Somaiya** Executive Director

**N. C. Sayta**

**Kailash Pershad**

**P. M. Kavadia**

} Directors

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

**S. P. Gupta**  
(Sr Manager &  
Company Secretary)

Place : Mumbai

Date : 27 June, 2006

**DIRECTORS' REPORT**

**Dear Shareholders,**

Your Directors have pleasure in presenting their Fifty First Annual Report and Audited Accounts of the Company for the year ended 31 March, 2006.

**Financial Results :**

During the year under review, the company made profit before tax of Rs.10,235/-. After making the provision of tax Rs. 3,500/- for the year, adjusting excess provision for taxation for Rs 85/- and also adjusting the brought forward loss of Rs. 44,771/-, the loss of Rs. 38,121/- is carried to balance sheet. Your Director do not recommend for any Dividend.

**Change of Name :**

The Company proposes to change its name to Godavari Biorefineries Limited for which necessary application will be made to the Registrar of the Companies, Maharashtra, Mumbai for availability of the name. The change of name will become effective after all statutory compliances, including the approval of the shareholders.

**Directors :**

The Board wishes to record with deep sense of sorrow the sad demise of Shri R Venkatraman, director of the Company on 30-11-2005. The Directors have placed on record their appreciation of the valuable services rendered by him to the Company during his tenure. Shri P. M. Kavadia has been appointed in the casual vacancy caused by the death of Shri R. Venkataraman.

Shri P. M. Kavadia would hold office up to the date of the ensuing Annual General Meeting. The company has received a notice in writing from a member proposing the candidature of Shri P. M. Kavadia for the office of Director.

**Auditors :**

M/s. Y. S. Muzumdar & Co., Chartered Accountants, retire and being eligible, have confirmed their willingness for reappointment.

**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.

**For and on behalf of the Board of Directors,**

**P. M. KAVADIA  
J. R. SHUKLA**

} Directors

Place : Mumbai

Date : 26 June, 2006

**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 31 March, 2006 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 (Auditor's 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 31 March, 2006 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 31 March, 2006; and
    - b) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on 31 March, 2006.

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

Chartered Accountants

**Y. S. MUZUMDAR**

(Proprietor)

Place : Mumbai

Date : 26 June, 2006



# GODAVARI INVESTMENT AND FINANCE CORPORATION LIMITED

## BALANCE SHEET AS AT 31 MARCH, 2006

	Schedule	Rupees	31.03.2006 Rupees	31.03.2005 Rupees
<b>SOURCE OF FUNDS :</b>				
<b>SHAREHOLDERS' FUNDS:</b>				
(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>
<b>LOANS :</b>				
(a) Secured Loans			-	-
(b) Unsecured Loans			-	-
<b>TOTAL</b>			<u>5,01,400</u>	<u>5,01,400</u>
<b>APPLICATION OF FUNDS :</b>				
<b>INVESTMENTS :</b>				
			-	-
<b>CURRENT ASSETS :</b>				
(a) Debtors	3	89,850		1,34,400
(b) Cash and Bank Balances	4	3,73,042		3,27,271
(c) Loans and Advances	5	5,029		5,195
		<u>4,67,921</u>		<u>4,66,866</u>
<b>LESS CURRENT LIABILITIES &amp; PROVISIONS :</b>				
(a) Current Liabilities	6	1,142		5,037
(b) Provisions	7	3,500		5,200
		<u>4,642</u>		<u>10,237</u>
<b>NET CURRENT ASSETS :</b>			<u>4,63,279</u>	<u>4,56,629</u>
<b>MISCELLANEOUS EXPENDITURE :</b>				
<b>Profit &amp; Loss Account</b>			<u>38,121</u>	<u>44,771</u>
<b>TOTAL</b>			<u>5,01,400</u>	<u>5,01,400</u>

As per our Report of even date  
For Y. S. MUZUMDAR & CO.  
Chartered Accountants

P. M. KAVADIA  
J. R. SHUKLA  
} Directors

Y. S. MUZUMDAR  
(Proprietor)

Place : Mumbai

Date : 26 June, 2006

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2006

	Schedule	Rupees	31.03.2006 Rupees	31.03.2005 Rupees
<b>INCOME :</b>	8		<u>15,312</u>	<u>69,154</u>
<b>EXPENDITURE :</b>				
Establishment and other Expenses	9		<u>5,077</u>	<u>3,541</u>
<b>PROFIT BEFORE TAX :</b>			<u>10,235</u>	<u>65,613</u>
Provision for Taxation			<u>3,500</u>	<u>5,200</u>
Add excess provision for Tax for earlier years			-	881
Less earlier years Income Tax Written off			<u>85</u>	-
<b>Net Profit/(Loss) for the Year</b>			<u>6,650</u>	<u>61,294</u>
Balance Loss brought forward from last year			<u>(44,771)</u>	<u>(1,06,065)</u>
Balance Loss carried to Balance Sheet			<u>(38,121)</u>	<u>(44,771)</u>
<b>Notes Forming Part of the Accounts</b>	10			

As per our Report of even date  
For Y. S. MUZUMDAR & CO.  
Chartered Accountants

P. M. KAVADIA  
J. R. SHUKLA  
} Directors

Y. S. MUZUMDAR  
(Proprietor)

Place : Mumbai

Date : 26 June, 2006

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	31.03.2006 Rupees	31.03.2005 Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL :</b>		
5,000 Ordinary (Equity) Shares of Rs.100/- each	<u>5,00,000</u>	<u>5,00,000</u>
<b>ISSUED AND SUBSCRIBED CAPITAL</b>		
5,000 Equity Shares of Rs.100/- each fully paid up (Entire Capital held by The Godavari Sugar Mills Limited - holding company)	<u>5,00,000</u>	<u>5,00,000</u>
<b>SCHEDULE 2 : RESERVE AND SURPLUS</b>		
General Reserve	<u>1,400</u>	<u>1,400</u>
<b>SCHEDULE 3 : DEBTORS</b> (Unsecured and considered good except otherwise stated) :		
(a) Debts Outstanding for more than six months	89,850	89,850
(b) Other Debts	-	44,450
	<u>89,850</u>	<u>1,34,400</u>
<b>SCHEDULE 4 : CASH &amp; BANK BALANCE</b>		
Cash on hand	761	546
In fixed deposit account with Scheduled Bank	3,00,000	3,00,000
In current account with Scheduled Bank	72,281	26,725
	<u>3,73,042</u>	<u>3,27,271</u>
<b>SCHEDULE 5 : LOANS &amp; ADVANCES</b>		
Loans to cane growers	4,338	4,338
Income tax	691	857
	<u>5,029</u>	<u>5,195</u>
<b>SCHEDULE 6 : CURRENT LIABILITIES</b>		
Sundry Creditors	1,142	1,122
Income Tax Payable	-	3,915
	<u>1,142</u>	<u>5,037</u>
<b>SCHEDULE 7 : PROVISIONS</b>		
Provision for Income Tax for the year	<u>3,500</u>	<u>5,200</u>
<b>SCHEDULE 8 : INCOME</b>		
Interest Received	15,312	11,804
Sundry Balance Written Back	-	44,550
Profit on Sales of Investments	-	12,800
	<u>15,312</u>	<u>69,154</u>
<b>SCHEDULE 9 : ESTABLISHMENT EXPENSES</b>		
Professional Tax	1,700	1,700
Fees & Stamp	2,200	600
Bank Charges	55	25
Audit Fees	1,122	1,216
	<u>5,077</u>	<u>3,541</u>



STATEMENT ON SIGNIFICANT ACCOUNTING POLICY FOR THE YEAR ENDED 31 MARCH, 2006

SCHEDULE : 10 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. The requirements of schedule VI to the Companies Act, 1956 regarding additional information are not applicable to the company.
3. No provision for gratuity payment has been made in the books as The Payment of Gratuity Act, 1972 is not applicable to the company.
4. 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 : 26 June, 2006

**P. M. KAVADIA**

**J. R. SHUKLA**

} Directors

Place : Mumbai

Date : 26 June, 2006

## DIRECTORS' REPORT

Dear Shareholders,  
Padmanabh Agencies Private Limited.

Yours Directors submit herewith Eighth Annual Report and Audited Statements of Accounts of the Company for the year ended 31 March, 2006.

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.

### DIRECTORS:

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

### PARTICULARS OF EMPLOYEES:

The Company does not have any employee to whom the companies (particulars of employees) Rules, 1975 apply.

### AUDITORS:

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

For and on behalf of the Board of Directors,

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

Place : Mumbai

Date : 26 June, 2006.

## AUDITORS' REPORT

To the Members of Padmanabh Agencies Private Limited.

We have audited the attached Balance Sheet of Padmanabh Agencies Pvt. Ltd. as at 31 March, 2006. 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 31 March, 2006 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 31 March, 2006.

For Y. S. MUZUMDAR & CO.  
Chartered Accountants

Y. S. MUZUMDAR  
(Proprietor)

Place : Mumbai

Date : 26 June, 2006.



**PADMANABH AGENCIES PRIVATE LIMITED**  
**BALANCE SHEET AS AT 31 MARCH, 2006**

31.03.2005	LIABILITIES	31.03.2006	31.03.2005	ASSETS	31.03.2006
Rupees		Rupees	Rupees		Rupees
	<b>I. AUTHORISED CAPITAL :</b>			<b>I. CASH AND BANK BALANCES :</b>	
1,000,000	1,00,000 Shares of Rs.10/- each	1,000,000	469,792	Cash at Bank	4,69,992
	<b>II. ISSUED SUBSCRIBED &amp; PAID UP CAPITAL :</b>			<b>II. MISCELLANEOUS EXPENDITURE :</b>	
500,000	50,000 Shares of Rs. 10/- each Fully paid up.	500,000	31,979	Preliminary Expenses	32,540
	<b>III. CURRENT LIABILITIES AND PROVISIONS :</b>				
700	Loans from The Godavari Sugar Mills Ltd.	900			
1,071	Outstanding Expenses	1,632			
1,771		2,532			
501,771	<b>TOTAL RUPEES</b>	502,532	501,771	<b>TOTAL RUPEES</b>	502,532

Since Commercial Activity has not commenced till 31 March 2006, no Profit and Loss Account has been prepared.

Accompanying to our Report of even date annexed

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

**Y. S. MUZUMDAR**  
(Proprietor)

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

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

Place : Mumbai  
Date : 26 June, 2006.

Place : Mumbai  
Date : 26 June, 2006.









**THE GODAVARI SUGAR MILLS LTD**

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Pin - 587 316

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