

# THE GODAVARI SUGAR MILLS LTD

*Building an integrated Biorefinery*



SUGAR

ORGANIC FERTILISERS

RURAL DEVELOPMENT

RENEWABLE ENERGY

BULK ORGANIC CHEMICALS

SPECIALTY CHEMICALS

AGRICULTURAL RESEARCH

ETHANOL

67<sup>th</sup>

ANNUAL REPORT  
2006 - 2007

### **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

Dr Paul Zorner (from 24/09/07)

Shri P M Kavadia (upto 26/08/07)  
(Whole-time Director)

Shri V Sivaprakasam  
(Director-Works)

Shri N S Khetan  
(General Manager-F&A)

Shri S P Gupta  
(Senior Manager & Company Secretary)

### **Bankers and Institutions :**

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

### **Solicitors :**

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

### **Auditors :**

Desai Saksena & Associates  
(Chartered Accountants)

### **Registered Office :**

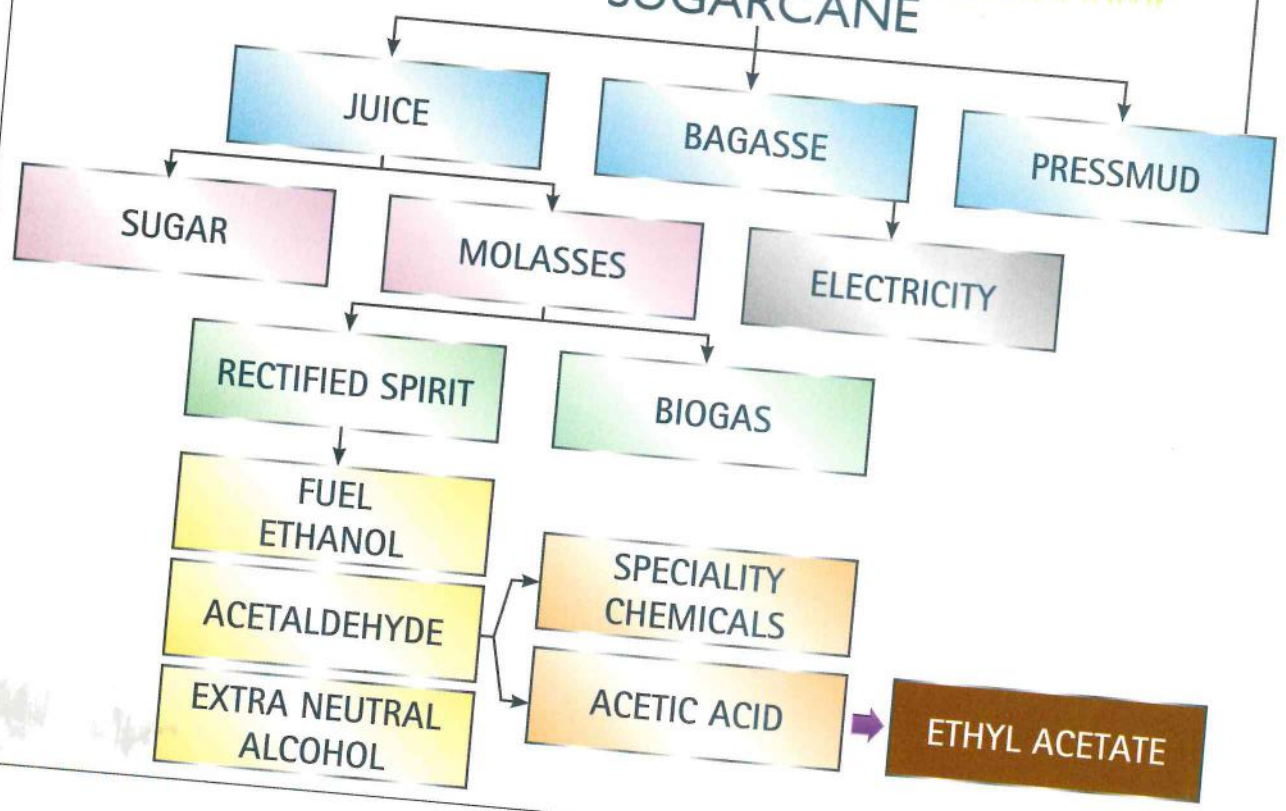
Fazalbhoy Building,  
45/47, Mahatma Gandhi Road,  
Fort, Mumbai - 400 001, INDIA



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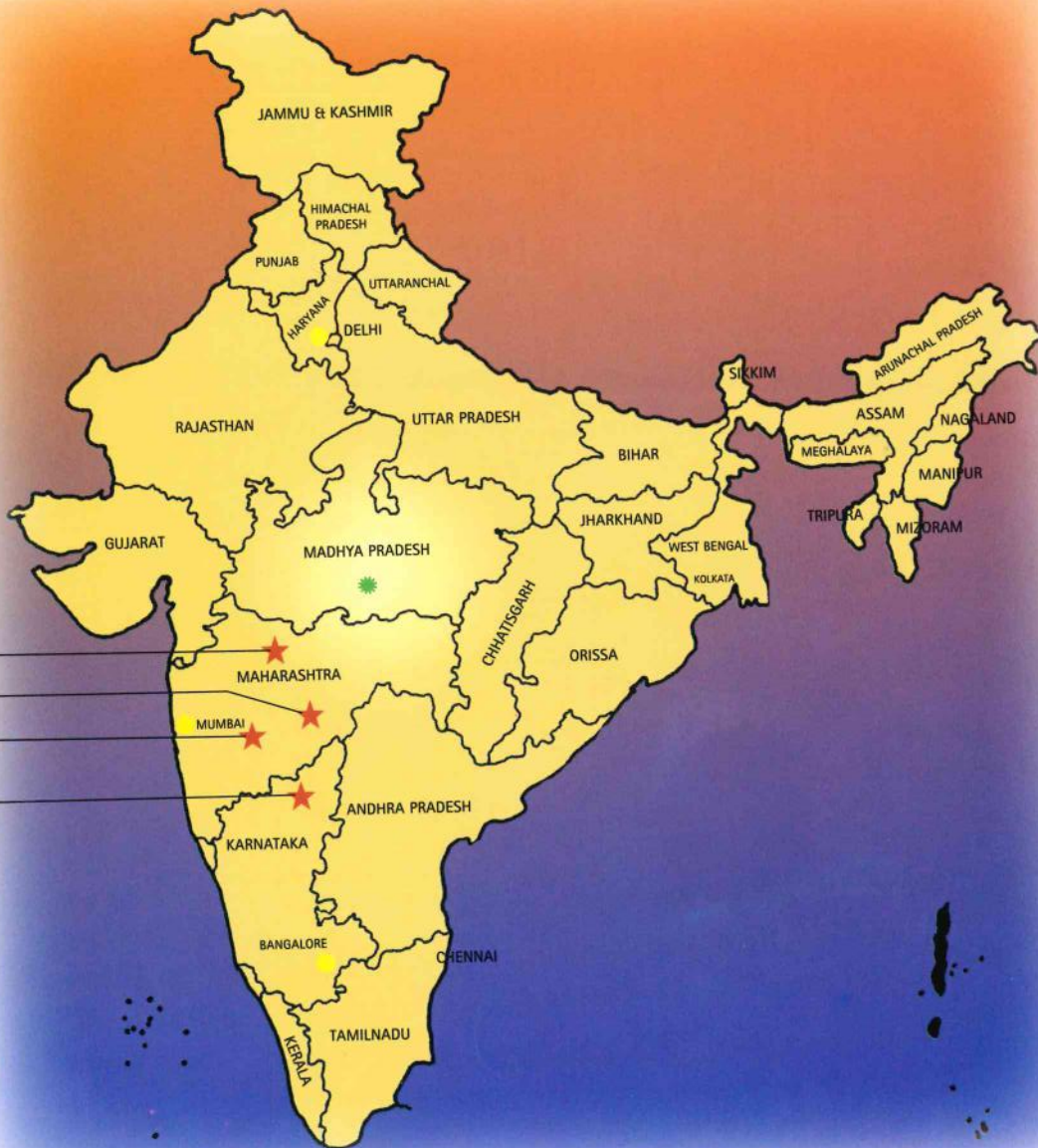
# SUGARCANE



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## The Godavari Sugar Mills Limited

- OFFICE LOCATIONS
- ★ MANUFACTURING FACILITIES
- ✱ FARMS





*Welcome*

# *Chairman's Outlook*

A Good Time for Building integrated Biorefineries

# Chairman's Outlook

## Sugar not so sweet!!!

## Good time for an integrated Bio-Refinery

Water Harvesting, Applied Sugarcane Research, and Power Generation



## Macroeconomic Changes

### Building up of Surplus & Inventory

Good monsoon & remunerative sugarcane prices resulted in higher cane Acreage and production glut.

### Ban on Exports of Sugar

In order to curb inflation the government banned exports in June 2006. This led to inventory build up.

### Downward Pressure on International and Domestic Prices.

Demand/Supply mismatch & high inventory of sugar resulted in a sharp decline of Sugar prices.

### Ethanol Policy

Government made the Programme of 5% Ethanol Blending with petrol (gasoline) optional subject to commercial viability in 20 states and eight Union territories.

### Government Policies

- Phased decontrol of sugar industry
- Buffer stock created for 20 lac tones for one year
- Freight Subsidy to support sugar exports.

### Opportunities

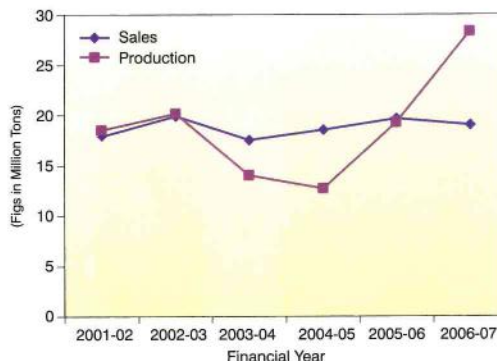
- Cogeneration and Ethanol
- Bio-diesel
- Carbon Credits

### Economics and Politics do not mix!!!

The past year has been a roller coaster ride. Sugar prices fell just as quickly as they had gone up. The year saw Government interference in the trade of sugar & implementation of open access policy in co-generation of power.

The reduction of the European Union sugar exports from the world market had increased International sugar prices to all time highs. This price increase enabled Indian sugar producers to export sugar at good prices. However, this honeymoon was short lived. The Government of India banned the export of sugar in June 2006 even though the sugar crop for season 2006-07 was supposed to be a record high. Higher cane prices of the previous year had encouraged farmers to plant more cane and a good monsoon had created good yields. Further, high sugar prices had spurred large investments in sugar capacity in India and Brazil.

The ban on sugar exports compounded the supply surplus. As a result, Indian sugar prices fell from 17 Rs./kg. to less than 11 Rs./kg. International prices fell from 20 c/lb to 10 c/lb, in less than 6 months. The crisis was real and unprecedented. Your company foresaw the price fall, and requested its cane growers to accept a lower sugarcane price. The leaders of farmers association in Maharashtra & North-West Karnataka including those at Sameerwadi, insisted on higher prices and were supported by external forces. The standoff between farmers and sugar mills affected working of sugar factories in Maharashtra and N. Karnataka. Your company alone embarked on a public relations campaign, aimed at convincing the farmers to accept lower price. After 76 days of standoff, the large majority of farmers convinced their association to accept, the



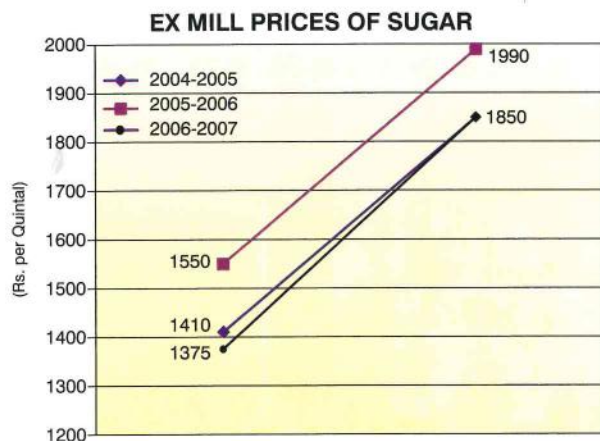
Source: ISMA REPORT

ground realities of depressed sugar prices and abundant cane, and that cane would deteriorate if the factory was not allowed to operate. The export ban was lifted in January 2007 due to buoyant production during the season.

## Exit from Indira Sugar Factory

Your company had acquired Indira Gandhi B.M.V. SSK Sugar factory on lease in the year 2005 which was a standalone Sugar factory. The lessor of Indira Sugar Cooperative wanted the sugar mill back, and cancel the lease arrangement. Due to difficulties in working with our lessor, the company agreed to the termination of the lease subject to its interests and concerns being addressed. Although initially the negotiations were difficult both parties mutually decided the final settlement.

## Sugar Price



## Ethanol Policy

Due to limited domestic crude oil reserves, India meets about 72 percent of its crude oil and Petroleum products requirement through imports. India's import expenditure has nearly doubled due to the escalation in global oil prices.

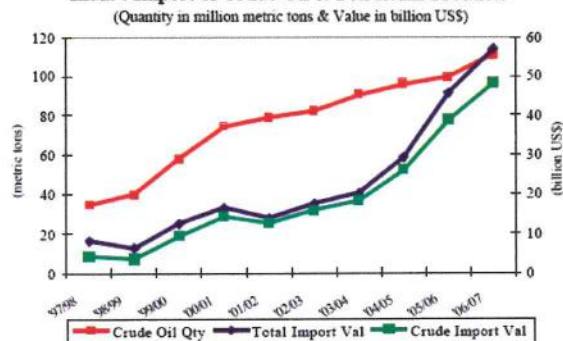
The increase in oil prices has fueled the demand for Ethanol. Efforts to produce ethanol from other feed stocks like sweet sorghum, sugarbeet, sweet potatoes, etc. are at an experimental stage.

The government's ethanol Policy (EBP) has led to over 110 distilleries modifying their plants to include ethanol production with the total ethanol production capacity of 1.3 billion liters per year.

The Government has now plans for third phase i.e. to introduce 10 % EBP. However to meet this requirement capacity additions and sugarcane juice based Ethanol needs to be implemented. Ethanol has been used in India as a feedstock for the production of chemicals and in the manufacture of potable liquor. In the recent past, much has been written about ethanol as a fuel for the purposes of transportation. Brazil has been a pioneer in the use of ethanol in car engines, and cars in Brazil today can use hydrous ethanol (rectified spirit), anhydrous ethanol, and petrol, in any combination.

India is the second largest producer of sugarcane in the world (after Brazil) and the natural question is whether India too

## India's Import of Crude Oil & Petroleum Products



Source: Gain Report  
USDA foreign Agriculture services

can meet its energy needs from ethanol. Indian sugarcane is processed into sugar, and the molasses is used for fermentation to ethanol. Sugarcane is currently used to produce sugar for domestic consumption, some exports (when Government policy allows and the prices are favorable), and the by-product molasses is used to produce ethanol.

India is producing more sugar than it needs, by about 10 million tons, and most of this will be stored in the warehouses. The resultant oversupply is creating a downward pressure on the market price of sugar, affecting the economics of the sugar industry, and consequently on the livelihoods of the millions of sugarcane farmers that the industry supports. The Government has attempted to address this oversupply by means of a buffer stock of 5 million tons, and has recently mandated the 5% blending of ethanol as a fuel effective October, 2007. This will be raised to 10% from 1 October, 2008.

This policy attempts to treat sugar and ethanol also as substitutes. It is the only way of consuming cane, providing remunerative prices to farmers, and a new product to make and market to the millers. Finally it addresses the nation's energy security by replacing part of its petrol consumption.

To meet the opportunity created by this policy, your company is planning to more than triple the ethanol capacity at its location at Sameerwadi. It plans to increase sugar capacity from 60,000 liters/day to 200,000 liters per day. This capacity will not only exhaust all the molasses produced by the company, but also enable the company to optimize between sugar and ethanol.

The company early planned this in anticipation of the opportunity, beginning in May 2007. Environmental clearances take time and the company hopes that the enhanced capacity is operational by mid 2008.

## Ethanol can do much more!!

In our opinion, with the right public policy, biology, extension services, micro finance and product distribution, the country can produce more than enough ethanol to substitute all the current petrol consumption in India. The chart above shows how a future world may look.

There will be plenty of skeptics who will find these results impossible. However, we are planning for the nation's future and not simply for the next one year. The chart demonstrates that incremental changes can make a large impact on resource

availability. There is a need to bring together a common will and diverse expertise. The results cannot be achieved nationally if approached independently. Governments, research institutions, universities, companies, bankers, NGOs and farmers have to work together to achieve the goal. It is in our best and long term interest.

## **Chemicals**

Your Company has successfully enhanced the capacity of Ethyl Acetate Production and is one of the largest Manufacturer & Exporter of the product from India. The product quality has been widely accepted, and considering the increasing demand internationally, your company is evaluating further expansion.

## **Cogeneration**

### **Electricity, Open Access and Carbon Credits**

Your company successfully started selling electricity under the 'open access' provisions of the New Electricity Act of the Government of India, that was implemented in Karnataka. The company is being paid much better rates of power by Tata Power Trading Company Ltd and the money is paid within seven days.

The company has also managed to recover about 50% of its outstanding dues from the Karnataka Power Transmission Corporation Ltd. However, it still has a balance outstanding and is pursuing a legal recourse to recover its dues.

Carbon Credits relating to your company's 24 MW cogeneration project have been registered at the UNFCCC. The company is awaiting the issuance of 170,000 tons of retrospective credits for the period April 2002 - March 2007, and is further eligible to receive credits until 2009. The company can then reapply for credits for a further period of 7 years.

At the current capacity of 24 MW per hour, your company exports about 40 units per ton of cane crushed at its Sameerwadi location. The company is planning to expand this capacity by 20 MW per hour, to bring the export power to 80 units per ton cane crushed. The project will result in the further creation of green power, mitigating climate change, and will be eligible for further Carbon Credits.

## **Government Policies and incentives**

The Government has reportedly agreed in principle to decontrol both sugarcane and sugar pricing mechanism simultaneously, while safeguarding the interests of the farmers, the industry and the consumers.

In order to mitigate the Hardship of the sugarcane growers, the Government Created buffer stock of 20 lakhs MTs of sugar for the period of one year w.e.f. 18.12.2002 to 17.12.2003.

The buffer subsidy disbursed during the current financial year 2006-07 up to 31.12.2006 is Rs. 39.75 cores.

In the context of these changes your company is well poised to take advantage of these changes in the international and domestic environment. The company has registered its Certified Emission Reduction (CER) under the Clean Development Mechanism. Verified CER's accrued till March 2007 is 1,70,270 and future projections are about 90,000 CER's per annum. The company has also initiated preliminary research in the field of biofuels and is considering non edible oil base bio-diesel production.

## **Future Outlook**

Keeping in view the emerging trend in the energy sector the company envisions a focused approach on Ethanol and Power. We have outlined investments to encash this opportunity. The company has the following projects in the pipeline

1. Distillery capacity expansion (Continuous Fermentation) up to 200 KLPD
2. Optimization & Modernization of Sugar capacity to 9800 TCD
3. Increase in Cogeneration capacity from 24 MW per hour to 44 MW per hour.
4. Expansion in value based solvents, based on chemicals & diversification of products
5. Increase in Productivity of finished products & utilities

**Dr. S. K. Somaiya**

Chairman of the Board of Directors

# *Directors' Report*

Innovative rethinking of strategies

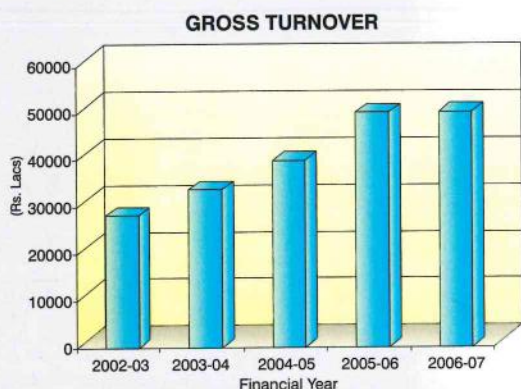
# Directors' Report

## A year of Indian Sugar Industry Crisis And Resilience

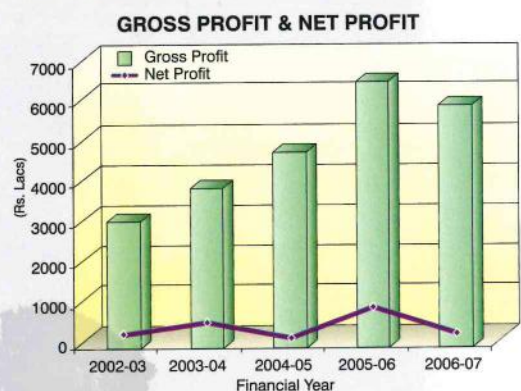
Innovative rethinking of strategies

### Growth

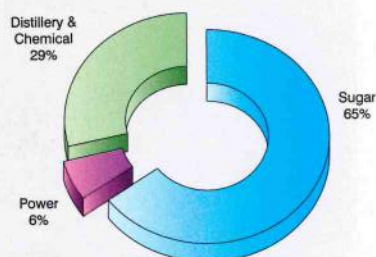
#### Sales



#### Profitability



#### Diversified Portfolio 2006-07



#### Dear Shareholders,

Your Directors have pleasure in presenting their Sixty-seventh Annual Report and the Audited Statements of Accounts of the Company for the year ended 31st March, 2007.

#### Financial Results

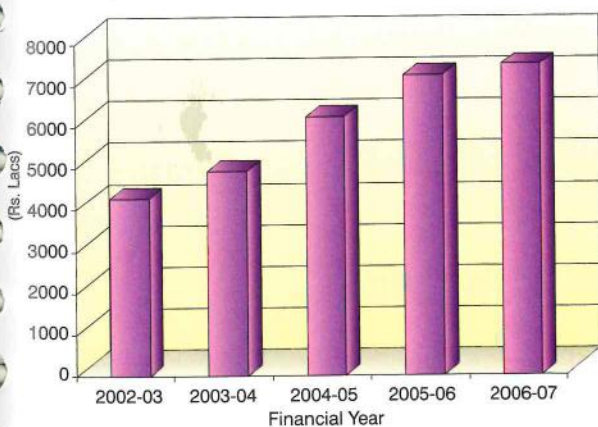
(Rs. in Lacs)

	2006-07	2005-06
Gross Turnover	50,141	50,103
Gross Operating Profit	6,048	6,637
Net Profit (after Tax) for the year	348	1,025
Net Profit (after Tax) available for appropriation	348	1,025



Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Income from Production (Net Sales after stock adjustments)	47,728	51,963	34,761	31,123	26,833
Add: Other Income	830	474	356	542	500
Corporate Output	48,558	52,437	35,117	31,666	27,333
Less: Raw Material/Purchases	30,937	37,217	21,837	20,425	17,863
Less: Mfg. & Other Expenses (Without Employee Cost)	8,638	6,577	5,698	5,161	4,547
Gross Value added	8,983	8,643	7,578	6,073	4,917
Less: Depreciation	1,502	1,407	1,343	1,132	641
Net Value added	7,481	7,236	6,241	4,946	4,281
<b>Allocation of Net Value added</b>					
To Personnel (Employee Cost)	3,223	2,690	2,718	2,258	2,010
To Government (Tax)	370	566	132	(918)	(15)
To Creditors (lease Rent)	715	161	5	5	5
To Creditors (Interest)	2,825	2,794	3,125	3,090	2,163
To Investors (Dividend)	-	-	-	-	333
To Company (Retained Earnings)	348	1,025	261	510	(216)

## Net Value Added



**Dividends:**

Even though there is profit during the year under review, in order to conserve the resources, the directors regret their inability to recommend any dividend on Equity & Preference shares for the year ended 31st March, 2007.

**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 of 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, 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 on reasonable and prudent basis 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 adequately insured its insurable assets.

**Fixed Deposits:**

Your company continues to receive/renew the fixed deposits from the Cultivators who supply cane to the company, re-imposing the faith they have in 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 2006-07 from Rs. 1077 Lacs to Rs. 1257 Lacs.

**Directors:**

The Board expresses profound and deep sorrow at the sad demise of Shri P. M. Kavadia. (Whole time Director) on 16th August, 2007 who was associated with this company since inception. Mr. Kavadia's contribution in the growth of the company is immense. Apart from his direct involvement in the day-to-day operations of the Company, his involvement in the Industry Associations Chambers of Commerce and Government Institutions brought enormous benefits to the Company. He was known for his valuable advice and guidance during his tenure. The board would cherish, forever, his vision, insight and leadership qualities.

Pursuant to the provisions of Section 260 of the Companies Act Mr. Paul Steffen Zorner, Ph.D., Founder and Chief Scientific Officer; Principle Energy (Southern Africa) was appointed as an additional director with effect from 24th September 2007. Mr. Zorner 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 Mr. Zorner for the office of Director, liable to retire by rotation.

Dr. K. V. Raghavan, Prof Rooshikumar Pandya and Shri Kailash Pershad 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.

**Awards & Recognition:**

The Board is delighted to inform that the company was conferred upon Special Citation Award in the field of Corporate Social Responsibility by Indian Chemical Council for the year 2005-06. The company is actively involved since inception, in the rural development in its area of operations.

**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 the regions of its operations and it recognizes its responsibility and commitment for the development of 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 units, which have enabled it to achieve this performance level on all fronts.

**Appreciation:**

Your Directors place on record their sincere appreciation of the cooperation and assistance extended by the Company's Bankers viz. Bank of India, Union Bank of India, Andhra Bank, State Bank of India, Bank of Baroda, Syndicate Bank, ICICI Bank Ltd., and the Financial Institutions viz. Industrial Development Bank of India Ltd., Sugar Development Fund, Sugar Technology Mission, SICOM Ltd., as well as the Governments of Karnataka, Maharashtra and Madhya Pradesh, 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 Biorefineries 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,

Dr. S. K. SOMAIYA  
Chairman & Managing Director

PLACE : Mumbai

DATE : 4th October, 2007

# *Sugar*

Balancing act to optimize the revenue mix



## Balancing act to optimize the revenue mix

- The Sameerwadi Sugar factory started its crushing season late on 16th December 2006 instead of October 2006. This was due to our refusal to accept the unreasonable cane price demands of the cultivators' association, as we had anticipated in advance, the fall in sugar prices.
- Following the Ban on Sugar exports in June 2006, Sugar Prices drastically declined without a corresponding decline in the cane price affecting the company's performance.
- The company, however to mitigate this impact introduced for the first time in its history, Differential Cane Price fixation strategy.
- Exit From Indira Gandhi B.M.V. SSK Ltd., Kolhapur.

### Differential Sugar Cane Pricing Strategy

The year 2006-07 was a difficult year for the Indian Sugar Industry. As sugar prices went bottom low, there was a need to balance the reversing economics. For the first time in the history of the company, as well as that of the Industry, "Cane price differentiation" was coined as a strategy to link the cane cost to recovery, thereby offering different cane price to different varieties of cane. 76 days after the standoff, the farmers accepted, and your company finally succeeded in reducing cane prices, and with farmer acceptance. At the end of the season, all the farmers that supplied cane to the company have been paid, and there are no cane arrears while the sugarcane price arrears of Indian sugar industry are around Rs. 3,500 crores. In the case of the other mills, where higher cane prices were promised, a large number of farmers received no money at all.

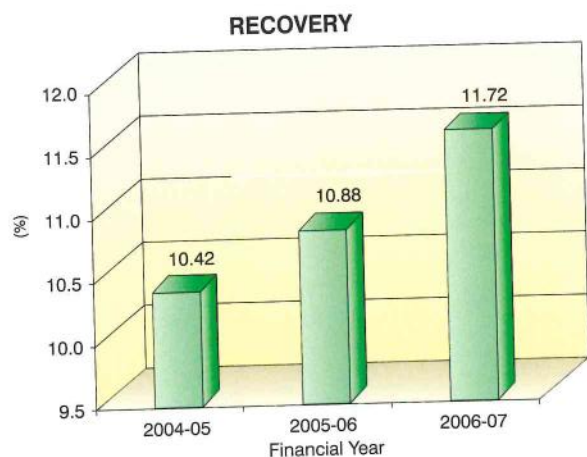
Accordingly high recovery cane variety was awarded more of cane price as compared to lower variety cane varieties. This broke the age-old rigidity of cane cost and linked the same to yields.

### Increase in Crushing:

Your company increased its Crushing from 18 Lac MT in Season 2005-06 to 19 Lac MT in Season 2006-07. This marginal increase was due to the lease factories operating during the year. We would have achieved higher production numbers had there not been loss of crushing operations at Sameerwadi Sugar factory to the extent of 76 days due to Sugar Cane price agitation.

### Increase in Recovery

As compared to last year these has been an increase in sugar recovery as shown below:



### Export Ban on sugar

To address what it felt was a high price of sugar, the Government of India banned the export of sugar in June 2006. The resulting collapse of sugar prices both in local & international markets resulted in a fall in cane price and cane payment arrears in the

country. The Government has since re-opened the exports of sugar, and is finding ways and means of incentivizing sugar exports.

The highest Indian sugar production was recorded in the season 2006-07. Indian mills were well on their way to producing over 28 million tons of sugar, well over the demand of 20 million. Sugar prices continued to slide, and the Indian Government, who had banned exports now lifted the ban.

Your company immediately targeted the export of 50,000 tons before the monsoons. India would triple its opening stock in October 2007, but your company would endeavour to keep its opening stock the same. I am proud to say, that in the past six months, since the lifting of the export ban, your company has exported about 60,000 tons of sugar.

### Exit From Indira Sugar Factory

Your company had acquired Indira Gandhi B. M. V. SSK Sugar factory on lease in the year 2005 which was a standalone Sugar factory. The lessor of Indira Sugar Factory desired to have the sugar mill back, and cancel the lease arrangement. Due to difficulties in working with our lessor, the company agreed to the termination of the lease subject to its interests and concerns being addressed. Although initially the negotiations were difficult both parties mutually decided to cancel the lease agreement & hand over the factory back to the lessor.





# *Distillery & Chemicals*

Derisking The Business Model

## Derisking The Business Model

Keeping in view the future potential for Ethanol in India and worldwide your company has initiated due diligence for expanding the Distillery capacity to 200 KLPD at Sameerwadi.

New Specialty Chemicals have been identified and will be serving as Profit centers. These are exported across the globe. Sustained demand internationally will lead the company to double the capacity of these Chemicals.

Major Capacity Expansion of Ethyl Acetate  
Ethanol By-product Or Substitute?

### Increase in Turnover

Your Company's Turnover of the Distillery & Chemical Division increased from Rs. 13,472 Lacs for the previous year 2005-06 to Rs. 14,732 Lacs during the year ended March 31st 2007.

Ethanol has been used in India as a feed-stock for the production of chemicals and in the manufacture of potable liquor. In the recent past, much has been written about ethanol as a fuel for the purposes of transportation. Brazil has been a pioneer in the use of ethanol in car engines, and cars in Brazil today can use hydrous ethanol (rectified spirit), anhydrous ethanol, and petrol, in any combination.

India is the second largest producer of sugarcane in the world (after Brazil) and the natural question is whether India too can meet its energy needs from ethanol. Indian sugarcane is processed into sugar, and the molasses is used for fermentation to ethanol. Sugarcane is currently used to produce sugar for domestic consumption and exports (when Government policy allows and the prices are favorable), and the by-product molasses is used to produce ethanol.

India is producing more sugar than it needs, generating surplus of about 10 million tons, and most of this will be stored in the warehouses. The resultant oversupply is creating a downward pressure on the market price of sugar, affecting the economics of the sugar industry, and consequently on the livelihoods of the millions of sugarcane farmers that the industry supports. The Government has attempted to address this oversupply by means of a buffer stock of 5 million tons, and has recently mandated the 5% blending of ethanol as a fuel effective October, 2007. This will be raised to 10% from 1 October, 2008.

This policy attempts to treat sugar and ethanol also as substitutes. It is the only way of consuming cane, providing remunerative prices to farmers, and a new product to make and market to the millers. Finally it addresses the nation's energy security by replacing part of its petrol consumption.

To meet the opportunity created by this policy, your company is planning to more than triple the ethanol capacity at its location at Sameerwadi. It plans to increase distillery capacity

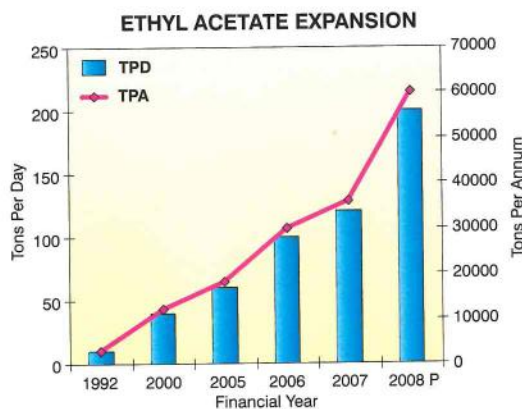


from 60,000 liters/day to 200,000 liters/day. This capacity will not only exhaust all the molasses produced by the company, but also enable the company to optimize between sugar and ethanol.

The company planned this in anticipation of the opportunity, beginning in May 2007. Environmental clearances take time and the company hopes that the enhanced capacity is operational by mid 2008.

### Ethyl Acetate Expansion

Your company has increased its Ethyl Acetate capacity over the years as shown below:



With this global level capacity, your company is one of largest Manufacturer and exporter of Ethyl acetate from India

### Ethanol can do much more!!

In our opinion, with the right public policy, biology, extension services, micro finance and product distribution, the country can produce more than enough ethanol to substitute all the current petrol consumption in India.

We are planning for the nation's future and not simply for the next one year. Incremental changes can make a large impact on resource availability. There is a need to bring together a common will and diverse expertise. The results cannot be achieved nationally if approached independently. Governments, research institutions, universities, companies, bankers, NGOs and farmers have to work together to achieve the goal. It is in our best and long term interest.

# *Co-generation*

Robust Growth in The Cogeneration division and Productivity

## Robust growth in the cogeneration division

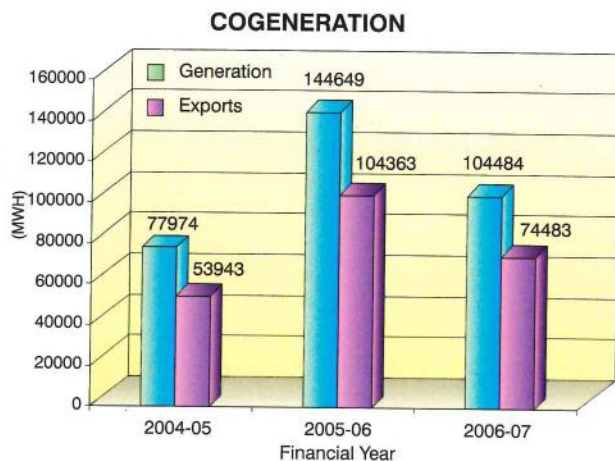
"Open Access" has enabled the company to derive higher selling price of power to third parties.

Your company has successfully registered its carbon credits under the clean development mechanism.

### Reduction in Turnover:

Your Company's Turnover of the Co-generation Division reduced from Rs. 3710 Lacs for the previous year 2005-06 to Rs. 3058 Lacs during the year ended March 31st, 2007. This was due to loss of operations pertaining to the month of October, November and half of December. However the benefit was captured in the form of Open access & Carbon Credit, which mitigated the downside.

The company has also managed to recover about 50% of its outstanding dues from the Karnataka Power trading Corporation. However, it still has a balance outstanding and is pursuing a legal recourse to recover its dues.

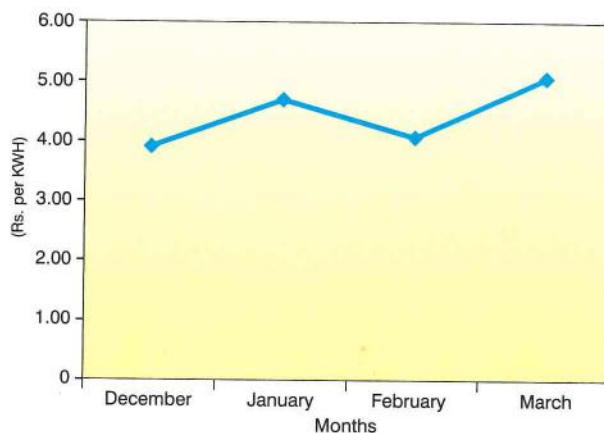


### Open Access – Competitive Strength:

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.

### Third Party Sale of Power

Under Open Access your company has started selling Power to Tata Power Trading & Corporation Ltd at lucrative rates, thereby improving the profit margin, the average selling rate was Rs. 4330/MWH for the F.Y. 2006-07.



### Clean Development Mechanism (CDM Project)

The alarming increase in global warming has led to the Kyoto Protocol whereby the signatories have committed to contain the emission of Green House gases. Developed countries are increasingly looking for the use of renewable energy sources. The opportunity for India arises from the demand for carbon credits that developed countries can buy to honor their commitments.

United Nations Framework Convention of Climate Change (UNFCCC) has formulated a rigorous and transparent system by which CDM project reports submitted by organizations are validated and verified by designated independent international agencies. Following the satisfactory completion of all formalities and submission of validating and verification other way reports by the designated agencies, UNFCCC issues CER's (Certified Emission Reduction), which can be traded on the international exchanges.

The Board takes immense pleasure in informing that your Company's Cogeneration Power project has been registered under Clean Development Mechanism (CDM) on 4th May 2007 with United Nations Frame-work Convention of Climate Change (UNFCCC), as approved project to avail the CDM.

Going forward we shall be entitled to approximately 90000 CERs per annum till F.Yr 2008-09 depending upon extent of our accomplishments as verified and validated by the designated agencies.

Your Company is in the process of obtaining the necessary approvals (certification from the designated agencies) to get its cogeneration project registered with United Nations Framework Convention on Climate Change (UNFCCC). This will enable it to see verified Certified Emission Reduction (CER's)

We believe that apart from financial and economical benefits arising out of this project, the approval of our CDM project denotes ample testimony of our efforts in enriching our environment and conserving resources.

### Future Outlook

At the current capacity of 24MW per hour, your company exports about 40 units per ton of cane crushed at its Sameerwadi location, the company is planning to expand this capacity by 20MW per hour, to bring the export power to 80 units per ton crushed. The project will result in further creation of green power; mitigating climate change, and will be eligible for further Carbon Credits, apart from improving the competitiveness of the Company's operations at Sameerwadi.





# *Corporate Social Responsibility*

We are conscious of our responsibility towards  
Safety, Health & Environment.

# Corporate Social Responsibility

## Corporate Social Initiatives

Care for the community is an integral & core component of our corporate social responsibility. Located in a remote area of Maharashtra & Karnataka in operation for more than 60 years, we are a living example of social harmony.

We endeavor to make a positive contribution to community by supporting a wide range of socioeconomic, educational and health initiatives. Our commitment to address important societal needs extends throughout the company



*"We have a responsibility to look after our planet. It is our only home."*

-The Dalai Lama



We are committed to maximize the positive impact and minimize the negative impact of our operations on society. Many of the community projects and programs are driven by active participation from our employees.

A number of focused initiatives have been implemented to bring about general health awareness and improve the level of education. Our primary objective is the upliftment of the poor and enhancing the standard of life in the rural sector.

*"We are conscious of our responsibility towards Safety, Health & Environment."*

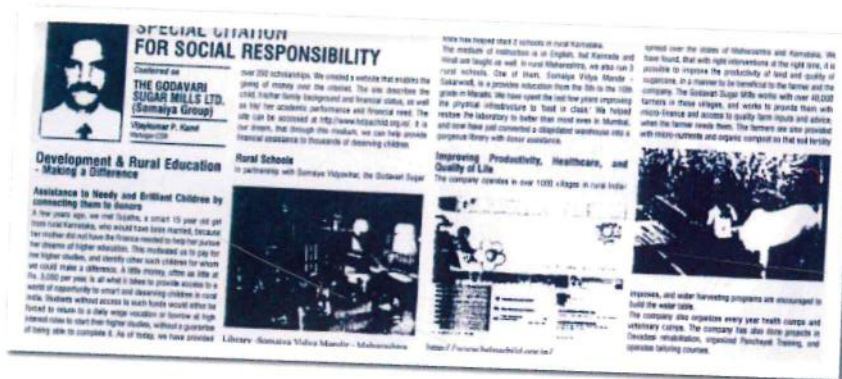
## ICC Award For Corporate Social Responsibility 2005-06

In recognition of the contribution made by the company in Corporate Social responsibility, The Indian Chemical Council conferred upon the company The Special Citation for Social responsibility for the year 2005-06.



Indian Chemical Council, Mumbai is presenting the annual awards since 1964 to the industries by recognizing the excellent work done in different fields including social responsibility.

In this regard, by recognizing the corporate social activities of Somaiya Grameen Vikas Kendra such as Help a child, water conservation, agricultural development, agricultural research, health related activities, panchamukhi programs, cultural activities, sanitation & Panchayat Training, self help groups, social activities etc, The Indian Chemical Council awarded its "ICC Award -2005-06 for Social Responsibility" to Godavari Sugar Mills Limited. Shri Samirbhai S Somaiya - Executive Director and Mr. Vijayakumar P. Kanavi - Manager (CSR) of Godavari Sugar Mills Ltd., jointly received the award from Mr. Arun Ramakhandt, Secretary, Dept. of Chemicals and Petrochemicals, Govt. of India in a function organized by ICC at Mumbai on 29th September 2007.



## CSR Activities



## Environmental

### Treatment Of Effluent

As a part of environmental protection, we have installed biogas plant for primary treatment of distillery effluent. Reverse Osmosis for recovering of pure water from the effluent, bio-composting plant for using of distillery effluent for manufacturing of bio-composting fertilizers.

### One Time Land Application

Company is providing primary treated distillery effluent to the surrounding cultivators for use as a "Liquid organic fertilizer" as per the guidelines of Central Pollution Control Board (CPCB) & in collaboration with Mahatma Phule Krishi Vidyapeeth, Rahuri Dist: Ahmednagar. This is a third year of supplying such organic fertilizers to the cultivators. During the first two years, the distribution was very well received by the surrounding farmers. The Mahatma Phule Krishi University, Rahuri was

pleased to monitor the application of Liquid organic fertilizers in the farms & to monitor the results, which were extremely encouraging. The Company has shown a way to other distilleries for use of such fertilizer for productive purposes. As per the analysis of bio-methanated spent wash done at the University, the nutrient value provided to the farmers per tanker of 10,000 Liters in monetary terms was Rs. 963.

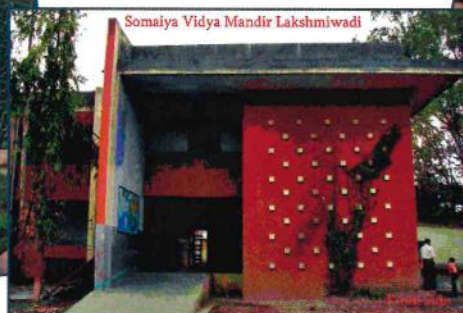
### Bio-Composting & Press Mud

Company also treats part of the effluent for manufacturing of Biocomposting fertilizer with press mud & subsequently adding nutrients. During the last two years 9872.848 mt compost was generated & it is being supplied at a concessional rate to the surrounding cultivators.

## Health & Education



Rural schools



Somaiya Vidya Mandir Lakshmiwadi



Balwadi & Aganwadi

The company strives to impart quality education to its students who mainly belong to economically backward classes & children of the surrounding villages. The company along with Somaiya Vidyavihar helps manage 6 rural schools consisting of around 4700 students. The school at Somaiya Vidya Mandir Sakarwadi is well-equipped with laboratory and ultra modern Computer Center. Also the school is having well-furnished library with over 3000 books. Computer Center is having 24 hours Internet access through leased line.

The 6 schools are located in the rural interiors of Maharashtra and Karnataka having English Marathi and Kannada as Medium of Instruction.

Thus the company has made effort to eradicate social distinction and creating unity and sense of belonging in the minds of the villagers.

The Company is also providing & maintaining "Zilha Parishad Primary School" both at Sakarwadi & Laxmiwadi and providing all requisite infrastructure facilities. This benefits children of workers & staff along with the surrounding villagers.

Company has provided Balwadi for children at Sakarwadi for which one teacher & two Ayahs are employed. About 25 children have benefited from this facility. Aganwadi provides Quality and value based education to the kids belonging to that age group of 3 to 5 years of age. To give more attention to each child, the admission is restricted to 25 - 30 kids per center (class). These centers are run in the name of **SOMAIYA SHISUVIHAR** in collaboration with Akshara Foundation, Dharwad. For the benefit of the students, the Company has also constructed toilet blocks for girls in the Wari village.

### Help A Child to Study

The company along with the cooperation of the sponsors/donors started the help a child project. The company developed an online application which bridges the gap between needy students who have the potential but are financially incapable to



afford higher education and the people who want to donate to such needy students. The entire site is user friendly and one can donate on line from other countries. The project integrates the priorities of Sustainable development as it provides financial help so that a student can fulfill his/ her dreams. As we are all aware that more than 70% of India's population resides in rural parts of India. Most of them are working as agriculturists, farm laborers to fulfill their basic requirements of food, shelter, clothing and health. The Govt. has schools in almost all villages / in a cluster of villages to provide almost free education up to

10th class. But after 10th class, most of the parents are unable to send their child to nearby colleges due to lack of funds. The company through this project is providing financial help to fulfill the dreams of the child.

### Student Beneficiary with family

We are all aware that the current problem faced by the country is in the field of education. The enormity lays not only the Quality of education but also access to Quality Education. This is apparent from the Budget speech made by the Honorable Finance minister of India Mr Chidabaram and also the speech made by the Honorable Prime minister of India Dr. Manmohan Singh on the day of 60th year of independence of the country. The company has realized the significance of the same. Higher education in some parts of the country is beyond the reach of the common man. The infrastructure required is inadequate and non pervasive. In such instances the company aspires to become the necessary infrastructure thereby ensuring that the child is not deprived of higher education

### Stakeholder & Participants:

- Sponsors / donors from all over the world.
- Underprivileged and needy but meritorious students.

The company is acting in the role of the mediator to facilitate interaction between the sponsored students and the sponsors.

The needy and meritorious students studying in more than 100 education institutes in Bagalkot and Belgaum district of Karnataka, Kolhapur, Satara, Ahmदनagar and Mumbai districts in Maharashtra are the beneficiaries of the project.

So far more than 352 scholarships have got the benefit of this project and were sponsored to pursue further studies. The company has fixed the target of 500 scholarships to be sponsored for this academic year.

On the footsteps of the unit at Sameerwadi, we have also introduced 'Help A Child To Study' scheme for the benefit of the economically weaker sections of the society for pursuing higher education. During the year 2007-08 two students have benefited. An amount of Rs. 33,000/- is disbursed under the scheme. Somaiya Organo Chemicals (A unit of the Godavari Sugar Mills Ltd.) has also given educational assistance to the deserving students of workers of the company for pursuing higher education after SSC examination during 2007-08. The Company has disbursed an amount of Rs. 55,000/- among the students.

We provide free books & notebooks to the students in both the above Marathi medium schools. The fees charged are nominal & much less than other Schools.

### Quiz Competition

A Quiz Competition for high school students situated in GSML's area operation was conducted on August 30, 2006. The venue for the Quiz competition was R.M.G. state composite junior college, Mudhol in Bagalkot district. More than 40 high school teams had participated and out of which, top 16 teams directly qualified to the quarterfinals on the basis of written test conducted. 8 teams went through to the semi final round. 4 teams for finals were selected through the question answer session. The topics covered were Science & technology, History, General knowledge, Politics, Sports, Art



& culture, Audio and visual rounds. Prizes were awarded to all 4 teams who were the finalist. The prizes awarded was Rs. 2500/-, Rs. 2000/-, Rs. 1500/-, Rs.1000/- and trophy to first, second, third as consolation prizes respectively.

### Reward for Excellence

The company provides cash rewards to the students passing 10th Examination with excellence. This cash reward is being given in two Marathi medium school of Sakarwadi & Laxmiwadi, Shri Sharda English Medium School & also Shri Samir Rameshwar Vidya Mandir, Wari village. In the year 2006-07 123 students got the reward through school for Rs. 30,873.

### Blood donation

Company has identified volunteer workers who are healthy & a list of blood donors is maintained with blood groups. They are deputed for blood donation wherever an emergency arises. Such donors are also regularly checked for medical fitness.



### Medical Camps

Somaiya Grameen Vikas Kendra has organized one-day medical check up camp for Sameerwadi school children in coordination with local doctors on 24.06.2007. About 250 CBSE students, 400 Kannada medium primary and about 170 Kannada medium High school students have been examined in the camp. Medical check up was done between 10.00 a.m. to 2.00 p.m by 5 pediatrician, 4 dentist, 2 ENT specialist, and a surgeon and Gynecologist. Dental Health educative programs was organized with Question and answers session between parents and doctors.

### Multi Diagnostic Medical Camps

Somaiya Grameen Vikas Kendra organises two health camps at Sammerwadi once in six months. The last medical camp was two-day free multi diagnostic medical camp at Sameerwadi on May 11-12, 2007 in coordination with K. J. Somaiya Medical College and Research Center, Mumbai. More than 1635 patients have availed this facility in different sections such as :



- Chest and TB –68,
- Dentist – 98, ENT-133,
- Orthopedic – 225
- ECG/ blood test – 110
- Pediatrician –103
- Skin & VD – 171
- Psychiatric – 16
- Surgeon –11
- Physician – 422.

These villagers were from about 15-20 surrounding villages. Further 60 patients were identified who have to undergo an operation. This covers ENT, cataract, cancer etc., and they would be operated during August and September-2007.

### Cataract Examination Camp

The free cataract examination camp organized by Grameen Vikas Kendra in coordination with the doctors of our K. J. Somaiya Hospital, Mumbai was held at Sameerawadi on October 11, 2007. 117 patients were examined in the camp and out of which 44 were female and 73 were male. Out of 117 patients, 46 patients are advised for cataract operation. Out of which 19 are female and 27 are male patients.

The patients identified during cataract examination were taken to K. J. Somaiya Medical College and Hospital, Mumbai



for cataract operation during October-2007. 22 patients of surrounding villages were taken for cataract operation and out of which 19 patients were got operated and 3 patients were provided with good eye treatment as they did not had cataract problem. Out of 22, 12 were female and 10 were male patients. The patients are really happy about the operation, treatment and facilities provided during their stay at Hospital and thanked the management of Godavari Sugar Mills and the doctors and staff of K. J. Somaiya Hospital, Mumbai for the great help.

### Community Development

The Company provides regular drinking water to the surrounding villages through tankers/tractors. Four villages are covered through this scheme & approx. 20,000 villagers are benefited. The Company has also participated in the "Jeevan Pradhikaran Scheme" for Wari-Kanhegaon villages. The total budget of this project is Rs. 450 Lakh. The Company has agreed about 10% contributions in the project, which is mandatory for promoting scheme under the "Prime Minister Rural Water Supply Project" by the Central Government. The scheme is being implemented for the benefit of Kanhegaon & Wari village along with various surrounding "Wadi & Wastis". This scheme is expected to be completed within a year's time. Approx. 15,000 villagers will be benefited with perennial supply of water for drinking & other purposes through pipeline.

### Flood Relief

In August-2006, due to heavy rain & subsequent floods in the Godavari River, number of houses, which are constructed under "Indira Gandhi Awas Yojana", were affected. Company through workers & villagers provided prompt help in evacuating affected villagers to safer place in our premises along with their luggage & also provided free medical facility as well as food. About 500 affected villagers of Wari were provided relief for 10 days. After the flood, the Company provided sanitation facility by fumigation etc. in the area that was water logged.

### Sports Cultural & Other Activities

Somaiya Vidya Mandir conducts number of cultural activities like regular tests for General Knowledge & other subjects. The Questionnaires are put on the board every week & students are required to answer & the best performer gets award every Friday. Badminton, Table Tennis, Volley Ball, Cricket & many more..... Indoor & Outdoor games.

### Devadasi Rehabilitation



We have rehabilitated 16 devadasis through counseling. These women are now financially independent and are earning a livelihood through various occupation.

### Tailoring classes

More than 300 candidates have benefited from the tailoring class run by us at Kulali, Gulgal Jabmagi, Akkimaradi and Ranjanagi villages in Mudhol taluka of Bagalkot district. At present eight tailoring classes are held at Saidapurcross, Sanganatti, Marapur and Madhabhavi villages in Mudhol taluk, Navalagi and Chimmad villages in Jamakhandi taluka of Bagalkot district, Khanatti in Gokak and Sultanapur in Raibag taluk of Belgaum district.

### Jaipur Foot Camp

The company organized free Bangalore trip for 23 physically challenged persons to facilitate them to attend the Jaipur free foot camp. This camp was organized by Rotary club, Penny, Bangalore on 10 - 11th January 2007. All 23 handicapped persons who were taken to camp got artificial materials such as legs, walking materials, tricycles etc, according to their requirement. Six persons were suggested to undergo operation and the same will be done free of cost.

### Vermi Compost

Motivated many unemployed youth and self-help group for production of vermi compost in areas of company operations. At present nearly 15-vermi compost pits are functioning and they are earning money out of its sale.



### Panchmukhi activities at Madbhavi:

The Company has adopted a village called Madbhavi in Mudhol taluka for its overall development where we have been implementing Dr. H. M. Maralusiddahia's panchamukhi activities. Under this programme we are conducting seminars and group discussion on adult education, re-enrollment of school dropouts, tailoring class HIV / AIDS awareness etc., in Madbhavi, Sanganatti, Saidapur, Kesaragoppa, Bisnal and Marapur villages of Mudhol taluka in Bagalkot district.

# 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
S. K. Somaiya	Chairman & Managing Director	41,76,649	Contractual	B.Sc. (Hons), LL.B., D.Sc. (honoris causa)	01-06-1999	79 yrs.	Somaiya Organics (India) Ltd., Chairman & Managing Director
Mr. S. S. Somaiya	Executive Director	39,24,934	Contractual	B.E. (Chem) MBA (Finance)	29-09-2000	39 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, commission, leave encashment, house rent allowance or value for perquisites for accommodation, motor car perquisite and other allowances like contribution to provident fund and superannuation fund, gratuity, leave travel facility and reimbursement of medical expenses as applicable.

By Order of the Board of Directors,

**S. K. SOMAIYA**

Chairman & Managing Director

Place : Mumbai  
Date : 4th October, 2007

# ANNEXURE "B" to the Directors' Report

Information in accordance with the Companies (Disclosure of Particulars, in the Report of the Board of Directors) Rules, 1988 and Forming part of Directors' Report for the year ended 31st March, 2007.

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

## Sugar & Co-Generation Division

### (A) CONSERVATION OF ENERGY

1. Pan No. 8 tube plate replacement & tube height to be reduced to use 2nd body vapours to reduce steam consumption.
2. Recovery of condensate from HP & LP steam line drains.

#### FORM "A"

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

		Current Year	Previous Year
<b>(I) POWER AND FUEL CONSUMPTION</b>			
1. ELECTRICITY			
(a) Purchased -	KWH	NIL	NIL
(b) Own Generation			
(i) Through Diesel Generator			
Units	KWH	14,959.00	26,349.20
Units per Litre of Diesel Oil	KWH/Ltr.	2.46	2.05
Cost per Unit	Rs./KWH	14.89	15.86
(ii) Through Steam Turbine Generator(Sugar plant)			
Units	KWH	38,21,282.00	38,66,517.00
Units / K.G. of Bagasse	KWH/KG	0.16	0.15
Cost per Unit	Rs./KWH	3.18	3.23
(c) Power taken from Co-generation			
Units	KWH	2,14,20,500.00	2,69,78,430.00
Total Cost	Rs.	2,87,81,907.64	3,75,23,882.52
Cost per Unit	Rs./KWH	1.34	1.39
(d) Steam taken from Co-generation			
Units	M.T.	2,11,632.30	3,37,632.30
Total Cost	Rs.	8,04,87,175.27	13,37,34,336.01
Cost per Unit	Rs./M.T.	380.32	396.09
2. OTHER / INTERNAL GENERATIONS			
Fire Wood	M.T.	50.00	91.92
Total Cost	Rs.	77,377.51	1,14,650.23
Rate / Unit	Rs./M.T.	1,547.55	1,247.28
Bagasse			
Purchased	M.T.	NIL	NIL
Produced & Utilised for Power Generation	M.T.	24,324.79	25,000.79
Total Cost	Rs.	1,21,62,395.00	1,25,00,395.00
Rate (Average)	Rs./M.T.	500.00	500.00
<b>(II) CONSUMPTION PER UNIT OF SUGAR PRODUCTION</b>			
Electricity	KWH/QTLS.	16.69	14.93
Coal	M.T./QTLS.	NIL	NIL
Fire Wood	M.T./QTLS.	0.000033	0.000004
Bagasse	M.T./QTLS.	0.22	0.0121

# ANNEXURE "B" to the Directors' Report

## Distillery & Chemical Division

### (A) CONSERVATION OF ENERGY :-

#### (a) Energy Conservation measures taken:-

- (1) In aldehyde plant blower discharge, discharge line size was increased to reduce the power consumption.
- (2) PHEs were introduced instead of shell & tube HEs in acetaldehyde, Ethyl Acetate plant to reduce steam consumption with minimum investments.
- (3) Hot streams & cold streams were re-arranged to recover maximum heat energy in Acetic acid plant.
- (4) In the Paraldehyde/MPO plant, cooling water pump was stopped to save energy and cooling water was shared with EAP.

#### FORM "A"

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

		Chemical Division		Distillery Division	
		Current Year 2007	Previous Year 2006	Current Year 2007	Previous Year 2006
<b>(I) POWER &amp; FUEL CONSUMPTION:</b>					
<b>1. ELECTRICITY :-</b>					
<b>(a) PURCHASED :</b>					
Unit	KWH	1,22,13,340	85,28,404	—	—
Total Amount	Rs.	5,56,84,856	3,26,06,130	—	1,62,000
Rate	Rs./KWH	4.56	3.82	—	—
<b>(b) OWN GENERATION :</b>					
<b>(i) Through Diesel Generator</b>					
(Kirloskar D.G. Set)					
Unit	KWH	1,00,992	1,18,250	4,248	276
Diesel Consumption	Ltrs.	35,164	40,523	1,720	83
Unit per litre of diesel oil	KWH	2.87	2.92	2.47	3.33
Cost per Unit.	Rs./KWH	12.89	12.09	14.92	12.11
<b>(ii) Power taken from Co-generation</b>					
Unit	KWH	—	—	14,39,540	8,71,626
Total cost	Ltrs.	—	—	26,10,498	15,57,478
Cost per Unit.	Rs./KWH	—	—	1.81	1.79
<b>(iii) Through Steam Engine Turbine</b>					
Unit	KWH	42,33,932	35,59,744	1,76,562	7,74,672
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 / lowcost per unit.					
<b>(c) STEAM TAKEN FROM CO-GENERATION/SUGAR DIVISION</b>					
Units	M.T.	—	—	20,795	12,784
Total Cost	Rs.	—	—	79,08,825	50,27,919
Cost per Unit	Rs./M.T.	—	—	380	393

# ANNEXURE "B" to the Directors' Report

		Chemical Division		Distillery Division	
		Current Year 2007	Previous Year 2006	Current Year 2007	Previous Year 2006
<b>2. COAL :-</b>					
Coal consumed (Qty)-Local	M.T.	26,271	15,369	1,056	199
Total Cost-Local	Rs.	7,75,22,736	4,30,31,531	35,20,859	5,84,753
Average Rate-Local	Rs./M.T.	2,950	2,800	3,335	2,942
Coal consumed (Qty) - Import	M.T.	5,443	11,621	-	-
Total Cost-Import	Rs.	1,57,99,515	3,11,38,610	-	-
Average Rate-Import	Rs./M.T.	2,903	2,679	-	-
Bagasse Consumed	M.T.	-	-	4,616	11,011
Total Cost	Rs.	-	-	56,22,533	1,71,83,930
Average Rate	Rs./M.T.	-	-	12,18.18	15,60.64
Biogas consumed	M3	87,80,824	1,55,737	1,0,49,010	20,81,900
Total Steam generation	M.T.	2,16,833	1,29,677	12,928	20,286
Steam generation per MT of coal.	M.T.	5.22	4.77	3.05	2.78
<b>(II) CONSUMPTION PER UNIT OF PRODUCTION:</b>					
<b>(i) ALCOHOL</b>					
Production	K.L.	25,570	3,782	6,616	5,795
Electricity	KWH	45,86,566	11,18,030	10,81,916	8,49,464
Units / KL of Prod.	KWH/K.L.	179	296	164	147
Coal	M.T.	12,219	2,474	1,056	199
Bagasse	M.T.	-	-	4,616	11,011
Biogas	M3	87,80,824	1,55,737	10,49,010	20,81,900
Coal Ratio	M.T./K.L.	0.48	0.65	0.86	1.93
Steam Ratio	M.T./K.L.	2.50	3.12	4.00	3.58
<b>(ii) ACETALDEHYDE</b>					
Production	M.T.	16,122	16,592	-	-
Electricity	KWH	30,50,047	32,04,498	-	-
Units / MT of Prod.	KWH/M.T.	189	193	-	-
Coal	M.T.	5,590	6,313	-	-
Coal Ratio	M.T./M.T.	0.35	0.38	-	-
Steam Ratio	M.T./M.T.	1.66	1.82	-	-
<b>(iii) ACETIC ACID</b>					
Production	M.T.	15,797	12,392	-	-
Electricity	KWH	56,13,105	44,65,616	-	-
Units / MT of Prod.	KWH/M.T.	355	360	-	-
Coal	M.T.	5,235	5,271	-	-
Coal Ratio	M.T./M.T.	0.33	0.43	-	-
Steam Ratio	M.T./M.T.	1.58	2.03	-	-
<b>(iv) ETHYL ACETATE</b>					
Production	M.T.	23,554	14,705	-	-
Electricity	KWH	27,71,168	23,33,598	-	-
Units / MT of Prod.	KWH/M.T.	118	159	-	-
Coal	M.T.	13,898	10,152	-	-
Coal Ratio	M.T./M.T.	0.59	0.69	-	-
Steam Ratio	M.T./M.T.	2.82	3.30	-	-

# ANNEXURE "B" to the Directors' Report

## TECHNOLOGY ABSORPTION

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

### FORM "B"

#### (DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION)

## SEARCH AND DEVELOPMENT (R & D)

### Specific areas in which R & D carried out by the Company:

R & D activities are related to upgradation of process technology, product improvement, new product development, recovery improvement and cost reduction. R & D evaluates and identifies cost effective process additives. R & D is involved in adoption of new technologies.

### 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 ethyllactate 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.

### 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.

Expenditure	Rs. in lacs
(i) Capital	2.18
(ii) Recurring	132.83
(iii) Total	135.01
(iv) Total R & D expenses as a percentage of total turnover.	0.29%

## TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

R & D is involved in the adoption of new developments like - hydraulic drives, GRPF 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.

### NEFITS:

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 better quality of sugar.
2. We have not imported any technology.

## FOREIGN EXCHANGE

	Rs. in lacs
EARNINGS	7,723.55
OUTGO	120.75

By Order of the Board of Directors,

Place : Mumbai  
Date : 4th October, 2007

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 31st March 2007, 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 (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable.
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 comply with mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from Directors as on March 31, 2007 and taken on record by the Board of Directors, we report that, none of the directors are disqualified as on 31st March 2007 from being appointed as directors in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) Reference is invited to the following Notes to Accounts of Schedule 18.
    - i) Note no. 8 regarding excess sale of Power by Rs. 275.57 lacs and cumulative debtors of Rs. 1840.70 lacs, in case of adverse judgment by Honorable Karnataka High Court.
    - ii) Note no.10 regarding non-confirmation of certain balances.
  - g) 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(f) 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 31st March, 2007;
    - 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

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

Place : Mumbai  
Date : 4th October, 2007

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

- (i) In respect of its fixed assets;
- The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - 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.
  - 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;
- As explained to us, inventories have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
  - 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.
  - 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.
- 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.
  - As the Company has not granted loans to the parties covered in the register maintained under section 301 of the Companies Act, 1956, accordingly the clauses (iii) (b), (iii) (c), (iii) (d), of the Order are not applicable to the Company.
  - The Company has not taken loans during the year from the parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - As the Company has not taken loan from the parties covered in the register maintained under section 301 of the Companies Act, 1956, accordingly the clauses (iii) (f) and (iii) (g) of the Order are not applicable to the Company.
- (iv) In our opinion, and according to the information and explanation given to us, except for some items purchased which 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;
- 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.
  - 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 58A and 58AA 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 has not received any order under above-mentioned sections from the Company Law Board, National Company Law Tribunal, Reserve Bank of India or any Court or any other Tribunal.
- (vii) The Company has an internal audit system. However, the same needs to be further strengthen in view of the size and the nature of the Company's 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 products.
- (ix) (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,

## Annexure to the Auditors' Report

Employees' State Insurance, Income Tax, Sales tax, Custom duty, Excise Duty, Cess, Service tax 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 31st March 2007 for a period more than six months from the date of becoming payable.

- (b) According to the information and explanation given to us, the details of statutory dues which have not been deposited on account of dispute are as follows:

Particulars	Financial Year to which it Pertains	Forum where Dispute is pending	Amount (Rs. in Lacs)
Central Excise Duty	2004-05 to 2005-06	Tribunal	66.91
	2004-05 to 2005-06	Commissioner of Central Excise	227.56
State Excise supervision charges	01.01.96 to 30.09.2000	Commissioner of State Excise	10.81
Sales Tax (Central & State)	1990-91, 1991-92	Tribunal	85.61
	1992-93	Tribunal	44.31
Service Tax	1997-99	Tribunal	9.47
	2006-07	Assistant Com.	3.15
Income Tax	1996-97, 1998-99	ITAT	10.12

- (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.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and any other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore the provision of clause 4(xiii) of Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- (xiv) According to information and explanation given to us, we are of the opinion that the Company is not trading in shares, debentures and other investments. Therefore the provision of clause 4(xiv) of Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- (xv) In our opinion and according to the information and explanation given to us, the terms and conditions on which the Company has given guarantees which are in the nature of tripartite arrangement for loans taken by others from banks or financial institutions, are not, prima facie, prejudicial to the interest of the Company.

- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long term investments. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, the Company has not 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 is 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 : 4th October, 2007

# *Balance Sheet & Profit & Loss Account*

A Good Time for Building an integrated Biorefinery

# The Godavari Sugar Mills Limited

## Balance Sheet as at 31 March, 2007

(Rs. in lacs)

SCHEDULES		31.03.2007	31.03.2006
<b>SOURCES OF FUNDS:</b>			
<b>SHAREHOLDERS' FUNDS:</b>			
(a) Share Capital	1	4,548.25	4,548.25
(b) Reserves & Surplus	2	5,270.27	4,922.38
		9,818.52	9,470.63
Deferred Tax Liability (Net)		859.90	653.93
<b>LOANS:</b>			
(a) Secured Loans	3	25,418.31	23,462.19
(b) Unsecured Loans	4	8,037.21	4,172.21
		33,455.52	27,634.40
<b>TOTAL FUNDS EMPLOYED</b>		44,133.94	37,758.96
<b>APPLICATION OF FUNDS:</b>			
<b>FIXED ASSETS:</b>			
(a) Gross Block	5	29,665.83	28,003.33
(b) Less : Depreciation		9,562.07	8,062.11
(c) Net Block		20,103.76	19,941.22
(d) Work in Progress		1,434.45	1,251.85
		21,538.21	21,193.07
<b>INVESTMENTS</b>	6	30.92	30.93
<b>CURRENT ASSETS:</b>			
(a) Inventories	7	22,549.84	18,070.23
(b) Debtors	8	3,550.31	4,323.81
(c) Cash and Bank Balances	9	587.45	850.85
(d) Loans and Advances	10	3,917.68	1,864.95
		30,605.28	25,109.84
<b>LESS : CURRENT LIABILITIES:</b>	11	8,117.03	8,757.24
(a) Current Liabilities		144.35	156.44
(b) Provisions			
		8,261.38	8,913.68
Net Current Assets		22,343.90	16,196.16
<b>MISCELLANEOUS EXPENDITURE:</b>			
<b>(to the extent not written off or adjusted)</b>			
Deferred Revenue Expenditure		220.91	338.80
<b>TOTAL FUNDS DEPLOYED</b>		44,133.94	37,758.96
<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

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  
Indubhai C. Patel } Directors

Place : Mumbai  
Date : 4th October, 2007

Place : Mumbai  
Date : 24th September, 2007

(Rs. in lacs)

SCHEDULES		31.03.2007	31.03.2006
<b>COME:</b>			
Sales	12	50,140.63	50,103.34
Less : Excise Duty & Sugar Development Cess		3,772.83	3,630.15
Net Turnover		46,367.80	46,473.19
Other Income	13	830.02	473.69
Increase / (Decrease) in Stock	14	1,360.63	5,489.36
		48,558.45	52,436.24
<b>PENDITURE:</b>			
Raw Material Cost	15	30,215.80	35,958.16
Purchase of Goods for resale		433.50	575.58
Manufacturing and Other Expenses	16	11,860.53	9,265.99
Lease Rent		715.53	161.28
Interest & Financial Charges	17	2,825.15	2,794.37
Depreciation	5	1,502.11	1,407.27
		47,552.62	50,162.65
<b>PROFIT BEFORE EXTRA ORDINARY</b>		1,005.83	2,273.59
<b>ITEMS &amp; TAXES:</b>			
Extra Ordinary Item		288.44	682.66
<b>PROFIT BEFORE TAX</b>		717.39	1,590.93
<b>Provision for Taxation:</b>			
Current Tax and Wealth Tax		130.44	138.00
Fringe Benefit Tax		33.10	32.00
Deferred Tax		205.96	395.94
		369.50	565.94
<b>PROFIT FOR THE PERIOD</b>		347.89	1,024.99
Balance Profit brought forward from last year		1,816.04	791.05
<b>BALANCE CARRIED TO BALANCE SHEET</b>		2,163.93	1,816.04
<b>Significant Accounting Policies &amp; Notes</b>	18		
<b>Annexing Part of the Accounts</b>			

Our Report of even date annexed  
DESAI SAKSENA & ASSOCIATES  
Chartered Accountants

S. N. Desai  
Partner

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  
Indubhai C. Patel } Directors

Place : Mumbai  
Date : 4th October, 2007

Place : Mumbai  
Date : 24th September, 2007

# Schedules forming part of the Balance Sheet as at 31 March, 2007

(Rs. in lacs)

	31.03.2007	31.03.2006
<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
	<b>6,000.00</b>	<b>6,000.00</b>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
<b>Equity Share Capital:</b>		
2,74,82,500 Equity Shares of Rs. 10/- each fully paid up. (2,49,82,500)	2,748.25	2,498.25
— Add : Addition during the year (25,00,000)	—	250.00
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
<b>Preference Share Capital:</b>		
12% Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up. 18,00,000 (18,00,000)	1,800.00	1,800.00
	<b>4,548.25</b>	<b>4,548.25</b>
<b>SCHEDULE 2 – RESERVES AND SURPLUS:</b>		
(a) General Reserve As per last Balance Sheet	1,543.09	1,543.09
(b) Securities Premium Reserve As per last Balance Sheet	290.00	290.00
(c) Capital Reserve As per last Balance Sheet	1,273.25	1,226.79
Add : Addition during the year	—	46.46
	<b>1,273.25</b>	<b>1,273.25</b>
(d) Profit & Loss Account	2,163.93	1,816.04
	<b>5,270.27</b>	<b>4,922.38</b>

(Rs. in lacs)

	31.03.2007	31.03.2006
<b>SCHEDULE 3 – SECURED LOANS:</b>		
<b>A Sugar Division</b>		
<b>From Banks and Financial Institutions</b>		
<b>(a) Term Loans:</b>		
(i) Bank of India	2,220.16	2,503.36
(ii) Union Bank of India	2,158.73	2,401.08
(iii) Andhra Bank	1,057.39	1,206.06
(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)	5,436.28	6,110.50
(iv) SICOM Ltd. (Secured by mortgage of Land and hypothecation by way of exclusive first charge of specific Assets)	0.25	0.25
(v) 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
(vi) Sugar Technology Mission (Secured by hypothecation by way of exclusive first charge on the machinery, equipment, tools & accessories under the Ethyl Lactate Project)	340.00	280.00
(vii) Sugar Development Fund (Second charge on Sugar Block of Fixed Assets of Company's unit of Sameerwadi)	564.00	752.00
(viii) Instalments Due for Purchase of Assets under H. P. Finance (Hypothecated against specific Assets)	58.66	53.27
	6,399.19	7,216.42
<b>(b) Cash Credit Account with:</b>		
(i) Bank of India	3,879.24	3,501.47
(ii) Union Bank of India	3,958.13	2,513.25
(iii) Andhra Bank	1,820.77	1,210.09
(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)	9,658.14	7,224.81
	16,057.33	14,441.23
<b>B Co-generation Division:</b>		
<b>(a) Term Loans:</b>		
(i) Industrial Development Bank of India Ltd.	3,843.18	4,115.68
(ii) Andhra Bank	1,812.67	1,790.09
(iii) State Bank of India	1,427.22	1,348.37
(All the above Loans are secured by way of first pari passu charge of Equitable Mortgage on Block of Fixed Assets of the Company except Sakarwadi unit and first charge on Power Receivables and subservient first ranking charge on pari passu basis on Sakarwadi unit (excluding specific charge & agricultural assets))	7,083.07	7,254.14

(Rs. in lacs)

	31.03.2007	31.03.2006
<b>SCHEDULE 3 (Contd...)</b>		
<b>C Distillery &amp; Chemical Division</b>		
<b>From Banks</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)	248.65	503.29
(ii) Bank of Baroda — Turbine Loan (Secured by hypothecation by way of first charge on Turbine 800 KW at Sakarwadi)	—	16.89
(iii) SICOM Ltd. (Secured by mortgage of specific Sakarwadi land and hypothecation by way of first charge of specific assets)	62.22	152.22
(iv) Instalments Due for Purchase of Assets under H. P. Finance (Hypothicated against specific Assets)	15.22	32.93
		705.33
<b>(b) Cash Credit Account with:</b>		
(i) Bank of Baroda	1,573.84	854.03
(ii) Syndicate Bank	377.98	207.46
(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)		1,061.49
		23,462.19
<b>SCHEDULE 4 — UNSECURED LOANS:</b>		
(a) Public Deposits		1,076.77
(b) Deposits from Director		14.00
(c) Interest free Sales Tax Deferment Loan		192.29
(d) Short Term Loans		
From Banks	4,753.74	1,071.89
From Others	1,871.66	1,817.26
		2,889.15
		4,172.21

(Rs. in lacs)

Sr. No.	Particulars	Gross Block As on 1st April, 2006	Additions during the year	Deductions/ Adjustments during the year	Gross Block As on 31 March, 2007	Depreciation Written off upto 31 March, 2006	Depreciation Written off during the year	Deductions/ Adjustments of Depreciation	Total Depreciation upto 31 March, 2007	Net Depreciated Block as at 31 March, 2007	Net Depreciated Block as at 31 March, 2006
<b>A</b>	<b>Manufacturing/ Agricultural Division</b>										
1	Land	287.79	—	—	287.79	—	—	—	—	287.79	287.79
2	Live Stock	1.49	—	0.22	1.27	0.25	—	0.05	0.20	1.07	1.24
3	Buildings	1,387.14	46.74	—	1,433.88	307.52	33.97	—	341.49	1,092.39	1,079.62
4	Plant & Machinery	24,006.17	1,457.93	—	25,464.10	6,793.90	1,277.72	—	8,071.62	17,392.48	17,212.27
5	Agricultural Machinery	14.64	0.69	—	15.33	11.19	0.72	—	11.91	3.42	3.46
6	Office Equipments	1,356.92	90.88	—	1,447.80	711.39	129.38	—	840.77	607.03	645.53
7	Motor Vehicles	601.17	70.15	3.67	667.65	222.47	58.80	2.10	279.17	388.48	378.70
	<b>Sub Total : A</b>	<b>27,655.32</b>	<b>1,666.39</b>	<b>3.89</b>	<b>29,317.82</b>	<b>8,046.72</b>	<b>1,500.59</b>	<b>2.15</b>	<b>9,545.16</b>	<b>19,772.66</b>	<b>19,608.61</b>
<b>B</b>	<b>Real Estate Division</b>										
1	Land	254.61	—	—	254.61	—	—	—	—	254.61	254.61
2	Building & Apartments	93.40	—	—	93.40	15.39	1.52	—	16.91	76.49	78.01
	<b>Sub Total : B</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>Grand Total (A + B)</b>	<b>28,003.33</b>	<b>1,666.39</b>	<b>3.89</b>	<b>29,665.83</b>	<b>8,062.11</b>	<b>1,502.11</b>	<b>2.15</b>	<b>9,562.07</b>	<b>20,103.76</b>	<b>19,941.23</b>
	<b>Previous Year</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>19,941.23</b>	<b>19,663.32</b>

**Schedules forming part of the Balance Sheet as at 31 March, 2007**

(Rs. in lacs)

31.03.2006

**SCHEDULE 6 – INVESTMENTS (At Cost):**

(a) Other Investments:

Quoted

- (i) 7,200 (7,200) Equity Shares of Bank of India
- (ii) 4,048 (4,048) Equity Shares of Andhra Bank
- (iii) 35,900 (35,900) Equity Shares of Union Bank of India
- (iv) 1,500 (1,500) Equity Shares of Rs. 100/- each of Oriental Power Cables Ltd.
- (v) 4,500 (4,500) Equity Shares of Rs. 10/- each of JR Organics (India) Ltd.
- (vi) 6,491 (6,491) Equity Shares of Rs. 10/- each of Bank of Baroda

Unquoted

- (i) National Savings Certificate for CWC
- (ii) 210 (210) Equity Shares of Rs. 100/- each of The Book Centre Ltd.
- (iii) 80 (80) Shares of Rs. 25/- each of Raghuvanshi Co-operative Bank Ltd.
- (iv) National Savings Certificate (Deposited with Sales Tax Department)

(b) Investments in shares of subsidiary company:

## Unquoted

- (i) 50,000 (50,000) Equity Shares of Rs. 10/- each of Godavari Biorefineries Limited
- (ii) 50,000 (50,000) Equity Shares of Rs. 10/- each of Padmanabh Agencies Pvt. Ltd.

Less: Provision—for diminution in investments

	Book Value as at		Market Value as at	
	31.3.2007	31.3.2006	31.3.2007	31.3.2006
Quoted Investments	20.48	20.49	66.64	71.70
Unquoted Investments	10.44	10.44	—	—
	<u>30.92</u>	<u>30.93</u>	<u>66.64</u>	<u>71.70</u>

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

(a) Sugar Division:

- (i) Raw Materials
- (ii) Work in Process
- (iii) Stock-in-trade
- (iv) Stores, Chemicals and Spares, Packing Materials etc.

(b) Distillery & Chemical Division:

- (i) Raw Materials
- (ii) Work in Process
- (iii) Stock-in-trade
- (iv) Stores, Chemicals and Spares, Packing Materials etc.

# Schedules forming part of the Balance Sheet as at 31 March, 2007

	(Rs. in lacs)	
	31.03.2007	31.03.2006
<b>SCHEDULE 8 – SUNDRY DEBTORS (Unsecured and Considered Good):</b>		
(a) Debtors outstanding for a period exceeding six months	1,788.33	1,455.28
(b) Other Debtors	1,761.98	2,868.53
	<b>3,550.31</b>	<b>4,323.81</b>
<b>SCHEDULE 9 – CASH AND BANK BALANCES:</b>		
(a) Cash, Cheques and Drafts on hand and in Transit	45.13	77.62
(b) In Current Account with Scheduled & other Banks	334.49	227.17
(c) Fixed Deposits with Scheduled Banks	207.83	546.06
	<b>587.45</b>	<b>850.85</b>
<b>SCHEDULE 10 – LOANS AND ADVANCES (Unsecured and Considered Good):</b>		
Advances Recoverable in Cash or Kind or for value to be received	1,353.03	1,081.42
Carbon Credits Receivables	1,249.16	—
Advance Income Tax (Net of Provisions)	572.71	515.21
Balance with Excise Department including Cenvat credits.	742.78	268.32
	<b>3,917.68</b>	<b>1,864.95</b>
<b>SCHEDULE 11 – CURRENT LIABILITIES AND PROVISIONS:</b>		
<b>(A) Current Liabilities:</b>		
(i) Sundry Creditors & Other Liabilities	8,003.34	8,605.24
(ii) Interest Accrued but not Due	113.69	152.00
	<b>8,117.03</b>	<b>8,757.24</b>
<b>(B) Provisions:</b>		
(i) Provision for Leave Encashment	144.35	156.44
	<b>8,261.38</b>	<b>8,913.68</b>

**Schedules forming part of the Profit & Loss Account  
for the year ended 31 March, 2007**

	31.03.2007	(Rs. in lacs) 31.03.2006
<b>SCHEDULE 12 – SALES:</b>		
Sugar	31,767.51	31,904.10
Fertilisers	451.48	602.29
Molasses	131.24	415.85
Bagasse & others	0.29	—
Power	3,058.46	3,709.53
Chemicals	12,619.02	10,197.75
Alcohol / Fuel Alcohol / Bio Fertilisers	2,112.63	3,273.82
	50,140.63	50,103.34
<b>SCHEDULE 13 – OTHER INCOME:</b>		
Sale of Farm Produce	127.23	64.41
Claims and Refund	27.39	7.92
Carbon Credits	401.79	—
Interest on Fixed Deposits and Others	194.58	252.41
Dividend	2.79	0.81
Miscellaneous Income	76.24	148.14
	830.02	473.69
<b>SCHEDULE 14 – INCREASE/(DECREASE) IN STOCK:</b>		
<b>Closing Stock:</b>		
Sugar Division	18,200.26	17,320.55
Distillery & Chemical Division	890.68	409.76
	19,090.94	17,730.31
<b>Less : Opening Stock:</b>		
Sugar Division	17,320.55	11,399.02
Distillery & Chemical Division	409.76	841.93
	17,730.31	12,240.95
	1,360.63	5,489.36
<b>SCHEDULE 15 – RAW MATERIALS CONSUMED:</b>		
Sugar Cane & Raw Sugar	23,058.74	28,415.46
Bagasse & others	379.59	1,681.17
Alcohol	2,410.18	5,446.74
Molasses	3,560.46	245.21
Chemicals	806.83	169.58
	30,215.80	35,958.16

(Rs. in lacs)

	31.03.2007	31.03.2006
<b>SCHEDULE 16 — MANUFACTURING AND OTHER EXPENSES:</b>		
<b>Manufacturing Expenses:</b>		
Power and Fuel	2,117.80	1,387.28
Packing, Forwarding and Storage	929.50	1,056.78
Stores, Chemicals and Spare Parts consumed	1,383.06	1,336.57
Excise Establishment Charges	16.55	18.29
Expenses on Scientific Research (R & D)	35.51	16.38
Contribution to Scientific Research Institution	19.30	18.10
	<b>4,501.72</b>	<b>3,833.40</b>
<b>Repairs and Maintenance:</b>		
Plant and Machinery	714.91	473.68
Buildings	145.45	67.32
Others	394.65	213.05
	<b>1,255.01</b>	<b>754.05</b>
<b>Employees Remuneration and Benefits:</b>		
Salaries, Wages and Bonus	2,757.47	2,158.83
Remuneration to Directors	94.42	158.94
Contribution to Provident Fund & Other Funds	159.36	141.77
Welfare Expenses	136.39	137.77
Group Gratuity Insurance Premium	75.77	92.14
	<b>3,223.41</b>	<b>2,689.45</b>
<b>Office and Establishment Expenses:</b>		
Rent, Rates and Taxes	232.91	185.03
Insurance	198.13	169.65
Agricultural Development Expenses	141.47	62.76
DFRC/DEPB/Subsidy/Sundry balances written off	7.83	64.63
General Expenses	1,368.59	1,132.11
Loss on sale of Assets	0.59	8.64
	<b>1,949.52</b>	<b>1,622.82</b>
<b>Selling &amp; Distribution Expenses:</b>	<b>—</b>	<b>923.90</b>
<b>Auditors' Remuneration:</b>		
Audit Fees and Tax Audit Fees	6.50	5.00
Certification fees	0.27	0.35
Out of pocket expenses	0.20	0.18
	<b>6.97</b>	<b>5.53</b>
	<b>11,860.54</b>	<b>9,265.99</b>
<b>SCHEDULE 17 — INTEREST &amp; FINANCIAL CHARGES:</b>		
Cash Credit	<b>850.22</b>	<b>1,240.42</b>
Term Loan	<b>1,351.71</b>	<b>1,131.47</b>
Other Finance Charges	<b>623.22</b>	<b>422.48</b>
	<b>2,825.15</b>	<b>2,794.37</b>

**Significant Accounting Policies and Notes forming part  
of the Accounts for the year ended 31 March, 2007**

**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 licence 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 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 are valued at cost. 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, Crop in Progress 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/countervailing 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) Credits on account of Carbon Credit and Custom Duty and other benefits for Exports 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 per/KWH as against Power Purchase Agreement (PPA) rate of Rs. 4.02 per/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 31st March 2007 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 31-3-2007 for accrued gratuity to employees under the Payment of Gratuity Act, 1972 as per Actuary's Certificate is Rs. 723.31 Lacs (Previous year Rs. 717.67 Lacs). 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. 75.77 Lacs (Previous year Rs. 92.14 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.

**R) SMALL SCALE & AUXILIARY 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 are Proton Engg. Works & V Plast.

**S) DEFERRED TAX LIABILITIES (NET):**

	(Rs. in lacs)	
	31.03.2007	31.03.2006
<b>Description</b>		
<b>(A) Deferred Tax Liabilities:</b>		
Related to fixed Assets	3,033.46	3,664.90
<b>(B) Deferred Tax Assets:</b>		
Unabsorbed Depreciation	2,173.56	3,010.97
<b>(A) – (B)</b>	<b>859.90</b>	<b>653.93</b>

# Notes forming part of the Accounts for the year ended 31 March, 2007

## 4) CONTINGENT LIABILITIES (Not Provided For):

	(Rs. in lacs)	
	31.03.2007	31.03.2006
<b>a) Claims against the Company not acknowledged as Debts:</b>		
<b>Particulars</b>	<b>31.03.07</b>	<b>31.03.06</b>
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	10.81	31.40
Central Excise / Service Tax Liability that may arise in respect of matters in appeal	307.09	410.36
Income Tax Liability (Including Interest that may arise in respect of matters in appeal)	10.12	10.12
Bank Guarantee issued by bank on behalf of Company	—	303.75
<b>b) Arrears of Cumulative Preference Share Dividend</b>	<b>864.00</b>	<b>648.00</b>
<b>5) EXTRA-ORDINARY ITEMS:</b>		
Certified Emission Reduction Credit	*** (847.37)	—
Cane Price of Previous years	** 1,135.81	* 682.66
* Pertaining to seasons 2002-03, 2003-04 and 2004-05, as the final price of the cane was settled during the year 2005-2006.		
** Pertaining to seasons 2005-06 as the matter finalized during the year 2006-2007		
*** Pertaining to years 2002-03 to 2005-06		
6) Amount of borrowing costs capitalized during the period	—	15.00.
7) Estimated amount of contract remaining to be executed on capital account and not provided for Rs. 340 Lacs (Previous Year – Rs. 112 Lacs).		
8) For the Financial year, Company is entitled for the rate of Rs. 4.02 per KW for 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 at the rate of Rs. 2.80 per KW as per interim order dated 22nd July 2004 of Honorable High Court of Karnataka.		
The Company has contested the unilateral action of KPTCL in reducing the tariff before The Honourable High Court of Karnataka and the matter is subjudice. In the meantime Karnataka Electricity Regulatory Commission (KERC) has declared that PPA approved by them before 10th June 2004, are eligible for tariff as per the approved PPA rates. Further a Senior Counsel has also opined that the Company is entitled for tariff as per PPA rate.		
Notwithstanding the above, pending the final order of The Honourable High Court of Karnataka, the Company has conservatively considered the income of power sales to KPTCL/HASCOM at the rate of Rs. 3.60 per / KW i.e. less by Rs. 0.42 per/KW as compared to the PPA rate of Rs. 4.02 per/KW. The amount receivable from KPTCL is considered good. Under the Open Access policy of the government the company is supplying power to Tata Power.		
9) The Co-generation Project has been registered for Carbon Trading on 4th May 2007 under Clean Development Mechanism (CDM) with United Nations Framework Convention of Climate Change (UNFCCC) as "approved" project to avail the CDM benefit. Simultaneously, the Company had also appointed M/s SGS, Gurgaon, Haryana, as the Verifier for the verification of our "Monitoring Report" and to verify the estimated accrued Carbon Emission Reduction (CER) units till 31.03.2007. The Verification reports have been submitted to UNFCCC on 13.09.07. This report will remain posted on the website of UNFCCC and thereafter, UNFCCC will be issuing certified CERs. The Company would then be able to sell the CERs at the prevailing rates for Certified CERs. The current quoted price for each CER is around Euro 14 (1 Euro = Rs. 57.642). Estimated accrued CERs till March 2007 is 1,70,102 nos. (Out of which for 2006-07 is 54,713 nos.).		
The total value (net of expenses) will be around Rs. 12.49 Crores. On the aforesaid we have credited Rs. 401.79 lacs to Other Income for the year 2006-2007 and Rs. 847.37 lacs shown as income under extraordinary items.		
10) Certain balances of Debtors, Creditors, loans from Financial Institutions, Banks and loans & advances are subject to confirmation.		

OBLIGATION UNDER NON-CANCELLATION OPERATING LEASE:

(Rs. in lacs)

Particulars	31.03.2007	31.03.2006
Not later than one year	522.50	591.40
Later than one year but not later than five years	775.00	2,247.50
Later than five years	Nil	Nil
<b>2) MANAGERIAL REMUNERATION:</b>		
<b>a) Computation</b>		
Profit Before Tax	717.37	1,590.94
<b>Add:</b>		
Working Director's Remuneration	97.54	158.94
Depreciation	1,502.12	1,407.27
	1,599.66	1,566.21
	2,317.03	3,157.15
<b>Add:</b>		
Loss on sale of assets	0.65	8.64
	2,317.68	3,165.80
	1,502.12	1,407.27
<b>Less: Depreciation</b>	815.56	1,758.54
	—	50.24
Managing Director commission	6.18	33.50
Executive Director commission	6.18	83.74
<b>Total</b>		
<b>b) Break Up of Managerial Remuneration</b>		
Remuneration	61.41	52.18
Contribution to Provident Fund	6.47	6.26
Perquisites	23.48	16.76
Commission	6.18	83.74
<b>Total</b>	97.54	158.94

**13. Quantitative information:****I. SUGAR DIVISION**

Name of the Factory : Sugar Units at Sameerwadi, Lease Units at Tambale & Songaon  
 Licensed Capacity : 15,000 M.T.

Installed utilised Capacity : 11,800 M.T.  
 as certified by the Factory Manager

**(a) Quantitative information in respect of Goods Manufactured**

Goods Manufactured	Opening Stock		Production	Quantity sent for reprocessing & loss due to Driage & Damaged Ex-sugar M.T.	Unshipped Export Sugar M.T.	Sales (includes Inter Unit Transfer)		Closing Stock	
	Quantity M.T.	Value Rs. in lacs	Quantity M.T.			Quantity M.T.	Value Rs. in lacs	Quantity M.T.	Value Rs. in lacs
Sugar	1,08,495,600	16,737.74	2,09,394,000	3,313,200	162,900	1,83,874,600	29,733.93	1,30,864,700	17,510,561
	73,933,300	10,494.57	2,22,777,000	3,018,900	—	1,85,195,800	30,421.66	1,08,495,600	16,737.74
Molasses	25,131,904	350.09	70,801,434	11,834	—	66,154,269	650.12	29,767,235	295.68
	16,391,914	688.37	66,842,600	—	—	58,102,610	1,718.53	25,131,904	350.09

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

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

	Current Year 06-07		Previous Year 05-06		(c) C.I.F. Value of Imports (Rs. in lacs) :			Current Year	Previous Year
	M.T.	Rs. in lacs	M.T.	Rs. in lacs	i) Raw Materials	ii) Stores and Spares	iii) Capital Goods		
(a) Sugar Cane Consumed	17,51,760,328	22,619.22	16,16,495,911	23,834.35	—	—	—	—	—
(b) Raw Sugar Consumed	3,305,600	439.52	34,464,148	4,581.11	—	—	—	—	18.88
<b>TOTAL</b>		23,058.74		28,415.46	—	—	—	—	—
Stores and Spares Consumed	Value Rs.	%	Value Rs.	%	(d) Earning in Foreign Currency			6,284.23	—
Imported	—	—	—	—	(e) Expenses incurred in Foreign Currency			74.97	303.24
Indigenous	866.93	100%	932.22	100%	Stores & Spares			—	—
<b>TOTAL</b>	866.93	100%	932.22	100%				—	—

**II. CO-GENERATION DIVISION****(a) Quantitative information in respect of power**

Particulars	Current Year 06-07		Previous Year 05-06	
	Generated	Export to Grid	Generated	Export to Grid
Power MW	1,04,484	74,483	1,44,649	1,04,363

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

Purchased Raw Material Bagasse and others Bagasse (Inter Unit Manufactured)	Current Year 06-07		Previous Year 05-06	
	Qty (M.T.)	Rs. in lacs	Qty (M.T.)	Rs. in lacs
	33,420,659	379.59	1,07,573,500	1,681.17
	1,96,596,404	—	2,28,075,575	—

Goods Manufactured	Unit	Licensed Capacity (Annual)	Installed Capacity (Annual) (As Certified by Director, (Works))				
				Quantity	Value (Rs. in lacs)	Quantity	Value (Rs. in lacs)
<b>AT SAKARWADI:</b> Rectified Spirit Acetaldehyde Acetic Acid Ethyl Acetate Other Acetates	H.L. M.T. M.T. M.T. M.T.	4,50,000 23,000 25,000 36,000 1,800	3,00,000 18,000 20,000 36,000 1,800				
<b>AT TULJAPUR:</b> Rectified Spirit	H.L.	90,000	90,000				
<b>AT SAMEERWADI:</b> Rectified Spirit Extra Neutral Alcohol(ENA) Fuel Alcohol(Ethanol)	H.L. H.L. H.L.	1,80,000 1,20,000 1,50,000	1,80,000 1,20,000 1,50,000				
<b>(a) Quantitative information in respect of Goods Manufactured</b>							
Goods Manufactured	Unit	Opening Stock		Actual Production/Purchase (Excluding Normal Loss)	Sales		Inter unit Transfer/ Losses/ Captive Consumption.
		Quantity	Value (Rs. in lacs)		Quantity (8)	Value (Rs. in lacs)	
<b>(i) AT SAKARWADI:</b> Rectified Spirit	H.L.	2,790.39	38.00	25,570.42	—	—	27,931.30
Acetaldehyde	M.T.	35.98	8.42	37,818.55	—	—	35,028.16
Acetic Acid	M.T.	36.45	10.64	16,122.46	1,555.97	526.29	14,564.12
Ethyl Acetate	M.T.	360.12	84.90	16,591.58	2,483.84	818.48	14,108.21
		102.93	28.74	15,797.32	1,376.62	458.41	14,713.06
		102.24	34.85	12,391.75	1,916.77	628.98	10,217.79
		186.42	68.28	23,554.34	22,771.79	8,483.26	3.05
<b>(ii) AT TULJAPUR DIST.:</b> Rectified Spirit	H.L.	—	—	14,705.39	14,687.37	6,055.00	102.20
		—	—	47,231.17	46,526.00	921.61	—
<b>(iii) AT SAMEERWADI:</b> Rectified Spirit	H.L.	3,990.78	59.54	66,163.45	39,030.00	778.27	26,607.33
Bio-Earth	M.T.	8,098.65	152.76	57,979.15	61,294.35	1,498.16	792.67
Fuel Alcohol(Ethanol)	H.L.	14,366.83	73.74	23,538.00	15,431.51	106.48	2,290.96
		15,878.31	79.29	25,498.90	23,786.43	165.52	3,223.95
		985.55	16.02	25,269.95	22,380.00	429.62	—
		3,270.97	71.99	755.93	3,041.35	61.08	—
Extra Neutral Alcohol	H.L.	290.79	4.98	11,678.70	10,680.00	251.16	—
Traded Goods : Rectified Spirit	H.L.	3,799.99	90.63	20,410.80	23,920.00	718.37	—
				26.70			

**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, 2007

## b) Consumption of Raw Materials (Excluding Inter Unit Transfer)

	Unit	Current Year 06-07		Previous Year 05-06	
		Quantity	Amount (Rs. in lacs)	Quantity	Amount (Rs. in lacs)
Molasses	M.T.	1,06,630.79	3,560.46	19,317.46	245.22
Molasses (Inter Unit Manufactured)	M.T.	58,596.59	—	30,142.68	—
Rectified Spirit (Own Manufactured - Sakarwadi)	H.L.	25,570.42	—	37,818.55	—
Rectified Spirit (Own Manufactured - Sameerwadi)	H.L.	26,607.33	—	792.67	—
Special Denatured Spirit (Local)	H.L.	1,13,918.65	2,410.18	28,767.02	554.38
Rectified Spirit (Own Manufactured - Tuljapur)	H.L.	46,526.00	—	—	—
Special Denatured Spirit (Import)	H.L.	—	—	2,89,396.31	4,892.36
Rectified Spirit Purchased	H.L.	—	—	5,000.00	74.00
Acetal Dehyde (Own Manufactured)	M.T.	16,122.46	—	14,108.22	—
Acetic Acid (Own Manufactured)	M.T.	15,797.32	—	10,217.81	—
Acetic Acid (Outside Purchases)	M.T.	1,886.40	579.96	—	—
Ethyl Acetate	M.T.	3.06	—	102.20	—
Others			226.87		95.57
Total			6,777.47		5,861.53
c) C.I.F. Value of Imports:		—	45.79	23,071.24	3,785.16
d) Value of Raw Materials Consumed:		Amount Rs. in lacs	%	Amount Rs. in lacs	%
i) Indigenous		6,777.47	100.00	969.17	16.53
ii) Imported (Chemicals including deemed)		—	—	4,892.36	83.47
Total		6,777.47	100.00	5,861.53	100.00
e) Value of Stores and Spare Parts Consumed:					
i) Indigenous		271.03	100	211.79	100
ii) Imported		—	—	—	—
Total		271.03	100	211.79	100
f) Earning in Foreign Currency:			1,439.31		2,084.47
g) Expenditure in Foreign Currency:			45.79		—

[illegible]

### Significant Accounting Policies

1. Segment Report is prepared in conformity with accounting policies adopted for preparing and presenting financial statements.

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, 2007

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

## CATEGORY I:

Subsidiaries

Godavari Biorefineries Ltd., and Padmanabh Agencies Private Ltd.

## CATEGORY II:

Key Management Personnel & Relatives

Dr. S. K. Somaiya, Shri Samir S. Somaiya, Shri P. K. R. Nair, Shri P. M. Kavadia, Shri V. Sivaprakasham, 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 transaction with the related parties during the year:

(Rs. in lacs)

	CATEGORY I		CATEGORY II		CATEGORY III	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
1. Remuneration	—	—	97.54	158.94	—	—
2. Interest	—	—	7.35	8.19	53.50	9.11
3. Purchases	—	—	—	—	42.74	28.85
4. Rent	—	—	—	—	35.30	31.15
5. Royalty	—	—	—	—	48.08	46.51
6. Services	—	—	—	—	42.89	34.93
7. Loans & Advances given	—	0.01	—	—	0.05	0.01
8. Loans & Advances received	—	—	—	—	50.00	450.00

16) 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

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  
Indubhai C. Patel } Directors

Place : Mumbai  
Date : 24th September, 2007

# Balance Sheet Abstract and Company's General Business Profile

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

## Registration Details

Registration No. 2945

State Code 11

Balance Sheet Date 31 03 2007

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

Public Issue

NIL

Bonus Shares

NIL

Right Issue

NIL

Private Placement

NIL

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

Total Liabilities

52,39,532

Paid-up Capital

4,54,825

Secured Loans

25,41,831

Deferred Tax Adjustment

85,990

Total Assets

52,39,532

Reserves & Surplus

5,27,027

Unsecured Loans

8,03,721

## Sources of Funds

Net Fixed Assets

21,53,821

Net Current Assets

22,34,390

Investments

3,092

Misc. Expenditure

22,091

## Application of Funds

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

Turnover & Other Income

48,55,845

+/- Profit/Loss Before Tax

+ 71,739

Earning per Share in Rs.

1.27

Total Expenditure

47,84,106

+/- Profit/Loss After Tax

- 34,789

Dividend Rate %

NIL

## 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

**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**  
**Indubhai C. Patel** } Directors

Place : Mumbai  
Date : 24th September, 2007

# Cash Flow for the year ended 31 March, 2007

(Rs. in Lacs)

	2006-2007		2005-2006	
<b>A. Cash flow from Operating Activities:</b>				
Net Profit/(Loss) after tax		347.89		1,024.99
Adjusted for:				
Depreciation	1,502.11		1,407.27	
Interest Received on Fixed Deposits and Others	(194.58)		(252.41)	
Foreign Exchange Fluctuation (Net)	(5.58)		(94.55)	
Income from Immovable Property	(3.80)		(3.51)	
Loss on Sale of Assets	0.59		8.64	
Dividend Received	(2.79)		(0.81)	
Interest Expenses	2,825.15		2,794.37	
Provision for Taxes	209.72		138.00	
Deferred Taxes	205.96		395.94	
Extra Ordinary Item	288.44	4,825.22	682.66	5,075.60
<b>Operating Profit before Working capital changes</b>		<b>5,173.11</b>		<b>6,100.59</b>
<b>Adjustments for:</b>				
Trade Receivables	773.50		(1,840.92)	
Inventories	(4,479.61)		(3,004.10)	
Loans & Advances	(2,047.46)		951.63	
Deferred Revenue	117.89		(168.99)	
Trade Payables & Provisions	(652.30)	(6,287.98)	3,921.10	(141.28)
<b>Cash generated from operations</b>		<b>(1,114.87)</b>		<b>5,959.31</b>
Extra Ordinary Item	(288.44)		(682.66)	
Taxes paid	(221.02)	(509.46)	(154.05)	(836.71)
<b>NET CASH FROM OPERATING ACTIVITY</b>		<b>(1,624.33)</b>		<b>5,122.60</b>
<b>B. Cash flow from Investing Activities:</b>				
Purchase of Fixed Assets	(1,842.94)		(1,586.92)	
Sale of Fixed Assets	1.13		2.41	
Purchase of Investments	0.01		(7.08)	
Interest Received on Fixed Deposits and Others	194.58		252.41	
Foreign Exchange Fluctuation (Net)	5.58		94.55	
Income from Immovable Property	3.79		3.51	
Dividend Received	2.79		0.81	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,635.04)</b>		<b>(1,240.31)</b>
<b>C. Cash flow from Financing Activities:</b>				
Proceeds from issue of Share Capital	—		250.00	
Proceeds from long term borrowings	3,754.72		1,938.56	
Payments of long term borrowings	(1,798.60)		(633.56)	
Short term borrowings (Net)	3,865.00		(2,383.54)	
Interest paid	(2,825.15)		(2,794.37)	
Grant Received/Capital Subsidy	—		46.46	
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>2,995.97</b>		<b>(3,576.45)</b>
<b>Net changes in cash &amp; cash equivalents</b>		<b>(263.40)</b>		<b>305.84</b>
Opening balance of cash & cash equivalents		850.85		545.01
Closing balance of cash & cash equivalents		587.45		850.85
		(263.40)		305.84

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

Dr. S. N. Desai  
Partner

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  
Indubhai C. Patel } Directors

Place : Mumbai  
Date : 4th October, 2007

Place : Mumbai  
Date : 24th September, 2007

2006-2007

**GODAVARI BIOREFINERIES LIMITED**

- 1) The Company holds the whole of the subscribed Capital of Rs. 5,00,000/- in the Subsidiary Company as at 31st March, 2007.
- 2) The Subsidiary Company made a profit of Rs. 9,446/- after making the provision of tax for the year Rs. 3,200/-. Adjusting the carried forward loss of Rs. 38,121/-, the loss carried to balance sheet amounted Rs. 31,875/-. The said Loss has been carried to Balance Sheet of the Subsidiary Company and no adjustment has been made in the Books of The Godavari Sugar Mills Limited for the same.
- 3) There has been no change in the interest of the Company in the Subsidiary Company during the year ended 31st March, 2007.
- 4) The advance to the Subsidiary Company as on 31st March, 2007 was Rs. Nil.

**PADMANABH AGENCIES PRIVATE LIMITED**

- 1) The Company also holds whole of the Subscribed Capital of Rs. 5,00,000/- in the Subsidiary Company. There were no activities during the year in the Subsidiary Company.
- 2) The advance to the Subsidiary Company as on 31st March, 2007 was Rs. Nil.

**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**  
**Indubhai C. Patel** } Directors

Place : Mumbai

Date : 24th September, 2007

## DIRECTORS' REPORT

The Shareholders,  
Godavari Biorefineries Ltd.,

Your Directors have pleasure in presenting their Fifty-second Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2007.

### FINANCIAL RESULTS:

During the year under review, the Company made profit before tax of Rs. 9,446/-. After making the provision of tax Rs. 3,200/- for the year, adjusting the brought forward loss of Rs. 38,121/-, the loss of Rs. 31,875/- is carried to balance sheet. Your Directors do not recommend for any Dividend.

### CHANGE IN COMPANY'S NAME:

In pursuance of Special Resolution passed by the shareholders of the Company in the Annual General Meeting held on 6th September, 2006 and fresh Certificate of Incorporation issued by the Registrar of Companies, Maharashtra, the Company's name was changed from Godavari Investment and Finance Corporation Limited to Godavari Biorefineries Limited w.e.f. 10th November, 2006.

### DIRECTORS:

The Board expresses profound and deep sorrow at the sad demise of Shri P. M. Kavadia, Director of the Company on 16th August, 2007. The Directors place on record their appreciation of the valuable guidance extended by him during his tenure as Director of the Company.

Shri Samir S. Somaiya was appointed as an Additional Director of the Company w.e.f. 22nd June, 2007. As per the provisions of the Section 260 of the Companies Act, 1956, Shri Samir S. Somaiya holds office upto the date of ensuing Annual General Meeting. The Company received a notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Shri Samir S. Somaiya for the office of Director liable to retire by rotation.

### AUDITORS:

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

### CONSERVATION OF ENERGY:

Your Company has changed its Object Clause with the object to venture into other manufacturing activities. Since the Company has not yet commenced its new activities, the particulars required to be given under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are not yet applicable 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

Samir S. Somaiya  
J. R. Shukla

} Directors

Place : Mumbai

Date : 30th August, 2007

## AUDITORS' REPORT

TO THE MEMBERS OF GODAVARI BIOREFINERIES LIMITED.

We have audited the attached Balance Sheet of GODAVARI BIOREFINERIES LIMITED as at 31st March, 2007 and The Profit & 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 the 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 the Companies Act, 1956 and hence no annexure is annexed.
- 2) Further we report that:
  - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
  - II. In our opinion, proper Books of Accounts as required by Law have been kept by the Company so far as it appears from our examination of those books;
  - III. The Balance Sheet and Profit 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 comply with by this report comply with the Accounting Standards as referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - V. On the basis of the written representations received from the Directors, and taken as record by the Board of Directors, we report that none of Directors of the Company is disqualified as on 31st March, 2007 from being appointed as Directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - VI. In our opinion and to the best of our information and according to the explanation given to us, the said statement of Accounts together with the notes appearing thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;
    - a) In the case of the Balance Sheet of the state of Affairs of the Company as at 31st March, 2007.
    - b) In the case of the Profit and Loss Account of the Profit of the Company for the year ended 31st March, 2007.

For Y. S. MUZUMDAR & CO.  
Chartered Accountants

Y. S. MUZUMDAR  
(Proprietor)

M. NO. 33704  
Place: Mumbai

Date : 30th August, 2007

# Godavari Biorefineries Limited

Balance Sheet as at 31st March, 2007

	SCHEDULES	31.03.2007	31.03.2006
		Rupees	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
		5,01,400	5,01,400
<b>LOANS:</b>			
(a) Secured Loans		—	—
(b) Unsecured Loans		—	—
<b>TOTAL FUNDS EMPLOYED</b>		<b>5,01,400</b>	<b>5,01,400</b>
<b>APPLICATION OF FUNDS:</b>			
<b>CURRENT ASSETS:</b>			
(a) Debtors	3	—	89,850
(b) Cash and Bank Balances	4	4,57,804	3,73,042
(c) Loans and Advances	5	16,063	5,029
		4,73,867	4,67,921
<b>Less : CURRENT LIABILITIES:</b>			
(a) Current Liabilities	6	1,142	1,142
(b) Provisions	7	3,200	3,500
		4,342	4,642
<b>NET CURRENT ASSETS</b>		<b>4,69,525</b>	<b>4,63,279</b>
<b>SCCELLANEOUS EXPENDITURE:</b>			
<b>PROFIT &amp; LOSS ACCOUNT</b>		<b>31,875</b>	<b>38,121</b>
<b>TOTAL FUNDS DEPLOYED</b>		<b>5,01,400</b>	<b>5,01,400</b>
<b>Significant Accounting Policies &amp; Notes Forming Part of the Accounts</b>	10		

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	SCHEDULES	31.03.2007	31.03.2006
		Rupees	Rupees
<b>INCOME:</b>	8	<b>18,180</b>	<b>15,312</b>
<b>EXPENDITURE:</b>	9	<b>8,734</b>	<b>5,077</b>
<b>PROFIT BEFORE TAX:</b>		<b>9,446</b>	<b>10,235</b>
Provision for Taxation		3,200	3,500
Less: Earlier years Income tax written off		—	85
<b>Net Profit/(Loss) for the Year</b>		<b>6,246</b>	<b>6,650</b>
Balance Loss brought forward from last year		(38,121)	(44,771)
<b>Balance being Profit/(Loss) carried to Balance Sheet</b>		<b>(31,875)</b>	<b>(38,121)</b>
<b>Significant Accounting Policies &amp; Notes Forming Part of the Accounts</b>	10		

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

Y. S. MUZUMDAR  
(Proprietor)  
M. NO. 33704

Place : Mumbai

Samir S. Somaiya  
J. R. Shulka } Directors

Date : 30th August, 2007

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

Y. S. MUZUMDAR  
(Proprietor)  
M. NO. 33704

Place : Mumbai

Samir S. Somaiya  
J. R. Shulka } Directors

Date : 30th August, 2007

# Godavari Biorefineries Limited

## SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	31.03.2007	31.03.2006
	Rupees	Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL:</b>		
50,000 Ordinary (Equity) Shares of Rs. 10/- each	5,00,000	5,00,000
<b>ISSUED AND SUBSCRIBED CAPITAL</b>		
50,000 Equity Shares of Rs. 10/- each Fully paid up	5,00,000	5,00,000
(Previous years 5,000 Equity Shares of Rs. 100/- each)		
Entire Capital held by The Godavari Sugar Mills Limited including through nominees		
<b>SCHEDULE 2 : RESERVE AND SURPLUS</b>		
General Reserve	1,400	1,400
<b>SCHEDULE 3 : DEBTORS</b>		
Debts outstanding for a period exceeding six months		
considering good	—	89,850
less than six months	—	—
	—	89,850
<b>SCHEDULE 4 : CASH &amp; BANK BALANCES</b>		
Cash on hand	—	761
In Fixed Deposit account with Schedule Bank	3,00,000	3,00,000
In Current Account with Schedule Bank	1,57,804	72,281
	4,57,804	3,73,042
<b>SCHEDULE 5 : LOANS &amp; ADVANCES</b>		
Loans to Cane Growers	4,338	4,338
Accrued Interest	7,755	—
Income Tax	3,970	691
	16,063	5,029
<b>SCHEDULE 6 : CURRENT LIABILITIES</b>		
Sundry Creditors	1,142	1,142
<b>SCHEDULE 7 : PROVISIONS</b>		
Provision for Income Tax for the year	3,200	3,500
<b>SCHEDULE 8 : INCOME</b>		
Interest Received (TDS Rs. 4,080/-)	18,180	15,312
<b>SCHEDULE 9 : ESTABLISHMENT EXPENSES</b>		
Professional Tax	1,700	1,700
Fees & Stamps	5,300	2,200
Miscellaneous Expenses	612	—
Bank Charges	—	55
Audit Fees	1,122	1,122
	8,734	5,077

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007**

**SCHEDULE 10 : NOTES FORMING PART OF THE ACCOUNTS**

**SIGNIFICANT ACCOUNTING POLICIES**

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.

The requirements of schedule VI to the Companies Act, 1956, regarding additional information are not applicable to the Company.

No provision for gratuity payment has been made in the books as The Payment of Gratuity Act, 1972 is not applicable to the Company.

Figures of previous years have been re-grouped and re-cast wherever necessary.

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

S. MUZUMDAR  
(Proprietor)  
NO. 33704

Place : Mumbai  
Date : 30th August, 2007

For and on behalf of the Board of Directors

Samir S. Somaiya }  
J. R. Shulka } Directors

Place : Mumbai  
Date : 30th August, 2007

# Padmanabh Agencies Private Limited

## DIRECTORS' REPORT

Dear Shareholders,  
Padmanabh Agencies Private Limited,  
Mumbai.

Yours Directors submit herewith Ninth Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 2007

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:

The Board expresses profound and deep sorrow at the sad demise of Shri P.M. Kavadia, Director of the Company on 16th August, 2007. The Directors place on record their appreciation of the valuable guidance extended by him during his tenure as Director of the Company.

Shri Vinay V. Joshi was appointed as an Additional Director of the company w.e.f. 31st August, 2007. As per provision of the Section 260 of the Companies Act, 1956, Shri Vinay V. Joshi holds office upto the date of ensuing Annual General meeting. The Company received a notice from a member proposing the candidature of Shri Vinay V. Joshi for the office of Director liable to retire by rotation. Director Shri Samir S. Somaiya retires by rotation, but being eligible offers himself for reappointment.

### PARTICULARS OF EMPLOYEES:

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

### AUDITORS:

M/s. Y. S. Muzumdar & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting. They being eligible offer themselves for re-appointment

For and on behalf of the Board of Directors

Samir S. Somaiya  
Vinay V. Joshi } Directors

Place : Mumbai

Date : 31st August, 2007

## AUDITORS' REPORT

### TO THE MEMBERS OF PADMANABH AGENCIES PRIVATE LIMITED

We have audited the attached Balance Sheet of Padmanabh Agencies Private Limited as at 31st March, 2007. Since the Company has not commenced Commercial activity, no Profit & 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 the Companies Act, 1956 and hence no annexure is annexed.
- 2) Further we report that :
  - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
  - II. In our opinion, proper Books of Accounts as required by Law have been kept by the Company so far as it appears from our examination of those books;
  - III. The Balance Sheet dealt with by this report are in agreement with the Books of Accounts.
  - IV. In our opinion, the Balance Sheet dealt comply with by this report comply with the Accounting Standards as referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ;
  - V. On the basis of the written representations received from the Directors, and taken as record by the Board of Directors, we report that none of Directors of the Company is disqualified as on 31st March, 2007 from being appointed as Directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - VI. In our opinion and to the best of our information and according to the explanation given to us, the said statement of Accounts together with the notes appearing thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view of the Balance Sheet of the state of affairs of the Company as at 31st March, 2007.

For Y. S. MUZUMDAR & CO.  
Chartered Accountants

Y. S. MUZUMDAR  
(Proprietor)

M. NO. 33704  
Place: Mumbai

Date : 31st August, 2007

# Madmanabh Agencies Private Limited

## Balance Sheet as at 31 March, 2007

31.03.2006	LIABILITIES	31.03.2007	31.03.2006	ASSETS	31.03.2007
Rupees		Rupees	Rupees		Rupees
	<b>I. AUTHORISED CAPITAL:</b>			<b>I. CASH AND BANK BALANCES:</b>	
10,00,000	1,00,000 Equity Shares of Rs.10/- each	10,00,000	4,69,992	Cash at Bank	4,53,831
	<b>II. ISSUED SUBSCRIBED &amp; PAID UP CAPITAL:</b>			<b>II. MISCELLANEOUS EXPENDITURE:</b>	
5,00,000	50,000 Equity Shares of Rs.10/- each Fully paid up	5,00,000		Preliminary Expenses	47,801
	<b>III. CURRENT LIABILITIES AND PROVISIONS:</b>		32,540		
900	Loan from The Godavari Sugar Mills Ltd.	—			
1,632	Outstanding Expenses	1,632			
2,532		1,632			
5,02,532	<b>TOTAL RUPEES</b>	5,01,632	5,02,532	<b>TOTAL RUPEES</b>	5,01,632

Since Commercial activity has not commenced till 31st March, 2007, no Profit & Loss Account has been prepared.

Accompanying to our Report of even date annexed

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

For Y. S. MUZUMDAR & CO.  
Chartered Accountants

Y. S. MUZUMDAR  
(Proprietor)  
M. NO. 33704

Samir S. Somaiya

Vinay V. Joshi

Directors

Place : Mumbai  
Date : 31st August, 2007

Place : Mumbai  
Date : 31st August, 2007

