

MINUTES BOOK

GAYATRI SUGARS LIMITED

MINUTES OF THE FIFTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY HELD AT SURANA UDYOG HALL, FEDERATION HOUSE, DOOR NO.11-6-841, RED HILLS, HYDERABAD – 500 004, ON SATURDAY THE 31ST DAY OF JULY 2010 AT 4.00 P.M.

Present

1. Smt. T Sarita Reddy - Executive Director
2. Sri. TR Rajagopalan - Director
3. Sri. P Maruthi Babu - Director
4. Sri. S Venkataswamy - Director
5. Members in person
6. Members in proxy

Smt. T Sarita Reddy, was elected as the Chairperson of the Meeting. She occupied the chair and conducted the proceedings.

The Chairperson welcomed the shareholders to the Fifteenth Annual General Meeting of the company. As the requisite quorum was present for the meeting, she called the meeting to order, declared open the Register of Directors Shareholdings and with the permission of the shareholders the notice convening the Fifteenth Annual General Meeting was taken as read. After delivering the Chairperson's speech, she requested the Compliance Officer to read out the Auditors Report. After the Compliance Officer read the Auditors Report, the Chairperson invited the queries from the Shareholders and after they were answered, the business given in the notice of the Annual General Meeting was taken up item wise.

The following business was taken up.

ORDINARY BUSINESS:

1. ADOPTION OF ANNUAL ACCOUNTS

- Proposed by : Sri. Kamal Kishore Folio No. : 00031491
- Seconded by : Sri. Shanker Lal Laddha Folio No. : 00015881

"RESOLVED THAT Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended 31st March, 2010 and the Directors Report and

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Auditors Report thereon be and are hereby approved and the same are hereby received and adopted”.

After it was put to vote, the Resolution was passed unanimously.

2. RE-APPOINTMENT OF SRI. T R RAJAGOPALAN, AS DIRECTOR.

Proposed by : Sri. Simran B Chabria Folio No. : 00009906

Seconded by : Sri. G Ravindranath Gupta Folio No. : 10095400

“RESOLVED THAT **Sri. TR Rajagopalan**, Director of the Company be and is hereby re appointed as Director of the company liable to retire by rotation”.

After it was put to vote, the Resolution was passed unanimously.

3. RE-APPOINTMENT OF SRI. S VENKATASWAMY, AS DIRECTOR.

Proposed by : Sri. Kamal Kishore Folio No. : 00031491

Seconded by : Sri.V Ram Mohan Folio No. : 00064361

“RESOLVED THAT **Sri. S Venkataswamy**, Director of the Company be and is hereby re appointed as Director of the company liable to retire by rotation”.

After it was put to vote, the Resolution was passed unanimously.

4. APPOINTMENT OF AUDITORS.

Proposed by : Sri. Bharat H Shah Folio No. : 00016339

Seconded by : Sri.SL Mohan Reddy Folio No. : 00000080

“RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be mutually agreed to between the Board of Directors and the Auditors”.

After it was put to vote, the Resolution was passed unanimously.

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SPECIAL BUSINESS

5. APPOINTMENT OF SRI. P MARUTHI BABU, AS DIRECTOR.

Proposed by : Sri. SV Ramana Folio No. : 13214125

Seconded by : Sri. Bharat H Shah Folio No. : 00016339

“RESOLVED THAT Mr. P Maruthi Babu, who was appointed as an additional Director as per Section 260 of the Companies Act, 1956 and Article 98 of the Articles of Association of the company who holds office up to the date of this meeting, be and is hereby appointed as a Director of the Company subject to retirement by rotation.”

After it was put to vote, the Resolution was passed unanimously.

6. CREATION OF SECURITY IN FAVOUR OF YES BANK LIMITED

Proposed by : Sri. V Ram Mohan Folio No. : 00064631

Seconded by : Smt. N Janaki Rani Folio No. : 12500820

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of section 293(1)(a) and other applicable provisions of the Companies Act, 1956 to mortgage and /or charging by the Board of Directors of the company all the immovable and movable properties of the company where so ever situate, both present and future, excluding the buildings and plant & machinery of distillery unit charged to Indian Overseas Bank and/or conferring power to enter upon and to take possession of assets of the company in certain events, to or in favour of the YES BANK Limited to secure the term loan of Rs.35 crores together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premium on repayment or on redemption, costs, charges, expenses and other moneys payable by the company to YES BANK Limited under Term Loan agreement entered into/to be entered into by the company in respective of the said financial assistance.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board hereby authorized to do all such acts/deeds/matters in its absolute discretion as it may deem necessary and to settle any doubt/question of difficulty that may arise in creation of such mortgage/charges or hypothecation or disposal in favour of any lender as aforesaid and to finalise, execute any such deeds, agreements or documents as may be required or desirable or deem fit”.

After it was put to vote, the Resolution was passed unanimously.

As the next item of the agenda pertain to the re-appointment of Smt. T Sarita Reddy as Executive Director, she handed over the proceedings to Sri. TR Rajagoplan, director to conduct the meeting for agenda item no.7.

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7. RE-APPOINTMENT OF SMT. T SARITA REDDY AS THE EXECUTIVE DIRECTOR OF THE COMPANY W.E.F 1ST MAY 2010.

Proposed by : Smt. N Janaki Rani Folio No. : 12500820

Seconded by : Sri.SV Ramana Folio No. : 13214125

“RESOLVED THAT subject to the provisions of sections 198, 269 and 310 read with Scheduled XIII and other applicable provisions if any of the Companies Act, 1956, based on the recommendations made by the Remuneration Committee and Audit committee and Board of Directors, consent of the members be and hereby accorded for reappointment of Smt. T. Sarita Reddy as Executive Director of the company for a period of 3 years and that the said Executive Director shall have, subject to the supervision, control and directions of the Board, the management of all the affairs of the company and shall exercise all powers and perform all duties in relation to the management and transactions of the company and also such of their powers and duties the Board may from time to time delegate to the Executive Director subject to such limitations and conditions as they deem fit”.

“FURTHER RESOLVED THAT Smt. T Sarita Reddy is not subject to retirement by rotation during the tenure of her office as Executive Director and her appointment is on such salary and perquisites as set out hereunder:

1. Period of Appointment

The appointment is for a period of 3 years commencing from 1st May 2010

2. Salary

The remuneration payable shall be Rs.2,25,000/- (Rupees Two Lakhs Twenty Five Thousands only) per month.

3. Perquisites

i) Housing:

If required free furnished residential accommodation with all facilities and amenities including Gas, Electricity, Water, Furniture/Fittings etc, the monetary value of which may be evaluated as per Rule 3 of the Income Tax Rules, 1962. The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be subject to a ceiling of 10% of the Salary. In case where the Company does not provide accommodation, House Rent Allowance shall be paid at the rate of 25% of the Salary.

ii) Medical Reimbursement:

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Expenses incurred for herself and her family subject to a ceiling of one month's salary in a year or 3 months salary over a period of 3 years.

iii) Leave Travel Concession:

One month salary per year for herself and her family.

iv) Club Fees:

Subject to a maximum of two clubs. This will not include admission and Life membership Fees.

v) Personal Accident Insurance:

Premium not to exceed Rs.4,000/- per annum.

vi) Provident Fund:

Company's contribution towards Provident Fund at 12% of her salary or at any rate applicable from time to time.

vii) Gratuity:

Gratuity not exceeding half a month's salary for each completed year of service.

viii) Leave:

Entitled to one month's leave, as per the rules of the Company on full pay, for every 11 months of service.

Encashment of leave at the end of the tenure will not be included in computation of the ceiling on perquisites.

ix) Telephone:

Free telephone facility at the residence for the use of the Company's business.

x) Car:

Use of Company's Car on Company's business with Driver and all expenses on maintenance, repairs and cost of petrol.

(Provision of Car for use of Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Director)

xi) Any other perquisites that may be allowed as per the guidelines issued by the Central Government from time to time.

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“RESOLVED FURTHER that in the event of loss or inadequacy of profit in any financial year of the Company during the term of her office as Executive Director, the remuneration and perquisites set out above be paid or granted to Smt. T Sarita Reddy as minimum remuneration stipulated in Section II of part II of Scheduled XIII of the said Act or such other amount and perquisites as may be provided in the said Scheduled XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof”.

“RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter, vary such salary, commission and perquisites as may be permitted by any applicable law from time to time during the said period of office and as may be agreed to by the Board of Directors of the Company and Smt. T Sarita Reddy”.

After it was put to vote, the Resolution was passed unanimously.

After completion of the approval of the resolution for agenda item no.7 Sri.TR Rajagoplan has handed over the proceedings to Smt. T Sarita Reddy, to take over the proceedings of the meeting.

8: ALTERATION OF THE ARTICLES OF THE ASSOCIATION (AA) OF THE COMPANY

Proposed by : Sri.SV Ramana Folio No. : 13214125

Seconded by : Sri.D Sreedhar Folio No. : 12721464

“RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 the Articles of Association be and hereby altered by

a. deletion of the following Articles

2. Interpretation of AA:-

z) “Investment Amount” shall have the meaning ascribed in the Debenture Agreement dated 30.03.2008.

aa) “Investor” shall have the meaning ascribed in the Debenture Agreement dated 30.03.2008

bb) “Lien” means any mortgage, charge, pledge, hypothecation, security interest, encumbrance, or any other similar monetary obligation having similar effect.

cc) “Fixed Assets” mean the assets of the Company as detailed in Annexure A of the Debenture Agreement and shall include any future assets of the Company.

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dd) "Securities" shall mean the Debentures stipulated in the Debenture Agreement dated 30.03.2008 which shall be secured by the Company as mentioned therein.

ee) "Management Personnel" shall mean and include all such employees of the Company who have the designation of a manager or any higher designation in the Company.

ff) "Debentures" means 350 (three hundred and fifty) number of 14% non convertible debentures of Rs. 1,000,000/- (Rupees One Million each) which are issued to the Investor under the terms of the Debenture Agreement pursuant to the Investment Amount extended by the Investor to the Company.

gg) "Redemption Schedule" shall be as described in Annexure C of the Debenture Agreement.

hh) "Breach" means any act or omission or untrue, inaccurate or misleading statement or negligent act or misrepresentation that constitutes a material breach of an obligation, representation, warranty or covenant including by way of a fraud, by the Company and the Promoters and includes the failure of the Company and the Promoters to perform their respective obligations the Debenture Agreement and the term "Breached" would be construed accordingly.

ii) "Penal Interest" means penal interest at the rate of 1.5% (one and half percent) per month which the Company agrees to pay to the Investor if the Debenture is not redeemed in accordance with the Redemption Schedule and Interest accruing and becoming due under the Debenture Agreement and not paid on the Due Date.

jj) "Due Date" means, in respect of :

i Debentures - the date on which redemption is to be effected in accordance with the Redemption Schedule; and

ii. Interest including Penal Interest the date on which such Interest or Penal Interest falls due.

130A. MATTERS REQUIRING APPROVAL OF THE INVESTOR:

The Company shall not and the Promoters shall cause the Company to not, decide the following matters without the prior written approval of the Investor or the Investor nominated director:

a) Create or permit any Lien on or transfer or alienate, in any manner any of the Fixed Assets of the Company provided as a Security for the Debentures.

b) Create any liabilities relating to any "cane areas".

c) Declare dividends or make any shareholder advances.

d) Alter the capital structure of the Company or issue any equity or equity linked securities.

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- e) Undertake or permit any joint venture, merger, consolidation, reorganization of capital structure, scheme of arrangement, or compromise with its long term creditors excluding creditors in the ordinary course of business or shareholders, or effect any scheme of amalgamation or reconstruction.
- f) Undertake any project for modernization, diversification or substantial expansion of any projects.
- g) Undertake any public offering including decisions of fixing the issue price.
- h) Change the composition of the Board of Directors.
- i) Alter the Charter Documents of the Company.
- j) Take on any further debt (including but not limited secured or unsecured loan, debentures, working capital loans and deposits).
- k) Issue any guarantees or encumber the Fixed Assets of the Company.
- l) Acquire, sell, lease, transfer or otherwise dispose off, whether by one transaction or by a series of transactions, any asset or create any security interest on any of the Company's assets.
- m) Appoint or terminate the employment of the Key Management Personnel.
- o) Engage in any related party transactions.
- p) Change the remuneration of the executive directors or of the Promoters of the Company.
- q) Alter any material contracts entered into by the Company or execute or renew any material contracts by the Company.
- r) Incur capital expenditure which exceeds Rs.5,000,000/- over and above the capital expenditure approved under Annexure H.
- s) Create new subsidiaries or further invest in existing subsidiaries or affiliate companies.
- t) Acquire shares of any listed or unlisted company.
- u) Transact arrangements involving any guarantee to be given in favour of the Promoters.
- v) Commence, compromise or discontinue any legal or arbitration proceedings.
- w) Maintain a current ratio of a minimum of 1.15.
- x) Enter into or vary in any material respect any transaction otherwise than in the ordinary course of trading and on arm's length terms.

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y) Engage in any new business activities.

z) Contract arrangements between the Company and the Promoters.

aa) All matters not specified in the agenda for meetings of Board of Directors.

134 ii. DEBENTURE DIRECTOR:

The Investor shall have the right to appoint 1 (one) nominee as director on the Board of Directors of the Company, and shall also have the right to appoint 1 (one) nominee as alternate director. Further, the Investor shall have the right to have its nominee director or alternate director be appointed to any committees or sub committees of the Board of Directors. Therefore, a quorum of the committees and sub committees of the Board of Directors shall exist only if the nominee director or alternate director of the Investor is present at their meetings.

134A. EVENTS OF DEFAULT:

If one or more of the events specified below (hereinafter referred to as the "Event of Default"), happen(s), the Investor may, declare that the secured amounts to be due and payable forthwith, subject to a written notice of thirty (30) days ("Cure Period"), provided by the Investor to the Company to remedy such breach:

a. Default has occurred in redemption of the Debentures in accordance with the Redemption Schedule and/or default in payment of Interest on the Due Date and the Investor has not given any written approval for extending the Due Date.

b. Default has occurred with respect to other lenders. With respect to the cross default as mentioned herein, the Event of Default with respect to the Investor would be deemed to have occurred 1 (one) day prior to the occurrence of such default vis-à-vis the other lenders.

c. In the opinion of the Investor breach has been committed by the Company in respect of any Detailed Warranties and Representation.

d. Default has occurred in the performance of any other covenant, condition precedent or subsequent or agreement on the part of the Company under this Agreement and/or any other agreement.

e. If the Fixed Assets offered to the Investor as security for the Debentures have not been kept insured by the Company or depreciate in value to such an extent that, in the opinion of the Investor further security to the satisfaction of the Investor should be given and on advising the Company to that effect such security has not been given to the Investor within one (1) month from the date of intimation.

f. Default to pay any liabilities, contingent or otherwise, relating to the period before Closing.

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Notwithstanding the above, the occurrence of the following events shall also be construed as Events of Default for which there shall be no Cure Period and the Investor shall not be obligated to provide any notice to the Company.

- a. If any proceedings for taking the Company into liquidation, either voluntarily or compulsorily, have been commenced against the Company.
- b. The Company has voluntarily or involuntarily become the subject of proceedings under any bankruptcy or insolvency law or the Company voluntarily or involuntarily is dissolved.
- c. The Company is unable under Section 434 of the Companies Act, 1956, to pay its debts or has admitted in writing its inability to pay its debts as they mature.
- d. A receiver or liquidator has been appointed or allowed to be appointed for all or any part of the undertaking of the Company.
- e. An attachment or distraint has been made on the Fixed Assets of the Company.
- f. Delay in initiating the process for creation of security on assets as detailed in Clause 3 and in the event of acquisition of any new assets, delay in the process for initiating creation of security on the new assets in excess of 60 (sixty) days from date of acquisition.
- g. If, without the prior written approval of the Investor, any Fixed Assets charged to the Investor are sold, disposed of, charged, encumbered or alienated or removed, pulled down or demolished.
- h. The Company ceases to carry on its business or gives notice of its intention to cease.

If any Event of Default or any event, which after the notice, or lapse of time, or both, would constitute an Event of Default, has happened, the Company shall, forthwith give notice thereof to the Investor in writing specifying the nature of such Event of Default, within 5 (five) days of such event. This notice is without prejudice to the notice that may be provided by the Investor to the Company under Clause 9.1.

134B. CONSEQUENCES IN EVENT OF DEFAULT:

1. A penalty of 1.5% (one and half percent only) per month on the Investment Amount along with Interest shall be charged during the course of the Event of Default, which shall be paid to the Investor distinct from any other amounts payable to the Investor by the Company.
2. The Investor shall have the right to put the Debentures on the Promoters by issuing a notice to that effect to the Promoters. Upon issue by the Investor of the notice intimating the Promoters of its intention to put the Debentures, the Promoters shall within seven (7) days from the receipt of such notice purchase the Debentures for a consideration, which shall not be less than the aggregate of the following:

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- (a) Outstanding amount relating to the unredeemed Debentures on the date of exercise of the put option;
- (b) Interest outstanding as on the date of exercise of the put option; and
- (c) Penal Interest outstanding as on the date of exercise of the put option.

3. If the Event of Default remains uncured beyond the Cure Period, the Investor shall be entitled to enforce the Securities created herein, in a manner as determined by the Investor, in its sole discretion.

4. Notwithstanding the foregoing, the Investor shall have the right to force redemption, on the Company and the Promoters, individually or severally at the discretion of the Investor, of the Debentures, Interest and Penal Interest due along with enforcing the Securities under this Agreement.

5. In the event the Investor is unable to redeem the Debentures, Interest and Penal Interest, the Investor shall have the right to call such number of the Promoters' shares in both the Company and GSR Sugars Private Limited ("Call Shares") as is required by the Investor at an aggregate purchase price Re. 1 (Rupee One only). The Investor shall be entitled to sell the Call Shares to any third party, without restriction, to enable the Investor to recover the unredeemed Debentures and unpaid Interest and/or Penal Interest. However, the Investor will permit the Promoters to exercise a first right of refusal over the Call Shares. In the event the Promoters do not exercise their first right of refusal over the Call Shares or do not respond to the Investor's offer of the Call Shares within seven (7) days from the date the Investor offers to sell the Call Shares, the Investor shall be free to sell the Call Shares to any third party without further notice to the Promoters. This right is without prejudice to the rights of the Investor to enforce the Securities pledged in its favour.

b. deletion and alteration of the following Article

120. QUORUM:

The clause is modified as follows after deleting: The quorum for a Board Meeting of the Company shall be any 3 (three) directors, whether present in person or through an alternate director both at the beginning and throughout the Board Meetings including at the beginning or throughout any adjourned meeting. The attendance of the director nominated by the Investor shall be necessary to constitute the quorum for any meeting of the Board of Directors of the Company".

The quorum for a meeting of the Board shall be any one-third of the total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher provided that where at any time the number of interested Directors is equal to or exceeds two-third of total strength, the number of remaining Directors, that is to say the number of Directors who are not interested present at the meeting being not less than two, shall be the quorum during such time. The total strength of the Board shall mean the number of directors actually holding office as Directors on the date of the resolution or meeting, that is to say, the strength of the Board after deducting there from the number of Directors, if any, whose places are vacant at the time.

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After it was put to vote, the Resolution was passed unanimously.

After the business given in the notice was transacted, Smt. T Sarita Reddy, Chairperson, has requested Sri. TR Rajagopalan, Director to deliver vote of thanks.

Sri. TR Rajagopalan, Director conveyed vote of thanks.

There being no other business to transact, the Chairperson declared that the meeting was closed.

Place : Hyderabad

Date : 5th August 2010

sd/-

CHAIRPERSON

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T. Sarita Reddy