



Sakthi Sugars Limited

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Annual Report 1997

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓





SAKTHI SUGARS LIMITED

Registered Office

180, Race Course Road
Coimbatore - 641 018, Tamilnadu

Sugar Division

Unit I

Sakthi Nagar - 638 315
Erode District, Tamilnadu

Unit II

Padamathur, Sivaganga Tk - 623 560
Sivaganga District, Tamilnadu

Unit III

Sunapal, Barambagarh - 754 031
Cuttack District, Orissa

Unit IV

Haripur Village, Korian Post - 759 013
Dhenkanal District, Orissa

Distillery Division

- (i) Sakthi Nagar - 638 315
Erode District, Tamilnadu
(ii) Haripur Village, Korian Post - 759 013
Dhenkanal District, Orissa

Foundry Division

Pallagoundenpalayam - 638 056
Erode District, Tamilnadu

Soya Division

Marchinaickenpalayam
Ambarampalayam Post - 642 103
Coimbatore District, Tamilnadu

Main Bankers

Canara Bank
Punjab National Bank
Indian Overseas Bank
The Karur Vysya Bank Ltd
Citibank N.A.
State Bank of Travancore
The Lakshmi Vilas Bank Ltd
The South Indian Bank Ltd
State Bank of India
The Orissa State Co-operative Bank Ltd.

Board of Directors

Dr. N. MAHALINGAM
Chairman

Sri M. MANICKAM
Vice Chairman & Managing Director

Sri K.K. RAMASWAMY GOUNDER
Sri D. PERIASWAMY
Sri P.K. CHANDRAN
Sri G.G. GURUMURTHY
Dr. J. THULJARAM RAO
Sri P.N. SENGODAPPAN
Sri S.S. MUTHUVELAPPAN
Sri KARU SEEMAICHAMY
Sri M. BALASUBRAMANIAM
Sri N.K. VIJAYAN
Sri M. SRINIVAASAN
Sri I. THIRUVETTAI (Nominee of TIIC)
Sri O.N. VENKATARAMAN (Nominee of GICI)
Sri K.R. VISWANATHAN (Nominee of TICDO)
Sri M. MOHAMED HAMSA (Nominee of IFCI)

Company Secretary

Sri S. BASKAR

Auditors

M/s. P.N. RAGHAVENDRA RAO & CO.,
Coimbatore



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SAKTHI SUGARS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 36th Annual General Meeting of the Members of the Company will be held at Sri Ramakrishna Kalyana Mandapam, Avarampalayam Road, Coimbatore - 641 044, Tamil Nadu, at 3.00 P.M., on Thursday, 18th September 1997, to transact the following business:

1. To consider and adopt the Directors' Report and the audited Profit & Loss Account for the year ended 31st March 1997 and the audited Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare Dividend on the Preference and Equity shares.
3. To appoint a Director in the place of Sri Karu Seemaichamy, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Sri N.K. Vijayan, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Sri P.N. Sengodappan, who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in the place of Sri M. Balasubramaniam, who retires by rotation and is eligible for re-appointment.
7. To consider and, if thought fit, to pass, with or without modification, the following resolutions as Special Resolutions:

RESOLVED that M/s P.N. Raghavendra Rao & Co., Chartered Accountants, the retiring Auditors of the Company, be and are hereby appointed as Auditors of the Company from the conclusion of this meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs. 3,50,000 plus reimbursement of out of pocket expenses.

RESOLVED FURTHER that M/s P.N. Raghavendra Rao & Co., Chartered Accountants, be paid separate remuneration at the discretion of the Vice Chairman & Managing Director for attending to taxation and other work connected with the Company that may be entrusted to them from time to time.

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass, with or without modification, the following resolutions as Ordinary Resolutions:
 - A. RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors under the provisions of Section 293 (1) (a) of the Companies Act, 1956:
 - (i) to mortgage and/or charge the whole/or any of the undertakings of the Company including all the immovable and movable properties of the Company wheresoever situate, present and future and/or for conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of the Industrial Credit & Investment Corporation of India Limited (ICICI), as Trustees for the Debentureholders to secure 25,00,000 Non-Convertible Debentures of Rs.100 each, aggregating to Rs.2500 lakhs.
 - (ii) to authorise the Board of Directors of the Company for agreeing with ICICI the terms and conditions to reserve a right to take over the management of the business and concern of the Company in certain events in terms of their respective agreements/letters of sanction/terms and conditions in connection with the creation of security and other incidental matters.
 - B. RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with the said Debentureholders and the Agents and Trustees the documents for creating the aforesaid mortgage and/or for conferring the aforesaid rights and to do all such acts and things as may be necessary for giving effect to the above resolution.
9. To consider and, if thought fit, to pass, with or without modification, the following resolutions as Ordinary Resolutions:

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A. RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors under the provisions of Section 293 (1) (a) of the Companies Act, 1956: .

- (i) to mortgage and/or charge the whole/or any of the undertakings of the Company including all the immovable and movable properties of the Company wheresoever situate, present and future and/or for conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of Trustees for Debentureholders to secure 35,00,000 Non-convertible Debentures of Rs. 100 each aggregating to Rs. 3500 lakhs proposed to be issued to UTI/ Financial Institutions / Banks / LIC / GIC / other Insurance Companies and / or Funds / Mutual Funds / Bodies Corporate.
- (ii) to authorise the Board of Directors of the Company for agreeing with UTI/Financial Institutions/Banks/LIC/GIC/other Insurance Companies and/or Funds/Mutual Funds/Bodies Corporate the terms and conditions to reserve a right to take over the management of the business and concern of the Company in certain events in terms of their respective agreements/ letters of sanction/terms and conditions in connection with the creation of security and other incidental matters.

B. RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with the said Debentureholders and the Agents and Trustees the documents for creating the aforesaid mortgage and/or for conferring the aforesaid rights and to do all such acts and things as may be necessary for giving effect to the above resolution.

10. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 293 (1) (e) of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to donate and contribute a sum or sums not exceeding in the aggregate of Rs. 20 lakhs (Rupees twenty lakhs only) from out of the funds of the Company for deserving causes and institutions during the financial year ending 31st March 1998.

Note :

- (1) A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy. A proxy need not be a Member of the Company.
- (2) The explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business under item Nos. 8 to 10 is enclosed.
- (3) The Register of Members and the Share Transfer Books of the Company will remain closed from 2.9.1997 to 18.9.1997 (both days inclusive).
- (4) Dividend, if declared, will be paid to those Members whose names appear on the Register of Members on 18.9.1997 or to their Mandatees.
- (5) In accordance with the provisions of Section 205-A (5) of the Companies Act, 1956, unpaid/unclaimed Dividend for the year ended 31.3.1993 has been transferred to the General Revenue Account of the Central Government. Members who have valid claim to the unpaid/unclaimed dividend may claim it from the Registrar of Companies, Bank of Baroda Buildings, State Bank Road, Coimbatore 641 018.

By order of the Board

Coimbatore
9th August 1997

S. BASKAR
Company Secretary

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956**Item Nos. 8 & 9**

The Industrial Credit and Investment Corporation of India Limited (ICICI) has sanctioned to the Company credit facility by way of subscription of 25,00,000 Secured Non-Convertible Debentures of Rs.100 each aggregating to Rs. 2500 lakhs by private placement. These debentures are to be secured by creating a mortgage/charge in favour of the ICICI as Trustees for the debentureholders on the fixed assets of the Company.

For the purpose of meeting increased requirement of working capital, it is proposed to issue Debentures for a value aggregating to Rs. 3500 lakhs to UTI/ Financial Institutions/Banks/LIC/GIC/other Insurance Companies and/or Funds/Mutual Funds/Bodies Corporate against the security of fixed assets of the Company.

As per Section 293 (1) (a) of the Companies Act, 1956, Members' approval is required to the Board of Directors to mortgage or charge the assets of the Company.

Copies of letters and other documents executed by the Company in this regard are open for inspection at the Registered Office of the Company between 10 A.M. and 1 P.M. on any working day prior to the date of the meeting.

None of the Directors is concerned or interested in the said resolution.

Item No.10

To meet certain charitable and social obligations, it is proposed to authorise the Board of Directors to make donations upto Rs. 20 lakhs (Rupees twenty lakhs only) for the year ending 31.3.1998, subject to your approval.

None of the Directors is concerned or interested in the said resolution.

By order of the Board

Coimbatore
9th August 1997

S. BASKAR
Company Secretary

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REPORT OF THE DIRECTORS

To the Members

Your Directors have pleasure in presenting their Annual Report together with the audited financial accounts of the Company for the year ended 31st March 1997.

FINANCIAL RESULTS FOR THE YEAR ENDED 31ST MARCH 1997

	Rs. in lakhs	Rs. in lakhs
Profit before interest and Depreciation		6161.27
<i>Less :</i> Interest charges	4139.22	
Depreciation on Fixed Assets	<u>1019.11</u>	<u>5158.33</u>
		1002.94
Expenses relating to prior years (Net)		<u>172.56</u>
		830.34
<i>Add :</i> Previous year's credit balance in Profit and Loss Account b/f	984.06	
Excess provision withdrawn	<u>24.19</u>	
		<u>1008.25</u>
		1838.63
<i>Less :</i> Transfer to Preference Share Redemption Reserve	300.00	
Transfer to Debenture Redemption Reserve	694.00	
Transfer to General Reserve	75.00	
Dividend on Preference shares	238.05	
Dividend on Equity shares	272.64	
Tax on Dividend	<u>47.44</u>	
		<u>1627.13</u>
Surplus carried over to next year		<u>211.50</u>

DIVIDEND

Your Directors are glad to recommend payment of the following dividend out of the Profits for the financial year ended 31st March 1997.

- (a) Dividend at 14% on 1,37,272 Redeemable Cumulative Preference shares of Rs. 100 each Rs. 19,21,808
- (b) Dividend at 16.75% on 10,00,000 Redeemable Cumulative Preference shares of Rs. 100 each Rs.1,67,50,000
- (c) Dividend at 20% on 1,36,32,066 Equity Shares of Rs. 10 each Rs.2,72,64,132

On approval by the shareholders at the Annual General Meeting, the dividend will be paid in due course.

Dividend on 3,00,000 - 17% Redeemable Cumulative Preference shares of Rs. 100 each for the period from 1.4.1996 to 16.12.1996 amounting to Rs. 36,32,876.71 has been paid on redemption.

Dividend on 1,00,000 - 15% Redeemable Cumulative Preference shares of Rs. 100 each for the period from 1.4.1996 to 8.4.1997 amounting to Rs. 15,28,767 has been paid on redemption.

REVIEW OF OPERATIONS

SUGAR DIVISION

Crushing of sugarcane at various units of the Company for the year 1996-97 is as under

Sakthi Nagar Unit	-	12,32,567	tonnes
Sivaganga Unit	-	5,12,368	..
Dhenkanal Unit	-	2,58,016	..
Badamba Unit	-	1,03,889	..

The free sale / levy sale ratio of 60:40 remained unchanged. The sugar production in India as a whole was one of the highest resulting in heavy stock accumulation and lower sugar prices than expected. The performance of this division could have been better but for the increased cost of inputs.

In the current year, the overall crush is expected to be around 15 lakh tonnes of sugarcane.

DISTILLERY DIVISION

With the implementation of continuous fermentation system in Sakthi Nagar Distillery, higher operational efficiency was achieved. The distillery plant at Dhenkanal achieved increased production. For the major part of the year the lack of demand and low price for alcohol continued. The demand and price for alcohol improved only during the fag end of the year and the trend is continuing.

POLLUTION CONTROL DIVISION

The Company has successfully installed 2 more effluent treatment plants in different states. With this, 22 effluent treatment plants have so far been installed by the Company on turn-key basis in various distilleries in the country. The Directors are glad to inform that an overseas contract has been recently entered into for installation of a bio-methanised effluent treatment plant in Thailand.

SAKTHI SUGARS LIMITED**FOUNDRY DIVISION**

The new Disamatic Foundry wing has been successfully commissioned and commercial production commenced from 1st April 1997 after trial runs. The facilities like Disamatic moulding machine, autopour and converter have been integrated for production of high quality components like steering knuckle, brake caliper, brake drum etc.

The prospects for the foundry are bright. All the major international car manufacturers setting up their plants in India, like Honda, Hyundai, Ford, have visited the Foundry and are impressed with the plant facilities and capabilities. M/s. Maruti Udyog Limited have significantly substituted imported steering knuckle castings with your foundry products.

SOYA DIVISION

During the year under review, 40,419 metric tonnes of Soya bean have been crushed. This Division has exported products worth Rs. 634.36 lakhs to various countries.

The value added products like soya chunks have been introduced in the market in the retail segment by your Company. With increased awareness of goodness of soya products improved performance is envisaged.

DEPOSITS

At the end of the financial year, 254 deposits amounting to Rs. 26,59,100 which were due for repayment remained unclaimed on their due dates. Of these, 171 deposits totalling Rs. 20,29,000 have since been paid or renewed at the option of the depositors.

PREFERENCE SHARES

During the year under review, 3,00,000 - 17% Redeemable Cumulative Preference shares aggregating to Rs. 3 crores were redeemed on 17.12.1996.

1,00,000 - 16% Redeemable Cumulative Preference shares of Rs. 100 each aggregating to Rs. 1 crore were issued on private placement basis on 7.4.1997 for the purpose of redemption of 1,00,000 -15% Redeemable Cumulative Preference shares which fell due for redemption on 8.4.1997.

DIRECTORS

Sri M. Mohamed Hamsa, Assistant General Manager, The Industrial Finance Corporation of India Limited

(IFCI) was co-opted as a Nominee Director on the Board of the Company with effect from 30.11.1996.

The following Directors retire by rotation at the ensuing Annual General meeting and are eligible for re-appointment:

1. Sri Karu Seemaichamy.
2. Sri N.K. Vijayan
3. Sri P.N. Sengodappan
4. Sri M. Balasubramaniam

AUDITORS

M/s. P.N. Raghavendra Rao & Co., Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT, 1956**Conservation of Energy**

(a) Energy Conservation measures taken :

- (i) All cooling waters were collected and converted into a closed loop system for re-use in Sivaganga Unit.
- (ii) ACM 60 micro pulveriser has been installed which has high capacity of grinding with lesser electricity consumption.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

- (i) In savers are being introduced for higher HP motors so that during off-load period, motors run with minimum required power.
- (ii) In Soya Division it is proposed to instal chain conveyors in the place of pneumatic conveyor at a cost of Rs. 5.5 lakhs which will result in power saving of 90 H.P.

(c) Impact of the measure at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

- (i) Closed loop system has resulted in reduction of water drawn from river by about 30%. On account of this, lower HP



motors have been installed resulting in lesser consumption of power. Waste water to effluent treatment plant has been minimised.

- (ii) On account of installation of ACM 60 micro pulveriser, the energy consumption will be less by about 22% for every tonne of flake ground.

Particulars regarding consumption of energy, Research and Development, technology absorption and foreign exchange earnings and outgo have been provided in Annexure - 1 to the Report

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the

Companies (Particulars of Employees) Rules, 1975 and forming part of this Report have been provided in Annexure - 2 to the Report.

ACKNOWLEDGEMENT

Your Directors wish to place on record the valuable assistance and co-operation extended by the shareholders, cane growers, Commercial Banks, Financial Institutions and Government authorities. They also wish to appreciate the dedicated service rendered by officers, staff and workers of the Company.

By order of the Board

Coimbatore
9th August 1997

N. MAHALINGAM
Chairman

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