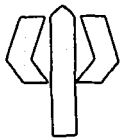


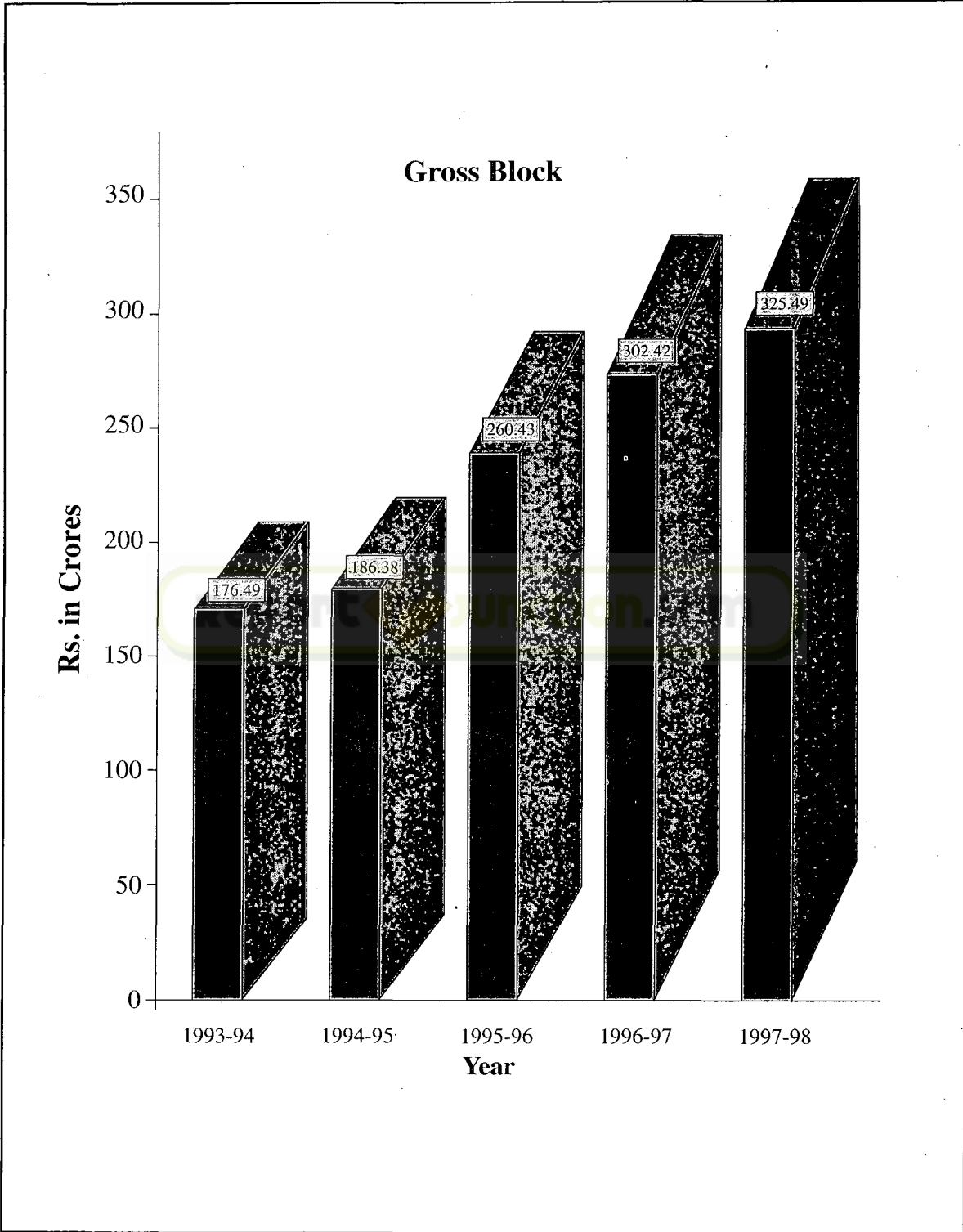
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Sakthi Sugars Limited



**Annual
Report
1998**





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 - 630 561
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. PERIASWAMI
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 TIDCO)
Sri P.R. GOPALAKRISHNAN (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 37th 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 2.45 P.M., on Friday, 25th September 1998, 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 1998 and the audited Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare dividend on Preference and Equity shares.
3. To appoint a Director in the place of Sri D. Periaswami, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Sri P.K. Chandran, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Sri M. Srinivaasan, who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in the place of Sri G.G. Gurumurthy, 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 resolution 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 works 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 resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded for the re-appointment of Sri M. Manickam as Managing Director of the Company for a period of 5 years from 9.9.1998 and for payment of the following remuneration and for providing the following prerequisites to him.

I. SALARY

Rs. 50,000 per month (Rupees fifty thousand only).

II. PERQUISITES

Not exceeding Rs. 37,500/- (Rupees thirty seven thousand five hundred only) per month.

In addition to the above prerequisites, Sri M. Manickam, Vice Chairman & Managing Director, shall also be entitled to the following prerequisites which shall not be included in the computation of the ceiling on prerequisites referred above.

- (A) Contribution to Provident Fund to the extent not taxable under the Income Tax Act.
- (B) Gratuity at the rate of half a month's salary for each completed year of service.
- (C) Encashment of leave at the end of tenure as per the Rules of the Company.

The above salary and prerequisites may be paid as minimum remuneration even in the event of loss or inadequacy of profits in any year.

III. Commission

1% Commission of the net profits of the Company, subject to the maximum ceiling specified in Section - I of part - II of Schedule XIII to the Companies Act, 1956.

9. 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 Trustees for the Debentureholders to secure 30,00,000 Non-Convertible Debentures of Rs. 100 each aggregating to Rs. 3000 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 a Special Resolution:

RESOLVED that the Articles of Association of the Company be amended by inserting the following as Article 57A after Article 57:

"57A. Notwithstanding anything contained in these Articles, as and when the Company gets its shares or other securities admitted as an eligible security in the Depository System in accordance with the provisions of the Depositories Act, 1996, the prevailing Rules, Regulations & Bye Laws of the Depository and other applicable laws, if any, the said shares and securities of the Company

may be held in dematerialised fungible form and the same shall be governed by the provisions of Depositories Act, 1996 as amended from time to time or any Rules framed thereunder."

11. 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 1999.

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 11 is enclosed.
- (3) The Register of Members and the Share Transfer Books of the Company will remain closed from 16.9.1998 to 22.9.1998 (both days inclusive).
- (4) Dividend, if declared, will be paid to those Members whose names appear on the Register of Members on 22.9.1998 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 31.3.1994 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. Notice to eligible Members has been sent under Rule 4A of the Companies Act.

By order of the Board

Pallagoundenpalayam
24th August 1998

S. BASKAR
Company Secretary

SAKTHI SUGARS LIMITED

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 8

The term of office of Sri. M. Manickam as Managing Director of the Company expires on 8th September 1998. Considering his contribution to the growth of the Company during his period of office, the Board of Directors have, subject to the approval of members at the General Meeting, re-appointed Sri. M. Manickam for a further period of 5 years from 9th September 1998. The necessary resolution is placed before the shareholders for their approval.

Sri. M. Manickam may be deemed to be concerned or interested in the above appointment as it relates to his re-appointment and remuneration. Dr. N. Mahalingam, Chairman, Sri. M. Balasubramaniam and Sri. M. Srinivaasan, Directors are interested as his relatives.

Item No. 9

For the purpose of meeting the increased requirement of working capital, the Board of Directors of the Company has issued Debentures for a value aggregating to Rs. 3000 lakhs to Financial Institutions / Banks and other intending subscribers 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 resolutions.

Item No. 10

With the introduction of the Depositories Act, 1996 and the Depository System, some of the provisions of the Companies Act, 1956 relating to issue, holding, transfer, transmission of shares and other securities have been amended to facilitate holding of securities in electronic form. In tune with this change, it is proposed to amend the Articles of Association of the Company as set out in item No. 10 in the Notice.

A copy of the Memorandum and Articles of Association of the Company together with the proposed amendment is available for inspection of the Members of the Company at its Registered Office between 10 A.M. and 1 P.M. on any working day of the Company prior to the date of the meeting.

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

Item No. 11

To meet certain charitable and social obligation, it is proposed to authorise the Board of Directors to make donation upto Rs. 20 lakhs (Rupees twenty lakhs only) for the year ending 31.3.1999, subject to your approval.

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

Pallagoundenpalayam
24th August 1998

By order of the Board
S. BASKAR
Company Secretary



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 1998.

FINANCIAL RESULTS FOR THE YEAR ENDED 31ST MARCH 1998

	Rs. in lakhs	Rs. in lakhs
Profit before interest and Depreciation		7764.61
<i>Less :</i> Interest charges	5286.33	
Depreciation on Fixed Assets	<u>1414.47</u>	<u>6700.80</u>
		1063.81
Expenses relating to prior years (Net)		<u>622.64</u>
		441.17
<i>Add :</i> Previous year's credit balance in Profit and Loss Account b/f	247.25	
Excess provision withdrawn	7.44	
Investment allowance transferred back	<u>261.23</u>	
		<u>515.92</u>
		957.09
<i>Less :</i> Transfer to Preference Share Redemption Reserve	100.00	
Transfer to Debenture Redemption Reserve	187.75	
Dividend on Preference shares	205.88	
Dividend on Equity shares	136.32	
Tax on Dividend	<u>34.22</u>	
		<u>664.17</u>
Surplus carried over to next year		<u>292.92</u>

DIVIDEND

Your Directors are glad to provide for the following dividend out of the Profits for the financial year ended 31st March 1998.

- (a) Dividend at 14% on 1,37,272 Redeemable Cumulative Preference shares of Rs. 100 each Rs. 19,21,808
- (b) Dividend at 13.5% on 10,00,000 Redeemable Cumulative Preference shares of Rs. 100 each Rs. 1,35,00,000
- (c) Dividend at 15% on 1,00,000 Redeemable Cumulative Preference shares of Rs. 100 each for the period from 1.4.1997 to 7.4.1997 Rs. 28,767

- (d) Dividend at 16% on 1,00,000 Redeemable Cumulative Preference shares of Rs. 100 each for the period from 7.4.1997 to 31.3.1998 Rs. 15,73,699
- (e) Dividend at 13.5% on 2,00,000 Redeemable Cumulative Preference shares of Rs. 100 each for the period from 10.11.1997 to 31.3.1998 Rs. 10,50,411
- (f) Dividend at 14% on 5,00,000 Redeemable Cumulative Preference Shares of Rs. 100 each for the period from 21.11.1997 to 31.3.1998 Rs. 25,12,329
- (g) Dividend at 10% on 1,36,32,066 Equity Shares of Rs. 10 each Rs.1,36,32,066

Dividend on the Preference shares under (c) above had been paid while redeeming the said shares. As per the terms of issue of Preference shares under (e) and (f), dividend at 13.5% and 14% respectively has been paid as interim dividend before end of the financial year. In respect of other Preference shares and Equity shares, dividend will be paid on approval by the shareholders.

REVIEW OF OPERATIONS

SUGAR DIVISION

Crushing of sugarcane at various units of the Company for the year 1997-98 is as under:

Sakthi Nagar Unit	-	9,39,333 tonnes
Sivaganga Unit	-	3,53,568 tonnes
Dhenkanal Unit	-	1,92,821 tonnes
Baramba Unit	-	83,716 tonnes

The free sale / levy sale ratio of 60:40 remained unchanged. The general performance of this division is considered satisfactory.

In the current year, the overall crush is expected to be around 23 lakh tonnes of sugarcane.

Your Directors are glad to inform you that the Dhenkanal unit has bagged the State safety award for the year 1996.

SAKTHI SUGARS LIMITED**DISTILLERY DIVISION**

The Sakthi Nagar unit was in operation only for 10 months during the year and produced 60.75 lakh litres of industrial alcohol. This unit suspended its operation from 1.2.1998 pursuant to the Order of the Supreme Court of India on pollution matter. All the directions of the Supreme Court have been complied with. The Madras High Court, on remand, ordered reopening of the Unit with effect from 24.8.1998 on trial run basis.

The Distillery unit at Dhenkanal has produced 32.40 lakh litres of industrial alcohol. Your Directors are glad to inform you that this unit has received the State Pollution Control Excellence Award for the year 1997.

With the prices of industrial alcohol firming up, the performance of this division is set to further improve during the current year.

POLLUTION CONTROL DIVISION

The Division has effectively put into use the know-how obtained from foreign collaborators for setting up effluent treatment plants in various distilleries. A fresh agreement has been entered into with Societe Generale Pour Les Techniques Nouvelles (SGN), France for using their technology for a further period of 5 years.

FOUNDRY DIVISION

With the commissioning of new disamatic foundry wing, the production has been doubled during the year under review. With a view to matching the machining capacity to the Foundry's melting capacity, imported grinding machines and turning machines are being installed. This will facilitate supply of bulk quantities of machined components.

During the current year commercial orders from Industrial Products International Inc., Atlanta, Georgia, U.S.A. and trial orders from Delphi Automotive Systems (wholly owned subsidiary of General Motors, U.S.A.) for export have been received.

Your Directors are glad to mention that this Unit has been awarded Quality System ISO 9002 Certification. Further your Foundry Unit has received Vendor Performance Award from Maruti Udyog Ltd. for 1996-97.

SOYA DIVISION

During the year under review, 39,550.354 metric tonnes of Soya beans have been crushed. Out of this, 27,928.353 metric tonnes of soyabeans were crushed at our factory at Marchinaickenpalayam, Pollachi and the balance 11,622.001 metric tonnes were crushed at factories in Maharashtra and Madhya Pradesh on job work basis. This division has exported products worth Rs. 1349.12 lakhs to various countries.

The value added product soya bite (soya chunk) has been well received in the market and its quantum of sale is increasing constantly. Necessary net work of agents has been appointed for procurement of Soyabeans.

DEPOSITS

At the end of the financial year, 1160 deposits amounting to Rs. 39,19,000 which were due for repayment remained unclaimed on their due dates. Of these, 676 deposits totalling Rs. 28,39,000 have since been paid or renewed at the option of the depositors.

PREFERENCE SHARES

During the year under review, the period of redemption of 10,00,000 - 13.5% Redeemable Cumulative Preference shares aggregating to Rs. 10 crores has been extended for a further period of 5 years with effect from 4.5.1998. The dividend rate has been revised at 16.75%. In addition 9,00,000 Redeemable Cumulative Preference shares of Rs. 100 each aggregating to Rs. 9,00,00,000 were issued on private placement basis for meeting the working capital requirements.

DIRECTORS

Sri P.R. Gopalakrishnan, Assistant General Manager, The Industrial Finance Corporation of India Limited (IFCI) was co-opted as Nominee Director on the Board of the Company with effect from 18.3.1998 in the place of Sri M. Mohamed Hamsa. Your Directors wish to place on record their appreciation of the valuable services rendered by Sri M. Mohamed Hamsa during his tenure of office.

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

1. Sri D. Periaswami
2. Sri P.K. Chandran
3. Sri M. Srinivasan
4. Sri G.G. Gurumurthy



The period of Office of Sri M. Manickam, Managing Director of the Company expires on 8th September, 1998. The Board of Directors have re-appointed Sri M. Manickam as Managing Director of the Company for a further period of 5 years with effect from 9.9.1998.

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 :

To save steam consumption the quadruple effect evaporator has been modified to quintuple effect thereby reducing steam consumption by 2% to 3% in Sakthi Nagar Sugar Unit.

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

The existing condensers are proposed to be changed with a modified design which requires less water in Sakthi Nagar.

It is proposed to install 500 KVAR Capacitor Bank at Baramba Sugar Unit to improve the power factor, thereby reducing power consumption.

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

Power and steam consumption is expected to come down.

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

Pallagoundenpalayam
24th August 1998

N. MAHALINGAM
Chairman