







Sakthi Sugars Limited

Registered Office

Sakthi Nagar - 638 315
Erode District, Tamilnadu

Head 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.
State Bank of Mauritius 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 K.R. VISWANATHAN (Nominee of TIDCO)
Sri K. BHARATHAN (Nominee of ICICI)
Sri C. RANGAMANI (Nominee of GICI)
Sri SREEDHAR SUBRAMANIAN (Nominee of IDBI)

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 38th Annual General Meeting of the Members of the Company will be held at Registered Office at Sakthi Nagar - 638 315, Bhavani Taluk, Erode District, Tamil Nadu, on Thursday, 23rd December 1999 at 3.00 P.M. to transact the following business:

1. To consider and adopt the Directors' Report and the audited Profit & Loss Account for the year ended 30th June 1999 and the audited Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare dividend on Preference Shares.
3. To appoint a Director in the place of Sri S.S. Muthuvelappan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Sri K.K. Ramaswamy Gounder, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Dr. J. Thuljaram Rao, who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in the place of Sri K.R. Viswanathan, 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 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 a Special Resolution:

RESOLVED that pursuant to Section 81(1)(A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required from the Securities and Exchange Board of India or any other appropriate authorities or Bodies, and subject to such conditions as may be prescribed in granting such approval (which the Directors of the Company be and are hereby authorised to agree to and accept, as they deem fit), the consent of the Company be and is hereby accorded to the Board of Directors for issue of 20448099 Equity Shares of Rs. 10/- each (hereinafter referred to as "New Equity Shares") in the following manner:

- a) 20448099 Equity Shares of Rs. 10/- each at par aggregating to Rs. 20,44,80,990 on Rights basis will be issued to the existing shareholders of the Company whose names appear on the Register of Members of the Company on such date as may be fixed by the Board of Directors (hereinafter referred to as "the Record Date") in the ratio of three New Equity Shares for every two Equity Shares held.
- b) The full amount of Rs. 10/- is payable together with the application.
- c) The offer to every shareholder shall be made by a notice specifying the number of New Equity Shares offered. A shareholder will have option to apply for additional New Equity Shares than what he is entitled to, but no right is reserved for additional New Equity Shares against such application.
- d) In case the offer of Rights shares entails entitlement to any fractional shares, fractions of more than half will be rounded off to the nearest whole number and fractions of less than half will be ignored.
- e) Shareholders shall have right to renounce their entitlement wholly or in part in favour of any other person.



- f) The offer for New Equity Shares, if not accepted within the time specified, will be deemed to have been declined and the Board of Directors will have the power to dispose of the unsubscribed portion in such manner, as they deem fit.
- g) The New Equity Shares to be issued shall be subject to the provisions of Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with existing Equity Shares of the Company except that such New Equity Shares shall carry the right to receive proportionate dividend for the financial year in which the said Equity Shares are allotted.
- h) The issue of shares to non-resident shareholders will be further subject to the approval of Reserve Bank of India under the Foreign Exchange (Regulation) Act, 1973.
- i) The New Equity Shares will be listed on the Coimbatore, Madras, Bangalore, Bombay and National Stock Exchanges.
- j) The shareholders / subscribers shall have the option to have the New Equity Shares in physical form or dematerialised form.
- k) The Board of Directors / the Committee constituted by the Board for this purpose are authorised to decide such other terms and conditions for the New Equity Shares to be offered on Rights basis or otherwise as stated above and to accept such amendments, modifications, conditions, as the Securities and Exchange Board of India and / or other authorities concerned may prescribe on that behalf.
- l) The Board of Directors / the Committee constituted by the Board for this purpose are authorised to increase / reduce the number of New Equity Shares to be issued for a higher /

lower aggregate value consequent upon rounding off of the fractional entitlements as mentioned in Clause (d) above.

- II. RESOLVED that additional 20,44,800 New Equity Shares of Rs.10 each at par shall be offered to employees (including working Directors) of the Company on such terms and conditions as may be prescribed by the competent authority.
9. 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 30th June 2000.

By order of the Board

Coimbatore
19th November 1999

S. BASKAR
Company Secretary

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 and 9 is enclosed.
- (3) The Register of Members and the Share Transfer Books of the Company will remain closed from 16.12.99 to 23.12.99 (both days inclusive).

Sakthi Sugars Limited**EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956****Item No. 8**

For the purpose of augmenting working capital resources, it is proposed to issue equity shares on Rights basis to the shareholders of the Company in the ratio of 3 New Equity Shares for every 2 Equity Shares held by the shareholders at a price of Rs. 10 per share. It is also proposed to offer 20,44,800 New Equity Shares to the employees (including working Directors) of the company. At present the Paid-up Equity Capital of the Company is 1,36,32,066 shares of Rs. 10 each aggregating to Rs. 13.63 crores. Upon completion of the issue, the paid-up Equity Capital shall be enhanced to 3,61,24,965 shares of Rs. 10 each aggregating to Rs. 36.12 crores.

As per the requirement of Section 81 of the Companies Act, with the consent of the Members at the General Meeting, the unsubscribed portion, if any, in the Rights issue can be allotted by the Board of Directors to any other person, including the promoters and companies under the Management of the promoters, notwithstanding the fact that their present holding of shares in the company exceeds 5% of the present paid up equity capital. The Listing Agreements with Stock Exchanges also have provisions to the similar effect. There will not be any change in the control of the company or in the constitution of the Board of Directors even after unsubscribed portion of the issue are allotted to the promoters and / or the companies

under Management of the promoters. Necessary resolutions are placed before the Members for their approval.

No Director is interested or concerned in this item. However, the Directors may be deemed to be concerned or interested in the resolution to the extent of the Equity Shares which may be allotted to them and / or to their relatives and / or the bodies corporate in which they are interested.

Item No. 9

To meet certain charitable and social obligations, it is proposed to authorise the Board of Directors to make donation upto Rs. 20 lakhs (Rupees twenty lakhs only) for the year ending 30th June 2000, subject to your approval.

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

By order of the Board

Coimbatore
19th November 1999

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 30th June 1999.

FINANCIAL RESULTS FOR THE YEAR ENDED 30TH JUNE 1999

	Rs. in lakhs	Rs. in lakhs
Profit before interest and Depreciation		9487.19
<i>Less :</i> Interest charges	7188.96	
Depreciation on Fixed Assets	1860.97	
Expenses relating to prior years (Net)	<u>138.99</u>	<u>9188.92</u>
		298.27
<i>Add :</i> Previous year's credit balance in Profit and Loss Account b/f	292.87	
Excess provision withdrawn	20.54	
Debenture Redemption Reserve Withdrawn	1133.00	
Investment Allowance Reserve Withdrawn	<u>37.99</u>	<u>1484.40</u>
		1782.67
<i>Less :</i> Transfer to Preference Share Redemption Reserve	397.27	
Transfer to Debenture Redemption Reserve	604.42	
Dividend on Preference shares	310.89	
Tax on Dividend	31.09	
Provision for Diminution in value of investment	<u>58.16</u>	<u>1401.83</u>
Surplus carried over to next year		<u>380.84</u>

DIVIDEND

Your Directors are glad to provide for the following dividend out of the Profits for the financial year ended 30th June 1999.

(a) Dividend at 14% on 1,37,272 Redeemable Cumulative Preference shares of Rs. 100 each for the period from 1.4.1998 to 29.3.1999	Rs. 19,11,278
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(b) Dividend on 10,00,000 Redeemable Cumulative Preference Shares of Rs. 100 each-	
i. For the period from 1.4.1998 to 3.5.1998 at 13.5%	Rs. 12,20,548
ii. For the period from 4.5.1998 to 30.6.1999 at 16.75%	Rs. 1,52,35,616
(c) Dividend at 16% on 1,00,000 Redeemable Cumulative Preference shares of Rs. 100 each for the period from 1.4.1998 to 5.10.1998	Rs. 8,24,110
(d) Dividend at 13.5% on 2,00,000 Redeemable Cumulative Preference shares of Rs. 100 each	Rs. 27,00,000
(e) Dividend at 14% on 5,00,000 Redeemable Cumulative Preference shares of Rs. 100 each	Rs. 70,00,000
(f) Dividend at 13.5% on 2,00,000 Redeemable Cumulative Preference Shares of Rs. 100 each	Rs. 21,96,986

Dividend on the Preference Shares under (a) and (c) above has been paid while redeeming the said shares. As per the terms of issue of Preference Shares under (d), (e) and (f), dividend has been paid as interim dividend.

REVIEW OF OPERATIONS

SUGAR DIVISION

Crushing of sugarcane at various units of the Company for the year 1998-99 is as under:

Sakthi Nagar Unit	-	16,37,975 tonnes
Sivaganga Unit	-	6,16,110 tonnes
Dhenkanal Unit	-	2,38,339 tonnes
Baramba Unit	-	1,15,038 tonnes

The free sale / levy sale ratio of 60:40 remained unchanged. During the year under review, the free sale sugar price remained depressed due to high production of sugar and import of sugar from neighbouring countries without any release restrictions. The duty levied on the imported sugar was increased

Sakthi Sugars Limited

to 27.5% only during the last quarter of the year after various representations made to the Government. Before the increase in import duty, a good quantity of sugar was imported at lower duty. These factors affected working results of majority of sugar mills in the country.

The crushing capacity of Sakthi Nagar Unit has been increased from 4000 to 6000 TCD in October, 1998 and in respect of Sivaganga Unit, the project to enhance the capacity from 2500 TCD to 4000 TCD is under implementation and is expected to be complete by April 2000.

In the current year, the overall crush is expected to be around 25 lakh tonnes of sugarcane. On improvement of sugar price, better working results are envisaged.

Your Directors are glad to inform you that the Dhenkanal Unit has bagged the Medium Scale Industry Award for the year 1998 and the State Safety Award for the year 1997 for lowest severity rate of accident.

DISTILLERY DIVISION

The Sakthi Nagar unit was in operation only for 10 months during the year and produced 141.56 lakh litres of industrial alcohol. All the directions of the Supreme Court and Madras High Court have been complied with and the Unit has been permitted by the Madras High Court to continue its production until its further order.

The Distillery Unit at Dhenkanal has produced 38.47 lakh litres of industrial alcohol. There are good prospects for sale of alcohol to other States. Bio-methanisation plant has been commissioned in the Unit and the biogas produced is utilised in the boilers as fuel.

POLLUTION CONTROL DIVISION

The Division has effectively put into use the know-how obtained from foreign collaborators for setting up of effluent treatment plants in various distilleries. The overseas contract for setting up of an effluent treatment plant in Thailand is nearing completion and is expected to be commissioned by end of this year.

FOUNDRY DIVISION

The production of the Foundry Division has increased considerably during the year under review after commissioning of the New Disamatic Foundry Wing. Commercial orders for supply of steering knuckles for existing and new models of passenger cars have been received. Export orders are expected to increase. The safety components for all Maruti new model cars have been developed and the volume of supply to MUL is expected to increase considerably by March 2000. Further capital expenditure is required to meet the increasing demand. Taking into account overall cost of this Division, various options, including transfer of assets to a new company, are under consideration. The detailed proposal will be finalised in consultation with Financial Institutions and Banks concerned.

SOYA DIVISION

During the year under review, 42,344 Metric tonnes of soya beans have been crushed. This division has exported products worth Rs. 501.70 lakhs to various countries.

DEPOSITS

At the end of the financial year, 1231 deposits amounting to Rs. 1,09,71,000 which were due for repayment remained unclaimed on their due dates. Of these, 536 deposits totalling Rs. 71,64,000 have since been paid or renewed at the option of the depositors.

PREFERENCE SHARES

1,00,000 - 16% Redeemable Cumulative Preference Shares of Rs. 100 each aggregating to Rs. 100 lakhs were redeemed on 6.10.1998 by issue of fresh Cumulative Preference Shares of the same value. During the year under review, 1,37,272 - 14% Redeemable Cumulative Preference Shares of Rs. 100 each aggregating to Rs. 1,37,27,200 were redeemed on 30.3.1999.

DIRECTORS

Sri K. Bharathan of ICICI Limited was co-opted as Nominee Director on the Board of the Company with effect from 30.10.1998. The General Insurance Corporation of India Limited have appointed Sri C. Rangamani of United India Insurance Company Limited as their nominee on the Board of the Company with effect from 25.1.1999 in the place of



Sri O.N. Venkataraman. The Tamil Nadu Industrial Investment Corporation Limited and The Industrial Finance Corporation of India Limited have withdrawn their nominees from the Board with effect from 11.6.1999 and 26.7.1999 respectively. Your Directors place on record their appreciation of the valuable services rendered by Sri O.N. Venkataraman, Sri I. Thiruvettai and Sri P.R. Gopalakrishnan during their tenure of office as Directors of the Company.

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

1. Sri S.S. Muthuvelappan
2. Sri K.K. Ramaswamy Gounder
3. Dr. J. Thuljaram Rao
4. Sri K.R. Viswanathan

AUDITORS

M/s. P.N. Raghavendra Rao & Co., Auditors of the Company, retire at the conclusion of the 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. Raw juice heating is carried out by vapour line juice heater resulting in saving of heat energy. Continuous vacuum pan has been installed for A massecuite boiling for uniform steam consumption. These measures will reduce the steam consumption by about 2%.
- ii. For conservation of electrical energy, AC variable drive was introduced for cane carrier and continuous pan feeding drive. Fluorescent tubes have been replaced with low capacity sodium vapour lamps without affecting the illumination.
- iii. In Distillery Unit, concentration plant operation has been stopped as suggested by pollution experts and HRTS application has been started. This will save steam energy used in concentrator.

iv. A new vacuum system was installed in Soya oil refinery to reduce the steam consumption.

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

It is proposed to have a quintuple evaporation system in Sivaganga Unit. Vapour line and dynamic juice heater will be used for raw juice heating. These measures will save steam energy.

- (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 :

The preliminary results of above measures are encouraging; however exhaustive trial and results are awaited.

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 their appreciation of 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
15th September 1999

N. MAHALINGAM
Chairman