



Sakthi Sugars Limited



Annual Report
2000



Sakthi Sugars Limited

Registered Office

Sakthi Nagar - 638 315
Erode District, Tamil Nadu

Head Office

180, Race Course Road
Coimbatore - 641 018, Tamil Nadu

Sugar Division

Unit I Sakthi Nagar - 638 315
Erode District, Tamil Nadu

Unit II Padamathur, Sivaganga Tk - 630 561
Sivaganga District, Tamil Nadu

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, Tamil Nadu

(ii) Haripur Village, Korian Post - 759 013
Dhenkanal District, Orissa

Soya Division

Marchinaickenpalayam
Ambarampalayam Post - 642 103
Coimbatore District, Tamil Nadu

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. BHARATHAN (Nominee of ICICI)

Sri. C. RANGAMANI (Nominee of GICI)

Sri. N. BAGAVATHY (Nominee of TIDCO)

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 39th Annual General Meeting of the Company will be held at its Registered Office at Sakthi Nagar-638 315, Bhavani Taluk, Erode District, Tamil Nadu on Thursday, 7th December 2000 at 3.15 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 2000 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 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 and 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 a remuneration by way of commission calculated at 1% on the net profits of the Company computed in the manner laid down in the Companies Act, 1956, be paid to Dr. N. Mahalingam, Chairman of the Board of Directors of the Company, for each year during the period from 3.4.2000 to 2.4.2005 for giving guidance and counsel to the Company, on matters relating to the corporate affairs and management of the Company.

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.30 lakhs (Rupees thirty lakhs only) from out of the funds of the Company for deserving causes and institutions during the financial year ending 30th June 2001.

By Order of the Board

Sakthi Nagar
23rd September 2000

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. 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 1.12.2000 to 7.12.2000 (both days inclusive).
4. Dividend, if declared, will be paid to those preference shareholders whose names appear on the Register of Members on 7.12.2000 or to their mandatees.



5. The Company has already transferred all unclaimed dividend declared upto financial year ended 31.3.1994 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Stock Exchange Towers, Trichy Road, Singanallur, Coimbatore - 641 005.
6. Pursuant to the provisions of section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31.3.1995 and thereafter, which remain unpaid or unclaimed for a period of 7 years, will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31.3.1995 or any subsequent financial years are requested to make their claim to the Company. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim shall lie in respect thereof.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No.8

The shareholders of the Company at the 33rd Annual General Meeting held on 24th February 1995 had approved payment of remuneration by way of commission calculated at 1% on the net profits of the Company computed in the manner laid down in the Companies Act to Dr. N. Mahalingam, Chairman of the Board of Directors, for a period of 5 years from 3rd April 1995 as consideration for his counselling and guidance on the following matters:

- a. setting the corporate goals/objects and planning the strategy for achieving them;
- b. expansion/diversification in all aspects;
- c. improvement in efficiency, cost reduction, induction of new technologies, modernisation etc.;
- d. human resources development; and
- e. recruitment of employees at senior levels.

In view of the vast industrial experience of Dr. N. Mahalingam, the Board of Directors has considered it fit to continue availing his guidance and counsel for a further period of 5 years from 3rd April 2000 on the same terms and to pay him remuneration by way of commission as mentioned above.

The aforesaid payment requires approval of the Members by way of Special Resolution.

Dr. N. Mahalingam, Chairman, Sri M. Manickam, Vice Chairman and Managing Director, Sri M. Balasubramaniam and Sri M. Srinivasan, Directors, are deemed to be interested in the above item.

Item No.9

To meet certain charitable and social obligations, it is proposed to authorise the Board of Directors to make donation upto Rs.30 lakhs (Rupees thirty lakhs only) for the year ending 30th June 2001, subject to the approval of the Members.

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

By Order of the Board

Sakthi Nagar
23rd September 2000

S. BASKAR
Company Secretary

Sakthi Sugars Limited

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 2000.

FINANCIAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2000

	(Rs. in lakhs)	
Profit before interest and Depreciation	10505.71	
<i>Less:</i> Interest Charges	8403.16	
Depreciation on Fixed Assets	1485.66	
Expenses relating to prior years (Net)	14.36	
	<u>9903.18</u>	
	602.53	
<i>Add :</i> Previous year's credit balance B/F	380.84	
Excess provision withdrawn	2.53	
Debenture Redemption Reserve withdrawn	<u>671.17</u>	
	1054.54	
	<u>1657.07</u>	
<i>Less:</i> Transfer to Pref.Share Redemption Reserve	300.00	
Transfer to Debenture Redemption Reserve	514.31	
Transfer to General Reserve	60.00	
Dividend on Preference Shares	392.18	
Tax on Dividend	85.47	
Provision for Diminution in value of Investments	<u>2.18</u>	
	1354.14	
Surplus carried over to next year	<u>302.93</u>	

DIVIDEND

Your Directors have recommended the following dividend out of the profits for the financial year ended 30th June 2000 :

a. 16.75% on 10,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	Rs.2,09,37,500
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b. 13.5% on 2,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	Rs. 33,75,000
c. 13.5% on 2,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	Rs. 33,75,000
d. 16% on 1,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	Rs. 27,80,274
e. 14% on 5,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	Rs. 87,50,000

The above dividend includes interim dividend of Rs.33,75,000.

REVIEW OF OPERATIONS

SUGAR DIVISION

Crushing of sugarcane at various units of the Company for the year 1999-2000 is as under:

Sakthi Nagar Unit	—	14,32,211 tonnes
Sivaganga Unit	—	4,77,418 tonnes
Dhenkanal Unit	—	1,51,406 tonnes
Baramba Unit	—	1,00,559 tonnes

The free sale/levy sale ratio stands revised from 60:40 to 70:30 with effect from 1.1.2000.

During the year under review, the production of sugar in India was the highest. The price of sugar did not increase to the expected levels in spite of duty increase announced by the Government of India on import of sugar.

In the current year, the Government of India has allowed export of 10 lakh tonnes of sugar. The prices of sugar have improved and your Company has contracted for export of 3.40 lakh quintals of sugar till date. The overall crush is expected to be around 22 lakh tonnes of sugar cane.

Your Directors are glad to inform that Sakthi Nagar Sugar Unit has bagged National Safety Awards for the years 1996 and 1997 given by Ministry of Labour, Government of India.



DISTILLERY DIVISION

During the year under review the Sakthi Nagar plant was in operation for the whole year and has achieved a total production of 2,13,89,847 litres. The Distillery Unit at Dhenkanal has produced 28,26,121 litres of industrial alcohol and the alcohol is being marketed within the state and in the states of West Bengal, Kerala and Karnataka.

In Sakthi Nagar Unit, in consultation with the Scientists of National Environmental Engineering Research Institute (NEERI), Kanpur and the Research & Development Wing of South Indian Sugar Mills Association (SISMA), Chennai, the Company has been adopting a composite effluent treatment cum disposal system.

In Sakthi Nagar Unit, steps have been initiated to enhance the production of neutral alcohol by installing one more ENA plant, as there is growing demand for neutral alcohol from IMFL Units in Tamil Nadu and in neighbouring states.

POLLUTION CONTROL DIVISION

The overseas contract for setting up of an effluent treatment plant in Thailand was successfully completed and commissioned during the year.

FOUNDRY DIVISION

This Division has been hived off into a wholly owned subsidiary company by name Sakthi Auto Component Limited with effect from 1st April 2000. However the Company carried on the operation till 30.6.2000.

There has been a steady growth in the sales turnover of the Foundry Unit. On the export front, the sales turnover has doubled compared to last year.

SOYA DIVISION

During the year under review, 14,432 Metric tonnes of soya beans have been crushed. This division has exported products worth Rs.263 lakhs to various countries.

DEPOSITS

At the end of the financial year, 715 deposits amounting to Rs.65,35,000 which were due for repayment remained unclaimed on their due dates. Of

these, 241 deposits totalling Rs.38,40,000 have since been paid or renewed at the option of the depositors.

SHARES

The Company has allotted 1,41,00,000 equity shares of Rs.10 each at a premium of Rs.4.30 to the Promoters on preferential basis on 30.6.2000.

As per the Notification of Securities and Exchange Board of India (SEBI), the Company's equity shares are compulsorily traded in Stock Exchanges only in dematerialised form with effect from 28.8.2000.

During the year under review, the period of redemption of 5,00,000 – 14% Redeemable Cumulative Preference Shares aggregating to Rs.5 crores has been extended for one year with effect from 22.11.1999 on the same terms and conditions in which the shares were issued.

DEBENTURES

10,00,000 – 17.20% Secured Non-Convertible Debentures of Rs.100 each were allotted to ICICI Limited on 1.3.2000 on private placement basis. These debentures are redeemable in 20 equal instalments commencing from 15.3.2002 and ending on 15.12.2006.

DIRECTORS

The Tamil Nadu Industrial Development Corporation Limited have appointed Sri N. Bagavathy as their Nominee on the Board of the Company with effect from 15.5.2000 in the place of Sri K.R. Viswanathan. The Industrial Development Bank of India have withdrawn their Nominee from the Board with effect from 19.5.2000.

Your Directors place on record their appreciation of the valuable services rendered by Sri K.R. Viswanathan and Sri Sreedhar Subramanian 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 Karu Seemaichamy
2. Sri N.K. Vijayan
3. Sri P.N. Sengodappan
4. Sri M. Balasubramaniam

Sakthi Sugars Limited

SUBSIDIARY COMPANY

During the year under review, the Company has acquired the entire share capital of Sakthi Auto Component Limited (SACL) by virtue of which SACL has become the wholly owned subsidiary of the Company. In terms of the restructuring plan approved by the Members, the Foundry Division was transferred to SACL as a going concern.

Pursuant to the requirements of Section 212 of the Companies Act, the Audited Statement of Accounts for the years ended 30.6.1999 and 31.3.2000 of SACL together with the Reports of Auditors and Directors and also the Statement under the said Section are annexed.

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. In Sivaganga Unit planetary gearbox is used to operate a sugar mill. The power transmission is 20% more efficient than the system used in sugar factories.
- ii. Semi-Kestner and quintple effect evaporator have been installed in Unit II for efficient steam utilisation.
- iii. A.C. frequency variable speed drive used for cane carrier operation.

[b] Additional investments and proposals, if any, being implemented for reduction of consumption of energy

The existing cooling tower is being replaced with a more efficient spray pond system. The vapour cooling and condensation system is being automated which results in lower water and power consumption. The power consumption on this station will be reduced to almost 50% of the present level.

[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

- i. The cost of production of sugar will come down marginally.
- ii. Approximately 400 KWH of power will be saved.

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

Sakthi Nagar
23rd September 2000

N. MAHALINGAM
Chairman



ANNEXURE -1 TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2000
ENERGY CONSERVATION MEASURES - FORM - A

Disclosure of Particulars with respect to conservation of Energy

PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
A. POWER AND FUEL CONSUMPTION :			
1. ELECTRICITY :			
(a)	Purchased - Units	3,01,31,915	2,37,12,763
	Total Amount (Rs. in Lakhs)	1281.18	1025.97
	Rate / Unit (Rs.)	4.25	4.33
(b)	Own Generation		
(i)	Through Diesel Generator - Units	25,06,897	20,98,063
	Units per Ltr. of Diesel Oil	3.03	3.03
	Cost/Unit (Rs.)	4.43	3.62
(ii)	Through Steam Turbine / Generator - Units	5,30,21,103	5,86,69,266
	Units per Ltr. of Fuel Oil / Gas	90.34	78.53
		per tonne of steam	per tonne of steam
	Cost / Unit	*	*
2. COAL :			
	Quantity (tonnes)	2532.492	8236.212
	Total cost (Rs. in lakhs)	39.38	116.05
	Average rate per tonne (Rs.)	1554.99	1409.02
3. FURNACE OIL :			
	Quantity (K Ltrs.)	945.855	817.335
	Total Cost (Rs. in Lakhs)	96.08	52.65
	Average Rate per Litre (Rs.)	10.16	6.44
4. FIRE WOOD :			
	Quantity (Tonnes)	333.66	317.135
	Total Cost (Rs. in Lakhs)	4.13	4.82
	Average Rate Per Tonnes (Rs.)	1237.09	1519.86
5. OTHERS / INTERNAL GENERATION			
a)	Bagasse (MT)	404255	413414
	Total (Cost)	Own Bagasse	Own Bagasse
	Rate/Unit	is used	is used
b)	Bio Gas - Quantity (Cu. Mtr.)	10986071	5018074
	Total Cost	**	**
	Rate/Unit	—	—
c)	Paddy Husks - Quantity (Tonnes)	780.91	5085.43
	Total Cost (Rs. in Lakhs)	11.61	36.47
	Rate/Unit	1486.73	717.15
d)	Coconut Shell Chips - Quantity (Tonnes)	21	153.02
	Total Cost (Rs. in Lakhs)	0.46	3.18

B. CONSUMPTION PER UNIT OF PRODUCTION

Products (with details) Unit	Current Year			Previous Year		
	Sugar Qtl.	Alcohol Ltrs.	Soya MTs.	Sugar Qtl.	Alcohol Ltrs.	Soya MTs.
Electricity (Units)	24.19	0.29	169.57	22.43	0.40	112.91
Furnace Oil (Ltrs)	0.03	0.02	23.69	0.01	0.03	6.04
Coal (M.Tonnes)	--	--	0.040	--	0.001	0.030
Others Bio-gas (Cu. Mtrs.)	--	0.45	--	--	0.28	--

* Own steam and steam obtained from TNPL in exchange of bagasse, was used.

** Generated out of Distillery Effluent.

Sakthi Sugars Limited

FORM-B

Disclosure of particulars with respect to Technology Absorption

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company

- i. Planatory gearbox (750 HP) was used for mill drive for the first time in India.
- ii. Extensive study has been undertaken by the Company for improving the treatment method of distillery spent wash and in useful application of the same as manure for agriculture in consultation with NEERI.

2. Benefits derived as a result of the above R & D

The power consumption in mill drive will reduce.

3. Future plan of action

- i. Automation of vapour cooling and condensation system.
- ii. Juice/Syrup clarification system presently used will be further improved to produce better quality sugar.

4. Expenditure on Research and Development

(Rs. in lakhs)

(a) Capital	228.12
(b) Recurring	22.58
(c) Total	250.70
(d) Total R&D expenditure as a percentage of total turnover	0.69

- i. The cane plantation is totally free from major pest and disease and the purity and genetic vigour of the high yielding high sugared cane varieties are resulting in increased average yield.

- ii. In soil analysis micro nutrient deficiency is identified and large scale application of micronutrient is followed which enables farmers to get good yield.

- iii. The introduction of mini tractor helps the farmers to do the follow up operation in cane field in time and to get better yield with less cost.

- iv. Cane harvester helps farmers to get benefit by harvesting large area in a short span of time with less cost which minimises stoppage of mill for want of cane.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.

[a] Technology imported

- i. Methods/designs for Gating and Runner/Raiser system for Disamatic Moulding machine from Disa Technologies, Denmark.
- ii. Converter process by using pure magnesium to produce S.G. iron castings from +GF+ Foundry Stems, Switzerland.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation

- i. Implementation of three tier nursery;
- ii. Soil analysis;
- iii. Introduction of mini tractor for intercultural operation;
- iv. Mechanisation of cane harvest;

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

[b] Year of Import

- i. 1995-96
- ii. 1996-97

[c] Has technology been fully absorbed? - Yes

[d] If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action

Not applicable