



Sakthi Sugars Limited





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.
The Lakshmi Vilas Bank Ltd.
The South Indian Bank Ltd.
State Bank of Travancore
Citibank N.A.
State Bank of Mauritius 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. PERIYASAMY

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 P. NAGARAJU (Nominee of IDBI)

Sri S. SARAVANAN (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 40th 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 Friday, 28th December, 2001 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 2001 and the audited Balance Sheet as at the date and the Auditors' Report thereon.
2. To declare dividend on Preference Shares.
3. To appoint a Director in the place of Sri D. Periyasamy, 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. Srinivasan, 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 appoint M/s. P.N. Raghavendra Rao & Co., Chartered Accountants, as Auditors of the Company for holding office upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

8. To appoint Sri S. Saravanan as a Director of the Company.
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 part of the undertaking of the Company's Sugar Unit at Sakthinagar, including all the movable and immovable properties,

wheresoever situate, present and future, and/or for conferring power to enter upon and take possession of the assets of the Company's sugar unit at Sakthinagar in certain events to or in favour of the Central Government to secure the Sugar Development Fund loan amount to an extent of Rs. 988.80 lakhs availed from them; and

- (ii) To authorise the Board of Directors of the Company for agreeing with the terms and conditions of IFCI Limited, who is designated to act on behalf of the Central Government, to reserve a right to take over the management of the business and concern of the Company in certain events in terms of the tripartite agreement / 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 IFCI Limited, 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 resolutions.
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. 40 lakhs (Rupees forty lakhs only) from out of the funds of the Company for deserving causes and institutions during the financial year ending 30th June 2002.

By Order of the Board

Coimbatore
27th November 2001

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 to 10 is enclosed.



3. The Register of Members and the Share Transfer Books of the Company will remain closed from 12.12.2001 to 21.12.2001 (both days inclusive).
4. Dividend, if declared, will be paid to those preference shareholders whose names appear on the Register of Members on 21.12.2001 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 Building, Trichy Road, Singanallur, Coimbatore - 641 005.
6. Pursuant to the provisions of Section 205C 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

1

Item No. 8

Tamilnadu Industrial Development Corporation Limited (TIDCO) had nominated Sri K.R. Viswanathan as its Nominee on the Board of the Company in the place of Sri N. Bagavathy on 30.4.2001. Subsequently, TIDCO has withdrawn Sri K.R. Viswanathan and appointed Sri S. Saravanan as its Nominee on the Board of the Company with effect from 10.9.2001.

As per Article 100 of the Company's Articles of Association, Sri S. Saravanan will hold office upto the date of the ensuing Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company, signifying his intention to propose the name of Sri. S. Saravanan for appointment as a Director of the Company.

None of the Directors other than Sri S. Saravanan himself is concerned or interested in this item.

Item No. 9

The Company had availed Sugar Development Fund loan to an extent of Rs. 988.80 lakhs from the Central Government acting through IFCI Limited to part finance the cost of expansion of the Company's sugar unit at Sakthinagar, against security by way of second charge on the assets of that Unit.

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. The necessary resolutions are placed for the approval of the Members.

Copies of letters from Central Government 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.

To meet certain charitable and social obligations, it is proposed to authorise the Board of Directors to make donations upto Rs. 40 lakhs (Rupees forty lakhs only) for the year ending 30th June 2002 subject to the approval of the Members.

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

Coimbatore
27th November 2001

By Order of the Board
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 2001.

FINANCIAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2001

	(Rs. in lakhs)
Profit before interest and Depreciation	8329.71
Less: Interest Charges	6732.91
Depreciation on Fixed Assets	1272.83
Prior year adjustments (Net)	(13.29)
	<u>7992.45</u>
	337.26
Add: Previous year's credit balance in Profit and Loss Account B/F	302.93
Excess provision reversed	39.38
Reversal of provision for diminution in value of investments	3.99
Debenture Redemption Reserve withdrawn	<u>626.31</u>
	<u>972.61</u>
	1309.87
Less: Transfer to Pref.Share Redemption Reserve	100.00
Transfer to Debenture Redemption Reserve	420.00
Transfer to General Reserve	60.00
Dividend on Preference Shares	235.56
Tax on Dividend	<u>29.04</u>
	844.60
Surplus carried over to next year	<u>465.27</u>

DIVIDEND

Your Directors recommend the following dividend out of the profits for the financial year ended 30th June 2001:

- | | | |
|----|--|-----------------|
| a. | 16.75% on 10,00,000 Redeemable Cumulative Preference Shares of Rs.100 each | Rs. 1,67,50,000 |
| b. | 13.5% on 2,00,000 Redeemable Cumulative Preference Shares of Rs.100 each | Rs. 27,00,000 |

- | | | |
|----|--|---------------|
| c. | 16% on 1,00,000 Redeemable Cumulative Preference Shares of Rs.100 each for the period from 1.7.2000 to 4.10.2000 | Rs. 4,16,438 |
| d. | 13.5% on 2,00,000 Redeemable Cumulative Preference Shares of Rs.100 each for the period from 1.7.2000 to 5.11.2000 | Rs. 9,46,849 |
| e. | 14% on 5,00,000 Redeemable Cumulative Preference Shares of Rs.100 each for the period from 1.7.2000 to 21.11.2000 | Rs. 27,42,466 |

The above dividend includes interim dividend of Rs. 9,46,849.

REVIEW OF OPERATIONS

SUGAR DIVISION

Crushing of sugarcane at various units of the Company for the year 2000-2001 is as under:

Sakthi Nagar Unit	—	15,80,250 tonnes
Sivaganga Unit	—	5,94,328 tonnes
Dhenkanal Unit	—	1,03,118 tonnes
Baramba Unit	—	39,178 tonnes

The free sale/levy sale ratio stands revised from 70 : 30 to 85 : 15 with effect from 1st February, 2001.

During the year under review, all India sugar production continued to be high resulting in high stock and consequential depressed prices. Your Company made planned exports of 73,145 tonnes of sugar valued at Rs.9048.92 lakhs and could reduce the stock holdings.

Your Directors are glad to inform you that the Sivaganga Unit has received State Productivity Award (first prize) for the year 1994-95 during December 2000 from the Government of Tamil Nadu.

In the current year, the overall crush is expected to be around 21 lakhs tonnes of sugarcane.



DISTILLERY DIVISION

During the year under review, 2,23,79,795 litres of industrial alcohol was produced at Sakthinagar Unit and 35,26,691 litres of industrial alcohol was produced at Dhenkanal Unit. Distillation Columns have been added in both the Units to increase the production of neutral alcohol.

In the current year 280 lakh litres of industrial alcohol is expected to be produced.

SOYA DIVISION

During the year under review, 24,754 tonnes of soya beans have been crushed. This division has exported products worth Rs.1455.75 lakhs to various countries.

FINANCIAL RESTRUCTURING

The financial institutions have restructured their term loans, debentures and preference shares with the Company by reducing interest / dividend and also by extending the period of repayment / redemption. Requests have been made to the Banks for reducing the interest on the working capital and other loans.

CO-GENERATION PROJECT

Your Company has taken up implementation of co-generation project at Sakthinagar Sugar Unit. The installed capacity of the proposed co-generation plant is 35 MW. The project is expected to be commissioned by December 2002. An incidental 2 MW co-generation plant is under implementation at Sivaganga Sugar Unit.

DEPOSITS

At the end of the financial year, 855 deposits amounting to Rs.1,08,71,000 which were due for repayment remained unclaimed on their due dates. Of these, 378 deposits totalling Rs.76,38,000 have since been paid or renewed at the option of the depositors.

DIRECTORS

Industrial Development Bank of India have appointed Sri P. Nagaraju as their Nominee Director on the Board of the Company with effect from 7.8.2001.

Tamilnadu Industrial Development Corporation Limited (TIDCO) had appointed Sri K.R. Viswanathan as their

Nominee Director on the Board of the Company with effect from 30.4.2001 in the place of Sri N. Bagavathy. He was subsequently replaced by Sri S. Saravanan. He was co-opted by the Board as Additional Director on 10.9.2001 to hold office till the date of the ensuing Annual General Meeting. Notice under section 257 of the Companies Act, 1956 has been received from a member proposing his appointment as a Director at the Annual General Meeting.

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

1. Sri D. Periyasamy
2. Sri P.K. Chandran
3. Sri M. Srinivaasan
4. Sri G.G. Gurumurthy

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' responsibility statement, it is hereby confirmed:

- a) that in the preparation of the annual accounts for the financial year ended 30.6.2001 the applicable Accounting Standards other than Accounting Standard - 2 in respect of valuation of finished goods had been followed and that proper explanation has been provided, vide Accounting Policies – Note No.5 relating to material departure;
- b) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- c) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the Directors had prepared the annual accounts on a going concern basis.

Sakthi Sugars Limited

AUDIT COMMITTEE

Pursuant to the requirement of Section 292A of the Companies Act, the Board of Directors of the Company have constituted an Audit Committee consisting of the following Directors :

1. Sri M. Manickam
2. Sri M. Balasubramaniam
3. Dr. J. Thuljaram Rao

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts for the year ended 30.6.2001 of Sakthi Auto Component Limited, wholly owned subsidiary, together with the Reports of the Directors and Auditors 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. Advance automation for cane feeding is adopted in both the milling tandems at Sakthinagar.
- ii. A C variable frequency drives have been installed for cane carrier drive in one milling tandem and in injection pumps at Sakthinagar Sugar Unit. At Sivaganga Unit, variable frequency drives have been installed for cane carrier drive and weighed juice pumps.
- iii. Vapour cooling and condensing system has been automated to save energy in Sakthinagar Unit. In Sivaganga Sugar Unit, vapour condensing system is automated.

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

- i. To replace one existing 750 kgs Centrifugal machine by V-1250 DC Machine for A massecuite curing whereby about 10% energy saving is expected.
- ii. Vapour cooling system (Spray pond) is proposed to be installed at Sivaganga Unit to save electrical energy.
- iii. Three numbers small vacuum pans are to be replaced with a large capacity (120 mt) Batch type Vacuum pan.

[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. Installation of variable frequency drive and auto cane feeding system will result in saving of 5% energy.
- ii. Installation of the spray pond system along with the variable frequency drive motor for pumping injection water results in a saving of 500 units/hr.

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
10th September 2001

N. MAHALINGAM
Chairman



ANNEXURE - 1 TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2001
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	6802077	30131915
Total Amount (Rs.in lakhs)	306.43	1281.18
Rate/Unit (Rs.)	4.50	4.25
b) Own Generation		
i) Through Diesel Generator - Units	2574539	2506897
Units per Ltr of Diesel Oil	3.22	3.03
Cost/Unit (Rs.)	5.21	4.43
ii) Through Steam Turbine/Generator - Units	49154087	53021103
Units per Ltr of Fuel Oil/Gas	83.04	90.34
Cost/Unit	per tonne of Steam *	per tonne of Steam *
2. COAL		
Quantity (Tonnes)	254.970	2532.492
Total Cost (Rs.in lakhs)	4.49	39.38
Average Rate per Tonne (Rs.)	1760.99	1554.99
3. FURNACE OIL		
Quantity (K.Ltrs)	438.510	945.855
Total Cost (Rs.in lakhs)	49.75	96.08
Average Rate per Litre (Rs.)	11.35	10.16
4. FIREWOOD		
Quantity (Tonnes)	513.040	333.660
Total Cost (Rs.in lakhs)	6.85	4.13
Average Rate per Tonne (Rs.)	1335.18	1237.09
5. OTHERS/INTERNAL GENERATION		
a) Bagasse (MT)	359616	404255
Total (Cost)	Own Bagasse is used	Own Bagasse is used
Rate/Unit	—	—
b) Bio Gas		
Quantity (Cu.Mtr)	11465918	10986071
Total Cost	Generated out of Distillery Effluent	Generated out of Distillery Effluent
Rate/Unit	—	—
c) Paddy Husks		
Quantity (Tonnes)	3582.000	781.000
Total Cost (Rs. in lakhs)	52.86	11.61
Rate/Unit	1475.54	1486.73
d) Coconut Shell Chips		
Quantity (Tonnes)	2478.000	21.000
Total Cost (Rs. in lakhs)	33.20	0.46

B. CONSUMPTION PER UNIT OF PRODUCTION

	Current Year			Previous Year		
Products (with details)	Sugar	Alcohol	Soya	Sugar	Alcohol	Soya
Unit	Qtl.	Ltrs.	MTs.	Qtl.	Ltrs.	MTs.
Electricity (Units)	20.57	0.29	132.70	24.19	0.29	169.57
Furnace Oil (Ltrs)	0.01	0.01	5.20	0.03	0.02	23.69
Coal (M.Tonnes)	—	—	0.01	—	—	0.04
Others Bio-gas (Cu. Mtrs.)	—	0.44	—	—	0.45	—

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

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

- a) Co-ordinated agronomic experimental varietal studies.
- b) Raising of nursery with tissue culture plantlets.
- c) Study of micro-nutrient status in soils and remedies.

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

- a) Identification of new varieties suitable for the location near the factory.
- b) Ensured supply of healthy and disease-free seed materials.
- c) Deficiency in organic matters have been found out and rectified.

3. Future plan of action

- a) To set up Bio Tech Laboratory for production of tissue culture seedlings, parasite breeding and bio fertiliser production.
- b) Development of cane area by installing drip irrigation system in water scarcity areas.

4. Expenditure on Research and Development

(Rs. in lakhs)

a) Capital	—
b) Recurring	15.10
c) Total	15.10
d) Total R&D expenditure as a percentage of total turnover	0.03

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

- a) Syrup clarification system is installed.

b) Improvised system adopted in mill sanitation.

c) Automation and upgradation in condensers of pan and evaporator stations and also at spray pond cooling station.

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

- a) Production of high quality sugar for export is made possible.
- b) Reduction in the biological inversion in milling plant and loss of sugar in process.
- c) Saving in electrical power.

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 | } | Not Applicable |
| b) Year of Import | | |
| c) Has technology been fully absorbed? | | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action | | |

FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in lakhs)

Foreign Exchange earned during the year	<u>6935.31</u>
OUTGO:	
1. Subscription and Membership	0.57
2. Import of -	
a. Spares and Repairs	19.74
b. Capital Goods	<u>47.20</u>
	66.94
3. Foreign Travel	<u>7.04</u>
	<u>74.55</u>