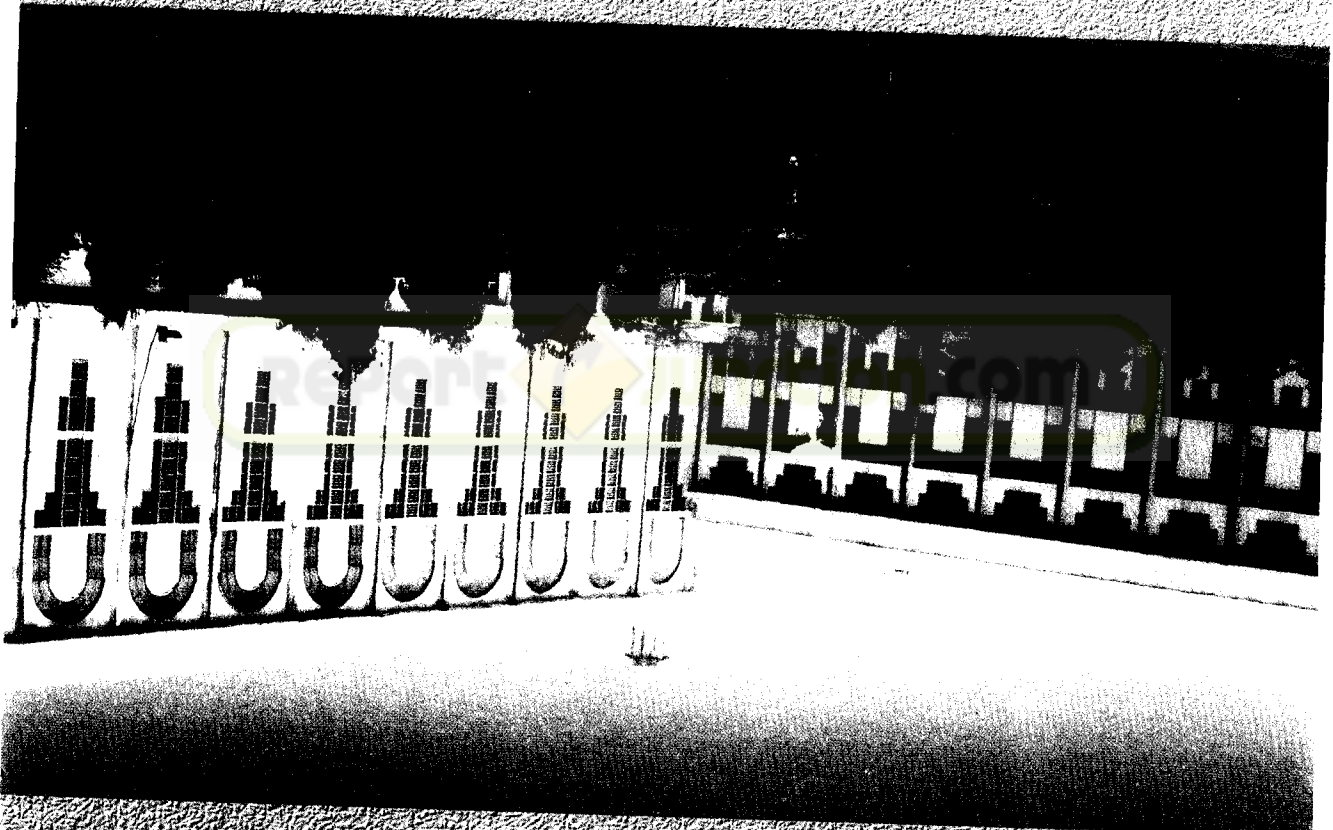


Annual Report
2002



Sakthi Sugars Limited



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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.
ICICI Bank Limited

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 V.K. SWAMINATHAN
Sri C. RANGAMANI (Nominee of GICI)
Sri K. BHARATHAN (Nominee of ICICI)
Sri T. PRAKASH (Nominee of IDBI)
Sri S. SARAVANAN (Nominee of TIDCO)
Sri M. PANDI (Nominee of IIBI)

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 41st 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 Wednesday, 18th December 2002 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 2002 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 Sri Karu Seemaichamy, who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in the place of Sri N.K. Vijayan, 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.V.K. Swaminathan as a Director of the Company.
9. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

RESOLVED that the following sub-clause be inserted as sub-clause 12B after sub-clause 12A in Clause III of the Memorandum of Association of the Company:

"12B. To manufacture, buy, sell, improve, treat, preserve, refine, mineralise, bottle, import, export and otherwise deal in aerated soft drinks, aerated water, mineral waters, fruit juices, squashes, syrups, milk, butter milk, tea, coffee, cocoa, coconut water/juice and other beverages and to carry on the business as merchants, dealers, agent, distributors, franchisees, importers and exporters of the said drinks."

Note: The consent of the members for this resolution is being obtained through Postal Ballot.

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

"RESOLVED that the Special Resolution for alteration of the Object Clause of the Memorandum of Association being duly passed and becoming effective, the approval of the Members of the Company be and is hereby accorded pursuant to Section 149(2A) of the Companies Act for commencing the business covered under the aforesaid sub-clause 12B in Clause III of the Memorandum of Association of the Company at such time as may be decided by the Board of Directors."

Note: The consent of the members for this resolution is being obtained through Postal Ballot

11. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

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 to mortgage and/or charge the whole or any part of the undertaking of the Company's Distillery unit at Dhenkanal, Orissa State, 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 Distillery unit at Dhenkanal in certain events to or in favour of State Bank of India, to secure the Agricultural Cash Credit loan amount to an extent of Rs.350 lakhs availed from them in terms of the letter of sanction / loan agreement.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with State Bank of India, the documents for creating the aforesaid mortgage and to do all such acts and things as may be necessary for giving effect to the above resolutions.

12. 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 2003.

By Order of the Board

S. BASKAR

Company Secretary

Coimbatore

24th September 2002

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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 12 is enclosed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 1.12.2002 to 18.12.2002 (both days inclusive).
4. Dividend, if declared, will be paid to those preference shareholders whose names appear on the Register of Members on 18.12.2002 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 will be transferred to the Investors Education and Protection Fund of the Central Government on 16.11.2002. Dividends for the subsequent years which remain unpaid or unclaimed for a period of 7 years, will also be transferred to the said Fund of the Central Government on the lapse of 7 years from the date they became due for payment. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31.3.1996 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

Sri V.K. Swaminathan was co-opted as an Additional Director on the Board of Directors on 31.1.2002 to 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.V.K. Swaminathan for appointment as a Director of the Company. None of the Directors other than Sri V.K. Swaminathan himself is concerned or interested in this item.

Item No. 9 & 10

It is proposed to venture into manufacture and bottling of soft drinks under an agreement with Hindustan Coca-Cola Beverages Private Limited. The proposed business venture would enable effective marketing of sugar and use of available infrastructure facilities and it would be beneficial to the Company.

Since the proposed new activity is not covered by the Object Clause of the existing Memorandum of Association of the Company, it is proposed to make suitable amendment by way of addition of a clause as set out in the special resolution under item No. 8 above, subject to the approval of the Members. On amendment of the Object Clause of the Memorandum of Association, approval of Members is sought for commencement of business, as set out in the special resolution under item No. 9.

Pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001, the resolution for amendment of the Object Clause of the Memorandum of Association and commencement of business are proposed to be passed by means of postal ballot. The results of the postal

ballot will be announced by the Chairman at the Annual General Meeting of the Company.

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

Item No. 11

The Company had availed Agricultural Cash Credit Loan to an extent of Rs.350 lakhs from State Bank of India to meet a part of the working capital requirements of Dhenkanal Sugar Unit against security by way of first charge on the assets of the Distillery Unit at Dhenkanal.

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. Necessary resolutions are placed for the approval of the Members.

Copies of sanction letter of State Bank of India 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. 12

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 2003 subject to the approval of the Members.

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

Coimbatore
24th September 2002

By Order of the Board
S. BASKAR
Company Secretary

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Sakthi Sugars Limited

RE-APPOINTMENT / APPOINTMENT OF DIRECTORS

A brief resume in respect of the proposed re-appointment and appointment of Directors is given below in terms of Clause 49 of the Listing Agreement

Name	: Sri S.S. Muthuvelappan
Date of birth & age	: 5.12.1941 – 60 years
Date of Appointment	: 18.2.1985
Experience	: He has more than 40 years experience in sugarcane cultivation.
Other Directorships	: Nil
Member of Committees (Sakthi Sugars Limited)	: Remuneration Committee
Name	: Sri K.K. Ramaswamy Gounder
Date of birth & age	: 24.5.1920 – 82 years
Date of Appointment	: 1.1.1995
Experience	: He has more than 50 years experience in sugarcane cultivation
Other Directorships	: Nil
Name	: Sri Karu Seemaichamy
Date of birth & age	: 31.8.1928 – 74 years
Date of Appointment	: 1.1.1995
Experience	: He has rich experience in sugarcane cultivation.
Other Directorships	: Nil
Name	: Sri N K Vijayan
Date of birth & age	: 22.5.1952 - 50 years
Date of Appointment	: 1.1.1995
Experience	: He has rich experience in sugarcane cultivation.
Other Directorships	: NIL
Name	: Sri V.K. Swaminathan
Date of birth & age	: 7.1.1953 – 49 years
Date of Appointment	: 31.1.2002
Experience	: Has got rich experience in business management and in exports.
Other Directorships	: Sri Chamundeswari Sugars Limited Sangkai Exports (P) Limited
Member of Committees (Sakthi Sugars Limited)	: Audit Committee Remuneration Committee

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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 30th June 2002.

FINANCIAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2002

	(Rs. in lakhs)
Profit before interest and depreciation	8122.21
Less: Interest charges	6330.22
Depreciation on Fixed Assets	1309.48
Prior year adjustments (Net)	18.80
	<u>7658.50</u>
	463.71
Add : Previous year's credit balance in Profit and Loss Account B/F	465.27
Excess provision reversed	0.78
Reversal of provision for diminution in value of investments	4.89
Deferred tax - current year	33.90
	<u>968.55</u>
Less: Transfer to Debenture Redemption Reserve	764.00
Dividend on Preference Shares	152.00
Surplus carried over to next year	<u>52.55</u>

DIVIDEND

Your Directors recommend the following dividend out of the profits for the financial year ended 30th June 2002:

- 12.50% on 10,00,000 Redeemable Cumulative Preference Shares of Rs.100 each Rs. 1,25,00,000
- 13.50% on 2,00,000 Redeemable Cumulative Preference Shares of Rs.100 each Rs. 27,00,000

REVIEW OF OPERATIONS SUGAR DIVISION

Crushing of sugarcane at various units of the Company for the year 2001-2002 is as under:

Sakthi Nagar Unit	—	13,23,244 tonnes
Sivaganga Unit	—	4,74,125 tonnes
Dhenkanal Unit	—	91,924 tonnes
Baramba Unit	—	25,160 tonnes

The free sale/levy sale ratio has been revised from 85 : 15 to 90 : 10 with effect from 1st March, 2002.

The Government has decided in principle to have futures trading in sugar and to decontrol the sugar Industry totally during 2002-2003, subject to futures trading in sugar becoming operational. During the year 116487 tonnes of sugar manufactured by the Company and 12458 tonnes of sugar procured from other sugar factories were exported. On account of exports of sugar, your company is entitled to import raw sugar under the Export Import policy. The first consignment of 35700 MT of raw sugar has been imported..

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

DISTILLERY DIVISION

During the year under review, 267.05 lakh litres of industrial alcohol were produced at Sakthinagar Unit and 20.28 lakh litres, in Dhenkanal Unit.

In the current year 296 lakh litres of industrial alcohol is expected to be produced.

SOYA DIVISION

During the year under review, 19236 tonnes of soya beans have been crushed. This division has exported products worth Rs. 1284.58 lakhs to various countries.

CO-GENERATION PROJECT

As mentioned in the last Report, the 35 MW Co-Generation plant at Sakthi Nagar Sugar Unit is under implementation and is expected to be commissioned in January 2003. A Power Purchase Agreement has been signed with the Tamil Nadu Electricity Board to enable evacuation of the power to TNEB.

The 2 MW Incidental Co-Generation plant at Sivaganga Sugar Unit has commenced its operations with effect from 19th April, 2002. So far 243362 units of power have been transferred to the State grid.

BOTTLING PLANT

With a view to create a permanent demand for supply of sugar manufactured by the Company, an arrangement has been made with Hindustan Coca-Cola Beverages Private Limited for setting up a bottling plant for manufacturing and bottling of carbonated soft drinks bearing the trade marks of Coca-cola. The project is to be implemented at Sivaganga.

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Sakthi Sugars Limited

DEPOSITS

At the end of the financial year, 613 deposits amounting to Rs. 88.81 lakhs which were due for repayment remained unclaimed on their due dates. Of these, 294 deposits totalling Rs. 64.43 lakhs have since been paid or renewed at the option of the depositors.

DIRECTORS

Sri T. Prakash was appointed by Industrial Development Bank of India as its Nominee Director on the Board of the Company with effect from 22.3.2002 in the place of Sri P Nagaraju. Your Directors place on record their appreciation of the valuable services rendered by Sri P Nagaraju during his tenure of office as Director of the Company. Industrial Investment Bank of India Limited have appointed Sri M Pandi as its Nominee Director on the Board of the Company with effect from 12.4.2002.

Sri V K Swaminathan was co-opted as Additional Director of the Company with effect from 31.1.2002. He will hold office till the date of the ensuing Annual General Meeting. Notice under section 257 of the Companies Act has been received from a member proposing the name of Sri V K Swaminathan for appointment as a Director of the Company.

Dr.J.Thuljaram Rao is due to retire by rotation on the date of the ensuing Annual General Meeting. He does not offer himself for re-election. Your Directors place on record their appreciation of the valuable services rendered by Dr.J.Thuljaram Rao during his tenure of office as Director 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. Sri Karu Seemaichamy
4. Sri N K Vijayan

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 30.6.2002 the applicable accounting standards had been followed.

- 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.

AUDIT COMMITTEE

The Board of Directors have re-constituted Audit Committee to be in conformity with the requirements under Corporate Governance. At present the Audit Committee consists of Dr.J Thuljaram Rao, Sri M Balasubramaniam and Sri V K Swaminathan.

SUBSIDIARY COMPANY

As required under section 212 of the Companies Act 1956, the Audited Statement of Accounts for the year ended 30.6.2002 of Sakthi Auto Component Ltd, the wholly owned subsidiary, together with the Reports of the Directors and Auditors and also the statement under the said section are annexed.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement, a Report on Corporate Governance along with Auditors Certificate of its compliance is included as part of the Annual Report.

MANAGEMENT'S ANALYTICAL REPORT

Management's Analytical Report as required under Listing Agreement is given in the section on Corporate Governance.

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.

CONSERVATION OF ENERGY

[a] Energy Conservation measures taken

- i) Flash vapour from semi-kestner body condensate mond is diverted to second vapour and is being effectively utilised in all sugar units.
- ii) Condensate from 3rd and 4th effect of evaporators are flashed to 4th and 5th effect effectively in the sugar units.
- iii) 1st vapour is used in sugar melter, clear juice heater and molasses conditioners instead of using exhaust steam.
- iv) Installation of vapour cooling system (spray pond) at Sivaganga Sugar Unit.

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

Steam drives in the mill/mincer are proposed to be replaced with electrical drive in A Tandem in Sakthinagar Sugar Unit.

[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) Total consumption of steam will be reduced to an extent of 3%.
- ii) Installation of spray pond results in saving of power of 300 KWH.
- iii) Exportable surplus of power generated by the Company to the State grid would be more by 1 MWH.

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 REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT, 1956

The Company has no employee drawing remuneration attracting the provisions of section 217(2A) of the Companies Act, 1956.

AUDITORS' REPORT

With reference to the Auditors' remarks, your Directors wish to state as under:

1. As regards slight delay in remittance of Provident Fund dues to the appropriate authorities, it would be ensured that such delays would not recur in future.
2. Income tax on dividend on preference shares amounting to Rs. 26.95 lakhs will be remitted at the earliest.

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
24.09.2002

N. MAHALINGAM
Chairman

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Sakshi Sugars Limited

ANNEXURE - 1 TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2002

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	5760448	6802077
Total Amount (Rs.in lakhs)	289.14	306.43
Rate/Unit (Rs.)	5.02	4.50
b) Own Generation		
i) Through Diesel Generator – Units	1063624	2574539
Diesel Oil (Ltrs.)	373277	798529
Total Consumption Value	64.41	134.09
Units per Ltr of Diesel Oil	2.85	3.22
Cost/Unit (Rs.)	6.06	5.21
ii) Through Steam Turbine/Generator – Units	40614992	49154087
Units per Ltr of Fuel Oil/Gas	76.94	83.04
Cost/Unit	per tonne of Steam *	per tonne of Steam *
2. COAL		
Quantity (Tonnes)	219.655	254.97
Total Cost (Rs.in lakhs)	4.62	4.49
Average Rate per Tonne (Rs.)	2103.30	1760.99
3. FURNACE OIL		
Quantity (K.Ltrs)	613.821	438.51
Total Cost (Rs.in lakhs)	67.03	49.75
Average Rate per Litre (Rs.)	10.92	11.35
4. FIREWOOD		
Quantity (Tonnes)	260.54	513.04
Total Cost (Rs.in lakhs)	3.45	6.85
Average Rate per Tonne (Rs.)	1324.17	1335.18
5. OTHERS/INTERNAL GENERATION		
a) Bagasse (MT)	229639	359616
Total (Cost)	Own Bagasse is used	Own Bagasse is used
Rate/Unit	—	—
b) Bio Gas		
Quantity (Cu.Mtr)	11821412	11465918
Total Cost	Generated out of Distillery Effluent	Generated out of Distillery Effluent
Rate/Unit	—	—
c) Paddy Husks		
Quantity (Tonnes)	2547.33	3582.000
Total Cost (Rs. in lakhs)	34.99	52.86
Rate/Unit	1373.60	1475.54
d) Coconut Shell Chips		
Quantity (Tonnes)	6359.945	2478.23
Total Cost (Rs. in lakhs)	92.74	33.20

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

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)	19.41	0.22	194.67	20.57	0.29	132.70
Furnace Oil (Ltrs)	0.00	0.01	16.44	0.01	0.01	5.20
Coal (M.Tonnes)	0.00	0.00	0.01	—	—	0.01
Others : Bio-gas (Cu. Mtrs.)	—	0.41	—	—	0.44	—