



SAKTHI SUGARS LIMITED



*Annual
Report 2004*



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** 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 Ltd.
Allahabad Bank
Oriental Bank of Commerce

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
Sri S.S. MUTHUVELAPPAN
Sri M. BALASUBRAMANIAM
Sri N.K. VIJAYAN
Sri M. SRINIVAASAN
Sri V.K. SWAMINATHAN
Sri S. DORESWAMY (Nominee of ICICI)
Sri C. RANGAMANI (Nominee of GICI)
Sri T. PRAKASH (Nominee of IDBI)
Sri T. WILLINGTON (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 43rd 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 the 31st March, 2005 at 4.30 PM 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 2004 and the audited Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Sri G.G. Gurumurthy, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Sri S.S. Muthuvelappan, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Sri K.K. Ramaswamy Gounder, who retires by rotation and is eligible for reappointment.
5. 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

6. To consider and, if thought fit, to pass with or without modification, the following resolutions as Special 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 of the undertakings of the Company (except Co-generation Plant situate at Sakthinagar), including all the immovable and movable properties wheresoever situate, present and future, and/or for conferring power to enter upon and take possession of the aforesaid assets of the Company in certain events to or in favour of various Banks and Financial Institutions that have granted/agreed to grant financial

facilities to the Company upto Rs. 350 crores, pursuant to the Corporate Debt Restructuring (CDR) Package approved by CDR Empowered Group; and

- (ii) to authorise the Board of Directors of the Company for agreeing with said Banks/Financial Institutions the terms and conditions to reserve a right to take over the management of the whole of the undertakings of the Company (except Co-generation plant at Sakthinagar) in certain events in terms of the 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 Banks/ Financial Institutions the documents for creating the aforesaid mortgage/charge 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.

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

RESOLVED that the Board of Directors of the Company be and is hereby authorized under the provisions of Section 372A of the Companies Act, 1956 to provide security by way of mortgage and/ or charge on the assets of the Company to State Bank of India, Canara Bank and Orissa State Co-operative Bank Limited to secure the financial facilities aggregating to Rs.43.45 crores sanctioned by the said Banks to the Societies formed for development of irrigation in the command areas attached to the Company's factory in the State of Orissa, pursuant to the Corporate Debt Restructuring (CDR) package approved by the CDR Empowered Group.

8. To consider and, if thought fit, to pass with or without modification, the following resolutions as Special 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 of the undertakings of the Company (except Co-generation Plant situate at Sakthinagar), including all the immovable and movable properties wheresoever situate, present and future, and/or for conferring power to enter upon and take possession of the aforesaid assets of the Company in certain events to or in favour of State Bank of India, Canara Bank and Orissa State Co-operative Bank Limited to secure the financial facilities aggregating to Rs.43.45 crores availed by the Societies formed for development of irrigation in the command areas attached to the Company's factory in the State of Orissa, pursuant to the Corporate Debt Restructuring (CDR) package approved by the CDR Empowered Group; and

- (ii) to authorise the Board of Directors of the Company for agreeing with said Banks the terms and conditions to reserve a right to take over the management of the whole of the undertakings of the Company (except Co-generation plant at Sakthinagar) in certain events in terms of the 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 Banks the documents for creating the aforesaid mortgage/charge 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.

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

RESOLVED that the approval of the Company be and is hereby accorded to the Board of Directors for enhancing the limit upto which Foreign Institutional Investors (including their sub-accounts) may hold equity shares in the Company,

to 50% of the paid-up equity share capital of the Company, subject to the such approvals and permissions as may be required in this regard.

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

RESOLVED that pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and the Memorandum and Articles of Association of the Company and subject to the guidelines issued in this regard by the Securities and Exchange Board of India (SEBI) and such approvals, if any, from SEBI and/or any other authorities, as may be required and subject also to such terms and conditions and other modifications as may be prescribed or imposed by such authorities, consent and approval of the Company be and is hereby accorded to the Board of Directors of the Company and the Board be and is hereby authorized to offer, issue and allot 31,32,000 Equity shares of the face value of Rs.10 each at a premium of Rs.40 per share, aggregating to Rs.15.66 crores, including premium of Rs.12.53 crores, on a preferential basis to

Sl.No	Name of allottee	No.of shares
1	ABT Limited	25,24,400
2	Sri S. Yogeshwaran	6,07,600

at a price of Rs.50 per share, being the price which is in accordance with Chapter XIII (Guidelines for Preferential Issues) of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 considering 1.3.2005 as the "Relevant Date".

RESOLVED FURTHER THAT -

- i) the offer, issue and allotment of the aforesaid equity shares shall be made at such time or times as the Board may in its absolute discretion decide, subject however to the compliance with applicable guidelines, notifications, rules and regulations; and
- ii) the Board be and is hereby authorized to decide and approve the other terms and conditions of the issue of the abovementioned equity shares and also shall be entitled to vary, modify or alter any of the terms and conditions, including size of the issue, as it may deem expedient.

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RESOLVED FURTHER that, for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, matters, deeds and things and to take all such steps and to do all such things and give all such directions as the Board may consider necessary, expedient or desirable and also to settle any question or difficulties that may arise in such manner as the Board in its absolute discretion may deem fit and take all steps which are incidental and ancillary in this connection.

RESOLVED FURTHER THAT for the purpose of all powers, authorities and approvals conferred under the above resolutions, any such power or authority may be exercised, if and to the extent to which and in accordance with any delegation of powers by the Board of Directors to a Committee of the Board, by such Committee and the expression "Board" wherever used hereinbefore shall include such Committee of the Board.

11. To consider and, if thought fit, to pass with or without modification, the following resolution as 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 are hereby authorized to donate and contribute a sum/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 2005.

By Order of the Board

Coimbatore
02.03.2005

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. 6 to 11 is enclosed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 23.3.2005 to 31.3.2005 (both days inclusive).
4. The Company had 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.
5. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the year ended 31.3.1997 that remained unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account has been transferred to Investors Education and Protection Fund established under Section 205C of the Companies Act, 1956 and hence no claim shall lie against the Company or the Central Government for such unclaimed dividend

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 6

In terms of the Restructuring Package approved by the CDR Empowered Group, all the Company's loans covered under the Package (except the loans sanctioned by Allahabad Bank, TIIC and Oriental Bank of Commerce) are to be secured by first pari passu mortgage or charge on all the undertakings of the Company (except the co-generation plant). The package includes the loans, funded interest and debentures sanctioned/subscribed by the Financial Institutions and Banks, viz. IDBI, ICICI Bank, IFCI, IIBI, OBC and Consortium of Banks lead by Canara Bank.

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 aforesaid assets of the Company. The necessary resolutions are placed for the approval of the Members.

Copies of letters received from CDR Cell approving the CDR restructuring package are available for inspection of the Members at the Registered Office of the Company between 10.00 am and 3.00 pm on all working days upto the date of the ensuing Annual General Meeting.



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

Item No. 7 and 8

To secure the financial facilities availed by the Cane Growers and Water Users Societies formed for development of irrigation in the command areas of the Company's Sugar Unit in the State of Orissa, the Company has provided Corporate Guarantees to the Banks. In terms of the Corporate Debt Restructuring Package approved by the CDR Empowered Group, the Societies loans are to be secured by pari passu residual mortgage and/or charge on the assets of the Company (except Co-generation plant). Provision of security for the Societies loans and mortgaging of the Company's assets require approval of the members under Section 372A and 293(1)(a) of the Companies Act. The necessary resolutions are placed for the approval of the Members.

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

Item No. 9

The Members of the Company at the Extraordinary General Meeting held on 24th June 2004 had approved enhancement in the ceiling limit upto which the Foreign Institutional Investors (FIIs), Non-resident Indians and Overseas Corporate Bodies, in aggregate, can invest in the Equity share capital of the Company to 50%. On an application made for its approval, the Reserve Bank of India had advised the Company to have the resolution passed exclusively for FIIs by the Board as well as by the Members. The Board of Directors at its meeting held on 24.1.2005 had passed resolution to this effect. Necessary resolution is placed for the approval of the Members.

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

Item No. 10

To augment working capital requirements of the Company, the Board of Directors of the Company, at

its meeting held on 2nd March 2005 proposed to issue 31,32,000 equity shares of Rs.10 each at a price of Rs.50 (inclusive of a premium of Rs.40) per share on preferential basis to the following investors based on firm commitments made by them for subscription to the proposed issue:

Sl.No.	Name of allottee	No.of shares
1	ABT Limited	25,24,400
2	Sri S. Yogeshwaran	6,07,600

Pursuant to Section 81(1A) of the Companies Act, 1956, necessary special resolution is placed before the members for their consent for the above preferential issue of shares. The above issue, offer and allotment are further subject to such approvals, consents, permissions and exemptions granted by SEBI and other authorities, as may be required.

The price of Rs.50 (inclusive of premium of Rs.40) per share for the equity shares to be issued on preferential basis is in accordance with Chapter XIII (Guidelines for Preferential Issues) of SEBI (Disclosure and Investor Protection) Guidelines 2000 [SEBI (DIP) Guidelines].

The other information to be disclosed under SEBI (DIP) Guidelines for preferential issue of shares is as follows:

- i. The object of the issue through preferential offer:
The proposed issue is to augment the working capital requirements of the Company
- ii. Intention of promoters, Directors / Key management personnel to subscribe to the offer:
ABT Limited, one of the promoters, would be subscribing to the preferential issue authorized by this resolution.
- iii. Share holding pattern before and after the issue.

Category	Before proposed acquisition		After proposed acquisition	
	No.of shares	Percentage	No.of shares	Percentage
1) Promoters Group	1,20,11,337	38.29	1,45,35,737	42.13
2) FIs / Banks / Mutual Funds	15,32,077	4.88	15,32,077	4.44
3) FIIs / NRIs / OCBs	42,81,108	13.65	42,81,108	12.41
4) Public	1,35,48,544	43.19	1,41,56,144	41.03

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- iv. Proposed time limit within which the allotment shall be complete:

The allotment is expected to be complete within 15 days from the date of passing of the Special Resolution subject to such approvals as may necessary in this regard.

- v. The identity of the proposed allottee and the percentage of post-preferential issue capital that may be held by them:

Sl.No	Name of allottee	Percentage %
1	ABT Limited 180, Race Course Road Coimbatore - 18 (Unique Identification No. 100307934)	30.67
2	Sri S. Yogeshwaran 2B, Suvidha 37, 6th Main Road R.A. Puram, Chennai - 28	1.76

The Board of Directors recommends passing of the Special Resolution.

Dr.N.Mahalingam, Sri M.Manickam, Sri M.Balasubramaniam and Sri M.Srinivaasan, being Directors of ABT Limited, are concerned or interested in the resolution.

Auditors certificate in accordance with the SEBI Guidelines for preferential issues will be available for inspection at the Registered Office of the Company on any working day and also at the place of the meeting on the meeting day.

Item No.11

To meet certain charitable and social obligations, it is proposed to authorize the Board of Directors to make donations upto Rs.20 lakhs (Rupees twenty lakhs) only for the year ending 30th June 2005 subject to the approval of the Members.

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

By Order of the Board

Coimbatore
02.03.2005

S. BASKAR
Company Secretary

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RE-APPOINTMENT OF DIRECTORS

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

Name	: Sri G G Gurumurthy
Date of birth & age	: 22.12.1921 – 82 Years
Date of Appointment	: 7.12.1983
Experience	: He has rich experience in Sugarcane cultivation
Other Directorships	: NIL

Name	: Sri S S Muthuvelappan
Date of birth & age	: 5.12.1941 – 62 Years
Date of Appointment	: 18.2.1985
Experience	: He has rich 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 – 84 Years
Date of Appointment	: 1.1.1995
Experience	: He has rich experience in Sugarcane cultivation
Other Directorships	: NIL

Sakthi Sugars Limited

REPORT OF THE DIRECTORS

To the Members

Your Directors present their Annual Report together with the audited financial accounts of the Company for the year ended 30th June 2004.

FINANCIAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2004

	(Rs. in lakhs)
Profit before interest and depreciation	1326.75
Less: Interest charges	4666.07
Depreciation on Fixed Assets	948.67
Prior year adjustments	16.53
	<u>5631.27</u>
	- 4304.52
Add : Excess provision reversed	16.94
Reversal on diminution value of investments	33.07
Deferred tax Asset	<u>1769.20</u>
	1819.21
Surplus/Deficit carried over	<u>- 2485.31</u>

The Company has been passing through a stressful period of about 5 years on account of very low selling price of sugar and severe drought. The scenario is now turning better with improved sugar price as well as favourable monsoon. It is expected that favourable effects of the changes will be reflected in the next financial year.

DIVIDEND

In view of the loss incurred by the Company no dividend has been recommended by the Directors.

REVIEW OF OPERATIONS

SUGAR DIVISION

In view of acute drought in the southern districts the quantity of cane available for crushing had come down.

The quantum of cane crushed at various units of the Company for the year 2003-2004 is as under:

Sakthi Nagar Unit	: 82,491 tonnes
Sivaganga Unit	: 1,83,045 tonnes
Dhenkanal	: 1,36,908 tonnes
Baramba Unit	: 97,036 tonnes

The free sale/levy sale ratio remains at 90 : 10.

During the year under review 50522 tonnes of sugar was manufactured out of cane crush and 74036 tonnes out of raw sugar refining. The Company exported 3100 tonnes of sugar during the year under review. Due to drought prevailed in the earlier seasons, the cane crushing was much below the normal levels for the year under review. The low crushing and uneconomical sugar prices had adverse impact on the working results. In the current season the Company will continue to import raw sugar for refining and the cane crushing is expected to be better. The cane crushing is expected to improve significantly in the next crushing season.

The sugar unit at Badamba has been handed over back to Badamba Co-operative Sugar Industries Limited on 31.8.2004.

DISTILLERY DIVISION

During the year under review, 249.88 lakh litres of industrial alcohol was produced at Sakthi Nagar Unit and 58.26 lakh litres in Dhenkanal Unit.

In the current year 350 lakh litres of industrial alcohol is expected to be produced. The price of alcohol at present is higher than the previous year.

ETHANOL PLANT

During the year under review Ethanol plant at Sakthinagar Distillery unit started its commercial production on 17.4.2004. 16.90 lakh litres of Anhydrous Alcohol (Ethanol) was produced and 18.12 lakh litres (including the quantity produced during the trial run) was sold to oil companies viz., Bharat Petroleum Corporation Ltd, Hindustan Petroleum Corporation Ltd and Indian Oil Corporation. The Company has participated in the tenders floted by the aforesaid oil companies for supply of ethanol and the tender documents are under perusal of the oil companies.

SOYA DIVISION

During the year under review, 12340 tonnes of soya beans have been crushed. This division has exported products worth Rs. 819 lakhs to various countries.

CO-GENERATION PLANT

The 32MW Co-Generation plant at Sakthi Nagar Sugar Unit was commissioned on 11.11.2003. The plant produced 1221.22 lakhs units of power and 1011.14 lakhs units of power were evacuated to the State Grid of Tamil Nadu Electricity Board. The power generation and evacuation of units have been progressively increasing. With the increase in crushing in the years to come, the operating results are expected to improve.