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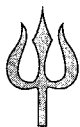


SAKTHI SUGARS LIMITED

ANNUAL REPORT 2009

इश्वरवक्त्रयोगोऽसौ क्रीया शक्तिः

The capacity to assume any form in the Universe is Kriya Sakthi (Power of action)



REGISTERED OFFICE

Sakthinagar - 638 315
Bhavani Taluk, Erode District
Tamilnadu

CORPORATE OFFICE

180, Race Course Road
Coimbatore - 641 018
Tamilnadu

AUDITORS

M/s P N Raghavendra Rao & Co
Coimbatore

MAIN BANKERS

Allahabad Bank
Axis Bank Ltd
Bank of India
Canara Bank
Citibank NA
HDFC Bank Limited
IDBI Bank Limited
Indian Overseas Bank
Oriental Bank of Commerce
Punjab National Bank
State Bank of India

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt. Limited
(Formerly Intime Spectrum Registry Limited)
Surya, 35, May Flower Avenue
Behind Senthil Nagar
Sowripalayam Road, Coimbatore - 641 028
Phone & Fax : 91- 422 - 2314792
E-mail : coimbatore@linkintime.co.in

Dr N MAHALINGAM
Chairman

Sri M MANICKAM
Vice Chairman & Managing Director

Sri M BALASUBRAMANIAM
Joint Managing Director - Finance

Sri M SRINIVAASAN
Joint Managing Director - Technical

Sri V K SWAMINATHAN
Executive Director

Sri P K CHANDRAN

Sri G G GURUMURTHY

Sri S S MUTHUVELAPPAN

Sri N K VIJAYAN

Sri S DORESWAMY

Sri C RANGAMANI

Sri B ELANGO VAN (Nominee of TIDCO)

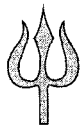
Smt S USHA (Nominee of IDBI)
Directors

Sri S BASKAR
Senior Vice President - Finance &
Company Secretary



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NOTICE TO MEMBERS

Notice is hereby given that the 48th Annual General Meeting of the Company will be held at its Registered Office at Sakthinagar – 638 315, Bhavani Taluk, Erode District, Tamilnadu, on Wednesday the 16th June 2010 at 3.00 PM to transact the following business:

1. To consider and adopt the audited Profit & Loss Account for the year ended 31st December 2009 and audited Balance Sheet as at that date and the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in the place of Sri M Srinivaasan, 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 N K Vijayan, 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 modifications, the following resolution as a Special Resolution:

“RESOLVED that a remuneration by way of commission calculated upto 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 from 1.7.2010 to 30.6.2015 for giving guidance and counseling to the Company, on matters relating to the corporate affairs and management of the Company.”

7. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:

A. “RESOLVED that the period of appointment of Sri M. Balasubramaniam as Joint Managing Director-Finance made by the Board of Directors of the Company on 23.1.2009 and by the Members at their Annual General Meeting held on 31.3.2009 be restricted upto 31.3.2010.”

B. “RESOLVED that pursuant to Sections 198, 269, 309 and 316 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, Sri M Balasubramaniam be and is hereby appointed as Joint Managing Director-Finance for the period from 1.4.2010 to 22.1.2014 and that Sri M Balasubramaniam be paid remuneration as detailed below:

I. SALARY

Rs.1,00,000 (Rupees one lakh) only per month.

II. PERQUISITES

In addition to the salary, Sri M Balasubramaniam shall also be entitled to the following perquisites:

- a) Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act, 1961.
- b) Gratuity at the rate of half a month salary for each completed year of service, and
- c) Encashment of leave at the end of tenure as per the rules of the Company

The above salary and perquisites be paid as minimum remuneration even in the event of loss or inadequacy of profits in any year.



NOTICE TO MEMBERS

III. COMMISSION

1% Commission on the net profits of the Company, subject to the maximum ceiling specified in Section 309(3) of the Companies Act, 1956."

8. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:

- A. "RESOLVED that the period of appointment of Sri M Srinivaasan as Joint Managing Director-Technical made by the Board of Directors of the Company on 23.1.2009 and by the Members at their Annual General Meeting held on 31.3.2009 be restricted upto 31.3.2010."
- B. "RESOLVED that pursuant to Sections 198, 269, 309 and 316 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, Sri M Srinivaasan be and is hereby appointed as Joint Managing Director-Technical for the period from 1.4.2010 to 22.1.2014 and that Sri M Srinivaasan be paid remuneration as detailed below:

I. SALARY

Rs.1,00,000 (Rupees one lakh) only per month.

II. PERQUISITES

In addition to the salary, Sri M. Srinivaasan shall also be entitled to the following perquisites:

- a. Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act, 1961.
- b. Gratuity at the rate of half a month salary for each completed year of service, and
- c. Encashment of leave at the end of tenure as per the rules of the Company.

The above salary and perquisites will be paid as minimum remuneration even in the event of loss or inadequacy of profits in any year.

III. COMMISSION

1% Commission on the net profits of the Company, subject to the maximum ceiling specified in Section 309(3) of the Companies Act, 1956."

9. To consider and, if thought fit, to pass with or without modifications, 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 as security the whole of the immovable and movable properties of the Company (except the assets exclusively mortgaged/charged), 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 the Security Trustee, to secure the Banks/Financial Institution for the financial assistance availed/restructured under the Corporate Debt Restructuring Scheme to the extent of Rs.986.26 crores by the Company; and
- (ii) to authorise the Board of Directors of the Company for agreeing with the Security Trustee the terms and conditions to reserve a right to take over the management of the whole of the undertakings of the Company or any part thereof 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."



NOTICE TO MEMBERS

- B. "RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to finalise with the Security Trustee 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."
10. To consider and, if thought fit, to pass with or without modifications, 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 as security on exclusive second charge basis the whole of the immovable and movable properties relating to Sugar and Co-generation plants situate at Sivaganga, Sivaganga District, and Modakurichi, Erode District in the State of Tamilnadu, 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 the Government of India/IFCI for the financial assistance to secure the Sugar Development Fund Loans aggregating to Rs.62.17 crores; and
 - (ii) to authorise the Board of Directors of the Company for agreeing with the Government of India/IFCI the terms and conditions to reserve a right to take over the management of the whole of the aforesaid undertakings of the Company or any part thereof in certain events in terms of the tripartite 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 is hereby authorized to finalise with the Government of India/IFCI 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."
11. To consider and, if thought fit, to pass with or without modifications, 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 as security the whole of the immovable and movable properties relating to the Beverage Plant of the Company situate at Sivaganga, Sivaganga District in Tamilnadu, 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 the Debenture Trustee to secure the Redeemable Non-Convertible Debentures aggregating to Rs. 20 crores issued by the Company; and
 - (ii) to authorise the Board of Directors of the Company for agreeing with the terms and conditions to reserve a right to take over the management of the aforesaid undertaking of the Company in certain events in terms of the Trustee Agreements/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 authorized to finalise with the Debenture Trustee 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."

By Order of the Board

Coimbatore
29th March 2010

S.BASKAR
Sr.Vice President – Finance &
Company Secretary



NOTICE TO MEMBERS

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. Proxies, in order to be effective, should be lodged with the Company, forty eight hours before the meeting at the Registered Office of the Company at Sakthinagar - 638 315, Bhavani Taluk, Erode District or at the Corporate Office at 180, Race Course Road, Coimbatore 641 018.
3. 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 annexed.
4. Pursuant to Clause 49 of the Listing Agreement, relevant information on the Directors seeking appointment/reappointment at the Annual General Meeting is provided in the annexure.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from 10.6.2010 to 16.6.2010 (both days inclusive).
6. 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.
7. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, equity dividends for the years ended 31.3.1995 to 31.3.1997 and preference dividends for the years ended 31.3.1995 to 30.6.1999 that remained unclaimed for a period of seven years from the date of transfer to the respective Unpaid Dividend Accounts have 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 dividends.
8. The unclaimed dividend on Equity Shares for the years ended 30.6.2006 and 30.6.2007 will be transferred to The Investor Education and Protection Fund Account during February 2014 and 2015 respectively. Shareholders who have not encashed their dividend warrants are requested to claim the dividend from the Company at an early date.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No.6**

The members of the Company at the 45th Annual General Meeting held on 26th December 2006 had approved payment of remuneration by way of commission calculated at 1% on the net profits of the Company in the manner laid down in the Companies Act, 1956 to Dr N Mahalingam, Chairman of the Board of Directors for a period of 5 years from 1.7.2005 as consideration for his counseling and guidance on the following matters:

- a) setting the corporate goals/objects and planning the strategy for achieving the same;
- b) expansion/diversification in all aspects;
- c) improvement in efficiency, cost reduction, induction of new technologies, modernization, 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 counseling and to pay commission upto 1% on the net profits as referred to above for a period of five years from 1.7.2010 to 30.6.2015, subject to the approval of the members at the General Meeting by way of Special Resolution. Necessary Special Resolution is placed for approval of the members.

**NOTICE TO MEMBERS**

Dr N Mahalingam may be deemed to be concerned or interested in the resolution as it relates to his remuneration. Sri M Manickam, Vice Chairman & Managing Director, Sri M Balasubramaniam, Joint Managing Director-Finance and Sri M Srinivaasan, Joint Managing Director-Technical are interested as his relatives.

Item No. 7

At the Annual General Meeting of the Company held on 31.3.2009, the members of the Company had approved appointment of Sri M Balasubramaniam as Joint Managing Director-Finance of the Company for five years from 23.1.2009 and payment of remuneration to him, subject to the approval of the Central Government since the Company did not have profit in the financial year 2007-08 and did not satisfy one of the conditions prescribed in Schedule XIII to the Companies Act. The Company is yet to receive the approval from the Central Government.

In view of the profitable working results for the year ended 31.12.2009 and also the conditions prescribed in Schedule XIII to the Companies Act stand satisfied, the Board of Directors has restricted the validity of the above appointment upto 31.3.2010 and has again appointed Sri M Balasubramaniam as Joint Managing Director-Finance for the period from 1.4.2010 to 22.1.2014 on the terms contained in the resolution set out in the Notice, subject to the approval of the members at the Annual General Meeting. The terms of appointment and payment of remuneration are the same as that of the appointment made last year. Sri M Balasubramaniam is the Managing Director of Sakthi Finance Limited.

Necessary resolutions are placed before the members for approval.

Sri M Balasubramaniam may be deemed to be concerned or interested in the resolution as it relates to his remuneration. Dr.N Mahalingam, Chairman, Sri M Manickam, Vice Chairman & Managing Director, Sri M Srinivaasan, Joint Managing Director-Technical, are interested as his relatives.

Item No.8

At the Annual General Meeting of the Company held on 31.3.2009, the members of the Company had approved appointment of Sri M Srinivaasan as Joint Managing Director-Technical of the Company for five years from 23.1.2009 and payment of remuneration to him, subject to the approval of the Central Government since the Company did not have profit in the financial year 2007-08 and did not satisfy one of the conditions prescribed in Schedule XIII to the Companies Act. The Company is yet to receive the approval from the Central Government.

In view of the profitable working results for the year ended 31.12.2009 and also the conditions prescribed in Schedule XIII to the Companies Act stand satisfied, the Board of Directors has restricted the validity of the above appointment upto 31.3.2010 and has again appointed Sri M Srinivaasan as Joint Managing Director - Technical for the period from 1.4.2010 to 22.1.2014 on the terms contained in the resolution set out in the Notice, subject to the approval of the members at the Annual General Meeting. The terms of appointment and payment of remuneration are the same as that of the appointment made last year. Sri M Srinivaasan is the Managing Director of Sri Chamundeswari Sugars Limited.

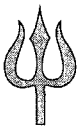
Necessary resolutions are placed before the members for approval.

Sri M Srinivaasan may be deemed to be concerned or interested in the resolution as it relates to his remuneration. Dr.N Mahalingam, Chairman, Sri M Manickam, Vice Chairman & Managing Director, Sri M Balasubramaniam, Joint Managing Director-Finance are interested as his relatives.

Item No. 9

The Company has restructured the Term Loans/Working Capital Loans availed from Financial Institution/Banks under the Corporate Debt Restructuring (CDR) Scheme on the terms and conditions approved by the CDR Cell. Bank of India has been appointed as Security Trustee for the lenders. Among others, the restructured facilities have to be secured by creation of charge/mortgage in favour of the Security Trustee on the movable and immovable properties of the Company, except assets exclusively mortgaged/charged.

As per Section 293(1)(a) of the Companies Act, 1956, approval of the members is required to the Board of Directors to mortgage or charge the aforesaid properties of the Company. Necessary resolutions are placed before the members for approval.

**NOTICE TO MEMBERS**

Copies of letters of sanction, security trustee agreement, letter of approval of the CDR Empowered Group and other documents creating mortgage/charge 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 resolutions.

Item No. 10

The Company has been sanctioned Sugar Development Fund Loan to the extent of Rs. 62.17 crores by the Central Government acting through IFCI Limited to part finance the cost of erection of the Company's co-generation plants at Sivaganga and at Modakurichi against security by way of mortgage of the movable and immovable assets pertaining to the sugar and co-generation plants of the Company at Sivaganga and at Modakurichi on exclusive second charge basis.

As per Section 293(1)(a) of the Companies Act, 1956, approval of the members is required to the Board of Directors to mortgage or charge the aforesaid properties of the Company. Necessary resolutions are placed before the members for approval.

Copies of letters of sanction, tripartite agreements and documents creating mortgage 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 resolutions.

Item No.11

The Company has issued Secured Non-Convertible Debentures to bodies corporate and others on private placement basis in different series to meet the working capital requirements of the Company. As per the trustee agreement entered into with the Trustee for the debentureholders, the Company has to create charge/ mortgage among others, on the movable and immovable properties of the Company's Beverage Division at Sivaganga Sugar Mill premises in favour of the Trustee.

As per Section 293(1)(a) of the Companies Act, 1956, approval of the members is required to the Board of Directors to mortgage or charge the aforesaid properties of the Company. Necessary resolutions are placed before the members for approval.

Copies of trustee agreement and documents creating mortgage 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 resolutions.

By Order of the Board

Coimbatore
29th March 2010

S.BASKAR
Sr.Vice President – Finance &
Company Secretary