

2013-14

B U S I N E S S W I T H V A L U E S



SAKTHI SUGARS LIMITED

ANNUAL REPORT 2013-14

इश्वरविकारयोगोऽसौ क्रिया 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 Limited
Bank of India
Citibank NA
HDFC Bank Limited
IDBI Bank Limited
Indian Overseas Bank
Oriental Bank of Commerce
Punjab National Bank
State Bank of India

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt. 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

DIRECTORS

Dr N MAHALINGAM
Chairman

Dr M MANICKAM
Executive Vice Chairman

Sri M BALASUBRAMANIAM
Managing Director

Sri M SRINIVAASAN
Joint Managing Director

Sri V K SWAMINATHAN
Executive Director

Sri P K CHANDRAN

Sri S S MUTHUVELAPPAN

Sri N K VIJAYAN

Sri C RANGAMANI

Sri B ELANGO VAN (Nominee of TIDCO)

Sri T A GANESH (Nominee of IDBI Bank)

Sri M K VIJAYARAGHAVAN
Chief Financial Officer

Sri S BASKAR
Senior Vice President - Finance &
Company Secretary



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Important Communication to Members

The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses in respect of their holdings in demat form through their concerned Depository Participants. Members who hold shares in physical form are requested to fill in and forward the e-mail Address Registration Form given in page No.99 of this Annual Report to Link Intime India P. Ltd., Registrar & Share Transfer Agents, “Surya”, 35, May Flower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028.



REPORT OF THE DIRECTORS

To the Members

Your Directors present their Annual Report together with the audited financial statements of the Company for the year ended 31st March 2014.

FINANCIAL RESULTS FOR THE YEAR ENDED 31st MARCH 2014		(Rs.in lakhs)
Profit before finance cost and depreciation & amortization expense		1791.45
Less: Finance cost	18590.93	
Depreciation & amortization expense	<u>6638.21</u>	
		<u>(25229.14)</u>
Profit/(Loss) before Tax		(23437.69)
Less: Income Tax expenses:		
Deferred Tax		<u>(7499.36)</u>
Profit /(Loss) after Tax		(15938.33)
Surplus from last year		<u>(11464.08)</u>
Closing balance		<u>(27402.41)</u>

REVIEW OF OPERATIONS

The decrease in quantum of cane crushed, uneconomical prices for sugar and power coupled with high sugarcane price had adverse impact on the financial results of the Company.

SUGAR DIVISION

The quantum of sugarcane crushed at various units of the Company during the year 2013-14 is as under:

Name of the Units	Cane crushed (in tonnes)
Sakthinagar	: 7,61,395
Sivaganga	: 4,10,435
Modakkurichi	: 1,48,341
Dhenkanal	: 3,33,651

During the year under review, 1.47 lakhs MT of sugar was produced by the Company. There is substantial reduction in production as compared to the previous year due to reduced level of cane availability owing to drought condition.

DISTILLERY DIVISION

During the year under review, 277.01 lakh litres of industrial alcohol was produced at Sakthinagar Distillery Unit and 77.32 lakh litres at Dhenkanal Distillery Unit.

SOYA DIVISION

22,780 tonnes of soya bean was crushed in the soya plant during the year under review. This division had exported products worth Rs.2454.90 lakhs to various countries.

CO-GENERATION DIVISION

The total power generated in the co-generation plants during the year was 1614.96 lakh units out of which 944.89 lakh units of power was exported to Tamilnadu Electricity Board.

FUTURE OUTLOOK

The outlook of Indian Sugar Industry continues to be bleak. Sugar industry, the last one to be freed though not fully from Government regulations, is yet to get adjusted to the market equilibrium.



The sugar season 2014-15 may end in surplus production over consumption on all India basis and as such the realization on sugar may not improve without Government initiatives. The incentive announced by the Central Government for export of raw sugar is a step in the right direction to reduce the surplus. The steps intended to be taken by the Central Government like increase in duty on import of raw sugar and interest free loans for payment of arrears of cane will definitely help the industry to look up. It is hoped that appropriate measures will be taken by the Government for the survival of the dwindling sugar industry.

The Company expects a marginal drop in the quantity of cane crush during the current year as compared to the previous financial year. The drop in cane crush will have impact on the performance of the distillery and co-gen division due to reduced availability of molasses and bagasse.

The Company continues to be under the Corporate Debt Restructuring Scheme with respect to restructuring of its secured debts availed from Banks/Financial Institution. Since servicing of the loans from most of the Banks have become irregular/Non-performing assets, the Company has approached the CDR Forum for a second re-schedulement of the repayment terms.

DEPOSITS

The Company has not accepted any deposit from public during the year under review. At the end of the financial year, 7 deposits amounting to Rs. 1.15 lakhs (including interest) which were due for repayment remained unclaimed on their due dates.

CORPORATE ACTION

During the financial year under review, the Company has issued and allotted 5,94,05,940 equity shares at a price of Rs.30.30 per share on preferential basis to AB T Limited, a company belonging to the Promoter Group, against the sum of Rs. 180 crores brought in by that company, in terms of the Corporate Debt Restructuring Scheme approved by the CDR Empowered Group. This amount has been utilized for repayment of loans and payment of interest to banks as envisaged in the CDR package. After this allotment the Company has become subsidiary of AB T Limited.

A draft Scheme of Arrangement with the holders of FCCB (Series B) for settling their over dues aggregating to USD 15.6 million has been approved by the Board of Directors and necessary applications have been made to Stock Exchanges for approval as required under Listing Agreement. This Scheme is subject to the approval of the stock exchanges, SEBI, RBI and shareholders and bond holders of the Company, and sanctioning of the Scheme by the High Court of Judicature at Madras.

The Board of Directors at its meeting held on 14th August 2014 has approved voluntary delisting of the equity shares of the Company from Madras Stock Exchange for the reason that the said Exchange has submitted application to SEBI for voluntary exit as a Stock Exchange. Necessary application will be made by the Company to Madras Stock Exchange in this regard. The equity shares of the Company continue to remain listed on Bombay Stock Exchange and National Stock Exchange.

DIRECTORS

IDBI Bank has withdrawn Sri V.M.Manogaran as its nominee on the Board of Directors of the Company effective from 1.2.2014 and in his place nominated Sri T.A.Ganesh. Sri S.Doreswamy, Director, resigned from the Board on personal grounds on 24.3.2014. The Directors place on record their appreciation of the valuable services rendered by Sri V.M.Manogaran and Sri S.Doreswamy during the tenure of their office as Directors of the Company.

With effect from 28.6.2013, Dr.M.Manickam was redesignated as Executive Vice Chairman and Sri M.Srinivaasan as Joint Managing Director.

Sri M.Balasubramaniam has been appointed as Managing Director of the Company and Sri M.Srinivaasan has been re-appointed as Joint Managing Director with effect from 28.6.2013 and 23.1.2014 respectively for a period of 5 years subject to the approval of the Central Government.

The Board has re-appointed Dr.M.Manickam as Executive Vice Chairman for a period of five years from 25.10.2014, subject to the approval of Banks, financial institution, as may be required, and of the members of the Company and Central Government.

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

1. Sri P.K.Chandran
2. Sri M.Balasubramaniam
3. Sri C.Rangamani

Pursuant to Section 149 of the Companies Act, 2013 and the Listing Agreement, the Board has recommended appointment of Sri C.Rangamani, Sri P.K.Chandran, Sri S.S.Muthuvelappan and Sri N.K.Vijayan, existing Independent Directors, as Independent Directors by the shareholders at the ensuing Annual General Meeting.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the 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 31.3.2014, the applicable accounting standards had been followed;
- b. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 loss 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 Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. that the Directors had prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

The Audit Committee was reconstituted on 11.2.2014 and 30.5.2014 on account of change in nominee of IDBI Bank and resignation of Sri S.Doreswamy. At present the Audit Committee comprises the following Directors as its members:

1. Sri C Rangamani, Chairman
2. Sri M Balasubramaniam
3. Sri N.K.Vijayan, and
4. Sri T.A.Ganesh

SUBSIDIARY COMPANIES

The performance of the auto component manufacturing units in India and in Portugal namely Sakthi Auto Component Limited, Sakthi Auto Ancillary Private Limited and Sakthi Portugal SA is satisfactory.

Pursuant to the general direction given by the Central Government, vide general circular dated 8th February 2011, and the consent given by the Board of Directors of the Company in terms of the said circular, copies of the Balance Sheet, Statement of Profit and Loss, Reports of the Board and of the Auditors, as the case may be, of the following subsidiary companies, viz. Sakthi Auto Component Limited, Sakthi Auto Ancillary Pvt Limited, Orlandofin BV, Sakthi Services GmbH, Sakthi Portugal SA and Sakthi Auto Mauritius Limited have not been attached to the Balance Sheet of the Company as at 31st March 2014. The consolidated financial statement and the details of the subsidiaries that are required to be provided under the said circular have been separately furnished forming part of the Annual Report. The annual accounts of the subsidiary companies and the related detailed information on the accounts of the subsidiary companies will be made available to the shareholders of the company and of the subsidiary companies on specific request at any point of time. The Annual Accounts of the subsidiary companies will also be kept for inspection by any shareholder at the Registered Office of the Company and of the subsidiary companies concerned. The details of the accounts of the above subsidiary companies are also provided in the Company's website.

During the financial year under review Sakthi Netherlands BV and Sakthi European Foreign Sales Corporation BV have been deregistered and the application for deregistration filed by Sakthi Holdings BV is pending disposal by the concerned authority.

In terms of Accounting Standard 21 relating to consolidated financial statements, accounts of the following subsidiaries, viz. Sakthi Europe Verwaltungs GmbH, Arvika Gjuteri AB, Arvinova AB, Arvika Handforming Gjuteri AB and Sakthi Sweden AB, are not consolidated since there is a long term restriction in the flow of cash from these subsidiaries to the holding company as the said subsidiaries are under the control of the Administrators appointed by the respective Courts in Germany and Sweden.

The Company holds 65% of the equity shares of Sakthi Auto Component Limited (SACL). As per the definition of subsidiary company under the Companies Act 2013, convertible preference shares should also be taken into consideration for determining the subsidiary status. Pursuant to the change in the definition, SACL has become an Associate Company and not a subsidiary company with effect from 1st April 2014. In view of this, the Indian and European step down subsidiaries of SACL are also not subsidiaries of the Company from that date.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance along with Auditors Certificate with respect to its compliance forms part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under the Listing Agreement is given in the section on Corporate Governance.

**AUDITORS**

M/s. P.N.Raghavendra Rao & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment for a period of three consecutive years from the conclusion of the ensuing Annual General Meeting, pursuant to Section 139(2) of the Companies Act, 2013 read with Rule 6 (3) of the Companies (Audit and Auditors) Rules 2014. As required under the Proviso to Section 139(1) of the Companies Act 2013, the Company has obtained the written consent and certificate from M/s. P N Raghavendra Rao & Co. to the effect that their appointment, if made, will be in accordance with the conditions prescribed and that they satisfy the eligibility criteria provided in the said Act and Rules.

COST AUDIT

M/s. STR & Associates, Cost Accountants, Tiruchirapalli, are the Cost Auditors for auditing the cost accounts relating to Sugar, Industrial Alcohol, Power and Soya Divisions of the Company for the year ended 31st March 2014. The due date of filing the Cost Audit Report is 27th September 2014.

The same firm has been reappointed as Cost Auditors for Sugar, Industrial Alcohol, Power and Soya Divisions of the Company for the financial year ending 31st March 2015. The remuneration to the Cost Auditors for the said financial year is subject to ratification by the shareholders in the ensuing Annual General Meeting.

For the year ended 31st March 2013, the due date for filing cost audit report for the Sugar, Industrial Alcohol and Power Divisions in XBRL mode, was 27th September 2013. The actual date of filing the cost audit reports was 27th September 2013.

CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

In Sakthinagar, Grid separator system was provided in boiler to collect the un-burnt fly ash before APH and re-fire it in boiler furnace to improve the boiler efficiency.

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

No significant investment is envisaged.

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:

Increase in efficiency of boiler resulting in reduction in cost of fuel.

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

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 that (i) the entire funded interest under the CDR Scheme included in Other Non-Current Assets will be written off during the financial year ending 31st March 2015 in four equal quarterly instalments; and (ii) the unprovided interest and guarantee commission to the holding company will be accounted subject to the approval of the CDR Empowered Group.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the valuable assistance and co-operation extended by the shareholders, cane growers, banks, financial institutions and Government authorities. They also wish to appreciate the dedicated services rendered by officers, staff and workers of the Company.

On behalf of the Board of Directors

Coimbatore
14th August 2014

N MAHALINGAM
Chairman



ANNEXURE - 1

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31st MARCH 2014
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	5930897	5239522
Total Amount (Rs.in lakhs)	428.10	377.73
Rate/Unit (Rs.)	7.22	7.21
b) Own Generation		
i) Through Diesel Generator Units	780071	1877731
Diesel Oil (Ltrs)	241807	554137
Total Consumption Value	132.92	258.74
Units per Ltr of Diesel Oil	3.23	3.39
Cost/Unit (Rs.)	17.04	13.78
ii) Through Steam Turbine/Generator - Units	61456923	93029722
Units per Ltr of Fuel Oil/Gas	--	--
Cost/Unit	*	*
2. COAL		
Quantity (Tonnes)	851.260	1009.120
Total Cost (Rs.in lakhs)	35.84	52.70
Average Rate per Tonne (Rs.)	4210.23	5222.37
3. FURNACE OIL		
Quantity (KL)	1.000	25.500
Total Cost (Rs.in lakhs)	0.40	11.45
Average Rate per Litre (Rs.)	40.00	44.90
4. OTHERS/INTERNAL GENERATION		
a) Bagasse (MT)	161812	286976
Total Cost	**	**
Rate/Unit	--	--
b) Bio Gas		
Quantity (Cu.Mtr)	2972180	1869531
Total Cost	**	**
Rate/Unit	--	--
c) Paddy Husks		
Quantity (Tonnes)	5588.654	5106.358
Total Cost (Rs.in lakhs)	262.51	242.44
Rate/Unit (Rs.)	4697.20	4747.81

* Own Steam used ** Own Bagasse / Bio-gas used

B. CONSUMPTION PER UNIT OF PRODUCTION

Particulars	Current Year			Previous Year		
	Sugar Qtl	Alcohol Ltr	Soya MT	Sugar Qtl	Alcohol Ltr	Soya MT
Electricity (Units)	34.98	0.30	231.63	28.81	0.27	237.92
Furnace Oil (Ltrs)	--	--	0.04	--	--	0.21
Coal (MTs)	--	--	0.01	--	--	0.01
Others : Bio-gas (Cu.Mtrs)	--	0.08	--	--	0.04	--

On behalf of the Board of Directors

Coimbatore
14th August 2014

N MAHALINGAM
Chairman