

2014-15

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



SAKTHI SUGARS LIMITED

ANNUAL REPORT 2014-15

इश्वरविकारयोगित्वात् क्रिया शक्ती

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



SAKTHI SUGARS LIMITED

CIN:L15421TZ1961PLC000396

REGISTERED OFFICE

Sakthinagar - 638 315
Bhavani Taluk, Erode District,
Tamilnadu
Phone : 04256 246241
Fax : 0422 2220574, 4322488
Email : shares@sathisugars.com
Website : www.sakthisugars.com

CORPORATE OFFICE

180, Race Course Road
Coimbatore - 641 018
Tamilnadu
Phone : 0422 4322222, 2221551
Fax : 0422 2220574, 4322488
Email : shares@sathisugars.com
Website : www.sakthisugars.com

AUDITORS

M/s P N Raghavendra Rao & Co
Coimbatore

MAIN BANKERS

Allahabad Bank
Axis Bank Limited
Bank of India
Citibank NA
Indian Overseas Bank
Oriental Bank of Commerce
Punjab National Bank

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 M MANICKAM
Executive 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 S CHANDRASEKHAR

Sri K V RAMACHANDRAN

Sri S BALASUBRAMANIAN

Smt PRIYA BHANSALI

Sri P S RAVENDERNATH
(Nominee of ARCIL)

Sri S AUDISESHIAH
Chief Executive Officer

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. 83 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.



BOARD'S REPORT

To the Members

The Board of Directors of the Company presents its Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March, 2015

FINANCIAL HIGHLIGHTS		(Rs.in lakhs)
Particulars	2014-15	2013-14
Sales (Net)		
Sugar Division	42455.46	38344.75
Distillery Division	10654.66	15543.16
Cogeneration Division	16884.29	3129.14
Soya Division	13656.46	13711.06
Total sales	83650.87	70728.11
Other Income	3245.53	307.63
Total Income	86896.40	71035.74
Profit Before Finance Cost and Depreciation & Amortisation	14375.67	1791.45
Finance Cost	12934.20	18590.93
Provision for Depreciation and Amortisation	6379.36	6638.21
Net Profit before Tax	(4937.89)	(23437.69)
Provision for Tax	(1460.96)	(7499.36)
Net Profit after Tax	(3476.93)	(15938.33)
Balance of Profit brought forward	(27402.41)	(11464.08)
Less: Previous year depreciation adjustment	423.20	--
Surplus carried to Balance Sheet	(31302.54)	(27402.41)

REVIEW OF OPERATION

The operations of Sugar and Alcohol Divisions of the Company during the financial year have been affected due to non-availability of adequate sugarcane for crushing and low realisation on sugar sold and the reduced availability of molasses. However, operation of Power Division has been encouraging due to higher rate of realisation per unit of power with the Company coming out of Power Purchase Agreement and engaging in sale of power through bidding process. There has been no change in the nature of business during the financial year and until the date of this report.

SUGAR DIVISION

The quantum of sugarcane crushed at various units of the Company during the year 2014-15 is as under:

Name of the Units	Cane crushed (in tonnes)
Sakthinagar	: 7,23,966
Sivaganga	: 2,62,650
Modakkurichi	: 74,284
Dhenkanal	: 4,15,577

During the year under review, 1.32 lakh MT of sugar was produced by the Company, which is less by 0.15 lakh MT as compared to the previous year. This is on account of reduction in the sugarcane availability. The quantum of sugar sales and the sale value has gone up slightly during the year, even though there is a decrease in the average selling price of sugar per quintal.

DISTILLERY DIVISION

During the year under review, 161.18 lakh litres of industrial alcohol was produced at Sakthinagar Distillery Unit and 84.26 lakh litres, at Dhenkanal Distillery Unit.

**SOYA DIVISION**

23,056 tonnes of soya bean was crushed in the soya plant during the year under review. This division had exported products worth Rs.2253.13 lakhs to various countries.

CO-GENERATION DIVISION

The total power generated in the co-generation plants during the year was 3922.77 lakh units out of which 3179.21 lakh units of power was exported to Tamilnadu Electricity Board. As the rate per unit of power under the Power Purchase Agreements (PPA) entered into with Tamilnadu Power Generating and Distribution Company Limited (TANGEDCO) was not viable for generation of power using coal, the Company has come out of the PPA. The Company has entered into another agreement with TANGEDCO for sale of power at a higher rate per unit of power through bidding process. This Agreement will expire on 30th September 2015.

FUTURE OUTLOOK

The selling price of sugar has come down far below the cost of production and realisation on sale of sugar does not even meet the cost of sugarcane crushed. This has made the sugar production unviable. With the sugar season 2014-15 expected to end in surplus stock of sugar, the possibility of sugar price going up in the near future is doubtful.

Besides reduced selling price for sugar, imposition of VAT at 5% on sugar sales by Tamilnadu State Government has placed the sugar mills in Tamilnadu at a disadvantageous position as they have to face competition due to arrival of more quantity of sugar for sale from other States where there is no VAT on sugar. Similar situation is faced in respect of sale of industrial alcohol by the manufacturers in Tamilnadu State on account of local levy of VAT being higher than CST on imports from neighbouring States.

Unless the State and the Central Governments take corrective actions to bail out the bleeding sugar industry, the outlook of sugar industry will continue to be bleak.

DEPOSITS

The Company has not accepted any deposit from public during the financial year under review.

At the end of the financial year, 4 deposits amounting to Rs.0.65 lakh (including interest) remained unclaimed. Of this 2 deposits amounting to Rs.0.34 lakh have since been repaid.

CORPORATE INFORMATION

As the Madras Stock Exchange Limited (MSE) had applied to SEBI for voluntary exit as a Stock Exchange, the Company made an application to MSE for voluntary delisting from that Stock Exchange, which has been approved by that Exchange. The equity shares of the Company remains delisted from MSE from 15th October 2014. The equity shares of the Company continue to be listed on National Stock Exchange of India Limited (NSE) and the BSE Limited (BSE).

As per the directions of the Hon'ble High Court of Judicature at Madras, meetings of equity shareholders and holders of FCCB were convened on 22nd July 2015 and 23rd July 2015 respectively for obtaining their approval for the scheme of arrangement for settlement of the outstanding FCCB (Series B). However, at the instance of certain bondholders, the High Court has postponed the aforesaid Court convened meetings to October 2015 to facilitate modification of the Scheme.

The Company continues to be under the Corporate Debt Restructuring Scheme with respect to the secured debts availed from Banks/Financial Institutions. The rework package given by the Company has been approved by the CDR Empowered Group and documentation in respect thereof is yet to be done.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

It is with deep grief and regret, your Directors place on record the demise of Dr.N.Mahalingam (DIN : 00206894), one of the Promoters and Founder Chairman of the Company, on 2nd October 2014. The Directors also place on record their appreciation of the contributions made by Dr.Mahalingam in the development of the Company over a period of more than half a century.

Dr.M.Manickam (DIN : 00102233), Executive Vice Chairman, has been reappointed for a further period of five years from 24th October 2014, subject to the approval of the Central Government. The Government's approval is yet to be received.

At the meeting of the Board of Directors held on 12th November 2014, Dr.M.Manickam has been elected to be the Chairman of the Board and has been re-designated as Executive Chairman.



Sri M. Balasubramaniam (DIN : 00377053) has been appointed as Managing Director and Sri M. Srinivaasan (DIN : 00102387) 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 Central Government has approved the appointment/reappointment for 5 years, but restricted its approval for payment of remuneration for the period from the date of appointment/reappointment till 31st March 2014 and advised the Company to make fresh applications under the Companies Act 2013 for its approval. Accordingly applications have been made to the Central Government for payment of remuneration to Sri M. Balasubramaniam and Sri M. Srinivaasan from 1st April 2014 and the approvals are awaited.

The Board has re-appointed Sri V.K. Swaminathan (DIN : 00210869) as Executive Director for a period of five years from 1st November 2015, subject to the approval of the banks and financial institution, members of the Company and of the Central Government as may be applicable.

The Board of Directors at its meeting held on 30th September 2014 had appointed Sri K.V. Ramachandran (DIN : 00322331), Sri S.Chandrasekhar (DIN : 00011901) and Sri S. Balasubramanian (DIN : 00458139) as Additional Directors to hold office upto the date of the ensuing Annual General Meeting of the Company. With a view to comply with the requirements of Section 149(1) of the Companies Act, these Additional Directors have been appointed as Independent Directors for a term of five years from 30th September 2014, subject to approval of the Members at the ensuing Annual General Meeting.

Mrs.Priya Bhansali (DIN : 00195848) has been appointed by the Board as Additional Director with effect from 27th March 2015 to hold office until the date of the ensuing Annual General Meeting of the Company.

Tamil Nadu Industrial Development Corporation Limited and IDBI Bank Limited have withdrawn their respective Nominees Sri B. Elangovan (DIN : 00133452) and Sri T.A. Ganesh (DIN : 01113674) from the Board of Directors of the Company from 16th October 2014 and 20th May 2015 respectively. The Directors place on record their appreciation of the contributions made by the above Nominee Directors to the Company during their tenure of office as Directors. Sri P.S. Ravendernath (DIN : 00030770) has been nominated on the Board of the Company by Asset Reconstruction Company (India) Limited effective from 2nd June 2015.

Notices together with requisite deposits have been received from certain Members of the Company pursuant to Section 160 of the Companies Act 2013 signifying their intension to propose resolutions for appointment of Sri K.V. Ramachandran, Sri S. Chandrasekhar, Sri S. Balasubramanian and Mrs. Priya Bhansali as Independent Directors of the Company at the ensuing Annual General Meeting. The Nomination and Remuneration Committee and the Board of Directors have recommended appointment of these Directors as Independent Directors by the members at the ensuing Annual General Meeting.

Sri V.K. Swaminathan retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Sri S. Audiseshiah, a retired IAS Officer, has been appointed as Chief Executive Officer of the Company during the financial year and he is not a member of the Board.

Pursuant to the requirement of Section 203 of the Companies Act, 2013, the following Directors/Executives have been designated as whole time Key Managerial Personnel during the year:

Dr.M.Manickam, Executive Chairman
Sri M.Balasubramaniam, Managing Director
Sri M.Srinivaasan, Joint Managing Director
Sri S.Audiseshiah, Chief Executive Officer
Sri M.K.Vijayaraghavan, Chief Financial Officer; and
Sri S.Baskar, Sr.Vice President-Finance & Company Secretary

DIRECTORS RESPONSIBILITY STATEMENT

In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;



- (b) the directors had selected such accounting policies and applied them consistently and made judgments 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 loss of the company for that financial year;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

MEETINGS OF BOARD OF DIRECTORS

The Board met 6 times during the financial year ended 31st March 2015. The details of the Board Meetings and the attendance of the Directors are given in the Corporate Governance Report.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee was reconstituted by the Board on 30.9.2014. The Audit Committee comprises the following Directors as its members:

1. Sri C.Rangamani, Chairman,
2. Sri N.K.Vijayan, and
3. Sri K.V.Ramachandran

Details regarding meetings of the Audit Committee and the attendance of the members are given in the Corporate Governance Report.

BOARD EVALUATION

Pursuant to the provisions contained in the Companies Act 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, Committees of Directors and individual directors. The manner of evaluation is given in the Corporate Governance Report.

DETAILS OF REMUNERATION TO DIRECTORS

Details of Ratio of Remuneration to each Director to the median employee's remuneration and other disclosures required under Section 197(12) of the Companies Act 2013 and Rule 5(1) of the Companies (Appointment and Remuneration) Rules 2014 are given in Annexure-A. The Company does not have any employee attracting the provisions of Rule 5(2) of the said Rules.

RISK MANAGEMENT POLICY

Pursuant to the requirement of Clause 49 of the Listing Agreement, the Company has constituted a Risk Management Committee. The details of the Committee are set out in the Corporate Governance Report. The risk management policy aims to identify, evaluate and mitigate risks. It seeks to ensure transparency and to minimise adverse impact on the business operations of the Company.

ASSOCIATE COMPANY

Effective from 1st April 2014, Sakthi Auto Component Limited has become an Associate Company with about 26% of its total share capital being held by the Company. Pursuant to the third proviso to Rule 6 of the Companies (Accounts) Rules 2014, consolidated financial results of the Company and the Associate Company for the financial year ended 31st March 2015 are not made. In view of this, report on the performance and financial position of the said Associate Company is not provided in terms of Rule 8 of the said Rules.

**INTERNAL CONTROL**

The Company has internal control system commensurate with the size of the Company. Adequate procedures are set for detecting and preventing frauds and for protecting the Company's assets. The head of Internal Audit Team reports to the Chairman of the Audit Committee for the purpose of maintaining independence and Internal Audit Reports are placed before the Audit Committee together with statement of significant audit observation and the suggested corrective action followed by a report on action taken thereon.

VIGIL MECHANISM

The Company has a whistle blower policy and a vigil mechanism for directors and employees to report genuine concerns in the prescribed manner. The vigil mechanism provides adequate safeguards against victimisation and for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. The details of the whistle blower policy are posted on the website of the Company. No complaint has been received under this mechanism during the year under review.

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 this Report.

A detailed Management Discussion and Analysis Report also forms part of this Report.

OTHER DISCLOSURES UNDER THE COMPANIES ACT 2013**i) Extract of Annual Return**

Extract of the Annual Return is given in Annexure-B.

ii) Changes in Share Capital

There has been no change in the share capital during the financial year 2014-15.

iii) Policy on Directors' Appointment and Remuneration

The Company's policy for selection and appointment of directors, senior management personnel and fixation of their remuneration, including criteria for determining qualifications, positive attributes, independence of a director, are given in Annexure-C.

iv) Related Party Transactions

All the related party transactions are at arm's length basis and have taken place in the ordinary course of business. Omnibus approval of the Audit Committee is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions is placed before the Audit Committee on quarterly basis.

The Related Party Transactions Policy as approved by the Board is uploaded on the Company's website www.sakthisugars.com. The details of the transactions with Related Party are provided in the accompanying financial statements.

v) Statement of declarations given by Independent Directors

The Independent Directors have given declarations to the Board to the effect that they meet with the criteria of independence as provided in Section 149(6) of the Companies Act 2013 and the relevant rules.

vi) Significant material orders passed by court or authorities

There are no significant orders passed by Court or regulatory authorities which would impact the status of the Company and its future operations.

vii) Particulars of loans, guarantees or investments

The Company has not given any loan or guarantee or has acquired any security during the financial year 2014-15 under Section 186 of the Companies Act 2013.