

2015-16

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



SAKTHI SUGARS LIMITED

ANNUAL REPORT 2015-16

इश्वरविकारयोगोत्पत्तौ क्रिया शक्तिः

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
Indian Overseas Bank
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 BASKAR
Chief Financial Officer &
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.119 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, 2016

FINANCIAL HIGHLIGHTS		(Rs.in lakhs)	
Particulars	2015-16	2014-15	
Sales (Net)			
Sugar Division	36254.73	42455.46	
Distillery Division	14462.74	10654.66	
Cogeneration Division	19278.44	16884.29	
Soya Division	12104.64	13656.46	
Total sales	82100.59	83650.87	
Other Income	3667.52	3245.53	
Total Income	85768.11	86896.40	
Profit before Finance Cost and Depreciation & Amortisation	7762.23	14375.67	
Finance Cost	7849.43	12934.20	
Provision for Depreciation and Amortisation	7437.00	6379.36	
Net Profit before Tax	(7524.20)	(4937.89)	
Provision for Tax	(2017.09)	(1460.96)	
Net Profit after Tax	(5507.11)	(3476.93)	
Balance of Profit brought forward	(31302.54)	(27402.41)	
Add: Transfer from Revaluation Reserve	1719.28	--	
Less: Previous year depreciation adjustment	--	423.20	
Surplus carried to Balance Sheet	(35090.37)	(31302.54)	

REVIEW OF OPERATION

While the operational performance of Distillery and Power Divisions has been better than the previous financial year, Sugar Division has been affected due to reduction in recovery percentage as well as very low realisation on sugar. There has been a slight dip in the selling price of industrial alcohol which has been compensated to certain extent by increased quantum of sale as compared to the previous financial year. The performance of soya unit is satisfactory. 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 2015-16 is as under:

Name of the Units	Cane crushed (in tonnes)
Sakthinagar	: 6,99,806
Sivaganga	: 2,20,159
Modakkurichi	: 2,70,659
Dhenkanal	: 3,71,865

During the year under review, 1.22 lakh MT of sugar was produced by the Company, which is less by 0.10 lakh MT as compared to the previous year. The quantum of sugar sales and the sale value have also come down as compared to the previous year.

**DISTILLERY DIVISION**

During the year under review, 270.82 lakh litres (previous year 161.18 lakh litres) of industrial alcohol was produced at Sakthinagar Distillery Unit and 63.51 lakh litres (previous year 84.26 lakh litres), at Dhenkanal Distillery Unit.

SOYA DIVISION

21,016 tonnes (previous year 23,056 tonnes) of soya bean was crushed in the soya plant during the year under review. This division had exported products worth Rs. 1278.01 lakhs to various countries.

CO-GENERATION DIVISION

The total power generated in the co-generation plants during the year was 4424.94 lakh units (previous year 3922.77 lakh units) out of which 3580.77 lakh units (previous year 3179.21 lakh units) of power was exported to Tamilnadu Electricity Board. The Agreement with TANGEDCO has expired on 31st May 2016 and the Company is selling the power generated to Indian Power Exchange (IEX) as the Tamilnadu Government has withdrawn its restriction on free sale of power, subject to review in October 2016.

FUTURE OUTLOOK

The sugar industry has undergone a period of stress and strain for the past few years and is in its recovery path. The selling price of sugar is on the increase and is expected to settle at a reasonable price. On account of very weak south west monsoon, there may be reduction in the total availability of sugar cane in the country. While the consumption remains stable, with the shortage in supply, realisation on sugar is expected to rule high during the year. The mills in the southern region may be in an advantageous position as the north east monsoon was normal last year.

The performance of industrial alcohol sector is expected to be better with growth in demand. With the growth in the industrial activities as envisaged by the Central and State Governments, the demand for power may go up. The performance of soya division is also expected to improve with the improvement in the product range.

In general, the outlook of sugar industry is expected to be better than the previous financial year.

DEPOSITS

The Company has not accepted any deposit from public during the financial year under review. At the end of the financial year, 1 deposit amounting to Rs.0.21 lakh (including interest) remained unclaimed.

CORPORATE INFORMATION

The holders of majority of Foreign Currency Convertible Bonds (Series B) had desired to have modification of the Scheme of Arrangement filed with the Hon'ble High Court of Judicature at Madras or settlement of the outstanding amount at discount. On mutual discussion it was agreed to settle holders of USD 11.7 million at 65% of the face value. In view of this, the Scheme of Arrangement has been withdrawn. The above bondholders have been paid as agreed. The Company is yet to settle the holders of FCCB (Series B) of USD 1 million with whom a compromise has been arrived at. An agreement has been reached with the holders of the balance USD 2.9 million of FCCB (Series B) for settlement at discount at 75% of the face value and the approval of the Reserve Bank of India for the same is awaited.

At the instance of majority of Banks, the CDR EG had approved exit of the Company from the Corporate Debt Restructuring Scheme and most of the banks have sold their loan portfolios in respect of the Company to Asset Reconstruction Company (India) Limited (Arcil) and Edelweiss Asset Reconstruction Company Limited (Edelweiss). Arcil and Edelweiss have restructured the loan portfolios acquired by them wherein they have given remission of liability of Rs.124.23 crores. The Company has requested the remaining Banks also for restructure of the loans sanctioned by them.

In terms of the restructure package approved by Arcil, the Company has allotted to Arcil 2,26,35,757 equity shares of Rs.10 each at a price of Rs.27 per share by conversion of a portion of the loans amounting to Rs.61.12 crores. These equity shares are listed on BSE Limited and National Stock Exchange of India Limited and they rank pari passu with the existing equity shares of the Company.

**DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Dr. M. Manickam (DIN: 00102233) retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Sri S.Audiseshiah, Chief Executive Officer, and Sri M.K.Vijayaraghavan, Chief Financial Officer, had resigned from the Company during the financial year under review and Sri S. Baskar, Sr.Vice President-Finance & Company Secretary was appointed as Chief Financial Officer pursuant to Section 203 of the Companies Act 2013 and re-designated as Chief Financial Officer & 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;
- (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; and
- (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 4 times during the financial year ended 31st March 2016. 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 08.08.2015. The Audit Committee comprises the following Directors as its members:

1. Sri C.Rangamani, Chairman
2. Sri N.K.Vijayan
3. Sri K.V.Ramachandran and
4. Smt Priya Bhansali

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, 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) and 5(2) of the Companies (Appointment and Remuneration) Rules 2014 are given in Annexure-A.



RISK MANAGEMENT POLICY

The Company has constituted a Risk Management Committee and the details of the Committee are set out in the Corporate Governance Report. Pursuant to Regulation 17(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Board has laid down risk management policy to identify, evaluate and mitigate risks. It seeks to ensure transparency and to minimise adverse impact on the business operations of the Company.

HOLDING COMPANY

With effect from 24th May 2016, ABT Investments (India) Private Limited has become the holding company in view of vesting the entire equity shareholding of ABT Limited in the Company with ABT Investments (India) Private Limited, pursuant to the Scheme of Demerger of ABT Limited approved by the Honourable High Court of Judicature at Madras.

ASSOCIATE COMPANY

Pursuant to Rule 6 of the Companies (Accounts) Rules 2014, the financial statements for the financial year ended 31st March 2016 of Sakthi Auto Component Limited, Associate Company, have been consolidated and the consolidated financial results of the Company and the Associate Company form part of the audited financial statements of the Company. In terms of Rule 8 of the said Rules, highlights on the performance of the said Associate Company are given hereunder:

(Rs. in lakhs)

	31.3.2016	31.3.2015
Revenue from operations	68284.96	64074.40
Profit before tax	5141.61	2869.68
Profit after tax	3198.58	1922.56

The statement containing the salient features of the Associate Company in Form AOC-1 forms part of the financial statement.

INTERNAL CONTROL

The Company has internal control system commensurate with the size of the Company. Adequate procedures are set out 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. Further the Company has adequate internal financial control with respect to the financial statements.

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

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 2015-16. However, consequent upon allotment of 2,26,35,757 equity shares on 24th June 2016 as mentioned hereinabove, the paid up share capital of the Company has gone up to Rs.118.85 crores.



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. There has been no contract or arrangement with related parties attracting the provisions of Section 188(1) of the Companies Act, 2013.

The Related Party Transactions Policy as approved by the Board is disclosed at the Company's weblink www.sakthisugars.com/investorinformation/rptpolicy.pdf. 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 their declarations to the Board to the effect that they meet 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 2015-16 under Section 186 of the Companies Act, 2013.

viii. Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules 2014 is given in Annexure-D.

ix. There are no material changes affecting the financial position of the Company which has occurred between the end of the financial year and the date of this report.

STATUTORY AUDITORS

Pursuant to Section 139(1) of the Companies Act 2013 and Rule 6 of the Companies (Audit and Auditors) Rules, the members of the Company have appointed M/s.P.N.Raghavendra Rao & Co., Chartered Accountants, Coimbatore, as Statutory Auditors of the Company for a period of three consecutive years commencing from the conclusion of the 52nd Annual General Meeting of the Company upto the conclusion of the 55th Annual General Meeting, subject to ratification at the Annual General Meeting (AGM) each year. Necessary resolution in this regard is included in the Notice for the ensuing AGM.

SECRETARIAL AUDIT

Pursuant to Section 204 of the Companies Act 2013, the Board of Directors of the Company has appointed M/s.S.Krishnamurthy & Co., Company Secretaries, Chennai as Secretarial Auditors to undertake the secretarial audit of the Company for the year ended 31st March 2016. Secretarial Audit Report of M/s. S.Krishnamurthy & Co., Company Secretaries, Chennai is annexed as Annexure-E.

COST AUDIT

M/s. STR & Associates, Cost Accountants, Tiruchirapalli, are the Cost Auditors for auditing the cost accounting records relating to Sugar, Industrial Alcohol, Power and Soya Divisions of the Company for the year ended 31st March 2016. The said Firm has been appointed for the financial year ending 31st March 2017 and necessary resolution for ratification of its remuneration is included in the Notice for the ensuing Annual General Meeting.