

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



SAKTHI SUGARS LIMITED

ANNUAL REPORT 2016-17

इारवकरयोगीवाल कुरीया इकरुथी

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
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CORPORATE OFFICE

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

AUDITORS

M/s. P N Raghavendra Rao & Co
Coimbatore

MAIN BANKERS

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 JIGAR DALAL
(Nominee of ARCIL)

Sri S BASKAR
Chief Financial Officer &
Company Secretary



CONTENTS

Report of the Board of Directors	4
Report on Corporate Governance	34
Management Discussion and Analysis Report	47
Independent Auditors' Report	49
Balance Sheet	57
Statement of Profit and Loss	58
Cash Flow Statement	59
Notes to Financial Statements	60
Significant Accounting Policies	83
Statement relating to Associate Company	86
Consolidated Financial Statements	87

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. 115 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, 2017.

FINANCIAL HIGHLIGHTS		(Rs in lakhs)
Particulars	2016-17	2015-16
Sales (Net)		
Sugar Division	60677.27	36254.73
Distillery Division	13285.26	14462.74
Cogeneration Division	5678.07	19278.44
Soya Division	13045.36	12104.64
Total sales	92685.96	82100.59
Other Income	1227.85	3667.52
Total Income	93913.81	85768.11
Profit before Finance Cost and Depreciation & Amortisation and exceptional item	13791.07	7762.23
Finance Cost	13367.11	7849.43
Provision for Depreciation & Amortisation	8953.79	7437.00
Net Profit before exceptional item and Tax	(8529.83)	(7524.20)
Exceptional Items (Gain)	10173.94	—
Net Profit before Tax	1644.11	(7524.20)
Provision for Tax	600.17	(2017.09)
Net Profit after Tax	1043.94	(5507.11)
Balance Profit brought forward	(35090.37)	(31302.54)
Add: Transfer from revaluation reserve	1717.88	1719.28
Surplus carried to Balance Sheet	(32328.55)	(35090.37)

REVIEW OF OPERATION

The operational performance of Sugar Division has been better than the previous financial year. The quantum of production of industrial alcohol has marginally come down as compared to the previous year. The Co-generation Division has been affected as Tamil Nadu State has become surplus in power. The selling price of sugar is better during the current financial year compared to the previous financial year. There has been increase in the selling price of industrial alcohol. The power division is losing its significance on account of surplus availability of power and sluggishness in demand resulting in drastic reduction in per unit price for power. 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 2016-17 is as under:

Name of the Unit	Cane crushed (in tonnes)
Sakthinagar	: 9,07,001
Sivaganga	: 3,44,291
Modakkurichi	: 3,96,195
Dhenkanal	: 3,28,383

During the year under review, 1.76 lakh MT of sugar was produced by the Company, which is more by 0.54 lakh MT as compared to the previous year. The quantum of sugar sales and the sale value have also gone up as compared to the previous year.

**DISTILLERY DIVISION**

During the year under review, 228.91 lakh litres (previous year 270.82 lakh litres) of industrial alcohol was produced at Sakthinagar Distillery Unit and 61.28 lakh litres (previous year 63.51 lakh litres) at Dhenkanal Distillery Unit.

SOYA DIVISION

21,947 tonnes (previous year 21,016 tonnes) of soya bean was crushed in the soya plant during the year under review. This division had exported products worth Rs.1495.87 lakhs (previous year Rs. 1278.01 lakhs) to various countries.

CO-GENERATION DIVISION

The total power generated in the co-generation plants during the year was 2712.09 lakh units (previous year 4424.94 lakh units) out of which 1614.55 lakh units (previous year 3580.77 lakh units) of power was exported. After the expiry of the Agreement with TANGEDCO on 31st May 2016, the Company is selling the power through Indian Power Exchange (IEX).

FUTURE OUTLOOK

While world's sugar production suggests a situation of surplus during 2017-18, there is uncertainty in the Indian scenario with near normalcy of production in the Northern States and deficit in Southern States. Failure of both south west monsoon and north east monsoon last year has affected planting of sugarcane in Tamil Nadu drastically resulting in deficiency in production of sugar during 2016-17 season. The drought situation continues during the current year also with scanty rainfall in the southwest monsoon so far.

There has been appreciation in the selling price of sugar to a reasonable level. It is expected that the current price may sustain through 2017-18 season. The sugar mills have to pay a higher price as Fair and Remunerative Price for 2017-18 season.

Although the prospects of sugar industry is looking good in view of the sugar price being viable, in the raw material front, it appears to be gloomy in the southern states due to non-availability of adequate sugarcane for crushing on account of severe drought. With a view to tide over the shortage in sugar production, the Central Government has permitted import of 5 lakh MT of raw sugar in all India level and the Company has been permitted to import 37,615 MT of raw sugar, which the Company has imported for refining in its Tamilnadu units.

Unless the nature favours with good monsoon and adequate quantity of sugarcane is made available, the outlook of sugar industry, especially in the south, does not seem to be encouraging.

DEPOSITS

The Company has not accepted any deposit 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. The Company has transferred the unclaimed amount to IEPF account in May 2017.

CORPORATE INFORMATION

At the request of the Company, Bank of India has restructured the loans including interest granted by them by elongating the repayment period i.e. in 24 quarterly instalments in a ballooning manner. A similar request has been made to Punjab National Bank for restructure of the loans sanctioned by them amounting to Rs.50 crores. Allahabad Bank have sold their loan portfolio in respect of the Company to Asset Restructuring Company (India) Limited (Arcil).

FCCB (Series B) of face value of USD 2.90 million had been settled at 75% of the face value as mentioned in the last report. In respect of FCCB (Series B) of USD 1 million for which a compromise has been arrived at with the bondholders, based on the order of the Madras High Court on the compromise memo for settlement of FCCB of face value USD 600,000, the Reserve Bank of India has just given its permission for remittance. This settlement is yet to take place. The order of the High Court on the compromise memo for the balance FCCB of face value of USD 400,000 is awaited.

DIRECTORS

Sri M.Srinivaasan (DIN:00102387) retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

During the financial year under review, Arcil had withdrawn its Nominee Sri P.S. Ravendernath from the Board of the Company on 27.11.2016 and nominated Sri. Jigar Dalal in his place with effect from 2.1.2017. The Board places on record its appreciation of the services rendered by Sri Ravendernath during his tenure as Nominee Director of the Company.

DIRECTORS RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 profit 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 5 times during the financial year ended 31st March 2017. 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 comprises the following Directors as its members:

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

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.

ASSOCIATE COMPANY

Pursuant to Rule 6 of the Companies (Accounts) Rules 2014, the financial statements for the year ended 31st March 2017 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, report on the performance and financial position of the said Associate Company are given hereunder:

(Rs. in lakhs)

	31.3.2017	31.3.2016
Revenue from operations	66376.18	68284.96
Profit before tax	3265.45	5141.61
Profit after tax	1664.40	3198.58

The statement containing the salient features of the Associate Company in Form AOC-1 form 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 form 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

As mentioned in the last report, the paid-up share capital of the Company has gone up to Rs.118.85 crores in view of allotment of 2,26,35,757 equity shares on preferential issue basis on 24th June 2016.

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. Prior approval of the Audit Committee has been obtained for the transactions with related parties. 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 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 their 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 2016-17 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 out go 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

M/s.P.N.Raghavendra Rao & Co., Coimbatore, Statutory Auditors of the Company, (Firm Registration No.003328S) shall hold office till the conclusion of the 55th Annual General Meeting as an audit firm which has completed the term of office for a particular period cannot be considered for re-appointment for a period of five years, pursuant to the provisions of Section 139(2) of the Companies Act, 2013. The Board of Directors wishes to place on record the excellent professional services rendered by the said firm during the tenure of their office. On the recommendation of the Audit Committee, the Board has proposed the appointment of M/s. P.K. Nagarajan & Co., Chartered Accountants (Firm Registration Number 016676S), as Statutory Auditors of the Company for a period of five consecutive years from the conclusion of the 55th Annual General Meeting (AGM) of the Company, subject to ratification at every AGM, if required. Necessary resolution in this regard is included in the Notice of the 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 2017. Secretarial Audit Report of M/s. S.Krishnamurthy & Co., Company Secretaries, Chennai is annexed as Annexure-E.

COST AUDIT

M/s. STR & Associates, Cost & Management 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 2017. The said Firm has been appointed for the financial year ending 31st March 2018 and necessary resolution for ratification of their remuneration is included in the Notice for the ensuing Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pursuant to the provisions of Section 135 of the Companies Act 2013 and Schedule VII thereto, the Company has constituted a CSR Committee and has adopted a CSR Policy. As the Company has incurred loss for the three preceding financial years, the requirement of incurring expenditure towards fulfilment of its corporate social responsibility did not arise during the financial year under review.

DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT 2013

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up at every work place to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. No sexual harassment complaint has been received during the financial year 2016-17.

AUDITORS' REPORT

With reference to the Statutory Auditors' remarks, your Directors wish to state as under:

- a) The unprovided interest and guarantee commission to Promoter group company (erstwhile holding company) will be accounted subject to the approval of the Lenders.
- b) Non-provision of interest is as per the original agreement entered into with the Associate Company.

The Statement of Impact on Audit Qualification is attached as Annexure-F.

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
11th August 2017

M Manickam
Executive Chairman