



SAKTHI SUGARS LIMITED

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

**ANNUAL REPORT
2017-18**



इदं सर्वकार्ययोगोऽयं कृत्वा इक्षते

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
E-mail : shares@sakthisugars.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@sakthisugars.com
Website : www.sakthisugars.com

AUDITORS

M/s. P K Nagarajan & 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
Chairman and Managing Director

Sri M BALASUBRAMANIAM

Sri M SRINIVAASAN

Sri C RANGAMANI

Sri S S MUTHUVELAPPAN

Sri P K CHANDRAN

Sri N K VIJAYAN

Sri K V RAMACHANDRAN

Sri S CHANDRASEKHAR

Sri S BALASUBRAMANIAN

Smt PRIYA BHANSALI

Sri JIGAR DALAL
(Nominee of ARCIL)

Sri S BASKAR
Sr. Vice President &
Company Secretary

Sri C R SANKAR
Chief Financial Officer



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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. 143 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, 2018.

FINANCIAL HIGHLIGHTS		(Rs in lakhs)
Particulars	2017-18	2016-17
Revenue		
Sugar Division	34246.59	61886.47
Distillery Division	4936.91	13320.46
Cogeneration Division	1015.50	5679.55
Soya Division	12821.06	13011.08
Total Revenue	53020.06	93897.56
Other Income	1139.64	2484.84
Total Income	54159.70	96382.40
Profit before Finance Cost and Depreciation & Amortisation and Exceptional Item	(2694.44)	13861.49
Finance Cost	14994.92	14019.81
Provision for Depreciation	5281.69	5700.47
Net Profit before Exceptional Item and Tax	(22971.05)	(5858.79)
Exceptional Items Gain / (Loss)	(2249.33)	10173.94
Net Profit before Tax	(25220.38)	4315.15
Provision for Tax	(7510.12)	1280.17
Net Profit after Tax	(17710.26)	3034.98
Balance brought forward	1681.86	(1353.12)
Retained Earnings	(16028.40)	1681.86

THE INDIAN ACCOUNTING STANDARDS (Ind AS)

The Indian Accounting Standards prescribed under the Companies (Indian Accounting Standards) Rules 2016 are applicable to the Company from 1st April 2017, with 1st April 2016 as transition date. The financial statements for the year ended 31st March 2018 have been prepared in accordance with Ind-AS. The financial results for the previous financial year 2016-17 are adjusted / reconciled as per Ind AS.

REVIEW OF OPERATION

Due to severe drought condition there had been reduction in the availability of sugarcane and the yield has also come down drastically which has resulted in overall reduction in the Company's performance in all the units. The Company had imported and processed raw sugar of 37,768 MT. The power division has lost its significance on account of surplus availability of power and sluggishness in demand resulting in reduction in per unit price for power. The operational performance of Soya Unit is satisfactory. There has been decrease in the selling price of soya products resulting in reduction in the average realisation. There is 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 2017-18 is as under:

Name of the Unit	Cane crushed (in MT)
Sakthinagar	: 99,173
Sivaganga	: 1,48,409
Dhenkanal	: 3,01,660

During the year under review, 0.85 lakh MT of sugar was produced by the Company including 0.35 MT out of raw sugar, which is less by 0.91 lakh MT as compared to the previous year. The quantum of sugar sales and the sale value have come down as compared to the previous year.

**DISTILLERY DIVISION**

During the year under review 63.23 lakh litres (previous year 228.91 lakh litres) of industrial alcohol was produced at Sakthinagar Distillery Unit and 47.31 lakh litres (previous year 61.28 lakh litres), at Dhenkanal Distillery Unit.

SOYA DIVISION

25,004 tonnes (previous year 21,947 tonnes) of soya bean was crushed in the Soya Plant during the year under review. This Division had exported products worth Rs.1530.58 lakhs (previous year Rs.1495.87 lakhs) to various countries.

CO-GENERATION DIVISION

The total power generated in the co-generation plants during the year was 638.41 lakh units (Previous year 2712.09 lakh units) out of which 379.83 lakh units (Previous year 1614.55 lakh units) of power was exported. The Company is selling the power through Indian Energy Exchange (IEX).

FUTURE OUTLOOK

The beginning of south-west monsoon has been good and availability of sugarcane could increase from next season. The financial results are expected to improve positively provided economical prices are given for ethanol and power.

DEPOSITS

The Company has not accepted any deposit during the financial year under review. At the end of the financial year, no deposit is remaining unclaimed.

CORPORATE INFORMATION

In view of the drought condition that prevailed in Tamil Nadu, the Company's operation got affected and it is facing consequential financial strain. The Company is in discussion with the Term lenders for restructuring of the loans with moratorium period till October 2019 and to elongate payment of principal and interest upto 2023.

For the purpose of reducing the liabilities of the Company, the Board of Directors have approved sale of Company's holdings of equity shares in Sakthi Auto Component Limited (SACL), Associate Company, and non-core assets of the Company.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Sri V.K.Swaminathan (DIN:00210869) , Executive Director, has resigned his directorship on 29.05.2018.

Sri M.Srinivaasan (DIN:00102387) has resigned from the office of Joint Managing Directorship on 12th June 2018 and he continues to be a Non-Executive Director.

Sri M.Balasubramaniam (DIN: 00377053) held office as Managing Director of the Company upto 27.6.2018, i.e. upto the end of the tenure of his office as Managing Director. He did not opt for reappointment. He continues to be a Non-Executive Director of the Company. He retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Dr.M.Manickam (DIN: 00102233), Executive Chairman, has been appointed as Chairman and Managing Director of the Company for a period of five years from 12.6.2018 without remuneration, subject to approval of the members at the ensuing Annual General Meeting. He is liable to retire by rotation.

Sri S.Baskar, Chief Financial Officer and Company Secretary, is relieved as Chief Financial Officer and redesignated as Sr. Vice President and Company Secretary. Sri C.R.Sankar, Vice President-Finance and Accounts, has been appointed as Chief Financial Officer with effect from 13th August 2018.

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 are 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 2018. 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 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, a formal annual evaluation of the performance of the Board, its Committees and of individual Directors has been made. The manner in which the evaluation was carried out and the process adopted are 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 2018 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 of the performance of the said Associate Company and its contribution to the overall performance of the Company are given hereunder:

(Rs. in lakhs)

	31.3.2018	31.3.2017
Revenue from operations	75036.84	73952.74
Profit before tax	3836.08	3572.51
Profit after tax	2346.48	1860.02
Total Comprehensive Income	2272.44	1781.84
Contribution to the overall performance of the Company	—	897.06

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 forms part of this Report.

OTHER DISCLOSURES UNDER THE COMPANIES ACT 2013**i. Annual Return**

Extract of the Annual Return has been placed in the Company's website www.sakthisugars.com, pursuant to Section 134(3)(a) as amended.

ii. Changes in Share Capital

There is no change in the share capital during the financial year under review.

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 available in the Company's website www.sakthisugars.com and the salient features of the Policy are given in Annexure-B

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 during the financial year under review.

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 Parties 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 2017-18 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-C.

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.**x. The Company has complied with the Secretarial Standards as may be applicable to the Company.**

**STATUTORY AUDITORS**

M/s. P.K. Nagarajan & Co., Chartered Accountants (Firm Registration Number 016676S), have been appointed by the members as Statutory Auditors of the Company for a period of five consecutive years from the conclusion of the 55th Annual General Meeting held on 27th September, 2017 till the conclusion of the 60th Annual General Meeting. They have confirmed that they are not disqualified for continuing as Statutory Auditors of the Company.

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 2019. Secretarial Audit Report of M/s. S.Krishnamurthy & Co., Company Secretaries, Chennai for the year ended 31st March 2018 is annexed as Annexure-D.

COST AUDIT

The Company is required to maintain cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 and accordingly such accounts and records are made and maintained by the Company. 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 2018.

The said Firm has been appointed for the financial year ending 31st March 2019 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 and the same is available in the Company's website www.sakthisugars.com. 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 complied with the provisions relating to the constitution of Internal Complaints Committee under the 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 said Act. An Internal Complaints Committee (ICC) has been set up at every work place of business 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 2017-18.

AUDITORS' REPORT

With reference to the Statutory Auditors' remarks, your Directors wish to state that the 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-E.

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

Chennai
24th August 2018

M Manickam
Chairman and Managing Director