

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



SAKTHI SUGARS LIMITED

ANNUAL REPORT 2007-08

इश्वरवक्त्रयोगीश्वर क्रीया शक्ति

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



Dr N MAHALINGAM
Chairman

Sri M MANICKAM
Vice Chairman & Managing Director

Sri M BALASUBRAMANIAM
Joint Managing Director - Finance

Sri M SRINIVAASAN
Joint Managing Director - Technical

Sri V K SWAMINATHAN
Executive Director

Sri P K CHANDRAN

Sri G G GURUMURTHY

Sri S S MUTHUVELAPPAN

Sri N K VIJAYAN

Sri S DORESWAMY

Sri C RANGAMANI

Sri B ELANGO VAN (Nominee of TIDCO)

Smt S USHA (Nominee of IDBI)

Directors

Sri S BASKAR
Vice President - Finance & Company Secretary

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 Ltd
Bank of India
Canara Bank
IDBI Bank Limited
Indian Overseas Bank
Oriental Bank of Commerce
Punjab National Bank
State Bank of India
HDFC Bank Limited
Citibank NA

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt. Limited
(Formerly Intime Spectrum Registry 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



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NOTICE TO MEMBERS

Notice to Members

Notice is hereby given that the 47th Annual General Meeting of the Company will be held at its Registered Office at Sakthi Nagar – 638 315, Bhavani Taluk, Erode District, Tamilnadu, on Tuesday the 31st day of March 2009 at 2.45 p.m to transact the following business:

1. To consider and adopt the audited Profit and Loss Account for the year ended 31st December 2008 and audited Balance Sheet as at that date and the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Sri V K Swaminathan, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri P K Chandran, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Sri G G Gurumurthy, who retires by rotation and is eligible for reappointment.
5. To appoint M/s. P N Raghavendra Rao & Co., Chartered Accountants, as Auditors of the Company to hold office upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
"RESOLVED that Sri C Rangamani, who was co-opted as an Additional Director of the Company on the Board as per Article 100 of the Articles of Association of the Company and who holds office upto the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation. "

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that subject to the approval of the Central Government and Banks, as may be required, Sri M Balasubramaniam be and is hereby appointed as Joint Managing Director-Finance of the Company for a period of five years with effect from 23.1.2009 and that Sri M Balasubramaniam be paid remuneration as detailed below:

I. SALARY

Rs.1,00,000 (Rupees one lakh only) per month.

II. PERQUISITES

In addition to the salary, Sri M Balasubramaniam shall also be entitled to the following perquisites:

- (a) Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act 1961.
- (b) Gratuity at the rate of half a month's salary for each completed year of service and
- (c) Encashment of leave at the end of tenure as per the rules of the Company.

The above salary and perquisites will be paid as minimum remuneration even in the event of loss or inadequacy of profit in any year.

III. COMMISSION

1% Commission on the net profits of the Company, subject to the maximum ceiling specified in Section 309(3) of the Companies Act, 1956."

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that subject to the approval of the Central Government and Banks as may be required, Sri M Srinivaasan be and is hereby appointed as Joint Managing Director-Technical of the Company for a period of five years with effect from 23.1.2009 and that Sri M Srinivaasan be paid remuneration as detailed below:



I. SALARY

Rs.1,00,000 (Rupees one lakh only) per month.

II. PERQUISITES

In addition to the salary, Sri M Srinivaasan shall also be entitled to the following perquisites:

- (a) Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act 1961.
- (b) Gratuity at the rate of half a month's salary for each completed year of service and
- (c) Encashment of leave at the end of tenure as per the rules of the Company.

The above salary and perquisites will be paid as minimum remuneration even in the event of loss or inadequacy of profit in any year.

III. COMMISSION

1% Commission on the net profits of the Company, subject to the maximum ceiling specified in Section 309(3) of the Companies Act, 1956."

9. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:

A. "RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors under the provisions of Section 293(1)(a) of the Companies Act, 1956 :

- (i) to mortgage and /or charge as security the assets of the Company as per the terms of issue and the Trustee Agreement and / or for conferring power to enter upon and take possession of the premises / assets secured in certain events to or in favour of the Debenture Trustee in respect of Redeemable Non-Convertible Debentures aggregating to Rs. 20 crores; and
- (ii) to authorise the Board of Directors of the Company for agreeing with the said Debenture Trustee the terms and conditions to reserve a right to take over the management of the whole of the undertaking of the Company in certain events in terms of the agreement in connection with the creation of security and other incidental matters."

B. "RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to finalise with the Debenture Trustee the documents for creating the aforesaid mortgage/charge and/or for conferring the aforesaid rights and to do all such acts and things as may be necessary for giving effect to the above resolution."

10. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the Board of Directors of the Company to borrow for the purpose of the Company, a sum or sums of monies (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) not exceeding Rs.1500 crores (Rupees one thousand five hundred crores only) over and above the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

By Order of the Board

Coimbatore
19th February 2009

S BASKAR
Vice President -Finance & Company Secretary



NOTICE TO MEMBERS

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT SAKTHI NAGAR - 638 315, BHAVANI TALUK, ERODE DISTRICT OR AT THE CORPORATE OFFICE AT 180, RACE COURSE ROAD, COIMBATORE - 641 018 NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.
2. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business under Item Nos.6 to 10 is annexed.
3. As required under Clause 49 (IV)(G) of the Listing Agreement, the relevant details of Directors seeking appointment / re-appointment under Item Nos 2 to 4 and 6 to 8 are annexed.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 17.03.2009 to 31.03.2009 (both days inclusive).
5. The Company had transferred all unclaimed dividend declared upto financial year ended 31.3.1994 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Stock Exchange Building, Trichy Road, Singanallur, Coimbatore 641 005.
6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, Equity dividends for the years ended 31.3.1995 to 31.3.1997 and Preference Dividends for the years ended 31.3.1995 to 30.6.1999 that remained unclaimed for a period of seven years from the date of transfer to the respective Unpaid Dividend Accounts have been transferred to Investors Education and Protection Fund established under Section 205C of the Companies Act, 1956 and hence no claim shall lie against the company or the Central Government for such unclaimed dividends.
7. The unclaimed dividend on Equity Shares for the years ended 30.6.2006 and 30.6.2007 will be transferred to the Investors Education and Protection Fund Account during February 2014 and 2015 respectively. Shareholders who have not encashed their dividend warrants are requested to claim the dividend from the Company at an early date.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956

Item No. 6

Sri. C Rangamani was appointed as an Additional Director of the Company by the Board of Directors with effect from 29th January 2008. Prior to his appointment as Additional Director of the Company, Sri C Rangamani was the Nominee Director of General Insurance Corporation of India (GICI). Sri C Rangamani is a Graduate in Science and in General Law and Fellow Member of the Insurance Institute of India. He has long years of experience in GICI and Life Insurance Corporation of India. He retired as General Manager of United India Insurance Company Limited.

As per Article 100 of the Company's Articles of Association, Sri C Rangamani will hold office upto the date of ensuing Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the name of Sri C. Rangamani for appointment as a Director of the Company, liable to retire by rotation. Necessary resolution is placed before the members for approval.

None of the Directors other than Sri C Rangamani himself is concerned or interested in this resolution.

**Item No.7**

The activities of the Company are multi-faceted consisting of manufacture of sugar and industrial alcohol, generation of power and processing of soya beans with factories located at different places in two States. During the year under review, a green field sugar plant with a capacity of 3500 TCD has been established at Modakurichi. Two co-generation plants with a capacity to generate 25 MW and 35 MW have been established at the sugar unit premises at Modakurichi and Sivaganga respectively. An additional co-generation plant with 25 MW capacity is under implementation at Sakthinagar.

Considering the increased activities on account of the recent expansion of capacities, on the recommendation of the Remuneration Committee of Directors, the Board of Directors at its meeting held on 23rd January 2009 appointed Sri M Balasubramaniam as Joint Managing Director – Finance of the Company, on the remuneration set out in the resolution.

Sri M Balasubramaniam holds a Masters Degree in Commerce and also holds Masters degree in Business Administration from Notre Dame University, USA. He has rich experience in financial management. He is the Vice Chairman & Managing Director of Sakthi Finance Limited.

The appointment and payment of remuneration are subject to the approval of the Members of the Company, Central Government and Banks as may be necessary. Necessary resolution is placed before the Members for approval.

Sri M Balasubramaniam may be deemed to be concerned or interested in the resolution as it relates to his appointment and remuneration.

Dr.N Mahalingam, Chairman, Sri M Manickam, Vice Chairman & Managing Director and Sri M Srinivaasan, Joint Managing Director - Technical, are interested as his relatives.

Item No. 8

Considering the reasons explained in Item No. 7, on the recommendation of the Remuneration Committee of Directors, the Board of Directors at its meeting held on 23rd January 2009, appointed Sri M Srinivaasan as Joint Managing Director – Technical of the Company on the remuneration set out in the resolution.

Sri M Srinivaasan is an engineering graduate and holds a Masters Degree in Business Administration from Pennsylvania University, USA and has thorough knowledge on the technical aspects of sugar industry. He is the Managing Director of Sri Chamundeswari Sugars Limited.

The appointment and payment of remuneration are subject to the approval of Members of the Company, Central Government and Banks as may be necessary. Necessary resolution is placed before the Members for approval.

Sri M Srinivaasan may be deemed to be concerned or interested in the resolution as it relates to his appointment and remuneration.

Dr.N Mahalingam, Chairman, Sri M Manickam, Vice Chairman & Managing Director, and Sri M Balasubramaniam, Joint Managing Director - Finance, are interested as his relatives.



NOTICE TO MEMBERS

Item No.9

To meet the working capital requirements of the Company, the Board of Directors at its meetings held on 30th April and 31st October 2008, issued 12% - Secured Redeemable Non-Convertible Cumulative/Non-Cumulative Debentures aggregating to Rs. 20 crores under different Series. The above debentures are secured, among others, by mortgage/charge on the assets of the Company created/to be created in favour of the Debenture Trustee as per the terms of the Trusteeship Agreement.

As per Section 293(1)(a) of the Companies Act, 1956, approval of the Members is required to the Board of Directors to mortgage or charge the aforesaid properties of the Company. Necessary resolutions are placed before the Members for approval.

Copies of Trusteeship Agreement and documents creating mortgage are available for inspection of the Members at the Registered Office of the Company between 10.00 AM and 3.00 PM on all working days upto the date of the ensuing Annual General Meeting.

None of the Directors is concerned or interested in the said resolutions.

Item No. 10

At the Extraordinary General Meeting held on 28th February 2006, the Members had authorised the Board of Directors to borrow moneys for the purpose of the Company not exceeding Rs.1000 crores over and above the paid-up capital and free reserves of the Company. To enable the Board of Directors to borrow funds for meeting additional working capital and other requirements, the borrowing powers given to the Board of Directors have to be increased. Necessary resolution is placed before the Members for approval authorising the Board of Directors to borrow upto Rs.1500 crores (Rupees One Thousand Five Hundred Crores only) over and above the paid-up capital and free reserves of the Company.

None of the Directors is concerned or interested in the said resolution.

By Order of the Board

Coimbatore
19th February 2009

S BASKAR
Vice President -Finance & Company Secretary



Appointment / Re-appointment of Directors

A brief resume of Directors proposed to be appointed/re-appointed are given in terms of Clause 49 of the Listing Agreement

1.	Name	:	Sri V K Swaminathan
	Date of Birth & Age	:	7.1.1953 – 56 Years
	Date of Appointment	:	31.1.2002
	Experience	:	Rich experience in business management and in exports
	Other Directorship	:	Sri Chamundeswari Sugars Ltd Biomed Hitech Industries Limited
	No.of equity shares held	:	1900 Shares
	Relationship with other Directors	:	None
2.	Name	:	Sri P K Chandran
	Date of Birth & Age	:	6.9.1948 – 60 Years
	Date of Appointment	:	14.11.1977
	Qualification	:	M.Com
	Experience	:	Rich experience in sugarcane cultivation
	Other Directorship	:	Nil
	No.of equity shares held	:	6424 Shares
	Member of Committees	:	Sakthi Sugars Limited Remuneration Committee
	Relationship with other Directors	:	None
3.	Name	:	Sri G G Gurumurthy
	Date of Birth & Age	:	22.12.1921 – 87 Years
	Date of Appointment	:	7.12.1983
	Experience	:	Rich experience in sugarcane cultivation
	Other Directorship	:	Nil
	No.of equity shares held	:	700 Shares
	Relationship with other Directors	:	None
4.	Name	:	Sri C Rangamani
	Date of Birth & Age	:	1.11.1941 – 67 Years
	Date of Appointment	:	29.1.2008
	Qualification	:	B.Sc., B.G.L., FIII
	Experience	:	Rich experience in insurance and general management
	Other Directorship	:	Pennar Industries Ltd Sakthi Auto Component Ltd
	No.of equity shares held	:	500 Shares
	Member of Committees	:	1. Sakthi Sugars Limited Audit Committee (Chairman) Remuneration Committee
			2. Pennar Industries Limited Audit Committee (Chairman) Shareholders / Investors Grievance Committee (Chairman)
	Relationship with other Directors	:	None



APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

5.	Name	:	Sri M Balasubramaniam
	Date of Birth & Age	:	06.05.1958 - 50 Years
	Date of Appointment - As Director	:	21.8.1989
	- As JMD-Finance	:	23.1.2009
	Qualification	:	M.Com., M.B.A (USA)
	Experience	:	Rich industrial experience and business management
	Other Directorship	:	Sakthi Finance Limited Sri Bhagavathi Textiles Limited Sri Sakthi Textiles Limited Sakthi Auto Component Limited Sri Chamundeswari Sugars Ltd ABT Limited ABT Industries Limited ABT Values Limited ABT Finance Limited Sakthi Management Services (Coimbatore) Limited Sakthi Properties (Coimbatore) Ltd Sakthi Logistic Services Limited The Gounder and Company Auto Ltd ABT Foods Retailing (India) Ltd
	No.of equity shares held	:	337325 Shares
	Member of Committees	:	1. Sri Chamundeswari Sugars Ltd Shareholders/Investors Grievance Committee 2. Sakthi Sugars Ltd Audit Committee and Shareholders/Investors Grievance Committee 3. Sakthi Finance Ltd Shareholders/Investors Grievance Committee
	Relationship with other Directors	:	Dr N Mahalingam - Father, Sri M Manickam and Sri M Srinivaasan - Brothers
6.	Name	:	Sri M Srinivaasan
	Date of Birth & Age	:	2.9.1966 – 42 Years
	Date of Appointment - As Director	:	23.8.1995
	- As JMD-Technical	:	23.1.2009
	Qualification	:	B.E., M.B.A (USA)
	Experience	:	Rich experience in management of sugar company of sugar company
	Other Directorship	:	Sri Chamundeswari sugars Ltd ABT Limited ABT Industries Ltd Sakthi Finance Limited Sri Bhagavathi Textiles Ltd Sakthi Management Services (Coimbatore) Ltd Sakthi Textiles Limited The Gounder & Company Auto Ltd ABT Foods Retailing (India) Ltd Sakthi Auto Component Ltd
	No.of equity shares held	:	201000 Shares
	Member of Committees	:	Sri Chamundeswari Sugars Ltd Shareholders/Investors Grievance Committee
	Relationship with other Directors	:	Dr N Mahalingam - Father, Sri M Manickam and Sri M Balasubramaniam - Brothers



REPORT OF THE DIRECTORS

To the Members

Your Directors present their Annual Report together with the audited financial accounts of the Company for the year ended 31st December 2008 consisting a period of 18 months.

FINANCIAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2008		(Rs. in lakhs)
Profit before interest, and depreciation and loss on		
Foreign Exchange Fluctuation / Derivative Transactions		17124.85
Less: Interest	15886.62	
Depreciation on Fixed Assets	4294.29	
Loss on Foreign Exchange Fluctuation / Derivative Transactions (Net)	5657.61	
		<u>25838.52</u>
Loss before Tax		8713.67
Less : Deferred Tax Asset		<u>758.59</u>
		7955.08
Transferred from General Reserve	2539.72	
Less : Deferred Tax - Previous Years	2539.72	
		<u>—</u>
Loss after Tax		7955.08
Less : Previous year's credit balance in Profit and Loss Account b/f	4448.08	
Excess Provision reversed	60.49	
Transfer from General Reserve	3698.51	
		<u>8207.08</u>
Balance in P & L Account before provision for diminution in value of investment		252.00
Less : Provision for diminution in value of investment		<u>252.00</u>
Carried forward to Balance Sheet		<u>—</u>

DIVIDEND

In view of the loss incurred by the Company, no dividend has been recommended by the Directors.

REVIEW OF OPERATIONS

SUGAR DIVISION

The quantum of cane crushed at various units of the Company for the year 2007-08 is as under:

Sakthinagar Unit	:	23,56,472 tonnes
Sivaganga Unit	:	9,79,339 tonnes
Dhenkanal Unit	:	3,66,430 tonnes
Modakurichi Unit	:	7,14,068 tonnes

During the year under review, 4,00,678 tonnes of sugar was manufactured. The Company exported 187236 tonnes of sugar. The cane availability was far less than the previous year, which had impacted the working results of the Company. In general on an all India basis also, the pattern of lesser supply of cane prevailed. In the current sugar season the sugar plant at Modakurichi is not in operation due to inadequate availability of cane and consequently the co-generation plant is also not in operation.



REPORT OF THE DIRECTORS

Sakthinagar Sugar Unit has received the Best Sugar Factory Award for the highest cane crushing for the season 2007-08 from SISSTA, Chennai. The Dhenkanal Unit has also received the State Safety Award for winning 3rd prize in lowest severity rate of accident category for the year 2006 from the Government of Orissa and Best Sugar Factory Award for the highest cane crushing as well as highest cane recovery for the season 2007-08 from SISSTA.

DISTILLERY DIVISION

During the year under review, 571.21 lakh litres of industrial alcohol was produced at Sakthi Nagar Unit and 66.22 lakh litres at Dhenkanal Unit.

In the current year, 400 lakh litres of industrial alcohol is estimated to be produced and favourable realisation is expected.

The Company has not produced ethanol as the ethanol blending programme of State Government has not been implemented in the State of Tamilnadu.

SOYA DIVISION

1,14,970 tonnes of soya bean has been crushed in the soya plant during the year under review which includes 67,085 tonnes on job work basis. This division exported products worth Rs.3067.42 lakhs to various countries.

CO-GENERATION PLANT

The Company has successfully implemented the 35 MW cogeneration plant at Sivaganga Sugar mill premises and it has commenced its operation from 1st February 2008 onwards.

The total power generated in all the cogeneration plant at Sakthinagar, Modakkurichi and Sivaganga during the year was 4,877 lakh units of which 3,239 lakh units have been exported to the State grid of the Tamilnadu Electricity Board. The erection of second cogeneration plant in Sakthinagar is in progress.

DEPOSITS

At the end of the financial year, 359 deposits amounting to Rs. 141.80 lakhs which were due for repayment remained unclaimed on their due dates. Of these, 91 deposits totalling Rs.60.06 lakhs have since been repaid or renewed at the option of the depositors.

FUTURE OUTLOOK

The total cane crush of the Company for the year 2009 is estimated to be lesser than the previous year. However, on account of overall reduction in sugar production due to decrease in the availability of sugarcane, sugar price is expected to improve during the current year. Tamilnadu Electricity Board is considering granting permission to sugar mills for third party sale of power generated by them which may enable the company to increase its revenue from the cogeneration operation.

DIRECTORS

Upon withdrawal of its nominee Sri C Rangamani by GICI, the Board of Directors of the Company appointed him as an Additional Director with effect from 29.1.2008. He will hold office till the date of the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing the name of Sri C Rangamani for appointment as a Director of the Company.

Smt.S Usha has been appointed by IDBI as its Nominee Director in place of Sri K Davidson. Sri B Elangovan has been appointed by TIDCO as its Nominee Director in place of Sri B Ramakrishnan.

Sri K V Ramaswamy, a Director of the Company, has resigned from the directorship in the Company with effect from 23rd January 2009.



Your Directors wish to place on record their appreciation of the services rendered by Sri K Davidson, Sri B Ramakrishnan and Sri K V Ramaswamy during the tenure of their office as Directors.

Sri M Balasubramaniam has been, subject to the approval of the Central Government, Members of the company and Banks, as may be necessary, appointed as Joint Managing Director - Finance of the Company for a period of 5 years with effect from 23rd January 2009.

Sri M Srinivasan has been, subject to the approval of the Central Government, Members of the company and Banks, as may be necessary, appointed as Joint Managing Director - Technical of the Company for a period of 5 years with effect from 23rd January 2009.

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

Sri V K Swaminathan
Sri P K Chandran
Sri G G Gurumurthy

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' responsibility statement, it is hereby confirmed that :

- a) in the preparation of the annual accounts for the financial year ended 31.12.2008 the applicable accounting standards had been followed and that there are no material departure.
- b) the Directors had selected such accounting policies and applied them consistently and made judgements 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 the year under review;
- c) 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) the Directors had prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

The Audit Committee comprised Sri C Rangamani, Sri M Balasubramaniam, Sri K Davidson and Sri K V Ramaswamy was re-constituted on 29th January, 2008 with the following Directors as its members:

Sri C Rangamani, Chairman
Sri M Balasubramaniam
Sri S Doeswamy and
Sri K V Ramaswamy

This Committee was again reconstituted on 23rd January 2009 on account of resignation of Sri K V Ramaswamy. The Audit Committee at present comprises the following Directors:

Sri C Rangamani, Chairman
Sri M Balasubramaniam
Sri S Doeswamy and
Smt S Usha



REPORT OF THE DIRECTORS

SUBSIDIARY COMPANIES

Sakthi Auto Component Limited, the wholly owned subsidiary of the Company, through its European subsidiary, Orlandofin BV, acquired Arvika Gjuteri AB, in Sweden having a foundry unit with a production capacity of 30,000 MT per annum in February 2008. This Company has been catering to the needs of heavy vehicles like trucks, off-road vehicles.

After the economic meltdown, there has been a substantial reversal in the market condition in Europe, particularly in Auto Industry. The order book position started falling down very steeply, especially in the truck segment. On account of this, the capacity utilization in the foundries in Germany and in Sweden has come down drastically. However, the downfall in the company's Portugal subsidiary was not so severe as the product mix is predominantly for passenger cars.

Consequent upon the illiquidity caused by sharp reduction in the order booking level, the company's two of European step down subsidiaries viz., Sakthi Germany GmbH, Germany which owns and operates two plants in Germany and Sakthi Sweden A.B., Sweden, the Swedish holding company, have filed bankruptcy as required under the laws of the respective countries. Another subsidiary company viz. Arvika Gjuteri AB, having a manufacturing facility in Sweden, has filed for financial reconstruction under Swedish laws. The Courts in Germany and in Sweden have appointed Administrators to manage the assets of the companies under bankruptcy / restructure.

The Company has applied to the Central Government u/s 212(8) of the Companies Act, 1956, seeking exemption from attaching copies of the Balance Sheet, Profit and Loss Account, Reports of the Board and the Auditors of the subsidiary companies and statement of holding company's interest in the subsidiaries to the Balance Sheet of the Company as at 31st December 2008. The related detailed information of the accounts of the Indian subsidiary companies will be made available to the shareholders of the holding and subsidiary companies seeking such information at any point of time. The Annual Accounts of the Indian subsidiary companies will also be kept for inspection by the shareholders at the Registered Office of the Company.

Due to the latest developments of bankruptcy with respect to some of the European subsidiaries, the accounts of all the European subsidiaries are not available for the purpose of consolidation. As such, the consolidated financial accounts given in this Annual Report do not include the financial results of European subsidiaries.

CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

AUDITORS

M/s P.N.Raghavendra Rao & Co., Statutory Auditors of the Company, retire at the conclusion of the Annual General Meeting and are eligible for re-appointment. A certificate under section 224(1B) has been obtained from them.

COST AUDIT

The Company has appointed M/s STR & Associates, Cost Accountants, to audit the cost accounts relating to Sugar Units and Industrial Alcohol units for the year 2009.

CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

- i) In Sakthinagar Unit, one 750 KW Fibrizer Motor and one 220 KW leveller motor were used in A Mill and B Mill operations respectively, due to less fibre % cane.
- ii) Integrated evaporation system along with Multipressure distillation system have been incorporated in order to reduce the quantity of effluent. Since reboilers are incorporated, the steam condensate can be recycled back as boiler feed water. Further, the consumption of steam per litre of alcohol will get reduced considerably in Sakthinagar Unit.



- iii) In Dhenkanal Unit, Installation of variable frequency drives instead of Squirrel cage.
- iv) Induction motors at soya unit in Dhenkanal.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
Conversion of 250 HP Boiler I D Fan to VFD Drives is being implemented in Dhenkanal Unit.
- (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:
 - i) Average of 237600 units is saved in Sakthinagar Unit.
 - ii) Effluent will be concentrated in the evaporation system.
 - iii) Substantial increase in saving of power is expected in Dhenkanal Soya extrusion plant.

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

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 and forming part of this report have been provided in Annexure 2 to this report.

AUDITORS REPORT

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

- a Arrangements are being made for remittance of Income Tax amounting to Rs.332.49 lakhs at the earliest.
- b. The Company has applied under Corporate Debt Restructuring Scheme (CDR) for restructuring of the loans.
- c. An application has been made under Section 212(8) of the Companies Act, 1956 seeking exemption of application of section 212(1) relating to subsidiary companies.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the valuable assistance and co-operation extended by the shareholders, cane growers, commercial 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
19th February 2009

N MAHALINGAM
Chairman



REPORT OF THE DIRECTORS

ANNEXURE - 1

TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2008 - ENERGY CONSERVATION MEASURES

FORM A

Disclosure of Particulars with respect to conservation of energy

Particulars	Current Year (18 Months)	Previous Year (12 Months)
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a) Purchased		
Units	13800045	7209731
Total Amount (Rs.in lakhs)	672.52	364.45
Rate/Unit (Rs.)	4.87	5.05
b) Own Generation		
i) Through Diesel Generator - Units	929536	484351
Diesel Oil (Ltrs)	312691	168901
Total Consumption Value	111.44	58.87
Units per Ltr of Diesel Oil	2.97	2.87
Cost/Unit (Rs.)	11.99	12.15
ii) Through Steam Turbine/Generator - Units	134141526	93736297
Units per Ltr of Fuel Oil/Gas	--	--
Cost/Unit	*	*
2. COAL		
Quantity (Tonnes)	30580.755	6733.965
Total Cost (Rs.in lakhs)	851.60	173.01
Average Rate per Tonne (Rs.)	2784.76	2569.21
3. FURNACE OIL		
Quantity (KL)	92.105	89.750
Total Cost (Rs.in lakhs)	24.27	19.36
Average Rate per Litre (Rs.)	26.35	21.57
4. FIREWOOD		
Quantity (Tonnes)	57.240	1052.880
Total Cost (Rs.in lakhs)	0.90	12.78
Average Rate per Tonne (Rs.)	1572.33	1213.81



Particulars	Current Year (18 Months)	Previous Year (12 Months)
5. OTHERS/INTERNAL GENERATION		
a) Bagasse (MT)	519474	357719
Total (Cost)	**	**
Rate/Unit	--	--
b) Bio Gas		
Quantity (Cu.Mtr)	6465764	11660847
Total Cost	**	**
Rate/Unit	--	--
c) Paddy Husks		
Quantity (Tonnes)	938.645	257.220
Total Cost (Rs.in lakhs)	20.23	4.54
Rate/Unit (Rs.)	2155.23	1765.03
d) Coconut Shell Chips & others		
Quantity (Tonnes)	1226.220	4008.960
Total Cost (Rs.in lakhs)	27.41	59.85
Rate/Unit (Rs.)	2235.32	1492.91

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

B. CONSUMPTION PER UNIT OF PRODUCTION

Particulars	Current Year (18 Months)			Previous Year (12 Months)		
Products (with details) Unit	Sugar Qtl	Alcohol Ltrs	Soya MTs	Sugar Qtl	Alcohol Ltrs	Soya MTs
Electricity (Units)	29.63	0.27	219.43	26.24	0.20	217.90
Furnace Oil (Ltrs)	-	-	0.77	-	-	0.97
Coal (Tonnes)	-	-	0.133	-	-	0.068
Others : Bio-gas (Cu.Mtrs)	-	0.10	-	-	0.35	-

On behalf of the Board of Directors

Coimbatore
19th February 2009

N MAHALINGAM
Chairman

FORM-B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company

Special trials involving liquid bio-fertilizers and effective micro organism solution for nurturing cane and for rapid trash decomposition has been conducted and is put on use in Sivaganga Unit.

Multiplication of new sugarcane variety like 86V96, 86V15 & 83R23 (III-tier Programme) in Dhenkanal Unit.



REPORT OF THE DIRECTORS

2. Benefits derived as a result of the above R & D

Effective tools for off-barring, earthing up and soil cover for easy trash decomposition has been designed and put under mass utilization in Sivaganga Unit

Increase in cane yield (plant and ratoon) crop between 3-4 Mts per acre during 2008-09 crushing season compared to last year, in Sivaganga Unit

3. Future plan of action

New implements for rapid trash decomposition in manually harvested plots is under study in Sivaganga Unit.

Introduction of New variety of sugarcane in Dhenkanal Unit.

The spacing trials under drip system is studied involving paired row to be cost effective and remunerative to the farmers.

New trials for long distance haulage of billet cane is being studied for effective designing and higher tonnage haulage.

Thrust studies are taken up involving bio organisms for the control of plant diseases.

Periodical varietal up-gradational study is being taken up.

4. Expenditure on Research and Development

(Rs.in lakhs)

a	Capital	—
b	Recurring	60.29
c	Total	60.29
d	Total R&D expenditure as a percentage of total turnover	0.05

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts in brief made towards technology absorption, adaptation and innovation

Incorporation of expander technology in seed preparation for solvent extraction in Soya Unit.

Incorporation of additional stone separation in seed cleaning process in Soya Unit.

Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

Increase in production capacity from 300 TPD to 350 TPD in Soya Unit.

Reduction in residual oil in extracted meal from 1.13% to 1.02% in Soya Unit.

In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.

a	Technology imported] Not Applicable
b	Year of Import	
c	Has technology been fully absorbed?	
d	If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action	



FOREIGN EXCHANGE EARNINGS AND OUTGO

- a. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

The Company has exported sugar and soya products valued at Rs 25656.25 lakhs during the year under review. Efforts are being taken to increase the volume of export.

b. Total foreign exchange earned and used :	(Rs. in lakhs)
Foreign Exchange earned during the year	23251.84
Foreign Exchange used :	
1. Outgo:	
a Subscription and Membership	0.85
b R & D Expenses	5.97
c Foreign Travel	11.43
d Sales Promotion Expenses	4.80
	<u>23.05</u>
2. Import:	
a Spares & Others	15.03
b Capital Goods	479.67
	<u>494.70</u>
Total	<u>517.75</u>

On behalf of the Board of Directors

Coimbatore
19th February 2009

N MAHALINGAM
Chairman

ANNEXURE 2

TO DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2008

Name	Designation Nature of duties	Remuneration (Rs.in lakhs)	Qualifications	Exp. (Years)	Date of Commencement of employment	Age	Last employment held
Sri M Manickam	Vice Chairman & Managing Director (Overall management of the affairs of the Company)	40.95	M.Sc., MBA (Mich)	29	9.9.1983	53	—

Note :

1. Sri M Manickam is related to Dr.N Mahalingam, Chairman, Sri M Balasubramaniam and Sri M Srinivaasan, Joint Managing Directors of the Company.
2. The nature of employment is contractual.
3. Remuneration comprises salary, accommodation, company's contribution to PF and other funds, monetary value of other perquisites.

On behalf of the Board of Directors

Coimbatore
19th February 2009

N MAHALINGAM
Chairman



REPORT ON CORPORATE GOVERNANCE

Report On Corporate Governance

COMPANY'S PHILOSOPHY

The Company's philosophy on corporate governance endeavours attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all the interactions with its stakeholders, including shareholders, employees, cane growers, lenders and the Government.

BOARD OF DIRECTORS

a. Composition and size of the Board

The Board consists of a Non-Executive Chairman, Vice Chairman and Managing Director, two Joint Managing Directors, an Executive Director and eight Non-Executive Directors, including two Directors nominated by an Institution and Bank.

The Board has a Non-Executive Chairman and the number of independent directors is more than one-half of the total number of directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

The Non-Executive Chairman, Vice Chairman & Managing Director and two Joint Managing Directors are related to each other.

None of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees across all companies in which he is a Director. The necessary disclosures regarding committee positions have been made by the Directors.

b. Board Meetings and AGM Attendance

The Board met 9 times during the financial year consisting of a period of 18 months from 1.7.2008 to 31.12.2008, on 1.8.2007, 27.9.2007, 24.10.2007, 15.11.2007, 19.12.2007, 29.1.2008, 30.4.2008, 29.7.2008 and 31.10.2008. The Board has formed Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee. The Board is given all material information viz., budgets, review of budgets, actual cane crush, crush estimates, sales details, details of power generation, distillery products and soya products, which are incorporated in the agenda papers for facilitating meaningful discussions at the meetings. The gap between two meetings did not exceed four months. The information as required under Annexure-1A to Clause 49 of the Listing Agreement is being made available to the Board for discussion and consideration at Board Meetings. The details of attendance of each Director at the Board Meetings and at last Annual General Meeting, number of other Directorships and Committee Chairmanship / Membership are given below:

Name of the Director	Category of Directorship	Financial Year 2007-08 Attendance at		As on 19.02.2009		
				No. of Directorships (1)	Committee Position (2)	
		Board	Last AGM		Chairman	Member (Other than SSL)
Dr N Mahalingam Chairman	Promoter Non-Executive	7	Yes	4		
Sri M Manickam Vice Chairman & Managing Director	Promoter Executive Director	8	Yes	12	1	
Sri M Balasubramaniam Joint Managing Director - Finance from 23.1.2009 *	Promoter Executive Director	7	Yes	13	1	1
Sri M Srinivaasan Joint Managing Director - Technical from 23.1.2009 *	Promoter Executive Director	6	Yes	10		1
Sri V K Swaminathan	Executive Director	8	No	2		2



Name of the Director	Category of Directorship	Financial Year 2007-08 Attendance at		As on 19.02.2009		
				No. of Directorships (1)	Committee Position (2)	
		Board	Last AGM		Chairman	Member (Other than SSL)
Sri P K Chandran	Independent Non-Executive	8	Yes	-		
Sri G G Gurumurthy	Independent Non-Executive	8	Yes	1		
Sri S S Muthuvelappan	Independent Non-Executive	8	Yes	1		
Sri N K Vijayan	Independent Non-Executive	9	Yes	1		
Sri C Rangamani **	Independent Non-Executive	9	Yes	2	2	
Sri S Doreswamy	Independent Non-Executive	7	Yes	7		
Sri K V Ramaswamy upto 23.1.2009	Independent Non-Executive	8	Yes	-		
Sri B Ramakrishnan Nominee of TIDCO upto 29.7.2008	Independent Non-Executive	6	Yes	7		
Sri B Elangovan Nominee of TIDCO from 29.7.2008	Independent Non-Executive	2	N.A.	5		
Sri K Davidson Nominee of IDBI upto 8.9.2008	Independent Non-Executive	2	No	3		
Smt S Usha Nominee of IDBI from 8.9.2008	Independent Non-Executive	1	N.A.	1		

(1) Excluding directorships in private limited companies and Section 25 Company

(2) Includes only Audit and Shareholders/Investors Grievance Committees

* Appointed as Joint Managing Directors with effect from 23.1.2009

** Withdrawn by GICI and appointed as additional Director with effect from 29.1.2008

c. Code of Conduct and Ethics

The Company has adopted a Code of Conduct for all Board Members and Senior Management Team of the Company. All Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code. A declaration to this effect, duly signed by the Vice Chairman and Managing Director is annexed. The Code of Conduct has been hosted on the website of the Company.

COMMITTEES OF THE BOARD

A. Audit Committee

The Audit Committee comprised Sri C Rangamani, Sri M Balasubramaniam and Sri K Davidson and Sri K V Ramaswamy was re-constituted on 29.1.2008 with the following Directors as members of the committee.

Sri C Rangamani (Chairman)
Sri M Balasubramaniam
Sri K V Ramaswamy and
Sri S Doreswamy



REPORT ON CORPORATE GOVERNANCE

The Committee was again reconstituted on 23.1.2009 due to the resignation of Sri. K V Ramaswamy from the Board of Directors of the Company. The Committee at present comprises of the following Directors.

Sri C Rangamani (Chairman)
Sri M Balasubramaniam
Sri S Doreswamy and
Smt S Usha

Except Sri M Balasubramaniam, other members of the committee are independent Non-Executive Directors.

The Audit Committee met 6 times during the financial year on 27.9.2007, 24.10.2007, 29.1.2008, 30.4.2008, 29.7.2008 and 31.10.2008.

Name of Member	No.of meetings held	No.of meetings attended
Sri C Rangamani - Chairman	6	6
Sri M Balasubramaniam	6	5
Sri K Davidson	6	1
Sri K V Ramaswamy	6	6
Sri S Doreswamy	6	2

All members of Audit Committee are financially literate. The minutes of the Audit Committee are placed before the meeting of the Board of Directors. The Chairman of the Audit Committee attended the last Annual General Meeting.

The role and terms of reference of the Audit Committee, inter alia, cover reviewing of the following:

1. Company's financial reporting process and the disclosure of financial information to ensure that the financial statement is correct and sufficient.
2. Quarterly/annual financial statements before submission to the Board of Directors for approval.
3. Internal audit and adequacy of the internal control systems.
4. Financial and risk management policies.
5. Statement of significant related party transactions submitted by the Management.
6. Recommending the appointment/re-appointment of statutory auditors and fixing their remuneration.
7. The appointment, removal and terms of remuneration of the internal auditor.

B. Remuneration Committee

The Remuneration Committee comprised Sri K V Ramaswamy, Sri S S Muthuvelappan and Sri P K Chandran was re-constituted on 23.1.2009. The reconstituted committee comprises the following Non-Executive Directors.

Sri S S Muthuvelappan (Chairman)
Sri P K Chandran
Sri C Rangamani

During the year under review, no meeting of the Remuneration Committee was held.

The remuneration committee determines and recommends to the Board the remuneration including commission, perquisites and allowances payable to the Chairman, Vice Chairman and Managing Director, Joint Managing Directors / Executive Director as and when the necessity arises. The recommendation will be based on overall performance and financial results of the Company during the relevant financial year and also based on evaluation of performance on certain fixed parameters.

The details of remuneration paid to Chairman, Vice Chairman and Managing Director and Executive Director are given in the Schedule No.23 to the notes on accounts. Sri M Balasubramaniam, Joint Managing Director-Finance and Sri M Srinivaasan, Joint Managing Director-Technical were appointed with effect from 23rd January 2009. As such they were not paid any remuneration during the year, except sitting fees for the Board Meetings attended by them, as detailed in the succeeding paragraph.

All the Non-executive Directors were paid a sitting fee of Rs.5000/- for each Board Meeting and Committee Meeting attended.



Details of remuneration/fees paid to the executive/non-executive directors for the year 2007-08 and the shares held by them are given below.

Name of the Director	Salary	Commission	Perquisites	Sitting Fees	Total	No. of Equity Shares held
(Rs. in lakhs)						
Dr N Mahalingam	-	-	-	0.40	0.40	145100
Sri M Manickam	27.00	-	13.95	-	40.95	1691074
Sri V K Swaminathan	8.10	-	6.88	-	14.98	1900
Sri M Balasubramaniam	-	-	-	0.65	0.65	337325
Sri M Srinivaasan	-	-	-	0.30	0.30	201000
Sri P K Chandran	-	-	-	0.45	0.45	6424
Sri G G Gurumurthy	-	-	-	0.45	0.45	700
Sri S S Muthuvelappan	-	-	-	0.45	0.45	2770
Sri N K Vijayan	-	-	-	0.45	0.45	1850
Sri C Rangamani	-	-	-	0.75	0.75	500
Sri S Doreswamy	-	-	-	0.45	0.45	500
Sri K V Ramaswamy	-	-	-	0.70	0.70	500
Sri B Elangovan	-	-	-	0.10	0.10	-
Smt S Usha	-	-	-	0.05	0.05	-
Sri K Davidson	-	-	-	0.10	0.10	-
Sri B Ramakrishnan	-	-	-	0.30	0.30	-

1. The appointment of Managing Director is governed by the Articles of Association of the Company and the resolutions passed by the board of directors and members of the Company. These cover the terms and conditions of such appointment. Sri M Manickam was re-appointed as Managing Director of the Company for a period of 5 years with effect from 25th October 2006. He will hold office upto 24th October 2011. The Company does not have any service contract with the Managing Director. Sri M Balasubramaniam was appointed as Joint Managing Director - Finance of the Company for a period of 5 years with effect from 23rd January 2009. The Company does not have any service contract with the Joint Managing Director - Finance. Sri M Srinivaasan was appointed as Joint Managing Director - Technical of the Company for a period of 5 years with effect from 23rd January 2009. The Company does not have any service contract with the Joint Managing Director - Technical. The appointments of Sri M Balasubramaniam as Joint Managing Director - Finance and Sri M Srinivaasan as Joint Managing Director - Technical are subject to the approval of the Central Government, members at the General Meeting and the Banks as may be required.
2. No severance fee is payable to the Directors on termination of employment.
3. The Company has no stock option scheme either to its Directors or employees.

C. Shareholders'/Investors' Grievance Committee

The committee consists of the following Directors:

Dr N Mahalingam (Chairman)

Sri M Manickam

Sri M Balasubramaniam

The Committee held 6 meetings during the financial year on 31.7.2007, 24.10.2007, 29.1.2008, 30.4.2008, 30.7.2008 and 31.10.2008.

The Shareholders'/Investors' Grievance Committee is to look into the redressal of shareholders'/investors complaints, if any, on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend, etc. and also the action taken by the Company on those matters.

Sri S Baskar, Vice President - Finance and Company Secretary, has been functioning as Compliance Officer for the purpose of complying with various provisions of Securities and Exchange Board of India, Listing Agreements with Stock Exchanges, Registrar of Companies and for monitoring the share transfer process etc.



REPORT ON CORPORATE GOVERNANCE

The Company had received 134 complaints from the shareholders during the financial year 2007-2008. All the complaints were redressed to the satisfaction of the shareholders. No share transfer was pending as on 31.12.2008.

Pursuant to Clause 47(f) of the Listing Agreement, the Company has designated the following exclusive e-mail Id for the convenience of investors.

baskar_shares@sakthisugars.com

SUBSIDIARY COMPANIES

The Company has appointed an independent Director of the Company on the Board of Directors of Sakthi Auto Component Limited, a material non-listed Indian subsidiary company. The Audit Committee reviewed the financial statements of the subsidiary companies. The minutes of the Board Meetings of the unlisted Indian subsidiary companies are placed before the Board of Directors of the Company.

INSIDER TRADING

The Company has framed a Code of Conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Directors/officers/designated employees. The code ensures the prevention of dealing in Company's shares by persons having access to unpublished price sensitive information.

GENERAL BODY MEETING

Details of Annual General Meetings

The venue and time of the Annual General Meetings held during the last three years are as follows:

AGM	Date	Venue	Time
44 th	14.12.2005	Registered office at Sakthi Nagar Bhavani Taluk, Erode District.	3.00 p.m
45 th	26.12.2006	- do -	2.45 p.m
46 th	19.12.2007	- do -	3.00 p.m.

Details of Special Resolutions passed at the previous three Annual General Meetings (AGM) are given below:

Date of A G M	Special Resolutions with respect to -
14.12.2005 (44 th AGM)	Nil
26.12.2006 (45 th AGM)	Remuneration by way of commission to the Chairman upto 1% on the net profits of the Company
19.12.2007 (46 th AGM)	Nil

No special resolution was put through Postal Ballot during the last three years.

DISCLOSURES

The details of related party transactions are given in Notes on Accounts. Those transactions were not in conflict with the interest of the Company. The transactions with the non-executive Directors are entered on an arms length basis. The Register of Contracts containing the transaction in which the Directors are interested or concerned is placed before the Board for its consideration.

The Audit Committee is periodically briefed of related party transactions entered into by the Company in the ordinary course of business.

The Company follows Accounting Standards issued by the Central Government and in the preparation of financial statements the company has not adopted a treatment different from that prescribed in an Accounting standard, except in case of Accounting Standard 21 relating to consolidation of European subsidiaries of the Company.



CEO/CFO CERTIFICATION

The Vice Chairman and Managing Director and Joint Managing Director - Finance have certified to the Board in accordance with Clause 49 V of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st December 2008.

The Senior Management has made disclosures to the Board relating to all material, financial and commercial transaction stating that they did not have personal interest that may have a potential conflict with the interest of the Company at large.

There is no Whistle Blower policy. However no person has been denied access to the Audit Committee or the Management.

There are no instances of non-compliance by the Company on any matters relating to capital markets, nor have any penalty/strictures been imposed on the Company by Stock Exchanges or SEBI or any other statutory authority on any matter relating to capital markets during the last three years.

RISK MANAGEMENT

The various determined aspects of risk management and minimization are reviewed periodically and the Board is kept informed on important issues.

MEANS OF COMMUNICATION

The quarterly/half yearly/annual financial results of the Company are announced within the stipulated time and are normally published in English and Tamil Newspapers. The financial results are also accessible on the website www.sebiedifar.nic.in.

MANAGEMENT

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

DIRECTORS' APPOINTMENT/RE-APPOINTMENT

Details of disclosure regarding appointment / re-appointment of Directors liable to retire by rotation are given in the Annexure to the Notice.

GENERAL SHAREHOLDERS' INFORMATION

In view of the extension of the financial year, no Annual General Meeting was held in the calendar year 2008 and the company has obtained necessary approval from the Registrar of Companies as per the provisions of the Companies Act, 1956.

Day and Date	:	Tuesday, 31st March, 2009
Time	:	2.45 PM
Venue	:	Sakthinagar - 638 315, Erode District, Tamilnadu

Financial Calendar for the financial year	:	From 1 st January 2009 to 31 st December 2009
Results for the quarter ending		Result announcement
31 st March 2009	:	Last week of April 2009
30 th June 2009	:	Last week of July 2009
30 th September 2009	:	Last week of October 2009
31 st December 2009	:	Last week of January 2010
Posting of Annual Reports	:	On or before 7.3.2009



REPORT ON CORPORATE GOVERNANCE

DATE OF BOOK CLOSURE

From 17.3.2009 to 31.3.2009, both days inclusive (for the purpose of Annual General Meeting).

LISTING

The Company's equity shares are listed on the following Stock Exchanges and the Annual Listing Fee has been paid to all the stock exchanges for the financial year 2008-09. The Company's Stock codes are as follows:

Name of the Stock Exchanges	Stock Code
National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra (East) Mumbai 400 051	SAKHTISUG
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 001	507315
Coimbatore Stock Exchange Limited Stock Exchange Building 683-686, Trichy Road Coimbatore 641 005	21009
Madras Stock Exchange Limited Exchange Building 11, Second Line Beach P B No.183 Chennai 600 001	SSR

The Company has made an application for voluntary delisting of its shares from Madras Stock Exchange Ltd and the application is pending with them.

INTERNATIONAL LISTING

Foreign Currency Convertible Bonds (FCCB) issued by the Company are listed on Singapore Stock Exchange Limited.

Outstanding Foreign Currency Convertible Bonds (FCCB) Conversion Date and likely impact on Equity

	Series A	Series B
No.of Bonds Outstanding	200	400
Date of Maturity	30.5.2009	30.5.2011
Impact on Equity	The Bonds are convertible by the holders into fully paid up equity shares of Rs.10 each at the price (not less than Rs.208.00 per share) arrived in terms of the Offer Letter	The Bonds are convertible by the holders into fully paid up equity shares of Rs.10 each at the price (not less than Rs.190.00 per share) arrived in terms of the Offer Letter



MARKET PRICE DATA

The high and low quotations of the Company's shares on National Stock Exchange of India Ltd (NSE) and Bombay Stock Exchange Ltd (BSE) from July 2007 to December 2008 are given below:

Month		NSE		BSE		SENSEX (BSE)	
		High (Rupees)	Low	High (Rupees)	Low	High	Low
July	2007	94.00	79.00	91.90	78.00	15868.85	14638.88
August	2007	84.40	58.55	84.40	59.25	15542.40	13779.88
September	2007	97.70	72.35	96.40	65.55	17361.47	15323.05
October	2007	90.85	67.90	91.65	64.80	20238.16	17144.58
November	2007	84.00	66.05	79.50	65.00	20204.21	18182.83
December	2007	94.00	69.80	94.00	70.00	20498.11	18886.40
January	2008	127.40	63.70	127.40	63.75	21206.77	15332.42
February	2008	88.40	71.25	87.00	69.35	18895.34	16457.74
March	2008	79.90	56.80	80.00	52.50	17227.56	14677.24
April	2008	89.50	61.75	89.50	62.00	17480.74	15297.96
May	2008	87.00	75.70	89.90	75.00	17735.70	16196.02
June	2008	80.00	62.10	79.45	59.00	16632.72	13405.54
July	2008	87.35	58.10	87.00	57.50	15130.09	12514.02
August	2008	116.00	82.50	116.00	82.50	15579.78	14002.43
September	2008	110.50	72.85	111.00	73.10	15107.01	12153.55
October	2008	81.30	38.50	81.00	38.70	13203.86	7697.39
November	2008	47.00	32.30	46.50	32.25	10945.41	8316.39
December	2008	50.40	33.40	50.50	33.50	10188.54	8467.43

REGISTRARS AND SHARE TRANSFER AGENTS

Registered Office:

Link Intime India Pvt. Ltd.,
(formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mill Compound
LBS Marg, Bhandup (W), Mumbai - 400 078
Phone No : 022 - 25963838
Fax No : 022 - 25946969
Email: mumbai@linkintime.co.in

Branch Office:

"Surya" 35, Mayflower Avenue
Behind Senthil Nagar, Sowripalayam Road
Coimbatore - 641 028.
Phone No : 0422 - 2314792 & 2315792
Fax No : 0422 - 2314792
Email: coimbatore@linkintime.co.in

SHARE TRANSFER SYSTEM

The shares lodged in physical form are processed, registered and returned by the Registrars and Share Transfer Agents within a period of 30 days from the date of receipt, if the documents are in order.

Distribution of Shareholding as on 31st December 2008

Shareholdings	No.of shareholders	% of shareholders	Number of Shares	% of shareholding
1 500	37640	91.97	4161724	13.27
501 1000	1728	4.22	1390945	4.43
1001 2000	749	1.83	1146309	3.65
2001 3000	273	0.67	697773	2.22
3001 4000	117	0.29	418188	1.33
4001 5000	100	0.24	469100	1.50
5001 10000	163	0.40	1197626	3.82
10001 & above	156	0.38	21891401	69.78
Total	40926	100.00	31373066	100.00



REPORT ON CORPORATE GOVERNANCE

Shareholding pattern as on 31st December 2008

Category	No.of Shares held	% of shareholding
Promoters	12474111	39.76
Nationalised Banks/other Banks	40650	0.13
Financial Institutions	956099	3.05
Mutual Funds	701549	2.24
FII's/NRIs	2636325	8.40
Private Bodies Corporate	3909622	12.46
Public	10654710	33.96
Total	31373066	100.00

DEMATERIALISATION OF SHARES AND LIQUIDITY

The shares of the Company are in compulsory demat segment. The Company's shares are available for demat both with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). International Securities Identification Number (ISIN) allotted to the equity shares of the Company is INE623A01011.

As on 31st December 2008, 29645080 equity shares of the Company representing 94.49% have been dematerialized.

Other facilities to shareholders holding shares in physical form

(A) NOMINATION FACILITY

The Company is accepting nomination forms from shareholders in the prescribed Form No.2B. Any shareholder, who is desirous of making a nomination, is requested to contact the Registered Office/Head Office of the Company or the Registrars and Share Transfer Agents. Shareholders holding shares in dematerialized form are requested to forward their nomination instructions to the Depository Participants (DP) concerned. Nomination is only optional and can be cancelled/varied by the shareholder at any time.

(B) CHANGE OF ADDRESS

Shareholders are requested to send the change in their address to the Company's Registrars and Share Transfer Agents / Depository Participants (DP) to facilitate better services.

PLANT LOCATION

Sugar Unit , Distillery Unit, Ethanol & Co-generation plant	:	Sakthi Nagar - 638 315 Erode District, Tamilnadu
Sugar Unit & Beverage Plant and Co-generation plant	:	Padamathur Village - 630 561 Sivaganga District, Tamilnadu
Sugar Unit, Distillery Unit and Soya Extrusion Plant	:	Haripur Village, Korian Post - 759 013 Dhenkanal District, Orissa
Sugar Unit & Co-Generation plant	:	Poonthurai Semur Post - 638 115 Erode District
Soya Unit	:	Marchinaickenpalayam Ambarampalayam Post - 642 103 Coimbatore District

ADDRESS FOR CORRESPONDENCE	:	Sakthi Sugars Limited 180, Race Course Road Coimbatore - 641 018 Phone Nos: 0422-4322 222, 2221551 Fax Nos.: 0422-2220574 & 4322 488 E-mail : shares@sakthisugars.com
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AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As stipulated in Clause 49 of the Listing Agreement, the Auditors' Certificate on compliance of conditions of corporate governance is annexed to the Directors' Report.

Compliance with non-mandatory requirements

The Company has adopted all mandatory requirements of Clause 49 of the Listing Agreement and the status of compliance in respect of non-mandatory requirements stipulated by the said clause is as under:

- Separate office is maintained for non-executive Chairman at the Company's expense.
- The tenure of Independent Directors is not being restricted to the period of 9 years in the aggregate since the Board of Directors is unanimously of the opinion that the length of the tenure on the Board would not have any material negative impact on the performance of Independent Directors and discharge of their duties towards the Company.
- The Company has constituted a Remuneration Committee. The Chairman of the Remuneration Committee was present at the last Annual General Meeting.
- The quarterly / yearly financial results are published in leading English newspapers and also in Tamil newspapers circulating in the District where the Registered Office of the Company is situate and are also posted on SEBI Edifar website. Therefore, the results are not being separately circulated to the shareholders.
- The Directors are kept informed of the latest developments in laws, rules and regulations as also the various risks to which the company is exposed and the manner in which these risks are mitigated/minimized. Therefore the need for formal training on these issues is not felt necessary at present.
- The Company has not adopted a Whistle Blower Policy. However the Company recognizes the importance of reporting to the Management by an employee at any level about the unethical behaviour or suspected fraud in violation of the Company's Code of Conduct or any other point of concern.

On behalf of the Board of Directors

Coimbatore
19th February 2009

N MAHALINGAM
Chairman

Annual Declaration by Vice Chairman and Managing Director pursuant to Clause 49 (1)(D)(ii) of the Listing Agreement

As required under Clause 49(1)(D)(ii) of the Listing Agreement with the Stock Exchanges, I declare that all Board Members and senior management personnel of the Company have affirmed compliance with the Company's Code of Conduct and Ethics for the year ended 31.12.2008.

Coimbatore
19th February 2009

M MANICKAM
Vice Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of
Sakthi Sugars Limited

We have examined the compliance of conditions of Corporate Governance by Sakthi Sugars Limited for the year ended on 31st December 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For P.N.RAGHAVENDRA RAO & Co.,
Chartered Accountants
P.R.VITTEL
Partner
Membership No.018111

Place : Coimbatore
Date : 19th February 2009



Management Discussion and Analysis Report

An Overview

The Company's total sugarcane crushing capacity is 19,000 TCD with three sugar mills in the State of Tamilnadu at Sakthingar, Erode District with a capacity of 9,000 TCD, Modakkurichi, Erode District with a capacity of 3,500 TCD and at Padamathur, Sivaganga District with a capacity of 4,000 TCD and a sugar mill at Dhenkanal in the state of Orissa with a crushing capacity of 2,500 TCD.

The Company has set up three cogeneration power plants alongside its sugar units in Tamil Nadu at Sakthinagar, Modakkurichi and Sivaganga with an aggregate power generation capacity of 92 MW per hour. Another co-generation plant of 25 MW per hour capacity is under implementation at Sakthinagar.

The Company has two Distillery units, one at Sakthinagar with 36000 KL per annum and the other at Dhenkanal with 10000 KL per annum.

The Company has an integrated Soya complex with a capacity to process 90000 TPA of soya beans at Pollachi.

Performance during the year under review:

During the year under review, the total cane crushing was 44.16 lakh MT with an average sugar recovery of 9.07% of sugar from the cane crushed and 637.43 lakh litres of Industrial Alcohol were produced. The Company has sold 4,21,880 MT of sugar valuing Rs.557.82 crores. In the co-generation plant, 4877.22 lakh units of power were generated of which 3239.46 Lakh units were exported to the State grid of Tamilnadu Electricity Board.

Industry structure and developments:

In India the cane availability is estimated to decline. As cane farmers shift to other remunerative crops, the acreage under cane could drop which would result in higher procurement prices for cane. Sugar production for the current season is estimated to be far less than the original estimate. The price for the final product sugar is on the increase.

The Government has allowed import of raw sugar on tonne to tonne basis which would enable some millers to import raw sugar and sell the refined sugar in the domestic market.

Opportunities:

As the availability of sugarcane is below the estimated quantity, realization on sale of sugar will go up. Besides this, industrial alcohol manufactured by the company from molasses will also fetch good prices.

As there is shortage of power in the State of Tamilnadu, the Government may come out with policies that can enable the company to get higher rate on the power generated and sold by the Company.

Threats:

Reduction in the crushing of sugarcane will result in lesser availability of bagasse, which would affect the operations of cogeneration plant. Similarly, production of molasses will also come down which is the raw material for the industrial alcohol unit.

Segmentwise and productwise performance

Segmentwise results are given in the accounts for the year ended 31.12.2008. Productwise performance is furnished in the Directors Report.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Financial Performance with respect to Operational Performance

The gross income for the year under review is Rs.114797.36 lakhs. The year has ended with a gross profit of Rs.17124.85 lakhs before providing for interest, depreciation and foreign exchange fluctuation / derivative transaction loss. After providing Rs.15886.62 lakhs for interest Rs.4294.29 lakhs for depreciation and Rs.5657.61 lakhs for foreign exchange fluctuation/derivative transaction loss (Net), the net loss for the year is Rs. 8713.67 lakhs.

Internal Control System

The Company has an in-house internal audit function to ensure that all activities are monitored and controlled. Adequate internal checks are built in to cover all monetary transactions. These checks and controls are reviewed for improvement periodically.

Human Resources Development

Industrial relations at all plants and offices remain cordial. The total number of employees at the end of the financial year 2007-08 on the rolls of the Company is 1598. Training programmes are conducted depending on the needs for updating the knowledge with respect to the developments in the industry.

On behalf of the Board of Directors

Coimbatore
19th February 2009

N MAHALINGAM
Chairman



Auditors' Report

TO

THE MEMBERS OF SAKTHI SUGARS LIMITED,

We have audited the attached Balance Sheet of Sakthi Sugars Limited as at 31st December 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we furnish below a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 - i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year at reasonable intervals and no material discrepancies were noticed on such physical verification.
 - c. The Company has not disposed of substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
 - ii. In respect of its inventories:
 - a. As explained to us, inventory has been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company has maintained proper records of inventory. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
 - iii. The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, clauses 4(iii)(b) to (g) of the Order are not applicable to the company.
 - iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in the internal control system.



AUDITORS' REPORT

- v. In respect of transactions covered under Section 301 of the Companies Act, 1956:
- In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under that section.
 - In our opinion and according to the information and explanations furnished to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, in respect of the deposits accepted by the company from the public, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and other relevant provisions of the Act and the rules framed thereunder, wherever applicable, have been complied with. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vii. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
- viii. The Central Government has prescribed maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- ix. In respect of statutory dues:
- According to the records of the Company, undisputed statutory dues such as Provident Fund, Employees State Insurance, Investor Education and Protection Fund, Wealth Tax and Customs Duty have generally been regularly deposited with the appropriate authorities. In respect of Tax deducted at source, there have been delays, though not serious, in depositing the amount with the appropriate authorities. With respect to undisputed amounts payable, Income Tax amounting to Rs.332.49 lakhs is unpaid as on this date and has been outstanding for a period of more than six months as at 31st December 2008.
 - The disputed statutory dues aggregating to Rs. 4062.82 Lakhs, that have not been deposited on account of matters pending before appropriate authorities are as under:

Name of the Statute	Nature of the dues	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Tamil Nadu General Sales Tax Act, 1959	Interest Levied on Delayed Payment of Deferred Purchase Tax	803.44	A.Y 1989-90 to 1992-93	High Court of Madras
Tamil Nadu General Sales Tax Act, 1959	Purchase Tax	191.16	AY : 1993 - 94, 2000 -01, 2001-02	Joint Commissioner (CT) (A), Coimbatore
Tamil Nadu General Sales Tax Act, 1959	Interest Levied on Delayed Payment of Purchase Tax	28.24	AY : 2000-01	Joint Commissioner (CT), Coimbatore
U.P. Trade Tax Act 1948	Sales Tax	9.95	AY : 1994-95 1995-96	Trade Tax Tribunal, Meerut Bench-I, Meerut
Income Tax Act, 1961	Income Tax	333.45	AY : 2006-07	CIT (Appeals), Coimbatore



Name of the Statute	Nature of the dues	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	FBT	235.73	AY : 2006-07, 07-08, 08-09, and Up to Dec 08	High Court of Madras
Bihar & Orissa Excise Act, 1915	Excise Duty	12.63	Feb 1992 to Nov 2005	High Court of Orissa, Cuttack
The Central Excise Act, 1944	Excise Duty	44.74	Jan 07 to Apr 07	Addl. Commissioner of Central Excise, Salem
		4.50	Aug 07 to Jun 08	Asst. Commissioner of Central Excise, Cuttack
The Central Excise Act, 1944	Excise Duty	1160.12	Sep 06 to June 07	Dept. Appeal before High Court, Madras
		341.37	Jan 08 to June 08	Commissioner of Central Excise, Salem
The Central Excise Act, 1944	Excise Duty	0.79	Oct 05 to Apr 06	Commissioner of Central Excise (Appeals), Salem
The Central Excise Act, 1944	Excise Duty	93.71	Dec 02 - Apr 04	Commissioner of Central Excise, Madurai
The Central Excise Act, 1944	Excise Duty	0.66	Mar' 03	Commissioner of Central Excise(Appeals), Madurai
Service Tax Rules, 1994	Service Tax	13.67	Jan 05 to Nov 05	CESTAT, Chennai
Service Tax Rules, 1994	Service Tax	4.69	Jan 05 to Jan 06	Asst. Commissioner of Central Excise, Madurai
Service Tax Rules, 1994	Service Tax	70.20	Apr 06 to July 06	Commissioner of Central Excise(Appeals), Salem
Service Tax Rules, 1994	Service Tax	30.54	May 07	Commissioner of Central Excise(Appeals), Salem
Service Tax Rules, 1994	Service Tax	38.24	Apr 06 to July 06	Commissioner of Central Excise, Madurai
Service Tax Rules, 1994	Service Tax	78.57	Apr 06 to July 06	CESTAT, Chennai
Service Tax Rules, 1994	Service Tax	19.52	Jan 05 to Sep 07	Addl. Commissioner of Central Excise, Salem
Service Tax Rules, 1994	Service Tax	15.34	Jan 05 to Jan 08	Joint Commissioner of Central Excise, Madurai
Service Tax Rules, 1994	Service Tax	3.93	Oct 07 to Dec 07	Dy. Commissioner of Central Excise, Erode
Service Tax Rules, 1994	Service Tax	10.03	Oct 07	Addl. Commissioner of Central Excise, Salem
Service Tax Rules, 1994	Service Tax	81.36	May 07 to Sep 07	Commissioner of Central Excise, Salem
Orissa Irrigation Act, 1959	Water Tax	6.00	2004-05 & 2005-06	High Court of Orissa, Cuttack
Bombay Stamp Act, 1958	Stamp Duty/ Registration Fees	430.24	May 00	High Court of Gujarat, Ahmadabad



AUDITORS' REPORT

- x In our opinion, taking into consideration the quantifiable qualifications in our report, the accumulated losses at the end of the financial year are not more than 50% of company's net worth. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi According to the records of the company examined by us and the information and explanations given to us, the Company has defaulted in repayment of principal and interest to banks as at the balance sheet date, details of which are given below:

Principal

Particulars	Principal (Rs. Lakhs)	Duration	Amount and date of subsequent payment (Rs. Lakhs)
Banks	3,000.00 673.61 2,602.61	From June 2008 From November 2008 From December 2008	168.28 (02.01.2009)
TOTAL	6,276.22		

Interest

Particulars	Interest (Rs. Lakhs)	Duration	Amount and date of subsequent payment (Rs. Lakhs)
Banks	367.17 478.96 602.55	From October 2008 From November 2008 From December 2008	367.17 (29.01.2009, 30.01.2009) 54.45 (03.02.2009) 108.94 (02.01.2009, 03.02.2009)
TOTAL	1,448.68		

- xii In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv The company is not dealing or trading in shares, securities, debentures and other investments.
- xv In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the company.
- xvi In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that during the year the Company has utilised short-term funds for long-term investments to the tune of Rs. 55.81 Crores.
- xviii During the year, the Company has not made any preferential allotment of shares to companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix According to the information and explanations given to us during the period covered by our audit report, the company has issued 37,15,610-12% secured redeemable non-convertible debentures of Rs.100 each in respect of which security has been created by the company.



xx The Company has not raised any money by way of public issue during the year.

xxi In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

II. *The Balance Sheet, Profit and Loss account, Report of Board of Directors and Report of Auditors of the subsidiaries and statement of holding Company's interest in the subsidiaries are not attached as required under section 212(1) of the Companies Act, 1956.*

III. Further to our comments under Para I and II above, we report that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified, as on 31st December 2008, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view, in conformity with the accounting principles generally accepted in India:
 - a. in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st December 2008;
 - b. in so far as it relates to the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
 - c. in so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For P.N. RAGHAVENDRA RAO & Co.
Chartered Accountants

P.R.VITTEL
Partner

M.No.018111

PLACE: Coimbatore
DATE: 19.02.2009



BALANCE SHEET AS AT 31.12.2008

(Rs. in lakhs)

	Schedule No.	As at 31.12.2008	As at 30.06.2007
I. SOURCES OF FUNDS :			
(1) SHAREHOLDERS' FUNDS :			
(a) Share Capital	1	3,137.31	3,137.31
(b) Share Application Money		1,566.00	1,566.00
(c) Reserves and Surplus	2	60,948.13	35,636.22
		65,651.44	40,339.53
(2) LOAN FUNDS :			
(a) Secured loans	3	92,768.17	74,850.95
(b) Unsecured loans	4	10,784.28	16,076.15
(c) Foreign Currency Convertible Bonds		29,070.00	24,450.00
		132,622.45	115,377.10
(3) DEFERRED TAX LIABILITY			
(Refer Note 'F' in Schedule 23)		600.61	—
TOTAL of 1 to 3		198,874.50	155,716.63
II. APPLICATION OF FUNDS :			
(1) FIXED ASSETS:			
Gross Block		100,922.91	62,695.20
Less : Depreciation		16,128.45	10,242.73
		84,794.46	52,452.47
Add : Capital Work in Progress		10,816.42	28,680.84
Add: Increase in Value on account of Revaluation (Refer Note 'G' in Schedule 23)		38,696.60	—
Net Block	5	134,307.48	81,133.31
INTANGIBLE ASSETS			
	5 A	20,594.56	6,193.48
(2) INVESTMENTS	6	16,736.68	17,016.27
(3) DEFERRED TAX ASSET		—	1,180.53
(4) (i) CURRENT ASSETS, LOANS AND ADVANCES:			
(a) Inventories	7	4,352.44	8,097.11
(b) Sundry Debtors	8	2,758.07	2,509.41
(c) Cash and Bank balances	9	4,223.43	9,113.35
(d) Other Current Assets	10	6,617.70	6,167.70
(e) Loans and Advances	11	39,456.07	36,346.37
		57,407.71	62,233.94
Less :			
(ii) CURRENT LIABILITIES AND PROVISIONS	12	31,374.76	13,344.06
Net Current Assets (i) - (ii)		26,032.95	48,889.88
(5) MISCELLANEOUS EXPENDITURE	13	1,202.83	1,303.16
(to the extent not written off or adjusted)			
TOTAL of 1 to 5		198,874.50	155,716.63

Schedules 1 to 13 and Notes in Schedule 23 and 24 form part of this Balance Sheet.

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

P R VITTEL

Partner

M. No. 018111

Coimbatore

19th February 2009

N MAHALINGAM

Chairman

M BALASUBRAMANIAM

Joint Managing Director - Finance

M MANICKAM

Vice Chairman & Managing Director

S BASKAR

Vice President - Finance & Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.12.2008



(Rs. in lakhs)

		Schedule No.	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
I. INCOME:				
Sales	14		118,884.98	76,602.75
Less: Excise duty			2,439.68	2,004.06
			116,445.30	74,598.69
Income from Operations			803.12	485.76
Dividend			6.00	7.55
Interest Gross (TDS Refer Note 'M' in Schedule 23)			415.46	724.03
Other income	15		238.00	375.78
Stock adjustment	16		(3,110.52)	2,538.24
			114,797.36	78,730.05
II. EXPENDITURE:				
Cost of Goods Consumed / Sold	17			
Opening stock			2,056.76	1,352.09
Add : Purchases			55,879.31	42,882.01
			57,936.07	44,234.10
Less: Closing stock			1,413.26	2,056.76
			56,522.81	42,177.34
Manufacturing expenses	18		28,848.15	14,261.10
Excise Duty on stock adjustments			(282.35)	260.17
Salaries, wages and other employee benefits	19		5,760.32	3,116.21
Interest charges	20		15,886.62	9,916.15
Selling expenses	21		2,667.88	1,482.76
Any other expenses	22		3,001.31	4,785.37
Intangible asset written off			1,154.39	769.60
Depreciation			5,982.95	
Less: Transfer to Revaluation Reserve			1,688.66	1,340.87
			4,294.29	
			117,853.42	78,109.57
Net profit/(Loss) before loss on Foreign Exchange Fluctuation / Derivative Transactions			(3,056.06)	620.48
Prior year adjustments			--	(6.74)
Loss on Foreign Exchange Fluctuation/ Derivative Transactions (Net)			(5,657.61)	2,397.49
III. NET PROFIT/(LOSS) BEFORE TAX			(8,713.67)	3,011.23



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.12.2008

(Rs. in lakhs)

	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
Less: Income -tax Expenses:-		
Current Tax	--	--
Deferred Tax	(758.59)	--
Transferred from General Reserve	2539.72	
Less:- Deferred Tax - Previous years	<u>2539.72</u>	--
IV. NET PROFIT/(LOSS) AFTER TAX	(7,955.08)	3,011.23
Add:		
Surplus from previous year	4,448.08	3,371.54
Excess provision withdrawn	60.49	71.82
Reversal of Provision for Diminution in Value of Investments	--	2.25
Transferred from General Reserve	3,698.51	--
	252.00	6,456.84
APPROPRIATIONS:		
Proposed/ Interim Dividend :		
- Equity shares	--	470.60
- Preference shares	--	36.99
Income-tax on Dividend	--	85.17
Provision for Diminution in Value of Investments	252.00	--
Transferred to General Reserve	--	1,000.00
Transferred to Debenture Redemption Reserve	--	416.00
Surplus carried over	--	4,448.08
Earning Per Share (Rs.) :		
Basic	(25.36)	9.46
Diluted	(22.93)	8.57

Schedules 14 to 22 and Notes in Schedule 23 and 24 form part of this Profit and Loss Account.

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

P R VITTEL

Partner

M. No. 018111

Coimbatore

19th February 2009

N MAHALINGAM

Chairman

M BALASUBRAMANIAM

Joint Managing Director - Finance

M MANICKAM

Vice Chairman & Managing Director

S BASKAR

Vice President - Finance & Company Secretary



(Rs. in lakhs)

As at 31.12.2008

As at 30.06.2007

SCHEDULE - 1**SHARE CAPITAL****AUTHORISED:**

5,00,00,000 Equity Shares of Rs.10 each

5,000.00

5,000.00

50,00,000 Redeemable Cumulative
Preference Shares of Rs.100 each

5,000.00

5,000.00

10,000.00**10,000.00****ISSUED:**

3,14,89,735 Equity Shares of Rs.10 each

3,148.97

3,148.97

SUBSCRIBED AND PAID-UP:

3,13,73,066 Equity Shares of Rs.10 each fully paid up

3,137.31

3,137.31

SCHEDULE - 2**RESERVES AND SURPLUS****CAPITAL RESERVE:**

Balance as per last Balance Sheet

625.24

625.24

REVALUATION RESERVE:

Balance as per last Balance Sheet

15,170.12

16,632.08

Add:- Created during the year (Difference between Market
value and book value of Land, Buildings, Plant and
Machinery and Electrical Installations)

38,696.60

—

53,866.72

16,632.08

Less: Depreciation on Revalued Assets

1,688.66

1,125.16

Less: Withdrawn on Sale of Assets

10.44

336.80

52,167.62

15,170.12

CAPITAL REDEMPTION RESERVE:

Balance as per last Balance Sheet

2,512.27

2,512.27

SECURITIES PREMIUM ACCOUNT:

Balance as per last Balance Sheet

3,914.70

3,915.42

Less: Public/Debenture Issue Expenses adjusted

—

0.72

3,914.70

3,914.70

SUBSIDY FROM GOVERNMENT:

Balance as per last Balance Sheet

44.23

44.23

DEBENTURE REDEMPTION RESERVE:

Balance as per last Balance Sheet

416.00

—

Add: Transfer from Profit & Loss Account

—

416.00

416.00

416.00



SCHEDULES

(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 2 (Contd.)		
GENERAL RESERVE:		
Balance as per last Balance Sheet	8,505.58	7,505.58
Add: Amount transferred from Profit & Loss Account	–	1,000.00
Less: Transferred to Profit and Loss account	8,505.58	8,505.58
Transferred to Deferred Tax Liability	3,698.51	–
Adjustment for Employee Benefits (Refer Note 'S' in Sch.23)	2,539.72	–
	999.28	–
	1,268.07	8,505.58
SURPLUS:		
Balance in Profit and Loss Account	–	4,448.08
TOTAL	60,948.13	35,636.22
SCHEDULE - 3		
SECURED LOANS		
A. DEBENTURES:		
Secured Redeemable Non-convertible Debentures - X Series	1,941.37	918.46
Secured Redeemable Non-convertible Debentures - XI Series	999.91	–
Secured Redeemable Non-convertible Debentures - XII Series	305.96	–
Secured Redeemable Non-convertible Debentures - XIII Series	410.00	–
Interest accrued and due on the above	48.13	14.86
	3,705.37	933.32
B. LOANS AND ADVANCES:		
FROM BANKS		
a) Term Loans	66,424.11	53,782.86
Interest accrued and due on the above	1,327.43	475.46
b) Hypothecation Loans for working capital	7,237.07	4,278.42
Interest accrued and due on the above	69.21	8.48
c) Bills Discounted from Banks	457.58	1,170.37
	75,515.40	59,715.59



(Rs. in lakhs)

As at 31.12.2008

As at 30.06.2007

SCHEDULE - 3 (Contd.)**FROM OTHERS**

a) Term Loans

12,969.95

13,913.34

Interest accrued and due on the above

344.61

158.61

b) Hire Purchase /Mortgage Loans from limited companies

231.52

128.68

Interest accrued and due on the above

1.32

1.41

13,547.40

14,202.04

TOTAL

92,768.17

74,850.95

SCHEDULE - 4**UNSECURED LOANS**

Fixed Deposits

668.59

2,695.12

Interest accrued and due on the above

6.64

11.44

Short Term Loans and Advances:

From Banks

2,125.60

3,621.98

Interest accrued and due on the above

39.39

118.24

From Others

3,783.05

3,773.73

Interest accrued and due on the above

34.86

—

Other Loans and Advances:

From Banks

3,957.93

5,768.56

Interest accrued and due on the above

168.22

87.08

TOTAL

10,784.28

16,076.15



SCHEDULES

SCHEDULE - 5

FIXED ASSETS

(Rs. in Lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		VALUATION AS PER APPROVED VALUER		
	AS ON 01.07.2007	ADDITIONS	DELETIONS / WRITTEN BACK	AS ON 31.12.2008	UPTO 30.06.2007	FOR THE YEAR	WITHDRAWN	UPTO 31.12.2008		AS ON 30.06.2007	AS ON 31.12.2008
REVALUED ASSETS:											
1. LAND	5984.42	91.56	-	6075.98	-	-	-	-	5984.42	6075.98	13979.04
2. BUILDINGS	12380.06	4740.32	-	17120.38	1136.95	597.62	-	1734.57	11243.11	15385.81	19927.30
3. PLANT AND MACHINERY	37802.13	29466.50	336.07	66932.56	6997.66	4634.26	55.54	11576.38	30804.47	55356.18	79092.48
4. ELECTRICAL INSTALLATIONS	4175.78	3798.29	4.33	7969.74	584.73	487.81	1.18	1071.36	3591.05	6898.38	9414.13
OTHER ASSETS:	60342.39	38096.67	340.40	98098.66	8719.34	5719.69	56.72	14382.31	51623.05	83716.35	122412.95
5. OFFICE EQUIPMENT & FURNITURE AND FIXTURES	1145.29	248.03	25.91	1367.41	712.63	126.41	22.17	816.87	432.66	550.54	WDV as on 31.12.2008 550.54
6. DEVELOPMENT OF PROPERTY-ECO FRIENDLY TREES	23.60	-	-	23.60	-	-	-	-	23.60	23.60	23.60
7. MOTOR VEHICLES	1183.92	281.61	32.29	1433.24	810.76	136.85	18.34	929.27	373.16	503.97	503.97
	2352.81	529.64	58.20	2824.25	1523.39	263.26	40.51	1746.14	829.42	1078.11	1078.11
	62695.20	38626.31	398.60	100922.91	10242.73	5982.95	97.23	16128.45	52452.47	84794.46	123491.06
8.WORK IN PROGRESS	28680.84	7235.81	25100.23	10816.42	-	-	-	-	28680.84	10816.42	10816.42
TOTAL FOR THE YEAR	91376.04	45862.12	25498.83	111739.33	10242.73	5982.95	97.23	16128.45	81133.31	95610.88	134307.48
TOTAL FOR THE PREVIOUS YEAR	60637.41	32367.97	1629.34	91376.04	7892.61	2466.03	115.91	10242.73	52744.80	81133.31	
Note: 1) Land, Buildings, Plant & Machinery and Electrical Installations have been revalued by an approved valuer on 31.12.2008. Other assets are shown at Written Down book Value. The Net Increase on revaluation amounting to Rs.38696.60 Lakhs has been credited to Revaluation Reserve (Ref :Note H in Schedule 23)											
2) Land, Buildings, Plant & Machinery and Electrical Installations were revalued by an approved valuer on 30.06.2003. The net increase on revaluation amounting to Rs.30045.71 Lakhs has been credited to Revaluation Reserve.											

Note: 1) Land, Buildings, Plant & Machinery and Electrical Installations have been revalued by an approved valuer on 31.12.2008. Other assets are shown at Written Down book Value.
The Net Increase on revaluation amounting to Rs.38696.60 Lakhs has been credited to Revaluation Reserve (Ref :Note H in Schedule 23)

2) Land, Buildings, Plant & Machinery and Electrical Installations were revalued by an approved valuer on 30.06.2003. The net increase on revaluation amounting to Rs.30045.71 Lakhs has been credited to Revaluation Reserve.

SCHEDULE - 5 A

INTANGIBLE ASSETS

(Rs. in Lakhs)

PARTICULARS	GROSS BLOCK			AMORTISATION			NET BLOCK	
	AS ON 01.07.2007	ADDITIONS	DELETIONS	AS ON 31.12.2008	UPTO 30.06.2007	FOR THE YEAR	UPTO 31.12.2008	AS ON 30.06.2007
GOODWILL	7695.96	15555.47	-	23251.43	1502.48	1154.39	2656.87	6193.48
TOTAL FOR THE YEAR	7695.96	15555.47	-	23251.43	1502.48	1154.39	2656.87	6193.48
TOTAL FOR THE PREVIOUS YEAR	7695.96	-	-	7695.96	732.88	769.60	1502.48	6963.08

GOODWILL	7695.96	15555.47	-	23251.43	1502.48	1154.39	2656.87	6193.48	20594.56
TOTAL FOR THE YEAR	7695.96	15555.47	-	23251.43	1502.48	1154.39	2656.87	6193.48	20594.56
TOTAL FOR THE PREVIOUS YEAR	7695.96	-	-	7695.96	732.88	769.60	1502.48	6963.08	6193.48



(Rs. in lakhs)

As at 31.12.2008

As at 30.06.2007

SCHEDULE - 6**INVESTMENTS - LONG TERM at cost****1) Investment in Govt. Securities**

1.26

1.06

2) Investment in Shares :**A. Quoted:**

In fully paid Equity Shares:

a) Sri Chamundeswari Sugars Limited

5,10,862 Shares of Rs.10 each

117.88

117.88

b) Sri Bhagavathi Textiles Limited

5,000 Shares of Rs.100 each

5.00

5.00

c) Sakthi Finance Limited

10,40,000 Shares of Rs.10 each

282.00

282.00

d) ICICI Bank Ltd

441 Shares of Rs.10 each

0.24

0.24

e) NIIT Ltd.

2527 Shares of Rs. 2 each

0.06

0.06

f) NIIT Technologies Ltd.

759 Shares of Rs. 10 each

0.09

0.09

g) Kovai Medical Centre and Hospital Ltd.

2,00,000 Shares of Rs.10 each

20.00

20.00

h) K G Denim Limited

16,129 Shares of Rs.10 each

2.74

2.74

i) IFCI Ltd

100 Shares of Rs.10 each

0.04

0.04

j) The Industrial Development Bank of India Ltd

1360 Shares of Rs.10 each

1.10

1.10

k) The South Indian Bank Limited

16,500 Shares of Rs.10 Each

4.22

4.22

Aggregate of Quoted Investments

433.37

433.37

B. Unquoted:

In fully paid Equity Shares:

a) Sakthi Soft Drinks Limited

30,000 Shares of Rs.10 each

-

3.00

b) Sakthi Beverages Limited

2,27,900 Shares of Rs.10 each

-

22.79

c) The ABT Co-operative Stores Ltd.

1,000 Shares of Rs. 10 each

0.10

0.10

d) Sakthi Sugars Co-operative Stores Ltd.

760 Shares of Rs.10 each

0.08

0.08

e) Arun Fuels Ltd.,

2,000 Shares of Rs.100 each

-

2.00

f) Angul Central Co-op Bank Ltd.

100 Shares of Rs.100 each

0.10

0.10

g) Shamarao Vithal Co-op Bank

25 Shares of Rs.25 each

0.01

0.01

0.29

28.08

Total of 2

433.66

461.45



SCHEDULES

(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 6 (Contd.)		
3) Investment in Subsidiaries :		
In fully paid Equity Shares:		
a) Sakthi Auto Component Limited 4,38,60,000 Shares of Rs.10 each (Wholly Owned Subsidiary)	13,157.86	13,157.86
b) Tilan Sugars Ltd 73,37,300 Shares of Rs.10 each (Wholly Owned Subsidiary)	500.00	500.00
	13,657.86	13,657.86
In Preference Shares:		
8,95,900 5% Redeemable Non-Convertible Preference Shares in Sri Chamundeswari Sugars Ltd	895.90	895.90
20,00,000 15% Participatory Cumulative Optionally Convertible Preference Shares in Sakthi Auto Component Ltd	2,000.00	2,000.00
	16,553.76	16,553.76
Total of 3	16,988.68	17,016.27
Total Investments (1 to 3)	252.00	–
Less: Provision for Diminution in value of Investments		
TOTAL	16,736.68	17,016.27

Note : 1) Market Value of quoted Investments as on 31st December, 2008 is Rs. 246.35 lakhs (Rs. 330.34 lakhs).

2) Government securities of the total face value of Rs. 0.22 lakhs are deposited with Panchayat and Public Works Department as road contract work deposits and of the value of Rs. 1.04 lakhs are deposited with State Commercial Tax Department.

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 7		
INVENTORIES		
Stores and spares	2,045.52	2,041.88
Standing crop	11.44	5.72
STOCK-IN-TRADE:		
i) Finished goods:		
Sugar	59.80	2,926.87
Molasses - Sugar Unit	83.64	407.15
Industrial Alcohol	183.67	178.81
Ethanol	0.64	1.59
Soya Products	310.53	238.30
Bio-Earth	1.68	7.17
Fusel Oil	1.34	0.01
	641.30	3,759.90



(Rs. in lakhs)

As at 31.12.2008

As at 30.06.2007

SCHEDULE - 7 (Contd.)**ii) Raw materials:**

Molasses - Distillery Unit
Soyabeans
Soya Flour

58.51	176.05
1,221.05	1,809.96
15.74	—
1,295.30	1,986.01

iii) Other stocks:

Newsprint paper
Chemicals, Fertilisers & Others
Bagasse

0.45	1.07
117.51	69.67
—	5.93
117.96	76.67

iv) Stock-in-process:

Sugar
Molasses

204.77	210.55
36.15	16.38
240.92	226.93

TOTAL

4,352.44	8,097.11
-----------------	-----------------

SCHEDULE - 8**SUNDRY DEBTORS****Unsecured - considered good:**

i) Debts outstanding for a period
exceeding six months
ii) Other debts

407.08	526.53
2,350.99	1,982.88
2,758.07	2,509.41

SCHEDULE - 9**CASH AND BANK BALANCES**

i) Cash on hand
ii) Bank Balances:-

Scheduled Banks:

Current Accounts
Deposit Accounts

85.71	62.23
1,785.78	2,863.05
737.28	5,203.96
2,523.06	8,067.01

Non Scheduled Banks:

(Refer Note 'J' in Schedule 23)
Current Accounts

9.55	23.81
------	-------

2,532.61	8,090.82
-----------------	-----------------

1,605.11	960.30
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iii) Deposit with Government Bodies

TOTAL

4,223.43	9,113.35
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SCHEDULES

(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 10		
OTHER CURRENT ASSETS		
Outstanding income and interest receivable	2,253.52	929.02
Funded Interest	4,363.82	5,236.59
Stock of stamps and hundi papers	0.36	2.09
TOTAL	6,617.70	6,167.70
SCHEDULE - 11		
LOANS AND ADVANCES		
Unsecured: (Considered good)		
Advance to Subsidiary Company	11,179.10	3,919.31
Advance Recoverable in cash or in kind for value to be received	23,250.70	25,528.53
Advance for New Projects	24.62	1,888.79
Income-tax payments	688.78	574.93
Prepaid expenses	141.59	296.16
Deposit with Central Excise, Electricity Department, etc.	4,171.28	4,138.65
TOTAL	39,456.07	36,346.37
SCHEDULE - 12		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities:		
Sundry Creditors:		
Due to Micro, Small and Medium Enterprises (Refer Note 'R' in Schedule 23)	--	--
Liabilities for purchases, Expenses & Others (Other than Micro, Small and Medium Enterprises)	28,805.47	11,858.40
Loans and advances from Subsidiaries	540.88	36.48
Investor Education and Protection Fund shall be credited by the following and not due:-		
Unclaimed dividends	35.45	16.78
Unclaimed matured Deposits	141.80	48.34
Unclaimed matured Debentures	12.16	183.93
Interest accrued and due on the above	16.53	13.29
Interest accrued but not due	392.79	316.31
	29,945.08	12,473.53
Provisions:		
Provision for Fringe Benefit Tax	10.00	10.00
Equity Dividend	--	470.60
Income-tax on Proposed Dividend	--	79.98
Provision for Provident Fund	18.82	17.12
Provision for Employee Benefits	1,400.86	292.83
TOTAL	31,374.76	13,344.06



(Rs. in lakhs)

As at 31.12.2008

As at 30.06.2007

SCHEDULE - 13**MISCELLANEOUS EXPENDITURE**

(To the extent not written off or not adjusted)

Deferred Revenue Expenditure	1,198.27	1,273.73
Soyabean Development Expenses	4.56	29.43
TOTAL	1,202.83	1,303.16

Year Ended 31.12.2008
(18 Months)Year Ended 30.06.2007
(12 Months)**SCHEDULE - 14****SALES ***

Sugar	60,561.74	48,187.71
Industrial Alcohol	19,031.52	8,606.09
Power	9,900.97	4,985.97
Ethanol	--	226.13
Soya Products	12,899.19	4,520.32
Molasses	142.39	337.37
Fertilisers & Chemicals	869.91	971.95
Seeds	17.85	12.58
Bio Earth	272.75	199.28
Magazines	15.54	11.99
Bagasse	94.26	391.33
Others	41.71	24.46

Add : Own consumption:

Industrial Alcohol	0.96	0.64
Molasses	3,275.02	1,355.22
Steam	3,741.35	1,803.14
Power	3,789.32	2,001.99
Soya Products	284.39	--
Bagasse	3,942.91	2,964.84
Other By Products	3.20	1.74

TOTAL	118,884.98	76,602.75
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* Inclusive of Excise duty

SCHEDULE - 15**OTHER INCOME**

Rent Receipts	82.05	54.61
Profit on sale of Fixed Assets	0.53	207.07
Profit on sale of used materials	74.15	40.56
Miscellaneous Income	77.41	69.02
Sundry balances written off	3.86	4.52

TOTAL	238.00	375.78
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SCHEDULES

(Rs. in lakhs)

	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
SCHEDULE - 16		
STOCK ADJUSTMENT		
(A) OPENING STOCK:		
Sugar	2,926.87	651.61
Molasses	407.15	198.61
Industrial Alcohol	178.81	138.37
Ethanol	1.59	9.08
Soya Products	238.29	61.99
Bagasse	5.93	24.17
Bio Earth	7.17	6.81
Fusel Oil	0.01	0.82
Stock-in-process	226.93	363.05
	3,992.75	1,454.51
(B) CLOSING STOCK:		
Sugar	59.80	2,926.87
Molasses	83.64	407.15
Industrial Alcohol	183.67	178.81
Ethanol	0.64	1.59
Soya Products	310.53	238.29
Bagasse	--	5.93
Bio Earth	1.68	7.17
Fusel Oil	1.34	0.01
Stock-in-process	240.93	226.93
	882.23	3,992.75
(B) - (A):	(3,110.52)	2,538.24
SCHEDULE - 17		
COST OF GOODS CONSUMED/SOLD		
(A) OPENING STOCK:		
Molasses	176.05	217.46
Fertilisers & Chemicals	69.68	45.74
Raw Sugar	--	725.65
Newsprint paper	1.07	1.15
Soyabean seeds & others	1,809.96	362.09
	2,056.76	1,352.09
(B) ADD : PURCHASES:		
Sugarcane	41,862.76	35,325.04
Molasses	3,933.33	1,575.71
Raw Sugar/Other Expenses	--	246.79
Fertilisers & Chemicals	896.39	974.70
Newsprint paper	24.57	14.09
Soyabean seeds & others	8,847.47	4,745.68
Soya Products	314.79	--
	55,879.31	42,882.01
(C) LESS : CLOSING STOCK:		
Molasses	58.51	176.05
Fertilisers & Chemicals	117.51	69.68
Newsprint paper	0.45	1.07
Soyabean Seeds	1,221.05	1,809.96
Soya Flour	15.74	--
	1,413.26	2,056.76
(D) CONSUMPTION: (A + B - C)	56,522.81	42,177.34



(Rs. in lakhs)

	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
SCHEDULE - 18		
MANUFACTURING EXPENSES		
Consumption of Stores & Spares and Packing materials	3,727.72	2,585.27
Power and Fuel	5,806.27	2,868.21
Water charges	45.10	16.10
Steam	3,741.35	1,803.14
Coal for Co-Generation	5,077.92	691.13
Bagasse for Co-Generation	4,200.90	2,964.84
Other Fuel for Co-Generation	127.26	—
Printing and Publication charges	31.14	17.20
Rent	99.80	104.48
Lease Rental & Hire Charges	202.39	65.84
Rates and Taxes	338.88	229.94
Insurance	198.83	152.51
Repairs and Maintenance:		
Building	313.22	197.97
Machinery and Electrical	3,042.69	1,424.97
Vehicles	257.35	154.39
Others	124.18	64.08
Effluent disposal expenses	492.72	255.36
State Administrative Service Fees	285.65	144.51
Subsidy and Crop development expenses	734.78	520.50
Tools and implements written off	—	0.66
TOTAL	28,848.15	14,261.10
SCHEDULE - 19		
SALARIES, WAGES AND OTHER EMPLOYEE BENEFITS		
Salaries and Wages, Bonus, etc.,	4,806.57	2,482.09
Contribution to P.F. and other funds	380.58	223.26
Workmen and Staff Welfare expenses	573.17	410.86
TOTAL	5,760.32	3,116.21
SCHEDULE - 20		
INTEREST CHARGES		
Term Loans	9,499.67	5,703.28
Debentures	259.73	260.84
Working capital loans	1,293.84	351.11
Payment to Cane Growers/Banks	106.87	399.22
Others	4,726.51	3,201.70
TOTAL	15,886.62	9,916.15



SCHEDULES

(Rs. in lakhs)

	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
SCHEDULE - 21		
SELLING EXPENSES		
Additional Sales Tax	--	102.08
Selling and Distribution expenses	2,637.44	1,335.79
Commission and brokerage:		
On sale of magazines	3.20	2.03
Others	27.24	42.86
TOTAL	2,667.88	1,482.76
SCHEDULE - 22		
ANY OTHER EXPENSES		
Travelling expenses	445.52	281.63
Freight and Transport	29.89	17.44
Administrative and other expenses	329.34	285.82
Bank Charges	173.07	217.40
Printing, Postage, Telephone & Telex	224.16	137.73
Donations	78.48	49.44
Effluent on soil/crop - R & D expenses	60.29	9.49
Data processing charges	42.96	13.38
Legal and Professional charges	96.53	77.66
Managerial remuneration	55.93	90.50
Directors' Sitting Fees	5.60	4.25
Auditors Remuneration	21.76	10.07
Loss on sale of Fixed Assets	13.49	29.65
Loss on Sale of Investments	2.00	2.50
Funded Interest Written off	872.77	3,425.60
Deferred Revenue Expenditure written off	322.29	105.67
Soyabean Development Expenses	24.87	16.58
Irrecoverable advances written off	202.36	10.56
TOTAL	3,001.31	4,785.37



Significant Accounting Policies

1. All ascertained income and expenses are accounted on accrual basis. Except Statutory Liabilities, expenses less than Rs. 10000/- are charged on Payment basis. Contract works when undertaken are accounted based on the level of completion.
2. Valuation of Inventories:
 - a) Inventories are valued at cost or net realizable value whichever is lower increased by excise duty thereon wherever applicable.
 - b) The cost of Inventories other than soya products, newsprint, fertilizer and chemical is computed on weighted average cost basis. Soya products, newsprint, fertilizer and chemical are computed at FIFO basis.
 - c) The cost of inventories is inclusive of cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.
3. Depreciation on fixed assets has been provided under straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956, on revalued/original cost of assets as the case may be. The additional depreciation relating to increased value of revalued assets is adjusted against Revaluation Reserve.
4. Miscellaneous Expenditure:
 - a) Technical know-how, re-structuring fees, crop development expenses, soya product launching expenses, research and development expenses incurred upto 30.6.2003 are written off over a period of years. Voluntary retirement scheme payments, Syndication and ancillary cost incurred for raising loans are written off over a period of 5 years and period of loan respectively.
 - b) The expenditure incurred on issue of shares and debentures are adjusted in Securities Premium Account.
5. Premium on pre-payment of loans/debentures is deferred and is being written off over the original unexpired term of the loans/debentures.
6. Material consumption is accounted net of CENVAT.
7. Revenue Recognition :
 - a. Sale of goods is recognised at the time of transfer of substantial risk and rewards of ownership to the buyer for a consideration.
 - b. Gross turnover includes excise duty but exclude sales tax.
 - c. Dividend income is recognised when the right to receive the payment is established.
 - d. All other incomes are accounted for on accrual basis.
8.
 - a) Fixed Assets are shown at cost/revalued figures, less accumulated depreciation. Fixed assets added during the year are valued at cost net of CENVAT but includes all direct expenses like freight, erection charges, pre operative expenses and borrowing costs.
 - b) Fixed Assets taken on lease are treated as the assets of the company and they are accounted at cost. Interest portion of the lease amount is charged to the Profit and Loss Account.
 - c) Expenditure during construction period : Expenditure including borrowing cost incurred on projects under implementation are shown under "Capital Work-in-Progress" pending allocation to the assets.
 - d) The payment made towards goodwill for cane ryots in excess of statutory obligations and to employees as per wage board settlement is amortised over a period of 10 years in accordance with AS-26.
9. Expenses and income in foreign exchange are accounted for at the rate prevailing on the date of transaction. Changes in foreign exchange rates on monetary foreign currency items at the year end are taken into account wherever applicable and fluctuations are dealt with in accordance with AS - 11.
10. Long term Investments are accounted at cost. The diminution if any in value of long term investments is provided if such decline is other than temporary.



SIGNIFICANT ACCOUNTING POLICIES

11. Retirement Benefits :

Contribution payable by the Company under defined contribution schemes towards Provident fund, Gratuity, Employees State Insurance and Superannuation fund for the year are charged to profit and loss account.

Gratuity liability to the employees on actuarial basis upto 31.12.2008 has been accounted in full. The Company has opted for Life Insurance Corporation of India Group Gratuity Scheme and the premium demanded by LIC has been accounted up to 31.12.2008.

Leave salary is provided as per the actuarial valuation as at 31.12.2008.

12. **Borrowing Costs:** Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.
13. The segment reporting is in line with the accounting policies of the company. Inter segment transactions have been accounted for based on the price which has been arrived at considering cost and market price. Revenue and expenses that are directly identifiable with or allocable to segments are considered for determining the segment results. Segment assets and liabilities include those directly identifiable with the respective segments. Business segments are identified on the basis of the nature of products, the risk/return profile of the individual business, the organizational structure and the internal reporting system of the company.
14. **Lease:** Company's significant leasing arrangements are operating lease and cancellable in nature. The lease rentals paid or received under such agreements are accounted in the Profit and Loss Account.
15. Deferred tax is recognized on timing difference between accounting income and the taxable income for the year end and quantified using the tax rates and laws that have been enacted / substantively enacted as at the balance sheet date. The deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that these would be realized in future.
16. **Impairment of Assets:** Impairment, if any, recognized in accordance with the Accounting Standard 28.
17. **Provisions, Contingent Liabilities and Contingent Assets:** Provision is recognized only when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.
18. Contingent liabilities are disclosed by way of note.



SCHEDULE 23

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2008

A. DEBENTURES:

- 1) 19,53,530 - 12% Secured Redeemable Non-convertible Non-Cumulative Debentures (Series X) issued on private placement basis is redeemable at par on the expiry of 12/15 months from the date of allotment. The above debentures are secured by first mortgage/charge on the Company's immovable property situated at St. Mary's Road, Chennai 600 018 in favour of the Debenture Trustee. The amount outstanding including interest thereon is Rs. 1999.87 lakhs.
- 2) 9,99,910 - 12% Secured Redeemable Non-Convertible Cumulative Debentures (Series XI) issued on private placement basis is redeemable at par on the expiry of 12/18 months from the date of allotment. The above debentures are secured by pari passu first mortgage/charge on the company's fixed assets relating to the Beverages division at the Sugar Mill premises in Sivaganga in Tamilnadu in favour of the Debenture Trustee. The amount outstanding is Rs.999.91 lakhs.
- 3) 3,05,960 - 12% Secured Redeemable Non-Convertible Non-Cumulative Debentures (Series XII) issued on private placement basis is redeemable at par on the expiry of 15 months from the date of allotment. The above debentures are secured by pari passu first mortgage/charge on the company's movable and fixed assets relating to the Beverages division at the Sugar Mill premises in Sivaganga in Tamilnadu in favour of the Debenture Trustee. The amount outstanding including interest thereon is Rs.307.81 lakhs.
- 4) 4,10,000 - 12% Secured Redeemable Non-Convertible Cumulative Debentures (Series XIII) issued on private placement basis is redeemable at par on the expiry of 12 months from the date of allotment. The above debentures are secured by pari passu first mortgage/charge on the company's movable and fixed assets relating to the Beverages division at the Sugar Mill premises in Sivaganga in Tamilnadu in favour of the Debenture Trustee. The amount outstanding is Rs.410.00 lakhs.

B. SECURED LOANS :

a) From Institutions and Banks :

- 1) The amount outstanding under secured loans from financial institutions and banks includes loan of Rs.45947.31 lakhs (including interest) availed from IDBI Bank Limited (IDBI), Infrastructure Development Finance Company Limited (IDFC), State Bank of India, Canara Bank, Bank of India, Indian Overseas Bank, Punjab National Bank and Oriental Bank of Commerce.

These Loans are secured by way of -

- i) First pari passu charge on the entire movable and immovable properties of the Company (excluding fixed assets of Sugar unit at Modakurichi and Co-generation plants at Sakthinaragar, Sivaganga and Modakurichi and Beverage plant at Sivaganga and other assets exclusively charged).
- ii) Second pari passu charge on the current assets of the Company relating to Sugar units at Sakthinaragar, Sivaganga and Dhenkanal, Distillery units and Soya unit.(excluding fixed assets of Sugar unit at Modakurichi and Co-generation plants at Sakthinaragar, Sivaganga and Modakurichi and Beverage plant at Sivaganga and other assets exclusively charged).
- iii) Personal guarantees of Chairman and Vice Chairman & Managing Director.



SCHEDULES

- 2) The amount outstanding under Secured loans from Banks includes Loan of Rs.246.87 lakhs availed by the Company from Oriental Bank of Commerce (OBC). This loan is secured by -
 - i) First Charge on the movable and immovable assets of the Company's first cogeneration Plant at Sakthinagar Sugar Unit on pari passu basis with Allahabad Bank and the Tamilnadu Industrial Investment Corporation Limited (TIIC);
 - ii) Escrow of receivables on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the first Co-generation Plant at Sakthinagar on pari passu basis with Allahabad Bank and TIIC;
 - iii) Charge by way of equitable mortgage of the Company's landed property at Erode; and
 - iv) Personal guarantees of Chairman and Vice-Chairman & Managing Director.
- 3) The amount outstanding under Secured loans from Banks includes Loan of Rs.1717.61 lakhs (including interest) availed by the Company from Allahabad Bank. This loan is secured by:-
 - i) First Charge on the movable and immovable assets of the company's First Co-generation Plant at Sakthinagar Sugar Unit on pari passu basis with OBC and TIIC;
 - ii) Escrow of the receivable on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the first co-generation plant at Sakthinagar on pari passu basis with OBC and TIIC;
 - iii) Escrow of receivable on sale of ethanol from the Company's distillery unit at Sakthinagar on pari passu basis with TIIC; and
 - iv) Personal guarantees of Chairman and Vice-Chairman & Managing Director.
- 4) The amount outstanding under Secured loans from Banks includes Loan of Rs.3100 lakhs availed by the Company from the Tamilnadu Industrial Investment Corporation Limited. This loan is secured by :
 - i) First Charge on the movable and immovable assets of the Company's first co-generation plant at Sakthinagar Sugar Unit on pari passu basis with OBC and Allahabad Bank;
 - ii) Escrow of the receivable on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the first co-gen plant at Sakthinagar on pari passu basis with OBC and Allahabad Bank;
 - iii) Escrow of receivable on sale of ethanol from the Company's distillery unit at Sakthinagar on pari passu basis with Allahabad Bank; and
 - iv) Personal guarantees of Chairman and Vice-Chairman & Managing Director.
- 5) The outstanding amount of Rs. 15782.75 lakhs (including interest) under secured loans from banks includes loans availed from:-
 - a) Bank of India Rs.4828.55 lakhs (Including Interest) is secured by -
 - i) Pari passu first charge on the fixed assets of sugar unit at Modakurichi, new co-generation units at Sakthinagar, Sivaganga and Modakurichi;
 - ii) Pari passu second charge on the current assets of Sivaganga sugar unit; and
 - iii) Personal guarantees of Chairman and Vice Chairman & Managing Director.



- b) Allahabad Bank Rs.2550.40 lakhs (Including Interest) is secured by -
 - i) Pari passu first charge on the fixed assets of sugar unit at Modakurichi, new co-generation units at Sakthinagar, Sivaganga and Modakurichi;
 - ii) Pari passu first charge/escrow on the receivables from new Co-generation units at Sakthinagar, Sivaganga and Modakurichi; and
 - iii) Personal guarantees of Chairman and Vice Chairman & Managing Director.
- c) Canara Bank Rs.4883.92 lakhs (Including Interest) is secured by -
 - i) Pari passu first charge on the fixed assets of sugar unit at Modakurichi and new co-generation units at Sakthinagar, Sivaganga and Modakurichi; and
 - ii) Personal guarantees of Chairman and Vice Chairman & Managing Director.
- d) Indian Overseas Bank Rs.3519.88 lakhs (Including Interest) is secured by -
 - i) Pari passu first charge on the fixed assets of the Company (except assets relating to beverage plant, first co-generation plant at Sakthinagar and other assets exclusively charged);
 - ii) Pari passu second charge on the current assets of the Company; and
 - iii) Personal guarantees of Chairman and Vice Chairman & Managing Director.
- 6) The amount outstanding under Secured loans from Banks includes Loan of Rs.1926.34 lakhs (including interest) availed by the Company from Allahabad Bank. This loan is to be secured/secured by:-
 - i) Second charge/escrow of the receivable on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the first Co-generation Plant at Sakthinagar; and
 - ii) Personal guarantees of Chairman and Vice-Chairman & Managing Director.
- 7) The amount outstanding under Secured loans from Banks includes Loan of Rs.2532.38 lakhs (including interest) availed by the Company from Allahabad Bank. This loan is secured by:-
 - i) Pari passu first charge by assignment of receivables of the first co-generation plant at Sakthinagar on pari passu with OBC & TIIC and Term Loan I of Allahabad Bank; and
 - ii) Personal Guarantees of Chairman and Vice- Chairman & Managing Director.
- 8) The amount outstanding under secured loans from banks includes loan of Rs.5166.11 lakhs under secured loan from banks includes loan availed from:-
 - a) Bank of India Rs.1987.00 lakhs is secured by -
 - i) Pari passu residual charge on the Fixed Assets of the Sugar Units of the company, present and future; and
 - ii) Personal Guarantees of Chairman and Vice Chairman & Managing Director.
 - b) Indian Overseas Bank Rs.1191.11 lakhs is secured by -
 - i) Pari passu residual charge on the Fixed Assets of the company- existing as well as future (excluding power plant and beverage plant and other assets, which have been exclusively charged.) ; and
 - ii) Personal Guarantees of Chairman and Vice Chairman & Managing Director.
 - c) Canara Bank Rs.988.00 lakhs is secured by:-
 - i) Pari passu second charge on the entire fixed assets of the company; and
 - ii) Personal Guarantees of Chairman and Vice Chairman & Managing Director.
 - d) HDFC Bank Rs.1000.00 lakhs is secured by -
 - i) Pari passu residual charge on the fixed assets of the sugar units; and
 - ii) Personal Guarantee of Vice Chairman & Managing Director.
- 9) The amount outstanding under Secured loans from Banks includes Loan of Rs.606.12 lakhs (including interest) availed by the Company from Allahabad Bank. This loan is secured by a lien on fixed deposit of Rs.695 lakhs with Allahabad Bank.
- 10) The amount outstanding under Secured loans from Banks includes corporate Loan of Rs.2501.82 lakhs (including interest) availed by the Company from Bank of India. This loan is secured by the assets of a group company and personal guarantees of Chairman and Vice-Chairman & Managing Director.



SCHEDULES

- 11) The amount outstanding under Secured loans from Banks includes Loan of Rs.700.27 lakhs (including interest) availed by the Company from Axis Bank Limited. This loan is secured by first charge on the Company's Corporate Office land and building at Coimbatore and personal guarantee of Vice Chairman & Managing Director.
- 12) The amount outstanding under Secured Loan includes Bill Discounting limit of Rs.327.32 lakhs availed by the Company from Allahabad Bank. This loan is secured by way of exclusive first charge on the receivables due to the Company on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the Co-generation Plant at Sakthinagar.
- 13) The amount outstanding under Secured Loan includes Bill Discounting limit of Rs.130.26 lakhs availed by the Company from Bank of India. The loan is secured by way of exclusive first charge on the receivables due to the Company on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the co-generation plant at Sivaganga.
- 14) Hypothecation loans for working capital includes:
 - a. Working Capital facilities availed for Rs. 724.47 lakhs (including interest) from Citibank which is secured by first charge by way of hypothecation of finished goods, raw materials, stock in process, stores and spares, book debts of the company's sugar, distillery & soya units. It is further secured by personal guarantees of Chairman and Vice-Chairman & Managing Director. This loan is further secured by second/residual charge created on the immovable & movable assets of the said units in favour of Citibank.
 - b. Working Capital facilities availed for Rs. 4060.53 lakhs (including interest) from HDFC Bank Limited (Earlier from Centurion Bank of Punjab Limited) which is secured by first charge by way of hypothecation of finished goods, raw materials, stock in process, stores and spares, book debts of the Company's sugar units and soya unit. It is further secured by guarantee from the Vice-Chairman & Managing Director.
 - c. Working Capital facilities availed for Rs. 2014.91 lakhs (including interest) from Bank of India which is secured by first pari passu charge on the current assets of the Company's Sugar unit situated at Sivaganga. It is further secured by personal guarantees of Chairman and the Vice-Chairman & Managing Director.
 - d. Working Capital facilities availed for Rs. 506.37 lakhs (including interest) from Indian Overseas Bank which is secured by first pari passu charge on the current assets of the Company's Sugar unit and Collateral Security by way of pari passu second charge on the fixed assets of the company, existing as well as future, excluding fixed assets of Beverage plant at Sivaganga and first co-generation unit at Sakthinagar. It is further secured by personal guarantee of Chairman and the Vice-Chairman & Managing Director.
- b) From Others:**
 - 1) The amount outstanding under Secured Loans from others includes Corporate Loan of Rs.36.93 lakhs availed by the Company from Housing Development Finance Corporation Ltd (HDFC). The Corporate Loan is to be secured / secured by a mortgage of company's property at New Delhi.
 - 2) The amount outstanding under Hire Purchase loan aggregating to Rs.232.85 lakhs (including interest) represents the amount availed by the company from public limited companies and is secured by hypothecation of vehicles so financed.
 - 3) The amount outstanding under Secured loan from others includes Term Loan of Rs.686.80 lakhs (including interest) availed by the company from Sugar Development Fund (SDF) of Govt. of India. The above loan is secured by pari passu first charge on the fixed assets of the Company's sugar units at Sakthinagar, Sivaganga and Dhenkanal.
 - 4) The amount outstanding under Secured loans from others includes term loan of Rs.114.82 lakhs (including interest) availed by the company from Technology Information Forecasting and Assessment Council (TIFAC). This loan is secured by the exclusive first charge on the assets acquired under the Scheme. This loan is further secured by the personal guarantee of Vice Chairman & Managing Director.



C. FIXED DEPOSITS:

The aggregate amount of fixed deposits guaranteed by the Vice-Chairman & Managing Director is Rs. 122.85 lakhs.

D. FOREIGN CURRENCY CONVERTIBLE BONDS:

The company has issued during May 2006, Zero coupon Foreign Currency Convertible Bonds in two Series aggregating to US\$ 60 Million, i.e., (i) US\$ 20 Million Zero Coupon Convertible Bonds due on May 2009 (Series A) and (ii) US\$ 40 Million Zero Coupon Convertible Bonds due May 2011 (Series B). These Bonds are convertible at the option of the holders into fully paid equity shares at such conversion price as determined in accordance with the Offer Letter, but not less than Rs. 177.39 per share.

E. SEGMENT INFORMATION FOR THE YEAR ENDED 31.12.2008 :

(Rs. in Lakhs)

REVENUE:-	SUGAR		INDUSTRIAL ALCOHOL		SOYA PRODUCTS		POWER		TOTAL	
	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07
PRIMARY:-										
External Sales	59953.18	48244.15	19268.19	8947.28	13197.13	4501.64	9899.44	4979.00	102317.94	66672.07
Inter Segment Sales	6757.07	4169.84	0.96	0.64	—	—	7369.33	3805.12	14127.36	7975.60
Operating Income	214.34	2787.99	62.02	19.13	764.54	451.70	0.22	0.21	1041.12	3259.03
Total Revenue	66924.59	55201.98	19331.17	8967.05	13961.67	4953.34	17268.99	8784.33	117486.42	77906.70
Segment Result	-5423.96	-594.22	11769.63	5823.77	972.78	161.68	5179.11	4523.12	12497.56	9914.35
Unallocated Corporate Expenses/ Income (Net)									82.46	101.75
Operating Profit									12415.10	9812.60
Interest Expenses									15886.62	9916.15
Interest Income									415.46	724.03
Income Tax									—	—
Profit from Ordinary activities									-3056.06	620.48
Prior Year Adjustments									—	-6.74
Foreign Exchange Fluctuation/Derivative transaction									-5657.61	2397.49
Net Profit/Loss before Tax									-8713.67	3011.23
Less: Income-tax : Deferred Tax									-758.59	—
Net Profit/Loss after Tax									-7955.08	3011.23



SCHEDULES

E. SEGMENT INFORMATION FOR THE YEAR ENDED 31.12.2008: (Contd.)

(Rs. in Lakhs)

REVENUE:-	SUGAR		INDUSTRIAL ALCOHOL		SOYA PRODUCTS		POWER		TOTAL	
	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07
OTHER INFORMATION:										
Segment Assets	113554.36	92444.17	13062.86	9569.80	7493.27	5058.86	35735.49	22809.64	169845.98	129882.47
Unallocated Corporate Assets									18651.00	18832.08
Total Assets									188496.98	148714.55
Segment Liabilities									123448.85	110308.24
Unallocated Corporate Liabilities									–	550.57
Deferred Tax Liability									600.61	–
Total Liabilities									124049.46	110858.81
Capital Expenditure	6268.92	29026.68	1821.18	2355.75	472.81	110.08	12198.98	85.10	20761.89	31577.61
Depreciation	2298.06	868.30	338.63	137.43	205.76	124.56	1451.84	210.58	4294.29	1340.87
SECONDARY:-										
Revenue by Geographical Market										
India	44335.76	43860.67	19331.17	8967.05	10894.25	3519.45	17268.99	8784.33	91830.17	65131.50
Outside India	22588.83	11341.31	–	–	3067.42	1433.89	–	–	25656.25	12775.20

Inter segment revenues are recognised at less than prevailing market price as on the date of transaction.

F. Deferred Tax

(Rs. in Lakhs)

A- Deferred Tax Liability:-	
Arising out of depreciation of Fixed Assets(Net)	10525.86
Difference in treatment of expenses/income (Net)	2121.63
Total	12647.49
B- Deferred Tax Asset:-	
Carried forward losses/Unabsorbed depreciation	11990.35
Arising out of non payment of taxes, duties etc.	56.53
Total	12046.88
Net Deferred Tax Liability	600.61

Deferred tax provision not made in the previous two financial years on account of stay obtained from the Hon'ble High Court of Madras.

**G. Revaluation of Fixed Assets :**

The Net Increase of Revaluation of Assets amounting to Rs.38696.60 lakhs is credited to Revaluation Reserve. The details are as under :

(Rs. in Lakhs)

Particulars	Net Block As on 31.12.2008	Value as Per Approved Valuer	Revaluation Reserve
Land	6075.98	13979.04	7903.06
Building	15385.83	19927.30	4541.47
Plant and Machinery	55356.14	79092.47	23736.33
Electrical Installations	6898.39	9414.13	2515.74
Total	83716.34	122412.94	38696.60

Basis:-

The lands have been revalued on the basis of guideline/market value. Buildings, Plant and Machinery and Electrical Installations have been revalued taking into consideration replacement value, age of the asset and estimated useful life.

- H.** Borrowing Cost capitalized during the year is Rs.2783.25 lakhs (Previous year Rs.477.44 lakhs).
- I.** The Company has pledged 4,38,59,394 equity shares holding in SACL, the wholly owned subsidiary, to secure the loan and obligation in relation to SACL.
- J.** Bank balance with Non Scheduled Banks aggregating to Rs.9.55 lakhs.

The closing balance as on 31.12.2008 with Non Scheduled Bank of Cuttack Gramya Bank, Sujapur Rs.0.03 Lakh, Cuttack Gramya Bank, Dihasahi Rs.0.08 Lakh, Dhenkanal Gramya Bank, Dhenkanal Rs.0.01 Lakh, Dhenkanal Gramya Bank, Kabera Rs.0.08 Lakh, Dhenkanal Gramya Bank, Pingua Rs.0.02 Lakh, Puri Gramya Bank, Chari Chhak Rs.0.08 Lakh, Pandian Gramya Bank, Mitchalpattinam Rs.0.05 Lakh, Kalinga Gramya Bank, Sundaragram Rs.0.12 Lakh and Pandian Gramya Bank, Sivaganga Rs.9.08 Lakhs.

(Rs. in Lakhs)

		31.12.2008	30.06.2007
K.	Amount due from Directors to be adjusted		
	Against cane supply	4.73	4.79
	Maximum amount due from Directors during the year	4.86	5.05
L.	Advance due from Officers (Senior Executives) of the Company	38.55	36.51
	Maximum amount due from officers (Senior Executives) of the Company during the year	52.71	43.76



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M. TAX DEDUCTED AT SOURCE :

(Rs. in Lakhs)

	31.12.2008	30.06.2007
i) On Interest Receipts	73.83	84.31
ii) On Other Income	40.02	3.44
Total	113.85	87.75

N. RELATED PARTIES DISCLOSURE

I. RELATED PARTIES :

A. SUBSIDIARY COMPANIES

Sakthi Auto Component Limited
Sakthi Auto Ancillary Private Limited
Tilan Sugars Limited
Subsidiaries in Europe

B. KEY MANAGERIAL PERSONNEL

Dr. N Mahalingam, Chairman
Sri M Manickam, Vice Chairman and Managing Director
Sri V K Swaminathan, Executive Director

C. RELATIVES OF KEY MANAGERIAL PERSONNEL

	Dr. N Mahalingam	Sri M Manickam
Dr. N Mahalingam	—	Father
Sri M Manickam	Son	—
Sri M Balasubramamiam	Son	Brother
Sri M Srinivasan	Son	Brother
Smt. Karunambal Vanavarayar	Daughter	Sister
Smt. Gauri Manickam	Daughter in Law	Wife

D. ENTERPRISES WHERE CONTROL EXIST

Sri Chamundeswari Sugars Limited
ABT Limited
Sakthi Finance Limited
ABT Industries Limited
ABT Info Systems Pvt.Ltd
Anamallais Bus Transport Pvt.Ltd
Sakthi Logistic Services Ltd.
Sri Chamundeswari Enterprises Pvt.Ltd

E. ENTERPRISES IN WHICH KEY MANAGERIAL PERSONNEL/RELATIVES OF KEY MANAGERIAL PERSONNEL HAVE SIGNIFICANT INFLUENCE

ARC Petroleum Services
N.Mahalingam & Company
Sakthi Automobiles
Sakthi Coffee Estates (P) Ltd.



II. Related Party Transactions :

(Rs. in lakhs)

	Subsidiary Company	Key Managerial Personnel	Relatives of Key Managerial Personnel	Enterprises	Total for the Year 2007-08	Previous Year 2006-07
- Sale of materials	22.73				22.73	1.90
- Purchase of Materials	16.91				16.91	4.99
- Investment in Equity Shares (SACL)					-	8499.35
- Investment in Preference Shares (SACL)					-	2000.00
- Investment in Equity Shares (Tilan Sugars)					-	500.00
- Purchase of land / Site Development					-	36.48
- Remuneration to Chairman					-	26.50
- Remuneration to Vice Chairman & Managing Director		40.95			40.95	53.86
- Remuneration to Executive Director		14.98			14.98	10.15
- Sitting Fees		0.40	0.85		1.25	0.90
Rent Receipts				18.90	18.90	12.73
Other Receipts				3.24	3.24	0.32
Transport Charges				330.75	330.75	133.32
Vehicle Purchase/Maintenance				41.49	41.49	8.39
Purchase of Milk				8.54	8.54	-
Management Fee				263.07	263.07	-
Electricity Charges				0.26	0.26	0.65
Purchase of Computer consumables				2.34	2.34	-
Courier charges				0.13	0.13	-
Rent Payments				23.76	23.76	14.25
Interest charges				858.26	858.26	1402.88
Water charges receipts				15.70	15.70	-
Technical charges receipts				1.67	1.67	-
Purchase of fuel				59.92	59.92	-
Advertisement Receipts				5.86	5.86	-
					Outstanding Amount	Outstanding Amount
					31.12.2008	30.06.2007
Dues from Enterprises					73.92	14.39
Dues to Enterprises					2506.43	1180.19
Dues from Subsidiary Company					11179.10	3919.31
Dues to Subsidiary Company					540.88	36.48
Dues to Key Managerial Personnel					68.49	155.77



SCHEDULES

- O.** Estimated amount of contracts remaining to be executed on capital account and not provided for : Rs. 1966.71 lakhs

- P.** Particulars of Commission, Remuneration and Perquisites to Managerial personnel:

(Rs. in Lakhs)

	31.12.2008	30.06.2007
A) Commission on Profit paid to Chairman	--	26.50
B) Remuneration and Perquisites paid to Vice Chairman & Managing Director		
Salary	27.00	14.23
P.F. Contribution/Super Annuation	3.24	3.39
Gratuity	1.71	1.03
Perquisites	9.00	4.45
Commission on Profit	--	30.75
Total	40.95	53.85
C) Remuneration and Perquisites paid to Executive Director		
Salary	8.10	5.40
P.F. Contribution	0.97	0.65
Gratuity	0.51	0.50
Perquisites	5.40	3.60
Total	14.98	10.15

- Q. FEES PAID/PAYABLE TO AUDITORS:**

(Rs. in Lakhs)

	31.12.2008	30.06.2007
As Auditors	15.00	6.00
In other Capacities:-		
i) Taxation matters	0.80	0.80
ii) Management Services	3.72	2.14
iii) Consolidated Audit Report	0.15	0.15
v) Service Tax	2.09	0.98
Total	21.76	10.07



- R. Sugar sales includes incentive on export of sugar amounting to Rs. 2412.58 lakhs.
- S. The Company has not received any information from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act 2006 and hence, disclosures, if any, relating to amounts unpaid as at 31st December 2008 together with interest paid/payable as required under the said Act have not been given.

T. Employee Benefits :
Gratuity and Provident Fund :

Gratuity, Provident Fund and Employees State Insurance are defined Contribution Plans. The expenses recognised in the Profit and Loss Account are: Gratuity Rs.146.47 Lakhs, Provident Fund Rs.316.47 Lakhs and Employees State Insurance Rs.9.85 Lakhs.

In accordance with the stipulations of the said Accounting Standard, the Company has adjusted Rs.999.28 lakhs towards additional liability for employee benefits up to 31st December 2008 against the opening balance of General Reserve as at 1st July 2007 as permitted under the transitional provision in the Accounting Standard-15.

Disclosure report under Accounting Standard-15 (Revised)

Type of Plan: Long Term Compensated Absence as per Actuarial valuation

(Rs. in Lakhs)

31.12.2008	
I PRINCIPAL ACTUARIAL ASSUMPTIONS (Expressed as weighted average)	
Discount Rate	6.50%
Salary escalation rate	6.50%
Attrition rate	2.50%
Expected rate of return on Plan Assets	—
II- CHANGES IN THE PRESENT VALUE OF THE OBLIGATION(PVO)- RECONCILIATION OF OPENING AND CLOSING BALANCES	
PVO as at the beginning of the period	355.48
Interest Cost	43.10
Current Service Cost	20.18
Past Service cost-(non vested benefits)	—
Past service cost-(vested benefits)	—
Benefits paid	-34.80
Actuarial loss/ (gain) on obligation (balancing figure)	55.85
PVO as at the end of the period	439.80



SCHEDULES

Disclosure report under Accounting Standard-15 (Revised-Contd.)

(Rs. in Lakhs)

	31.12.2008
III- CHANGES IN THE FAIR VALUE OF PLAN ASSETS	
-RECONCILIATION OF OPENING AND CLOSING BALANCES	
Fair value of plan assets as at the beginning of the period	--
Expected return on plan assets	--
Contributions	34.80
Benefits paid	-34.80
Actuarial gain/ (loss) on obligation (balancing figure)	--
Fair value on plan assets as at the end of the period	--
IV-ACTUAL RETURN ON PLAN ASSETS	
Expected return on plan assets	--
Actuarial gain/(loss) on plan assets	--
Actual return on plan assets	--
V- ACTUAL GAIN/ LOSS RECOGNIZED	
Actuarial gain/(loss) for the period-Obligation	-55.85
Actuarial gain/(loss) for the period-Plan Assets	--
Total (gain)/loss for the period	55.85
Actuarial (gain) /loss recognized in the period	55.85
Unrecognized actuarial (gain)/ loss at the end of the year	--
VI-AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES	
Present value of the obligation	439.80
Fair value of plan assets	--
Difference	439.80
Unrecognised transitional liability	--
Unrecognised past service cost-non vested benefits	--
Liability recognized in the balance sheet	439.80
VII- EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS	
Current service cost	20.18
Interest Cost	43.10
Expected return on plan assets	--
Net actuarial (gain)/loss recognised in the year	55.85
Transitional Liability recognised in the year	--
Past service cost-non-vested benefits	--
Past service cost-vested benefits	--
Expenses recognized in the statement of profit and loss	119.13
VIII-MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET	
Opening net liability	355.48
Expenses as above	119.13
Contribution paid	-34.80
Closing net liability	439.80

**Disclosure report under Accounting Standard-15 (Revised-Contd.)**

(Rs. in Lakhs)

31.12.2008	
IX-AMOUNT FOR THE CURRENT PERIOD	
Present value of obligation	439.80
Plan Assets	--
Surplus(Deficit)	-439.80
Experience adjustments on plan liabilities-(loss)/gain	-24.14
Experience adjustments on plan assets-(loss)/gain	--
X MAJOR CATEGORIES OF PLAN ASSETS (AS PERCENTAGE OF TOTAL PLAN ASSETS)	
	Nil

As this is the first year of adoption of Accounting Standard-15 on Employees Benefits, only the current year's figure have been given

U. Earnings per Share :

(Rs. in Lakhs)

	2007-2008	2006-2007
a) Profit After Tax (Rs. In Lakhs)	(-)7955.08	3011.23
b) Less: Preference Dividend (Rs. In Lakhs)	--	42.18
c) Total (Rs. In Lakhs)	(-)7955.08	2969.05
d) The weighted average no of Equity Shares	31373066	31373066
e) The nominal value per Equity Share (Rs.)	10	10
f) Earnings per Share -Basic (Rs.)	(-)25.36	9.46
g) Earnings per Share -Diluted (Rs.)	(-)22.93	8.57

V. Disclosure as required under clause 32 of the listing agreement :

Amount of loans / advances in the nature of loans outstanding from Subsidiaries and Associates during 2007-08
(Rs. in Lakhs)

Name of the Company	Outstanding as on 31.12.2008 (Rs.In Lakhs)	Maximum amount Outstanding during the year (Rs.In Lakhs)	Investment in the shares of the company (No. of Shares)	Investment in the shares of the subsidiaries of the company (No. of Shares)
a) Subsidiary				
Sakthi Auto Component Limited	11179.10	12116.23	--	43860000
Tilan Sugars Limited	35.73	36.48	--	7337300
b) Associates				
Sri Chamundeswari Sugars Limited	--	--	1245200	--

W. Disclosure pursuant to AS-28 on 'Impairment of Assets' :

The Company, during the year, has reviewed the carrying value of the assets for finding out the impairment, if any. The review has not revealed any impairment of assets in terms of AS-28.



SCHEDULES

X. CONTINGENT LIABILITY :

- a) The Company had filed Writ petitions before the Hon'ble High Court of Madras with respect to water charges payable by the Company to the Govt. of Tamil Nadu. The amount involved is Rs.611.81 Lakhs.
- b) Sales Tax demands (including penalties) against the Company aggregating to Rs.2250.75 Lakhs are disputed and pending before various appellate authorities.
- c) The Company has preferred an appeal before the Income Tax Appellate Tribunal, Chennai against the Order of the Commissioner of Income Tax and the disputed amount of tax is Rs.139.03 Lakhs.
- d) The Company has preferred an appeal before the Commissioner of Income Tax, Coimbatore against the Order of the Addl. Commissioner of Income Tax and the disputed amount of tax is Rs.333.45 Lakhs.
- e) The levy of fringe benefit tax under the Income tax act has been challenged by a writ petition before Hon'ble High Court of Madras through the Indian Chamber of Commerce, Coimbatore. The Hon'ble High Court has admitted the writ petition and the same is pending before the said court for disposal. The amount involved is Rs.235.72 Lakhs.
- f) Demands against the company for payment of Excise duty aggregating to Rs.1645.89 Lakhs are disputed and appeals are pending before the various authorities.
- g) The Company has filed a writ petition before the Hon'ble High Court of Orissa, Cuttack against the order of the Supt. of central Excise, Dhenkanal for an amount of Rs.32.63 lakhs. The writ petition is pending for disposal.
- h) Demands against the company for payment of service tax aggregating to Rs.155.34 Lakhs are disputed and appeals are pending before the various authorities.
- i) Demands against the company for payment of service tax on expenses incurred in connection with FCCB aggregating to Rs.217.55 Lakhs are disputed and the appeals are pending before the various authorities.
- j) A quantity of 171038 MTs. of sugar has to be exported by the Company to fulfill its obligation against import of raw sugar under Advance Licence Scheme. Non fulfillment of export obligation would result into a liability of Rs. 24390.21 lakhs.
- k) The Tamil Nadu Govt. has preferred an appeal before Supreme Court against the order of the High Court of Madras in respect of administrative service fee. The Supreme Court vide Interim Order dated 4.5.2004 has clarified that the State Govt. shall charge the fee at the rate of 50 paise per litre only. The amount under dispute is Rs.967.57 lakhs.
- l) An amount of Rs.13.67 lakhs decreed against the company for non performance of contractual obligation is under appeal before the Hon'ble High Court of Andhra Pradesh.
- m) The Executive Engineer, Angul irrigation division, Angul, Orissa State has raised a demand of Rs.6.00 lakhs towards water tax arrears against which a writ petition before the High Court of Orissa, Cuttack has been filed and is pending for disposal.
- n) A writ petition has been filed in the Gujarat High Court against a show cause notice issued by the Dy. Collector, Stamp valuation cell, Mehsana, Gujarat towards shortfall in stamp duty/registration fees. The amount involved is Rs.430.24 lakhs.



- o) The company has provided corporate guarantees aggregating to Rs.2277.42 lakhs to secure the loans availed by the cane growers' societies at Orissa. The aggregate of the loans repayable by the above societies as on 31.12.2008 is Rs.3272.35 lakhs including interest thereon.
 - p) The company has provided corporate guarantees aggregating to Rs.5000.00 lakhs to secure the loans availed by the sugar cane cultivators' association at Sakthi Nagar and Sivaganga. The aggregate of the loans repayable by the above associations as on 31.12.2008 is Rs.5000.00 lakhs.
 - q) The company has provided corporate guarantees aggregating to Rs.56131.13 lakhs to secure the loans availed by the subsidiary companies from banks/financial institutions. The aggregate of the loans repayable as on 31.12.2008 is Rs.44996.61 lakhs.
 - r) The statutory minimum price for sugarcane fixed by the Govt. of India for the sugar seasons 2002-03 & 2003-04 has been challenged by a Writ petition before the Supreme Court of India by all the sugar mills through the Association. The Writ petition is pending disposal. The disputed amount is Rs.1170.21 lakhs towards price and Rs. 24.82 lakhs towards Additional Sales Tax on purchase turnover.
- Y.** Wherever necessary, figures for previous year have been regrouped or reclassified to confirm to this year's grouping or classification.
- Z.** Previous year's figures are not comparable with the current year figures as current year is for a period of 18 months.



SCHEDULE - 24

ADDITIONAL INFORMATION PURSUANT TO PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

PRODUCT	UNITS	LICENSED CAPACITY		INSTALLED CAPACITY	
		31.12.2008	30.06.2007	31.12.2008	30.06.2007
Sugar - Unit at Sakthinagar	Tonnes of Cane Crush / Day	N.A	N.A	9000	9000
Sugar - Unit at Sivaganga	Tonnes of Cane Crush / Day	N.A	N.A	4000	4000
Sugar - Unit at Haripur	Tonnes of Cane Crush / Day	N.A	N.A	2500	2500
Sugar - Unit at Modakurichi	Tonnes of Cane Crush / Day	N.A	N.A	3500	—
Industrial Alcohol - Sakthinagar Unit	Kilo Litres per annum	N.A	N.A	36000	27500
Industrial Alcohol - Haripur Unit	Kilo Litres per annum	N.A	N.A	10000	10000
Co- Generation unit at Sakthinagar	MW	N.A	N.A	32	32
Co- Generation unit at Sivaganga	MW	N.A	N.A	35	-
Co- Generation unit at Modakurichi	MW	N.A	N.A	25	-
PVC Corrugated Rings	Tonnes per annum	N.A	N.A	800	800
Soyabean	Tonnes per annum	N.A	N.A	90000	90000

RAW MATERIALS, STORES AND SPARES

(Rs. in Lakhs)

	Purchase Value	Consumed Value	% of Total Consumption
1) Raw Materials:-			
a) Imported	—	—	—
	(—)	(606.85)	(1.47)
b) Indigenous	—	55674.25	100.00
	(—)	(40619.73)	(98.53)
2) Spares and Components			
a) Imported C.I.F.		16.54	0.44
		(34.72)	(1.34)
b) Indigenous		3711.18	99.56
		(2550.55)	(98.66)
3) Value of Imports on C I F basis			
a) Stores and Components	15.03		
	(28.28)		
b) Capital Goods	268.56		
	(3359.23)		
4) Earnings in Foreign Exchange			
FOB Value of Exports	22651.71		
	(11883.87)		
5) Expenditure in Foreign Exchange			
a) Subscription	0.85		
	(0.30)		
b) R & D Expenses	5.97		
	(—)		
c) Travelling	11.43		
	(21.95)		
d) Sales promotion expenses	4.80		
	(0.85)		



STATISTICAL PARTICULARS FOR THE YEAR ENDED 31.12.2008

Products and units	Opening Stock	Production	Purchases/ Transfer	Consumption	Value of Consumption (Rs.in lakhs)	Sales/ Transfer	Closing Stock
RAW MATERIALS:							
a) Sugarcane Tonnes	- (-)	- (-)	4416309.370 (3477203.495)	4416309.370 (3477203.495)	41862.76 (35325.04)	- (-)	- (-)
b) Raw Sugar Tonnes	- (5079.456)	- (-)	- (-)	- (5079.456)	- (972.44)	- (-)	- (-)
c) Molasses Tonnes	40014.267 (31569.467)	220433.710 (160095.330)	226626.295 (125004.870)	238603.000 (122626.000)	4050.87 (1617.12)	242397.180 (154029.400)	6074.092 (40014.267)
d) Newsprint/Maplitho/Glazed paper Reams	249.272 (252.092)	- (-)	3576.000 (2235.240)	3730.240 (2238.060)	25.19 (14.17)	- (-)	95.032 (249.272)
e) Soyabean Tonnes	10844.577 (2449.585)	- (-)	43642.307 (29823.894)	47885.149 (21373.301)	9436.38 (3290.57)	73.277 (55.601)	6528.458 (10844.577)
f) Soya Flour/Flakes Tonnes	- (-)	- (-)	1421.950 (47.060)	1350.750 (47.060)	299.05 (7.24)	- (-)	71.200 (-)
FINISHED PRODUCTS:							
a) Sugar (Bagged) Quintals	215712 (40473)	4006780 (3369956)	- (-)	- (-)	- (-)	4218803 (3194717)	3689 (215712)
b) Industrial Alcohol Litres	1465344 (898609)	63756981 (32049380)	- (-)	- (-)	- (-)	64051875 (31482645)	1170450 (1465344)
c) Ethanol Litres	19711 (91863)	- (899857)	- (-)	- (-)	- (-)	14377 (972009)	5334 (19711)
d) Bio Earth Tonnes	1658.260 (1595.750)	64800.000 (39300.000)	- (-)	- (-)	- (-)	65858.985 (39237.490)	599.275 (1658.260)
e) Soya Products:-							
1) Soya Oil Tonnes	197.885 (70.475)	8377.574 (3876.057)	2.280 (-)	- (-)	- (-)	8327.634 (3748.647)	250.105 (197.885)
2) Soya Meal Tonnes	25.580 (-)	10273.377 (2869.468)	- (-)	- (-)	- (-)	10298.957 (2843.888)	- (25.580)
3) Flour and Flakes Tonnes	560.133 (96.924)	11096.090 (5803.478)	- (47.060)	- (-)	- (-)	11175.269 (5387.329)	480.954 (560.133)
4) Soya Chunks Tonnes	156.615 (43.560)	14159.754 (6288.549)	- (1.648)	- (-)	- (-)	14008.994 (6177.142)	307.375 (156.615)
5) Soap, Gums and Waste Oil & Others Tonnes	191.393 (60.000)	3330.626 (1123.469)	- (-)	- (-)	- (-)	3497.962 (992.076)	24.057 (191.393)
6) Husks Tonnes	- (9.950)	- (504.210)	- (-)	- (-)	- (-)	- (514.160)	- (-)
OTHERS:							
a) Magazines No.of copies Printed	5756 (62167)	259000 (164000)	- (-)	- (-)	- (-)	261877 (220411)	2879 (5756)
b) Fertilizers Tonnes	692.700 (461.750)	- (-)	12557.110 (14059.900)	- (-)	- (-)	12717.845 (13828.950)	531.965 (692.700)
c) Bagasse Tonnes	1583.100 (5894.631)	1116392.437 (1039020.556)	19800.03 (-)	316455.454 (357718.577)	- (-)	820297.775 (685613.510)	1022.338 (1583.100)
d) Press Mud Tonnes	- (-)	118975.020 (112522.230)	- (-)	- (-)	- (-)	118975.020 (112522.230)	- (-)
e) Power Units	- (-)	487722240 (247426265)	- (-)	53558235 (23261883)	- (-)	434164005 (224164382)	- (-)

Note :

1. Industrial Alcohol Storage/conversion loss	- Litres	12315	(8368)
2. Process stock molasses - Opening Stock	- Tonnes	444.000	(450.000)
- Closing Stock	- Tonnes	480.000	(444.000)

Figures in brackets are that of the previous year.



BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No	000396	State Code	18	Balance Sheet Date	31122008
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II. Capital raised during the year (Amount in Rs. thousands)

Public Issue	Nil	Right Issue	Nil	Bonus Issue	Nil
Private Placement	Nil				

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

SOURCES OF FUNDS

Total Liabilities	19887450	Total Assets	19887450		
Paid up Capital	313731	Share Application Money	156600	Reserve & Surplus	6094813
Secured Loans	9276817	Unsecured Loans	1078428		
Foreign Currency Convertible Bonds	2907000	Deferred Tax Liability	60061		

APPLICATION OF FUNDS

Net Fixed Assets	13430748	Intangible Assets	2059456	Investments	1673668
Net Current Assets	2603295	Misc. Expenditure	120283		
Accumulated Losses	Nil				

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	11644530	Total Expenditure	11785342	Profit Before Tax	-871367
Profit After Tax	-795508	Earnings Per Share	-25.36	Dividend Rate %	-

V. Generic Names of Three Principal Products / Service of the Company (as per Monetary Terms)

Item Code No. (ITC Code)	17.01	Product Description	SUGAR
Item Code No. (ITC Code)	22.07	Product Description	INDUSTRIAL ALCOHOL
Item Code No. (ITC Code)	15.07	Product Description	SOYA PRODUCTS

CASH FLOW STATEMENT



(Rs. in lakhs)

		2007 - 08	2006 - 07	
A. Cash Flow from Operating Activities				
Profit before tax		(3,056.06)		620.48
Depreciation	4,294.29		1,340.87	
Interest	15,886.62		9,916.15	
Miscellaneous Expenses & Other exp.written off	347.16		122.25	
Intangible Assets Written off	1,154.39		769.60	
Funded Interest Written off	872.77		3,425.60	
Loss on Sale of Assets	13.49		29.65	
Loss on Sale of Investments	2.00		-	
Investment Income :				
Dividend	(6.00)		(7.55)	
Interest	(415.46)		(724.03)	
Profit on Sale of Assets	(0.53)	22,148.73	(207.07)	14,665.47
Operating Profit Before Working Capital changes		19,092.67		15,285.95
Adjustment for:-				
Inventories	3,744.67		(3,476.08)	
Debtors	(248.66)		3,988.08	
Other Current Assets	(1,322.77)		(776.83)	
Loans and Advances	4,238.44		(11,869.91)	
Liabilities	17,502.28		3,203.52	
Expenses relating to Prior Years	60.49		67.33	
Intangible assets	(15,555.46)		-	
Misc Expenditure Paid	(246.83)		(1,021.84)	
		8,171.86		(9,885.73)
Net Cash from Operating Activities after extraordinary items		27,264.53		5,400.22
Foreign exchange fluctuation (Net)		(139.77)		(674.51)
Income Tax Paid		(113.85)		(364.57)
Net Cash from Operating Activities		27,010.91		4,361.14
B.Cash Flow from Investing Activities				
Purchases of Fixed Assets	(20,761.90)		(31,577.60)	
Sale of Fixed Assets	325.57		563.67	
Investment Income	421.46		731.58	
Advance to Subsidiaries	(7,259.79)		656.00	
Sale / Purchase of Investment	3.80		(10,997.41)	
Net Cash used in Investing activities		(27,270.86)		(40,623.76)
C.Cash Flow from Financing Activities				
Repayment of Preference Shares	-		(1,200.00)	
Payment of Dividend plus Tax	(550.58)		(1,262.93)	
Interest Paid	(13,744.83)		(9,646.23)	
Derivative Transactions (Net)	(897.84)		-	
Receipts from long term / short term Borrowings	10,563.28		30,009.98	
		(4,629.97)		17,900.82
Net cash used in Financing activities		(4,889.92)		(18,361.80)
Net increase in Cash & Cash Equivalents		9,113.35		27,475.15
Cash & Cash Equivalents at the beginning of the period		4,223.43		9,113.35
Cash & Cash Equivalents at the end of the period				

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

P R VITTEL

Partner

M. No. 018111

Coimbatore

19th February 2009

N MAHALINGAM

Chairman

M BALASUBRAMANIAM

Joint Managing Director - Finance

M MANICKAM

Vice Chairman & Managing Director

S BASKAR

Vice President - Finance & Company Secretary



COMPANY'S PERFORMANCE AT A GLANCE

YEAR	SUGARCANE CRUSHED (TONNES)	SUGAR PRODUCED (TONNES)	RECOVERY %	TURNOVER (Rs. in lakhs)	PROFIT BEFORE DEPRN (Rs. in lakhs)	DEPRN (Rs. in lakhs)	PROFIT AFTER DEPRN (Rs. in lakhs)	EQUITY DIVIDEND (%)	GROSS BLOCK (Rs. in lakhs)
1966	332794	28741	8.64	328.24	18.47	11.63	6.84	6	180.66
1967	202641	16750	8.27	346.44	3.08	12.78	-9.70	-	181.33
1968	195997	17614	8.99	346.60	74.97	14.90	60.07	12	173.51
1969	332822	27955	8.40	520.65	31.09	13.74	17.35	12	179.75
1970	460457	38704	8.41	536.07	10.30	15.23	-4.93	6	312.82
1971	434862	40159	9.23	692.62	55.05	20.04	35.01	12	345.52
1972	526103	50063	9.52	1112.43	135.34	29.89	105.45	15	466.18
1973	687892	59691	8.72	1358.41	67.83	34.66	33.17	15	567.55
1974	813430	67776	8.33	1779.28	72.04	46.99	25.05	12	958.57
1975	1002544	84494	8.43	2324.35	128.52	65.61	62.91	-	1014.43
1976	311774	28025	8.98	1395.33	19.20	64.00	-44.80	-	1026.49
1977	298725	22692	7.60	653.64	-98.96	-	-98.96	-	1020.98
1978	366487	33883	9.25	706.32	-27.36	-	-27.36	-	1021.26
1979	767844	64299	8.37	1201.64	52.40	-	52.40	-	1037.86
1980	624399	54680	8.76	2323.30	303.52	58.24	245.28	12	1068.08
1981	648514	57236	8.83	2400.96	138.32	67.22	71.10	17.5	1207.00
1982 [▲]	1121964	104305	9.30	3861.03	322.10	99.89	222.21	20	1396.35
1983	803716	79295	9.87	3371.42	248.52	194.78	53.74	15	1846.66
1984	336704	34375	10.12	3063.41	109.28	108.20	1.08	15	2024.62
1985	697491	70103	10.05	3211.28	297.71	128.91	168.80	16	2122.82
1986	704626	72150	10.24	3739.00	211.46	116.05	95.41	15	2229.53
1987	496762	48791	9.82	3647.90	173.62	150.86	22.76	-	2443.58
1989 [●]	934601	96145	10.28	5087.15	849.45	249.08	600.37	30	4530.72
1990	1122219	108421	9.66	8762.84	989.65	377.09	612.56	20	6101.95
1991	1130173	107984	9.55	7474.44	801.55	394.37	407.18	20	6617.61
1992	1091843	103723	9.50	11200.64	1010.49	409.11	601.38	20	8540.39
1993	1115158	107158	9.61	11547.77	1027.03	411.07	615.96	20	11387.44
1994	956993	89163	9.36	18109.42	1521.21	489.38	1031.83	24	17649.21
1995	1724621	159199	9.28	21701.32	1859.60	782.45	1077.15	24	18638.23
1996	2345289	211267	9.00	33568.19	2953.13	857.58	2095.55	24	26042.75
1997	2106840	191940	9.11	33442.13	2022.05	1019.11	1002.94	20	30242.48
1998	1569438	143991	9.21	36753.07	2478.28	1414.47	1063.81	-	32548.89
1999 [▲]	2607462	246609	9.43	40788.52	2298.23	1860.97	437.26	-	35155.94
2000	2161594	212600	9.86	36393.04	2102.55	1485.66	616.89	-	28394.91
2001	2316874	233278	10.04	45197.53	1596.80	1272.83	323.97	-	29463.22
2002	1914453	193302	10.04	45022.47	1791.99	1309.48	482.51	-	30771.78
2003	1472547	192505 [■]	9.80	32221.35	-3968.28	1347.49	-5315.77	-	61006.09 [★]
2004	499480	124559 [■]	10.15	30313.24	-3339.32	948.67	-4287.99	-	56054.15
2005	847934	257611 [■]	9.30	63942.19	3972.94	1158.49	2814.45	-	56273.16
2006	2746916	347702 [■]	9.52	89601.78	10835.71	1218.85	9616.86	15	60637.41
2007	3477203	336996 [■]	9.56	76602.75	4352.10	1340.87	3011.23	15	91376.04
2008 [●]	4416309	400678	9.07	118884.98	-4419.38	4294.29	-8713.67	-	150435.93 [*]

▲ 15 months period ● 18 months period ■ Includes sugar produced out of Raw Sugar

★ Including increase in value on account of revaluation of fixed assets Rs. 30045.71 lakhs

* Including increase in value on account of revaluation of fixed assets Rs. 38696.60 lakhs



Auditors' Report on Consolidated Financial Statement

We have audited the attached Consolidated Balance Sheet of Sakthi Sugars Limited and its subsidiaries as at 31st December 2008, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of two of its subsidiary companies namely Sakthi Auto Ancillary Private Limited and Tilan Sugars Limited whose financial statements reflect total assets of Rs.3531.79 lakhs as at 31st December 2008, total revenue of Rs.5743.14 lakhs and cash flows amounting to Rs.11.89 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The parent company has revalued land, buildings, plant and Machinery and electrical installations during the year, based upon the valuation report of an approved valuer. The land has been revalued at guidance/market value and building, plant and machinery and electrical equipment have been valued taking into consideration replacement value, age of asset and estimated remaining useful life.

The difference between book value and market value as per the valuer's report of the revalued assets is Rs.38,696.60 lakhs.

The other assets such as development of property-Eco friendly Trees, Molasses and Alcohol Storage Tanks, Office Equipment, Furniture and Fixtures, Laboratory Apparatus and Motor Vehicles are not revalued during the year.

One of its subsidiaries, Sakthi Auto Component Limited, has revalued land, buildings, plant and Machinery and electrical installations during the year, based upon the valuation report of an approved valuer. The land has been revalued at guidance/market value and building, plant and machinery and electrical equipment have been valued taking into consideration replacement value, age of asset and estimated remaining useful life.

The difference between book value and market value as per the valuer's report of the revalued assets is Rs.9389.16 lakhs.

The other assets such as Office Equipment, Furniture and Fixtures and Motor Vehicles are not revalued during the year.

Whereas two of its subsidiary companies have not revalued its fixed assets.

Based on our audit and on consolidation of reports of the other auditors on separate financial statements and on the other financial information of the subsidiary companies and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India; except



AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT

- i) a) *In the case of Holding Company, the balance sheet, Profit and Loss Account, Report of Board of Directors and report of auditors of the subsidiaries and statement of holding company's interest in the subsidiaries are not attached as required under section 212(1) of the Companies Act, 1956.*
- b) *In the case of Sakthi Auto Component Limited, as Holding Company, the balance sheet, Profit and Loss Account, Report of Board of Directors and report of auditors of the subsidiaries and statement of holding company's interest in the subsidiaries are not attached as required under section 212(1) of the Companies Act, 1956.*
- c) *In the case of Holding Company, the Accounts of the European subsidiaries are not consolidated with the Holding Company in terms of AS-21 Consolidated Financial Statements.*
- ii) *In Sakthi Auto Component Limited, the interim dividend declared and paid to preference share holders amounting to Rs. 3081.55 lakhs is in contravention of section 205 of the Companies Act, 1956 as there are no profits for dividend and recovery from the preference share holders is subject to their agreement or recovery proceedings.*

Subject to the above we are of the opinion that:

- i) In the case of the Consolidated Balance Sheet, of the state of affairs of Sakthi Sugars Limited and its subsidiaries as at 31.12.2008 and
- ii) In the case of the Consolidated Profit and Loss account, of the Loss for the year ended on that date and
- iii) In the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For P.N. RAGHAVENDRA RAO & Co.

Chartered Accountants

P.R.VITTEL

Partner

M.No.018111

PLACE: Coimbatore

DATE : 19.02.2009

CONSOLIDATED BALANCE SHEET AS AT 31.12.2008



(Rs. in lakhs)

Schedule No.		As at 31.12.2008	As at 30.06.2007
I. SOURCES OF FUNDS :			
(1) SHAREHOLDERS' FUNDS :			
(a) Share Capital	1	21,382.31	19,357.31
(b) Share Application Money		1,566.00	1,566.00
(c) Reserves and Surplus	2	67,986.44	33,727.98
		90,934.75	54,651.29
(2) MINORITY INTEREST		261.34	212.33
(3) LOAN FUNDS :			
(a) Secured loans	3	115,220.87	86,996.36
(b) Unsecured loans	4	12,813.81	21,218.52
(c) Foreign Currency Convertible Bonds		29,070.00	24,450.00
		157,104.68	132,664.88
(4) DEFERRED TAX LIABILITY		299.57	--
(Refer Note 'H' in Schedule 23)			
TOTAL of 1 to 4		248,600.34	187,528.50
II. APPLICATION OF FUNDS :			
(1) FIXED ASSETS:			
Gross Block	5	131,428.87	87,876.38
Less : Depreciation		23,624.49	15,866.89
Net Block		107,804.38	72,009.49
Add : Capital Work in Progress		13,401.79	30,129.56
Add: Increase in Value on account of Revaluation		48,085.76	--
(Refer Note 'I' in Schedule 23)			
		169,291.93	102,139.05
INTANGIBLE ASSETS	5 A	22,635.30	7,759.15
(2) INVESTMENTS	6	27,596.37	22,780.87
(3) DEFERRED TAX ASSET		--	1,476.99
(4) (i) CURRENT ASSETS, LOANS AND ADVANCES:			
(a) Inventories	7	10,793.16	12,925.32
(b) Sundry Debtors	8	8,119.35	6,298.77
(c) Cash and Bank balances	9	4,715.11	10,320.26
(d) Other Current Assets	10	6,936.82	6,312.30
(e) Loans and Advances	11	34,688.90	34,695.42
		65,253.34	70,552.07
Less :			
(ii) CURRENT LIABILITIES AND PROVISIONS	12	37,934.28	19,246.65
Net Current Assets (i) - (ii)		27,319.06	51,305.42
(5) MISCELLANEOUS EXPENDITURE	13	1,757.68	2,067.02
(to the extent not written off or adjusted)			
TOTAL of 1 to 5		248,600.34	187,528.50

Schedules 1 to 13 and Notes in Schedule 23 form part of this Balance Sheet.

Vide our report annexed

For P N RAGHAVENDRA RAO & Co

Chartered Accountants

P R VITTEL

Partner

M. No. 018111

Coimbatore

19th February 2009

N MAHALINGAM

Chairman

M BALASUBRAMANIAM

Joint Managing Director - Finance

M MANICKAM

Vice Chairman & Managing Director

S BASKAR

Vice President - Finance & Company Secretary



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.12.2008

(Rs. in lakhs)

		Schedule No.	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
I. INCOME:				
Sales	14		165,617.27	98,800.58
Less: Excise duty collected			7,732.83	4,893.70
			157,884.44	93,906.88
Income from Operations			803.12	485.76
Dividend			6.76	8.58
Interest Gross (Refer Note 'P' in Schedule 23)			562.29	809.50
Other income	15		499.64	487.31
Stock adjustment	16		(1,562.71)	3,308.49
			158,193.54	99,006.52
II. EXPENDITURE:				
Cost of Goods Consumed / Sold	17			
			2,791.37	2,088.53
Opening stock			69,103.30	48,198.88
Add : Purchases			71,894.67	50,287.41
Less: Closing stock			2,122.23	2,791.37
			69,772.44	47,496.04
Manufacturing expenses	18		47,603.27	23,536.22
Excise Duty on stock adjustments			(224.48)	383.83
Salaries, wages and other employee benefits	19		7,444.28	4,045.51
Interest charges	20		18,821.63	11,539.60
Selling expenses	21		5,637.06	2,849.37
Any other expenses	22		4,077.05	5,440.92
Intangible asset written off			1,459.34	972.90
Depreciation			7,860.39	
Less: Transfer to Revaluation Reserve			1,688.66	2,317.68
			160,762.32	98,582.07
Net profit/Loss before Foreign Exchange Fluctuation / Derivative Transactions			(2,568.78)	424.45
Prior year adjustments			(94.59)	(705.45)
Foreign Exchange Fluctuation/Derivative Transactions (Net)			(6,494.15)	2,886.19
			(9,157.52)	2,605.19
III. NET PROFIT/LOSS BEFORE TAX				
Less: Income -tax Expenses:-				
Current Tax			--	25.40
Deferred Tax			(812.42)	11.62
Fringe Benefit Tax			3.58	2.44
Transferred from General Reserve			2539.72	
Less:- Deferred Tax - Previous years			2539.72	--
			(8,348.68)	2,565.73
IV. NET PROFIT AFTER TAX before adjustment of Minority Interest				

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.12.2008



(Rs. in lakhs)

Schedule No.	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
Less : Minority Interest	49.00	22.66
V. NET PROFIT AFTER TAX after adjustment of Minority Interest	(8,397.68)	2,543.07
Add:		
Surplus from previous year	2,166.35	1,557.97
Excess provision withdrawn	60.49	71.82
Reversal of Provision for Diminution in Value of Investments	–	2.25
Transferred from General Reserve	3,698.51	–
	(2,472.33)	4,175.11
APPROPRIATIONS:		
Proposed/ Interim Dividend:-		
- Equity shares	–	470.60
- Preference shares	–	36.99
Income-tax on Dividend	–	85.17
Provision for Diminution in Value of Investments	252.00	–
Transferred to General Reserve	–	1,000.00
Transferred to Pref. Share Redemption Reserve	19.00	–
Transferred to Debenture Redemption Reserve	–	416.00
Balance Surplus for allocation	(2,743.33)	2,166.35

Schedules 14 to 22 and Notes in Schedule 23 form part of this Profit and Loss account.

Vide our report annexed
For P N RAGHAVENDRA RAO & Co
Chartered Accountants

P R VITTEL
Partner
M. No. 018111
Coimbatore
19th February 2009

N MAHALINGAM
Chairman

M BALASUBRAMANIAM
Joint Managing Director - Finance

M MANICKAM
Vice Chairman & Managing Director

S BASKAR
Vice President - Finance & Company Secretary



SCHEDULES

(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED:		
5,00,00,000 Equity Shares of Rs.10 each	5,000.00	5,000.00
50,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	5,000.00	5,000.00
	10,000.00	10,000.00
ISSUED:		
3,14,89,735 Equity Shares of Rs.10 each	3,148.97	3,148.97
SUBSCRIBED AND PAIDUP:		
3,13,73,066 Equity Shares of Rs.10 each fully paid up	3,137.31	3,137.31
Issued by Subsidiary Company:		
60,82,500 Series A 15% Participatory Cumulative optionally Convertible Preference Shares of Rs. 100 each	6082.50	6,082.50
1,01,37,500 Series B 15% participatory Cumulative optionally Convertible Preference Shares of Rs. 100 each	10137.50	10,137.50
12,15,000 Series I 15% Participatory Cumulative Convertible Preference Shares of Rs. 100 each	1215.00	—
8,10,000 Series II 15% Participatory Cumulative Convertible Preference Shares of Rs. 100 each	810.00	—
TOTAL:	21,382.31	19,357.31
SCHEDULE - 2		
RESERVES AND SURPLUS		
CAPITAL RESERVE:		
Balance as per last Balance Sheet	625.24	625.24
REVALUATION RESERVE:		
Balance as per last Balance Sheet	15,543.61	16,771.84
Add: Created During the year (Difference between Market value and book value of Land, Buildings, Plant and Machinery and Electrical Installations)	48,085.75	—
	63,629.36	16,771.84
Add: On account of Investment in Tilan Sugars Ltd	—	233.73
Less: Depreciation on Revalued Assets	1,688.66	1,125.16
Withdrawn on Sale of Assets	10.44	336.80
	61,930.26	15,543.61
CAPITAL REDEMPTION RESERVE:		
Balance as per last Balance Sheet	2,512.27	2,512.27
SECURITY PREMIUM ACCOUNT:		
Balance as per last Balance Sheet	3,914.70	3,916.71
Less : Public / Debenture issue expenses adjusted current year	—	2.01
	3,914.70	3,914.70
SUBSIDY FROM GOVERNMENT:		
Balance as per last Balance Sheet	44.23	44.23



(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 2 (Contd.)		
DEBENTURE REDEMPTION RESERVE:		
Balance as per last Balance Sheet	416.00	—
Add: Transferred from Profit & Loss Account	—	416.00
	416.00	416.00
GENERAL RESERVE:		
Balance as per last Balance Sheet	8,505.58	7,505.58
Add: Amount transferred from Profit & Loss Account	—	1,000.00
	8,505.58	8,505.58
Less: Transferred to Profit and Loss Appropriation account	3,698.51	—
Transferred to Deferred Tax Liability	2,539.72	—
Adjustment for Employee Benefits (Refer Note 'U' in Sch.23)	999.28	—
	1,268.07	8,505.58
PREFERENCE SHARES REDEMPTION RESERVE:		
Transferred from Profit & Loss Account	19.00	—
SURPLUS:		
Balance in Profit and Loss Account	(2,743.33)	2,166.35
TOTAL	67,986.44	33,727.98
SCHEDULE - 3		
SECURED LOANS		
A. DEBENTURES:		
Secured Redeemable Non-convertible Debentures - X Series	1,941.37	918.46
Secured Redeemable Non-convertible Debentures - XI Series	999.91	—
Secured Redeemable Non-convertible Debentures - XII Series	305.96	—
Secured Redeemable Non-convertible Debentures - XIII Series	410.00	—
Interest accrued and due on the above	48.13	14.86
	3,705.37	933.32
B. LOANS AND ADVANCES:		
FROM BANKS		
a) Term Loans	82,157.99	61,020.74
Interest accrued and due on the above	1,408.59	475.46
b) Hypothecation Loans for working capital	9,437.08	6,294.13
Interest accrued and due on the above	116.62	74.05
c) Bills Discounted with Banks	4,816.63	3,945.03
	97,936.91	71,809.41



SCHEDULES

(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 3 (Contd.)		
FROM OTHERS		
a) Term Loans	12,969.95	13,913.34
Interest accrued and due on the above	344.61	158.61
b) Hire Purchase /Mortgage Loans from Limited companies	262.68	180.15
Interest accrued and due on the above	1.35	1.53
	13,578.59	14,253.63
TOTAL	115,220.87	86,996.36
SCHEDULE - 4		
UNSECURED LOANS		
Fixed Deposits	668.60	2,791.79
Interest accrued and due on the above	6.65	11.44
Short Term Loans and Advances:		
From Banks	2,722.35	7,587.99
Interest accrued and due on the above	39.39	118.24
From Others	4,376.99	3,773.73
Interest accrued and due on the above	35.72	—
Other Loans and Advances:		
From Banks	3,957.93	5,768.56
Interest accrued and due on the above	168.22	87.08
From Others	837.96	1,079.69
TOTAL	12,813.81	21,218.52



SCHEDULES

(Rs. in lakhs)

As at 31.12.2008

As at 30.06.2007

SCHEDULE - 6

INVESTMENTS - LONG TERM at cost

1) Investment in Govt. Securities

1.28

1.08

2) Investment in Shares:-

A. Quoted:

In fully paid Equity Shares:

a) Sri Chamundeswari Sugars Limited

5,10,862 Shares of Rs.10 each

117.88

117.88

b) Sri Bhagavathi Textiles Limited

5,000 Shares of Rs.100 each

5.00

5.00

c) Sakthi Finance Limited

10,40,000 Shares of Rs.10 each

282.00

282.00

d) The Industrial Credit & Investment

Corporation of India Ltd.,

441 Shares of Rs.10 each

0.24

0.24

e) NIIT Ltd.

759 Shares of Rs. 10 each

0.06

0.06

f) NIIT Technologies Ltd.

2,527 Shares of Rs. 10 each

0.09

0.09

g) Kovai Medical Centre and Hospital Ltd.

2,00,000 Shares of Rs.10 each

20.00

20.00

h) K G Denim Limited

16,129 Shares of Rs.10 each

2.74

2.74

i) The Industrial Finance Corpn.of India Ltd.

100 Shares of Rs.10 each

0.04

0.04

j) The Industrial Development Bank of India Ltd

1,360 Shares of Rs.10 each

1.10

1.10

k) The South Indian Bank Limited

16,500 Shares of Rs.10 Each

4.22

4.22

l) Punjab National Bank

9,100 Shares of Rs.10 Each

--

2.82

m) Canara Bank

900 shares of Rs.10 each

--

0.32

n) Allahabad Bank

104 shares of Rs.10 each

--

0.09

Aggregate of Quoted Investments

433.37

436.60

B. Unquoted:

In fully paid Equity Shares:

a) Sakthi Soft Drinks Limited

30,000 Shares of Rs.10 each

--

3.00

b) Sakthi Beverages Limited

2,27,900 Shares of Rs.10 each

--

22.79

c) The ABT Co-operative Stores Ltd.

1,000 Shares of Rs. 10/- each

0.10

0.10

d) Sakthi Sugars Co-operative Stores Ltd.

760 Shares of Rs.10 each

0.08

0.08

e) Arun Fuels Ltd.,

2000 Shares of Rs.100 each

--

2.00

f) Angul Central Co-op Bank Ltd.

100 Shares of Rs.100 each

0.10

0.10

g) Shamrao Vithal Co-op Bank Ltd

4000 shares of Rs.25 each

1.00

1.00

1.28

29.07

434.65

465.67



(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 6 (Contd.)		
3) Investment in Subsidiaries :		
In fully paid Equity Shares:		
Orlandofin B.V.		
18000 Shares of 1 Euro each	26,516.54	21,418.22
 In Preference Shares		
895900 5% Redeemable Non-Convertible		
Preference Shares in Sri Chamundeswari	895.90	895.90
Sugars Ltd		
 Aggregate of Unquoted Investments	27,412.44	22,314.12
 Total Investments	27,848.37	22,780.87
Less: Provision for Diminution in value of Investments	252.00	—
TOTAL	27,596.37	22,780.87

Note : 1) Market Value of quoted Investments as on 31st December, 2008 is Rs. 246.35 lakhs (Rs. 382.11 lakhs).

2) Government securities of the total face value of Rs. 0.22 lakhs are deposited with Panchayat and Public Works Department as road contract work deposits and of the value of Rs. 1.06 lakhs are deposited with State Commercial Tax Department.

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 7		
INVENTORIES		
Stores and spares	2,715.51	2,621.52
Standing crop	11.44	5.72
 STOCK-IN-TRADE:		
i) Finished goods:		
Sugar	59.80	2,926.87
Molasses - Sugar Unit	83.64	407.15
Industrial Alcohol	183.67	178.81
Ethanol	0.64	1.59
Bio Earth	1.68	7.17
Fusel Oil	1.34	0.01
Soya Products	310.53	238.30
Iron Castings	4,850.87	3,372.39
Industrial Valves	19.66	11.22
	5,511.83	7,143.51
 ii) Raw materials:		
Molasses - Distillery Unit	58.51	176.05
Soyabeans & others	1,221.05	1,809.96
Steel scrap, pig iron and others	708.96	734.61
Soya Flour	15.74	—
	2,004.26	2,720.62



SCHEDULES

(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 7 (Contd.)		
iii) Other stocks:		
News print paper	0.45	1.07
Chemicals, Fertilisers & Others	117.51	69.67
Bagasse	--	5.93
	117.96	76.67
iv) Stock-in-process:		
Sugar	204.77	210.55
Molasses	36.15	16.38
Iron Castings in Process	151.98	101.93
Industrial Valve in Process	39.26	28.42
	432.16	357.28
TOTAL	10,793.16	12,925.32
SCHEDULE - 8		
SUNDRY DEBTORS		
Unsecured - considered good:		
i) Debts outstanding for a period exceeding six months	608.25	785.68
ii) Other debts	7,511.10	5,513.09
	8,119.35	6,298.77
SCHEDULE - 9		
CASH AND BANK BALANCES		
i) Cash on hand	97.98	66.93
ii) Bank Balances:		
Scheduled Banks:		
Current Accounts	1,827.52	2,875.74
Deposit Accounts	1,038.88	6,153.60
	2,866.40	9,029.34
Non Scheduled Banks:		
(Refer Note 'L' in Schedule 23)		
Current Accounts	9.87	86.23
Deposit Accounts	--	169.51
	2,876.27	9,285.08
iii) Deposit with Government Bodies/Others	1,740.86	968.25
TOTAL	4,715.11	10,320.26



(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE - 10		
OTHER CURRENT ASSETS		
Outstanding income and interest receivable	2,572.64	1,073.62
Funded Interest	4,363.82	5,236.59
Stock of stamps and hundi papers	0.36	2.09
TOTAL	6,936.82	6,312.30
SCHEDULE - 11		
LOANS AND ADVANCES		
Unsecured: (Considered good)		
Advance Recoverable in cash or in kind / value to be received	27,598.74	26,206.95
Advance for New Projects	24.62	1,888.79
Income-tax payments	773.30	640.03
Prepaid expenses	326.87	402.86
Deposit with Central Excise, Electricity Department, etc.	5,965.37	5,556.79
TOTAL	34,688.90	34,695.42
SCHEDULE - 12		
CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities:		
Sundry Creditors:		
Due to Micro, Small and Medium Enterprises (Refer Note 'T' in Schedule 23)	--	--
Liabilities for purchases, Expenses & Others (Other than Micro, Small and Medium Enterprises)	35,724.87	17,701.24
Investor Education and Protection Fund shall be credited by the following and not due:-		
Unclaimed dividends	35.45	16.78
Unclaimed matured Deposits	144.20	50.55
Unclaimed matured Debentures	12.74	183.93
Interest accrued and due on the above	16.53	13.46
Interest accrued but not due	392.79	334.35
	36,326.58	18,300.31
B. Provisions:		
Provision for Taxation	--	31.53
Provision for Fringe Benefit Tax	16.58	13.00
Proposed Dividend	--	470.60
Income-tax on Proposed Dividend	--	79.98
Provision for Provident Fund	25.44	22.54
Provision for Employee Benefits	1,565.68	328.69
TOTAL	37,934.28	19,246.65



SCHEDULES

(Rs. in lakhs)

	As at 31.12.2008	As at 30.06.2007
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or not adjusted)		
Deferred Revenue Expenditure	1,415.49	1,631.14
Pre-operative expenses	337.63	336.45
Soyabean Development Expenses	4.56	29.43
Product Development	--	70.00
TOTAL	1,757.68	2,067.02
	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
SCHEDULE - 14		
SALES *		
Sugar	60,561.74	48,187.71
Industrial Alcohol	19,031.52	8,606.09
Power	9,900.97	4,985.98
Ethanol	--	226.13
Soya products	12,899.19	4,520.32
Molasses	142.39	337.37
Iron Castings	46,106.71	21,922.69
Pattern sales	165.18	--
Industrial valve	460.40	226.16
Fertilisers & Chemicals	869.91	971.95
Seeds	17.85	12.58
Bio Earth	272.75	199.28
Magazines	15.54	11.99
Bagasse	94.26	391.33
Others	41.71	24.46
Add : Own consumption:		
Industrial Alcohol	0.96	0.64
Molasses	3,275.02	1,355.22
Steam	3,741.35	1,803.14
Power	3,789.32	2,001.99
Soya products	284.39	--
Bagasse	3,942.91	2,964.84
Other By products	3.20	1.74
TOTAL	165,617.27	98,751.61
* Inclusive of Excise duty		
SCHEDULE - 15		
OTHER INCOME		
Rent Receipts	88.39	58.80
Profit on sale of fixed assets	2.01	235.78
Profit on sale of used materials	244.34	103.12
Profit on sale of DEPB	2.89	1.97
Profit on sale of investments - Long term	59.79	--
Miscellaneous income	98.24	81.66
Sundry balances written off	3.98	5.98
TOTAL	499.64	487.31



Year Ended 31.12.2008
(18 Months)

Year Ended 30.06.2007
(12 Months)

SCHEDULE - 16

STOCK ADJUSTMENT

(A) OPENING STOCK:

Sugar	2,926.87	651.61
Molasses	407.15	198.61
Industrial Alcohol	178.81	138.37
Ethanol	1.59	9.08
Soya Products	238.29	61.99
Bagasse	5.93	24.17
Bio Earth	7.17	6.81
Fusel Oil	0.01	0.82
Iron Castings	3,383.61	2,628.09
Stock-in-process	357.28	478.67
	7,506.71	4,198.22

(B) CLOSING STOCK:

Sugar	59.80	2,926.87
Molasses	83.64	407.15
Industrial Alcohol	183.67	178.81
Ethanol	0.64	1.59
Soya Products	310.53	238.29
Bagasse	—	5.93
Bio Earth	1.68	7.17
Fusel Oil	1.34	0.01
Iron Castings	4,870.53	3,383.61
Stock-in-process	432.17	357.28
	5,944.00	7,506.71

TOTAL (B) - (A):

(1,562.71) **3,308.49**

SCHEDULE - 17

COST OF GOODS CONSUMED/SOLD

(A) OPENING STOCK:

Molasses	176.05	217.46
Fertilisers & Chemicals	69.68	45.74
Raw Sugar	—	725.65
Newsprint paper	1.07	1.15
Soyabean seeds & others	1,809.96	362.09
Steel scrap and pig iron & others	734.61	736.44
	2,791.37	2,088.53

(B) ADD : PURCHASES:

Sugarcane	41,862.76	35,325.04
Molasses	3,933.33	1,575.71
Raw Sugar	—	246.79
Fertilisers & Chemicals	896.39	974.70
Newsprint paper	24.57	14.09
Soyabean seeds & others	8,847.47	4,745.68
Steel scrap and pig iron & others	13,223.99	5,316.87
Soya Flour	314.79	—
	69,103.30	48,198.88

(C) LESS : CLOSING STOCK:

Molasses	58.51	176.05
Fertilisers & Chemicals	117.51	69.68
Newsprint paper	0.45	1.07
Soyabean Seeds & others	1,221.05	1,809.96
Steel scrap and pig iron & others	708.97	734.61
Soya Flour	15.74	—
	2,122.23	2,791.37

(D) CONSUMPTION: (A + B - C)

69,772.44 **47,496.04**



SCHEDULES

(Rs. in lakhs)

	Year Ended 31.12.2008 (18 Months)	Year Ended 30.06.2007 (12 Months)
SCHEDULE - 18		
MANUFACTURING EXPENSES		
Consumption of Stores & Spares and Packing materials	13,531.69	7,149.72
Power and Fuel	11,366.79	5,838.70
Water charges	75.59	27.19
Steam	3,741.35	1,803.14
Coal for Co-Generation	5,077.92	691.13
Bagasse for Co-Generation	4,200.90	2,964.84
Other Fuel for Co-Generation	127.26	–
Printing and Publication charges	31.14	17.20
Fettling Charges	2,077.33	1,086.86
Rent	181.54	129.75
Lease Rental & Hire Charges	208.68	68.98
Rates and Taxes	399.31	244.82
Insurance	266.30	210.95
Repairs and Maintenance:		
Building	403.63	243.83
Machinery and Electrical	3,933.38	1,816.36
Vehicles	300.99	178.21
Others	166.32	83.51
Effluent disposal expenses	492.72	255.36
Royalty	–	2.73
State Administrative Service Fees	285.65	144.51
Subsidy and Crop development expenses	734.78	520.50
Tools and implements written off	–	8.96
TOTAL	47,603.27	23,487.25
SCHEDULE - 19		
SALARIES, WAGES AND OTHER EMPLOYEE BENEFITS		
Salaries and Wages, Bonus, etc.,	6,192.15	3,215.69
Contribution to P.F. and other funds	483.72	276.01
Workmen and Staff Welfare expenses	768.41	553.81
TOTAL	7,444.28	4,045.51
SCHEDULE - 20		
INTEREST CHARGES		
Term Loans	11,165.19	6,708.78
Debentures	259.73	260.84
Working capital loans	1,711.42	531.37
Payment to Cane Growers/Banks	106.87	399.22
Others	5,578.42	3,639.39
TOTAL	18,821.63	11,539.60



(Rs. in lakhs)

Year Ended 31.12.2008
(18 Months)

Year Ended 30.06.2007
(12 Months)

SCHEDULE - 21

SELLING EXPENSES

Additional Sales Tax	--	108.61
Selling and Distribution expenses	3,923.18	1,741.62
Packing Materials	151.27	105.70
Transport on castings	1,532.17	848.55
Commission and brokerage:		
On sale of magazines	3.20	2.03
Others	27.24	42.86
TOTAL	5,637.06	2,849.37

SCHEDULE - 22

ANY OTHER EXPENSES

Travelling expenses	726.25	385.36
Freight and Transport	120.99	61.98
Administrative and other expenses	464.06	336.13
Bank Charges	318.30	296.88
Printing, Postage, Telephone & Telex	303.69	187.17
Donations	78.78	49.44
Effluent on soil/crop - R & D expenses	60.29	9.49
Data processing charges	50.86	17.30
Legal and Professional charges	161.01	121.33
Managerial remuneration	96.89	118.37
Directors' Sitting Fees	6.16	4.49
Auditors Remuneration	34.47	15.01
Loss on sale of Fixed Assets	17.13	29.81
Loss on Sale of Investments	2.00	2.50
Loss on sale of DEPB	--	0.23
Funded Interest Written off	872.77	3,425.60
Deferred Revenue Expenditure written off	466.08	175.06
Soyabean Development Expenses	24.87	16.58
Product development written off	70.00	169.94
Irrecoverable advances written off	202.45	10.72
Pre-production expenses written off	--	7.53
TOTAL	4,077.05	5,440.92



Significant Accounting Policies

1. All ascertained income and expenses are accounted on accrual basis. Except Statutory Liabilities, expenses less than Rs. 10000/- are charged on payment basis. Contract works when undertaken are accounted based on the level of completion.
2. Valuation of Inventories:
 - I) Parent company
 - a) Inventories are valued at cost or net realizable value whichever is lower increased by excise duty thereon wherever applicable.
 - b) The cost of Inventories other than soya products, news print, fertilizer and chemical is computed on weighted average cost basis. Soya products, news print, fertilizer and chemical are computed at FIFO basis.
 - c) The cost of inventories is inclusive of cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.
 - II) Subsidiary Company

Inventories are valued at cost or the net realizable value whichever is lower increased by excise duty thereon wherever applicable. The cost is computed on weighted average basis. The Cost for the finished goods and process stock is inclusive of cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.
3. Investments: All investments are classified as long-term investments. Investments are carried at cost, less provision for diminution in value if any other than temporary.
4. Depreciation on fixed assets has been provided under Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956, on revalued/original cost of assets as the case may be. The additional depreciation relating to increased value of revalued assets is adjusted against Revaluation Reserve. For additions and deletions depreciation is provided from/upto the date of addition/deletion on pro-rata basis. Depreciation on asset additions costing Rs.5000/- or less is provided at the rate of 100%.
5. Miscellaneous Expenditure:
 - a) Technical know-how, re-structuring fees, crop development Expenses, soya product launching expenses, Research and Development expenses incurred upto 30.6.2003, are written off over a period of years. Voluntary Retirement Scheme payments, Syndication and ancillary cost incurred for raising loans are written off over a period of 5 years and period of loan respectively.
 - b) The expenditure incurred on issue of shares and debentures are adjusted in Securities Premium Account.
 - c) Deferred Revenue Expenditure:

Technical know-how fee incurred upto 30.06.2003, syndication and ancillary cost incurred for raising loans are written off over a period of 5 years
 - d) Intangible assets :

Technical knowledge being intangible assets is amortized over a period of 10 years in accordance with AS 26 – Intangible Assets.
6. Premium on pre-payment of loans/debentures is deferred and is being written off over the original unexpired term of the loans/debentures.
7. Material consumption is accounted net of CENVAT.



8. Revenue Recognition :
 - a. Sale of goods is recognised at the time of transfer of substantial risk and rewards of ownership to the buyer for a consideration.
 - b. Gross turnover includes excise duty but exclude sales tax.
 - c. Dividend income is recognised when the right to receive the payment is established.
 - d. All other incomes are accounted for on accrual basis.
9.
 - a) Fixed Assets are shown at cost / revalued figures, less accumulated depreciation. Fixed assets added during the year are valued at cost net of CENVAT but includes all direct expenses like freight, erection charges, pre operative expenses and borrowing costs.
 - b) Fixed Assets taken on lease are treated as the assets of the company and they are accounted at cost. Interest portion of the lease amount is charged to the Profit and Loss Account.
 - c) Expenditure during construction period : Expenditure including borrowing cost incurred on projects under implementation are shown under "Capital Work-in-Progress" pending allocation to the assets.
 - d) The payment made towards goodwill for cane ryots in excess of statutory obligations and to employees as per wage board settlement, is amortized over a period of 10 years in accordance with AS-26.
10. Expenses and income in foreign exchange are accounted for at the rate prevailing on the date of transaction. Changes in foreign exchange rates on monetary foreign currency items at the year end are taken into account wherever applicable and fluctuations are dealt with in accordance with AS - 11.
11. Retirement Benefits:

Contribution payable by the Company under defined contribution schemes towards Provident fund, Gratuity, Employees State Insurance and Superannuation fund for the year are charged to profit and loss account.

Gratuity liability to the employees on actuarial basis up to 31.12.2008 has been accounted in full. The Company has opted for Life Insurance Corporation of India Group Gratuity Scheme and the premium demanded by LIC has been accounted up to 31.12.2008.

Leave salary is provided as per the actuarial valuation as at 31.12.2008.

Leave encashment is paid by Sakthi Auto Ancillary P Ltd on yearly basis to eligible employees.
12. Borrowing Costs: Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.
13. Parent Company:

The segment reporting is inline with the accounting policies of the company. Inter segment transactions have been accounted for based on the price which has been arrived at considering cost and market price. Revenue and expenses that are directly identifiable with or allocable to segments are considered for determining the segment results. Segment assets and liabilities include those directly identifiable with the respective segments. Business segments are identified on the basis of the nature of products, the risk/return profile of the individual business, the organizational structure and the internal reporting system of the company.

Subsidiary Companies:
Subsidiary companies are operating in only one segment and hence segment reports for subsidiary companies are not given.
14. Lease: Company's significant leasing arrangements are operating lease and cancellable in nature. The lease rentals paid or received under such agreements are accounted in the Profit and Loss Account.
15. Deferred tax is recognized on timing difference between accounting income and the taxable income for the year end and quantified using the tax rates and laws that have been enacted / substantively enacted as at the balance sheet date. The deferred tax assets are recognized and carried forward to the extent that there is reasonable certainty that these would be realized in future.



SIGNIFICANT ACCOUNTING POLICES (CONSOLIDATED)

16. Impairment of Assets: Impairment, if any, recognized in accordance with the Accounting Standard 28.
17. Provisions, Contingent Liabilities and Contingent Assets: Provision is recognized only when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.
18. Contingent liabilities are disclosed by way of note.
19. Basis of Consolidation :
The Consolidated Financial Statements include the Financial Statements of Sakthi Sugars Limited, its Subsidiaries, namely, Sakthi Auto Component Limited, Sakthi Auto Ancillary P Ltd and Tilan Sugars Limited.

Name of the Subsidiary	Country of Incorporation	Proportion of ownership Interest (%)
Sakthi Auto Component Limited	India	100.00
Sakthi Auto Ancillary P Ltd	India	51.83
Tilan Sugars Limited	India	100.00

The Consolidated Financial Statements have been prepared on the following basis.

- I. The Financial Statements of the parent company and its Subsidiary Company have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balance and intra-group transactions resulting in unrealised profit or losses.
- II. The Consolidated Financial Statements are prepared by adopting Uniform Accounting Polices.
- III. The excess/lower of cost of the Parent Company of its investment in the Subsidiaries over the Parent's portion of equity of the Subsidiaries at the date on which investment in the Subsidiaries are made is described in the financial statements as Goodwill and Capital Reserves.



SCHEDULE 23

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2008

A. PREFERENCE SHARE CAPITAL:

1. 60,82,500 (Series A), 1,01,37,500 (Series B) and 20,00,000 (Series C) 15% Participatory Cumulative Optionally Convertible Preference Shares of Rs. 100 each allotted on 26.04.2007 are convertible at the option of the share holders on such terms as may be mutually agreed between the shareholders and the company. In case of non-conversion, they are redeemable at the end of 5 years from the date of allotment.
2. 12,15,000 (Series I), 8,10,000 (Series II) 15% Participatory Cumulative Convertible Preference Shares of Rs. 100 each allotted on 18.03.2008 are convertible at the option of the share holders on such terms as may be mutually agreed between the shareholders and the company. In case of non-conversion, they are redeemable at the end of 5 years from the date of allotment.
3. 10,95,610 10% Redeemable Preference shares of Rs.10/- each are to be redeemed at par at the end of 20th year from the date of issue, i.e., February 2019. 2,00,000 1% Redeemable Preference shares of Rs.10/- each are to be redeemed at par at the end of 20th year from the date of issue, i.e., April 2019. 12,59,820 10% Redeemable Preference shares of Rs.10/- each are to be redeemed at par at the end of the 20th year from the date of issue, i.e., September 2022.

B. DEBENTURES:

- 1) 19,53,530 - 12% Secured Redeemable Non-convertible Non-Cumulative Debentures (Series X) issued on private placement basis is redeemable at par on the expiry of 12/15 months from the date of allotment. The above debentures are secured by first mortgage/charge on the company's immovable property situated at St. Mary Road, Chennai 600 018 in favour of the Debenture Trustee. The amount outstanding including interest thereon is Rs. 1999.87 lakhs.
- 2) 9,99,910 - 12% Secured Redeemable Non-Convertible Cumulative Debentures (Series XI) issued on private placement basis is redeemable at par on the expiry of 12/18 months from the date of allotment. The above debentures are secured by pari passu first mortgage/charge on the company's fixed assets relating to the beverages division at the Sugar Mill premises in Sivaganga in Tamilnadu in favour of the Debenture Trustee. The amount outstanding is Rs.999.91 lakhs.
- 3) 3,05,960 - 12% Secured Redeemable Non-Convertible Non-Cumulative Debentures (Series XII) issued on private placement basis is redeemable at par on the expiry of 15 months from the date of allotment. The above debentures are secured by pari passu first mortgage/charge on the company's movable and fixed assets relating to the beverages division at the Sugar Mill premises in Sivaganga in Tamilnadu in favour of the Debenture Trustee. The amount outstanding including interest thereon is Rs.307.81 lakhs.
- 4) 4,10,000 - 12% Secured Redeemable Non-Convertible Cumulative Debentures (Series XIII) issued on private placement basis is redeemable at par on the expiry of 12 months from the date of allotment. The above debentures are secured by pari passu first mortgage/charge on the company's movable and fixed assets relating to the beverages division at the Sugar Mill premises in Sivaganga in Tamilnadu in favour of the Debenture Trustee. The amount outstanding is Rs.410.00 lakhs.



SCHEDULES

C. SECURED LOANS:

a) From Institutions and Banks:

- 1) The amount outstanding under secured loans from financial institutions and banks includes loan of Rs.45947.31 lakhs (including interest) availed from IDBI Bank Limited (IDBI), Infrastructure Development Finance Company Limited (IDFC), State Bank of India, Canara Bank, Bank of India, Indian Overseas Bank, Punjab National Bank and oriental Bank of Commerce.

These Loans are secured by way of -

- i) First pari passu Charge on the entire movable and immovable properties of the Company (excluding fixed assets of Sugar unit at Modakurichi, and Co-generation plants at Sakthinagar, Sivaganga and Modakurichi and Beverage plant at Sivaganga and other assets exclusively charged)
 - ii) Second pari passu charge on the current assets of the Company relating to Sugar units at Sakthinagar, Sivaganga and Dhenkanal, Distillery units and Soya unit (excluding fixed assets of Sugar unit at Modakurichi, Co-generation plants at Sakthinagar, Sivaganga and Modakurichi, Beverage plant at Sivaganga and other assets exclusively charged).
 - iii) Personal Guarantees of Chairman and Vice Chairman & Managing Director.
- 2) The amount outstanding under Secured loans from Banks includes Loan of Rs.246.87 lakhs availed by the Company from Oriental Bank of Commerce (OBC). This loan is secured by -
 - i) First Charge on the movable and immovable assets of the Company's first cogeneration Plant at Sakthinagar Sugar Unit on pari passu basis with Allahabad Bank and Tamilnadu Industrial Investment Corporation Limited (TIIC);
 - ii) Escrow of receivables on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the first Co-gen Plant at Sakthinagar on pari passu basis with Allahabad Bank and TIIC;
 - iii) Charge by way of equitable mortgage of the Company's landed property at Erode; and
 - iv) Personal Guarantees of Chairman and Vice-Chairman & Managing Director.
- 3) The amount outstanding under Secured loans from Banks includes Loan of Rs.1717.61 lakhs (including interest) availed by the Company from Allahabad Bank. This loan is secured by:-
 - i) First Charge on the movable and immovable assets of the company's First Cogeneration Plant at Sakthinagar Sugar Unit on pari passu basis with OBC and TIIC;
 - ii) Escrow of the receivable on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the first co-gen plant at Sakthinagar on pari passu basis with OBC and TIIC;
 - iii) Escrow of receivable on sale of ethanol from the Company's distillery unit at Sakthinagar on pari passu basis with TIIC; and
 - iv) Personal Guarantees of Chairman and Vice-Chairman & Managing Director.



- 4) The amount outstanding under Secured loans from Banks includes Loan of Rs.3100 lakhs availed by the Company from Tamilnadu Industrial Investment Corporation Limited. This loan is secured by:-
 - i) First Charge on the Movable and Immovable assets of the Company's first cogeneration plant at Sakthinagar Sugar Unit on pari passu basis with OBC and Allahabad Bank;
 - ii) Escrow of the receivable on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the first co-gen plant at Sakthinagar on pari passu basis with OBC and Allahabad Bank;
 - iii) Escrow of receivable on sale of ethanol from the Company's distillery unit at Sakthinagar on pari passu basis with Allahabad Bank; and
 - iv) Personal Guarantees of Chairman and Vice-Chairman & Managing Director.
- 5) The outstanding amount of Rs. 15782.75 lakhs (including interest) under secured loans from banks includes loans availed from:-
 - a) Bank of India Rs.4828.55 lakhs (Including Interest) is secured by -
 - i) Pari passu first charge on the fixed assets of sugar unit at Modakurichi, new co-generation units at Sakthinagar, Sivaganga and Modakurichi;
 - ii) Pari passu second charge on the current assets of Sivaganga sugar unit; and
 - iii) Personal Guarantees of Chairman and Vice Chairman & Managing Director
 - b) Allahabad Bank Rs.2550.40 lakhs (Including Interest) is secured by -
 - i) Pari passu first charge on the fixed assets of sugar unit at Modakurichi, new co-generation units at Sakthinagar, Sivaganga and Modakurichi;
 - ii) Pari passu first charge/escrow on the receivables from new Co-generation units at Sakthinagar, Sivaganga and Modakurichi; and
 - iii) Personal Guarantees of Chairman and Vice Chairman & Managing Director
 - c) Canara Bank Rs.4883.92 lakhs (Including Interest) is secured by
 - i) Pari passu first charge on the fixed assets of sugar unit at Modakurichi and new co-generation units at Sakthinagar, Sivaganga and Modakurichi; and
 - ii) Personal Guarantees of Chairman and Vice Chairman & Managing Director
 - d) Indian Overseas Bank Rs.3519.88 lakhs (Including Interest) is secured by-
 - i) Pari passu first charge on the fixed assets of the Company (except assets relating to beverage plant, first co-gen plant at Sakthinagar and other assets exclusively charged);
 - ii) Pari passu second charge on the current assets of the Company; and
 - iii) Personal Guarantees of Chairman and Vice Chairman & Managing Director
- 6) The amount outstanding under Secured loans from Banks includes Loan of Rs.1926.34 lakhs (including interest) availed by the Company from Allahabad Bank. This loan is to be secured/secured by:-
 - i) Second charge/escrow of the receivable on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the first Co-gen Plant at Sakthinagar; and
 - ii) Personal Guarantees of Chairman and Vice-Chairman & Managing Director.



SCHEDULES

- 7) The amount outstanding under Secured loans from Banks includes Loan of Rs.2532.38 lakhs (including interest) availed by the Company from Allahabad Bank. This loan is secured by:-
 - i) Pari passu first charge by assignment of receivables of the first cogeneration plant at Sakthiangan on pari passu with OBC & TIIIC and Term Loan I of Allahabad Bank; and
 - ii) Personal Guarantees of Chairman and Vice- Chairman & Managing Director
- 8) The amount outstanding of Rs.5166.11 lakhs under secured loan from banks includes loan availed from:-
 - a) Bank of India Rs.1987.00 lakhs is secured by -
 - i) Pari passu residual charge on the Fixed Assets of the Sugar Units of the company, present and future; and
 - ii) Personal Guarantees of Chairman and Vice Chairman & Managing Director
 - b) Indian Overseas Bank Rs.1191.11 lakhs is secured by -
 - i) Pari passu residual charge on the Fixed Assets of the company- existing as well as future (excluding power plant and beverage plant and other assets, which have been exclusively charged); and
 - ii) Personal Guarantees of Chairman and Vice Chairman & Managing Director
 - c) Canara Bank Rs.988.00 lakhs is secured by:-
 - i) Pari passu second charge on the entire fixed assets of the company; and
 - ii) Personal Guarantees of Chairman and Vice Chairman & Managing Director
 - d) HDFC Bank Rs.1000.00 lakhs is secured by -
 - i) Pari passu residual charge on the fixed assets of the sugar units; and
 - ii) Personal Guarantee of Vice Chairman & Managing Director
- 9) The amount outstanding under Secured loans from Banks includes Loan of Rs.606.12 lakhs (including interest) availed by the Company from Allahabad Bank. This loan is secured by a lien on fixed deposit of Rs.695 lakhs with Allahabad Bank.
- 10) The amount outstanding under Secured loans from Banks includes corporate Loan of Rs.2501.82 lakhs (including interest) availed by the Company from Bank of India. This loan is secured by the assets of a group company and personal guarantees of Chairman and Vice-Chairman & Managing Director.
- 11) The amount outstanding under Secured loans from Banks includes Loan of Rs.700.27 lakhs (including interest) availed by the Company from Axis Bank Limited. This loan is secured by first charge on the Company's Corporate Office land and building at Coimbatore and personal guarantee of Vice Chairman & Managing Director.
- 12) The amount outstanding under Secured Loan includes Bill Discounting limit of Rs.327.32 lakhs availed by the Company from Allahabad Bank. This loan is secured by way of exclusive first charge on the receivables due to the Company on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the Co-gen Plant at Sakthiangan.
- 13) The amount outstanding under Secured Loan includes Bill Discounting limit of Rs.130.26 lakhs availed by the Company from Bank of India. The loan is secured by way of exclusive first charge on the receivables due to the Company on evacuation of power to Tamil Nadu Electricity Board (TNEB) from the cogeneration plant at Sivaganga.
- 14) The Term loan of Rs.5000 lakhs availed by Sakthi Auto Component Limited (SACL) from Axis Bank Limited is secured/to be secured by way of :-
 - i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties (save and except current assets) including movable machinery, machinery spares, tools and accessories, both present and future, (save and except assets exclusively charged to Banks for their outstanding assistance) ranking pari passu with Indian Overseas Bank and Bank of India, New York for their Term loan.



ii) Escrowing of entire receivables (excluding that arising out of export receivables and Iljin Automotive P Ltd, General Motors India (P) Ltd, Mahendra Renault (P) Ltd and Haldex India Limited) of the Company. The Escrow of receivables from Maruti Udyog Ltd is on pari passu basis with Indian Overseas Bank for their Term loan to the Company.

iii) Pari passu Second charge on the current assets viz., Stock including raw material, Stock in Process and other current assets, both present and future.

iv) Personal guarantee by the Chairman & Managing Director of SACL.

The amount of Term loan outstanding as on 31st December 2008 is Rs.2244.90 lakhs. (30.6.2007 - Rs.3604.43 Lakhs)

15) The Term loan of Rs.3500 lakhs availed by SACL from Indian Overseas Bank is secured/to be secured by way of:-

i) Equitable mortgage of the Company's immovable properties and hypothecation of the Company's movable properties including movable machinery, machinery spares, tools and accessories, both present and future, (save and except current assets and assets exclusively charged to Banks for their outstanding assistance) ranking pari passu with Axis Bank Ltd and Bank of India, New York for their Term loan.

ii) Charge on Escrow of receivables from Maruti Udyog Ltd on pari passu basis with Axis Bank Ltd., for their Term loan.

iii) Pari passu Second charge on the current assets viz., Stock including raw material, Stock in Process and other current assets, both present and future.

iv) Personal guarantee by the Chairman & Managing Director of SACL.

The amount of Term loan outstanding as on 31st December 2008 is Rs. 1767.85 Lakhs. (Including Interest) (30.6.2007 Rs.2654.27 Lakhs)

16) The Term loan of Rs.5000 lakhs and Bill discounting facility of Rs. 700 lakhs availed by SACL from Indian Overseas Bank which is secured/to be secured by way of:-

i) Pari passu first charge on the entire fixed assets of the company (except assets exclusively charged) present and future with Bank of India and Axis Bank Limited.

i) Escrowing of receivables from Industrial Product International Inc., U.S.A.

iii) Personal guarantee by the Chairman & Managing Director of SACL.

The amount of Term loan outstanding as on 31st December 2008 is Rs.5051.60 Lakhs (including interest) (30.6.2007 -Nil) and the outstanding balance under Bills discounting facility is Rs. 404.01 lakhs.

17) The Term loan of USD 11.25 Million availed by SACL from Bank of India, New York is secured/to be secured by way of:-

i) Pari passu first charge by way of mortgage on entire immovable fixed assets and Hypothecation of all movable assets forming Net block (both present and future) with Axis Bank Ltd and Indian Overseas Bank for their Term loan.

ii) Pari passu second charge on the current assets with Axis Bank Limited and Indian Overseas Bank.

iii) Personal guarantee by the Chairman & Managing Director of SACL.

The amount of Term loan outstanding as on 31st December 2008 is Rs. 4542.19 Lakhs. (including interest) (30.6.2007 -Nil)



SCHEDULES

- 18) The Term loans aggregating to Rs.965.00 lakhs availed by SACL from The Shamrao Vithal Co-operative Bank Ltd., are secured by way of:-

- i) Exclusive charge on the respective Machining Lines / equipments procured out of the Term loan.
- ii) Personal guarantee of Dr N. Mahalingam, Chairman of the holding company (Sakthi Sugars Ltd)
- iii) Personal guarantee of the Chairman & Managing Director of SACL.

The amount of Term loan outstanding as on 31st December 2008 is Rs. 539.94 lakhs (including interest). (30.6.2007 - Rs.647.38 Lakhs)

- 19) The Term loan and Overdraft facility of Rs.500 lakhs and Rs. 200 Lakhs respectively availed by SACL from Axis Bank Limited secured by the assets of the holding company and Personal guarantee by the Chairman & Managing Director of SACL.

The amount of Term loan and Overdraft outstanding as on 31st December 2008 is Rs. 500.19 Lakhs and Rs. 200.08 lakhs respectively (Including Interest). (30.6.2007 -Nil)

- 20) The amount outstanding under Secured loan includes Bill Discounting limit of Rs.2499.93 lakhs availed by SACL from Axis Bank Ltd. This loan is secured by way of first charge on entire current assets (excluding receivables) of the Company on pari passu basis with Indian Overseas Bank. This loan is further secured by way of exclusive first charge on the entire receivables (excluding export receivables and domestic receivables from Iljin Automotive P Ltd, General Motors India P Ltd, Mahindra Renault P Ltd and Haldex India Limited) due to the company.

- 21) The amount outstanding under Secured loan includes Bill Discounting limit of Rs.114.44 lakhs availed by SACL from Bank of India, New York. This loan is secured by exclusive charge by way of first security interest on Bills drawn on General Motors, Korea. Second pari passu charges on inventory, other receivables and Fixed Assets of the company along with other working capital lenders.

- 22) The amount outstanding under Secured loan includes Bill Discounting limit of Rs.1340.66 lakhs availed by SACL from Bank of India, Coimbatore. This loan is secured by exclusive charge by way of first security interest on Bills drawn on Iljin Automotive P Ltd, Mahindra Renault P Ltd, Haldex India Ltd, General Motors India P.Ltd.

- 23) The Loan of Rs.637.28 lakhs availed by Sakthi Auto Ancillary Private Limited (SAAPL) from Indian Overseas Bank is secured/to be secured by way of:-

- i) Equitable mortgage of the Company's immovable properties and are primarily secured by exclusive charge on the plant & machinery, equipments and other fixed assets.
- ii) Personal guarantee by the Managing Director and Joint Managing Director of SAAPL.

The amount outstanding as on 31st December, 2008 is Rs.468.30 lakhs (including Interest). (30.06.2007- Rs. 362.07 Lakhs)

- 24) The Term Loan and Over draft facility of Rs.300 lakhs and Rs. 200 Lakhs respectively availed by SAAPL from Axis Bank Limited is secured by assets of the holding company.

The amount of loan and Overdraft outstanding as on 31st December 2008 is Rs. 300.00 Lakhs and Rs. 200 lakhs respectively. (30.6.2007 -Nil)



25) Hypothecation loans for working capital includes:

- a. Working Capital facilities availed for Rs. 724.47 lakhs (including interest) from Citibank which is secured by first charge by way of hypothecation of finished goods, raw Materials, stock in process, stores and spares, book debts of the company's sugar, distillery & soya units. It is further secured by personal guarantees of Chairman and Vice-Chairman & Managing Director. This loan is further secured by second/residual charge created on the immovable & movable assets of the said units in favour of Citibank.
- b. Working Capital facilities availed for Rs. 4060.53 lakhs (including interest) from HDFC Bank (Earlier from Centurion Bank of Punjab Limited) which is secured by first charge by way of hypothecation of finished goods, raw materials, stock in process, stores and spares, book debts of the Company's sugar units and soya unit. It is further secured by guarantee from the Vice-Chairman & Managing Director.
- c. Working Capital facilities availed for Rs. 2014.91 lakhs (including interest) from Bank of India which is secured by first pari passu charge on the current assets of the Company's Sugar unit situated at Sivaganga. It is further secured by personal guarantees of Chairman and the Vice-Chairman & Managing Director.
- d. Working Capital facilities availed for Rs. 506.37 lakhs (including interest) from Indian Overseas Bank which is secured by first pari passu charge on the current assets of the Company's Sugar unit and Collateral Security by way of pari passu second charge on the fixed assets of the company, existing as well as future, excluding fixed assets of Beverage plant at Sivaganga and first cogeneration unit at Sakthinagar. It is further secured by guarantee from Chairman and the Vice-Chairman & Managing Director.
- e. Working capital loan availed by SACL from Indian Overseas Bank is secured by pari passu first charge by way of hypothecation of Finished Goods, Raw Materials, Stock in process and Stores and spares of the Company in their favour. The loan is further secured by second charge created on the Movable and Immovable assets of the Company, besides Book Debts of the company.

The aggregate amount of loan outstanding as on 31st December 2008 is Rs. 1550.55 lakhs. (including interest) (30.6.2007 - Rs.1541.70 lakhs)

- f. Working capital loan availed by SAAPL from Indian Overseas Bank is secured by Exclusive charge on the entire current assets of the company.

The aggregate amount of loan outstanding as on 31st December 2008 is Rs. 696.87 lakhs (Including Interest) (30.6.2007 - Rs. 509.31 lakhs)

b) From Others:

- 1) The amount outstanding under Secured Loans from others includes Corporate Loan of Rs.36.93 lakhs availed by the Company from Housing Development Finance Corporation Ltd (HDFC). The Corporate Loan is to be secured / secured by a mortgage of company's property at New Delhi.
- 2) The amount outstanding under Hire Purchase loan aggregating to Rs.263.98 lakhs (including interest) represents the amount availed by the company from public limited companies and is secured by hypothecation of vehicles so financed. Out of the above, the amount of Rs.22.58 lakhs and Rs.8.55 lakhs represents the hire purchase loans availed by SACL and SAAPL respectively.
- 3) The amount outstanding under Secured loan from others includes Term Loan of Rs.686.80 lakhs (including interest) availed by the company from Sugar Development Fund (SDF) of Govt. of India. The above loan is secured by pari passu first charge on the fixed assets of the Company's sugar units at Sakthinagar, Sivaganga and Dhenkanal.
- 4) The amount outstanding under Secured loans from others includes term loan of Rs.114.82 lakhs (including interest) availed by the company from Technology Information Forecasting and Assessment Council (TIFAC). This loan is secured by the exclusive first charge on the assets acquired under the Scheme. This loan is further secured by the personal guarantee of Vice Chairman & Managing Director.



SCHEDULES

D. FIXED DEPOSITS:

The aggregate amount of fixed deposits guaranteed by the Vice-Chairman & Managing Director is Rs. 122.85 lakhs.

E. FOREIGN CURRENCY CONVERTIBLE BONDS:

The company has issued during May 2006, Zero Coupon Foreign Currency Convertible Bonds in two Series aggregating to US\$ 60 Million, i.e., (i) US\$ 20 Million Zero Coupon Convertible Bonds in due May 2009 (Series A) and (ii) US\$ 40 Million Zero Coupon Convertible Bonds due in May 2011 (Series B). These Bonds are convertible at the option of the holders into fully paid equity shares at such conversion price as determined in accordance with the Offer Letter, but not less than Rs. 177.39 per share.

F. DERIVATIVE INSTRUMENTS:

- Foreign currency exposures not covered by derivative instruments or otherwise as at 31.12.08 amount to Rs.6027.03 lakhs in respect of SACL (30.6.2007 - Rs. 940.64 lakhs)
- SACL has not entered into any derivative agreement during the financial year.

G. SEGMENT INFORMATION FOR THE YEAR ENDED 31.12.2008:

(Rs. in Lakhs)

REVENUE:-	SUGAR		INDUSTRIAL ALCOHOL		SOYA PRODUCTS		POWER		TOTAL	
	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07
PRIMARY:-										
External Sales	59953.18	48244.15	19268.19	8947.28	13197.13	4501.64	9899.44	4979.00	102317.94	66672.07
Inter Segment Sales	6757.07	4169.84	0.96	0.64	—	—	7369.33	3805.12	14127.36	7975.60
Operating Income	214.34	2787.99	62.02	19.13	764.54	451.70	0.22	0.21	1041.12	3259.03
Total Revenue	66924.59	55201.98	19331.17	8967.05	13961.67	4953.34	17268.99	8784.33	117486.42	77906.70
Segment Result	-5423.96	-594.22	11769.63	5823.77	972.78	161.68	5179.11	4523.12	12497.56	9914.35
Unallocated Corporate Expenses/ Income (Net)									82.46	101.75
Operating Profit									12415.10	9812.60
Interest Expenses									15886.62	9916.15
Interest Income									415.46	724.03
Income Tax									—	—
Profit from Ordinary activities									-3056.06	620.48
Prior Year Adjustments									—	-6.74
Foreign Exchange Fluctuation/Derivative Transactions (Net)									-5657.61	2397.49
Net Profit/Loss before Tax									-8713.67	3011.23
Less: Income-tax : Deferred Tax									-758.59	—
Net Profit/Loss after Tax									-7955.08	3011.23



G. SEGMENT INFORMATION FOR THE YEAR ENDED 31.12.2008: (Contd.)

(Rs. in Lakhs)

REVENUE:-	SUGAR		INDUSTRIAL ALCOHOL		SOYA PRODUCTS		POWER		TOTAL	
	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07	31.12.08	30.06.07
OTHER INFORMATION:										
Segment Assets	113554.36	92444.17	13062.86	9569.80	7493.27	5058.86	35735.49	22809.64	169845.98	129882.47
Unallocated Corporate Assets									18651.00	18832.08
Total Assets									188496.98	148714.55
Segment Liabilities									123448.85	110308.24
Unallocated Corporate Liabilities									—	550.57
Deferred Tax Liability									600.61	—
Total Liabilities									124049.46	110858.81
Capital Expenditure	6268.92	29026.68	1821.18	2355.75	472.81	110.08	12198.98	85.10	20761.89	31577.61
Depreciation	2298.06	868.30	338.63	137.43	205.76	124.56	1451.84	210.58	4294.29	1340.87
SECONDARY:-										
Revenue by Geographical Market										
India	44335.76	43860.67	19331.17	8967.05	10894.25	3519.45	17268.99	8784.33	91830.17	65131.50
Outside India	22588.83	11341.31	—	—	3067.42	1433.89	—	—	25656.25	12775.20

Inter segment revenues are recognised at less than prevailing market price as on the date of transaction.

Indian Subsidiaries have one reportable segment and hence the segment report has not been given.

H. Deferred Tax

(Rs. in Lakhs)

A- Deferred Tax Liability:-	
Arising out of depreciation of Fixed Assets(Net)	11600.67
Difference in treatment of expenses/income (Net)	2263.54
Total	13864.21
B- Deferred Tax Asset:-	
Carried forward losses/Unabsorbed depreciation	13462.90
Arising out of non payment of taxes, duties etc.	101.74
Total	13564.64
Net Deferred Tax Liability (A-B)	299.57

Deferred tax provision not made in the previous two financial years on account of stay obtained from the Hon'ble High Court of Madras.



SCHEDULES

I. Revaluation of Fixed Assets

i) Sakthi Sugars Limited:

The Net Increase of Revaluation of Assets amounting to Rs.38696.60 lakhs is credited to Revaluation Reserve. The details are as under:-

(Rs. in Lakhs)

Particulars	Net Block As on 31.12.2008	Value as Per Approved Valuer	Revaluation Reserve
Land	6075.98	13979.04	7903.06
Building	15385.83	19927.30	4541.47
Plant and Machinery	55356.14	79092.47	23736.33
Electrical Installations	6898.39	9414.13	2515.74
Total	83716.34	122412.94	38696.60

ii) Sakthi Auto Component Limited:

The Net Increase in Revaluation of Assets amounting to Rs.9389.16 Lakhs is credited to Revaluation Reserve Account. The details are as under:-

(Rs. in Lakhs)

Particulars	Net Block As on 31.12.2008	Value as Per Approved Valuer	Revaluation Reserve
Land	1011.43	3900.00	2888.57
Building	2790.66	3697.56	906.90
Plant and Machinery	16491.92	21564.54	5072.62
Electrical Installations	625.70	1146.77	521.07
Total	20919.71	30308.87	9389.16

Basis:-

The lands have been revalued on the basis of guideline/market value. Buildings, Plant and Machinery and Electrical Installations have been revalued taking into consideration replacement value, age of the asset and estimated useful life.

- J. Borrowing Cost capitalized during the year is Rs.2959.76 lakhs (Previous year Rs.976.17 lakhs)
- K. The Company has pledged 4,38,59,394 equity shares holding in Sakthi Auto Component Limited (SACL), the wholly owned subsidiary, to secure the loan and obligation in relation to SACL.
- L. Bank balance with Non Scheduled Banks aggregating to Rs.9.87 lakhs

The closing balance as on 31.12.2008 with Non Scheduled Bank of Cuttack Gramya Bank, Sujampur Rs.0.03 Lakh, Cuttack Gramya Bank, Dihasahi Rs.0.08 Lakh, Dhenkanal Gramya Bank, Dhenkanal Rs.0.01 Lakh, Dhenkanal Gramya Bank, Kabera Rs.0.08 Lakh, Dhenkanal Gramya Bank, Pingua Rs.0.02 Lakh, Puri Gramya Bank, Chari Chhak Rs.0.08 Lakh, Pandian Gramya Bank Mitchalpattinam Rs.0.05 Lakh, Kalinga Gramya Bank, Sundaragram Rs.0.12 Lakh, Pandian Gramya Bank, Sivaganga Rs.9.08 Lakhs and Shamrao vithal Co-operative Bank Rs.0.32 Lakh.



(Rs. in lakhs)

	31.12.2008	30.06.2007
M.		
Amount due from Directors to be adjusted		
Against cane supply :	4.73	4.79
Maximum amount due from Directors during the year:	4.86	5.05
N.		
Advance due from Officers (Senior Executives) of the		
Company :	40.55	38.51
Maximum amount due from officers (Senior Executives)		
of the Company during the year :	54.71	45.76

O. TAX DEDUCTED AT SOURCE:- (Rs. in lakhs)

	31.12.2008	30.06.2007
i) On Interest Receipts	107.16	99.13
ii) On Other Income	40.02	3.44
Total	147.18	102.57

P. Estimated amount of contracts remaining to be executed
on capital account and not provided for : Rs. 2125.55 lakhs

Q. Particulars of Commission, Remuneration and Perquisites to Managerial personnel: (Rs. in lakhs)

	31.12.2008	30.06.2007
A) Commission on Profit	--	57.25
B) Remuneration and Perquisites		
Salary	72.19	45.40
P.F. Contribution/Superannuation	6.65	5.48
Gratuity	3.65	2.19
Perquisites	14.40	8.05
Total	96.89	118.37

R. Fees Paid/Payable to Auditors:

	31.12.2008	30.06.2007
As Auditors	22.10	7.00
In other Capacities:-		
i) Taxation matters	2.83	1.45
ii) Management Services	5.79	4.80
iii) Consolidated Audit Report	0.15	0.15
iv) Service Tax	3.60	1.61
Total	34.47	15.01

S. Sugar Sales includes incentive on export sugar amounting to Rs. 2412.58 lakhs.



SCHEDULES

- T. The Company has not received any information from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act 2006 and hence, disclosures, if any, relating to amounts unpaid as at 31st December 2008 together with interest paid/payable as required under the said Act have not been given.

U. **Employee Benefits**

Gratuity and Provident Fund:

Gratuity, Provident Fund and Employees State Insurance are defined Contribution Plans. The expenses recognised in the Profit and Loss Account are: Gratuity Rs.168.95 Lakhs, Provident Fund Rs.395.31 Lakhs and Employees State Insurance Rs.29.21 Lakhs.

In accordance with the stipulations of the said Accounting Standard, the Company has adjusted Rs.1030.58 lakhs towards additional liability for employee benefits up to 31st December 2008 against the balance of General Reserve as at 1st July 2007 as permitted under the transitional provision in the Accounting Standard-15

Disclosure report under Accounting Standard-15 (Revised)

Type of Plan: Long Term Compensated Absence as per Actuarial valuation

(Rs. in lakhs)

I PRINCIPAL ACTUARIAL ASSUMPTIONS (Expressed as weighted average)	31.12.2008
Discount Rate	6.50%
Salary escalation rate	6.50%
Attrition rate	2.50%
Expected rate of return on Plan Assets	—
II- CHANGES IN THE PRESENT VALUE OF THE OBLIGATION(PVO)- RECONCILIATION OF OPENING AND CLOSING BALANCES	
PVO as at the beginning of the period	355.48
Interest Cost	43.10
Current Service Cost	20.18
Past Service cost-(non vested benefits)	—
Past service cost-(vested benefits)	—
Benefits paid	-34.80
Actuarial loss/ (gain) on obligation (balancing figure)	55.85
PVO as at the end of the period	439.80
III- CHANGES IN THE FAIR VALUE OF PLAN ASSETS -RECONCILIATION OF OPENING AND CLOSING BALANCES	
Fair value of plan assets as at the beginning of the period	—
Expected return on plan assets	—
Contributions	34.80
Benefits paid	-34.80
Actuarial gain/ (loss) on obligation (balancing figure)	—
Fair value of plan assets as at the end of the period	—
IV-ACTUAL RETURN ON PLAN ASSETS	
Expected return on plan assets	—
Actuarial gain/(loss) on plan assets	—
Actual return on plan assets	—



(Rs. in lakhs)

V- ACTUARIAL GAIN/ LOSS RECOGNIZED	31.12.2008
Actuarial gain/(loss) for the period-Obligation	-55.85
Actuarial gain/(loss) for the period-Plan Assets	—
Total (gain)/loss for the period	55.85
Actuarial (gain) /loss recognized in the period	55.85
Unrecognized actuarial (gain)/ loss at the end of the year	—
VI-AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES	
Present value of the obligation	439.80
Fair value of plan assets	—
Difference	439.80
Unrecognised transitional liability	—
Unrecognised past service cost-non vested benefits	—
Liability recognized in the balance sheet	439.80
VII- EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS	
Current service cost	20.18
Interest Cost	43.10
Expected return on plan assets	—
Net actuarial (gain)/loss recognised in the year	55.85
Transitional Liability recognised in the year	—
Past service cost-non-vested benefits	—
Past service cost-vested benefits	—
Expenses recognized in the statement of profit and loss	119.13
VIII-MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET	
Opening net liability	355.48
Expenses as above	119.13
Contribution paid	-34.80
Closing net liability	439.80
IX-AMOUNT FOR THE CURRENT PERIOD	
Present value of obligation	439.80
Plan Assets	—
Surplus(Deficit)	-439.80
Experience adjustments on plan liabilities-(loss)/gain	-24.14
Experience adjustments on plan assets-(loss)/gain	—
X MAJOR CATEGORIES OF PLAN ASSETS (AS PERCENTAGE OF TOTAL PLAN ASSETS)	Nil

As this is the first year of adoption of Accounting Standard-15 on Employee Benefits, only the current year's figure have been given



SCHEDULES

SACL:

I. PRINCIPAL ACTUARIAL ASSUMPTIONS [Expressed as weighted averages]	31.12.2008
Discount Rate	6.40%
Salary escalation rate	5.50%
Attrition rate	5.00%
Expected rate of return on Plan Assets	0.00%

NA denotes Not Available

In the following tables, all amounts are in Rupees, unless otherwise stated

(in Rupees)

II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) - RECONCILIATION OF OPENING AND CLOSING BALANCES:

PVO as at the beginning of the period	27,78,935
Interest Cost	2,83,512
Current service cost	4,23,858
Past service cost - (non vested benefits)	-
Past service cost - (vested benefits)	-
Benefits paid	10,57,684
Actuarial loss/(gain) on obligation (balancing figure)	4,30,742
PVO as at the end of the period	28,59,363

III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS - RECONCILIATION OF OPENING AND CLOSING BALANCES:

Fair value of plan assets as at the beginning of the period	-
Expected return on plan assets	-
Contributions	10,57,684
Benefits paid	10,57,684
Actuarial gain/(loss) on plan assets [balancing figure]	-
Fair value of plan assets as at the end of the period	-

IV. ACTUAL RETURN ON PLAN ASSETS

Expected return on plan assets	-
Actuarial gain (loss) on plan assets	-
Actual return on plan assets	-

V. ACTUARIAL GAIN / LOSS RECOGNIZED

Actuarial gain / (loss) for the period - Obligation	-4,30,742
Actuarial gain / (loss) for the period- Plan Assets	-
Total (gain) / loss for the period	4,30,742
Actuarial (gain) / loss recognized in the period	4,30,742
Unrecognized actuarial (gain) / loss at the end of the year	-



(in Rupees)

VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES	
Present value of the obligation	28,59,363
Fair value of plan assets	-
Difference	28,59,363
Unrecognised transitional liability	-
Unrecognised past service cost - non vested benefits	-
Liability recognized in the balance sheet	28,59,363

VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:	
Current service cost	4,23,858
Interest Cost	2,83,512
Expected return on plan assets	-
Net actuarial (gain)/loss recognised in the year	4,30,742
Transitional Liability recognised in the year	-
Past service cost - non-vested benefits	-
Past service cost - vested benefits	-
Expenses recognized in the statement of profit and loss	11,38,112

VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET	
Opening net liability	27,78,935
Expense as above	11,38,112
Contribution paid	-10,57,684
Closing net liability	28,59,363

IX. AMOUNT FOR THE CURRENT PERIOD	
Present Value of obligation	28,59,363
Plan Assets	-
Surplus (Deficit)	-28,59,363
Experience adjustments on plan liabilities -(loss)/gain	57,164
Experience adjustments on plan assets -(loss)/gain	-

As this is the first year of adoption of Accounting Standard -15, on Employee Benefits, only the current year's figures have been given.

SAAPL:

(Rs. in lakhs)

I. PRINCIPAL ACTUARIAL ASSUMPTIONS [Expressed as weighted averages]	31 12 2008
Discount Rate	6.00%
Salary escalation rate	15.00%
Attrition rate	8.79%
Expected rate of return on Plan Assets	9.00%



SCHEDULES

(Rs. in lakhs)

II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO)	
- RECONCILIATION OF OPENING AND CLOSING BALANCES:	
PVO as at the beginning of the period	20.03
Interest Cost	2.43
Current service cost	4.57
Past service cost - (non vested benefits)	-
Past service cost - (vested benefits)	-
Benefits paid	(1.05)
Actuarial loss/(gain) on obligation (balancing figure)	13.98
PVO as at the end of the period	39.96
III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS -	
RECONCILIATION OF OPENING AND CLOSING BALANCES:-	
Fair value of plan assets as at the beginning of the period	7.23
Expected return on plan assets	1.12
Contributions	3.16
Benefits paid	(1.05)
Actuarial gain/(loss) on plan assets [balancing figure]	(0.44)
Fair value of plan assets as at the end of the period	10.01
IV. ACTUAL RETURN ON PLAN ASSETS	
Expected return on plan assets	1.12
Actuarial gain / (loss) on plan assets	(0.44)
Actual return on plan assets	0.68
V. ACTUARIAL GAIN / LOSS RECOGNIZED	
Actuarial gain / (loss) for the period - Obligation	(13.98)
Actuarial gain / (loss) for the period- Plan Assets	(0.44)
Total (gain) / loss for the period	14.42
Actuarial (gain) / loss recognized in the period	14.42
Unrecognized actuarial (gain) / loss at the end of the year	-
VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES	
Present value of the obligation	39.96
Fair value of plan assets	10.01
Difference	29.94
Unrecognised transitional liability	-
Unrecognised past service cost - non vested benefits	-
Liability recognized in the balance sheet	29.94



VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:	
Current service cost	4.57
Interest Cost	2.43
Expected return on plan assets	(1.12)
Net actuarial (gain)/loss recognised in the year	14.42
Transitional Liability recognised in the year	-
Past service cost - non-vested benefits	-
Past service cost - vested benefits	-
Expenses recognized in the statement of profit and loss	20.31

This being the first year of implementation, previous year figures have not been given.

W. RELATED PARTIES DISCLOSURE

I. RELATED PARTIES :

A. SUBSIDIARY COMPANY

Orlandofin B V

B. KEY MANAGERIAL PERSONNEL

Dr. N Mahalingam, Chairman
 Sri M Manickam, Vice Chairman and Managing Director
 Sri VK Swaminathan, Executive Director
 Sri S Jeevanantham, Managing Director of SAAPL
 Sri S Mohanraj, Joint Managing Director of SAAPL

C. RELATIVES OF KEY MANAGERIAL PERSONNEL

	Dr. N Mahalingam	Sri M Manickam
Dr. N Mahalingam	—	Father
Sri M Manickam	Son	—
Sri M Balasubramamiam	Son	Brother
Sri M Srinivaasan	Son	Brother
Smt. Karunambal Vanavarayar	Daughter	Sister
Smt.Gauri Manickam	Daughter in Law	Wife

D. ENTERPRISES WHERE CONTROL EXIST

Sri Chamundeswari Sugars Limited
 ABT Limited
 Sakthi Finance Limited
 ABT Industries Limited
 ABT Info Systems Pvt.Ltd
 Anamallais Bus Transport Pvt.Ltd
 Sakthi Logistic Services Ltd.
 Sri Chamundeswari Enterprises Pvt.Ltd
 J S Auto Cast Foundry India Pvt Ltd

E. ENTERPRISES IN WHICH KEY MANAGERIAL PERSONNEL/RELATIVES OF KEY MANAGERIAL PERSONNEL HAVE SIGNIFICANT INFLUENCE

ARC Petroleum Services
 N.Mahalingam & Company
 Sakthi Automobiles
 Sakthi Coffee Estates (P) Ltd.



SCHEDULES

II. Related Party Transactions :

(Rs. in lakhs)

	Subsidiary Company	Key Managerial Personnel	Relatives of Key Managerial Personnel	Enterprises	Total for the Year 2007-08	Previous Year 2006-07
Sale of materials / Service rendered	12.44				12.44	5.05
Purchase of Materials	20.05				20.05	27.74
Managerial Remuneration		96.89			96.89	118.37
Sitting Fees		0.64	0.85		1.49	0.99
Investments	4787.20				4787.20	214.18
Rent Receipts				18.90	18.90	12.73
Other Receipts				3.24	3.24	0.32
Transport Charges				330.75	330.75	133.32
Vehicle Purchase/Maintenance				46.84	46.84	14.23
Purchase of Milk				8.54	8.54	–
Management Fee				263.07	263.07	–
Electricity Charges / Windmill Power				551.92	551.92	335.62
Purchase of Computer consumables				2.34	2.34	–
Courier charges				0.13	0.13	–
Rent Payments				23.76	23.76	8.39
Fettling charges / Others				34.52	34.52	35.54
Interest charges				858.26	858.26	1402.88
Water charges receipts				15.70	15.70	–
Technical charges receipts				1.67	1.67	–
Purchase of fuel				59.92	59.92	–
Advertisement Receipts				5.86	5.86	–
					Outstanding Amount 31.12.2008	Outstanding Amount 30.06.2007
Dues from Enterprises					73.92	14.39
Dues to Enterprises					3896.78	2168.61
Dues to Key Managerial Personnel					69.14	156.39

X. Lease Payments:

The Lease Payments recognized in the Profit and Loss Account of SACL is Rs.3.26 Lakhs

Y. Investments in SACL:

In April 2007, two foundries in Germany and one in Portugal were acquired through a Wholly Owned Subsidiary. In February 2008 one more foundry in Sweden was acquired. The severe recession in automobile industry especially in the truck sector resulted in illiquidity in German foundries and as per German laws bankruptcy was filed before the Courts and an administrator has been appointed by the court. The operative foundry in Sweden is under financial restructure scheme as per Swedish laws.

The Portugal foundry which is mainly catering to passenger car sector is functioning satisfactorily. In the considered opinion of Board of Directors based upon the value of assets and liabilities and operations of Portugal foundry there may not be any loss in investments in the wholly owned subsidiary over a period of time.



Z. Corporate guarantee has been given by SACL to Banks for the loan availed by the wholly owned subsidiary in Netherlands. This loan is also secured by pledge of 18000 shares held by the company in Orlandofin BV (WOS). The outstanding amount including interest as at 31.12.2008 is Rs.26284.14 Lakhs.

AA. Corporate guarantee has been given by SACL to Banks for the loan availed by the Indian subsidiary. The outstanding amount including interest as at 31.12.2008 is Rs. 1249.41 Lakhs.

AB. The Board of Directors of SACL declared interim dividend on the 182,45,000 Cumulative Preference shares aggregating to Rs.3081.55 Lakhs based on the estimated income which mainly included dividend receivable from Subsidiary companies in Europe. On account of unprecedented recession in automobile industry and consequent bankruptcy proceedings in German foundries and restructuring proceedings in Sweden foundry, no dividend was received. As per the legal opinion obtained the interim dividend paid can be recoverable from the preference shareholders due to inadequacy of profits. Steps are being taken for claiming back the interim dividend paid and as such the interim dividend paid is shown as amount recoverable from Preference Shareholders.

AC. CONTINGENT LIABILITY:

- a) The Company had filed Writ petitions before the Hon'ble High Court of Madras with respect to water charges payable by the Company to the Govt. of Tamil Nadu. The amount involved is Rs.611.81 Lakhs.
- b) Sales Tax demands (including penalties) against the Company aggregating to Rs.2250.75 Lakhs are disputed and pending before various appellate authorities.
- c) The Company has preferred an appeal before the Income Tax Appellate Tribunal, Chennai against the Order of the Commissioner of Income Tax and the disputed amount of tax is Rs.139.03 Lakhs.
- d) The Company has preferred an appeal before the Commissioner of Income Tax, Coimbatore against the Order of the Addl. Commissioner of Income Tax and the disputed amount of tax is Rs.333.45 Lakhs.
- e) The levy of fringe benefit tax under the Income tax act has been challenged by a writ petition before Hon'ble High Court of Madras through the Indian Chamber of Commerce, Coimbatore. The Hon'ble High Court has admitted the writ petition and the same is pending before the said court for disposal. The amount involved is Rs.235.72 Lakhs.
- f) Demands against the company for payment of Excise duty aggregating to Rs.1645.89 Lakhs are disputed and appeals are pending before the various authorities.
- g) The Company has filed a writ petition before the Hon'ble High Court of Orissa, Cuttack against the order of the Supt. of central Excise, Dhenkanal for an amount of Rs.32.63 lakhs. The writ petition is pending for disposal.
- h) Demands against the company for payment of service tax aggregating to Rs.155.34 Lakhs are disputed and appeals are pending before the various authorities.



SCHEDULES

- i) Demands against the company for payment of service tax on expenses incurred in connection with FCCB aggregating to Rs.217.55 Lakhs are disputed and the appeals are pending before the various authorities.
- j) A quantity of 171038 MTs. of sugar has to be exported by the Company to fulfill its obligation against import of raw sugar under Advance Licence Scheme. Non fulfillment of export obligation would result into a liability of Rs. 24390.21 lakhs.
- k) The Tamil Nadu Govt. has preferred an appeal before Supreme Court against the order of the High Court of Madras in respect of administrative service fee. The Supreme Court vide Interim Order dated 4.5.2004 has clarified that the State Govt. shall charge the fee at the rate of 50 paise per litre only. The amount under dispute is Rs.967.57 lakhs.
- l) An amount of Rs.13.67 lakhs decreed against the company for non performance of contractual obligation is under appeal before the Hon'ble High Court of Andhra Pradesh.
- m) The Executive Engineer, Angul irrigation division, Angul, Orissa State has raised a demand of Rs.6.00 lakhs towards water tax arrears against which a writ petition before the High Court of Orissa, Cuttack has been filed and is pending for disposal.
- n) A writ petition has been filed in the Gujarat High Court against a show cause notice issued by the Dy. Collector, Stamp valuation cell, Mehsana, Gujarat towards shortfall in stamp duty/registration fees. The amount involved is Rs.430.24 lakhs.
- o) The company has provided corporate guarantees aggregating to Rs.2277.42 lakhs to secure the loans availed by the cane growers' societies at Orissa. The aggregate of the loans repayable by the above societies as on 31.12.2008 is Rs.3272.35 lakhs including interest thereon.
- p) The company has provided corporate guarantees aggregating to Rs.5000.00 lakhs to secure the loans availed by the sugar cane cultivators' association at Sakthi Nagar and Sivaganga. The aggregate of the loans repayable by the above associations as on 31.12.2008 is Rs.5000.00 lakhs.
- q) The company has provided corporate guarantees aggregating to Rs.56131.13 lakhs to secure the loans availed by the subsidiary companies from banks/financial institutions. The aggregate of the loans repayable as on 31.12.2008 is Rs.44996.61 lakhs.
- r) Sales Tax demand against SACL amounting to Rs.85.12 lakhs is disputed and appeals are pending before the Appellate Assistant Commissioner of Sales Tax.
- s) Disputed Service Tax demands & penalty for Rs.262.93 lakhs in respect of SACL is pending before various Appellate Authorities.
- t) The levy of fringe benefit tax under the Income-tax act has been challenged before the Hon'ble High Court of Madras and the same is pending for disposal in respect of SACL. The amount involved is Rs. 30.00 lakhs.
- u) SACL has disputed and made claim for electricity tax on maximum demand charges levied by the Tamil Nadu Electricity Board. The total amount under dispute is Rs.8.69 lakhs.



- v) Income Tax demand against SACL amounting to Rs.71.54 lakhs for the Assessment Year 2004-05 has been appealed against and the case is pending before the Income Tax Appellate Tribunal (ITAT), Chennai.
- w) SACL has to export goods worth Rs.131.53 Crores towards its export obligation under EPCG Licences. The contingent financial effect towards the above obligation is Rs.14.60 Crores.
- x) Corporate Guarantee given by SACL to banks on behalf of loans to Subsidiary Companies aggregate to Rs. 27719.42 lakhs.
- y) The statutory minimum price for sugarcane fixed by the Govt. of India for the sugar seasons 2002-03 & 2003-04 has been challenged by a Writ petition before the Supreme Court of India by all the sugar mills through the Association. The Writ petition is pending disposal. The disputed amount is Rs.1170.21 lakhs towards price and Rs. 24.82 lakhs towards Additional Sales Tax on purchase turnover.

AD. Wherever necessary, figures for previous year have been regrouped or reclassified to confirm to this year's grouping or classification.

AE. Previous year's figures are not comparable with the current year figures as current year is for a period of 18 months.



CONSOLIDATED CASH FLOW STATEMENT

(Rs. in lakhs)

	2007 - 08	2006 - 07
A. Cash Flow from Operating Activities		
Profit before tax	(2,568.78)	424.45
Depreciation	6,171.73	2,317.68
Interest	18,821.63	11,539.60
Miscellaneous Expenses & Other exp.written off	560.95	369.11
Intangible Assets written off	1,459.34	972.90
Funded Interest Written off	872.77	3,425.60
Loss on Sale of Assets	17.13	29.81
Loss on Sale of Investments	2.00	-
Tolls Implements Written off	-	8.30
Investment Income :		
Dividend	(6.76)	(8.58)
Interest	(562.29)	(809.50)
Profit on Sale of Assets	(2.01)	(235.78)
Profit on Sale of Investments	(59.79)	-
	27,274.70	17,609.14
Operating Profit Before Working Capital changes	24,705.92	18,033.59
Adjustment for:-		
Inventories	2,132.16	(4,368.33)
Debtors	(1,820.58)	4,210.39
Other Current Assets	(1,497.29)	(779.00)
Loans and Advances	139.79	(12,811.66)
Liabilities	18,205.13	2,531.85
Expenses relating to Prior Years	(34.10)	67.33
Intangible Assets	(16,335.49)	(563.30)
Misc Expenditure Paid	(251.61)	(1,488.09)
	538.01	(13,200.81)
Net cash from Operating Activities after extraordinary items	25,243.93	4,832.78
Foreign Exchange Fluctuation (Net)	(976.38)	(674.51)
Income Tax Paid	(164.80)	(10.01)
Net Cash from Operating Activities	24,102.75	4,148.26
B.Cash Flow from Investing Activities		
Purchases of Fixed Assets	(27,241.15)	(38,608.02)
Sale of Fixed Assets	337.60	675.48
Investment Income	569.05	818.08
Sale / Purchase of Investment	(5,009.72)	(21,057.92)
Net Cash from Investing Activities	(31,344.22)	(58,172.38)
C.Cash Flow from Financing Activities		
Issue of Preference Share Capital (Net)	2,025.00	15,020.00
Payment of Dividend plus Tax	(550.58)	(1,262.93)
Interest Paid	(17,532.11)	(11,219.59)
Derivative Transactions (Net)	(897.84)	-
Receipts from long term / short term borrowing	18,591.85	33,280.40
Net Cash Used in financing activities	1,636.32	35,817.88
Net increase in Cash & Cash Equivalents	(5,605.15)	(18,206.24)
Cash & Cash Equivalents at the beginning of the period	10,320.26	28,526.50
Cash & Cash Equivalents at the end of the period	4,715.11	10,320.26

Vide our report annexed
For P N RAGHAVENDRA RAO & Co
Chartered Accountants
P R VITTEL
Partner
M. No. 018111
Coimbatore
19th February 2009

N MAHALINGAM
Chairman
M BALASUBRAMANIAM
Joint Managing Director - Finance

M MANICKAM
Vice Chairman & Managing Director
S BASKAR
Vice President - Finance & Company Secretary



SAKTHI SUGARS LIMITED

REGD. OFFICE :
SAKTHINAGAR - 638 315, BHAVANI TALUK, ERODE DISTRICT

PROXY FORM

I / We.....

of.....being a Member / Members of Sakthi Sugars Limited

hereby appointof

or failing him of

or failing himof

as my / our proxy to attend and vote for me / us on my / our behalf at the 47th Annual General Meeting of the Company to be held on 31st March, 2009 and of any adjournment thereof.

Signed this day of 2009.

Folio No. :

* Client ID No. :

* DP ID No. :

Affix
15 Paise
Revenue
Stamp

Note :The Proxy form must be deposited at the Registered Office of the Company at Sakthinagar, Bhavani Taluk, Erode District or at the Corporate Office at 180, Race Course Road, Coimbatore - 641018 not less than forty eight hours before the time for holding the aforesaid meeting.

* Applicable only in case of investors holding shares in electronic form.



SAKTHI SUGARS LIMITED

REGD. OFFICE :
SAKTHINAGAR - 638 315, BHAVANI TALUK, ERODE DISTRICT

ATTENDANCE SLIP

Reg. Folio :

* Client ID No. :

* DP ID No. :

Name & Address of member :

I hereby record my presence at the 47th Annual General Meeting held on 31st March, 2009 at Sakthi Nagar, Bhavani Taluk, Erode District, Tamilnadu.

.....
** Member's / Proxy's Signature

Note : Shareholder / Proxyholder must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.

* Applicable only in case of investors holding shares in Electronic Form.

** Please indicate whether Member or Proxy



SAKTHI SUGARS LIMITED

CORPORATE OFFICE
180 RACE COURSE ROAD, COIMBATORE - 641 018