BUSINESS WITH VALUES

SAKTHI SUGARS LIMITED

ANNUAL REPORT 2009

sarvakaryogitvam kriya sakthi

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

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

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

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 ELANGOVAN (Nominee of TIDCO)

Smt S USHA (Nominee of IDBI)

Directors

Sri S BASKAR
Senior Vice President - Finance &
Company Secretary

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NOTICE TO MEMBERS

Notice is hereby given that the 48th Annual General Meeting of the Company will be held at its Registered Office at Sakthinagar – 638 315, Bhavani Taluk, Erode District, Tamilnadu, on Wednesday the 16th June 2010 at 3.00 PM to transact the following business:

1. To consider and adopt the audited Profit & Loss Account for the year ended 31st December 2009 and audited Balance Sheet as at that date and the Directors' Report and the Auditors' Report thereon.

2. To appoint a Director in the place of Sri M Srinivaasan, who retires by rotation and is eligible for reappointment.

3. To appoint a Director in the place of Sri S S Muthuvelappan, who retires by rotation and is eligible for reappointment.

4. To appoint a Director in the place of Sri N K Vijayan, 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 for holding 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 a Special Resolution:

   "RESOLVED that a remuneration by way of commission calculated upto 1% on the net profits of the Company computed in the manner laid down in the Companies Act, 1956, be paid to Dr.N Mahalingam, Chairman of the Board of Directors of the Company, for each year from 1.7.2010 to 30.6.2015 for giving guidance and counseling to the Company, on matters relating to the corporate affairs and management of the Company. "

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

   A. "RESOLVED that the period of appointment of Sri M. Balasubramaniam as Joint Managing Director-Finance made by the Board of Directors of the Company on 23.1.2009 and by the Members at their Annual General Meeting held on 31.3.2009 be restricted upto 31.3.2010."

   B. "RESOLVED that pursuant to Sections 198, 269, 309 and 316 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, Sri M Balasubramaniam be and is hereby appointed as Joint Managing Director-Finance for the period from 1.4.2010 to 22.1.2014 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 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 be paid as minimum remuneration even in the event of loss or inadequacy of profits 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 resolutions as Ordinary Resolutions:

A. "RESOLVED that the period of appointment of Sri M Srinivaasan as Joint Managing Director-Technical made by the Board of Directors of the Company on 23.1.2009 and by the Members at their Annual General Meeting held on 31.3.2009 be restricted upto 31.3.2010."

B. "RESOLVED that pursuant to Sections 198, 269, 309 and 316 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, Sri M Srinivaasan be and is hereby appointed as Joint Managing Director-Technical for the period from 1.4.2010 to 22.1.2014 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 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 profits 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 whole of the immovable and movable properties of the Company (except the assets exclusively mortgaged/charged), present and future, and/or for conferring power to enter upon and take possession of the aforesaid assets of the Company in certain events to or in favour of the Security Trustee, to secure the Banks/Financial Institution for the financial assistance availed/restructured under the Corporate Debt Restructuring Scheme to the extent of Rs.986.26 crores by the Company; and

(ii) to authorise the Board of Directors of the Company for agreeing with the Security Trustee the terms and conditions to reserve a right to take over the management of the whole of the undertakings of the Company or any part thereof in certain events in terms of the agreements/letters of sanction/terms and conditions 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 Security 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 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 on exclusive second charge basis the whole of the immovable and movable properties relating to Sugar and Co-generation plants situate at Sivaganga, Sivaganga District, and Modakurichi, Erode District in the State of Tamilnadu, present and future, and/or for conferring power to enter upon and take possession of the aforesaid assets of the Company in certain events to or in favour of the Government of India/IFCI for the financial assistance to secure the Sugar Development Fund Loans aggregating to Rs. 62.17 crores; and

(ii) to authorise the Board of Directors of the Company for agreeing with the Government of India/ IFCI the terms and conditions to reserve a right to take over the management of the whole of the aforesaid undertakings of the Company or any part thereof in certain events in terms of the tripartite agreements/letters of sanction/terms and conditions in connection with the creation of security and other incidental matters."

B. "RESOLVED FURTHER that the Board of Directors of the Company be is hereby authorized to finalise with the Government of India/IFCI 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."

11. 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 whole of the immovable and movable properties relating to the Beverage Plant of the Company situate at Sivaganga, Sivaganga District in Tamilnadu, present and future, and/or for conferring power to enter upon and take possession of the aforesaid assets of the Company in certain events to or in favour of the Debenture Trustee to secure the Redeemable Non-Convertible Debentures aggregating to Rs. 20 crores issued by the Company; and

(ii) to authorise the Board of Directors of the Company for agreeing with the terms and conditions to reserve a right to take over the management of the aforesaid undertaking of the Company in certain events in terms of the Trustee Agreements/terms and conditions 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."

By Order of the Board

S.BASKAR
Sr.Vice President – Finance &
Company Secretary

Coimbatore
29th March 2010

NOTE:

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.

2. Proxies, in order to be effective, should be lodged with the Company, forty eight hours before the meeting at the Registered Office of the Company at Sakthinagar - 638 315, Bhavani Taluk, Erode District or at the Corporate Office at 180, Race Course Road, Coimbatore 641 018.

3. The explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business under item Nos.6 to 11 is annexed.

4. Pursuant to Clause 49 of the Listing Agreement, relevant information on the Directors seeking appointment/reappointment at the Annual General Meeting is provided in the annexure.

5. The Register of Members and the Share Transfer Books of the Company will remain closed from 10.6.2010 to 16.6.2010 (both days inclusive).

6. 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.

7. 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.

8. The unclaimed dividend on Equity Shares for the years ended 30.6.2006 and 30.6.2007 will be transferred to The Investor 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(2) OF THE COMPANIES ACT, 1956

Item No.6

The members of the Company at the 45th Annual General Meeting held on 26th December 2006 had approved payment of remuneration by way of commission calculated at 1% on the net profits of the Company in the manner laid down in the Companies Act, 1956 to Dr N Mahalingam, Chairman of the Board of Directors for a period of 5 years from 1.7.2005 as consideration for his counseling and guidance on the following matters:

a) setting the corporate goals/objects and planning the strategy for achieving the same;

b) expansion/diversification in all aspects;

c) improvement in efficiency, cost reduction, induction of new technologies, modernization, etc;

d) human resources development; and

e) Recruitment of employees at senior levels

In view of the vast industrial experience of Dr N Mahalingam, the Board of Directors has considered it fit to continue availing his guidance and counseling and to pay commission upto 1% on the net profits as referred to above for a period of five years from 1.7.2010 to 30.6.2015, subject to the approval of the members at the General Meeting by way of Special Resolution. Necessary Special Resolution is placed for approval of the members.

Dr N Mahalingam may be deemed to be concerned or interested in the resolution as it relates to his remuneration. Sri M Manickam, Vice Chairman & Managing Director, Sri M Balasubramaniam, Joint Managing Director-Finance and Sri M Srinivaasan, Joint Managing Director-Technical are interested as his relatives.

Item No. 7

At the Annual General Meeting of the Company held on 31.3.2009, the members of the Company had approved appointment of Sri M Balasubramaniam as Joint Managing Director-Finance of the Company for five years from 23.1.2009 and payment of remuneration to him, subject to the approval of the Central Government since the Company did not have profit in the financial year 2007-08 and did not satisfy one of the conditions prescribed in Schedule XIII to the Companies Act. The Company is yet to receive the approval from the Central Government.

In view of the profitable working results for the year ended 31.12.2009 and also the conditions prescribed in Schedule XIII to the Companies Act stand satisfied, the Board of Directors has restricted the validity of the above appointment upto 31.3.2010 and has again appointed Sri M Balasubramaniam as Joint Managing Director-Finance for the period from 1.4.2010 to 22.1.2014 on the terms contained in the resolution set out in the Notice, subject to the approval of the members at the Annual General Meeting. The terms of appointment and payment of remuneration are the same as that of the appointment made last year. Sri M Balasubramaniam is the Managing Director of Sakthi Finance Limited.

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

Item No.8

At the Annual General Meeting of the Company held on 31.3.2009, the members of the Company had approved appointment of Sri M Srinivaasan as Joint Managing Director-Technical of the Company for five years from 23.1.2009 and payment of remuneration to him, subject to the approval of the Central Government since the Company did not have profit in the financial year 2007-08 and did not satisfy one of the conditions prescribed in Schedule XIII to the Companies Act. The Company is yet to receive the approval from the Central Government.

In view of the profitable working results for the year ended 31.12.2009 and also the conditions prescribed in Schedule XIII to the Companies Act stand satisfied, the Board of Directors has restricted the validity of the above appointment upto 31.3.2010 and has again appointed Sri M Srinivaasan as Joint Managing Director - Technical for the period from 1.4.2010 to 22.1.2014 on the terms contained in the resolution set out in the Notice, subject to the approval of the members at the Annual General Meeting. The terms of appointment and payment of remuneration are the same as that of the appointment made last year. Sri M Srinivaasan is the Managing Director of Sri Chamundeswari Sugars Limited.

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

Item No. 9

The Company has restructured the Term Loans/Working Capital Loans availed from Financial Institution/Banks under the Corporate Debt Restructuring (CDR) Scheme on the terms and conditions approved by the CDR Cell. Bank of India has been appointed as Security Trustee for the lenders. Among others, the restructured facilities have to be secured by creation of charge/mortgage in favour of the Security Trustee on the movable and immovable properties of the Company, except assets exclusively mortgaged/charged.

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 letters of sanction, security trustee agreement, letter of approval of the CDR Empowered Group and other documents creating mortgage/charge 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

The Company has been sanctioned Sugar Development Fund Loan to the extent of Rs. 62.17 crores by the Central Government acting through IFCI Limited to part finance the cost of erection of the Company's co-generation plants at Sivaganga and at Modakurichi against security by way of mortgage of the movable and immovable assets pertaining to the sugar and co-generation plants of the Company at Sivaganga and at Modakurichi on exclusive second charge basis.

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 letters of sanction, tripartite agreements 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.11

The Company has issued Secured Non-Convertible Debentures to bodies corporate and others on private placement basis in different series to meet the working capital requirements of the Company. As per the trustee agreement entered into with the Trustee for the debentureholders, the Company has to create charge/ mortgage among others, on the movable and immovable properties of the Company's Beverage Division at Sivaganga Sugar Mill premises in favour of the Trustee.

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 trustee 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.

By Order of the Board

S.BASKAR
Sr.Vice President – Finance &
Company Secretary

Coimbatore
29th March 2010

RE-APPOINTMENT OF DIRECTORS

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

1.	Name	:	Sri M Balasubramaniam
	Date of Birth & Age	:	06.5.1958 - 51 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 in business management
	Other Directorships	:	Sakthi Finance Limited Sakthifinance Financial Services Limited Sri Sakthi Textiles Limited Sakthi Auto Component Limited Sri Chamundeswari Sugars Limited ABT Limited ABT Industries Limited ABT Foundation Limited ABT Finance Limited Sakthi Management Services (Coimbatore) Limited ABT Foods Limited Sri Alagu Tex Pvt. Limited The Gounder and Company Auto Limited ABT Foods Retailing (India) Limited Sakthi Finance Commercial Vehicle & Infrastructure Limited ABT Textiles Pvt. Limited Union Bus Service Pvt. Limited
	No.of equity shares held	:	337325 Shares
	Member of Committees	:	1. Sri Chamundeswari Sugars Limited Audit Committee Shareholders/Investors Grievance Committee 2. Sakthi Sugars Limited Audit Committee Shareholders/Investors Grievance Committee 3. Sakthi Finance Limited Shareholders/Investors Grievance Committee
	Relationship with other Directors	:	Dr N Mahalingam - Father, Sri M Manickam and Sri M Srinivaasan - Brothers

2.	Name	:	Sri M Srinivaasan
	Date of Birth & Age	:	2.9.1966 – 43 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
	Other Directorships	:	Sri Chamundeswari Sugars Limited ABT Limited ABT Industries Limited Sakthi Finance Limited Sri Bhagavathi Textiles Limited Sakthi Management Services (Coimbatore) Limited Sri Sakthi Textiles Limited The Gounder & Company Auto Limited Graynium Information Technology Pvt. Limited ABT Foods Retailing (India) Limited Sakthi Auto Component Limited Advantra Carisol Private Limited Sakthi Reality and Infrastructure Limited ABT Foods Limited
	No.of equity shares held	:	201000 Shares
	Member of Committees	:	Sri Chamundeswari Sugars Limited Shareholders/Investors Grievance Committee
	Relationship with other Directors	:	Dr N Mahalingam - Father, Sri M Manickam and Sri M Balasubramaniam - Brothers

3.	Name	:	Sri S S Muthuvelappan
	Date of Birth & Age	:	5.12.1941 – 69 Years
	Date of Appointment	:	18.2.1985
	Experience	:	Rich experience in sugar cane cultivation
	Other Directorship		Biomed Hitech Industries Limited
	No.of equity shares held	:	2770 Shares
	Member of Committees	:	Sakthi Sugars Limited Remuneration Committee
	Relationship with other Directors	:	Nil

4.	Name	:	Sri N K Vijayan
	Date of Birth & Age	:	22.5.1952 - 57 Years
	Date of Appointment	:	1.1.1995
	Qualification	:	M.Com.
	Experience	:	Rich experience in sugar cane cultivation
	Other Directorship	:	Biomed Hitech Industries Limited
	No.of equity shares held	:	1850 Shares
	Member of Committees	:	Nil
	Relationship with other Directors	:	Nil

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 2009.

FINANCIAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2009	(Rs. in lakhs)	
Profit before interest and depreciation		20110.88
Less: Interest	4614.45	
Depreciation on Fixed Assets	3025.71	
		7640.16
Profit before Tax		12470.72
Less : Income Tax Expenses		
Prior Year Tax	65.16	
Deferred Tax Liability	2056.92	
		2122.08
Profit after Tax		10348.64
Add : Excess provision reversed	1.15	
Reversal of diminution in value of investments	2.00	
		3.15
Profit before Appropriation		10351.79
Less : Transfer to General Reserve		4000.00
Transfer to Debenture Redemption Reserve		630.00
Surplus carried over		5721.79

REVIEW OF OPERATIONS

SUGAR DIVISION

The quantum of sugar cane crushed and raw sugar processed at various units of the Company for the year 2009 is as under:

Name of the Units	Cane crushed (in tonnes)	Raw sugar processed (in tonnes)
Sakthinagar	1448556	63469
Sivaganga	434550	49036
Modakurichi	–	108589
Dhenkanal	162575	49968

Due to shortage of cane, Modakurichi Unit did not take up the crushing operation. Sugar cane crushed in Sakthinagar Unit includes sugar cane drawn from areas of Modakurichi Unit.

Out of the total sugar of 4.27 lakhs MT produced by the Company during the year under review, 2.39 lakhs MT of sugar was produced by processing raw sugar.

Your Directors are glad to inform that Sakthinagar Sugar Unit has been selected for State Safety Award for two consecutive years 2006 and 2007. Orissa State Government has awarded State Safety Award to Dhenkanal Sugar unit for the year 2007.

DISTILLERY DIVISION

During the year under review, 379.44 lakh litres of industrial alcohol was produced at Sakthinagar Distillery Unit and 31.10 lakh litres at Dhenkanal Distillery Unit.

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

SOYA DIVISION

24497 tonnes of soya beans have been crushed in the soya plant during the year under review. This division has exported products worth Rs.1703.82 lakhs to various countries.

This unit has also been awarded State Safety Award for the years 2006 and 2007 and Industrial Relation Award for the years 2005, 2006 and 2007.

CO-GENERATION DIVISION

The total power generated in the co-generation plants at Sakthinagar, Sivaganga and Modakurichi during the year was 4,094 lakh units, out of which 2,992 lakh units have been exported to Tamilnadu Electricity Board and others. The second co-generation plant with 25 MW capacity at Sakthinagar is expected to be commissioned in the current year.

FUTURE OUTLOOK

For the year 2010, the cane availability is expected to be slightly lower than in 2009 on account of overall decrease in planting of sugarcane in the command areas. The Government of Tamilnadu has allowed sale of power to third parties and with the commissioning of the second co-generation plant at Sakthinagar, higher contribution is envisaged.

The long term prices and profitability of Indian sugar companies would be dependent on domestic and international supply demand trends as well as Government policies. The performance of the Industrial Alcohol Division and Power Division of the Company are expected to be good for the current year.

The secured debts availed by the Company from Banks/Financial Institution have been restructured during the year under review on the terms contained in the Letter of Approval dated 16th June 2009 of the CDR Cell.

DEPOSITS

The Company has not accepted any deposit from the public during the year under review. At the end of the financial year, 96 deposits amounting to Rs.18.20 lakhs which were due for repayment remained unclaimed on their due dates. Of these, 20 deposits totalling to Rs. 4.58 lakhs have since been repaid.

ISSUE OF SHARES

The Company has issued and allotted 34,60,569 equity shares during the financial year by way of conversion of Foreign Currency Convertible Bonds (FCCB) of USD 15.4 million. 19,73,704 equity shares were issued and allotted after the end of the financial year 2009 until the date of the Report by converting FCCB of USD 8.7 million. These shares were allotted at the conversion price of Rs.208/Rs.190, as the case may be, in respect of Series A/ Series B Bonds in terms of the offering circular.

DIRECTORS

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

Sri M Srinivaasan
Sri S S Muthuvelappan
Sri N K Vijayan

Sri M Balasubramaniam was appointed as Joint Managing Director - Finance for a period of 5 years with effect from 23.1.2009 subject to the approval of Central Government since one of the conditions prescribed in Schedule XIII to the Companies Act, 1956 was not satisfied. Likewise the appointment of Sri M Srinivaasan as Joint Managing Director - Technical for a period of 5 years with effect from 23.1.2009 is also subject to the approval of Central Government. The approvals of the Central Government are yet to be received.

In view of the profitable working results for the year ended 31.12.2009 and also all the conditions prescribed in Schedule XIII to the Companies Act, 1956 stand satisfied, the Board of Directors have restricted the validity of the above appointments upto 31st March 2010 and have re-appointed Sri M Balasubramaniam as Joint Managing Director - Finance and Sri M Srinivaasan as Joint Managing Director - Technical for the period from 1.4.2010 to 22.1.2014, subject to the approval of the members at the General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

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

a. that in the preparation of the annual accounts for the financial year ended 31.12.2009 the applicable accounting standards had been followed;

b. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review;

c. that 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. that the Directors had prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

The Audit Committee comprises of the following Directors, viz. Sri C Rangamani (Chairman), Sri M Balasubramaniam, Sri S Doreswamy and Smt S Usha.

SUBSIDIARY COMPANIES

India is not affected by the world recession as much as developed economies especially in automobile industry. The performance of Sakthi Auto Component Limited (SACL) and Sakthi Auto Ancillary Pvt. Limited (SAAPL) (Indian Subsidiaries) is steady and improving.

Among the European Subsidiaries Sakthi Portugal S.A., has revived registering improved production with increased volume of orders. It is expected to reach the optimum production level in the current year with good margins.

The subsidiaries in Germany except Sakthi Services GmbH, and in Sweden have been declared bankrupt and Germany foundries are under the control of the Administrator appointed by the court and foundry in Sweden has been disposed off by the Administrator.

In terms of approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Reports of the Board and the Auditors, as the case may be, of the following subsidiary companies viz., Sakthi Auto Component Limited, Sakthi Auto Ancillary Pvt. Limited, Tilan Sugar Limited, Orlandofin BV, Sakthi Netherlands BV, Sakthi European Foreign Sales Corporation BV, Sakthi Holdings BV, Sakthi Services GmbH and Sakthi Portugal SA, have not been attached to the Balance Sheet of the Company as at 31st December 2009. As directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the Annual Report. The related detailed information of the accounts of the subsidiary companies will be made available to the holding and subsidiary companies' investors seeking such information at any point of time. The Annual Accounts of the subsidiary companies will also be kept for inspection by the investors at the Registered Office of the Company and that of the subsidiary companies concerned. The details of the accounts of the above subsidiary companies are also provided in the Company's website.

Since the following subsidiaries viz., Sakthi Europe Verwaltungs GmbH, Arvika Gjuteri AB, Arvinova AB, Arvika Handforming Gjuteri AB and Sakthi Sweden AB are under the control of the Administrators appointed by the respective Courts in Germany and Sweden and there is a long term restriction in the flow of cash from these subsidiaries to the holding company, these companies are not consolidated in accordance with the provisions contained in Accounting Standard.

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 REPORT

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

AUDITORS

M/s P.N.Raghavendra Rao & Co., Chartered Accountants, the 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 with the approval of the Central Government.

CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

Variable frequency drives are used for co-generation auxillary cooling water pump and for air compressor in co-generation plant and for high pressure pump drive in RO plant at Modakurichi.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

VFD for Injection pumps at sugar plant in Modakurichi 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:

Substantial savings in power consumption.

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 that as per the legal opinion obtained, the interest converted into loan under the Corporate Debt Restructuring Scheme would be accounted as and when they become payable.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the valuable assistance and co-operation extended by the shareholders, cane growers, banks, financial institutions and Government authorities. They also wish to appreciate the dedicated services rendered by officers, staff and workers of the Company.

On behalf of the Board of Directors

Coimbatore
30th April 2010

N MAHALINGAM
Chairman

ANNEXURE - 1

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2009
ENERGY CONSERVATION MEASURES

FORM A
Disclosure of particulars with respect to conservation of energy

Particulars	Current Year	Previous Year
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a) Purchased		
Units	**5568396**	13800045
Total Amount (Rs.in lakhs)	**269.13**	672.52
Rate/Unit (Rs.)	**4.83**	4.87
b) Own Generation		
i) Through Diesel Generator - Units	**371205**	929536
Diesel Oil (Ltrs)	**125605**	312691
Total Consumption Value	**43.67**	111.44
Units per Ltr of Diesel Oil	**2.96**	2.97
Cost/Unit (Rs.)	**11.76**	11.99
ii) Through Steam Turbine/Generator - Units	**79958448**	134141526
Units per Ltr of Fuel Oil/Gas	**--**	--
Cost/Unit	*	*
2. COAL		
Quantity (Tonnes)	**25543.610**	30580.755
Total Cost (Rs.in lakhs)	**877.37**	851.60
Average Rate per Tonne (Rs.)	**3434.79**	2784.76
3. FURNACE OIL		
Quantity (KL)	**239.030**	92.105
Total Cost (Rs.in lakhs)	**67.15**	24.27
Average Rate per Litre (Rs.)	**28.09**	26.35
4. FIREWOOD		
Quantity (Tonnes)	**--**	57.240
Total Cost (Rs.in lakhs)	**--**	0.90
Average Rate per Tonne (Rs.)	**--**	1572.33

Particulars	Current Year	Previous Year
5. OTHERS/INTERNAL GENERATION		
a) Bagasse (Tonnes)	**62851**	316455
Total (Cost)	**	**
Rate/Unit	--	--
b) Bio Gas		
Quantity (Cu.Mtr)	**2953169**	6465764
Total Cost	**	**
Rate/Unit	--	--
c) Paddy Husks		
Quantity (Tonnes)	**2957.666**	938.645
Total Cost (Rs.in lakhs)	**64.93**	20.23
Rate/Unit (Rs.)	**2195.31**	2155.23
d) Coconut Shell Chips & others		
Quantity (Tonnes)	--	1226.220
Total Cost (Rs.in lakhs)	--	27.41
Rate/Unit (Rs.)	--	2235.32

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

B. CONSUMPTION PER UNIT OF PRODUCTION

Particulars	Current Year			Previous Year		
Products (with details) Unit	**Sugar Qtl**	**Alcohol Ltr**	**Soya MT**	Sugar Qtl	Alcohol Ltr	Soya MT
Electricity (Units)	**16.24**	**0.27**	**184.90**	29.63	0.27	219.43
Furnace Oil (Ltrs)	**--**	**0.01**	**0.34**	--	--	0.77
Coal (Tonnes)	**--**	**--**	**0.14**	--	--	0.13
Others : Bio-gas (Cu.Mtrs)	**--**	**0.07**	**--**	--	0.10	--

On behalf of the Board of Directors

Coimbatore
30th April 2010

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

   i) Mechanizing inter cultural operation with tractors and development of machineries for inter cultural operations in Sivaganga Unit.

   ii) Demonstration on post emergency weedicide - Glyphos in Dhenkanal Unit

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

Wide adoption of roto incorporator and disc off barrer for weeding, trush incorporation and earthing up in sugar cane fields.

Weeds has been kept in control because of Glyphos spraying (post emergency).

3. Future plan of action

i) Total mechanization with sub surface drip irrigation for cane crop in Sivaganga Unit.

ii) Coverage majority of area by mechanization of weeding and earthing up through mini-tractor/tractor.

4. Expenditure on Research and Development

		(Rs.in lakhs)
a	Capital	12.96
b	Recurring	111.03
c	Total	123.99
d	Total R&D expenditure as a percentage of total turnover	0.09

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts in brief made towards technology absorption, adaptation and innovation

Adaptation of Tissue Culture Seed Material.

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

All the seed nursery fields are free from diseases and admixtures. Tissue Culture provides virus free seeds.

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 refined white sugar valued at Rs.1961.51 lakhs and soya products valued at Rs.1703.82 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		1741.93
Foreign Exchange used :		
1. Outgo:		
a Subscription and Membership	0.83	
b Books & Periodicals	0.63	
c Foreign Travel	3.91	
d Consulting Charges	86.92	
e Sales Promotion Expenses	1.38	
		93.67
2. Import:		
a Spares & Others	5.11	
b Capital Goods	52.32	
		57.43
Total		151.10

Coimbatore
30th April 2010

On behalf of the Board of Directors

N MAHALINGAM
Chairman

ANNEXURE 2

DIRECTORS REPORT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2009

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)	65.34	M.Sc., MBA (Mich)	30	9.9.1983	54	--

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 employement is contractual.
3. Remuneration comprises salary, accommodation, commission, Company's contribution to Provident Fund and other funds, monetary value of other perquisites.

On behalf of the Board of Directors

Coimbatore
30th April 2010

N MAHALINGAM
Chairman

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 Financial 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 2009, on 23.1.2009, 19.2.2009, 31.3.2009, 30.4.2009, 31.7.2009, 21.10.2009, 7.11.2009, 14.11.2009 and 5.12.2009. 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, plantwise operational review, actual production, sales and financial performance statistics compared to budget, which are incorporated in the agenda papers for facilitating meaningful discussions at the meetings. The gap between two board meetings did not exceed four months. The information as required under Annexure-1A to Clause 49 of the Listing Agreement is being made available 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 2009 Attendance at		As on 29.03.2010		
				No. of Directorships (1)	Committee Position (2)	
					Chairman	Member
		Board	Last AGM		(Other than SSL)	
Dr N Mahalingam Chairman	Promoter Non-Executive	7	Yes	4		
Sri M Manickam Vice Chairman & Managing Director	Promoter Executive	9	Yes	14	1	
Sri M Balasubramaniam Joint Managing Director - Finance	Promoter Executive	7	Yes	14	1	2
Sri M Srinivaasan Joint Managing Director - Technical	Promoter Executive	6	Yes	12		1
Sri V K Swaminathan Executive Director	Non-Promoter Executive	9	No	2		2

Name of the Director	Category of Directorship	Financial Year 2009 Attendance at		As on 29.03.2010		
				No. of Directorships (1)	Committee Position (2)	
					Chairman	Member
		Board	Last AGM		(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	9	Yes	1		
Sri N K Vijayan	Independent Non-Executive	9	Yes	1		
Sri C Rangamani	Independent Non-Executive	7	Yes	2	2	
Sri S Doreswamy	Independent Non-Executive	5	Yes	6	3	2
Sri B Elangovan Nominee of TIDCO	Independent Non-Executive	3	Yes	8		
Smt S Usha Nominee of IDBI	Independent Non-Executive	4	No	-		

(1) Excluding directorships in private limited companies and Section 25 Company
(2) Includes only Audit and Shareholders/Investors Grievance Committees

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 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 4 times during the financial year on 18.2.2009, 30.4.2009, 31.7.2009 and 21.10.2009 and the attendance of its members are given below:

Name of Member	No.of meetings held	No.of meetings attended
Sri C Rangamani - Chairman	4	4
Sri M Balasubramaniam	4	4
Sri S Doreswamy	4	4
Smt S Usha	4	3

All members of Audit Committee are financially literate. The minutes of the Audit Committee Meetings 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 as reconstituted comprises of the following Non-Executive Directors.

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

During the year under review, a meeting of Remuneration Committee was held on 23rd January 2009 which was attended by all the then members of the Committee viz. Sri S S Muthuvelappan, Sri P K Chandran and Sri K V Ramaswamy.

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 (a) remuneration paid to Chairman, Vice Chairman & Managing Director and Executive Director, (b) sitting fee paid to non-executive directors at the rate of Rs. 5000 for each Board Meeting and Committee Meeting attended by them, and (c) the number of equity shares held by the directors are given below :

Name of the Director	Salary	Commission	Perquisites	Sitting Fees	Total	No.of Equity Shares as on 31.12.2009
	(Rs. in lakhs)					
Dr N Mahalingam	-	35.01	-	0.35	35.36	145100
Sri M Manickam	18.00	38.71	8.63	-	65.34	1704200
Sri M Balasubramaniam	-	-	-	-	-	337325
Sri M Srinivaasan	-	-	-	-	-	201000
Sri V K Swaminathan	5.40	-	4.38	-	9.78	1900
Sri P K Chandran	-	-	-	0.45	0.45	6424
Sri G G Gurumurthy	-	-	-	0.40	0.40	700
Sri S S Muthuvelappan	-	-	-	0.50	0.50	2770
Sri N K Vijayan	-	-	-	0.45	0.45	1850
Sri C Rangamani	-	-	-	0.55	0.55	500
Sri S Doreswamy	-	-	-	0.45	0.45	500
Sri B Elangovan	-	-	-	0.15	0.15	-
Smt S Usha	-	-	-	0.35	0.35	-
Sri K V Ramaswamy	-	-	-	0.05	0.05	-

1. Sri M Manickam, Managing Director of the Company was paid remuneration as per the terms of appointment approved by the Members of the Company. Commission paid being a percentage on the net profit is the variable component of the remuneration. The Company does not have any service contract with the Managing Director.

2. The appointments of Sri M Balasubramaniam, Joint Managing Director-Finance and Sri M Srinivaasan, Joint Managing Director-Technical are subject to the approvals of the Central Government, which are yet to be received. As such no remuneration has been paid to them during the financial year. Based on the terms of approval, the Joint Managing Directors are entitled for remuneration from 23rd January 2009, being the date of their appointments. The Company does not have any service contract with the Joint Managing Directors.

3. Sri V K Swaminathan, Executive Director, was paid remuneration as per the terms of appointment approved by the Members of the Company. There is no variable component in his remuneration. The Company does not have any service contract with the Executive Director.

4. No severance fee is payable to the Directors on termination of employment.

5. 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 4 meetings during the financial year on 19.2.2009, 30.4.2009, 31.7.2009 and 21.10.2009 .

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

The Company had received 36 complaints from the shareholders during the financial year 2009. All the complaints were redressed to the satisfaction of the shareholders. No share transfer was pending as on 31.12.2009.

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 MEETINGS

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

AGM	Date	Venue	Time
45th	26.12.2006	Registered office at Sakthi Nagar Bhavani Taluk, Erode District.	2.45 p.m
46th	19.12.2007	- do -	3.00 p.m
47th	31.03.2009 (18 Months)	- do -	2.45 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 -
26.12.2006 (45th AGM)	Remuneration by way of commission to the Chairman upto 1% on the net profits of the Company
19.12.2007 (46th AGM)	Nil
31.03.2009 (47th AGM)	Nil

No special resolution was put through postal ballot during the last three years, nor is any special resolution proposed to be put through postal ballot at present.

DISCLOSURES

The details of related party transactions are given in the Notes on Accounts. Those transactions were not in conflict with the interest of the Company. These transactions are on 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 and has not adopted a treatment different from that prescribed in the Accounting Standards.

CEO/CFO Certification

The Vice Chairman and Managing Director and the Joint Managing Director- Finance have certified to the Board in accordance with Clause 49V of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st December 2009.

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.corpfiling.co.in

MANAGEMENT

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

DIRECTORS RE-APPOINTMENT

Information on Directors seeking re-appointment at the ensuing Annual General Meeting is given in the Annexure to the Notice.

GENERAL SHAREHOLDER'S INFORMATION

Annual General Meeting		
Day and Date	:	Wednesday, 16th June, 2010
Time	:	3.00 PM
Venue	:	Sakthinagar - 638 315, Erode District, Tamilnadu
Financial Calendar for the financial year	:	From 1st January 2010 to 31st December 2010
Results for the quarter ending		Result announcement
31st March 2010	:	Last week of April 2010
30th June 2010	:	Last week of July 2010
30th September 2010	:	Last week of October 2010
31st December 2010	:	Last week of January 2011
Posting of Annual Reports	:	On or before 22nd May 2010
Date of Book Closure for the purpose of Annual General Meeting	:	10th June 2010 to 16th June 2010 (both days inclusive)

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 2009. 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

As Madras Stock Exchange have informed that they are working on a turnaround plan to reactivate the trading activities and to build as an institution for regional development, the Company has withdrawn its application filed earlier for voluntary delisting of its shares from the said stock exchange.

INTERNATIONAL LISTING

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

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

	Series A	Series B
No.of Bonds Issued	200	400
No. of Bonds Converted	87	67
No. of Bonds Outstanding	113	333
Date of Maturity	30.5.2009	30.5.2011
Conversion	Bondholders have the right to convert the bond at their option any time till the bonds are surrendered and redeemed at a price fixed in accordance with the terms of offering circular, but not less than Rs.177.39 per share. At present the conversion price is Rs.208 per share.	Bondholders have the right to convert the bond at their option any time till the bonds are surrendered and redeemed at a price fixed in accordance with the terms of offering circular, but not less than Rs.177.39 per share. At present the conversion price is Rs.190 per share.

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 January 2009 to December 2009 are given below :

Month	NSE		BSE		SENSEX (BSE)	
	High	Low	High	Low	High	Low
	(Rupees)		(Rupees)			
January 2009	49.80	31.80	49.45	32.10	10470	8632
February 2009	36.95	22.25	36.80	22.15	9725	8619
March 2009	24.00	17.95	24.00	18.10	10127	8047
April 2009	37.50	22.75	37.90	22.80	11492	9546
May 2009	49.65	34.90	50.15	34.00	14931	11621
June 2009	64.00	46.10	63.95	48.00	15600	14017
July 2009	62.45	46.55	62.90	46.35	15733	13220
August 2009	96.55	61.50	95.75	62.00	16002	14684
September 2009	100.80	83.00	100.80	83.10	17143	15357
October 2009	105.85	83.15	105.70	83.30	17493	15805
November 2009	101.05	87.35	102.00	87.35	17290	15331
December 2009	95.90	86.00	97.50	85.55	17531	16578

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 2009

Shareholdings	No.of shareholders	% of shareholders	Number of Shares	% of shareholding
1 - 500	38122	90.28	4330243	12.43
501 - 1000	2078	4.92	1680929	4.83
1001 - 2000	939	2.23	1433299	4.11
2001 - 3000	363	0.86	928311	2.66
3001 - 4000	164	0.39	592875	1.70
4001 - 5000	141	0.33	659364	1.89
5001 - 10000	240	0.57	1770188	5.09
10001 & above	176	0.42	23438426	67.29
Total	42223	100.00	34833635	100.00

Shareholding pattern as on 31st December 2009

Category	No.of Shares held	% of shareholding
Promoters	12487237	35.85
Nationalised Banks/other Banks	40650	0.12
Financial Institutions	919099	2.64
Mutual Funds	6980	0.02
FIIs/NRIs	3804574	10.92
Private Bodies Corporate	4723546	13.56
Public	12851549	36.89
Total	34833635	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 2009, 33129713 equity shares of the Company representing 95.11% have been dematerialized.

OTHER FACILITIES TO SHAREHOLDERS

(A) Nomination Facility

The Company is accepting nomination forms in the prescribed Form No.2B from shareholders holding shares in physical form. Any shareholder, who is desirous of making a nomination, is requested to contact the Registered Office/Corporate Office of the Company or the Registrar 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 optional and can be cancelled/varied by the shareholder at any time.

(B) Change Of Address

Shareholders are requested to send the change, if any, in their addresses to the Company's Registrars and Share Transfer Agents/Depositary Participants (DP) to facilitate better service.

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 Modakurichi, Erode District, Tamilnadu
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

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.

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 / half 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 accessible on www.corpfiling.co.in 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
29th March 2010

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 31.12.2009.

Coimbatore
29th March 2010

M MANICKAM
Vice Chairman & Managing Director

AUDITORS' 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 2009, 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

Coimbatore
29th March 2010

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 Sakthinagar, Erode District with a capacity of 9,000 TCD, Padamathur, Sivaganga District with a capacity of 4000 TCD and at Modakurichi, Erode District with a capacity of 3,500 TCD and a sugar mill at Dhenkanal in the state of Orissa with a crushing capacity of 2,500 TCD.

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 set up three cogeneration power plants alongside its sugar units in Tamilnadu at Sakthinagar, Modakurichi and Sivaganga with an aggregate power generation capacity of 92 MW per hour. Another cogen plant of 25 MW per hour capacity is under implementation at Sakthinagar.

The Company has an integrated Soya complex with a capacity to process 90000 TPA of Soya at Marchinaickenpalayam Pollachi Taluk, Coimbatore District.

Performance during the year under review:

During the year under review, the total cane crushed was 20.46 lakh MT with an average sugar recovery of 9.22% of sugar from the cane crushed. 2.71 lakh MT of raw sugar was processed. In Distillery Division, 410.54 lakh Litres of Industrial Alcohol were produced for the year ended 31st December 2009. The Company has sold 409392 MT of sugar valuing Rs.1036.63 crores. In the cogeneration plant 4094.44 lakh units of power were generated of which 2991.83 Lakh units were exported to the State grid of Tamilnadu Electricity Board and to third parties.

Industry structure and developments:

The Sugar Season 2008-09 ended with a Sugar production of 14.6 million tonnes. This is primarily due to lesser availability of sugarcane, resulting in a huge gap between domestic production and demand. As a consequence, the domestic sugar price went up to a considerable level. The prices of both raw sugar and refined sugar were ruling high in international market until February 2010. With the expected high production in Brazil and also improvement in the availability of sugar cane in India, the price of sugar has softened to certain extent.

The Government has estimated sugar production to be around 17 Million tonnes for the sugar season 2009-10, as against the consumption of 23 million tonnes.

The Central Government has increased the levy quota to 20% of the sugar production (as against the 10% in the sugar season 2008-09) with effect from 1st October 2009. The Government has also introduced FRP in the place of SMP.

Opportunities:

The estimated production of sugar is less than estimated consumption which may result in higher realization for sugar.

As the policy of the State Government of Tamilnadu allows sale of power generated by using coal as well as the power generated using bagasse beyond a certain level to third parties, revenue from this Division is expected to be higher.

Threats:

The policy of the Central Government and a fall in price of sugar in the international market may have impact on domestic price of sugar.

Reduction in the crushing of sugarcane will result in reduced level of production of sugar and bye products viz. Molasses and bagasse. This may have negative impact on the operation of Distillery and Power plants.

Segmentwise and productwise performance

Segmentwise results are given in the accounts for the year ended 31.12.2009. Productwise performance is furnished in the Directors Report.

Financial Performance with respect to Operational Performance

The gross income for the year under review is Rs.149220.88 lakhs. The year has ended with a gross profit of Rs.20110.88 lakhs before providing for interest and depreciation. After providing Rs.4614.45 lakhs for interest, and Rs.3025.71 lakhs for depreciation, the net profit for the year before tax is Rs.12470.72 lakhs (previous year net loss Rs.8713.67 lakhs)

Internal Control System

The Company has an in-house internal audit control system 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 2009 on the rolls of the Company is 1633. 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

N MAHALINGAM
Chairman

Coimbatore
29th March 2010

AUDITORS' REPORT

TO

THE MEMBERS OF SAKTHI SUGARS LIMITED,

We have audited the attached Balance Sheet of Sakthi Sugars Limited as at 31st December 2009, 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 off 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)(a) to (g) of the Order are not applicable to the company.

The company has taken an interest free unsecured loan of Rs.4 Crores from a company covered in the register maintained under section 301 of the Act. The terms and conditions of the loan are primafacie not prejudicial to the interest of 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.

v. In respect of transactions covered under Section 301 of the Companies Act, 1956:

a. 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.

b. 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 there under, 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.

ix. In respect of statutory dues:

a. According to the records of the Company, undisputed statutory dues such as Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess have been generally regularly deposited with the appropriate authorities. There are no arrears of such statutory dues outstanding for a period of more than six months as at 31st December 2009.

b. The disputed statutory dues that have not been deposited on account of matters pending before appropriate authorities are as under:

Particulars	Period to which the matter pertains	Forum where dispute is pending	Rs. Crores
Income Tax	2005-06, 2006-07	Appellate Tribunal	1.28
	2002-03	Commissioner	4.88
	1993-94,	Sales Tax Appellate Tribunal	1.28
	2000-01,2001-02	High Court of Madras	0.35
Sales Tax	1989-90 to 1992-93	High Court of Madras	8.03
	2000-01	Addl.Commissioner	0.28
Excise Duty	**Excise Duty:**		
	2007-08, 2008-09	Commissioner/Dy.Commissioner	0.50
	2006-07, 2008-09	CESTAT/Commissioner	19.72
	2002-2004	Commissioner	0.94
	1992-2005	High Court of Orissa, Cuttack	0.12
	Service Tax:		
	2005-06	Commissioner	0.04
	2007-08	CESTAT/Commissioner	1.43
	2005-06,2006-07,2007-08	Commissioner	0.15
	2007-08	CESTAT/Commissioner	0.95
	2008-09	Commissioner	0.80
	2008-09	Asst.Commissioner/Dy.Commissioner	0.34

Particulars	Period to which the matter pertains	Forum where dispute is pending	Rs. Crores
Water Charges	1964-65 to 1999-2000 and 1991-2008	High Court of Madras	5.80
	2004-05,2005-06	High Court of Orissa, Cuttack	0.06
State Adminstrative fee	April 2004 to June 2007	Supreme Court	4.47

x. In our opinion, the company does not have any accumulated losses at the end of the financial year and 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 not defaulted in repayment of dues to banks, financial institutions and debenture holders.

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. 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. The company has given guarantee for loan from banks taken by a foreign subsidiary and the amount of loan outstanding is Rs.268.27 Crores. The loan of Rs.268.27 Crores is under restructuring process and on completion of such restructuring, the terms and conditions of the guarantee given may not be prejudicial to the interest of the company. The company has also given guarantee for bank loans taken by Indian subsidiaries, the outstanding of which amounts to Rs.174.72 Crores and the terms and conditions of the guarantee/s given for these loans 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 not used funds raised on short-term basis for long-term investments.

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. In our opinion and according to the information and explanations given to us, the company has issued debentures and security or charge has been created in respect of debentures issued.

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. *In our opinion, non-provision of interest to banks and institutions under CDR which has been converted into Funded Loan/ reversal of interest which has been converted into Funded Loan amounting to Rs.88.25 Crores is not in conformity with the Accepted Accounting Principles and consequently the profit during the year is overstated by Rs.88.25 Crores .*

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 2009, 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 2009;

b. In so far as it relates to the Profit and Loss Account, of the Profit 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

Coimbatore
29th March 2010

P.R.VITTEL
Partner
M.No.018111

(Rs. in lakhs)

	Schedule No.	As at 31.12.2009	As at 31.12.2008
I. SOURCES OF FUNDS :			
(1) SHAREHOLDERS' FUNDS :			
(a) Share Capital	1	**3,483.36**	3,137.31
(b) Share Application Money		**1,566.00**	1,566.00
(c) Reserves and Surplus	2	**75,548.27**	60,948.13
		80,597.63	65,651.44
(2) LOAN FUNDS :			
(a) Secured loans	3	**108,719.32**	92,768.17
(b) Unsecured loans	4	**5,826.89**	10,784.28
(c) Foreign Currency Convertible Bonds		**20,819.28**	29,070.00
		135,365.49	132,622.45
(3) DEFERRED TAX LIABILITY (Refer Note 'F' in Schedule 23)		**2,657.53**	600.61
TOTAL of 1 to 3		**218,620.65**	198,874.50
II. APPLICATION OF FUNDS :			
(1) FIXED ASSETS:			
Gross Block		**127,068.20**	100,922.91
Less : Depreciation		**7,066.27**	16,128.45
		120,001.93	84,794.46
Add : Capital Work in Progress		**11,662.63**	10,816.42
Add : Increase in value on account of Revaluation		**--**	38,696.60
Net Block	5	**131,664.56**	134,307.48
INTANGIBLE ASSETS	5 A	**20,192.43**	20,594.56
(2) INVESTMENTS	6	**16,733.68**	16,736.68
(3) (i) CURRENT ASSETS, LOANS AND ADVANCES:			
(a) Inventories	7	**18,790.40**	4,352.44
(b) Sundry Debtors	8	**5,974.07**	2,758.07
(c) Cash and Bank balances	9	**4,064.35**	4,223.43
(d) Other Current Assets	10	**15,694.53**	6,617.70
(e) Loans and Advances	11	**37,883.42**	39,456.07
		82,406.77	57,407.71
Less :			
(ii) CURRENT LIABILITIES AND PROVISIONS	12	**33,343.94**	31,374.76
Net Current Assets (i) - (ii)		**49,062.83**	26,032.95
(4) MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	13	**967.15**	1,202.83
TOTAL of 1 to 4		**218,620.65**	198,874.50

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
29th March 2010

N MAHALINGAM
Chairman

M BALASUBRAMANIAM
Joint Managing Director - Finance

M MANICKAM
Vice Chairman & Managing Director

S BASKAR
Senior Vice President - Finance &
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.12.2009

(Rs. in lakhs)

	Schedule No.		Year Ended 31.12.2009 (12 Months)	Year Ended 31.12.2008 (18 Months)
I. INCOME:				
Sales	14		**140,435.07**	103,847.83
Less: Excise duty			**2,963.85**	1,814.27
			137,471.22	102,033.56
Dividend			**3.16**	6.00
Interest Gross (Refer Note 'L' in Schedule 23)			**305.26**	415.46
Other income	15		**2,251.61**	1,041.13
Stock adjustment	16		**9,189.63**	(3,110.52)
			149,220.88	100,385.63
II. EXPENDITURE:				
Cost of Goods Consumed / Sold	17			
Opening stock			**1,413.26**	2,056.76
Add : Purchases			**108,764.30**	52,945.32
			110,177.56	55,002.08
Less: Closing stock			**6,194.90**	1,413.26
			103,982.66	53,588.82
Manufacturing expenses	18		**15,450.48**	17,177.65
Excise Duty on stock adjustments			**189.49**	(282.35)
Salaries, wages and other employee benefits	19		**4,425.05**	5,760.32
Interest Charges	20		**4,614.45**	16,089.01
Selling expenses	21		**752.07**	2,667.88
Any other expenses	22		**1,824.35**	2,991.68
Intangible Asset written off			**2,325.14**	1,154.39
Depreciation		**5,340.61**		
Less: Transfer to Revaluation Reserve		**2,314.90**	**3,025.71**	4,294.29
			136,589.40	103,441.69
Net Profit / (Loss) before Foreign Exchange Fluctuation / Derivative Transactions (Net)			**12,631.48**	(3,056.06)
Foreign Exchange Fluctuation / Derivative Transactions (Net)			**(160.76)**	(5,657.61)
III. NET PROFIT / (LOSS) BEFORE TAX			**12,470.72**	(8,713.67)

(Rs. in lakhs)

	Year Ended 31.12.2009 (12 Months)		Year Ended 31.12.2008 (18 Months)
Less : Income Tax / Deferred Tax			
Current Tax	1,389.58		
MAT Credit Entitlement	(1,389.58)	--	--
Prior year Tax		65.16	--
Deferred Tax		2,056.92	(758.59)
Transferred from General Reserve		--	2,539.72
Less:- Deferred Tax - Previous years		--	2,539.72
			--
IV. NET PROFIT/(LOSS) AFTER TAX		10,348.64	(7,955.08)
Add:			
Surplus from previous year		--	4,448.08
Excess provision withdrawn		1.15	60.49
Reversal of Provision for Diminution in Value of Investments		2.00	--
Transferred from General Reserve		--	3,698.51
		10,351.79	252.00
APPROPRIATIONS:			
Provision for Diminution in Value of Investments		--	252.00
Transferred to General Reserve		4,000.00	--
Transferred to Debenture Redemption Reserve		630.00	--
Surplus carried over		5,721.79	--
Earning Per Share (Rs.) :			
Basic		32.62	(25.36)
Diluted		30.34	(22.93)

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
29th March 2010

N MAHALINGAM
Chairman

M BALASUBRAMANIAM
Joint Managing Director - Finance

M MANICKAM
Vice Chairman & Managing Director

S BASKAR
Senior Vice President - Finance & Company Secretary

SCHEDULES

(Rs. in lakhs)

	As at 31.12.2009	As at 31.12.2008
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:		
3,49,50,304 Equity Shares of Rs.10 each (Previous year 3,14,89,735 Nos)	**3,495.03**	3,148.97
SUBSCRIBED AND PAID-UP:		
3,48,33,635 Equity Shares of Rs.10 each fully paid up (Previous year 3,13,73,066 Nos)	**3,483.36**	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	**52,167.62**	15,170.12
Add:- Created during the year	**--**	38,696.60
	52,167.62	53,866.72
Less: Depreciation on Revalued Assets (Transferred from Profit and Loss account)	**2,314.90**	1,688.66
Less: Withdrawn on Sale of Assets	**3.75**	10.44
	49,848.97	52,167.62
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**	3,914.70
Add : Received during the year	**6,567.00**	--
	10,481.70	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**	416.00
Add: Transfer from Profit & Loss Account	**630.00**	--
	1,046.00	416.00

(Rs. in lakhs)

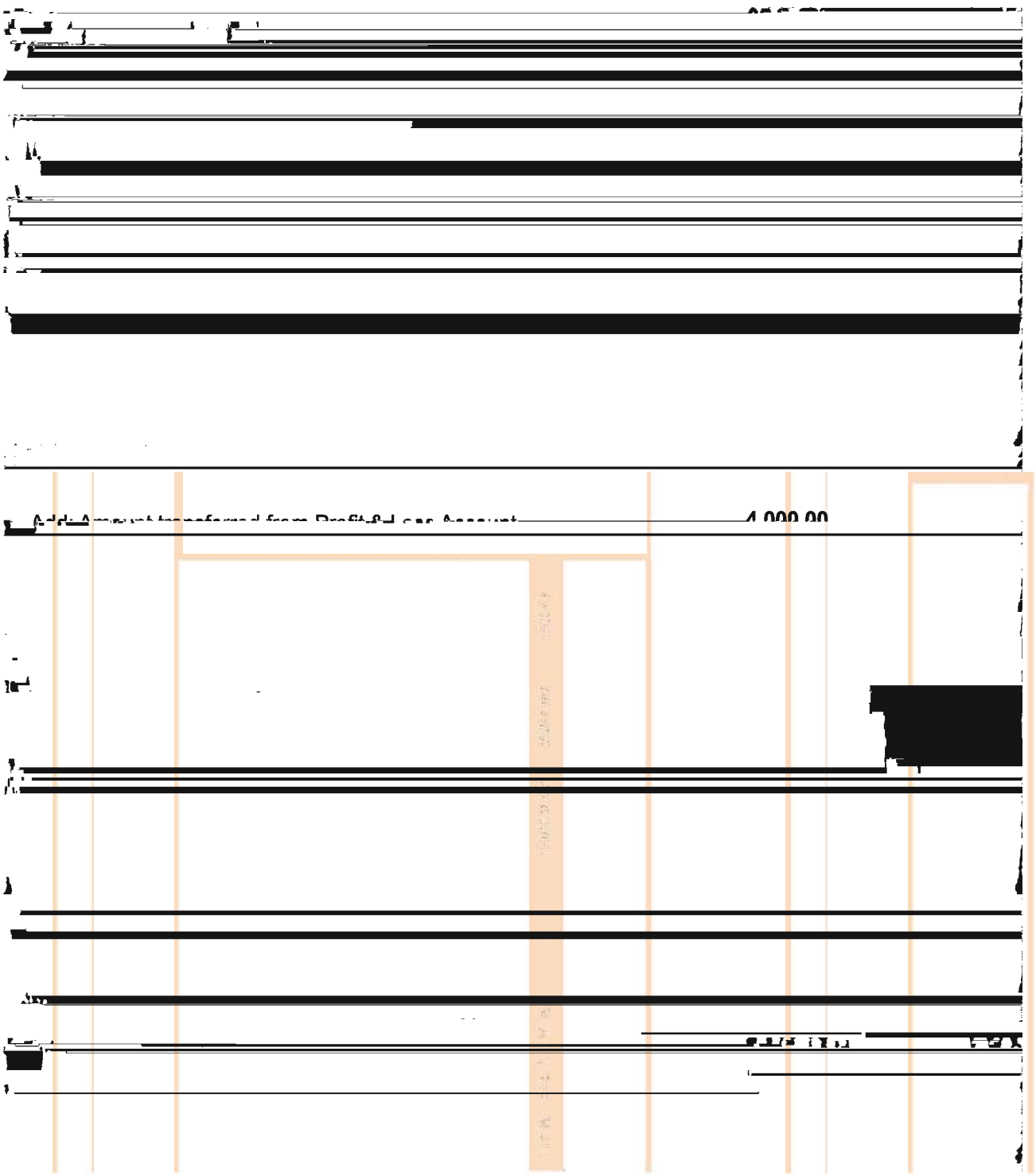
	As at 31.12.2009	As at 31.12.2008
SCHEDULE - 2 (Contd.)		
GENERAL RESERVE:		
Balance as per last Balance Sheet	**1,268.07**	8,505.58
Add: Amount transferred from Profit & Loss Account	**4,000.00**	--
	5,268.07	8,505.58
Less: Transferred to Profit and Loss Appropriation account	**--**	3,698.51
Less: Transferred to Deferred Tax Liability	**--**	2,539.72
Less: Adjustment for Employee Benefits	**--**	999.28
	5,268.07	1,268.07
SURPLUS:		
Balance in Profit and Loss Account	**5,721.79**	--
TOTAL	**75,548.27**	60,948.13
SCHEDULE - 3		
SECURED LOANS		
A. DEBENTURES:		
Secured Redeemable Non-convertible Debentures	**4,180.32**	3,657.24
Interest accrued and due on the above	**33.93**	48.13
	4,214.25	3,705.37
B. LOANS AND ADVANCES:		
FROM BANKS		
a) Term Loans	**94,347.49**	71,215.76
Interest accrued and due on the above	**3.25**	1,411.37
b) Hypothecation Loans for working capital	**2,084.29**	7,237.07
Interest accrued and due on the above	**11.74**	69.21
c) Bills Discounted from Banks	**--**	457.58
	96,446.77	80,390.99

(Rs. in lakhs)

	As at 31.12.2009	As at 31.12.2008
SCHEDULE - 3 (Contd.)		
FROM OTHERS		
a) Term Loans	**7,928.76**	8,178.29
Interest accrued and due on the above	**62.23**	260.68
b) Hire Purchase / Mortgage Loans from Limited companies	**67.31**	231.52
Interest accrued and due on the above	**--**	1.32
	8,058.30	8,671.81
TOTAL	**108,719.32**	92,768.17
SCHEDULE - 4		
UNSECURED LOANS		
Fixed Deposits	**264.98**	668.59
Interest accrued and due on the above	**0.11**	6.64
Short Term Loans and Advances:		
From Banks	**–**	2,125.60
Interest accrued and due on the above	**--**	39.39
From Others	**4,716.75**	3,783.05
Interest accrued and due on the above	**5.85**	34.86
Other Loans and Advances:		
From Banks	**434.07**	3,957.93
Interest accrued and due on the above	**5.13**	168.22
From a Body Corporate	**400.00**	--
TOTAL	**5,826.89**	10,784.28

SCHEDULE - 2 (Contd.)

GENERAL RESERVE:



(Rs. in Lakhs)

	31.12.2009	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	**10.01**	7.23
Expected return on plan assets	**1.05**	1.12
Contributions	**3.45**	3.16
Benefits paid	**(0.26)**	(1.05)
Actuarial gain/(loss) on plan assets [balancing figure]	**0.08**	(0.44)
Fair value of plan assets as at the end of the period	**14.34**	10.01
IV. ACTUAL RETURN ON PLAN ASSETS		
Expected return on plan assets	**1.05**	1.12
Actuarial gain (loss) on plan assets	**0.08**	(0.44)
Actual return on plan assets	**1.13**	0.68
V. ACTUARIAL GAIN / LOSS RECOGNIZED		
Actuarial gain / (loss) for the period - Obligation	**26.63**	(13.98)
Actuarial gain / (loss) for the period- Plan Assets	**0.08**	(0.44)
Total (gain) / loss for the period	**(26.71)**	14.42
Actuarial (gain) / loss recognized in the period	**(26.71)**	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	**23.14**	39.96
Fair value of plan assets	**14.34**	10.01
Difference	**8.80**	29.94
Unrecognised transitional liability	**--**	--
Unrecognised past service cost - non vested benefits	**--**	--
Liability recognized in the balance sheet	**8.80**	29.94
VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:		
Current service cost	**7.68**	4.57
Interest Cost	**2.39**	2.43
Expected return on plan assets	**(1.05)**	(1.12)
Net actuarial (gain)/loss recognised in the year	**(26.71)**	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	**(17.69)**	20.31

S. EARNINGS PER SHARE:

(Rs. in Lakhs)

	2009 (12 Months)	2007-08 (18 Months)
a. Profit After Tax (Rs. in Lakhs)	**2697.26**	(-)12245.43
b. Less: Preference Dividend (Rs. in Lakhs)	**--**	--
c. Total (Rs. in Lakhs)	**2697.26**	(-)12245.43
d. The weighted average no of Equity Shares	**31727168**	31373066
e. The nominal value per Equity Share (Rs.)	**10**	10
f. Earnings per Share - Basic (Rs.)	**8.50**	(-)39.03
Diluted Earning per Share (Rs.)		
a. Profit After Tax (Rs. in Lakhs)	**2697.26**	(-)12245.43
b. The weighted average no of Equity Shares	**34111730**	34687352
c. Earnings per Share - Diluted (Rs.)	**7.91**	(-)35.30

T. Disclosure pursuant to AS-28 on 'Impairment of Assets':

During the year, review has been done for 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.

U. Interim dividend of Rs. 3081.55 lakhs declared by SACL during the year 2007-08 has become recoverable from the share holders as there was no distributable profit on account of economic meltdown faced by the Auto Industry. The management has taken up with the concerned share holders for recovery. The modus operandi of recovery is under active discussion.

V. CONTINGENT LIABILITIES IN RESPECT OF - (Rs. In Lakhs)

Particulars	31.12.2009	31.12.2008
Income tax matters	1199.27	809.74
Purchase tax/sales tax matters	2290.57	2335.66
Excise/service tax matters	3758.83	3281.91
Water tax	662.34	617.81
Electricity tax	26.73	8.69
Claims against the company not acknowledged as debts	1208.70	1638.94
Note: Above Matters are subject to legal proceedings in the ordinary course of business. The legal proceedings when ultimately concluded will not, in the opinion of the management, have a material effect on the results of the operations or financial position of the company		
Guarantees issued by bankers	2425.27	1752.96
Corporate guarantee given for loans to subsidiaries		
a. Guarantee amount	55407.30	64795.55
b. Outstanding amount	45405.33	54433.96
Export obligation:		
Sugar:		
Obligation for export of sugar (in lakh Mts)	1.67	1.71
Duty component to be paid in case of non fulfillment of obligation	15524.92	15866.58
Iron Castings:		
Duty component to be paid in case of non fulfillment of obligation	1393.00	1460.00

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

X. Previous year's figures are not comparable with the current year figures as the current year is for a period of 12 months, whereas previous year's figures were for a period of 18 months in the case of parent and Indian subsidiaries and 12/15 months in the case of foreign subsidiaries.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2009

(Rs. in lakhs)

	2009		2007 - 08	
A. Cash Flow from Operating Activities				
Profit/Loss before tax		**4,110.04**		(6,735.27)
Depreciation	**6,906.67**		9,140.05	
Interest	**10,135.87**		23,057.71	
Miscellaneous expenses & other exp.written off	**359.44**		560.95	
Intangible assets written off	**2,606.44**		1,459.34	
Funded interest written off	**-**		872.77	
Loss on sale of assets	**2.00**		17.13	
Loss on sale of investments/written off	**3,433.24**		2.00	
Investment Income :				
Dividend	**(3.31)**		(6.76)	
Interest	**(887.72)**		(1,332.24)	
Profit on sale of assets	**(2.21)**		(2.01)	
Profit on sale of investments	**-**		(59.79)	
		22,550.42		33,709.15
Operating Profit Before Working Capital changes		**26,660.46**		26,973.88
Adjustment for:-				
Inventories	**(12,655.08)**		(594.47)	
Debtors	**(4,432.14)**		(2,233.37)	
Other current assets	**(1,030.01)**		(1,497.87)	
Loans and advances	**12,882.48**		(4,467.54)	
Liabilities	**(5,245.12)**		29,758.66	
Excess provision written back / Exp. relating to prior years	**12.50**		(30.29)	
Intangible assets	**(2,131.81)**		(16,382.14)	
Miscellaneous expenditure paid	**(27.94)**		(251.61)	
		(12,627.11)		4,301.37
Net cash from operating activities after extraordinary items		**14,033.35**		31,275.25
Foreign exchange fluctuation		**718.45**		(974.42)
Income tax paid		**(1,207.88)**		(143.74)
Net cash from operating activities		**13,543.92**		30,157.09
B.Cash Flow from Investing Activities				
Purchases of fixed assets	**(5,063.20)**		(40,312.51)	
Sale of fixed assets	**52.31**		325.57	
Investment income	**891.03**		1,339.00	
Sale / Purchase of investment	**5.00**		(3,638.77)	
Net cash from investing activities		**(4,114.86)**		(42,286.71)
C.Cash Flow from Financing Activities				
Issue of preference share capital (Net)	**-**		2,025.00	
Payment of dividend plus tax	**-**		(550.58)	
Interest paid	**(10,838.37)**		(21,673.99)	
Derivative transactions (net)	**(1,509.28)**		(897.84)	
Receipts from long term / short term borrowing	**3,000.70**		28,633.70	
Net cash used in financing activities		**(9,346.95)**		7,536.29
Net increase in cash & cash equivalents		**82.11**		(4,593.33)
Cash & cash equivalents at the beginning of the period		**6,026.64**		10,619.97
Cash & cash equivalents at the end of the period		**6,108.75**		6,026.64

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

P R VITTEL
Partner
M. No. 018111

Coimbatore
29th March 2010

N MAHALINGAM
Chairman

M BALASUBRAMANIAM
Joint Managing Director - Finance

M MANICKAM
Vice Chairman & Managing Director

S BASKAR
Senior Vice President - Finance &
Company Secretary

Notes :

Notes :

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 appoint .....of .....

or failing him ..... of .....

or failing him .....of .....

as my / our proxy to attend and vote for me / us on my / our behalf at the 48th Annual General Meeting of the Company to be held on 16th June, 2010 and of any adjournment thereof.

Signed this ..... day of ..... 2010.

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 - 641 018 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 48th Annual General Meeting held on 16th June, 2010 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