

IN THE HIGH COURT OF JUDICATURE AT MADRAS, INDIA
(ORDINARY ORIGINAL CIVIL JURISDICTION)

COMPANY APPLICATION No.183 OF 2015

In the matter of the Companies Act, 1956 (1 of 1956)
and
In the matter of Sections 391 to 394 of the Companies Act, 1956 (1 of 1956)
and
In the Matter of Scheme of Arrangement
of
Sakthi Sugars Limited
with
Its Foreign Currency Convertible Bond (Series B) Holders
and
The Equity Shareholders

Sakthi Sugars Limited,
a company incorporated under the
Companies Act, 1956 and
having its Registered Office at
Sakthinagar - 638 315,
Bhavani Taluk,
Erode District,
Tamilnadu.

... Applicant Company

**Notice convening Meeting of holders of Foreign Currency Convertible Bonds
issued by Sakthi Sugars Limited**

To

The holders of FCCB of the Applicant Company,

Take notice that by an Order dated 25th February 2015 as amended by Orders dated 23rd March 2015 and 29th April 2015 in C.A.No.183 of 2015 read with C.A. 516 of 2015, the High Court of Judicature at Madras has directed the Applicant Company that a meeting of the holders of Foreign Currency Convertible Bonds issued by the Applicant Company be convened and held on Thursday, 23rd July 2015, at 10.30 a.m. at the Corporate Office of the Applicant Company at 180 Race Course Road, Coimbatore, Tamilnadu, India, for approving the proposed Scheme of Arrangement between the Applicant Company and its equity shareholders and the holders of FCCB (Series B) in terms of Section 391(2) of the Companies Act, 1956 read with Securities And Exchange Board of India (SEBI) Circulars CIR/CFD/DIL/5/2013 dated 4/2/2013 and CIR/CFD/DIL/8/2013 dated 21/5/2013.

The Hon'ble High Court of Judicature at Madras has appointed Dr.M.Manickam, Executive Chairman, failing him, Mr.M.Balasubramaniam, Managing Director of the Applicant Company to be the Chairman for the purpose of conducting the said Meeting.

TAKE FURTHER NOTICE THAT pursuant to the said Orders and as directed therein a meeting of the holders of Foreign Currency Convertible Bonds will be held on Thursday, 23rd July, 2015, at 10.30 a.m. at the Corporate Office of the Applicant Company at 180 Race Course Road, Coimbatore, Tamilnadu, India, to consider and, if thought fit, approve, with or without modification, the following resolution on the Scheme of Arrangement:

“RESOLVED that, subject to such approvals as may be necessary from the Hon'ble High Court of Judicature at Madras under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 (including corresponding provisions of the Companies Act, 2013, if any applicable) and such other statutory or other authorities, the Scheme of Arrangement of the Company with the Holders of FCCB (Series B) be and is hereby agreed and approved.”

“RESOLVED FURTHER that the Board of Directors of the Company and any Committee and/or person authorised by the Board of Directors and/or the Committee, be and are hereby severally authorised to take all such steps as may be necessary or desirable and to do all such acts, deeds, things and matters, as may be considered necessary or desirable and do all such acts, deeds, things and

matters as may be considered necessary to give effect to the aforesaid Scheme of Arrangement and to this Resolution and to accept such alteration, modification and /or conditions, if any, which may be proposed, required or imposed by the Hon'ble High Court of Judicature at Madras while sanctioning the said Scheme of Arrangement.”

TAKE FURTHER NOTICE that you may attend and vote at the said meeting either in person or by proxy provided that a proxy in the prescribed form, duly signed by you or your authorized representative, is deposited at the Applicant Company's Registered Office at Sakthinagar-638 315, Bhavani Taluk, Erode District, Tamilnadu, India or the Corporate Office at 180 Race Course Road, Coimbatore-641 018, Tamilnadu, India, not later than 48 hours before the said meeting.

A copy of the Scheme of Arrangement, Explanatory Statement setting out the material facts and reasons required under Section 393 of the Companies Act, 1956, Proxy form and Attendance Slip are enclosed.

The above mentioned Scheme of Arrangement, if approved by requisite majority, will be subject to the approval of the equity shareholders of the Company, and subsequent approval of the Hon'ble High Court of Judicature at Madras.

Coimbatore
11th June 2015

M. MANICKAM
Chairman appointed by the Court
for conducting the meeting

**Scheme of Arrangement
between
Sakthi Sugars Limited
and
Its Foreign Currency Convertible Bond-series B (FCCB) Holders (Bondholders)
and
The Equity Shareholders**

PART - I

1. PREAMBLE:

- 1.1. The Scheme of Arrangement with FCCB Holders (hereinafter called as Bondholders) is presented under Section 391 and other related provisions of the Companies Act, 1956 read with notified sections of Companies Act, 2013 for entering into a compromise with the Bondholders, being a distinct class of creditors. The Scheme also provides for various other matters consequential or otherwise integrally connected therewith.
- 1.2. The Scheme is divided into following Parts:
 - ❖ Part I deals with Preamble
 - ❖ Part II deals with Background and Rationale for the Scheme
 - ❖ Part III deals with the Definitions
 - ❖ Part IV deals with Object Clause and Share Capital
 - ❖ Part V deals with General Terms and Conditions
 - ❖ Part VI deals with Conversion of the FCCB into Equity Shares of the Company
 - ❖ Part-VII deals with Payment to the FCCB Holders
 - ❖ Part VIII deals with Tax and Accounting Treatment
 - ❖ Part IX deals with Other Terms and Conditions.

PART - II

2. BACKGROUND AND RATIONALE OF THE SCHEME

- 2.1. Sakthi Sugars Limited (Company) is the flagship company of Sakthi Group, engaged in diverse business activities like manufacture of Sugar, Industrial Alcohol, Power Generation and manufacture of Soya Products.
- 2.2. With a view to ensuring long term viability of the Company and to de-risk the sugar business, which is cyclical in nature, the Company had during 2007-08 installed a new 3500 TCD Greenfield Sugar Plant at Modakurichi along with 25 MW Co-generation facility, besides a cogeneration plant of 35 MW at Sivaganga. The Sugar Unit at Sakthi Nagar was expanded from 7500 TCD to 9000 TCD and the Distillery unit was expanded from 90 KLPD to 120 KLPD. A second cogeneration plant of 25 MW was taken up for installation at Sakthi Nagar. The total capital expenditure incurred for the above was around Rs.500 crores which was funded through Bank Loans of Rs.160 crores, FCCB issuance of USD 60 million (Rs.245 crores) in two tranches of USD 20 Mn and USD 40 Mn and balance from internal accruals.
- 2.3. The expansion plans were based on the assumption of adequate sugarcane availability for the expanded capacities as also the generation of power at full capacity through a mix of captive bagasse available from crushing and imported coal as fuel (at the then prevailing landed cost of around Rs.2,000 per MT). However, with the shortage in availability of sugarcane for the following two years, the operation of the sugar mills could not be maintained at an optimal level. Further, the cogeneration plants also could not be put to optimal use due to the shortage in availability of bagasse as also high prices of landed coal.
- 2.4. Since Sugar industry is a highly controlled and politically sensitive industry in India, while there is an increase in the prices of sugarcane every year, there has not been a corresponding increase in selling price of sugar. The realization price of sugar continues to be low at about Rs.3100 per quintal as against the landed cost of sugar cane of Rs.2750 per tonne and conversion cost of about Rs.350 per quintal.
- 2.5. On account of various external reasons and consequent liquidity constraints, loans of the Company were restructured under Corporate Debt Restructuring (CDR) mechanism in 2009. Since then, the package has been implemented and servicing of loans has been done by the Company as per the approved package till April 2012. However as envisaged in the package and

subsequently assessed by Monitoring Institution, the need based working capital was not fully released by the member banks. This has led to shortage of critical funds which adversely affected the earnings substantially.

- 2.6. The absence of working capital funds has affected the payment to cane growers which in turn affected availability of cane to the Company resulting in reduced crushing. This led to reduction in the cash flow and affected the debt servicing capabilities of the Company.
- 2.7. Cane prices in India continue to be regulated by the Central and State Governments. For the Sugar Year (SY) 2013-14, the Central Government has announced a 23.5 per cent hike in the minimum price payable for sugarcane through the Fair and Remunerative Price (F&RP) mechanism. However, the increase in market prices of sugar was limited to 8-9 per cent. Sugar mills in Uttar Pradesh and Tamil Nadu, where the State Advised Price (SAP) for sugarcane is higher than the F&RP, would be more adversely impacted, compared with their counterparts in other states that adhere to F&RP.
- 2.8. Over the last few years, the increase in sugar prices has not kept pace with the increase in cane prices. While average sugarcane prices paid by mills increased at 14 per cent CAGR over the last three seasons from 2010-11 to 2012-13, the increase in sugar prices has been a mere 2.6 per cent.
- 2.9. Also, with higher interest cost due to higher requirement of working capital and prevailing higher interest rates, earnings have been adversely affected.
- 2.10. In view of the above situation, the Company has requested the banks that have advanced loans to the Company for rescheduling of the existing repayment schedule, interest funding for a period of two years, sanction and release of additional working capital limits and also sanction of additional term loans.
- 2.11. At the Macro level, the Government of India is conscious of the crisis that has affected the Sugar Industry and is coming forward with a slew of measures including increase of import duty on sugar, restoring incentive on export and providing interest free loan equivalent to excise duty paid for the past five years (Scheme for Extending Financial Assistance to Sugar Undertaking 2014). The Company is hopeful of improved performance and increased cash flow in the long run resulting from these measures taken by the Government of India.
- 2.12. The Promoters of the Company have shown earnestness as also resourcefulness in reviving and rehabilitating the Company and in this direction a Promoter Group Company ABT Ltd has infused a sum of Rs.180 crores into the Company. In terms of mandate of CDR, this sum has been converted into equity shares at a price of Rs.30.30 per share on 25.3.2014.
- 2.13. The Company has made application for second restructuring of the debts due to the Banks through the monitoring Institution in CDR Mechanism and inter alia setout therein that the entire FCCB will be converted into equity, subject to appropriate Scheme/Approvals and such second restructuring has been recommended at the Joint Lenders meeting convened by Monitoring Institution for approval by the CDR Empowered Group. In terms of the said proposal, the cash flows of the Company will be free for utilization by the Company without restrictions by way of waterfall mechanism, only from the financial year 2022-2023.
- 2.14. Under the circumstances, the Company was unable to meet the redemption obligation of FCCB in terms of the Offering Circular.
- 2.15. The Bondholders have subscribed to the Bonds, being fully aware of the risks associated with investing in Bonds issued by the Respondent Company. The Offering Circular, vide pages 12 to 25 have under various captions listed out the short term risks, long term risks, economic risks, geographical risks, and industry specific risks that may impact the performance of the Company.
- 2.16. Bondholders holding USD 1 Million FCCBs have filed Company Petitions before the High Court of Madras for winding up of the Company on the ground that the Company is unable to pay its debts, which Petition is yet to be admitted by the High Court. There was a compromise reached with the Petitioners for payment of the principal sum due together with future interest thereon, but that such payment could not be made initially owing to RBI not granting permission and subsequently since some of the Secured Creditors objected thereto.
- 2.17. The Trustee to the Bondholders has filed a Company Petition on the file of the High Court of Madras, purportedly on the mandate requisite majority of the Bondholders to wind up the Company, on the ground that the Company is unable to redeem the FCCB. This Petition is also still to be admitted by the High Court.
- 2.18. The Bondholders have not been able to realize any value for the FCCB since the company is unable to redeem the FCCBs owing to inadequate cash flow.
- 2.19. The Company is faced with Winding Up Petitions and is also unable to meet the liability in terms of the compromise reached, owing to objection from Secured Creditors.

- 2.20. The Bondholders have a right to convert the bonds into equity shares as per the terms of the Offering Circular at Rs.190 per share based on prefixed exchange rate of Rs.44.89 per USD. The prevailing market price of the equity shares of Company is ranging between Rs 20 to 27. Therefore if the Bondholder exercises the right to convert the FCCB into equity shares, in terms of the Offering Circular, the Bondholder will realize only approximately one tenth of the value of investment. So, exercising the option to convert is also not a realistic option to the Bondholders.
- 2.21. In the above background, the Company proposes under the instant Scheme to convert 50% of the principal amount of the outstanding FCCB Bonds into equity shares at a Conversion Price, which would facilitate and provide to the Bondholder an exit option and to pay the balance 50% in June 2024.

PART - III

3. DEFINITIONS

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

- 3.1. "Act" or "Companies Act" means the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and / or the notified Sections of the Companies Act, 2013 (from the date of applicability as may be notified by the Government, including any statutory modification or re-enactment thereof).
- 3.2. "Agent" shall mean the Principal Paying, Transfer and Conversion agent for the Bonds being Citibank N.A., 21st Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom or any other Bank/Institution as may be appointed by the Board.
- 3.3. "Applicable provisions of the Act" or "Applicable provisions of the Companies Act" means Sections 391 to 394 of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and / or Sections 230 to 232 of the Companies Act, 2013 (from the date of applicability as may be notified by the Government, including any statutory modification or re-enactment thereof).
- 3.4. "Appointed Date" means the 30th day of June 2014 or such other date as the Court may direct for the purposes of this Scheme and for the Income Tax Act, 1961.
- 3.5. "Board" means Board of Directors of the Company.
- 3.6. "Bondholder" means the person/s having title to the FCCB or any portion thereof as certified by the Agent
- 3.7. "Company" shall mean Sakthi Sugars Limited, having its CIN No. L15421TZ1961PLC000396 and Registered Office at Sakthinagar-638 315, Bhavani Taluk, Erode District, Tamilnadu.
- 3.8. "Conversion Price" shall mean Rs.30, being the Conversion Price arrived at in the manner set out in Schedule-A to the Scheme, as on the Appointed Date.
- 3.9. "Effective Date" means the date on which a Certified Copy of the Order of the Hon'ble High Court sanctioning this Scheme is filed with the Registrar of Companies, Tamil Nadu, Coimbatore.
- 3.10. "Exchange Rate" shall mean Rs 44.89 per USD, being the rate of exchange fixed in the Offering Circular.
- 3.11. "FCCB" or "Foreign Currency Convertible Bonds" or "FCCB Bonds" shall mean the outstanding Zero Coupon Foreign Currency Convertible Bonds (Series-B) aggregating to USD 15.6 Million, issued by the Company in terms of the Offering Circular dated 15th day of May 2006.
- 3.12. "High Court" or "Court" means the Hon'ble High Court of Judicature at Madras and shall include the National Company Law Tribunal (NCLT) or such other forum or authority, as may be vested with any of the powers of a High Court under the Companies Act, if applicable.
- 3.13. "Maturity Date" shall mean the 30th day of June 2024.
- 3.14. "Record Date for Conversion" shall mean a date to be fixed by the Board of Directors of the Company for purpose of ascertaining the holders of FCCB for conversion under the Scheme.
- 3.15. "Record Date for Meeting" shall mean a date to be fixed by the Honorable High Court as the date for reckoning the Bondholders eligible to vote and/or participate in the meeting or E-Voting or Postal Ballot as may be applicable, for considering the Scheme.
- 3.16. "Record Date for Payment" shall mean the 30th day of May 2024 being the date for reckoning the Bondholders eligible to receive payment of the Redemption Amount.
- 3.17. "Redemption Amount" shall mean USD 7.8 Million, being 50% of the principal amount outstanding in respect of the FCCB.

- 3.18. "Scheme" or "Scheme of Arrangement" shall mean this Scheme of Arrangement between Sakthi Sugars Limited and the Bondholders and the Equity Shareholders of Sakthi Sugars Limited in its present form or with any modification(s) approved, imposed, or directed by the shareholders, or the Bondholders, or any Regulatory or Statutory Authority or the Hon'ble High Court.
- 3.19. "SEBI Scheme Circular" shall mean Securities and Exchange Board of India Circular No.CIR/CFD/DIL/5/2013 dated February 4, 2013 and CIR/CFD/DIL/8/2013 dated May 21, 2013, (including any amendment/ modification or re-notification thereof for the time being in force).
- 3.20. The expressions used in the Scheme of Arrangement and not expressly defined herein shall carry the same meaning as in the Act.

PART - IV

OBJECT CLAUSE AND SHARE CAPITAL

4. Main Objects of the Company:

- 4.1. The Objects of the Company are as enumerated in the Memorandum of Association of the Company and they not being segregated as Main and Other objects (being a Company incorporated in 1961) the material Objects are extracted hereunder:
- i. To plant, cultivate, produce and raise or purchase sugar-cane, sugar-beet, maize, palmyra trees, palm trees and other crops or trees whatsoever and to purchase, manufacture, produce, boil, refine, prepare, import, export, sell and generally to deal in sugar, sugarcandy, jaggery, confectionery, molasses, syrups, alcohol, spirits, rum, gin, whisky and brandy and any special syrups, tinctures, essences and pharmaceutical and other chemical preparations, chemical fertilisers and manures and all other bye-products and raw materials of sugar industry and products such as boot-polish, wax, buttons, power alcohol, etc.
 - ii. To carry on the business of extracting oil either by crushing or by chemical means or any other process and to carry on the business of refiners, manufacturers, importers and exporters and dealers and merchants in groundnuts, coconuts, copra, cotton seed, linseed, mowra, gingelly, rape, flax, mahua, neem, mustard, or any other seed or nut or oil bearing substances, whatsoever and oil and cakes manufactured therefrom; makers and manufacturers of cattle food and feeding and fattening preparations of every description, makers and manufacturers of vegetable ghee, toilets, toilet soaps and shampoos, manures and fertilisers of every description, food meal manufacturers, grain and seed merchants, cake and corn merchants, millers, flour merchants, bakers and biscuit makers, hay, straw, and fodder merchants and nursery men and owners, traders and dealers in all livestock.
 - iii. To engage in the business of generation of power/electricity by any process, for industrial and domestic purposes, for own consumption and to sell, distribute power/electricity to any person including Electricity Board/State Government / Central Government and to generally deal in power / electricity.
 - iv. To plant, cultivate, manufacture, produce, process, prepare, buy, sell and deal in soya bean, soya milk products and preparation of soya bean based products.
- 4.2. The Authorized, Issued, Subscribed and Paid- Up share Capital of the Company as on 31-3-2014 is as follows:

Authorised	(Rs. In lakhs)
11,00,00,000 Equity Shares of Rs.10 each	11,000.00
50,00,000 Preference shares of Rs.100 each	5,000.00
	16,000.00
Issued	
9,63,29,948 Equity Shares of Rs.10 each	9,632.99
Subscribed and Paid-up	
9,62,13,279 Equity Shares of Rs.10 each fully paid up	9,621.33

PART-V

5. GENERAL TERMS AND CONDITIONS

- 5.1. The Company shall not be bound to recognize any person as Bondholders unless the holding is certified by the Agent:
- A. As on the Record Date for Meeting, for the purpose of attending and/or voting at the Meeting or in Postal Ballot/E-voting as may be applicable, on the Resolution for considering the subject of according sanction to the Scheme.
 - B. As on the Record Date for Conversion, for the purpose of ascertaining the Bondholders to be eligible to get Equity Shares in terms of the sanctioned scheme.
 - C. As on the Record Date for Payment, for the purpose of payment of the Redemption Amount on the Maturity Date.
- 5.2. On the Scheme becoming effective, the Bondholders covered by the Scheme shall not be entitled to claim any payment or right to convert or redeem, save and except in accordance with the Scheme and all monetary or other entitlements of the Bondholders including by way of interest, not expressly provided for in the Scheme shall be deemed to have been waived by the Bondholders.
- 5.3. Upon the Scheme becoming effective, the Bondholders and the Trustee shall forthwith withdraw all existing litigations and legal cases against the Company, and there shall be executed simultaneously necessary documents/affidavits/applications etc. to be promptly submitted to concerned Courts, Statutory Authorities etc. in order to give immediate effect for such withdrawals of legal actions, cases or litigations. Notwithstanding any delay in withdrawing the existing legal cases, on sanction of the Scheme, the rights of the Bondholders will be submerged and recast in the manner proposed in the Scheme. Further, upon submission of this Scheme with the High Court, all litigations and proceedings against the Company by the Bondholders either individually or severally and/or by the Trustee shall be voluntarily stayed by the respective party till this Scheme comes into effect. This will enable the Company to successfully implement this Scheme.
- 5.4. Pending legal proceedings:
- a] Any proceedings, civil or criminal, pending against the Company arising due to, directly, indirectly, from non-payment of dues by the Company, relating to any of the FCCB Bonds shall, on the Scheme being effective, be dealt with as per clause 5.3 above and the rights, obligations and liabilities of the parties shall be governed only by the terms of the Scheme.
 - b] Further all the Bondholders would now be governed by the terms and conditions as stipulated in this Scheme and would not be entitled to take recourse under the Original Agreements or the Offering Circular or other Document or Resolution or Decree or Order of any Court or other Authority, unless the Company makes default in the complying with the Terms of the Scheme.
 - c] The Bondholders covered by the Scheme shall not be entitled to claim any payment except in accordance with this Scheme, subject to the Company fulfilling their obligations under this Scheme.
- 5.5. The rights and obligations of the Bondholders shall on the Scheme becoming effective be governed only by the terms of the Scheme, in complete supercession of the Offering Circular or other deed, Document or Writing as may have been in force prior thereto.
- 5.6. The Certificate or other document or authentication, either in electronic form or otherwise held by the FCCB Holder, shall from the Effective Date, be governed by the Scheme and shall not carry any entitlement otherwise than as specifically enumerated and provided for in the Scheme.

PART-VI

6. CONVERSION OF 50% OF THE OUTSTANDING PRINCIPAL AMOUNT OF THE FCCB INTO EQUITY SHARES OF THE COMPANY

- 6.1. Upon the Scheme becoming effective, in consideration of the FCCB held by the Bondholders and in redemption of 50% of the FCCB, the Company shall issue to the Agent to hold in trust for the Bondholders, Equity Shares in terms of the Conversion Price applying the exchange rate. In furtherance thereof, for every Bond with face value of USD 100,000, 74,816 equity shares will be allotted by conversion of 50% of the face value of that Bond.
- 6.2. All fractional entitlements not covered by allotment of equity shares in the manner setout in clause 6.1. above shall stand extinguished for the purpose of issuance of Equity Shares in terms of the Scheme.
- 6.3. The Company shall allot the entire shares on conversion in physical or demat form to the Agent, who shall have the authority to transfer to individual Bondholder as on the Record Date for Conversion, in recognition of their respective individual equity entitlement upon surrender of the FCCB for conversion. Equity Shares remaining unclaimed by the FCCB holders, as

confirmed by the Agent, within 12 months from the Record Date for Conversion shall be transferred by the Agent to the Unclaimed Suspense Account of the Company with Stock Holding Corporation of India in terms of Clause 5A of the Listing Agreement. Any FCCB Holder, having remained without claiming the equity share on conversion, can claim his entitlement from the Unclaimed Suspense Account through surrender of the respective FCCB, duly certified by the Agent, whereupon the Company shall secure transfer of the entitlement to shares from the Unclaimed Suspense Account.

- 6.4. The Equity Shares so issued and allotted, shall rank pari passu in all respects with the existing Equity Shares of the Company effective from the date of allotment of equity share on conversion as per the Scheme.

PART-VII

7. PAYMENT OF REDEMPTION AMOUNT

- 7.1. Upon the Scheme becoming effective, in consideration of the FCCB held by the Bondholders and in final redemption of the FCCB, the Company shall pay the Redemption Amount to the Bondholders as certified by the Agent on the Record Date for Payment, on the Maturity Date.
- 7.2. The Company shall deposit the entire Redemption Amount with the Agent, who shall have the authority to pay out of the Redemption Amount prorata to each FCCB Holder as on the Record Date for Payment corresponding to the respective FCCB holding of the individual Bondholder in terms of the Scheme. To the extent to which any portion of the Redemption Amount remains unclaimed from the FCCB holders within 12 months of the Record Date for Payment, as confirmed by the Agent, the same shall stand transferred back to the Company. Any Bondholder, certified by the Agent, remaining without claiming the Maturity Amount, within 12 months as set out above, may claim the same from the Company, within 3 years from the Record Date for payment, failing which the said liability of the Company shall stand extinguished.
- 7.3. The FCCB Holders shall not be entitled to any interest for any period, notwithstanding anything to the contrary set out in the Offering circular, or any orders passed by any Court prior to the Effective Date, unless expressly provided for in the Scheme.

VIII. ACCOUNTING TREATMENT

8.1. Tax Treatment

Any tax liability accruing on account of equity shares issued or Redemption Amount paid shall be to the account of the Bondholder.

8.2. Accounting Treatment

50% of the Bond value to be converted into equity shares as per the Scheme, shall be accounted as share capital and security premium and the balance 50% of the Bond value will be shown under unsecured loan in the Balance Sheet as repayable on the Maturity Date.

PART-IX

9. OTHER TERMS AND CONDITIONS

- 9.1. The Company shall, with all reasonable despatch, apply for permission/consent of the Equity Shareholders, Bondholders, Secured Creditors, Stock Exchange, Reserve Bank of India, SEBI and/or such other Authority or entity whose consent is required to give effect to the Scheme and also appropriate applications / petitions under the applicable provisions of the Companies Act to the Hon'ble High Court of Judicature at Madras or any other Competent Authority under the Act for sanctioning this Scheme of Arrangement, and obtain all approvals as may be required under law.
- 9.2. The Company through their Board of Directors or other persons duly authorized by the Board in this regard, may make or assent to any alteration or modification to this Scheme or to any conditions or limitations, which the Equity Shareholders or Secured Creditors or Stock Exchange or Bondholders or Hon'ble High Court of Judicature at Madras or any other Competent Authority under law may deem fit to direct, approve or impose and may give such directions, as they may consider necessary, to settle any doubt, questions or difficulty, arising under the Scheme or in regard to its implementation or in any manner connected therewith and to do all such acts, deeds, matters and things necessary for putting this Scheme into effect.
- 9.3. The Scheme shall be operative with effect from the Appointed Date but shall be effective from the Effective Date.
- 9.4. This Scheme is conditional upon and subject to:-
- a) The Scheme being agreed to (in the manner prescribed) by the requisite majorities of the shareholders and Bondholders and Secured creditors of the Company, as the case may be, as required under the Act and / or the SEBI Scheme Circular, as applicable, and the requisite order of the High Court being obtained;

- b) The approval of the Equity shareholders shall be through Special resolution passed at General Meeting or through e-voting, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution.
 - c) The approval of the Bondholders shall be through class meeting or Postal Ballot or e-voting and notice to the Bondholders in this regard shall be sent to the addresses of the Bondholders as on the Record Date for the Meeting, as furnished by the Agent, to the Trustee and/or through appropriate disclosure to Euroclear and Clearstream.
 - d) Permission of Reserve Bank of India.
 - e) Such other sanctions and approvals including any Statutory or Regulatory Authority, as may be required by Law, and
 - f) Filing of the Certified Copies of the Orders of the High Court sanctioning the Scheme with the Registrar of Companies, Tamilnadu, Coimbatore within such time as statutorily prescribed or such extended time as approved by the High Court.
- 9.5. In the event of the Scheme not being approved by any Authority or Body whose sanction is needed or if the Scheme is not sanctioned by the Hon'ble High Court, the Scheme shall become null and void and in that event no rights and liabilities shall, inter se accrue between the parties in terms of the Scheme.

SCHEDULE - A
DETAILS OF COMPUTATION OF THE CONVERSION PRICE

1. Appointed Date as per the Scheme (considered as Relevant Date for calculation of issue price under SEBI Guidelines)	30th June 2014
2. Issue Price as per SEBI Guidelines, being higher of the following:	
a. 26 week average of the Closing Price in NSE prior to the Relevant Date	Rs. 17.87
b. 2 week average of the Closing Price in NSE prior to the Relevant Date	Rs. 24.70
Issue price under SEBI Guidelines, being higher of the above	Rs. 24.70
3. Issue Price as per the Valuation of Independent Chartered Accountant and the Fairness Opinion of the Merchant Banker	Rs. 29.66
4. Minimum Issue price being higher of the price under (2) and (3)	Rs. 29.66
5. Issue price fixed under the Scheme	Rs. 30.00

Statement under Section 393 of the Companies Act, 1956

1. Pursuant to the Order dated 25th February 2015 as amended by Orders dated 23rd March 2015 and 29th April 2015 in C.A.No.183 of 2015 read with C.A. 516 of 2015, passed by the Hon'ble High Court of Judicature at Madras in the Company Application No. 183 of 2015 referred to hereinabove, a meeting of the holders of Foreign Currency Convertible Bonds issued by Sakthi Sugars Ltd. has been convened for the purpose of considering and, if thought fit, approving the arrangement embodied in the Scheme of Arrangement of Sakthi Sugars Limited with the holders of Foreign Currency Convertible Bonds (Series B).
2. In this Statement, Sakthi Sugars Limited, hereinafter referred to as "Applicant Company", or "Company" and the holders of Foreign Currency Convertible Bonds (Series B) hereinafter referred to as "FCCB Holders". Where the context so requires, the Applicant Company and the FCCB Holders are collectively referred to as the "Parties". The said Scheme of Arrangement is hereinafter referred to as "the Scheme."
3. A copy of the Scheme, setting out the terms and conditions of the arrangement of the Applicant Company with the FCCB Holders, which has been approved by the Board of Directors of the Applicant Company at its meeting held on 15th July, 2014, is enclosed.
4. The Applicant Company was incorporated on 12th May, 1961. The Registered Office of the Applicant Company is situated at Sakthinagar - 638 315, Bhavani Taluk, Erode District, Tamilnadu, and the Corporate Office, at 180 Race Course, Coimbatore 641018.
5. The Share Capital of the Applicant Company is set out in the Share Capital Clause of the Scheme.
6. The objects of the Applicant Company are as set out in the Memorandum of Association of the Applicant Company. The primary objects are, inter alia, to carry on the business of manufacture and sale of white crystal sugar, industrial alcohol and soya products and generation of power.
7. The circumstances which justify and the rationale which necessitated the Scheme of Arrangement, inter alia, are as follows:-
 - i. With a view to ensuring long term viability of the Company and to de-risk the sugar business, which is cyclical in nature, the Company had during 2007-08 expanded its production capacities of Sugar, Industrial Alcohol and Power Divisions. The capital expenditure in respect of these expansions was funded by FCCB issuance of USD 60 million (Rs.245 crores) in two tranches of USD 20 Mn and USD 40 Mn and balance from internal accruals and bank loans.
 - ii. The expanded capacities could not be put into effective use on account of non-availability of adequate sugarcane due to draught situation, exorbitant increase in coal price and other reasons. The sugar industry is a highly controlled and politically sensitive industry in India. There has been increase in the prices of sugarcane every year without corresponding increase in selling price. The realization price of sugar continues to be low as against the prevailing landed cost of sugar cane. This made the operation of sugar mills uneconomical.
 - iii. On account of various external reasons and consequent liquidity constraints, loans of the Company were restructured under Corporate Debt Restructuring (CDR) mechanism in 2009. However, adequate working capital was not made available to the Company as envisaged under the package and this has led to shortage of critical funds which adversely affected the earnings substantially.
 - iv. The absence of adequate working capital funds has affected the payment to cane growers which in turn affected availability of cane to the Company resulting in reduced crushing. This led to reduction in the cash flow and affected the debt servicing capabilities of the Company.
 - v. The Company's proposal for a re-work of the CDR package has been approved by the CDR Empowered Group and is under implementation.
 - vi. Under the circumstances, the Company was unable to meet the redemption obligation of FCCB in terms of the Offering Circular.
 - vii. The FCCB Holders are also not able to find an exit by exercising the conversion option attached to the Bonds as the conversion price as per the Offering Circular is very high at Rs.190 per share compared to the present market price of around Rs.17 per share.
 - viii. In the above back ground, the Company has proposed under the Scheme to convert 50% of the principal amount of the outstanding FCCB Bonds into equity shares at the Conversion Price, and to pay the balance 50% on 30th June 2024.

- ix. The Scheme is beneficial to both the FCCB Holders and the Company as 50% of the outstanding amount is converted into equity shares which would facilitate and provide to the Bondholder an exit option, and for the Company, as its equity capital increases and it gets time for redeeming the balance FCCB after the secured creditors are paid.
8. The Salient features of the Scheme are:-
- a) The Scheme of Arrangement with FCCB Holders will take effect from "Appointed Date", viz. 30th June 2014.
 - b) The "Effective Date" for the Scheme means the date on which the certified or authenticated copy of the Orders of High Court of Judicature at Madras or any other appropriate authority under Sections 391 to 394 of the Companies Act, 1956 sanctioning this Scheme is filed with the Registrar of Companies, Tamilnadu, Coimbatore.
 - c) The term Foreign Currency Convertible Bonds (Series B) means the outstanding amount of USD 15.6 million, converted into Indian Rupees at the pre-determined foreign exchange rate of Rs.44.89 per USD.
 - d) Upon the Scheme becoming fully effective, in consideration of conversion of 50% value of the Foreign Currency Convertible Bonds (Series B) and in terms of this Scheme, the Applicant Company shall without any further act or deed, issue and allot to the holders of FCCB:-
 - i) 74,816 (Seventy four thousand eight hundred and sixteen) Equity Shares of Rs.10/- each, as fully paid up, of the Applicant Company for every Foreign Currency Convertible Bond (Series B) of face value of USD 100,000 held by the FCCB Holders as on the Record Date. The Equity Shares so issued and allotted, shall rank pari passu in all respects with the existing Equity Shares of the Applicant Company.
 - ii) No fractional shares shall be issued by the Applicant Company in respect of fractional entitlement to which the FCCB Holders may be entitled to on issue and allotment of shares as aforesaid by the Applicant Company. All such fractions shall be ignored.
 - e) With effect from the date the Scheme becomes finally effective, all legal proceedings initiated by some of the FCCB Holders shall be withdrawn.
 - f) For the purpose of giving effect to the Scheme or to any modifications thereof the Board of Directors of the Applicant Company are authorised to give necessary directions.
 - g) The Scheme is conditional on and subject to the sanction of the Authorities concerned, approval by the requisite majority of the shareholders and sanctions of the High Court of Judicature at Madras, as may be required.
 - h) On approval of the Scheme by the Shareholders of the Applicant Company pursuant to Section 391 of the Companies Act, 1956, it shall be deemed that the said Shareholders have also accorded all relevant consents under applicable provisions of the Companies Act (including corresponding provisions in the Companies Act, 2013, if applicable) and any other provisions of the said Act to the extent the same may be considered applicable.
 - i) The new equity shares to be issued to the FCCB Holders shall be subject to the Memorandum and Articles of Association of the Applicant Company and shall be listed on the BSE Limited and National Stock Exchange of India Limited where the equity shares of Applicant Company are listed.
9. *The features set out above being the only salient features of the Scheme of Arrangement, the FCCB Holders are requested to read the entire text of the Scheme annexed hereto to get fully acquainted with the provisions thereof.*
10. The proposed Scheme of Arrangement was approved by the Board of Directors of the Applicant Company at the meeting held on 15th July, 2014 after considering the recommendations of the Audit Committee, Valuation Report dated 15th July, 2014 issued by M/s N.M. & Company, Chartered Accountants, and fairness opinion dated 15th July, 2014 of an independent Category-I Merchant Banker M/s. Dalmia Securities P. Limited.
11. In accordance with the Circular No.CIR/CFD/DIL/5/2013 issued by the Securities and Exchange Board of India ("SEBI") on February, 4, 2013 as amended vide Circular No.CIR/CFD/DIL/8/2013 dated May 21, 2013, the Audit Committee of the Board of Directors of the Applicant Company held on 15th July 2014, recommended the proposed Scheme of Arrangement for approval of the Board.
12. No investigation proceedings have been instituted or are pending against the Applicant Company under Sections 235 to 250A of the Companies Act, 1956 (including corresponding provisions of the Companies Act, 2013).
13. Pursuant to the Scheme, 1,16,71,296 Equity Shares of Rs.10/- each of Applicant Company shall be issued and allotted to the FCCB Holders.

14. The shareholding pattern of the Applicant Company Pre and Post issue of shares under Scheme of Arrangement is provided below:

Category	Pre-issue		Post-issue	
	Number of shares of Rs.10/- each	%	Number of shares of Rs.10/- each	%
Promoters and Promoters Group	72103177	74.94	72103177	66.83
Non-Resident Indians	1082241	1.12	1082241	1.00
Foreign Institutional Investors / Foreign Nationals	1050	0.00	11672346	10.82
Banks / Indian Financial Institutions / Govt.Cos.	959699	1.00	959699	0.89
Insurance Companies	0	0.00	0	0.00
Bodies Corporate	2387974	2.48	2387974	2.21
Mutual Funds	6960	0.01	6960	0.01
Public	19672178	20.05	19672178	18.24
Total	96213279	100.00	107884575	100.00

The pre- shareholding has been given on the basis of data available as on 29.05.2015.

The post allotment shareholding has been provided assuming that all the FCCB Holders belong to the category FII/Foreign Nationals, the shareholding in all other categories will remain unchanged and also excludes possible conversion of FCCB (Series A). In the event there being any change in the assumptions, the shareholding pattern in the above table would undergo corresponding change.

15. None of the Directors of the Applicant Company, Key Managerial Personnel or their relatives is concerned and/or interested in the Scheme.
16. The details of shareholdings of the promoters of the Applicant Company and percentage to the total number of equity shares at present and post Scheme are as under:

Name of Promoter	No. of shares held	Percentage to total shares	
		Pre-issue	Post issue
1. Dr. M.Manickam, Executive Chairman	1914200	1.99	1.77
2. Sri M.Balasubramaniam, Managing Director	337325	0.35	0.31
3. Sri M.Srinivaasan, Joint Managing Director	201000	0.21	0.19

1,45,100 (Pre-issue: 0.15% and Post-issue: 0.13%) equity shares stand registered in the name of Dr.N.Mahalingam, one of the promoters of the Applicant Company, who has passed away.

17. The following documents will be open for inspection by the Shareholders at the Registered Office of Applicant Company at Sakthinagar 638 315, Bhavani Taluk, Erode District, Tamilnadu and at the Corporate Office at 180 Race Course Road, Coimbatore - 641 018. on any working day between 11.00 a.m. and 1.00 p.m. till 23rd July 2015, being the Date of the Meeting:-
- Memorandum and Articles of Association of the Applicant Company.
 - Scheme of Arrangement.
 - Valuation Report dated 15th July 2014 by M/s N.M. and Company, Chartered Accountants, recommending share exchange ratio.
 - Copy of the Fairness Opinion dated 15th July 2014, issued by Category - I, Merchant Banker, M/s. Dalmia Security Services Pvt. Limited on share exchange ratio.
 - Copy of the Orders dated 25th February, 2015, 23rd March 2015 and 29th April 2015 passed by the Hon'ble High Court of Judicature at Madras in C.A.No.183 of 2015 read with C.A. No. 516 of 2015.

- f. Copies of the resolution passed by the Board of Directors of the Applicant Company approving the Scheme.
- g. Copies of the no-objection / observation letter relating to Scheme issued by the National Stock Exchange of India Limited and BSE Limited dated 15th January 2015 and 16th January 2015 respectively.
- h. Copy of the no objection / observation letter relating to the Scheme issued by SEBI dated 15th January 2015.

This statement may be treated as Explanatory Statement under Section 102 of the Companies Act, 2013 and Section 393 of the Companies Act, 1956. A copy of the Scheme, Explanatory Statement, Proxy Form and Attendance Slip may be obtained from the Registered Office or the Corporate office at 180 Race Course Road, Coimbatore-641 018 of the Applicant Company and from Sri R. Vidya Shankar, M/s. Ramani & Shankar, Advocates, 3B, Tabernacle, 5th Main Road, T-Block, Anna Nagar, Chennai.

Coimbatore
11th June 2015

M. MANICKAM
Chairman appointed by the Court
for conducting the meeting

Notes :

The Trustees to the FCCB Holders and the FCCB Holders are entitled to appoint a proxy to attend on their behalf. In order to be effective, the Proxy Form (as per format attached) should be deposited with the Applicant Company not later than 48 hours before the time appointed for the meeting.



SAKTHI SUGARS LIMITED

CIN:L15421TZ1961PLC000396

Regd. Office: Sakthinar - 638 315, Bhavani Taluk, Erode Dist., Tamilnadu
Phone : +91 422 4322222 Fax : +91 422 2220574 Web: www.sakthisugars.com E-Mail ID : shares@sakthisugars.com

ATTENDANCE SLIP

I/We,, hereby record my/our presence at the Court Convened Meeting of the Company held on Thursday the 23rd July 2015 at 10.30 a.m. at 180 Race Course, Coimbatore-641 018, Tamilnadu, India.

Signature of FCCB Holder / Proxy

Name:

Note: Please bring this attendance slip to the meeting and hand over at the entrance duly filled in and signed.

**IN THE HIGH COURT OF JUDICATURE AT MADRAS, INDIA
(ORDINARY ORIGINAL CIVIL JURISDICTION)
COMPANY APPLICATION No.183 OF 2015
In the matter of the Companies Act, 1956 (1 of 1956)
and
In the matter of Sections 391 to 394 of the Companies Act, 1956 (1 of 1956)
and
In the Matter of Scheme of Arrangement
of Sakthi Sugars Limited
with
Its Foreign Currency Convertible Bond (Series B) Holders
and
The Equity Shareholders**

Sakthi Sugars Limited,
a company incorporated under the
Companies Act, 1956 and
having its Registered Office at
Sakthinagar - 638 315,
Bhavani Taluk,
Erode District,
Tamilnadu.

... Applicant Company

FORM No. MGT-11

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act 2013 and Rule 19(3) of the Companies (Management and Administration) Rules 2014]

SAKTHI SUGARS LIMITED

CIN:L15421TZ1961PLC000396

Regd. Office: Sakthinagar - 638 315, Bhavani Taluk, Erode Dist., Tamilnadu

Phone : +91 422 4322222 Fax : +91 422 2220574 Web:www.sakthisugars.com E-Mail ID : shares@sakthisugars.com

Name of the Member(s)			
Registered Address			
Email Id			
Folio No. Client ID		DP ID :	

I / We, being the member(s) of Shares of the above named company, hereby appoint:

S.No	Name	Address	E-mail ID	Signature
1				

Or failing him

2				
---	--	--	--	--

Or failing him

3				
---	--	--	--	--

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Court Convened Meeting of the FCCB Holders of the company, to be held on Thursday the 23rd July 2015 at 10.30 a.m. at the Corporate Office of the Applicant Company at 180 Race Course Road, Coimbatore, Tamilnadu, India, and at any adjournment thereof in respect of the special resolution as is indicated below:

S.No	Resolution
1	Approval for the Scheme of Arrangement of Sakthi Sugars Limited with its holders of FCCB (Series B) and its equity shareholders

Signed this day of 2015

Please affix
revenue
stamp

Signature of Proxy holder

Signature of FCCB Holder

Note : This form of proxy in order to be effective should be duly completed and deposited at the Registered Office / Corporate Office of the Company not less than 48 hours before the commencement of the Meeting.