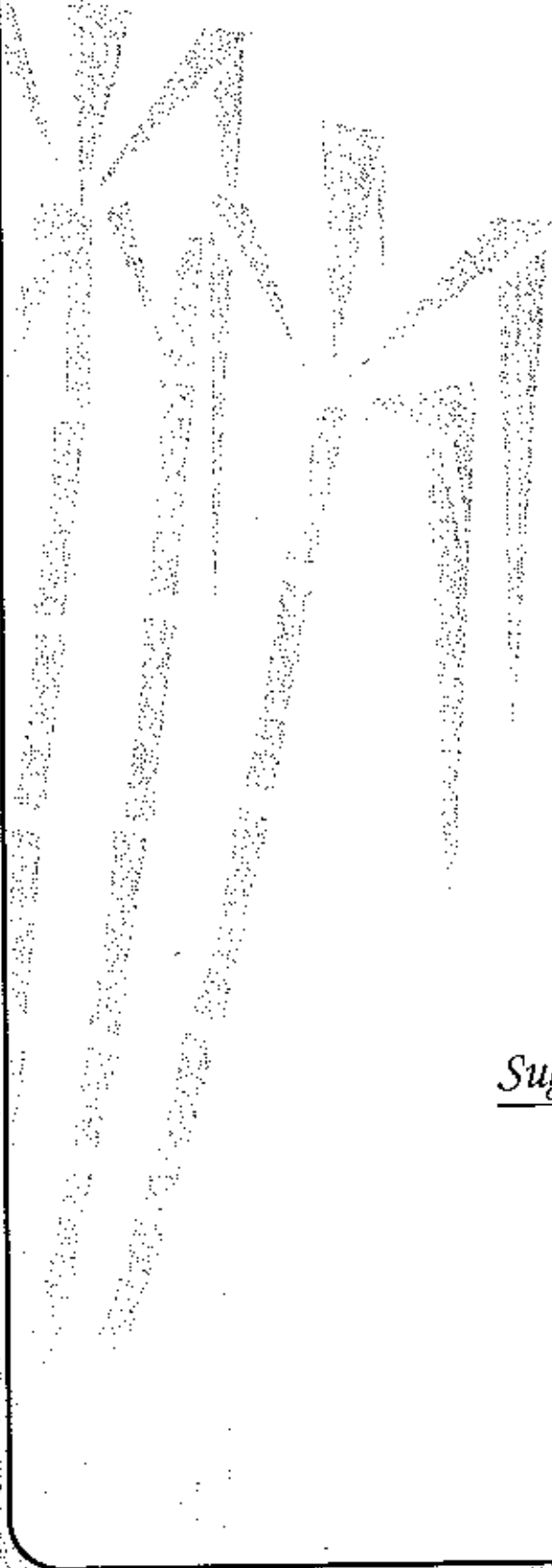




**Ponni Sugars (Erode) Ltd.**

**14th**  
**Annual Report**  
**2009-10**



*Sugar turned sweetest*

- ❖ *Enhanced production*
- ❖ *Ebullient prices*
- ❖ *Exhilarating profits*
- ❖ *All time high Dividend of 40%*

**Directors**

N Gopala Ratnam (*Chairman*)  
 Dr L M Ramakrishnan (*Vice Chairman*)  
 N Ramanathan (*Managing Director*)  
 Arun G Bijur  
 Bimal Poddar  
 C K Pithawalla  
 S K Ramesamy  
 N Ravindranathan  
 V Sridar  
 N R Krishnan

**Audit Committee**

V Sridar (*Chairman*)  
 Bimal Poddar  
 Dr L M Ramakrishnan  
 N Ravindranathan  
 N R Krishnan

**Remuneration Committee**

N Ravindranathan (*Chairman*)  
 N Gopala Ratnam  
 Dr L M Ramakrishnan  
 V Sridar

**Securities Transactions cum  
 Investors Grievance Committee**

N Gopala Ratnam (*Chairman*)  
 Arun G Bijur  
 N Ramanathan

**Auditors**

R Subramanian And Company, Chennai  
 Maharaj N R Suresh & Co., Chennai

**Cost Auditors**

S Mahadevan & Co., Coimbatore

**Banks**

Bank of India  
 IDBI Bank Limited  
 United Bank of India

**Registered Office**

"ESVIN HOUSE"  
 13 Old Mahabalipuram Road  
 Seevaram Village, Perungudi  
 Chennai 600 096  
 Ph: 044 39279300  
 Email: admin@ponnisugars.com  
 Web: www.ponnisugars.com

**Works**

Odappalli, Cauvery RSPO  
 Erode 638 007  
 Tamil Nadu

**Registrar & Transfer Agent**

Carneo Corporate Services Ltd  
 "Subramanian Buildings", 5<sup>th</sup> Floor  
 No.1, Club House Road, Chennai 600 002

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## From Chairman's desk

*Dear Shareholder,*

*It gives me great pleasure to report that your Company has come out with a stellar performance during 2009-10. Higher sugar production in a year of robust sugar prices has indeed helped us achieve spectacular results.*

*Despite drought-like conditions prevailing in most part of our command area, we have crossed the threshold mark of 8 lakh tonnes cane crushing for the third time. We could further step up our sugar production with timely import of raw sugar and cross 90,000 tonnes of annual sugar production for the second time. Above all, we not just surpassed the pinnacle of our past performance in 2008-09 but scored a thumping three-fold increase over same in all the key parameters, viz, PBIT, PBT, PAT and EPS.*

*In line with such record high financial performance, your Board has been pleased to step up the rate of dividend; and recommend 40% for the year.*

*Sugar prices remained buoyant during most part of the year but curiously changed their course with continual climb-down from February 2010. The swiftness of the price rise as well as the rapid speed of its fall during the year were rather unprecedented. Such spikes in commodity prices surely upsets everyone's calculations, unsettles market players and gravely enhances business risk. Speculators sensing windfall gains step in to distort market equilibrium and drive prices to dizzy heights. The correction that is bound to follow is often sharp and severe. It just leaves all stakeholders with short term jubilation and longer term jolt.*

*Sugar production estimates turned egregiously erroneous both during 2008-09 and 2009-10 seasons but the divergence was in the opposite direction. If the former season were to start with a higher estimate that warranted successive down sizing, the current season witnessed an abrupt upward correction towards its later part. This of course is not a pan India phenomenon but is confined only to two major sugar producing States. It is rather enigmatic that with available scientific tools like satellite mapping, we are still grappling with grave errors in crop estimation that in turn accentuates avoidable volatility in prices.*

The Government on its part has only exacerbated the situation with a string of policy changes. Obstinate persistence with the overdose of checks and controls beyond the point of necessity has now pushed sugar prices below par. While this may help Government otherwise tottering on inflation issue earn some brownie points, the relief to consumer can only be ephemeral. The crippling cash flows of sugar mills will soon cascade into cane price contraction and conspicuous defaults in payment. It needs no guessing that the farmer will again switchover swiftly from sugarcane to other cash crops leading to an imminent sugar shortage.

Every one realizes the need to strike a proper balance between the interest of sugar consumers and sugarcane farmers. It is conveniently forgotten that sugar production needs sugarcane, sugarcane requires remunerative cane price and sugar mills depend on viable sugar prices to be able to pay such cane price. As a result, India is frequently faced with sharp swings in its annual production creating panic and skewing prices not only in domestic but in global market as well.


Contrary to normal monsoon prediction for the country, the command area of your Company continues to experience considerable water stress due to successive years of monsoon failure. Our cane volumes may hence shrink sharply in the coming year due to drought. Government of Tamil Nadu has already announced much higher State Advised Price for 2010-11 season that would escalate our cane cost. Sugar prices are however expected to remain subdued under changed market fundamentals and current bearish market outlook.

Your Company is thus faced with an unenviable task to reckon with reduced output, higher input cost and lower product realization. With the help of carryover inventory and tight leash on cost, we hope to combat these challenges and stay positive. It is but pragmatic to recognize that current year profitability has come under extremely propitious circumstances and hence it would be unrealistic to look for its recurrence in the coming years.

Your Company is now pursuing Cogeneration project on a capital outlay of Rs. 95 crores to produce 19 MW of power through installation of 112 at a high pressure boiler. This would facilitate the power export of 13 MW during season and 16 MW during off-season. The project will be funded out of internal accruals of Rs. 30 crores and rest from term debts.

I thank you for your continual support to the Management. It is now time for us to rejoice our resounding performance during 2009-10 and in the same breath be realistic in recognising the challenges that confront us in the coming year. The Management on its part would redouble its efforts towards sustaining and enhancing shareholder value.

Chennai  
28th May, 2010

Warm regards  
  
N. Gopala Ratnam



Ponni Sugars (Erode) Limited

Financial Highlights- Ten Years at a Glance

Rs. in lakhs

	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
<b>For the year</b>										
Total Income	10368	10656	9666	9057	8922	14074	14263	13961	15122	28591
Total Expenditure	9046	9291	8471	7926	7568	11919	13021	13984	12763	21153
PBIT	1322	1365	1195	1131	1354	2155	1242	-23	2359	7438
Interest	908	880	613	371	247	217	139	112	189	179
Depreciation	200	204	234	222	227	242	245	282	297	306
Profit before exceptional items	214	281	348	538	880	1696	858	-417	1873	6953
Exceptional Items	0	0	212	218	-97	-38	0	-108	0	1411
PBT	214	281	136	320	977	1734	858	-309	1873	5542
Tax	0	100	50	70	375	598	368	-121	647	1856
PAT	214	181	86	250	602	1136	490	-188	1226	3686
EPS (Rs)	2.61	2.20	1.04	3.04	7.35	13.86	5.97	-2.29	14.46	42.86
Cash EPS (Rs)	5.05	4.70	3.90	5.76	8.22	15.52	8.96	-0.18	17.72	62.83
Dividend %	0	0	0	0	10	18	9	6	25	40
<b>As at year end</b>										
Gross Block	4692	4759	4940	4948	5029	5422	5752	6673	6962	7095
Net Block	4298	4161	4118	3913	3773	3940	4093	4737	4771	4703
Loan Funds	7846	7348	5182	5084	2660	2061	2456	4328	3358	3450
Net Worth	1171	1387	1472	2018	2527	3547	3951	3705	4679	7964
Book value per share (Rs)	14.28	14.48	15.52	22.18	28.39	40.82	45.75	42.75	54.42	92.62



## PONNI SUGARS (ERODE) LIMITED

ESVIN House, 13 Old Mahabalipuram Road, Seevaram Village, Perungudi, Chennai 600 096

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 14<sup>th</sup> Annual General Meeting of the Company will be held at New Woodlands Hotel Pvt Ltd, 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600 004 on Wednesday, the 21<sup>st</sup> July 2010 at 11.00 AM to transact the following business.

#### ORDINARY BUSINESS

##### 1. Adoption of Accounts etc.

To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2010, the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

##### 2. Dividend declaration

To declare dividend on Equity Shares.

##### 3. Reappointment of retiring Directors

To appoint directors in the place of Mr N Gopala Ratnam and Mr Arun G Bijur who retire by rotation and being eligible, offer themselves for reappointment.

##### 4. Appointment of Auditors

To appoint auditors from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Maharaj NR Suresh & Co and M/s R Subramanian and Company, the retiring auditors of the Company, are eligible for reappointment.

#### SPECIAL BUSINESS

##### 5. Director vacancy

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

"RESOLVED that the vacancy caused by the retirement of Mr N Ravindranathan who has opted not to seek re-election be left unfilled for the present."

(By Order of the Board)  
For PONNI SUGARS (ERODE) LIMITED

Chennai  
28th May 2010

N Ramanathan  
Managing Director

#### NOTES:

##### 1. Proxy

A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and such proxy need not be a Member of the Company.

##### 2. Deposit of proxy

Proxies in order to be effective, must be received at the registered office of the Company not later than 48 hours before the meeting, viz., by 11.00 AM on 19<sup>th</sup> July 2010.

##### 3. Book Closure

The Register of Members and the Share Transfer Register will remain closed from Thursday, the 15<sup>th</sup> July 2010 to Wednesday, the 21<sup>st</sup> July 2010 (both days inclusive)

##### 4. Dividend

Pursuant to Section 205A of the Companies Act 1956, dividend remaining unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government and no claim shall lie thereafter.

Members who have not encashed their dividend warrants for the past years are requested to write to the company for duplicate warrants.

Members are advised to refer to 'Shareholder Information' section of the Corporate Governance Report (Page 33 of the Annual Report) for details on dividend entitlement and dividend warrants.

##### 5. Member identification

(a) Members are requested to bring the attendance slips duly filled in along with their copies of Annual Reports to the meeting.

(b) Members holding shares in Demat form are requested to bring in their details of DP ID and Client ID for ease of identification and recording of attendance at the meeting.

**Ponni Sugars (Erode) Limited**

**EXPLANATORY STATEMENT**

(Pursuant to Section 173(2) of the Companies Act, 1956)

**Item No.5:**

**Director Vacancy**

Mr N Ravindranathan became a Director of the Company from 26.10.2001. He had played a pivotal role in the land acquisition and initial setting up of the Erode Sugar Mill. The Company has benefited by his counsel during his long association.

Mr N Ravindranathan is an independent director. He has also served in various Committees of the Board, viz. Audit Committee & Remuneration Committee.

Mr N Ravindranathan retires by rotation at this Annual General Meeting. He is presently aged 83 years. The Company has received a letter from him proposing not to seek re-election upon his retirement, having regard to his advanced age.

The composition of the Board and its Committees would undergo a change with the exit of Mr N Ravindranathan.

It is the intent of your Board to induct an independent director in due course to restore the fair balance of independent and non independent directors.

Section 256 of the Companies Act, 1956 requires the vacancy caused by retiring directors to either get filled up at the Annual General Meeting or in the alternative to expressly resolve not to fill the vacancy. Requisite resolution for this purpose is accordingly placed for the consideration of members.

No director is concerned or interested in this item of business.

(By Order of the Board)

**For PONNI SUGARS (ERODE) LIMITED**

Chennai  
28th May 2010

**N Ramanathan**  
Managing Director

**Details of the Directors seeking reappointment at the 14<sup>th</sup> Annual General Meeting**  
[Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges]

Name of Director/ Qualification/ DIN	Date of Birth/ Date of Appointment	Expertise in specific functional areas	Directorship in other companies	Committee position held in other companies
N Gopala Ratnam B.Sc (Physics), B.E (Mech) DIN: 00001845	15.04.1947 26.12.1996	Technocrat with rich and varied experience in project and operational management of process industries. Brings to bear leadership skills in heading ESMV Group of Companies and steering them to higher growth trajectories.	<b>Chairman &amp; MD</b> Seshasayee Paper and Boards Ltd <b>Chairman</b> High Energy Batteries (India) Ltd SPB Projects and Consultancy Ltd Esvi International (Engineers & Exporters) Ltd Time Square Investments Ltd	<b>Chairman</b> Shareholders/ Investors Grievance Committee in High Energy Batteries (India) Ltd <b>Member</b> Share Transfer and Shareholders/ Investors Grievance Committee in Seshasayee Paper and Boards Ltd.
Arun G Bijur B.Tech. (Chemical Engineering) DIN: 00024434	11.04.1948 26.12.1996	Technocrat with proven experience in Project Management skills and trouble shooting expertise. Has overall managerial experience as MD of SPB PC Ltd.	<b>Managing Director</b> SPB Projects & Consultancy Ltd <b>Director</b> Seshasayee Paper and Boards Ltd Esvi International (Engineers & Exporters) Ltd	<b>Chairman</b> Share Transfer and Shareholders/ Investors Grievance Committee in Seshasayee Paper and Boards Ltd



## DIRECTORS' REPORT

Your Directors present their 14<sup>th</sup> Annual Report and the audited statement of accounts for the year ended 31<sup>st</sup> March 2010

	Year ended 31.03.2010	Year ended 31.03.2009
<b>Physical Performance (tonnes)</b>		
Cane crushed	808612	680238
Sugar produced	90920	71820
<b>Financial Performance (Rs. crores)</b>		
Turnover (Net)	244.64	137.27
Profit Before Tax	55.41	18.72
Profit After Tax	36.85	12.26
Surplus from Previous Year	6.88	3.13
Amount available for appropriation	43.73	15.39
<b>Appropriations:</b>		
Transfer to General Reserve	25.00	6.00
Proposed dividend	3.44	2.15
Dividend Tax	0.57	0.37
Balance carried forward	14.72	6.88

#### Performance Pinnacle

Your Company has had a spectacular financial performance that reached a crescendo during 2009-10. Its gross turnover crossed the Rs. 250 crores mark. Its PBITD and PAT figures displayed a dream run, scoring a scorching three-fold increase over the last year. Two successive years of strong profit performance has helped to significantly strengthen its financial position, providing the right platform to launch its diversification plans.

#### Dividend

Your Directors are pleased to recommend a dividend of Rs. 4/- per Equity Share of Rs. 10 each for the financial year ended 31<sup>st</sup> March 2010.

#### Sugar Industry Overview

Sugar business has been intrinsically cyclical in India but the swings in recent times have turned rather too sharp and swift. Sugar production discernibly doubled between 2005 and 2007 that hurriedly halved just within the next two years. From this low base, it is now well poised to nearly double again in the near term.

No other major sugar producing country is witness to such galloping gyrations in year on year production. Price volatility is but a necessary outcome of such production volatility. This has rather made the diverse stakeholders by turn taciturn and dis-spirited towards taking a long term commitment for the orderly functioning and growth of this core industry.

The causes for such intermittent and intimidating upsurge and downswing in sugar production are too well known. It is axiomatic to recognize and pave way for price parity between sugar and sugarcane on the one hand as well as sugarcane and other competing cash crops on the other. A cohesive and comprehensive action plan is imperative and its need immediate to meaningfully moderate, if not totally eliminate, the adversity of sugar cycles occurring in our country at frequent intervals with ferocious intensity.

Indian production figures have their domino effect both on the direction and degree of world sugar balance. It is thus no wonder that world sugar balance suffered a deficit during 2008-10 that is now heading towards surplus in 2010-11. As a corollary, Indian exports are invariably during glut at the bottom of global prices while imports are during deficits at the peak of prices. On both counts, the huge financial burden befalls on producers, consumers and the exchequer though in varying degree.

With two successive sugar years of low production, Indian sugar prices have been continuously on their climb up to reach robust levels. This in turn empowered and prompted the industry to offer high and remunerative cane price so as to lure the farmer back to cane crop. Sugar mills have voluntarily paid a whopping Rs. 20,000 crores over and above the Central Government's mandatory cane price in this process. As a result, there has been a swift and strident recovery in Indian sugar production to narrow down the deficit during 2009-10 and turn surplus during 2010-11. There is no arguing that this remarkable rebound could and in fact has come only on the strength of buoyant sugar prices and consequent benevolent cane prices.

#### Government measures

The year under review witnessed aggressive Government intervention in sugar business to rein in rising sugar prices fuelled by the galloping deficit in production and stock estimates. Some of these measures were well justified to augment domestic sugar availability and cool-off the



## Ponni Sugars (Erode) Limited

overheated market. But several others proved too harsh and outlandish that created panic in the minds of Trade and Industry, quelling demand and disrupting off-take.

Levy obligation was doubled from 10% to 20% to protect PDS supply while levy sugar prices now remain unrevised for over six years. Duty-free raw sugar import facility was extended till end of 2010 besides opening duty-free white sugar imports for all. Indeed, white imports are presently placed at a premium over domestically produced sugar with total exemption from levy obligation and full freedom from release mechanism. Further, bulk users of sugar were subjected to unrealistic inventory norms for holding domestic sugar that has forcibly moved them to imported sugar offering greater flexibility. Inventory and turnover norms were rigidly enforced on sugar traders followed by frequent raids. The reversal of market sentiments and concomitant price decline from the peak was taken in the normal stride by the industry. But persistence with these moves have plummeted prices to below breakeven levels that cries for instant policy correction.

The Government promulgated an Ordinance, later made as Law, to retrospectively amend the Essential Commodities Act, 1955. By this, the Government has endeavoured to undo a favourable Supreme Court ruling and deny higher levy sugar price based on State Advised Price or actual price for cane. The new Law seeks to restrict and confine the levy sugar price by considering only Statutory Minimum Price for cane from 1974 to 2009. Sugar industry has challenged the retrospective amendment by filing a Writ Petition in Delhi High Court.

The concept of Statutory Minimum Price (SMP) has been changed to Fair and Remunerative Price (FRP) for sugarcane from 2009-10 season. Such FRP takes certain additional factors into consideration over SMP, namely, reasonable margins for the growers of sugarcane on account of risk and profits. FRP was conceptually intended to be total compensation and hence the sole mandatory price for cane, restraining States from announcing higher SAP. However, the Centre bowing to political pressures had to make a quick retreat and remove the ban on SAP. Dual cane pricing would thus continue to daunt the industry with its deleterious impact.

Indian sugar production for 2009-10 was initially estimated around 140 lakh tonnes that now stands uprevised to 185 lakh tonnes. Further, the production outlook for the next year is also highly promising. Simultaneously, world sugar

deficit is moving towards a surplus. All these have brought about a strident shift in market sentiment and consequent crash in sugar prices. Raw sugar prices after recording a 29 year high at 30.40 c/lb on 1<sup>st</sup> February 2010 now trades at less than 50% of that level. Concurrently, Indian sugar prices have also fallen from Rs.4200/ qtl to below Rs.2800/ qtl. Accordingly, the industry has made fervent appeal to the Government to roll back the harsh measures initiated during times of high sugar prices that are no longer relevant. Sugar prices now need to recover from the bottom for the farmer to be able to get a remunerative cane price.

Excessive Government controls on sugar, though well meant to balance the interest of diverse stakeholders, have hardly helped to serve the intended objectives. Still worse, they have repeatedly failed to meaningfully respond to market dynamics and in reality resulted in the opposite by only aggravating the crisis. It is hence high time the Government decontrols the sugar industry to unleash its innate potential, help meet the growing demands of sugar in our fast developing economy and be a credible exporter.

### Company performance

As stated, the Company had a trailblazing financial performance during the year. This was on the strength of higher production and robust sugar prices during most part of the year.

Cane volumes improved by 19% despite drought like conditions prevailing in some parts of the operational area. Sugar recovery however slipped to 10.11% from 10.55% due to adverse cane quality. Sugar production was supplemented with 9608 tonnes of imported raw sugar.

Cane price for 2009-10 season was fixed at higher levels upon negotiation with cane growers at Rs.1725/tonne besides subsidizing the full transport cost from field to factory. This is considerably higher than the FRP of Rs.1298.40/tonne and SAP of Rs.1440/tonne. In addition, the Company opted to voluntarily settle the old disputed SMP for 2002-03 season involving an outlay of Rs.4 crores. With these, we have succeeded in strengthening the bond and motivating our cane farmers, thereby achieving higher volume of cane supply during buoyancy in sugar prices.

Sugar prices recorded perceptible increase during the year till January 2010 but receded ruefully thereafter by reason of decisive change in production outlook. Your Company has been aggressive in its sales, including large volumes sold in upcountry markets, in its endeavour to

push volumes during good times. This has largely helped us achieve record high results for the year.

Pursuant to industry-wide negotiations, the Company entered into a long term wage settlement enuring upto March 2013. Employee relations have been cordial all along.

Contrary to the steep increase in sugar production in other States, Tamil Nadu has to remain content with muted growth in cane volumes due to deficient monsoon, high cost and unavailability of farm labour and lucrative return from competing crops. As a result, private sector mills in Tamil Nadu have had to increasingly rely on raw sugar imports to supplement their sugar production. In this endeavour we too contracted additional import of 20000 tonnes in January 2010 for shipment during July 2010. The unprecedented fall in raw sugar prices by more than 50% within just the next couple of months coupled with deep decline in domestic sugar prices has however dealt a severe blow to the economics of this import. The ban on Sugar Futures balefully pre-empted the scope for hedging our sugar price risk. It is good comfort that with the help of profit accruals from earlier imports and all round improvement in our profit performance, we have been able to put this adversity behind us. Following prudence and relevant Accounting Standard, due provision for the decline in the value of raw sugar import has been recognized in the financial statements of the year.

#### **Diversification Plan**

The Distillery Project of the Company has suffered a setback with a small group of local villagers protesting against the project being located in their vicinity. While our project is so configured as to strictly adhere to the environment norms, the protestors continued to remain apprehensive and obstinate. It was therefore considered prudent to keep this project in abeyance and consider alternative location.

The Company is now pursuing Cogeneration Project on a capital outlay of Rs.95 crores to produce 19 MW of power through the installation of 112 ata high pressure boiler. This should help us export power to the extent of 13 MW during season and 16 MW during off-season. It is intended to fund the project out of internal accruals for Rs.30 crores and the rest from term debts.

#### **Management Discussion and Analysis Report**

A detailed discussion on the industry structure (dealing with World sugar and Indian sugar) as well as on the financial and operational performance is contained in the

'Management Discussion and Analysis Report' enclosed hereto that forms an integral part of this Report.

#### **Outlook for 2010-11**

Indian Meteorological Department has predicted a normal monsoon that should help sustain the increased sugarcane production outlook for the country. However, we have been witnessing severe water stress in our area with failed monsoon for the third year in a row in certain major sections of our command area. As such there is reduced cane planting in our region despite high cane price. We fear our cane volumes could shrink by more than 30% in the coming year by reason of drought.

Tamil Nadu Government has already announced SAP for 2010-11 season at Rs.2000/t inclusive of transport charges. This is bound to catapult our cane cost.

Sugar prices should however remain subdued consequent upon the upsurge in Indian production. Having regard to the high cane prices currently paid in major sugar producing States and limited scope for its roll back to too lower levels, sugar prices might tend to remain stable around current levels or move only marginally lower.

Your Company has thus an unenviable task to reckon with reduced output, higher input cost and lower product realization. With the help of carry over inventory and tight leash on costs, we would combat these challenges. It would of course be unrealistic and unreasonable to expect an encore of current year performance that by all count was exceptional. There is hence bound to be a formidable fall in our profit figures in 2010-11 gravitating towards normative levels, barring unforeseen circumstances.

#### **Directors**

Mr N Gopala Ratnam and Mr Arun G Bijur, Directors of your Company, retire by rotation at this meeting and being eligible offer themselves for reappointment.

Mr N Ravindranathan, Director also retires by rotation at this meeting. Considering his advanced age, he has opted not to seek re-election at this meeting. Mr N Ravindranathan has been associated with the Company since 2001 and had played an active role in the initial setting up of our Erode Sugar mill. Your Directors wish to place on record the valued contribution made by Mr N Ravindranathan to the Company during his long association.





## Ponni Sugars (Erode) Limited

### Directors' Responsibility Statement

Your Directors, in terms of Section 217 (2AA) of the Companies Act 1956, confirm that:

- i. all applicable accounting standards have been followed in the preparation of the annual accounts;
- ii. your Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as of 31<sup>st</sup> March 2010 and of the Profit of the Company for the year ended that date;
- iii. proper and sufficient care has been taken 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
- iv. the annual accounts have been prepared on a going concern basis.

### Employees

No employee of the Company was in receipt of remuneration during the financial year 2009-10 in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### Corporate Governance

A separate section on Corporate Governance is included in the Annual Report and the certificate from the Company's Auditors confirming the compliance of conditions on

Corporate Governance as stipulated under Clause 49 of the Listing Agreement of the Stock Exchanges is annexed thereto.

### Conservation of Energy etc

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure hereto.

### Auditors

M/s Maharaj N R Suresh & Co and M/s R Subramanian and Company retire at this meeting and are eligible for reappointment pursuant to Section 224 of the Companies Act, 1956.

### Cost Audit

Cost Audit Report for the year would be filed with the Central Government in due course. M/s S Mahadevan & Co have been reappointed as Cost Auditors for 2010-11.

### Appreciation

Your Board conveys its appreciation to the cane cultivators, customers, suppliers and Banks for their continued support and cooperation. Your Directors commend the committed performance of employees at all levels in achieving an all time high performance for the year. Your Directors wish to thank the shareholders for their continual support to the management.

Chennai  
28th May 2010

For Board of Directors  
N Gopala Ratnam  
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

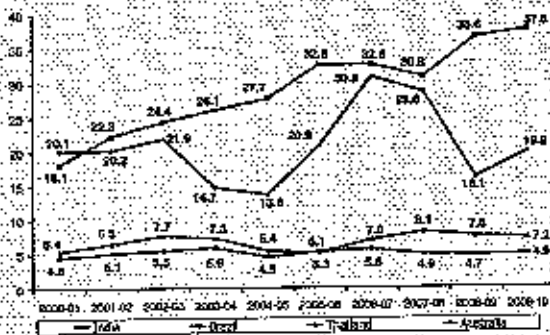
Industry structure and development

World Sugar

Brazil has steadfastly retained its *numero uno* status with its irrepressible dominance over sugar production and trade. India remains the second largest producer but is poignantly plagued with wild swings in year on year production. Despite low per capita consumption, India continues to be the top sugar consumer. Hence its surplus or deficit has a domino effect on world trade in sugar to decisively influence prices.

Cane sugar has steadily displaced beet with strident climb up in its share from 56.5% in 1960s to 78% in 2010.

Sugar Production Trend ( in th t raw value)



Source: ISO & ISMA

World sugar production displayed negative growth and failed to catch up with growing demand with two successive years of deficit during 2008-09 and 2009-10 virtually drying up the surplus inventory built during the preceding surplus period. The deficit phase is the direct outcome of drastic decline in Indian production, while Brazilian increase could otherwise attenuate the adverse fall in the production of other countries. Sugar consumption growth remains positive, though a tad subdued, during the recent global economic downturn.

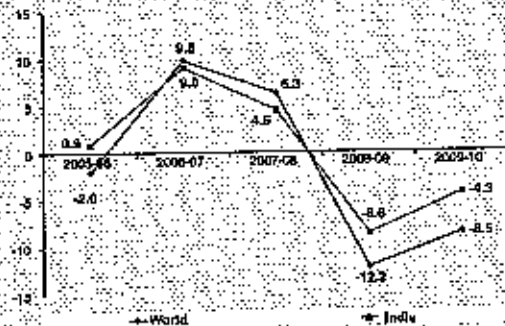
Sugar production during 2010-11 should register a smart recovery with both Brazil and India contributing significantly with stepped up production. Brazil's share in world sugar export now hovers around 50% as against 29% a decade ago.

Indian influence

India has come to increasingly influence the contours of world sugar balance. In the past six years, world surplus/

deficit has manifestly moved in tandem with the trend in Indian production.

SUGAR - Surplus / Deficit ( in th t raw value)



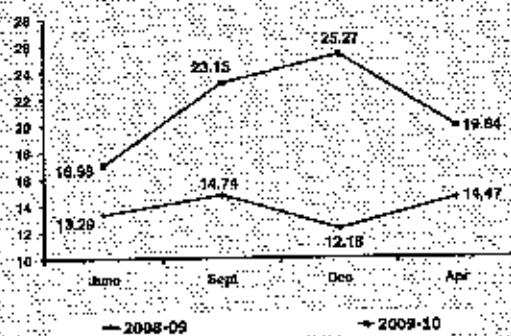
Source: ISO & ISMA

World Sugar price

The world sugar market changed fundamentally over just two months February and March 2010. Sugar balance recovered 4-5 mln tonnes in a very short period of time, wiping out the trade flow deficit and quickly turning it into a surplus. The situation was unprecedented, underscoring how historically high prices could force the market to find swift solutions.

Sentiment in the market has certainly turned from a bullish euphoria to a bearish outlook. Raw sugar prices in NY11 market of ICE after touching a peak of 30.40 c/lb on 1<sup>st</sup> February 2010 is hovering around 18.11 c/lb and woefully the bottom appears not yet reached. With the expected re-emergence of sugar surplus after two years of discernible deficit, world sugar prices are certain to remain under bearish pressures.

World Raw Sugar Price (US cts/ lb)

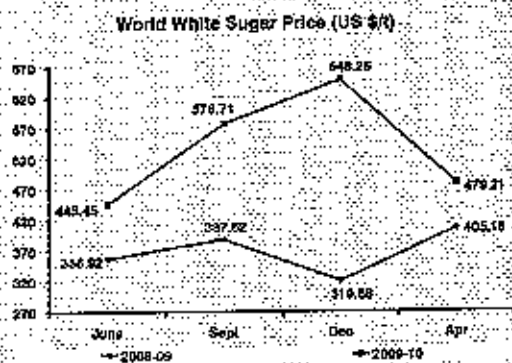


Source: ISO



## Ponn Sugars (Erode) Limited

In a similar vein white sugar spot prices touched a peak of USD 743 per tonne in January 2010 that later collapsed to USD 487 in March 2010. White sugar premium (the differential between the ISO white sugar price index and ISA daily price for raw sugar) has softened but still remains at a historically high level. It is presumably due to the wider trade deficit for white sugar as against that for raw sugar.

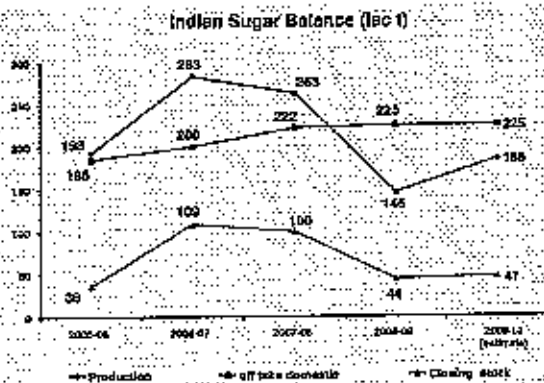


Source: ISO

### Indian Sugar

The Indian sugar industry is characterized by the coexistence of private, cooperative and public sector. It is inherently inclusive, supporting over 50 million farmers and their families. It is rural centric and hence a key driver of village level wealth creation. Sugar is India's second largest agro-based industry after Textiles. It has tremendous transformational opportunities to meet food, fuel and power needs and earn carbon credit.

According to nationwide survey conducted by AC Nielsen and adopted in KPMG Analysis, nearly 75% of the non-levy sugar is consumed by industrial, business and high income household segments. Further, even for a low income household, 10% increase in sugar price would hardly have a dent of less than 1% impact in monthly food bill.



Source: ISMA

Indian sugar production estimates often times remain suspect and prove vulnerable. Sugar production for 2009-10 season was estimated at 140 lakh tonnes as recently as in January 2010 while trade guessed it even lower at 130 lakh tonnes. This led to a virtual spiral in sugar prices to reach dizzy heights. The concurrent story on larger Indian import demand propelled world sugar prices to a 29 year high level.

Within just a couple of months, sugar production for 2009-10 is now scaling to 185 lakh tonnes. Further, the production outlook for 2010-11 is overtly optimistic to reach self-sufficiency and re-emerge as net exporter. This in turn brought an immediate collapse in sugar price. It is no wonder that Indian demand, or the lack of it, drives and determines both spot and futures prices in NY11 ICE market.

Though the Government mandated price for sugarcane was only moderately moved up, sugar mills volunteered to pay much higher cane prices by almost 50% over last year in their chase for available scarce cane supply and to lure the farmer back to cane crop. This had its instantaneous impact with the farmer readily responding to the price signal, tending the cane crop better to get higher yield and switching over from other crops to plant more cane. This has doubtless been possible only on the strength of vibrant sugar prices.

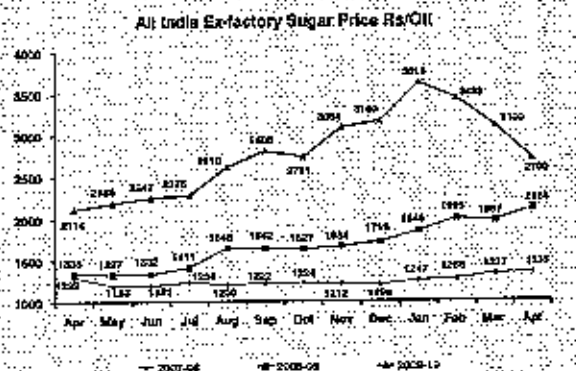
With all round increase in the price of food products, it would seem ill-advised to insulate and suppress only sugar price with aggressive Government intervention. Recent history has proved that Indian deficits could double or even triple world sugar prices in the shortest of term to make imports prohibitively expensive to the ultimate detriment of Indian consumer. While sugar production is directly dependent on cane crop, the farmer is now endowed with choices on crop. It is but imperative that he gets commensurate price for cane to sustain his interest in cane cultivation. There is hence compelling need to take a holistic view of sugar prices and take a balanced decision from long term perspective.

### Indian Sugar price

Sugar prices remained buoyant during most part of the year. They however scaled to unexceptionally high level for too short a period during January 2010 in the backdrop of galloping deficit estimates and hardening world prices. It has always been the case that sugar prices respond only in part to business fundamentals but more to market perceptions.

The decline in sugar prices from the peak in January 2010 was expected and in fact warranted. However the degree of decline is rather despicable. It has now reached unviable levels to pose a severe threat to the sustainability of remunerative price for sugarcane.





Source: ISMA

Despite a deficient monsoon, Indian sugar production showed robust recovery during 2009-10 due to steep hike in cane price. While it is too early to have precise estimate of 2010-11 production, it is bound to increase by 5-6 million tonnes. Further fall in sugar prices and perceived rollback of cane price could however trigger a repeat of production collapse with the Indian farmer now showing instantaneous response to price signals. Such a contingency is better averted in larger public interest.

It would seem unique and enigmatic that despite deficit in sugar balance, sugar prices have crashed in the current season to below breakeven level. This is to a large extent attributable to the preferential treatment for imports and slew of oppressive measures unleashed on domestic sugar. It rather remains hazy at the current juncture as to how the relative sugar and cane price parity would emerge and eventually settle in the coming year.

#### Government Policies

Sugar business continues to remain highly regulated. The Centre fixes levy percentage to meet PDS requirement for the benefit of BPL families. Levy obligation was lowered at 10% since March 2002 but temporarily hiked to 20% for 2009-10 due to lower sugar production. The balance, though termed as free sale sugar, is monitored through monthly release mechanism.

The Central Government introduced and enforced a slew of regulatory measures during the year to check sugar prices and address food inflation.

Some of them are:-

- ❖ Duty-free raw sugar import facility extended upto December 2010

- ❖ Duty-free white sugar import facility opened up for all and without quantitative ceiling till December 2010
- ❖ Both raw and white sugar imports are free from levy obligation till end of 2009-10 season
- ❖ Sugar consumers with monthly consumption in excess of one tonne were classified as bulk users and brought under stockholding norms for the first time.
- ❖ Weekly sugar sale quota re-enforced from February 2010. This was diluted to fortnightly in April 2010 and restored to monthly basis from May 2010.
- ❖ Inventory norms for bulk users fixed at 15 days' consumption in August 2009 and further reduced to 10 days' consumption in February 2010.
- ❖ State Governments were advised to remove VAT on imported white sugar. Tamil Nadu government notified same for the period 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011.
- ❖ Temporary ban by Forward Market Commission of fresh contracts in Futures Market extended upto September 2010.
- ❖ 100% compulsory packing of sugar in jute bags reiterated in September 2009. Partial relaxation upto 10% granted in February 2010.
- ❖ Time limit for completing the Export Obligation under Advance Licence Scheme extended upto 31-03-2011.
- ❖ No export release was issued for sugar barring small quantity under Preferential Quota.

The Central Government promulgated the Essential Commodities (Amendment and Validation) Ordinance, 2009 during October 2009. This was later enacted into Law. By this, the Centre substituted the Statutory Minimum Price for sugarcane with Fair and Remunerative Price (FRP). Such FRP will have additional regard to risks and returns on sugarcane crop for the farmer. Simultaneously Additional Sugarcane Price in terms of Clause 5A of the Sugarcane (Control) Order, 1966 has been dispensed with.

The Centre had also proposed FRP as holistic price towards total compensation for sugarcane crop. Accordingly, it had restrained State Governments from announcing higher State Advised Prices (SAP) and if they



## Ponni Sugars (Erode) Limited

so announce, it must be borne by the respective State Governments. Heeding to political outcry, the Centre made a quick retreat and restored the scope for higher SAP announcement by State Governments.

FRP for 2009-10 season was fixed at Rs. 129.84 per quintal linked to 9.5% of sugar recovery with a premium of Rs. 1.37 for every 0.1% increase in the recovery. FRP has been hiked to Rs. 139.12 for 2010-11 sugar season with premium of Rs. 1.46 for every 0.1% increase for recovery in excess of 9.5%.

Government of Tamil Nadu fixed SAP for 2009-10 season at Rs. 1437.40 per tonne linked to 9.5% recovery. Private sector sugar mills have paid cane price much in excess of this towards competing for available cane supply and to shore up cane planting for the next year. Later State Government granted additional SAP of Rs. 100 per tonne during March 2010 for 2009-10 sugar season. Simultaneously, SAP for 2010-11 has been announced at much higher level of Rs. 2000 per tonne inclusive of transport charges and other incentives.

Levy sugar prices now remain unrevised for six years from 2004. The provisional levy price of Rs. 1336 per quintal for Tamil Nadu is far below the cost of production that does not even meet the cane cost. Further the Central Government has endeavoured to restrict levy sugar price based on only SMP cost of sugarcane retrospectively from 1974 and FRP cost of sugarcane from 2009. Indian Sugar Mills Association (ISMA) has challenged this arbitrary and unreasonable move by filing a Writ Petition in the Delhi High Court.

ISMA and National Federation of Cooperative Sugar Factories Ltd have submitted a joint Memorandum to the Central Government for early decontrol of the sugar industry. They have also sought roll back of sugar price control measures in the changed context of improved domestic sugar production outlook and drastic decline in both world and Indian sugar prices.

### Opportunities & Threats

Sugar business is intrinsically cyclical. Market sentiments move disproportionate to demand-supply parity that causes volatile change in product pricing. Cogeneration and Ethanol bring much desired value addition to by-products and help soften the inimical impact of sugar cycles.

Energy saved is energy produced. Age-old sugar industry offers immense scope for implementing Energy Efficiency Project besides feeding green power to grid through Cogeneration. Ethanol production improves oil security and contributes to environmental protection. Added incentive is the growing market for Certified Emission Reduction (CER) under the Clean Development Mechanism (CDM) of the United Nations Framework Convention on Climate Change (UNFCCC).

India is a cost efficient producer of sugar. It has however failed to be a credible and consistent exporter due to drastic year on year changes in domestic production, triggering often times desperate policy changes. Under the changed dynamics of business and governance, there is little legitimacy in treating sugar as an essential commodity to warrant periodical political outcry and attendant policy distortions.

World sugar balance is considerably influenced by the wild production swings in India. As a result, India ends up exporting at the bottom of prices during glut and importing at the peak of prices during deficit.

Rationalisation of cane price was attempted through Fair and Remunerative Price (FRP) for cane and restraining States from announcing higher State Advised Price (SAP). However due to political upheaval, SAP scope was retained to pose continual threat of arbitrary high cane prices.

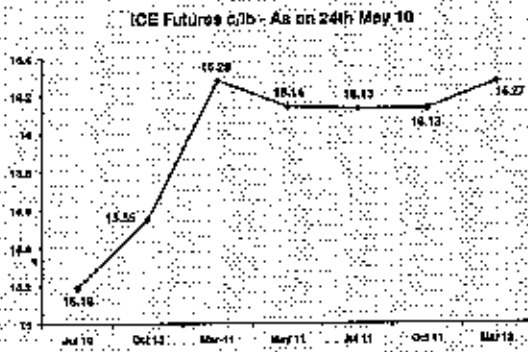
Frequent policy intervention disrupts the orderly functioning and dislodges the business plans of the industry. While the Government has a legitimate right and role to protect the interest of poor and needy, there is no rationale in subverting sugar prices to the benefit of industrial and high income consumers.

With growing concern on food security and inflation control, sugar faces the imminent risk of increasing crop diversion with an over zealous Government choking sugar prices. Migrating labour and lack of mechanization pose grave threat to sustainable sugarcane crop cultivation. There is dire need for a balanced and integrated policy framework, more particularly the long term price parity between sugar and sugarcane, for the orderly growth and long term health of this core sector.

### Segment-wise or product-wise performance

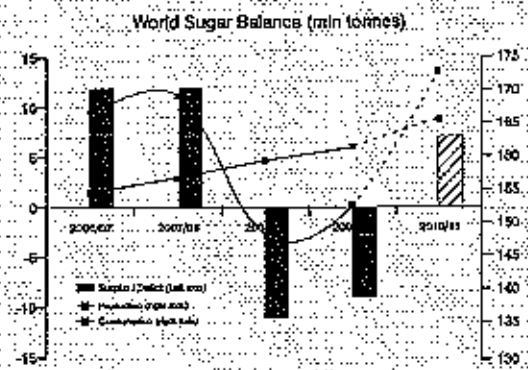
The Company is engaged in a single segment, namely, sugar and its by-products.

**Outlook:**



Source: Czarnikow Report

ISO has now predicted a smaller deficit for 2009-10 at 8.5 mln tonnes than 9.4 mln tonnes predicted in February 2010. The cumulative deficit of the two years is near about the two preceding surpluses in 2006-07 and 2007-08. Consequently it has drawn down most of the excess stock pile. World sugar production in 2010-11 is now set to strongly recover with Brazil and India alone producing an extra 10 to 12 mln tonnes. Many other countries have also enlarged their cane planting. A marginally higher sugar-ethanol mix in Brazil should also help boost overall sugar output. World sugar balance in 2010-11 will have a surplus varyingly estimated at 2 mln tonnes by ISO and 6 mln tonnes by Sueden.



Source: Sueden

There has been a redoubtful resurgence in Indian sugar production during 2009-10 despite a deficit monsoon. With normal monsoon prediction, sugarcane and sugar output during 2010-11 season should comfortably exceed domestic consumption levels after two years. Sugar prices

have been on bearish trend though the degree of decline is unintelligible viewed from a fairly well balanced demand-supply parity.

Sugar markets, both global and local, would remain significantly bearish in the near term. Sugar millers will have to brave themselves to combat higher input cost and lower output prices.

Power sector is considerably lagging behind Government targets to keep pace with the galloping economic growth. Oil prices are again on their upsurge. Power trade is facilitated with independent exchanges like Indian Energy Exchange for efficient price discovery. In addition, tradeable Renewable Energy Certificate has bettered the prospects of bagasse based Cogen. The Centre has reinforced its commitment for ethanol blend programme and is close to fixing a remunerative price of Rs.27/ltr to start with. There is thus all round optimism for byproduct development of sugar industry.

**Risks and concerns:**

The management cautions that the risks outlined below are not exhaustive and are for information purposes only. Investors are requested to exercise their own judgement in assessing various risks associated with the industry and the Company.

Sugar industry being agro based and vulnerable to commodity cycles is fraught with several risks. The Company is exposed to diverse business risks and some of the anticipated risks and their mitigation strategies are outlined below:

**(a) Raw material risk**

Sugarcane is the sole principal raw material. Its availability, quality, growth and cost are impacted by -

- ❖ Availability of cultivable land and adequacy of irrigation infrastructure
- ❖ Adoption and application of sound agronomic practices by the cultivator
- ❖ Normalcy of monsoon, flow in river Cauvery and water table in the command area of cane.
- ❖ Electricity connection and uninterrupted grid supply to pump water
- ❖ Competition from other crops influencing farmers' crop preference





## Ponni Sugars (Erode) Limited

- ❖ Pest attacks and crop disease
- ❖ Diversion of cane to jaggery and neighbouring sugar mills in defiance of contractual obligation
- ❖ Availability and adequacy of harvesting labour
- ❖ Cane price control by Centre and State, known as Fair and Remunerative Price (FRP) and State Advised Price (SAP)
- ❖ Higher tax on sugarcane in Tamil Nadu
- ❖ Raw sugar imports are prone to price volatility risk and currency risk

### Risk mitigation

- ✓ Promotion of Lift Irrigation and Drip Irrigation
- ✓ Cane development schemes
- ✓ Improved road infrastructure utilizing sugarcane cess funds
- ✓ Incentives to mitigate hardship and promote right cane variety
- ✓ Remunerative cane price and prompt payment
- ✓ Networking through divisional cane offices to disseminate knowledge and inculcate discipline and enforce compliance.
- ✓ Fair and transparent dealings with farmers to build goodwill
- ✓ Arranging crop loan through Banks under tie-up arrangement
- ✓ Centralized procurement and distribution of fertilizer and pesticides
- ✓ Recourse to raw sugar import to tide over transient cane shortage

### (b) Product price risk

- ❖ Sugar prices are susceptible to commodity cycle. Marginal price change might materially impact profitability
- ❖ Levy sugar price is determined by Government. Revisions are neither prompt nor adequate
- ❖ Sugar is an essential commodity. Free sugar prices are also kept in check by Government to control food inflation.

- ❖ Sugar Export window is closed at Government discretion
- ❖ Global sugar prices influence and impact domestic prices
- ❖ Sugar Futures to hedge price risks are susceptible to temporary bans
- ❖ Molasses is controlled by Statc. Restrictions on inter State movement considerably impact prices

### Risk mitigation

Impact of global and local market forces and regulatory regime are beyond the control of the Company. Within extant constraints, risk mitigation measures focus on:

- ✓ Introduction of ISO 9001:2000 for quality system
- ✓ Production of higher grain size and lower ICUMSA (brighter) sugar
- ✓ Targeting sugar markets in deficient regions
- ✓ Tapping export markets
- ✓ Increased cane volume and sugar production for improved economies of scale
- ✓ Measured hedging in Futures Market
- ✓ By-products value addition

### (c) Regulatory risk

Sugar industry despite much liberalization in the country continues to suffer under catena of controls:

- ❖ Cane area reservation by State
- ❖ Cane price fixation by Centre and State (FRP & SAP)
- ❖ Control on molasses by State including inter State movement restriction
- ❖ Levy obligation at unviable price
- ❖ Monthly release mechanism to regulate free sugar trade – Occasional tightening to weekly quota.
- ❖ Restrictions on Trade and Bulk Users distorting market sentiments
- ❖ Compulsory packing of sugar in jute bags
- ❖ Adhoc intervention in Exim Policy
- ❖ High weightage to sugar in WPI and consequent Government intervention for inflation control.

**Risk mitigation**

Much of the regulatory risks being Government policy driven are beyond Company's control. Every effort is made to conform to regulatory requirement, while judicial recourse is made when warranted. Redressal is sought through industry associations.

**(d) Finance risk**

- ❖ Availability of working capital to meet cane dues
- ❖ Interest rate risk
- ❖ Currency risk including Derivative risk
- ❖ Financing New Projects

The Company enjoys sound reputation and good rating with Banks. Interest rate increase is inevitable. Rising rupee erodes export competitiveness. To address these, the Company constantly looks for lower cost debt options, while currency risks are mostly hedged and uncovered exposures kept minimal. Derivative exposures, occasionally undertaken, are ensured to remain within prudential norms.

**(e) Risk specific to the Company**

Erode Sugar Mill is squeezed for land in its factory area to accommodate any major expansion or diversification plans. It is also surrounded by other sugar mills that limits scope for major cane area expansion. Ethanol licensing is subject to State discretion.

Marginal expansion and Co-generation can be planned at Erode Mill. Alternative locations are being evaluated for future expansion and growth. Standalone Distillery faces local resistance on perceived threat of pollution.

Though the transfer of Erode Sugar Mill Undertaking was made to the Company in terms of Scheme of Arrangement sanctioned by the Hon'ble High Court of Madras, the Company is confronted with certain claims towards tax disallowances and recovery of Sugar Development Fund Loans owed by erstwhile Ponnai Sugars and Chemicals Ltd. The Company is legally advised that these have only a remote probability of crystallization. Appropriate defence by filing Writ Petition is already initiated to protect Company's interest in the matter.

**Internal Control Systems and their adequacy**

The Company has proper and effective internal control systems commensurate with its nature of business and size of operations to ensure that all controls and procedures function satisfactorily at all times and all policies are duly complied with as required. These are considered adequate to reasonably safeguard its assets against loss or misappropriation through unauthorized or unintended use.

There is adequate and effective internal audit system that employs periodic checks on on-going process. The Audit Committee of the Board of Directors regularly reviews the effectiveness of internal control system in order to ensure due and proper implementation and due compliance with applicable laws, accounting standards and regulatory guidelines.

**Human Resources**

The Company employs 114 seasonal and 239 non-seasonal employees. Industrial relations remained cordial throughout the year. Its HR initiatives include:

- ❖ Introduction of 'Code of Conduct' and 'Statement of Values'.
- ❖ Instituting a Vision and Mission statement.
- ❖ Compensation structure comparable with industry standards comprising both tangible and intangible benefits.
- ❖ Regular training and motivation for skill upgradation
- ❖ Merit-led challenging work environment with desired level of delegation of powers and decentralization of decision making.
- ❖ Well maintained housing colony with education and recreation facility.
- ❖ Interactive and responsive top management.

Based on industry wide negotiations, fresh long term wage settlement was reached on 14<sup>th</sup> April 2009 ensuring upto 31<sup>st</sup> March 2013.



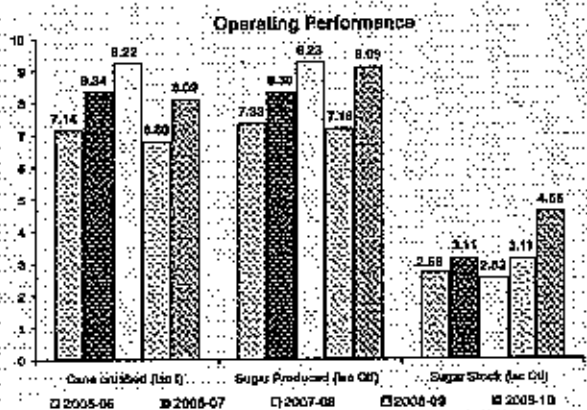
**Discussion on Financial Performance with respect to Operational Performance**

**Operational Performance**

	Year ended 31st March	
	2010	2009
Number of days	300	229
Average crushing rate (tcd)	2695	2970
Cane crushed (t)	808612	680238
Recovery (%)	10.11	10.55
Raw Sugar processed (t)	9608	
Sugar produced (t)	90920	71820

The Company operated for a longer duration to handle increased cane volume combined with supplementary raw sugar processing. Swiftly responding to the duty free import facility, the Company imported raw sugar from Brazil and augmented its sugar production. This could help the Company end the year with its second highest sugar production ever.

Recurrent shortage in cane harvesting labour and raw sugar processing for 175 days combined with cane crushing has contributed to reduced daily crushing rate. Cane quality was affected due to severe drought prevalent in major parts of the command area depressing sugar recovery in line with the regional trend. The recovery for the Company is however well above State average.



**Turnover**

Levy sugar volume increased with higher levy obligation from 10% to 20% for 2009-10 season. Free sugar sale volume in domestic market was higher by 16% due to demand buoyancy. Product prices for both free sugar and molasses registered hefty increase while levy sugar price

remains unrevised. Sugar inventory build up at year end is due to increased production volume and slower off-take from February 2010. There were no exports due to domestic shortage.

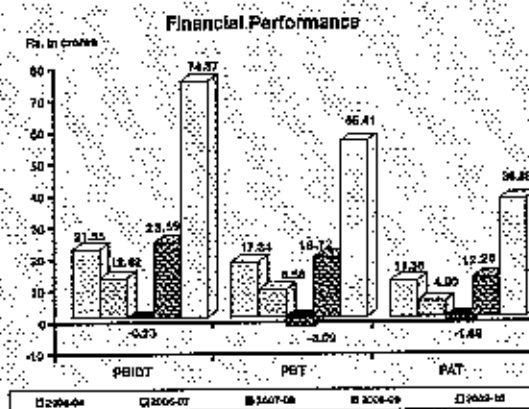
**Conversion cost and Overheads**

Cane prices ruled high in line with scarce supply and higher sugar prices. Transport charges hitherto recovered upto 10 kms from the cane growers are borne by the Company from 2009-10 season resulting further increase in cane cost.

Packing materials costs were up by more than 30% due to mandatory jute packing and shortfall in jute production. Increase in Utilities costs and Employee costs were nominal. Increase in Repairs and Maintenance is attributable to increased cane volume and strengthening road infrastructure in factory area. Variance in other expenses is principally due to the excise duty provision on inventory change and assets discarded. Insurance, godown rent, freight and handling are higher on account of raw sugar imports.

**Operating Margin**

Hefty increase in sugar and molasses prices could more than neutralize higher cane price and reduction in sugar recovery during the year. Raw sugar imports helped further strengthen our margins. The company could register its highest ever operating margin (PBIDT) for the year.



There is nearly threefold increase in PBT and PAT over last year.

**Interest Cost**

Interest on fixed loans declined in line with instalment repayments during the year. Working capital interest reduced considerably with lesser utilization of cash credit



limits on the strength of cash accruals. Other financing charges were high due to Letter of Credits opened for raw sugar import.

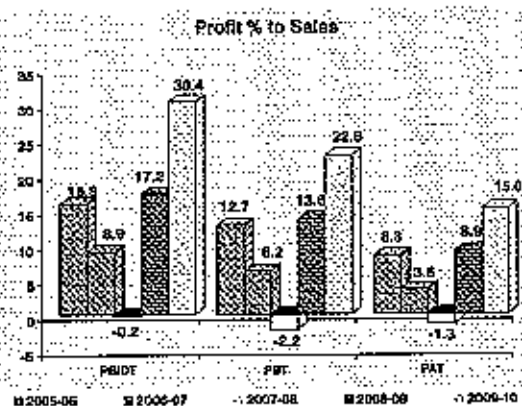
#### Depreciation

There is no change in the method of depreciation. Marginal increase in the amount of depreciation is attributable to assets added under Plant & Machinery during the year.

#### Exceptional item

Provision has been recognized for the decline in the value of 20000 tonnes of raw sugar between the contract date and the Balance Sheet date.

#### Profit Before Tax (PBT) / Profit After Tax (PAT)



The company could achieve record high PBT and PAT margins due to high sugar production and robust sugar prices. Appropriate provision for Deferred tax liability and asset have been recognized in accordance with Accounting Standard 22.

The overall financial performance for the year is rather enviable, though not sustainable at these high levels.

#### Debt

Debt servicing is as per schedule. Interest subsidy for the interest subvention upto a maximum of 12% for the loan

under Special Scheme by the Government is partly released through the lending Banks during the year.

#### Fixed Assets

Land addition represents the area acquired for the new Distillery. Addition to Plant & Machinery is towards replacing obsolete equipment and to improve operational efficiency. All capital additions have been funded in full out of internal accruals.

#### Investments

During the year, we invested in One lakh Equity Shares of High Energy Batteries (India) Ltd, extending support to their Rights Issue at Rs. 100 per share.

#### Working Capital

Though working capital requirement increased with the build up of sugar stock owing to increased production volume, improved cash flow due to better product pricing helped in lower working capital borrowings.

#### Contingent Liabilities

Contingent liabilities are assessed and reviewed in accordance with Accounting Standard 29. Due disclosure and provisioning is made in compliance of said Standard.

#### Cash Accruals

Cash accruals were mainly used to reduce working capital borrowings. Further, investments were made in land, plant additions and equity participation in a group company.

#### Cautionary Statement

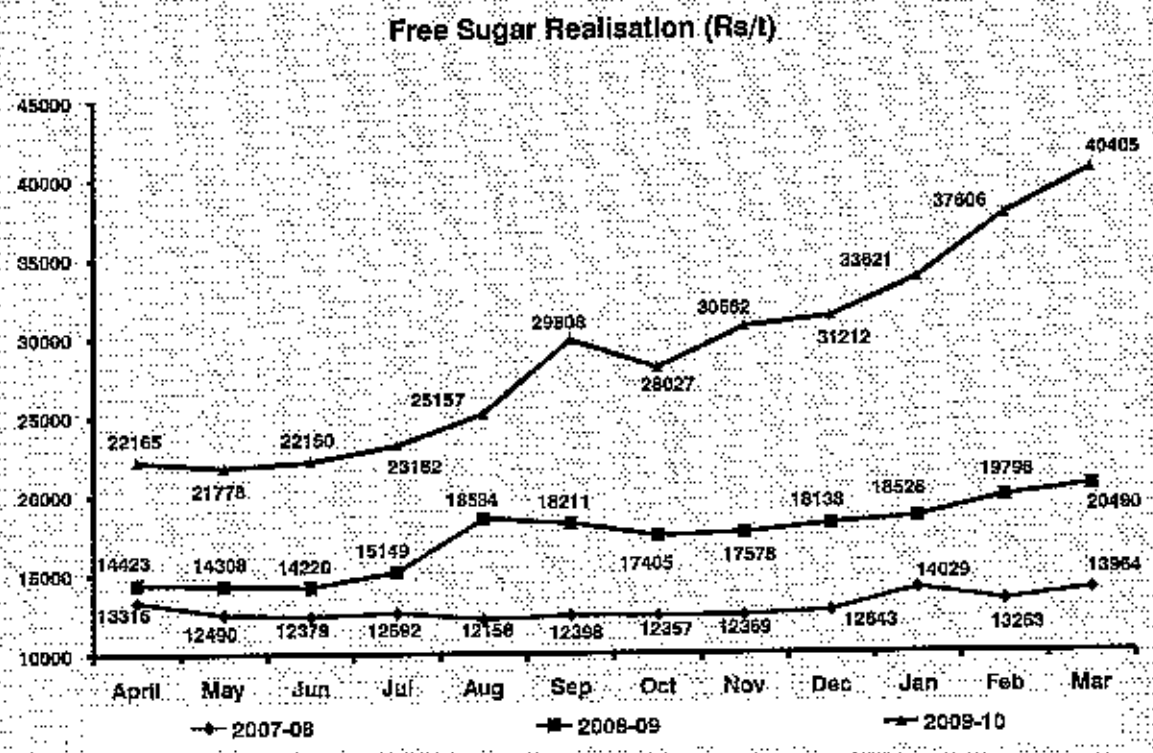
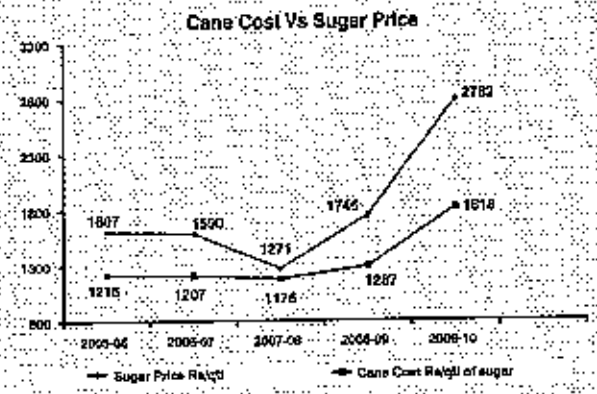
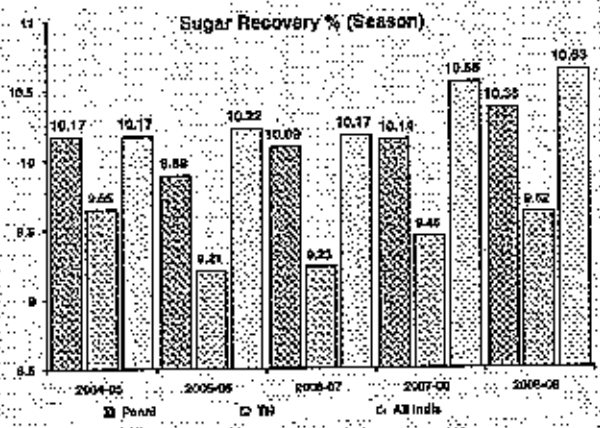
Statements made in this Report describing industry outlook as well as Company's plans, projections and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

Chennai  
28th May 2010

For Board of Directors  
N Gopala Ratnam  
Chairman

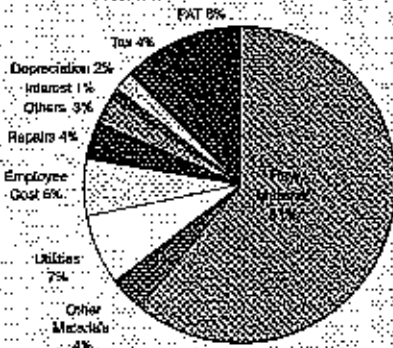


# Ponnai Sugars (Erode) Limited

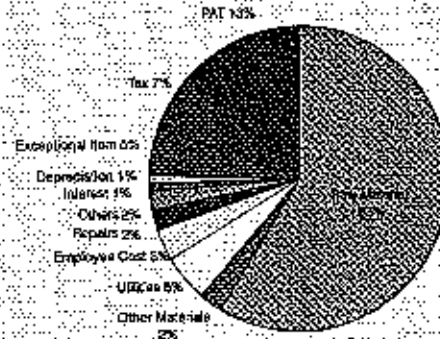


# 14th Annual Report 2009 - 10

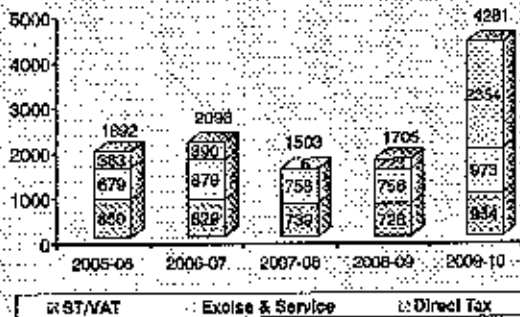
Distribution of Income 06-09



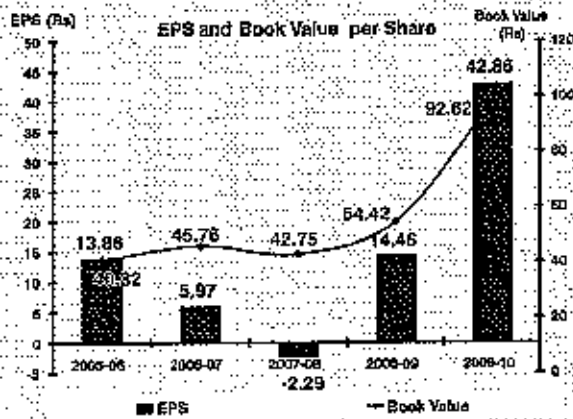
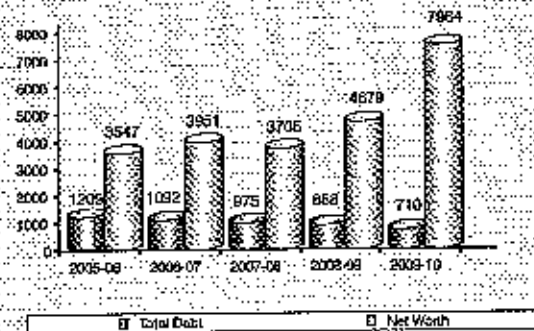
Distribution of Income 09-10



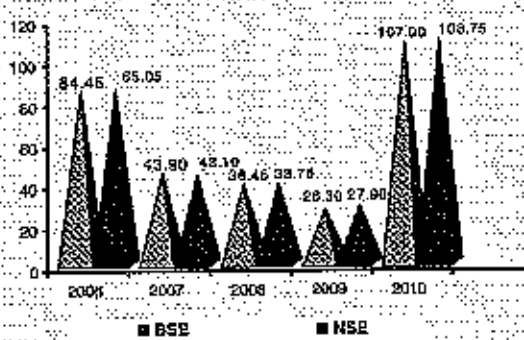
Contribution to Exchequer (Rs lacs)



Debt & Net Worth (Rs. Lacs)



Share Price (Rs) - As on 31st March







**Ponni Sugars (Erode) Limited**

Information as required Under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**A. Conservation of Energy:**

- a) Energy Conservation measures taken:
- (i) Installation of linear controlled automation in place of stepwise controlled automation for cane carrier
  - (ii) Replacement of pressure imbibition system by trough imbibition system.
  - (iii) Connection of IBIL Boiler FD fan to WIL SA fan duct.
  - (iv) Installation of energy efficient screw compressor in place of old type compressor.
  - (v) Replacement of two graders and four elevators by one elevator and one sizer for handling and grading of sugar.
  - (vi) Modification of sugar dust collector lines to eliminate one dust collector.
- b) Additional Investment Proposals, if any, being implemented for reduction of steam and energy:
- (i) Installation of film type sulphur burner - Rs.45 lacs
  - (ii) Fine tuning in automation of mill house and boiling house - Rs.11 lacs
- c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
- (i) Steam consumption is reduced by 0.75 tons per hour.
  - (ii) Power consumption is reduced by 1820 units per day.
- d) Total energy consumption and energy per unit of production are given in Form A.

**B. Technology Absorption**

e) Efforts made in Technology absorption are given in Form B.

**C. Foreign Exchange earnings and outgo**

f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:  
 Sugar exports are driven by Government policy and the cyclicity of sugar business. The company is a regular player whenever India is a sugar exporter. Currently, there is considerable domestic shortage in sugar and hence no export.

g) Total foreign exchange used and earned

	(Rupees in lakhs)	
	2009-10	2008-09
Earnings	-	300
Outgo	1703	2

**FORM A (RULE 2)**

Form for disclosures of particulars with respect to Conservation of Energy

	Current Year	Previous Year
<b>(A) Power and Fuel Consumption</b>		
<b>1 Electricity</b>		
a) Purchased Units (kwh lakhs)	0.55	3.52
Total amount (Rs lakhs)	14.71	27.28
Rate/Unit (Rs/kwh)	26.72	7.75
b) Own generation		
i) Through Diesel Generator	—	—
ii) Through steam turbine/Generator	230.64	174.08
Units(kwh lakhs)	—	—
Units per tonne of fuel (kwh)	2.02	2.62
Cost/Unit (Rs/kwh)	—	—
<b>2 Coal</b>		
Quantity (tonnes)	36224	18481
Total Cost (Rs lakhs)	1436.35	954.53
Average Rate (Rs/t)	3965	5165
<b>3 Coconut shell</b>		
Quantity (tonnes)	25	2985
Total Cost (Rs lakhs)	1.04	94.91
Average Rate (Rs/t)	4032	3180
<b>4 Bagasse</b>		
Quantity (tonnes)	101576	86786
Total Cost (Rs lakhs)	Nil	Nil
Average Rate (Rs/t)	Nil	Nil
<b>(B) Consumption per unit of production:</b>		
Product-Sugar cane (t)		
Electricity (kwh)	27	26
Fuel (t) *	0.09	0.08
Product-Raw Sugar (t)		
Electricity (kwh)	106	—
Fuel (t) *	0.35	—

\* (Coconut Shell /Bagasse calculated on Coal equivalent weight basis)  
 Note :

- Electricity purchase has reduced due to longer crushing operations with attendant self - generation. Unit rate is higher due to the fixed impact of maximum demand charges.
- Figures for the previous year have been regrouped, wherever necessary.

**FORM B (Rule 2)**

Form for disclosure of particulars with respect to Technology Absorption

- A. Research and Development (R&D) (Rs lakhs) : Nil Nil
- B. Technology absorption, adaptation & innovation:
- (i) Installation of film type sulphur burner

For Board of Directors  
**N Gopala Ratnam**  
 Chairman

Chennai  
 28th May 2010

## CORPORATE GOVERNANCE REPORT

The principles of Corporate Governance introduced by SEBI through Clause 49 of the Listing Agreement with Stock Exchanges and amended from time to time is complied in all respects by the Company. The policies, procedures and processes of the Company are at all times directed in furtherance of following the best practices and institutionalizing the code of corporate governance.

**Company's philosophy on Corporate Governance**

The Company belonging to ESVIN Group, which is professionally managed, is deeply committed to the core values of Corporate Governance concepts. It strives to maintain the highest ethical standards in its conduct of business towards shareholders, employees, customers, suppliers, and other stakeholders. Its objective is to transcend beyond bare compliance of the statutory requirement of the code and be a responsive and responsible entity through transparency, integrity of information and timely disclosures. The Company constantly endeavours to improve on these on an ongoing basis.

**Board of Directors**

The composition of the Board is devised in a manner to have optimal blend of expertise drawn from Industry, Management, Finance and Agriculture.

All except the Managing Director are non-executive Directors and thus constitute more than one-half of the total number of Directors. The Managing Director is additionally responsible to continue to discharge the functions of Secretary within the meaning of Section 2(45) of the Companies Act, 1956.

The Chairman is non-executive but comes under promoter category. The number of Independent Directors is one-half of the total strength, complying with Clause 49 of the Listing Agreement. Any reduction in the strength of Independent Directors is filled within 180 days to ensure minimum strength of Independent Directors in the Board.

All non-executive Directors retire by rotation and in the normal course seek re-appointment at the AGM. Brief resume of Directors seeking appointment / reappointment is given in the Notice of the AGM.

Name of Director and category	Date of initial Appointment	No. of Equity shares held	Attendance at Board meetings during 2009-10		As on 31st March 2010			Attendance at last AGM Y- Yes
			No. of meetings	%	No. of Directorships	Committee position		
						Chairman	Member	
Mr N Gopala Batnam Non-Executive Chairman Promoter	26.12.1996	2823	6	100	6	2	2	Y
Dr L M Ramakrishnan Independent	26.10.2001	536	6	100	4	—	1	Y
Mr Arun G. Bijur Promoter Group	26.12.1996	100	6	100	4	1	2	Y
Mr Bimal Poddar Promoter	26.10.2001	NIL	4	67	16	—	3	Y
Mr C K Pithawalla Promoter	26.10.2001	500466	6	100	7	—	—	Y
Mr N Ramanathan Managing Director	01.04.2005	3001	6	100	4	—	1	Y
Mr S K Ramasamy Independent	26.10.2001	4480	6	100	1	—	—	Y
Mr N Ravindranathan Independent	26.10.2001	202	6	100	3	—	1	Y
Mr V Sridar Independent	05.06.2009	NIL	6	100	7	2	4	Y
Mr N R Krishnan Independent	05.06.2009	NIL	5	83	6	1	2	Y



No Director holds membership of more than 10 Committees of Board nor is Chairman of more than 5 such Committees as required under Clause 49.

No Director is a relative of any other Director. The age of every Director, including Independent Director, is above 21.

#### Board Meetings

The Board meeting dates for the entire financial year are tentatively fixed before start of the year. An annual calendar of Board / Committee meetings is circulated to facilitate the Directors plan their schedules for attending the meetings. Audit Committee and Board meetings are mostly convened on the same day to obviate avoidable travel and recognizing time constraints of independent directors.

During the year, 6 Board meetings were held as against the minimum requirement of 4 meetings on 05.06.2009, 06.06.2009, 22.07.2009, 23.10.2009, 21.01.2010 and 26.03.2010. Interval between any two meetings was not more than 4 months as stipulated under the Listing Agreement.

#### Board Proceedings

Board Agenda containing comprehensive information and extensive details is circulated sufficiently in advance. Urgent issues and procedural matters are at times tabled at the meeting with prior approval of Chairman and consent of all present. Powerpoint presentation is made to facilitate pointed attention and purposive deliberations at the meetings.

The Board periodically reviews compliance reports of all laws applicable to the Company and takes proactive steps to avert slippages and take remedial measures as appropriate. The Board is apprised of risk assessment and minimization procedures that are periodically reviewed.

#### Insider Trading

The Company has framed a code of conduct for prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 1992. This code is applicable to all Directors and designated employees. Trading window would remain closed for the above during the period when sensitive information is unpublished. The 'closed period' for this purpose has been re-fixed by the Board as under:

- a. From 1st July upto twenty-four hours after communication of the first quarter financial results to the Stock Exchanges.
- b. From 1st October upto twenty-four hours after

communication of the second quarter and half-yearly financial results to the Stock Exchanges.

- c. From 1st January upto twenty-four hours after communication of the third quarter financial results to the Stock Exchanges.
- d. From 1st April upto twenty-four hours after communication of the annual / fourth quarter financial results to the Stock Exchanges.
- e. 30 days immediately preceding the date of Board Meeting at which other proposals listed in para 3.2.3 of the Model Code of Conduct of SEBI (Prohibition of Insider Trading) Regulations, 1992.

The Trading window shall open 24 hours after communication of the decision of the Board of Directors in respect of the above events to the Stock Exchanges where the company's securities are listed.

It is hereby affirmed that all Directors and Designated Employees have complied with the Code and a confirmation to the effect has been obtained from them.

The Company Secretary is designated as the Compliance Officer for this purpose. The Audit Committee monitors the adherence to the various requirements as set out in the Code.

#### Audit Committee

The Board has constituted an Audit Committee comprising only non-executive Directors with more than two-third being Independent. The Chairman of Audit Committee is an independent director. The Audit Committee meets at regular intervals not exceeding 4 months between any two meetings and subject to a minimum of 4 meetings in a year. CEO, CFO, COO and Internal Auditor are present as invitees while Statutory Auditors and Cost Auditor are also present in most meetings. The Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee conforms to extant SEBI guidelines and Clause 49 of Listing Agreement in all respects concerning its constitution, meetings, functioning, role and powers, mandatory review of required information, basis of related party transactions, disclosures of accounting treatment. It also fulfills the requirements as set out in The Companies Act, 1956.

During the year, the Audit Committee met 5 times on 05.06.2009, 22.07.2009, 23.10.2009, 21.01.2010 and 26.03.2010. Its composition and attendance during 2009-10 is given hereunder:



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Name of Member	Category	Attendance at meetings	
		No.	%
Mr V Sridar, <i>Chairman</i>	Independent	5	100
Mr Bimal Poddar	Non-Independent	4	80
Dr L M Ramakrishnan	Independent	5	100
Mr N Ravindranathan	Independent	5	100
Mr N R Krishnan	Independent	4	80

Permanent Invitees			
Mr N Gopala Ratnam	Non-Independent Non-Executive	5	100
Mr N Ramarathan	Executive	5	100

Members of the Audit Committee have requisite financial and management expertise. They have held or hold senior positions in reputed organizations.

### Remuneration Committee

The Company has a Remuneration Committee, though this is a non-mandatory requirement. It comprises 4 non-executive Directors of which 3 are independent including its Chairman.

Name of Member	Category
Mr N Ravindranathan <i>Chairman</i>	Independent Non-Executive
Mr N Gopala Ratnam	Non-Independent Non-Executive
Dr L M Ramakrishnan	Independent Non-Executive
Mr V Sridar	Independent Non-Executive

Its principal scope/ role is to recommend remuneration package for Executive directors/ Senior management personnel as and when required. The Committee accordingly meets only as per needs. No Meeting was held during the Year.

### Remuneration of Directors

Managing Director is the only Executive Director entitled for monthly remuneration. His remuneration was recommended by the Remuneration Committee, determined by the Board on 28.03.2008 and approved by the Shareholders at the 12<sup>th</sup> Annual General Meeting held on 18<sup>th</sup> July 2008, Details of remuneration of Managing

Director for 2009-10 are shown in Note 4(d) of Schedule 22 to the Accounts. There is no service contract containing provisions of notice period or severance fees.

No Director or his relative holds an office or place of profit in the Company. Other than direct or indirect equity holding and sitting fee, there is no pecuniary relationship or transaction between the company and its non-executive directors. No stock option has been issued by the company to executive director.

Non-executive director is paid no remuneration except sitting fees at Rs.5000 per Meeting of Board and Audit Committee and at Rs.2500 for other Committee Meetings. The rates are well within the ceiling permissible under Law and the Articles of Association of the Company.

### Sitting fee for 2009-10

Director	Sitting fees (Rs)		
	Board meeting	Committee meeting	Total
Mr N Gopala Ratnam	30000	12500	42500
Dr L M Ramakrishnan	30000	25000	55000
Mr Arun G Bijur	30000	12500	42500
Mr Bimal Poddar	20000	20000	40000
Mr C K Pithawalla	30000	—	30000
Mr N Ravindranathan	30000	25000	55000
Mr S K Ramasamy	30000	—	30000
Mr V Sridar	30000	25000	55000
Mr N R Krishnan	25000	20000	45000

### Remuneration Policy

Performance is recognized and achievements rewarded so as to motivate and induce concerned employees to put in their best. Remuneration levels, though cannot be in the top-rung in a low-margin industry, are comparable to the industry norms. Remuneration package is transparent, fair and simple to administer, besides being legal and tax compliant. The Company is able to attract and retain talents as it bestows functional autonomy and offers professional challenge at all levels.

### Securities Transactions cum Investors Grievance Committee

The Board has constituted a Securities Transactions cum Investors Grievance Committee. Its role and responsibility is to expeditiously process and approve transactions in securities, complying with SEBI regulations and listing requirements and redressal of investor grievances. The Committee oversees and monitors the performance of the



## Ponnì Sugars (Erode) Limited

Registrar & Transfer Agents and devises measures for overall improvement in the quality of investor services.

The Committee comprises of 3 Directors, out of which 2 are non-executive directors. The Chairman of the Committee is a non-executive Director. The Committee has met 5 times during the year on 06.06.2009, 22.07.2009, 23.10.2009, 21.01.2010 and 26.03.2010. Its composition and attendance is given hereunder:

Name of Member	Category	Attendance at Meetings	
		No.	%
Mr N Gopala Ratnam Chairman	Non-Executive	5	100
Mr Arun G. Bijur	Non-Executive	5	100
Mr N Ramenathan	Executive	5	100

Status of investor complaints is shown in the Shareholder Information section of this Report.

The Secretary is the Compliance Officer.

### Finance Committee

The Board has constituted a Finance Committee to facilitate quick response to the financial needs / obligations of the Company. It meets as and when the need to consider any matter assigned to it arises. No meeting was held during the Year.

### Committee Minutes

Minutes of all the Committees of the Board are prepared by the Secretary of the Company, approved by the Chairman of the Meeting, circulated to the Board in the Agenda for the succeeding meeting and recorded thereat.

### Circular Resolution

Recourse to circular resolution is made in exceptional and emergent cases that are recorded at the succeeding Board / Committee Meetings. During the year, no circular resolution was passed.

### Secretarial Compliance Report

Though not legally required, as a measure of good corporate governance practice, a Secretarial Audit on the compliance of corporate laws and SEBI regulations was conducted by Mr B Ravi, Practicing Company Secretary for the financial year ended 31<sup>st</sup> March 2010. Compliance Certificate issued by him was placed before the Board on 28<sup>th</sup> May 2010.

### Secretarial Standards

The Institute of Company Secretaries of India has issued ten Secretarial Standards that are presently recommendatory in nature. The company's practices and procedures mostly meet with these prescriptions, wherever applicable.

### Quarterly Compliance Report

The Company has submitted for each of the 4 Quarters during 2009-10 the Compliance Report to Stock Exchanges in the prescribed format within 15 days from the close of the Quarter.

### Secretarial Audit

Description	Frequency	For the quarter ended	Furnished on
Secretarial Audit Report to Stock Exchanges on reconciliation of the total admitted capital with NSDL / CDSL and the total issued & listed capital	Quarterly	30.06.2009	06.07.2009
		30.09.2009	07.10.2009
		31.12.2009	08.01.2010
		31.03.2010	08.04.2010

### Disclosures

In the preparation of financial statements, no accounting treatment different from that prescribed in any Accounting Standard has been followed.

Related party transactions during the year have been disclosed as required under Accounting Standard 18. Details of related party transactions were periodically placed before the Audit Committee. These transactions are not likely to have a conflict with the company's interest.

The Company has a procedure to inform the Board about the risk assessment and minimization procedures. The Board of Directors periodically reviews the risk management framework of the Company.

No strictures / penalties have been imposed on the company by the Stock Exchanges or SEBI or any statutory authority on any matters related to the capital market during the last 3 years.

### Compliance with other mandatory requirements

#### Management Discussion and Analysis

Management Discussion and Analysis Report is made in conformity with Clause 49(IV)(F) of the Listing Agreement and is attached to the Directors' Report forming part of the Annual Report of the Company.

#### Senior Management Declaration

Senior management personnel have declared to the Board that no material financial and commercial transactions were entered into by them during 2009-10 where they have personal interest that may have a potential conflict with the interest of the Company at large.

#### Subsidiary Companies

The Company has no subsidiary.

#### Code of Conduct

The Board has formulated a Code of Conduct for Directors and Senior Management Personnel of the Company which is posted on its Website. It is hereby affirmed that all the Directors and Senior Management Personnel have complied with the Code and a confirmation to this effect has been obtained from them individually.

#### CEO/ CFO certification

CEO certification by Mr N Ramanathan, Managing Director and CFO certification by Mr K Yokanathan, Chief Financial Officer as required under Clause 49(V) of the Listing Agreement were placed before the Board at its meeting on 28th May 2010.

#### Review of Directors' Responsibility Statement

The Board in its Report have confirmed that the annual accounts for the year ended 31<sup>st</sup> March 2010 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

#### Auditor's Certificate on Corporate Governance

Certificate of Statutory Auditors has been obtained on the compliance of conditions of Corporate Governance in deference to Clause 49(VII)(1) of the Listing Agreement and the same is annexed. Copy of the certificate is furnished to the Stock Exchanges as required.

#### Compliance with non-mandatory requirements:

##### Board

The Chairman is non-executive but does not maintain an office at the Company's expense. The tenure of no Independent Director has exceeded 9 years from the date when the new Clause 49 became effective. The Company ensures that every independent director has the requisite qualification and experience that would be of use to the Company and which, in the opinion of the Company, would enable him to contribute effectively to the Company in his capacity as an independent director.

#### Remuneration Committee

The Company has a Remuneration Committee vide details furnished supra.

#### Shareholders' Rights

Quarterly Audited Results on the Company's financial performance are mailed to shareholders on request. These are posted on the Company's Website and advertised in newspapers.

SEBI by Circular dt.26/04/07 has directed Stock Exchanges to amend Clause 32 of Listing Agreement. This is to facilitate circulation of Abridged Accounts in lieu of full-fledged Annual Report. The Company has however not exercised this option and continues to send Annual Report in full form to all shareholders.

#### Audit Qualifications

The Company from inception has ensured to remain in the regime of unqualified financial statement.

#### Others

All the Directors are well versed in the business model of the Company. Detailed presentations are made by Senior Executives and Professionals followed by full-length discussions at Audit Committee/ Board Meetings. Considering same, no formal training of Board members or peer review of the performance of non-executive Directors is arranged.

The Company has an informal work atmosphere where employees have direct access to top management including the Chairman and other non-executive Directors. Hence institution of a formal Whistle Blower Policy is not considered warranted.

#### Additional Disclosures

The Company has no unclaimed shares that require to be credited to a suspense account. Accordingly disclosures under Clause 5A of the Listing Agreement are not applicable.

No loan or advance in the nature of loan was made during or outstanding at the close of the year to Associates or Firms/ Companies in which a director of the company is interested. Accordingly no disclosure in terms of Clause 32 on this score is applicable.

Promoters and Promoter Group have not pledged any part of their shareholding in the Company. This factual position is reflected in the shareholding pattern furnished to Stock Exchanges and Financial Statements published for each quarter.





Pursuant to directions of SEBI, Stock Exchanges have amended Clause 41 of the Listing Agreement which stipulates that limited review / audit reports shall be given only by an Auditor who has subjected himself to the peer review process and holds a valid certificate issued by the Peer Review Board of the ICAI. The statutory auditors of the Company M/s R Subramanian and Company and M/s Maharaj N R Suresh & Co have undergone the peer review process and been issued requisite certificate that were placed before the Audit Committee.

Means of Communication

Intimation of Board meeting

After the amendment to Clause 41 of the Listing Agreement in July 2007, the Company publishes Notice of Board Meeting to consider financial results in newspapers.

Financial Results – All audited

Table with 5 columns: Period, Date of Pub of Notice of Board Meeting, Date of app. by Board, Date of Publication, and Newspapers. It lists quarterly and yearly financial results from 2009 to 2010.

\* Publication arranged. The results published also show as footnote relevant additional information and/or disclosures to the investors. Financial results are-

- (a) faxed to Stock Exchanges immediately after the conclusion of the Board meeting;
(b) filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC), online, in the format prescribed by SEBI;
(c) posted on the company's website www.ponnisugars.com which displays official news releases of the company as well; and
(d) mailed to shareholders on request. SEBI vide its circular dt.16.4.2010 has discontinued the system of filing through EDIFAR effective 1.4.2010.

No presentation was made during the year to institutional investors or to analysts.

General Shareholder Information

A separate section has been included in the Annual Report furnishing various details viz. AGM time and venue, share price movements, distribution of shareholdings etc.

Corporate Governance Voluntary Guidelines 2009

Ministry of Company Affairs (MCA) released in December 2009 the "Corporate Governance Voluntary Guidelines 2009". While mandatory aspects for adoption by corporates are included in the Companies Bill 2009, the Voluntary Guidelines are intended to serve as a benchmark for corporates to help them achieve the highest standard of corporate governance.

MCA has observed that these guidelines do not substitute any extant law or regulation but are essentially for voluntary adoption by the corporates. It expects more and more corporates to voluntarily go forward to adopt these guidelines. Where there are genuine reasons for companies not being able to adopt some of these provisions, it expects such companies to inform their shareholders of the details of such non adoption.

Our Company has adopted most part of the Voluntary Guidelines while some of the new requirements would be addressed in due course. Considering the fact that the guidelines have come only towards the later part of the financial year, a more detailed report on this would be included from the next financial year.

CSR Voluntary Guidelines

MCA in December 2009 has released the "Corporate Social Responsibility Voluntary Guidelines 2009". This is intended to assist the businesses to adopt responsible governance practices. The guidelines indicate some of the core elements that businesses need to focus on while conducting their affairs. These have been framed, factoring the governance challenges being faced in our country and the expectations of the society.

The Voluntary Guidelines underscore the fundamental principles of business. It further dwells on the core elements, viz. care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for environment and activities for social and inclusive development. It also outlines implementation guidelines.

Our company has steadfastly stood for the principles stated in these Guidelines. It enjoys considerable goodwill of the neighbourhood residents based on transparency of dealings and fair practices followed all along. It would endeavour further to strengthen its focus and attention to abide by the spirit of these new Guidelines.

For PONNI SUGARS (ERODE) LIMITED
N Gopala Ratnam Chairman
N Ramanathan Managing Director

Chennai
28th May 2010

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### General Shareholder Information

#### Details for 14th AGM

Date and Time	Wednesday, the 21 <sup>st</sup> July 2010 at 11:00 AM
Venue	New Woodlands Hotel Pvt Ltd, 72-75, Dr Radhakrishnan Road, Mylapore, Chennai 600004
Financial Year	2009-10
Book Closure Dates	Thursday, the 15 <sup>th</sup> July 2010 to Wednesday, the 21 <sup>st</sup> July 2010 (both days inclusive)
Dividend	Rs. 4 per Equity Share (proposed)
Dividend payment date	Within 30 days from the date of declaration

#### Particulars of past 3 AGMs

AGM/ Year	Venue	Date & Time	Special Resolutions passed
Eleventh 2006-07	New Woodlands Hotel Pvt Ltd 72-75, Dr Radhakrishnan Road, Mylapore, Chennai - 600004	19.07.2007 10:30 AM	Nil
Twelfth 2007-08		18.07.2008 10:15 AM	a) Appointment of Managing Director  b) Conversion of Preference Capital into Equity  c) Reorganisation of Authorised Capital
Thirteenth 2008-09		22.07.2009 11:00 AM	Nil

No Extraordinary General Meeting was convened during the year.

#### Postal ballot/ Poll

All Resolutions were passed in the past 3 AGMs by show of hands. No Special Resolution was required to be passed by the postal ballot at the last AGM nor is being proposed at the ensuing AGM.

#### Financial Calendar for 2010-11 (tentative)

Results for the quarter ending	30 <sup>th</sup> June 2010	21 <sup>st</sup> July 2010
do	30 <sup>th</sup> Sep 2010	Third week of Oct 2010
do	31 <sup>st</sup> Dec 2010	Fourth week of Jan 2011
Results for the year ending	31 <sup>st</sup> Mar 2011	Third week of May 2011
Annual General Meeting	July 2011	

#### Listing

Name & Address	Bombay Stock Exchange Ltd Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Phone: 022-22721233/ 22721234 Fax: 022-22722082 Email: corp.relations@bseindia.com	National Stock Exchange of India Ltd Exchange Plaza Bandra Kurla Complex Bandra East Mumbai 400 051 Phone: 022-26598235/8236 Fax: 022-26598237/8238 Email: amlist@nse.co.in
Listed from	April 2002	April 2002
Stock Code	532460	PONNIERODE

Listing fee has been paid to both the Stock Exchanges for the year 2010-11.

#### Dematerialization

The Equity Shares of the Company are traded in compulsory Demat form. It's ISIN in NSDL and CDSL is INE838E01017.

Mode of holding	Shareholders		Equity Shares	
	No.	%	No.	%
Physical	6427	50.16	685430	7.97
Demat	6387	49.84	7912888	92.03
<b>Total</b>	<b>12814</b>	<b>100.00</b>	<b>8598318</b>	<b>100.00</b>

As per SEBI's directive, no investor shall be required to pay any charge for opening of a Beneficiary Owner account (BO) except for statutory charges as may be applicable and the custody charges will be paid by the issuers on a per folio basis (ISIN position) directly to the depositories at the end of each financial year. The Company has paid custody charges to NSDL and CDSL for 2010-11. Shareholders are advised to convert their holdings from



## Ponni Sugars (Erode) Limited

physical mode to demat mode and benefit from the reduction in charges considering overall merits of depository system.

### PAN Requirement

- (1) SEBI vide circular dt.27<sup>th</sup> April '07 made PAN as the sole identification number for all participants transacting in the securities market irrespective of the amount of such transaction.
- (2) SEBI by its circular dated 20<sup>th</sup> May '09 made it mandatory to furnish a copy of PAN card of the transferee to the Company / RTA for registration of transfer of shares of listed companies in physical form and off market / private transactions.
- (3) SEBI vide its circular dt. 28<sup>th</sup> January '10 has now made it mandatory to furnish a copy of PAN for transmission and transposition of shares.

Investors are advised to take note of same.

### Nomination facility

Shareholders holding shares in physical form and desirous of making a nomination in terms of Section 109A of the Companies Act, 1956 are requested to submit to the Registrar and Transfer Agent in the prescribed Form 2B which can be had on request or downloaded from Company website.

### Registrar and Share Transfer Agent

(for both Demat and Physical segments)

Cameo Corporate Services Ltd,  
"Subramanian Building", 5th Floor  
1, Club House Road, Chennai 600 002.

Phone: 044-28460390 (5 lines) Fax:044-28460129

Email:Investor@cameoindia.com

Web: www.cameoindia.com

Contact person: C S Vetrivelvi, Executive (Shares)

### Investor Correspondence

As regards transfers, change of address or status, dividend mandate and other share related queries, investors shall communicate with -

- (a) respective Depository Participants in case of demat holding
- (b) the Registrar & Transfer Agent in case of physical holding

All queries on Annual Report, dividend and other clarifications may be addressed to the registered office of the Company at:

ESVIN House,  
13, Old Mahabalipuram Road, Seevaram Village,  
Perungudi, Chennai 600 096  
Phone: 044 - 39279300 Fax: 044- 24960156  
Email: admin@ponnisugars.com  
Website:www.ponnisugars.com

Investors may also post the query on the website of the Company.

### Exclusive email ID for Investor benefit

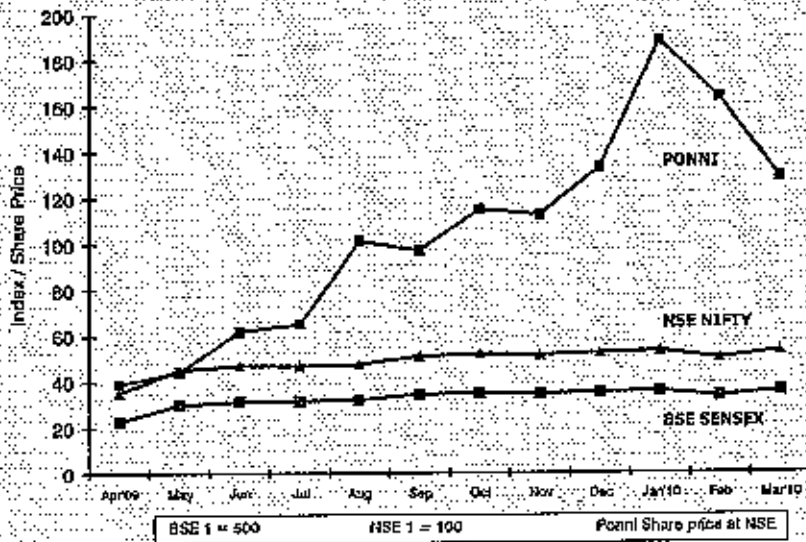
Pursuant to SEBI's directive and clause 47(f) of Listing Agreement, the Company has created an exclusive Email ID [investor@ponnisugars.com](mailto:investor@ponnisugars.com) for redressal of investor grievances. Queries posted on Company website would also get routed to this new Email ID for prompt response.

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### Stock Market Data

Month	Bombay Stock Exchange				National Stock Exchange			
	Share price (Rs / P)		Volume		Share price (Rs / P)		Volume	
	High	Low	No. of shares (In lacs)	Value (Rs lacs)	High	Low	No. of shares (in lacs)	Value (Rs lacs)
April'09	38.95	27.00	0.64	22.80	39.00	25.05	0.79	28.11
May'09	43.90	35.50	0.90	36.61	44.10	35.00	0.96	38.05
June'09	61.50	40.85	3.57	195.61	61.75	41.00	3.34	184.60
July'09	64.95	50.20	3.23	191.40	65.00	50.20	3.91	228.52
Aug'09	100.05	63.00	6.24	510.64	101.25	60.00	10.99	912.13
Sept'09	98.00	61.20	1.81	182.35	97.00	80.15	3.21	287.04
Oct'09	116.00	83.05	5.58	579.88	114.85	80.25	9.72	1007.84
Nov'09	113.40	90.15	2.18	223.92	112.50	82.70	3.12	320.25
Dec'09	132.00	102.20	1.21	134.03	133.00	99.00	1.78	199.53
Jan'10	175.00	122.00	7.41	1144.20	180.00	109.00	11.74	1815.08
Feb'10	164.25	105.65	6.80	992.58	163.40	105.00	8.55	1294.26
March'10	123.20	91.00	2.28	243.40	128.70	81.00	5.39	564.44

**Relative Performance of PEL Share Price Vs BSE Sensex & NSE Nifty**







**Investors' helpline**

SEBI has launched a website <http://investor.sebi.gov.in/> exclusively for investor Assistance, Awareness and Education.

Investors may lodge their complaints against trading members and companies through online Investor Service Cell recently launched by the National Stock Exchange of India Limited.

For any assistance or grievance investors can also contact at Office of Investor Assistance and Education, Exchange Plaza, Wing 11, 4th Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 (Tel: 022 26598509; Fax: 022 26598514 / 18, email: [iggc@sebi.gov.in](mailto:iggc@sebi.gov.in))

Further, SEBI vide its circular dt.3.9.09 has advised Stock exchanges to disclose details of complaints lodged by clients/ investors against the companies in the website of the Stock exchanges.

**Transfer System**

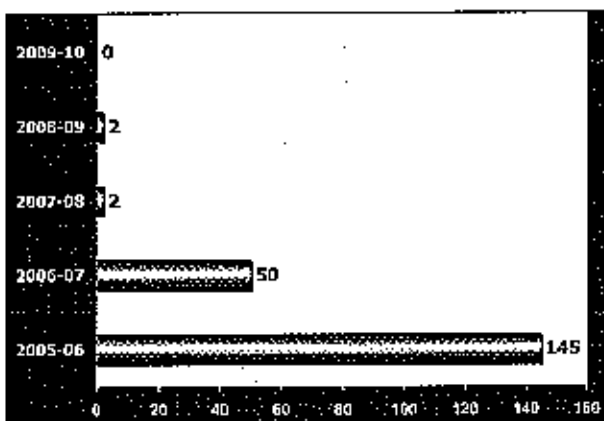
Powers are delegated to Managing Director to deal with and approve regular transactions in securities of small investors, while other cases are decided by the Securities Transactions cum Investors Grievance Committee. Investor requests are attended to within 7-15 days from the date of receipt.

There is no pending share transfer as of 31.03.2010.

Stamp duty for share transfers in physical mode is 25 paise for every Rs. 100 or part thereof of the value of the shares vide Notification No.S.O.130(E) dated 28.01.2004 of Ministry of Finance, Department of Revenue.

**Shareholder Complaints**

Chart shows the complaints received over the last five years



**Nature of complaints received during 2009-10:**

No Complaints received during the year from Stock Exchanges where the Equity shares are listed.  
 Outstanding complaints as on 31.03.2010 - Nil  
 Outstanding GDRs / ADRs / Warrants / Convertible Instruments - Nil

**Shareholder Satisfaction Survey**

To assess the current level of service standards in all business dealings including investor services a questionnaire has been posted on the company's website. Shareholders are requested to send their views by replying to the questionnaire. No response was received during the year while surveys undertaken in the past indicated good satisfaction level.

**Service Standards**

As per the 'standard operating procedures' of the Company, the following are the Service Standards set out for various investor related transactions/ activities and the Company and its Registrars endeavour to achieve these Standards without compromising with the quality of the service to the investors:

Sl. No.	Particulars	Service Standards (Maximum number of working days)
1	Transfers/ Transmissions	21
2	Transposition/ Deletion of Name	21
3	Folio Consolidation/ Change of Name	21
4	Demat	5
5	Consolidation/ Split/ Reformat of Share Certificates	21
6	Issue of Duplicate Certificates	Every quarter
7	Replacement of Certificates	21
8	Registration of Change of Address/ ECS/ Bank Details/ Nomination	5
9	Revalidation of Dividend warrants/ JEPP Letters	5
10	Registration of Power of Attorney	5
11	General Correspondence and Complaints	5

With requisite systems and procedures in place, the Company has successfully improved its service levels and has received no complaints from investors last year.

In case the above service standards are not met or if an investor has any other observations/ comments/ complaints on service levels, he may write to us at:

E-mail : [admin@ponnisugars.com](mailto:admin@ponnisugars.com)  
 Tel.No. : 044-39279300

## 14th Annual Report 2009 - 10

### Distribution of shareholding

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1-100	9864	76.98	403596	4.69
101-500	2256	17.61	550078	6.40
501-1000	341	2.66	282262	3.28
1001-10000	300	2.34	940382	10.94
10001-100000	38	0.29	918367	10.66
100001 & above	15	0.12	5503733	64.01
<b>Total</b>	<b>12814</b>	<b>100.00</b>	<b>8598418</b>	<b>100.00</b>

### Categories of Shareholding

Shares held by	No. of share holders	%	No. of shares	%
Promoters	9	0.07	3879138	45.04
FIs/UTI/Mutual Fund/Banks	8	0.06	8720	0.10
Corporate Bodies	301	2.35	1139902	13.26
Foreign Institutional Investor/NRIs/OCBs	206	1.60	196538	2.28
Resident Individuals	12291	95.92	3981220	39.32
<b>Total</b>	<b>12814</b>	<b>100.00</b>	<b>8598418</b>	<b>100.00</b>

### Top 10 Shareholders of the Company

Sl. No.	Name	Shares	% to Capital
1.	Seshasayee Paper and Boards Ltd	1785260	20.76
2.	Time Square Investments P.Ltd.	760004	8.84
3.	Mr O.K.Pithawalla	500466	5.82
4.	Mr Anubhav Aggarwal	492156	5.72
5.	Sangameshwar Properties & Holdings Ltd.	294619	3.43
6.	High Energy Batteries (India) Ltd	280382	3.26
7.	Maitreyan Amarnath	234726	2.73
8.	Mr V Ramachandren	177973	2.07
9.	Pinetree Properties Pvt Ltd	168535	1.94
10.	Lucky Valley Investments & Holdings Ltd	163890	1.91
	<b>Total</b>	<b>4856201</b>	<b>56.48</b>

### Plant

Location: Odapalli, Cauvery RSPO, Erode 638 007, Tiruchengode (Tk), Namakkal District, Tamil Nadu. Phone:04288-247351 Fax:04288-247363

### Dividend for 2009-10

#### (a) Dividend entitlement

Dividend, if declared at the Annual General Meeting, will be paid within 15 days thereof to the members whose names appear on the Register of Members on 21<sup>st</sup> July 2010 or to their mandates. In respect of shares held in electronic form, dividend will be paid to the beneficial owners of shares recorded with the depositories as of 21<sup>st</sup> July 2010 as per details to be furnished by NSDL / CDSL for the purpose.

#### (b) Validity

Dividend warrants are payable at par at the designated branches of the Bank printed on reverse of the dividend warrant for an initial period of 3 months only. Payment instrument thereafter would be payable only at limited centres. The members are, therefore, advised to encash dividend warrants within the initial validity period.

#### (c) Bank mandate

##### (i) Physical holding

In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company under the signature of the sole / first joint holder, their Bank account particulars to be incorporated in the dividend warrants. This is a mandatory requirement in terms of SEBI Circular No.D&CC/FITTC/CIR-04/2001 dated 13.11.2001.

##### (ii) Demat holding

Bank account details as furnished by their Depositories to the Company in the case of Shareholders holding shares in electronic form will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank details. Instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Shareholders who wish to change such bank account details are advised to inform their Depository Participants about such change, with complete details of bank account.



**(d) ECS mandate**

Shareholders holding shares in physical form who wish to avail Electronic Clearing Facility (ECS) may authorize the Company with their ECS mandate in the prescribed form. Requests for payment of dividend through ECS should be lodged with the Company on or before 7<sup>th</sup> July 2010.

**(e) Payment through NECS**

SEBI has made it mandatory for all companies to use the Electronic Mode of Remittance for distributing Dividends and other cash benefits. Effective 1<sup>st</sup> October 2009 Reserve Bank of India has replaced the ECS with NECS for faster credit and ease of operations. One of the eligibility criteria for remittance through NECS is that the beneficiary should have a bank account with a bank which is under Core Banking Solutions (CBS). Once a bank is converted to CBS there will be a change in the bank account number of the account holders with larger digits as prefix. Investors are advised to check with their bankers for change in the bank account number and advise their Depository Participant with whom they are maintaining the demat account. This would facilitate faster credit of dividend amount to their account.

**(f) Tax on dividend**

Dividend, if declared, will be tax free in the hands of the shareholders. Hence no form for non-deduction of tax is required from any member.

**Unclaimed Dividend**

Pursuant to Section 205 A of the Companies Act 1956, dividend remaining unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government and no claim shall lie thereafter.

**Particulars of unclaimed dividend**

Year	Dividend (%)	Date	Unclaimed		Due date by transfer to IEPF
			No. of warrants	Rs. Lakhs.	
2004-05	10	04.08.05	3094	1.65	26.08.2012
2005-06	18	31.07.06	2880	3.12	26.08.2013
2006-07	9	30.07.07	3920	2.03	23.08.2014
2007-08	6	28.07.08	4088	2.23	24.08.2015
2008-09	25	05.08.09	5544	4.70	26.08.2016

**Investor safeguards**

Members are advised to follow the general safeguards as detailed hereunder to avoid risks while dealing in securities and help the Company serve them better.

- ❖ Demat your Shares
- ❖ Obtain periodic Demat statements from your DP and verify your holdings.
- ❖ Register your Electronic Clearing Service (ECS) Mandate
- ❖ Encash your Dividends in time
- ❖ Update your Address
- ❖ Consolidate your Multiple Folios
- ❖ Register Nominations
- ❖ Treat Security details confidential. Do not disclose your Folio No./ DP Id./ Client Id. to an unknown person.
- ❖ Do not hand over signed blank transfer deeds/ delivery instruction slips to any unknown person.
- ❖ Deal in Securities only with SEBI Registered Intermediaries
- ❖ Despatch Documents containing certificates of securities and high value dividend/ interest warrants/ cheques/ demand drafts only by registered post/ courier or lodge with the Company's Share Department or the Registrar and Transfer Agents.

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

**To the Members of Ponni Sugars (Erode) Limited**

We have examined the compliance of conditions of Corporate Governance by Ponni Sugars (Erode) Ltd. for the year ended 31<sup>st</sup> March 2010 as stipulated in the Clause 49 of the Listing Agreement of the said company with the Stock Exchange(s).

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 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, and the representations made by the Directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained and certified by the Company / Registrars and Transfer Agent of the company, there were no investor grievances remaining unattended / pending for more than 30 days as at 31<sup>st</sup> March 2010.

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

**For Maharaj N R Suresh & Co**  
FRN No.001931S  
Chartered Accountants

**N R Suresh**  
Partner  
Membership No. 21661

Chennai  
28th May 2010

**For R Subramanian And Company**  
FRN No.004137S  
Chartered Accountants

**A Ganesan**  
Partner  
Membership No. 21438





**Ponnig Sugars (Erode) Limited**

**AUDITORS' REPORT TO THE MEMBERS OF PONNIG SUGARS (ERODE) LIMITED**

1. We have audited the attached Balance Sheet of Ponnig Sugars (Erode) Limited as at 31st March 2010, 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.
2. We conducted our audit in accordance with the 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.
3. 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 enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to 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 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, as on 31<sup>st</sup> March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2010 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 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India: -
      - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2010;
      - b) In the case of the Profit and Loss Account, of the PROFIT for the year ended on that date; and
      - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Maharaj N R Suresh & Co**  
FRN No.001931S  
Chartered Accountants

**N R Suresh**  
Partner  
Membership No. 21661

Chennai  
28th May 2010

**For R Subramanian And Company**  
FRN No.004137S  
Chartered Accountants

**A Ganesan**  
Partner  
Membership No. 21438

**Annexure to Auditors' Report**

**Referred to in Paragraph 3 of our report of even date**

- |   |   |
|---|---|
| <p>(i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.</p> <p>(b) These fixed assets have been physically verified by the management at reasonable intervals which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.</p> <p>(c) No substantial part of fixed assets have been disposed off during the year.</p>   | <p>(v) In our opinion and according to the information and explanations given to us:</p> <p>(a) particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.</p> <p>(b) transactions made in pursuance of such contracts or arrangement have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.</p>   |
| <p>(ii) (a) Inventories have been physically verified by the management. In our opinion, the frequency of verification is reasonable.</p> <p>(b) 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.</p> <p>(c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records have been properly dealt with in the books of accounts and were not material.</p> | <p>(vi) The company has not accepted deposits from public and therefore the provisions of Section 58 A, 58 AA and other relevant provisions of the Companies Act, 1956 are not applicable.</p> <p>(vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.</p> <p>(viii) On the basis of records produced to us, we are of the opinion that, prima facie, the cost records prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 have been made and maintained. However, we are not required to and have not carried out any detailed examination of such records.</p> |
| <p>(iii) (a) The Company has not granted any loans, secured/unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.</p> <p>(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act.</p>  | <p>(ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it. The company is advised that the provisions of Employees' State Insurance Act are not applicable. No amount is payable to Investor Education and Protection Fund.</p>  |
| <p>(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.</p>  | <p>(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at 31<sup>st</sup> March 2010 for a period of more than six months from the date they became payable.</p> <p>(c) According to the information and explanations given to us, there are no disputed Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise</p>  |

**Ponni Sugars (Erode) Limited**

Duty and Cess amounts that have not been deposited other than Income tax demands of Rs. 1246.29 lakhs as detailed below:

Sl. No	Name of the Statute	Nature of Dues	Amount Rs. lacs	Dispute pending before
1	The Income Tax Act, 1961	Income Tax	1246.29	Madras High Court

- (x) The company has no accumulated losses, as at 31<sup>st</sup> March 2010. The company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- (xi) The company has not defaulted in repayment of dues to banks.
- (xii) The company has not granted loans and advances 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.
- (xiv) The company was dealing in Mutual Fund investments during the year. Proper records of

- (xv) The company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) The Company has not obtained any Term loan during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the financial statements of the company, we report that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) During the year the company has not made any preferential allotment of shares.
- (xix) The company has no outstanding debentures at the end of the year.
- (xx) The company has not raised money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For Maharaj N R Suresh & Co**  
FRN No.001931S  
Chartered Accountants

**N R Suresh**  
Partner  
Membership No. 21661

Chennai  
28th May 2010

**For R Subramanian And Company**  
FRN No.004137S  
Chartered Accountants

**A Ganesan**  
Partner  
Membership No. 21438

## BALANCE SHEET AS AT 31st MARCH 2010

	Schedule No.	As at 31.03.2010 (Rs.in Lakhs)	As at 31.03.2009 (Rs.in Lakhs)
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
[a] Capital	1	859.84	859.84
[b] Reserves and Surplus	2	7103.99	3819.65
		7963.83	4679.49
<b>2. Loan Funds</b>			
Secured Loans	3	3430.18	3358.04
		343.00	896.00
<b>TOTAL</b>		<b>11737.01</b>	<b>8933.53</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
[a] Gross Block		7095.40	6962.16
[b] Less: Depreciation		2392.25	2190.99
[c] Net Block	4	4703.15	4771.17
[d] Capital Work-in-Progress			14.74
		4703.15	4785.91
<b>2. Investments</b>			
	5	828.80	728.80
<b>3. Current Assets, Loans and Advances</b>			
[a] Inventories	6	8966.90	5092.33
[b] Sundry Debtors	7	1227.12	171.71
[c] Cash and Bank Balances	8	305.67	239.14
[d] Loans and Advances	9	1333.51	1071.01
		11835.20	6574.19
<b>Less: Current Liabilities and Provisions</b>			
[a] Current Liabilities	10	3594.76	2717.48
[b] Provisions	11	2035.38	437.89
		5630.14	3155.37
<b>Net Current Assets</b>		<b>6205.06</b>	<b>3418.82</b>
<b>TOTAL</b>		<b>11737.01</b>	<b>8933.53</b>

Note: Schedules 1 to 11 and Notes in Schedule 22 form part of this Balance Sheet.

Per our Report of even date annexed

For Maharaj N R Suresh & Co.  
FRN No. 001931S  
Chartered Accountants  
N R Suresh  
Partner  
Membership No. 21661  
Chennai  
26th May 2010

For R.Subramanian And Company  
FRN No. 004137S  
Chartered Accountants  
A Ganesan  
Partner  
Membership No. 21438

N Gopala Ratnam  
L M Ramakrishnan  
Arun G Bijur  
Bimal Poddar

S K Ramasamy  
N Ravindranathan  
V Sridar  
N R Krishnan

Directors

N Ramanathan  
Managing Director

N Ramanathan  
Secretary





**Ponnai Sugars (Erode) Limited**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010**

	Schedule No.	Year Ended 31.03.2010 (Rs. in Lakhs)	Year Ended 31.03.2009 (Rs. in Lakhs)
<b>INCOME</b>			
Sales (Gross)		25467.75	14563.14
Less : Excise duty		1003.42	836.27
Net Sales		24464.33	13726.87
Other Income	12	218.39	183.73
Inventory change	13	3907.91	1190.00
		28590.63	15100.60
<b>EXPENDITURE</b>			
Raw Materials Consumed	14	16802.54	9241.61
Process & Packing Materials Consumed		711.25	534.63
Utilities	15	1491.42	1094.53
Employee Cost	16	919.87	883.33
Repairs and Maintenance	17	650.14	594.78
Other Expenses	18	578.27	392.61
		21153.49	12741.49
<b>Profit before Interest and Depreciation</b>		7437.14	2359.11
Interest & Financing Charges	19	176.69	189.39
Depreciation		306.19	297.29
		484.88	486.68
<b>Profit before exceptional items</b>		6952.26	1872.43
Exceptional items	20	1410.86	
<b>PROFIT BEFORE TAX</b>		5541.40	1872.43
Provision for Tax	21	1856.00	646.42
<b>PROFIT AFTER TAX</b>		3685.40	1226.01
Surplus in Profit & Loss Account		687.95	313.43
Transfer to General Reserve		2500.00	600.00
Proposed Dividend		343.94	214.96
Tax on Dividend		57.12	36.53
		1472.29	687.95
<b>BALANCE CARRIED FORWARD</b>			
Basic and Diluted Earnings Per Share (Rs.) (Nominal Value Rs.10 per Share) (refer Schedule 22, Note 7)		42.86	14.48

Note: Schedules 12 to 21 and Notes in Schedule 22 form part of this Profit & Loss Account.

Per our Report of even date annexed

For Maharaj N R Suresh & Co.  
FRN No. 001931S  
Chartered Accountants  
N R Suresh  
Partner  
Membership No. 21661  
Chennai  
28th May 2010

For R.Subramanian And Company  
FRN No. 004137S  
Chartered Accountants  
A Ganesan  
Partner  
Membership No. 21438

N Gopala Ratnam  
L M Ramakrishnan  
Arun G Bijur  
Bimal Poddar  
Directors

S K Ramasamy  
N Ravindranathan  
V Sridar  
N R Krishnan

N Ramanathan  
Managing Director

N Ramanathan  
Secretary

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	31.03.2010 (Rs. in Lakhs)		31.03.2009 (Rs. in Lakhs)	
<b>SCHEDULE 1</b>				
<b>CAPITAL</b>				
<b>Authorised</b>				
1,50,00,000 Equity Shares of Rs.10/- each	1500.00		1500.00	
		1500.00		1500.00
<b>Issued, Subscribed and Paid-up</b>				
85,98,418 Equity Shares of Rs.10/- each	859.84		859.84	
		859.84		859.84
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS</b>				
	31.03.2009	Additions	Deductions	31.03.2010
Capital Reserve	471.70	—	—	471.70
Securities Premium	160.00	—	—	160.00
General Reserve	2500.00	2500.00	—	5000.00
Balance in Profit & Loss Account	687.95	3284.34	2500.00	1472.29
	3819.65	5784.34	2500.00	7103.99
<b>SCHEDULE 3</b>				
<b>SECURED LOANS</b>				
<b>Loans and Advances</b>				
<b>From Banks</b>				
<b>Working Capital Loans (Note 1)</b>				
Short Term Loan	501.03		503.56	
Cash Credit	1024.02		760.83	
Loan under Special Scheme (Note 2)	1195.06		1206.07	
		2720.11		2470.46
<b>Term Loans</b>				
IDBI Bank Limited (Note 3)				
- 6% Rupee Loan	710.07		887.58	
		710.07		887.58
		3430.18		3358.04

**Ponni Sugars (Erode) Limited**

Note:

- [1] Working Capital Loans are secured by first charge on inventories, book debts and specific movables and second charge on fixed assets.
- [2] The Loan under the 'Scheme for Extending Financial Assistance to Sugar Undertakings, 2007' is eligible for interest subvention upto 12%.
- [3] The 6% Rupee Loan of IDBI Bank is secured by first charge on immovable and movable properties subject to prior charge on specific movables securing Working Capital Loans. This is repayable in 10 half yearly instalments from April 2009 with right of acceleration and recompense.

**SCHEDULE 4  
FIXED ASSETS**

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2009	Additions	Deductions	As at 31.03.2010	Upto 31.03.2009	For the year	With- drawn	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land	419.47	29.73	—	449.20	—	—	—	—	449.20	419.47
Buildings	1378.41	32.69	—	1411.10	278.00	30.62	—	308.62	1102.48	1100.41
Plant & Machinery	4977.37	242.88	184.42	5035.63	1810.02	257.52	99.70	1967.84	3067.79	3167.35
Furniture, Fixtures & Equipments	146.70	9.63	4.99	151.34	86.41	9.95	4.64	91.72	59.62	60.29
Vehicles	33.25	4.00	0.88	38.37	9.60	3.30	0.59	12.31	24.06	23.65
Intangible Assets- Software	6.96	4.80	—	11.76	6.96	4.80	—	11.76	—	—
	6962.16	323.53	190.29	7095.40	2190.99	306.19	104.93	2392.25	4703.15	4771.17
Previous Year	6672.86	366.36	77.06	6962.16	1935.49	297.29	41.79	2190.99	4771.17	

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	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)	
<b>SCHEDULE 5</b>			
<b>INVESTMENTS</b>			
<b>Long Term - Trade</b>			
Equity Shares of Rs. 10/- each fully paid.			
Quoted:			
Seshasayee Paper and Boards Ltd	720.00	720.00	
High Energy Batteries(India) Ltd	100.00	—	
	820.00	720.00	
UnQuoted:			
Time Square Investments Private Ltd	8.00	8.00	
SPB Projects and Consultancy Ltd	0.50	0.50	
Esvin Advanced Technologies Ltd.	0.30	0.30	
	8.80	8.80	
	828.80	728.80	
	2311.10	840.60	
Note:			
1. Market Value of Quoted Investments			
2. Current investments purchased and sold during the year:			
	Face Value Rs. Per Unit	Nos	Cost Rs. Lakhs
- LIC MF Liquid Fund	10	45992295	5050
- IDFC Money Manager Fund	10	2979096	300
- UTI Treasury Advantage Fund	1000	167917	2050
<b>SCHEDULE 6</b>			
<b>INVENTORIES</b>			
Stores and Spares	173.06	204.40	
Stock in Trade			
Sugar	8287.33	4602.21	
Molasses	382.78	202.96	
	8670.11	4805.17	
Work in Progress	125.73	82.76	
	8968.90	5092.33	
<b>SCHEDULE 7</b>			
<b>SUNDRY DEBTORS</b>			
<b>Unsecured - Considered Good</b>			
Exceeding Six Months	—	—	
Others	1227.12	171.71	
	1227.12	171.71	
<b>SCHEDULE 8</b>			
<b>CASH AND BANK BALANCES</b>			
Cash on hand	2.59	1.35	
Bank Balances			
In Current Accounts	175.75	228.68	
In Deposit Accounts - LC Margin	113.60	—	
In Unpaid Dividend Accounts	13.73	9.11	
	303.08	237.79	
	305.67	239.14	





Ponnai Sugars (Erode) Limited

	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>SCHEDULE 9</b>		
<b>LOANS AND ADVANCES</b>		
<b>Unsecured - Considered Good</b>		
Advances recoverable in cash or in kind or for value to be received		
Advance to Suppliers	349.14	97.52
Incentives/Subsidies receivable	883.02	844.63
Prepaid Expenses	30.21	16.97
Others	47.06	59.23
Balance with Excise Dept	24.08	52.66
	<b>1333.51</b>	<b>1071.01</b>
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
Micro and Small enterprises ( Note 9 of Schedule 22)	—	—
Supplies	2686.89	1875.37
Expenses	162.13	170.97
	<b>2849.02</b>	<b>2046.34</b>
Purchase / Sales tax	191.01	198.79
Interest accrued but not due	3.62	4.71
Excise duty	363.90	338.50
Unclaimed dividend (Note)	13.73	9.11
Others	173.48	120.03
	<b>3594.76</b>	<b>2717.48</b>
<b>Note:</b>		
There is no amount due and outstanding to be credited to Investor Education and Protection Fund.		
<b>SCHEDULE 11</b>		
<b>PROVISIONS</b>		
Proposed Dividend	343.94	214.96
Tax on Dividend	57.12	36.53
Provision for Taxation (net of Advance Tax)	223.46	186.40
Provision for diminution in the value of the contract for raw sugar import	1410.86	—
	<b>2035.38</b>	<b>437.89</b>

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	<b>31.03.2010</b> (Rs. in Lakhs)	<b>31.03.2009</b> (Rs. in Lakhs)
<b>SCHEDULE 12</b>		
<b>OTHER INCOME</b>		
Incentives & Subsidies	—	19.52
Scrap sales	82.14	58.40
Interest	24.05	1.09
Dividend Income - Long term investments - Trade	42.14	48.25
- Current investments - Non Trade	14.74	12.85
Exchange difference - Gain	11.98	8.67
Profit on Sale of Current Investments	8.35	—
Others	34.99	34.95
	<b>218.39</b>	<b>183.73</b>
Tax deducted at source	0.49	0.18
<b>SCHEDULE 13</b>		
<b>INVENTORY CHANGE</b>		
Opening Stock - Finished Goods	4805.17	3624.78
- Work-in-Progress	82.76	73.15
	<b>4887.93</b>	<b>3697.93</b>
Closing Stock - Finished Goods	8670.11	4805.17
- Work-in-Progress	125.73	82.76
	<b>8795.84</b>	<b>4887.93</b>
Inventory change Increase / (decrease)	<b>3907.91</b>	<b>1190.00</b>
<b>SCHEDULE 14</b>		
<b>RAW MATERIALS CONSUMED</b>		
Sugar cane		
- Price	13840.45	8593.22
- Taxes & Duties	524.29	441.21
- Incentives	501.48	207.18
	<b>14866.22</b>	<b>9241.61</b>
Raw Sugar	1936.32	—
	<b>16802.54</b>	<b>9241.61</b>
<b>SCHEDULE 15</b>		
<b>UTILITIES</b>		
Power	14.71	27.20
Fuel	1459.88	1062.97
Water	16.83	4.25
	<b>1491.42</b>	<b>1094.43</b>



**Ponnai Sugars (Erode) Limited**

	31.03.2010 (Rs. in Lakhs)	31.03.2009 (Rs. in Lakhs)
<b>SCHEDULE 16</b>		
<b>EMPLOYEE COST</b>		
Salaries, Wages & Bonus	768.40	674.61
Contribution to Provident & other Funds	72.55	119.89
Welfare Expenses	78.92	88.83
	<u>919.87</u>	<u>883.33</u>
<b>SCHEDULE 17</b>		
<b>REPAIRS &amp; MAINTENANCE</b>		
Plant & Machinery	470.69	533.88
Buildings	173.33	54.39
Others	6.12	7.01
	<u>650.14</u>	<u>594.78</u>
<b>SCHEDULE 18</b>		
<b>OTHER EXPENSES</b>		
Excise duty Provision	148.50	96.53
Rent	19.91	6.30
Rates & Taxes	17.39	15.36
Insurance	91.13	17.79
Travel	87.56	77.53
Communication	12.66	13.99
Printing & Stationery	12.55	11.11
Professional & Consultancy	16.68	8.88
Directors' sitting fees	3.95	2.90
Auditors' remuneration (Note)	7.27	6.96
Freight & Handling	54.93	29.15
Commission on Sales	9.85	4.01
Exchange difference - Loss		1.20
Assets discarded	77.67	27.55
Miscellaneous	78.22	73.37
	<u>578.27</u>	<u>392.61</u>
<b>Note:</b>		
i) Audit	3.60	2.40
Taxation matters	1.20	1.20
Other services	1.34	2.59
Expenses	0.50	0.42
	<u>6.64</u>	<u>6.61</u>
ii) Cost Audit	0.40	0.30
Other services	0.15	
Expenses	0.08	0.05
	<u>0.63</u>	<u>0.35</u>
	<u>7.27</u>	<u>6.96</u>

	31.03.2010 (Rs. In Lakhs)	31.03.2009 (Rs. In Lakhs)
<b>SCHEDULE 19</b>		
<b>INTEREST &amp; FINANCING CHARGES</b>		
Fixed Loans	54.98	61.23
Working Capital Loans	78.19	101.81
Other Financing charges	45.54	26.35
	178.69	189.39
<b>SCHEDULE 20</b>		
<b>EXCEPTIONAL ITEMS</b>		
Provision for diminution in the value of the contract for raw sugar import (Note)	1410.86	—
	1410.86	—
 <b>Note :</b> The company in January 2010 has entered into a firm purchase contract for July 2010 shipment of imported raw sugar. Since then there has been a steep decline in the World raw sugar price. The import contract being onerous, the difference in raw sugar price between the contract date and the Balance Sheet date has given rise to a present obligation for the company on the Balance Sheet date. Provision for this has been recognised in deference to Accounting Standard 29 - "Provisions, Contingent Liabilities and Contingent Assets".		
<b>SCHEDULE 21</b>		
<b>PROVISION FOR TAX</b>		
Current Tax	2409.00	355.00
Deferred Tax	(553.00)	284.00
Fringe Benefit Tax	—	7.42
	1856.00	646.42





**SCHEDULE 22**

**NOTES ON ACCOUNTS**

**1. SIGNIFICANT ACCOUNTING POLICIES:**

**a) Basis of Preparation of Financial Statements**

The financial statements have been prepared on historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards.

**b) Use of Estimates**

Estimates and assumptions made by management in the preparation of Financial Statements have a bearing on reported amounts of Financial Results, Assets & Liabilities and the disclosure of Contingent Liabilities. Actual results could differ from those estimates. Any revision to accounting estimate is recognized prospectively.

**c) Inventories**

Inventories other than molasses are valued at lower of cost and net realizable value. Cost includes taxes and duties, net of cenvat credit entitlement. Cost of raw materials, consumables, stores and spares is determined on weighted average basis and includes inward freight and other direct expenses. Cost of work in progress and stock in trade includes material, direct labour and production overheads. Molasses is valued at net realizable value, since the cost is not determinable. Slow moving and obsolete items are adequately provided for.

**d) Depreciation / Amortization**

Depreciation on fixed assets is provided under Straight Line Method in accordance with Schedule XIV to the Companies Act, 1956 at the rates specified therein.

Intangible assets are amortized equally over the estimated useful life not exceeding three years.

**e) Revenue and Expenditure Recognition**

Revenue is recognised and expenditure is accounted for on their accrual.

Excise duty recovery from customer is deducted from Turnover (Gross). Excise duty differential between closing and opening stock of excisable goods is included under Other Expenses.

Revenue from domestic sale is recognized on delivery to the carrier, when risk and rewards of ownership pass on to the customer.

Revenue from Export sales is recognized when risk and rewards are passed on to the customer in accordance with the terms of the contract.

Dividend income is recognized when the right to receive payment is established.

Other items of income are recognized when there is no significant uncertainty as to measurability or collectability.

**f) Fixed Assets**

Fixed Assets are stated at cost less depreciation. Cost includes taxes and duties (other than excise duty for which CENVAT credit is available), freight, installation and other direct or allocated expenses and interest on related borrowing during the period of construction.

**g) Foreign Exchange Transaction**

Transactions in foreign exchange are initially recognised at the rates prevailing on the dates of transactions.

Premium or discount arising at the inception of forward contract is amortised as income or expense over the life of the contract. Exchange difference on such contracts is recognised in the reporting period in which exchange rates change.

All monetary assets and liabilities are restated at each Balance Sheet date using the closing rate. Resultant exchange difference is recognized as income or expense in that period.

**h) Government Grants**

Government Grants related to revenue are recognized on accrual to match them with related costs that are intended to be compensated. Such grants towards subsidizing specific expenses are deducted from related expenses. Other grants are shown separately under other income.

**i) Investments**

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

Current investments are valued at lower of cost and fair value.

**j) Employee Benefits**

Short term Employee benefits are charged at the undiscounted amount to P&L a/c in the year in which related service is rendered.

Contributions to defined contribution schemes towards retirement benefits in the form of provident fund and superannuation fund for the year are charged to profit and loss account as incurred.

Liabilities in respect of defined benefit plans are determined based on actuarial valuation made by an independent actuary using Projected Unit Credit Method as at the balance sheet date. Actuarial gains or losses are recognized immediately in the profit and loss account. Obligation for leave encashment is recognized in the same manner.

Terminal benefits are recognized as expense as and when incurred.

**k) Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act 1961. Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses.

**l) Impairment of Assets**

Impairment loss, if any, is provided to the extent the carrying amount of assets exceeds their recoverable amount.

**m) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. Contingent Liabilities are disclosed, unless the possibility of any outflow in settlement is remote, in the Notes on Accounts. Contingent Assets are neither recognised nor disclosed.

Outstanding contracts are reviewed at the Balance Sheet date and any diminution in value, if material is provided for or disclosed as Contingent Liability as appropriate.

**n) Derivatives**

The Company enters into Futures Contracts in Sugar to hedge price risk consistent with its Risk Management Policy. The Company does not use these contracts for speculative purposes.

Gains / losses on these futures contracts are recognized on settlement and adjusted against sales. Provision is made for losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market, while gains are ignored.

**2. Outstanding litigations**

(i) The Company has contested the claim of Sugar Development Fund (SDF) towards loans due from erstwhile Ponni Sugars and Chemicals Ltd for Rs.949.72 lakhs as of 3<sup>rd</sup> October 2005.

(ii) SDF authorities have withheld eligible subsidies of Rs.690.30 lakhs (Previous year Rs. 690.30 lakhs) due to the Company.

(iii) The Assessing Officer has disallowed depreciation claim of the Company on the transfer value of assets in terms of Scheme of Arrangement by treating same as Demerger within the meaning of Income Tax Act, 1961.

The Company has filed Writ Petitions before High Court of Madras in respect of above matters and has obtained interim stay in respect of Income Tax matters. The Company has been legally advised that probability of outflow of resources arising out of aforesaid legal issues would be remote. Accordingly, no provision or disclosure of contingent liability is required in terms of Accounting Standard 29 of the Companies (Accounting Standards) Rules, 2006.

	31.03.2010 (Rs.in Lakhs)	31.03.2009 (Rs.in Lakhs)
3. a) Contingent liabilities not provided for - Indirect Tax demands contested	—	8.91
b) Estimated value of contracts remaining to be executed on capital account	19.70	17.25



**Ponni Sugars (Erode) Limited**

**4. Information required by Paragraph 3,4,4A,4B,4C and 4D of part II of Schedule VI to the Companies Act, 1956:**

	31.03.2010		31.03.2009	
	Qty (t)	Value (Rs in Lakhs)	Qty (t)	Value (Rs in Lakhs)
a) Turnover				
Sugar	76391	21976.37	65943	12109.10
Bagasse	226380	1946.27	166843	1403.73
Molasses	35203	1546.11	28302	1050.31
		<u>25467.75</u>		<u>14563.14</u>
b) Raw materials Consumed				
- Sugar cane	808612	14866.22	680238	9241.61
- Raw Sugar	9608	1936.32	—	—
		<u>16802.54</u>		<u>9241.61</u>
c) Opening and Closing Stocks (t)				
	Opening Stock		Closing Stock	
	01.04.2009	01.04.2008	31.03.2010	31.03.2009
Sugar	31072	25195	45601	31072
Molasses	4750	1975	8687	4750
		31.03.2010 (Rs in Lakhs)		31.03.2009 (Rs in Lakhs)
d) Remuneration to Managing Director Included under Schedule 16 & 18 comprises of:				
Salary & Allowances		14.40		14.40
Perquisites		1.85		0.42
Contribution to Provident and other Funds (defined contribution plans)		2.92		2.92
Commission		10.80		10.80
Total		<u>29.97</u>		<u>28.54</u>
Remuneration excludes provision for liabilities in respect of gratuity and leave encashment that are based on actuarial valuation done on overall company basis.				
e) Computation of net profit in accordance with Sections 198 and 309 of the Companies Act 1956		31.03.2010 (Rs.in Lakhs)		31.03.2009 (Rs.in Lakhs)
Profit for the year		5541.40		1872.43
Add: Managing Director's remuneration		29.97		28.54
Director's Sitting Fees		3.95		2.90
Provision for diminution in the value of the contract for raw sugar import		1410.86		—
Less: Excess of expenditure over income remaining unadjusted		—		292.54
Net Profit		<u>6986.18</u>		<u>1611.33</u>
Director's commission thereon @ 3% restricted to annual salary		10.80		10.80
f) Capacity and Production:				
Licensed capacity :		Delicensed.		
Product	Installed Capacity	Actual Production (Tonnes)		
	(Tonnes of Cane Crushing per Day)	31.03.2010		31.03.2009
Sugar	2500	90920		71820

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	31.03.2010		31.03.2009	
	(Rs.in Lakhs)	%	(Rs.in Lakhs)	%
g) Value of Imports calculated on CIF basis				
Raw materials	1817.07		—	
Capital goods	—		—	
h) Expenditure in Foreign Currency	0.67		0.48	
i) Raw Materials consumed				
Imported	1936.32	12	—	—
Indigenous	14866.22	88	9241.61	100
j) Components and spare parts				
Imported	—	—	—	—
Indigenous	416.62	100	393.59	100
k) Dividend remitted in foreign currency				

Year	No. of share holders	No. of Equity Shares
2008-09	2	242740
2007-08	2	242740

l) Earnings in Foreign Currency		
FOB value of Exports	—	299.83

**5. Employee Benefits**

(i) Defined Contribution Plans

Contribution of Rs. 65.33 lakhs (Previous year Rs. 60.52 lakhs) to defined contribution plans is recognized as expense and included in Employee Cost ( Schedule 16 ) in the profit and loss account.

(ii) Defined Benefit Plans

**Disclosure for defined benefit plans based on actuarial valuation as on 31.03.2010**

(Rs.in Lakhs)

General description	Post Employment benefit Gratuity			Long term compensated absence Leave Encashment		
	- Funded plan - Non contributory			- Funded plan - Non contributory		
	31.03.10	31.03.09	31.03.08	31.03.10	31.03.09	31.03.08
<b>(i) Change in Defined Benefit Obligation</b>						
Present value - Opening balance	299.66	250.07	226.02	58.53	44.32	25.14
Current service cost	24.00	15.11	10.56	6.50	9.63	7.85
Interest cost	20.45	19.37	17.72	3.44	3.05	1.61
Actuarial (Gain)/ Loss	17.67	30.93	4.74	25.01	13.92	19.85
Benefits paid	(14.88)	(15.82)	(8.97)	(18.97)	(12.39)	(10.13)
Present value - Closing balance	346.90	299.66	250.07	74.51	58.53	44.32
<b>(ii) Change in Fair Value of Plan Assets</b>						
Opening balance	298.97	238.70	219.86	—	—	—
Expected return	26.11	23.92	19.66	1.75	—	—
Actuarial gain/ (loss)	28.80	(17.89)	1.99	(1.42)	—	—
Contributions by employer	14.69	70.06	6.16	43.31	12.39	10.13





**Ponni Sugars (Erode) Limited**

Benefits paid	(14.88)	(15.82)	(8.97)	—	(12.39)	(10.13)
Closing balance	353.69	298.97	238.70	43.64	—	—
Actual Return	54.91	6.04	21.65	0.33	—	—
<b>(iii) Amount recognized in the Balance Sheet (as at year end)</b>						
Present value of obligations	346.90	299.66	250.07	74.51	58.53	44.32
Fair value of plan assets	353.69	298.97	238.70	43.64	—	—
Net (asset) / liability recognized	(6.79)	0.69	11.37	30.87	58.53	44.32
<b>(iv) Expenses recognized in the Profit and Loss Account</b>						
Current service cost	24.00	15.11	10.56	6.50	9.63	7.85
Interest on obligation	20.45	19.37	17.72	3.44	3.05	1.61
Expected return on plan assets	(26.11)	(23.92)	(19.68)	(1.75)	—	—
Net actuarial (gain)/ loss	(11.13)	48.82	2.75	26.43	13.92	19.85
Total included in 'Employee Cost' (Sch16)	7.21	59.38	11.37	34.62	26.60	29.31
<b>(v) Asset information</b>						
	Insurance Policy (100%)			Insurance Policy (100%) Previous year Nil		
<b>(vi) Principal actuarial assumptions</b>						
Mortality	LIC (1994-96) ultimate table			LIC (1994-96) ultimate table		
Discount rate (%)	7.92	7.42	8.00	7.92	7.42	8.00
Future salary increase (%)	5.00	5.00	5.00	5.00	5.00	5.00
Rate of return of plan assets (%)	8.00	8.00	9.00	8.00	—	—
Expected Average remaining working lives of employees (years)	10.00	8.00	10.00	10.00	8.00	10.00
<b>(vii) Expected Contribution</b>						
	30.00	35.00	25.00	35.00	—	—
<b>(viii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.</b>						
<b>6. Related Party Disclosures</b>						
(a) List of Related Parties where control exists	: None					
<b>(b) Transaction between Related Parties:</b>						
<b>i) Names of the transacting Related Parties</b>						
	: Seshasayee Paper and Boards Ltd (SPB) High Energy Batteries (India) Ltd (HEB) SPB Projects & Consultancy Ltd Esvi International (Engineers & Exporters) Ltd					
ii) Description of relationship	: Presumption of significant influence					
<b>iii) Description of Transactions:</b>						
	<b>31.03.2010</b>		<b>31.03.2009</b>			
	<b>(Rs.in Lakhs)</b>		<b>(Rs.in Lakhs)</b>			
	SPB	Others	SPB	Others		
Sale of goods	1951.70	-	1427.87	-		
Purchase of goods	1503.69	-	1101.41	-		
Subscription to Equity Shares in HEB	-	100.00	-	-		
Services availed (Net)	0.72	8.47	8.15	8.91		
Rent Paid	-	3.65	-	3.68		
Dividend Received	42.00	0.14	48.00	0.25		
Dividend paid	44.63	7.13	8.31	1.68		
Amount outstanding at the year end (payable) / receivable (net)	158.63	0.02	170.77	(0.85)		

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iv) No amount has been written off or written back during the year in respect of debts due from or to related parties.

v) Key Management Personnel : N. Ramanathan – Managing Director

	31.03.2010 (Rs.in Lakhs)	31.03.2009 (Rs.in Lakhs)
- Remuneration vide Note No. 4(d)	29.97	28.54
- Amount due at the year end towards Commission	10.80	10.80

**7. Earnings per Share**

Profit after tax (Rs. Lakhs)	3685.40	1226.01
Weighted Average No. of Shares (in lakhs)	85.98	84.80
Face value per share (Rs.)	10.00	10.00
Basic and Diluted Earnings Per Share (Rs)	42.86	14.46

**8. Deferred Tax Liability comprises:**

Deferred Tax liability on account of:		
a) Depreciation	932.00	975.00
b) Others	10.00	6.00
<b>Total</b>	<b>942.00</b>	<b>981.00</b>

Deferred Tax assets on account of :

a) Provision for diminution in the value of the contract for raw Sugar Import	469.00	—
b) Disallowance under Section 43B	130.00	85.00
<b>Total</b>	<b>599.00</b>	<b>85.00</b>

Net Deferred Tax Liability 343.00 896.00

9. Micro enterprises and Small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined to the extent such parties have been identified on the basis of information available with the company. There are no overdues to parties on account of principal amount and/or interest and accordingly no additional disclosures have been made.

10. The Company is engaged in a single business and geographical segment.

11. Figures for the previous year have been regrouped, wherever necessary.

Per our Report of even date annexed

For Maharaj N R Suresh & Co.  
FRN No. 001991S  
Chartered Accountants  
N R Suresh  
Partner  
Membership No. 21661  
Chennai  
28th May 2010

For B.Subramanian And Company  
FRN No. 004137S  
Chartered Accountants  
A Ganesan  
Partner  
Membership No. 2143B

N Gopala Ratnam  
L M Ramakrishnan  
Arun G Bijur  
Bimal Poddar

S K Ramasamy  
N Ravindranathan  
V Sridar  
N R Krishnan

Directors

N Ramanathan  
Managing Director

N Ramanathan  
Secretary



## Ponnai Sugars (Erode) Limited

Additional Information as per Part IV of Schedule VI to the Companies Act, 1956

### Balance Sheet abstract and Company's general business profile

**i) Registration Details**

Registration Number: 37200

State Code: 18

Balance Sheet Date: 31.03.2010

**ii) Capital raised during the Year (Amount in Rs.Thousands)**

Public Issue: Nil

Rights Issue: Nil

Bonus Issue: Nil

Private Placement: Nil

**iii) Position of mobilisation and deployment of Funds:**

(Amount in Rs.Thousands)

<b>Total Liabilities</b>	<b>1173701</b>	<b>Total Assets</b>	<b>1173701</b>
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	85984	Net Fixed Assets	470315
Reserves & Surplus	710399	Investments	82880
Secured Loans	349018	Net Current Assets	620506
Unsecured Loans		Accumulated Losses	
Deferred Tax	34300		

**iv) Performance of the Company (Amount in Rs.Thousands)**

Turnover including other income : 2468272

Total Expenditure : 1914132

Profit before Tax : 554140

Profit after Tax : 368540

Earnings Per Share in Rs : 42.86

Dividend (%) : 40

**v) Generic Names of Principal Products/Services of the Company (as per monetary terms)**

Item Code No. (ITC Code)	Product Description
17011190	Cane Sugar
17031000	Cane Molasses
23032000	Bagasse

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	(Rs. in Lakhs) For the Year Ended 31.03.2010	(Rs. in Lakhs) For the Year Ended 31.03.2009
<b>A. Cash flow from Operating Activities:</b>		
Profit before tax	5541.40	1872.43
Adjustments for :		
Depreciation	308.19	297.29
Provision for diminution in the value of the contract for raw sugar import	1410.86	-
Interest	154.64	188.30
Dividend	(56.88)	(61.10)
Profit on sale of current Investments	(8.35)	-
(Profit) / Loss on sale of assets	4.14	0.52
Assets discarded	77.67	27.55
	<b>1886.27</b>	<b>452.56</b>
Operating Profit before working capital changes	<b>7429.67</b>	<b>2324.99</b>
Adjustments for:		
Trade and Other Receivables	(1317.91)	496.88
Inventories	(3876.57)	(1122.11)
Trade and other payables	878.37	112.64
	<b>(4316.11)</b>	<b>(512.59)</b>
<b>Cash generated from operations</b>	<b>3113.56</b>	<b>1812.40</b>
Direct Tax paid not of refund	(2371.94)	(223.41)
<b>Net cash from operating activities(A)</b>	<b>741.62</b>	<b>1588.99</b>
<b>B. Cash flow from Investing Activities:</b>		
Purchase / Acquisition of fixed assets	(308.79)	(341.65)
Value of discarded assets	(77.67)	(27.55)
Investments	(100.00)	-
Sale of Fixed Assets / Investments	89.57	34.75
Dividend Received	58.88	61.10
<b>Net cash used in investing activities (B)</b>	<b>(340.01)</b>	<b>(273.35)</b>
<b>C. Cash flow from Financing Activities:</b>		
Repayment of Long Term Borrowing	(177.51)	(37.57)
Working Capital Loan	249.65	(882.37)
Interest Paid	(179.78)	(184.68)
Interest received	24.05	1.09
Dividened plus tax paid	(251.49)	(57.55)
<b>Net cash used in financing activities (C)</b>	<b>(335.08)</b>	<b>(1211.08)</b>
<b>Net increase in cash and cash equivalents(A+B+C)</b>	<b>66.53</b>	<b>104.56</b>
Cash and cash equivalents at the beginning	239.14	134.58
Cash and cash equivalents at the end	<b>305.67</b>	<b>239.14</b>

## Note:

- Figures in brackets represent outflows.
- Previous year figures have been regrouped wherever necessary.

Per our Report of even date annexed

For Maharaj N R Suresh & Co.  
FRN No. 001931S  
Chartered Accountants  
N R Suresh  
Partner  
Membership No. 21661  
Chennai  
28th May 2010

For R.Subramanian And Company  
FRN No. 004137S  
Chartered Accountants  
A Ganasan  
Partner  
Membership No. 21438

N Gopala Ratnam  
L M Ramakrishnan  
Arun G Bijur  
Bimal Poddar

S K Ramasamy  
N Ravindranathan  
V Sridar  
N R Krishnan

Directors

N Ramanathan  
Managing Director

N Ramanathan  
Secretary







### PONNI SUGARS (ERODE) LIMITED

Registered Office: 'ESVIN HOUSE', 13, Old Mahabalipuram Road, Seevaram Village, Porungudi, Chennai 600 096  
PHONE: 39279300 FAX: 24960156 EMAIL: admin@ponnisugars.com

#### Attendance slip

Shareholder/Proxy

(Please tick appropriately)

..... (Name of the Shareholder/Proxy) record my presence at the 14th Annual General Meeting of the Company held on Wednesday, the 21st July 2010 at 11.00 AM at New Woodlands Hotel Pvt Ltd, 72-75, Dr. Radhakrishnan Road, Mylapore, Chennai 600004.

Details of Member			
Folio No.	No. of Shares	DP ID No.*	Client ID*

\* Applicable to Members holding shares in Electronic Form

Signature

#### NOTE:

1. Please complete this attendance slip and hand it over at the entrance of the meeting hall.
2. Only Shareholders of the Company or their Proxies will be allowed to attend the meeting on production of the attendance slip duly completed and signed.



### PONNI SUGARS (ERODE) LIMITED

Registered Office: 'ESVIN HOUSE', 13, Old Mahabalipuram Road, Seevaram Village, Perungudi, Chennai 600 096  
PHONE: 39279300 FAX: 24960156 EMAIL: admin@ponnisugars.com

#### Form of proxy

Details of Member			
Folio No.	No. of Shares	DP ID No.*	Client ID*

\* Applicable to Members holding shares in Electronic Form

I/We, ..... of .....

[Name of the Shareholder(s) & Address]

being Shareholder(s) of the above Company, hereby appoint .....

(Name of Proxy) of ..... (Address of Proxy)

falling him, ..... of .....

(Name of alternate Proxy)

(Address of alternate Proxy)

as my/our proxy to vote for me/us on my/our behalf at the 14th Annual General Meeting of the Company to be held on Wednesday, the 21st July 2010 at 11.00 AM and at any adjournment thereof.

Date: .....

Signature .....

Affix  
15 Paise  
Revenue  
Stamp here

#### Note:

Form of Proxy duly completed should be deposited at the Registered Office of the Company not later than 11.00 A.M. on Monday, the 19th July 2010.

FOR OFFICE USE ONLY	
PROXY NO.	DATE OF RECEIPT

### Vision

*To excel as a trusted, socially responsible and customer driven organization providing maximum value to all stakeholders*

### Mission

*To manufacture quality products at competitive cost through technology and team work*

### Values

- *Ethical practices*
- *Customer Focus*
- *Commitment to Society, Safety and Environment*
- *Professional and Transparent Management*
- *Empowerment and Accountability*
- *Adaptability to "Change"*
- *Innovation and Creativity*
- *Emphasis on human resources development, cost reduction, productivity enhancement and resource conservation*



**PONNI SUGARS (ERODE) LIMITED**

Regd. Office: "ESVIN House"  
No. 13, Old Mahabalipuram Road, Seevaram Village  
Perungudi, Chennai 600 096