



Ponni Sugars (Erode) Ltd.

16th
Annual Report
2011-12



Sugar recovered

- ❖ *Robust rise in Cane volumes*
- ❖ *Swift rebound in recovery*
- ❖ *Exports boosted margins and relieved inventory pressures*
- ❖ *Cogeneration Project to commission soon*
- ❖ *Dividend at 25%*

Directors

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

Audit Committee

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

Remuneration Committee

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

**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
 Canara Bank

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

Cameo Corporate Services Ltd
 “Subramanian Buildings”, 5th Floor
 No.1, Club House Road, Chennai 600 002

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Financial Highlights- Ten Years at a Glance

(₹ In Lakhs)

	2002-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
For the year										
Total Income	9666	9057	8922	14074	14263	13961	15122	28591	27356	27002
Total Expenditure	8471	7926	7568	11919	13021	13984	12763	21154	25546	23730
PBIDT	1195	1131	1354	2155	1242	-23	2359	7437	1810	3272
Interest	613	371	247	217	139	112	189	179	148	119
Depreciation	234	222	227	242	245	282	297	306	309	329
Profit before exceptional items	348	538	880	1696	858	-417	1873	6952	1353	2824
Exceptional Items	212	218	-97	-38	0	-108	0	1411	-1411	212
PBT	136	320	977	1734	858	-309	1873	5541	2764	2612
Tax	50	70	375	598	368	-121	647	1856	903	833
PAT	86	250	602	1136	490	-188	1226	3685	1861	1779
EPS (₹)	1.04	3.04	7.35	13.86	5.97	-2.29	14.46	42.86	21.64	20.69
Cash EPS (₹)	4.51	6.61	11.95	18.38	8.70	-1.72	21.02	56.40	14.54	24.18
Dividend %	0	0	10	18	9	6	25	40	20	25
As at year end										
Gross Block	4940	4948	5029	5422	5752	6673	6962	7095	7564	15722
Net Block	4118	3913	3773	3940	4093	4737	4771	4703	4917	12834
Loan Funds	5182	5084	2660	2061	2456	4328	3358	3430	1645	5005
Net Worth	1472	2018	2527	3547	3951	3705	4679	7964	9625	11154
Book value per share (₹)	15.52	22.18	28.39	40.82	45.75	42.75	54.42	92.62	111.94	129.72



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 16th Annual General Meeting of the Company will be held at Hotel Deccan Plaza, 36, Royapettah High Road, Chennai 600 014 on Friday, the 20th July 2012 at 10.15 AM to transact the following business.

ORDINARY BUSINESS

1. Adoption of Accounts etc.

To consider and adopt the audited Balance Sheet as at 31st March 2012, the Profit & Loss Statement 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 V Sridar and Mr N R Krishnan 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 N R Suresh & Co (Firm Registration Number 001931S) and M/s R Subramanian and Company (Firm Registration Number 004137S), 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 C K Pithawalla, who has opted not to seek re-election, be left unfilled for the present."

6. Appointment of Director

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

"RESOLVED that Mr K Bharathan be and is hereby appointed as a Director of the Company liable to retire by rotation."

(By Order of the Board)

For PONNI SUGARS (ERODE) LIMITED

Chennai
30th May 2012

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 10.15 AM on 18th July 2012.

3. Book Closure

The Register of Members and the Share Transfer Register will remain closed from Wednesday, the 18th July 2012 to Friday, the 20th July 2012 (both days inclusive)

4. Dividend

Dividend on declaration will be paid on 6th August 2012.

Members are advised to refer to 'Shareholder Information' section of the Corporate Governance Report (Page 35 of the Annual Report) for details on dividend entitlement and dividend warrants.

5. Unpaid 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.



Accordingly the Unpaid Dividend for the Financial Year 2004-05 will be transferred to the above Fund during August 2012. Members who have not encashed their Dividend warrants are requested to lodge their claims immediately with the company.

6. E-Communication

Members are requested to opt for electronic mode of communication and support the Green initiatives of Government (Refer page 30 of the Annual Report).

7. 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.

EXPLANATORY STATEMENT

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

Item No.5:

Director Vacancy

Mr C K Pithawalla has been a director of the Company since 2001. He had indeed been closely associated with our Erode Sugar Mill for more than 2 decades. He has played an effective role through his global experiences in business ventures.

Mr C K Pithawalla retires by rotation at this Annual General Meeting. Owing to his advanced age, he has now proposed not to seek re-election upon retirement this time.

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.

Item No.6:

Appointment of Director

The Members at the Annual General Meeting held on 15th July 2011 decided not to immediately fill in the vacancy caused by the retirement of Mr S K Ramasamy. The Explanatory Statement conveyed the desire of the Board to induct an independent director in due course to restore fair balance between independent and non-independent directors.

The Board in pursuit of above identified and inducted Mr K Bharathan as an additional director effective 28th December 2011. He would hold office till the date of this meeting vide Section 260 of the Companies Act, 1956.

Mr K Bharathan is a Chartered Accountant by qualification and a Banker by profession. He started his career in 1975 and moved to ICICI Ltd in 1980. In 2002, he was deputed to ICICI Lombard General Insurance Company Ltd and later he became the National Head for Government Solutions Group. Currently he serves as the Chief Adviser of ICICI Lombard for business in South India. He has widely travelled and brings to bear rich experience in Finance, Financial Services and General Management.

The Company has received a notice under Section 257 of the Companies Act, 1956 together with requisite deposit proposing the candidature of Mr K Bharathan as Director of the Company liable to retire by rotation. Your Board commends the same for the consideration of members.

Except Mr K Bharathan, no other director is concerned or interested in this item of business.

(By Order of the Board)

For PONNI SUGARS (ERODE) LIMITED

Chennai
30th May 2012

N Ramanathan
Managing Director

Details of the Directors seeking appointment / reappointment at the 16th 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
Mr V Sridar B Sc, ACA DIN:02241339	27.07.1947	Rich experience in Banking, Finance and General Management. Held several high positions in commercial banks and National Housing Bank.	Director Aadhar Housing Finance Company Ltd	Chairman of Audit and Remuneration Committee
	05.06.2009		Hindusthan National Glass Industries Ltd	Lanco Vidarbha Thermal Power Company Ltd
			ICICI Bank Ltd	Chairman of Audit Committee
			IDFC AMC Trustee Company Ltd	Lamco Tanjore Power Company Ltd
			Lamco Tanjore Power Company Ltd	Sarda Metal & Alloys Ltd
			Lanco Vidarbha Thermal Power Company Ltd	Member of Audit and Remuneration Committee
			Morpheus Capital Advisers P Ltd	Seshasayee Paper and Boards Ltd
			Seshasayee Paper and Boards Ltd	Member of Audit Committee
			SPB Papers Ltd	Securities Trading Corporation of India Ltd
			Sarda Metal & Alloys Ltd	STCI Primary Dealer Ltd
			Securities Trading Corporation of India Ltd	Hindusthan National Glass Industries Ltd
			STCI Primary Dealer Ltd	ICICI Bank Ltd
			SICOM Ltd	Member of Share Transfer & Shareholders' / Investors' Grievance Committee
				ICICI Bank Ltd



Ponni Sugars (Erode) Limited

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
Mr N R Krishnan IAS (Retd) B Sc (Hons), M Sc DIN:00047799	20.06.1938	Rich and varied experience in Administration and General Management. Held several high positions in State and Central Governments. Served as non – executive director on the Boards of several large Public Sector Undertakings and Financial Institutions.	Director Tamil Nadu Road Development Company Tamilnadu Petroproducts Ltd The India Cements Ltd Cognizant Foundation Indo Zinc Ltd	Chairman of Audit and Remuneration Committee Tamil Nadu Road Development Company Member of Audit and Remuneration Committee Tamilnadu Petroproducts Ltd
	05.06.2009			
Mr K Bharathan ACA DIN:00210433	15.04.1950	Rich and varied experience in Banking, Finance and General Management.	Director Aban Offshore Ltd	NIL
	28.12.2011			

DIRECTORS' REPORT

Your Directors present their 16th Annual Report and the audited statement of accounts for the year ended 31st March 2012. In accordance with the changes brought about by the revised Schedule VI to the Companies Act, 1956, the financial statements have been presented in the new format.

	2011-12	2010-11
Physical Performance (tonnes)		
Cane crushed	745644	628613
Sugar produced	76464	76870
Financial Performance (₹crores)		
Turnover	265.62	269.48
Profit before Exceptional Items	28.24	13.53
Profit Before Tax	26.12	27.64
Profit After Tax	17.79	18.61
Surplus from Previous Year	21.33	14.72
Amount available for appropriation	39.12	33.33
Appropriations:		
Transfer to General Reserve	15.00	10.00
Proposed Dividend	2.15	1.72
Dividend Tax	0.35	0.28
Balance carried forward	21.62	21.33

Dividend

Your Directors recommend a dividend of ₹2.50 per Equity Share of ₹10 each for the financial year ended 31st March 2012.

Sugar Industry Overview

In line with the infamous cyclicity, Indian sugar production scorecard recorded its second successive year of surplus production. Significantly, the surplus was so sizeable as to pose a serious threat to destabilize and decimate domestic price equilibrium. Fortuitously for us, Brazilian sugar production fell for the first time in a decade that provided a ready platform and presented a premium pricing for India to export and stay clear off its surplus.

World sugar markets were highly volatile during 2011. ISA Daily price for raw sugar peaked to 32.57 c/lb at the beginning of February 2011, the highest daily quote for more than 30 years. It then dreadfully drifted to a low of 20.89 c/lb in May but commenced its second bullish upward move during July and August to nearly breach

30 c/lb. It later lost all the gains and current prices are just a tad over 20 c/lb.

The underlying volatility unarguably underscores the importance and imperative for real-time response by swiftly timing our exports in tune with market dynamics. However the vacillating policy stance of the Government in permitting piecemeal quotas in trickles and tranches decisively dented the prospects of Indian exporters and deplorably deprived them of the rare opportunity to optimally ride on buoyant world sugar prices.

For the first time, the Government introduced during the year mill-wise quota for OGL sugar exports. While this system could work during times of huge price differential between the world and domestic markets, it soon turned out to be a damp squib delaying and discouraging exports. Only by May 2012, Government finally bit the bullet and decided to dismantle the quota system to place sugar on OGL in its true sense.

Curiously, no sooner did the Food Ministry lift the quota restrictions on sugar exports, the Commerce Ministry hurried to impose the ceiling. Similarly export releases were dispensed with by Sugar Directorate but Registration Certificate was mandated by DGFT. OGL Sugar thus remains an oxymoron. Meantime, global prices have considerably corrected and contracted, resulting in steady erosion and near extinction of the premium on exports. Still there is little escape from India exporting its surplus in the interest of instant liquidity and domestic price stability.

Supply overhang was feared at the start of the year to disrupt and derail domestic prices considerably. Exports came in handy to soften and stem the down-slide and help sustain local prices at reasonable levels.

Reliable database is the touchstone for sound decision making. Sugar production and stock estimates had often times suffered wild variance in the past, distorting and debilitating the decision making process. Increasing recourse to state-of-the-art technology can considerably help address this deficiency. In this endeavour, sugar industry has for the first time engaged a professional agency to undertake Satellite mapping of cane area for sugar season 2011-12 and early results are highly promising. Similarly the Government has put in place an SMS based weekly reporting followed by a web-based system for monthly reporting by each sugar mill. These measures must help in real time and reliable data flow and facilitate swift policy response towards addressing emerging surplus or shortage in sugar supply.



Government measures

Government has constituted an expert committee in January 2012 under the chairmanship of Dr C Rangarajan for sugar sector reforms. Indian Sugar Mills Association and the Regional Associations have given their representations urging upon (i) levy sugar abolition (ii) dismantling release mechanism (iii) liberated Exim policy with occasional intervention only through tariff recalibration as opposed to physical embargo (iv) abolition of mandatory jute packing. Above all, it has underpinned the economic rationale and global models to have in place a long term cane pricing formula devoid of political intervention, with due linkage to realization from sugar and its by-products.

Levy obligation continues at 10% for 2011-12 season. Quarterly release mechanism has been introduced in place of monthly releases from April 2012. Duty-free raw sugar import facility is being extended periodically and is currently in force till end of June 2012. Stock holding norms on trade and restrictions on bulk users have been withdrawn during the year.

Fair and Remunerative price for sugarcane has been fixed at ₹145 / qtl for 2011-12. Government of Tamil Nadu has fixed the SAP for this year at ₹200/ qtl plus transport cost to be fully borne by sugar mills. CACP has recommended an FRP of ₹170 / qtl for 2012-13. All these base prices are linked to 9.5% recovery.

Levy of Service tax is being made comprehensive on all services except those under a small Negative List or that are specifically exempted. Services rendered by sugar industry for harvest or agri extension is protected under the Negative List.

Company performance

Cane crushing improved by 19 % despite little recourse to outsourced cane. More significantly, sugar recovery showed a swift rebound during the year. In fact, our sugar recovery touched an all time high of 11.9% on two days in March 2012. On the strength of higher cane volume and improved recovery, sugar production could be maintained close to last year level despite discontinuance of raw sugar import.

Your Company continues to lay stress on sugarcane productivity and its long term sustainability. Our initiatives on this outlined in last year's report have been well received by the sugarcane farmers and field level results tend to show good promise.

Sugar price rise was muted and fell strikingly short of the rising cost of cane, fuel and overheads. Higher realization on sugar exports however came to our rescue to protect

and prop up operating margin. Molasses price has been on a devastating downward spiral for 8 successive quarters. Other income fell sharply in the absence of exchange gains and interest earnings on surplus funds. Despite these cost adversaries, our Company could protect its net margin on the strength of increased cane volume, improved sugar recovery and higher export realization.

In sum, our PBT and PAT figures compare quite favourably with the previous year, more so when the previous year had the benefit of booster-dose from exceptional income. The overall performance of the company for the year is commendable and highly satisfactory under the adversity of extant external constraints.

A Decade after Demerger

Ten years is a short period in the life of a Company but marks an occasion to trigger tracking its accomplishments. Your Company took the reigns of the Erode Sugar Mill through a Demerger Scheme sanctioned by the High Court of Madras in September 2001. It had to take a disproportionately high share of debt to win the support of lending Institutions and was faced with the formidable task to service same out of a single unit producing a single product.

Soon after Demerger, the Company restructured its debts with deft recourse to lower cost options under a benevolent financial market with benign interest rates. With enhanced earnings on the strength of improved cane volumes and higher sugar recovery, it accelerated debt servicing and completed same well ahead of original schedule. It then implemented an energy conservation plan followed by modernization scheme to optimize operational costs without recourse to external debts. Its share prices in turn shot up in the stock market responding to its strong fundamentals and improved financials.

Thus the Company has delivered in every sphere on its promise to stakeholders made in the Demerger Scheme. It is now diversifying into power with its Cogeneration slated to start producing green energy from the second quarter of FY 2012-13. It will continue to remain steadfastly focused in adding value to all its stakeholders.

Finance

RBI in dealing with the dichotomy between growth and inflation has embraced a hawkish monetary policy stance by hiking rates 12 times in a row. Commercial Banks on each occasion showed an instant response by realigning their base rate and correspondingly hiking the effective lending rates to corporates. Paying heed to the dismal industrial growth, RBI relented and rolled back repo rates by 50 bps in April 2012. Commercial Banks have however passed on the benefit to borrowers only in part.

RBI after 9 years hiked the Bank rate from 6% to 9.5% in February 2012 to realign same with prevailing rates. Loans from Sugar Development Fund are lent at concessional rates linked to Bank rate and hence have gone up pro tanto. There has been a swift reduction by 50 bps on this also in April 2012.

Interest cost for our company remained rather insignificant in the last couple of years due to limited recourse to borrowings and temporary surplus funds in our hand. We have since deployed the surplus fully in Cogen Project and are exposed to higher borrowings on drawal of term loans for Cogen Project. The rate hikes will hence have a direct bearing on our company henceforth.

Legal cases

Our Company has been the hapless victim of a long standing dispute with the Sugar Development Fund (SDF) for the loans extended by them to the erstwhile Ponni Sugars and Chemicals Ltd. Its efforts to settle the issue on compromise on commercial expediency did not bear fruit. Finally, the Company obtained a favourable ruling on this from the High Court of Madras in November 2010.

The Government after long delay has since appealed against the above decision in October 2011 before the Division Bench and obtained stay of the order of Single Judge. As a result, our company is caught again between a rock and a hard place. Subsidies to the tune of ₹6.90 crores remain undisbursed. Levy sugar price differential of ₹2.20 crores remains unrealized. Eligible concessional loan for Cogen Project remains unsanctioned. We have filed our Counter and fervently hope for early resolution of this contentious issue.

Cogeneration Project

Cogeneration Project undertaken on a capital outlay of ₹110 crores is now in its final leg. We have encountered time overrun due to delay on the part of major equipment suppliers and persistent shortage of field labour stifling erection work. We now plan to complete the Cogen Project in all respects before end of June 2012. The delay however put paid to our tax-planning and escalated current tax outgo. On the positive, the Project cost could be contained within the original estimate.

We have spent ₹84 crores as of 31st March 2012 on the Project. We have utilized ₹35 crores out of the sanctioned loan of ₹65 crores by Canara Bank.

We have signed Power Purchase Agreement with TNEB and are now seeking to modify same to export 4 MW of power to our associate company, namely, SPB Papers Ltd. With the extension in deadline conceded by Finance Bill 2012, our Cogen Project would qualify for tax holiday u/s 80(IA) of the Income Tax Act, 1961.

Investment

Your Company has invested ₹10 crores in Subburaj Papers Ltd as reported last year to support its acquisition by Seshasayee Paper & Boards Ltd (SPB). The name of the company has since been changed to SPB Papers Ltd. This company is planned to be merged with SPB effective 1st April 2012. Share exchange ratio has been fixed at one Equity share of SPB for every Eleven Equity shares held in SPB Papers Ltd.

Your Company has made an additional investment of ₹2.50 crores during March 2012 in SPB Papers Ltd and now cumulatively holds 62.50 lakh Equity shares constituting 41.67%. It would upon merger receive pro-rata shares in SPB.

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 2012-13

Indian Meteorological Department has predicted yet another year of normal monsoon. Cane planting as of 29.02.2012 has shown parity to pointer to yet another year of surplus sugar production for India. World market would also move into third year of surplus in succession. Accordingly sugar prices would largely remain under bearish pressures barring intermittent volatility.

Sugar production in Tamil Nadu has been steadily on the rise after the setback suffered in 2009-10. By reason of remunerative cane price, insignificant cane arrears and relative unattractiveness of competing crops, cane area has further surged in the State by 21% in current year. Power shortage poses a severe threat and serious constraint on irrigation schedules during summer. Sugar production in our region is however certain to pose a large surplus that requires a conducive export policy and commensurate viable prices for its liquidation.

Registered cane area has remained stable but yields may be under threat in our command area due to difficulties in drawal of water from available sources. Interest cost would significantly go up for the Company. Revenues from the new Cogen facility should help the company combat cost escalations and overall maintain reasonable profit performance.



Directors

Mr S K Ramasamy, retired at the AGM held on 15th July 2011. Mr.K.Bharathan was appointed as an additional director on 28.12.2011. He will retire at this meeting in accordance with Sec.260 of the Companies Act, 1956. Notice u/s 257 has been received for his appointment as director liable to retire by rotation. Approval of members has been sought for same at this meeting.

Mr V Sridar and Mr N R Krishnan, directors of your Company retire by rotation at this meeting and being eligible offer themselves for reappointment.

Mr C K Pithawalla also retires by rotation at this meeting. Considering his advanced age, he has opted not to seek re-election at this meeting. Mr C K Pithawalla has been a director of the Company since 26.10.2001. The Company was richly benefitted by his global business experience and commercial acumen. Your directors wish to place on record the valuable contribution made by Mr C K Pithawalla to the Company during his long association.

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 31st March 2012 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 2011-12 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 2012-13.

Appreciation

Your Board is greatly appreciative of the cane cultivators, customers, suppliers and Banks for their continued support and cooperation. Your Directors commend the committed performance of employees at all levels. Your Directors wish to thank the shareholders for their continual support to the management.

For Board of Directors

Chennai
30th May 2012

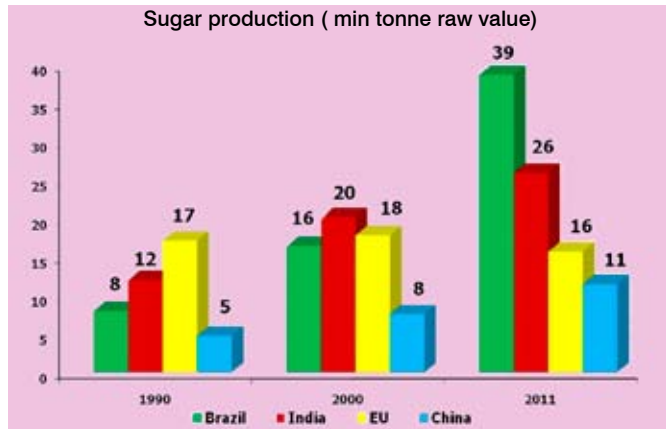
N Gopala Ratnam
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure and development

World Sugar

Sugar is produced in over 120 countries from beet or cane. Overtime, the relevant share of cane sugar has galloped from 56% during 1960s to 80% during 2010/11 by reason of growing sugar production out of cane in tropical countries. In a rare reversal of this trend, beet sugar share would marginally go up by 2.5% in 2011/12 due to a massive 6.1 mlt increase in EU and Eastern Europe.

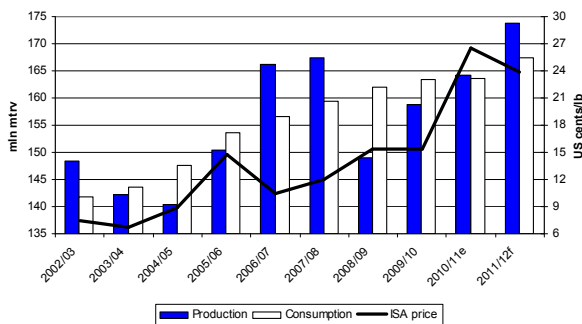


Source : ISO & ISMA

India produced 50% more sugar than Brazil in 1990. During the decade 1991-2000, India and Brazil alternated the top producer's slot. However, ever since the start of current millennium, Brazil has steadfastly risen to occupy the numero uno status. Its share has catapulted from 7% to 25% in world production and from 6% to 50% in exports in two decades. In contrast to the consistent growth in Brazil, Indian production is punctuated and plagued by wild swings YoY.

A new record world output is expected at 174 mtrv for 2011-12 that marks a significant 6.4 mtrv increase over the previous record in 2007-08.

World production, consumption and ISA prices



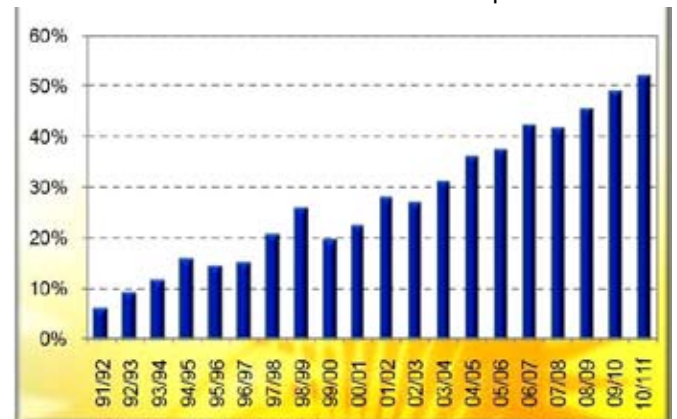
Source : ISO-QMO May 2012

India continues to be the top sugar consumer despite low per capita consumption. Other major consumption centers are China and EU. Consumption growth is flat in developed countries and driven mostly by Asian demand. It is expected to rise by a healthy 2.26% for 2011/12 in line with the 10 year average of 2.14%. Such a rebound from subdued growth rate hovering around 1% in the preceding two years can be attributed to easing sugar prices in the world, and more importantly, in several key domestic markets. Continuing strong economic growth in emerging and developing economies has strengthened the demand base overall.

After two years of deficit, world sugar production neatly balanced with consumption in 2010/11. For the first time in 3 years, there would now be a decent surplus build up of 6.5 mlt for 2011/12, despite a significant production drop in Brazil. Stock/ consumption ratio would remain flat at 35%.

About 70% of world sugar production is consumed in the country of origin while the balance is traded in world market. Brazil is the dominant sugar exporter with its ever escalating export share that currently meets half the world demand. The decline in export availability from Brazil during 2011-12 is counterbalanced by higher deliveries from key players including the EU, India, Thailand and Australia.

Brazilian Market Share of Global Exports



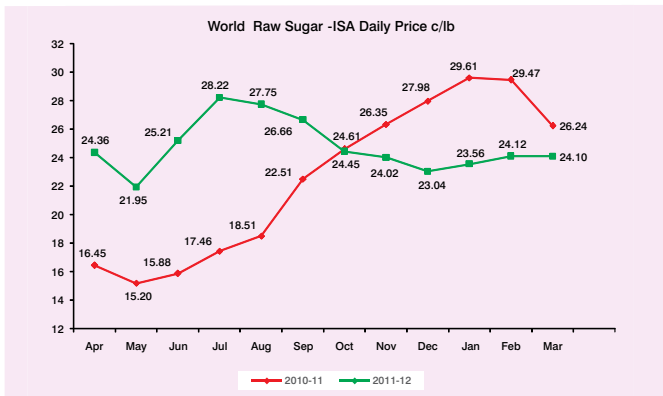
Source : Kingsman

World sugar prices

During the first half of 2011/12, low stocks seemingly remained a supportive factor for sugar price despite lackluster fundamentals. ISA daily price for raw sugar drifted from a high of 32.57 c/lb in Feb 2011 to an 8 month low of 20.89 in May 2011. Second bullish wave moving up prices close to 30 c/lb during July/Aug 2011 proved ephemeral. The world market values lost all the gains and pierce the psychological 20 c/lb mark. White sugar spot prices (the ISO white sugar price index) staged a similar somersault in the second half of 2011. After touching US\$ 769 /t in July,



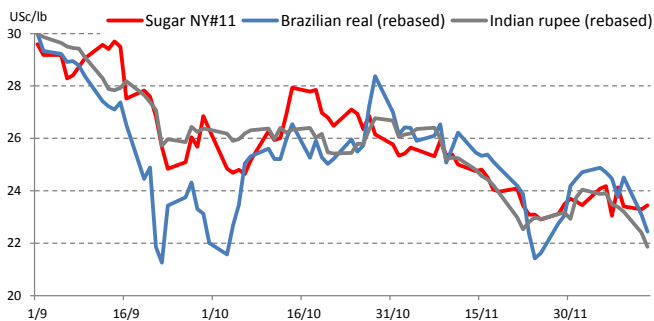
it currently hovers around US\$ 555/t. World markets are unequivocally underpinned by bearish sentiments that are further reinforced by the massive withdrawal of speculators from sugar futures.



Source : ISO

Periods of optimism and pessimism over the ability of policymakers to solve the EU crisis have been taking the turns. Sugar has been under the influence of this volatile macro environment. This ongoing crisis has impacted the investor appetite for risk assets that include commodities. Crisis has strengthened the US\$ and conversely weakened emerging market currencies. EU crisis has an impact on sugar prices through different channels – exchange rates, financial investors’ net position and credit availability from banking sector. US dollar has greatly benefited from the EU crisis because of its global reserve currency status. Sugar prices discernibly demonstrated close co-relation with currency trend.

Sugar Prices correlation with the Brazilian real and the Indian rupee



Source : Sucden-QMR, Dec. 2011

Domestic prices remain at high levels in the world’s top three importers: the EU, China and the US. Brazil witnessed a sharp slowdown in consumption and expectations of a higher sugar output receded domestic market values.

World trade

In a welcome departure, India could benefit by higher global prices over local levels for most part of the year. In

lieu of seeking subsidies, Indian exporters were pursuing a premium.

Sugar exports remain highly concentrated and dominated by Brazil

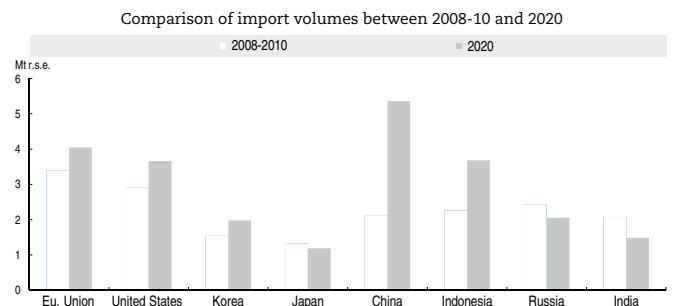


Source : OECD and FAO Secretariats

Over the last decade, there is increasing concentration in sugar export trade with a smaller number of global exporters and a decline in the volume of white sugar traded internationally. OECD-FAO Agricultural Outlook 2011-20 projects no major change in the existing world order for sugar exports.

In contrast to concentrated exports, sugar importers make up a broader, more diversified group of countries. Of these, China is emerging the largest importer exceeding that of EU, US and the Russian Federation. India is predicted to play only a minor role.

Sugar importers are more diversified



Source : OECD and FAO Secretariats

The limited white premium and the prevailing inverse structure of sugar prices have led refineries at destination to slow down their processing of late. Early 2012, stronger competition from EU and Central America should further decrease the potential outlet for stand-alone refineries outside of their domestic market.

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.

Growth in sugar demand is driven by the rising consumption in sectors such as confectionaries, sweets and soft-drinks. CRISIL research expects industrial demand to grow at a CAGR of around 4% while household demand increase is felt lower at 2.5% over the next 5 years. Accordingly the share of indirect demand in overall sugar consumption is projected to go upto 62% by 2015-16 from the current level of 60%.

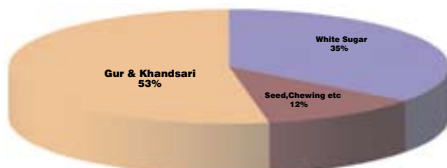
% Share in Indirect Consumption 2010-11 (13.8 Million tons-Est.)



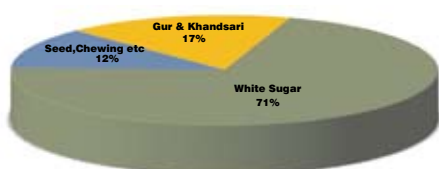
Source: CRISIL Research

Sugarcane and sugar production are seasonal with more than 90% happening in the winter months of November to March. Crushing season lasts an average for 100-150 days in a year depending on the region, weather, irrigation, cultivation practices as well as cane availability. Sugarcane use for sugar has steadfastly increased in preference to alternative sweeteners.

1984-85 All India Sugar Cane Use

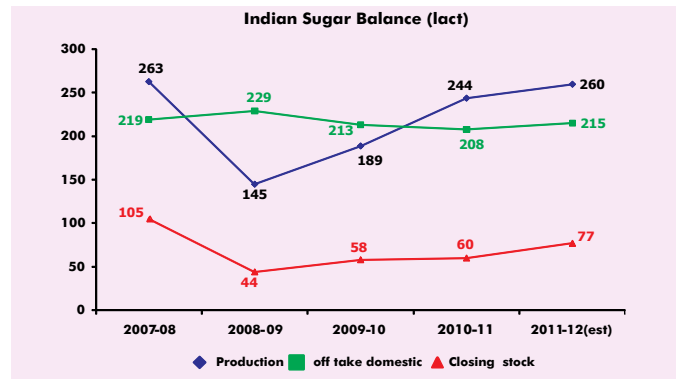


2010-11 All India Sugar Cane Use



Source : Indian Sugar Journal - May 2012

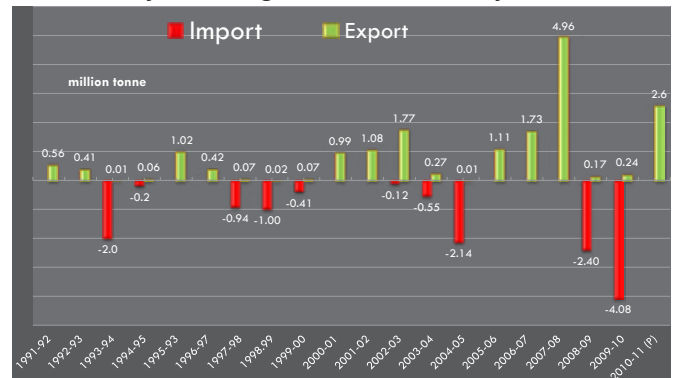
Sugar is mostly produced in UP of north, Maharashtra and Gujarat of west and the three southern States of AP, Karnataka and Tamil Nadu. The cyclicity of Indian sugar is less driven by nature and more accentuated by radical change in Government policies



Source: ISMA

Both sugar and sugarcane are treated as 'essential commodity'. The Government's focus to give high cane price to farmer and concomitantly maintain low sugar price for the consumer is socially unexceptionable but economically unsustainable. Low sugar price leads to unremunerative cane price and its delayed payment forcing the cultivator to switch to other crops. This kick-starts sugar shortage and high sugar price, in turn prompting higher cane price to lure the farmer back to cane. This cycle gets repeated ad infinitum with resultant spike in sugar production causing demand-supply disequilibrium and driving sugar prices on a roller-coaster ride.

Cyclical sugar trade in last 20 years



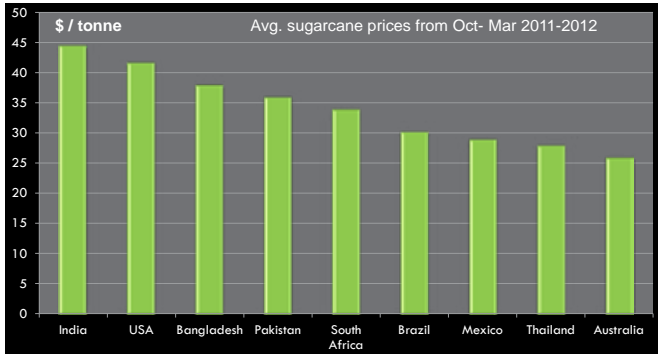
Source: ISMA

By reason of wild production swings YoY, India is the only big sugar producer to be exporting sugar in some years, soon followed by importing sugar. Unlike this, Brazil, Thailand and Australia are steady exporters. Removal of vexatious State controls on sugar sector should help rein-in the cyclicity and facilitate India to be a regular exporter.

Indian millers pay a high price for sugarcane and realize a low price for sugar. The intrinsic imbalance between sugar and cane price often-times leads to huge build up of cane arrears that accelerate the infamous Indian sugar cycle. A long term pricing formula for cane based on global model would bring in objectivity and deflate the intensity of sugar cycle.



Indian sugarcane price is the highest in the world



Source: ISMA

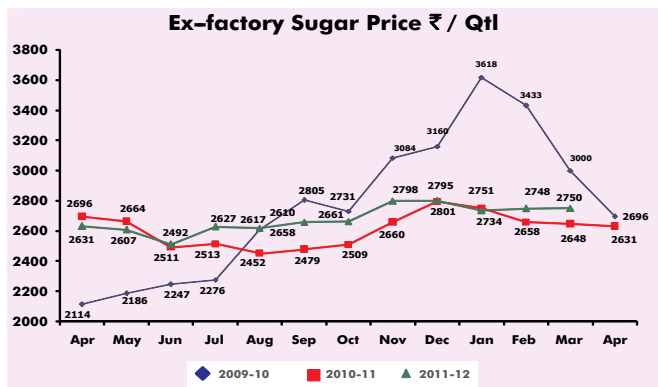
Indian sugar price is amongst the lowest in the world



Source: ISMA

Indian Sugar price

Indian sugar prices remained range bound and ruled for most part of the year at unremunerative levels. This is in contrast to much wider swing and volatility in the global prices. The Government alternately resorted to shore up sagging prices with small doses of export quota but soon slash it down with excessive domestic release.



Source : ISMA

Last year sugar mills could manage with little cane arrears despite unremunerative sugar prices on the strength of surplus cash generated in the immediately preceding year. With this luxury no longer available for 2011-12, sugarcane arrears have built up threatening to cross ₹ 7000 crores as of February 2012. Pressured by such mounting arrears, the Government has opened up OGL exports without quota restrictions though belatedly in May 2012.

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 temporarily hiked to 20% for 2009-10 due to extremely lower production. This has since been restored to 10% from 2010-11. The balance, though termed as free sale sugar, is monitored through release mechanism.

Levy sugar price computation continues to ignore cane price over and above Centre's price despite the Supreme Court ruling in favour of the industry through a retrospective amendment to law. Sugar industry has again challenged this and the issue is before the Supreme Court. PDS price for sugar remains unrevised for a decade at ₹13.50/ kg since 2002.

Fair and Remunerative Price (FRP) for sugarcane for 2011-12 was fixed by Central Government at ₹ 145 per qtl linked to 9.5% recovery with a premium of ₹1.53 for every 0.1% increase in the recovery. CACP has recommended an FRP of ₹170 per qtl for 2012-13.

Government of Tamil Nadu hiked SAP by ₹100 per tonne for 2011-12 to ₹ 2000 per tonne linked to 9.5% recovery. In addition, transport charges from field to factory have to be fully borne by sugar mills.

The Central Government has constituted an Expert Committee in January 2012 under the chairmanship of Dr C Rangarajan to study and recommend measures for sugar sector reforms. ISMA and Regional Associations have submitted Memorandum forcefully pleading for deregulation of the industry.

The Centre/ States have made Policy or Regulatory changes. Some of them are –

- ❖ Duty-free raw sugar import facility repeatedly rolled over – Present validity till 30.06.2012.
- ❖ Sugar exports under OGL finally re-opened in April 2011 – Export quota of 5 lakh tonne pro-rated to all sugar mills on the basis of past 3 years production.
- ❖ Additional export quotas announced in June 2011 (5 lt), Aug 2011(5 lt), Dec 2011 (10 lt), Feb 2012 (10 lt).
- ❖ Export releases dispensed with and free OGL regime restored in May 2012.
- ❖ DGFT however by Notification dt.14.05.2012 mandated prior registration of export quantity. Conditions and modalities as prescribed by Policy Circular No.62 dt.14.05.2012.
- ❖ DGFT by Policy Circular No.63 dt.16.05.2012 partially relaxed the rigors of its earlier Circular.
- ❖ DEPB benefit terminated from 30.09.2011. Sugar is now eligible for duty draw back at 2%.

- ❖ Food Safety & Standards Act, 2006, brought into force effective 05.08.2011. Sugar is covered.
- ❖ Levy sugar price for 2011-12 announced vide Notification dt.07.03.2012. Price for Tamil Nadu is ₹ 1937.46/ qtl (PY 1878.54/ qtl).
- ❖ Stock holding limit for bulk consumers rescinded from 30.11.2011.
- ❖ 100% compulsory packing of sugar in jute bags confirmed for 2011-12. Packing has to be in 50 kg bags.
- ❖ Expert Committee on Ethanol pricing has recommended the pricing formula – Final decision of Government still awaited.
- ❖ Government of Tamil Nadu has announced policy intent to restart Ethanol programme in the State.
- ❖ Weekly reporting of sugar data through SMS continues. In addition, web based monthly reporting has been introduced.
- ❖ Service tax levy would be universal. However agri related services would remain exempt under the Negative List.
- ❖ Bank rate hiked on 14.02.2012 to 9.5% from 6% and then reduced to 9% from 17.04.2012. SDF interest rates at 2% below bank rate correspondingly recalibrated.

Opportunities & Threats

India has low per capita consumption with growing income. Its farm productivity has virtually remained stagnant for decades. There is thus immense scope for hiking production to meet growing demand and capture export markets.

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, while Cogen provides clean and renewable energy.

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.

Sugar mills have now become integrated complexes to produce sugar, power and ethanol. As a result, capital outlay has become huge and the assets so created need to be exploited for longer duration. On the contrary, all India crushing duration has come down from 181 days in 1995-96 to 87 days in 2008-09, marginally improving to 108 days in 2009-10. Reduced cane availability that lowers season duration is but the direct outcome of unviable sugar price, forcing the farmer to switch to other crops.

Water has become increasingly scarce, more so in States like Tamil Nadu. Drip irrigation is the right answer but it involves huge capital outlay that is beyond farmer's financial capability. While the Government extends upfront capital subsidy, it needs simplification and expeditious processing. Free power is proving to be a clear disincentive to conserve water.

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 leading to 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.

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 a well performing economy and increasing share of service sector, labour is steadfastly migrating from agriculture. NREGA has arguably given other soft options to rural labour. Sugarcane harvesting charges have hence increased manifold due to labour shortage that further upsets the rhythm in daily rate of crushing. Mechanisation is yet to take off in any meaningful measure due to fragmented landholding and undulated land terrain in most part of Tamil Nadu.

With growing concern on food security and inflation control, sugar faces the imminent risk of increasing crop diversion with an overzealous Government constantly choking sugar prices. 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

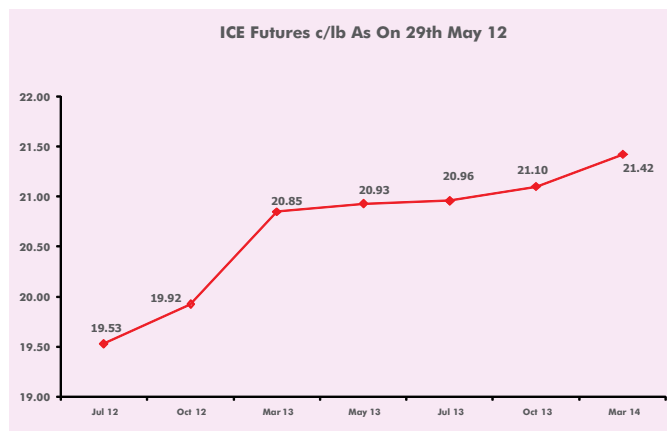
The Company is engaged in a single segment, namely, sugar and its by-products.

Outlook

Global surplus in 2011-12 has been up-revised periodically and the higher production would accelerate stock rebuild. ISO expects in 2012-13 higher sugar production in Brazil,



the Far East and Australia but a lower output in Europe and India. While this may reduce the size of world surplus, world production would clearly outweigh consumption. The return of a large scale deficit looks unlikely for the following 2013-14 crop cycle. World prices would hence largely remain under check and move in a narrow band.



Source : Sucden-Czarnikow Report

Hedge funds are now reducing their net-long position in ICE. Such sharp reduction can be interpreted as an indication of speculators' expectation of a further midterm weakening of the world prices. In the short run, world market volumes can also be affected by an uncertain macroeconomic environment and "non sugar" factors. Continued currency weakening makes exporters contribute to lower world sugar values in dollar terms.

Based on crop area, Indian sugar production would enter its third year of surplus during 2012-13. Inventories are fairly at manageable levels due to periodical exports. With unlikely availability of premium on export, there would be price pressure for Indian sugar both in domestic and overseas market. Sugar decontrol if implemented in time and good spirit would help combat the negatives and put the industry on a stronger footing.

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 judgment 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
- ❖ Pest attacks and crop disease
- ❖ Diversion of cane to jaggery and neighbouring sugar mills in defiance of contractual obligation
- ❖ Availability, adequacy and cost 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
- ❖ Price volatility risk and currency risk in the case of raw sugar imports.

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
- ✓ Promoting and actively assisting in farm mechanization.
- ✓ 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 and promoting bio-manures.
- ✓ 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 State. 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
- ❖ Political sensitivity and attendant adhoc aggressive State intervention.

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 changes in tune with RBI policies 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 impeding the scope for 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. Standalone Distillery faces local resistance on perceived threat of pollution.

The Company is pursuing Cogen Project on a capital outlay of ₹110 crores. Its technical performance and viable operations are crucial to future cash flows. Principal customer under Power Purchase Agreement, i.e., State Electricity Board is under tenuous financial state which could delay realization of bills for power supply.



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 Ponni 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. Of this, the SDF issue is decided in Company's favour by the High Court of Madras but is agitated on Appeal before the Division Bench.

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 102 seasonal and 254 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.

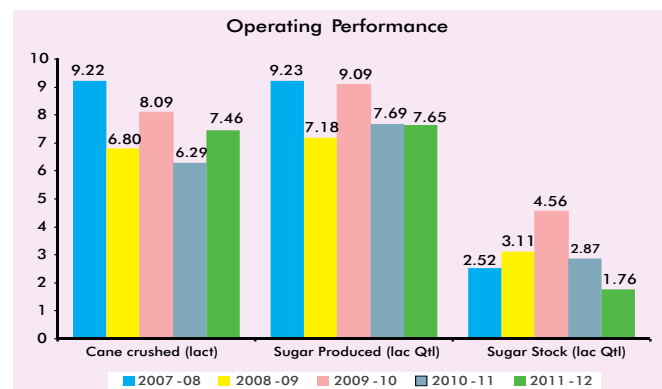
Discussion on Financial Performance with respect to Operational Performance

Operational Performance

	Year ended	
	31.03.2012	31.03.2011
Number of days	283	278
Average crushing rate (tcd)	2635	2555
Cane crushed (t)	745644	628613
Recovery (%)	10.21	9.65
Raw Sugar processed (t)	-	17087
Sugar produced (t)	76464	76870

Though the Company operated for almost the same duration like last year, cane crushing improved by 19%. Raw sugar import was unviable and hence not pursued.

Sugar recovery showed a swift rebound during the year. On the strength of higher cane volume and improved recovery, sugar production could be maintained at last year level despite discontinuance of raw sugar import.



Turnover

Levy sugar volume almost halved due to restricted release given by the Government. Free sugar volume was also lower by 15% due to reduced releases. While free sugar prices displayed moderate rise, molasses prices declined by more than 60% due to State Government's restrictions. Bagasse sales volume increase was commensurate with higher volume of crushing. Overall, top-line had a marginal dip.

The Company exported 11,956 tonnes of sugar under OGL during the current year at an average realization higher by 17% over domestic prices.

Other operating income

Sale of scrap more than doubled due to replacement of brass tubes with ss tubes in Evaporator and Pans during

the year. Higher exports fetched increased duty draw back benefits. Further, the Company realized premium on selling part of its export quota.

Other income

Last year the Company had surplus funds deployed in Mutual Funds fetching dividend income. It also had foreign exchange gain on the import trade credit obtained for raw sugar import. In the absence of these, current year has recorded much lower other income.

Material Cost

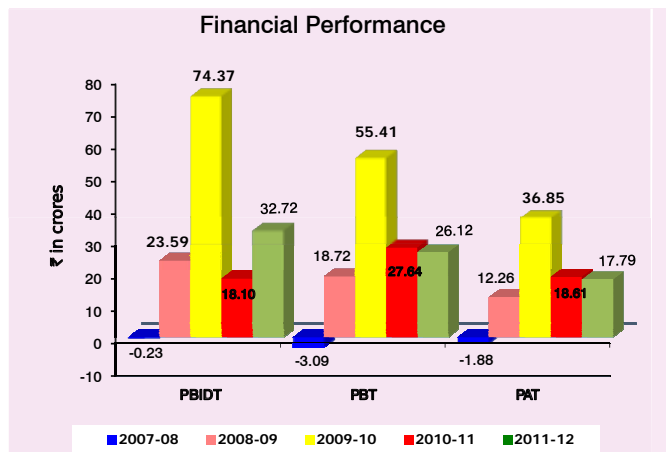
Government of Tamil Nadu hiked the SAP for 2011-12 by ₹ 100/- per metric tonne. Average cane cost went up by 6%. Usage of 50 kg pp bags for export helped reducing overall packing cost.

Overhead Cost

Increase in utility cost and employee costs are nominal. Increase in repairs and maintenance cost is attributable to higher crushing and replacement of evaporator tubes. Variance in other expenses is principally due to freight and handling on larger sugar exports.

Operating Margin

Improved recovery and increased cane volume could more than neutralize higher cane cost. Sugar export helped to further strengthen margins during the year. The Company could thus achieve 81% increase in the operating margin (PBIDT) over the previous year.



Finance Costs

Interest on fixed loan declined in line with installment repayments during the year. Due to reduced utilization of working capital limits, the cash credit interest was also minimal.

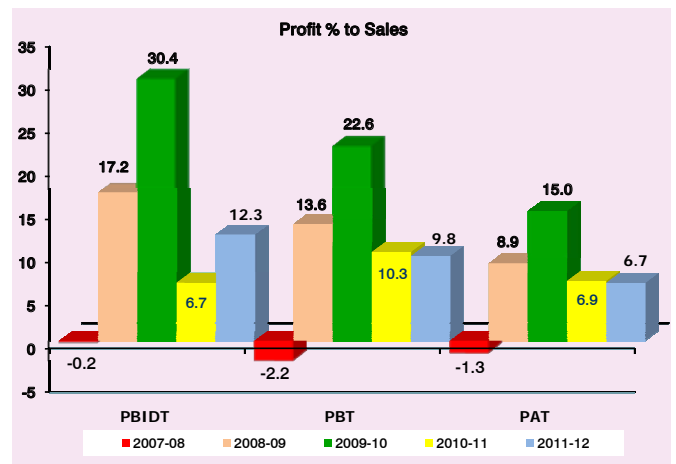
Depreciation

There is no change in the method of depreciation during the year.

Exceptional Items

The company during the year has incurred ₹ 212 lakhs of expense towards power evacuation arrangement for obtaining grid connectivity approval and facility from TNEB. The expenses incurred were at the instance of TNEB and have not resulted in any asset under its control or ownership. Accordingly these expenses have been charged to Profit and Loss Statement in line with the accounting standards and following the opinion of the Expert Advisory Committee of ICAI in Jan 2011.

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



PBIDT to sales surged with improved margins. PBT and PAT were marginally down by reason of exceptional items. The overall financial performance for the year is considered satisfactory.

Debt

Debt servicing is as per schedule.

The Company has fully repaid the loan availed under the Special Scheme of the Government. Interest subsidy of ₹ 120 lakhs however remains unrealized. The Company has drawn an aggregate of ₹ 35 crores from Canara Bank for its Cogeneration Project.

Fixed Assets

Addition to Plant & Machinery is marginal towards replacing obsolete equipment. Normal capital additions have been funded out of internal accruals.

The Company has incurred ₹ 84 crores of expenditure towards Cogeneration Project under construction. This is now targeted for completion by June 2012. All direct and related expenditure for this would get capitalized in accordance with Accounting Standard 10 during FY 2012-13.



Investment

Advance towards investment of ₹ 7.50 crores in Subburaj Papers Ltd (since renamed as SPB Papers Ltd -SPL) was made last year. Together with additional exposure of ₹ 5 crores, total investment in this associate company is ₹ 12.50 crores. Steps to merge SPL with Seshasayee Paper and Boards Ltd (SPB) have been initiated. Share Exchange Ratio has been proposed at one Equity share of SPB for every Eleven Equity shares held in SPB Papers Ltd.

Working Capital

Sugar inventories have declined considerably with accelerated exports. The stock volume and value for molasses declined marginally during the year. Unrealized subsidies pose a severe stress on working capital. Surplus funds have since been fully deployed in Cogen Project. As a result, the Company has resumed working capital availment.

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 and meet our contribution to Cogeneration Project and investment in SPB Papers Ltd.

Cost-realisation trend

During the quinquennium 2007-12 the relative change in CAGR (%) for major items are as under:

Cost		Realisation	
Sugarcane	12	Sugar	11
Process & packing	9	Molasses	21
Employees	12	Bagasse	18

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.

For Board of Directors

N Gopala Ratnam

Chairman

Chennai
30th May 2012

Abbreviations used

BPL	- Below Poverty Line
CACP	- Commission for Agricultural Costs and Prices
CAGR	- Compounded Annual Growth Rate
FRP	- Fair and Remunerative Price
FY	- Financial year
ISMA	- Indian Sugar Mills Association
ISO	- International Sugar Organization
lt	- lakh tonne
mlt	- million tonne
mtrv	- million tonne raw value
OGL	- Open General Licence
PDS	- Public Distribution System
QMO	- Quarterly Market Outlook
SAP	- State Advised Price
SDF	- Sugar Development Fund
YoY	- Year on Year
Year for industry data is generally for Sugar Season Oct-Sept	

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 VFDs in massecuite and magma pump
 - (ii) Installation of 1000 m2 M.S. Evaporator body
 - (iii) Installation of two nos. of 1250 kg capacity batch centrifugal machines instead of four nos. of 650 kg capacity machines
 - (iv) Installation of fanless cooling towers for hot water and gravity arrangement for imbibition to mills instead of pumping
 - (v) Installation of five nos. of planetary gear boxes for crystallizer drive
- b) Additional Investment Proposals, if any, being implemented for reduction of steam and energy:
Installation of planetary gear boxes for the remaining 8 Nos. crystallizers.
- c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
Power consumption is reduced by 700 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 production cycle of sugar business. The Company is a regular player whenever India is a sugar exporter.

During the year under review, the company exported 11956 tonnes of sugar.

- g) Total foreign exchange used and earned
(₹ in lakhs)

	2011-12	2010-11
Earnings	3457	815
Outgo	-	5554

FORM A (RULE 2)

Form for disclosures of particulars with respect to Conservation of Energy

	Current Year	Previous Year
(A) Power and Fuel Consumption		
1 Electricity		
a) Purchased Units (kwh lakhs)	2.16	2.70
Total amount (₹ lakhs)	24.74	26.78
Rate/Unit (₹/kwh)	11.45	9.92
b) Own generation		
i) Through Diesel Generator	--	--
ii) Through steam turbine/ Generator		
Units(kwh lakhs)	218.23	206.53
Units per tonne of fuel (kwh)	--	--
Cost/Unit (₹/kwh)	2.92	2.62
2 Coal		
Quantity (tonnes)	39424	33295
Total Cost (₹ lakhs)	2104	1638
Average Rate (₹/t)	5336	4920
3 Bio Fuels		
Quantity (tonnes)	--	18
Total Cost (₹ lakhs)	--	0.49
Average Rate (₹/t)	--	2722
4 Bagasse		
Quantity (tonnes)	89283	81048
Total Cost (₹ lakhs)	Nil	Nil
Average Rate (₹/t)	Nil	Nil
(B) Consumption per unit of production:		
Product-Sugar cane (t)		
Electricity (kwh)	30	30
Fuel (t) *	0.10	0.09
Product-Raw Sugar (t)		
Electricity (kwh)	--	103
Fuel (t) *	--	0.36

* (Bio Fuels /Bagasse calculated on Coal equivalent weight basis)

(1) Figures for the previous year have been regrouped, wherever necessary.

FORM B (Rule 2)

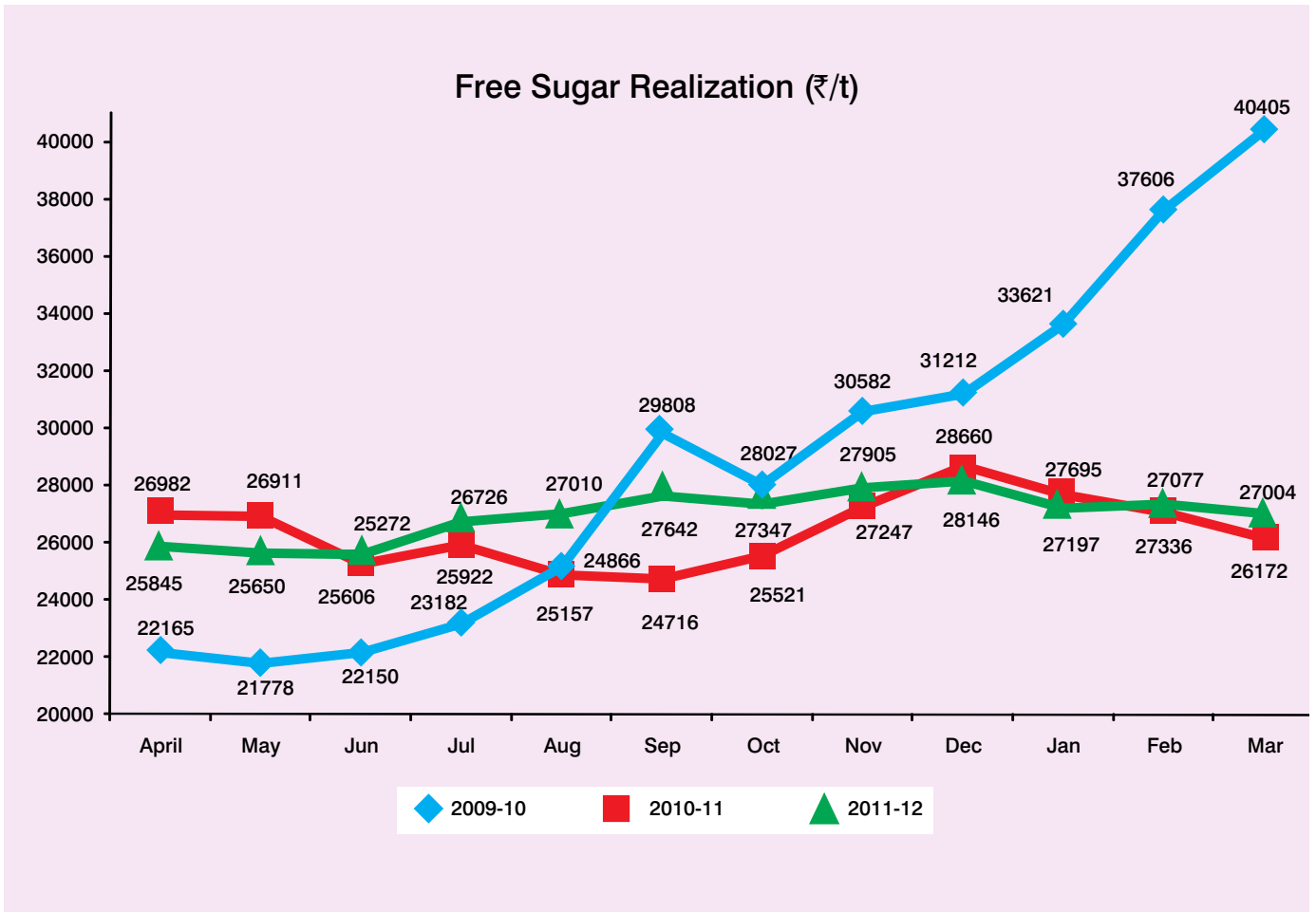
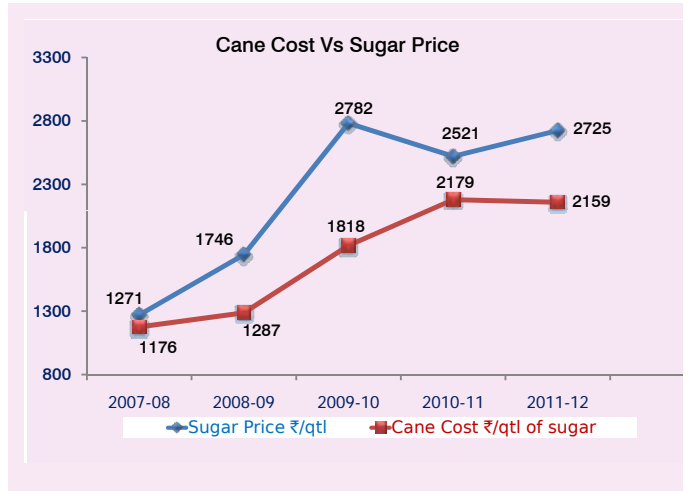
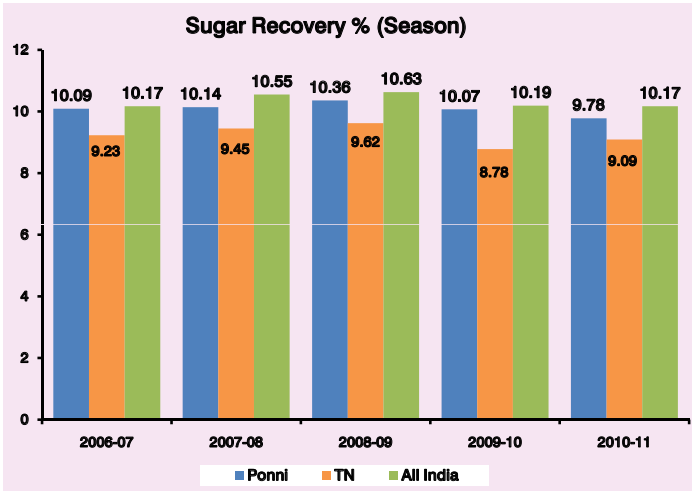
Form for disclosure of particulars with respect to Technology Absorption

A. Research and Development (R&D) (₹ Lakhs):	Nil	Nil
B. Technology absorption, adaptation & innovation:	Nil	Nil

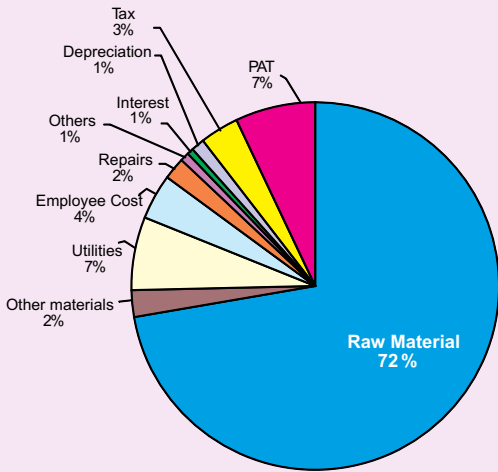
For Board of Directors

Chennai
30th May 2012

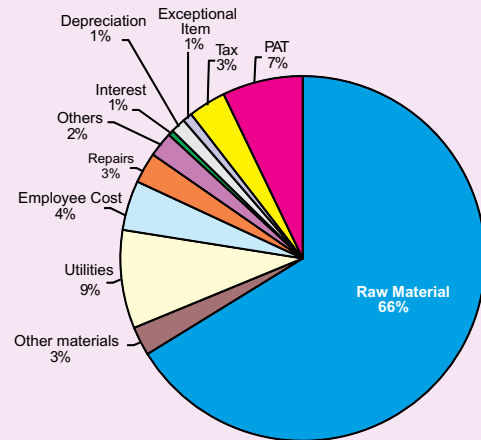
N Gopala Ratnam
Chairman



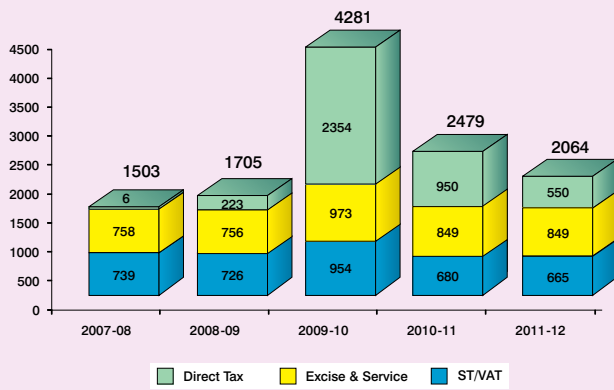
Distribution of Income 2010-11



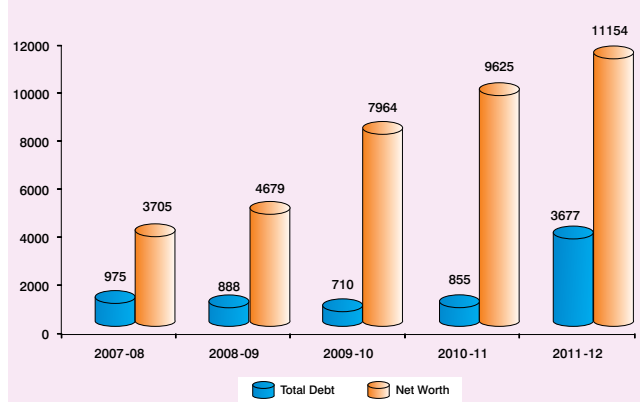
Distribution of Income 2011-12



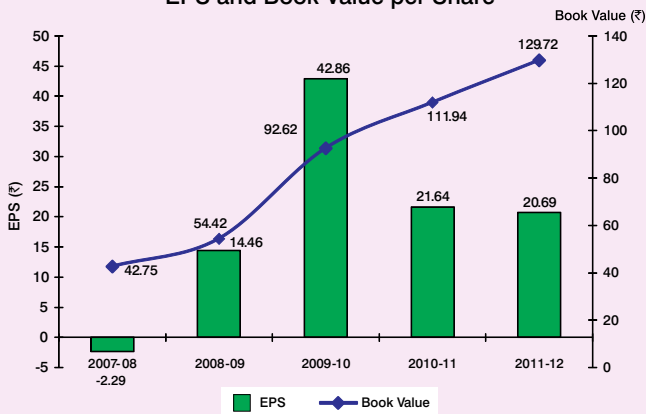
Contribution to Exchequer (₹ lacs)



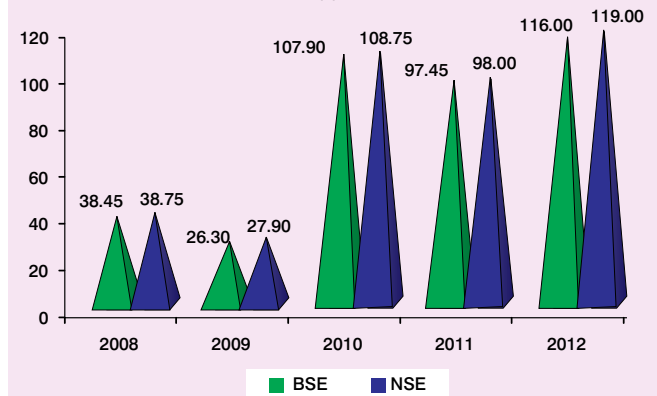
Debt & Net Worth (₹ Lacs)



EPS and Book Value per Share



Share Price (₹) as on 31st March





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 SPB 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. Its executive management has the freedom to run the enterprise within the framework of effective accountability and commit its resources in a manner that meets shareholders' aspirations and societal expectations. The Company's 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 and Finance.

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 stipulated 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.

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.

Name of Director and category	Date of initial Appointment	No. of Equity Shares held	Attendance at Board meetings during 2011-12		As on 31st March 2012			Attendance at last AGM Y- Yes
			No. of meetings	%	No. of Directorships	Committee position		
						Chairman	Member	
Mr N Gopala Ratnam, Non-Executive Chairman, Promoter	26.12.1996	2823	5	100	7	2	1	Y
Dr L M Ramakrishnan Independent	26.10.2001	536	5	100	4	--	1	Y
Mr Arun G Bijur Promoter Group	26.12.1996	100	5	100	4	1	1	Y
Mr Bimal Poddar Promoter	26.10.2001	NIL	4	80	12	--	2	Y
Mr C K Pithawalla Promoter	26.10.2001	500466	2	40	7	--	--	No
Mr N Ramanathan Managing Director	01.04.2005	3001	5	100	5	--	1	Y
Mr S K Ramasamy * Independent	26.10.2001	4480	1	100	1	--	--	Y
Mr V Sridar Independent	05.06.2009	NIL	5	100	14	4	6	Y
Mr N R Krishnan Independent	05.06.2009	NIL	4	80	6	1	2	Y
Dr Nanditha Krishna Independent	24.12.2010	NIL	3	60	3	--	--	Y
Mr K Bharathan Independent	28.12.2011	NIL	2	100	2	--	--	NA

* Retired on 15.07.2011

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, 5 Board meetings were held as against the minimum requirement of 4 meetings on 27.05.2011, 15.07.2011, 04.11.2011, 27.01.2012 and 29.03.2012. Interval between any two meetings was not more than 4 months as stipulated under the Listing Agreement.

Board Proceedings

Board meetings are governed by structured Agenda containing comprehensive information and extensive details that is circulated at least one week in advance. Urgent issues and procedural matters are at times tabled at the meeting with prior approval of Chairman and consent of all present. Power Point 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.

The governance process includes an effective post-meeting follow-up, review of ATR (Action Taken Report), reporting process for decisions taken pending approval of Board.

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 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.



Ponni Sugars (Erode) Limited

During the year, the Audit Committee met 5 times on 27.05.2011, 15.07.2011, 04.11.2011, 27.01.2012 and 29.03.2012. Its composition and attendance during 2011-12 is given hereunder:

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 R Krishnan	Independent	4	80

Permanent Invitees:			
Mr N Gopala Ratnam	Non-Independent, Non-Executive	5	100
Mr N Ramanathan	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 under the Listing Agreement. It comprises 4 non-executive Directors of which 3 are independent including its Chairman.

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

The remuneration policy followed by the Committee aims at attracting and retaining suitable talent and the package is so designed as to be commensurate with competition, size of the company and its nature of business.

Remuneration of Directors

Managing Director is the only Executive Director entitled for monthly remuneration. His remuneration was recommended by the Remuneration Committee and determined by the Board on 25.03.2011 and approved by the Shareholders at the 15th Annual General Meeting held on 15th July 2011.

There is no service contract containing provisions of notice period or severance fees. Remuneration of Managing Director for 2011-12 comprises of:

(₹ lakhs)

Salary & Allowances	29
Contributions to PF & other funds	3
Commission	23

No Director or his relative holds an office or place of profit in the Company. Other than direct or indirect equity holding, sitting fees and commission, 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 Directors are paid sitting fees at ₹ 5000 per meeting of Board, Audit and Project Committee and at ₹ 2500 for other Committee meetings. The rates are well within the ceiling permissible under Law and the Articles of Association of the company. Further, in terms of the approval of Members at the 15th Annual General Meeting, they would receive a commission of ₹ 1,00,000/- each. This is pro-rated for those who have been a Director only for part of the year.

Sitting fee for 2011-12

(in ₹)

Director	Comm- ission payable for 2011-12	Sitting fees for		
		Board meeting	Committee meeting	Total
Mr N Gopala Ratnam	100000	25000	22500	147500
Dr L M Ramakrishnan	100000	25000	25000	150000
Mr Arun G Bijur	100000	25000	17500	142500
Mr Bimal Poddar	100000	20000	20000	140000
Mr C K Pithawalla	100000	10000	--	110000
Mr S K Ramasamy	33333	5000	--	38333
Mr V Sridar	100000	25000	25000	150000
Mr N R Krishnan	100000	20000	30000	150000
Dr Nanditha Krishna	100000	15000	--	115000
Mr K Bharathan	33333	10000	--	43333

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 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 27.05.2011, 15.07.2011, 04.11.2011, 27.01.2012 and 29.03.2012. Its composition and attendance is given hereunder:

Name of Member	Category	Attendance at Meetings	
		No.	%
Mr N Gopala Ratnam, <i>Chairman</i>	Non-Executive	5	100
Mr Arun G Bijur	Non-Executive	5	100
Mr N Ramanathan	Executive	5	100

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

The Secretary is the Compliance Officer.

Nomination Committee

The Board has not formally constituted a Nomination Committee. Considering the size of the Company, composition of Board and periodicity of appointment, this role is directly and collectively played by the Board where decisions are taken with the consent of all.

Other Committees

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.

The Board has constituted a Project Committee on 28.05.2010 to monitor and approve key decisions on Cogen Project. It met 2 times during the year on 08.08.2011 and 10.02.2012.

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. These are placed at the succeeding Committee Meetings for confirmation and then circulated to the Board in the Agenda for being 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 one circular resolution was passed on 27.12.2011 for the appointment of Additional Director. This was recorded at the Board Meeting held on 27.01.2012.

Cost Audit

Cost Auditors: M/s S Mahadevan & Co., Coimbatore		
Filing Cost Audit Report	2011-12	2010-11
Due date	30.09.2012	30.09.2011
Actual date	31.07.2012 Target	29.07.2011
Audit Qualification in Report	Nil	Nil

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, Practising Company Secretary for the financial year ended 31st March 2012. Compliance Certificate issued by him was placed before the Board on 30th May 2012.

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 2011-12 the Compliance Report to Stock Exchanges in the prescribed format within 15 days from the close of the Quarter.

Online filing

NEAPS

Quarterly reports to be filed with National Stock Exchange are filed thro NSE Electronic Application Processing System (NEAPS) recently introduced by NSE in addition to filing of hard copy of such reports.



SCORES

SEBI vide Circular dated 03.06.2011 has advised all listed companies about processing of investor complaints in a centralized web based complaint system called 'SEBI Complaints Redress System' (SCORES). All complaints received from shareholders of listed companies are posted in this system. Listed companies are advised to view the complaint and submit Action Taken Report (ATR) with supporting documents in SCORES. For the year ended 31st March 2012 no complaints were posted in this system against our company.

Reconciliation of Share Capital Audit

Description	Frequency	For the quarter ended	Furnished on
Reconciliation of Share Capital Audit to Stock Exchanges on reconciliation of the total admitted capital with NSDL / CDSL and the total issued & listed capital	Quarterly	30.06.2011	08.07.2011
		30.09.2011	12.10.2011
		31.12.2011	09.01.2012
		31.03.2012	11.04.2012

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 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 2011-12 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 for the financial year ended 31-03-2012.

CEO/ CFO certification

CEO certification by Mr N Ramanathan, Managing Director and CFO certification by Mr K Yoganathan, Chief Financial Officer as required under Clause 49(V) of the Listing Agreement were placed before the Board at its meeting on 30th May 2012.

Review of Directors' Responsibility Statement

The Board in its Report have confirmed that the annual accounts for the year ended 31st March 2012 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

Chairman's office is separated from CEO. The Chairman is non-executive but does not maintain an office at the Company's expense.

No maximum tenure for independent directors has been specifically determined by the Board but none has exceeded 9 years tenure from the date viz., 01.01.2006 when the new Clause 49 became effective.

The Board has formulated no formal policy on the positive attributes of independent directors. But it 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.

No formal letter of appointment is given to non-executive directors and independent directors but they are fully briefed and made aware of their role and responsibility, remuneration etc.

Remuneration Committee

The Company has a Remuneration Committee vide details furnished supra.

Shareholders' Rights

Quarterly Audited Results on the Company's financial performance are sent to shareholders on request. These are posted on the Company's Website and advertised in newspapers and soft copy of same emailed to shareholders who have registered their email ids. Shareholders who have not furnished their email ids are advised to furnish the same to our email id at: shares@ponnisugars.com

Clause 32 of Listing Agreement permits 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.

The Company has sought shareholders' cooperation to fall in line with the Green Initiatives of the Central Government by way of sending communications in e-mode – Refer page 30 of Annual Report.

Audit Qualifications

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

Others

(i) Training of Board members

All the Directors are well versed in the business model and are fully briefed on all business related matters, risk assessment and minimization procedures, global/ domestic industry scenario and changes in statutes and economic environment. Detailed presentations are made by Managing Director, Senior Executives and Professionals followed by full-length discussions at Audit Committee/ Board meetings. Periodic updates on relevant statutory changes and landmark judicial pronouncements encompassing important laws are regularly circulated to the Directors.

(ii) Mechanism for evaluation NEDs

The Board collectively and on a continuous basis keeps track of the involvement, participation and contribution of every NED. No formal peer review documentation is however done.

(iii) Whistle Blower Policy

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

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.

Clause 41 of the Listing Agreement 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

The Company publishes Notice of Board Meeting to consider financial results in newspapers.

Financial Results – All audited

Period	Date of publication of Notice of Board meeting	Financial Results		News-paper
		Date of approval by Board	Date of Publication	
Quarter ended 30.06.2011	06.07.2011	15.07.2011	16.07.2011	Business Line and Makkal Kural
Quarter ended 30.09.2011	12.10.2011	04.11.2011	05.11.2011	
Quarter ended 31.12.2011	08.01.2012	27.01.2012	28.01.2012	
Quarter and Year ended 31.03.2012	12.05.2012	30.05.2012	31.05.2012*	

*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) posted on the company's website www.ponnisugars.com which displays official news releases of the company as well;
- (c) sent to shareholders on request; and
- (d) softcopy emailed to shareholders who have registered their email ids.

No presentation was made during the year to institutional investors or analysts. The Company has no agreement with any media company for public dissemination of its corporate information.

Chairman's Communiqué:

Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meetings. The same is also placed on the website of the Company and sent to Stock Exchanges.

Electronic mode of communication

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" to allow paperless compliances by the corporate sector. After introducing E-filing of various Returns through the MCA portal, MCA by its Circular dt.21.04.2011 has now made permissible the service of documents through electronic mode to shareholders.

As a responsible corporate citizen, it is the endeavour of the Company to support the Green Initiative of the Government. This however would be possible only with the active support and cooperation of shareholders.

The Company has requested the shareholders by its mail dt.18.05.2012 to send an Email confirmation to its designated ID shares@ponnisugars.com mentioning the name, DP/ Client ID or Folio number and the Email ID of the shareholder for communication. On this confirmation

- (i) The Company would henceforth send all Notices, Annual Report and other communications to these shareholders through Email;
- (ii) Copies of same would be available under the 'investor section' of our website www.ponnisugars.com for ready access;
- (iii) Shareholders will at all times be entitled to receive, free of cost, hard copy (paper version) of Annual Report and other communications on specific request;
- (iv) Shareholders are further entitled to change the instructions from time to time.

The Company earnestly appeals to all its shareholders to support the Green Initiative of the Government by opting for electronic mode of receiving our corporate communications.

Website

The Company maintains a functional website www.ponnisugars.com that contains relevant information updated in time and complies with Clause 54 of the Listing Agreement.

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.

MCA Initiatives

Corporate Governance Voluntary Guidelines 2009

Ministry of Corporate Affairs (MCA) released in December 2009 the "Corporate Governance Voluntary Guidelines 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. It keeps constant track of prevalent practices among bellwether corporates towards formulating and fine-tuning its response to the remaining areas. It however affirms that there is substantive compliance commensurate with the size, nature of business and governing structure of the Company.

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.

Policy document on Corporate Governance

MCA has constituted a Committee in March 2012 to formulate a Policy Document on Corporate Governance. It would seek to synthesize the disparate elements in diverse guidelines, draw on innovative best practices adopted by specific companies, incorporate the current international trends and anticipate emerging demands on corporate governance in enterprises in various classes and scales of operation. The policy is expected to be applicable across the corporate sector but not intended to dilute or whittle down the liberty to self-govern. The Committee is given six months time to submit its report to MCA.

Our Company would keep a close tab on the developments and ensure appropriate adoption of the final outcome.

For PONNI SUGARS (ERODE) LIMITED

N Gopala Ratnam
Chairman

N Ramanathan
Managing Director

Chennai
30th May 2012

General Shareholder Information

Details for 16th AGM

Date and Time	Friday, the 20th July 2012 at 10.15 AM
Venue	Hotel Deccan Plaza, 36, Royapettah High Road, Chennai 600 014
Financial Year	2011-12
Book Closure Dates	Wednesday, the 18th July 2012 to Friday, the 20th July 2012 (both days inclusive).
Dividend	₹ 2.50 per Equity Share (proposed)
Dividend payment date	6th August 2012

Particulars of past 3 AGMs

AGM/Year	Venue	Date & Time	Special Resolutions passed
13th 2008-09	New Woodlands Hotel Pvt Ltd 72-75, Dr Radhakrishnan Road Mylapore Chennai 600004	22.07.2009 11.00 AM	NIL
14th 2009-10		21.07.2010 11.00 AM	NIL
15th 2010-11		15.07.2011 10.25 AM	a) Reappointment of Managing Director b) Commission to non-executive directors

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 2012-13 (tentative)

Results for the quarter ending	30th June 2012	20th July 2012
-do-	30th Sep 2012	26th October 2012
-do-	31st Dec 2012	1st February 2013
Results for the year ending	31st Mar 2013	May 2013
Annual General Meeting	July 2013	



Listing

Name & Address	Bombay Stock Exchange Ltd Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Phone:022-22721233 / 22721234 Fax:022-2272 2082 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: cm1ist@nse.co.in
	Listed from	April 2002
Stock Code	532460	PONNIERODE

Listing fee has been paid to both the Stock Exchanges for the year 2012-13.

Dematerialization

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

Mode of holding	Shareholders		Equity Shares	
	No.	%	No.	%
Physical	5609	47.93	635017	7.39
Demat	6093	52.07	7963401	92.61
Total	11702	100.00	8598418	100.00

As per SEBI's directive, no investor shall be required to pay any charge for opening of a Beneficiary Owner account (BO) excepting for statutory charges and the custody charges will be paid by the issuers. Accordingly, the Company has already paid custody charges to NSDL and CDSL for 2012-13.

Shareholders are advised to convert their holdings from physical mode to demat mode considering overall merits of depository system.

PAN Requirement

- (1) SEBI vide circular dt.27th 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 20th 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.27th January '10 has made it mandatory to furnish a copy of PAN for transmission and transposition of shares.

Investors are advised to take note of same.

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 (6 lines) Fax:044-28460129
Email:investor@cameoindia.com

Web: www.cameoindia.com

Contact person: C S Vetriselvi, Senior Executive (Shares)

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.

Investor Correspondence

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

- respective Depository Participants in case of demat holding
- 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 for redressal of investor grievances. Queries posted on Company website would also get routed to this Email ID for prompt response.

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 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, Securities

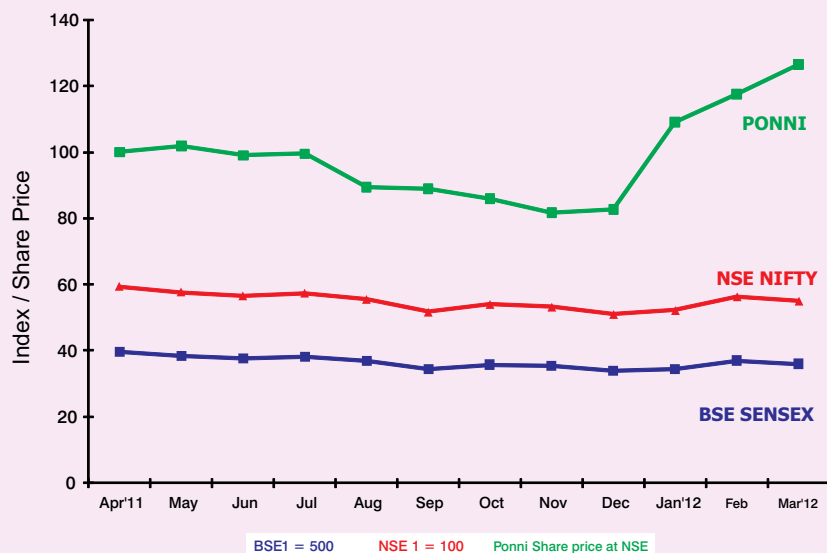
and Exchange Board of India, Exchange Plaza, Wing-II, 4th Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 (Tel: 022 26598509; Fax: 022 26598514 / 18, Email: iggc@sebi.gov.in)

Further, SEBI vide its circular dt.03.09.09 has advised Stock Exchanges to disclose details of complaints lodged by clients/ investors against the companies in the website of the Stock Exchanges. Shareholders are advised to view the status of their complaint in the website of Stock Exchanges.

STOCK MARKET DATA

Month	Bombay Stock Exchange				National Stock Exchange			
	Share price		Volume		Share price		Volume	
	High	Low	No. of shares (in lacs)	Value (₹ lacs)	High	Low	No. of shares (in lacs)	Value (₹ lacs)
April'11	100.00	92.00	0.64	60.43	100.00	90.40	1.10	104.42
May'11	103.50	93.05	2.19	216.02	101.90	93.90	1.22	119.74
June'11	99.90	88.50	0.56	51.96	99.00	88.00	0.41	37.59
July'11	97.20	86.10	0.51	45.41	99.50	86.00	0.56	50.83
Aug'11	97.20	78.00	0.26	22.38	89.50	72.45	0.44	36.76
Sept'11	93.55	78.00	0.29	23.70	88.90	78.00	0.38	30.58
Oct'11	92.95	78.00	0.07	5.59	85.90	77.55	0.10	8.36
Nov'11	84.45	73.00	0.48	37.77	81.70	71.50	0.42	32.01
Dec'11	85.25	71.55	1.30	101.03	82.70	71.15	1.08	83.15
Jan'12	108.60	72.55	1.31	126.29	109.00	73.15	2.03	198.94
Feb'12	120.70	99.95	1.86	200.86	117.50	94.95	1.09	116.83
March'12	129.75	92.00	12.77	1349.97	126.50	103.10	8.50	1065.40

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





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. A summary of such transactions so approved by the Managing Director is placed at every Board Meeting / Securities Transactions cum Investors Grievance Committee. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the said certificate with the Stock Exchanges.

There is no pending share transfer as of 31.03.2012.

Stamp duty for share transfers in physical mode is 25 paise for every ₹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

Complaints received over the last five years

Year	2007-08	2008-09	2009-10	2010-11	2011-12
No. of complaints	2	2	-	-	-

Nature of complaints received during 2011-12:

No Complaint was received during the year from Stock Exchanges where the Equity shares are listed.

Outstanding complaints as on 31.03.2012 - 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 / Remat 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 / IEPF 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 during the last three years.

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:

Email : investor@ponnisugars.com

Tel.No. : 044-39279300

Distribution of shareholding

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1-100	9112	77.87	363222	4.22
101-500	1994	17.04	488446	5.68
501-1000	282	2.41	230372	2.68
1001-10000	262	2.24	810889	9.43
10001-100000	39	0.33	1024668	11.92
100001 & above	13	0.11	5680821	66.07
Total	11702	100.00	8598418	100.00

Categories of Shareholding

Shares held by	No. of shareholders	%	No. of shares	%
Promoters	7	0.06	3680398	42.80
FIs / UTI / Mutual Fund / Banks	7	0.06	7720	0.09
Corporates	220	1.88	1388443	16.15
FIs/ NRIs/ OCBs	183	1.56	325054	3.78
Resident Individuals	11285	96.44	3196803	37.18
Total	11702	100.00	8598418	100.00

Top 10 Shareholders of the Company

Sl. No.	Name	Shares	% to Capital
1	Seshasayee Paper and Boards Ltd	1835260	21.34
2	Time Square Investments P Ltd	760004	8.84
3	Coromandel Sugars Ltd	749813	8.72
4	Mr C K Pithawalla	500466	5.82
5	Mr Bharat Jayantilal Patel	437907	5.09
6	High Energy Batteries (India) Ltd	280382	3.26
7	Ms Minal B Patel	258216	3.00
8	Lucky Valley Investments & Holdings Ltd	163880	1.91
9	Ruchit Bharat Patel	161035	1.87
10	Pinetree Properties Pvt Ltd	153535	1.79
Total		5300498	61.64

Plant

Location: Odapalli, Cauvery RSPO, Erode 638 007, Tiruchengode (Tk), Namakkal District, Tamil Nadu.

Phone:04288-247351 Fax:04288-247363

Unclaimed shares

SEBI vide its circular no.CIR/CFD/10/2010 dt.16.12.2010 has advised Stock Exchanges a uniform procedure to deal with unclaimed shares viz. (i) transferring those shares to an Unclaimed Suspense Account (ii) dematerialize the same with one of the Depository Participants (iii) all corporate benefits to be credited to the suspense account (iv) freeze the voting rights on such shares .

During Dec 2001 the company mailed fresh share certificates pursuant to the Scheme of Arrangement sanctioned by the Hon'ble High Court of Madras. Some of the Share certificates were returned to the Company due to insufficient address. After sending three reminders

the Company transferred 28277 shares pertaining to 491 shareholders to Unclaimed Suspense Account on 10.01.2012 under Demat Reference No.5426

Relevant disclosures under Clause 5A of Listing Agreement are as under:

- (i) Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year: Shareholders-497; No. of shares -28277
- (ii) Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year: Nil
- (iii) Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year: Nil
- (iv) Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year: Shareholders-497; No. of shares -28277

The voting rights in respect of these shares shall remain frozen till the rightful owner of such shares claims the shares.

Dividend for 2011-12

(a) Dividend entitlement

Dividend, if declared at the Annual General Meeting, will be paid on 6th August 2012 to the members whose names appear on the Register of Members on 20th July 2012 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 20th July 2012 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) 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 1st 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 holding shares in demat form are advised to check with their bankers for change in the bank account number and advise their depository participant with whom they are maintaining their demat account. Shareholders holding shares in Physical form shall inform the company's Registrar and Transfer Agents. This would facilitate faster credit of dividend amount to their account.

(e) 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. Accordingly, the Unpaid / Unclaimed amount for the Financial Year ended 31.03.2005 will be transferred during August 2012. Shareholders are advised to contact the Company in case of non-receipt or non-encashment of Dividend.

Particulars of unclaimed dividend

Year	Dividend (₹ per share)	Date	Unclaimed		Due date for transfer to IEPF
			No.of warrants	₹ lakhs	
2004-05	1.00	04.08.2005	3072	1.63	26.08.2012
2005-06	1.80	31.07.2006	2868	3.09	26.08.2013
2006-07	0.90	30.07.2007	3889	2.01	23.08.2014
2007-08	0.60	28.07.2008	4051	2.21	24.08.2015
2008-09	2.50	05.08.2009	3497	4.61	26.08.2016
2009-10	4.00	05.08.2010	3319	8.36	25.08.2017
2010-11	2.00	29.07.2011	3705	3.91	19.08.2018

MCA by Notification G.S.R.352(E) dated 10.05.2012 has stipulated publication of details of unclaimed/ unpaid dividend in the company website and MCA website. This is understandably to facilitate investors track unclaimed dividend by checking the status online and real time. Our company would publish and upload requisite details before the statutory time limit.

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 31st March 2012 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 31st March 2012.

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

For R Subramanian And Company

FRN No. 004137S
Chartered Accountants

N R Suresh

Partner
Membership No. 21661

A Ganesan

Partner
Membership No. 21438

Chennai
30th May 2012



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

1. We have audited the attached Balance Sheet of Ponni Sugars (Erode) Limited as at 31st March 2012, the Statement of 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, Statement of 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, Statement of 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 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 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 31st March 2012;
 - b) In the case of the Statement of 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
30th May 2012

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

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (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.
- (c) No substantial part of fixed assets have been disposed off during the year.
- (ii) (a) Inventories have been physically verified by the management. In our opinion, the frequency of verification is reasonable.
- (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.
- (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.
- (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.
- (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.
- (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.
- (v) In our opinion and according to the information and explanations given to us:
- (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.
- (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.
- (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.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (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.
- (ix) According to the information and explanations given to us in respect of statutory dues:
- (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 provisions of Employees' State Insurance Act are not applicable to the company. No amount is payable to Investor Education and Protection Fund.
- (b) There were 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 31st March 2012 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March 2012 on account of disputes are given below:



Ponni Sugars (Erode) Limited

Name of the Statute	Nature of Dues	Amount ₹ lakhs	Forum where the dispute is pending	Period to which the dues belong
Central Excise Act, 1944	Education Cess and Higher Education Cess	4.99	CESTAT	Assessment year 2009-10
Central Excise Act, 1944	Rejection of Cenvat Credit on Angles, bars and channels	47.38	Commissioner (Appeals)	Assessment years 2006-07 to 2009-10
Finance Act, 1994 (Service Tax)	Service Tax	98.72	CESTAT	Assessment Year 2004-05 to 2008-09
Income Tax Act, 1961	Income Tax	1412.86	Income Tax Appellate Tribunal/ High Court / CIT Appeals	Assessment year 2001-02 to 2009-10

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(x) The company has no accumulated losses, as at 31st March 2012. The company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.</p> <p>(xi) The company has not defaulted in repayment of dues to banks.</p> <p>(xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>(xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society.</p> <p>(xiv) The company was dealing in Mutual Fund investments during the year. Proper records of the transactions and contracts have been maintained and timely entries have been made. The said investments have been held by the company in its own name.</p> <p>(xv) The company has not given guarantees for loans taken by others from banks or financial institutions.</p> | <p>(xvi) The Term loans have been applied for the purpose for which they were obtained.</p> <p>(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.</p> <p>(xviii) During the year the company has not made any preferential allotment of shares.</p> <p>(xix) The company has no outstanding debentures at the end of the year.</p> <p>(xx) The company has not raised money by public issues during the year.</p> <p>(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.</p> |
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For Maharaj N R Suresh & Co
FRN No. 001931S
Chartered Accountants

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

N R Suresh
Partner
Membership No. 21661

A Ganesan
Partner
Membership No. 21438

Chennai
30th May 2012

BALANCE SHEET AS AT 31ST MARCH 2012

	Note No	As at 31.03.2012 (₹ in Lakhs)	As at 31.03.2011 (₹ in Lakhs)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	2	860	860
(b) Reserves and Surplus	3	10294	9625
2. Non-current Liabilities			
(a) Long-term Borrowings	4	3677	855
(b) Deferred Tax Liabilities (Net)	5	805	834
3. Current Liabilities			
(a) Short-term Borrowings	6	1151	—
(b) Trade Payables	7	3206	2956
(c) Other Current Liabilities	8	1602	1262
(d) Short-term provisions	9	1165	4807
TOTAL		22760	16121
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	10	4417	4521
(ii) Capital Work-in-Progress	11	8417	396
		12834	4917
(b) Non-current Investments	12	2079	829
(c) Long-term Loans and Advances	13	53	1084
(d) Other Non-current Assets	14	—	750
		14966	7580
2. Current Assets			
(a) Inventories	15	4694	6659
(b) Trade Receivables	16	1185	352
(c) Cash and Bank Balances	17	69	172
(d) Short-term Loans and Advances	18	486	419
(e) Other Current Assets	19	1360	8541
TOTAL		22760	16121
Notes on Financial Statements	1 to 38		

Per our Report of even date annexed

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

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

N Ramanathan
Managing Director

N Gopala Ratnam
Arun G Bijur
V Sridar

N R Suresh
Partner
Membership No.21661
Chennai
30th May 2012

A Ganesan
Partner
Membership No.21438

N Ramanathan
Secretary

N R Krishnan
Nanditha Krishna
Directors



PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

Particulars	Note No.	Year Ended 31.03.2012 (₹ in Lakhs)		Year Ended 31.03.2011 (₹ in Lakhs)	
I Revenue from Operations					
Sale of Products (Gross)	21	27557		28095	
Less: Excise Duty		995		1147	
Net Sale of Products		26562		26948	
Other Operating Revenues	22	331	26893	81	27029
II Other Income	23		109		327
III Total Revenue			27002		27356
IV Expenses:					
Cost of Materials Consumed	24	17144		19722	
Changes in Inventories	25	2079		2345	
Power & Fuel		2175		1703	
Employee Benefits Expense	26	1100		1056	
Repairs & Maintenance	27	680		513	
Other Expenses	28	552	23730	207	25546
TOTAL			23730		25546
V Profit before Finance cost and Depreciation			3272		1810
Finance Costs	29	119		148	
Depreciation and Amortization Expense		329	448	309	457
VI Profit before Exceptional items			2824		1353
VII Exceptional Items	30		212		(1411)
VIII Profit Before Tax			2612		2764
IX Tax Expense:					
Current Tax		862		412	
Deferred Tax		(29)	833	491	903
X Profit After Tax			1779		1861
XI Earnings Per Equity Share					
Basic and Diluted Earnings Per Share (₹): (Nominal value ₹ 10 per share)			20.69		21.64
Notes on Financial Statements	1 to 38				

Per our Report of even date annexed

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

For R Subramanian And Company
FRN No. 004137S
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30th May 2012

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Partner
Membership No.21438

N Ramanathan
Secretary

N R Krishnan
Nanditha Krishna
Directors

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 and bagasse 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 finished goods includes material, direct labour and production overheads and is determined in accordance with applicable cost accounting standards.

Molasses and bagasse are 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.

The company enters in to forward exchange contract to hedge exchange risk which are not intended for trading or speculation purpose. Premium or discount arising at the inception of such forward exchange 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 profit and loss statement 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 statement 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 statement. Obligation for leave encashment is recognized in the same manner.

Terminal benefits are recognized as expense as and when incurred.

k) Borrowing Costs

Borrowing costs (net of income) directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets.

Other borrowing costs are recognized as expense as and when incurred.

l) 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.

m) Impairment of Assets

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

n) 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 close of the year and material diminution in value provided for or disclosed as Contingent Liability as appropriate.

o) 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.

(2) Share Capital:

	Par Value	31.03.2012	31.03.2011
	₹	₹ in Lakhs	₹ in Lakhs
(a) Authorised: 1,50,00,000 Equity Shares	10	1500	1500
(b) Issued, Subscribed and Fully Paid-up: 85,98,418 Equity Shares	10	860	860

(c) List of shareholders holding more than 5%:

Name of Shareholder	31.03.2012		31.03.2011	
	Number of Shares	Percentage holding	Number of Shares	Percentage holding
Seshasayee Paper and Boards Ltd.	1835260	21.34	1835260	21.34
Time Square Investments P Ltd	760004	8.84	760004	8.84
Coromandel Sugars Ltd.	749813	8.72	704348	8.19
Mr.C.K.Pithawalla	500466	5.82	500466	5.82
Mr.Bharath Jayantilal Patel	437907	5.09	--	--

(3) Reserves and Surplus:

(₹ in Lakhs)

	31.03.2012		31.03.2011	
Capital Reserve		472		472
Securities Premium Account		160		160
General Reserve				
Opening Balance	6000		5000	
Additions during the year	1500	7500	1000	6000
Surplus in Profit and Loss Statement				
Opening Balance	2133		1472	
Add: Profit for the year	1779		1861	
	3912		3333	
Less: Allocations and Appropriations:				
Transfer to General Reserve	1500		1000	
Dividend:				
- Proposed Dividend ₹ 2.50 (₹2.00) per share	215		172	
- Tax on Dividend	35		28	
	1750		1200	
Closing Balance		2162		2133
Total		10294		8765



(4) Long-term Borrowings:

	31.03.2012	31.03.2011
Term Loan From Banks - Secured (Term loan from Banks including current maturities thereof (Note 8) are secured by first charge on immovable and movable properties on pari passu basis subject to prior charge on specific movables securing Working Capital Loans)		
IDBI Bank Ltd (Repayable in 10 half yearly instalments from April 2009 with right of acceleration and recompense)	177	355
Canara Bank (Repayable in 28 quarterly instalments from April 2013)	3500	500
Total	3677	855

(5) Deferred Tax Liabilities (Net):

	31.03.2012	31.03.2011
Deferred Tax Liability on account of:		
a) Depreciation	864	896
b) Others	4	7
	868	903
Deferred Tax Assets on account of:		
Disallowance under section 43 B	63	69
	63	69
Deferred Tax Liabilities (Net)	805	834

(6) Short-term Borrowings:

	31.03.2012	31.03.2011
From Banks - Secured		
Working Capital Loans - Cash Credit (Secured by first charge on inventories, book debts and specific movables and second charge on fixed assets.)	1151	--
Total	1151	--

(7) Trade Payables:

	31.03.2012	31.03.2011
Micro and Small enterprises	--	--
Goods	2946	2755
Services	260	201
Total	3206	2956

Micro 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 over dues to parties on account of principal amount and/or interest and accordingly no additional disclosures have been made.

(₹ in Lakhs)

(8) Other Current Liabilities:

	31.03.2012	31.03.2011
Current maturities of long term borrowings (Note 4)	177	790
Interest accrued but not due on borrowings	10	4
Advance from customers	485	254
Cogen Project Payables	769	20
Unpaid dividends	26	22
Purchase tax / VAT payable	117	159
Others	18	13
Total	1602	1262

(9) Short-term Provisions:

	31.03.2012	31.03.2011
Provision for employee benefits	49	99
Excise duty on finished goods stock	182	290
Provision for taxation (net of advance tax)	684	--
Proposed dividend	215	172
Tax on dividend	35	28
Total	1165	589

(10) Tangible Assets:

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2011	Additions	Deductions	As at 31.03.2012	Upto 31.03.2011	For the year	Withdrawn	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
Land	451	--	--	451	--	--	--	--	451	451
Buildings	1413	--	--	1413	337	31	--	368	1045	1076
Plant & Equipment	5093	270	136	5227	2190	282	80	2392	2835	2903
Furniture & Fixtures	97	2	2	97	58	4	1	61	36	38
Vehicles	39	5	2	42	15	4	2	17	25	24
Office Equipment	75	6	6	75	47	8	5	50	25	29
	7168	283	146	7305	2647	329	88	2888	4417	4521
Previous Year	7095	195	122	7168	2392	309	54	2647	4521	



(11) Capital Work-in-progress:

	01.04.2011		Additions	Deductions	31.03.2012	
Co-generation Project						
Buildings		251	497	--		748
Plant and Machinery		15	7289	--		7304
Other Expenses						
- Rates and Taxes	13		2	--	15	
- Insurance	12		--	--	12	
- Consultancy Charges	66		47	--	113	
- Others	12	103	--	--	12	152
Borrowing costs		16	197	--		213
		385	8032	--		8417
Others		11	272	283		--
Total		396	8304	283		8417
Previous year		--	396	--		396

(12) Non-current Investments - Long Term:

	31.03.2012		31.03.2011	
	No. of Shares	₹ In Lakhs	No. of Shares	₹ In Lakhs
Investment in Equity shares of ₹ 10/- each fully paid				
Quoted:				
Trade investments				
Seshasayee Paper and Boards Limited	1200000	720	1200000	720
Other investments				
High Energy Batteries (India) Ltd.	100000	100	100000	100
		820		820
UnQuoted - other investments				
SPB Papers Ltd (Associate)	6250000	1250	--	--
Time Square Investments Private Ltd	80000	8	80000	8
SPB Projects and Consultancy Ltd	5000	1	5000	1
		1259		9
Total		2079		829
Market value of Quoted Investments		2343		3040

(13) Long-Term Loans and Advances:

	31.03.2012	31.03.2011
Unsecured - considered good		
Capital Advances	31	1072
Security Deposits	14	4
Others	8	8
Total	53	1084

(₹ in Lakhs)

(14) Other Non-current Assets:

	31.03.2012	31.03.2011
Unsecured - Considered Good		
Advance towards investment	--	750
Total	--	750

(15) Inventories:

	31.03.2012		31.03.2011	
Work in progress		47		113
Finished Goods				
- Sugar	4079		6257	
- Molasses	67		81	
- Bagasse	179	4325	--	6338
Stores and Spares		322		208
Total		4694		6659

(16) Trade Receivables:

	31.03.2012	31.03.2011
Unsecured - Considered Good		
Over six months	220	220
Others	965	132
Total	1185	352

(17) Cash and Bank balances:

	31.03.2012		31.03.2011	
Cash and cash equivalents				
- Balances with banks	40		148	
- Cash on hand	3	43	2	150
Other bank balances				
- Unpaid dividend accounts		26		22
Total		69		172

(18) Short-term Loans and Advances:

	31.03.2012	31.03.2011
Unsecured - considered good		
- Advance to supplies & services	472	208
- Advance income tax (net of provision)	--	189
- Others	14	22
Total	486	419



(19) Other Current Assets:

	31.03.2012	31.03.2011
Unsecured-Considered Good		
Incentives/subsidies receivable (Note 32)	734	835
Cenvat credit receivable	543	13
Service tax credit receivable	70	17
Others	13	74
Total	1360	939

(20) Contingent Liabilities and Commitments:

	31.03.2012	31.03.2011
Contingent Liabilities: - Claims against the company not acknowledged as debts		
- Indirect tax demand contested	151	115
Commitments		
- Estimated value of contracts remaining to be executed on capital account and not provided for	497	6747
- Contracts for purchase of sugar cane	13366	12157

(21) Sale of Products:

	31.03.2012	31.03.2011
Sugar	24582	25205
Bagasse	2283	1893
Molasses	692	997
Total	27557	28095

(22) Other Operating Revenues

	31.03.2012	31.03.2011
Sale of scrap	140	60
Sale of export sugar quota	103	--
Export incentives	88	21
Total	331	81

(23) Other Income:

	31.03.2012	31.03.2011
Interest	15	17
Dividend		
- Long term investments	60	72
- Current investments	20	116
Net foreign exchange gain	--	82
Other non-operating income	14	40
Total	109	327

(₹ in Lakhs)

(24) Cost of Materials Consumed:

	31.03.2012	31.03.2011
Sugar cane	16504	13235
Raw Sugar	--	5867
Process Chemicals	188	134
Packing Materials	452	486
Total	17144	19722

(25) Changes in Inventories:

	31.03.2012		31.03.2011	
	Opening stock - finished goods	6338	6451	8670
- work in progress	113	126		
Closing stock - finished goods	4325	4372	6338	6451
- work in progress	47		113	
Changes in inventories - increase / (decrease)		(2079)		(2345)

(26) Employee Benefits Expense:

	31.03.2012	31.03.2011
Salaries and wages	893	804
Contribution to provident & other funds	110	161
Staff welfare	97	91
Total	1100	1056

(27) Repairs and Maintenance:

	31.03.2012	31.03.2011
Buildings	87	65
Plant & machinery	587	439
Others	6	9
Total	680	513

(28) Other Expenses:

	31.03.2012	31.03.2011
Consumption of stores and spare parts	29	15
Rent	13	20
Insurance	18	22
Rates and taxes	27	21
Net foreign exchange loss	24	--
Auditors remuneration *	10	9
Excise duty provision	(119)	(186)
Security	42	30
Travel	81	69
Communication	13	12



Ponni Sugars (Erode) Limited

(₹ in Lakhs)

<i>Other Expenses (contd..)</i>	31.03.2012	31.03.2011
Printing & stationery	14	12
Professional & consultancy	32	22
Directors' sitting fees	3	5
Freight & handling - domestic	67	65
- export	161	--
Assets discarded	19	25
Miscellaneous	118	66
Total	552	207

* Additional information:

	31.03.2012		31.03.2011	
	4.80		4.80	
i) Statutory audit				
Interim audit	1.60		1.60	
Taxation matters	2.60		1.60	
Certification	0.28		0.19	
Expenses	0.53	9.81	0.46	8.65
ii) Cost audit	0.40		0.40	
Other services	0.10		0.20	
Expenses	0.08	0.58	0.05	0.65
Total		10.39		9.30

(29) Finance Costs:

	31.03.2012	31.03.2011
Interest on borrowings	50	89
Other borrowing costs	37	57
Interest- others	32	2
Total	119	148

(30) Exceptional Items:

	31.03.2012	31.03.2011
Power evacuation arrangement expenses	212	--
Reversal of provision for diminution in the value of raw sugar import contracted	--	(1411)
Total	212	(1411)

(31) The Company has filed Writ Petitions before High Court of Madras in respect of the disallowance of depreciation claim on the transfer value of assets in terms of Scheme of Arrangement by treating the same as Demerger within the meaning of Income Tax Act, 1961 and obtained interim stay. 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.

(32) Sugar Development Fund (SDF) has withheld eligible subsidies of ₹ 690 lakhs (previous year of ₹ 690 Lakhs) and 'No Due Certificate' for levy sugar price differentials of ₹ 220 lakhs (previous year ₹220 lakhs) to the Company. This was to recover loans due from the erstwhile Ponni Sugars & Chemicals Ltd (PSCL) for ₹ 1274 lakhs as of 31st December 2011.

The Company had challenged the above in Writ Petition. The High Court of Madras by its order dated 9/11/2010 held that the loans due from PSCL cannot be recovered from the Company and directed release of withheld subsidies.

SDF has filed appeal before the Divisional Bench of High Court of Madras and obtained interim order staying the order of Single Judge.

(33) Employee Benefits:

(i) Defined Contribution Plans

Contribution of ₹ 82 lakhs (previous year ₹ 75 lakhs) to defined contribution plans is recognized as expense and included in Employee benefits expense in the profit and loss statement.

(ii) Defined Benefit Plans

Disclosure for defined benefit plans based on actuarial valuation as on 31.03.2012

(₹ in Lakhs)

General description	Post employment benefit		Long term compensated absence	
	Gratuity - Funded plan - Non contributory		Leave Encashment - Funded plan - Non contributory	
(i) Change in Defined Benefit Obligation	31.03.12	31.03.11	31.03.12	31.03.11
Present value - opening balance	436	347	90	75
Current service cost	28	25	16	13
Interest cost	38	27	7	5
Actuarial (Gain)/ Loss	(7)	58	23	14
Benefits paid	(17)	(21)	(25)	(17)
Present value - closing balance	478	436	111	90
(ii) Change in Fair Value of Plan Assets				
Opening balance	357	354	79	44
Expected return	32	28	7	5
Actuarial gain/ (loss)	(1)	(4)	2	--
Contributions by employer	79	--	10	30
Benefits paid	(17)	(21)	--	--
Closing balance	450	357	98	79
Actual Return	31	24	9	5
(iii) Amount recognized in the Balance Sheet (as at year end)				
Present value of obligations	478	436	111	90
Fair value of plan assets	450	357	98	79
Net (asset) / liability recognized	28	79	13	11
(iv) Expenses recognized in the profit and loss statement				
Current service cost	28	25	16	13
Interest on obligation	38	27	7	5
Expected return on plan assets	(32)	(28)	(7)	(5)
Net actuarial (gain)/ loss	(6)	62	21	15
Total included in 'Employee benefits expense' (Note 26)	28	86	37	28



Ponni Sugars (Erode) Limited

		31.03.12	31.03.11	31.03.12	31.03.11
(v) Asset information		Insurance Policy (100%)		Insurance Policy (100%)	
(vi) Principal actuarial assumptions					
	Mortality	LIC (1994-96) Ultimate table		LIC (1994-96) Ultimate table	
	Discount rate (%)	9	8	9	8
	Future salary increase (%)	7	7	7	7
	Rate of return of plan assets (%)	8	8	8	8
	Expected average remaining working lives of employees (years)	13	13	13	13
(vii)	Expected contribution (₹ in lacs)	35	60	25	15
(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.				

(ix) Amount for the current and previous four years are as follows:

₹ in lacs

Particulars	Gratuity					Leave Encashment				
	31.03.12	31.03.11	31.03.10	31.03.09	31.03.08	31.03.12	31.03.11	31.03.10	31.03.09	31.03.08
Defined Benefit Obligation	478	436	347	300	250	111	90	75	59	44
Plan Assets	450	357	354	299	239	98	79	44	--	--
Surplus / (Deficit)	28	79	(7)	1	11	13	11	31	59	44
Experience adjustments on Plan liabilities	7	(58)	(18)	(31)	(5)	(23)	(14)	(25)	(14)	(20)
Experience adjustments on Plan Assets	(1)	(4)	29	(18)	2	2	--	(1)	--	--

(34) Earnings per Share

	31.03.2012	31.03.2011
Profit after tax (₹ Lakhs)	1779	1861
Weighted average no. of shares (in lakhs)	86	86
Face value per share (₹)	10	10
Basic and diluted earnings per share (₹)	20.69	21.64

35) Related Party Disclosures

(a) List of Related Parties where control exists : None

(b) Transaction between Related Parties:

- i) Names of the transacting Related Parties : Seshasayee Paper and Boards Ltd (SPB)
- ii) Description of relationship : Presumption of significant influence
- iii) Description of Transactions:

(₹ in Lakhs)

	31.03.2012	31.03.2011
Sale of goods	2289	1898
Purchase of goods	2274	1713
Services availed (Net)	(3)	(5)
Dividend received	60	72
Dividend paid	37	73
Amount outstanding at the year end (payable) / receivable (net)	(387)	(155)

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

(₹ in Lakhs)

	31.03.2012	31.03.2011
- Remuneration	55	30
- Amount outstanding at the year end towards commission	23	11

(36) The Company is engaged in a single business and geographical segment.

(37) Additional Information:

i) Value of Imports calculated on CIF basis:- (₹ in Lakhs)

	31.03.2012	31.03.2011
Raw Materials	--	5617

ii) Expenditure in Foreign Currency: Nil Nil

iii) Raw Materials Consumed:

	31.03.2012		31.03.2011	
	₹ in Lakhs	%	₹ in Lakhs	%
Imported	--	--	5867	31
Indigenous	16504	100	13235	69
Total	16504	100	19102	100



Ponni Sugars (Erode) Limited

(iv) Components and spare parts:

	31.03.2012		31.03.2011	
	₹ in Lakhs	%	₹ in Lakhs	%
Imported	--	--	--	--
Indigenous	458	100	328	100
Total	458	100	328	100

(v) Dividend remitted in Foreign Currency:

(₹ in Lakhs)

Year	No. of Share Holders	No. of Equity Shares	31.03.2012	31.03.2011
2010-11	2	242740	5	--
2009-10	2	242740	--	10
		Total	5	10

(vi) Earnings in Foreign Currency:

	31.03.2012	31.03.2011
FOB Value of Exports	3457	815

(38) The financial statements for the year ended March 31, 2011 were prepared as per the then applicable, pre-revised Schedule – VI to the Companies Act, 1956. The financial statements for the year ended March 31, 2012 have been prepared as per Schedule VI. Accordingly, the previous year figures have been reclassified to conform to current year's classification.

Per our Report of even date annexed

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

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

N Ramanathan
Managing Director

N Gopala Ratnam
Arun G Bijur
V Sridar

N R Suresh
Partner
Membership No.21661
Chennai
30th May 2012

A Ganesan
Partner
Membership No.21438

N Ramanathan
Secretary

N R Krishnan
Nanditha Krishna
Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(₹ In Lakhs)

		Year Ended 31/03/2012	Year Ended 31/3/2011
A	Cash flow from Operating Activities		
	Profit before tax and Exceptional items	2824	1353
	<i>Adjustments for:</i>		
	Depreciation	329	309
	Exceptional items	(212)	--
	Interest	104	131
	Dividend	(80)	(188)
	(Profit) / Loss on sale of assets	22	9
	Assets discarded	19	25
		182	286
	Operating Profit before working capital changes	3006	1639
	<i>Adjustments for:</i>		
	Trade and Other Receivables	(580)	1025
	Inventories	1965	2311
	Trade and other payables	1039	222
		2424	3558
	Cash generated from operations	5430	5197
	Direct Tax paid net of refund	(21)	(824)
	Net cash from operating activities (A)	5409	4373
B.	Cash flow from Investing Activities:		
	Purchase / Acquisition of fixed assets	(8107)	(1654)
	Value of discarded assets	(19)	(25)
	Investments	(500)	(750)
	Sale of Fixed Assets	36	59
	Dividend Received	80	188
	Net cash used in investing activities (B)	(8510)	(2182)



Ponni Sugars (Erode) Limited

(₹ In Lakhs)

	Year Ended 31/03/2012	Year Ended 31/3/2011
C. Cash flow from Financing Activities:		
Proceeds from Long Term borrowings	--	--
Term Loan Received	3000	500
Term Loan repaid	(694)	(178)
Working Capital Loan	1151	(2107)
Interest Paid	(278)	(164)
Interest received	15	17
Dividend plus Tax paid	(200)	(401)
Net cash used in financing activities (C)	2994	(2333)
Net increase in cash and cash equivalents (A+B+C)	(107)	(142)
Cash and cash equivalents at the beginning	150	292
Cash and cash equivalents at the end	43	150

Note:

1. Figures in brackets represent outflows.
2. 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

For R Subramanian And Company
FRN No. 004137S
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N Ramanathan
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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

Attendance slip

Shareholder/Proxy

(Please tick appropriately)

I (Name of the Shareholder/Proxy) record my presence at the 16th Annual General Meeting of the Company held on Friday, the 20th July 2012 at 10.15 AM at Hotel Deccan Plaza, 36, Royapettah High Road, Chennai 600014.

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)

failing 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 16th Annual General Meeting of the Company to be held on Friday, the 20th July 2012 at 10.15 AM and at any adjournment thereof.

Date:

Signature



Note:

Form of Proxy duly completed should be deposited at the Registered Office of the Company not later than 10.15 A.M. on Wednesday, the 18th July 2012.

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.