



Ponni Sugars (Erode) Ltd.

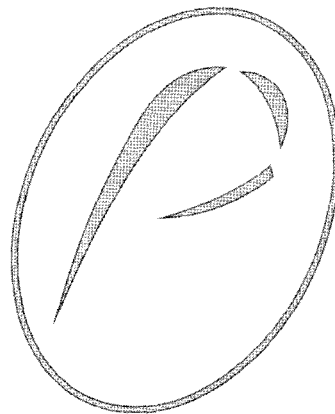
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13th

Annual Report

2008-09

Ponni Sugars (Erode) Limited



Year of Ecstasy

Smart turn around of sugar sector

Buoyant Sugar and by-product prices

Improved Sugar recovery upon Modernisation

All time high PBT and PAT

Highest Dividend of 25%



From Chairman's desk

Dear Shareholder,

I am delighted to share with you the outstanding performance of your Company during 2008-09. While we peaked on physical performance in the previous year, we have excelled in financial performance this year. Indeed, our PBIT, PBT, PAT and EPS figures have all scaled a new high in 2008-09.

The transformation from a lack-lustre state to a trailblazing performance has been largely brought about by resurgence in sugar prices. This has been further facilitated by our registering reasonable volumes of sugar cane in a period of crippling cane shortage and further stepping up the efficiency in sugar recovery. Timely withdrawal from unremunerative exports, tight leash on costs and the fruits of modernisation have together helped the Company post such praiseworthy performance.

In tune with the highest ever financial performance achieved, your Board has been pleased to recommend the highest Dividend of 25% for the year.

The world economy faced formidable adversity during 2008-09 with several of global financial and manufacturing behemoths having had to fight for survival. While India along with China has done relatively better, none could escape the domino effect of such a dreadful downturn. Sugar has however emerged as an exception and turned contrarian with continuous rise in its price brought about essentially by the deep dip in Indian production. Sugar cycles now seem to be getting accentuated in India more by the trigger of economic factors and Government fiat than by inevitability of agro-climatic changes.

At the dawn of current decade, Indian Sugar production was a tad above that of Brazil. In fact, during the previous decade India had alternately exchanged the numero uno status with Brazil as the world's top sugar producer. However the current decade is witness to sustained rise in sugar production in Brazil but a chequered record for India.

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Directors

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

Audit Committee

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

Remuneration Committee

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

Securities Transactions Cum Investors Grievance Committee

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

Auditors

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

Cost Auditors

S Mahadevan & Co., Coimbatore

Banks

Bank of India
 IDBI Bank Limited
 UCO Bank
 United Bank of India

Registered Office

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

Works

Odappalli, Cauvery RSPO
 Erode 638 007
 Tamil Nadu

Registrar & Transfer Agent

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

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Indian sugar has too often been tilting from surplus to shortage and with that India has been oscillating from exports to imports. Such a spike in year to year sugar production brings with it avoidable distress and distaste to different stakeholders. It is imperative to smoothen this curve to limit, if not obviate, the demand-supply disequilibrium occurring at too frequent an interval. For this, sugar and sugarcane prices must move in tandem and be compatible with the price rise in competing crops and commodities.

Given the deficit state of world sugar balance and that of India, price buoyancy must persist in the near term. Your Company is making every effort towards addressing farmers' concerns and constraints in its endeavour to ensure adequacy of cane supply. It also plans to supplement sugar production through import of raw sugar.

Your Company is now pursuing a standalone Distillery Project in close proximity to the Erode Sugar Mill. I hope to be able to report tangible progress on this front in the course of current year. This Project should help us soften the cyclical nature of sugar business.

Your Board is now broad based with the induction of two more Independent Directors namely, Mr. N R Krishnan and Mr V Sridar. Having held very high positions in Government/ PSU Banks, they bring to bear rich managerial and administrative experience. I am sure their induction would add further stature and strength to our Board.

I sincerely thank you for your continual support to the Management, both during good and bad times. I am quite sanguine of a repeat of robust performance, barring unforeseen happenings, during 2009-10 as well. Let us together hope and wish for a brighter future for the Company.

Warm regards

N R Krishnan
N R Ratnam

Chennai
6th June 2009

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 13th Annual General Meeting of the Company will be held at New Woodlands Hotel Pvt Ltd, 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600 004 on Wednesday, the 22nd July 2009 at 11.00 AM to transact the following business.

ORDINARY BUSINESS

1. Adoption of Accounts etc.

To consider and adopt the audited Balance Sheet as at 31st March 2009, the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

2. Dividend declaration

To declare dividend on Equity Shares.

3. Reappointment of retiring Directors

To appoint directors in the place of Mr Bimal Poddar and Mr C K Pithawalla 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 and M/s R Subramanian and Company, the retiring auditors of the Company, are eligible for reappointment.

SPECIAL BUSINESS

5. Appointment of Directors

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

- i) RESOLVED that Mr V Sridar be and is hereby appointed as a Director of the Company liable to retire by rotation.
- ii) RESOLVED that Mr N R Krishnan 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
6th June 2009

N Ramanathan
Managing Director

NOTES:

1. Proxy

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

2. Deposit of proxy

Proxies in order to be effective, must be received at the registered office of the Company not later than 48 hours before the meeting, viz., by 11.00 AM on 20th July 2009.

3. Book Closure

The Register of Members and the Share Transfer Register will remain closed from Wednesday, the 15th July 2009 to Wednesday, the 22nd July 2009 (both days inclusive)

4. Dividend

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

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

Members are advised to refer to 'Shareholder Information' section of the Corporate Governance Report (Page 31 of the Annual Report) for details on dividend entitlement and dividend warrants.

5. Member identification

- (a) Members are requested to bring the attendance slips duly filled in along with their copies of Annual Reports to the meeting.
- (b) Members holding shares in Demat form are requested to bring in their details of DP ID and Client ID for ease of identification and recording of attendance at the meeting.

EXPLANATORY STATEMENT**(Pursuant to Section 173(2) of the Companies Act, 1956)****Item No.5:****Appointment of Directors**

With a view to broad base the Board and have the benefit and expertise of more number of independent directors, the Board of Directors at their meeting held on 5th June 2009 appointed Mr V Sridar and Mr N R Krishnan as Additional Directors of the Company.

Mr V Sridar is a Chartered Accountant and has held several high positions in the banking sector before retiring as the Chairman and Managing Director of UCO Bank in July 2007. He played a key role in the quick turnaround of UCO Bank and acceleration of its growth. He is currently engaged in rendering professional consultancy in the field of Finance from Mumbai.

Mr N R Krishnan is a retired IAS officer and has held pivotal positions in MP Government and Central Government. He had been a guest teaching faculty in domestic and international educational institutions.

Mr V Sridar and Mr N R Krishnan serve on the Boards of several leading corporates. They bring to bear rich experience and general management skills. Your Board is of the view that their induction will enhance its strength and stature besides achieving a fair balance of independent and non independent directors.

In deference to Section 260 of the Companies Act, 1956 they hold office till the date of this meeting. The Company has received notices individually under Section 257 of the Companies Act, 1956 together with requisite deposit proposing their candidature as Director of the Company.

Approval of the shareholders is sought for the appointment of the abovementioned persons as directors of the Company liable to retire by rotation. Motion shall be made for the appointment of each one of these directors individually at the meeting and not by a single resolution in conformity with Section 263 of the Companies Act, 1956.

Each of the abovementioned person is interested in his respective appointment as director. No other director is concerned or interested in this item of business.

(By Order of the Board)

For PONNI SUGARS (ERODE) LIMITED

Chennai
6th June 2009

N Ramanathan
Managing Director



Ponni Sugars (Erode) Limited

Details of the Directors seeking appointment / reappointment at the 13th 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 Bimal Poddar B.Com DIN: 31146	25.12.1942	Varied experience in the spheres of Finance, Administration and General Management for long in diverse family businesses.	Chairman & Managing Director The Coonoor Tea Estates Co Ltd	Member in Audit, Remuneration and Directors Committee in:
	19.12.2001		Chairman Matheson Bosanquet Entps Ltd Lucky Valley Investments & Holdings Ltd Hope Textiles Ltd Sua Explosives & Accessories Ltd Director Seshasayee Paper & Boards Ltd Sua Finance & Investments Ltd Coonoor Investments Ltd Poddar Niket Developers Ltd Atlas Copco (India) Ltd Ornate Textiles Pvt Ltd Ornate Buildcons Pvt Ltd HTL Realty Pvt Ltd Ornate Reality Pvt Ltd Skytop Reality Pvt Ltd Skyblue Reality Pvt Ltd Pragati Business Ltd	Atlas Copco (India) Ltd Member of Audit Committee in : Seshasayee Paper and Boards Ltd Chairman of Remuneration Committee in : Hope Textiles Ltd.
Mr C K Pithawalla B.E.(Mech.) DIN: 38371	03.10.1940	A successful NRI businessmen having diverse business interests in UK, Germany and Switzerland.	Chairman Pithawalla Techno Industries Pvt Ltd.,	NIL
	19.12.2001		Director Pithawalla Engg GMBH CKG Pithawalla Pvt Ltd Plastwood Industries Pvt Ltd Polydecor Industries Pvt Ltd West Coast Pillars Pvt Ltd	

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Details of the Directors seeking appointment / reappointment at the 13th 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: Securities Trading Corporation of India Ltd STCI Primary Dealer Ltd Eveready Industries Asahi Fibres Ltd Krisna Knitwear and Technology Ltd Seshasayee Paper and Boards Ltd	Member of Remuneration Committee in Seshasayee Paper and Boards Ltd
	05.06.2009			Member of Audit Committee in Securities Trading Corporation of India Ltd STCI Primary Dealer Ltd Eveready Industries Seshasayee Paper and Boards Ltd
Mr NR 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 Tamil Nadu Petroproducts Ltd The India Cements Ltd Cognizant Foundation	Chairman of Audit and Remuneration Committee in Tamil Nadu Road Development Company
	05.06.2009			Member of Audit and Remuneration Committee in : Tamil Nadu Petroproducts Ltd



Ponni Sugars (Erode) Limited

DIRECTORS' REPORT

Your Directors present their 13th Annual Report and the audited statement of accounts for the year ended 31st March 2009

	Year ended 31.03.2009	Year ended 31.03.2008
Physical Performance (tonnes)		
Cane crushed	680238	922446
Sugar produced	71820	92324
Financial Performance (Rs. crores)		
Turnover	137.49	140.28
Profit / (Loss) Before Tax	18.72	(3.09)
Profit / (Loss) After Tax	12.26	(1.88)
Surplus from Previous Year	3.13	5.59
Amount available for appropriation	15.39	3.71
Appropriations:		
Transfer to General Reserve	6.00	—
Proposed dividend	2.15	0.49
Dividend Tax	0.37	0.08
Balance in Profit & Loss Account carried forward	6.88	3.13

Dividend

Your Directors are pleased to recommend a dividend of Rs.2.50 per Equity Share of Rs.10 each for the financial year ended 31st March 2009.

Sugar Industry Overview

Sugar industry during 2007-08 underwent an unprecedented crisis with burgeoning production, bloated inventory and battered sugar price. While aggressive exports buoyed up by incentives from Government helped to partly remove the supply overhang, an early revival of fortunes still looked elusive. After such deep-rooted traumatic downturn, the dramatic turnaround of fortunes in 2008-09 that is swift in time and steep in price correction has come as good relief to the industry.

Sugar production in 2008-09 season is now set to slip to sub 150 lakh tonnes, a steep fall by 40% from the previous season, while sugar consumption continues to grow, albeit at a slower pace, that is placed around 225-230 lakh tonnes. Such a strident shortfall in sugar production has posed a serious threat to virtually eliminate the inventory on hand, prompting the Government to look at liberalizing and

incentivizing sugar imports. Sugar production is of course bound to rebound during 2009-10 but would still be below our domestic requirement. As such, imports in the region of 50 lakh tonnes would seem inevitable during these two years to tide over the transitory deficit.

The decline in sugar production, unlike in earlier occasions, has not been caused by drought or adverse agro climatic conditions. It is dominantly due to the conscious switch-over by the farmer to other competing crops that now fetch him a much higher realization. Price parity being the bedrock of market economics, sugarcane price must match with and measure up to other competing crops to reignite farmers' interest in cane. This in turn warrants remunerative sugar price to support desired level of cane price and simultaneously ensure its payment in time so as to achieve sustainable levels of domestic sugar production. It is high time for India being the largest consumer of sugar to evolve a holistic and long-term policy to temper the skewed change in year-to-year sugar production. Such a policy must aim at and facilitate not only to reach self-sufficiency but also command a regular and significant role in export market.

Sugar prices in response to the fundamental shift in demand-supply equilibrium responded favourably and firmly during 2008-09. This in turn has enabled sugar mills to offer a higher and lucrative sugarcane price with the singular objective to bolster cane availability in the coming years. The buoyancy in sugar price in the backdrop of diminutive domestic supply and demonstrably hardening global prices should persist for at least one more year.

Government measures

Concerned gravely with the relentless rise in domestic sugar price, the Central Government unleashed a slew of regulatory antidotes to cool off the market. The General Elections for Lok Sabha further exacerbated the concerns of the Government on a politically sensitive commodity like sugar, though its relevance and significance under the changed macro-economic environment is much muted.

The Government brought in measures such as weekly quota for free sale, weekly reporting mechanism to monitor sugar dispatches and sale, liberalized raw sugar import under Advance Authorization Scheme [with change in export obligation norm from 'grain-to-grain' to 'tonne-to-tonne' basis] and finally the facility to import raw sugar