



**Ponni Sugars (Erode) Ltd.**

**15th**  
Annual Report  
**2010-11**



### *Sugar under stress*

- ❖ *Turnover scaled up to all time high*
- ❖ *Margins under severe pressure*
- ❖ *Book value of Shares crossed Rs.100/-*
- ❖ *Cogeneration Project in good progress*
- ❖ *Dividend at 20%*

# 15th Annual Report 2009-10

## 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  
V Sridar  
N R Krishnan  
Dr Nanditha Krishna

## 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", 5<sup>th</sup> Floor  
No.1, Club House Road, Chennai 600 002

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## From Chairman's desk

*Dear Shareholder,*

*I am glad to share with you the creditable performance of your Company in a difficult year. Its topline has touched yet another new high on the strength of volume growth, despite deep fall in product prices.*

*I had voiced my worst fears in my last year's communiqué on the negatives facing the Company. These were in the form of reduced cane availability, higher input costs and lower output prices. These factors did hit us hard during the year. But quite unexpectedly, we were hit harder by a steep fall in sugar recovery as well. Under adverse climatic conditions, our sugar recovery dipped to a decade-low figure.*

*We normally benefit by some buffer in this cyclic industry. It is in the form of remunerative prices in the market during times of low production or by way of higher output (through abundant and relatively lower cost cane availability) during times of sluggish market conditions. It however was a double whammy this time for our Company to face lower production and lower prices together during the downturn.*

*It hence gives me considerable satisfaction to report that our Company has maintained a healthy topline and commendable bottomline for the year, while most of our peers have indeed suffered stifling losses in the sugar segment. We have been largely helped in this endeavour by low cost sugar inventories carried over from last year and the prudent provisioning we had made in the previous year for the adverse impact of raw sugar import contract. While our operating margin tanked by 75%, we could contain the fall in PBT and PAT at 50% compared to last year.*

*Sugar fundamentals have doubtless changed during 2010-11 sugar season with the re-emergence of surplus after two successive years of significant deficit. Nevertheless, current stock levels cause no alarm to warrant such horrendous hammering of sugar prices. Continual clamp on OGL exports when world prices were high, persistent pursuit of restrictive trade norms on bulk users of sugar and excessive monthly releases unleashed month after month have cumulatively contributed to the collapse of market sentiments.*

*It is imperative that India as the single largest sugar consumer must remain self-sufficient on sugar production, if not a regular exporter in the global market. We have only to look at our immediate past to draw the lessons when a sudden spurt in Indian demand forced by domestic production setback drove world sugar prices to dizzy heights. In that process, the Indian consumer eventually ended up paying a whopping 100% increase in the price for sugar in a matter of just couple of months. It is axiomatic that domestic production stability is sine qua non for domestic price stability for a large country like ours.*

*In this context, it would be too naive to forget the fact that the swift and significant recovery in Indian sugar production recorded in 2010-11 is undeniably on the strength of remunerative cane price voluntarily paid by sugar mills in excess of mandatory cane prices. This was possible only by reason of vibrant sugar market and viable sugar prices strengthening the cashflows of sugar mills. This delicate balance is unfortunately disturbed and destabilized too often, accentuating the volatility in sugar cycles. It is simple economics that sugar mills cannot for too long operate in a negative cost-realization structure and their shocks get systemically passed on to the cane farmer, with only a limited lag.*

*Your Company remains sanguine towards sustaining reasonable volume of cane crushing during FY 2011-12. It has taken effective steps to shore up the cane quality, enhance yield and improve recovery. Sugar prices might only remain range bound in the near term. Interest cost is bound to surge considerably based on higher level of borrowings and further fuelled by higher rates of interest. It looks we would be cruising through the bottom of sugar cycle in 2011-12 with all concomitant challenges. I still believe we should be able to post positive results for the year.*

*The Co-generation Project on a capital outlay of Rs.110 crores is progressing per schedule. We have tied up the debt component through Canara Bank. We target to commission this before end of March 2012.*

*I am indeed thankful to you for your unstinted support to the Management in all its endeavours. While we do foresee a difficult year in FY 2011-12, your Company should be able to show resilience in combating the challenges and strive to meet realistic expectations of stakeholders.*

*Warm regards*



*N Gopala Ratnam*

Chennai  
27th May 2011





# Ponni Sugars (Erode) Limited

## Financial Highlights- Ten Years at a Glance

Rs. in lakhs

	2001-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
<b>For the year</b>										
Total Income	10656	9666	9057	8922	14074	14263	13961	15122	28591	25016
Total Expenditure	9291	8471	7926	7568	11919	13021	13984	12763	21154	23206
PBIDT	1365	1195	1131	1354	2155	1242	-23	2359	7437	1810
Interest	880	613	371	247	217	139	112	189	179	148
Depreciation	204	234	222	227	242	245	282	297	306	309
Profit before exceptional items	281	348	538	880	1696	858	-417	1873	6952	1353
Exceptional Items	0	212	218	-97	-38	0	-108	0	1411	-1411
PBT	281	136	320	977	1734	858	-309	1873	5541	2764
Tax	100	50	70	375	598	368	-121	647	1856	903
PAT	181	86	250	602	1136	490	-188	1226	3685	1861
EPS (Rs)	2.20	1.04	3.04	7.35	13.86	5.97	-2.29	14.46	42.86	21.64
Cash EPS (Rs)	5.92	4.51	6.61	11.95	18.38	8.70	-1.72	21.02	56.40	14.54
Dividend %	0	0	0	10	18	9	6	25	40	20
<b>As at year end</b>										
Gross Block	4759	4940	4948	5029	5422	5752	6673	6962	7095	7168
Net Block	4161	4118	3913	3773	3940	4093	4737	4771	4703	5996
Loan Funds	7348	5182	5084	2660	2061	2456	4328	3358	3430	1645
Net Worth	1387	1472	2018	2527	3547	3951	3705	4679	7964	9625
Book value per share (Rs)	14.48	15.52	22.18	28.39	40.82	45.75	42.75	54.42	92.62	111.94



## 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 15<sup>th</sup> Annual General Meeting of the Company will be held at New Woodlands Hotel Pvt Ltd, 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600 004 on Friday, the 15<sup>th</sup> July 2011 at 10.25 AM to transact the following business.

#### ORDINARY BUSINESS

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

To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2011, 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 Dr L M Ramakrishnan and Mr Bimal poddar 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. 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.S.K.Ramasamy 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 Dr (Mrs) Nanditha Krishna be and is hereby appointed as a Director of the Company liable to retire by rotation.

##### 7. Reappointment of Managing Director

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

“RESOLVED that Mr N Ramanathan whose current term of office expired on 31.03.2011 be and is hereby re-appointed as Managing Director of the Company for a period of three years from 01.04.2011 to 31.03.2014.

RESOLVED FURTHER that pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, approval be and is hereby accorded for the re-appointment of Mr N Ramanathan as Managing Director on the remuneration and other terms and conditions set out in the Explanatory Statement attached hereto.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to increase, vary or amend the remuneration and other terms of the appointment from time to time provided that such revised remuneration shall also be in conformity with and within the ceiling of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

##### 8. Commission to non-executive directors

To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution

“RESOLVED that the consent of the Company be and is hereby accorded for payment of commission to non-executive directors out of the net profits of the Company, over and above the sitting fees, for a period of 3 years from 1<sup>st</sup> April 2011.



## Ponni Sugars (Erode) Limited

PROVIDED that the aggregate of commission shall be within the ceiling prescribed under Section 309(4)(b)(i) and such other applicable provisions of the Companies Act, 1956 or any modification or re-enactment thereof.

RESOLVED FURTHER that the commission be divisible among the directors in such manner and proportion as the Board may decide from time to time.

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to take all such steps as may be necessary and expedient to give effect to this resolution."

(By Order of the Board)

**For PONNI SUGARS (ERODE) LIMITED**

Chennai  
27th May 2011

**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 10.25 AM on 13<sup>th</sup> July 2011.

#### 3. Book Closure

The Register of Members and the Share Transfer Register will remain closed from Wednesday, the 13<sup>th</sup> July 2011 to Friday, the 15<sup>th</sup> July 2011 (both days inclusive).

#### 4. Dividend

Dividend on declaration will be paid on 29<sup>th</sup> July 2011.

Members are advised to refer to 'Shareholder Information' section of the Corporate Governance Report (Page 41 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 members will have no claim on this thereafter.

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

#### 6. E-Communication

Members are requested to opt for electronic mode of communication and support the Green initiatives of Government (Refer page 35 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 S K Ramasamy has been a director of the Company since 2001. He has indeed been closely associated with our Erode Sugar Mill ever since it was set up in 1984. He has played an effective role through his interaction with sugarcane growers.

Mr S K Ramasamy 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.

Mr S K Ramasamy is an independent director and the composition of Board would undergo a change with his exit. It is the intent of your Board to induct an independent director in due course and within six months to restore the fair balance between independent and non-independent directors.

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

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

### Item No.6

#### Appointment of Director

The members at the Annual General Meeting held on 21<sup>st</sup> July 2010 decided not to immediately fill in the vacancy caused by the retirement of Mr.N.Ravindranathan. The Explanatory Statement conveyed the desire of the Board to induct an independent director in due course to restore the fair balance between independent and non-independent directors.

The Board in pursuit of above identified and inducted Dr (Mrs) Nanditha Krishna as an additional director effective 24<sup>th</sup> December 2010. She would hold office till the date of this meeting vide Section 260 of the Companies Act, 1956.

Dr Nanditha Krishna is an acknowledged authority on Indology and is an environmental educationist. She holds a Ph.D. from the Department of Ancient Indian Culture, University of Bombay. She is the Director of CPR Institute of Indological Research and C P Ramaswami Aiyar

Foundation. Her area of specialization includes Indian Art and Culture, Environmental History and Ecological Heritage of India and Cambodian Art. She has won large number of awards and recognition for her outstanding works.

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

Except Dr Nanditha Krishana, no other director is concerned or interested in this item of business.

### Item No.7

#### Reappointment of Managing Director

Mr N Ramanathan was appointed as Managing Director for a period of 3 years which term expired on 31.03.2011. The Board of Directors at their meeting held on 25<sup>th</sup> March 2011 have re-appointed Mr N Ramanathan as Managing Director of the Company for a period of 3 years with effect from 1<sup>st</sup> April 2011 and approved the remuneration package on the recommendations of the Remuneration Committee as under subject to the approval of shareholders:

1. Period:  
1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2014.
2. Salary:
  - (i) Basic: Rs.1,50,000/- per month.
  - (ii) Special Allowance: Rs.40,000/- per month.
3. Commission:  
Three percent of the net profits of the Company but restricted to annual salary.
4. Allowances/ Perquisites :  
Housing or HRA, Medical, LTA, Personal Accident Insurance, Car and Telephone and other perquisites in accordance with the rules of the company and as may be decided from time to time by the Board on the recommendations of the Remuneration Committee. Perquisites excluding Housing shall be restricted to annual salary.
5. Retirement benefits :  
Contribution to Provident Fund, Superannuation Fund, New Pension System, Gratuity Scheme and



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Leave Encashment in accordance with company scheme. These shall not be included in the computation of ceiling as applicable.

### 6. Minimum Remuneration:

In the event of loss or inadequacy of profits in any financial year, remuneration as above shall be paid as Minimum Remuneration. In addition, the Managing Director is eligible for 50% of annual salary as Incentive Remuneration but no commission is payable in such a year.

### 7. Overall ceiling:

In any event the total of Salary, Commission, Incentive Remuneration and perquisites shall be within the overall ceiling, if any, specified from time to time in the Companies Act, 1956 or any re-enactment thereof.

*Note : Profit for purpose of Managerial Remuneration shall be as per computation under Sections 349 and 350 of the Companies Act, 1956.*

Mr N Ramanathan (56) is a Chartered Accountant, Company Secretary and Cost Accountant. He has been associated with the Company and Group for over three decades. He brings to bear an impressive track record of academic excellence. He has made decisive contribution for the growth and functioning of the Company.

Mr N Ramanathan is well versed with the dynamics of the sugar industry's functioning. He holds Committee positions in industry associations and commands wider acclaim for his role and contribution.

The terms of appointment and remuneration of Mr N Ramanathan have been determined by the Board in deference to Sections 198, 269, 309, 310 and other related and applicable provisions read with Schedule XIII of the Companies Act, 1956 as may be amended or re-enacted from time to time.

Sugar industry is highly cyclical and is subject to Government Control on diverse facets of its functioning. The Company's profit performance is hence highly vulnerable to price pressures brought by external factors. In the near term, Cogen Project is also likely to escalate interest and depreciation burden and adversely impact the profit computation. The remuneration package accordingly includes minimum remuneration in the event of loss or inadequacy of profits.

The Remuneration Committee of the Board has approved the above on 25<sup>th</sup> March 2011 and this requires the approval of shareholders through Special Resolution. Statement containing prescribed information for this

purpose is furnished hereunder. The Company has not defaulted in debt servicing.

Intimation under Section 302 of the Companies Act, 1956 had already been circulated to all the Members within the stipulated time.

Memorandum and Articles of Association and relevant resolutions passed by the Remuneration Committee and Board are available for inspection by Members at the registered office of the Company between 11.00 AM and 1.00 PM on any working day.

No Director other than Mr N Ramanathan is concerned or interested in this item of business.

### Statement containing required information as per Para (B) of Part II of Section II of Schedule XIII to the Companies Act, 1956

#### I. GENERAL INFORMATION

##### (1) Nature of Industry

Manufacture of sugar and its by-products

##### (2) Date of commencement of Commercial production

The Company was transferred the Erode Sugar Mill Undertaking of erstwhile Ponni Sugars and Chemicals Limited effective 1<sup>st</sup> April 1999 in terms of a Demerger Scheme sanctioned by High Court of Madras. Commercial production in Erode sugar mill commenced on 3<sup>rd</sup> December 1984.

##### (3) In case of new companies, expected date of commencement of activities

Not Applicable

##### (4) Financial performance based on given indicators

(Rs lakhs)

Particulars	2010-11	2009-10	2008-09
Total Income	25016	28591	15122
Profit before Interest, Depreciation & Tax	1810	7437	2359
Profit Before Tax	2764	5541	1873
Profit After Tax	1861	3685	1226
Net worth	9625	7964	4679
Dividend (%)	20*	40	25

\* Recommended by Board