



Ponni Sugars (Erode) Limited

18th
Annual Report
2013-14



Year Highlights

- ❖ *Sugar controls lifted by Centre*
- ❖ *Status quo on cane controls in most States*
- ❖ *Plant performance decimated by drought*
- ❖ *Profitability plummeted under adverse market*
- ❖ *Near term outlook challenging*

Directors

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

Audit Committee

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

Nomination Cum Remuneration Committee

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

Stakeholders Relationship Committee

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

CSR Committee

N Gopala Ratnam (*Chairman*)
 N R Krishnan
 N Ramanathan

Auditors

R Subramanian And Company
 Chartered Accountants
 No.6 (Old No. 36) Krishnaswamy Avenue
 Luz, Mylapore
 Chennai - 600 004

 Maharaj N R Suresh And Co.
 Chartered Accountants
 No.9 (Old No.5) II Lane, II Main Road
 Trustpuram, Kodambakkam
 Chennai - 600 024

Cost Auditors

S Mahadevan & Co.,
 Cost Accountants
 No. 112, Sri Abirami, Ist Floor
 Dr. Radhakrishnan Road, Tatabad
 Coimbatore 641 012

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 R S (Post)
 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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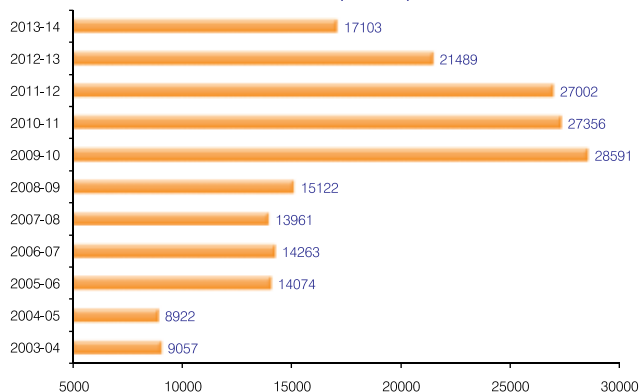
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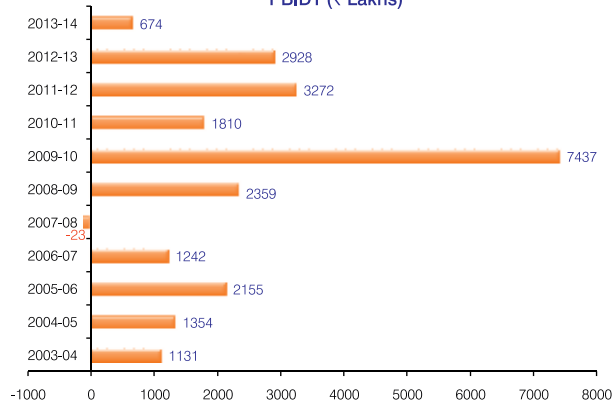


Ponni Sugars (Erode) Limited

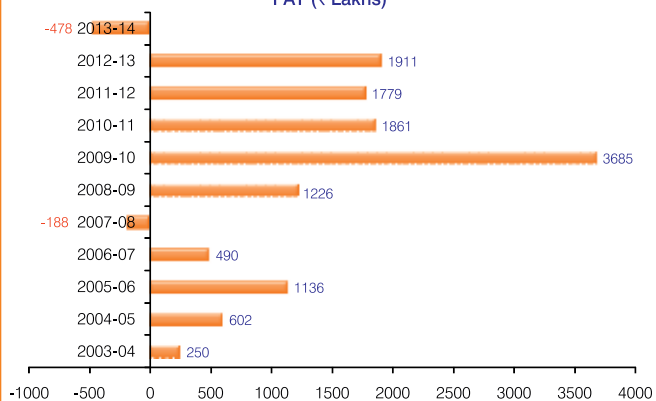
Total Income (₹ Lakhs)



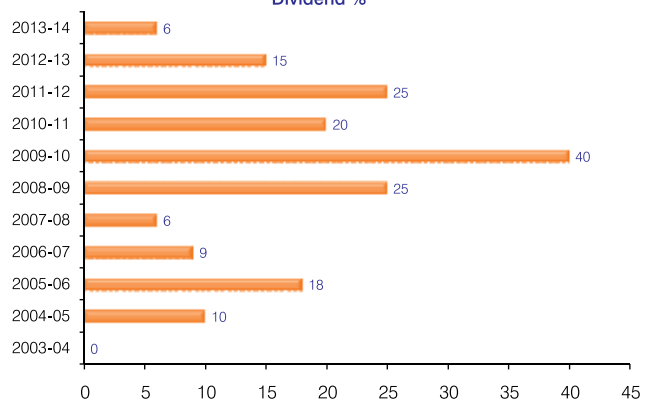
PBIDT (₹ Lakhs)



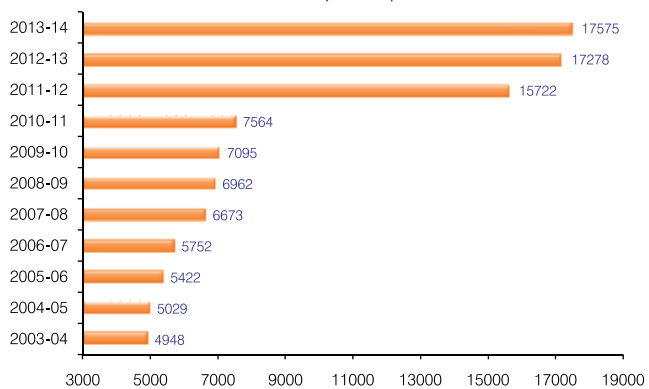
PAT (₹ Lakhs)



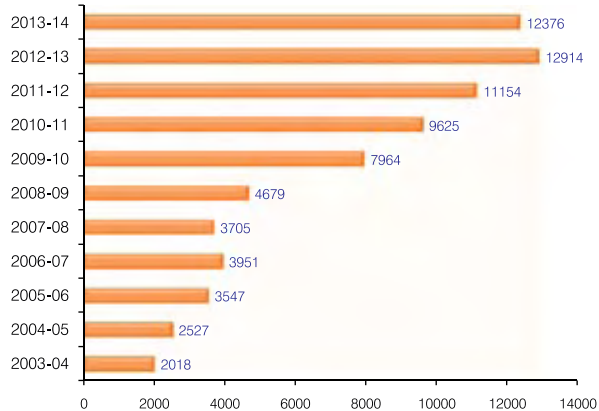
Dividend %



Gross Block (₹ Lakhs)



Net Worth (₹ Lakhs)





PONNI SUGARS (ERODE) LIMITED

CIN : L15422TN1996PLC037200

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

Phone : 044 3927 9300 Fax : 044 2496 0156 E Mail: admin@ponnisugars.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th 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 Tuesday, the 22nd July 2014 at 10.30 AM to transact the following business.

ORDINARY BUSINESS

1. Adoption of Financial Statements

To consider and adopt the Financial Statements of the company for the year ended 31st March 2014 and the Reports of the Board of Directors and Auditors thereon.

2. Dividend declaration

To declare dividend on Equity Shares.

3. Reappointment of retiring Director

To appoint director in the place of Mr Bimal Poddar who retires by rotation and being eligible, offers himself for reappointment.

4. Appointment of Auditors

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

“RESOLVED that pursuant to Section 139 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder and pursuant to the recommendations of the Audit Committee of the Board, the company do hereby appoint the retiring auditors of the company as statutory auditors for a further period as under:

- i) M/s Maharaj N.R.Suresh And Co, Chennai (Firm Registration No.001931S) shall hold office for a period of two years from the conclusion of this Annual General Meeting till the conclusion of 20th Annual General Meeting.
- ii) M/s R.Subramanian and Company, Chennai (Firm Registration No.004137S) shall hold office for a period of three years from the conclusion of this Annual General Meeting till the conclusion of 21st Annual General Meeting.
- iii) The appointment of auditors as above shall be

subject to ratification by members at every Annual General Meeting in accordance with the first proviso to Section 139(1) of the Companies Act, 2013 or as may be amended or clarified by the Government from time to time.

- iv) The Board of Directors be and are hereby authorized to fix their remuneration on the recommendation of Audit committee each year.”

SPECIAL BUSINESS

Appointment of Independent Director

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

“RESOLVED that pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder [including any statutory modification(s) or re-enactment thereof for the time being in force] read with Schedule IV to the Companies Act, 2013, Dr Nanditha Krishna (DIN 00906944) a director of the company who retires by rotation at this Annual General Meeting be and is hereby appointed as an Independent Director of the company, not liable to retire by rotation, to hold office for a fixed term from 22nd July 2014 to 31st March 2019 co-terminus with the expiry of five consecutive years in office from the commencement of Section 149 of the Act.”

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

“RESOLVED that pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder [including any statutory modification(s) or re-enactment thereof for the time being in force] read with Schedule IV to the Companies Act, 2013, Mr V Sridar (DIN 02241339) a director of the company whose period of office is liable to determination by retirement of directors by rotation be and is hereby appointed as an Independent Director of the company, not liable to retire by rotation, to hold office for a fixed term from 22nd July 2014 to 31st March 2019 co-terminus with the expiry of five consecutive years in office from the commencement of Section 149 of the Act.”



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

“RESOLVED that pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder [including any statutory modification(s) or re-enactment thereof for the time being in force] read with Schedule IV to the Companies Act, 2013, Mr N R Krishnan (DIN 00047799) a director of the company whose period of office is liable to determination by retirement of directors by rotation be and is hereby appointed as an Independent Director of the company, not liable to retire by rotation, to hold office for a fixed term from 22nd July 2014 to 31st March 2019 co-terminus with the expiry of five consecutive years in office from the commencement of Section 149 of the Act.”

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

“RESOLVED that pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder [including any statutory modification(s) or re-enactment thereof for the time being in force] read with Schedule IV to the Companies Act, 2013, Mr K Bharathan (DIN 00210433) a director of the company whose period of office is liable to determination by retirement of directors by rotation be and is hereby appointed as an Independent Director of the company, not liable to retire by rotation, to hold office for a fixed term from 22nd July 2014 to 31st March 2019 co-terminus with the expiry of five consecutive years in office from the commencement of Section 149 of the Act.”

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

“RESOLVED that pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder [including any statutory modification(s) or re-enactment thereof for the time being in force] read with Schedule IV to the Companies Act, 2013, Dr L M Ramakrishnan (DIN 00001978) a director of the company whose period of office is liable to determination by retirement of directors by rotation be and is hereby appointed as an Independent Director of the company, not liable to retire by rotation, to hold office for a fixed term from 22nd July 2014 to 31st March 2019 co-terminus with the expiry of five consecutive years in office from the commencement of Section 149 of the Act.”

10. 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 (DIN 00001033) whose current term of office expired on 31.03.2014 be and is hereby re-appointed as Managing Director of the Company for a period of three years from 01.04.2014 to 31.03.2017.

RESOLVED FURTHER that pursuant to the provisions of Sections 197 read with Schedule V, Section 203 and other applicable provisions of the Companies Act, 2013, 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 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 Part II of Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof or relaxation granted thereunder.

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.”

11. Commission to Non Executive Directors

To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary 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 three financial years from 1st April 2014 to 31st March 2017.

PROVIDED FURTHER that the aggregate commission for all the non-executive directors shall be within the ceiling prescribed from time to time under Section 197 and other applicable provisions, if any, of the Companies Act, 2013 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 of Directors may deem fit.

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 the resolution."

12. Remuneration for Cost Auditor

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

"RESOLVED that the Company do hereby confirm and ratify in terms of Section 148 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder the remuneration approved by the Board of Directors on the recommendations of the Audit Committee for M/s S Mahadevan & Co., Cost Accountants (Firm Regn.No. 000007), for conducting the audit of cost records of the Company, including its Sugar and Cogen segments for the financial year 2014-15 at ₹ 60000 (Rupees sixty thousand only) plus reimbursement of travel and out of pocket expenses incurred for purpose of such audit."

13. Borrowing Powers

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

"RESOLVED that pursuant to Section 180(1)(c) of the Companies Act, 2013, consent of the company be and is hereby accorded to the Board of Directors (which power the Board may exercise by delegation to a duly constituted Committee thereof) to borrow money from time to time that together with the monies already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and free reserves provided however that the total amount so borrowed and remaining outstanding at any one time shall not exceed ₹ 250 crores (Rupees two hundred and fifty crores only) in the aggregate."

14. Mortgage of Assets

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

"RESOLVED that pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, consent of the members of the company be and is hereby accorded to the Board of Directors of the company (hereinafter referred to as the 'Board' which term shall be deemed to include a duly constituted Committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the management and concern of the company in certain events, in favour of Banks/ Financial Institutions and/ or other Lenders/ Investing Agencies/ Trustees for Debentures/ Bonds to secure borrowings from time to time provided that the aggregate of borrowings so secured shall not exceed ₹ 250 crores (Rupees two hundred and fifty crores only) outstanding at any time exclusive of interest, additional interest, compound interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the company in respect of such borrowings.

RESOLVED FURTHER that for the purpose of giving effect to the above Resolution, the Board be and is hereby authorized and empowered to finalize, settle and execute requisite agreements, documents, deeds, indemnities, guarantees, declarations or other legal undertakings and do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/ charges as aforesaid."

(By Order of the Board)

For **PONNI SUGARS (ERODE) LIMITED**

N Ramanathan
Managing Director

Chennai
29th May 2014



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.

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 or in the case of poll not less than 24 hours before the time appointed for the taking of the poll.

2. E-voting

E-voting option is provided to members pursuant to Section 108 of the Companies Act, 2013. Please read carefully the instructions for 'e-Voting Process' attached to this Notice. Record date for e-Voting is 16th June 2014.

3. Book Closure

The Register of Members and the Share Transfer Register will remain closed from Friday, the 18th July 2014 to Tuesday, the 22nd July 2014 (both days inclusive).

4. Dividend

Dividend on declaration will be paid by 31st July 2014.

Members are advised to refer to 'Shareholder Information' section of the Corporate Governance Report (Page 37 of the Annual Report) for details on dividend entitlement and payment options.

5. Unpaid Dividend

Unpaid dividend for over 7 years will be transferred to the Investor Education and Protection Fund. Members may refer to Page 38 of the Annual Report and lodge their claim, if any, immediately.

6. E-Communication

Members are requested to opt for electronic mode of communication and support the Green initiatives of Government.

7. Member identification

Members are requested to bring the attendance slips duly filled and copy of the Annual Report to the meeting.

STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

Item No.5 to 9

Appointment of Independent Director

The company has a total Board strength of 10 directors. Other than the Managing Director, remaining 9 directors are liable to retire by rotation in accordance with Section 256 of the Companies Act, 1956. The Company is also in compliance with Clause 49 of the Listing Agreement by having 5 independent directors representing 50% of the total Board strength. The details are disclosed in the Corporate Governance Report of each year to the shareholders.

With the coming into force of the Companies Act, 2013, our company, being a listed company, shall have at least one-third of the total number of directors as independent directors. Since Clause 49 of the Listing Agreement continues to prescribe a higher ceiling applicable to our company, our total Board strength would remain unchanged with a minimum of 50% representing the category of independent directors.

Section 149(10) of the Companies Act, 2013 now mandates the appointment of independent director for a fixed tenure up to five consecutive years and are eligible for reappointment for one more term of five years on passing of a Special Resolution by the company. For reckoning these ceilings, any tenure of independent director as on 1st April 2014 shall not be counted.

SEBI by Circular dt.17-04-2014 has advised Stock Exchanges to amend Clause 49 of the Equity Listing Agreement with a view to align them with the new Company Law and in certain areas SEBI has imposed more stringent conditions as well. This inter alia deals with Independent Director applicable from 1st October 2014.

In order that our company ensures due compliance with the Companies Act, 2013 and the revised Clause 49 of the Listing Agreement, it is intended to pass requisite resolutions at this AGM for the appointment of independent directors. All the five existing independent directors of the company qualify for being appointed as independent director for a tenure of five years from the commencement of Section 149. Accordingly their appointments have been

proposed for a fixed tenure from 22nd July 2014 (the date of AGM) to 31st March 2019 (co-terminus with the expiry of 5 years from the commencement of Section 149 of the Companies Act, 2013).

The company has received Notice under Section 160 from members proposing each of the candidature for being appointed as independent director, together with requisite deposit of Rs.one lac. Details of independent directors proposed for appointment are furnished in the Annexure pursuant to Clause 49 of the Listing Agreement that forms an integral part of this Notice.

Having regard to the above, the proposal for appointment of independent directors is placed for the consideration of shareholders as under.

Name of Independent Director	Date of first appointment	Date of last reappointment	Proposed tenure
Dr Nanditha Krishna	24.12.2010	15.07.2011	22-07-2014 to 31-03-2019
V Sridar	05.06.2009	20.07.2012	
N R Krishnan	05.06.2009	20.07.2012	
K Bharathan	28.12.2011	20.07.2012	
Dr L M Ramakrishnan	26.10.2001	24.07.2013	

The company has received requisite declaration from each of the above in deference to Section 149(7) that he/she meets the criteria of independence as provided in Section 149(6) of the Act. It is further confirmed that in the opinion of the Board each of the independent director proposed to be appointed as above fulfils the conditions specified in the Act and the Rules made thereunder and that the proposed director is independent of the management.

The independent directors would be eligible for sitting fee for attending the Board and Committee meetings within the ceiling prescribed by the Act and as determined by the shareholders and the Board. They would also be eligible for commission out of the net profits of the company within the limits permissible under Law and approved by shareholders. They shall however not be entitled to any stock option. Details of remuneration are disclosed in the Corporate Governance Report to shareholders each year.

The terms and conditions of appointment of Independent Director as approved by the Board are open for inspection by a member on any working day of the company between 11.00 AM and 1.00 PM. This would also be posted on the company's website.

No Director or Key Managerial Personnel of the Company or their relatives are interested in this item of business financially or otherwise excepting the interest of each of the person above in his / her respective appointment .

Item No.10

Reappointment of Managing Director

The current term of Mr N Ramanathan as Managing Director expired on 31.03.2014. The Board of Directors at their meeting held on 21st March 2014 have reappointed Mr N Ramanathan as Managing Director of the Company for a further period of three years from 1st April 2014 and approved the remuneration package on the recommendations of the Nomination cum Remuneration Committee as under, subject to the approval of shareholders:

1. Period	1 st April 2014 to 31 st March 2017	
2. Salary	(i)	Basic: ₹ 2,50,000/- per month.
	(ii)	Special Allowance: ₹ 50,000/- per month.
3. Allowances/ Perquisites	(i)	Housing or HRA of ₹ 75,000/- per month
	(ii)	Medical, LTA and other perquisites not exceeding in aggregate the annual salary
	(iii)	Leave, other benefits and amenities as applicable for Senior Management.
4. Retirement benefits	(i)	Contribution to Provident Fund, Superannuation Fund and New Pension System to the extent exempt from Income tax and in accordance with Company scheme from time to time.
	(ii)	Gratuity as per Company scheme.
	(iii)	Leave encashment as per Company Rules.
	(iv)	These shall not be included in the computation of ceiling on perquisites.
5. Incentive	At 50% to 100% of annual salary as decided by Board on the recommendation of Nomination cum Remuneration Committee.	
6. Minimum Remuneration	In the event of loss or inadequacy of profits in any financial year, Mr N Ramanathan shall be paid remuneration by way of salary, perquisites and retirement benefits as specified above. Incentive amount shall however be restricted to 50% of annual salary.	
7. Overall ceiling	In any event, the aggregate of salary, perquisites and incentive shall be within the overall ceiling specified from time to time in the Companies Act, 2013 or any re-enactment thereof or relaxation granted thereunder. Payment in excess thereof would be subject to the approval of Central Government, where necessary.	

Note: Profit for purpose of Managerial Remuneration shall be as per computation under Section 198 of the Companies Act, 2013.



Mr N Ramanathan (59) is a Chartered Accountant, Company Secretary and Cost Accountant. He is a University rank holder in B.Com. and All India rank holder in Chartered Accountancy. He brings to bear profound knowledge and rich experience in the fields of Finance, Taxation, Legal and General Management.

Mr N Ramanathan has deep insight into the dynamics of sugar industry. He is on the Executive Committee of industry associations commanding wider acclaim for his role and contribution. He has been successfully steering the company for close to a decade now.

The terms of appointment and remuneration of Mr N Ramanathan have been determined by the Board on the recommendations of the Nomination cum Remuneration Committee having regard to the extant provisions of the Companies Act, 1956 (then in force) and the changes being brought about by the Companies Act, 2013 vide Schedule V thereof (which has come into force from 1st April 2014).

Sugar industry is intrinsically cyclical and being agro based remains vulnerable to the vagaries of nature. Despite the recent decontrol of sugar industry by the Central Government, sugarcane price continues to remain susceptible to State intervention. Currently Indian sugar industry is in dire distress pushing sugar segment operations into red for almost every producer. The huge investment recently made in the Cogen segment by our company and the severity of drought being experienced in successive years has come to further compound our problems. The company has hence suffered a net loss for FY 2013-14 and the financial stress might continue in the near term. The Board has accordingly contemplated payment of minimum remuneration to the Managing Director in the event of loss or inadequacy of profits provided that incentive remuneration would remain capped at 50% of annual salary in such years.

The company has not defaulted in debt servicing. Hence the proposed remuneration could be sanctioned by the shareholders, without need for the approval of Central Government, by way of Special Resolution. Statement containing prescribed information for this purpose is furnished hereunder.

Memorandum and Articles of Association, relevant resolutions passed by the Nomination cum Remuneration Committee and the Board and the written memorandum setting out the terms of appointment of Managing Director vide Section 190(1)(b) 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.

Other than Mr N Ramanathan, no Director or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this item of business.

Statement containing required information as per Part II of Section II of Schedule V to the Companies Act, 2013

I. General Information

(1) Nature of Industry

Manufacture of sugar and its by-products and cogeneration of power

(2) Date of commencement of Commercial production

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

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

Not Applicable

(4) Financial performance based on given indicators

(₹ lakhs)

Particulars	2013-14	2012-13	2011-12
Total Income	17103	21489	27002
Profit Before Interest, Depreciation & Tax	674	2928	3272
Profit/ (Loss) Before Tax	(281)	1216	2612
Profit/ (Loss) After Tax	(478)	1911	1779
Net worth	12376	12914	11154
Dividend (%)	6	15	25

(5) Foreign Investments or collaborators, if any.

NIL

II. Information about the appointee

(1) Background details

Mr N Ramanathan is professionally qualified as Chartered Accountant, Company Secretary and Cost Accountant with an impressive academic track record. He has made credible contribution during his long stint of association with the Company and Group in diverse role and responsibilities.