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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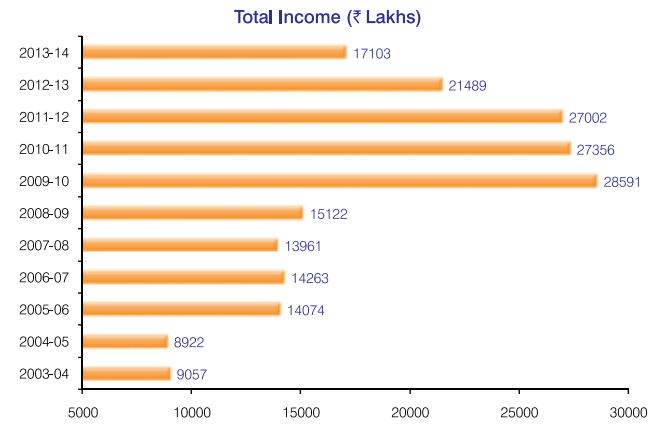
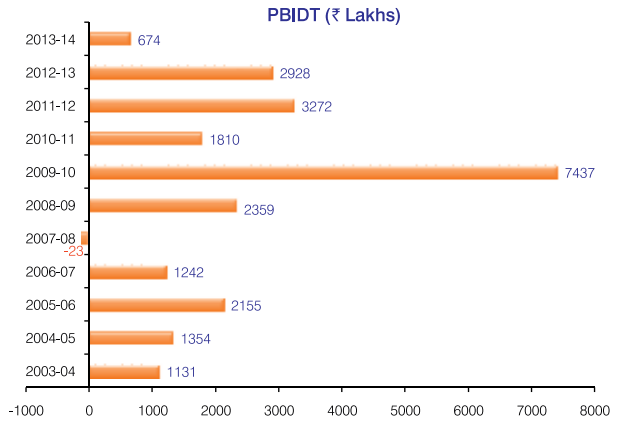
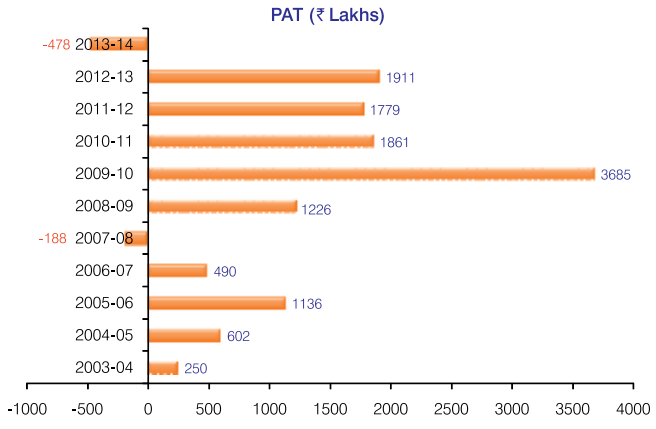
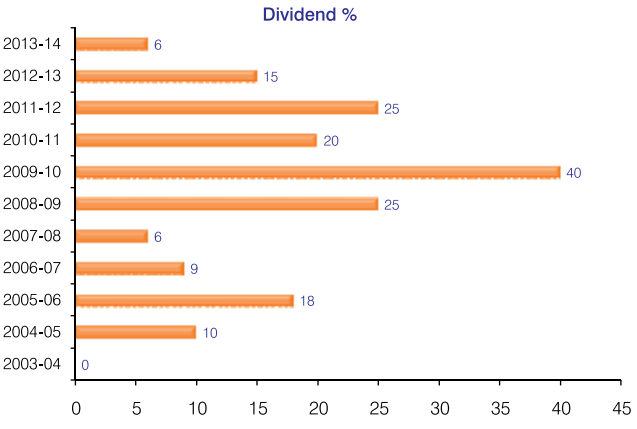
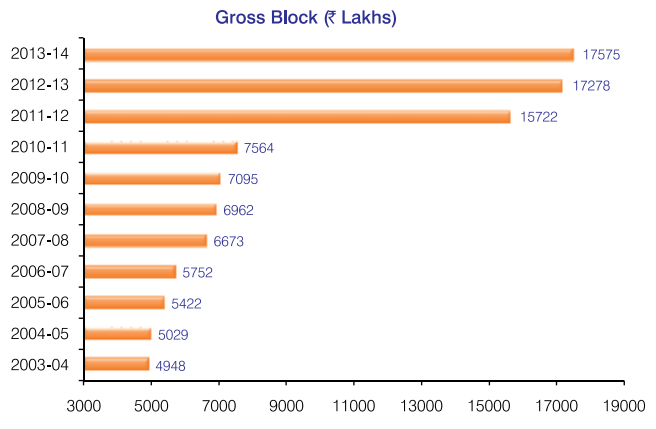

Total Income (₹ Lakhs)
2013-14 17103
2012-13 21489
2011-12 27002
2010-11 27356
2009-10 28591
2008-09 15122
2007-08 13961
2006-07 14263
2005-06 14074
2004-05 8922
2003-04 9057
5000 10000 15000 20000 25000 30000


PBIDT (₹ Lakhs)
2013-14 674
2012-13 2928
2011-12 3272
2010-11 1810
2009-10 7437
2008-09 2359
2007-08 -23
2006-07 1242
2005-06 2155
2004-05 1354
2003-04 1131
-1000 0 1000 2000 3000 4000 5000 6000 7000 8000


PAT (₹ Lakhs)
-478 2013-14
2012-13 1911
2011-12 1779
2010-11 1861
2009-10 3685
2008-09 1226
-188 2007-08
2006-07 490
2005-06 1136
2004-05 602
2003-04 250
-1000 -500 0 500 1000 1500 2000 2500 3000 3500 4000


Dividend %
2013-14 6
2012-13 15
2011-12 25
2010-11 20
2009-10 40
2008-09 25
2007-08 6
2006-07 9
2005-06 18
2004-05 10
2003-04 0
0 5 10 15 20 25 30 35 40 45


Gross Block (₹ Lakhs)
2013-14 17575
2012-13 17278
2011-12 15722
2010-11 7564
2009-10 7095
2008-09 6962
2007-08 6673
2006-07 5752
2005-06 5422
2004-05 5029
2003-04 4948
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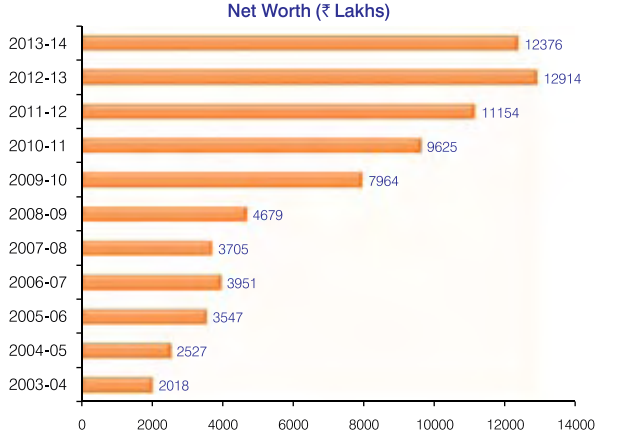

Net Worth (₹ Lakhs)
2013-14 12376
2012-13 12914
2011-12 11154
2010-11 9625
2009-10 7964
2008-09 4679
2007-08 3705
2006-07 3951
2005-06 3547
2004-05 2527
2003-04 2018
0 2000 4000 6000 8000 10000 12000 14000

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 Krishsnan (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	1st April 2014 to 31st 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.

(2) Past remuneration

(₹ lakhs)

Particulars	2013-14	2012-13	2011-12
Salary	29	29	29
Allowances/ Perquisites	6	1	0
Retirement benefits	5	4	3
Commission / Incentive	11	23	23
Total	51	57	55

(3) Recognition or awards

Mr N Ramanathan is a University rank holder in B.Com. and All India rank holder in Chartered Accountancy. He is presently a member in the Executive Committee of Indian Sugar Mills Association as well as SISMA-TN and a Committee member in Indian Sugar Exim Corporation Ltd.

(4) Job profile and suitability

Mr N Ramanathan is experienced in Sugar industry for over two decades. He had earlier worked in paper and electronics industry. He has proven expertise in business planning and strategic decision making. He is well versed in Finance, Taxation and General Management. He brings to bear commendable inter personal skills and in the opinion of Board has the requisite leadership qualities to head the Company.

(5) Remuneration proposed

As set out in the Statement under Section 102(1) of the Companies Act, 2013.

(6) Comparative remuneration profile with respect to Industry, size of the company, profile of the position and person

Considering the profile of Mr N Ramanathan and current trend of compensation package in Corporates, the remuneration proposed is in line with comparable remuneration levels in the industry.

(7) Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel if any.

Mr N Ramanathan holds 3001 Equity Shares in the Company. Other than the remuneration stated above, he has no pecuniary relationship directly or indirectly with the Company. No managerial personnel in the company is a relative of him.

III. Other information

(1) Reasons of loss or inadequate profits

Sugar industry is intrinsically cyclical with huge swings in production between years. Sugar prices precariously fall both in the global and local markets during glut in supply. Since sugar and sugarcane are essential commodities and politically sensitive, they are subject to State intervention like export ban or arbitrary price fixation. Sugarcane availability for the company is impacted by monsoon, flow in river Cauvery and water table in the region. The company has suffered losses in financial year 2013-14 due to drought depressing cane volume and recovery and unviable sugar prices in the market.

(2) Steps taken or proposed to be taken for improvement

The Company has implemented a Cogen Project to derisk its business model and diversify the revenue stream. It is in continuous pursuit of cost reduction measures. Sugar markets are slated to improve in FY 2014-15 but raw material availability would largely depend on monsoon.

(3) Expected increase in productivity and profit in measurable terms.

The Company has remained profitable in most of the years since inception. It maintains commendable control over its operations that are however subject to climatic challenges, State intervention and other external adversities.

Item No.11

Commission to Non Executive Directors

The shareholders in their 15th AGM had authorized payment of commission to non-executive directors up to the permissible ceiling under Section 309 of the Companies Act, 1956 for a period of three years from 1st April 2011. The company paid a commission of rupees one lakh to each of the non-executive directors, prorated to their tenure, in terms of this authorization for Financial Year 2011-12 and 2012-13. No commission however is paid for financial year 2013-14 due to losses suffered.

Non-executive directors play a pivotal role in strengthening corporate democracy and governance process. They are called upon to devote considerable time and effort for due discharge of their role and obligation. It is but fair and equitable that they receive due compensation for this by way of permissible commission within the ceiling prescribed under the Act.

It is accordingly proposed to seek fresh authorization of shareholders by way of an Ordinary Resolution for the payment of commission to non-executive directors for a further tenure of three financial years from 1st April 2014.

A copy of the Articles of Association, resolution passed by the Board on the subject and other relevant records are available for inspection by members on any working day of the company between 11.00 AM and 1.00 PM.

All directors (other than the Managing Director) and none of the Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise, in this item of business.

Item No.12

Remuneration for Cost Auditor

The Company is engaged in two business segments, namely, Sugar and Cogen. It has been maintaining cost accounting records and getting them audited under the provisions of the Companies Act, 1956. Cost Auditor for this purpose was appointed with the approval of Central Government.

Section 148 of the Companies Act, 2013 has similar prescription for cost records and audit thereof. While the remuneration for the audit of cost records is determined by the Board of Directors on the recommendations of Audit Committee, it will have to be ratified by the shareholders at the following General meeting. The approval of Central Government is no longer required under the new Law.

Pursuant to the above, the Board of Directors have appointed M/s S Mahadevan & Co., Cost Accountants (Firm Regn.No.000007) for the audit of cost records of the Company for the financial year 2014-15 pertaining to both Sugar and Cogen segments and determined the remuneration at ₹ 60,000/- based on the recommendations of the Audit Committee. It is now placed for the approval of shareholders in accordance with Section 148(3) of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014.

Copies of relevant resolutions of the Audit Committee and Board are available for inspection of the members on any working day of the Company between 11.00 AM and 1.00 PM.

No Director or Key Managerial Personnel of the Company or their relatives of them are concerned or interested financially or otherwise, in this business.

Items No.13 & 14

Borrowing Powers and Mortgage of Assets

In terms of Section 293(1)(a) and 293(1)(d) of the Companies Act, 1956, the shareholders had passed requisite resolutions, by way of Ordinary Resolution, at the Annual General Meeting held on 22nd July 2006. The Board of Directors were duly delegated powers for making borrowings and creating security for such borrowings upto an aggregate outstanding amount of ₹ 250 crores.

The Central Government has since enacted Companies Act, 2013 in place of the Companies Act, 1956 and the provisions of new Law are being effectuated in a phased manner. In terms of Section 180 of the Companies Act, 2013, the authorization by shareholders for the aforesaid purposes shall require to be given by way of Special Resolution as opposed to the Ordinary Resolution required under the old Law. Ministry of Corporate Affairs by General Circular No.04/2014 dt. 25th March 2014 has clarified that the resolutions passed under Section 293 of the Companies Act, 1956 prior to 12th September 2013 with reference to borrowings and / or creation of security will be regarded as sufficient compliance of the requirements of Section 180 of the Companies Act, 2013 for a period of one year from the date of notification of Section 180 of the new Law.

It has thus become necessary for the company to revalidate the sanctions already given by passing a fresh resolution by way of Special Resolution. Having regard to the current business plans of the company, no higher limit has been sought at the current juncture.

No Director or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise, in this item of business.

(By Order of the Board)

For **PONNI SUGARS (ERODE) LIMITED**

Chennai
29th May 2014

N Ramanathan
Managing Director

Details of the Directors seeking appointment / reappointment at the 18th Annual General Meeting

[Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges]

Name of Director/ Qualification/ DIN/ Date of Birth (DOB)/ Date of Appointment (DOA)	Profession / expertise in specific functional areas	Directorship in other companies	Committee position held in other companies
Mr Bimal Poddar B Com DIN: 31146 DOB : 25.12.1942 DOA : 19.12.2001	- Varied experience in the spheres of Finance, Administration and General Management in diverse family businesses. - Widely travelled and gained global business exposure.	**Chairman & Managing Director** The Coonoor Tea Estates Co Ltd **Chairman** Matheson Bosanquet Enterprises Ltd Lucky Valley Investments & Holdings Ltd Hope Textiles Ltd Sua Explosives & Accessories Pvt Ltd **Director** Seshasayee Paper & Boards Ltd Sua Finance & Investments Ltd Poddar Niket Developers Ltd Ornate Textiles Pvt Ltd Pragati Business Ltd Kankhal Estates Pvt Ltd.	*Seshasayee Paper and Boards Ltd* Member - Audit Committee *Hope Textiles Ltd.* Chairman- Remuneration Committee
Dr Nanditha Krishna B A , Ph.D DIN: 00906944 DOB : 18.07.1951 DOA : 24.12.2010	- Authority on Indology and an Environmental educationist. - Writer on Indian Art & Culture, Environmental History & Ecological heritage of India and Cambodian Art. - Undertaken numerous Research Projects – Regular publisher of books – Editor of Eco News and Indian Journal of Environment Education. - Won several awards and recognitions for outstanding works.	**Managing Director** Krishna Process Equipment Pvt Ltd **Director** Aspick Engineering Pvt Ltd Aspick Green Tech Pvt Ltd Humane Society International: India **Honorary Director** C P Ramaswami Aiyar Foundation C P R Environmental Education Centre	NIL
Mr N R Krishnan IAS (Retd) B Sc (Hons), M Sc DIN:00047799 DOB : 20.06.1938 DOA : 05.06.2009	- Retired IAS Officer - Well versed in policy making, planning and management matters - has intimate knowledge of many segments of industry; was Secretary to the Govt. of India and was actively involved in international and bilateral negotiations - Evinces keen interest in energy related matters and is a regular contributor of articles to leading national newspapers.	**Director** Tamil Nadu Road Development Company Ltd Tamil Nadu Petroproducts Ltd The India Cements Ltd Cognizant Foundation Trinetra Cements Ltd India Cements Capital Ltd	*Tamil Nadu Road Development Company Ltd* Chairman - Audit Committee Remuneration Committee *Tamilnadu Petroproducts Ltd* Member - Audit Committee Nomination and Remuneration Committee *Trinetra Cements Ltd* Member - Audit Committee *India Cements Capital Ltd* Chairman - Audit Committee
Mr K Bharathan B.Com, FCA DIN:00210433 DOB :15.04.1950 DOA : 28.12.2011	- A Chartered Accountant. - Long years of Banking experience including ICICI Ltd/ ICICI Bank. - Moved to develop insurance business in ICICI Lombard. - Presently Director(South) of Marsh India Insurance Brokers Pvt Ltd	**Director** Aban Offshore Ltd	NIL

Name of Director/ Qualification/ DIN/ Date of Birth (DOB)/ Date of Appointment (DOA)	Profession / expertise in specific functional areas	Directorship in other companies	Committee position held in other companies
Mr V Sridar B Sc, ACA DIN:02241339 DOB : 27.07.1947 DOA : 05.06.2009	- A Chartered Accountant. - Rich experience in Banking, Finance and General Management. - Held high positions in Banking sector-former CMD of UCO Bank and National Housing Bank.	**Director** ICICI Bank Ltd Morpheus Capital Advisers Pvt Ltd Seshasayee Paper and Boards Ltd Sarda Metal & Alloys Ltd Aadhar Housing Finance Ltd IDFC AMC Trustee Company Ltd Cent Bank Home Finance Company Ltd ICICI Prudential Life Insurance Co. Ltd STCI Primary Dealer Ltd	*ICICI Bank Ltd* Chairman - Fraud Monitoring Committee Member - Customer Service Committee Audit Committee Risk Management Committee Technology Strategy Committee Share Transfer Committee *Seshasayee Paper and Boards Ltd* Member- Audit Committee Nomination cum Remuneration Committee CSR Committee *ICICI Prudential Life Insurance Co. Ltd* Chairman - Profits Committee Member - Audit Committee *Aadhar Housing Finance Ltd* Chairman - Audit Committee *Cent Bank Home Finance Company Ltd* Chairman - Audit Committee Member - Credit Committee *Sarda Metal and Alloys Ltd* Chairman - Audit Committee *STCI Primary Dealer Ltd* Chairman-Risk Management Committee Member- Audit Committee
Dr L M Ramakrishnan M B B S, D L O DIN: 00001978 DOB : 30.09.1942 DOA : 19.12.2001	- Doctor turned Educationist. - Wide experience in the establishment and management of educational institutions. - Presently Secretary and Correspondent of Bharathi Vidya Bhavan Higher Secondary School, Erode. - Correspondent of CS Academy, Erode & CS Academy, Coimbatore. - Commands goodwill and respect from local farming community.	**Director** Knitwell Needles Ltd Erode Medical Supplies (P) Ltd SKM Egg Powder Ltd	NIL
Mr N Ramanathan B Com., ACA, ACS, ACMA DIN:00001033 DOB : 14.06.1954 DOA : 01.04.2005	- A professional with impressive academic track record. - Vast experience in diverse disciplines of Finance, Taxation and General Management. - Two decades of hands-on experience in sugar industry. - Regular member on the executive committee of industry associations. - Widely participates in Professional forums.	**Director** Esvi International (Engineers & Exporters) Ltd Hope Textiles Ltd The Coonoor Tea Estates Company Ltd **Committee Member** Hindustan Chamber of Commerce (HCC) Indian Sugar Exim Corporation Ltd (ISEC) Also on the Committee of Indian Sugar Mills Association (ISMA)	*The Coonoor Tea Estates Company Ltd* Member -Remuneration Committee *Hindustan Chamber of Commerce* Chairman- MSME & Industry *Indian Sugar Exim Corporation Ltd* Chairman- Audit & Taxation Sub-Committee Member -Investment Sub-Committee Legal Sub-Committee

e-Voting Process

1. The company is pleased to provide members facility to exercise their right to vote at the 18th Annual General Meeting (AGM) by electronic means in deference to Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014. This business would be transacted through e-Voting services provided by Central Depository Services (India) Limited (CDSL).

2. E-Voting commences on Wednesday, the 16th July 2014 (10.00 AM) and ends on Friday, the 18th July 2014 (5.00 PM). During this period, shareholders of the company, holding shares as on the record date of 16th June 2014 (Monday) are entitled to cast their vote electronically. The e-Voting portal will be blocked by CDSL for voting thereafter.

3. *Instructions for e-Voting for members receiving an email from CDSL pursuant to their email IDs having been registered with the company/ Depository Participants:*

   (i) User ID and password are required for e-Voting. If you are holding shares in Demat form and logged on to www.evotingindia.com and casted your vote earlier for EVSN of any company, then your existing login id and password are to be used. Else, follow clause (v) to (vii) for login.

   (ii) Launch the internet browser during the voting period. Type the URL in the address bar *www.evotingindia.com*. Home screen opens.

   (iii) Click on "Shareholders" tab to cast your vote.

   (iv) Now, select the Electronic Voting Sequence Number - "EVSN" along with **"COMPANY NAME"** from the drop down menu and click on "SUBMIT"

   (v) Now, fill up the following details in the appropriate boxes:

	For Members holding shares in Demat Form	For Members holding shares in Physical Form
User ID	For NSDL: 8 Character DP ID followed by 8 Digits Client ID For CDSL: 16 digits beneficiary ID	Folio Number registered with the Company
PAN*	Enter your 10 digit alpha-numeric *PAN (case sensitive) issued by Income Tax Department when prompted by the system while e-voting (applicable for both demat shareholders as well as physical shareholders)	
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.	
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.	

* Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name in block letters and the sequence number (8 digits) printed in the address slip in the PAN field. Eg. If your name is Ramesh Kumar and sequence number 00001234 then enter RA00001234 in the PAN field.

\# Please enter any one of the details in order to login.

   (vi) After entering these details appropriately, click on "SUBMIT" tab.

   (vii) Members holding shares in physical form will then reach directly to the voting screen. However, members holding shares in demat form will now reach 'Password Change' menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character(@ # $ % & *). Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform.

   It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

   (viii) Select EVSN (Electronic Voting Sequence number) 140612011 of Ponni Sugars (Erode) Limited.

   (ix) On the voting page, you will see Resolution Description and against the same the option "YES/ NO" for voting. Select the option as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

   (x) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.

   (xi) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote,

click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

4. *In case of members receiving the physical copy of Notice of AGM [for members whose e-mail IDs are not registered with the company/ depository participant(s) or requesting physical copy]:*

(i) Please follow all steps from sl. no. (ii) to sl. no. (xii) above, to cast vote.

5. E-voting cannot be exercised by a proxy. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to log on to https://www.evotingindia.co.in and register themselves, link their account which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution in PDF format in the system for the scrutinizer to verify the vote.

6. During the voting period, security holders can login any number of times till they have voted on all the resolutions. They can also decide to vote only on some of the resolutions.

7. A member who has cast his vote by electronic means is not entitled to vote again at the AGM.

8. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or send an email to *helpdesk.evoting@cdslindia.com.*

9. The voting rights of shareholders shall be in proportion to their shareholding as on the record date of 16th June 2014.

10. Mr A S Kalyanaraman, Practicing Chartered Accountant (Membership No. 201149) has been appointed as the Scrutinizer.

11. The Scrutinizer will not later than 22nd July 2014 unblock the votes in the presence of at least two (2) witnesses not in the employment of the company. He will make a Scrutinizer's report of the votes cast in favour or against, if any, forthwith to the Chairman of the company.

12. The results will be declared on or after the AGM of the company. The results declared along with the Scrutinizer's report will be placed on the company's website *www.ponnisugars.com* and on the website of CDSL *www.evotingindia.co.in* within two (2) days of passing of the resolutions at the AGM of the company and communicated to NSE and BSE.

DIRECTORS' REPORT

Your Directors present their 18th Annual Report and the audited financial statements for FY 2013/14.

	2013-14	2012-13
Physical Performance		
Cane crushed (tonnes)	**436103**	653498
Sugar recovery (%)	**9.64**	9.98
Sugar produced (tonnes)	**41781**	65270
Power produced (lakh kwh)	**380.04**	448.25
Financial Performance (₹crores)		
Turnover	**173.72**	219.11
Profit Before Interest, Depreciation & Tax	**6.74**	29.28
Profit/ (Loss) Before Tax	**(2.81)**	12.16
Profit / (Loss) After Tax	**(4.78)**	19.11
Surplus from Previous Year	**29.22**	21.62
Amount available for appropriation	**24.44**	40.73
Appropriations:		
Transfer to General Reserve	**-**	10.00
Proposed Dividend	**0.51**	1.29
Dividend Tax	**0.09**	0.22
Balance carried forward	**23.84**	29.22

Dividend

Your Directors recommend a dividend of ₹ 0.60 per Equity Share of ₹ 10 each for the financial year ended 31st March 2014.

Sugar Industry Overview

World sugar production for the fourth consecutive season would be recording a net surplus in 2013/14 despite witnessing the first fall in the sugar output after 2008/09. Adverse weather conditions in Brazil helped check an otherwise unabated rise in world production. Early estimates by global analysts portend to a potent and plausible net deficit to dawn in 2014/15 in the world sugar balance. It might however bring little succor to sugar producers, since the surfeit in sugar stocks at an all time high quantum may pan out to queer the pitch and quell meaningful scope for a rise in sugar prices.

Indian sugar production during 2013/14 exhibiting a demonstrable correlation with the global trend and defying its traditional pattern of trade cycles is well poised to mark its fourth consecutive year of surplus. Industry was desperate to ship a sizeable slice of its surplus into the world markets, buoyed by a weakening rupee and sudden rebound in global prices. Due to high cane prices inflicted upon the industry by the indulgence of State Governments and consequent loss of competitive edge in the global market, it was critical for the sugar producers to receive timely export promotion support to kick-start the exports. After much vacillation, the Central Government announced raw sugar export subsidy of ₹ 3300 per tonne in February 2014. However, the endless delay in recalibrating the subsidy amount at bi-monthly intervals in accord with the approved policy and eventually its egregious reduction in defiance of the notified scheme has come as a rude shock. In effect, targeted inventory correction is bound to boomerang, chocking the already constrained cash flows of the sugar companies in the process.

Sugar prices in India largely remained at unviable levels throughout the year and across regions, weighed by successive years of high production, slothful slowdown in exports and resultant supply overhang. Indeed, average realization dipped despicably further down from previous year, while cane prices shot up under Government dictum. It is thus no wonder that operating margins not just evaporated but naggingly turned negative, squeezing the cash flows of sugar companies and inexorably leading to cane price arrears at an alarming level.

Cane price conundrum

The sure-shot remedy to rid the industry of the recurring turbulence and turmoil at sickening intervals is to take forward the sugar policy reforms to their logical end on a holistic approach. No doubt, sugar sector reforms received a booster dose in April, 2013 with the Central Government implementing Dr C Rangarajan Committee recommendations on the sugar side. However State Governments continue to turn a Nelson's eye to the other major recommendation on the sugarcane side, viz. moving towards long term linkage of sugarcane price to realization from sale of sugar and its by-products. Karnataka and Maharashtra have of course made some tentative start by endeavouring to push requisite legislative backup, but an objective and decisive pursuit for rationalizing cane price looks elusive yet.

While so, the Fair & Remunerative Price (FRP) of sugarcane for 2013/14 sugar season has been hiked by Central Government by a whopping 24% from ₹ 1700 to ₹ 2100 per tonne. State Advised Price in Tamil Nadu, that is recommendatory in nature, has in turn been hiked from ₹ 2350 to ₹ 2650 per tonne disregarding in limine the numerous representations made by the industry on its current plight. Private sector sugar mills in the State have volunteered to pay a cane price in excess of the mandatory FRP to protect farmers' earnings at last year level despite

hefty fall in sugar prices. They have however collectively voiced their consternation and concern to the State Government that paying any higher price at this juncture would be contingent and solely dependent upon direct State support or subsidy to the farmer. They have further impressed on the need for early embracement of formula based pricing under the revenue sharing model.

Company performance

As feared in the last year report, drought situation further deteriorated during FY 2013/14 in Tamil Nadu across regions and more woefully in the western part of the State where our sugar mill is situate. Recurrent deficiency in monsoon, poor storage in Mettur reservoir, muted flow in river Cauvery and deterrent depletion in water table have together caused severe water stress and dealt a lethal blow to agriculture. As a result, we were faced with a formidable fall in cane area, reduced recourse to ratoon cane and deplorable dip in sugarcane yield. In the end, we had to reckon with and reconcile to a rueful state of cane supply that was diminutive in volume, deficient in quality and chequered in daily arrivals. Our sugar production in turn slided by 36% YoY touching all-time low in the bargain.

Sugar sale volume declined by 26% under sluggish market conditions and due to lower production. Sugar prices mostly ruled below cost of production. Amidst all round adversities, molasses price threw us the lifeline with its sharp and more than two-fold rise. Lower cane crushing resulted in corresponding reduced bagasse availability, crippling overall power production to lower level, though FY 2013/14 marks the first full year of operation for our Cogen plant. Towards end of the main crushing season, our Cogen Boiler failed to further exacerbate our problems and we have initiated remedial steps to bring it back to operations at an early date.

The company has thus faced the severest of challenges from all spheres during FY 2013/14, barring the uptick in molasses price. Its operating performance was marred and maligned by the unprecedented water stress conditions in its command area for cane. Raw sugar route to supplement sugar production remained shut due to negative price parity. It had to just remain a mute spectator of exogenous imponderables, while in continuous pursuit of cost optimization measures.

The company has changed the method of depreciation during the year in its bid to move towards the new prescription under the Companies Act, 2013 for writing-off depreciable assets over their specified useful life. Its effect is disclosed in Note-30 to the Financial Statements in accord with applicable Accounting Standard.

The company has posted a Net Loss after tax of ₹ 478 lakhs for the year as against profit of ₹ 1911 lakhs in the previous year under these daunting circumstances.

Finance

The Central Government has come out with a 'Scheme for Extending Financial Assistance to Sugar Undertakings 2014' towards addressing the humongous cash deficits faced by sugar mills leading to a horrendous rise in sugarcane arrears. Under this, sugar companies can avail soft Loan from their banks equivalent to excise duty paid or payable on their past three seasons' production. This amount shall be exclusively used for payment of past cane arrears or current cane dues. Interest upto 12% on this Bank Loan is eligible for interest subvention. The Loan carries a moratorium of two years with a repayment schedule of three years thereafter.

We have been one of the earliest amongst all our peers to get swift sanction of this soft Loan facility from our Lead Bank, ie., Bank of India. Your Board wishes to convey its deep sense of appreciation for the expeditious processing, timely sanction and speedy disbursement of the Loan by Bank of India. We have fully cleared our cane dues with the help of this Loan.

The company remains relatively comfortable on working capital position and ICRA has reaffirmed its rating for both Long Term and Short Term borrowings. Its prudent decision to prepay part of the Cogen debt last year has come to its rescue to tide over the tenuous state of its cash flow in the current year.

Legal cases

We continue to suffer considerable hardship with ₹ 6.9 crores of undisbursed subsidy and ₹ 2.2 crores of unpaid differential levy sugar price for 2010/11 season under freeze on account of the long standing dispute with the Sugar Development Fund (SDF), despite favourable verdict from the High Court of Madras. The other side though has gone on appeal before the Division Bench continues to withhold these sums despite the absence of any interim stay order. We have been constantly pursuing through our counsel for early hearing and disposal of this case.

As stated in last year report, we have been hard hit by the reduction in regulatory tariff for bagasse based power. The Tamil Nadu Electricity Regulatory Commission (TNERC) has fixed tariff for same at ₹ 3.76 per kwh under the 2012 tariff order as against ₹ 4.37 per kwh under their 2009 tariff order. On appeal, the Appellate Tribunal for Electricity (APTEL) has since upheld our contention on two of the major grounds impacting tariff fixation norms, namely, capital cost and bagasse price. APTEL has directed the

TNERC to refix the tariff in the light of observations made in its order. Meantime, the sugar industry has filed a Review Petition on some issues and decision of APTEL on same is awaited, though arguments have been concluded. We are thus encountering some delay in getting the revised tariff order but the contours of the Appellate order give us the hope to look for a meaningful rise in the applicable tariff for our Cogen power.

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 2014/15

Sugar Season 2014/15 might witness near parity to modest deficit in sugar balance both in the domestic and global arena, leaving little scope for inventory correction. Sugar prices may hence remain range bound unless triggered by extreme weather conditions like imminent threat of El-Nino factor.

Sugar mills in Tamil Nadu face the double whammy under the continued onslaught of drought. On the one hand, sugar production in the State has fallen by about 50% in a matter of just two years leading to gross under- recovery of fixed costs. On the other, the neighbouring States of Karnataka and Maharashtra benefitted by benevolent rainfall and bolstered sugar recovery would be able to sustain and further step up their sugar production. Necessarily their surplus would be flowing into our markets, dampening the scope for rebound in local prices.

Your company is thus unenviably placed to combat multiplicity of challenges on several of its fronts during FY 2014/15 as well. It has hitherto been able to withstand these mounting pressures on the strength of past good performance and reserves built over time. It is now in dire need than ever before to place all its bets on a munificent rainfall this monsoon and copious water-flow in river Cauvery for reinvigorating cane cultivation in its area and reinjecting viability and sustainability of its operations.

Companies Act, 2013

The Companies Act, 2013 has since been enacted and most provisions have come into operation from 1st April, 2014. It is in line with global economic environment and lays great emphasis on improved corporate governance. It envisages an effective role for the appointment and empowerment of independent directors and enunciates a code for them to follow. It conceives of structured constitution of a number of Committees and enhances shareholder's role. It grants professional immunity to independent directors and mandates rotation of auditors. It also embraces emerging technology by advocating and permitting video conferencing for Board meetings and electronic voting for shareholders. Our company is fully committed to these core principles and well geared for due compliance thereof.

As regards financial statements, Ministry of Corporate Affairs has clarified by General Circular 08/2014 dated 4th April, 2014 that the requirements of the new Act for the preparation of financial statements (and attachments thereto), the Auditor's Report and Directors' Report would apply only in respect of financial years commencing on or after 1st April, 2014. Accordingly our financial statements, Directors' Report and Auditor's Report presented herein are based on the provisions contained in the Companies Act, 1956.

Appointment of auditors and independent directors now being proposed at this Annual General Meeting are in compliance of Companies Act, 2013. Ordinary resolutions earlier passed for authorizing borrowings and creation of security now require shareholder approval by Special Resolution. All these have been duly taken care of in the resolutions proposed for this meeting.

Members have been extended electronic voting facility in compliance of Section 108 of the Companies Act, 2013.

Directors

The present term of Mr N Ramanathan, Managing Director ended on 31st March, 2014. Your directors, in recognition of his committed role and valued contribution, have reappointed him as Managing Director for a further period of three years from 1st April, 2014. Consent of the members is being sought for his appointment and remuneration, including minimum remuneration, by way of Special Resolution at this meeting.

Mr Bimal Poddar retires by rotation at this meeting and being eligible offers himself for reappointment.

As regards independent directors, their respective appointments have been proposed for a fixed tenure of five years but restricted to 31st March, 2019 having regard to the transitory provisions for the continuance of existing independent directors. Upon their appointment as independent directors at this meeting, they would retire only at the end of tenure on 31st March, 2019 and they would not be counted for reckoning the directors to retire by rotation in terms of Section 149 of the Companies Act, 2013.

Directors' Responsibility Statement

Your Directors, in terms of Section 134(5) of the Companies Act, 2013, 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, 2014 and of the Loss 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;

(iv) the annual accounts have been prepared on a going concern basis;

(v) had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and

(vi) had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Employees

No employee of the Company was in receipt of remuneration during the Financial Year 2013/14 in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. Employee relations remained cordial.

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) of the Companies Act, 1956 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 And Co and M/s R Subramanian and Company retire at this meeting and are eligible for reappointment. Section 139 of the Companies Act, 2013 now mandates appointment of auditors for a fixed tenure of five years. It also provides for mandatory rotation of auditors and allows a three year transitory time for its compliance. It is accordingly proposed to appoint the retiring statutory auditors in the manner stated in the Notice for the Annual General Meeting.

Cost Audit

M/s S Mahadevan & Co, Cost Accountants have been the Cost Auditors of the company since FY 2006/07. Section 148 of the Companies Act, 2013 empowers the Central Government to order cost audit. While draft Rules issued sought to cover our Sugar and Cogen segments, final Rules are yet to be released. In order that continuity is maintained, our company proposes to appoint M/s S Mahadevan & Co, Cost Accountants to do the cost audit for FY 2014/15. Ratification for their remuneration is being sought from members as proposed in the Notice for Annual General Meeting.

Secretarial Audit

Our company has been undertaking Secretarial Audit on voluntary basis. Dr B Ravi, Practicing Company Secretary has done the Secretarial Audit for FY 2013/14. His report confirms due compliance of the company of the extant prescriptions under various Corporate Laws and SEBI Regulations as well as the provisions of the Listing Agreement.

Secretarial Audit is now mandatory under Section 204 of the Companies Act, 2013 for listed companies. Our company would ensure due compliance of this and in time for FY 2014/15.

Appreciation

Your Board conveys its appreciation to the cane growers for their commitment towards cultivating cane, braving the challenges of drought and disruption in power supply. Your directors commend the understanding and cooperation of employees at all levels during a difficult year. Your directors wish to record the unequivocal support received from Banks in full appreciation of the current distress situation faced by the industry and our company and taking a well considered long term view of its functioning. Above all, your directors wish to thank the shareholders for their continued support to the management.

For Board of Directors

Chennai
29th May 2014

N Gopala Ratnam
Chairman

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) Double steam entry provision for 1000m^2 evaporator body

(ii) Modification of one evaporator body to work as third effect of quintuple system

(iii) Reduction of MVC cooling water pump motor capacity

b) Additional Investment proposals, if any, being implemented for reduction of steam and energy:

(i) Usage of second body evaporator condensate for super heated wash water system

(ii) Reduced usage of process chemicals with modified process to improve working of evaporator section

(iii) Revamping and relocation of injection water pumps

(iv) Improved surplus hot water cooling system at ETP

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Reduction in energy consumption:

Power	-	300 units per day
Steam	-	20 tonnes 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. Due to unremunerative global prices, no export was made during the year under review.

g) Total foreign exchange used and earned.

(₹ in lakhs)

	2013- 14	2012-13
Earnings	**-**	-
Outgo	**4**	6

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)	**6.28**	3.27
Total amount (₹ lakhs)	**94.72**	48.41
Rate/Unit (₹/kwh)	**15.08**	14.80
b) Own generation		
Through steam turbine/Generator		
Units(kwh lakhs)	**470.14**	544.96
Units per tonne of fuel (kwh)*	**790**	677
Cost/Unit (₹/kwh)	**4.50**	4.15
2 Coal		
Quantity (tonnes)	**27049**	32314
Total Cost (₹ lakhs)	**1569**	1688
Average Rate (₹/t)	**5802**	5223
3 Bio-fuels		
Quantity (tonnes)	**18092**	1308
Total Cost (₹ lakhs)	**615**	60
Average Rate (₹/t)	**3398**	4595
4 Bagasse		
Quantity (tonnes)	**44045**	111324
Total Cost (₹ lakhs)	**Nil**	Nil
Average Rate (₹/t)	**Nil**	Nil
(B) Consumption per unit of production:		
Total in-house consumption units (kwh lakhs)	**129.61**	168.57
Product-Sugar (t)		
Electricity (kwh)	**310**	258

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

Note: 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) (₹ in lakhs)

	Nil	Nil

B. Technology absorption, adaptation & innovation:

(i) An attempt was made to produce low ICUMSA sugar with less sulphur content by suitable modification of process with the existing set up of machineries. Improved sugar quality and reduction in chemical consumption could be achieved besides certain intangible benefits in operations.

For Board of Directors

Chennai
29th May 2014

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 81.7% during 2013/14 by reason of growing sugar production out of cane in tropical countries.

Global sugar production has outpaced consumption for the fourth consecutive season in 2013/14. Higher sugar production in Thailand and Pakistan largely neutralized the fall in output in Brazil, European Union and India. World sugar prices during April 2013 – March 2014 on a monthly average basis oscillated in a narrow band between 15.63 c/ lb (US cents/ pound) in January 2014 and 17.90 c/ lb in March 2014 in the NY11 ICE markets.

Brazil is the dominant sugar producer and exporter, while Thailand is the second largest sugar exporter. India is steadfastly placed as the second largest sugar producer and the numero uno sugar consumer in the world but is just an occasional and marginal player in the global trade.

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 in an environment friendly manner.

Sugarcane and sugar production are seasonal with more than 90% happening in the winter months of November to March. Sugarcane use for production of sugar has steadily increased over time in preference to alternative sweeteners. Maharashtra and UP are the dominant sugar producing States while of late Karnataka has significantly stepped up its production. In contrast, sugar production in Tamil Nadu is of late on a discernible decline due to the recurrence of drought, drying up of rivers, poor storage in reservoirs and resultant repressive water shortage.

Indian sugar production has strikingly outstripped consumption since 2010/11 for four consecutive seasons, while it may move closer to consumption in 2014/ 15. The high level of sugar stocks concomitant with constricted scope for exports has unarguably led to a sharp fall in the domestic sugar prices. Indeed, sugar prices for several quarters have been ruling below cost of production across regions.

While so, State Governments remain unrelented in their bid to push sugarcane prices unidirectionally upward, devoid of economic rationale. CRISIL Research Report of June 2013 has underpinned the galloping rise in sugarcane prices far in excess of rise in sugar prices during the last three seasons, inimically impacting industry viability. It is feared in such scenario that sugarcane arrears could mount to a record ₹ 12000 crores, led by Uttar Pradesh and Karnataka, by the end of 2013/14 season.

Government Policies

(i) Sugar reforms

The Central Government in April 2013 following the recommendations of Dr C Rangarajan Committee decided on the sugar sector reforms. It scrapped the levy obligation in respect of sugar produced from October 2012 and dismantled the release mechanism from April 2013.

Mandatory packing of sugar in gunny bags was reduced from 100% to 40% for the year upto 2012/13 upto 30th June 2013. This was further reduced to 20% for the Jute Year 1st July 2013 to 30th June 2014.

(ii) Support measures

Import duty on sugar was hiked from 10% to 15% from July 2013 to discourage indiscriminate sugar imports. Industry has however been pleading for a higher rate of import duty, having regard to its high cost structure by reason of arbitrarily high level of sugarcane price thrust on the Indian producers.

Government of India unveiled a 'Scheme for Extending Financial Assistance to Sugar Undertakings 2014' to infuse liquidity into sugar companies and help clear sugarcane dues to farmers. Sugar companies are entitled to receive soft Loan from their Banks under this Scheme equivalent to excise duty paid or payable for the last three sugar seasons' production. It has two years moratorium and three years repayment schedule with interest subvention benefit upto 12%.

Government of India notified on 28th February 2014 amendment to Sugar Development Fund Rules. By this, it offered a subsidy of ₹ 3300 per tonne for raw sugar production and export with an inbuilt provision to recalibrate the subsidy amount every two months based on dollar-rupee parity. It however made a volte face to arbitrarily reduce the subsidy to ₹ 2277 per tonne in its Notification G.S.R.326(E) dated 7th May 2014 while the strengthening rupee would warrant only an upward revision as per the approved policy.

(iii) Cane price

The Central Government hiked the Fair & Remunerative Price (FRP) for sugarcane for Sugar Season 2013/14 by a hefty 24% from ₹ 170 to ₹ 210 per qtl linked to a basic recovery of 9.5%. It has however moderated the rise for sugar season 2014/15 to ₹ 220 per qtl.

Government of Tamil Nadu announced State Advised Price (SAP) for 2013/14 season at ₹ 2550 per tonne (Previous Year ₹ 2250 per tonne) linked to 9.5% recovery. In addition, transport charges from field to factory have to be borne in full by the sugar mills. Private sector mills in the State have appealed for suitable Government subsidy and other support measures for being able to pay such a high SAP not backed by prevalent sugar prices. Meantime they have committed to protect last year cane price in the interest of farmers despite negative price parity.

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.

Sugar business is intrinsically cyclical. Market sentiments move disproportionate to demand-supply parity causing 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.

Sugarcane availability is critically dependent upon conducivity of nature. Repeated monsoon failure and poor storage of water in Mettur reservoir catering to our command area pose a severe challenge to agriculture in our neighbourhood, impacting cane cultivation in the process. Unscheduled power tripping disrupting irrigation schedule continues to remain a major impediment. Drip irrigation is only slowly catching up due to its high capital outlay, glitches in getting Government subsidy and draconian deficiency in water resources not enough to meet even the minimal drip requirement for cultivation.

In view of fragmented capacity and high input costs, India suffers systemic uncompetitiveness in the world market. As a result, sugar exports often times have to rely on the crutches of Government support measures.

Segment-wise or product-wise performance

The Company is engaged in two segments, namely Sugar and Cogen. The segment-wise performance of the Company for the year is as under:

	Sugar (tonnes)	*Cogen* (Lakh units)
Production	41781	380.04
Sales	43184	325.88
	₹ lakhs	₹ lakhs
Sales	16148	1824
Operating Profit	143	375

Outlook

World sugar balance is slated for a marginal correction in 2014/15 marketing year, but the heavy stock pile could play spoil shot impeding the scope for appreciable price recovery in the global market. Nature may however play havoc to upset current forecast, as the threat of El-Nino has already raised the ripples prompting analysts all over to second guess the probability of its occurrence and intensity for impact on the cane crop.

Sugar prices would hence appear to remain range bound in the domestic market as well in 2014/15. In addition, sugar mills in Tamil Nadu and our company in particular will have to combat the crueling shortfall in sugarcane availability under continuing drought conditions. Accordingly 2014/15 could prove to be one of the most challenging years for the sugar sector.

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. It has to source sugarcane from its neighbourhood and out of command area where growth and availability would depend on monsoon and water flow in the river. Cogen tariff is determined by the Regulator for supply to Tamil Nadu Generation and Distribution Corpn. Ltd (TANGEDCO) under a long term Power Purchase Agreement. The rate may vary widely from prevailing market rates. Despite recent liberalization by Centre, there are continuing controls on cane area reservation as well as fixation of cane price by State Governments. The growing mismatch between free market prices for end product and Government controlled price for inputs poses a persistent and grave concern.

Risk mitigation

The Company has built excellent relationship over the years with the local farming community. It has diversified into Cogen. It has of course no control over agro-climatic risks and regulatory interventions.

Risk specific to the Company

Erode Sugar Mill is squeezed for land in its factory area militating against major expansion or diversification plans. It is also surrounded by other sugar mills that limits scope for major cane area expansion. Of late, its command area for cane has become increasingly susceptible to water stress.

Distillery licensing is subject to State discretion. Standalone Distillery faces local resistance on perceived threat of pollution.

The Company has a long standing unresolved dispute with Sugar Development Fund, blocking release of subsidies and sanction of fresh loans.

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 99 seasonal and 220 non-seasonal employees. Industry-wide wage settlement expired on 31st March 2013 and renewal talks are yet to begin. Industry relations remained cordial throughout the year.

Discussion on Financial Performance with respect to Operational Performance

Operational Performance

	Year ended	
	31.03.2014	31.03.2013
Number of days	**186**	234
Average crushing rate (tcd)	**2345**	2793
Cane crushed (t)	**436103**	653498
Recovery (%)	**9.64**	9.98
Sugar produced (t)	**41781**	65270
Power production (lakh kwh)	**380**	448

Cane availability and quality were severely dented by acute drought conditions in the operational area. As a result, cane volume and sugar recovery declined. Raw sugar import to improve capacity utilization could not be pursued due to unviable market conditions.

Power production was impacted due to reduced bagasse production, high cost of alternative bio-fuel and unremunerative power tariff.

Financial performance

Turnover declined by 21% due to fall in sugar production and lower sugar price. Robust rise in molasses price partially came to our rescue. Operating margin declined by 77% Year on Year.

Interest cost shot up sizeably due to higher working capital utilization and full year impact for Cogen Loan. Depreciation method has been changed uniformly to Straightline Method for both Sugar and Cogen segments during the current year as detailed in Note 30 to the Financial Statements.

In the end, the company has suffered a Net Loss after tax of ₹ 478 lakhs as against PAT of ₹ 1911 lakhs in the previous year. Its operations were decimated by drought and marred by adverse market conditions thereby rendering its overall financial performance unsatisfactory.

Ratios

	2013-14	2012-13
PBIDT to Sales (%)	**3.88**	13.36
PBT to Sales (%)	**(1.62)**	5.55
PBT to Net Worth (%)	**(2.27)**	9.42
Return on Capital Employed (%)	**2.24**	9.78
Earnings (PAT) per Share (₹)	**(5.56)**	22.22
Interest Coverage (times)	**1.04**	8.64
Debt- Equity (times)	**0.41**	0.25
Current Ratio (times)	**1.24**	1.03
Net Worth per Share (₹)	**143.93**	150.19
Price earning ratio (times)	**(17.68)**	11.36

Cautionary Statement

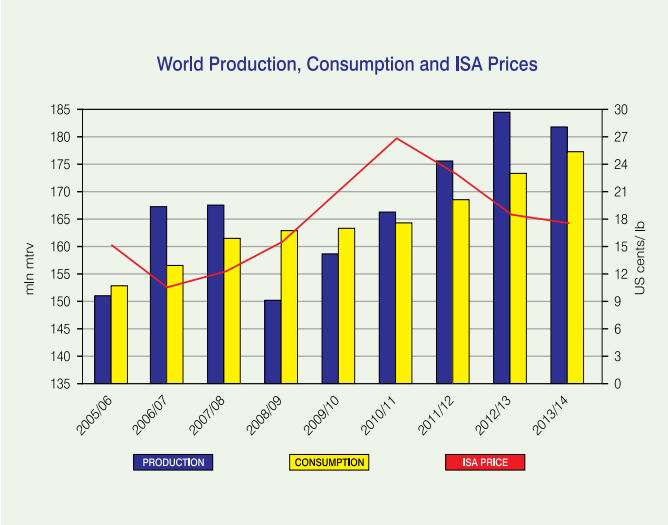
Statements made in this Report describing industry outlook as well as Company's plans, projections and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

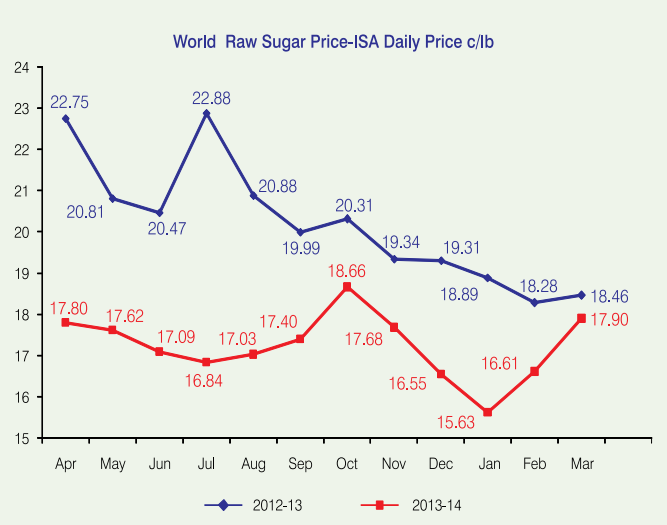
For Board of Directors

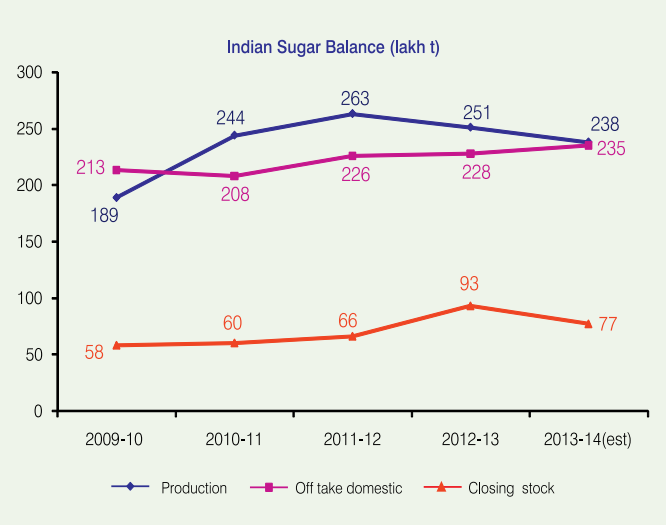
Chennai
29th May 2014

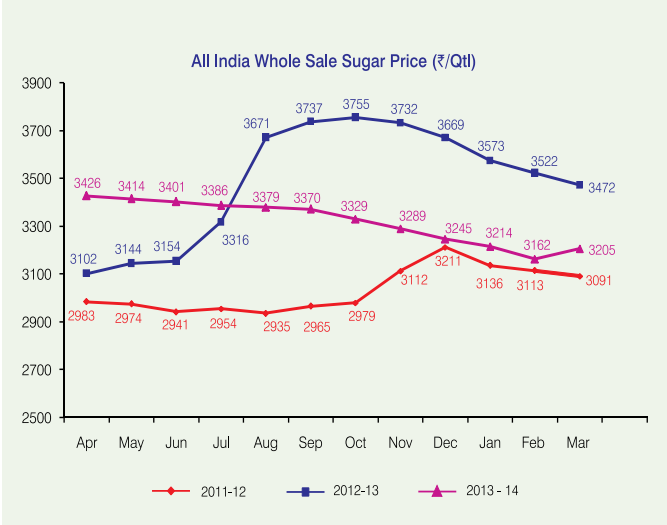
N Gopala Ratnam
Chairman

Sugar Macro Overview

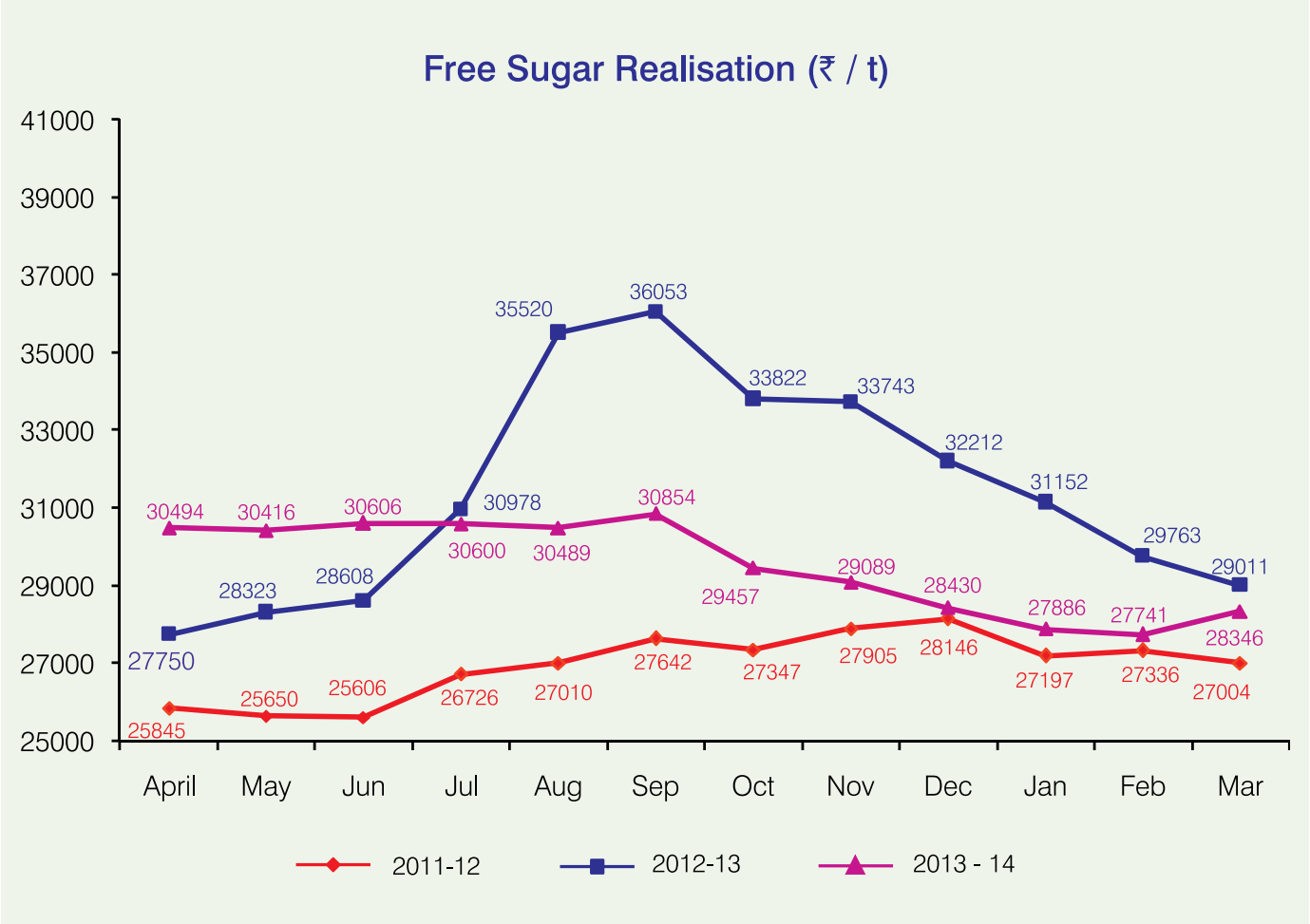


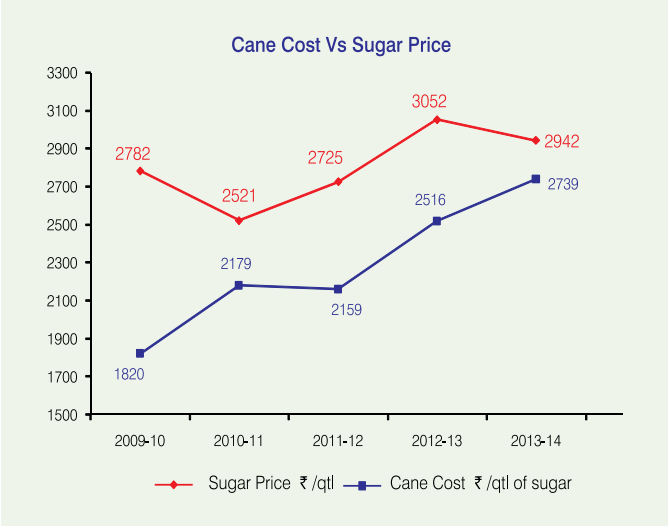


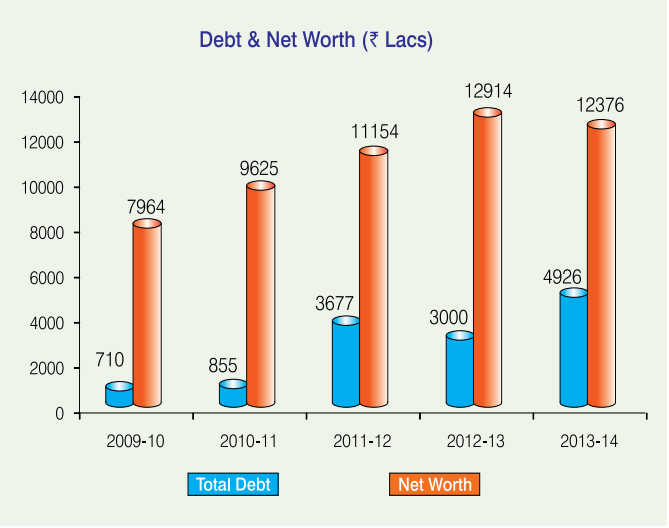




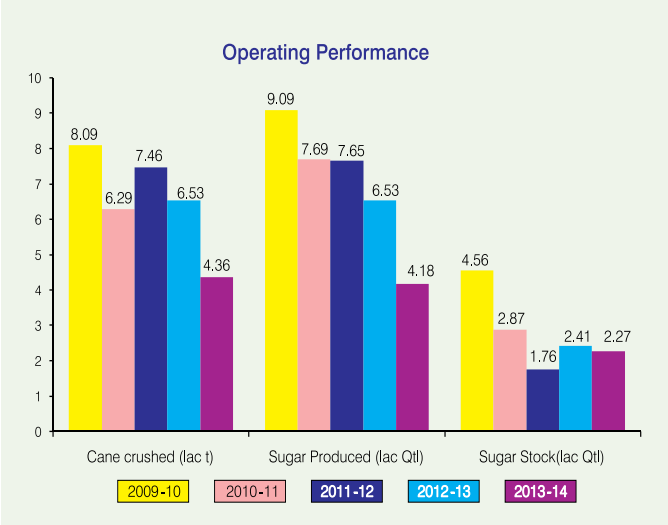
Ponni Performance Parameters

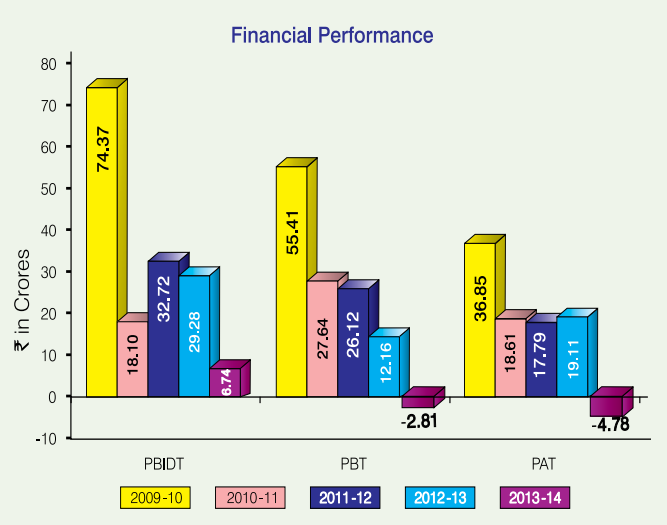


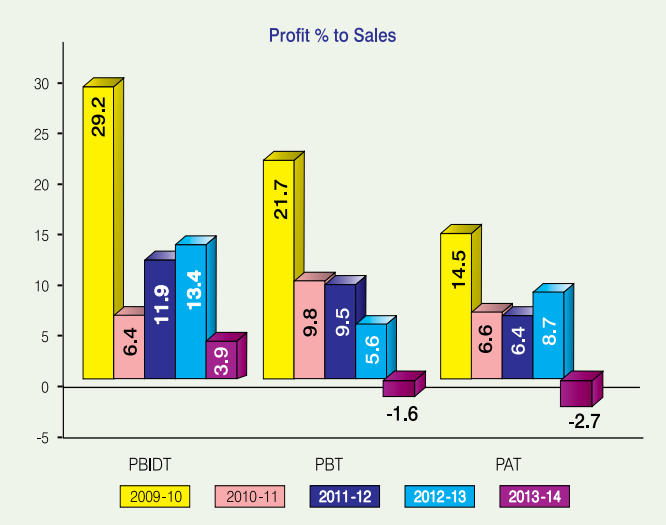


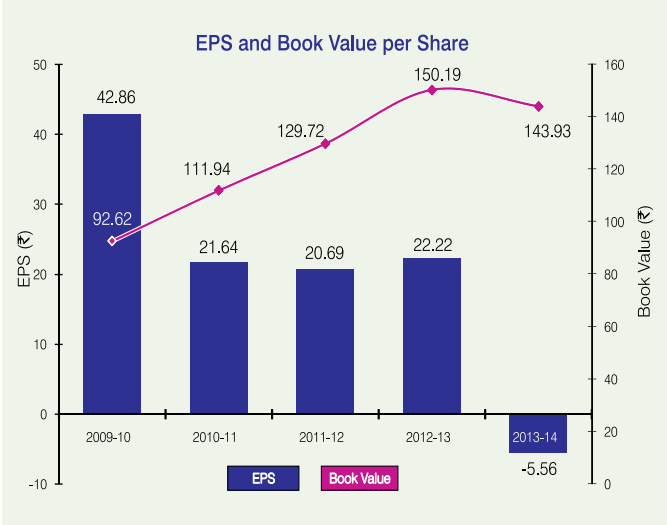


Ponni Performance Highlights









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.

Amendments to Corporate Governance provisions

The Companies Act, 2013 provides for a major overhaul in the Corporate Governance norms for all companies. The rules pertaining to Corporate Governance were notified on 27th March 2014. Pursuant to this, SEBI reviewed the provisions of Listing Agreement with the objective to align same with the Companies Act, 2013, adopt best practices on corporate governance and to make the corporate governance framework more effective. SEBI by its Circular dt.17th April 2014 advised the changes to Clause 35-B and Clause 49 of the earlier Listing Agreement. The revised Clause 49 would apply from 1st October 2014.

The company has taken effective steps to comply with the new prescriptions of the Companies Act, 2013 and move towards complying with the revised Clause 49 well before the deadline.

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 Company has two woman directors. The Managing Director is additionally responsible to continue to discharge the functions of Secretary within the meaning of Section 2(24) of the Companies Act, 2013.

The Chairman is non-executive but is classified under promoter category. The number of Independent Directors is one-half of the total strength. Any reduction in the strength of Independent Directors is filled within 3 months or the next Board meeting, whichever is later, for ensuring minimum stipulated strength of Independent Directors in the Board.

Independent directors are appointed for a tenure of 5 years taking into account the transitory provisions under Sec.149(11) of the Companies Act, 2013. They would be eligible for one more term on passing of a special resolution by members. No independent director of the company serves in more than 7 listed companies as independent director.

Independent directors give periodic declaration and confirmation for meeting the criteria of independence. Formal letter of appointment will be issued to them and disclosed on company website along with their detailed profile.

All other 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 stipulated in Clause 49. No Director is a relative of any other Director. The age of every Director, including Independent Director, is above 21.

Name of Director and category	Date of initial Appointment	No. of Equity Shares held	Attendance at Board meetings during 2013-14		As on 31st March 2014			Attendance at last AGM Y- Yes N- No
			No. of meetings	%	No. of Director-ships	Committee position*		
						Chairman	Member	
Mr N Gopala Ratnam, Non-Executive Chairman, Promoter	26.12.1996	2823	5	100	6	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

Name of Director and category	Date of initial Appointment	No. of Equity Shares held	Attendance at Board meetings during 2013-14		As on 31st March 2014			Attendance at last AGM Y- Yes N- No
			No. of meetings	%	No. of Director-ships	Committee position*		
						Chairman	Member	
Mr Bimal Poddar Promoter	26.10.2001	NIL	5	100	12	--	2	Y
Mr N Ramanathan Managing Director	01.04.2005	3001	5	100	4	1	1	Y
Mr V Sridar Independent	05.06.2009	NIL	5	100	10	4	5	Y
Mr N R Krishnan Independent	05.06.2009	NIL	5	100	6	1	3	Y
Dr Nanditha Krishna Independent	24.12.2010	NIL	4	80	4	--	--	N
Mr K Bharathan Independent	28.12.2011	NIL	4	80	2	--	--	Y
Mrs Bharti C Pithawalla Promoter	01.02.2013	NIL	4	80	3	--	--	Y

** Pertains only to Audit & Stakeholders Relationship Committee of the Board*

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 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.

Notice for Board meeting is issued normally 3 weeks in advance. Detailed Agenda papers are circulated one week in advance. During the year, 5 Board meetings were held as against the minimum requirement of 4 meetings on 29.05.2013, 24.07.2013, 08.11.2013, 07.02.2014 and 21.03.2014. Interval between any two meetings was not more than 4 months.

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 Board is committed to discharge all key functions and responsibilities as spelt out in the Companies Act, 2013, extant SEBI Regulations and provisions of the Listing Agreement.

The governance process includes an effective post-meeting follow-up, review of ATR (Action Taken Report) and 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 and is present at the Annual General Meetings of the company. It 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, approved related party transactions and accounting treatment for major items. Appointments of Auditors, cost auditors and internal auditors are done on the recommendations of the Audit Committee. It also fulfills the requirements as set out in The Companies Act, 2013.

During the year, the Audit Committee met 5 times on 29.05.2013, 24.07.2013, 08.11.2013, 07.02.2014 and 21.03.2014. Its composition and attendance during 2013-14 is given hereunder:

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

Nomination cum Remuneration Committee

The Company has a Nomination cum Remuneration Committee. It comprises 4 non-executive Directors of which 3 are independent including its Chairman.

Its scope has been expanded to consider and recommend proposals for the appointment of Independent, Executive and Non-Executive Directors in addition to the present scope of recommending remuneration package for the Executive Directors/ Senior management personnel as and when required. The Committee meets as per needs. It met once during the year on 07.02.2014 to consider recommendation on the re-appointment of Mr N Ramanathan as Managing Director and the terms thereof.

Name of Member	Category
Mr V Sridar, Chairman	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

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 whose current term expired on the close of 31st March 2014. The Board of Directors of the Company at their meeting held on 21st March 2014 have reappointed Mr N Ramanathan as Managing Director of the Company for a period of three years from 01.04.2014 and approved the revised remuneration package based on the recommendations of the Nomination cum Remuneration Committee meeting held on 07.02.2014. Approval of shareholders for the reappointment and terms thereof has been sought by special resolution at the Annual General Meeting vide item-10 of the Notice. There is no service contract containing provisions of notice period or severance package.

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

Non Executive Directors are paid sitting fees at ₹ 5000 per meeting of Board, Audit, Nomination cum Remuneration Committee and at ₹ 2500 for other Committee meetings. Sitting fee has been revised to ₹ 10000 for all meetings of the Board or Committee from 1st April 2014 having regard to the higher ceiling of ₹ one lac provided under Section 197(5) of the Companies Act, 2013 read with Rule 4 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014.

Further, the approval of the members was obtained at the 15th Annual General Meeting for payment of Commission to Non Executive Directors subject to an aggregate limit of one percent of the net profit of the company and quantitative ceiling fixed by the Board. A commission of ₹ 100000 was paid to each of the Non Executive Directors for the financial years 2011-12 & 2012-13; however no commission is provided for FY 2013-14 in view of the losses incurred.

Remuneration of Non Executive Directors for 2013-14

(in ₹)

Director	Sitting fees for		
	Board meeting	Committee meeting	Total
Mr N Gopala Ratnam	25000	17500	42500
Dr L M Ramakrishnan	25000	30000	55000
Mr Arun G Bijur	25000	12500	37500
Mr Bimal Poddar	25000	25000	50000
Mr V Sridar	25000	30000	55000
Mr N R Krishnan	25000	30000	55000
Dr Nanditha Krishna	20000	---	20000
Mr K Bharathan	20000	---	20000
Mrs Bharti C Pithawalla	20000	---	20000

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.

Stakeholders Relationship Committee

The Board has a Stakeholders Relationship 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 29.05.2013, 24.07.2013, 08.11.2013, 07.02.2014 and 21.03.2014. Its composition and attendance is given hereunder:

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

Status of investor complaints is shown in the Shareholder Information section of this Report. The Secretary is the Compliance Officer.

CSR Committee

Pursuant to Section 135 of the Companies Act, 2013, the company has constituted a CSR Committee from 21st March 2014.

Name of Member	Category
Mr N Gopala Ratnam, Chairman	Non-Executive
Mr N R Krishnan	Independent
Mr N Ramanathan	Executive

No meeting was held during the year.

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 need arises to consider any matter assigned to it. No meeting was held during the year.

Committee Minutes

Minutes of all the Committees of the Board are prepared by the Secretary of the Company, approved by the Chairman of the Meeting. 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, no circular resolution was passed.

Cost Audit

Cost Auditors: M/s S Mahadevan & Co., Coimbatore		
Filing Cost Audit Report	2013-14	2012-13
Due date	30.09.2014	30.09.2013
Actual date	Target 31.07.2014	08.08.2013
Audit Qualification in Report	---	Nil

Secretarial Compliance Report

Though not legally required, the company has been obtaining Secretarial Compliance Report since 2006 as a measure of good corporate governance practice. Accordingly Secretarial Audit on the compliance of corporate laws and SEBI regulations was conducted by Dr B Ravi, Practicing Company Secretary for the financial year ended 31st March 2014. Compliance Certificate issued by him was placed before the Board on 29th May 2014.

Secretarial Audit is now mandatory for the company from 1st April 2014 and its due compliance would be ensured.

Secretarial Standards

Pursuant to Section 118(10) of the Companies Act, 2013, every company shall observe secretarial standards with respect to general and Board meetings specified by the Institute of Company Secretaries of India. The company is in compliance of same. Its secretarial routines and practices seek to meet with all other Secretarial Standards prescribed by the institute as well, though they are presently recommendatory in nature.

Quarterly Compliance Report

The Company has submitted for each of the four Quarters during 2013-14 the Compliance Report to Stock Exchanges in the prescribed format within 15 days from the close of the respective Quarter.

Online filing

NEAPS

Quarterly reports to National Stock Exchange are filed through NSE Electronic Application Processing System (NEAPS) introduced by NSE from September 2011 quarter in addition to filing hard copy of such reports.

SCORES

SEBI vide Circular dated 03.06.2011 has advised all listed companies to process 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. SEBI vide its circular dt.17.04.2013 has reemphasized due compliance of this requirement.

During the year there were no complaints posted at SCORES site.

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	30.06.2013	08.07.2013
		30.09.2013	12.10.2013
		31.12.2013	08.01.2014
		31.03.2014	09.04.2014

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 in deference to Accounting Standard 18 in Note 36 of the Notes on Financial Statements. 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 2013-14 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 31-03-2014.

CEO/ CFO certification

CEO certification by Mr N Ramanathan, Managing Director and CFO certification by Mr K Yokanathan, Chief Financial Officer as required under Clause 49(V) of the Listing Agreement were placed before the Board at its meeting on 29th May 2014.

Review of Directors' Responsibility Statement

The Board in its Report have confirmed that the annual accounts for the year ended 31st March 2014 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.

New Mandatory Prescriptions:

Revised Clause 49 coming into force from 1st October 2014 has made certain additional mandatory prescriptions covering following:

i) Performance evaluation and training for Independent Directors

ii) Once a year meeting exclusively for Independent Directors

iii) Establishment of a Whistle blower Policy

iv) Policy on materiality of Related Party Transactions and appropriate approval mechanism for Related Party Transactions

The Company would ensure due compliance of these measures well in time.

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.

Remuneration Committee

The Company has a Nomination cum 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 whose email ids are available with the company. Shareholders who have not furnished their email ids are advised to furnish same to *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.

Audit Qualifications

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

SEBI vide its circular dt.13th August 2012, has evolved a system to monitor audit qualification covered in Auditor's Report. Accordingly, listed companies while submitting Annual Report under Clause 31 (a) of the Listing Agreement are required to submit Form A in case of Unqualified Auditor's Report and Form B in case of Qualified / Subject to / Except for audit report. Stock exchanges will initiate further steps as specified in the circular, in case of companies where Form B has been filed. Our Company will comply with this SEBI Circular while filing the Annual Reports for the financial year ended 31st March 2014.

Internal Auditor

The internal auditor of the company reports directly to the Audit Committee.

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.

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 And 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

	Date of publication of Notice of Board meeting	Financial Results		News paper
		Date of approval by Board	Date of Publication	
Quarter ended 30.06.2013	04.07.2013	24.07.2013	25.07.2013	Business Line and Makkal Kural
Quarter ended 30.09.2013	05.10.2013	08.11.2013	09.11.2013	
Quarter ended 31.12.2013	09.01.2014	07.02.2014	08.02.2014	
Quarter and Year ended 31.03.2014	07.05.2014	29.05.2014	30.05.2014*	

**Publication arranged*

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

(a) emailed & faxed to Stock Exchanges immediately after the conclusion of the Board meeting. A confirmation copy is sent by post.

(b) posted on the company's website *www.ponnisugars.com* that also displays other official News releases;

(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.

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.

Business Responsibility Reports

SEBI has mandated by its circular dt.13.08.2012 the inclusion of Business Responsibility Reports (BR Reports) as part of the Annual Reports for listed entities. Clause 55 has been inserted in the Equity Listing Agreement for this purpose. Initially this has been made applicable for top 100 listed entities and our company is not presently covered by this.

Company commitments

Our Company keeps constant track of prevalent practices among bellwether corporates towards formulating and finetuning its responses to the emerging areas on Corporate Governance and responsible business. It continues to take affirmative steps for substantive compliance commensurate with its size, nature of business and governing structure.

Our Company enjoys considerable goodwill of the residents in its neighbourhood for its transparency in dealings and fair practices in place. It would be relentless in its pursuit and strengthen its focus for doing responsible business.

For PONNI SUGARS (ERODE) LIMITED

N Gopala Ratnam
Chairman

N Ramanathan
Managing Director

Chennai
29th May 2014

General Shareholder Information

Details for 18th AGM

Date and Time	Tuesday, the 22nd July 2014 at 10.30 AM
Venue	New Woodlands Hotel Pvt Ltd, 72-75, Dr Radhakrishnan Road, Mylapore, Chennai 600 004
Financial Year	2013-14
Book Closure Dates	Friday, the 18th July 2014 to Tuesday, the 22nd July 2014 (Both days inclusive)
Dividend	₹ 0.60 per Equity Share (proposed)
Dividend payment date	31st July 2014

Particulars of past 3 AGMs

AGM/ Year	Venue	Date & Time	Special Resolutions passed
15th 2010-11	New Woodlands Hotel Pvt Ltd 72-75, Dr Radhakrishnan Road, Mylapore Chennai 600004	15.07.2011 10.25 AM	a) Reappointment of Managing Director b) Commission to non-executive directors
16th 2011-12	Hotel Deccan Plaza 36 Royapettah High Road Chennai 600014	20.07.2012 10.15 AM	NIL
17th 2012-13	New Woodlands Hotel Pvt Ltd 72-75, Dr Radhakrishnan Road, Mylapore Chennai 600004	24.07.2013 10.30 AM	NIL

No Extraordinary General Meeting was convened during the year.

Postal ballot/ Poll

All Resolutions were passed in the past 3 AGMs by show of hands. No Special Resolution was required to be passed by postal ballot at the last AGM. The company has extended e-Voting option to all shareholders for the 18th AGM pursuant to Section 108 of the Companies Act, 2013 and hence voting by show of hands is not permissible under Section 107 of the Act.

Financial Calendar for 2014-15 (tentative)

Results for the quarter ending	30th June 2014	22nd July 2014
-do-	30th Sep 2014	31st October 2014
-do-	31st Dec 2014	6th Februay 2015
Results for the year ending	31st Mar 2015	May 2015
Annual General Meeting	July 2015	

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: cmlist@nse.co.in
Listed from	April 2002	April 2002
Stock Code	532460	PONNIERODE

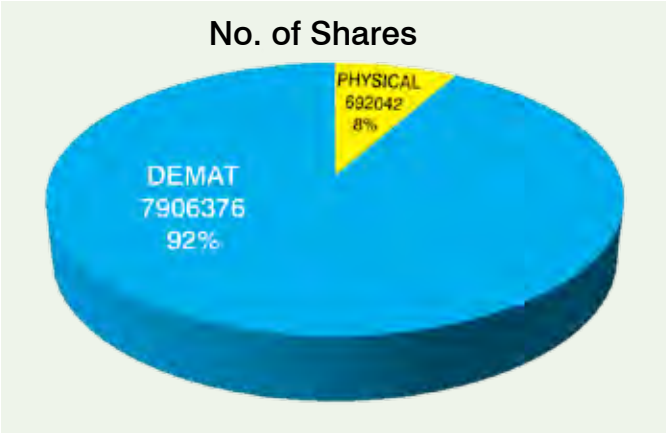
Listing fee has been paid well in time to both the Stock Exchanges for the year 2014-15.

Dematerialization

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

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 2014-15.

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



PAN Requirement

(1) SEBI vide circular dt. 27th April 2007 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 dt.20th May 2009 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. 7th January 2010 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:Ms C S Vetriselvi, Senior Executive (Shares)

Nomination facility

Shareholders holding shares in physical form and desirous of making a nomination in terms of Section 72 of the Companies Act, 2013 are requested to submit to the Registrar and Transfer Agent in the Form No.SH.13 prescribed under Rule 19 the Companies (Share Capital and Debentures) Rules,2014 which can be had on request or downloaded from Company / MCA website. In the case of Demat holding shareholders shall submit the same to their Depository Participants.

Investor Correspondence

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

(a) respective Depository Participants in case of demat holding

(b) the Registrar & Transfer Agent in case of physical holding

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

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

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

Exclusive email ID for investor benefit

Pursuant to SEBI's directive and clause 47(f) of Listing Agreement, the Company has created an exclusive Email ID investor@ponnisugars.com 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.

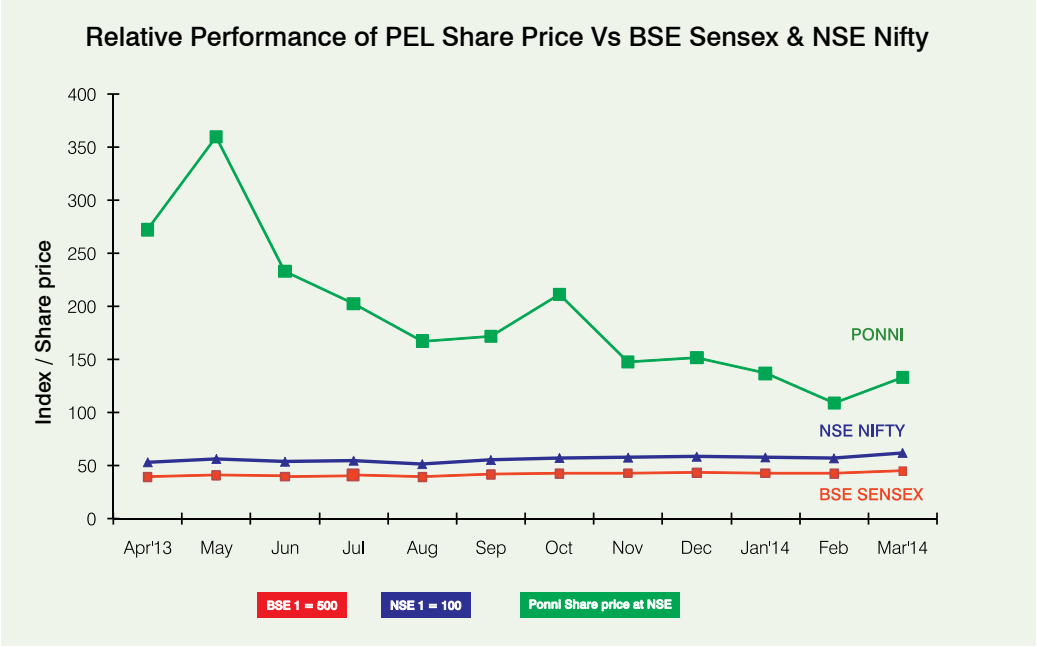
Investors may lodge their complaints against trading members and companies through online Investor Service Cell launched by the National Stock Exchange of India Limited.

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, Fourth 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	Value (₹ lacs)	High	Low	No. of shares	Value (₹ lacs)
April'13	379.00	226.80	141249	529.08	272.00	224.40	14953	36.86
May'13	366.00	225.00	17060	60.25	359.45	230.60	492	1.30
June'13	221.55	201.00	320	0.68	233.00	210.00	7197	15.85
July'13	232.60	187.45	25625	53.97	202.00	153.00	436	0.81
Aug'13	178.10	152.75	116	0.19	167.00	160.60	181	0.29
Sept'13	157.60	140.85	284	0.42	171.50	170.00	22499	38.58
Oct'13	181.00	131.50	1393	2.01	211.00	121.00	173806	361.73
Nov'13	163.45	140.15	546	0.82	147.00	109.50	1033	1.33
Dec'13	153.00	142.00	65	0.09	151.50	132.10	472	0.68
Jan'14	149.00	98.20	3055	3.40	136.50	100.00	2943	3.32
Feb'14	108.00	87.05	2766	2.64	108.65	87.10	3465	3.36
March'14	129.95	90.00	12930	14.05	132.75	90.05	16156	16.02



Trading in illiquid shares

SEBI, vide its Circular dt.14.2.2013 has brought changes for trading of illiquid scrips in Stock Exchanges by introducing Periodic Call Auction route. A scrip is classified as 'illiquid' when in a quarter the average volume is below 10000 and average daily number of trades is below 50. Pursuant to this, the scrips of our company were traded under 'illiquid' category from 1st April 2013 at both Stock Exchanges.

Since most of the scrips got classified under this category, SEBI in response to complaints made from investors & stake holders, decided to rationalize this mechanism by modifying the stipulations contained in their Circular of Dec.'13. Accordingly under the revised criteria, our scrips got exited from the 'illiquid category' and are now traded under 'Trade for Trade' category.

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 Stakeholders Relationship 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 / Stakeholders Relationship 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 31.03.2014.

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

Shareholder Complaints

Complaints received over the last five years : Nil

Nature of complaints received during 2013-14:

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

Outstanding complaints as on 31.03.2014 - 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	15
2	Transposition / Deletion of Name	15
3	Folio Consolidation / Change of Name	15
4	Demat	5
5	Consolidation/Split / Remat of Share Certificates	15
6	Issue of Duplicate Certificates	15
7	Replacement of Certificates	15
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 five 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 communicate 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	8090	82.97	293258	3.41
101-500	1396	14.32	324603	3.78
501-1000	126	1.30	100653	1.17
1001-10000	105	1.08	351657	4.09
10001 - 100000	19	0.19	530572	6.17
100001 & above	14	0.14	6997675	81.38
Total	**9750**	**100.00**	**8598418**	**100.00**

Categories of Shareholding

Shares held by	No. of shareholders	%	No. of shares	%
Promoters	7	0.07	4351923	50.61
FIs / UTI / Mutual Fund / Banks	7	0.07	7720	0.09
Corporates	158	1.62	2004552	23.31
FIIs/ NRIs/ OCBs	166	1.70	288153	3.35
Resident Individuals	9412	96.54	1946070	22.64
Total	**9750**	**100.00**	**8598418**	**100.00**

Top 10 Shareholders of the Company

Sl No	Name	Shares	% to Capital
1	Seshasayee Paper and Boards Ltd	2080260	24.19
2	Mr C K Pithawalla	925466	10.76
3	Coromandel Sugars Ltd	810507	9.43
4	Time Square Investments P Ltd	760004	8.84
5	Hridayanath Consultancy P Ltd	743255	8.64
6	Bharat Jayantilal Patel	677021	7.87
7	High Energy Batteries (India) Ltd	280382	3.26
8	PAT Financial Consultants P Ltd	175052	2.04
9	Lucky Valley Investments & Holdings Limited	165405	1.92
10	Matheson Bosanquet Enterprises Limited	137583	1.60
Total		**6754935**	**78.55**

Plant

Location: Odapalli, Cauvery R S (Post), 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:

Sl No	Particulars	No of Shareholders	No of Shares
1	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year	489	28177
2	Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year	2	60
3	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	2	60
4	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	487	28117

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

Dividend for 2014-15

(a) Dividend entitlement

Dividend, if declared at the Annual General Meeting, will be paid by 31st July 2014 to the members whose names appear on the Register of Members on 22nd July 2014 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 on that date as per details to be furnished by NSDL / CDSL for the purpose.

(b) Electronic payment

SEBI by its Circular dated 21.03.2013 has modified the framework for payment by listed companies to investors having regard to the advancements in the field of electronic payment systems during the last decade. Accordingly listed companies are mandated to use RBI approved e-mode of payment like NECS or NEFT for making cash payments to investors.

Members are therefore advised to update their Bank details with their Depositories (in case of demat holding) or with our RTA (for physical holding) including details of MICR and IFSC.

c) Physical payment

In the absence of adequate Bank details facilitating electronic payment, listed companies are allowed to use physical payment instruments for making cash payment to investors. The company however shall mandatorily print the Bank details of investors on such payment instruments. Members are advised to furnish their Bank account details (type of account and account number).

Dividend warrants for physical payment would be issued by the company, payable at par at the designated branches of the Bank printed on the reverse of Dividend Warrant. Initial validity would be 3 months and payment instruments thereafter would be payable only at limited centres. Members are hence advised to encash within the initial validity period.

(d) 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 shall be transferred to the Investor Education and Protection Fund of the Central Government. Reminders for unpaid dividend are sent to the shareholders as per records every year.

Pursuant to above, the Unpaid / Unclaimed Dividend for the Financial Year ended 31.03.2006 were transferred on 26.08.2013 pertaining to 2818 investors and aggregating ₹ 2.92 lacs.

The Unpaid / Unclaimed amount for the Financial Year ended 31.03.2007 will be transferred during August 2014. Shareholders are therefore advised to contact the Company immediately in case of non-receipt or non-encashment of Dividend.

Upon Section 124 (5) & (6) of the Companies Act, 2013 coming into force, companies while transferring the unpaid dividend will also have to **transfer the underlying equity shares**. Shareholders may take specific note of same.

Particulars of unclaimed dividend

Year	Dividend (₹ per share)	Date	Unclaimed		Due date for transfer to IEPF
			No. of warrants	₹ lakhs	
2006-07	0.90	30.07.2007	3859	2.00	23.08.2014
2007-08	0.60	28.07.2008	4026	2.20	24.08.2015
2008-09	2.50	05.08.2009	3470	4.57	26.08.2016
2009-10	4.00	05.08.2010	3285	8.28	25.08.2017
2010-11	2.00	29.07.2011	3658	3.83	19.08.2018
2011-12	2.50	06.08.2012	3127	4.67	24.08.2019
2012-13	1.50	07.08.2013	3425	5.87	29.08.2020

MCA by Notification G.S.R.352 (E) dated10.05.2012 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 has already uploaded the requisite details that will get updated every year within 90 days of Annual General Meeting.

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.

Request to Shareholders

The Companies Act, 2013 read with the Companies (Management & Administration) Rules, 2014 requires the company to keep the Register of Members in Form No.MGT-1. As compared to the existing Register of Members under the old Act, the new Law calls for certain additional information to be recorded. In order that the company is facilitated to comply with same, shareholders are requested to send the following information for updating their records in our Register of Members:

i) Name of the member
ii) Folio/ DP ID – Client ID
iii) Email address
iv) Permanent Account Number (PAN)
v) CIN (in the case of company)
vi) Unique Identification Number
vii) Father's/ Mother's/ Spouse's name
viii) Occupation
ix) Status
x) Nationality
xi) In case of minor, name of guardian and date of birth of minor.
xii) Instructions, if any for sending Notice etc.

In the case of existing companies, these additional particulars shall be complied with on or before 30th September 2014. We hence solicit your early cooperation responding to the above.

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 2014 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 above-mentioned 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 was no investor grievances remaining unattended / pending for more than 30 days as at 31st March 2014.

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 And Co.
FRN No. 001931S
Chartered Accountants

N R Suresh
Partner
Membership No. 21661

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

A Ganesan
Partner
Membership No. 21438

Chennai
29th May 2014

INDEPENDENT AUDITORS' REPORT

To

The Members of

PONNI SUGARS (ERODE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of PONNI SUGARS (ERODE) LIMITED which comprise the Balance Sheet as at 31st March 2014 and Statement of Profit & Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 2014

b) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and

c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.

2. As required by section 227(3) of the Act, we report that:

   a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) 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 ;

c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

e) On the basis of written representations received from the directors as on 31st March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

N R Suresh
Partner
Membership No. 21661

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

A Ganesan
Partner
Membership No. 21438

Chennai
29th May 2014

Annexure to Independent Auditors' Report

Referred to in Paragraph 1 under the heading "Report on other legal and regulatory requirements" 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 periodic intervals which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets.

(c) No material discrepancies were noticed on such verification. No substantial part of fixed assets has 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 arrangements 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, Investor Education & Protection 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.

(b) 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 2014 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 and other material statutory dues , which have not been deposited as on 31st March 2014 on account of disputes are given below:

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	Rejection of Cenvat Credit	32.27	CESTAT	Financial Years 2006-07 to 2009-10
Finance Act, 1994 (Service Tax)	Service Tax	98.13	CESTAT	Financial Years 2004-05 to 2008-09
Tamilnadu Tax on consumption or sale of Electricity Act, 2003	Electricity consumption Tax	113.59	Supreme Court	Financial Years 2003-04 to 2008-09 and 2011-12 to 2012-13
Income Tax Act, 1961	Income Tax	1300.90	CIT Appeals / High Court	Assessment Years 2001-02 to 2009-10

(x) The company has no accumulated losses, as at 31st March 2014. The company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.

(xi) The company has not defaulted in repayment of dues to banks.

(xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The company is not a chit fund /nidhi / mutual benefit fund / society.

(xiv) The company is not dealing or trading in shares, securities, debentures and other investments.

(xv) The company has not given guarantees for loans taken by others from banks or financial institutions.

(xvi) The Term loans have been applied for the purpose for which they were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the financial statements of the company, we report that the funds raised on short-term basis have not been used for long-term investment.

(xviii) During the year the company has not made any preferential allotment of shares.

(xix) The company has no outstanding debentures at the end of the year.

(xx) The company has not raised money by public issues during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

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

N R Suresh
Partner
Membership No. 21661

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

A Ganesan
Partner
Membership No. 21438

Chennai
29th May 2014

BALANCE SHEET AS AT 31ST MARCH 2014

	Note No.	As at 31.03.2014 (₹ in Lakhs)		As at 31.03.2013 (₹ in Lakhs)	
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) Share Capital	2	**860**		860	
(b) Reserves and Surplus	3	**11516**	**12376**	12054	12914
2. Non-current Liabilities					
a) Long-term Borrowings	4	**4926**		3000	
(b) Deferred Tax Liabilities (Net)	5	**307**	**5233**	110	3110
3. Current Liabilities					
(a) Short-term Borrowings	6	**3214**		5031	
(b) Trade Payables	7	**2541**		2762	
(c) Other Current Liabilities	8	**636**		1526	
(d) Short-term provisions	9	**1210**	**7601**	932	10251
TOTAL			**25210**		26275
II. ASSETS					
1. Non-Current Assets					
(a) Fixed Assets					
(i) Tangible Assets	10	**13339**		13309	
(ii) Capital Work-in-Progress		**67**		27	
		13406		13336	
(b) Non-current Investments	11	**2079**		2079	
(c) Long-term Loans and Advances	12	**262**	**15747**	278	15693
2. Current Assets					
(a) Inventories	13	**7214**		7383	
(b) Trade Receivables	14	**1156**		1689	
(c) Cash and Bank Balances	15	**79**		141	
(d) Short-term Loans and Advances	16	**299**		675	
(e) Other Current Assets	17	**715**	**9463**	694	10582
TOTAL			**25210**		26275
Notes on Financial Statements	1 to 38				

Per our Report of even date annexed

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

N R Suresh
Partner
Membership No.21661

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

A Ganesan
Partner
Membership No.21438

Chennai
29th May 2014

For Board of Directors

N Gopala Ratnam
Chairman

K Yokanathan
Chief Financial Officer

N Ramanathan
Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2014

	Particulars	Note No.	Year Ended 31.03.2014 (₹ in Lakhs)		Year Ended 31.03.2013 (₹ in Lakhs)	
I	**Revenue from Operations**					
	Sale of Products (Gross)	19	**17372**		21911	
	Less: Excise Duty		**591**		799	
	Net Sale of Products		**16781**		21112	
	Other Operating Revenues	20	**97**	**16878**	136	21248
II	**Other Income**	21		**225**		241
III	**Total Revenue**			**17103**		21489
IV	**Expenses:**					
	Cost of Materials Consumed	22	**11774**		16987	
	Changes in Inventories	23	**132**		(2788)	
	Power & Fuel		**2363**		1870	
	Employee Benefits Expense	24	**1199**		1234	
	Repairs & Maintenance	25	**556**		740	
	Other Expenses	26	**405**	**16429**	518	18561
	Total			**16429**		18561
V	**Profit before Finance cost and Depreciation**			**674**		2928
	Finance Costs	27	**671**		358	
	Depreciation and Amortization Expense		**825**	**1496**	1161	1519
VI	**Profit / (Loss) before Exceptional items**			**(822)**		1409
VII	**Exceptional Items**	28		**541**		(193)
VIII	**Profit / (Loss) Before Tax**			**(281)**		1216
IX	**Tax Expenses**	29		**197**		(695)
X	**Profit / (Loss) After Tax**			**(478)**		1911
XI	**Earnings Per Equity Share**					
	Basic and Diluted Earnings Per Share (₹):	35		**(5.56)**		22.22
	(Nominal value ₹ 10 per share)					
	Notes on Financial Statements	1 to 38				

Per our Report of even date annexed

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

N R Suresh
Partner
Membership No.21661

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

A Ganesan
Partner
Membership No.21438

Chennai
29th May 2014

For Board of Directors

N Gopala Ratnam
Chairman

K Yokanathan
Chief Financial Officer

N Ramanathan
Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014

(₹ In Lakhs)

	Year Ended 31.03.2014		Year Ended 31.03.2013	
A Cash flow from Operating Activities:				
Profit before tax and Exceptional items		**(822)**		1409
Adjustments for:				
Depreciation	**825**		1161	
Exceptional items	**--**		(193)	
Interest	**587**		356	
Dividend	**(74)**		(79)	
(Profit) / Loss on sale of assets	**--**		19	
Assets discarded	**5**		4	
		1343		1268
Operating Profit before working capital changes		**521**		2677
Adjustments for:				
Trade and Other Receivables	**902**		(27)	
Inventories	**169**		(2689)	
Trade and other payables	**(1113)**	**(42)**	(291)	(3007)
Cash generated from operations		**479**		(330)
Direct Tax paid net of refund		**393**		(602)
Net cash from operating activities (A)		**872**		(932)
B. Cash flow from Investing Activities:				
Purchase / Acquisition of fixed assets		**(359)**		(1514)
Value of discarded assets		**(5)**		(4)
Sale of Fixed Assets		**5**		15
Dividend Received		**74**		79
Net cash used in investing activities (B)		**(285)**		(1424)
C. Cash flow from Financing Activities:				
Proceeds from Long Term borrowings		**--**		--
Term Loan Received		**2069**		500
Term Loan repaid		**(177)**		(1177)
Working Capital Loan		**(1817)**		3880
Interest Paid		**(659)**		(530)
Interest received		**84**		2
Dividend plus Tax paid		**(151)**		(250)
Net cash used in financing activities (C)		**(651)**		2425
Net increase in cash and cash equivalents (A+B+C)		**(64)**		69
Cash and cash equivalents at the beginning		**112**		43
Cash and cash equivalents at the end		**48**		112

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 And Co
FRN No. 001931S
Chartered Accountants

N R Suresh
Partner
Membership No.21661

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

For Board of Directors

N Gopala Ratnam
Chairman

K Yokanathan
Chief Financial Officer

N Ramanathan
Secretary

Chennai
29th May 2014

NOTES ON FINANCIAL STATEMENTS

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.

Sale is recognized on transfer of significant risk and rewards of ownership to the buyer, which generally coincides with delivery of goods to the buyer.

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 and subsidies are recognised when there is reasonable assurance that the company becomes eligible to receive same.

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.

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) Segment Reporting

Segment accounting policies are in line with the accounting policies of the company. In addition, the specific accounting policies have been followed for segment reporting as under:

The company has identified two business segments viz. Sugar and Cogeneration. Revenue and expenses have been identified to respective segments on the basis of operating activities of the enterprise. Revenue and expenses which relate to the enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as unallocable revenue and expenses.

Segment assets and liabilities represent assets and liabilities in respective segments. Other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as unallocable assets and liabilities.

Inter segment revenue / expenditure is recognized at fair value/market price.

Geographical segment - not applicable.

m) 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.

n) Impairment of Assets

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

o) 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.

p) 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:

	31.03.2014		31.03.2013	
	No. of Shares	**₹ in Lakhs**	No. of Shares	₹ in Lakhs
(a) Authorised:				
Equity Shares of ₹ 10 each	**15000000**	**1500**	15000000	1500
(b) Issued, Subscribed and Fully Paid-up:				
Equity Shares of ₹ 10 each	**8598418**	**860**	8598418	860

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

Name of Shareholder	**31.03.2014**		31.03.2013	
	No. of Shares	**% holding**	No. of Shares	% holding
Seshasayee Paper and Boards Ltd.	**2080260**	**24.19**	1835260	21.34
Mr.C.K.Pithawalla	**925466**	**10.76**	925466	10.76
Coromandel Sugars Ltd.	**810507**	**9.43**	810507	9.43
Time Square Investments Private Ltd	**760004**	**8.84**	760004	8.84
Hridaynath Consultancy Private Ltd	**743255**	**8.64**	600012	6.98
Mr. Bharat Jayantilal Patel	**677021**	**7.87**	109389	1.27

(3) Reserves and Surplus:

(₹ in Lakhs)

	31.03.2014		31.03.2013	
Capital Reserve		**472**		472
Securities Premium Account		**160**		160
General Reserve				
Opening Balance	**8500**		7500	
Additions during the year	**--**	**8500**	1000	8500
Surplus in Statement of Profit and Loss				
Opening Balance	**2922**		2162	
Add/(Less): Profit / (Loss) for the year	**(478)**		1911	
	2444		4073	
Less: Allocations and Appropriations:				
Transfer to General Reserve	**--**		1000	
Dividend:				
- Proposed Dividend ₹ 0.60 (₹1.50) per share	**51**		129	
- Tax on Dividend	**9**		22	
	60		1151	
Closing Balance		**2384**		2922
Total		**11516**		12054

(4) Long-term Borrowings:

	31.03.2014	31.03.2013
Term Loan From Banks - Secured		
Canara Bank	**2857**	3000
(Including current maturities thereof (Note 8) are secured by (i) first charge on immovables; and (ii) second charge on movables ranking pari passu with Bank of India loan. The Loan is repayable in 28 quarterly instalments from April 2013. First 7 quarterly instalments have been prepaid)		
Bank of India	**2069**	--
(The loan under the "Scheme for Extending Financial Assistance to Sugar Undertakings, 2014" is secured by (i) second charge on immovables ranking pari passu with working capital loans; and (ii) second charge on movables ranking pari passu with Canara Bank loan. The Loan is eligible for interest subvention up to 12% and repayable in 36 monthly instalments from February 2016)		
Total	**4926**	3000

(5) Deferred Tax Liabilities (Net):

	31.03.2014	31.03.2013
Deferred Tax Liability on account of:		
a) Depreciation	**2392**	2432
b) Others	**--**	6
	2392	2438
Deferred Tax Assets on account of:		
a) Unabsorbed depreciation and loss	**1947**	2196
b) Disallowance under section 43 B	**138**	132
	2085	2328
Deferred Tax Liabilities (Net)	**307**	110

(6) Short-term Borrowings:

(₹ in Lakhs)

	31.03.2014	31.03.2013
From Banks - Secured		
Working Capital Loans - Cash Credit	**3214**	2931
- Short Term Loans	**--**	2100
(Secured by (i) first charge on inventories, book debts and specific movables; and (ii) second charge on immovables ranking pari passu with Bank of India Loan)		
Total	**3214**	5031

(7) Trade Payables:

	31.03.2014	31.03.2013
Micro and Small enterprises	**1**	--
Goods	**2306**	2490
Services	**234**	272
Total	**2541**	2762

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.

(8) Other Current Liabilities:

	31.03.2014	31.03.2013
Current maturities of long term borrowings (Note 4)	**143**	177
Interest accrued and due on borrowings	**20**	--
Interest accrued but not due on borrowings	**13**	21
Advance from customers	**184**	641
Payable for capital expenditure	**62**	464
Unpaid dividends*	**31**	29
Statutory liabilities	**178**	180
Others	**5**	14
Total	**636**	1526

* No amount is due and outstanding to be credited to Investor Education and Protection Fund.

(9) Short-term Provisions:

	31.03.2014	31.03.2013
Employee benefits	**84**	69
Excise duty on finished goods stock	**237**	262
Electricity consumption tax	**126**	140
Income tax (net of advance tax)	**703**	310
Proposed dividend	**51**	129
Tax on dividend	**9**	22
Total	**1210**	932

(10) Tangible Assets:

(₹ in Lakhs)

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2013	Additions	Deductions	**As at 31.03.2014**	Upto 31.03.2013	For the year	Withdrawn	**Upto 31.03.2014**	**As at 31.03.2014**	As at 31.03.2013
Land	466	--	--	**466**	--	--	--	**--**	**466**	466
Buildings	2492	57	--	**2549**	456	67	38	**485**	**2064**	2036
Plant & Equipment	14085	252	16	**14321**	3376	741	515	**3602**	**10719**	10709
Furniture & Fixtures	100	2	2	**100**	65	5	1	**69**	**31**	35
Vehicles	53	4	1	**56**	18	5	1	**22**	**34**	35
Office Equipment	82	4	3	**83**	54	7	3	**58**	**25**	28
	17278	319	22	**17575**	3969	825	558 *	**4236**	**13339**	13309
Previous Year	7305	10087	114	17278	2888	1161	80	3969	13309	

*includes ₹ 541Lakhs on recalculation of depriciation — Refer Note 30

(11) Non-current Investments - Long Term:

	31.03.2014		31.03.2013	
	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 *	**1768181**	**1970**	1200000	720
Other investments				
High Energy Batteries (India) Ltd.	**100000**	**100**	100000	100
		2070		820
UnQuoted - other investments				
SPB Papers Ltd *	**--**	**--**	6250000	1250
Time Square Investments Private Ltd	**80000**	**8**	80000	8
SPB Projects and Consultancy Ltd	**5000**	**1**	5000	1
		9		1259
Total		**2079**		2079
Market value of Quoted Investments		**3263**		2743

* In terms of the Scheme of Amalgamation sanctioned by the High Court of Madras on 26.04.2013, the company has been allotted 568181 Equity shares of Seshasayee Paper and Boards Limited in exchange for 6250000 Equity shares held in SPB Papers Ltd.

(12) Long-Term Loans and Advances:

(₹ in Lakhs)

	31.03.2014	31.03.2013
Unsecured - considered good		
Capital Advances	2	13
Security Deposits	11	15
MAT credit entitlement	228	228
Others	21	22
Total	262	278

(13) Inventories:

	31.03.2014		31.03.2013	
Work in progress		124		51
Finished Goods				
- Sugar	6767		6890	
- Molasses	123		102	
- Bagasse	14	6904	117	7109
Stores and Spares		186		223
Total		7214		7383

(14) Trade Receivables:

	31.03.2014	31.03.2013
Unsecured - Considered Good		
Over six months	220	262
Others	936	1427
Total	1156	1689

(15) Cash and Bank balances:

	31.03.2014		31.03.2013	
Cash and cash equivalents				
- Balances with banks	46		109	
- Cash on hand	2	48	3	112
Other bank balances				
- Unpaid dividend accounts		31		29
Total		79		141

(16) Short-term Loans and Advances:

	31.03.2014	31.03.2013
Unsecured - considered good		
- Advance for supplies	131	245
- Advance for services	10	38
- Cenvat credit receivable	85	355
- Others	73	37
Total	299	675

(17) Other Current Assets:

(₹ in Lakhs)

	31.03.2014	31.03.2013
Unsecured - considered good		
Incentives/subsidies receivable (Note 32)	**714**	693
Others	**1**	1
Total	**715**	694

(18) Contingent Liabilities and Commitments:

	31.03.2014	31.03.2013
Contingent Liabilities: - Claims against the company not acknowledged as debts		
- Tax demands contested	**199**	156
- Penal Interest on Electricity consumption tax contested	**95**	--
Commitments		
- Estimated value of contracts remaining to be executed on capital account and not provided for	**81**	267
- Contracts for purchase of sugar cane	**7213**	7476

(19) Sale of Products:

	31.03.2014	31.03.2013
Sugar	**13115**	18736
Bagasse	**2017**	1342
Molasses	**1144**	632
Power	**1096**	1201
Total	**17372**	21911

(20) Other Operating Revenues:

	31.03.2014	31.03.2013
Sale of pressmud	**27**	26
Sale of scrap	**70**	110
Total	**97**	136

(21) Other Income:

	31.03.2014	31.03.2013
Interest		
- on Income tax refund	**82**	--
- others	**2**	2
Dividend		
- Long term investments	**72**	60
- Current investments	**2**	19
Advance forfeited	**--**	97
Other non-operating income	**67**	63
Total	**225**	241

(22) Cost of Materials Consumed:

(₹ in Lakhs)

	31.03.2014	31.03.2013
Sugar cane	**11443**	16420
Process Chemicals	**120**	211
Packing Materials	**211**	356
Total	**11774**	16987

(23) Changes in Inventories:

	31.03.2014		31.03.2013	
Opening stock - finished goods	**7109**		4325	
- work in progress	**51**	**7160**	47	4372
Closing stock - finished goods	**6904**		7109	
- work in progress	**124**	**7028**	51	7160
Changes in inventories - (increase) / decrease		**132**		(2788)

(24) Employee Benefits Expense:

	31.03.2014	31.03.2013
Salaries and wages	**955**	989
Contribution to Provident & other Funds	**140**	128
Staff welfare	**104**	117
Total	**1199**	1234

(25) Repairs and Maintenance:

	31.03.2014	31.03.2013
Buildings	**107**	70
Plant & machinery	**442**	658
Others	**7**	12
Total	**556**	740

(26) Other Expenses:

	31.03.2014	31.03.2013
Consumption of stores and spare parts	**21**	28
Rent	**11**	11
Insurance	**25**	21
Rates and taxes	**33**	24
Auditors' remuneration *	**14**	15
Excise duty provision	**(25)**	81
Security	**43**	48
Travel	**103**	74
Professional & consultancy	**23**	18
Directors' commission & sitting fees	**4**	12
Freight & handling	**56**	69
Miscellaneous	**97**	117
Total	**405**	518

* Additional information: (₹ in Lakhs)

	31.03.2014		31.03.2013	
i) Statutory audit	**8.00**		8.00	
Interim audit	**2.00**		2.00	
Taxation matters	**2.00**		2.00	
Certification	**0.31**		0.45	
Expenses	**1.34**	**13.65**	1.28	13.73
ii) Cost audit	**0.60**		0.60	
Other services	**0.15**		0.10	
Expenses	**0.08**	**0.83**	0.12	0.82
Total		**14.48**		14.55

(27) Finance Costs:

	31.03.2014	31.03.2013
Interest on borrowings	**650**	339
Other borrowing costs	**21**	19
Total	**671**	358

(28) Exceptional Items:

	31.03.2014	31.03.2013
Surplus on recalculation of depreciation (Note 30)	**(541)**	--
Electricity consumption tax	**--**	117
VRS compensation	**--**	76
Total	**(541)**	193

(29) Tax Expenses:

	31.03.2014	31.03.2013
Current Tax	**--**	228
MAT Credit entitlement	**--**	(228)
Deferred Tax	**197**	(695)
Total	**197**	(695)

(30) The company was providing depreciation under written down value method for the assets of Co- generation Segment and straight line method for other assets at respective rates specified in Schedule XIV to the Companies Act, 1956. The Companies Act, 2013 coming into force from 1st April 2014 provides for reckoning depreciation based on useful life for plant & machinery in lieu of specific rates and has prescribed 25 years of useful life for continuous process plant. Having regard to the need for switchover to the prescribed methodology under the new Company Law, the company has adopted straight line method of providing Depreciation uniformly for all its assets including cogen assets from the current year.

Consequent to the above change in policy, the depreciation and loss for the year before exceptional item is lower by ₹ 822 lakhs. The surplus of ₹ 541 lakhs on recalculation of depreciation from the date of Co-generation segment assets coming into use in accordance with the new method is credited to the Statement of Profit and Loss under Exceptional items.

(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 ₹ 1339 lakhs as of 31st March 2013.

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 can not be recovered from the Company and directed release of withheld subsidies. SDF has filed appeal before the Divisional Bench of High Court of Madras.

(33) Employee Benefits:

(i) Defined Contribution Plans:

Contribution of ₹ 92 lakhs (previous year ₹ 88 lakhs) to defined contribution plans is recognized as expense and included in Employee benefits expense in the Statement of profit and loss.

(ii) Defined Benefit Plans:

Disclosure for defined benefit plans based on actuarial valuation as on 31.03.2014

(₹ 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**	**31.03.14**	31.03.13	**31.03.14**	31.03.13
	Present value - opening balance	**493**	478	**138**	111
	Current service cost	**30**	28	**20**	17
	Interest cost	**42**	36	**11**	8
	Actuarial (Gain)/ Loss	**18**	22	**8**	21
	Benefits paid	**(32)**	(71)	**(24)**	(19)
	Present value - closing balance	**551**	493	**153**	138
(ii)	**Change in Fair Value of Plan Assets**				
	Opening balance	**455**	450	**117**	98
	Expected return	**38**	36	**9**	9
	Actuarial gain/ (loss)	**4**	10	**--**	--
	Contributions by employer	**40**	30	**--**	10
	Benefits paid	**(32)**	(71)	**--**	--
	Closing balance	**505**	455	**126**	117
	Actual Return	**42**	46	**9**	9
(iii)	**Amount recognized in the Balance Sheet (as at year end)**				
	Present value of obligations	**551**	493	**153**	138
	Fair value of plan assets	**505**	455	**126**	117
	Net (asset) / liability recognized	**46**	38	**27**	21

(₹ in Lakhs)

(iv)	Expenses recognized in the profit and loss statement	31.03.14	31.03.13	31.03.14	31.03.13
	Current service cost	30	28	20	17
	Interest on obligation	42	36	11	8
	Expected return on plan assets	(38)	(36)	(9)	(9)
	Net actuarial (gain)/ loss	14	12	8	21
	Total included in 'Employee benefits expense' (Note 24)	48	40	30	37
(v)	Asset information	Insurance Policy (100%)		Insurance Policy (100%)	
(vi)	Principal actuarial assumptions				
	Mortality	Indian assured Lives Mortality (2006-08) Ultimate			
	Discount rate (%)	8.84	8.16	8.84	8.16
	Future salary increase (%)	8	7	8	7
	Rate of return of plan assets (%)	8	8	8	8
	Expected average remaining working lives of employees (years)	10	11	10	11
(vii)	Expected contribution (₹ in lakhs)	50	40	10	30
(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) Experience Adjustments:

Particulars	Gratuity					Leave Encashment				
	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10	31.03.14	31.03.13	31.03.12	31.03.11	31.03.10
Defined Benefit Obligation	551	493	478	436	347	153	138	111	90	75
Plan Assets	505	455	450	357	354	126	117	98	79	44
Surplus / (Deficit)	46	38	28	79	(7)	27	21	13	11	31
Experience adjustments										
- on Plan liabilities	(13)	(4)	7	(58)	(18)	(10)	(19)	(23)	(14)	(25)
- on Plan Assets	4	10	(1)	(4)	29	--	--	2	--	(1)

(34) Segment Reporting
Primary segment information

	Sugar		Cogeneration		Eliminations		Total	
	31.03.14	31.03.13	31.03.14	31.03.13	31.03.14	31.03.13	31.03.14	31.03.13
Revenue								
External Sales	15685	19911	1096	1201	--	--	16781	21112
Inter – Segment Sales	463	1012	728	714	(1191)	(1726)	--	--
Other Operating income	96	136	1	--	--	--	97	136
Total Revenue	16244	21059	1825	1915	(1191)	(1726)	16878	21248

(₹ in Lakhs)

	Sugar		Cogeneration		Eliminations		Total	
	31.03.14	31.03.13	**31.03.14**	31.03.13	**31.03.14**	31.03.13	**31.03.14**	31.03.13
Segment Result								
Operating Profit	**143**	1943	**375**	(162)	**--**	--	**518**	1781
Interest							**671**	358
Other unallocable expenditure net of unallocable income							**128**	207
Profit Before Tax							**(281)**	1216
Provision for taxation							**197**	(695)
Profit After Tax							**(478)**	1911
Other Information								
Segment Assets	**13247**	13457	**9656**	10511	**--**	--	**22903**	23968
Unallocated Corporate Assets							**2307**	2307
Total Assets							**25210**	26275
Segment Liabilities	**3331**	4014	**293**	568	**--**	--	**3624**	4582
Unallocated Corporate liabilities							**9210**	8779
Total Liabilities							**12834**	13361
Capital Expenditure	**40**	410	**279**	9677	**--**	--	**319**	10087
Depreciation	**330**	336	**495**	825	**--**	--	**825**	1161

(35) Earnings per Share

	31.03.2014	31.03.2013
Profit / (Loss) after tax (₹ Lakhs)	**(478)**	1911
Weighted average number of shares (in lakhs)	**86**	86
Face value per share (₹)	**10**	10
Basic and diluted earnings per share (₹)	**(5.56)**	22.22

(36) 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
Esvi International (Engineers & Exporters) Ltd

ii) Description of relationship : Presumption of significant influence

(₹ in Lakhs)

iii) Description of Transactions :

a) Seshasayee Paper and Boards Ltd

	31.03.2014	31.03.2013
Sale of goods	**2010**	1356
Purchase of goods	**1862**	1878
Services availed (Net)	**(11)**	2
Dividend received	**71**	60
Dividend paid	**31**	46
Amount outstanding at the year end	**(154)**	(611)

b) Esvi International (Engineers & Exporters) Ltd

	31.03.2014	31.03.2013
Rent paid	**6**	6
Amount outstanding at the year end	**3**	3

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

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

	31.03.2014	31.03.2013
- Remuneration	**51**	57
- Amount outstanding at the year end towards commission / incentive	**11**	23

(37) Additional Information:

(i) Raw Materials Consumed:

	31.03.2014		31.03.2013	
	₹ in Lakhs	**%**	₹ in Lakhs	%
Imported	**--**	**--**	--	--
Indigenous	**11443**	**100**	16420	100
Total	**11443**	**100**	16420	100

(ii) Components and spare parts:

	₹ in Lakhs	**%**	₹ in Lakhs	%
Imported	**--**	**--**	--	--
Indigenous	**356**	**100**	496	100
Total	**356**	**100**	496	100

(iii) Dividend remitted in Foreign Currency: (₹ in Lakhs)

Year	No. of Share Holders	No. of Equity Shares	**31.03.2014**	31.03.2013
2012-13	1	125000	**2**	--
2011-12	2	242740	**--**	6
		Total	**2**	6

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

Per our Report of even date annexed

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

N R Suresh
Partner
Membership No.21661

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

A Ganesan
Partner
Membership No.21438

Chennai
29th May 2014

For Board of Directors

N Gopala Ratnam
Chairman

K Yokanathan
Chief Financial Officer

N Ramanathan
Secretary

PONNI SUGARS (ERODE) LIMITED

CIN : L15422TN1996PLC037200

Registered Office: 'ESVIN HOUSE', 13 Old Mahabalipuram Road, Seevaram Village, Perungudi, Chennai 600 096

Attendance Slip

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

*Applicable to Members holding shares in Electronic Form

I, _____ (Name of the Shareholder/Proxy) hereby record my presence at the 18th Annual General Meeting of the Company held on Tuesday, the 22nd July 2014 at 10.30 am at New Woodlands Hotel Pvt Ltd, 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600 004.

Signature of Shareholder / Proxy

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

CIN : L15422TN1996PLC037200

Registered Office: 'ESVIN HOUSE', 13 Old Mahabalipuram Road, Seevaram Village

Perungudi, Chennai 600 096

PROXY FORM

[Pursuant to Section 105 (6) of the Companies Act, 2013 and Rule 19 (3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s)		Email ID	
Registered Address		Folio	
		DP ID/Client ID	

I / We, being the member(s) holding _____ shares of the above named company, hereby appoint

1. Name :
   Address :
   Email id :
   Signature : (, or failing him)

2. Name :
   Address :
   Email id :
   Signature : (, or failing him)

3. Name :
   Address :
   Email id :
   Signature :

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 18th Annual General Meeting of the company, to be held on Tuesday, the 22nd day of July 2014 at 10.30 am at New Woodlands Hotel Pvt Ltd, 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600 004 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No	Business	Vote (Optional. See Note 4) (Please mention no. of shares)		
		For	Against	Abstain
1	Adoption of Financial Statements			
2	Declaration of Dividend on Equity Shares			
3	Reappointment of Mr Bimal Poddar, who retires by rotation			
4	Appointment of Auditors and fixing their remuneration			
5	Appointment of Dr Nanditha Krishna as an Independent Director			
6	Appointment of Mr V Sridar as an Independent Director			
7	Appointment of Mr N R Krishnan as an Independent Director			
8	Appointment of Mr K Bharathan as an Independent Director			
9	Appointment of Dr L M Ramakrishnan as an Independent Director			
10	Reappointment of Mr N Ramanathan as Managing Director			
11	Payment of Commission to Non-Executive Directors			
12	Remuneration of Cost Auditors for FY 2014-15			
13	Borrowing Powers under Section 180 of the Companies Act, 2013			
14	Mortgage of Assets under Section 180 of the Companies Act, 2013			

Signed this _____ day of _____ 2014

Signature of shareholder

Signature of Proxy holder(s)

Affix 15 paise Revenue Stamp

Note:

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. A person can act as a Proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
3. In case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.
4. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.

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, Rajiv Gandhi Salai (OMR)
Perungudi, Chennai 600 096.