Ponni Sugars (Erode) Limited

17th Annual Report 2012-2013

Year Highlights

- Sugar sector reforms announced
- Levy abolished and release mechanism dismantled
- Cane control continues
- Company performance impacted by drought
- Cogen commissioned
- Overall, satisfactory results

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

Securities Transactions Cum Investors Grievance Committee

N Gopala Ratnam *(Chairman)*

Arun G Bijur

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

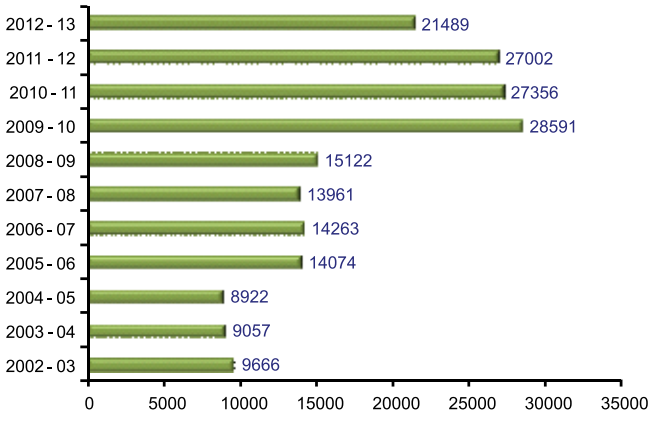
Odappalli, Cauvery RSPO
Erode 638 007
Tamil Nadu

Registrar & Transfer Agent

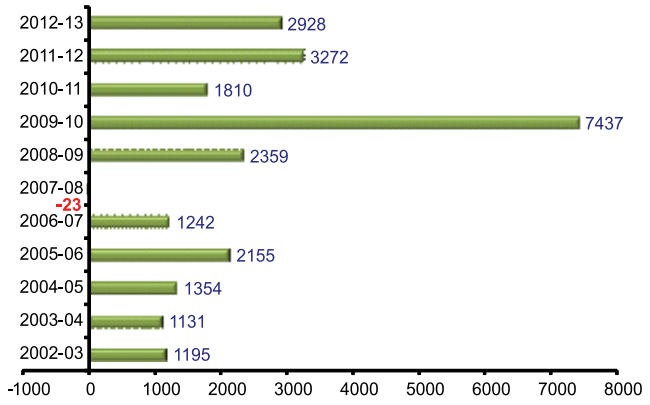
Cameo Corporate Services Ltd
"Subramanian Buildings", 5th Floor
No.1, Club House Road, Chennai 600 002

Contents	Page
Notice	3
Directors' Report	6
MDA Report	10
Corporate Governance Report	21
Auditors' Report	35
Balance Sheet	39
Profit and Loss Statement	40
Notes on Financial Statements	41
Cash Flow Statement	57

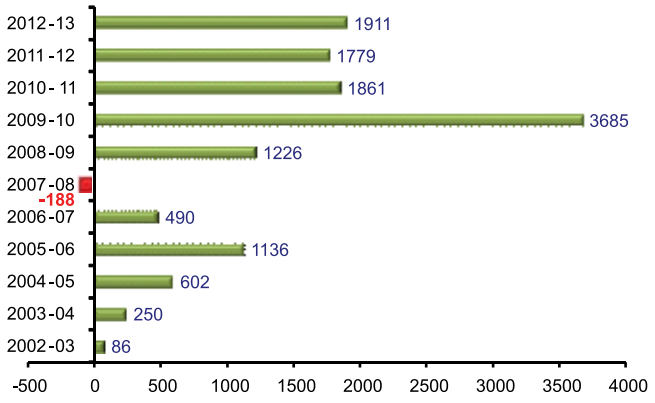
Total Income (₹ Lakhs)



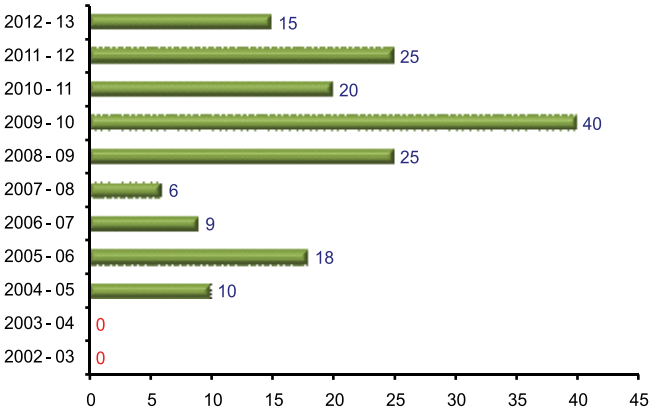
PBIDT (₹ Lakhs)



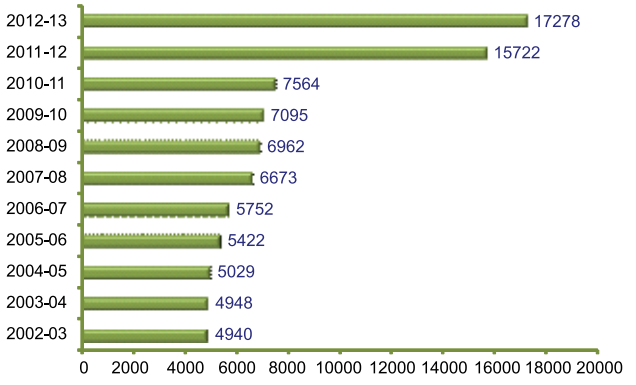
PAT (₹ Lakhs)



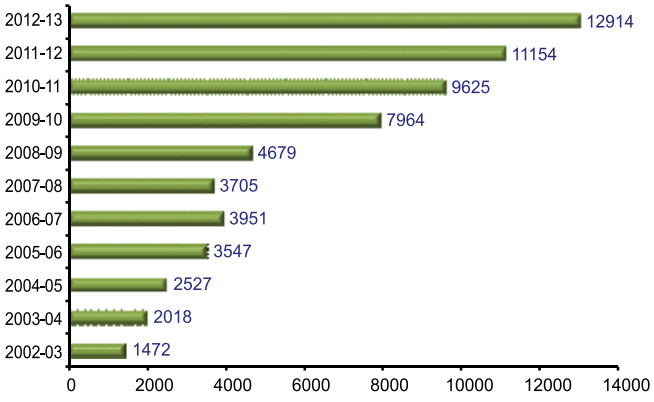
Dividend %



Gross Block (₹ Lakhs)



Net Worth (₹ Lakhs)



PONNI SUGARS (ERODE) LIMITED

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 17th Annual General Meeting of the Company will be held at New Woodlands Hotel Pvt Ltd, 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600 004 on Wednesday, the 24th July 2013 at 10.30 AM to transact the following business.

ORDINARY BUSINESS

1. Adoption of Accounts etc.

To consider and adopt the audited Balance Sheet as at 31st March 2013, the Profit & Loss Statement for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

2. Dividend declaration

To declare dividend on Equity Shares.

3. Reappointment of retiring Directors

To appoint directors in the place of Mr N Gopala Ratnam, Mr Arun G Bijur and Dr L M Ramakrishnan who retire by rotation and being eligible, offer themselves for reappointment.

4. Appointment of Auditors

To appoint auditors from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Maharaj N R Suresh And Co (Firm Registration Number 001931S) and M/s R Subramanian and Company (Firm Registration Number 004137S), the retiring auditors of the Company, are eligible for reappointment.

SPECIAL BUSINESS

5. Appointment of Director

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

RESOLVED that Mrs Bharti Chhotubhai Pithawalla (DIN: 00341382) be and is hereby appointed as a Director of the Company liable to retire by rotation.

(By Order of the Board)
For **PONNI SUGARS (ERODE) LIMITED**

Chennai
29th May 2013

N Ramanathan
Managing Director

NOTES:

1. Proxy

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

2. Deposit of proxy

Proxies in order to be effective, must be received at the registered office of the Company not later than 48 hours before the meeting, viz., by 10.30 AM on 22nd July 2013.

3. Book Closure

The Register of Members and the Share Transfer Register will remain closed from Monday, the 22nd July 2013 to Wednesday, the 24th July 2013 (both days inclusive).

4. Dividend

Dividend on declaration will be paid between August 5, 2013 and August 10, 2013.

Members are advised to refer to 'Shareholder Information' section of the Corporate Governance Report (Page 32 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 Central Government and no claim will lie thereafter. Members may refer to Page 33 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 (Refer page 27 of the Annual Report).

7. Member identification

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

EXPLANATORY STATEMENT

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

Item No.5:

Appointment of Director

The Members at the 16th Annual General Meeting held on 20th July 2012 decided not to immediately fill in the vacancy caused by the retirement of Mr C K Pithawalla.

Subsequently, on the basis of the recommendations of the Nomination cum Remuneration Committee, the Board inducted Mrs Bharti Chhotubhai Pithawalla, spouse of Mr C K Pithawalla as an additional director effective 1st February 2013.

Mr C K Pithawalla holds 925466 equity shares constituting 10.76 %. Mrs Bharti Chhotubhai Pithawalla is therefore categorized as promoter and non-independent director.

In deference to Section 260 of the Companies Act, 1956 she would hold office till the date of this meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 together with requisite deposit proposing the candidature of Mrs Bharti Chhotubhai Pithawalla as Director of the Company liable to retire by rotation. Considering her long year's association with the business of Mr.C.K.Pithawalla, the Company would stand to gain by her experience in their global business. Your Board commends her appointment for the consideration of members.

Except Mrs Bharti Chhotubhai Pithawalla, no other director is concerned or interested in this item of business.

(By Order of the Board)
For **PONNI SUGARS (ERODE) LIMITED**

Chennai
29th May 2013

N Ramanathan
Managing Director

Details of the Directors seeking appointment / reappointment at the 17th Annual General Meeting

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

Name of Director/ Qualification/ DIN	Date of Birth/ Date of Appointment	Expertise in specific functional areas	Directorship in other companies	Committee position held in other companies
N Gopala Ratnam B.Sc (Physics), B.E.(Mech) DIN: 00001945	15.04.1947 26.12.1996	Technocrat with rich and varied experience in project and operational management of process industries. Brings to bear leadership skills in heading SPB Group of Companies and steering them to higher growth trajectories.	**Chairman & MD** Seshasayee Paper and Boards Ltd **Chairman** High Energy Batteries (India) Ltd SPB Projects and Consultancy Ltd Esvi International (Engineers & Exporters) Ltd Time Square Investments Ltd SPB Papers Ltd	**Chairman** Shareholders/ Investors Grievance Committee in High Energy Batteries (India) Ltd **Member** Share Transfer and Shareholders/ Investors Grievance Committee in Seshasayee Paper and Boards Ltd
Arun G Bijur B.Tech. (Chemical Engineering) DIN: 00024434	11.04.1948 26.12.1996	Technocrat with proven experience in project management skills and troubleshooting expertise. Has overall managerial experience as MD of SPB PC Ltd.	**Managing Director** SPB Projects & Consultancy Ltd **Director** Seshasayee Paper and Boards Ltd Esvi International (Engineers & Exporters) Ltd	**Chairman** Share Transfer and Shareholders/ Investors Grievance Committee in Seshasayee Paper and Boards Ltd
Dr L M Ramakrishnan M B B S, D L O DIN: 00001978	30.09.1942 19.12.2001	Doctor turned Educationist having wide experience in the establishment and management of educational institutions. Commands goodwill and respect from local farming community.	**Director** Knitwell Needles Ltd Erode Medical Supplies (P) Ltd SKM Egg Powder Ltd	NIL
Bharti Chhotubhai Pithawalla G.C.E – O Level, OND – Business Studies DIN: 00341382	26.02.1948 01.02.2013	Varied experience through the global experience of their family business.	**Director** Pithawalla Techno Industries Pvt Ltd CKG Pithawalla Pvt Ltd	NIL

DIRECTORS' REPORT

Your Directors present their 17th Annual Report and the audited financial statements for financial year ended 2012-13.

	2012-13	2011-12
Physical Performance		
Cane crushed (tonnes)	**653498**	745644
Sugar recovery (%)	**9.98**	10.21
Sugar produced (tonnes)	**65270**	76464
Power produced (lakh kwh)	**448.25**	--
Financial Performance (₹ crores)		
Turnover	**211.12**	265.62
Profit Before Tax	**12.16**	26.12
Profit After Tax	**19.11**	17.79
Surplus from Previous Year	**21.62**	21.33
Amount available for appropriation	**40.73**	39.12
Appropriations:		
Transfer to General Reserve	**10.00**	15.00
Proposed Dividend	**1.29**	2.15
Dividend Tax	**0.22**	0.35
Balance carried forward	**29.22**	21.62

Dividend

Your Directors recommend a dividend of ₹ 1.50 per Equity Share of ₹ 10 each for the financial year ended 31st March 2013.

Sugar Industry Overview

World sugar production is poised to outpace consumption in 2012/13 for the third year in a row, touching an all time high of 182 million tonnes. Brazil, the top producer, would record a massive recovery under normal weather to boost global surplus to the highest in a quinquennium. This has come to mark the end of low stock environment, one of the main market characteristics since 2008/09.

Weighed by supply overhang, sugar prices have been caught in the quagmire of continuous climb down. After touching a peak of 24 c/lb in July 2012, raw sugar drifted downward to hit a 34 month low at 16.81 c/lb in May 2013. Leading trade houses and commodity analysts in the global arena have in this macro scenario predicted the bearish trends in world sugar prices to persist in the near term.

India yet again fumbled and floundered during 2011/12 to capitalize on buoyant world sugar prices. By restricting and rationing export quotas, we were lackadaisical to let go a golden opportunity to pare inventories through aggressive exports at lucrative world prices. As a result, we are now over-burdened with huge sugar stocks hitting a 5 year high mark with little scope for its liquidation at the current juncture where export price parity is palpably negative.

As feared, domestic sugar prices have crumbled and continually crashed during 2012/13 sugar season. After peaking to ₹ 3800/ qtl in August 2012, ex-factory prices in Tamil Nadu currently rule below ₹ 3000/ qtl – too sharp a slide in too short a period. Meantime, sugarcane prices have been hiked significantly both by the Centre and State. As a result, sugar margins have got stridently squeezed and turned strikingly negative for most producers. Little wonder, sugarcane arrears have mounted more steeply in States that mandated an abominable hike in cane prices.

Sugar Decontrol

The Central Government has finally taken the crucial decision to liberate the sugar sector from the clutches of excruciating controls. Pursuant to the recommendations of Dr C Rangarajan Committee made in October 2012, CCEA on 4th April 2013 decided to do away with levy obligation for sugar produced from October 2012. While Government would continue with PDS sugar for BPL families, the subsidy burden would henceforth shift from the industry to the Government. Further, sugar release mechanism has been dismantled to confer greater freedom on industry for managing its cash flows. This indeed is a watershed decision to bring about greater certainty, stability and rationality into the system and has the potential to propel the sugar sector to higher growth trajectory.

The decontrol move is well begun but is just half-done. The reforms have conscientiously covered the sugar-side in a comprehensive and conclusive manner but consciously shied away from addressing the sugarcane-side. The Centre has pragmatically left certain major decisions to States like linking sugarcane price to realization from sugar, cane area reservation and minimum distance criteria between two sugar mills and pushed ahead with only the first phase of reforms. It is however imperative that a long term formula on cane price with linkage to revenues from sugar and its by-products is evolved soon to decisively address the cyclicality in sugar production and build a long term relationship between the industry and the cane farmers.

Company performance

The operations of the Company during the year were painfully punctuated, rather punctured, by the onslaught of acute drought that engulfed the entirety of its operational area. Total failure of monsoon, low level of water in the Mettur reservoir, poor flow in river Cauvery, depleted water table and disruptive power supply have together come to inimically impact irrigation and strikingly shatter the very base of cane cultivation. As a result, cane area and average yield fell steeply that cut our cane volumes by 12%. Sugar recovery too suffered by reason of poor cane quality. Raw sugar import to supplement sugar production was unviable under extant price parity.

The Cogeneration Project was commercially commissioned from 1st September 2012. We produced 448 lakh kwh in the new Cogen plant and exported 338 lakh kwh to State Grid under the long term Power Purchase Agreement. We were however hard hit by the steep reduction in the tariff fixed at ₹ 3.76/ kwh under the 2012 Tariff Order by the Tamil Nadu Electricity Regulatory Commission as against ₹ 4.37/ kwh under their 2009 Tariff Order. While the tariff is cost based and every element of cost has conceivably gone up considerably in the last 3 years, the drastic downward reduction by the Regulator has rather come as a bolt from blue. We have challenged this tariff order, along with other sugar companies in the State, before the Appellate Tribunal for Electricity. The hearing is complete and the Appellate order is awaited.

Sugar sale volume declined by 33% under sluggish market conditions, leading to larger inventory build-up to our discomfiture. Indeed, we have recorded negative top-line growth despite the commissioning of a new revenue stream ie. Cogen project during the year.

Sugar prices rose sharply during the second quarter but relentlessly receded from the third quarter onwards. Molasses price too remained stubbornly subdued throughout the year. Sugar segment had therefore to reckon with negative margins for most part of the year.

In the end, our PBT has declined by more than half YoY. PAT however has moved modestly due to beneficial deferred tax impact of Cogen project. Considering the enormity of external challenges brought about by the severity of drought and sluggishness of sugar market, our overall performance should be regarded reasonable and satisfactory.

Finance

Your Company conceived the Cogen project on a Debt-Equity mix of 2:1. It however prudently deployed the surplus generated in the last two years to prune debt and finally completed the project on a Debt-Equity of 1:2. It further prepaid seven quarterly instalments due from April 2013. As a result, the Company would have a manageable debt servicing burden during times of formidable financial adversity.

Interest rates that went up sharply during FY 2011-12 have shown no appreciable decline later despite RBI coming out with marginal cuts in policy rates. Interest cost has considerably surged for the Company due to the commissioning of Cogen Project and higher working capital borrowings to finance inventory build-up. Your Company has received timely sanction of additional or ad hoc working capital facilities from its bankers on cost effective terms for this purpose.

Power supply from Cogen segment is entirely made to TANGEDCO under the long term Power Purchase Agreement. We however face long and undue delay in the settlement of bills. In fact, bills for energy supplied throughout the year have remained outstanding at the close of the year. We are now getting paid after a delay of 8-10 months. Cogen units in the State in the meantime suffer silently and significantly on account of both liquidity crunch and additional interest cost.

Legal cases

There has been no tangible progress during the year on our longstanding dispute with Sugar Development Fund (SDF). The High Court of Madras in November 2010 has held in our favour that loans extended by SDF to the erstwhile Ponni Sugars and Chemicals Ltd could not be recovered from another Company, ie. our Company. The Appeal filed before the Division Bench by SDF challenging this ruling was admitted and stay granted in October 2011.

In this bargain, your Company suffers liquidity stress with the blocking of ₹ 6.9 crores of undisbursed subsidy and ₹ 2.2 crores of differential levy sugar price for 2009-10 season. In addition, eligible concessional loan for Cogen Project remains unsanctioned. We earnestly hope for early resolution of this contentious issue in the coming year.

Investment

As mentioned in the last year Report, your Company had invested ₹ 12.50 crores in 62.50 lac Equity Shares of ₹ 10

each in SPB Papers Ltd. The merger of this company with Seshasayee Paper & Boards Ltd (SPB) has since been sanctioned by the High Court of Madras on 26th April 2013. Accordingly, your Company would receive one Equity Share of SPB for every 11 Equity Shares held in SPB Papers Ltd.

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 2013-14

World sugar balance would record a surplus for the fourth year in succession in 2013/14, a feat not witnessed for over two decades. The only redeeming feature is the strong ethanol price parity that would prompt Brazil divert a larger share of cane from sugar to ethanol production to correspondingly slice the size of surging sugar surplus. With export availability outweighing demand, world prices would remain bearish, virtually shutting the export window for the high cost Indian sugar.

Indian Meteorological Department has predicted a normal monsoon for 2013 for the country as a whole but a sub-par rainfall in the southern parts that include Tamil Nadu. With likely steep fall in cane area in Maharashtra, Indian sugar production would decline by about 10% during 2013/14 sugar season. This is still adequate to meet local off-take, thereby limiting meaningful scope for inventory draw-down. Accordingly, local sugar prices should only remain range bound under continual supply side pressures.

Meanwhile, there was advance signaling by Centre in hiking Fair and Remunerative Price for sugarcane for 2013-14 by a hefty 24% (₹ 170 to 210 per quintal). State Governments are generally prone to give pro-rata or higher hikes and hence cane pricing risk looms large on the industry.

With persistent drought, sugar production in Tamil Nadu is on the throes of steep decline and the industry may hardly operate at 50% of its potent capacity. Your Company has been the hardest hit on this front, with fresh cane planting having virtually come to nought and ratoon crops wilting under woeful water shortage.

There are thus clearly more negatives and little positives for the sugar industry in general and your Company in particular in the coming year. Your Company is poised to face the severest of challenge in recent times on cane availability, sugar recovery and margins. It has of course no choice but to play a patient waiting game till the resumption of monsoon and restoration of water flow in river Cauvery for the turnaround of its production prospects. In the meantime, its strong fundamentals should stand in good stead for battling the near term challenges.

Directors

Mr N Gopala Ratnam, Mr Arun G Bijur and Dr L M Ramakrishnan, directors of your Company retire by rotation at this meeting and being eligible offer themselves for reappointment.

Mrs Bharti Chhotubhai Pithawalla was appointed as additional director on 1st February 2013. She is the spouse of Mr C K Pithawalla, one of the founder promoters of the Company. She will retire at this meeting in accordance with Section 260 of the Companies Act, 1956. Notice u/s 257 has been received for her appointment as director liable to retire by rotation. Approval of members has been sought for same at this meeting.

Directors' Responsibility Statement

Your Directors, in terms of Section 217(2AA) of the Companies Act 1956, confirm that:

(i) all applicable accounting standards have been followed in the preparation of the annual accounts;

(ii) your Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as of 31st March 2013 and of the Profit of the Company for the year ended that date;

(iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

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

Employees

No employee of the Company was in receipt of remuneration during the financial year 2012-13 in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Corporate Governance

A separate section on Corporate Governance is included in the Annual Report and the certificate from the Company's Auditors confirming the compliance of conditions on Corporate Governance as stipulated under Clause 49 of the Listing Agreement of the Stock Exchanges is annexed thereto.

Conservation of Energy etc

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure hereto.

Auditors

M/s Maharaj N R Suresh And Co. and M/s R Subramanian and Company, Chartered Accountants, retire at this meeting and are eligible for reappointment pursuant to Section 224 of the Companies Act, 1956.

Cost Audit

Cost Audit for the year has to be undertaken for both Sugar and Cogen segments. Cost Audit Report for the year would be filed with the Central Government in due course. M/s S Mahadevan & Co., Cost Accountants have been reappointed as Cost Auditors for 2013-14.

Secretarial Audit

Secretarial Audit is not mandatory but as a measure of good corporate governance practice, the Board of Directors appointed Mr B Ravi, Practising Company Secretary to conduct the Secretarial Audit. The Secretarial Audit Report for the financial year ended 31st March 2013 confirms due compliance by the Company of extant Corporate Laws and SEBI Regulations and the provisions of the Listing Agreement with Stock Exchanges.

Appreciation

Your Board records its deep sense of appreciation to the cane cultivators who have shown their solidarity of support for the Company despite being in distress under drought conditions. Your Directors commend the committed performance of employees at all levels during a difficult year. Your Directors convey appreciation to the banks for their timely support and also to customers, suppliers. Above all, your Directors wish to thank the shareholders for their continued support to the management.

For Board of Directors

Chennai
29th May 2013

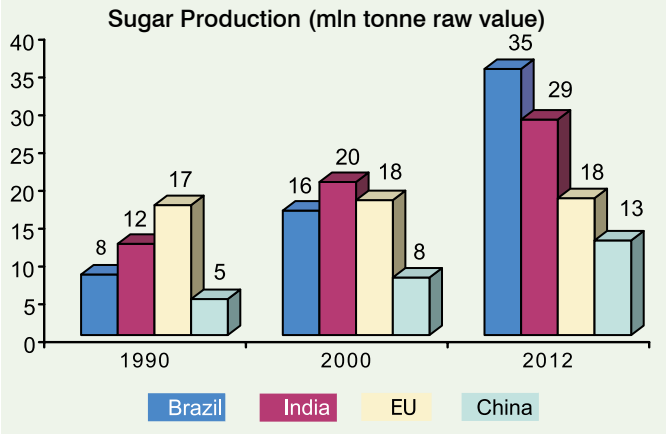
N Gopala Ratnam
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure and development

World Sugar

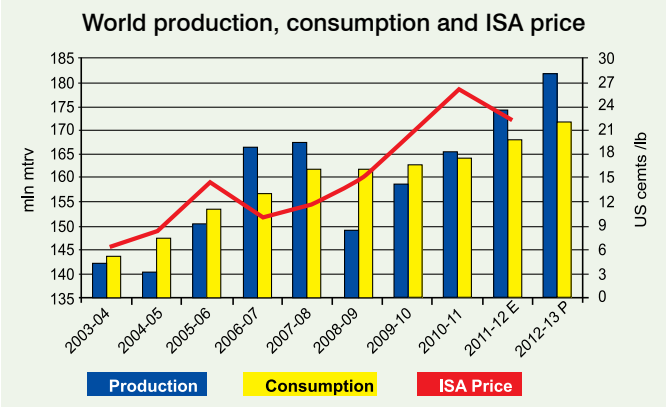
Sugar is produced in over 120 countries from beet or cane. Overtime, the relevant share of cane sugar has galloped from 56% during 1960s to 79% during 2012/13 by reason of growing sugar production out of cane in tropical countries.



Source: ISO & ISMA

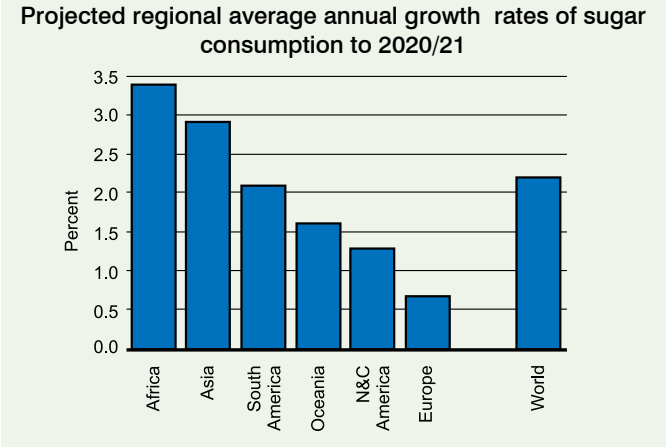
India produced 50% more sugar than Brazil in 1990. During the decade 1991-2000, India and Brazil alternated the top producer's slot. However, ever since the start of current millennium, Brazil has steadfastly risen to occupy the numero uno status. Its share has catapulted from 7% to 22% in world production and from 6% to 48% in exports in two decades. Indeed, this level of sugar production is achieved after allocating more than half of cane production to ethanol.

In contrast to the consistent growth in Brazil, Indian production is punctuated and plagued by wild swings YoY. Coincidentally, the peak sugar season of Brazil and India complement each other.



Source: ISO –QMO May, 2013

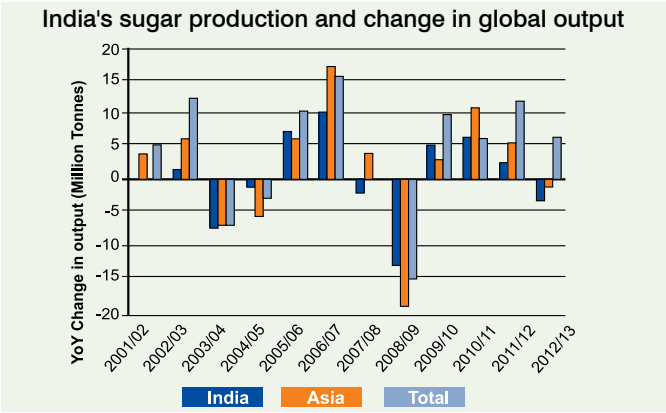
In contrast to the previous year when global production rose despite a significant decrease in output in Brazil, the record high global output in 2012/13 is largely attributable to a swift recovery in Brazil. Global production in 2012/13 would touch the highest mark of 181.70 mlts. The annual surplus is the highest since 2000 and stock to consumption ratio would be at a 5 year high level. Significantly the low stock regime that reigned during 2008-12 is over, exerting bearish pressures.



Source: Rabobank, 2013

India continues to be the top sugar consumer despite low per capita consumption. Other major consumption centers are China and EU. Consumption growth is flat in developed countries and driven mostly by growing demand in Asia and Africa. World consumption is poised to grow by 2.2% during 2012/13 compared to a long term (10 year) average of 2.34%.

The return to the long term average growth rate in consumption is attributable to the easing prices in both the world and, even more importantly, in several key domestic markets. Continuing strong economic growth in emerging and developing economies has strengthened the demand base overall.



Source: Rabobank

Global output and balance continues to be impacted by India. The YoY change in sugar production illustrates how important India is in the change in global output season by season.

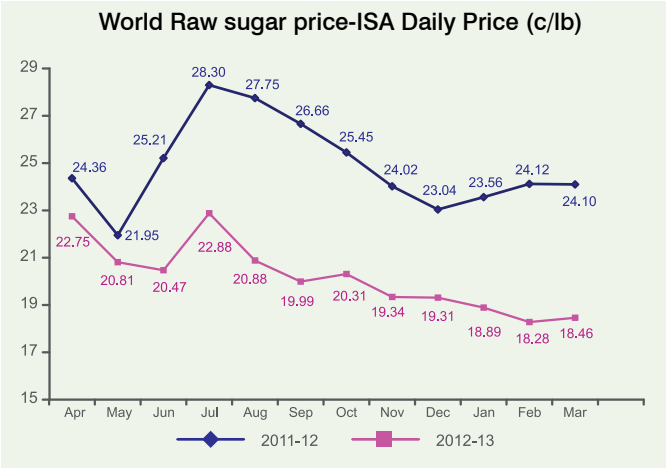
World trade

About 70% of world sugar production is consumed in the country of origin while the balance is traded in the world market. Brazil is the dominant sugar exporter with its ever escalating export share that currently meets close to half of the world demand.

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

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

World sugar prices



Source: ISO

World sugar market values have drifted downwards on the back of a generally bearish global fundamental outlook for 2012/13. After touching a peak of 23.9 c/lb in July 2012 it has breached 17 c/lb by May 2013. The YoY gap in monthly prices considerably widened since July 2012.

Initial production outlook for 2013/14 is a clear pointer to yet another year of surplus. The size of surplus would thankfully be checked in some measure by higher share of cane diversion for direct production of ethanol in Brazil. Most fundamental news of late has been bearish. Accordingly sugar prices should be moving only within a narrow range and with little scope for appreciable upward bias.

Indian Sugar

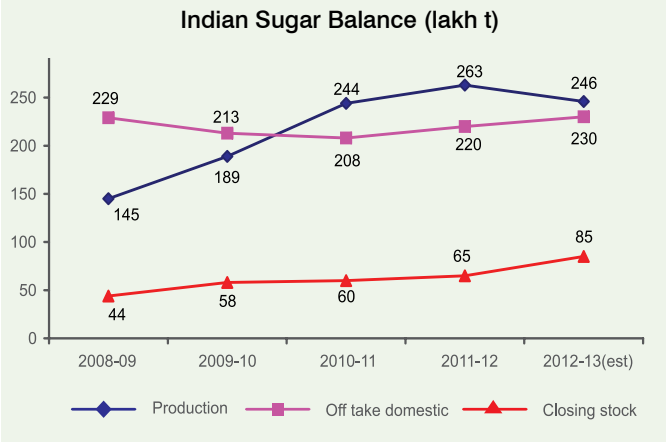
The Indian sugar industry is characterized by the coexistence of private, cooperative and public sector. It is inherently inclusive, supporting over 50 million farmers and their families. It is rural centric and hence a key driver of village level wealth creation. Sugar is India's second largest agro-based industry after Textiles. It has tremendous transformational opportunities to meet food, fuel and power needs and earn carbon credit.

According to nationwide survey conducted by AC Nielsen and adopted in KPMG Analysis, nearly 75% of the non-levy sugar is consumed by industrial, business and high income household segments. Further, even for a low income household, 10% increase in sugar price would hardly have a dent of less than 1% impact in monthly food bill.

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

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

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



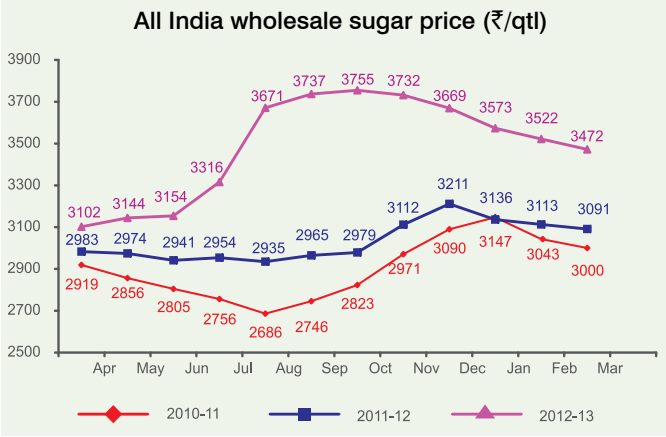
Source: ISMA

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

By reason of wild production swings YoY, India is the only big sugar producer to be exporting sugar in some years, soon followed by importing sugar. Unlike this, Brazil, Thailand and Australia are steady and sustained exporters.

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

Indian Sugar price



Source: ISMA

Early concerns on sub-par monsoon pegged sugar production estimates for 2012/13 season at much lower level. This in turn led to an upsurge in sugar prices during July-September 2012. Due to heavy post monsoon and winter showers supporting yield, production estimates got uprevised. In turn, sugar prices started receding relentlessly from the start of current season.

While sugar prices per se have ruled higher than last year, they haven't kept pace with the steep rise in cane prices.

Government Policies

Sugar business was highly regulated despite repeated recommendations from several of the expert committees for its deregulation. Finally, the Centre has come to act on the recommendations of Dr C Rangarajan Committee positively this time and decided to implement the suggestions to reform the sugar sector. Following this, Sugar Control Order has been amended and accordingly-

- Levy obligation has been abolished for sugar produced from October 2012.
- PDS sugar for BPL families will continue but its burden has been shifted from industry to Government. The Centre would compensate States for the subsidy burden upto certain limits.
- Release mechanism has been dismantled with total freedom for the industry to sell sugar in the market based on cash flow requirement and market perception.
- The controls on sugarcane side have been left to be decided by respective State Governments.
- Similarly, reforms in by-products, namely, molasses and bagasse as well as packing of sugar have been left to be decided by the concerned Ministries in the Central Government.

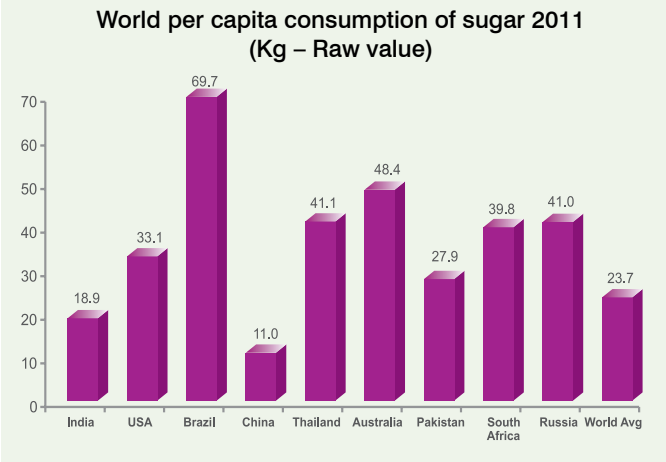
Other major changes brought about by the Government during the year are as under:

- Compulsory jute packing stands reduced from 100% to 40% of sugar production for the year 2012-13 upto 30th June 2013. It is the first ever occurrence of such major relaxation.
- Ad hoc price of ethanol fixed at ₹ 27/ litre by CCEA in 2010 now stands revised to ₹ 34/ litre. Oil Marketing Companies having floated tenders would buy ethanol at this new price.
- Fair and Remunerative Price (FRP) for sugarcane for SS 2012-13 was fixed by Central Government at ₹ 170 per qtl linked to 9.5% recovery with a premium of ₹ 1.79 for every 0.1% increase in the recovery. It also notified FRP for SS 2013-14 at ₹ 210 per qtl linked to a basic recovery of 9.5% and subject to a premium of ₹ 2.21/ qtl for every 0.1%.
- Government of Tamil Nadu fixed SAP for 2012-13 at ₹ 2250 per tonne linked to 9.5% recovery. In addition, transport charges from field to factory have to be fully borne by sugar mills.
- Tariff rate of export duty was introduced by Finance Act, 2013 at 20% and standard import duty retained at 100% for sugar. Effective rate is 10% for imports and zero % for exports.

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.



Source: ISMA

Energy saved is energy produced. Age-old sugar industry offers immense scope for implementing Energy Efficiency Project besides feeding green power to grid through Cogeneration. Ethanol production improves oil security and contributes to environmental protection, while Cogen provides clean and renewable energy.

Sugar business is intrinsically cyclical. Market sentiments move disproportionate to demand-supply parity that causes volatile change in product pricing. Cogeneration and Ethanol bring much desired value addition to by-products and help soften the inimical impact of sugar cycles.

Sugar mills have now become integrated complexes to produce sugar, power and ethanol. As a result, capital outlay has become huge and the assets so created need to be exploited for longer duration. On the contrary, all India crushing duration has come down from 181 days in 1995-96 to 108 days in 2009-10, marginally improving to 136 days in 2010-11. Reduced cane availability that lowers season duration is but the direct outcome of unviable sugar price, forcing the farmer to switch to other crops.

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

India is a cost efficient producer of sugar. It has however failed to be a credible and consistent exporter due to drastic year on year changes in domestic production, triggering often times desperate policy changes. Under the changed dynamics of business and governance, there is little legitimacy in treating sugar as an essential commodity leading to periodical political outcry and attendant policy distortions. While Centre has lifted much of the controls in 2013, the vice like grip of States still continue to cripple the functioning of the industry.

World sugar balance is considerably influenced by the wild production swings in India. As a result, India ends up exporting at the bottom of prices during glut and importing at the peak of prices during deficit.

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

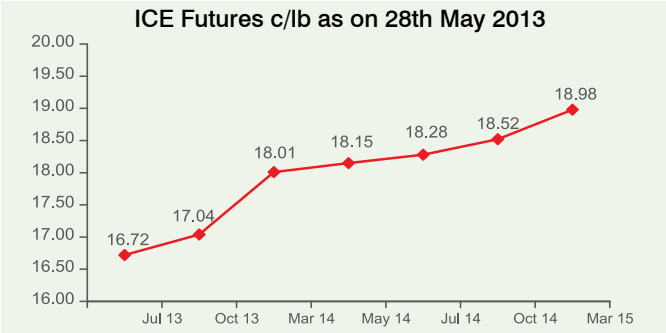
Segment-wise or product-wise performance

The Company is engaged in two segments from financial year 2012-13, namely, Sugar and Co-generation. The segment-wise performance of the Company for the year is as under:

	Sugar *(tonnes)*	Cogen *(lakh units)*
Production	65270	448.25
Sales including inter segment		
- Quantity	58739	381.11
- Value (₹ lakhs)	20923	1915
PBIDT (₹ lakhs)	2269	659
PBIT (₹ lakhs)	1933	(166)

Outlook

Brazil will have a record cane harvest in 2013/14. Mandatory ethanol mix in fuel has been hiked from 20 to 25% by Brazilian Government from 1st May 2013. Cane usage mix between sugar and ethanol is likely to fall by about 2%. Still record Brazil production would lead to another year of global surplus, though of a lower magnitude, compared to 2012/13.



Source: Czarnikow Report

With sugar stocks closer to long term average, sugar prices can be expected to move only within a narrow band, limiting the scope for appreciable upward bias. World prices may not be supportive to export of high cost Indian sugar.

Considering the normal monsoon prediction and current dip in overall cane area, Indian sugar production should slip by about 10% during 2013/14 from previous year. Still it would be close enough to meet local demand. Sugar prices will have limited scope for rise, weighed by supply side pressures from the high inventories on hand.

With the Centre increasing the cane price by a hefty 24% for 2013/14, there is grave risk of State Governments considerably hiking cane price. It would then further widen the mismatch between input cost and output realization.

Levy abolition is an undisputed gain. Withdrawal of release mechanism is helpful and welcome but may upset market prices in the short term with mills rushing to liquidate stocks under cane price payment pressure.

Higher price for ethanol is sure to boost the revenues and profitability of diversified sugar mills.

In all, 2013/14 would be a challenging year for the sugar industry. The problems for sugar mills in Tamil Nadu would rather remain exacerbated by extreme drought conditions impacting cane availability and the sucrose content therein.

Risks and concerns

The management cautions that the risks outlined below are not exhaustive and are for information purposes only. Investors are requested to exercise their own judgment in assessing various risks associated with the industry and the Company.

Sugar industry being agro based and vulnerable to commodity cycles is fraught with several risks. The Company is exposed to diverse business risks and some of the anticipated risks and their mitigation strategies are outlined below:

○ Raw material risk

Sugarcane is the sole principal raw material. Its availability, quality and cost are impacted by monsoon, crop decease or diversion and Government controls.

○ Product price risk

Sugar prices are susceptible to commodity cycle. Molasses is controlled by State and restrictions on inter-State movement considerably impact prices.

Cogen tariff is fixed by Regulator. Long term Power Purchase Agreement tied-up with TANGEDCO for committed supply of 100% of surplus power is prone to delayed realization impacting liquidity and borrowing costs.

○ Regulatory risk

Sugar industry has been largely liberated by Centre since April 2013 but it is still under several controls viz. cane area reservation by State and cane price fixation by Centre and State (FRP & SAP).

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 impeding the scope for major expansion or diversification plans. It is also surrounded by other sugar mills that limits scope for major cane area expansion.

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

The Company 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 97 seasonal and 228 non-seasonal employees. Industrial relations remained cordial throughout the year. Its HR initiatives include:

- Introduction of 'Code of Conduct' and 'Statement of Values'.

- Instituting a Vision and Mission statement.
- Compensation structure comparable with industry standards comprising both tangible and intangible benefits.
- Regular training and motivation for skill upgradation
- Merit-led challenging work environment with desired level of delegation of powers and decentralization of decision making.
- Well maintained housing colony with education and recreation facility.
- Interactive and responsive top management.

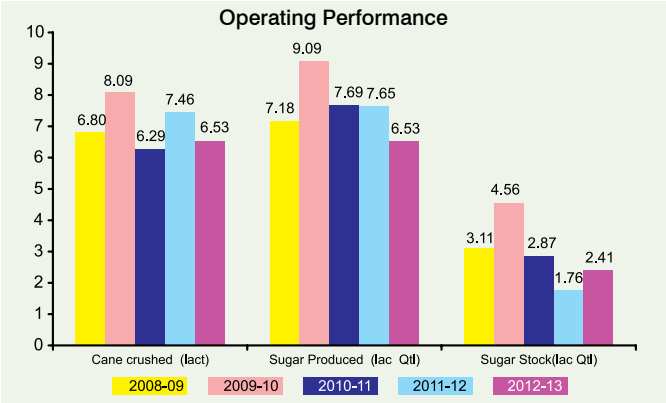
Discussion on Financial Performance with respect to Operational Performance

Operational Performance

	Year ended	
	31.03.2013	31.03.2012
Number of days	234	283
Average crushing rate (tcd)	2793	2635
Cane crushed (t)	653498	745644
Recovery (%)	9.98	10.21
Sugar produced (t)	65270	76464
Power production (lakh kwh)	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 commenced during the year on commissioning the Cogen Project from 1st September 2012. No major technical problems were faced. Power generation however was sub-optimal due to lower cane crushing and resultant reduced bagasse availability. Use of external bio-fuel was unfeasible due to high fuel price and unremunerative power tariff.



Turnover

Despite additional revenue stream through Cogen, turnover declined by 20% due to reduced raw material availability, higher inventory build-up and depressed market condition. Levy sugar obligation stands abolished for sugar produced from October 2012. Sugar exports virtually came to nought under adverse price parity. Overall, sugar realization improved by 12% while molasses price showed little variance.

Sale volume of bagasse came down by half due to captive consumption in the Cogen segment.

Power tariff has been brought down by the Regulator from ₹ 4.37/ kwh to ₹ 3.76 for Cogen plants commissioned after 1st August 2012. This has considerably impacted both the topline and bottomline of Cogen segment.

Other operating income

Revenue from sale of scrap and waste remained static. In the absence of exports, related export incentive benefits disappeared during current year.

Other income

Other income was boosted by forfeiture of advance from customer and write-back of credit balances no longer required. Dividend income remained unchanged.

Material Cost

Government of Tamil Nadu hiked the SAP for 2012-13 by ₹ 250/- per metric tonne. Average cane cost for the year escalated by 12.5%. Relaxation from mandatory jute packing helped contain packing cost by using cost effective polypropylene bags.

Overhead Cost

Employee cost increased by 12% due to high inflation and consequent hike in Dearness Allowance. R&M cost was comparable while other expenses declined due to the disappearance of sugar exports involving freight and handling expenses.

Operating Margin

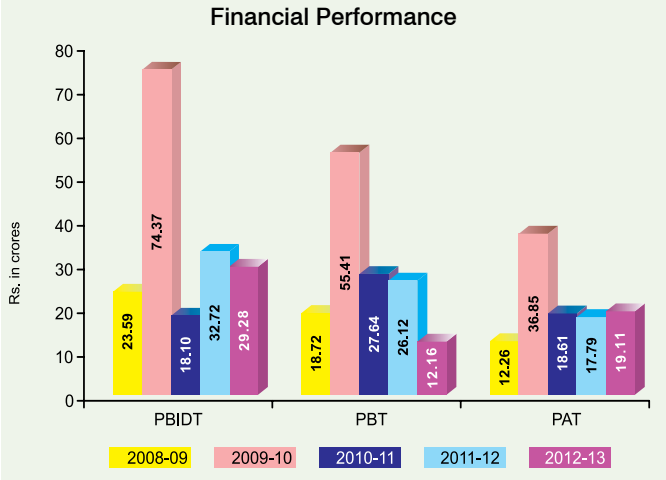
Margins were jolted by decline in cane volume and decrease in sugar recovery. Sugar price rise failed to keep pace with the surge in cane cost. Sugar inventories mounted by 37% leading to higher unrealized margins. As a result, the Company suffered 11% decline in the operating margin (PBIDT) YoY.

Finance Costs

The build-up in sugar inventories under sluggish market conditions led to higher working capital borrowings. In addition, the Company had to service term loan borrowed for the Cogen Project. As a result, finance cost nearly tripled for the year.

Depreciation

Depreciation is provided under WDV method for Cogen segment commissioned during the year while it is continued under Straight Line method for other assets.



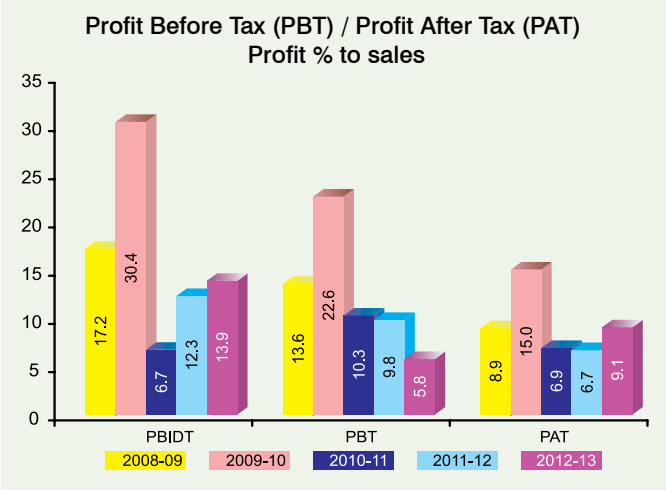
Exceptional Items

The Writ Petition challenging retrospective changes to the impost of tax on consumption of electricity was decided on 15.06.2012 by the High Court of Madras in favour of Government. While challenging this in SLP before the Hon'ble Supreme Court, the Company has considered it prudent to provide for the underlying obligation. Provision relating to current period is recognized in P&L Account for ₹ 23 lakhs while provision relating to past years is disclosed as exceptional items for ₹ 117 lakhs.

Voluntary Retirement Scheme was introduced during the year and VRS compensation to 23 employees has been written off upfront and disclosed as exceptional item.

Provision for Tax

The Company has huge tax benefits on commissioning the Cogen Project during the year. Accordingly, only MAT u/s 115JB is payable. Due provision for deferred tax liability has been made considering tax holiday u/s 80(1A) and in accordance with Accounting Standard 22. MAT credit entitlement has also been recognized.



PBT and PAT

PBT was impacted by higher finance cost and depreciation upon commissioning Cogen Project and is at a five year low. PAT is higher than PBT due to recognition of Deferred Tax Asset relating to Cogen project. The overall financial performance under extreme adverse conditions on the external front is considered reasonable and satisfactory.

Debt

Debt servicing is generally as per schedule and the Company has prepaid seven quarterly instalments due from April 2013 for the Cogen Project loan. Interest subsidies have been realized for ₹ 116 lakhs.

The Company conceived the Cogen Project on 2:1 Debt-Equity ratio but completed same at 1:2 Debt-Equity ratio. Resultant reduced debt would confer significant strength for the Company to service the term loan even during the current depressed external environment.

Fixed Assets

Major additions represent the capitalization of Cogen Project cost upon its commercial commencement from 1st September 2012. Normal capital additions of ₹ 212 lakhs have been funded out of internal accruals.

The Cogen Project was completed at a cost of ₹ 99 crores. The marginal overrun was fully financed out of internal accruals.

Investment

The Company had invested in 62,50,000 shares of ₹10 each in SPB Papers Ltd at a cost of ₹ 12.50 crores. The amalgamation of this company with Seshasayee Paper & Boards Ltd (SPB) has been sanctioned by the Hon'ble High Court of Madras on 26th April 2013. Accordingly, the Company would receive one Equity Share of SPB for every 11 Equity Shares held in SPB Papers Ltd during FY 2013-14.

Working Capital

Sugar inventories surged by 37% due to lackluster local market and unviable export window. Power sales remained unrealized throughout the year with total arrears swelling to ₹ 12.73 crores. Amounts withheld under SDF dispute for ₹ 9.1 crores have come to pose mounting stress on liquidity. As a result, working capital utilization has zoomed and recourse to additional ad hoc facilities became necessary.

Contingent Liabilities

Contingent liabilities are assessed and reviewed in accordance with Accounting Standard 29. Due disclosure and provisioning is made in compliance of said Standard.

Cash Accruals

Cash generation was negative from operating activities. Higher working capital borrowings were used to fund this as well as the deficit of investing activities.

Cost–realization trend

During the quinquennium 2008-13 the relative change in CAGR (%) for major items are as under:

Cost		Realisation	
Sugarcane	16	Sugar	19
Process & packing	7	Molasses	28
Employees	19	Bagasse	22

Ratios

	2012-13	2011-12
PBIDT to Sales (%)	13.87	12.32
PBT to Sales (%)	5.76	9.83
PBT to Net Worth (%)	9.42	23.42
Return on Capital Employed (%)	9.78	18.20
Earnings (PAT) per Share (₹)	22.22	20.69
Debt- Equity (times)	0.25	0.35
Interest Coverage (times)	8.64	65.44
Current Ratio (times)	1.03	1.09
Net Worth per Share (₹)	150.19	129.72
Price - Earning ratio (times)	11.36	5.24

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 2013

N Gopala Ratnam
Chairman

Abbreviations used

BPL	-	Below Poverty Line
CACP	-	Commission for Agricultural Costs and Prices
CAGR	-	Compounded Annual Growth Rate
CCEA	–	Cabinet Committee on Economic Affairs
c/lb	-	US cents/ pound
CRISIL	-	Credit Rating Information Services of India Ltd
EU	-	European Union
FRP	-	Fair and Remunerative Price
FY	-	Financial year
ISA	-	International Sugar Agreement
ISMA	-	Indian Sugar Mills Association
ISO	-	International Sugar Organization
kwh	-	Kilo watt hour
lt	-	lakh tonne
mlt	-	million tonne
mtrv	-	million tonne raw value
NREGA	-	National Rural Employment Guarantee Act
OECD-FAO	-	Organization for Economic Cooperation and Development - Food and Agricultural Organization
PDS	-	Public Distribution System
QMO	-	Quarterly Market Outlook
SAP	-	State Advised Price
SDF	-	Sugar Development Fund
TANGEDCO	-	Tamil Nadu Generation and Distribution Corporation Ltd
YoY	-	Year on Year

Year for industry data is generally for Sugar Season Oct-Sept

Information as required Under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. Conservation of Energy:

a. Energy Conservation measures taken:

(i) Installation of 8 Nos of planetary gear for crystallizer drive.

(ii) Plugging of pan condenser nozzles 2 Nos. for each condenser.

(iii) Installation of AC drives with VFD for two mill drives in place of conventional steam drives.

(iv) Double entry provision for 850 M^2 evaporator body and provision of plate type heat exchanger for sugar wash in centrifugals.

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

(i) Provision of double steam entry to 1000 M^2 evaporator body.

(ii) Modification of quintuple effect for one set of evaporator and flash line size increase.

(iii) Reducing the inlet water cooling pump motor to 15 HP from 35 HP.

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 as under:

Power	-	21550 units per day
Steam	-	24 tonnes per day

d) Total energy consumption and energy per unit of production are given in Form A.

B. Technology Absorption

e) As in Form B.

C. Foreign Exchange earnings and outgo

f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

Sugar exports are driven by Government policy and the production cycle of sugar business. The Company is a regular player whenever India is a sugar exporter.

Due to unremunerative global prices, no export was made during the year under review (previous year 11956 t ₹ 3457 lakhs).

g) Total foreign exchange used and earned.

(₹ in lakhs)

	2012- 13	2011-12
Earnings	**-**	3457
Outgo	**6**	5

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)	**3.27**	2.16
Total amount (₹ lakhs)	**48.41**	24.74
Rate/Unit (₹ /kwh)	**14.80**	11.45
b) Own generation		
Through steam turbine/Generator		
Units(kwh lakhs)	**544.96**	218.23
Units per tonne of fuel (kwh)*	**677**	299
Cost/Unit (₹ /kwh)	**3.70**	2.92
2 Coal		
Quantity (tonnes)	**32314**	39424
Total Cost (₹ lakhs)	**1688**	2104
Average Rate (₹ /t)	**5223**	5336
3 Bio Fuels		
Quantity (tonnes)	**1308**	--
Total Cost (₹ lakhs)	**60**	--
Average Rate (₹ /t)	**4595**	--
4 Bagasse		
Quantity (tonnes)	**111324**	89283
Total Cost (₹ lakhs)	**Nil**	Nil
Average Rate (₹ /t)	**Nil**	Nil
(B) Consumption per unit of production:		
Total in-house consumption units (kwh lakhs)	**168.57**	220.39
Product-Sugar (t)		
Electricity (kwh)	**258**	288

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

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

FORM B (Rule 2)

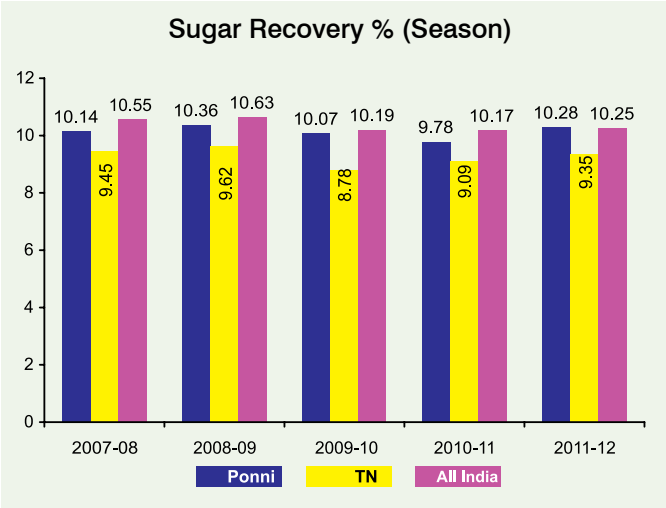
Form for disclosure of particulars with respect to Technology Absorption

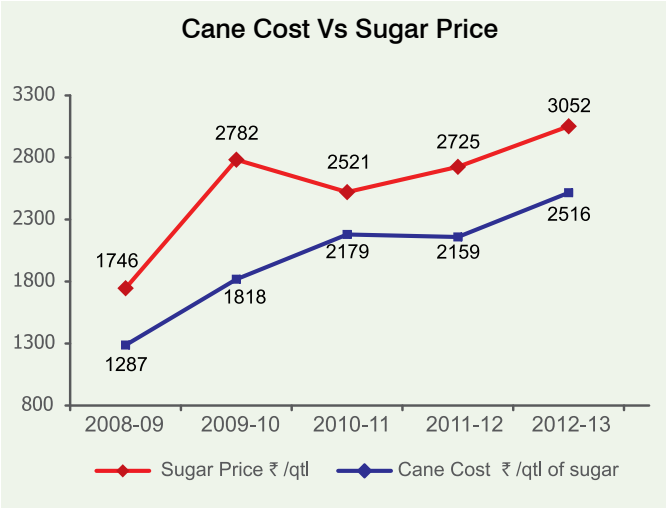
A. Research and Development (R&D) (₹ in Lakhs)	Nil	Nil
B. Technology absorption, adaptation & innovation	Nil	Nil

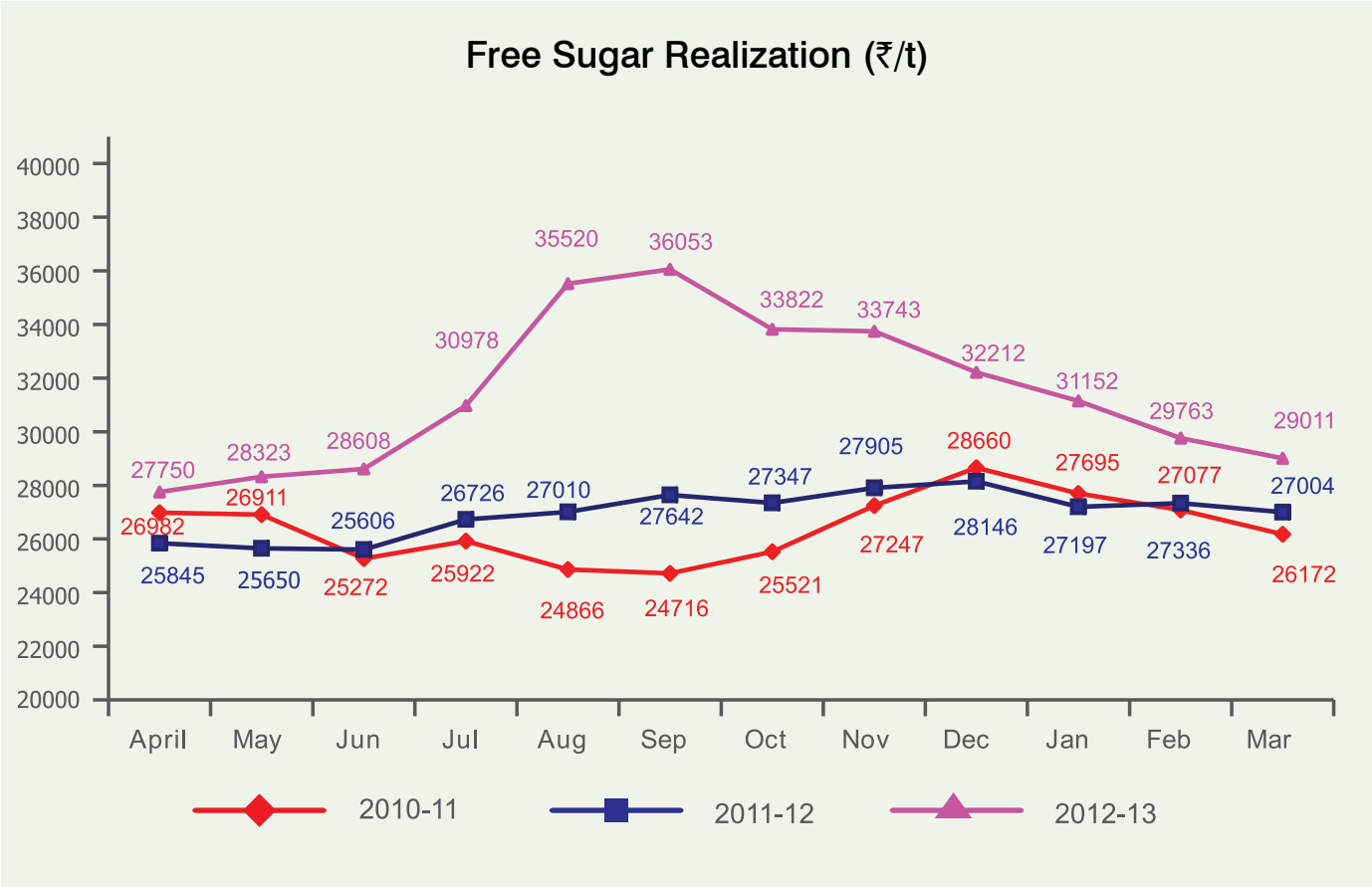
For Board of Directors

Chennai
29th May 2013

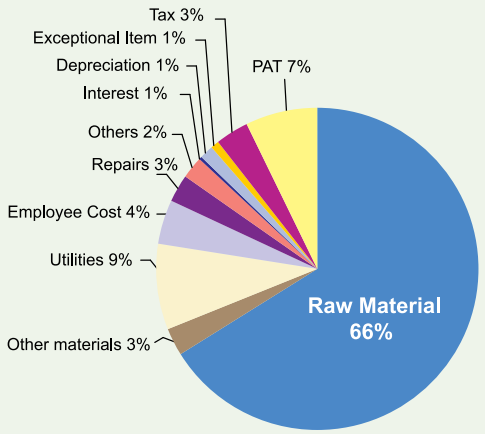
N Gopala Ratnam
Chairman


Sugar Recovery % (Season)
12
10
8
6
4
2
0
10.14
9.45
10.55
10.36
9.62
10.63
10.07
8.78
10.19
9.78
9.09
10.17
10.28
9.35
10.25
2007-08
2008-09
2009-10
2010-11
2011-12
Ponni
TN
All India

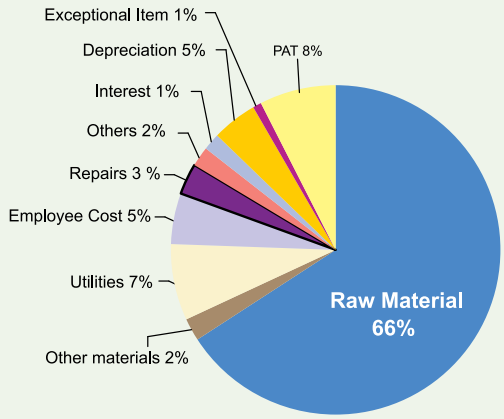

Cane Cost Vs Sugar Price
3300
2800
2300
1800
1300
800
1746
2782
2521
2725
3052
1287
1818
2179
2159
2516
2008-09
2009-10
2010-11
2011-12
2012-13
Sugar Price ₹ /qtl
Cane Cost ₹ /qtl of sugar


Free Sugar Realization (₹/t)
40000
38000
36000
34000
32000
30000
28000
26000
24000
22000
20000
April
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
27750
28323
28608
30978
35520
36053
33822
33743
32212
31152
29763
29011
26982
26911
25272
25922
24866
24716
25521
27247
28660
27695
27077
26172
25845
25650
25606
26726
27010
27642
27347
27905
28146
27197
27336
27004
2010-11
2011-12
2012-13

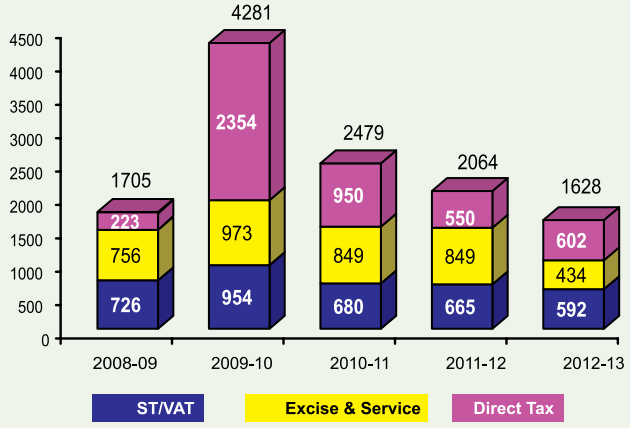
Distribution of Income 2011-12



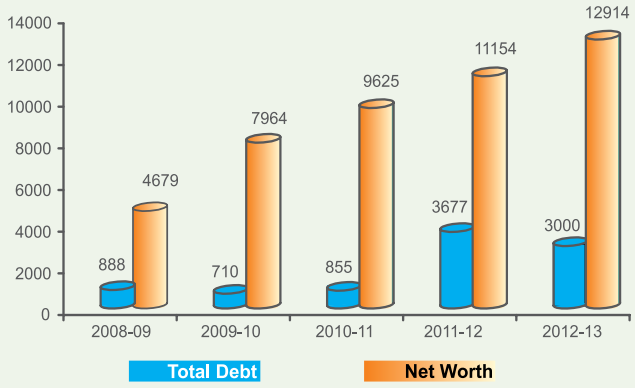
Distribution of Income 2012-13



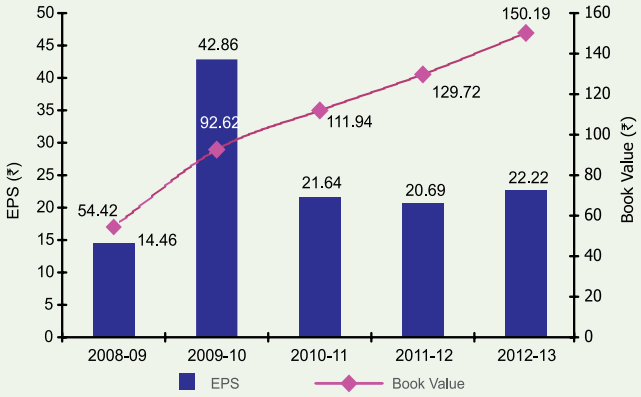
Contribution to Exchequer (₹ lacs)



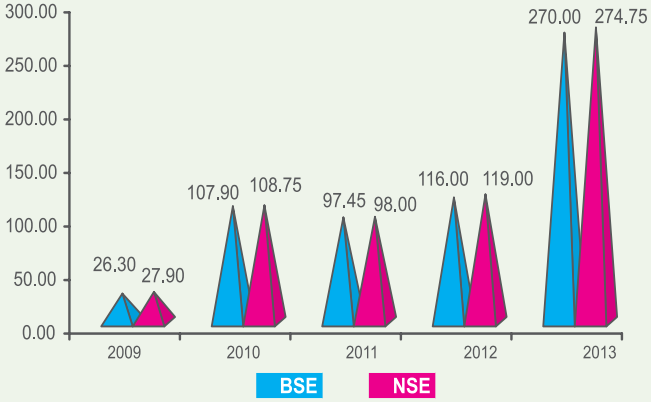
Debt & Net Worth (₹ lacs)



EPS and Book Value per Share



Share Price (₹) as on 31st March



CORPORATE GOVERNANCE REPORT

The principles of Corporate Governance introduced by SEBI through Clause 49 of the Listing Agreement with Stock Exchanges and amended from time to time is complied in all respects by the Company. The policies, procedures and processes of the Company are at all times directed in furtherance of following the best practices and institutionalizing the code of corporate governance.

Company's philosophy on Corporate Governance

The Company belonging to SPB Group, which is professionally managed, is deeply committed to the core values of Corporate Governance concepts. It strives to maintain the highest ethical standards in its conduct of business. Its executive management has the freedom to run the enterprise within the framework of effective accountability and commit its resources in a manner that meets shareholders' aspirations and societal expectations. The Company's objective is to transcend beyond bare compliance of the statutory requirement of the code and be a responsive and responsible entity through transparency, integrity of information and timely disclosures. The Company constantly endeavours to improve on these on an ongoing basis.

Board of Directors

The composition of the Board is devised in a manner to have optimal blend of expertise drawn from Industry, Management and Finance.

All except the Managing Director are non-executive Directors and thus constitute more than one-half of the total number of Directors. The Managing Director is additionally responsible to continue to discharge the functions of Secretary within the meaning of Section 2(45) of the Companies Act, 1956.

The Chairman is non-executive but comes under promoter category. The number of Independent Directors is one-half of the total strength, complying with Clause 49 of the Listing Agreement. Any reduction in the strength of Independent Directors is filled within 180 days to ensure minimum stipulated strength of Independent Directors in the Board.

All non-executive Directors retire by rotation and in the normal course seek re-appointment at the AGM. Brief resume of Directors seeking appointment / reappointment is given in the Notice of the AGM.

No Director holds membership of more than 10 Committees of Board nor is Chairman of more than 5 such Committees as 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 2012-13		As on 31st March 2013			Attendance at last AGM Y- Yes
			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	7	2	1	Y
Dr L M Ramakrishnan Independent	26.10.2001	536	4	80	4	--	1	Y
Mr Arun G Bijur Promoter Group	26.12.1996	100	5	100	4	1	1	Y
Mr Bimal Poddar Promoter	26.10.2001	NIL	4	80	11	--	2	Y
Mr C K Pithawalla * Promoter	26.10.2001	925466	--	--	--	--	--	Y
Mr N Ramanathan Managing Director	01.04.2005	3001	5	100	5	1	1	Y
Mr V Sridar Independent	05.06.2009	NIL	5	100	11	3	5	Y
Mr N R Krishnan Independent	05.06.2009	NIL	4	80	6	1	3	Y
Dr Nanditha Krishna Independent	24.12.2010	NIL	4	80	3	--	--	Y
Mr K Bharathan Independent	28.12.2011	NIL	4	80	2	--	--	Y
Mrs Bharti C Pithawalla ** Promoter	01.02.2013	NIL	1	50	3	--	--	NA

** Retired on 20.07.2012 ** Inducted on 01.02.2013*

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.

During the year, 5 Board meetings were held as against the minimum requirement of 4 meetings on 30.05.2012, 20.07.2012, 09.11.2012, 01.02.2013 and 22.03.2013. Interval between any two meetings was not more than 4 months as stipulated under the Listing Agreement.

Board Proceedings

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

The Board periodically reviews compliance reports of all laws applicable to the Company and takes proactive steps to avert slippages and take remedial measures as appropriate. The Board is apprised of risk assessment and minimization procedures that are periodically reviewed.

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

Insider Trading

The Company has framed a code of conduct for prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 1992. This code is applicable to all Directors and designated employees. Trading window would remain closed for the above during the period when sensitive information is unpublished. The 'closed period' for this purpose has been fixed by the Board as under:

a. From 1st July upto twenty-four hours after communication of the first quarter financial results to the Stock Exchanges.

b. From 1st October upto twenty-four hours after communication of the second quarter and half-yearly financial results to the Stock Exchanges.

c. From 1st January upto twenty-four hours after communication of the third quarter financial results to the Stock Exchanges.

d. From 1st April upto twenty-four hours after communication of the annual / fourth quarter financial results to the Stock Exchanges.

e. 30 days immediately preceding the date of Board Meeting at which other proposals listed in para 3.2.3 of the Model Code of Conduct of SEBI (Prohibition of Insider Trading) Regulations,1992.

The Trading window shall open 24 hours after communication of the decision of the Board of Directors in respect of the above events to the Stock Exchanges where the company's securities are listed.

It is hereby affirmed that all Directors and Designated Employees have complied with the Code and a confirmation to the effect has been obtained from them.

The Company Secretary is designated as the Compliance Officer for this purpose. The Audit Committee monitors the adherence to the various requirements as set out in the Code.

Audit Committee

The Board has constituted an Audit Committee comprising only non-executive Directors with more than two-third being Independent. The Chairman of Audit Committee is an independent director. The Audit Committee meets at regular intervals not exceeding 4 months between any two meetings and subject to a minimum of 4 meetings in a year. CEO, CFO, COO and Internal Auditor are present as invitees while Statutory Auditors and Cost Auditor are also present in most meetings. The Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee conforms to extant SEBI guidelines and Clause 49 of Listing Agreement in all respects concerning its constitution, meetings, functioning, role and powers, mandatory review of required information, basis of related party transactions and disclosures of accounting treatment. It also fulfills the requirements as set out in The Companies Act, 1956.

During the year, the Audit Committee met 5 times on 30.05.2012, 20.07.2012, 09.11.2012, 01.02.2013 and 22.03.2013. Its composition and attendance during 2012-13 is given hereunder:

Name of Member	Category	Attendance at meetings	
		No.	%
Mr V Sridar, Chairman	Independent	5	100
Mr Bimal Poddar	Non-Independent	4	80
Dr L M Ramakrishnan	Independent	4	80
Mr N R Krishnan	Independent	4	80
Permanent Invitees:			
Mr N Gopala Ratnam	Non-Independent, Non-Executive	5	100
Mr N Ramanathan	Executive	5	100

Members of the Audit Committee have requisite financial and management expertise. They have held or hold senior positions in reputed organizations.

Nomination cum Remuneration Committee

The Company has a Remuneration Committee, though it is non-mandatory under the Listing Agreement. It comprises 4 non-executive Directors of which 3 are independent including its Chairman.

The Board at its meeting held on 9th November 2012 re-designated the erstwhile Remuneration Committee as Nomination cum Remuneration Committee to continue with the same composition of Directors. Its scope is 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 accordingly meets only as per needs. It met once during the year on 01.02.2013 to consider recommendation on the appointment of Mrs. Bharti Chhotubhai Pithawalla.

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. His remuneration was recommended by the Remuneration Committee and determined by the Board on 25.03.2011 and approved by the Shareholders at the 15th Annual General Meeting held on 15th July 2011. There is no service contract containing provisions of notice period or severance fees. Remuneration of Managing Director for 2012-13 comprises of:

(₹ lakhs)

Salary & Allowances	29
Contribution to PF & other funds	5
Commission	23

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

Non-Executive Directors are paid sitting fees at ₹ 5000 per meeting of Board, Audit, Nomination cum Remuneration Committee and at ₹ 2500 for other Committee meetings. The rates are well within the ceiling permissible under Law and the Articles of Association of the company. Further, in terms of the approval of Members at the 15th Annual General Meeting, they would receive a commission of ₹ 100000/-each. This is pro-rated for those who have been a Director only for part of the year.

Remuneration of Non-Executive Directors for 2012-13

(in ₹)

Director	Commission payable	Sitting fees for		
		Board meeting	Committee meeting	Total
Mr N Gopala Ratnam	100000	25000	17500	142500
Dr L M Ramakrishnan	100000	20000	25000	145000
Mr Arun G Bijur	100000	25000	12500	137500
Mr Bimal Poddar	100000	20000	20000	140000
Mr V Sridar	100000	25000	30000	155000
Mr N R Krishnan	100000	20000	25000	145000
Dr Nanditha Krishna	100000	20000	---	120000
Mr K Bharathan	100000	20000	---	120000
Mr C K Pithawalla	33333	---	---	33333
Mrs Bharti C Pithawalla	16667	5000	---	21667

Remuneration Policy

Performance is recognized and achievements rewarded so as to motivate and induce concerned employees to put in their best. Remuneration levels, though cannot be in the top-rung in a low-margin industry, are comparable to the industry norms. Remuneration package is transparent, fair and simple to administer, besides being legal and tax compliant. The Company is able to attract and retain talents as it bestows functional autonomy and offers professional challenge at all levels.

Securities Transactions cum Investors Grievance Committee

The Board has constituted a Securities Transactions cum Investors Grievance Committee. Its role and responsibility is to expeditiously process and approve transactions in securities, complying with SEBI regulations and listing requirements and redressal of investor grievances. The Committee oversees and monitors the performance of the Registrar & Transfer Agents and devises measures for overall improvement in the quality of investor services.

The Committee comprises of 3 Directors, out of which 2 are non-executive directors. The Chairman of the Committee is a non-executive Director. The Committee has met 5 times during the year on 30.05.2012, 20.07.2012, 09.11.2012, 01.02.2013 and 22.03.2013. 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.

Other Committees

The Board has constituted a Finance Committee to facilitate quick response to the financial needs / obligations of the Company. It meets as and when the need to consider any matter assigned to it arises. No meeting was held during the year.

The Board had constituted a Project Committee on 28.05.2010 to monitor and approve key decisions on Cogen Project. On successful completion of the Project, this Committee was dissolved on 22.03.2013. 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	2012-13	2011-12
Due date	30.09.2013	28.02.2013*
Actual date	31.07.2013 Target	31.12.2012
Audit Qualification in Report	Nil	Nil

* Time limit extended by MCA for filing in XBRL mode

Secretarial Compliance Report

Though not legally required, the company obtains 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 Mr B Ravi, Practising Company Secretary for the financial year ended 31st March 2013. Compliance Certificate issued by him was placed before the Board on 29th May 2013.

Secretarial Standards

The Institute of Company Secretaries of India has issued ten Secretarial Standards that are presently recommendatory in nature. The company's practices and procedures mostly meet with these prescriptions, wherever applicable.

Quarterly Compliance Report

The Company has submitted for each of the 4 Quarters during 2012-13 the Compliance Report to Stock Exchanges in the prescribed format within 15 days from the close of the Quarter.

Online filing

NEAPS

Quarterly reports to 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.

During the year, 2 complaints were posted at SCORES against the Company and were all resolved within the prescribed time limit.

SEBI vide its circular dt.17.04.2013 has reemphasized due compliance of this requirement.

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	30.06.2012	05.07.2012
		30.09.2012	08.10.2012
		31.12.2012	07.01.2013
		31.03.2013	05.04.2013

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 37 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 2012-13 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 31-03-2013.

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 2013.

Review of Directors' Responsibility Statement

The Board in its Report has confirmed that the annual accounts for the year ended 31st March 2013 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

Auditor's Certificate on Corporate Governance

Certificate of Statutory Auditors has been obtained on the compliance of conditions of Corporate Governance in deference to Clause 49(VII)(1) of the Listing Agreement and the same is annexed. Copy of the certificate is furnished to the Stock Exchanges as required.

Compliance with non-mandatory requirements

Board

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

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

The Board has formulated no formal policy on the positive attributes of independent directors. But it ensures that every independent director has the requisite qualification and experience that would be of use to the Company and which, in the opinion of the Company, would enable him to contribute effectively to the Company in his capacity as an independent director.

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

Remuneration Committee

The Company has a Remuneration Committee re-designated as 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

who have registered their email ids. 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 –Refer page 27 of Annual Report. It has however received such consent from only 55 members.

Audit Qualifications

The Company from 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 2013.

Others

(i) Training of Board members

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

(ii) Mechanism for evaluation NEDs

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

(iii) Whistle Blower Policy

The Company has an informal work atmosphere where employees have direct access to top management including the Chairman and other non-executive Directors. Hence institution of a formal Whistle Blower Policy is not considered warranted.

Additional Disclosures

No loan or advance in the nature of loan was made during or outstanding at the close of the year to Associates or Firms/ Companies in which a director of the company is interested. Accordingly no disclosure in terms of Clause 32 on this score is applicable.

One of the Promoters viz. Mr C K Pithawalla has pledged 425000 shares (4.95%) additionally acquired by him during the year. The shareholding pattern furnished to Stock Exchanges as of 31.03.2013 duly discloses same.

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 30.06.2012	05.07.2012	20.07.2012	21.07.2012	Business Line and Makkal Kural
Quarter ended 30.09.2012	17.10.2012	09.11.2012	10.11.2012	
Quarter ended 31.12.2012	06.01.2013	01.02.2013	02.02.2013	
Quarter and Year ended 31.03.2013	08.05.2013	29.05.2013	30.05.2013*	

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.

Electronic mode of communication

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

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

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

(i) The Company would henceforth send all Notices, Annual Report and other communications to these shareholders through Email;

(ii) Copies of same would be available under the 'investor section' of our website www.ponnisugars.com for ready access;

(iii) Shareholders will at all times be entitled to receive, free of cost, hard copy (paper version) of Annual Report and other communications on specific request;

(iv) Shareholders are further entitled to change the instructions from time to time.

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

Website

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

General Shareholder Information

A separate section has been included in the Annual Report furnishing various details viz. AGM time and venue, share price movements, distribution of shareholdings etc.

MCA Initiatives on Corporate Governance

Ministry of Corporate Affairs (MCA) released in December 2009 the "Corporate Governance Voluntary Guidelines 2009". They provided for a set of good practices to help corporates strengthen their internal governance processes. They are intended to serve as a benchmark for corporates in their endeavour to achieve the highest standard of Corporate Governance.

MCA in March 2012 constituted a Committee to formulate policy document on Corporate Governance. The Committee in its September 2012 Report has suggested "Guiding Principles on Corporate Governance".

The Companies Bill 2012, soon to become a law, contains detailed provisions, setting out the core governing principles of Corporate Governance. They contain specific prescriptions on the functioning of Board, constitution of Audit Committee, appointment of independent director, rotation of auditors, mandatory auditing standards and CSR spend.

SEBI Consultative Paper on Corporate Governance

Since the first introduction of Corporate Governance mandate in 2000, SEBI has been periodically prescribing additional disclosure norms. Taking note of the MCA initiatives and the proposals in the Companies Bill 2012, SEBI decided to revisit existing clause 49 of the Listing Agreement that contains both mandatory and non mandatory prescriptions for Corporate Governance for listed entities.

SEBI has for this purpose issued a Consultative Paper on Review of Corporate Governance norms in India in January 2013. It has listed out 26 principles that will have overriding effect over the specific rules laid down in the Listing Agreement. It has also listed out specific proposals that would be explicitly specified in the Listing Agreement.

SEBI has further proposed to advance the implementation of the new Corporate Governance norms in the case of listed companies even ahead of the enactment of Companies Bill 2012. This is with a view to make them acclimatize earlier to the new provisions.

Corporate Social Responsibility

MCA in December 2009 released the "Corporate Social Responsibility Voluntary Guidelines 2009". This is intended to assist the businesses adopt responsible governance practices. The guidelines indicate some of the core elements that businesses need to focus on while conducting their affairs.

MCA has in July 2011 come out with a very comprehensive set of guidelines in supersession of above namely, "National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business". They contain comprehensive principles to be adopted by corporates as part of their business practices. It has prescribed a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the set principles.

The new Guidelines are meant for adoption by all companies, including those in MSME segment. The Guidelines have been articulated in the form of 9 principles with the core elements to actualize each of the principles.

Following the above, 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.

Company commitments

Our Company has taken due cognizance of the core principles set out in the Voluntary Guidelines on Corporate Governance and responsible business. It remains committed to steadfastly stand for the principles stated in these Guidelines.

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 2013

General Shareholder Information

Details for 17th AGM

Date and Time	Wednesday, the 24th July 2013 at 10.30 AM
Venue	New Woodlands Hotel P Ltd 72-75, Dr Radhakrishnan Road Mylapore, Chennai 600 004.
Financial Year	2012-13
Book Closure Dates	Monday, the 22nd July 2013 to Wednesday, the 24th July 2013 (both days inclusive).
Dividend	₹ 1.50 per Equity Share (proposed)
Dividend payment date	Between August 5, 2013 & August 10, 2013

Particulars of past 3 AGMs

AGM/ Year	Venue	Date & Time	Special Resolutions passed
14th 2009-10	New Woodlands Hotel Pvt Ltd 72-75, Dr Radhakrishnan Road Mylapore Chennai 600004	21.07.2010 11.00 AM	NIL
15th 2010-11		15.07.2011 10.25 AM	a) Reappointment of Managing Director b) Commission to non-executive directors
16th 2011-12	Hotel Deccan Plaza 36 Royapettah High Road Chennai 600014	20.07.2012 10.15 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 the postal ballot at the last AGM nor is being proposed at the ensuing AGM.

Financial Calendar for 2013-14 (tentative)

Results for the quarter ending	30th June 2013	24th July 2013
-do-	30th Sep 2013	08th Nov 2013
-do-	31st Dec 2013	07th Feb 2014
Results for the year ending	31st Mar 2014	May 2014
Annual General Meeting	July 2014	

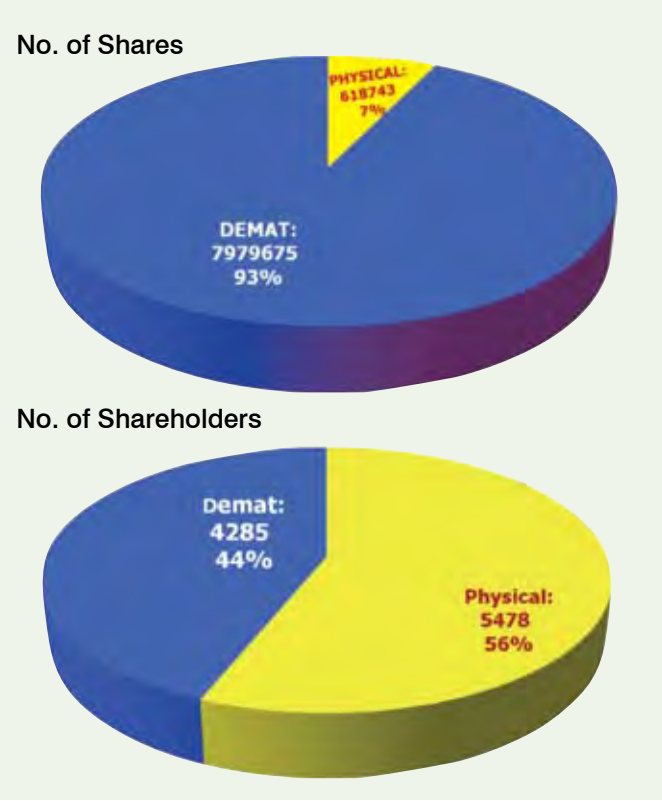
Listing

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 2013-14.

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 2013-14.

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

PAN Requirement

(1) SEBI vide circular dt.27th April '07 made PAN as the sole identification number for all participants transacting in the securities market irrespective of the amount of such transaction.

(2) SEBI by its circular dt.20th May '09 made it mandatory to furnish a copy of PAN card of the transferee to the Company / RTA for registration of transfer of shares of listed companies in physical form and off market / private transactions.

(3) SEBI Vide its circular dt.27th January '10 has made it mandatory to furnish a copy of PAN for transmission and transposition of shares.

Investors are advised to take note of same.

Registrar and Share Transfer Agent

(for both Demat and Physical segments)

Cameo Corporate Services Ltd,
"Subramanian Building", 5th Floor
1, Club House Road, Chennai 600 002
Phone: 044-28460390 (6 lines), Fax:044-28460129
Email : Investor@cameoindia.com

Web: www.cameoindia.com

Contact person: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 109A of the Companies Act, 1956 are requested to submit to the Registrar and Transfer Agent in the prescribed Form 2B which can be had on request or downloaded from Company website.

Investor Correspondence

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

(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.

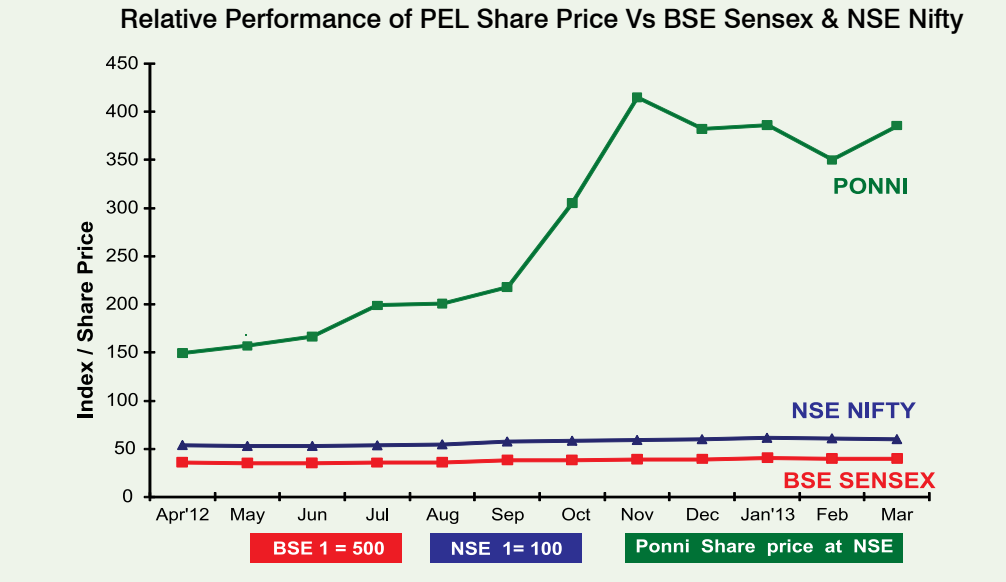
Investors may lodge their complaints against trading members and companies through online Investor Service Cell launched by the National Stock Exchange of India Limited.

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 (in lacs)	Value (₹ lacs)	High	Low	No. of shares (in lacs)	Value (₹ lacs)
April'12	145.00	109.00	1.39	181.86	149.50	108.00	6.94	828.32
May'12	156.90	130.00	1.02	147.11	156.90	128.00	1.51	219.22
June'12	167.80	147.05	0.95	153.91	166.95	148.35	1.29	210.00
July'12	189.00	154.00	0.91	156.55	199.00	149.00	1.39	237.98
Aug'12	188.80	167.80	0.30	54.02	201.00	167.00	0.70	126.87
Sept'12	202.95	180.10	0.36	68.94	218.00	180.00	0.66	128.38
Oct'12	304.80	185.00	0.92	252.61	305.15	182.50	2.69	727.80
Nov'12	418.25	302.10	4.95	1781.57	415.00	311.10	8.48	2916.80
Dec'12	382.00	325.00	0.22	79.43	382.00	317.90	0.59	215.07
Jan'13	397.00	345.00	0.35	130.75	385.85	347.25	0.24	85.85
Feb'13	356.00	301.10	0.06	18.88	350.00	300.10	0.15	49.29
March'13	411.75	252.45	5.31	1664.37	385.65	254.70	1.88	560.96



Volatility in share prices

There was a sudden spurt in the share prices of the company at National Stock Exchange and Bombay Stock Exchange during Oct '12. The surveillance department of both Stock Exchanges sought the reasons for such abnormal behaviour. Our company clarified that there was no material development warranting such spurt in share prices. Our communications were immediately posted in the website of both Stock Exchanges for the information of the investing public.

Trade for Trade

As part of surveillance measure and to ensure market safety and protection of investors, National Stock Exchange and Bombay Stock Exchange shifted our scrips for trading under ' Trade for Trade' segment from 3rd December '12. Later it was restored to the regular segment from 1st March'13.

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 will be 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 are now traded under 'illiquid' category from 1st April 2013 at both Stock Exchanges.

Transfer System

Powers are delegated to Managing Director to deal with and approve regular transactions in securities of small investors, while other cases are decided by the Securities Transactions cum Investors Grievance Committee. Investor requests are attended to within 7-15 days from the date of receipt. A summary of such transactions so approved by the Managing Director is placed at every Board Meeting / Securities Transactions cum Investors Grievance Committee. The Company obtains from a Company Secretary in Practice half-yearly Certificate of Compliance with the Share Transfer formalities as required under clause 47(c) of the Listing Agreement and files a copy of the said certificate with the Stock Exchanges.

There is no pending share transfer as of 31.03.2013.

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

Shareholder Complaints

Complaints received over the last five years

Year	2008-09	2009-10	2010-11	2011-12	2012-13
No. of complaints	2	-	-	-	-

Nature of complaints received during 2012-13:

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

Outstanding complaints as on 31.03.2013 - 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	Every quarter
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 four years.

In case the above service standards are not met or if an investor has any other observations/ comments/ complaints on service levels, he may write to us at:

Email : investor@ponnisugars.com
Tel.No. : 044-39279300

Distribution of shareholding

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1-100	8107	83.04	295078	3.43
101-500	1400	14.34	325798	3.79
501-1000	124	1.27	98249	1.14
1001-10000	99	1.01	317165	3.69
10001 - 100000	13	0.13	395724	4.60
100001 & above	20	0.21	7166404	83.35
Total	**9763**	**100.00**	**8598418**	**100.00**

Categories of Shareholding

Shares held by	No. of shareholders	%	No. of shares	%
Promoters	7	0.07	4105398	47.75
FIs / UTI / Mutual Fund / Banks	7	0.07	7720	0.09
Corporates	150	1.54	1920625	22.34
FIIs/ NRIs/ OCBs	166	1.70	288554	3.35
Resident Individuals	9433	96.62	2276121	26.47
Total	**9763**	**100.00**	**8598418**	**100.00**

Top 10 Shareholders of the Company

Sl. No.	Name	Shares	% to Capital
1	Seshasayee Paper and Boards Ltd	1835260	21.34
2	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	600012	6.98
6	High Energy Batteries (India) Ltd	280382	3.26
7	Sathyamoorthi Devarajulu	239980	2.79
8	Ruchit Bharat Patel	208830	2.43
9	PAT Financial Consultants P Ltd	175052	2.04
10	Vanraj Vinod Shah	171226	1.99
Total		**6006719**	**69.86**

Plant

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

Phone: 04288-247351 Fax : 04288-247363

Unclaimed shares

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

During Dec'2001 the company mailed fresh share certificates pursuant to the Scheme of Arrangement sanctioned by the Hon'ble High Court of Madras. Some of the Share certificates were returned to the Company due to insufficient address. After sending three reminders the Company transferred 28277 shares pertaining to 491 shareholders to Unclaimed Suspense Account on 10.01.2012 under Demat Reference No.5426.

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

Sl No	Particulars	No of Share holders	No of Shares
1	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year	491	28277
2	Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year	2	100
3	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	2	100
4	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	489	28177

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

Dividend for 2012-13

(a) Dividend entitlement

Dividend, if declared at the Annual General Meeting, will be paid between August 5, 2013 and August 10, 2013 to the members whose names appear on the Register of Members on 24th July 2013 or to their mandates. In respect of shares held in electronic form, dividend will be paid to the beneficial owners of

shares recorded with the depositories as of 24th July 2013 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 will be transferred to the Investor Education and Protection Fund of the Central Government and no claim shall lie on same thereafter. 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 31.03.2005 were transferred on 31.08.2012 pertaining to 3050 investors and aggregating ₹ 1.59 lacs.

The Unpaid / Unclaimed amount for the Financial Year ended 31.03.2006 will be transferred during August 2013. Shareholders are therefore advised to contact the Company in case of non-receipt or non-encashment of Dividend immediately.

Particulars of unclaimed dividend

Year	Dividend (₹ per share)	Date	Unclaimed		Due date for transfer to IEPF
			No. of warrants	₹ lakhs	
2005-06	1.80	31.07.2006	2859	3.08	26.08.2013
2006-07	0.90	30.07.2007	3877	2.01	23.08.2014
2007-08	0.60	28.07.2008	4040	2.21	24.08.2015
2008-09	2.50	05.08.2009	3484	4.58	26.08.2016
2009-10	4.00	05.08.2010	3302	8.30	25.08.2017
2010-11	2.00	29.07.2011	3683	3.86	19.08.2018
2011-12	2.50	06.08.2012	3150	4.71	24.08.2019

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 handover signed blank transfer deeds/ delivery instruction slips to any unknown person.
- Deal in Securities only with SEBI Registered Intermediaries
- Despatch Documents containing certificates of securities and high value dividend / interest warrants/ cheques / demand drafts only by registered post/ courier or lodge with the Company's Share Department or the Registrar and Transfer Agents.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Ponni Sugars (Erode) Limited

We have examined the compliance of conditions of Corporate Governance by Ponni Sugars (Erode) Ltd. for the year ended 31st March 2013 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 were no investor grievances remaining unattended / pending for more than 30 days as at 31st March 2013.

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 2013

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 2013, 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. 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 2013

b) in the case of the Statement of Profit and Loss, of the Profit 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 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2013 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 2013

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 2013 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 2013 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	32.19	CESTAT	Assessment year 2006-07 to 2009-10
Finance Act, 1994 (Service Tax)	Service Tax	105.43	CESTAT	Assessment Year 2004-05 to 2008-09
Tamilnadu Tax on consumption or sale of Electricity Act, 2003	Electricity consumption Tax	139.89	Supreme Court	Financial Year 2003-04 to 2008-09 and 2011-12 to 2012-13
Income Tax Act, 1961	Income Tax	1412.86	Income Tax Appellate Tribunal / High Court / CIT Appeals	Assessment years 2001-02 to 2009-10

(x) The company has no accumulated losses, as at 31st March 2013. 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 was dealing in Mutual Fund investments during the year. Proper records of the transactions and contracts have been maintained and timely entries have been made. The said investments were held by the company in its own name.

(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 2013

BALANCE SHEET AS AT 31ST MARCH 2013

	Note No.	As at 31.03.2013 (₹ in Lakhs)		As at 31.03.2012 (₹ in Lakhs)	
I. EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(a) Share Capital	2	**860**		860	
(b) Reserves and Surplus	3	**12054**	**12914**	10294	11154
2. Non-current Liabilities					
a) Long-term Borrowings	4	**3000**		3677	
(b) Deferred Tax Liabilities (Net)	5	**110**	**3110**	805	4482
3. Current Liabilities					
(a) Short-term Borrowings	6	**5031**		1151	
(b) Trade Payables	7	**2762**		3162	
(c) Other Current Liabilities	8	**1526**		1646	
(d) Short-term provisions	9	**932**	**10251**	1165	7124
TOTAL			**26275**		22760
II. ASSETS					
1. Non-Current Assets					
(a) Fixed Assets					
(i) Tangible Assets	10	**13309**		4417	
(ii) Capital Work-in-Progress	11	**27**		8417	
		13336		12834	
(b) Non-current Investments	12	**2079**		2079	
(c) Long-term Loans and Advances	13	**278**	**15693**	65	14978
2. Current Assets					
(a) Inventories	14	**7383**		4694	
(b) Trade Receivables	15	**1689**		1185	
(c) Cash and Bank Balances	16	**141**		69	
(d) Short-term Loans and Advances	17	**675**		1099	
(e) Other Current Assets	18	**694**	**10582**	735	7782
TOTAL			**26275**		22760
Notes on Financial Statements	1 to 39				

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 2013

N Gopala Ratnam **N R Krishnan**
Dr L M Ramakrishnan **Bimal Poddar**
Arun G Bijur **Dr Nanditha Krishna**
V Sridar **K Bharathan**
Directors

N Ramanathan
Managing Director

N Ramanathan
Secretary

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

	Particulars	Note No.	Year Ended 31.03.2013 (₹ in Lakhs)		Year Ended 31.03.2012 (₹ in Lakhs)	
I	**Revenue from Operations**					
	Sale of Products (Gross)	20	**21911**		27557	
	Less: Excise Duty		**799**		995	
	Net Sale of Products		**21112**		26562	
	Other Operating Revenues	21	**136**	**21248**	331	26893
II	**Other Income**	22		**241**		109
III	**Total Revenue**			**21489**		27002
IV	**Expenses:**					
	Cost of Materials Consumed	23	**16987**		17144	
	Changes in Inventories	24	**(2788)**		2079	
	Power & Fuel		**1870**		2175	
	Employee Benefits Expense	25	**1234**		1100	
	Repairs & Maintenance	26	**740**		680	
	Other Expenses	27	**518**	**18561**	552	23730
	Total			**18561**		23730
V	**Profit before Finance cost and Depreciation**			**2928**		3272
	Finance Costs	28	**358**		119	
	Depreciation and Amortization Expense		**1161**	**1519**	329	448
VI	**Profit before Exceptional items**			**1409**		2824
VII	**Exceptional Items**	29		**193**		212
VIII	**Profit Before Tax**			**1216**		2612
IX	**Tax Expenses**	30		**(695)**		833
X	**Profit After Tax**			**1911**		1779
XI	**Earnings Per Equity Share**					
	Basic and Diluted Earnings Per Share (₹):	36		**22.22**		20.69
	(Nominal value ₹ 10 per share)					
	Notes on Financial Statements	1 to 39				

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 2013

N Gopala Ratnam **N R Krishnan**
Dr L M Ramakrishnan **Bimal Poddar**
Arun G Bijur **Dr Nanditha Krishna**
V Sridar **K Bharathan**
Directors

N Ramanathan
Managing Director

N Ramanathan
Secretary

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 Written Down Value Method for Cogeneration Segment and under Straight Line Method for other assets 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:

	Par Value	**31.03.2013**	31.03.2012
	₹	**₹ in Lakhs**	₹ in Lakhs
(a) Authorised:			
1,50,00,000 Equity Shares	10	1500	1500
(b) Issued, Subscribed and Fully Paid-up:			
85,98,418 Equity Shares	10	860	860

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

Name of Shareholder	**31.03.2013**		31.03.2012	
	Number of Shares	**Percentage holding**	Number of Shares	Percentage holding
Seshasayee Paper and Boards Ltd.	**1835260**	**21.34**	1835260	21.34
Mr.C.K.Pithawalla	**925466**	**10.76**	500466	5.82
Coromandel Sugars Ltd.	**810507**	**9.43**	749813	8.72
Time Square Investments P Ltd	**760004**	**8.84**	760004	8.84
Hridaynath Consultancy Pvt Ltd	**600012**	**6.98**	12269	0.14

(3) Reserves and Surplus:

(₹ in Lakhs)

	31.03.2013		31.03.2012	
Capital Reserve		**472**		472
Securities Premium Account		**160**		160
General Reserve				
Opening Balance	**7500**		6000	
Additions during the year	**1000**	**8500**	1500	7500
Surplus in Profit and Loss Statement				
Opening Balance	**2162**		2133	
Add: Profit for the year	**1911**		1779	
	4073		3912	
Less: Allocations and Appropriations:				
Transfer to General Reserve	**1000**		1500	
Dividend:				
- Proposed Dividend ₹ 1.50 (₹ 2.50) per share	**129**		215	
- Tax on Dividend	**22**		35	
	1151		1750	
Closing Balance		**2922**		2162
Total		**12054**		10294

(₹ in Lakhs)

(4) Long-term Borrowings:

	31.03.2013	31.03.2012
Term Loan From Banks - Secured		
(Term loan from Banks including current maturities thereof (Note 8) are secured by first charge on immovable and movable properties on pari passu basis subject to prior charge on specific movables securing Working Capital Loans)		
IDBI Bank Ltd	--	177
Canara Bank	3000	3500
(Repayable in 28 quarterly instalments from April 2013. First 7 quarterly instalments have been prepaid during the year)		
Total	3000	3677

(5) Deferred Tax Liabilities (Net):

	31.03.2013	31.03.2012
Deferred Tax Liability on account of:		
a) Depreciation	2432	864
b) Others	6	4
	2438	868
Deferred Tax Assets on account of:		
a) Unabsorbed depreciation and loss	2196	--
b) Disallowance under section 43 B	132	63
	2328	63
Deferred Tax Liabilities (Net)	110	805

(6) Short-term Borrowings:

	31.03.2013	31.03.2012
From Banks - Secured		
Working Capital Loans - Cash Credit	2931	1151
- Short Term Loans	2100	--
(Secured by first charge on inventories, book debts and specific movables and second charge on fixed assets.)		
Total	5031	1151

(7) Trade Payables:

	31.03.2013	31.03.2012
Micro and Small enterprises	--	--
Goods	2490	2918
Services	272	244
Total	2762	3162

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:

(₹ in Lakhs)

	31.03.2013	31.03.2012
Current maturities of long term borrowings (Note 4)	**177**	177
Interest accrued but not due on borrowings	**21**	10
Advance from customers	**641**	485
Cogeneration project payables	**464**	769
Unpaid dividends *	**29**	26
Statutory dues	**180**	177
Others	**14**	2
Total	**1526**	1646

* This does not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund.

(9) Short-term Provisions:

	31.03.2013	31.03.2012
Employee benefits	**69**	49
Excise duty on finished goods stock	**262**	182
Electricity consumption tax	**140**	--
Income tax (net of advance tax)	**310**	684
Proposed dividend	**129**	215
Tax on dividend	**22**	35
Total	**932**	1165

(10) Tangible Assets:

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2012	Additions	Deductions	**As at 31.03.2013**	Upto 31.03.2012	For the year	Withdrawn	**Upto 31.03.2013**	**As at 31.03.2013**	As at 31.03.2012
Land	451	15	--	**466**	--	--	--	**--**	**466**	451
Buildings	1413	1079	--	**2492**	368	88	--	**456**	**2036**	1045
Plant & Equipment	5227	8961	103	**14085**	2392	1058	74	**3376**	**10709**	2835
Furniture & Fixtures	97	3	--	**100**	61	4	--	**65**	**35**	36
Vehicles	42	18	7	**53**	17	5	4	**18**	**35**	25
Office Equipment	75	11	4	**82**	50	6	2	**54**	**28**	25
	7305	10087	114	**17278**	2888	1161	80	**3969**	**13309**	4417
Previous Year	7168	283	146	7305	2647	329	88	2888	4417	

(11) Capital Work-in-progress:

(₹ in Lakhs)

	01.04.2012		Additions	Transfer to tangible assets	**31.03.2013**	
Co-generation Project						
Buildings		748	235	962		**21**
Plant and Machinery		7304	773	8077		**--**
Other Expenses						
- Rates and Taxes	15		4	19	**--**	
- Insurance	12		9	21	**--**	
- Consultancy Charges	113		16	129	**--**	
- Others	12	152	57	69	**--**	**--**
Borrowing costs		213	183	396		**--**
		8417	1277	9673		**21**
Others		--	373	367		**6**
Total		8417	1650	10040		**27**
Previous year		396	8304	283		8417

(12) Non-current Investments - Long Term:

Investment in Equity shares of ₹ 10/- each fully paid	**31.03.2013**		31.03.2012	
	No. of Shares	**₹ In Lakhs**	No. of Shares	₹ In Lakhs
Quoted:				
Trade investments				
Seshasayee Paper and Boards Limited	**1200000**	**720**	1200000	720
Other investments				
High Energy Batteries (India) Ltd.	**100000**	**100**	100000	100
		820		820
UnQuoted - other investments				
SPB Papers Ltd (Associate) *	**6250000**	**1250**	6250000	1250
Time Square Investments Private Ltd	**80000**	**8**	80000	8
SPB Projects and Consultancy Ltd	**5000**	**1**	5000	1
		1259		1259
Total		**2079**		2079
Market value of Quoted Investments		**2743**		2343

* In terms of the Scheme of Amalgamation sanctioned by the High Court of Madras on 26.04.2013, the company is entitled for one Equity share of Seshasayee Paper and Boards Limited for every 11 Equity shares held in SPB Papers Ltd.

(13) Long-Term Loans and Advances:

	31.03.2013	31.03.2012
Unsecured - considered good		
Capital Advances	**13**	31
Security Deposits	**15**	14
MAT credit entitlement	**228**	--
Others	**22**	20
Total	**278**	65

(14) Inventories:

(₹ in Lakhs)

	31.03.2013		31.03.2012	
Work in progress		**51**		47
Finished Goods				
- Sugar	**6890**		4079	
- Molasses	**102**		67	
- Bagasse	**117**	**7109**	179	4325
Stores and Spares		**223**		322
Total		**7383**		4694

(15) Trade Receivables:

	31.03.2013	31.03.2012
Unsecured - Considered Good		
Over six months	**262**	220
Others	**1427**	965
Total	**1689**	1185

(16) Cash and Bank balances:

	31.03.2013		31.03.2012	
Cash and cash equivalents				
- Balances with banks	**109**		40	
- Cash on hand	**3**	**112**	3	43
Other bank balances				
- Unpaid dividend accounts		**29**		26
Total		**141**		69

(17) Short-term Loans and Advances:

	31.03.2013	31.03.2012
Unsecured - considered good		
- Advance for supplies	**245**	440
- Advance for services	**38**	32
- Cenvat credit receivable	**355**	613
- Others	**37**	14
Total	**675**	1099

(18) Other Current Assets:

	31.03.2013	31.03.2012
Unsecured-Considered Good		
Incentives/subsidies receivable (Note 32)	**693**	734
Others	**1**	1
Total	**694**	735

(19) Contingent Liabilities and Commitments:

(₹ in Lakhs)

	31.03.2013	31.03.2012
Contingent Liabilities: - Claims against the company not acknowledged as debts		
- Indirect tax demands contested	**156**	151
Commitments		
- Estimated value of contracts remaining to be executed on capital account and not provided for	**267**	497
- Contracts for purchase of sugar cane	**7476**	13366

(20) Sale of Products:

	31.03.2013	31.03.2012
Sugar	**18736**	24582
Bagasse	**1342**	2283
Molasses	**632**	692
Power	**1201**	--
Total	**21911**	27557

(21) Other Operating Revenues

	31.03.2013	31.03.2012
Sale of scrap and waste	**136**	140
Export incentives	**--**	191
Total	**136**	331

(22) Other Income:

	31.03.2013	31.03.2012
Interest	**2**	15
Dividend		
- Long term investments	**60**	60
- Current investments	**19**	20
Foreign exchange gain	**11**	--
Advance forfeited	**97**	--
Other non-operating income	**52**	14
Total	**241**	109

(23) Cost of Materials Consumed:

	31.03.2013	31.03.2012
Sugar cane	**16420**	16504
Process Chemicals	**211**	188
Packing Materials	**356**	452
Total	**16987**	17144

(24) Changes in Inventories:

(₹ in Lakhs)

		31.03.2013		31.03.2012	
Opening stock	- finished goods	**4325**		6338	
	- work in progress	**47**	**4372**	113	6451
Closing stock	- finished goods	**7109**		4325	
	- work in progress	**51**	**7160**	47	4372
Changes in inventories - increase / (decrease)			**2788**		(2079)

(25) Employee Benefits Expense:

	31.03.2013	31.03.2012
Salaries and wages	**989**	893
Contribution to Provident & other funds	**128**	110
Staff welfare	**117**	97
Total	**1234**	1100

(26) Repairs and Maintenance:

	31.03.2013	31.03.2012
Buildings	**70**	87
Plant & machinery	**658**	587
Others	**12**	6
Total	**740**	680

(27) Other Expenses:

	31.03.2013	31.03.2012
Consumption of stores and spare parts	**28**	29
Rent	**11**	13
Insurance	**21**	18
Rates and taxes	**24**	27
Net foreign exchange loss	**--**	24
Auditors remuneration *	**15**	10
Excise duty provision	**81**	(119)
Security	**48**	42
Travel	**74**	81
Professional & consultancy	**18**	32
Directors' commission & sitting fees	**12**	12
Freight & handling - domestic	**69**	67
- export	**--**	161
Miscellaneous	**117**	155
Total	**518**	552

*** Additional information:**

(₹ in Lakhs)

	31.03.2013		31.03.2012	
i) Statutory audit	**8.00**		4.80	
Interim audit	**2.00**		1.60	
Taxation matters	**2.00**		2.60	
Certification	**0.45**		0.28	
Expenses	**1.28**	**13.73**	0.53	9.81
ii) Cost audit	**0.60**		0.40	
Other services	**0.10**		0.10	
Expenses	**0.12**	**0.82**	0.08	0.58
Total		**14.55**		10.39

(28) Finance Costs:

	31.03.2013	31.03.2012
Interest on borrowings	**339**	50
Other borrowing costs	**19**	37
Interest- others	**--**	32
Total	**358**	119

(29) Exceptional Items:

	31.03.2013	31.03.2012
Electricity consumption tax	**117**	--
VRS compensation	**76**	--
Power evacuation arrangement expenses	**--**	212
Total	**193**	212

(30) Tax Expenses:

	31.03.2013	31.03.2012
Current Tax	**228**	862
MAT Credit entitlement	**(228)**	--
Deferred Tax	**(695)**	(29)
Total	**(695)**	833

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

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

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

(33) Employee Benefits:

(i) Defined Contribution Plans:

Contribution of ₹ 88 lakhs (previous year ₹ 82 lakhs) to defined contribution plans is recognized as expense and included in Employee benefits expense in the profit and loss statement.

(ii) Defined Benefit Plans:

Disclosure for defined benefit plans based on actuarial valuation as on 31.03.2013

(₹ 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**	**31.03.13**	31.03.12	**31.03.13**	31.03.12
	Present value - opening balance	**478**	436	**111**	90
	Current service cost	**28**	28	**17**	16
	Interest cost	**36**	38	**8**	7
	Actuarial (Gain)/ Loss	**22**	(7)	**21**	23
	Benefits paid	**(71)**	(17)	**(19)**	(25)
	Present value - closing balance	**493**	478	**138**	111
(ii)	**Change in Fair Value of Plan Assets**				
	Opening balance	**450**	357	**98**	79
	Expected return	**36**	32	**9**	7
	Actuarial gain/ (loss)	**10**	(1)	**--**	2
	Contributions by employer	**30**	79	**10**	10
	Benefits paid	**(71)**	(17)	**--**	--
	Closing balance	**455**	450	**117**	98
	Actual Return	**46**	31	**9**	9
(iii)	**Amount recognized in the Balance Sheet (as at year end)**				
	Present value of obligations	**493**	478	**138**	111
	Fair value of plan assets	**455**	450	**117**	98
	Net (asset) / liability recognized	**38**	28	**21**	13
(iv)	**Expenses recognized in the profit and loss statement**				
	Current service cost	**28**	28	**17**	16
	Interest on obligation	**36**	38	**8**	7
	Expected return on plan assets	**(36)**	(32)	**(9)**	(7)
	Net actuarial (gain)/ loss	**12**	(6)	**21**	21
	Total included in 'Employee benefits expense' (Note 25)	**40**	28	**37**	37

(₹ in Lakhs)

		31.03.13	31.03.12	31.03.13	31.03.12
(v)	Asset information	Insurance Policy (100%)		Insurance Policy (100%)	
(vi)	Principal actuarial assumptions				
	Mortality	LIC (2006-08) Ultimate table	LIC (1994-96) Ultimate table	LIC (2006-08) Ultimate table	LIC (1994-96) Ultimate table
	Discount rate (%)	**8.16**	8.75	**8.16**	8.75
	Future salary increase (%)	**7**	7	**7**	7
	Rate of return of plan assets (%)	**8**	8	**8**	8
	Expected average remaining working lives of employees (years)	**13**	13	**13**	13
(vii)	Expected contribution (₹ in lacs)	**40**	35	**30**	25
(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				
	31.03.13	31.03.12	31.03.11	31.03.10	31.03.09	**31.03.13**	31.03.12	31.03.11	31.03.10	31.03.09
Defined Benefit Obligation	**493**	478	436	347	300	**138**	111	90	75	59
Plan Assets	**455**	450	357	354	299	**117**	98	79	44	--
Surplus / (Deficit)	**38**	28	79	(7)	1	**21**	13	11	31	59
Experience adjustments										
- on Plan liabilities	**(22)**	7	(58)	(18)	(31)	**(21)**	(23)	(14)	(25)	(14)
- on Plan Assets	**10**	(1)	(4)	29	(18)	**--**	2	--	(1)	--

(34) Segment Reporting
Primary segment information

	Sugar	Cogeneration	Eliminations	Total
	31.03.13	**31.03.13**	**31.03.13**	**31.03.13**
Revenue				
External Sales	**19911**	**1201**	**--**	**21112**
Inter – Segment Sales	**1012**	**714**	**(1726)**	**--**
Other Operating income	**136**	**--**	**--**	**136**
Total Revenue	**21059**	**1915**	**(1726)**	**21248**
Segment Result				
Operating Profit	**1943**	**(162)**	**--**	**1781**
Interest				**358**
Other unallocable expenditure net of unallocable income				**207**
Profit Before Tax				**1216**
Provision for taxation				**(695)**
Profit After Tax				**1911**

(₹ in Lakhs)

	Sugar	Cogeneration	Eliminations	Total
	31.03.13	31.03.13	31.03.13	31.03.13
Other Information				
Segment Assets	13457	10511	--	23968
Unallocated Corporate Assets				2307
Total Assets				26275
Segment Liabilities	4014	568	--	4582
Unallocated Corporate liabilities				8779
Total Liabilities				13361
Capital Expenditure	410	9677	--	10087
Depreciation	336	825	--	1161

Cogeneration segment having been commissioned during the year, segment information for previous year does not arise.

(35) Taxation

(i) Current tax

Provision for Minimum Alternate Tax (MAT) is made on book profits in accordance with Sec. 115JB of the Income Tax Act, 1961, there being no taxable income under normal computation due to increased depreciation allowance available on the commissioning of Cogeneration project.

MAT credit is recognized having regard to expected profitable operations and availability of sufficient future taxable income against which it can be set off within permissible time limit.

(ii) Deferred Tax

Deferred Tax Liability recognized on timing differences relating to depreciation is net of ₹1122 lakhs in respect of timing differences expected to reverse during the tax holiday period of Cogen project in accordance with Paragraph 13 of AS22 – Taxes on Income.

Deferred Tax Asset on account of unabsorbed depreciation is recognized, having regard to profitable operations and availability of sufficient taxable income in future against which it can be realized.

(36) Earnings per Share

	31.03.2013	31.03.2012
Profit after tax (₹ Lakhs)	**1911**	1779
Weighted average no. of shares (in lakhs)	**86**	86
Face value per share (₹)	**10**	10
Basic and diluted earnings per share (₹)	**22.22**	20.69

(37) 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

iii) Description of Transactions:

a) Seshasayee Paper and Boards Ltd

(₹ in Lakhs)

	31.03.2013	31.03.2012
Sale of goods	**1356**	2289
Purchase of goods	**1878**	2274
Services availed (Net)	**2**	(3)
Dividend received	**60**	60
Dividend paid	**46**	37
Amount outstanding at the year end (payable) / receivable (net)	**(611)**	(387)

(b) Esvi International (Engineers & Exporters) Ltd

	31.03.2013	31.03.2012
Rent paid	**6**	4
Amount outstanding at the year end (payable) / receivable (net)	**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

	31.03.2013	31.03.2012
- Remuneration	**57**	55
- Amount outstanding at the year end towards commission	**23**	23

(38) Additional Information:

(i) Raw Materials Consumed:

	31.03.2013		31.03.2012	
	₹ in Lakhs	**%**	₹ in Lakhs	%
Imported	**--**	**--**	--	--
Indigenous	**16420**	**100**	16504	100
Total	**16420**	**100**	16504	100

(ii) Components and spare parts:

	₹ in Lakhs	**%**	₹ in Lakhs	%
Imported	**--**	**--**	--	--
Indigenous	**496**	**100**	458	100
Total	**496**	**100**	458	100

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

Year	No. of Share Holders	No. of Equity Shares	**31.03.2013**	31.03.2012
2011-12	2	242740	**6**	--
2010-11	2	242740	**--**	5
		Total	**6**	5

(iv) Earnings in Foreign Currency:

	31.03.2013	31.03.2012
FOB Value of Exports	**--**	3457

(39) 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 2013

N Gopala Ratnam **N R Krishnan**
Dr L M Ramakrishnan **Bimal Poddar**
Arun G Bijur **Dr Nanditha Krishna**
V Sridar **K Bharathan**
Directors

N Ramanathan
Managing Director

N Ramanathan
Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(₹ In Lakhs)

	Year Ended 31/03/2013		Year Ended 31/3/2012	
A Cash flow from Operating Activities:				
Profit before tax and Exceptional items		**1409**		2824
Adjustments for:				
Depreciation	**1161**		329	
Exceptional items	**(193)**		(212)	
Interest	**356**		104	
Dividend	**(79)**		(80)	
(Profit) / Loss on sale of assets	**19**		22	
Assets discarded	**4**	**1268**	19	182
Operating Profit before working capital changes		**2677**		3006
Adjustments for:				
Trade and Other Receivables	**(27)**		(580)	
Inventories	**(2689)**		1965	
Trade and other payables	**(291)**	**(3007)**	1039	2424
Cash generated from operations		**(330)**		5430
Direct Tax paid net of refund		**(602)**		(21)
Net cash from operating activities (A)		**(932)**		5409
B. Cash flow from Investing Activities:				
Purchase / Acquisition of fixed assets		**(1514)**		(8107)
Value of discarded assets		**(4)**		(19)
Investments		**--**		(500)
Sale of Fixed Assets		**15**		36
Dividend Received		**79**		80
Net cash used in investing activities (B)		**(1424)**		(8510)

(₹ In Lakhs)

	Year Ended 31/03/2013		Year Ended 31/3/2012	
C. Cash flow from Financing Activities:				
Proceeds from Long Term borrowings		**--**		--
Term Loan Received		**500**		3000
Term Loan repaid		**(1177)**		(694)
Working Capital Loan		**3880**		1151
Interest Paid		**(530)**		(278)
Interest received		**2**		15
Dividend plus Tax paid		**(250)**		(200)
Net cash used in financing activities (C)		**2425**		2994
Net increase in cash and cash equivalents (A+B+C)		**69**		(107)
Cash and cash equivalents at the beginning		**43**		150
Cash and cash equivalents at the end		**112**		43

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
Chartered Accountants

A Ganesan
Partner
Membership No.21438

Chennai
29th May 2013

N Gopala Ratnam **N R Krishnan**
Dr L M Ramakrishnan **Bimal Poddar**
Arun G Bijur **Dr Nanditha Krishna**
V Sridar **K Bharathan**
Directors

N Ramanathan
Managing Director

N Ramanathan
Secretary

Vision

To excel as a trusted, socially responsible and customer driven organization providing maximum value to all stakeholders

Mission

To manufacture quality products at competitive cost through technology and team work

Values

- *Ethical practices*
- *Customer Focus*
- *Commitment to Society, Safety and Environment*
- *Professional and Transparent Management*
- *Empowerment and Accountability*
- *Adaptability to "Change"*
- *Innovation and Creativity*
- *Emphasis on human resources development, cost reduction, productivity enhancement and resource conservation*

PONNI SUGARS (ERODE) LIMITED

Regd. Office: “ESVIN House”
No. 13, Old Mahabalipuram Road, Seevaram Village
Perungudi, Chennai 600 096.