



Ponni Sugars (Erode) Ltd.

15th
Annual Report
2010-11

Directors

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

Audit Committee

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

Remuneration Committee

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

Securities Transactions cum Investors Grievance Committee

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

Auditors

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

Cost Auditors

S Mahadevan & Co., Coimbatore

Banks

Bank of India
 IDBI Bank Limited
 Canara Bank

Registered Office

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

Works

Odappalli, Cauvery RSPO
 Erode 638 007
 Tamil Nadu

Registrar & Transfer Agent

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

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From Chairman's desk

Dear Shareholder,

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

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

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

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

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

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

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

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

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

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

Warm regards

N. Gopala Ratnam

N. Gopala Ratnam

Chennai
27th May 2011

Financial Highlights- Ten Years at a Glance

Rs. in lakhs

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



PONNI SUGARS (ERODE) LIMITED

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of the Company will be held at New Woodlands Hotel Pvt Ltd, 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600 004 on Friday, the 15th July 2011 at 10.25 AM to transact the following business.

ORDINARY BUSINESS

1. Adoption of Accounts etc.

To consider and adopt the audited Balance Sheet as at 31st March 2011, the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

2. Dividend declaration

To declare dividend on Equity Shares.

3. Reappointment of retiring Directors

To appoint directors in the place of Dr L M Ramakrishnan and Mr Bimal poddar who retire by rotation and being eligible, offer themselves for reappointment.

4. Appointment of Auditors

To appoint auditors from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Maharaj N R Suresh & Co and M/s R Subramanian and Company, the retiring auditors of the Company, are eligible for reappointment.

SPECIAL BUSINESS

5. Director vacancy

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

"RESOLVED that the vacancy caused by the retirement of Mr.S.K.Ramasamy who has opted not to seek re-election be left unfilled for the present."

6. Appointment of Director

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

RESOLVED that Dr (Mrs) Nanditha Krishna be and is hereby appointed as a Director of the Company liable to retire by rotation.

7. Reappointment of Managing Director

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

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

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

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

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

8. Commission to non-executive directors

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

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



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

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

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

(By Order of the Board)

For PONNI SUGARS (ERODE) LIMITED

Chennai
27th May 2011

N Ramanathan
Managing Director

NOTES:

1. Proxy

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

2. Deposit of proxy

Proxies in order to be effective, must be received at the registered office of the Company not later than 48 hours before the meeting, viz., by 10.25 AM on 13th July 2011.

3. Book Closure

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

4. Dividend

Dividend on declaration will be paid on 29th July 2011.

Members are advised to refer to 'Shareholder Information' section of the Corporate Governance Report (Page 41 of the Annual Report) for details on dividend entitlement and dividend warrants.

5. Unpaid Dividend

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

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

6. E-Communication

Members are requested to opt for electronic mode of communication and support the Green initiatives of Government (Refer page 35 of the Annual Report).

7. Member identification

(a) Members are requested to bring the attendance slips duly filled in along with their copies of Annual Reports to the meeting.

(b) Members holding shares in Demat form are requested to bring in their details of DP ID and Client ID for ease of identification and recording of attendance at the meeting.

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

Mr S K Ramasamy has been a director of the Company since 2001. He has indeed been closely associated with our Erode Sugar Mill ever since it was set up in 1984. He has played an effective role through his interaction with sugarcane growers.

Mr S K Ramasamy retires by rotation at this Annual General Meeting. Owing to his advanced age, he has now proposed not to seek re-election upon retirement this time.

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

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

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

Item No.6**Appointment of Director**

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

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

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

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

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

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

Item No.7**Reappointment of Managing Director**

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

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

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

6. Minimum Remuneration:

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

7. Overall ceiling:

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

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

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

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

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

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

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

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

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

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

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

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

I. GENERAL INFORMATION

(1) Nature of Industry

Manufacture of sugar and its by-products

(2) Date of commencement of Commercial production

The Company was transferred the Erode Sugar Mill Undertaking of erstwhile Ponni Sugars and Chemicals Limited effective 1st April 1989 in terms of a Demerger Scheme sanctioned by High Court of Madras. Commercial production in Erode sugar mill commenced on 3rd December 1984.

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

Not Applicable

(4) Financial performance based on given indicators

(Rs lakhs)

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

* Recommended by Board

(5) *Export performance and net foreign exchange earnings*

(Rs lakhs)

Particulars	2010-11	2009-10	2008-09
FOB value of exports	815	—	300
CAF value of imports	5617	1817	—
Expenditure in foreign currency	1	1	—
Net foreign exchange earnings	(4803)	(1818)	300

Note: Sugar exports are regulated through release mechanism to rein in local prices.

(6) *Foreign investments or collaborators, if any.*

NIL

II. INFORMATION ABOUT THE APPOINTEE(1) *Background details*

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

(2) *Past remuneration*

(Rs lakhs)

Particulars	2010-11	2009-10	2008-09
Salary & Allowances	14.40	14.40	14.40
Perquisites	1.85	1.85	0.42
Commission	10.80	10.80	10.80
Total	27.05	27.05	25.62

(3) *Recognition or awards*

Mr N Ramanathan is a University rank holder in B.Com. and All India rank holder in Chartered Accountancy. He is presently the President of South Indian Sugar Mills Association, a member in the Executive Committee of Indian Sugar Mills Association and a Committee member in Indian Sugar Exim Corporation Ltd.

(4) *Job profile and suitability*

Mr N Ramanathan is experienced in Sugar industry for two decades. He had earlier worked in Paper and Electronics industry. He has proven expertise in business

planning and strategic decision making. He is well versed in Finance, Taxation and General Management. He brings to bear admirable inter personal skills and has the requisite leadership qualities to head the Company.

(5) *Remuneration proposed*

As set out in the Explanatory Statement above.

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

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

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

Mr N Ramanathan holds 3001 Equity Shares in the Company. Other than the remuneration stated above, he has no other pecuniary relationship directly or indirectly with the Company. He has no relationship with any managerial personnel.

III. OTHER INFORMATION(1) *Reasons of loss or inadequate profits*

Sugar industry is intrinsically cyclical with huge swings in production between years. Sugar prices precariously fall during glut in supply. Since sugar and sugarcane are essential commodities and politically sensitive, it is subject to State intervention like export ban or arbitrary price fixation. While the Company has earned adequate profits in all the years except 2007-08, its future profitability could be impacted by these external factors.

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

The Company is implementing a Cogen Project to derisk its business model and diversify the revenue stream.

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

The Company has remained profitable in all the years except in 2007-08. It maintains commendable control over its operations that are however subject to climatic and external adversities.

Item No.8

Commission to non-executive directors

The role of non-executive directors (who are considered as non-whole time directors under the Company Law) is crucial to bring in outside expertise and an independent perspective to the decision making process. They are the vital link towards ensuring the establishment and continual monitoring of good governance. Their responsibility has rather multiplied manifold over the years with add-on obligations getting imposed from time to time by various Laws and Regulations. There is thus increased demand on their part in terms of time and preparation for Board and Committee meetings. Having regard to such increased role and responsibility, it is desirable and legitimate to remunerate them appropriately.

Presently, non-executive directors are paid remuneration by the Company only by way of sitting fee for attending Board, Audit Committee and Project Committee meetings at Rs.5000/- per meeting and Rs.2500/- for other Committee meetings as against the permissible ceiling of Rs.20,000/-. It is now proposed to pay commission to the non-executive directors in addition to the sitting fees, in the manner stated in the Special Resolution. While aggregate commission to

non-executive directors is restricted to one percent of the net profit, the Board at its discretion would desire and intend to impose quantitative ceiling from time to time within such overall permissible limit.

Payment of commission as above is permissible under the Companies Act, 1956 as well as the Articles of Association of the Company. In terms of clarification of Ministry of Corporate Affairs in its Circular 4/2011 dated 4th March 2011, this does not require the approval of Central Government. Sanction of members is sought for same as and by way of Special Resolution.

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

All directors, other than the Managing Director, are interested in this item of business.

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

Chennai
27th May 2011

N Ramanathan
Managing Director

Details of the Directors seeking appointment / reappointment at the 15th 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
Dr LM Ramakrishnan MBBS, DLO DIN: 00001978	30.09.1942 19.12.2001	Doctor turned Educationist having wide experience in management of educational institutions. Also having wide contact among local farming community.	Director Knitwell Needles Ltd Erode Medical Supplies (P) Ltd SKM Egg Powder Ltd	NIL
Mr Bimal Poddar B.Com DIN: 31146	25.12.1942 19.12.2001	Varied experience in the spheres of Finance, Administration and General Management for long in diverse family businesses.	Chairman & Managing Director The Coonoor Tea Estates Co Ltd Chairman Matheson Bosanquet Entps Ltd Lucky Valley Investments & Holdings Ltd Hope Textiles Ltd Sua Explosives & Accessories Pvt Ltd Director Sashasayee Paper & Boards Ltd Sua Finance & Investments Ltd Coonoor Investments Ltd Poddar Niket Developers Ltd Atlas Copco (India) Ltd Omata Textiles Pvt Ltd Pragati Business Ltd	Member in Audit, Remuneration and Directors Committee in Atlas Copco (India) Ltd Member of Audit Committee in Sashasayee Paper and Boards Ltd Chairman of Remuneration Committee in Hope Textiles Ltd. Member of Audit Committee in Hope Textiles Ltd.
Dr Nanditha Krishna Ph.D DIN: 00906944	18.07.1951 24.12.2010	Authority on Indology and an Environmental educationist.	Managing Director Krishna Process Equipment Pvt Ltd Director Aspick Engineering Pvt Ltd	NIL
Mr N Ramanathan ACA, ACS, AICWA DIN: 00001033	14.06.1954 01.04.2005	Vast experience in diverse disciplines of Finance, Taxation and General Management – Two decades of hands-on experience in sugar industry.	Director Esvi International (Engineers & Exporters) Ltd Subburaj Papers Ltd Hope Textiles Ltd The Coonoor Tea Estates Company Ltd Committee Member Indian Sugar Exim Corporation Ltd	Member of Remuneration Committee in Hope Textiles Ltd and The Coonoor Tea Estates Company Ltd

DIRECTORS' REPORT

Your Directors present their 15th Annual Report and the audited statement of accounts for the year ended 31st March 2011.

	Year ended 31.03.2011	Year ended 31.03.2010
Physical Performance (tonnes)		
Cane crushed	628613	808612
Sugar produced	76870	90920
Financial Performance (Rs. crores)		
Turnover	269.48	244.64
Profit Before Exceptional Items	13.53	69.52
Profit Before Tax	27.64	55.41
Profit After Tax	18.61	36.85
Surplus from Previous Year	14.72	6.88
Amount available for appropriation	33.33	43.73
Appropriations:		
Transfer to General Reserve	10.00	25.00
Proposed dividend	1.72	3.44
Dividend Tax	0.28	0.57
Balance carried forward	21.33	14.72

Dividend

Your Directors recommend a dividend of Rs.2 per Equity Share of Rs.10 each for the financial year ended 31st March 2011.

Sugar Industry Overview

After two years of deficit, Indian sugar production is well poised to rebound during 2010-11 season with a moderate surplus. As a welcome departure, India was enviably placed this year to cash on the physical tightness in global market with ready surplus sugar stock on hand further bolstered by a positive production outlook for the season. Indian producers were however denied the golden opportunity to ride on buoyant global prices by reason of prolonged delay and repeated deferral of the decision to reopen OGL exports that has remained closed for two years.

With its overwhelming concern over inflation, the Government predictably preferred to play it safe and persisted with its policy of total liberalization on imports and convoluted controls on exports. It flooded the local

market by choking exports during rising production and announcing huge releases with unfailing extensions month after month. All this deplorably dented market sentiments, demoralized trade and decisively destabilized domestic sugar prices. Finally OGL export of a measly 5 lakh tonnes, first announced in January 2011 and then put on back burner, was confirmed during April 2011. By then, global prices have considerably corrected and noticeably nosedived by about 40% on the arrival of fresh crop from Brazil and changes in market dynamics.

The rebound and resurgence of Indian sugar production was unarguably triggered and convincingly catalysed by lucrative cane prices voluntarily paid by sugar mills over and above Government fixed prices during the last two years on the strength of viable sugar prices. This helped to bring the farmer back to cane crop, improve the drawal rate for sugar mills (in preference to other competing users) and further motivate and empower the farmer to take better care of the cane crop that has turned valuable. In turn, the resultant higher sugar production helped in significant price correction (that rose to dizzy heights in the previous year on perceived shortage) to benefit the consumer.

It is however imperative that the fine and delicate balance between sugar and sugarcane price is not stretched beyond the point of elasticity. Regrettably, sugar prices have suffered a factitious fall below breakeven due exclusively to excessive Government intervention in the past one year. Sugar cycles in India, of late, would seem to be the bizarre outcome of unhelpful Government policies than by the vagaries of nature.

The current mismatch between input and output prices has come to inflict losses even on most efficient producers of sugar. It cries for early correction lest it leads to mounting cane arrears and moribund sugar production.

Government measures

Levy obligation was restored to 10% on the strength of higher sugar production to meet PDS supply. Levy sugar price after several years of hibernation was revised for 2009-10 on 21.06.2010 and for 2010-11 on 18.01.2011. With retrospective amendment to the Essential Commodities Act, levy sugar price computation continues to ignore well settled legal and commercial principles that

does not cover even the cane cost. The industry is again before the Apex Court for relief.

Duty-free raw sugar import facility was repetitively extended and is now in force till end of June 2011. Restrictions on bulk users brought under inventory norms is also similarly getting undue extensions though the ceiling has been moderately hiked. While these measures were introduced during domestic deficit, repeated extensions unmindful of market realities have only helped to accentuate the bearish undertone of the market.

Fair and remunerative price for 2010-11 was fixed at 139.12 per qtl linked to 9.5% recovery. Government of Tamil Nadu announced a steep hike in SAP from Rs.143.74 per qtl to Rs.190 per qtl. Advance FRP announcement for 2011-12 has now been made by the Centre at Rs.145 per qtl.

Sugar decontrol looks presciently off the radar of the Central Government. Despite several of the Expert Committees unanimously recommending decontrol, there appears little political will to push this forward at the current juncture.

Sugar has been taken out of the purview of additional excise duty to pave way for States imposing VAT on sugar under the proposed GST regime. Tax holiday under Sec.80(1A) of the Income Tax Act for Power Projects has been extended for one more year that should incidentally benefit your Company.

Company performance

As feared in last year's Report, cane volume contracted by over 20% despite a decent hike in cane price. Significantly and most stressfully, sugar recovery suffered a steep setback recording the lowest in a decade. Sugar production was supplemented with outsourced cane and imported raw sugar.

Agriculture has become increasingly unviable in States like Tamil Nadu displaced by higher growth in industrial and service sectors. Despite a whopping 100% increase in sugarcane price within a short span of 5 years, there appears little and ever diminishing enthusiasm for cane crop. As a result, Tamil Nadu sugar industry is now ordained to operate owefully at one-half of its optimal capacity. Harvesting labour has become the major challenge with harvesting rates trebling in just two years. Despite mobilizing and moving farm labour from far away locations, lower productivity and lackadaisical work culture have come to cause a disastrous spell on the timing and regularity of sugarcane flow from field to factory.

Your Company views the current sugarcane scenario in its operational area to pose the severest of challenge for its sustainability. Realising this, it has taken steps to play a direct and decisive role to improve the quality of seed material, enhance soil productivity through committed supply of bio-manures, intensify drip irrigation, all with a view to improve both yield and recovery. Besides reinvigorating the efforts to bring in labour from other States through advance tie-up arrangements, it plans to shortly introduce tools and gadgets to mechanise cane harvesting operations.

Sugar prices that suffered a precipitous fall since January 2010 mercifully did not decline to deplorable levels as earlier feared. Molasses price suffered the most with a formidable fall of 50%. The Company however was largely helped by opening inventories produced at lower cost, higher sale volume and near extinction of debt to remain profitable. Further, its prudent provisioning for the drastic decline in the value of raw sugar import contract made last year helped to mitigate and neutralize the adversity of its impact for the current year.

The Company's turnover scaled to a new high for the year with the peaking of domestic sugar sale volume. Its PBIDT has declined by 75% while PBT is lower by 50% compared to the last year that was rather exceptional on all counts. In sum, the overall performance of the Company should be regarded reasonable and satisfactory under extant external environment.

Legal cases

The Hon'ble High Court of Madras has upheld the stand of the Company that Sugar Development Fund (SDF) Loans extended to the erstwhile Ponni Sugars and Chemicals Ltd cannot be recovered from the Company. The High Court by its order dt.09.11.2010 further directed SDF to disburse the withheld subsidies.

The Company did make a compromise proposal to SDF to voluntarily settle part of the dues per consensus. This was borne out of business prudence and commercial expediency with the sole objective to swiftly bring the curtains down on a long pending legal issue and restore relationship in long term interest. There has however been no response both before and after the High Court ruling from SDF authorities in the matter. The Company will doubtless pursue all available options for early resolution of this issue.



The High Court of Madras by its order dt.28.02.2011 held that ESI provisions are not applicable to the Company having a seasonal factory and quashed the demand notice of ESI authorities.

Cogeneration Project

The Company has kick-started its Cogeneration Project on a capital outlay of Rs.110 crores. Term loan of Rs.65 crores has been tied up with Canara Bank for this Project. Further, Canara Bank has been inducted into our consortium in place of United Bank of India. Your Directors convey their appreciation for the support and assistance received from United Bank of India all along.

Orders have already been placed for Boiler, TG set and other auxiliary equipment. The Project is targeted to get commissioned and export power before end of March 2012.

Investment

Seshasayee Paper and Boards Ltd (SPB) is the promoter of your Company. As a flagship company of the Group, SPB has extended timely support and assistance for all the Group companies, including your Company. SPB has now embraced a major growth option by way of acquiring 90000 tpd paper mill, namely, Subburaj Papers Ltd (SPL) in south Tamil Nadu. For this, SPB would need to buy 100% of the equity from Subburaj Group at a fair value of Rs.20 per equity share of Rs.10 involving Rs.30 crores.

SPB has since taken full charge of SPL's operations. Your Company has extended support for this venture by investing Rs.10 crores representing one-third of the equity of SPL.

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 2011-12

Indian Meteorological Department has predicted yet another year of normal monsoon. Despite the rollback in cane prices in certain major sugar producing regions, cane area may not see any discernible decline. As such, Indian sugar production could remain in surplus for one more year.

There are however greater challenges on the global front where sugar stocks are at historically low levels. Hence

even minor corrections in production numbers could trigger turbulent changes in global prices. Indian producers would need and largely depend on a pro-active and supportive policy environment to be able to get viable prices for their produce both in the local and overseas market.

Sugar mills in Tamil Nadu, unlike their counterparts in other major producing regions, did not have the luxury last year to down-revise cane prices compatible with the downfall in sugar prices. Unchecked rise in farm labour cost and lack of mechanization have come to hamper cane cultivation and erode profit margins for the cane crop despite higher prices. With fresh sugar capacities, there is increased competition for available cane and labour supply. There are thus systemic constraints inflicting higher costs and impeding cane supplies for sugar mills in the State.

Your Company therefore looks to a challenging time during 2011-12 on both availability of cane and affordability of its cost besides the ever escalating shortage for harvesting labour. It will further be faced with higher interest costs with the disappearance of surplus funds having been deployed in projects and hard money policy stance of RBI by continually hiking interest rates. It would of course steadfastly focus on increasing efficiencies and cutting costs towards sustaining reasonable levels of operating and financial performance.

Directors

The present term of Mr N Ramanathan, Managing Director concluded on 31st March 2011. Your Directors, in recognition of his committed role and valued contribution have reappointed him as Managing Director of the Company for a period of 3 years from 1st April 2011. Consent of the Members is being sought both for his appointment and terms thereof at this meeting.

Mr N Ravindranathan retired at the Annual General Meeting held on 21st July 2010 and did not opt for re-election. Dr (Mrs) Nanditha Krishna was appointed as Additional Director on 24th December 2010. She will retire at this meeting in accordance with Section 260 of the Companies Act, 1956. Notice under Section 257 of the Companies Act has been received for appointment as Director, for which approval of Members is sought at this meeting.

Dr L M Ramakrishnan and Mr Bimal Poddar, Directors of your Company, retire by rotation at this meeting and being eligible offer themselves for reappointment.

Mr S K Ramasamy also retires by rotation at this meeting. Considering his advanced age, he has opted not to seek re-election at this meeting. Mr S.K.Ramasamy has been a Director of the Company since 2001 and has played an effective role through his interaction with sugarcane growers. Your Directors wish to place on record the valued contribution made by Mr S.K.Ramasamy to the Company during his long association.

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 2011 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 2010-11 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 & Co and M/s R Subramanian and Company retire at this meeting and are eligible for reappointment pursuant to Section 224 of the Companies Act, 1956.

Cost Audit

Cost Audit Report for the year would be filed with the Central Government in due course. M/s S Mahadevan & Co have been reappointed as Cost Auditors for 2011-12.

Appreciation

Your Board conveys its appreciation to the cane cultivators, customers, suppliers and Banks for their continued support and cooperation. Your Directors commend the committed performance of employees at all levels in steering the Company through a difficult year. Your Directors wish to thank the shareholders for their continual support to the management.

Chennai
27th May 2011

For Board of Directors
N Gopala Ratnam
Chairman

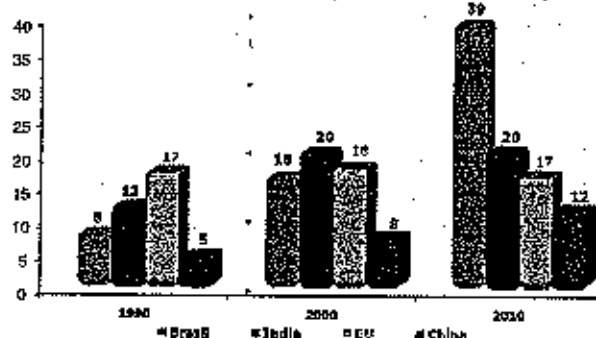
MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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 82% during 2010-11 by reason of growing sugar production out of cane in tropical countries.

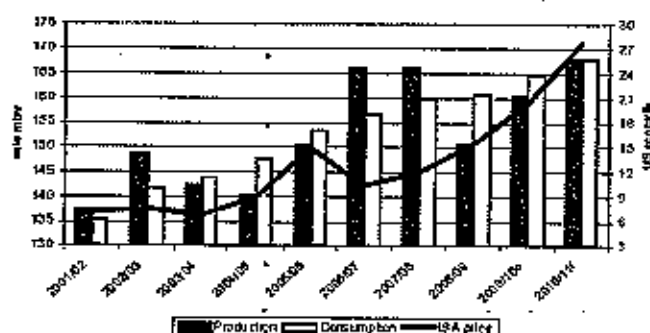
World Sugar Production (mtn tonne raw value)



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 and has the potential to become still more dominant in the future. In 2009-10, Brazil's production was twice that of India. In contrast to the consistent growth in Brazil, Indian production is plagued by wild year on year swing.

World production, consumption and ISA prices

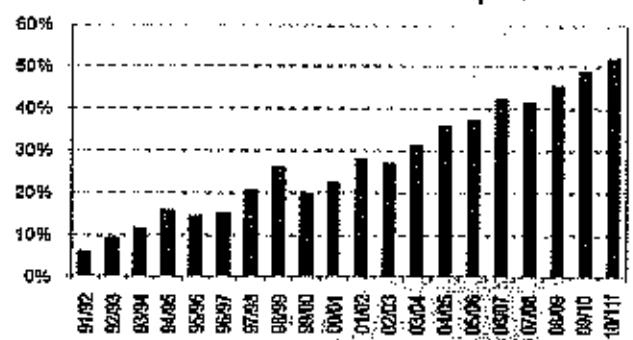


Source: ISO-QMO Feb.2011

India continues to be the top sugar consumer despite low per capita consumption. Other major consumption centers are China and EU. Consumption growth is near static in developed countries and is driven mostly by Asian demand. It could be slower for 2010-11 at 2.01% against 10 year average of 2.6% due to historical high prices in both world and domestic markets. After two years of deficit, world sugar production is set to re-emerge with a moderate surplus for 2010-11, though the size of surplus has been successively scaled down in revised estimates. World sugar stocks at 35.01% by end September 2011 would be at historic low levels.

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

Brazilian Market Share of Global Exports

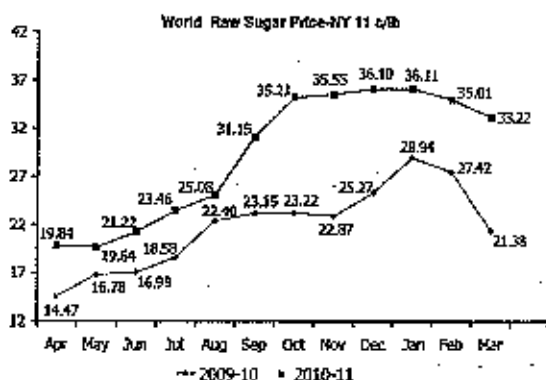


Source: Kingsman

World Sugar prices

World market prices continued their roller coaster run with short term swings in both directions. After a severe price collapse in early November from 30 to 24 c/lb, a midterm bearish trend re-asserted. Thereupon, a new upward wave started in January and by 2nd February the price touched 32.57 c/lb, the highest daily quote for more than 30 years since 28.11.1980. White sugar price followed a similar scenario touching a new high at US\$ 832.40 on 2nd February.

Months of March and April witnessed an avalanche of price fall reflecting a record harvest in Thailand, the second largest exporter and fast approaching fresh crops from Brazil. It may not however replicate the dynamics of disastrous downfall seen in the last year.

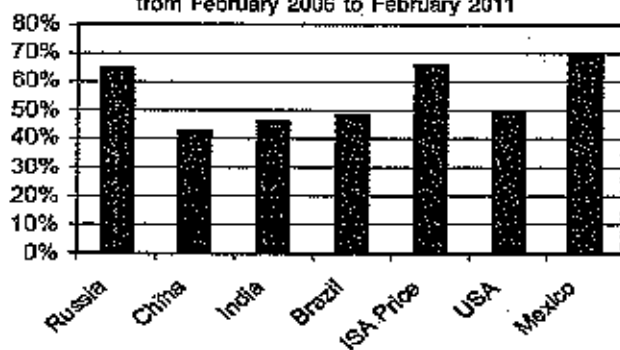


Source: ISO

In terms of monthly averages, the prices kept up for eight consecutive months since May 2010. Market had factored in bearish factors, namely, lower than expected CS Brazil export, lower EU exports, anaemic 2010-11 Australian exports, higher Russian imports due to disastrous 2010-11 crop and lower stocks in importing countries.

Wholesale domestic sugar prices have reached fresh records in Russia, China and Brazil. When expressed in USD, the price rise is 20%, 40% and 20% respectively for these countries since last February. Over the long term, there seems to be a somewhat stronger link in dynamics between world and domestic markets. While world sugar prices have increased by 66% since Feb. 2006, domestic prices have increased in all major consuming markets (excluding the EU), with individual country price rises ranging from 43% to 70%.

Domestic prices expressed in national currency - change from February 2006 to February 2011



Source: ISO-QMO Feb. 2011

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.

1964-85 All India Sugarcane- Use



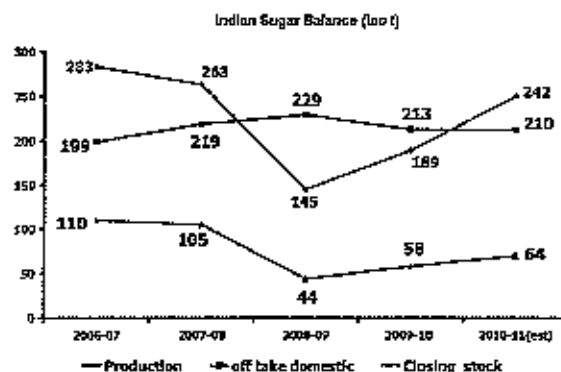
2009-10 All India Sugarcane- Use



Source: Indian Sugar Journal-Dec.2010

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 cyclicity 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.

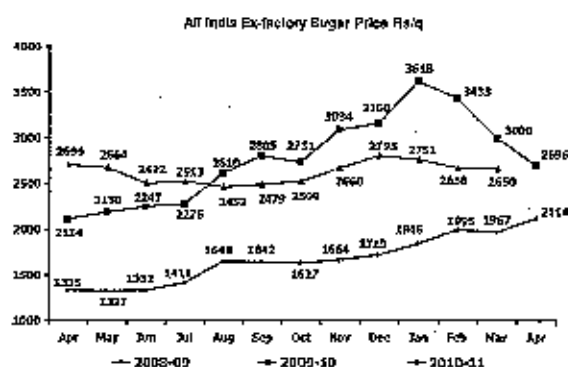
The steep increase between original estimate and final production of sugar for 2009-10 coupled with higher sugar production over domestic off-take during 2010-11 have come to significantly strengthen the local supply position. By reason of Government policy to checkmate exports and choke trade flow with extended controls, sugar prices have turned balefully bearish throughout financial year 2010-11.

The Fair and Remunerative Price announced by Centre is a far cry from being a fair and remunerative price. Sugar mills are forced to offer much higher prices to enthrone farmer undertake cane cultivation. With all round increase in the cost of inputs and more so with labour, farmer is only lukewarm to cane crop in States like Tamil Nadu despite a near 100% increase in cane price within 5 years. Food inflation is indeed global and sugar prices must be allowed to be market driven for stability in supply and sustainability of operations in the long run.

India's influence over world sugar prices was decisively demonstrated during 2009-10. Whenever there is huge shortfall in domestic production, the Indian consumer ends up paying hefty price on imports. It is hence imperative that sugar prices are monitored with long term objectives than to score a few brownie points in the short haul to win the war but loose the battle.

Indian Sugar price

Indian sugar prices displayed a bearish undertone all through the year. This is in contrast to much wider swing and volatility in the global prices. Indian prices were virtually insulated from world prices due to the backdoor ban on exports and bountiful releases.



Source: ISMA

There is presently a fine balance between production and off-take and stock levels haven't reached alarming level. Still the prices have plummeted to below breakeven level more out of negative market sentiments brought about by aggressive Government intervention than warranted by the fundamentals.

Despite losses, sugar mills have managed with little cane arrears till date, thanks to the surplus cash generated in the previous year and precious little investment on expansions made during this boom. This luxury is no longer available and hence there must be the desired price correction, that too immediate, to protect farmer's interest as well as to prevent future production shocks and setback.

Government Policies

Sugar business continues to remain highly regulated. The Centre fixes levy percentage to meet PDS requirement for the benefit of BPL families. Levy obligation was temporarily hiked to 20% for 2009-10 due to extremely lower production. This has since been restored to 10% from 2010-11. The balance, though termed as free sale sugar, is monitored through monthly release mechanism.

Levy sugar prices remained unrevised for 6 years from 2004. Finally the Government came to revise the levy sugar price for 2009-10 on 21.06.2010 and 2010-11 on 18.01.2011. Levy sugar price computation continues to ignore cane price over and above Centre's price despite the Supreme Court ruling in favour of the industry through a retrospective amendment to law. Sugar industry has again challenged this and the issue is before the Supreme Court.

Fair and Remunerative Price (FRP) for 2010-11 season was fixed by Central Government at Rs. 139.12 per qtl linked to 9.5% recovery with a premium of Rs.1.46 for every 0.1%

increase in the recovery. The Centre has also announced advance FRP for 2011-12 at Rs.145 per qtl for 9.5% recovery with a premium of Rs.1.53 for every 0.1% increase in the recovery.

Government of Tamil Nadu effected a steep hike in SAP for 2010-11 to Rs.1900 per tonne (previous year Rs.1437.40 per tonne) linked to 9.5% recovery. In addition, transport charges from field to factory have to be fully borne by sugar mills.

ISMA and National Federation of Cooperative Sugar Factories have submitted a joint memorandum to the Central Government for early decontrol of the sugar industry. The Centre reportedly desired to enlist the views of State Government on the subject and there is little tangible progress on decontrol.

The Central Government also introduced, extended or enforced a slew of regulatory measures during the year to keep continual check on sugar prices and rein in food inflation. Some of them are:-

- ❖ Duty-free raw sugar import facility repeatedly rolled over – Present validity upto 30.06.2011.
- ❖ Export releases commenced from November 2010 but were confined only to ALS/ AAS outstanding obligations - Deadline set for completing old obligations before 31.03.2011.
- ❖ OGL export of 5 lakh tonnes announced in January but put on hold – Finally confirmed in April 2011 - Quantity pro-rated to all sugar mills on the basis of past 3 years' production.
- ❖ Re-export of previously imported raw sugar lying at ports allowed on condition that equivalent quantity shall be re-imported when dictated by Government.
- ❖ Daily reporting of sugar production and dispatch data through SMS introduced from 31.08.2010. This was changed to weekly basis of reporting from 02.12.2010.
- ❖ Stock holding limit for bulk consumers was extended but the norms were marginally diluted.
- ❖ Hundred percent compulsory packaging of sugar in jute bags reconfirmed for 2010-11. Further, the packing has to be 50 kg bags as against 100 kg hitherto used to conform to WTO norms.
- ❖ Ban on sugar futures imposed since 26.05.2009 was lifted from 01.10.2010. Trading commenced from 27.12.2010.
- ❖ Ethanol blending programme for 5% reaffirmed - Provisional price fixed at Rs.27 per liter - Expert Committee to recommend pricing formula - Final decision of Government awaited.
- ❖ The Centre has revised WPI index from September 2010 with 2004-05 as base year. In this, sugar weightage has been reduced from the earlier 3.68% to 1.74%. The Centre however has not let lose its vice like grip on sugar price despite its reducing effect on WPI.
- ❖ The Centre with a view to promote green energy has introduced Renewable Energy Purchase Obligation stipulating minimum percentage of renewable energy to be purchased by major consumers. It has also correspondingly introduced Renewable Energy Certificate mechanism that is tradable in energy exchanges.
- ❖ Union Budget 2011 has removed sugar from the purview of Additional duties of Excise (Goods of Special Importance Act, 1957). This is to facilitate States impose VAT on sugar under the proposed Goods and Services Tax regime.

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.

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 87 days in 2008-09, marginally improving to 108 days in 2009-10. Reduced cane availability that towers

season duration is but the direct outcome of unviable sugar price, forcing the farmer 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 is linked to a normative capital cost of Rs.55,000/ ha compared to the current cost in excess of Rs.one lakh/ ha. Free power on the contrary 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.

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.

Frequent policy intervention disrupts the orderly functioning and dislodges the business plans of the industry. While the Government has a legitimate right and role to protect the interest of poor and needy, there is no rationale in subverting sugar prices to the benefit of industrial and high income consumers.

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. Mechanisation is yet to take off in any meaningful measure due to fragmented landholding and undulated land terrain in most part of Tamil Nadu.

With growing concern on food security and inflation control, sugar faces the imminent risk of increasing crop diversion with an over zealous Government constantly choking sugar prices. There is dire need for a balanced and integrated policy framework, more particularly the long term price parity between sugar and sugarcane, for the orderly growth and long term health of this core sector.

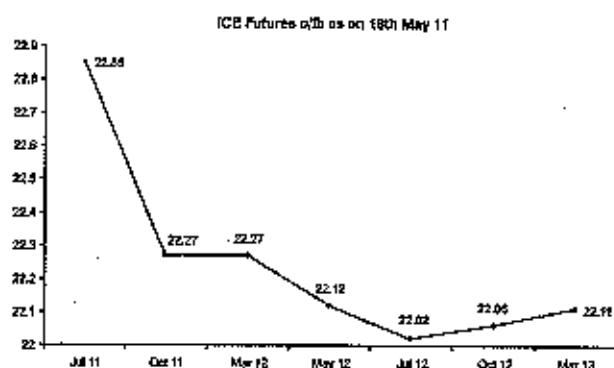
Segment-wise or product-wise performance

The Company is engaged in a single segment, namely, sugar and its by-products.

Outlook

After several years of world prices well above historical levels, the much expected supply response to higher prices today still seems somewhat elusive. The close correlation between higher prices and crop recovery is no longer evident. Several factors would seem to impede the full transmission of world sugar price to the crop producer, namely, weather effects, production costs, currency movements, Government regulation as well as the ability to remain a net sugar exporter on the back of a fast growing domestic demand, particularly in Asia.

Sugar futures in ICE market reflects the tight market situation with a high physical premiums against July NY#11 and a bearish outlook thereafter. It has moved from a strong backwardation to a flat to carry structure, reflecting the fundamental change from deficit to surplus.



Source: Czarnikow Report

World prices started their downward correction again from March 2011 with the start of new season by Brazil and higher production turnout by Thailand. A neutral world balance (neatly balanced world production and consumption as well as export availability and import demand) in low stock environment is unlikely to pare back extreme price volatility till a more detailed picture of Brazil's new crop development is available in June-July.

Indian sugar production looks certain to remain in surplus for a minimum of one more season, barring weather

uncertainties. IMD has predicted a normal monsoon forecast in its first advance estimate. This should prompt the bearish trend to persist, albeit with some moderate recovery to align with higher cane prices.

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:

(a) Raw material risk

Sugarcane is the sole principal raw material. Its availability, quality, growth and cost are impacted by -

- ❖ Availability of cultivable land and adequacy of irrigation infrastructure
- ❖ Adoption and application of sound agronomic practices by the cultivator
- ❖ Normalcy of monsoon, flow in river Cauvery and water table in the command area of cane.
- ❖ Electricity connection and uninterrupted grid supply to pump water
- ❖ Competition from other crops influencing farmers' crop preference
- ❖ Pest attacks and crop disease
- ❖ Diversion of cane to jaggery and neighbouring sugar mills in defiance of contractual obligation
- ❖ Availability, adequacy and cost of harvesting labour
- ❖ Cane price control by Centre and State, known as Fair and Remunerative Price (FRP) and State Advised Price (SAP)
- ❖ Higher tax on sugarcane in Tamil Nadu
- ❖ Price volatility risk and currency risk in the case of raw sugar imports

Risk mitigation

- ✓ Promotion of Lift Irrigation and Drip Irrigation
- ✓ Cane development schemes
- ✓ Improved road infrastructure utilizing sugarcane cess funds
- ✓ Incentives to mitigate hardship and promote right cane variety
- ✓ Promoting and actively assisting in farm mechanization
- ✓ Remunerative cane price and prompt payment
- ✓ Networking through divisional cane offices to disseminate knowledge and inculcate discipline and enforce compliance
- ✓ Fair and transparent dealings with farmers to build goodwill
- ✓ Arranging crop loan through Banks under tie-up arrangement
- ✓ Centralized procurement and distribution of fertilizer and pesticides and promoting bio-manures
- ✓ Recourse to raw sugar import to tide over transient cane shortage

(b) Product price risk

- ❖ Sugar prices are susceptible to commodity cycle. Marginal price change might materially impact profitability
- ❖ Levy sugar price is determined by Government. Revisions are neither prompt nor adequate
- ❖ Sugar is an essential commodity. Free sugar prices are also kept in check by Government to control food inflation
- ❖ Sugar Export window is closed at Government discretion
- ❖ Global sugar prices influence and impact domestic prices
- ❖ Sugar Futures to hedge price risks are susceptible to temporary bans
- ❖ Molasses is controlled by State. Restrictions on inter State movement considerably impact prices



Risk mitigation

Impact of global and local market forces and regulatory regime are beyond the control of the Company. Within extant constraints, risk mitigation measures focus on:

- ✓ Introduction of ISO 9001:2000 for quality system
- ✓ Production of higher grain size and lower ICUMSA (brighter) sugar
- ✓ Targeting sugar markets in deficient regions
- ✓ Tapping export markets
- ✓ Increased cane volume and sugar production for improved economies of scale
- ✓ Measured hedging in Futures Market
- ✓ By-products value addition

(c) Regulatory risk

Sugar industry despite much liberalization in the country continues to suffer under catena of controls:

- ❖ Cane area reservation by State
- ❖ Cane price fixation by Centre and State (FRP & SAP)
- ❖ Control on molasses by State including inter State movement restriction
- ❖ Levy obligation at unviable price
- ❖ Monthly release mechanism to regulate free sugar trade – Occasional tightening to weekly quota
- ❖ Restrictions on Trade and Bulk Users distorting market sentiments
- ❖ Compulsory packing of sugar in jute bags
- ❖ Adhoc intervention in Exim Policy
- ❖ Political sensitivity and attendant adhoc aggressive State intervention

Risk mitigation

Much of the regulatory risks being Government policy driven are beyond Company's control. Every effort is made to conform to regulatory requirement, while judicial recourse is made when warranted. Redressal is sought through industry associations

(d) Finance risk

- ❖ Availability of working capital to meet cane dues
- ❖ Interest rate risk

- ❖ Currency risk including Derivative risk
- ❖ Financing New Projects

The Company enjoys sound reputation and good rating with Banks. Interest rate changes in tune with RBI policies is inevitable. Rising rupee erodes export competitiveness. To address these, the Company constantly looks for lower cost debt options, while currency risks are mostly hedged and uncovered exposures kept minimal. Derivative exposures, occasionally undertaken, are ensured to remain within prudential norms.

(e) Risk specific to the Company

Erode Sugar Mill is squeezed for land in its factory area to accommodate any 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 is pursuing Cogen Project on a capital outlay of Rs.110 crores. Its implementation without time or cost overrun and successful operations are crucial to future cash flows.

Though the transfer of Erode Sugar Mill Undertaking was made to the Company in terms of Scheme of Arrangement sanctioned by the Hon'ble High Court of Madras, the Company is confronted with certain claims towards tax disallowances and recovery of Sugar Development Fund Loans owed by erstwhile Ponni Sugars and Chemicals Ltd. The Company is legally advised that those have only a remote probability of crystallization. Appropriate defence by filing Writ Petition is already initiated to protect Company's interest in the matter. Of this, the SDF issue is decided in Company's favour by the High Court of Madras.

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 109 seasonal and 243 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.

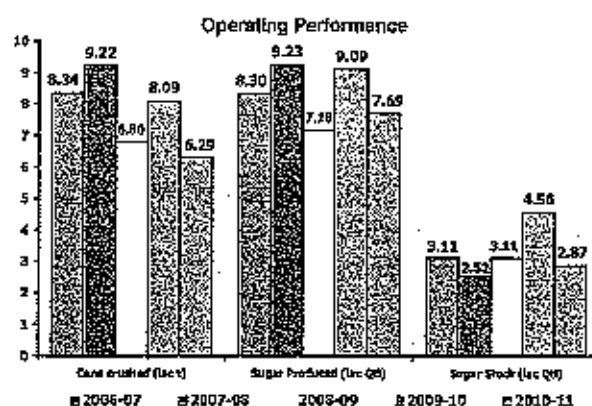
Discussion on Financial Performance with respect to Operational Performance

Operational Performance

	Year ended 31st March	
	2011	2010
Number of days	278	300
Average crushing rate (tcd)	2555	2695
Cane crushed (t)	628613	808612
Recovery (%)	9.65	10.11
Raw Sugar processed (t)	17087	9608
Sugar produced (t)	76870	90920

The Company operated for lesser duration and handled lower volume of cane and the highest volume of raw sugar. It had periodic interruptions to the daily crushing due to fluctuating availability of harvest labour.

Sugar recovery slipped by 50bps and touched the lowest in 12 years. This was caused by poor cane quality, delayed harvest and adverse weather.



Turnover

Sale of domestic sugar volume touched a record high figure. Levy releases were liberal while accelerated free sale quota out of imported raw sugar bolstered overall sale volume. Bagasse sale volume declined commensurate with lower crushing.

The Company re-exported 2909 tonnes of raw sugar under the one-time facility with commitment to re-import equivalent quantum as and when decided by the Government. It had no advance licence obligation and no OGL export was allowed.

Levy realization improved by 34% with the Government revising levy sugar price after a wait of 6 years. Free sale price dipped by 8%. Gross turnover touched an all time high.

Other Income

Other income was boosted by dividend out of temporary surplus funds invested in Mutual Funds and exchange gain on Import Trade Credit.

Raw material cost

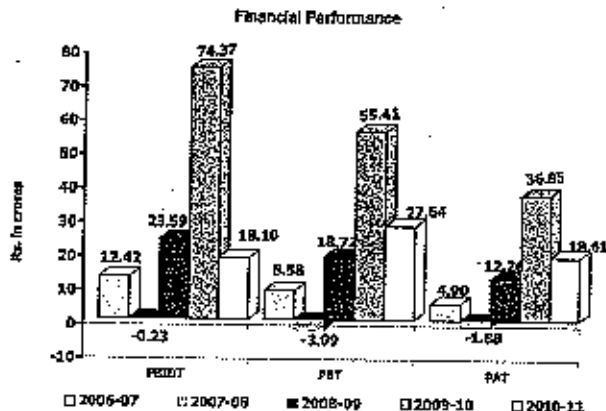
Government of Tamil Nadu hiked the SAP for 2010-11 by 24%. Average cane cost went up by 17%. High cost of imported raw sugar was however neutralized by the prudent provisioning made in last year.

Packing cost was higher by 9% due to mandatory jute packing. Employee cost was up by 15% due to higher DA and provisioning for retirement benefits. Repair cost was

significantly pruned with tight budgeting. Variance in other expenses is principally due to the excise duty provision on inventory change.

Operating Margin

Operating margin was severely dented due to higher raw material cost and lower realization from sugar and molasses.



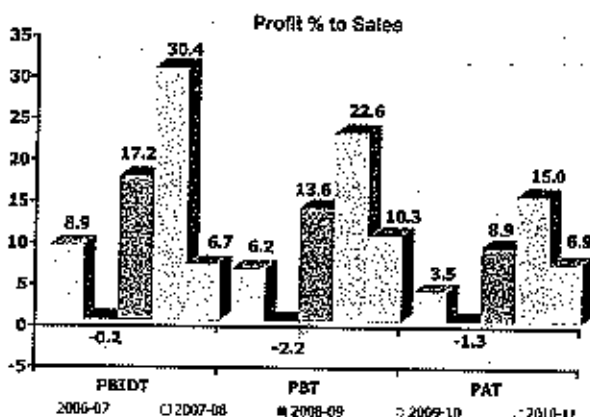
Interest cost

Interest on fixed loans declined in line with instalment repayments during the year. Import trade credit to finance raw sugar import was cost effective. There was nil availment of cash credit limits for 5 months and the utilization was marginal during other periods.

Depreciation

There is no change in the method of depreciation.

Profit Before Tax (PBT)/ Profit After Tax (PAT)



PBIT is the lowest in 5 years barring the loss suffered in 2007-08. PBT decline was buttressed by the reversal of prudent provisioning made for raw sugar last year. The overall financial performance for the year is considered satisfactory.

Share Capital

The Company issued 8198418 Equity Shares of Rs.10 each in 2001 in terms of the Scheme of Arrangement sanctioned by the High Court of Madras.

The Company issued and allotted 400000 Equity Shares at a premium of Rs.40 per share in 2008 on conversion of redeemable cumulative preference shares.

This together constitutes present outstanding capital of 8598418 Equity Shares.

Debt

Debt servicing is as per schedule.

The Company is still to realize Rs.123 lakhs of interest subsidy under the subvention scheme. Meanwhile its repayment commenced from February 2010 and the Company had paid Rs.568 lakhs during the year.

The Company has drawn the first instalment of Rs.5 crores from Canara Bank towards Cogen Project. This was first sanctioned at an interest rate of 9.50% that has moved up to 11% in tune with RBI policy.

Fixed Assets

Addition to Plant & Machinery is marginal for replacing obsolete equipment. Normal capital additions have been funded out of internal accruals.

The Company has incurred Rs.15 crores of expenditure towards Cogen Project under construction. All direct and related expenditure for this would get capitalized in accordance with Accounting Standard 10.

Investment

During the year, the Company has obtained approval for investment in the Equity Shares of Subburaj Papers Ltd upto Rs.10 crores. Advance of Rs.7.5 crores made towards this purchase, pending share transfer, is shown under Loans & Advances.

Working Capital

Sugar inventories have declined with accelerated sales. Inventory valuation rate for levy and free sugar has considerably gone up from last year with a beneficial impact of Rs.11 crores to the bottomline. Molasses stock volume declined by 92% while its value dipped by 72%.

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 accruals were mainly used to reduce working capital borrowings and meet our contribution to Cogen Project and investment in Subburaj Papers Ltd.

Cost-realisation trend

During the quinquennium 2006-11 the relative change in CAGR (%) for major items are as under:

Cost		Realisation	
Sugarcane	12	Sugar	9
Process & packing	12	Molasses	8
Employees	15	Bagasse	8

The trend is thus too evident that output prices haven't been able to keep pace with galloping cost escalations.

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.

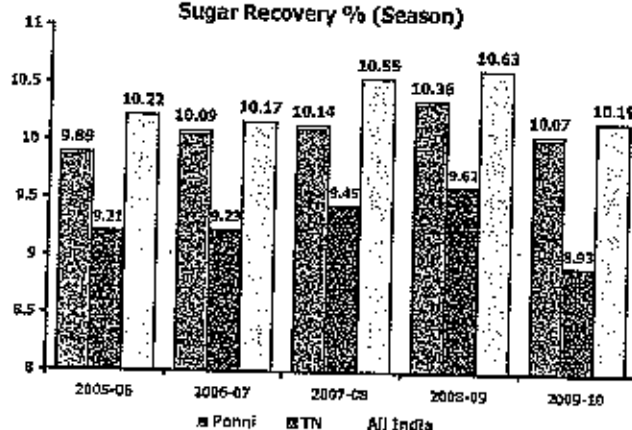
Chennai
27th May 2011

For Board of Directors

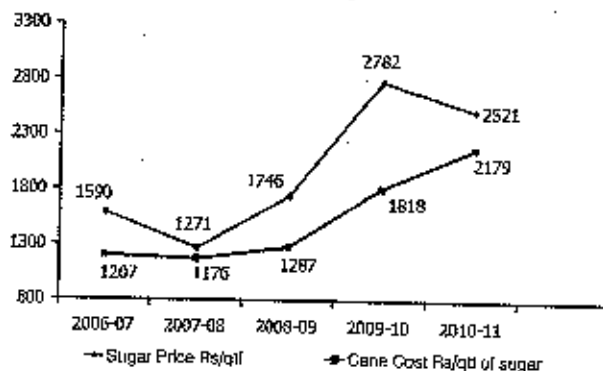
N Gopala Ratnam
Chairman

Ponni Sugars (Erode) Limited

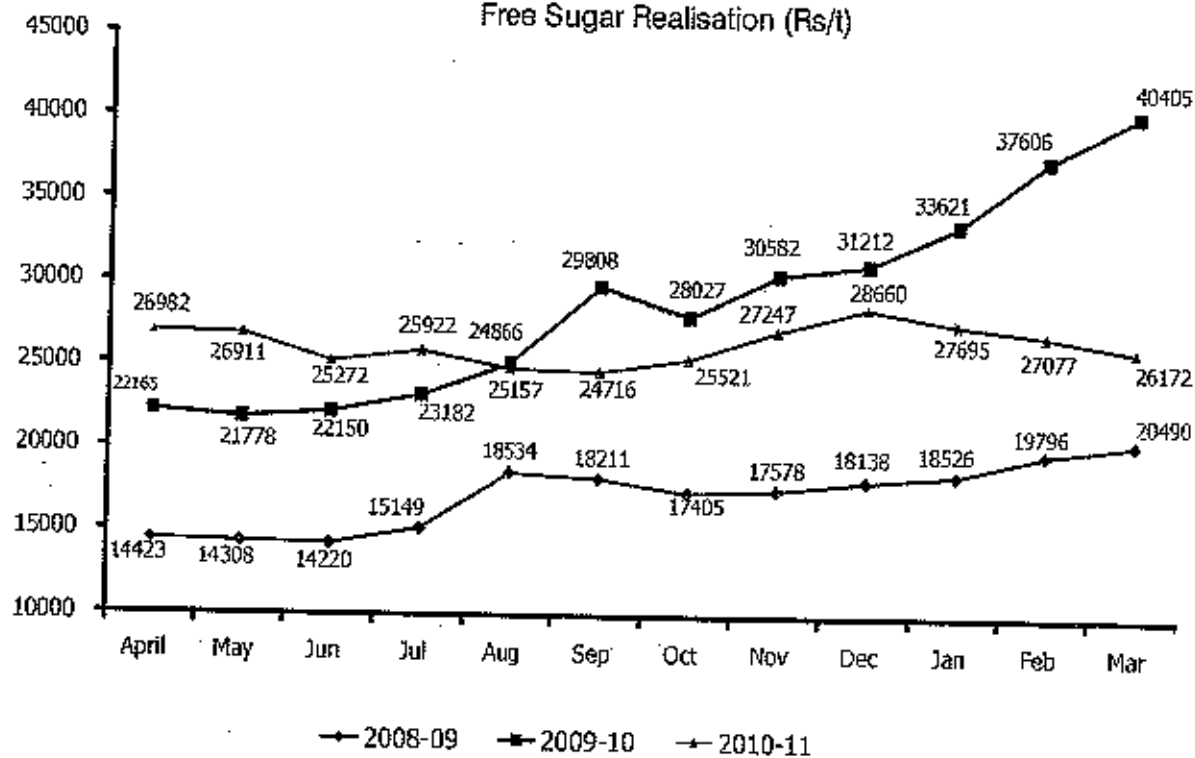
Sugar Recovery % (Season)



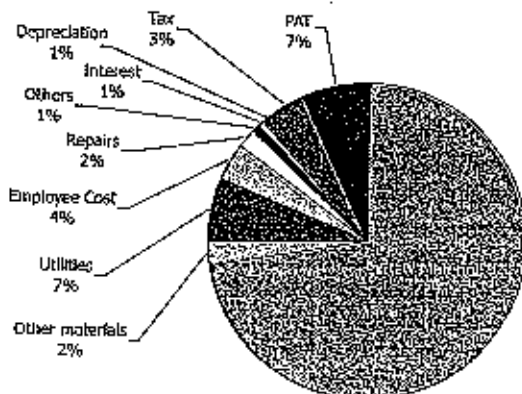
Cane Cost Vs Sugar Price



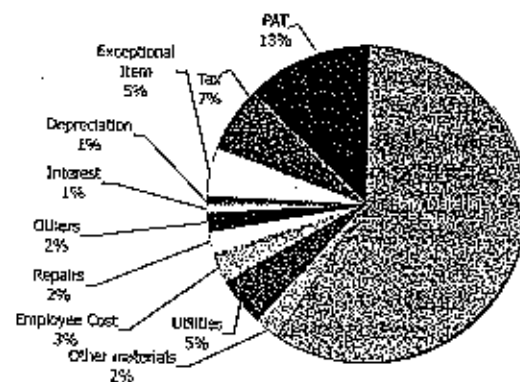
Free Sugar Realisation (Rs/t)



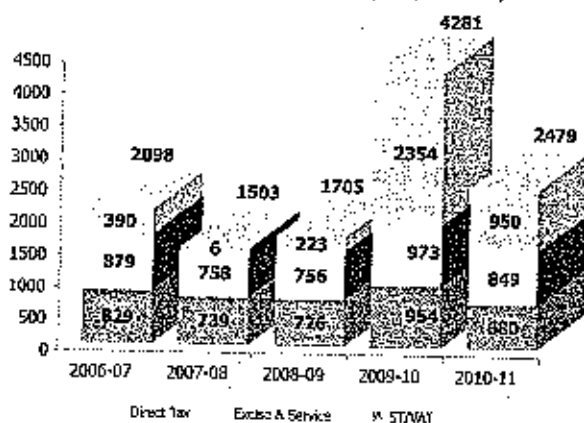
Distribution of Income 2010-11



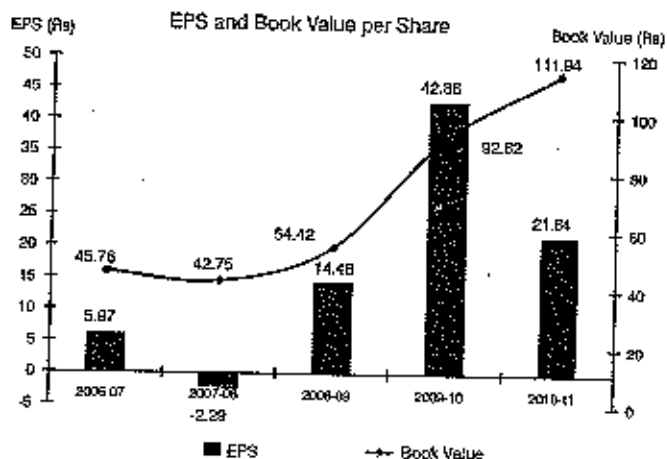
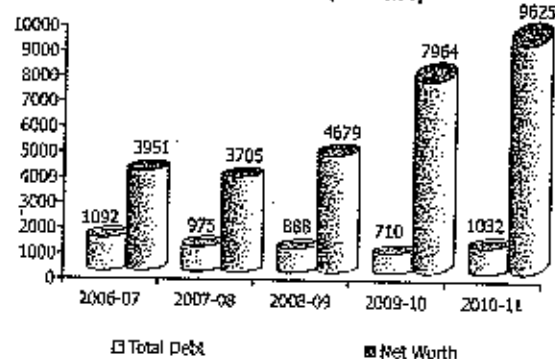
Distribution of Income 2009-10



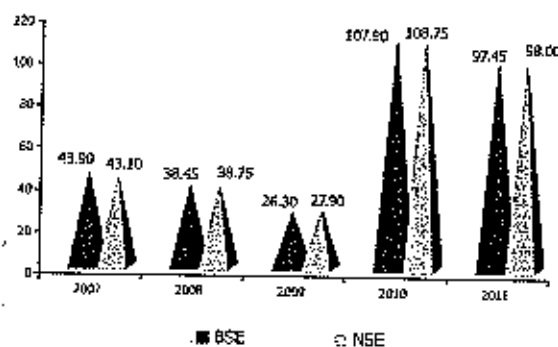
Contribution to Exchequer (Rs. lakhs)



Debt & Net Worth (Rs. Lacs)



Share Price (Rs) - As on 31st March



Ponni Sugars (Erode) Limited

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 VFD in the cane carrier.
- (ii) Installation of Electrical Melting System for melting of sulphur.
- (iii) Relocating the syrup buffer tank to ensure gravity flow of syrup to syrup clarification system thereby avoiding one stage of pumping.
- (iv) Installation of plate type heat exchanger for superheated wash water system.
- (v) Installation of four nos. of planetary gear boxes in crystallizers.

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

- (i) Installation of 1000 m² H.S Evaporator body
- (ii) Fine tuning of automation in all possible areas.
- (iii) Installation of two nos. of 1250 kg capacity batch centrifugal machines instead of four nos. of 650 kg capacity machines.

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

- (i) Steam consumption is reduced by 1.25 % on cane.
- (ii) Power consumption is reduced by 500 units per day.

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

B. Technology Absorption

e) Efforts made in Technology absorption are given in Form B.

C. Foreign Exchange earnings and outgo

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

Sugar exports are driven by Government policy and the production cycle of sugar business. The company is a regular player whenever India is a sugar exporter. Currently, no OGL export was allowed.

During the year, the company re-exported 2909 tonnes of raw sugar under one-time facility with commitment to re-import equivalent quantum as and when decided by the Government.

g) Total foreign exchange used and earned

	(Rupees in lakhs)	
	2010-11	2009-10
Earnings	815	-
Outgo	5554	1703

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)	2.70	0.55
Total amount (Rs lakhs)	26.78	14.71
Rate/Unit (Rs/kwh)	9.92	26.72
b) Own generation		
i) Through Diesel Generator	—	—
ii) Through steam turbine/Generator		
Units(kwh lakhs)	206.53	230.64
Units per tonne of fuel (kwh)	—	—
Cost/Unit (Rs/kwh)	2.62	2.02
2 Coal		
Quantity (tonnes)	33295	36224
Total Cost (Rs lakhs)	1638.13	1436.35
Average Rate (Rs/t)	4920	3965
3 Bio-Fuels		
Quantity (tonnes)	18	25
Total Cost (Rs lakhs)	0.49	1.04
Average Rate (Rs/t)	2722	4032
4 Bagasse		
Quantity (tonnes)	81048	101576
Total Cost (Rs lakhs)	Nil	Nil
Average Rate (Rs/t)	Nil	Nil
(B) Consumption per unit of production:		
Product-Sugar cane (t)		
Electricity (kwh)	30	27
Fuel (t) *	0.09	0.09
Product-Raw Sugar (t)		
Electricity (kwh)	103	106
Fuel (t) *	0.36	0.35

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

Note:

- Increased power consumption due to reduced rate of crushing.
- 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) (Rs lakhs) : Nil Nil

B. Technology absorption, adaptation & innovation:

Nil

For Board of Directors

N Gopala Ratnam
Chairman

Chennai
27th May 2011

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 stakeholders' 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, Finance and Agriculture.

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 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 required under Clause 49.

as required under Clause 49.

Name of Director and category	Date of initial Appointment	No. of Equity shares held	Attendance at Board meetings during 2010-11		As on 31st March 2011			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	6	2	1	Y
Dr L M Ramakrishnan Independent	26.10.2001	536	5	100	4	—	1	Y
Mr Arun G Bijur Promoter Group	26.12.1996	100	5	100	4	1	1	Y
Mr Bimal Poddar Promoter	26.10.2001	NIL	4	80	13	—	4	Y
Mr C K Pithawalla Promoter	26.10.2001	500466	1	20	7	—	—	No
Mr N Ramanathan Managing Director	01.04.2005	3001	5	100	4	—	1	Y
Mr S K Ramasamy Independent	26.10.2001	4480	5	100	1	—	—	Y
Mr N Ravindranathan* Independent	26.10.2001	202	1	100	3	—	1	Y
Mr V Sridar Independent	05.06.2009	NIL	5	100	11	4	5	Y
Mr N R Krishnan Independent	05.06.2009	NIL	5	100	6	1	3	Y
Dr Nanditha Krishna Independent	24.12.2010	NIL	2	100	3	—	—	NA

* Retired on 21.07.2010

* Retired on 21.07.2010

No Director is a relative of any other Director. The age of every Director, including Independent Director, is above 21.

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 the 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 28.05.2010, 21.07.2010, 26.10.2010, 28.01.2011 and 25.03.2011. Interval between any two meetings was not more than 4 months as stipulated under the Listing Agreement.

Board Proceedings

Board meetings are governed by a 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. Powerpoint 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:

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

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

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

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

- 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 28.05.2010, 21.07.2010, 26.10.2010, 28.01.2011 and 25.03.2011. Its composition and attendance during 2010-11 is given hereunder:

Name of Member	Category	Attendance at meetings	
		No.	%
Mr V Sridar, <i>Chairman</i>	Independent	5	100
Mr Bimal Poddar	Non-Independent	4	80
Dr L M Ramakrishnan	Independent	5	100
Mr N Ravindranathan*	Independent	1	100
Mr N R Krishnan	Independent	5	100

Permanent Invitees:

Mr N Gopala Ratnam	Non-Independent Non-Executive	5	100
Mr N Ramanathan	Executive	5	100

* ceased from 21.07.2010

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

Remuneration Committee

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

After the retirement of Mr N Ravindranathan, the Committee was reconstituted on 28.01.2011 comprising the following members:

Name of Member	Category
Mr V Sridar <i>Chairman</i>	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

Its principal scope / role is to recommend remuneration package for Executive directors / Senior management

personnel as and when required. The Committee accordingly meets only as per needs. It met once during the financial year on 25.03.2011 to consider the remuneration package for Managing Director. All the members were present at the meeting.

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 28.03.2008 and approved by the Shareholders at the 12th Annual General Meeting held on 18th July 2008. Details of remuneration of Managing Director for 2010-11 are shown in Note 5(d) of Schedule 22 to the Accounts. There is no service contract containing provisions of notice period or severance fees.

The current term of Managing Director expired on the close of 31st March 2011. The Board of Directors of the Company at their meeting held on 25th March 2011 have reappointed Mr N Ramanathan as Managing Director of the Company for a period of three years with effect from 01.04.2011 and approved the revised remuneration package based on the recommendations of the Remuneration Committee meeting held on the same day. Details of same are provided in the explanatory statement for item no 7 of the Notice of the Annual General Meeting. Approval of the shareholders for reappointment and revised remuneration will be obtained at the ensuing Annual General Meeting.

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

Non-executive director is paid no remuneration except sitting fees at Rs.5000 per Meeting of Board, Audit Committee and Project Committee and at Rs.2500 for other Committee Meetings. The rates are well within the ceiling permissible under Law and the Articles of Association of the Company.

Sitting fee for 2010-11

Director	Sitting fees (Rs.)		
	Board meeting	Committee meeting	Total
Mr N Gopala Ratnam	25000	70000	95000
Dr L M Ramakrishnan	25000	27500	52500
Mr Arun G Bijur	25000	67500	92500
Mr Bimal Poddar	20000	20000	40000
Mr C K Pithawalla	5000	—	5000
Mr N Ravindranathan	5000	5000	10000
Mr S K Ramasamy	25000	—	25000
Mr V Sridar	25000	27500	52500
Mr N.R Krishnan	25000	82500	107500
Dr Nanditha Krishna	10000	—	10000

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 broadly 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 28.05.2010, 21.07.2010, 26.10.2010, 28.01.2011 and 25.03.2011. 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.

Nomination Committee

The Board has not formally constituted a Nomination Committee. Considering the size of the Company, composition of Board and periodicity of appointment, this role is directly and collectively played by the Board where decisions are taken with the consent of all.

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 has constituted a Project Committee on 28.05.2010.

Committee Minutes

Minutes of all the Committees of the Board are prepared by the Secretary of the Company and 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 one circular resolution was passed on 23.12.2010 which was recorded at the Board Meeting held on 28.01.2011.

Cost Audit

Cost Auditors: M/s S Mahadevan & Co., Coimbatore

Filing of Cost Audit Report	2010-11	2009-10
Due Date	30-09-2011	30-09-2010
Actual Date	(Target) 31-07-2011	13-09-2010
Audit Qualification in Report	Nil	Nil

Secretarial Compliance Report

Though not legally required, as a measure of good corporate governance practice, a Secretarial Audit on the compliance of corporate laws and SEBI regulations was

conducted by Mr B Ravi, Practicing Company Secretary for the financial year ended 31st March 2011. Compliance Certificate issued by him was placed before the Board on 27th May 2011.

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 2010-11 the Compliance Report to Stock Exchanges in the prescribed format within 15 days from the close of the Quarter.

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	30.06.2010	12.07.2010
		30.09.2010	18.10.2010
		31.12.2010	12.01.2011
		31.03.2011	11.04.2011

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 as required under Accounting Standard 18. 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 2010-11 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 31-03-2011.

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 27th May 2011.

Review of Directors' Responsibility Statement

The Board in its Report have confirmed that the annual accounts for the year ended 31st March 2011 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 of them 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 vide details furnished supra.

Shareholders' Rights

Quarterly Audited Results on the Company's financial performance are mailed to shareholders on request. These are posted on the Company's Website and advertised in newspapers.

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 shareholder's cooperation to fall in line with the Green Initiatives of the Central Government by way of sending communications in e-mode – Refer page 35 of Annual Report

Audit Qualifications

The Company from inception has ensured to remain in the regime of unqualified financial statement.

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.

(ii) Mechanism for evaluation NEDs

The Board collectively 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.

Promoters and Promoter Group have not pledged any part of their shareholding in the Company. This factual position is reflected in the shareholding pattern furnished to Stock Exchanges and Financial Statements published for each quarter.

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 & 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

Period	Date of Pub. of Notice of Board Meeting	Financial Results		Newspaper
		Date of app. by Board	Date of Publication	
Quarter ended 30.06.2010	07.07.2010	21.07.2010	22.07.2010	Business Line and Malkol Kural
Quarter ended 30.09.2010	07.10.2010	26.10.2010	27.10.2010	
Quarter ended 31.12.2010	14.01.2011	28.01.2011	29.01.2011	
Yearended 31.03.2011	06.05.2011	27.05.2011	28.05.2011*	

* Publication arranged

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

- faxed to Stock Exchanges immediately after the conclusion of the Board meeting;
- posted on the company's website www.ponnisugars.com which displays official news releases of the company as well; and
- mailed to shareholders on request.

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.

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, the Company shall endeavour to support the Green Initiative of the Government. This however would be possible only with the active support and cooperation of shareholders.

The Company by its mail dt.04.05.2011 has requested its 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

- The Company would henceforth send all Notices, Annual Report and other communications to these shareholders through Email;
- Copies of same would be available under the 'investor section' of our website www.ponnisugars.com for ready access;
- 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;
- Shareholders are further entitled to change the instructions from time to time.

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.

Corporate Governance Voluntary Guidelines 2009

Ministry of Corporate Affairs (MCA) released in December 2009 the "Corporate Governance Voluntary Guidelines 2009". While mandatory aspects for adoption by corporates are included in the Companies Bill 2009, the Voluntary Guidelines are intended to serve as a benchmark for corporates to help them achieve the highest standard of corporate governance.

MCA has observed that these guidelines do not substitute any extant law or regulation but are essentially for voluntary adoption by the corporates. It expects more and more corporates to voluntarily go forward to adopt these guidelines. Where there are genuine reasons for companies not being able to adopt some of these provisions, it expects such companies to inform their shareholders of the details of such non adoption.

Our Company has adopted most part of the Voluntary Guidelines. It keeps a constant track of prevalent practices

among lead corporates towards formulating and fine-tuning its response to the remaining areas. It however affirms that there is substantive compliance commensurate with the size, nature of business and governing structure of the Company.

CSR Voluntary Guidelines

MCA in December 2009 has released the "Corporate Social Responsibility Voluntary Guidelines 2009". This is intended to assist the businesses to adopt responsible governance practices. The guidelines indicate some of the core elements that businesses need to focus on while conducting their affairs. These have been framed, factoring the governance challenges being faced in our country and the expectations of the society.

The Voluntary Guidelines underscore the fundamental principles of business. It further dwells on the core elements, viz. care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, respect for environment and activities for social and inclusive development. It also outlines implementation guidelines.

Our company has steadfastly stood for the principles stated in these Guidelines. It enjoys considerable goodwill of the neighbourhood residents based on transparency of dealings and fair practices followed all along. It would endeavour further to strengthen its focus and attention to abide by the spirit of these new Guidelines.

For PONNI SUGARS (ERODE) LIMITED

N Gopala Ratnam
Chairman

N Ramanathan
Managing Director

Chennai
27th May 2011

General Shareholder Information

Details for 15th AGM

Date and Time	Friday, the 15 th July 2011 at 10.25 AM
Venue	New Woodlands Hotel Pvt Ltd, 72-75, Dr Radhakrishnan Road, Mylapore, Chennai 600004
Financial Year	2010-11
Book Closure Dates	Wednesday, the 13 th July 2011 to Friday, the 15 th July 2011 (both days inclusive)
Dividend	Rs.2 per Equity Share (proposed)
Dividend payment date	29 th July 2011

Particulars of past 3 AGMs

AGM/ Year	Venue	Date & Time	Special Resolutions passed
12 th 2007-08	New Woodlands Hotel Pvt Ltd 72-75, Dr Radhakrishnan Road, Mylapore	18.07.2008 10.15 AM	a) Appointment of Managing Director b) Conversion of Preference Capital into Equity c) Reorganisation of Authorised Capital
13 th 2008-09	Chennai - 600004	22.07.2009 11.00 AM	Nil
14 th 2009-10		21.07.2010 11.00 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 2011-12 (tentative)

Results for the quarter ending	30 th June 2011	15 th July 2011
-do-	30 th Sep 2011	4 th Nov 2011
-do-	31 st Dec 2011	27 th Jan 2012
Results for the year ending	31 st Mar 2012	May 2012
Annual General Meeting	July 2012	

Listing

Name & Address	Bombay Stock Exchange Ltd Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Phone: 022-22721233/ 22721234 Fax: 022-22722082 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 to both the Stock Exchanges for the year 2011-12.

Dematerialization

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

Mode of holding	Shareholders		Equity Shares	
	No.	%	No.	%
Physical	6206	47.92	671327	7.81
Demat	6746	52.08	7927091	92.19
Total	12952	100.00	8598418	100.00

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 2011-12.

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 dated 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. 7th 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.

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.

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: C S Vetrivel, Executive (Shares)

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, 4th 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.3.9.09 has advised Stock Exchanges to disclose details of complaints lodged by clients/investors against the companies in the website of the 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.

There is no pending share transfer as of 31.03.2011.

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

Shareholder Complaints

Complaints received over the last five years

Year	No. of complaints
2006-07	50
2007-08	2
2008-09	2
2009-10	-
2010-11	-

Nature of complaints received during 2010-11:

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

Outstanding complaints as on 31.03.2011 - 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	21
2	Transposition/ Deletion of Name	21
3	Folio Consolidation/ Change of Name	21
4	Demat	5
5	Consolidation/Split/Remat of Share Certificates	21
6	Issue of Duplicate Certificates	Every quarter
7	Replacement of Certificates	21
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 last year.

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:

E-mail : investor@ponnisugars.com

Tel.No. : 044-39279300

Top 10 Shareholders of the Company

Sl No.	Name	Shares	% to Capital
1	Seshasayee Paper and Boards Ltd	1835260	21.34
2	Time Square Investments P Ltd	760004	8.84
3	Coromandel Sugars Ltd	704348	8.19
4	Mr C K Pithawalla	500466	5.82
5	Mr Anubhav Aggarwal	492156	5.72
6	High Energy Batteries (India) Ltd	280382	3.26
7	Pinetree Properties Pvt Ltd	166535	1.94
8	Lucky Valley Investments & Holdings Ltd	163880	1.91
9	Malheson Bosanquet Enterprises Ltd.	137583	1.60
10	Primeasia Investment Pte Ltd	125000	1.45
	Total	5165614	60.07

Distribution of shareholding

Slab	No. of Shareholders		No. of Equity Shares	
	Total	%	Total	%
1-100	9967	76.95	404201	4.70
101-500	2283	17.63	559106	6.50
501-1000	337	2.60	276850	3.22
1001-10000	313	2.42	936792	10.90
10001 - 100000	40	0.31	1026804	11.94
100001 & above	12	0.09	5394665	62.74
Total	12952	100.00	8598418	100.00

Categories of Shareholding

Shares held by	No. of share holders	%	No. of shares	%
Promoters	9	0.07	3923138	45.63
FIs / UTI / Mutual Fund / Banks	7	0.05	8080	0.09
Corporate Bodies	261	2.02	1395039	16.22
Foreign Institutional Investor/ NRIs/ OCBs	208	1.60	87927	1.02
Resident Individuals	12467	96.26	3184234	37.04
Total	12952	100.00	8598418	100.00

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.

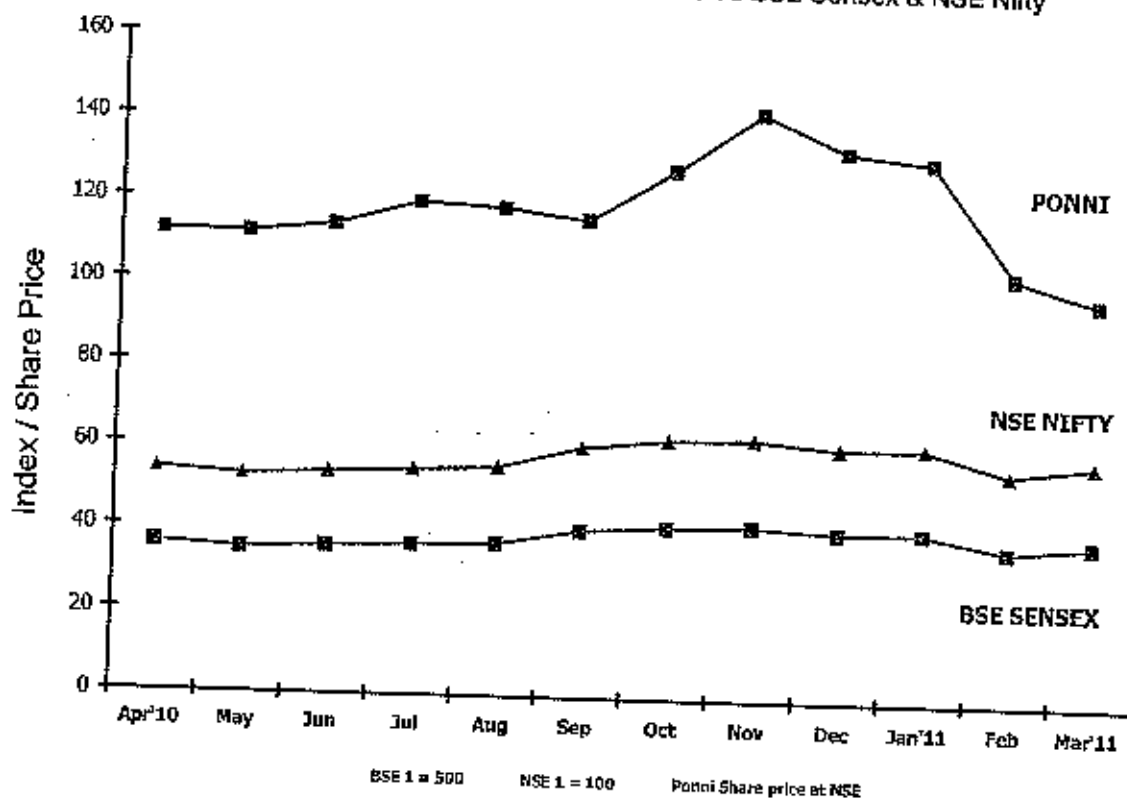
During Dec 2001 the company mailed fresh share certificates pursuant to the Scheme of Arrangement sanctioned by the Hon'ble High Court of Madras. Some of the Share certificates were returned to the Company due to insufficient address. Such share certificates are now in possession of the Registrar and Transfer Agents of the Company. Three reminders have been sent on 21.02.2011, 18.03.2011 and 25.04.2011 to all these shareholders. Depending upon the responses received, further steps will be taken to comply with the SEBI Circular.

Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as of date: Shareholders - 517 and Shares - 28750.

Stock Market Data

Month	Bombay Stock Exchange				National Stock Exchange			
	Share price (Rs / P)		Volume		Share price (Rs / P)		Volume	
	High	Low	No. of shares (in lacs)	Value (Rs lacs)	High	Low	No. of shares (in lacs)	Value (Rs lacs)
April'10	111.35	101.00	1.26	134.13	112.00	99.00	2.16	227.86
May'10	113.00	90.80	1.95	201.51	111.85	88.00	2.38	245.54
June'10	113.05	91.55	1.29	133.97	114.00	92.95	2.62	295.44
July'10	118.50	102.50	1.34	148.05	119.75	103.00	1.96	218.46
Aug'10	116.00	100.00	1.36	147.88	118.60	101.05	6.99	752.14
Sept'10	116.00	104.00	2.10	235.16	116.00	102.35	4.83	535.88
Oct'10	127.90	110.00	4.08	497.22	128.50	110.15	6.77	821.97
Nov'10	142.65	105.20	2.59	333.73	142.80	102.70	4.76	621.07
Dec'10	134.00	104.00	2.22	273.61	133.80	103.35	3.19	393.75
Jan'11	131.90	99.00	0.76	88.64	131.50	95.55	1.05	126.07
Feb'11	105.00	84.40	0.57	54.73	104.00	84.00	0.54	51.04
March'11	98.00	82.10	0.63	58.64	98.00	82.00	0.52	48.05

Relative Performance of PEL Share Price Vs BSE Sensex & NSE Nifty



Dividend for 2010-11**(a) Dividend entitlement**

Dividend, if declared at the Annual General Meeting, will be paid on 29th July 2011 to the members whose names appear on the Register of Members on 15th July 2011 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 15th July 2011 as per details to be furnished by NSDL / CDSL for the purpose.

(b) Validity

Dividend warrants are payable at par at the designated branches of the Bank printed on reverse of the dividend warrant for an initial period of 3 months only. Payment instrument thereafter would be payable only at limited centres. The members are, therefore, advised to encash dividend warrants within the initial validity period.

(c) Bank mandate**(i) Physical holding**

In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company under the signature of the sole / first joint holder, their Bank account particulars to be incorporated in the dividend warrants. This is a mandatory requirement in terms of SEBI Circular No.D&CC/FITTC/CIR-04/2001 dated 13.11.2001.

(ii) Demat holding

Bank account details as furnished by their Depositories to the Company in the case of Shareholders holding shares in electronic form will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank details. Instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Shareholders who wish to change such bank account details are advised to inform their Depository Participants about such change, with complete details of bank account.

(d) Payment through NECS

SEBI has made it mandatory for all companies to use the Electronic Mode of Remittance for distributing Dividends and other cash benefits. Effective 1st October 2009 Reserve Bank of India has replaced the ECS with NECS for faster credit and ease of operations. One of the eligibility criteria for remittance through NECS is that the beneficiary should have a bank account with a bank which is under Core Banking Solutions (CBS). Once a bank is converted to CBS there will be a change in the bank account number of the account holders with larger digits as prefix.

Investors holding shares in demat form are advised to check with their bankers for change in the bank account number

and advise their depository participant with whom they are maintaining their demat account. Shareholders holding shares in Physical form shall inform the company's Registrar and Transfer Agents. This would facilitate faster credit of dividend amount to their account.

(e) 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 thereafter.

Particulars of unclaimed dividend

Year	Dividend (Rs. per share)	Date	Unclaimed		Due date for transfer to IEPF
			No. of warrants	Rs. Lakhs	
2004-05	1.00	04.08.2005	3080	1.63	26.08.2012
2005-06	1.80	31.07.2006	2872	3.09	26.08.2013
2006-07	0.90	30.07.2007	3900	2.02	23.08.2014
2007-08	0.80	28.07.2008	4065	2.22	24.08.2015
2008-09	2.50	05.08.2009	3510	4.63	26.08.2016
2009-10	4.00	05.08.2010	3855	8.46	25.08.2017

Investor safeguards

Members are advised to follow the general safeguards as detailed hereunder to avoid risks while dealing in securities and help the Company serve them better.

- ❖ Demat your Shares
- ❖ Obtain periodic Demat statements from your DP and verify your holdings.
- ❖ Register your Electronic Clearing Service (ECS) Mandate
- ❖ Encash your Dividends in time
- ❖ Update your Address
- ❖ Consolidate your Multiple Folios
- ❖ Register Nominations
- ❖ Treat Security details confidential. Do not disclose your Folio No./ DP Id./ Client Id. to an unknown person.
- ❖ Do not hand over signed blank transfer deeds/ delivery instruction slips to any unknown person.
- ❖ Deal in Securities only with SEBI Registered Intermediaries
- ❖ Despatch Documents containing certificates of securities and high value dividend/ interest warrants/ cheques/ demand drafts only by registered post/ courier or lodge with the Company's Share Department or the Registrar and Transfer Agents.



Ponni Sugars (Erode) Limited

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 2011 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 abovementioned 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 2011.

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 & Co

FRN No.001931S

Chartered Accountants

N R Suresh

Partner

Membership No. 21661

Chennai

27th May 2011

For R Subramanian And Company

FRN No.004137S

Chartered Accountants

R Subramanian

Partner

Membership No. 8460

AUDITORS' REPORT TO THE MEMBERS OF PONNI SUGARS (ERODE) LIMITED

1. We have audited the attached Balance Sheet of Ponni Sugars (Erode) Limited as at 31st March 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) 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.
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from the Directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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 2011;
 - b) In the case of the Profit and Loss Account, of the PROFIT for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

N R Suresh
Partner
Membership No. 21661

Chennai
27th May 2011

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

R Subramanian
Partner
Membership No. 8460

Annexure to Auditors' Report

Referred to in Paragraph 3 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 reasonable intervals which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets have 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 arrangement 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, 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. No amount is payable to Investor Education and Protection Fund.
 - (b) There were 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 2011 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 which have not been deposited as on 31st March 2011 on account of disputes are given below:

Name of the Statute	Nature of Dues	Amount Rs. lakhs	Forum where the dispute is pending	Period to which the dues belong
Central Excise Act, 1944	Education Cess and Higher Education Cess	22.70	Commissioner (Appeals)/ CESTAT	Assessment year 2007-08 to 2009-10
Finance Act, 1994 (Service Tax)	Service Tax	92.00	CESTAT	Assessment Year 2004-05 to 2008-09
Income Tax Act, 1961	Income Tax	1371.56	Income Tax Appellate Tribunal / High Court / CIT Appeals	Assessment year 2001-02 to 2009-10

- (x) The company has no accumulated losses, as at 31st March 2011. 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 or a 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 have been 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 & Co
FRN No.001931S
Chartered Accountants

N R Suresh
Partner
Membership No. 21661

Chennai
27th May 2011

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

R Subramanian
Partner
Membership No. 8460

BALANCE SHEET AS AT 31st MARCH 2011

	Schedule No.	As at 31.03.2011 (Rs. in Lakhs)	As at 31.03.2010 (Rs. in Lakhs)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
[a] Capital	1	860	860
[b] Reserves and Surplus	2	8765	7104
		9625	7964
2. Loan Funds			
Secured Loans	3	1645	3430
3. Deferred Tax		834	343
TOTAL		12104	11737
II. APPLICATION OF FUNDS			
1. Fixed Assets			
[a] Gross Block		7168	7095
[b] Less: Depreciation		2647	2392
[c] Net Block	4	4521	4703
[d] Capital Work-in-Progress		18	
[e] Cogen Project under construction	4A	1457	
		5996	4703
2. Investments	5	829	829
3. Current Assets, Loans and Advances			
[a] Inventories	6	6658	8969
[b] Sundry Debtors	7	352	1227
[c] Cash and Bank Balances	8	172	306
[d] Loans and Advances	9	2114	1333
		9296	11835
Less: Current Liabilities and Provisions			
[a] Current Liabilities	10	3817	3595
[b] Provisions	11	200	2035
		4017	5630
Net Current Assets		5279	6205
TOTAL		12104	11737

Note: Schedules 1 to 11 and Notes in Schedule 22 form part of this Balance Sheet.

Per our Report of even date annexed

For Mahara] N R Suresh & Co.
FRN No. 001931S
Chartered Accountants
N R Suresh
Partner
Membership No. 21681
Chennai
27th May 2011

For R Subramanian And Company
FRN No. 004137S
Chartered Accountants
R Subramanian
Partner
Membership No. 8460

N Gopala Ratnam
L M Ramakrishnan
Arun G Bijur

Directors

S K Ramasamy
V Sridar
N R Krishnan

N Ramanathan
Managing Director

N Ramanathan
Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Schedule No.	Year Ended 31.03.2011 (Rs. in Lakhs)	Year Ended 31.03.2010 (Rs. in Lakhs)
INCOME			
Sales (Gross)		28095	25468
Less : Excise duty		1147	1003
Net Sales		26948	24465
Other Income	12	413	218
Inventory change	13	(2345)	3908
		25016	28591
EXPENDITURE			
Raw Materials Consumed	14	19102	16803
Process & Packing Materials Consumed		635	711
Utilities	15	1703	1492
Employee Cost	16	1056	920
Repairs and Maintenance	17	513	650
Other Expenses	18	197	578
Profit before Interest and Depreciation		23206	21154
Interest & Financing Charges	19	1810	7437
Depreciation		148	179
		309	306
Profit before exceptional items		457	485
Exceptional items	20	1353	6952
PROFIT BEFORE TAX		(1411)	1411
Provision for Tax	21	2764	5541
PROFIT AFTER TAX		903	1856
Surplus in Profit & Loss Account		1861	3685
Transfer to General Reserve		1472	688
Proposed Dividend		1000	2500
Tax on Dividend		172	344
		28	57
BALANCE CARRIED FORWARD		2133	1472
Basic and Diluted Earnings Per Share (Rs.) :		21.64	42.86
(Nominal Value Rs.10 per Share)			
(refer Schedule 22, Note 8)			

Note: Schedules 12 to 21 and Notes in Schedule 22 form part of this Profit & Loss Account.

Per our Report of even date annexed

For Maharaj N R Suresh & Co.
FRN No. 001931S
Chartered Accountants
N R Suresh
Partner
Membership No. 21681
Chennai
27th May 2011

For R Subramanian And Company
FRN No. 004137S
Chartered Accountants
R Subramanian
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Membership No. 8460

N Gopala Ratnam
L M Ramakrishnan
Arun G Bijur

Directors

S K Ramasamy
V Sridar
N R Krishnan

N Ramanathan
Managing Director

N Ramanathan
Secretary

31.03.2011
(Rs. in Lakhs)

31.03.2010
(Rs. in Lakhs)

SCHEDULE 1

CAPITAL

Authorised

1,50,00,000 Equity Shares of Rs.10/- each

1500

1500

Issued, Subscribed and Paid-up

85,98,418 Equity Shares of Rs.10/- each

1500

1500

860

860

SCHEDULE 2

RESERVES AND SURPLUS

31.03.2010	Additions	Deductions	31.03.2011
Capital Reserve	472	—	472
Securities Premium	160	—	160
General Reserve	5000	1000	6000
Balance in Profit & Loss Account	1472	1661	2133
	7104	2661	8765

SCHEDULE 3

SECURED LOANS

Loans and Advances

From Banks

Working Capital Loans (Note 1)

Short Term Loan

Cash Credit

Loan under Special Scheme (Note 2)

613

501

1024

1195

613

2720

Rupee Term Loans (Note 3)

IDBI Bank Limited (Note 4)

Canara Bank

532

500

710

1032

710

1645

3430

Note:

- [1] Working Capital Loans are secured by first charge on inventories, book debts and specific movables and second charge on fixed assets.
- [2] The Loan under the 'Scheme for Extending Financial Assistance to Sugar Undertakings, 2007' is eligible for interest subvention up to 12%.
- [3] The Rupee Term Loans 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.
- [4] The 6% Rupee Term Loan of IDBI Bank is repayable in 10 half yearly instalments from April 2009 with right of acceleration and recompense.

**SCHEDULE 4
FIXED ASSETS**

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	Upto 31.03.2010	For the year	With- drawn	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	449	9	7	451	—	—	—	—	451	449
Buildings	1411	7	5	1413	308	31	2	337	1076	1102
Plant & Machinery	5036	153	96	5093	1968	262	40	2190	2903	3068
Furniture, Fixtures & Equipments	151	21	14	158	92	11	12	91	67	60
Vehicles	36	3	—	39	12	3	—	15	24	24
Intangible Assets- Software	12	2	—	14	12	2	—	14	—	—
	7095	195	122	7168	2392	309	54	2647	4521	4703
Previous Year	6962	323	190	7095	2191	306	105	2392	4703	

 31.03.2011
(Rs. in Lakhs)

 31.03.2010
(Rs. in Lakhs)

**SCHEDULE 4A
COGENERATION PROJECT UNDER CONSTRUCTION**

Buildings	251	—
Plant and Machinery	15	—
Advances to Suppliers / Contractors	1072	—
Other Expenses		
- Rates and Taxes	13	—
- Insurance	12	—
- Travelling Expenses	1	—
- Consultancy Charges	66	—
- Others	11	—
	103	—
Interest and Financing Charges	16	—
	1457	—

SCHEDULE 5

INVESTMENTS

Long Term - Trade

Equity Shares of Rs.10/- each fully paid.

Quoted:

Seshasayee Paper and Boards Ltd
High Energy Batteries(India) Ltd

UnQuoted:

Time Square Investments Private Ltd
SPB Projects and Consultancy Ltd

Note:

1. Market Value of Quoted Investments
2. Current investments purchased and sold during the year:

	31.03.2011 (Rs. in Lakhs)	31.03.2010 (Rs. in Lakhs)
	720	720
	100	100
	820	820
	8	8
	1	1
	9	9
	829	829
	3040	2311
	Cost	Cost
	Rs. Lakhs	Rs. Lakhs
- LIC MF Liquid Fund - Dividend Plan	2945	5050
- LIC MF Floating Rate Fund STP	625	
- LIC MF Savings Plus Fund - Daily Dividend	350	
- UTI -Treasury Advantage Fund - IP-Dividend	350	2050
- UTI- Liquid Cash Plan - Daily Income	1250	
- UTI- Floating Rate Fund - STP-IP-Daily Dividend	540	
- UTI- Fixed Income Monthly Interval Plan-IP-Dividend	220	
- IDFC-Money Manager Fund - IP Daily Dividend	200	300
- IDFC-Ultra Short Term Fund - Daily Dividend	400	
- TATA-Floater Fund - Daily Dividend	620	
- TATA-Fixed Income Portfolio Fund-IP-Quarterly	80	
- TATA-Liquid Super High Investment Fund-Daily Dividend	100	
- Birla Sunlife Cash Manager-IP-Daily Dividend	300	
- SBI-Magnum Insta Cash Fund - Daily Dividend	1700	
- SBI-SHF-Ultra Short Term Fund - IP - Daily Dividend	830	
- Canara Robeco Floating Rate ST - Daily Dividend	250	
- IDBI ultra short Term Fund - Daily Dividend	400	
	207	173
	6257	8287
	81	383
	6338	8670
	113	126
	6658	8969

SCHEDULE 6

INVENTORIES

Stores and Spares

Stock in Trade

Sugar
Molasses

Work in Progress

	31.03.2011 (Rs. in Lakhs)	31.03.2010 (Rs. in Lakhs)
SCHEDULE 7		
SUNDRY DEBTORS		
Unsecured - Considered Good		
Exceeding Six Months		
- Levy sugar price differential (Note 3 of Schedule 22)	220	
Others	132	1227
	<u>352</u>	<u>1227</u>
SCHEDULE 8		
CASH AND BANK BALANCES		
Cash on hand	2	3
Bank Balances		
Current Accounts	148	176
Deposit Accounts	—	113
Unpaid Dividend Accounts	22	14
	<u>170</u>	<u>303</u>
	<u>172</u>	<u>306</u>
SCHEDULE 9		
LOANS AND ADVANCES		
Unsecured - Considered Good		
Advances recoverable in cash or in kind or for value to be received		
Advance to Suppliers	195	349
Incentives/Subsidies receivable (Note 3 of Schedule 22)	835	883
Advance towards investment in Subburaj Papers Ltd.	750	—
Advance Tax (Net of Provision for Taxation)	189	—
Prepaid Expenses	20	30
Others	93	47
Balance with Excise Dept	32	24
	<u>2114</u>	<u>1333</u>
SCHEDULE 10		
CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small enterprises (Note 10 of Schedule 22)	—	—
Goods	3053	2803
Services	279	213
	<u>3332</u>	<u>3016</u>
Purchase / Sales tax	159	191
Excise duty	290	364
Unclaimed dividend (Note)	22	14
Others	14	10
	<u>3817</u>	<u>3595</u>
Note:		
There is no amount due and outstanding to be credited to Investor Education and Protection Fund.		

31.03.2011
(Rs. in Lakhs)

31.03.2010
(Rs. in Lakhs)

SCHEDULE 11

PROVISIONS

Proposed Dividend	172	344
Tax on Dividend	28	57
Provision for Taxation (net of Advance Tax)	—	223
Provision for diminution in the value of the contract for raw sugar import	—	1411

200

2035

SCHEDULE 12

OTHER INCOME

Export Incentive	21	—
Scrap sales	60	82
Interest	17	24
Dividend Income - Long term investments - Trade	72	42
- Current investments - Non Trade	116	15
Exchange difference - Gain	87	12
Others	40	43

413

218

Tax deducted at source

1

SCHEDULE 13

INVENTORY CHANGE

Opening Stock - Finished Goods	8870	4805
- Work-in-Progress	126	83
	8796	4888
Closing Stock - Finished Goods	6338	8670
- Work-in-Progress	113	126

6451

8796

Inventory change
Increase / (decrease)

(2345)

3908

SCHEDULE 14

RAW MATERIALS CONSUMED

Sugar cane	12098	13841
- Price	408	524
- Taxes & Duties	487	428
- Transport	242	74
- Incentives	—	—

13235

14867

Raw Sugar*

5867

1936

19102

16803

*Including Raw Sugar Exported

SCHEDULE 15

UTILITIES

Power	27	15
Fuel	1659	1460
Water	17	17

1703

1492

SCHEDULE 16**EMPLOYEE COST**

Salaries, Wages & Bonus	804	768
Contribution to Provident & other Funds	161	73
Welfare Expenses	91	79

1056

920

SCHEDULE 17**REPAIRS & MAINTENANCE**

Plant & Machinery	439	471
Buildings	65	173
Others	9	6

513

650

SCHEDULE 18**OTHER EXPENSES**

Excise duty Provision	(186)	148
Rent	20	20
Rates & Taxes	21	17
Security	30	27
Insurance	22	31
Travel	69	88
Communication	12	13
Printing & Stationery	12	12
Professional & Consultancy	22	17
Directors' sitting fees	5	4
Auditors' remuneration (Note)	9	7
Freight & Handling	65	55
Commission on Sales	5	10
Exchange difference - Loss	5	-
Assets discarded	25	78
Miscellaneous	61	51

197

578

Note:

- i) Statutory Audit
Interim Audit
Taxation matters
Other services
Expenses

4.80

1.60

1.60

0.19

0.46

8.65

3.60

1.20

1.20

0.14

0.50

6.64

- ii) Cost Audit
Other services
Expenses

0.40

0.20

0.05

0.65

9.30

0.40

0.15

0.08

0.63

7.27

	31.03.2011 (Rs. in Lakhs)	31.03.2010 (Rs. in Lakhs)
SCHEDULE 19		
INTEREST & FINANCING CHARGES		
Fixed Loans	42	55
Working Capital Loans	47	78
Guarantee / LC Commission	42	21
Other Financing charges	17	25
	<u>148</u>	<u>179</u>
SCHEDULE 20		
EXCEPTIONAL ITEMS		
Provision / (Reversal) for diminution in the value of raw sugar import contracted	(1411)	1411
	<u>(1411)</u>	<u>1411</u>
SCHEDULE 21		
PROVISION FOR TAX		
Current Tax	412	2409
Deferred Tax	491	(553)
	<u>903</u>	<u>1856</u>

SCHEDULE 22**NOTES ON ACCOUNTS****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 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 stock in trade includes material, direct labour and production overheads.

Molasses is valued at net realizable value, since the cost is not determinable.

Slow moving and obsolete items are adequately provided for.

d) Depreciation / Amortization

Depreciation on fixed assets is provided under Straight Line Method in accordance with Schedule XIV to the Companies Act, 1956 at the rates specified therein.

Intangible assets are amortized equally over the estimated useful life not exceeding three years.

e) Revenue and Expenditure Recognition

Revenue is recognised and expenditure is accounted for on their accrual.

Excise duty recovery from customer is deducted from Turnover (Gross). Excise duty differential between closing and opening stock of excisable goods is included under Other Expenses.

Revenue from domestic sale is recognized on delivery to the carrier, when risk and rewards of ownership pass on to the customer.

Revenue from Export sales is recognized when risk and rewards are passed on to the customer in accordance with the terms of the contract.

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.

Premium or discount arising at the inception of forward 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 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 P&L a/c 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 account 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 account. Obligation for leave encashment is recognized in the same manner.

Terminal benefits are recognized as expense as and when incurred.

k) Borrowing Costs

Borrowing costs (net of interest earned) 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) 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.

m) Impairment of Assets

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

n) 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.

o) 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.

Gains / losses on these futures contracts are recognized on settlement and adjusted against sales. Provision is made for losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market, while gains are ignored.

2. 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.

3. Sugar Development Fund has withheld eligible subsidies of Rs 690 lakhs (previous year of Rs 690 lakhs) and 'No Due Certificate' for levy sugar price differentials of Rs 220 lakhs (previous year - nil) to the Company. This was to recover loans due from the erstwhile Ponni Sugars & Chemicals Ltd. (PSCL) for Rs. 950 lakhs as of 3rd October 2005.

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

	31.03.2011 (Rs.in Lakhs)	31.03.2010 (Rs.in Lakhs)
4. a) Contingent liabilities not provided for - Indirect Tax demands contested	115	—
b) Estimated value of contracts remaining to be executed on capital account		
- Cogen Project	6704	—
- Others	43	20

5. Information required by Paragraph 3,4,4A,4B,4C and 4D of part II of Schedule VI to the Companies Act, 1956:

	31.03.2011		31.03.2010	
	Qty (t)	Value (Rs in Lakhs)	Qty (t)	Value (Rs in Lakhs)
a) Turnover				
Sugar	96692*	25205	76391	21977
Bagasse	175041	1893	228380	1945
Molasses	34637	997	35203	1546
		<u>28095</u>		<u>25468</u>
b) Raw materials Consumed				
- Sugar cane	628613	13235	808612	14867
- Raw Sugar	20000**	5867	9608	1936
		<u>19102</u>		<u>16803</u>
c) Opening and Closing Stocks (t)	Opening Stock		Closing Stock	
	01.04.2010	01.04.2009	31.03.2011	31.03.2010
Sugar	45601	31072	28688	45601
Molasses	8687	4750	4527	8687

* Including raw sugar exported

** represents raw sugar imported

Pahni Sugars (Erode) Limited

	31.03.2011 (Rs in Lakhs)	31.03.2010 (Rs in Lakhs)
d) Remuneration to Managing Director		
Included under Schedule 16 & 18 comprises of:		
Salary & Allowances	14	14
Perquisites	2	2
Contribution to Provident and other Funds (defined contribution plans)	3	3
Commission	11	11
Total	30	30
Remuneration excludes provision for liabilities in respect of gratuity and leave encashment that are based on actuarial valuation done on overall company basis.		
	31.03.2011 (Rs.in Lakhs)	31.03.2010 (Rs.in Lakhs)
e) Computation of net profit in accordance with Sections 198 and 309 of the Companies Act 1956		
Profit for the year	2764	5541
Add: Managing Director's remuneration	30	30
Directors' Sitting Fees	5	4
Provision for diminution in the value of the contract for raw sugar import reversed	(1411)	1411
Net Profit	1388	6986
Director's commission thereon @ 3% restricted to annual salary	11	11
f) Capacity and Production:		
Sugar:		
Licensed Capacity	Delicensed	Delicensed
Installed Capacity (Tonnes of Cane Crushing per Day)	2500	2500
Actual Production (Tonnes)	76870	90920
	(Rs.in Lakhs)	%
g) Value of Imports calculated on CIF basis		(Rs.in Lakhs)
- raw materials	5617	1817
- capital goods	—	—
h) Expenditure in Foreign Currency	1	1
i) Raw Materials consumed		
Imported	5867	31
Indigenous	13235	69
j) Components and spare parts		
Imported	—	—
Indigenous	328	100

k) Dividend remitted in foreign currency

Year	No. of share holders	No. of Equity Shares		
2009-10	2	242740	10	—
2008-09	2	242740	—	6

l) Earnings in Foreign Currency

FOB value of Exports

815

6. Employee Benefits

(i) Defined Contribution Plans

Contribution of Rs. 75 lakhs (previous year Rs. 65 lakhs) to defined contribution plans is recognized as expense and included in Employee Cost (Schedule 16) in the Profit and Loss account.

(ii) Defined Benefit Plans

Disclosure for defined benefit plans based on actuarial valuation as on 31.03.2011

(Rs. in Lakhs)

General description	Post Employment benefit Gratuity		Long term compensated absence Leave Encashment	
	- Funded plan	- Non contributory	- Funded plan	- Non contributory
	31.03.11	31.03.10	31.03.11	31.03.10
(i) Change in Defined Benefit Obligation				
Present value - Opening balance	347	300	75	59
Current service cost	25	24	13	7
Interest cost	27	20	5	3
Actuarial (Gain)/ Loss	58	18	14	25
Benefits paid	(21)	(15)	(17)	(19)
Present value - Closing balance	436	347	90	75
(ii) Change in Fair Value of Plan Assets				
Opening balance	354	299	44	—
Expected return	28	26	5	2
Actuarial gain/ (loss)	(4)	29	—	(1)
Contributions by employer	—	15	30	43
Benefits paid	(21)	(15)	—	—
Closing balance	357	354	79	44
Actual Return	24	55	5	1
(iii) Amount recognized in the Balance Sheet (as at year end)				
Present value of obligations	436	347	90	75
Fair value of plan assets	357	354	79	44
Net (asset) / liability recognized	79	(7)	11	31
(iv) Expenses recognized in the Profit and Loss Account				
Current service cost	25	24	13	7
Interest on obligation	27	20	5	3
Expected return on plan assets	(28)	(26)	(5)	(2)
Net actuarial (gain)/ loss	62	(11)	15	26
Total included in 'Employee Cost' (Sch16)	86	7	28	34

Ponni Sugars (Erode) Limited

(v) Asset information

Insurance Policy (100%)

Insurance Policy (100%)
Previous year Nil

(vi) Principal actuarial assumptions

Mortality

LIC (1994-96) ultimate table

LIC (1994-96) ultimate table

Discount rate (%)

8

8

8

8

Future salary increase (%)

7

5

7

5

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

60

30

15

35

(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.
Amount for the current and previous three years are as follows:

Particulars	Gratuity				Leave Encashment			
	31.03.11	31.03.10	31.03.09	31.03.08	31.03.11	31.03.10	31.03.09	31.03.08
Defined Benefit Obligation	436	347	300	250	90	75	59	44
Plan Assets	357	354	299	239	79	44	—	—
Surplus / (Deficit)	79	(7)	1	11	11	31	59	44
Experience adjustments on Plan liabilities	(58)	(18)	(31)	(5)	(14)	(25)	(14)	(20)
Experience adjustments on Plan Assets	(4)	29	(18)	2	—	(1)	—	—

7. 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 (SPB)
High Energy Batteries (India) Ltd (HEB)
SPB Projects & Consultancy Ltd (SPB PC)
Esvi International (Engineers & Exporters) Ltd

ii) Description of relationship

Presumption of significant influence

iii) Description of Transactions:

	31.03.2011 (Rs.in Lakhs)			31.03.2010 (Rs.in Lakhs)		
	SPB	SPB PC	Others	SPB	SPB PC	Others
Sale of goods	1898	-	-	1952	-	-
Purchase of goods	1713	-	-	1504	-	-
Subscription to Equity Shares in HEB	-	-	-	-	-	100
Services availed (Net)	(5)	78	-	1	8	-
Rent Paid	-	-	4	-	-	4
Dividend Received	72	-	-	42	-	-
Dividend paid	73	-	11	45	-	7
Amount outstanding at the year end (payable) / receivable (net)	(155)	-	-	159	-	-

- 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

	31.03.2011 (Rs.in Lakhs)	31.03.2010 (Rs.in Lakhs)
- Remuneration vide Note No. 5(d)	30	30
- Amount due at the year end towards Commission	11	11

8. Earnings per Share

Profit after tax (Rs. Lakhs)	1861	3685
Weighted Average No. of Shares (in lakhs)	86	86
Face value per share (Rs.)	10	10
Basic and Diluted Earnings Per Share (Rs)	21.64	42.86

9. Deferred Tax Liability comprises:

Deferred Tax liability on account of:

a) Depreciation	896	932
b) Others	7	10
Total	903	942

Deferred Tax assets on account of:

a) Provision for diminution in the value of the contract for raw Sugar Import	—	469
b) Disallowance under Section 43B	69	130
Total	69	599
Net Deferred Tax Liability	834	343

10. Micro enterprises 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 overdues to parties on account of principal amount and/or interest and accordingly no additional disclosures have been made.

11. The Company is engaged in a single business and geographical segment.

12. Figures for the previous year have been regrouped, wherever necessary.

Per our Report of even date annexed

For Maharaj N R Suresh & Co.
FRN No. 001931S
Chartered Accountants
N R Suresh
Partner
Membership No. 21661
Chennai
27th May 2011

For R Subramanian And Company
FRN No. 004137S
Chartered Accountants
R Subramanian
Partner
Membership No. 8460

N Gopala Ratnam
L M Ramakrishnan
Arun G Bijur

Directors

S K Ramasamy
V Sridar
N R Krishnan

N Ramanathan
Managing Director

N Ramanathan
Secretary

Ponni Sugars (Erode) Limited

Additional Information as per Part IV of Schedule VI to the Companies Act, 1956
Balance Sheet abstract and Company's general business profile

i) Registration Details

Registration Number: 37200

Balance Sheet Date: 31.03.2011

State Code: 18

ii) Capital raised during the Year (Amount in Rs.Lakhs)

Public Issue: Nil

Rights Issue: Nil

Bonus Issue: Nil

Private Placement: Nil

iii) Position of mobilisation and deployment of Funds:

(Amount in Rs.Lakhs)			
Total Liabilities	12104	Total Assets	12104
Sources of Funds		Application of Funds	
Paid-up Capital	860	Net Fixed Assets	5996
Reserves & Surplus	8765	Investments	829
Secured Loans	1645	Net Current Assets	5279
Unsecured Loans	-	Accumulated Losses	-
Deferred Tax	834		

iv) Performance of the Company (Amount in Rs.Lakhs)

Turnover including other income	: 27361
Total Expenditure	: 24597
Profit before Tax	: 2764
Profit after Tax	: 1861
Earnings Per Share in Rs	: 21.64
Dividend (%)	: 20

v) Generic Names of Principal Products/Services of the Company (as per monetary terms)

Item Code No (ITC Code)	Product Description
17011190	Cane Sugar
17031000	Cane Molasses
23032000	Bagasse

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	(Rs. in Lakhs) For the Year Ended 31.03.2011	(Rs. in Lakhs) For the Year Ended 31.03.2010
A. Cash flow from Operating Activities:		
Profit before tax and Exceptional Items	1353	6952
Adjustments for:		
Depreciation	309	306
Interest	131	155
Dividend	(188)	(57)
Profit on sale of current Investments	-	(8)
(Profit) / Loss on sale of assets	9	4
Assets discarded	25	78
Operating Profit before working capital changes	286	478
Adjustments for:	1639	7430
Trade and Other Receivables	1033	(1318)
Inventories	2311	(3877)
Trade and other payables	222	879
Cash generated from operations	3566	(4316)
Direct Tax paid net of refund	5205	3114
Net cash from operating activities(A)	(824)	(2372)
B. Cash flow from Investing Activities:	4381	742
Purchase of fixed assets	(1654)	(309)
Value of discarded assets	(25)	(78)
Investments	(750)	(100)
Sale of Fixed Assets	59	89
Dividend Received	188	57
Net cash used in investing activities (B)	(2182)	(341)
C. Cash flow from Financing Activities:		
Term Loan Received	500	
Term Loan Repaid	(178)	(178)
Working Capital Loan	(2107)	250
Interest Paid	(164)	(179)
Interest received	17	24
Dividend plus Tax thereon	(401)	(251)
Net cash used in financing activities (C)	(2333)	(334)
Net increase in cash and cash equivalents(A+B+C)	(134)	67
Cash and cash equivalents at the beginning	308	239
Cash and cash equivalents at the end	172	306

Note:

Previous year figures have been regrouped wherever necessary.

Per our Report of even date annexed

For Maharaj N R Suresh & Co.

FRN No. 001931S

Chartered Accountants

N R Suresh

Partner

Membership No. 21661

Chennai

27th May 2011

For R Subramanian And Company

FRN No. 004137S

Chartered Accountants

R Subramanian

Partner

Membership No. 8460

N Gopala Ratnam

L M Ramakrishnan

Arun G Bijur

Directors

S K Ramasamy

V Sridar

N R Krishnan

N Ramanathan
Managing DirectorN Ramanathan
Secretary