



# PONNI SUGARS (ERODE) LIMITED

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## PRESS RELEASE

The Board of Directors of the Company at their meeting held on 27<sup>th</sup> May 2011 have approved the Audited Financial Results for FY 2010-11.

	2010-11	2009-10
	(Rs crores)	
<b>Turnover</b>	<b>269.48</b>	<b>244.64</b>
<b>Profit before Exceptional Items</b>	<b>13.53</b>	<b>69.52</b>
<b>Profit Before Tax</b>	<b>27.64</b>	<b>55.41</b>
<b>Profit After Tax</b>	<b>18.61</b>	<b>36.85</b>

The Board has recommended a Dividend of 20%.

The Company's Sugar Mill operations were hit by the double whammy of decreased cane volume and depressed sugar recovery on the one hand and decimated sugar and molasses prices on the other. Its daily crushing rate was severely impacted by the heightening stress on both availability and cost of harvesting labour. Operating margins hence fell steeply to 7% from 30%.

The Company however was largely helped by the availability of low cost inventories carried from last year, higher sale volume and near extinction of debt. 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 an all time high, though marred by lower product prices. Interest rates have been on continual hike with RBI's hawkish policy stance. PBIDT and PBT figures have registered a steep fall compared to last year. It would however be relevant to recognize that sugar prices were at historic high that made FY 2009-10 rather exceptional. Conceding this, the overall performance of the Company for FY 2010-11 should be regarded reasonable and satisfactory.

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The Company has kick-started its Cogen Project on a capital outlay of Rs.110 crores. It is designed to produce 15 MW of power using bio-fuel that could later be stepped up to 19MW with supplementary fossil fuel. Financial closure has been achieved for this Project with Term Loan tie-up of Rs.65 crores from Canara Bank. Orders for all major items of equipment have already been placed. The Project would get commissioned before end of March 2012.

Indian Sugar production has re-emerged with a marginal surplus during 2010-11 season. With IMD projecting a normal monsoon, the production outlook for 2011-12 season is optimistic. With overarching emphasis of the Government to rein in inflation, sugar prices would sure move within a narrow band, while cost of cane and other inputs will have no let up or climb down. The Company therefore foresees a formidable challenge for FY 2011-12. Within the constraints forced by adverse external environment, the Company would steadfastly focus on increasing efficiencies and cutting costs.

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