

## **PONNI SUGARS (ERODE) LIMITED**

30<sup>th</sup> Annual General Meeting – 24<sup>th</sup> June 2026

### **Chairman's Speech**

Dear Shareholders,

I take pleasure in welcoming you all to this 30<sup>th</sup> Annual General Meeting of the Company. This meeting is being conducted in VC mode in line with current corporate law and practice to facilitate wider participation of shareholders from the length and breadth of the country. The Annual Report and Audited Financial Statement for FY 2025-26 had already been circulated and with you for some time. I take your consent for these to be taken as read.

### **Global Economy**

- ☪ International Monetary Fund in its April 2026 World Economic Outlook Report projected global growth at 3.1% in 2026 and 3.2% in 2027. Later, the World Bank Group Flagship Report in June '26 further significantly lowered global growth forecast to 2.5% in 2026 – the lowest rate since Covid 19 pandemic.

- ④ The Middle East conflict that continues to haunt world trade triggered sharp increases in energy prices, renewed inflationary pressures, and fueled expectations of tighter monetary policy.
- ④ The decline in global growth is all the more depressive in the case of Emerging Market and Developing Economies.
- ④ These reports emphasise that navigating a profoundly changing and challenging economic and geopolitical landscape requires policies that are robust to enhance resilience and foster agility and adaptability. This involves preserving price and financial stability, safeguarding fiscal sustainability and implementing structural reforms swiftly. Policy action is thus critical to address ongoing challenges.
- ④ Enhanced global cooperation is imperative to safeguard energy and food security, bolster the trading system and advance the energy transition. Domestically, policy makers will need to balance controlling inflation, strengthen fiscal sustainability and maintain financial stability.
- ④ Crucially, there is a high degree of cross-country dispersion in the growth forecast. In this, the toll on the conflict region and more vulnerable economies – in particular, commodity importing emerging market and development economies with pre-existing fragilities – is much more pronounced.

- ☉ All eyes are now on early resolution to geopolitical tensions for a quick rebound in global growth.

## **Indian Economy**

- ☉ Despite heightened global tensions in FY '26, India is firmly seated on the pedestal as the fastest growing major economy. RBI in its Annual Report for FY '26 has projected real GDP growth for 2026-27 at 6.9% with risks tilted to the downside. No doubt it is a clear climb-down from 7.7% clocked in 2025-26, yet convincing and creditable under egregious externalities. RBI expects the domestic economy to stay stable and remain resilient despite global headwinds.
- ☉ India's growth prospects are backed by strong macroeconomic fundamentals, including robust domestic demand, lower dependence on exports as growth driver and a stable policy environment. The RBI report alongside has flagged the risks that include elevated energy prices, supply chain disruptions, financial market volatility, uncertainty clouding global trade policies and weather-related disruptions. Muted monsoon outlook under the cloud of escalating El Nino enigma exacerbates inherent and potent risks.
- ☉ Our headline inflation considerably came down to 1.9% in 2025-26, compared to 4.7% last year, the decline primarily driven by falling

food prices. Wholesale price inflation averaged 0.4%. Moderating inflation thus created room for monetary easing, allowing policy rate cuts to support growth amid trade policy uncertainty.

- ⊙ No wonder, RBI in 2025 was prompted to cut the policy rate by a cumulative 125 basis points, down to 5.25%. It however, was forced to change its monetary policy stance by mid-2025 from 'accommodative' to 'neutral' having already front-loaded significant rate cuts. The recent spike in inflation would appear an aberration.
- ⊙ The Government of India on its part stuck to its fiscal consolidation target in FY '26. It is now well geared for a marginal slip in FY'27 to reignite growth during gloomy outlook, owing to higher spending on fertilizer and fuel subsidies, tax cuts and higher capex. Compelling priorities for the Government are energy diversification, prudent fiscal management and trade liberalization. The current conflict clearly underscores the urgency to diversify energy supplies, accelerate the transition to renewables and maintain a credible fiscal consolidation path.
- ⊙ Advancing trade diversification through effective implementation of recently concluded FTAs and negotiation of new ones would further strengthen India's resilience in an increasingly fragile and fragmented global trade environment.

## **World Sugar**

- ☉ As per International Sugar Organisation (ISO), world sugar output in 2025-26 would scale up to hit a new record of 181 MMT. In contrast to deficits in varying degree during the last six years, world balance would record a surplus of 2.2 MMT this time. In however a quick reversal, ISO expects 2026-27 to be a deficit year. Other global trade agencies too have forecast a deficit but differing in a wide range.
- ☉ The uncertainty in estimates has come to create a significantly volatile market. Despite low year-end stock and deficit outlook, global raw sugar prices are in low ebb.
- ☉ The market expects a large cane crop from Brazil where the sugar mix would get determined by prevailing global oil prices – another area of grave uncertainty and volatility. World raw sugar prices may remain mostly muted.

## **Sugarcane**

- ☉ Sugarcane is not just the basic raw material for sugar production, but also the backbone for the entire value chain. It remains farmers' safe bet, thanks to an assured market close by and remunerative price for the produce. There is increasing demand for cane to cater to growing demand for sugar and galloping rise in ethanol targets. With little

scope for area expansion, higher cane volumes henceforth hinge upon hefty rise in productivity.

- ⑧ While so, sugar cane cultivation in the country is being increasingly challenged by climate volatility, static yield, steadfast rise in input costs and higher incidence of pest and disease attacks.
- ⑧ Agriculture, unlike industry and service sectors, was a by-stander to technology for too long. Its time for change has already arrived and there is growing and all round awareness alongside of affirmative action at nascent stage.
- ⑧ In this scenario, it is heartening to observe that the sugar industry through the Indian Sugar & Bio-energy Manufacturers Association (ISMA) has conceived and is convincingly canvassing for a comprehensive plan to establish a Centre of Excellence for Cane that would serve as a national platform for next generation sugarcane research.
- ⑧ The Centre to be established at Indian Council of Agricultural Research – Sugarcane Breeding Institute (ICAR-SBI), Coimbatore would aim at developing high yielding, climate resilient, water efficient, and disease-tolerant sugarcane varieties.
- ⑧ The Centre would embrace and deploy advanced breeding technologies such as genome-sequencing, genome-editing,

phenomix, high throughput breeding, bio-informatics and modern seed systems. This would help enhance farm productivity, improve crop resilience, reduce climate and disease related risks, lower cultivation costs and eventually lead to higher farm incomes.

- ☯ Parallely, efforts are on to use Artificial Intelligence for real-time tracking and monitoring of cane crop using satellite imagery for effective and time-bound intervention in the areas of irrigation, fertilizer application and pest management. Agriculture can no longer afford to remain primordial. Given its primary role in rural India and pre-eminent status, it must embrace state-of-the-art technology, including AI, for long term stability, security and sustainability.

## **Indian Sugar**

- ☯ Sugar production in 2025-26 was initially expected to recover considerably from the low of 2024-25. Successive production estimates by ISMA have however led to pronounced downward revision. Early flowering - often triggered by abnormal weather patterns including excess rainfall during key growth phases – accelerates cane maturity and reduces bio-mass accumulation, resulting in lighter, less productive stalks.

- ☉ Discernable decline in cane yield in major cane growing States like UP, Maharashtra and Karnataka have together triggered the decline in 2025-26 production. Sensing year-end stocks staring at record low levels, Government of India was prompted to shift temporarily sugar exports from 'restricted' to 'negative' list under the EXIM policy. This, however, is more a matter of signaling in the backdrop of negative export price parity. As a matter of fact, aggregate sugar exports may not exceed 8 lakh tonnes against quota of 20 lakh tonnes this season.
- ☉ It is too early to meaningfully forecast 2026-27 production but El Nino – labelled super El Nino this time for its severity – might for sure play spoilsport. Sugar prices have moved up moderately, but nowhere in sync with current demand-supply disequilibrium.
- ☉ Sugar industry has been constantly urging Government of India (GOI) for urgent and timely revision of Minimum Support Price (MSP) for sugar and the procurement price for ethanol from different feed stocks. Considering the annual and unavoidable hike in FRP for sugarcane, it is imperative that GOI ensures parity between input and output prices without undue time lag.

## **Cogeneration**

- ⌘ Electricity Act 2003 advocates promotion of cogeneration of power and power production from renewable energy sources. Your Company in 2012 commissioned a 19 MW power plant that meets with both criteria. It was entitled to a long term Power Purchase Agreement on a preferential pricing under cost-plus model in terms of the National Electricity Policy as well as the Tariff Policy.
- ⌘ The Company however was rudely shocked when 2012 Tariff Order came to be issued by the Tamil Nadu Electricity Regulation Commission (TNERC) in August 2012 that significantly lowered the applicable tariff and threw our project viability off-grid.
- ⌘ Your Company promptly challenged the Order and got good relief in 2016 from the Appellate Tribunal for Electricity (APTEL) that in principle endorsed most grounds agitated in our favour.
- ⌘ The consequential order passed by TNERC however conferred only partial relief that no doubt restored and reassured our project sustainability. Unaddressed or partially addressed issues led to repeat of challenge before APTEL, pertaining to the 2012 Tariff Order and similar Tariff Orders issued in later periods.

- ⊙ While all these litigations lingered for years, our time for triumph arrived in Sep '25 through APTEL's final judgement. Though justice got delayed, it wasn't denied; more significantly, the detailed analysis and order by APTEL was decisive on all key issues in our favour.
- ⊙ TNERC is now required to pass consequential orders fixing the revised tariff applicable to our Company from 2012. Judging by the progress till date, I guess it would be a reasonable prognosis to expect that this would fructify and firmly crystalize before end of current FY 2026-27.
- ⊙ While so, the Company has recognized the income arising out of additional tariff pursuant to APTEL judgement under accrual concept. APTEL of course is yet to give its judgement in respect of 2023 Tariff Order. Following the precedent, this can reasonably be expected to add further gains to our Company.
- ⊙ We currently await the promulgation of revised Tariff Order by TNERC and consequent realization of additional cash flow from the differential tariff. Overall, our financial results for FY 2025-26 got the booster dose from the long pending tariff dispute resolution this year.

## Ethanol

- ☪ India has emerged as a global leader in bio-fuel adoption through Government of India's proactive policies and passionate drive under the Ethanol Blended Petrol (EBP) Programme. While India was a late starter compared to Brazil, its pace of progress in achieving E20 (20% ethanol blend) is enviable.
- ☪ Sugar industry, on its part resonantly responded and impressively invested in quick-time over Rs. 40,000 crores of capex in ethanol production. While it was the dominant supplier of ethanol at start, grain-based distilleries have since come to dislodge the pecking order. Currently the allocation to sugar industry is below 40% of the total off-take, resulting in idle capacity.
- ☪ The EBP programme is driven by cardinal objectives aimed at reducing crude oil imports, enhancing national energy security, promoting cleaner transportation fuels, strengthening the bio-fuel and agri-economy eco system and supporting India's low carbon emission strategies.
- ☪ The Gulf war and consequent steep rise in global oil prices, have since added unarguable urgency in expanding EBP programme as the country imports more than 85% of its crude requirements.

Recognizing this, Government of India has already taken policy steps to kick-start the blend target beyond E20.

- ④ The Bureau of Indian Standards (BIS) has in May '26 officially notified fuel specifications for higher ethanol blends covering E22, E25, E27 and E30 fuels. Following this, the Ministry of Finance has extended the excise duty exemption, hitherto available for E20, to cover higher Ethanol blend up to E30.
- ④ While these do not per se translate to an immediate mandate for higher blend, they signify a clear and credible roadmap, signaling the underlying intent and progressive path way for investors to firm up their capex plans.
- ④ Further, the first Flexi Fuel Vehicle (FFV) has been launched in the country for four wheelers by Maruti and two wheelers by Hero MotoCorp. Host of other auto manufacturers are expected to follow suit shortly. E85 fuel has been introduced in Delhi which is discounted by about Rs.20 per litre compared to E20 fuel, considering its comparable lower energy content and fuel efficiency.
- ④ The Government estimates E 85 fuel to reduce greenhouse gas emission by up to 61% compared to conventional petrol. Sugar industry is urging the Government to consider adoption of Hydrous E 100 Fuel as well. It is further possible to unlock the massive potential

of ethanol by simply retrofitting the current fleet of BS-VI vehicles – both two and four wheelers.

- ④ Clear standards for FFV kit certification, safety approval and installation procedures must of course be in place. Fiscal incentives, including lower GST rates on FFV kits, as well as retrofitting subsidies and State level support measures could jumpstart adoption. Using ethanol for cooking is another option being explored.
- ④ Ethanol as fuel, unknown in the country not too long ago, has since etched its indelible mark and embellished its credentials – thanks to the unflinching commitment and coordinated efforts of the Government and diverse stakeholders.

### **Company performance**

- ④ Our Company performance in FY 2025-26 has been dwelt at length in the Board's Report as well as in the Management Discussion and Analysis Report.
- ④ Suffice it to sum up here that our Company has achieved a stellar turnaround in its operational performance, startling rise in sugar recovery, summit in power exports and optimal cost efficiencies all around. Exceptional income principally stemming from electricity tariff resolution by APTEL judgment has propelled our PBT and PAT

for the year to record high levels. While the tariff dispute is by now benignly behind us, we are faced with transfer pricing challenge in computing eligible profits from power production that qualifies for tax holiday.

- ☪ The Income Tax Law conceptually conceives and consciously confers tax respite for 10 years to promote power production, but there is no respite from continual confrontation between the tax department and assessees in the area of computational challenge, that in turn triggers traumatic and protracting tax litigations. While due provision for this has been recognized in our financials, the Company would take effective steps to protect its legitimate entitlement for tax relief.
- ☪ Over all, it is time to cheer the exhilarating performance of the Company and its highly creditable financial results in FY 2025-26.

### **Outlook for 2026-27**

- ☪ The worst nightmare for sugar industry often comes from the vagaries of weather and volatile change in agro-climatic conditions. *Force Majeure* is frustratingly an integral and inevitable part of its functional characteristic. The below par monsoon outlook by IMD and woefully low water storage in Mettur reservoir that caters to our command area portend an inexorable challenge to cane crop in 2026-

27. Sugar recovery too may get hit by dint of deleterious cane quality under water stressed conditions. Drought conditions invariably cause double whammy impacting both quantity of cane available for crushing and quality of available cane.

- ☉ Sugar industry in Tamil Nadu has been weathering multitude of challenges over the last decade and more. Its delegation recently had a meeting with the newly elected State Government underscoring the support measures required for its resurrection. While due appreciation has been shown to the plenitude of problems on hand, eventual relief and its extent is contingent on Government's priorities and overarching fund constraint.
- ☉ The Company, on its part, is in vigorous pursuit of cane promotional measures. It offers a package of incentives and direct support, both technical and financial, to sustain farmers' interest in cane through improved earnings.
- ☉ No doubt, our Company is relatively better placed than most of its peers, yet there is little headway for total insulation from headwinds coming hard in its way. With its strong fundamentals and unstinted support of all stakeholders, I do hope that our Company would succeed in limiting the negative and be able to deliver a reasonable performance in FY 2026-27 under extant constraints.

## **Acknowledgement**

- ☪ I thank our farmer family for their continuing commitment in cane crop and supplying it to our Company, braving weather and other challenges. I also thank our suppliers, customers, officials of Central and State Governments and our Bankers for their continued support.
- ☪ I greatly appreciate the commendable performance of our employees whose credible exuberance and concerted efforts have translated to excellence in our operations.
- ☪ It is indeed my pleasure to thank our valued shareholders for their patronage and unequivocal support to the Management. I look forward to your comments and suggestions from time to time.

Thank You,

Erode  
June 24, 2026

N Gopala Ratnam  
Chairman

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Note :This does not purport to be a record of the proceedings of the Annual General Meeting.