



PONNI SUGARS (ERODE) LIMITED

CIN : L15422 TN1996 PLC037200

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PEL/ SH/ 95

November 3, 2020

National Stock Exchange of India Ltd
Exchange Plaza
5th Floor, Flat No.C/ 1 G Block
Bandra-Kurla Complex
Bandra East, Mumbai 400 051

BSE Ltd
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400001

Scrip Code: PONNIERODE

Scrip Code: 532460

Dear Sirs,

**Sub: Income Tax litigations – outcome
of litigation having material impact**

Our Company, Ponni Sugars (Erode) Ltd was transferred the Erode Undertaking of the erstwhile Ponni Sugars and Chemicals Ltd pursuant to the Scheme of Arrangement sanctioned by the High Court of Madras in 2001. The effective date of transfer was 1st April 1999. The Scheme provided for an aggregate consideration of Rs.75 crores for the transfer of Erode Undertaking. The Explanatory Statement to the said Scheme expressly spelt out that the Scheme of Arrangement is not one of Demerger within the meaning of Section 2 (19AA) of the Income Tax Act, 1961.

The Tax Department however chose to treat the above Scheme as one of Demerger under the Income Tax Act. Accordingly our depreciation claim made on the basis of market value of the assets transferred was sought to be restricted to the written down value of these assets in the hands of Transferor Company. The aggregate of depreciation differential over a number of years would approximate Rs.28 crores. In addition to the tax impact thereon, the Company would also be saddled with interest claims for each of the years in accordance with the provisions of the Income Tax Act, 1961.

Our Company filed writ petitions in respect of various assessment years before the Hon'ble High Court of Madras. Finally the High Court in its judgement dated 16th October 2020 has held that the Scheme of Arrangement sanctioned in the case of our Company is not a Demerger within the meaning of Section 2 (19AA) of the Income Tax Act, 1961. Accordingly the various assessment proceedings were quashed directing the Tax Department to take further course of proceedings taking into consideration the findings of the High Court of Madras. Accordingly all the writ petitions filed by the Company on this issue stand allowed. The High Court judgement was posted on its official website on 2nd Nov 2020 evening.

Our Company did not recognize the tax/ interest implications in its financial statements and made only disclosure of pending litigation by way of note. Accordingly this High Court ruling would help obviate negative impact on profit or cash flow of the Company.

This information is furnished in deference to Regulation 30 of the Listing Regulations.

Kindly take the same into your records.

Thanking you

N Ramanathan
Managing Director