

PONNI SUGARS (ERODE) LIMITED



*The Visionary and Karma Yogi is no more... ..
but his ideals will continue to guide us.*



Sri S Viswanathan
Founder and Chairman
(21-12-1915 to 22-07-2001)

HOMAGE

We record with profound grief and sorrow, the passing away of Sri S Viswanathan, Founder and Chairman of the Company, on July 22, 2001.

Affectionately referred to as SV by his friends and associates, he was a lawyer-turned freedom fighter-turned industrialist of a unique genre. He was a close associate of Sri Jaya Prakash Narayan. He teamed up with Sri R Venkataraman, former President of India, to practice Law at Chennai.

He joined in 1957, the House of Seshasayees, a Managing Agency firm of repute in that era. With the untimely death of Sri V Seshasayee, SV took on the mantle, and his entrepreneurial drive and vision helped him establish number of Industrial enterprises, viz. Seshasayee Industries Ltd., Simco Meters Ltd, Seshasayee Paper and Boards Limited, Neyveli Ceramics Limited, High Energy Batteries (India) Limited, Ponni Sugars and Chemicals Limited, SPB Projects and Consultancy Limited, Esvin Advanced Technologies Limited etc.

The 'Magnum Opus' of SV was the creation of Tamil Nadu Newsprint and Papers Limited. He took total charge and responsibility from concept to commissioning of this project. This was the first ever Mill to produce, successfully, newsprint out of sugarcane bagasse and continues to be one of the top profit performers of the State Government.

He laid great emphasis on the use of Bagasse as raw material for the Paper Industry to preserve forest cover and protect environment. His persistent thrust in this area has led to more than 50% of paper production in the country now being made out of unconventional raw material such as Bagasse. He promoted Ponni Sugars which became the first sugar mill in the country to use alternate fuel in its Boilers and release the Bagasse in entirety for Paper making. He innovatively structured Irrigation Projects with multiple objectives of using treated paper mill effluent for converting dry lands into wet lands thus transforming the livelihood of local farming community and simultaneously meeting the raw material needs of both Sugar and Paper Industry.

He was a strong believer in team work and professionalism. He was firmly of the view that the role of Industry is not just to create wealth in a few hands, but must be extended to serve rural development, poverty alleviation, employee welfare and society upliftment.

He was a "Visionary" par excellence and "Karmayogi", non-pareil.

In his passing away, the Company has lost its Guiding Star and the void is hard to fill.

Though he is no more, his lofty ideals will always be the guiding spirit in all our activities.

Ponni Sugars (Erode) Limited**DIRECTORS**

Mr N GOPALARATNAM (*Chairman*)
 Dr L M RAMAKRISHNAN (*Vice Chairman*)
 Mr G RAJAGOPAL (*Managing Director*)
 Mr ARUN G BIJUR
 Mr BIMAL PODDAR
 Mr C K PITHAWALLA
 Mr N RAVINDRANATHAN
 Mr S K RAMASAMY

AUDIT COMMITTEE

Mr. ARUN G BIJUR
 Mr. BIMAL PODDAR
 Mr. N. RAVINDRANATHAN

SECURITIES TRANSACTIONS CUM INVESTORS GRIEVANCE COMMITTEE

Mr. N. GOPALARATNAM (*CHAIRMAN*)
 Mr. G. RAJAGOPAL
 Mr. ARUN G BIJUR

SECRETARY

Mr N RAMANATHAN

AUDITORS

M/s N R SURESH AND CO., CHENNAI

COST AUDITOR

Mr M B KANNAN

FINANCIAL INSTITUTIONS

ICICI LIMITED
 INDUSTRIAL DEVELOPMENT BANK OF INDIA
 UNIT TRUST OF INDIA

BANKERS

BANK OF INDIA
 STATE BANK OF INDIA
 UCO BANK
 UNITED BANK OF INDIA
 THE KARUR VYSYA BANK LIMITED

REGISTERED OFFICE

"ESVIN HOUSE"
 13 SEEVARAM VILLAGE,
 OLD MAHABALIPURAM ROAD,
 PERUNGUDI, CHENNAI 600 096.

WORKS

PALLIPALAYAM, CAUVERY RSPO,
 ERODE 638007, NAMAKKAL DISTRICT,
 TAMIL NADU

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Ponni Sugars (Erode) Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held at New Woodlands Hotel Pvt. Ltd., 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600004 on Wednesday, the 19th December 2001 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS**1. Adoption of Accounts etc.**

To consider and adopt the Audited Balance Sheet as at 31st March 2001, the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.

2. Reappointment of retiring Director

To appoint director in the place of Mr N.Gopalaratnam, who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS**3. Appointment of Managing Director**

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

RESOLVED that Mr G Rajagopal appointed as an additional director of the Company by the Board of Directors at their meeting held on 18th July 2001 and vacating his office at this meeting be and is hereby appointed as a Director of the Company in pursuance of Notice under Section 257 of the Companies Act, 1956 having been received for this purpose.

RESOLVED FURTHER that in accordance with the provisions of Section 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded for the appointment of Mr G Rajagopal as Managing Director of the Company from 26th October 2001 to 31st March 2005 on the terms and conditions set out in the Explanatory Statement attached to this Notice, a copy whereof initialled by the Chairman for identification is placed before this meeting.

RESOLVED FURTHER that the Board be and is hereby authorised to increase, vary or amend the terms of the appointment from time to time subject to the condition that the revised remuneration shall also be in conformity with and within the ceiling of Part II of Schedule XIII to the Companies Act, 1956 as stipulated from time to time and other applicable Government guidelines on managerial remuneration.

4. Appointment of Directors

To consider and if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:

- i) RESOLVED that Dr L M Ramakrishnan be and is hereby appointed as a Director of the Company liable to retire by rotation.
- ii) RESOLVED that Mr C K Pithawalla be and is hereby appointed as a Director of the Company liable to retire by rotation.
- iii) RESOLVED that Mr Bimal Poddar be and is hereby appointed as a Director of the Company liable to retire by rotation.
- iv) RESOLVED that Mr N Ravindranathan be and is hereby appointed as a Director of the Company liable to retire by rotation.
- v) RESOLVED that Mr S K Ramasamy be and is hereby appointed as a Director of the Company liable to retire by rotation.

Ponni Sugars (Erode) Limited**5. Revision of Auditors' Remuneration**

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

RESOLVED that M/s N R Suresh and Co. Chartered Accountants, Chennai, who were appointed as Auditors of the Company from the conclusion of 4th Annual General Meeting till the conclusion of this meeting, be paid an enhanced remuneration of Rs.60,000/- plus service tax as applicable and reimbursement of out-of-pocket expenses incurred.

6. Appointment of Joint Auditors

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

RESOLVED that pursuant to section 224-A of the Companies Act, 1956, M/s N.R.Suresh and Co. Chennai, the retiring auditors of the Company and M/s R.Subramanian & Co, Chennai, be and are hereby appointed as auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs.60,000/- per annum plus service tax as applicable for each of them and reimbursement of travelling and other out-of-pocket expenses incurred.

7. Borrowing Powers

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

RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 293(1)(d) of the Companies Act, 1956, to borrow any sum or sums of monies from time to time not withstanding that the monies so borrowed together with the monies already borrowed or having become borrowings of the Company pursuant to the Scheme of Arrangement between the Company and Ponni Sugars and Chemicals Ltd (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however that the total amount so borrowed and outstanding at any one time shall not exceed Rs.100 crores (Rupees one hundred crores only) in the aggregate.

(By order of the Board)

For **PONNI SUGARS (ERODE) LIMITED**

Chennai
26th October 2001

N Ramanathan
Secretary

NOTES:

1. 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. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE FILED NOT LATER THAN 48 HOURS BEFORE THE MEETING.
3. The Register of Members and the Share Transfer Register will be closed from Monday, the 17th December 2001 to Wednesday, the 19th December 2001 (both days inclusive).

Ponni Sugars (Erode) Limited

EXPLANATORY STATEMENT

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

Item No.3: Appointment of Managing Director

Mr G Rajagopal was appointed as an additional director of the Company by the Board of Directors at their meeting held on 18.7.2001 and he vacates his office at this meeting. It is now proposed to appoint Mr G Rajagopal as a Director of the Company for which relevant notice under Section 257 of the Companies Act, 1956 together with requisite cash deposit has been received.

At the meeting of Board of Directors held on 26-10-2001 Mr G Rajagopal has been appointed as the Managing Director of the Company on following terms:

Gist of Terms and Conditions

- | | | |
|-----|----------------------|--|
| I | Tenure | 26.10.2001 to 31.03.2005 |
| II | Salary | Rs.30,000/- (Rupees thirty thousand only) per month including all allowances. |
| III | Commission | Equivalent to one per cent of the net profits of the Company subject to a ceiling of an amount equal to annual salary. |
| IV | Perquisites | Perquisites shall be restricted to an amount equal to the annual salary. Contribution to Provident Fund, Superannuation Fund and Annuity Fund shall however be excluded in reckoning the said ceiling. |
| V | Minimum Remuneration | In the event of loss or inadequacy of profits in any financial year, the Managing Director shall be paid remuneration by way of salary and perquisites as specified above. In addition, he is entitled to a special allowance not exceeding Rs.2,40,000 per year. No commission is payable in such a year. In any event the total of salary, special allowance and perquisites will be within the overall ceiling as specified in Section II of Part II of Schedule XIII to the Companies Act, 1956. |

Note : Profit for purpose of managerial remuneration shall be as per computation under Section 349 and 350 of the Companies Act, 1956.

Mr G Rajagopal has been the Managing Director of Ponni Sugars and Chemicals Limited since 23rd October 1998. He has indeed been associated with the Erode Undertaking right from the conceptual stage of said project. He is a Chartered Accountant, Cost Accountant and Company Secretary with a highly creditable academic track record. He has also gained hands on experience in managing Sugar Mill by virtue of his long years of association with the industry. Accordingly the Board of Directors consider it in the interest of the Company to appoint him as Managing Director and commend the same for the approval of Members.

The terms of appointment are well within the ceiling stipulated under Schedule XIII to the Companies Act, 1956 and hence do not require the approval of the Central Government. In terms of Part III of the said Schedule, the appointment and remuneration as above shall be subject to the approval by a resolution of the Shareholders in a General Meeting. Accordingly, this subject is placed before the Members for approval. This may also be treated as intimation of the Resolution of the Company under Section 302 of the Companies Act, 1956.

A copy of the Board resolution passed in this respect is available for inspection of Members on any working day of the Company between 10.30 AM and 12.30 PM.

No Director other than Mr G Rajagopal is concerned or interested in the above appointment.

Ponni Sugars (Erode) Limited**Item No. 4: Appointment of Directors**

Pursuant to the Scheme of Arrangement for the transfer of Erode Undertaking having been sanctioned by the Madras High Court, the Company has now got into active business. It was accordingly considered appropriate and expedient to expand and broaden the Board of Directors. As part of reconstitution of the composition of the Board of Directors of the Transferor Company and the Transferee Company upon the Demerger Scheme coming into force, it is considered desirable that all the directors of Ponni Sugars and Chemicals Ltd. (PSCL) would join the Board of the Company. Simultaneously, the Board of PSCL would be suitably pruned to have only minimal strength having regard to its constricted business on hand at the current juncture.

Having regard to the above, the Board of Directors at their meeting held on 26th October 2001, have, appointed Dr L M Ramakrishnan, Mr C K Pithawalla, Mr Bimal Poddar, Mr N Ravindranathan and Mr S K Ramasamy as additional directors of the Company. They hold office till the date of this meeting. The Company has received Notices individually under Section 257 of the Companies Act, 1956 together with requisite deposit for proposing their candidature as Directors of the Company.

ICICI, UTI and IPICOL have nominated Directors in PSCL and they can be expected to nominate Directors in the Company shortly. The nominee Directors, if and when appointed will be non-rotational Directors.

With the appointment of aforesaid directors, the Board would have a broad based and balanced composition, representing diverse interests of business, agriculture and finance. It would also have a fair balance of independent and non-independent directors.

Approval of the shareholders is sought for the appointment of all the abovementioned persons as directors of the Company, liable to retire by rotation. Motion shall be made for the appointment of each one of these directors individually at the meeting and not by a single resolution in conformity with Section 263 of the Company Act, 1956.

Each of the abovementioned persons is respectively interested in his appointment as director.

Item. No.5 : Revision of Auditors' Remuneration

M/s N R Suresh and Co. Chartered Accountants, Chennai were appointed as Auditors of the Company at the Annual General Meeting held on 29-12-2000 to hold office from the conclusion of 4th Annual General Meeting till the conclusion of this Meeting on a remuneration of Rs.5,000 plus service tax as applicable and reimbursement of out-of-pocket expenses incurred.

Upon sanction by the High Court of Judicature at Madras, the Scheme of Arrangement between the Company and Ponni Sugars and Chemicals Ltd. (PSCL), the Erode Undertaking of PSCL is vested in the Company effective 1.4.1999. This has considerably increased the workload of the auditors. It is, therefore, proposed to enhance the remuneration payable to the auditors to Rs.60,000/- commensurate with the scope and coverage of the audit undertaken.

The appointment of auditors is required to be done by way of a special resolution if not less than 25% of the subscribed share capital of the Company is held by a public financial institution or a Govt. Company. On the date of Notice for this meeting, no part of the subscribed share capital is held by any public financial institution or other entities spelt out under Section 224A. It is however likely that such shareholding shall cross the threshold limit before the date of the meeting, consequent upon the issue and allotment of fresh shares in accordance with the Scheme of Arrangement sanctioned by the High Court of Madras on 10th September 2001.

It is accordingly proposed that the revision in terms of appointment of auditors is done by passing a special resolution which is placed for your approval.

None of the directors is concerned or interested in this item of business.

Ponni Sugars (Erode) Limited**Item No.6: Appointment of Joint Auditors**

M/s N R Suresh and Co. Chartered Accountants, Chennai have been the auditors of the Company from its first year. They retire at this meeting and are eligible for reappointment.

M/s R Subramanian & Co, Chartered Accountants, Chennai have been the auditors of the Transferor Company. Indeed, they have been associated with the audit of Erode undertaking from the very beginning.

Considering the above, it is proposed to appoint both the above firms of Chartered Accountants as joint auditors. Accordingly, the resolution for the appointment of M/s N R Suresh and Co. and M/s R Subramanian & Co as auditors is submitted for the approval of the members.

The appointment of auditors is required to be done by way of a special resolution if not less than 25% of the subscribed share capital of the Company is held by a public financial institution or a Govt. Company. On the date of Notice for this meeting, no part of the subscribed share capital is held by any public financial institution or other entities spelt out under Section 224A. It is however likely that such shareholding shall cross the threshold limit before the date of the meeting, consequent upon the issue and allotment of fresh shares in accordance with the Scheme of Arrangement sanctioned by the High Court of Madras on 10th September 2001.

It is accordingly proposed that appointment of auditors is done by passing a special resolution which is placed for your approval.

None of the directors is concerned or interested in this item of business.

Item No.7: Borrowing Powers

In terms of Section 293(1)(d) of the Companies Act, 1956, the Company cannot borrow monies in excess of its paid up capital and free reserves (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) unless a resolution authorising such borrowing is passed by shareholders in the general meeting.

In terms of the Scheme of Arrangement sanctioned by the Madras High Court on 10th September 2001, the Erode Undertaking of Ponni Sugars and Chemicals Ltd. (PSCL) stands transferred to and vest in the Company. Concurrently, the Term Loans and Debentures have also got transferred in accordance with the Scheme. Aggregate of borrowings, as of 31st March 2001 is Rs. 42.79 crores.

In view of the above, any further borrowing to be made by the Company would require specific sanction under Section 293(1)(d) of the Act. It would, however, be necessary for the Company to raise loans from time to time to meet normal capital expenditure and long term working capital requirements. To take care of same, requisite resolution authorising borrowings upto a limit of Rs.100 crores has been placed for the consideration of the members.

None of the directors is interested in this item of business.

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

Chennai
26th October 2001

N Ramanathan
Secretary

Ponni Sugars (Erode) Limited

Details of the Directors seeking appointment / reappointment at the 5th Annual General Meeting

Name of Director	Date of Birth	Date of appointment	Expertise in specific functional areas	Qualification	Directorships in other companies (excluding foreign companies)	Committee/ executive positions held in other companies
N Gopalaratnam	15.04.1947	26.12.1996	Long and varied experience in management of projects, operations and overall management of diverse industries engaged in Pulp, Paper, Sugar and Batteries.	B.Sc (Physics) B.E(Mech)	<i>Chairman & MD</i> Seshasayee Paper & Boards Ltd <i>Chairman</i> High Energy Batteries (India) Ltd Esvi International (Engineers & Exporters) Ltd <i>Director</i> SPB Projects & Consultancy Ltd Esvin Advanced Technologies Ltd Esvin Biosys International Ltd	NIL
G Rajagopal	10.06.1954	18.07.2001	Varied experience in the area of finance, operations and general management in the sugar industry.	ACA, AICWA and ACS	<i>Director</i> Ponni Sugars and Chemicals Ltd Esvi International (Engineers & Exporters) Ltd	NIL
Dr L M Ramakrishnan	30.09.1942	26.10.2001	Doctor turned Educationist having wide experience in management of educational institutions. Also having wide contacts among local farming community.	M.B.B.S., D.L.O	<i>Director</i> Knitwell Needles Ltd Erode Medical Supplies P Ltd SKM Egg Powder Ltd	NIL
C K Pithawalla	3.10.1940	26.10.2001	A successful NRI businessman having diverse interests in UK, Germany and Switzerland.	B.E (Mech)	<i>Director</i> CKG Pithawalla P Ltd Plastwood Industries P Ltd Polydecor Industries P Ltd Cumac Investments P Ltd Chamesh Investments P Ltd Pidmac Investments P Ltd	NIL