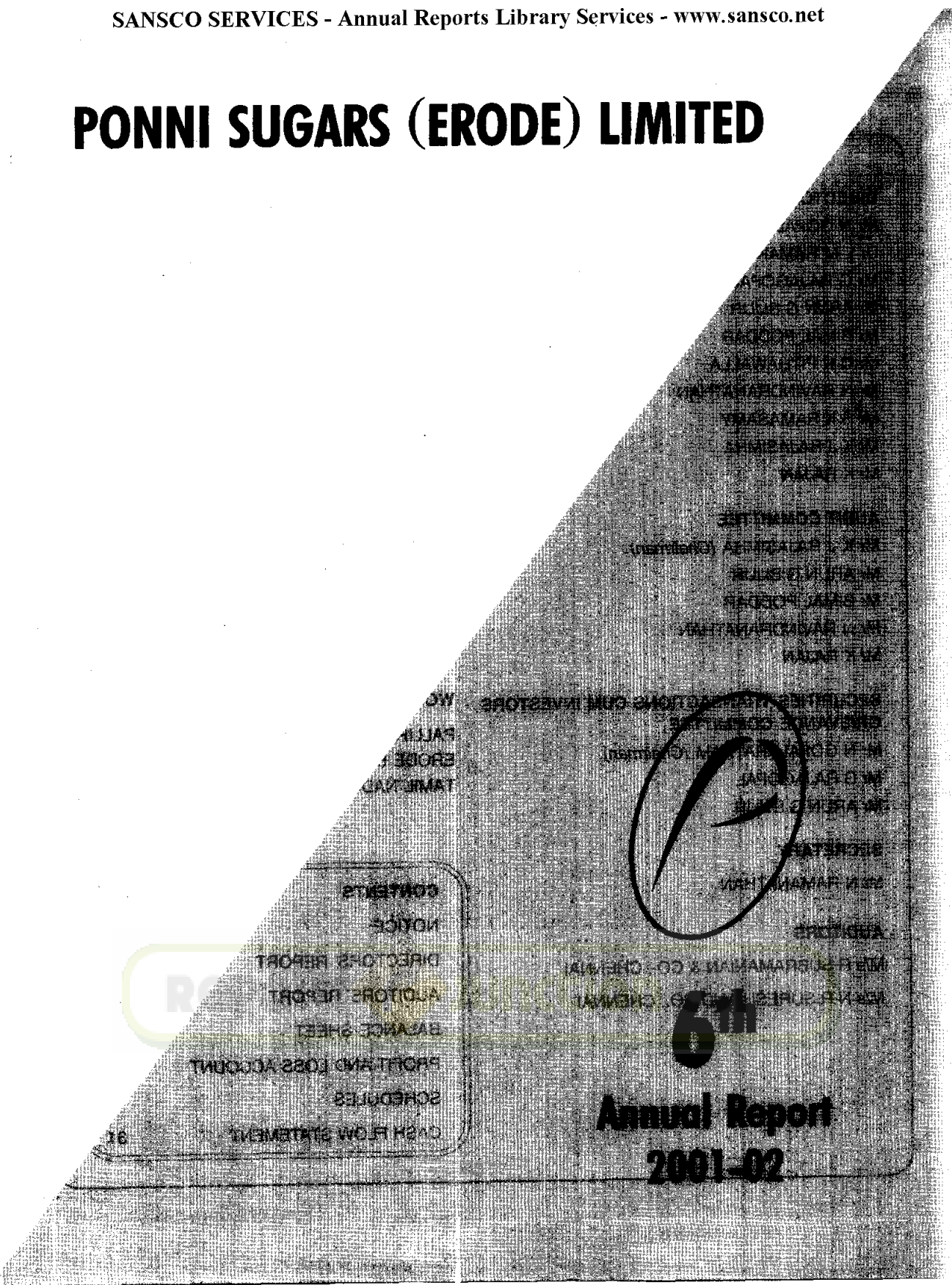


PONNI SUGARS (ERODE) LIMITED



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
 Mr K J RAJASIMHA
 Mr K RAJAN

AUDIT COMMITTEE

Mr K J RAJASIMHA (*Chairman*)
 Mr ARUN G BIJUR
 Mr BIMAL PODDAR
 Mr N RAVINDRANATHAN
 Mr K RAJAN

**SECURITIES TRANSACTIONS CUM INVESTORS
GRIEVANCE COMMITTEE**

Mr N GOPALARATNAM (*Chairman*)
 Mr G RAJAGOPAL
 Mr ARUN G BIJUR

SECRETARY

Mr N RAMANATHAN

AUDITORS

M/s R SUBRAMANIAN & CO., CHENNAI
 M/s N R SURESH AND CO., CHENNAI

COST AUDITOR

Mr M B KANNAN

FINANCIAL INSTITUTIONS AND BANKS

ICICI BANK LIMITED
 INDUSTRIAL DEVELOPMENT BANK OF INDIA
 UNIT TRUST OF INDIA
 BANK OF INDIA
 STATE BANK OF INDIA
 UCO BANK
 UNITED BANK OF INDIA

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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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth 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 Saturday, the 20th July 2002 at 10.45 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 2002, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

2. Reappointment of retiring Directors

To appoint directors in the place of Mr Arun G Bijur, Mr N Gopalaratnam and Mr Bimal Poddar, who retire by rotation and being eligible, offer themselves for reappointment.

3. Appointment of 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 and M/s R.Subramanian & Co, Chennai, the retiring auditors of the Company, be and are hereby reappointed 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.60000 per annum plus service tax as applicable for each of them and reimbursement of travelling and other out-of-pocket expenses incurred."

(By order of the Board)

For **PONNI SUGARS (ERODE) LIMITED**

N Ramanathan
Secretary

Chennai
7th June 2002

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 received at the registered office of the Company not later than 48 hours before the meeting, viz., by 10.45 A.M. on 18th July 2002.
3. The Register of Members and the Share Transfer Register will be closed from Tuesday, the 16th July 2002 to Saturday, the 20th July 2002 (both days inclusive).
4. Information on Directors seeking reappointment at the meeting pursuant to Clause 49 of the Listing Agreement with Stock Exchanges is appended.
5. Members are requested to bring the attendance slips duly filled in along with their copies of Annual Reports to the meeting.
6. Members holding shares in Demat form are requested to bring in their depository account number (Client ID number) for ease of identification and recording of attendance at the meeting.

Ponni Sugars (Erode) Limited**Details of the Directors seeking reappointment at the 6th 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
Arun G Bijur	11.04.1948	29.12.2000	Long and varied experience in managing large scale projects involving coordination of all phases of engineering, procurement, construction, startup and commissioning activities of various Pulp and Paper mills, Sugar mills and Ceramic units.	B.E. (Chemical Engineering)	Managing Director SPB Projects & Consultancy Ltd Director Dhana Vruddhi Traders P Ltd Eljay Finance & Securities P Ltd Far & Wide Marketing P Ltd	NIL
N Gopalaratnam	15.04.1947	19.12.2001	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)	Chairman & MD Seshasayee Paper & Boards Ltd Chairman High Energy Batteries (India) Ltd Energy Investments Ltd Mathur Investment Company Ltd Esvi International (Engineers & Exporters) Ltd SPB Projects & Consultancy Ltd Time Square Investments Pvt Ltd Director SPB Energy Corporation Ltd	Chairman Shareholders/ Investors Grievances Committee in High Energy Batteries (India) Ltd Member Share Transfer & Shareholders/ Investors Grievances Committee in Seshasayee Paper and Boards Ltd
Bimal Poddar	25.12.1942	19.12.2001	Varied experience in the spheres of finance, administration & general management for long in diverse family businesses	B.Com	Chairman Matheson Bosanquet Enterprises Ltd The Coonoor Tea Estates Co Ltd Lucky Valley Investments & Holdings Ltd Hope Textiles Ltd Sua Explosives & Accessories Ltd. Director Sua Finance & Investments Ltd Coonoor Investments Ltd Poddar Niket Developers Ltd Revathi Equipments Ltd Atlas Copco (India) Ltd Pragati Business Ltd Matheson Keells Enterprises P Ltd	Member in Audit, Remuneration and Director's Committees in Atlas Copco (India) Ltd Member of Audit Committee in Revathi Equipments Ltd



DIRECTORS' REPORT

Your Directors present their 6th Annual Report and the audited statement of Accounts for the year ended 31st March 2002.

	For the year ended 31-3-2002	For the Year ended 31-3-2001
Physical Performance		
Cane crushed (lakh t)	6.27	6.65
Sugar bagged (t)	67703	66600
Sugar Recovery (%)	10.60	10.03
Financial Performance		
	(Rs. crores)	
Turnover	103.03	98.78
Profit before Interest & Depreciation	13.65	13.22
Interest	8.80	9.08
Depreciation	2.04	2.00
Profit before tax	2.81	2.14
Less: Provision for Deferred Tax	1.00	-
Profit after Tax	1.81	2.14
Add: Surplus from previous year	(9.42)	(9.23)
Transfer from General Reserve	1.75	-
Less: Transfer to Debenture Redemption Reserve	1.75	-
Loss of Erode Undertaking for the year 31-3-2000	-	(2.33)
Balance in P & L Account carried forward	(7.61)	(9.42)

DIVIDEND

Having regard to the need to set off past losses transferred to the company in terms of the Demerger Scheme and current compulsion to conserve available resources, no dividend is proposed for the financial year 2001-02.

SNAPSHOT OF SUGAR INDUSTRY

World sugar production in 2001-02 season is forecast to increase at a rate much higher than the increase in consumption, thereby defying initial estimates of a drawdown in stocks. Global sugar prices have understandably come to crash and hover at horridly lower band, weighed down by the overhang of current stock levels that could readily cater to almost half of the estimated annual consumption. It is however incumbent for India to consciously endeavour and consistently capture at least 5% of the world trade volume of over 40 million tonnes in sugar so as to keep its delicate domestic demand supply balance in check.

Sugar production in India peaked to an all time high of 185 lakh tonnes during 2000-01 Season. Despite record performance on the export front crossing 12 lakh tonnes, stock at close of the season spurted to 112 lakh tonnes. Production estimates are placed at marginally lower levels for 2001-02; still sugar stocks could catapult to higher levels with continual capsizing in world sugar prices forcing our export volumes to peter out.

POLICY PRESCRIPTIONS

Levy obligation is further reduced from 15% to 10% from 1st March 2002. Issue price of levy sugar under PDS is marginally hiked from Rs.13.25 to Rs.13.50 per kg. Archaic controls on licensing requirement for dealers in stocking or moving sugar

Ponni Sugars (Erode) Limited

have been given a go by. Government has accorded approval to three Exchanges to facilitate futures and forward trading in sugar. Free sale release of sugar is made on quarterly basis, in lieu of monthly quotas, with intra quarter restriction to check volatility in prices. Additional 10% free sale is permissible to facilitate clearance of cane dues. Sugar Packing Regulations have been amended requiring that sugar shall be packed in 50 kg gunny bags as against 100 kg bags. Decision on buffer stock creation is however eluding despite mounting sugar stocks.

As a fillip to export, the levy exemption for export is continued and the deferment benefit by way of adjustment of sugar releases for export is enhanced from 12 months to 18 months. However, DEPB benefit is reduced from 5% to 4%. Raw sugar export is made permissible in addition to plantation white sugar. There is however an inordinate delay in the extension of inland freight subsidy for exports which is WTO compatible. The funding for this subsidy is only to come out of the cess collected from the industry and pooled in Sugar Development Fund. Export prices have slid steeply from USD 270 to USD 220 and below per tonne on CIF basis. It is feared that export volumes could get further considerably constricted and eventually squeezed out in the absence of viable direct subsidies or domestic price support, as is normal in world trade.

The Government has taken a major strategic initiative to permit and promote admixture of ethanol in automotive fuel. Pilot projects have already been set up in different parts and full-scale commercial use of ethanol through the length and breadth of the country is planned by November 2002. Since ethanol is eco-friendly, exchange saver and energy efficient requiring minimal incremental investment in the supply chain of production, distribution and usage, it should readily commend for large-scale adoption at once. The Union Budget has proposed fiscal incentive to promote this fuel mix and an early issue of official notification should help propel its immediate take off.

OPERATING PERFORMANCE

	Year ended 31-3-2002	Year ended 31-3-2001
Cane crushing (lakh t)	6.27	6.65
Sugar Production (t)	67703	66600
Sugar Recovery (%)	10.80	10.03

While cane volumes were optimized at marginally over 6 lakh tonnes, sugar production and recovery touched a new milestone. It is the combined outcome of continuous thrust on better cane varietal mix, constant check on cane quality and consistent monitoring of plant performance. Such a feat should indeed be regarded commendable, as it has come to be accomplished without major additional capital investment in plant upgradation or modernization.

The glut in sugar production and surge in stocks have led to stagnancy in sugar prices for over four years in a row with the current trend portending only to a further fall. To shore up liquidity and optimize stock levels, the Company could exploit the nearby Sri Lankan market and establish itself as a quality and reliable supplier. It exported 30% of its free sugar production during the year despite palpable plummeting in global prices. It perceives no escape from exports in the near term to declog the surplus, sustain liquidity and look for reasonable realisation for the residual volume in local market.

Having earlier received ISO 9002 accreditation, the company has initiated steps for migration to the ISO 9000:2000 version. It has also improved environmental performance by installing and commissioning an additional Effluent Treatment Plant. Raw water intake has been considerably reduced with the success achieved in recycling. Efforts are on to get ISO 14001 accreditation for its environmental system.

With satisfactory track record of cane payment, the company has been able to secure registration of adequate cane to meet the crushing needs of 2002-03 per set targets. While it is reasonably confident of sustaining and carrying forward the good operating performance of the current year, both international and domestic sugar prices may be expected to exert continued pressure and eclipse a good part of the beneficial impact of good performance on the cane front as well as on the plant side.



FINANCE

The company had obtained moratorium and funding of principal and interest from Financial Institutions upto March 2001 as an integral part of the Demerger Scheme. It is indeed a matter of gratification that it has been able to meet in full the financial obligations entailing an outgo of Rs.674 lakhs during the year, thereby vindicating the confidence reposed by lenders in the company.

Pursuant to the recall of advance made by the Karur Vysya Bank Limited to Ponni Sugars (Orissa) Ltd (POL), its cash credit dues were settled in full during the year. The other banks in the consortium of POL, namely, Bank of India, UCO Bank, United Bank of India and State Bank of India continue to be the Bankers of the Company. The Company has met with little success in achieving reduction in Cash Credit rate of interest as it awaits an affirmative response from the Banks for long. It is however able to avail part of its working capital out of FCNR (B) window that helps in containing cost of funds to an extent.

The company has been extending financial support to POL in terms and within the ceiling of the sanction of members to help in their 'holding-on' operations, pending the formulation and sanction of a rehabilitation scheme. The company has submitted a proposal to their Lenders for the shifting of usable plant and equipment and integration of same for expanding the capacity of the Erode Sugar Mill from 2500 to 4250 TCD. This proposal which is in its embryonic state will require the assistance and support of the Financial Institutions and Orissa Government for its realisation.

As a measure of prudence, your Directors have considered it appropriate to make full provision for the Inter Corporate Advance due from POL. Further, the adverse impact of the decision of the Hon'ble High Court of Madras reversing the earlier ruling of the Special Tribunal on the Purchase Tax Incentive dispute has been fully considered and provided for. The pre-tax profit for the year, after absorbing the adverse impact of these extra-ordinary items aggregating Rs.195 lakhs, shows an improvement of 32% over the last year which shall be viewed satisfactory.

DEMERGER IMPLEMENTATION

The completion date of the Demerger Scheme is 18th October 2001 while its effective date is 1st April 1999. Pursuant to the said Scheme, the company allotted 2 Equity/Preference Shares of Rs.10 each for every 5 Equity/Preference Shares of Rs.10 each held in the parent entity. Allotment of shares was made on 21-11-2001 and share certificates for physical segment were despatched in December 2001. Fls were allotted 18.4 lakh Equity Shares at par upon conversion of interest dues in terms of the Demerger Scheme.

State Bank of India (SBI) has challenged the order of the Madras High Court on Demerger Scheme before the Division Bench. No order for its admission or interim stay has been passed. Concerted efforts continue to be made by the Company to enlist SBI's co-operation and support and thereby to decisively set at rest the legal tangles. This would in turn facilitate the company to discharge its obligations to SBI undertaken in terms of the Demerger Scheme without let or hindrance.

The Company has entered into depository arrangement with both NSDL and CDSL. Cameo Corporate Services Limited have been retained as the Registrar and Share Transfer Agents for the demat segment. After obtaining requisite relaxation from SEBI under Rule 19 (2)(b) of the Securities Contracts (Regulations) Rules, 1957, the Company has secured Listing approvals and its equity shares have been admitted for trading at the Madras, Mumbai and National Stock Exchanges. Electronic credit of new shares in terms of Demerger Scheme was effected in April 2002.

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.

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;

Ponni Sugars (Erode) Limited

- (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 2002 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 going concern basis.

EMPLOYEES

Industrial relations were cordial throughout the year.

No employee of the Company was in receipt of remuneration during the financial year 2001-02, in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

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 Annexure which forms part of this report.

DIRECTORS

ICICI Bank Limited has nominated Mr K J Rajasimha and UTI has nominated Mr K Rajan as their representatives on the Board effective 23-11-2001 and 9-4-2002 respectively. They were earlier the nominee directors in POL and the company is benefitted by their induction into the Board. They also serve in the Audit Committee of the Board.

Messrs. Arun G. Bijur, N Gopalaratnam and Bimal Poddar retire at this meeting and they seek re-election.

AUDITORS

M/s N R Suresh and Co and M/s R Subramanian & Co, Auditors of the Company, retire at this meeting and are eligible for reappointment. Appropriate resolution for their appointment as Auditors of the Company has been proposed as a special resolution pursuant to Section 224-A of the Companies Act, 1956.

COST AUDIT

The Central Government pursuant to Section 233B of the Companies Act, 1956 has ordered that the company carries out an audit of cost accounts relating to sugar every year. Mr M B Kannan has been appointed as Cost Auditor. The Cost Audit Report for the year 2000-01 was submitted to the Central Government on 8th December 2001. The Cost Audit Report for 2001-02 will be submitted to the Government before due date.

APPRECIATION

Your directors thank the Financial Institutions and Banks for their continued support and assistance. Your directors commend the employees at all ranks who were instrumental in achieving enviable operating results in the Erode Sugar Mill during the year. Your directors convey their deep sense of gratitude for the indulgence and understanding shown by the larger body of shareholders despite being put on a long wait to get a reasonable return on their investment. Your directors with reinforced commitment would strive to sustain and carry forward the good performance to eventually help in speedy absorption of the past losses transferred from POL and thereby be able to meet shareholders' expectations in the near term.

Chennai
7th June 2002

For Board of Directors
N Gopalaratnam
Chairman



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:

No major measures were taken during the year.

b) Additional investments and proposals, if any, being implemented for reduction of steam and energy

NIL

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

NOT APPLICABLE

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 earning and outgo

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

During the year under review, the company exported 18130 tonnes of sugar for an aggregate value of Rs.1669 lakhs.

g) Total foreign exchange used and earned:

	(Rupees in Lakhs)	
	Current Year	Previous Year
Earnings	1669	424
Outgo	NIL	NIL

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)	3.56	3.42
Total amount (Rs lakhs)	23.89	21.34
Rate/Unit (Rs/kwh)	6.71	6.24
b) Own generation		
i) Through Diesel Generator	-	-
ii) Through steam turbine/generator		
Units (kwh lakhs)	194.74	191.48
Units per tonne of fuel (kwh)	-	-
Cost/Unit (Rs/kwh)	1.39	1.30
2. Coal		
Quantity (tonnes)	23905	17796
Total Cost (Rs lakhs)	631.03	457.74
Average Rate (Rs/t)	2640	2572
3. Lignite		
Quantity (tonnes)	28286	18564
Total Cost (Rs lakhs)	325.20	193.62
Average Rate (Rs/t)	1150	1043
4. Coconut Shell		
Quantity (tonnes)	8161	24378
Total Cost (Rs lakhs)	150.01	331.35
Average Rate (Rs/t)	1838	1359
5. Bagasse		
Quantity (tonnes)	68522	88083
Total Cost (Rs lakhs)	NIL	NIL
Average Rate (Rs/t)	NIL	NIL

(B) Consumption per unit of production:

Product - Sugar cane (t)		
Electricity (kwh) (Note 2)	32	29
Fuel (t)*	0.13	0.13

* Lignite/Bagasse/Coconut shell calculated on coal equivalent weight basis

Note:

- Figures for the previous year have been regrouped, wherever necessary.
- Increase in electricity consumption is due to installation of additional equipment for environmental protection during the year.

FORM B (RULE 2)

Form for disclosure of particulars with respect to Technology Absorption

A) Research & Development (R&D) (Rs. Lakhs)	NIL	NIL
B) Technology absorption, adaptation & innovation	NIL	NIL

For Board of Directors

N Gopalaratnam
Chairman

Chennai
7th June 2002

Ponni Sugars (Erode) Limited**Corporate Governance Report****Company's philosophy on Corporate Governance**

The company is a firm believer in and steadfast practitioner of the core values of Corporate Governance concepts. It lays continuous stress on business ethics, transparency in dealings, dissemination of information with due disclosures, strict adherence to statutory and regulatory prescriptions, care for environment, prompt and unfailing response in servicing all its constituents and striving to meet stakeholders' aspirations and societal expectations within extant constraints.

Board of Directors

The composition of the Board is well balanced with expertise drawn from Industry, Management, Finance and Agriculture. Details of Directors are furnished hereunder:

Name of Director	Date of initial Appointment	Category	Attendance at Board meetings during 2001-02		As on 31 st March 2002			Attend-ance at last AGM
			No. of meetings	%	No. of Director-ships	Committee position		
						Chairman	Member	
Mr N Gopalaratnam	26.12.1996	Non-Executive Chairman, Promoter	7	100	8	2	1	Yes
Mr G Rajagopal	18.07.2001	Managing Director	6	100	2	—	1	Yes
Dr L M Ramakrishnan	26.10.2001	Independent	3	100	3	—	—	Yes
Mr Arun G Bijur	26.12.1996	Independent	7	100	4	—	2	Yes
Mr N Ravindranathan	26.10.2001	Independent	3	100	4	—	2	Yes
Mr C K Pithawalla	26.10.2001	Promoter	2	67	12	—	—	Yes
Mr Bimal Poddar	26.10.2001	Promoter	3	100	12	—	4	Yes
Mr S K Ramasamy	26.10.2001	Independent	3	100	—	—	—	Yes
Mr K J Rajasimha	23.11.2001	ICICI Bank Ltd Nominee	2	100	1	1	—	Yes
Mr K Rajan	09.04.2002	UTI Nominee	NA	NA	1	—	—	NA

All except the Managing Director are non-executive Directors and thus constitute more than half of the total number of Directors. The Chairman is non-executive and the number of Independent Directors are more than 1/3rd of the total strength. The Board was expanded during the year on October 26, 2001 upon completion of the Demerger Scheme and effective entry of the Company into business. During the year, 7 Board meetings were held on 29.05.2001, 18.07.2001, 03.08.2001, 12.10.2001, 26.10.2001, 19.12.2001 and 22.03.2002.

The Managing Director and the nominees of ICICI Bank Limited and UTI are not liable to retire by rotation. All other Directors retire by rotation and in the normal course seek re-appointment at the AGM. Information on retiring Directors as required under Clause 49(VI) of Listing Agreement is given in the Notice of the AGM.