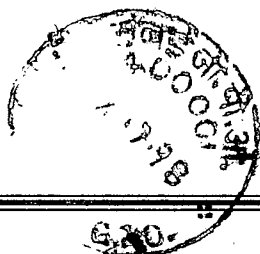


PONNI SUGARS AND CHEMICALS LIMITED

MD	✓			BKC	✓
CS	✓			DPY	✓
RO	✓			DIV	✓
TRA	✓			AC	✓
AGM	✓	✓		SHI	✓
YE	✓	✓	✓		✓



16th
ANNUAL REPORT
1997-98





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DIRECTORS

SRI S VISWANATHAN (*Chairman*)
DR L M RAMAKRISHNAN (*Vice Chairman*)
SRI N GOPALARATNAM (*Vice Chairman*)
SRI BIMAL PODDAR
SRI P GOPALSAMY
SRI C K PITHAWALLA
DR M A M RAMASWAMY
SRI K J RAJASIMHA (*ICICI nominee*)
SRI S K RAMASAMY
SRI R N RATH (*IPICOL nominee*)
SRI N RAVINDRANATHAN

SECRETARY

SRI N RAMANATHAN

AUDITORS

M/S. R SUBRAMANIAN & CO., CHENNAI.
M/S. SURI & CO., CHENNAI.

BANKERS

BANK OF INDIA
STATE BANK OF INDIA
UCO BANK
UNITED BANK OF INDIA
THE KARUR VYSYA BANK LIMITED
THE ORISSA STATE CO-OPERATIVE BANK LIMITED

REGISTERED OFFICE

'ESVIN HOUSE'
PERUNGUDI, CHENNAI - 600 096.
PHONE : 4961056, 4960293, 4961920
FAX : 4960156
EMAIL : ponnimds@md2.vsnl.net.in

WORKS

- 1) PALLIPALAYAM, CAUVERY R S PO, ERODE - 638 007, NAMAKKAL DT., T. NADU.
- 2) BARGARH, PO TORA - 768 040, BARGARH DT., ORISSA.
- 3) SAGARPALLI, DEOGAON - 767 029, BALANGIR DT., ORISSA.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held as specified below

Day : WEDNESDAY

Date : 29TH JULY 1998

Time : 10-30 A.M.

Venue : A.V.M. RAJESWARI THIRUMANA MANDAPAM,
55, DR. RADHAKRISHNAN ROAD,
MYLAPORE,
CHENNAI - 600 004.

to transact the following business :

ORDINARY BUSINESS

- 1 To consider and adopt the Profit and Loss Account of the Company for the financial year ended 31st March, 1998 Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
- 2 To appoint Directors in place of Mr. S. Viswanathan, Mr. N. Gopalaratnam and Dr. M.A.M. Ramaswamy who retire by rotation and being eligible, offer themselves for reappointment.
- 3 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. R. Subramanian & Co., Chartered Accountants, Chennai and M/s. Suri & Co., Chartered Accountants, Chennai, the retiring Auditors be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs. 90,000/- for each of them plus reimbursement of out-of-pocket expenses incurred."

SPECIAL BUSINESS

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

"(A) RESOLVED that pursuant to Sections 16, 31 and 94 and other applicable provisions, if any, of the Companies Act, 1956, the present Authorised Capital of Rs. 25 crores divided into 2,50,00,000 Equity shares of Rs. 10/- each be and is hereby altered as under :

Ponni Sugars and Chemicals Limited

- (a) 50,00,000 Equity Shares of Rs. 10 each which have not been taken or agreed to be taken by any person be cancelled ;
- (b) Upon cancellation as above, the Authorised Capital stands diminished to 2,00,00,000 Equity Shares of Rs. 10 each ;
- (c) The Authorised Capital shall be increased by the insertion of 50,00,000 Preference Shares of Rs. 10 each ; and
- (d) As a result of above, the altered Authorised Capital shall be 2,00,00,000 Equity shares of Rs. 10/- each and 50,00,000 Preference shares of Rs. 10/- each.

(B) RESOLVED FURTHER that the Memorandum of Association of the company be altered by substituting the following new Clause V, in place of the present Clause V thereof.

"The Share Capital of the company is Rs. 25,00,00,000 (Rupees twentyfive crores only) divided into 2,00,00,000 Equity shares of Rs. 10/- each and 50,00,000 Preference shares of Rs. 10/- each .

The company has the power from time to time to increase or reduce its capital in accordance with the provisions of the Companies Act, 1956."

(C) RESOLVED FURTHER that the Articles of Association of the company be altered by substituting the following new article 4, in place of the present article 4 thereof.

"The Share capital of the company is Rs. 25,00,00,000/- (Rupees twentyfive crores only) divided into 2,00,00,000 Equity shares of Rs. 10/- each and 50,00,000 Preference shares of Rs. 10/- each."

(D) RESOLVED FURTHER that the Board of Directors be and are hereby authorised to do such other acts, deeds and things as may be necessary for giving effect to this resolution."

- 5 To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
- " RESOLVED that pursuant to Sections 80, 81 (1 A) and other applicable provisions, if any, of the Companies Act, 1956, and subject to all such consents, permissions or sanctions of appropriate authorities that may be required in this connection, and subject to all such conditions, modifications as may be prescribed while granting such approvals and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), consent of the Company be and is hereby accorded to the Board to issue, offer and allot Cumulative Redeemable Preference Shares of the face value of Rs. 10/- each of an aggregate amount not exceeding Rs. 500 lacs (Rupees five hundred lacs only) for cash at par in one or more tranches as the Board in its sole discretion may at any time or times hereafter decide, to the Promoters and their Associates on private placement basis in order to raise funds to meet the capital requirements of the company and that the Board be and is hereby authorised to determine all the terms and conditions of the issue including rate of dividend, premium on redemption, redemption period and to vary any such terms and conditions from time to time.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board or any Committee thereof that may be constituted by the Board for this purpose be and is hereby authorised to do all such acts,



deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to offer, issue, allotment and utilisation of proceeds, the manner and mode of redemption, and other incidental matters pertaining to the issue of the shares and to finalise and execute all such deeds, instruments, documents and writings as may be necessary, desirable or expedient to give effect to this resolution."

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

"RESOLVED that pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow monies (apart from regular working capital borrowings and temporary loans obtained and/or to be obtained from the Company's Bankers in the ordinary course of business) notwithstanding that such borrowings are in excess of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, subject however to the condition that, the monies so borrowed together with the monies already borrowed by the Company shall not exceed Rs. 100,00,00,000 (Rupees one hundred crores only) at any point of time."

7. 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 in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the company of all the immoveable and moveable properties of the company situate at Pallipalayam in the State of Tamil Nadu and Balangir in the State of Orissa, both present and future, and the whole of the undertaking of the company (save and except assets exclusively charged to the company's bankers in respect of guarantees to the extent of Rs. 340 lakhs provided in respect of Sugar Development Fund loans) subject to the charges created/to be created on specific moveables in favour of the Company's Bankers for securing working capital limits and/or conferring power to enter upon and take possession of the assets of the company in certain events to or in favour of

- 1) The Industrial Credit and Investment Corporation of India Limited (ICICI),
- 2) Industrial Development Bank of India (IDBI),
- 3) Unit Trust of India (UTI)/Trustees for the Debenture holders in respect of zero percent Debentures to be privately placed with UTI

to secure :

1. Rupee Term Loan not exceeding Rs. 625 lakhs (Rupees six hundred and twentyfive lakhs only) lent and advanced / agreed to be lent and advanced by ICICI to the company.
2. Asset Credit loan not exceeding Rs. 300 lakhs (Rupees three hundred lakhs only) lent and advanced/agreed to be lent and advanced by ICICI to the company ;

Ponni Sugars and Chemicals Limited

- 3 Rupee Term Loan not exceeding Rs. 855 lakhs (Rupees eight hundred and fifty five lakhs only) lent and advanced/ agreed to be lent and advanced by ICICI to the company;
- 4 Rupee Term Loan not exceeding Rs. 625 lakhs (Rupees six hundred and twentyfive lakhs only) lent and advanced/ agreed to be lent and advanced by IDBI to the company;
- 5 Asset Credit Scheme loan not exceeding Rs. 200 lakhs (Rupees two hundred lakhs only) lent and advanced/ agreed to be lent and advanced by IDBI to the company ;
- 6 Short Term Loan not exceeding Rs.400 lakhs (Rupees four hundred lakhs only) lent and advanced/agreed to be lent and advanced by IDBI to the company; and
- 7 Zero percent Secured Non-Convertible Debentures not exceeding Rs. 100 lakhs (Rupees one hundred lakhs only) to be privately placed with UTI.

together with interest at the respective agreed rates, additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the company to ICICI, IDBI, UTI/Debenture Trustees in terms of their Letters of Sanction/Loan Agreements/ Trustees Agreement/Hypothecation Agreements entered into/to be entered into by the company, in respect of aforesaid Loan/Debentures and to the Board of Directors of the Company agreeing with ICICI/IDBI/UTI/Debenture trustees in terms of their respective Loan Agreement/Trustees Agreement/Hypothecation Agreements/Letters of Sanction to reserve a right to take over the management of the business and concern of the company in certain events.

RESOLVED FURTHER that the Board of Directors of the company be and are hereby authorised to finalise with ICICI / IDBI / UTI / Debenture Trustees the documents for creating the aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolution."

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

"RESOLVED that pursuant to Section 370(1)(b) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby given to the Board of Directors of the Company to give any guarantee or provide any security in connection with loans advanced or to be advanced by Co-operative and/or Commercial Banks or any other lenders to Ponni cane Growers' Society formed and registered under Co-operative Societies Act or Societies Registration Act or any other Central or State Law governing such Societies upto and not exceeding Rs. 10 crores (Rupees ten crores only) in connection with and for the purpose as and by way of Agricultural Cash Credit limit or any other form of credit facility to enable the Society to lend the same to its members with the aim of encouraging and developing cane cultivation in Orissa that would help in meeting the raw material needs of the company's sugar mills in Orissa."

(By order of the Board)
for **PONNI SUGARS AND CHEMICALS LIMITED**

N. Ramanathan
Secretary

Chennai - 96
12th June, 1998

**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. Such a proxy need not be a Member of the Company.
2. Proxies, in order to be effective, must be filed with the Company not later than 48 hours before the meeting.
3. The Register of Members and the Share Transfer Register will be closed on Tuesday, the 28th July, 1998 and on Wednesday the 29th July, 1998 (Two days).
4. Pursuant to Sec. 205A (5) of the Companies Act, 1956, all dividends upto the financial year ended 31st March 1994, which remained unpaid or unclaimed, have been transferred to the General Revenue Account of the Central Government. Members concerned are requested to claim the amount from the Registrar of Companies, Shastri Bhavan, Haddows Road, Chennai. In case any assistance is required in this regard, please write to the registered office of the Company.
5. Members are requested to intimate change in their addresses, if any, immediately to the Company at its registered office quoting their folio number.

EXPLANATORY STATEMENT

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

Item Nos. 4 & 5 :

Attention of the members is invited to the Directors' Report for the year ended 31.3.97. It was mentioned therein that the Company had submitted a Revised Restructuring Proposal to overcome the imminent funds deficit with the funding support and accommodation from Promoters, Financial Institutions and Orissa Government. As stated in the Directors' Report for the year, the Restructuring Proposal has since been approved by the Financial Institutions.

The Financial Institutions have stipulated inter alia in approving the Restructuring Proposal that Seshasayee Paper and Boards Ltd. (SPB) shall subscribe to cumulative redeemable preference shares aggregating Rs. 500 lakhs of the Company as a part of promoter funding and pending allotment, the funds shall be brought in as unsecured interest free advance. Pursuant to this, SPB has already extended unsecured interest free advance of Rs. 500 lakhs to the company, pending issue of allotment of preference shares.

The present authorised capital of the company is Rs. 25,00,00,000 divided into 2,50,00,000 equity shares of Rs. 10/- each. It is proposed to cancel the unissued equity shares to the extent of 50,00,000 equity shares of Rs. 10 each. It is simultaneously proposed to provide for the increase in authorised capital for the equivalent amount as and by way of 50,00,000 preference shares of Rs. 10 each.

Accordingly, requisite resolutions for cancelling the unissued portion of equity shares and in its place, bringing in the Preference Shares, amending the Memorandum of Association and Articles of Association are placed before the Members vide item 4 of the Notice.

The issue and allotment of preference shares to SPB will require the consent of Members as and by way of Special Resolution under Section 81(1 A) of the Companies Act, 1956. Item 5 of the notice is placed before the members for this purpose.

Ponni Sugars and Chemicals Limited

The Company's Memorandum and Articles of Association and the letters of Financial Institutions approving the Restructuring Proposal are open for inspection at the Registered Office of the company between 10 AM and 2 PM on any working day till the date of the meeting.

M/s. S. Viswanathan, N. Gopalaratnam and N. Ravindranathan, Directors of the company are also Directors of SPB and therefore they may be deemed to be interested in the above subject. No other Director is concerned or interested in the above subject.

Item No. 6 :

At the Annual General Meeting of the Company held on 12th September, 1990, consent of the Company was accorded to the Board of Directors to borrow monies (apart from temporary loans obtained from Company's Bankers in the ordinary course of business) in excess of the paid up capital and free reserves, subject to a maximum limit of Rs. 75 crores.

As stated in the Directors' Report for the year, the Restructuring Proposal involving funding support, principal rescheduling and deferral of interest and other dues by Promoters, Financial Institutions (FIs) and Orissa Government has since been approved by the FIs. As a result, the peak level of borrowings is expected to cross the threshold limit of Rs. 75 crores earlier approved by the Members.

The resolution seeking the consent of Members to hike the borrowing limit to Rs. 100 crores is accordingly placed for the consideration of Members.

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

Item No. 7:

In terms of the Restructuring package approved by the Financial Institutions as detailed in the Directors' Report, the Company has obtained sanction of fresh Rupee Term Loan from ICICI and the consent of IDBI and UTI for the rescheduling of interest and postponement of principal repayment dues to them. IDBI and UTI have further agreed to convert the Short term Loans into Long term Loans.

The financial assistance of Institutions as above, including the loans earlier secured by specific charge on certain assets, are now to be secured by first charge on all the immovable and movable properties of the Company and ranking pari passu but subject to the charges created/to be created in favour of the Company's Bankers on specific movables for securing working capital limits.

Consent of the Members is accordingly sought in terms of section 293(1)(a) of the Companies Act, 1956 for the creation of security as mentioned above.

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

**Item No. 8 :**

Your company, considering the imperative to augment cane cultivation in its Orissa area of operations, identified the unavailability of crop loan to cane growers in time as one of the key constraint areas. To overcome this, the company has tied up a separate Agricultural Cash Credit limit with its working capital Bankers. Amounts are directly borrowed by the company under this facility and in turn on-lent to the cultivators for growing cane.

The company has recently approached The Orissa State Co-operative Bank Ltd (OSCB) for obtaining similar facility. While in principle approval has been received, final sanction is awaited.

Hitherto the company was making the borrowing as above directly in its name. It is now considered prudent and desirable to make the cultivators' Society specifically formed for this purpose to be the principal borrower. The company would confine its role to that of a guarantor of the credit limit sanctioned by Bank to the Society so as to offer desired comfort to the Bank and thereby ensuring timely flow of credit. OSCB has also conveyed preference to this arrangement.

Giving a guarantee or furnishing a security in respect of above will require the consent of the company in General Meeting under section 370 of the Companies Act, 1956. Accordingly, the requisite resolution is placed for the consideration of the Members.

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

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(By order of the Board)

for **PONNI SUGARS AND CHEMICALS LIMITED**

Chennai - 96
12th June, 1998.

N. Ramanathan
Secretary