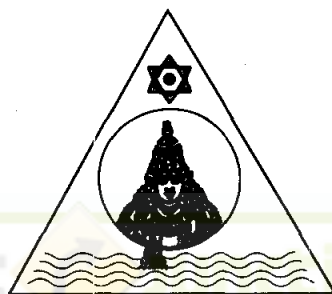


PONNI SUGARS AND CHEMICALS LIMITED



19th

ANNUAL REPORT 2000-01

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



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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.



DIRECTORS (As on 27.10.2001)

MR G RAJAGOPAL
MR N RAMANATHAN
MR J K MOHANTY
MR K J RAJASIMHA
MR K RAJAN

AUDITORS

M/s. R SUBRAMANIAN & CO., CHENNAI

INTERNAL / TAX AUDITOR

M/s. N.R.SURESH AND CO.

SECRETARY

MR. A S PANCHAPAKESAN

FINANCIAL INSTITUTIONS

ICICI LIMITED
INDUSTRIAL DEVELOPMENT BANK OF INDIA
UNIT TRUST OF INDIA

REGISTERED OFFICE

"Esvin House", Perungudi, Chennai 600 096
Email : ponnisugars@satyam.net.in

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th 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 12 Noon 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 period ended on that date and the reports of the Board of Directors and Auditors thereon.

2. Reappointment of retiring Director

To appoint Director in the place of Mr G Rajagopal, who retires by rotation and being eligible, offers himself for reappointment.

3. Appointment of Auditor

To consider and if thought fit, to pass with or without modifications, the following resolution, as an Ordinary Resolution: "RESOLVED that pursuant to Section 224 and other applicable provisions of the Companies Act, 1956, M/s R Subramanian & 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 upto the conclusion of the next Annual General Meeting on a remuneration of Rs.10,000/- plus service tax and reimbursement of out-of-pocket expenses incurred."

SPECIAL BUSINESS**4. Revision of Auditors' Remuneration**

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

"RESOLVED that M/s R Subramanian & Co, Chartered Accountants, Chennai, who were appointed as Auditors of the company from the conclusion of 18th Annual General Meeting till the conclusion of this meeting, be paid a reduced remuneration of Rs.45,000/- consequent on the change in financial year covered by their audit plus service tax as applicable and reimbursement of out-of-pocket expenses incurred."

5. Change of name of Company

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

"RESOLVED that pursuant to Section 21 and other applicable provisions of the Companies Act, 1956, or any amendment or modification thereof and subject to such other consents, sanctions and statutory approvals as may be required or necessary, the name of the company be changed from Ponni Sugars and Chemicals Ltd to Ponni Sugars (Orissa) Ltd."

6. Appointment of Director

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

"RESOLVED that Mr N Ramanathan be and is hereby appointed as a Director of the company liable to retire by rotation."

7. Delling of Shares

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



"RESOLVED that subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or reenactment(s) thereof for the time being in force), Securities Contracts (Regulation) Act, 1956, Securities and Exchange Board of India Act, 1992, and the Rules/Guidelines framed thereunder, Listing Agreements and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions, exemptions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions, exemptions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by the Resolution), approval be and is hereby accorded to the Board to delist the Equity Shares of the Company from the Stock Exchanges at Mumbai and/or Madras and the Board be and is hereby authorised to decide upon the timing of delisting from each Stock Exchange and do all acts, deeds and things in connection therewith and incidental thereto."

(By order of the Board)

For **PONNI SUGARS AND CHEMICALS LIMITED**

N Ramanathan

Director

Chennai

26th October, 2001

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)

EXPLANATORY STATEMENT

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

Item No.4: Revision of Auditors' Remuneration

M/s R Subramanian & Co were appointed as Auditors of the company at the Annual General Meeting held on 3rd March 2001 to hold office from the conclusion of 18th Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs.90,000/- plus service tax as applicable and reimbursement of out-of-pocket expenses incurred.

As the audit has been conducted for the six months period ended 31st March 2001 consequent upon the change in financial year comprising only six months period, it is proposed to revise the remuneration of auditors on pro-rata basis. Accordingly, the requisite resolution is placed for your approval.

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

Item No.5: Change of name of Company

The company under the name Ponni Sugars and Chemicals Ltd had manufacturing units at Erode in Tamil Nadu as well as in Orissa. In terms of the Scheme of Arrangement sanctioned by the High Court of Madras, the Erode Undertaking is transferred to Ponni Sugars (Erode) Ltd. Consequently, the company's operations would henceforth be confined only to its Balangir Unit in Orissa. The Scheme of Arrangement under Clause 25 contemplates consequential change in the name of the company to Ponni Sugars (Orissa) Ltd.

Ponni Sugars and Chemicals Limited

The Registrar of Companies, Chennai has confirmed that the new name Ponni Sugars (Orissa) Ltd is available for registration vide his letter No.NA/CN/3189/STAT/2001 dt.19.9.2001. In terms of Section 21 of the Companies Act, 1956, the change in name requires special resolution of members and the approval of Central Government for which powers are delegated to the Registrar of Companies.

Accordingly, requisite resolution for the change in name is placed for the approval of members as and by way of Special Resolution. Copy of the Scheme of Arrangement and the letter No.NA/CN/3189/STAT/2001 dt.19.9.2001 of the Registrar of Companies are available for inspection to members on any working day between 10.30 AM and 12.30 PM.

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

Item No.6: Appointment of Director

At the Board Meeting held on 26th October 2001, Mr N.Ramanathan was co-opted as an additional director of the company. As per Section 260 of the Companies Act, 1956, he holds office upto the date of this meeting. As required under Section 257, a notice has been received together with requisite deposit from a member signifying his intention to propose the appointment of Mr N.Ramanathan as a Director of the company.

Mr N Ramanathan has been associated with the Orissa operations of the Company since start and he brings to bear financial expertise and managerial competence to guide the Company at its current difficult juncture. The Board accordingly commends the appointment of Mr N.Ramanathan as a Director, liable to retire by rotation. Approval of the members is sought for same.

No other Director is concerned or interested in the above appointment.

Item No.7: Delisting of Equity Shares

The Company's Equity Shares are presently listed at Madras, Mumbai and National Stock Exchanges. In terms of the Scheme of Arrangement sanctioned by the High Court of Madras, the members will be allotted 2 Equity Shares in Ponni Sugars (Erode) Ltd (PEL) for every 5 Equity Shares held in the company and these shares will be listed at all these three Stock Exchanges to continue to provide broad-based market access to the members.

After the issue and allotment of Equity Shares by PEL as above, the members will be left with 3 Equity Shares for every existing 5 Equity Shares held in the company. With the closure of Balangir Sugar Mill pending rehabilitation, the company will have no internal resource generation and is compelled to cut costs on all fronts. In this context, the company also seeks to explore the scope for delisting the Equity Shares from Mumbai and Madras Stock Exchanges where listing fee payable is relatively higher and trading is very thin. The company will however maintain its listing with the National Stock Exchange where not only the listing fee payable is the lowest but also the investors can have widest market access.

It may be appreciated that the funds pressure may in due course ipso facto tend to lead to non-payment of listing fees, if listing were to continue at all the Exchanges. This in turn would trigger compulsory delisting by Stock Exchanges themselves. It is hence considered prudent and desirable to seek voluntary delisting from multiplicity of Exchanges with the consent of members to avert such a situation. It is however ensured that the listing is continued at National Stock Exchange to facilitate widest market access for investors.

Accordingly, requisite resolution to be passed as Special Resolution is placed for the consideration of Members.

None of the Directors of the company is concerned or interested in this resolution save and except to the extent of their equity shareholding, if any, in the company.

(By order of the Board)

For **PONNI SUGARS AND CHEMICALS LIMITED**

Chennai
26th October, 2001

N Ramanathan
Director



Details of the Directors seeking appointment/reappointment at the 19th Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)

Name of Director	Mr G Rajagopal	Mr N Ramanathan
Date of Birth	10.06.1954	14.06.1954
Date of appointment	23.10.1998	26.10.2001
Expertise in specific functional areas	Associated with the Company since its conceptualization and has had varied experience in the areas of finance, operations and general management in the sugar industry	Vast experience in diverse disciplines of finance, taxation and general management
Qualification	ACA, AICWA and ACS.	ACA, AICWA and ACS. Has an impressive academic back-ground as a rank holder at University and all India levels.
Directorships in other companies (excluding foreign companies)	<i>Managing Director</i> Ponni Sugars (Erode) Ltd <i>Director</i> Esvi International (Engineers & Exporters) Ltd	Nil
Committee/ executive positions held in other companies	Nil	Vice President (Finance) & Secretary of Ponni Sugars (Erode) Ltd.



DIRECTORS' REPORT

At the outset your Directors share their grief with you on the sad demise of Mr. S. Viswanathan, the Founder and Chairman of the Company. He conceived the Erode Unit of the Company as a backward integration project for the adjacent Paper Mill and structured the Sugar Mill innovatively to use alternative fossil fuel to help release its entire production of bagasse as raw material for paper. His penchant for innovation, technology, labour, social welfare and community upliftment has been the true touchstone in all his ventures. His dedication and determination decisively placed your company in the trajectory of high performance in its first decade. Your Directors wish to place on record the commendable role played by Sri S Viswanathan in founding and guiding your Company till his last breath.

The Directors submit their Report and audited accounts for the six months period ended 31st March 2001.

	(Rs. crores)
For the Period ended 31-3-2001 (6 months)	For the Period ended 30-9-2000 (18 months)
Turnover	5.73 161.39
Profit/(Loss) before Interest & Depreciation	(6.68) (8.09)
Interest	(1.74) (26.40)
Depreciation	(1.11) (4.76)
Profit/(Loss) for the period	(9.53) (39.25)

Dividend

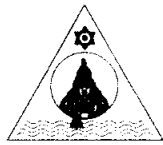
Your directors regret that no dividend could be recommended for the financial year 2000-01 in view of persistent losses.

Demerger Scheme

Members are aware of the inordinate delay in the fructification of the Demerger Scheme evolved to address the mounting debts and put in place an appropriate financial restructuring plan for your Company. This Scheme envisaged the transfer of Erode Unit at fair value and concurrent transfer of a major part of stakeholders' interest to Ponni Sugars (Erode) Limited (PEL). This was calculated to substantially unburden the debt load of your Company so as to pave way for eventual rehabilitation of the Balangir Sugar Mill.

The Demerger Scheme was approved by the shareholders at the Court ordered meeting held on 7th April 2000. Further, pursuant to the opposition of State Bank of India (SBI) to the Scheme, the High Court of Madras ordered meetings of Secured and Unsecured Creditors. These meetings were held on 3rd March 2001, which approved the Scheme with requisite special majority. Thereupon SBI filed its objections and your Company filed its counter thereto, followed by detailed arguments before the High Court.

The Hon'ble High Court of Madras has since sanctioned the Demerger Scheme taking into account the modifications, by way of improved comfort offered to SBI to address in major part the reservations of SBI on the Scheme. These modifications were based on the decision of the joint meeting of Institutions and Banks held before hand for this purpose. Accordingly SBI will get part payment upfront towards Agricultural Cash Credit outstanding while the balance will get transferred to PEL and serviced on par with FI debts. As regards Agricultural Term Loans guaranteed by the Company, these will henceforth have collateral security by way of residual charge on the fixed assets of Balangir Undertaking.



The High Court Order sanctioning the Scheme was pronounced on 10th September 2001 and certified copy of the Order was received on 9th October 2001. This Order was filed with the Registrar of Companies, Tamil Nadu on 18th October 2001 that marks the completion of the Scheme. Your Directors wish to convey their deep sense of appreciation and gratitude to all the FIs, Banks and other stakeholders who have steadfastly stood by the Company in putting through the Scheme. Your Directors also place on record the commendable support of FIs through significant sacrifice being made by grant of reliefs and concessions to help in requisite restructuring of debts.

Upon sanction of the High Court to the Demerger Scheme, we had discussions with SBI to gain their ready acceptance for the modified Scheme as sanctioned by the Court. It is reasonably hoped that SBI would soon come forward to consent to same in the larger interest of all the stakeholders, including that of SBI.

Since the Scheme is to take effect from 1st April 1999, the transfer of the assets and liabilities of Erode Undertaking have been made to PEL as of 1st April 1999. Further, all assets added, liabilities incurred and profit/loss resulting from the operations of Erode Undertaking since 1st April 1999 to 31st March 2001 have also been transferred to PEL in terms of the Scheme.

Change in Financial Year

The financial year of the Company was extended to cover the period of 18 months during 1999-2000 to end on 30th September 2000. This extension was made with a view to avail the sanction of High Court Order on Demerger Scheme. But eventually the accounts for 1999-2000 had to be finalised without the benefit of Demerger Scheme for that year.

Having received the sanction of High Court for the Demerger Scheme, it was considered desirable to revert to the close of financial year on 31st March. Accordingly, the financial year 2000-01 has been closed as of 31st March 2001 comprising the six months period 1st October 2000 to 31st March 2001. This will have the effect of realigning the financial year with uniform accounting year under Tax laws and also render inter-firm comparisons more apposite.

While the completion date of Demerger Scheme is the date on which certified copy of the High Court Order is filed with the Registrar of Companies, namely, 18.10.2001, Demerger has come into effect from 1st April 1999 as provided in the Scheme. Accordingly, the effect of Demerger has been considered in the accounts for the financial year 2000-01 encompassing, inter alia, the following:

- a) Erode Undertaking is transferred to PEL for a consideration of Rs.75 crores.
- b) Term debts and working capital borrowings are transferred to PEL as provided in the Scheme and as modified by the Order of High Court.
- c) Resultant surplus of Rs.2609 lakhs on transfer of Erode Undertaking is credited to General Reserve. Out of this, Rs.1005 lakhs is transferred to PEL and Rs.1203 lakhs is utilized to write off Miscellaneous Expenditure.
- d) Out of Share Premium, Rs.167 lakhs is utilized to write off Miscellaneous Expenditure and Rs.1011 lakhs is transferred to Profit & Loss Account to absorb past losses in accordance with the Scheme.
- e) Out of the debit balance in Profit & Loss Account, Rs.923 lakhs is transferred to PEL.
- f) Loss of Erode Undertaking for the period 1.4.1999 to 30.9.2000 amounting to Rs.138 lakhs is transferred to PEL.
- g) Due credit has been taken for reliefs and concessions granted by Financial Institutions as an integral part of Demerger Scheme and excess provisions made and interest charged in earlier period written back aggregating Rs.1257 lakhs with due disclosure thereof in the accounts.