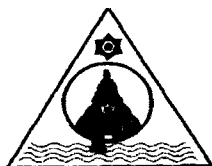


PONNI SUGARS (ORISSA) LIMITED

Report  junction.com

21st
Annual Report
2002-03



DIRECTORS

MR G RAJAGOPAL

MR N RAMANATHAN

MR K RAJAN (Nominee - UTI)

MR J K MOHANTY (Nominee - IPICOL)

AUDITORS

M/s R SUBRAMANIAN & CO., CHENNAI

SECRETARY

MR A S PANCHAPAKESAN

FINANCIAL INSTITUTIONS

ICICI BANK LTD

INDUSTRIAL DEVELOPMENT BANK OF INDIA

UNIT TRUST OF INDIA

REGISTERED OFFICE

"ESVIN HOUSE", PERUNGUDI, CHENNAI 600 096

Email: ponnisugars@satyam.net.in

WORKS

Sagarpalli, Deogaon 767029

Balangir District, Orissa

REGISTRAR & TRANSFER AGENTS

CAMEO CORPORATE SERVICES LTD

"SUBRAMANIAN BUILDINGS" 5th FLOOR

NO. 1 CLUB HOUSE ROAD

CHENNAI 600 002.

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Ponni Sugars (Orissa) Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the Company will be held at New Woodlands Hotel Pvt Ltd, 72-75 Dr Radhakrishnan Road, Mylapore, Chennai 600004 on Saturday, the 19th July 2003 at 12.15 PM to transact the following business.

ORDINARY BUSINESS

1. Adoption of Accounts etc.

To consider and adopt the audited Balance Sheet as at 31st March 2003, the Profit & Loss Account for the year 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 G Rajagopal, who retires by rotation and being eligible, offers himself for reappointment.

3. Appointment of Auditors

To appoint M/s.R.Subramanian & Co, Chartered Accountants, Chennai, as Auditors and to fix their remuneration for the year ending 31.03.2004.

(By order of the Board)

For PONNI SUGARS (ORISSA) LIMITED

A S Panchapakesan
Secretary

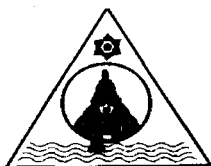
Chennai
14th June 2003

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 12.15 PM on 17th July 2003.
3. The Register of Members and the Share Transfer Register will be closed from Wednesday, the 16th July 2003 to Saturday, the 19th July 2003 (both days inclusive).
4. Information on Directors seeking reappointment at the meeting pursuant to Clause 49 of the Listing Agreement entered 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.

Details of the Director seeking reappointment at the 21st 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
Mr G Rajagopal	10.06.1954	19.12.2001	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.	ACA, AICWA and ACS	Managing Director Ponni Sugars (Erode) Ltd Director Esvi International (Engineers & Exporters) Ltd	Member of Securities Transactions cum Investors Grievance Committee in Ponni Sugars (Erode) Limited



DIRECTORS' REPORT

Your Directors present their 21st Annual Report and the audited statement of accounts for the year ended 31st March 2003.

	(Rs. Crores)	
	For the year ended 31.03.2003	For the year ended 31.03.2002
Financial Performance		
(Loss) before exceptional items	(6.34)	(6.51)
Write down of fixed assets	5.00	—
Provision for doubtful advances	4.49	—
(Loss) after exceptional items	(15.83)	(6.51)

Dividend

No dividend is recommended having regard to hefty losses suffered and the current state of affairs of the Company.

Sugar Mill Status

The Balangir Sugar Mill undertaking remains closed from 16th April 2001. There has been little progress for long in revival efforts in the absence of soft funding assistance from Orissa Government or term loan from Banks that would seem to be unavailable in the end. The Company was hence only engaged in asset preservation by availing requisite funds support from Ponni Sugars (Erode) Limited (PEL). The core team of former employees retained on contractual terms has since been discharged from close of 31st March 2003. Security is being outsourced and assets are insured.

Shareholders were informed of the consideration of a proposal for shifting usable plant and equipment of the Balangir Mill for the expansion of PEL's sugar mill at Erode in the last year's Report. With growing concerns on falling sugar prices and constricted cane volume in the near term, PEL has now opted not to pursue this proposal.

Demerger Status

As reported last year, the completion date of Demerger was 18th October 2001 while its effective date was 1st April 1999. All follow-up formalities including issue and allotment of shares and listing thereof were completed by the Company in time.

After the Demerger Scheme was sanctioned by the High Court, the Company was in active pursuit with State Bank of India (SBI) who were initially opposed to the Scheme, to enlist their support as well. The Company has since been able to secure SBI's consent for the demerger and for the withdrawal of debt recovery proceedings pertaining to Cash Credit and Agricultural Cash Credit limits. The Company has promptly made upfront payment of Rupees one crore to SBI as earlier undertaken, availing Inter Corporate Advance from PEL for this purpose. Pursuant to these developments, the Madras High Court has disposed of SBI's Appeal against the Demerger Scheme and accordingly the Demerger Scheme has now become final and decisive.

BIFR Status

The Company was registered with the Board for Industrial and Financial Reconstruction (BIFR) in 2001 as a 'sick industrial company' under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 vide Case No. 148/2001 based on its audited accounts as at 30th September 2000. Pursuant to the improvement in its net worth brought about by the effect of Demerger Scheme, BIFR ordered deregistration of this reference on 23-5-2002.

Ponni Sugars (Orissa) Limited

Since the accumulated losses of the Company again exceeded its net worth as at 31st March 2002, it made a fresh reference to BIFR, which is registered as case No. 247/ 2002. The first hearing before BIFR took place on 28th May 2003 wherein both the Company and the secured lenders reported that no rehabilitation proposal would appear feasible in the instant case. The order of BIFR on further course is awaited.

Legal Issues

SBI has consented to withdraw the debt recovery proceedings initiated against the Company for recovery of Cash Credit and Agricultural Cash Credit limits that stand transferred to PEL under the Demerger Scheme. SBI will, however, continue the recovery proceedings for Agricultural Term Loans granted to Lift Irrigation Societies and guaranteed by the Company. This is sought to be addressed in the overall Scheme of One Time Settlement with all Secured Lenders.

The Company effected closure of Balangir Sugar Mill under Section 25FFF of the Industrial Disputes Act, 1947 upon payment of compensation to workmen per negotiated settlement. Closure was, thus, accomplished with full cooperation and support of workmen. Advance notice was also served on the Orissa Government in compliance with law. The State Government later came to insist that its prior approval should have been obtained for the closure, while the Company contested that, since its sugar mill is a seasonal establishment, no such prior approval is called for. The Company has challenged the stand of the Government in a Writ Petition before Orissa High Court.

The money suit filed by Bargarh Co-operative Sugar Mills Limited (BCSM) for recovery of royalty dues from the Company and the suits filed by the Company claiming compensation from BCSM for premature termination of the Management Contract are still pending in the Court of Bargarh. Your directors have decided to make full provision in the accounts for the amount due from BCSM.

The Company is also contesting certain legal actions in Sales Tax and Land Revenue Claims. Debt recovery proceedings initiated by the Cooperative Bank for loans granted to Lift Irrigation Schemes and guaranteed by the Company are being defended.

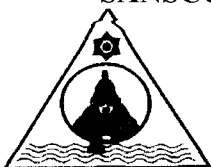
Secured Lenders' Action

With sealed prospects for the revival of Balangir Sugar Mill, the Secured Lenders decided, during the year, to effect recovery of their dues through outright sale of the Balangir Sugar Mill. A fresh press advertisement was issued by ICICI Bank Limited inviting offers for the purchase of Balangir Sugar Mill on 'as is where is basis'. Given the dismal state of sugar industry in general and the difficulties associated with Balangir location in particular, there was only lukewarm response to the same.

The Secured Lenders are in pursuit of limited options on hand to get the best possible price so as to optimize their recovery. The Lenders have opted to pursue the proposed sale by invoking Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, with the acquiescence and co-operation of the Company. Your directors are grateful to the Financial Institutions and Banks for their overall appreciation of the difficulties confronting the Company and taking a pragmatic stand to resolve this imbroglio quickly.

Going Concern

Considering the cessation of operations and the decision of the Secured Lenders to effect sale of the Balangir Sugar Mill, the fundamental accounting assumption of 'going concern' is no longer valid and applicable. Accordingly the accounts for the year have been prepared not on 'going concern' assumption. Consequently, fixed assets have been written down. The details are disclosed in the accounts.



Listing

Pursuant to the special resolution passed by the members at the Annual General Meeting held in December 2001, delisting of Equity Shares and Debentures was sought from Madras Stock Exchange from 2002-03. Mumbai Stock Exchange has now been approached for delisting of Equity Shares from 2003-04. Confirmation from these Stock Exchanges is awaited. Listing of Equity Shares and Debentures is continued on National Stock Exchange and Mumbai Stock Exchange respectively, which have nationwide terminals for trading.

Introspection of Investment in Orissa

Your Directors had given an account of the investment rationale in Orissa in the 17th Annual Report. As the Company would appear to be on the verge of imminent winding up, it is considered apposite at this juncture to revisit the issue for the ready recapitulation of the members.

After a commendable start with the Erode Sugar Mill in the 1980s and credible performance during the first decade of its functioning, the Company decided to expand in its core area of competence, namely, sugar. With fresh licenses proving elusive in Tamil Nadu and neighbouring Karnataka, the Company evinced interest in responding to the invitation of Orissa Government seeking private sector investment in sugar industry in that State. A detailed techno-economic study undertaken by the Company and vetted by an independent professional external agency of repute, indicated high promise on the potential for such sugar venture in Orissa. The State is endowed with perennial river source, plentiful rainfall, conducive climate and good soil forming unarguably an enviable environmental base for an agro-based industry like sugar. All these culminated in the Company's decision to invest in a green-field 2500 TCD Sugar Mill project in Balangir.

The Company was however confronted with severe infrastructural bottlenecks and apathy of local farming community to undertake cultivation of a cash crop like sugarcane. Having heavily invested in the sugar mill, the Company took serious and sincere efforts to improve irrigation infrastructure, educate and motivate farmers, provide crop loan assistance and extend diverse subsidies. All these doubtless resulted in a phased increase in cane area under cultivation in the region. Nonetheless, the progress was both halting and inadequate. This transitional period unfortunately coincided with the downturn of the sugar industry that came to further compound the difficulties. As a result, the profits made in Erode undertaking proved too inadequate to overcome the hefty losses suffered in Orissa operations.

With debilitating cane growth and resultant deteriorating finances, the very survival of the Company was at stake. It was then that the Company decided to demerge its Erode Undertaking and spin-off same to a separate entity, namely, Ponni Sugars (Erode) Limited. With the support of members and secured lenders, the demerger scheme came into force from 1st April 1999. This has indeed helped both shareholders and secured lenders to shift a sizeable share of their stakes from the overall sinking entity to a safer haven. As a result, secured lenders dues so transferred to PEL as per committed schedule, are now being serviced, and the book value of Equity Shares so transferred to PEL, that was in the negative pre-demerger, stood at over Rs.15 per share as of 31st March 2003. While problems for the sugar industry may seem to persist for some more time, the high levels of operational performance and optimal efficiencies of PEL should stand its stakeholders in good stead over time.

It is of course a matter of regret that the Company could manage to safeguard stakeholders value only in part, through the Demerger Scheme. The likely realisation out of sale of Balangir Mill now contemplated by secured lenders could hardly be sufficient to repay secured debts. It is obvious that your Company will be left with no activity upon completion of sale of sugar mill by lenders, and hence, would ineluctably get pushed into winding up. Appropriate decision on the timing and methodology of the same would be taken by your Directors in consultation with Financial Institutions and Banks.

Corporate Governance

Your Company has ever been an ardent practitioner of the core values of corporate governance concepts. Despite its setback in business, it has laid continuous stress on transparency in dealings, dissemination of information, strict adherence to statutory and regulatory prescriptions and fair and equitable dealings with all its stakeholders within its extant constraints.

As stated in earlier Reports, the Company has discontinued Audit Committee and Investor Grievance Committee, having regard to its current levels of operations. These functions are directly taken care of and discharged by the Board.

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;
- 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 2003 and of the loss 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 not been prepared on 'going concern' basis as stated in Note 1 (a) of Schedule 14 to audited accounts.

Employee Particulars

No employee of the Company was in receipt of remuneration during the financial year 2002-03 in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956.

Conservation of Energy, etc.

With no production operations at the Balangir Sugar Mill during the year, information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) are not applicable.

Directors

Mr G Rajagopal retires at this meeting and being eligible seeks re-election.

Manager

Approval of shareholders was obtained for the appointment of Mr G. Venkataraman, Chief Executive to be the Manager under the Companies Act, 1956. Application was made to Central Government for its approval. Clarifications sought by the Central Government have been furnished and their approval is awaited.

Auditors

M/s R Subramanian & Co, Auditors of the Company, retire at this meeting and are eligible for reappointment.

Appreciation

Your Directors wish to thank the officials of the Government, Financial Institutions, Banks and all others for their continued cooperation and support to the Company.

For Board of Directors

Chennai
14th June 2003

G Rajagopal
Director



Shareholder Information

AGM details

Date and Time	July 19, 2003, 12.15 P.M.
Venue	New Woodlands Hotel Pvt. Ltd., 72-75, Dr Radhakrishnan Road, Mylapore, Chennai-600 004.
Book Closure Dates	Wednesday, the 16th July 2003 to Saturday, the 19th July 2003 (both days inclusive)

Listing

Security	Debentures	Equity Shares
Name & Address	The Stock Exchange – Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001 Phone: 022-22721233 / 22721234 Fax: 022-22721919 / 22723027	National Stock Exchange of India Ltd Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400051 Phone: 022-26598100 Fax: 022-26598237 / 26598238 Email: cmllist@nse.co.in
Listed from	April 1994	April 2002
Stock code	911575	PONNIORISA

Listing fee has been paid to National Stock Exchange for Equity Shares and to Mumbai Stock Exchange for Debentures. Delisting has been sought from Madras Stock Exchange beginning financial year 2002-03 for Equity Shares and Debentures and from Mumbai Stock Exchange beginning financial year 2003-04 for Equity Shares. Listing of Equity Shares and Debentures is continued on National Stock Exchange and Mumbai Stock Exchange respectively, which have nationwide terminals for trading.

Dematerialization

Equity Shares of the company are traded in compulsory Demat form. Its ISIN in NSDL and CDSL is INE096D01022.

Mode of holding	Shareholders		Equity Shares	
	No.	%	No.	%
Physical	15294	84.49	3449179	36.15
Demat	2807	15.51	6091730	63.85
Total	18101	100.00	9540909	100.00

Registrar and Transfer Agents (for both Demat and Physical Shares):

Cameo Corporate Services Ltd., Subramanian Building, 5th Floor, 1, Club House Road, Chennai 600 002
Phone: 28460390 (6 Lines) Fax: 28460129 Email: cameosys@satyam.net.in

Investor Correspondence

For shares held in Demat form, investors shall address their correspondence to their respective Depository Participants.

For shares held in physical form, investors shall contact the RTA for transfers/ Demat/ Remat etc.

All queries on Annual Report and other clarifications may be addressed to the registered office of the company at:

ESVIN House, Perungudi, Chennai 600 096. Phone: 24961920/ 24961056, Fax: 24960156

Email: ponnisugars@satyam.net.in