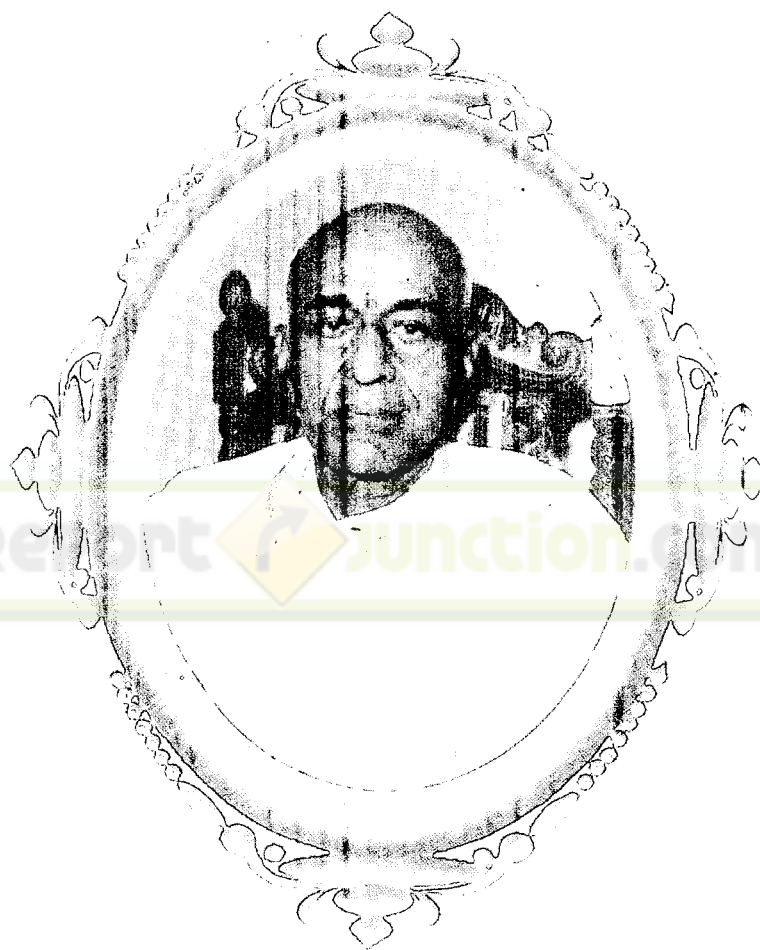


# CHETTINAD CEMENT CORPORATION LTD



35th ANNUAL REPORT  
1997 - 98



Dr. RAJAH SIR M.A. MUTHIAH CHETTIAR,  
of CHETTINAD Kt., B.A., D.Litt.,  
FOUNDER CHAIRMAN (1962 - 1984)



*Chairman &  
Managing Director*

: DR. M.A.M. RAMASWAMY

*Directors*

: SRI C.R. PATTABHI RAMAN  
SRI N. THIAGARAJAN  
SRI M. NATARAJ  
SRI RAMANATHAN PALANIAPPAN  
SRI R. KRISHNAMOORTHY  
SRI SP.ST. PALANIAPPAN  
SRI K. GANAPATHY  
SRI C.S. PANI  
SRI M.A.M.R. MUTHIAH  
SRI A.V. SWAMINATHAN (IDBI NOMINEE)  
SRI T.G. MENON (GIC NOMINEE)  
SRI K. DESIKAN (IFCI NOMINEE)  
SRI V.K. SUBBURAJ (TIIC NOMINEE)

*Management Team*

: SRI L. SABARETNAM, EXECUTIVE DIRECTOR  
SRI R. NARAYANAN, EXECUTIVE DIRECTOR & SECRETARY  
SRI A.P. ARASAPPAN, CHIEF GENERAL MANAGER  
SRI L. MUTHUKRISHNAN, VICE PRESIDENT (FINANCE)  
SRI V.K. RAMA RAO, VICE PRESIDENT (MARKETING)  
SRI C. KANNAN, VICE PRESIDENT (SHIPPING)  
SRI C. SUDHAKAR, GENERAL MANAGER (PRODUCTION)  
SRI K. RAMANATHAN, GENERAL MANAGER (MINES)  
SRI V. SURENDRARAJ, GENERAL MANAGER (ENGINEERING)

*Auditors*

: M/S P.B. VIJAYARAGHAVAN & CO.  
M/S SESHADRI & JAYARAMAN  
M/S KRISHAAN & CO.

*Registered Office*

: "RANI SEETHAI HALL BUILDING"  
NO.603, ANNA SALAI, CHENNAI - 600 006.



## PERFORMANCE AT A GLANCE

|                                       | 1993 - 94      | 1994 - 95 | 1995 - 96 | 1996 - 97 | 1997 - 98 |
|---------------------------------------|----------------|-----------|-----------|-----------|-----------|
| <b>PRODUCTION:</b>                    |                |           |           |           |           |
|                                       | (INMT)         |           |           |           |           |
| Clinker                               | 643205         | 710025    | 783000    | 775000    | 786870    |
| Cement                                | 715055         | 845509    | 914517    | 834484    | 802332    |
| Capacity Utilisation (%)              | 119            | 141       | 152       | 139       | 134       |
| <b>SALES:</b>                         |                |           |           |           |           |
| Cement & Clinker                      | 745775         | 850234    | 909456    | 833299    | 909593    |
| <b>FINANCIAL HIGHLIGHTS:</b>          |                |           |           |           |           |
|                                       | (Rs. in Lakhs) |           |           |           |           |
| Turnover (net) including other income | 11512          | 15212     | 19399     | 20820     | 21269     |
| Gross Profit                          | 2844           | 3942      | 6161      | 6902      | 6342      |
| Interest & Lease Rentals              | 846            | 758       | 1317      | 2261      | 3063      |
| Depreciation                          | 988            | 1182      | 1714      | 2082      | 1948      |
| Net Profit                            | 1010           | 2002      | 3131      | 2559      | 1331      |
| <b>PAID-UP SHARE CAPITAL:</b>         | 422            | 422       | 843       | 843       | 843       |
| <b>RESERVES &amp; SURPLUS:</b>        | 3237           | 5015      | 7282      | 9086      | 9821      |
| <b>RATIOS:</b>                        |                |           |           |           |           |
| PBIDT to Sales (%)                    | 24.70          | 25.91     | 31.76     | 33.15     | 29.82     |
| Net Profit to Sales (%)               | 8.77           | 13.16     | 16.14     | 12.29     | 6.26      |
| EPS (Rs.)                             | 23.95          | 47.48     | 37.13     | 25.25     | 14.13     |
| Debt to Equity                        | 1.00           | 0.84      | 1.25      | 1.44      | 1.55      |
| Book Value Per Share (Rs.)            | 86.79          | 129.00    | 96.36     | 117.77    | 126.48    |
| Dividend (%)                          | 30             | 40        | 50        | 35        | 35        |





## CHETTINAD CEMENT CORPORATION LIMITED

REGISTERED OFFICE: 'RANI SEETHAI HALL BUILDING'

NO.603, ANNA SALAI, CHENNAI- 600 006.

### NOTICE

Notice is hereby given that the Thirty Fifth Annual General Meeting of the members of Chettinad Cement Corporation Limited will be held at "Rani Seethai Hall" No.603, Anna Salai, Chennai- 600 006 on Tuesday, the 22nd day of September, 1998 at 10.45 A.M. to transact the following business :

#### ORDINARY BUSINESS :

1. To receive and adopt the Audited Profit and Loss Account for the year ended 31st March 1998, the Balance Sheet as at that date and Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Sri C.R. Pattabhi Raman, who retires by rotation in accordance with the Articles of Association of the Company and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Sri M. Nataraj, who retires by rotation in accordance with the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri Ramanathan Palaniappan, who retires by rotation in accordance with the Articles of Association of the Company and being eligible, offers himself for re-appointment.
5. To declare Dividend on the Equity Share Capital for the year 1997-98.
6. To appoint M/s P.B. Vijayaraghavan & Co., M/s Seshadri & Jayaraman and M/s Krishaan & Co., Chartered Accountants as Auditors of the Company to hold office from the conclusion of the Thirty Fifth Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs.50,000/- (Rupees Fifty thousand only) each, besides their out of pocket expenses.

#### SPECIAL BUSINESS :

7. To appoint Sri M.A.M.R. Muthiah, as Director, who retires under Section 250 of the Companies Act, 1956 and to pass the following resolution as an Ordinary Resolution with or without modifications.

RESOLVED that Sri M.A.M.R. Muthiah, who retires under Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company.



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

Resolved that the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any of the Companies Act, 1956 to mortgage and/or charge all the immoveable and moveable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/or conferring power to take over the Management of the business and concern and undertaking of the Company in certain events (whether such power is contained in the documents creating the mortgage/charge or otherwise), on Second Charge basis, to or in favour of Central Bank of India in connection with the following Financial Assistance sanctioned by them as detailed below :

a. Fund based Cash Credit Working Capital facility of Rs.980.00 lakhs.

b. Non-fund based Working Capital facilities of :

i. Letter of Credit of Rs.200.00 lakhs.

ii. Letter of Guarantee of Rs.100.00 lakhs.

Resolved further that the mortgage/charge created/to be created and/or all agreements / documents executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified.

Place : Chennai  
Date : 28. 7. 1998.

By Order of the Board  
R. Narayanan  
Secretary

**NOTES :**

1. An Explanatory Statement in regard to Item Nos.7 & 8 as required under Section 173(2) of the Companies Act, 1956 is annexed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself on a poll and the Proxy need not be a member of the Company. The Proxy Form to be valid must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 16. 9. 1998 to 22. 9. 1998 (both days inclusive) for transfer of shares.
4. a) The Unpaid/Unclaimed Dividend amount of Rs.2,52,036/- for the year 1993-94 and of Rs.1,46,347/- relating to the Interim Dividend for the year 1994-95 has been transferred to Central Government General Revenue Account on 13.11.1997 and 12.3.1998 respectively.
- b) The unclaimed Final Dividend for the year 1994-95 will be transferred to the Central Government General Revenue Account as detailed below:

| Date of Declaration | Date of Dividend Warrant | Due Date of Transfer to Central Government General Revenue A/c |
|---------------------|--------------------------|--|
| 26.9.1995           | 1.11.1995                | 13.11.1998   |

The members who have not claimed the Final Dividend for the year 1994 - 95 are requested to contact the Company at its Registered Office.

5. The Shareholders are requested to intimate the Company at its Registered Office, regarding any change of their address.



## **EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **Item No.7**

Sri M.A.M.R.Muthiah was appointed as an Additional Director on the Board of the Company by the Board of Directors on 18.5.1998. As per Section 260 of the Companies Act, 1956, the Additional Director has to hold the office of his directorship only upto the date of the next Annual General Meeting (AGM) of the Company. Accordingly, Sri M.A.M.R.Muthiah, has to hold office till the ensuing AGM. As per Section 257 of the Companies Act, 1956, the Company has received a Notice along with a deposit of Rs.500/- from a member proposing Sri M.A.M.R.Muthiah, as a candidate for appointment as a Director at this AGM. Hence, this resolution.

### **Item No.8**

The Company has been granted the following financial assistance by the Central Bank of India (CBI).

a. Fund based Cash Credit Working Capital facility of Rs.980.00 lakhs

b. Non-Fund based Working Capital facilities of :

- i. Letter of Credit of Rs.200.00 lakhs    ii. Letter of Guarantee of Rs.100.00 lakhs

The Company has created a mortgage, on Second Charge basis, in favour of CBI. The Company has to pass necessary resolution under Section 293(1)(a) of the Companies Act, 1956 for the charges created/ to be created on Second Charge basis, in favour of CBI for availing the above said financial assistance.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of the Public Company shall not, without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of whole or substantially the whole of any such undertaking.

Since mortgaging by the Company, on Second Charge basis, of its immoveable and moveable properties as aforesaid in favour of CBI may be regarded as disposal of Company's properties/undertaking, it is necessary for the members of the Company to pass an Ordinary Resolution in terms of Section 293(1)(a) of the Companies Act, 1956. Hence, this resolution.

### **Interest of Directors**

Dr. M.A.M. Ramaswamy, the Chairman and Managing Director and Sri M.A.M.R. Muthiah, Director, are deemed to be interested in the Resolution under Item No.7

None of the Directors is deemed to be interested in the Resolution under Item No.8

### **Inspection of Documents**

The following documents will be kept at the Registered Office during working hours of the Company and it is open for inspection by the members.

1. Memorandum and Articles of Association of the Company
2. Notice under Section 257 of the Companies Act, 1956, received from a member, proposing Sri M.A.M. R. Muthiah as a candidate for the Office of Directorship.
3. Letter from Central Bank of India sanctioning the Fund/Non-Fund based Working Capital Facilities.





## CHETTINAD CEMENT CORPORATION LIMITED

REGISTERED OFFICE : 'RANI SEETHAI HALL BUILDING'

NO.603, ANNA SALAI, CHENNAI- 600 006.

### DIRECTORS' REPORT

The Shareholders,

Your Directors have great pleasure in presenting their Thirty Fifth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1998. The Working Results of the Company are set out as under:

(Rs in lakhs)

#### WORKING RESULTS :

|   |      |             |
|---|------|-------------|
| Profit before Depreciation and Interest                           |      | 6340        |
| LESS :  |      |             |
| Depreciation  | 1947 |             |
| Interest and Lease Rentals  | 3062 | 5009        |
|   |      | <u>1331</u> |
| ADD:  |      |             |
| Investment Allowance Reserve withdrawn                            | 47   |             |
| Balance in Profit and Loss Account brought forward from last year | 6725 | 6772        |
|   |      | <u>8103</u> |
| LESS :  |      |             |
| Incometax relating to earlier years                               | 132  |             |
| Provision for Incometax including tax on proposed Dividend        | 169  | 301         |
|   |      | <u>7802</u> |

#### PROPOSED APPROPRIATION AND SURPLUS :

|   |      |
|---|------|
| Transfer to General Reserve               | 590  |
| Proposed Dividend on Equity Share Capital | 295  |
| Balance carried over to Balance Sheet     | 7007 |

#### DIVIDEND :

Your Directors are pleased to recommend 35% Dividend on the Equity Share Capital for the year ended 31.3.1998.



### **PRODUCTION AND DESPATCHES FOR THE YEAR 1997-98 :**

|                          | MT     |
|--------------------------|--------|
| Clinker Produced         | 786870 |
| Cement Produced          | 802332 |
| Cement and Clinker Sales | 909693 |

During the year 1997-98, your Company was able to maintain the production of cement more than its rated capacity i.e., nearly 133.72% (139% in the previous year)

### **PERFORMANCE OF CEMENT INDUSTRY :**

The unforeseen economic slowdown in 1997-98, resulted in deceleration of demand for cement. While the economic growth was at a lower level of 5% in 1997-98 compared to 7.5% last year, the cement production continued to grow at 9% per annum. But the capacity creation continued to increase which resulted in the mismatch between capacity creation and demand for cement. This put pressure on cement prices.

In such a scenario, the Cement Industry is facing a challenging period. With the prospects of GDP growing at a faster rate, the demand for cement is likely to grow. But the cement industry has also been a victim of high cost syndrome, with rising prices of power, coal and freight costs.

### **SALES AND PROFITABILITY OF THE COMPANY :**

Against such a background and at such difficult times, the total turnover during the year 1997-98 increased to Rs.24202 lakhs from Rs.23634 lakhs last year. The profit before Interest and Depreciation was at Rs.6340 lakhs as against Rs.6902 lakhs last year. The Interest and Depreciation charges are higher at Rs.5009 lakhs (Rs.4343 lakhs for 1996-97). This coupled with the recessionary trends in the economy, the unstable political climate, the reduction in Infrastructural and Real Estate Business affected the performance of the Company and hence, the profit before tax is lower at Rs.1331 lakhs when compared to last year Rs.2559 lakhs. But your Directors are pleased to note that budget proposals of this year, has the potential to create a favourable climate for an increase in demand for cement. Factors like thrust to infrastructural and housing activities, repeal of the Urban Land Ceiling and Regulation Act, are bound to result in an increase in demand for cement and hence, they foresee a better performance in the current financial year.

### **WINDMILL OPERATIONS :**

The Wind Mills installed by the Company have been functioning satisfactorily.