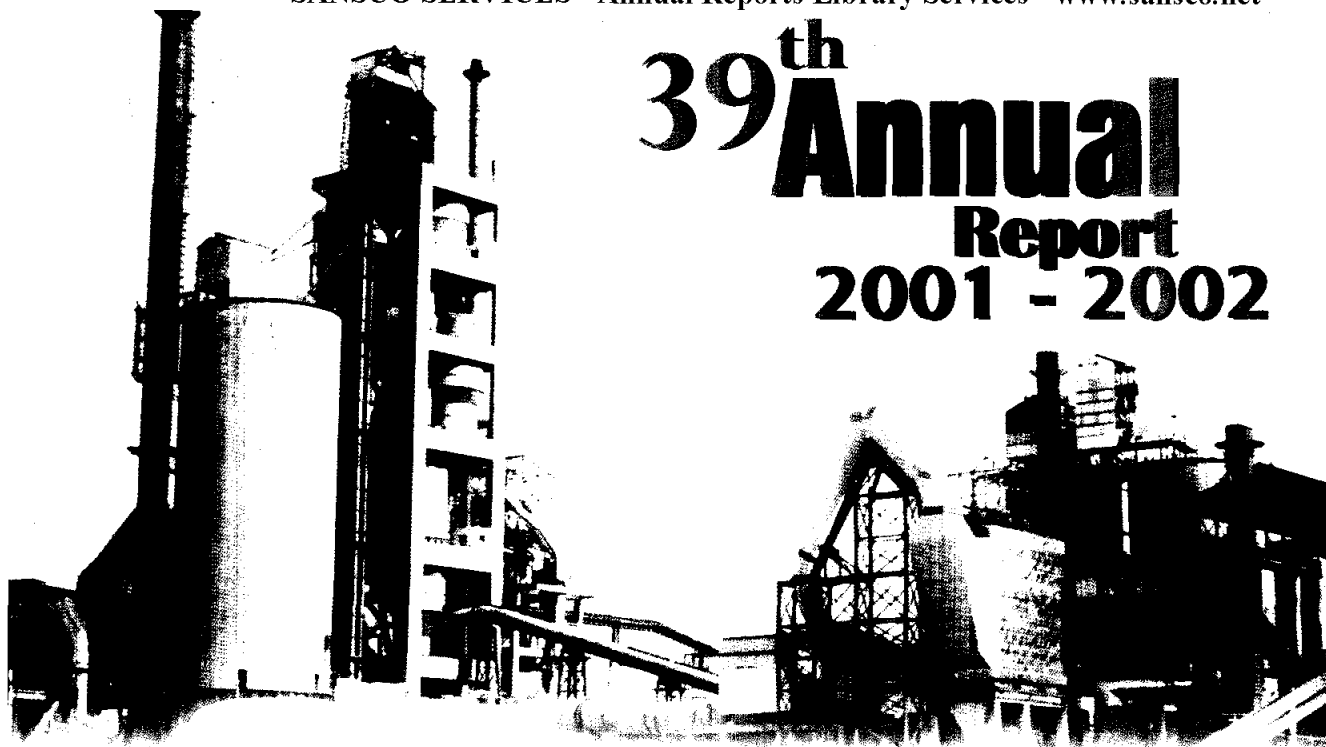


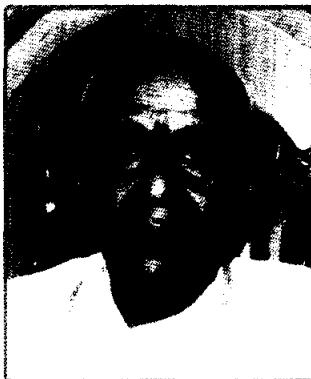
39th Annual Report 2001 - 2002



CHETTINAD CEMENT Corporation Limited



Chettinad Cement Corporation Limited



FOUNDER

Dr. Rajah Sir M.A. Muthiah Chettiar's urge to contribute to the nation building cause combined with his business acumen culminated in establishing the company "Chettinad Cement Corporation Limited" in 1962 to cater to growing demands of Cement in the country.

CONTENTS

PAGES

Company Profile	02
Performance at a Glance	03
Notice	04
Directors' Report	07
Annexure to the Directors' Report	12
Auditors' Report	25
Balance Sheet	28
Profit & Loss Account	29
Schedule to Balance Sheet	30
Schedule to Profit & Loss Account	34
Cash Flow Statement	39
Notes forming part of Accounts	41

39th Annual Report 2001 - 2002

MANAGEMENT

Chairman : Dr. M.A.M. Ramaswamy

Managing Director : Sri M.A.M.R. Muthiah

Directors : Sri N. Thiagarajan
Sri M. Nataraj
Sri Ramanathan Palaniappan
Sri R. Krishnamoorthy
Sri SP. ST. Palaniappan
Sri K. Ganapathy
Sri C.S. Pani
Smt. D. Sabitha (TIIC Nominee)
Sri K. Bharathan (ICICI Nominee)
Sri V. Subramanian (LIC Representative)

Company Secretary : Sri S. Hariharan

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.
Tel: 8292727. Fax: 8291558.
email: chtdmds@vsnl.com
Website: www.chettinadcement.com



PROFILE

CHETTINAD CEMENT CORPORATION LIMITED

The history of the group "House of Chettinad" is linked with the 9 decades old saga. In 1912 took birth the House of Chettinad through a visionary, idealist and born entrepreneur Dr. Rajah Sir Annamalai Chettiar who believed in Social transformation through business. The founder of the House of Chettinad envisaged his companies providing the stimulus for Industrial Growth and conceived business as a means of improving the living standards of people.

Following the footsteps of his father Dr. Rajah Sir Annamalai Chettiar, Dr. Rajah Sir M.A. Muthiah Chettiar continued to contribute to the nation building cause and combined his business acumen to establish the company "**Chettinad Cement Corporation Limited**" in 1962 to cater to growing demand of Cement in the country. The manufacturing unit located at Puliur, Karur District, in Tamil Nadu commenced production in April 1968. Apart from cement, the Chettinad House is today engaged in activities as diverse as granite, engineering, silica, garnet, information technology, steel & textile trading, horse breeding, plantations, shipping, transportation, stevedoring, clearing and forwarding and logistics having a combined turnover of about Rs. 8,500 million.

PRODUCTS

Chettinad Royal Grade 53
Chettinad Grade 43
Chettinad Super Grade
Sulphate Resistant Portland Cement
Chettinad Super Steel

From a modest beginning of 2 Lac tonnes capacity per annum, it was gradually increased to 6 Lac tonnes in the year 1989-90. Presently the plant employs the Modern Dry Process Technology. It has the most Advanced, Sophisticated, Computer controlled state-of-the-art LOESCHE MILL for Grinding Raw Meal, LOESCHE lignite mill (first of its kind in India), a five stage pre-heated Kiln & Electronic packing plant. Equipped with centralised control room for

process control, the advanced instrumentation and elaborate display screens give up-to-the minute information on the production process so that any deviation can be promptly corrected.

The company, which has always been striving for Total Quality, possesses International Certificate ISO 9002 and ISO 14001 and takes pride in being acclaimed as one of the major player in a highly competitive Cement Industry in India. The Company added another feather to its cap by installing and commissioning a giant, sophisticated, high-tech and power efficient O&K cement mill resulting in a quantum leap in production to touch One Million Tonne mark. The company has consistently been working at more than 100% capacity and many laurels have been achieved through award for "BEST PERFORMANCE" in the Cement Industry issued by "National Productivity Council". Besides it has been customary to receive National Safety Awards.

Chettinad Cement has attached great importance to social responsibility and environmental values. This is manifest in the installation of the latest pollution control equipment in the plant.

In accordance with the expansion plan spelt out in the earlier years, the Company inaugurated its new state of the art green field Cement plant in Karikkali Village, Dindigul District, Tamilnadu, in October, 2001 and commenced commercial production. The plant has a production capacity of 0.9 Million Tonnes per annum and is equipped with the latest technology right from the treatment of the Raw materials to the packing of Cement. With the large infrastructure projects of the Government for concretizing the National Highways and rural roads, like the Golden Quadrilateral and the PM's Gram Sadak Yojana, in the pipeline, the Cement Industry as well as your Company looks forward to a bright future and hopes to achieve more milestones in the years to come.

PERFORMANCE AT A GLANCE

	1997-98	1998-99	1999-2000	2000-01	2001-02
PRODUCTION			(IN MT)		
Clinker	786870	750060	801305	804210	850855
Cement	802332	832553	827414	777332	937510
Capacity Utilisation (%)	134	139	138	130	93
SALES					
Cement & Clinker	909593	864192	949301	877030	1043980
FINANCIAL HIGHLIGHTS			(Rs in Lakhs)		
Turnover (net) including					
Other Income	21269	19716	20116	19530	20292
Gross Profit	6381	5903	6218	5307	5018
Interest & Lease rentals	3102	2955	2682	2483	3304
Depreciation	1948	1846	2798	2090	2204
Net Profit / (Loss)	1331	1102	728	734	(490)
PAID-UP SHARE CAPITAL	843	843	843	2108	2108
RESERVES & SURPLUS	9821	10456	10842	13900	8125
RATIOS					
PBIDT to Sales (%)	29.82	29.94	30.91	27.17	24.73
Net Profit to Sales (%)	6.26	5.59	3.62	3.76	(2.41)
EPS (Rs.)	14.13	11.73	7.64	3.15	(2.32)
Debt to Equity	1.55	1.30	1.17	1.31	2.84
Book Value per Share (Rs.)	126	134	139	76	49
Dividend (%)	35	30	25	20	-



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Thirty Ninth Annual General Meeting of the members of Chettinad Cement Corporation Limited will be held at 'Rani Seethal Hall', No. 603, Anna Salai, Chennai - 600 006 on **Monday, the 16th day of September 2002 at 10:15 AM** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2002, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Sri N.Thiagarajan, 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 R.Krishnamoorthy, 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 C.S. Pani, who retires by rotation in accordance with the Articles of Association of the Company and being eligible, offers himself for re-appointment.
5. To appoint M/s P.B. Vijayaraghavan & Co., M/s.Seshadri & Jayaraman and M/s Krishna & Co., Chartered Accountants as Auditors of the Company to hold office from the conclusion of the Thirty Ninth Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs.80,000/- (Rupees Eighty Thousands Only) each, plus Service Tax if any, besides out of pocket expenses.

SPECIAL BUSINESS

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

"Resolved that the consent be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) of the Companies Act, 1956 to mortgage and / or create a charge on all the moveable and immoveable

properties of the company wheresoever situate, present and future and whole of the undertaking of the company in certain events (whether such power is contained in the documents creating the mortgage / charge or otherwise), on pari passu First Charge basis in favour of Indian Bank in connection with the Rupee Term Loan of Rs.20.00 Crores sanctioned by them."

"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 be and are hereby confirmed and ratified."

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

"Resolved that the consent be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) of the Companies Act, 1956 to mortgage and / or create a charge on all the immoveable properties of the company wheresoever situate, present and future and whole of the undertaking of the company in certain events (whether such power is contained in the documents creating the mortgage / charge or otherwise), on pari passu Second Charge basis in favour of Central Bank of India in connection with the Enhanced Fund based Working Capital Cash credit facilities of Rs.30.00 Crores and the renewed Non-fund based limits of Rs.4.00 Crores sanctioned by them."

"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 be and are hereby confirmed and ratified."

8. To consider and if thought fit to pass, with or without modifications, the following Resolution as a **Special Resolution**.

"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof for the time being in force) and subject to the approval of the lending Financial Institutions and Banks wherever

required, the Articles of Association of the Company be and is hereby amended and / or altered in the manner specified below:

In the existing Article 19 (A)(2) after sub Clause (a) the following shall be added.

Provided that no such special resolution is required in any case where

(A) The buy back is or less than 10% of the total paid-up Equity Capital and free reserves of the Company, and

(B) Such buy-back has been authorized by the Board by means of a resolution passed at its meeting."

By order of the Board

Date: 25.06.2002
Place: Chennai

S.Hariharan
Company Secretary

NOTES:

1. An Explanatory Statement with regard to Item Nos. 6, 7 and 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 1st September, 2002 to 16th September, 2002 (both days inclusive).
4. The shareholders who are holding the shares in Physical form are requested to intimate the company at its Registered Office regarding the change of their address, if any.
5. All the shareholders who are holding the shares in Physical form are advised to get their shares dematerialised.

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

Item Nos. 6 & 7

The Indian Bank have sanctioned to the company a Rupee Term Loan of Rs. 20.00 Crores to pre-close the Term Loan of IFCI Ltd.

The Central Bank of India, have sanctioned an enhanced fund based working capital facilities from Rs.22.50 Crores to Rs.30.00 Crores and renewed the non-fund based limits of Rs.4.00 Crores.

The security, for the Rupee Term loan sanctioned by Indian Bank is the pari passu First charge on the entire fixed assets of the company and is the pari passu Second Charge on the Block Assets of the company for the Working capital facilities sanctioned by the Central Bank of India, both present and future.

A resolution as specified under Section 293 (1) (a) of the Companies Act, 1956 has to be passed by the Members of the company for the creation of mortgage.

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, the whole or substantially the whole of any such undertaking.

Since creation of charge/mortgage by the company, on first charge basis of its moveable and immovable properties as aforesaid in favour of the Indian Bank to secure their Rupee Term Loan of Rs.20.00 Crores and on Second charge basis on the block assets of the company in favour of the Central Bank of India to secure their enhanced Fund based and Non-fund based Working Capital facilities of Rs.30.00 Crores and Rs.4.00 Crores respectively, may be regarded as disposal of the 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 these resolutions.

Item No. 8

The Central Government by passing the Companies (Amendment) Act, 2001 in the Parliament have relaxed the provisions regarding Buy - back of Shares by the company. As and from 23rd October, 2001, the date of the amendment, a company can buy - back upto 10% of its total Paid-up Equity share capital and free reserves by means of a Board resolution. Previously, this could be done only with a special resolution in the General Meeting. An amendment to the Articles of Association of the Company is required to enable the company to avail this provision as and when required. Hence this resolution.

INTEREST OF DIRECTORS

None of the Directors is interested in the subject matter of the Special Business / Resolution under Item Nos. 6,7 and 8.

INSPECTION OF DOCUMENTS

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

1. Memorandum and Articles of Association.
2. Letter No.CCCL/SAN/3 Dated 19.01.2002 and 9.04.2002 received from Indian Bank regarding sanction of the Rupee Term Loan of Rs.20.00 Crores.
3. Letter No.IFB:CR:2001-2002 Dated 31.01.2002 received from Central Bank of India regarding sanction of enhanced / renewed fund and non-fund based working capital facilities of Rs.30.00 Crores and Rs.4.00 Crores, respectively.

DIRECTORS' REPORT

The Shareholders,

Your Directors are presenting herewith the Thirty Ninth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS:

(Rs. in lakhs)

	Current Year ended 31/3/2002	Previous Year ended 31/3/2001
Profit before Depreciation and Interest	5018	5307
LESS:		
Depreciation	2204	2090
Interest	3304	2483
Profit/(Loss) before Tax	(490)	734
LESS:		
Provision for Income Tax - Current	-	70
Deferred	700	-
Provision for Tax on Dividend	-	43
Profit/(Loss) after current and deferred tax	(1190)	621
ADD:		
Surplus brought forward from previous year	8114	7893
Income Tax relating to earlier years	39	77
Total available for appropriation	6963	8591
APPROPRIATIONS		
Transfer to General Reserve	3000	55
Proposed Dividend	-	422
Balance Carried over to Balance Sheet	3963	8114



REVIEW OF OPERATIONS & DIVIDEND

The financial year 2001-02 saw the Company inaugurating its second cement plant at Karikkali Village with a capacity of 0.9 Million tonnes and a Ready mix concrete Plant at Madukarai Village near Coimbatore. Though the new cement plant commenced its commercial production in Oct' 2001, due to depressed cement prices, it is yet to function on a continuous basis at an economically viable capacity. Further the Company also incurred a loss on sale of its remaining ship during the previous year. The combined effect of the above said factors resulted in the Company incurring a loss for the financial year 2001-02. In order to conserve its internal resources to cater to the additional funds requirement of the Company, till the investment in the new cement plant yields results, your Directors have decided against recommendation of Dividend for the financial year 2001-02. With improvement in the selling prices of cement and revival of demand to enable the operations of both the plants at optimum levels of capacity utilisation, the company would be in a position to generate adequate profits and declare dividend in the coming years.

PRODUCTION & SALES FOR THE YEAR 2001-02

	MT
Clinker produced	850855
Cement produced	937510
Cement and Clinker Sales	1043980

MANAGEMENT DISCUSSION AND ANALYSIS

a) Industry structure and Developments

Despite the general continued slowdown in the market globally for the second year in succession, the Cement industry performed pretty well. The Annual production of large plants crossed 100 Million Tonnes and even in these trying circumstances, the Cement Industry registered a growth of approximately 10%. The production of the major plants showed an increase of 9.39% over the previous year and the dispatches were 9.62% more than the previous financial year. The overall consumption grew by 9.70% as compared to a negative growth of nearly 2% in the previous year.

But the situation of the Cement Industry in Tamilnadu has not been very encouraging because the demand for Cement did not increase

commensurate with the increase in production and your company which predominantly operates in Tamil Nadu has been very much affected by this disparity between the production and the demand.

b) Opportunities and Threats

The Golden quadrilateral connecting the East, West, North and the South and the PM's Gram Sadak Yojana wherein a major portion of the Rural Roads are to be converted into concrete, definitely gives a very positive signal to the Cement Industry which has for long prepared itself to meet the additional demands raised by these projects, by putting up new plants.

The advantages of concrete Roads as compared to the Bitumen Roads have been well studied and understood by the Government. It is well aware that the Vehicle operating cost in a concrete Road is less by about 14% as compared to the bitumen Roads. Studies have shown that a saving of about Rs.20,000 crores can be achieved by creating the concrete Roads. Further the initial investment and maintenance cost in concrete roads is cheaper by about 15% when compared to bitumen Roads, as the life of the concrete roads is much longer.

In view of the distinct long term advantages, we may hope that the Government would take up the project of concretizing the existing Rural Roads and laying the new concrete highways immediately in the right earnest. If both these above projects are taken up, then the Cement Industry would see an additional demand of about 3 to 4 million tonnes per annum for the next 5 years. This would provide an incremental growth of about 4% per annum.

c) Segment-wise or Product-wise performance

Given below are the Product-wise production figures for the financial year 2001-02.

Grades of Cement	Quantity in M.T.
OPC 53	20606
OPC 43	273575
PPC	606156
Slag	18352
SRC	18821
TOTAL	937510
Ready Mix Concrete (in Cu.m)	4381