



**CHETTINAD CEMENT
CORPORATION LIMITED**

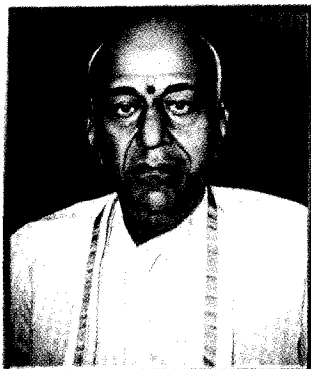
40th ANNUAL 2002-2003

REPORT

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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.



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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
Sri K. Bharathan (ICICI Nominee)
Smt. D. Sabitha (TIIC Nominee)
Sri V. Subramanian (LIC Representative)
- Company Secretary** : Sri S. Hariharan
- Auditors** : M/s P.B. Vijayaraghavan & Co.
M/s Seshadri & Jayaraman
M/s Krishna & Co.
- Registered Office** : "Rani Seethai Hall Building"
No. 603, Anna Salai, Chennai – 600 006
Tel : 28292727. Fax: 28291558
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 Company's first manufacturing unit located at Puliur, Karur District, in Tamil Nadu commenced production in April 1968. Today the group is being steered under the versatile, dynamic and pragmatic Leadership of Dr. M.A.M. Ramaswamy and his son Sri M.A.M.R. Muthiah based on the footsteps of Dr. Rajah Sir M.A. Muthiah Chettiar. Apart from cement, the Chettinad House is today engaged in activities as diverse as granite, engineering, silica, garnet, information technology, 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 achieved many laurels 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.

The Company's new State-of-the-Art Green Field Cement Plant in Karikkali Village, Tamil Nadu commenced commercial production in October 2001 with a capacity of 0.9 Million Tonnes per annum. It is equipped with ABB's latest knowledge based solution package right from the treatment of Raw Material to the packing of Cement, making it one of India's most modern and efficient plant. 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

	1998-99	1999-2000	2000-01	2001-02	2002-03
PRODUCTION			(In MT)		
Clinker	750060	801305	804210	850855	1388994
Cement	832553	827414	777332	937510	1681728
Capacity Utilisation (%)	139	138	130	93	112
SALES					
Cement & Clinker	864192	949301	877030	1043980	1729296
FINANCIAL HIGHLIGHTS			(Rs. in Lakhs)		
Turnover (net) including					
Other Income	19716	20116	19530	20292	26837
Gross Profit	5903	6218	5307	5018	5011
Interest & Lease rentals	2955	2682	2483	3304	4610
Depreciation	1846	2798	2090	2204	2780
Profit / (Loss) before Tax	1102	728	734	(490)	(2379)
Provision for Taxation					
- Current Tax	190	130	113	-	-
- Deferred Tax - Asset / (Liabilities)	-	-	-	(700)	1657
Net Profit / (Loss) after Tax	887	598	621	(1190)	(722)
PAID - UP SHARE CAPITAL	843	843	2108	2108	2950
RESERVES & SURPLUS	10456	10842	13900	8125	9617
RATIOS					
PBIDT to Sales (%)	29.94	30.91	27.17	24.73	18.67
Net Profit to Sales (%)	5.59	3.62	3.76	(2.41)	(8.86)
EPS (Rs.)	11.73	7.64	3.15	(2.32)	(8.07)
Debt to Equity	1.30	1.17	1.31	2.84	2.10
Book Value per Share (Rs.)	134	139	76	49	43
Dividend (%)	30	25	20	-	-



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Fortieth 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 16th day of September, 2003 at 9.45 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, 2003, 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 **Dr. M. A. M. Ramaswamy**, (Chairman) 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 K. Ganapathy**, 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 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 Fortieth Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs. 80,000/- (Rupees Eighty Thousand Only) each, plus Service Tax if any, besides out of pocket expenses.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass the following

resolution as an **Ordinary Resolution**, with or without modifications.

"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.37.00 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."

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

"Resolved that the decision of the Board of Directors of the company to enter into the Electricity Business by sale of any surplus power that may be available with the Company after meeting its requirements from the Captive Thermal Power Plant to be installed by the Company, be and is hereby approved"

"Resolved Further that the Board of Directors be and are hereby authorized to do such acts, deeds and things that may be necessary in this connection."

By order of the Board
For Chettinad Cement Corporation Ltd.

Place : Chennai
Date : 24th June, 2003

S. Hariharan
Company Secretary

NOTES:

1. An Explanatory Statement with regard to **Item Nos. 6 and 7** 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 02.09.2003 to 16.09.2003 (both days inclusive) for transfer of shares.
4. The Company has appointed M/s Integrated Enterprises (India) Ltd., "Kences Towers", 2nd Floor, No. 1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600 017 as the Registrar & Share Transfer Agents to undertake all investor servicing activities, both demat and physical segments. All concerned are requested to send their documents and address all their future correspondence directly to the above Registrars.
5. Members are requested to intimate their change of

address, if any, along with PIN CODE to the Registrars to facilitate quick receipt of the Annual Reports and other official correspondences.

6. Non-resident Shareholders are requested to inform us immediately :
 - a) the change of residential status on return to India permanently.
 - b) The particulars of the NRE Account, if not furnished earlier.
7. Pursuant to the Section 205 A (before amendment) of the Companies Act, 1956, all the unclaimed dividends upto the financial year 1994-95 have been transferred to the Central Government's General Revenue Account. As per the amended section 205A, unclaimed dividend amounts out of the Dividend declared from the financial

year ended 31st March, 1996 onwards shall be transferred to the Investor Education and Protection Fund of the Central Government after the expiry of seven years from the date of transfer of the unpaid/unclaimed dividend amount to the special account. Accordingly, the dividend so transferred for the financial year 1995-96 will be transferred to the above Fund of the Central Government on 27.10.2003. Once the unclaimed dividend is transferred to the Investor Education and Protection Fund, the same can never be claimed again. The shareholders who have not claimed the dividend for the financial year 1995-96 may claim the dividend from the Company itself upto 27.10.2003.

8. All the shareholders who are holding the shares in Physical Form are advised to get their shares dematerialised, if necessary.

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

Item No. 6

The Central Bank of India, have sanctioned an enhanced Fund based working capital facilities of Rs. 37.00 Crores (previously Rs. 30 crores) and renewed the Non-fund based limits of Rs. 4.00 Crores.

The security for the above facilities is the *pari passu* Second Charge on the Block Assets of the company, 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 the 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, of the whole or substantially the whole of any such undertaking.

Since creation of charge/mortgage by the company, on *pari passu* 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.37.00 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 this Ordinary resolution.

Item No. 7

The Board of Directors have taken a decision to install a

Captive Thermal Power Plant at the Company's Plant at Karikkali Village, Tamil Nadu, to cater to the requirements of Power of the Company. In the eventuality of surplus Power produced by the Captive Thermal Power Plant over and above the requirements of the Company, the Company intends to sell the same to the Tamil Nadu Electricity Board at the terms to be decided upon mutually at the appropriate time.

The sale of such surplus power would be deemed to be commencing of a new business within the meaning of Section 149 (2A) of the Companies Act, 1956 and hence a special Resolution has to be passed at the General Meeting of the Shareholders before commencing such business.

Hence this Special Resolution.

INTEREST OF DIRECTORS:

1. Sri M.A.M.R. Muthiah, Managing Director of the Company is the son of Dr. M.A.M. Ramaswamy, Chairman of the company and is therefore deemed to be interested in the subject matter under item No. 2.
2. None of the Directors is deemed to be interested in the subject matter of the Special Business / Resolutions under Item Nos. 6 and 7.

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. IFB:13:2002-03:502 Dated 23.10.2002 received from Central Bank of India regarding sanction of enhanced / renewed fund and non-fund based working capital facilities of Rs.37.00 Crores and Rs. 4.00 Crores, respectively.



DIRECTORS' REPORT

The Shareholders,

Your Directors take pleasure in presenting the Fortieth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS:

(Rs. in lakhs)

	Current Year ended 31/3/2003	Previous Year ended 31/3/2002
Profit before Depreciation and Interest	5011	5018
LESS :		
Depreciation	2780	2204
Interest	4610	3304
Profit / (Loss) before Tax	(2379)	(490)
LESS :		
Provision for Income Tax – Current	-	-
Deferred – Asset / (Liability)	1657	(700)
Net Profit / (Loss) after current and deferred tax	(722)	(1190)
ADD :		
Surplus brought forward from previous year	3963	8114
Income Tax relating to earlier years	23	39
Investment Allowance withdrawn	677	-
Total available for appropriation	3941	6963
APPROPRIATIONS		
Transfer to General Reserve	-	3000
Balance Carried over to Balance Sheet	3941	3963

DIVIDEND

The financial year 2002-03 saw the Company achieve its highest turnover in terms of volume, of 1729296 MT thereby recording an increase in Sales Volume of 65%. The second Plant of the Company had also become fully operational overcoming all its initial teething problems and since the end of the financial year both the plants are functioning in excess of their full capacity.

But unfortunately due to the general recession prevailing the world over and due to the failure of monsoon for the second year in succession, the price realization was very poor with the Cement prices reaching its lowest in many years. The effect of the low price realization resulted in the Company making a loss for the financial year 2002-03 also.

In view of the above, the Board of Directors regret their inability to recommend a Dividend for the Financial year 2002-03. However, barring unforeseen circumstances, your Directors are hopeful at the Company returning to the Dividend list in the near future.

PRODUCTION AND SALES FOR THE YEAR 2002-03

	MT
Clinker produced	- 1388994
Cement produced	- 1681728
Cement and Clinker Sales	- 1729296

OPERATIONS

This is covered under the topic Management Discussion and Analysis.

MANAGEMENT DISCUSSION AND ANALYSIS**a) Industry structure and developments**

For the second successive year, the Cement Industry has performed exceedingly well in physical terms. The Industry recorded a growth of nearly 9% in Cement production for the financial year 2002-03, thereby again achieving a production in excess of 100 Million Tonnes. Also the dispatches grew by about 8.50% during the same period.

The performance in South India was even better. The consumption during the financial year 2002-03 increased by more than 13% and crossed 30 Million Tonnes.

During the financial year 2002-03, your company was able to overcome all the teething problems in its second Cement Plant at Karikkali, Tamil Nadu and was successful in making it fully

operational with optimum efficiency. In the process, the Company also achieved its highest ever turnover in terms of Sales Volume of 1729296 MT, when compared to the Sales Volume of 1043980 MT achieved in the financial year 2001-02, thereby recording an increase in Sales Volume of about 65 %. The company was also able to achieve more than 100% capacity utilization in both its plants.

b) Opportunities and Threats

The Golden Quadrilateral scheme for National Highways is expected to progress in full flow during this financial year. The heartening factor is that about 1300 Kilometers out of the total of 3650 Kilometers of National Highways is to be constructed in the Southern States, which means greater opportunities for the Cement Companies in this part of the Country. Again, the housing sector is gaining priority now that the Income Tax exemption on housing loans continues to be available. The banks have also announced housing finance as a priority sector. This should help the Cement Industry in tapping the retail market.

The Country has already experienced a monsoon failure last year and still has not received the monsoon in its normal levels this year. In case the country does not receive a normal monsoon this year, then all the priorities would be shifted towards drought management and development in other areas would have to wait for one more year.

c) Segment-wise or Product-wise performance

The Company has no segments. Given below are the Product-wise production figures for the financial year 2002-03

Grades of Cement	Quantity in M.T
OPC 53	54314
OPC 43	503372
PPC	1055600
Slag	37898
SRC	30544
TOTAL	1681728
Ready Mix Concrete (in Cu.m)	14467

d) Outlook

The beginning of the financial year was not very encouraging with the Truckers strike hampering



the dispatch of Cement. But since then, the dispatches have been very good. With the monsoon getting delayed, it is expected that the Industry would grow by about 10% during the first quarter.

Again, the Reserve Bank of India, in its monetary and Credit Policy for the financial year 2003-04 has declared the Housing Finance, as priority sector lending with emphasis on developing the rural and semi-urban sectors. This would definitely give a boost to the Industry.

The Company also is in the process of reducing its cost of funds and other fixed overheads which would result in increase in the profitability of the Company in the years to come.

With the prices remaining stable and the consistency of the demand continuing for the remaining period of the financial year 2003-04, it is expected that the Cement Industry and the Company would fare very well during the current financial year.

e) Risks and concerns

Though the Company is hoping to operate at a reasonably high capacity in the coming year also showing an increased turnover and the price remaining stable, it is expected to translate into a reasonable increase in terms of profitability too.

The major problem faced by the Cement Industry is the cost and availability of power and inputs. As has been stated in the last Annual Report, the rate of increase in the input cost is still much higher when compared to the rate of increase in the Sale price and this has led to a consistent decrease in the margin for the Cement Industry. The Cement Industry has been constantly making representations to the Government to help the Industry in reducing its cost of production, thereby facilitate the survival of the very Industry.

f) Internal control system and their adequacy

The Company has got an adequate system of internal control in place commensurate with the size of its operation and is properly designed to protect and safeguard the assets of the Company. There is a proper system for recording all the transactions which ensures that every transaction is properly authorized and executed according to the norms.

The Company has appointed Internal Auditors who conduct audit of various transactions of the

Company on a regular basis and submits their report on quarterly basis to the Management.

g) Discussion on financial performance with respect to operational performance.

The financial year 2002-03 saw the Company making record production and Sales with both its plants operating at almost full capacities. However the sharp decline in price realizations during the financial year has more than offset the improvement in the physical operations of the Company.

The increase in the Volume of Sales made was not fully reflected in the total turnover of the Company for the financial year 2002-03 which stood at 32670 lakhs, higher only by 40.64 % in comparison to the previous year turnover of Rs. 23228 lakhs, due to the decrease in price realization. In view of the above factors, the company has incurred a Loss before Tax of Rs. 2379 lakhs for the financial year 2002-03 as against a Loss before Tax of Rs. 490 lakhs for the financial year 2001-02.

h) Material developments in Human resources / Industrial relations front, including number of people employed.

As always, the Industrial relation during the current year also has been very cordial and contributed to mutual development. Various seminars, counselling sessions, trainings etc., were conducted to improve the quality of the manpower available thereby increasing the productivity and efficiency of the personnel.

The total no. of people employed is 742.

WINDMILL OPERATIONS

The production of Energy from the Windmills for the financial year 2002-03 was 2.76 crore units. The RKVAH import from the TNEB, which was 37.10 % in the financial year 1999-2000 was reduced to below 5% during the financial year 2002-03 by installing Automatic power factor control panels, which has reduced the power cost to certain extent. Electrical failure has also been reduced by installing additional earthing system. Gear Oil Cooling System was installed for 7 machines for reducing the oil temperature and enhance the bearing life, thereby improving the performance of the Gear box.

In the current financial year, the company hopes to improve upon its performance and expects not only to increase to the power generation but also to improve upon the efficiency of the operations with further effort.