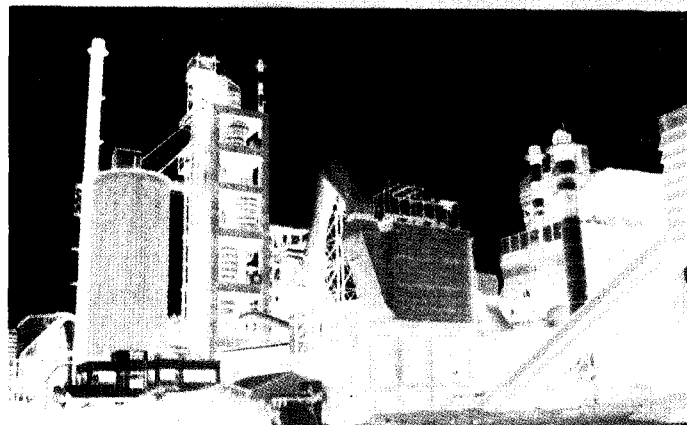
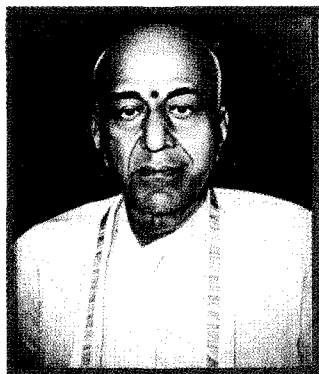


Chettinad Cement Corporation Limited



ANNUAL REPORT
41st
2003-2004

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 establishment of "**Chettinad Cement Corporation Limited**" in 1962 to cater to the 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 SPST. Palaniappan
Sri K. Ganapathy
Sri C.S. Pani
Smt. D. Sabitha (TIIC Nominee)

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 : 28292727, 52149955 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 Puliyur, 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

OPC 43 Grade

Super Grade

Sulphate Resistant Portland Cement

Pavitrani Multi Purpose Cement

From a modest beginning of 2 Lac tonnes capacity per annum, it has gradually increased to 15 Lac tonnes today. 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

	1999-2000	2000-01	2001-02	2002-03	2003-04
PRODUCTION			(In MT)		
Clinker	801305	804210	850855	1388994	1576574
Cement	827414	777332	937510	1681728	1911825
Capacity Utilisation (%)	138	130	93	112	127
SALES					
Cement & Clinker	949301	877030	1043980	1729296	1995382
FINANCIAL HIGHLIGHTS			(Rs. in Lakhs)		
Turnover (net) including					
Other Income	20116	19530	20292	26837	32614
Gross Profit	6218	5307	5018	5011	8215
Interest & Lease rentals	2682	2483	3304	4610	3005
Depreciation	2798	2090	2204	2780	2826
Profit / (Loss) before Tax	728	734	(490)	(2379)	2384
Provision for Taxation					
- Current Tax	130	113	-	-	185
- Deferred Tax - (Asset) / Liability	-	-	700	(1657)	803
Net Profit / (Loss) after Tax	598	621	(1190)	(722)	1396
PAID - UP SHARE CAPITAL	843	2108	2108	2950	2950
RESERVES & SURPLUS	10842	13900	8125	9617	10345
RATIOS					
PBIDT to Sales (%)	30.91	27.17	24.73	18.67	25.18
Net Profit to Sales (%)	3.62	3.76	(2.41)	(8.86)	7.30
EPS (Rs.)	7.64	3.15	(2.32)	(8.07)	7.45
Debt to Equity	1.17	1.31	2.84	2.10	2.02
Book Value per Share (Rs.)	139	76	49	43	45
Dividend (%)	25	20	-	-	20



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Forty first 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 28th day of September, 2004 at 9:30 A.M** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the Year ended 31st March, 2004, 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 M. Nataraj** 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 SPST. Palaniappan** 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 N. Thiagarajan** 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 a Dividend on the Equity Share Capital for the Financial Year 2003-04.
6. 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 Forty First Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs.1,00,000/- (Rupees One Lakh Only) each, plus Service Tax if any, besides out of pocket expenses.

SPECIAL BUSINESS:

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

"Resolved that in accordance with the provisions of Sections 198,269,309, Schedule XIII and other applicable provisions (including any statutory modifications or any enactments thereof for the time being in force) of the Companies Act, 1956 and subject to the approval of the financial institutions/banks wherever required, the consent of the Company be and is hereby accorded to the re-appointment of **Sri M.A.M.R. Muthiah**, as the Managing Director of the company for a period of Three years with effect from the 28th September, 2004 subject to the provisions of the Articles of Association of the Company and control, superintendence and direction of the Board of Directors of the Company, who are hereby authorized to delegate to him such further powers of substantial management of the company as they may deem fit."

"Resolved further that Sri M.A.M.R. Muthiah, Managing Director be paid a remuneration by way of commission which shall not exceed 5% of the net profits of the company each year during the tenure of his office".

"Resolved further that in the event of loss or inadequacy of profits in any financial year, the Board of Directors of the Company be and are hereby authorised to sanction the minimum remuneration payable to Sri M.A.M.R. Muthiah, Managing Director, such that the remuneration shall not exceed the maximum limits prescribed under sub-section 1(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956, based on the effective capital of the Company".

By order of the Board

Place : Chennai
Date : 22nd June, 2004

S. Hariharan
Company Secretary

NOTES:

1. An Explanatory Statement with regard to **Item No. 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 **16.09.2004 to 28.09.2004**. (both days inclusive)
4. The Company has appointed M/s Integrated Enterprises (India) Ltd., "Kences Towers", 2nd Floor, No.1, Ramakrishna Street, T. Nagar, Chennai – 600 017 as the Registrar & Share Transfer Agents to undertake all investor servicing activities, both demat and physical segments with effect from 01/04/2003. 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 amount 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 declaration. Accordingly, the unclaimed dividend for the financial year 1995-96, except where the claim is under dispute or kept in abeyance, has been transferred to the said Fund on 21st November, 2003 and the unclaimed / un-encashed dividend amount relating the the Financial Year 1996 - 97 as on the 9th November, 2004 will be transferred to the Investor Education and Protection Fund.
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. 7

The term of office of Sri M.A.M.R.Muthiah, as Managing Director is due for completion on 27th September, 2004. The Board of Directors, at their meeting held on 22/06/2004 considered the re-appointment of Sri M.A.M.R.Muthiah as Managing Director for a period of three years with effect from 28th September, 2004 as per the conditions specified under the respective provisions and Schedule XIII of the Companies Act, 1956 and recommended the same for the approval of the shareholders at the ensuing Annual General Meeting.

It is proposed that, Sri M.A.M.R. Muthiah, Managing Director be paid a remuneration by way of commission which shall not exceed 5% of the net profits of the company in each year and where in any

financial year during the tenure of his office, the company reports a loss or inadequate profits, then it is proposed to authorize the Board of Directors to sanction such minimum remuneration to the Managing Director, such that the remuneration payable to him does not exceed the maximum limits prescribed under sub-section 1(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 based on the effective capital of the Company.

His re-appointment and remuneration thereof are being recommended to the Shareholders for their approval and hence this resolution.

Information required under Clause (iv) of proviso to Sub-section I(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956.

I. General Information**1) Nature of Industry**

The Company is engaged in the manufacture and sale of Cement.



2) Date or expected Date of Commencement of Commercial production.

The Company has been in this business for over 40 years.

3) In case of new companies, expected date of commencement of activities

The Company is an existing company.

4) The financial performance based on given indicators :

(Rs. in lakhs)

	31.03.2002	31.03.2003	31.03.2004
Sales (Net) including other Income	20292	26837	32614
Profit before Tax	(490)	(2379)	2384
Profit after Tax	(1190)	(722)	1396
Shareholders' Funds	10233	12567	13295
Rate of Dividend (%)	--	--	20%

5) Export performance and net foreign exchange collaborations

The Company has not made any exports during the year 2001-02, 2002-03 and 2003-04. The company has also not entered into any foreign collaboration during this period.

6) Foreign investment and collaborators, if any.

The Company has neither entered into any foreign collaborations nor made any foreign investments.

II. Information about the appointee

1) Background Details

Sri M.A.M.R. Muthiah, aged 33, is a B.E. Computer Science & Engineering graduate and is a key promoter of the Company and is in the Board of the Company for the past six years and has been the Managing Director of the Company since 28th September, 1999.

2) Past Remuneration

For the financial year 2003-04, Sri M.A.M.R. Muthiah had received minimum remuneration of Rs. 24 lakhs, as per the provisions of Schedule XIII of the Companies Act, 1956, on account of inadequate Profits.

3) Recognition or awards / job profile and his suitability

The Company has been on an upward trend ever since the post of Managing Directorship

has been taken over by Sri M.A.M.R. Muthiah, who is a young and charismatic leader and also a key promoter of the company. With his strong attitude of leading from the front, he has successfully installed the second cement plant for the company and has also been very instrumental in improving the cost and operational efficiency of the company.

4) Remuneration proposed

Remuneration is as set out in the Resolution mentioned above under Item No. 7 in the Notice.

5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person

The substantive remuneration of Sri M.A.M.R. Muthiah is not out of tune with the remuneration in similar sized companies in Cement Industry.

6) Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any.

Other than the remuneration stated above, Sri M.A.M.R. Muthiah has no other pecuniary relationship directly or indirectly with the company. Sri M.A.M.R. Muthiah is the son of Dr. M.A.M. Ramaswamy, the Chairman of the company.

III. Other information

The company is in the business of manufacture of Cement for nearly four decades and belongs to one of the leading industrial groups in South India. The industry being the kind which witnesses heavy fluctuation in demand for the product and price realization and stiff competition from other companies, our company has been performing consistently over the period of time and has successfully established its second Cement plant.

INTEREST OF DIRECTORS:

Sri M.A.M.R. Muthiah, Managing Director and Dr. M.A.M. Ramaswamy, Chairman of the company are deemed to be interested in the subject matter of the Special Business / Resolution under Item No.7.

INSPECTION OF DOCUMENTS:

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

DIRECTORS' REPORT

The Shareholders,

Your Directors take pleasure in presenting the Forty first Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS:

(Rs. in lakhs)

	Current Year ended 31/3/2004	Previous Year ended 31/3/2003
Profit before Depreciation and Interest	8215	5011
LESS :		
Depreciation	2826	2780
Interest	3005	4610
Profit / (Loss) before Tax	2384	(2379)
LESS:-		
Provision for Income Tax – Current	185	–
Deferred – (Asset) / Liability	803	(1657)
Profit / (Loss) after current and deferred tax	1396	(722)
ADD :		
Surplus brought from previous year	3941	3963
Income Tax relating to earlier year	(2)	23
Investment Allowance Reserve withdrawn	172	677
Total available for appropriation	5507	3941
APPROPRIATIONS		
Transfer to General Reserve	150	–
Proposed Dividend on Equity Shares	590	–
Tax on the Proposed Dividend	76	–
Balance Carried over to Balance Sheet	4691	3941



DIVIDEND

Your Directors are pleased to recommend a Dividend on Equity Share Capital @20% for the year 2003-04.

PRODUCTION AND SALES FOR THE YEAR 2003-04

MT

Clinker produced	-	1576574
Cement produced	-	1911825
Cement and Clinker Sales	-	1995382

OPERATIONS

This is covered under the topic Management Discussion and Analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

a) Industry structure and developments

The financial year 2003-04 was really an year to cheer for the Indian Economy, wherein we saw an economic growth of around 8%. But the performance of the Cement Industry was dampening when compared to growth of other sectors and the Economy as a whole.

After two successive years of splendid performance even amongst adversities, the Cement Industry could not keep up the momentum, when in fact the economic conditions were also looking northwards. The growth in Cement production and dispatches for the financial year 2003-04 were 5.47% and 5.48% respectively. The total Cement production during the period was 117.44 Million Tonnes and dispatch was 117.16 Million Tonnes.

In the export sector, though the export of Cement showed a negative growth of (-)3% as compared to the previous year, the demand for Indian Clinker abroad, has really picked up with the Clinker exports registering a growth of about 63% over the previous year.

But compared to the Industry average, the performance in South India was slightly better. The production and consumption in South India in the financial year 2003-04 grew by about 8% and 7% respectively over the previous year. Again there was under-performance in Tamil Nadu with the production for 2003-04 growing by about 5%, whereas the consumption registered only a meager growth of about 0.3 percent.

Your company has once again come up with a very creditable performance during the financial year 2003-04, maintaining the good work it had

done in the previous year despite the not so good performance by the Cement Industry in general. Your company achieved a growth of 14% and 15% respectively in Production and Sales Volumes during the financial year 2003-04, as compared to the previous year. The company was also able to maintain more than 100% capacity utilization in both of its plants during the year 2003-04 also.

b) Opportunities, Threats, Risks and Concerns

The World average per capita consumption of Cement is 260 kg. and the per capita consumption in India as of now is only about 110 kg. which is a single strongest indicator that the Cement Industry in India, though second in size only to China, has still got a huge scope for growth. The Housing sector and the Infrastructure sector are the two main demand drivers of the Cement Industry. The Housing sector, backed by low cost of financing, is witnessing a strong growth. The Government initiatives in the infrastructure sector like the Highways development programmes and the development of ports and airports would definitely boost the demand for Cement.

There is also a fact that the Cement Industry is easily the most neglected industry in terms of support through favourable governmental policies. The prices of basic inputs in Cement manufacture, the coal, power and fuel is ever increasing. Cement is the most important component in the infrastructure sector, but still continues to be a commodity, suffering the highest incidence of Tax and duties.

A thriving Cement Industry is definitely a positive development for the Indian economy.

c) Segment-wise or Product-wise performance

The Company has no segments. Given below are the Product-wise production figures for the financial year 2003-04

Grades of Cement	Quantity in M.T
OPC 53	28412
OPC 43	628349
PPC	1195997
Slag	13254
SRC	45813
TOTAL	1911825
Ready Mix Concrete (in Cu.m)	15707