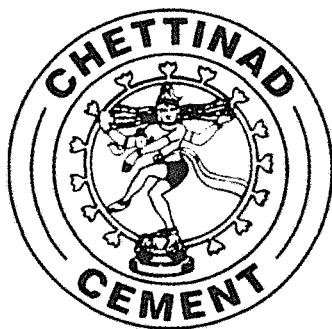


# Chettinad Cement Corporation Limited

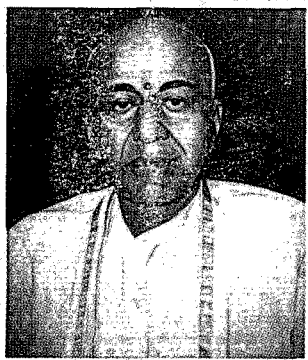


**44<sup>th</sup>** Annual Report  
**2006-2007**

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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 establishment of "Chettinad Cement Corporation Limited" in 1962 to cater to the growing demands of Cement in the Country.

## 44<sup>th</sup> Annual Report 2006-2007

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## MANAGEMENT

- Chairman** : Dr. M.A.M. Ramaswamy
- Managing Director** : Sri M.A.M.R. Muthiah
- Directors** : Sri N. Thiagarajan  
Sri Ramanathan Palaniappan  
Sri R. Krishnamoorthy  
Sri SP.ST. Palaniappan  
Sri K. Ganapathy  
Sri C.S. Pani  
Sri. S.K. Prabhakar (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 Fax : 28291558  
Email : [chtdmds@vsnl.com](mailto:chtdmds@vsnl.com)  
Website : [www.chettinadcement.com](http://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**

OPC 43 Grade  
Super Grade  
Sulphate Resistant Portland Cement  
Portland Slag Cement

From a modest beginning of 2 Lac tonnes capacity per annum, Chettinad Cement has gradually increased its production capacity to 20 lakhs 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 9001 : 2000 and ISO 14001 : 2004 and takes pride in being acclaimed as one of the major player in a highly competitive Cement Industry in India.

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 has achieved many laurels through awards for "BEST PERFORMANCE" in the Cement Industry and for Environmental Excellence.

The Company's 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. The Company commissioned a 15MW Captive Thermal Power Plant at its unit at Karikkali in October 2004 to cater to the entire power requirements of the Karikkali Plant there by reduce the power cost. The Company has also recently commissioned a new cement grinding unit at Karikkali with a capacity of 0.5 million tonnes.

**PERFORMANCE AT A GLANCE**

	2002-03	2003-04	2004-05	2005-06	2006-07
<b>PRODUCTION</b>			(In MT)		
Clinker	1388994	1576574	1875774	1942742	1890524
Cement	1681728	1911825	2211277	2360557	2683737
Capacity Utilisation (%)	112	127	147	118	134
<b>SALES</b>					
Cement & Clinker	1729296	1995382	2335605	2447313	2686961
<b>FINANCIAL HIGHLIGHTS</b>			(Rs. in Lakhs)		
Turnover (net) including					
Other Income	26837	32614	43336	50056	72621
Gross Profit	5011	8215	9421	11901	23933
Interest & Lease rentals	4610	3005	2038	1877	1725
Depreciation	2780	2826	3111	3609	5317
Profit / (Loss) before Tax	(2379)	2384	4272	6415	16891
Provision for Taxation					
- Current Tax (Net)	-	185	342	5	5832
- Deferred Tax - (Asset) / Liability	(1657)	803	1134	2271	(439)
- Fringe Benefit Tax	-	-	-	40	27
- Earlier years Income Tax	-	-	-	93	-
Net Profit / (Loss) after Tax	(722)	1396	2796	4006	11471
<b>PAID - UP SHARE CAPITAL</b>	2950	2950	2950	2950	2950
<b>RESERVES &amp; SURPLUS</b>	9617	10345	11796	14492	23374
<b>RATIOS</b>					
PBIDT to Sales (%)	18.67	25.18	21.74	23.78	32.95
Net Profit to Sales (%)	(8.86)	7.30	9.86	12.82	23.26
EPS (Rs.)	(8.07)	7.45	13.32	21.59	37.39
Debt to Equity	2.10	2.02	1.59	1.37	0.57
Book Value per Share (Rs.)	43	45	50	59	89
Dividend (%)	-	20	40	50	75





## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **Forty fourth 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 **Tuesday, the 25th day of September, 2007 at 10.00 A.M.** to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the Year ended 31<sup>st</sup> March, 2007, 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 K. Ganapathy**, Director 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 C.S. Panl**, Director who retires by rotation in accordance with the Articles of Association of the Company and does not seek re-appointment.
4. To appoint a Director in the place of **Sri N. Thiagarajan**, Director who retires by rotation in accordance with the Articles of Association of the Company and does not seek re-appointment.
5. To declare a Dividend on the Equity Share Capital for the financial year 2006-07.
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 fourth Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs. 1,50,000/- (Rupees One Lakh and fifty thousand 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, 2007 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."

8. 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* First Charge / Second charge or on Exclusive Charge basis in favour of the Financial Institution/s or Bank/s in connection with the Financial assistance by way of Rupee Term Loan / Short Term Loan / Foreign

**Chettinad Cement Corporation Limited**

Currency Loan / Working Capital Limits or any other Fund based or Non-fund based limits sanctioned or to be sanctioned by them, from time to time provided however that the total amount of such Loan / Fund based or Non-fund based limits (including limits already availed) secured shall not exceed the sum of Rs. 1000.00 crores (Rupees One Thousand Crores only) at any one time."

**"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."

**By order of the Board**

**Place : Chennai**

**S. Hariharan**

**Date : 19th June, 2007**

**Company Secretary**

**NOTES:**

1. **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.**
2. The Register of Members and Share Transfer Books of the company shall remain closed from 18.9.2007 to 25.9.2007 (both days inclusive) for transfer of shares.
3. The Company has appointed M/s Integrated Enterprises (India) Ltd., "Kences Towers", 2<sup>nd</sup> 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.
4. 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.
5. 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.
6. Pursuant to the Section 205 A (before amendment) of the Companies Act, 1956, all the unclaimed dividends up to the financial year 1994-95 have been transferred to the Central Government's General Revenue Account. As per the amended Section 205A, the unclaimed dividend amounts out of the Dividend declared from the financial year ended 31<sup>st</sup> March, 1996 onwards shall be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government after the expiry of seven years from the date of declaration. Accordingly, the unclaimed dividend for the financial years 1995-96 to 1998-99, except where the claim is under dispute or kept in abeyance, has been transferred to the said Fund within the stipulated time and the unclaimed / unencashed dividend amount relating the Financial Year 1999 – 2000 which is due for payment as on the 7.11.2007, will be transferred to the IEPF.
7. All the shareholders who are holding the shares in Physical Form are advised to get their shares dematerialised, if necessary.
8. The details of shareholdings of the Directors appointed / re-appointed in this Annual General Meeting has been disclosed along with their respective resume in the Annexure to the Directors Report – "Corporate Governance".



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

### ITEM No. 7:

The term of Office of the Managing Director Sri M.A.M.R. Muthiah, is due for completion on 27<sup>th</sup> September, 2007. The Board of Directors at their meeting held on 19<sup>th</sup> June, 2007 considered the re-appointment of Sri M.A.M.R. Muthiah as Managing Director for a period of three years with effect from 28<sup>th</sup> September 2007 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 profit 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 the 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 1 (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 4 decades

##### 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)

31.03.2005 31.03.2006 31.03.2007

Sales (Net) including other income	43336	50056	72621
Profit before tax	4272	6415	16891
Profit after tax	2796	4006	11471
Shareholders' Funds	14746	17442	26324
Rate of Dividend (%)	40%	50%	75%

#### 5) Export performance and net foreign exchange collaborations

The Company has not made any exports during the years 2004 - 05 to 2006 - 07. 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 36 years is a B.E. Computer Science and Engineering graduate and is a key promoter of the company and is in the board of the Company for the past 9 years and has been the Managing Director of the Company Since 28<sup>th</sup> September, 1999.

#### 2) Past Remuneration:

For the Financial year 2006 - 07, Sri M.A.M.R. Muthiah is entitled to Commission @ 5% on the Net Profits of the Company for the said Financial year amounting to Rs. 8.92 Crores.

#### 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 installed successfully the Company's second Plant and also been very instrumental in improving the Cost and operational efficiency. He has also initiated the third Cement project of installing a New green field plant at Ariyalur with an Annual installed capacity of 2 million tonnes.



**Chettinad Cement Corporation Limited****4) Remuneration proposed:**

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

**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 the 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 and sale of Cement for more than 4 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 the price realization and stiff competition from other companies, our company has been performing consistently over the period of time with two plants, and now with a forecast on the huge demand for the product in the Country in the near future, has initiated in starting the third Plant at Ariyalur.

**Item No. 8 :**

The Company borrows, from time to time, monies from the Financial Institutions / Banks whenever it requires funds for its activities. For the purpose of creation of Security / Mortgage in favour of the Lenders, consent of the Shareholders is required under Section 293 (1) (a) of the Companies Act, 1956 by way of resolution at the General Meeting.

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 / security by the Company on *pari passu* charge either by way of First Charge / Second Charge / Exclusive Charge basis in favour of the Financial Institution/s or Bank/s in connection with the Financial assistance by way of Rupee Term Loan / Short Term Loan / Foreign Currency Loan / Working Capital Limits or any other Fund based or Non-fund based limits etc. 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 to secure the borrowals of the Company both present and future for an amount not exceeding Rs. 1000.00 crores, at any point of time.

**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 / Special Resolution under item No.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.

Memorandum and Articles of Association of the Company.



## DIRECTORS' REPORT

The Shareholders,

Your Directors take pleasure in presenting the Forty fourth Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2007.

### FINANCIAL RESULTS:

(Rs. in lakhs)

	Current Year ended 31/3/2007	Previous Year ended 31/3/2006
Profit before Depreciation and Interest	23933	11901
LESS :		
Depreciation	5317	3609
Interest	1725	1877
<b>Profit before Tax</b>	<b>16891</b>	<b>6415</b>
LESS :		
Provision for Income Tax – Current	5832	545
Deferred	(439)	2271
Fringe Benefit Tax	27	40
Income Tax relating to earlier years	0	93
<b>Profit after current and deferred tax</b>	<b>11471</b>	<b>3466</b>
ADD :		
Surplus brought from previous year	7397	5723
MAT Credit entitlement	0	540
<b>Total available for appropriation</b>	<b>18868</b>	<b>9729</b>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	1400	650
Proposed Dividend on Equity Shares	2213	1475
Tax on the Proposed Dividend	376	207
<b>Balance Carried over to Balance Sheet</b>	<b>14879</b>	<b>7397</b>