



Chettinad
Cement

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**45th
ANNUAL
REPORT
2007-2008**

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.

45TH ANNUAL REPORT

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MANAGEMENT

Chairman	:	Dr. M.A.M. Ramaswamy
Managing Director	:	Sri M.A.M.R. Muthiah
Directors	:	Sri Ramanathan Palaniappan Sri R. Krishnamoorthy Sri SP.ST. Palaniappan Sri K. Ganapathy Smt Sheela Rani Chunkath (TILC Nominee)
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, education, medical, plantations, shipping, transportation, stevedoring, clearing and forwarding and logistics having a combined turnover of about Rs. 10,000 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 with its two cement manufacturing units at Puliur & Karikkali. 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 commissioned a 15MW Captive Thermal Power Plant at its unit at Karikkali in October 2004 and at Puliur in March 2008 to cater to the entire power requirements of the Plants thereby reduce the power cost.

The Company is in the process of setting up two Greenfield Cement manufacturing units with a capacity of 2 Million Tonnes each at Ariyalur, near Trichy, Tamilnadu.

The said units are to be supported for power by 2x15MW captive thermal power plants to be installed at the plant site.

The plants at Ariyalur are proposed to be commissioned in 3rd quarter of 2008 and 2nd quarter of 2009, respectively.

Chettinad Cement Corporation Limited**PERFORMANCE AT A GLANCE**

	2003-04	2004-05	2005-06	2006-07	2007-08
PRODUCTION			(In MT)		
Clinker	1576574	1875774	1942742	1890524	2062346
Cement	1911825	2211277	2360557	2683737	2905698
Capacity Utilisation (%)	127	147	118	134	145
SALES					
Cement & Clinker	1995382	2335605	2447313	2686961	2879187
FINANCIAL HIGHLIGHTS			(Rs. in Lakhs)		
Turnover (net) including					
Other Income	32614	43336	50056	72621	95267
Gross Profit	8215	9421	11901	23933	34693
Interest & Lease rentals	3005	2038	1877	1725	1859
Depreciation	2826	3111	3609	5317	8150
Profit / (Loss) before Tax	2384	4272	6415	16891	24684
Provision for Taxation					
- Current Tax (Net)	185	342	5	5832	9262
- Deferred Tax - (Asset) / Liability	803	1134	2271	(439)	(1005)
- Fringe Benefit Tax	-	-	40	27	50
- Earlier years Income Tax	-	-	93	-	-
Net Profit / (Loss) after Tax	1396	2796	4006	11471	16377
PAID - UP SHARE CAPITAL	2950	2950	2950	2950	2950
RESERVES & SURPLUS	10345	11796	14492	23374	36299
RATIOS					
PBIDT to Sales (%)	25.18	21.74	23.78	32.95	36.41
Net Profit to Sales (%)	7.30	9.86	12.82	23.26	25.91
EPS (Rs.)	7.45	13.32	21.59	37.39	52.10
Debt to Equity	2.02	1.59	1.37	0.57	0.71
Book Value per Share (Rs.)	45	50	59	89	133
Dividend (%)	20	40	50	75	100



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **Forty 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 23rd day of September, 2008 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 31st March, 2008, 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 Ramanathan Palanlappan**, 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 R. Krishnamoorthy**, Director who retires by rotation in accordance with the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To declare a Dividend on the Equity Share Capital for the financial year 2007-08.
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 Forty fifth Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs. 1,50,000 (Rupees One Lakh Fifty 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 in supersession of the Ordinary Resolution No. 6/2000 passed by the Members of the company at the Extra – Ordinary General Meeting held on 14th March, 2000, the consent of the Company be and is hereby accorded under the provisions of Section

293 (1)(d) of the Companies Act, 1956 to the Board of Directors of the company to borrow monies, from time to time, from the Financial Institutions, Banks, Bodies Corporate, Shareholders and Public by way of Rupee Term Loan, Foreign Currency Loan and Debentures etc., (apart from the temporary loans obtained from the company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up share capital of the company and its free reserves that is to say, reserves not set apart for any specific purpose, provided however, that the total amount of such borrowings shall not exceed the sum of Rs.1500.00 crores (Rupees One thousand five hundred Crores only) at any one time.

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

RESOLVED THAT in supersession of the Ordinary Resolution No.8 /2007 passed by the Members of the company at the 44th Annual General Meeting held on 25th September, 2007, consent be and is hereby accorded to the Board of Directors, in pursuance of the provisions of Section 293(1)(a) of the Companies Act, 1956 and other applicable provisions if any, to mortgage and / or to create a charge on all the immoveable properties of the company, wheresoever situate, present and future and the whole of the undertaking of the company in certain events (whether such power is contained in the documents creating the mortgage / charge or otherwise) in favour of Banks/Financial Institutions in connection with the financial assistance sanctioned / to be sanctioned by them from time to time, by creating a charge / mortgage by way of deposit of Title Deeds, in the normal course of business.

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
Date : 17th June, 2008.

S. Hariharan
Company Secretary

Chettinad Cement Corporation Limited**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 16.09.2008 To 23.09.2008 (both days inclusive) for transfer of shares.
3. 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.
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 205 A, the 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 (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 1999 - 2000, 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 / un-encashed dividend amount relating the Financial Year 2000 - 01 which is due for payment as on the 24.10.2008, 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".



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

Item No. 6

At present the Company has got Borrowing power as required under Section 293 (1) (d) of the Companies Act, 1956 to an extent of Rs.1000 Crores as per the Resolution passed by the Members at the Extra Ordinary General Meeting held on 14th March, 2000.

In view of the ongoing Cement Plant projects at Ariyalur and the proposed project for installation of Cement manufacturing unit at Karnataka State and for further developmental activities, from time to time, the company may require funds beyond the present borrowing limits. Hence it is proposed to increase the borrowing powers from the present limit of Rs.1000 Crores to Rs. 1500 Crores, as the company may borrow moneys from Banks / Financial Institutions and other sources for the said project purpose, as and when need arises.

Necessary resolution has to be passed at the General Meeting as required under Section 293 (1) (d) of the Companies Act, 1956. Hence this Ordinary Resolution.

Item No. 7

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 of immovable properties 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 in favour of the Financial Institution / s or Bank / s in connection with the Financial assistance, 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.

INTEREST OF DIRECTORS:

None of the Directors is interested in the special business / ordinary resolutions under Item No. 6 & 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.

Chettinad Cement Corporation Limited**DIRECTORS' REPORT**

The Shareholders,

Your Directors take pleasure in presenting the Forty fifth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS:

(Rs. in lakhs)

	Current Year ended 31/3/2008	Previous Year ended 31/3/2007
Profit before Depreciation and Interest	34693	23933
LESS :		
Depreciation	8150	5317
Interest	1859	1725
Profit before Tax	24684	16891
LESS :		
Provision for Income Tax – Current	9262	5832
Deferred	(1005)	(439)
Fringe Benefit Tax	50	27
Profit after current and deferred tax	16377	11471
ADD :		
Surplus brought from previous year	14879	7397
Total available for appropriation	31256	18868
APPROPRIATIONS		
Transfer to General Reserve	2500	1400
Proposed Dividend on Equity Shares	2950	2213
Tax on the Proposed Dividend	502	376
Balance Carried over to Balance Sheet	25304	14879



DIVIDEND

Your Directors are pleased to recommend a Dividend of **100%** on Equity Share Capital for the year 2007-08.

PRODUCTION AND SALES FOR THE YEAR 2007-08 MT

Clinker produced	-	2062346
Cement produced	-	2905698
Cement sales	-	2879187

OPERATIONS

This is covered under the topic Management Discussion and Analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

a) Industry structure and developments

The Indian Economy has definitely proved that it is now on a higher platform of accelerated growth than what it was a couple of decades ago, by showing growth of over 8% in the last 3 years. A positive outlook on the fundamentals of economy is evident from the increase in domestic investment and savings. Both services and manufacturing sectors are growing at a rate over 9% while agriculture is expected to show a modest growth of over 2.5%.

The financial year 2007-08 was not a great year for the Cement Industry. With the deceleration in the growth of construction Industry owing to the increase in cost of Steel and Cement prices greatly contributed by increase in the cost of Raw material and fuel, has had a dampening effect in the growth of Cement Industry as well. The production and dispatches of Cement during the financial year 2007-08 grew by about 8% at 168.31 MT and 167.67 MT respectively, while the export had a decelerated growth of 38% mainly owing to the restriction by the Government on export of Cement.

The northern region showed the best growth in production of 14% while the southern region kept pace with the industry growth of 8%. However the despatch of southern region grew by 10%. The Southern Region also continued to dominate the Cement Industry performance accounting for over 30% of its production and despatches.

Your company continued its march on a path of steady growth and performance during the financial year 2007-08. The Production at 2905698 tonnes and Sales at 2879187 tonnes

displayed a growth of around 8% over previous year, contributed mainly by increased production and sale of blended cement.

b) Opportunities, Threats, Risks and Concerns

The sustenance of growth in the service and industrial sector and the per capita income nearly touching Rs.30000/- augurs well for the industry in the form of increased domestic investment and consumption considering India to be still a conservative savings economy. The robust economy and per capita income is a positive sign for the construction industry too both in infrastructure sector as well as housing sector as owning a home is still considered the best savings for an Indian family.

However the increase in the cost of Raw materials and Power & fuel has definitely put in a lot of pressure on the Realisations of Cement Industry, adding to it the Government stress on price control in view of the accelerated growth in inflation. The shortage of power supply in various states is also proving to be an impediment to the growth of the Industry.

Your company has done its best in countering the impediment of shortage of power supply by commissioning of Captive Thermal Power Plants (CPP) in both its factories at Puliur and Karikkali. The company is also in the process of installing 30 MW CPP at its ongoing project site at Ariyalur to cater to the power requirements of the Cement Plants at Ariyalur.

c) Segment-wise or Product-wise performance

The Company has no segments. Given below are the Product-wise production figures for the financial year 2007-08

Grades of Cement	Quantity in M.T
OPC - 43 Grade	122596
OPC - 53 Grade	20837
SRC - PC	8353
PPC	2357036
Slag - PSC	396876
TOTAL	2905698

d) Outlook

India is the second largest Cement producer in the world behind only China. The accelerated economic growth and increase in per capita