



**48<sup>th</sup>**  
**ANNUAL**  
**REPORT**  
**2010-2011**

## 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**

<b>Chairman</b>	:	Dr. M.A.M. Ramaswamy
<b>Managing Director</b>	:	Sri M.A.M.R. Muthiah
<b>Directors</b>	:	Sri Ramanathan Palaniappan Sri R. Krishnamoorthy Sri SP.ST. Palaniappan Sri K. Ganapathy Dr.T.Prabhakara Rao, IAS (TIIC Nominee)
<b>Company Secretary</b>	:	Sri S. Hariharan
<b>Auditors</b>	:	M/s P.B. Vijayaraghavan & Co. M/s V. Soundararajan & Co. M/s Krishaan & Co.
<b>Registered Office</b>	:	"Rani Seethai Hall Building" No. 603, Anna Salai, Chennai – 600 006 Tel : 28292727 Fax : 28291558 Email : <a href="mailto:info@chettinadcement.com">info@chettinadcement.com</a> Website : <a href="http://www.chettinad.com">www.chettinad.com</a>

## PROFILE

### CHETTINAD CEMENT CORPORATION LIMITED

The history of the group "House of Chettinad" is linked with the 10 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, health care, plantations, shipping, transportation, stevedoring, clearing and forwarding and logistics.

#### PRODUCTS

OPC 43 Grade  
OPC 53 Grade  
Super Grade  
Sulphate Resistant Portland Cement  
Portland Slag Cement

The company had made a modest beginning with Cement Plant of 2 lakhs Tonnes Per Annum at Puliur Village, Karur District, Tamilnadu. With further modernisation, and installation of additional Cement Grinding Unit of 0.5 MTPA in 2009-10, the capacity at Puliur Plant as of date is 1.10 MTPA.

The Company had then installed a Cement Plant with a capacity of 0.9 MTPA during 2001 at Karikkali Village, Dindigul District, Tamilnadu and installed an additional Cement Grinding Unit to increase its capacity to 1.4 MTPA during 2008.

During 2008-2009 & 2009-2010, company has installed two Green Field Cement Plants at Kilapaluvur Village, Ariyalur District, Tamilnadu at a capacity of 2 MTPA each.

The Company has commissioned its second cement manufacturing unit with a capacity of 2 MTPA adjacent to its existing factory site at Karikkali Village, Dindigul District during the financial year 2010-11.

With this, the total cement manufacturing capacity of the company is 8.50 Million Tonnes Per Annum at its three units at Puliur, Karikkali and Ariyalur.

The Company has installed captive power plants at all its Units to cater to the entire requirement of power for its Cement Plants. The Company has in all 105 MW of Power Generation from its captive power plants.

The company is also in the process of setting-up a Greenfield Cement manufacturing unit with a capacity of 2.5 MTPA and a Captive Thermal Power Plant with a capacity of 30 MW at Chincholi Taluk, Gulbarga District, Karnataka.

The Company, which has always been striving for Total Quality, possesses International Certification ISO 9001 : 2000, ISO 14001 : 2004 and ISO 18001 : 2000 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 corporate social responsibility and environmental values. This is manifest in the installation of the latest pollution control equipment at all its plants and social welfare work conducted in the villages and towns around all its plants.

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

## PERFORMANCE AT A GLANCE

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>PRODUCTION</b>			(In MT)		
Clinker	1890524	2062346	2318789	3029280	3474372
Cement	2683737	2905698	3148896	4003468	4562416
Capacity Utilisation (%)	134	145	135	78	70
<b>SALES</b>					
Cement & Clinker	2686961	2879187	3141914	4061789	4573979
<b>FINANCIAL HIGHLIGHTS</b>			(₹ in Lakhs)		
Turnover (Gross) including					
Other Income	84307	111300	132762	153662	182184
Gross Profit	23933	34693	47064	51209	52093
Interest & Lease rentals	1725	1859	5078	7679	6299
Depreciation	5317	8150	42900	30808	36287
Profit / (Loss) before Tax	16891	24684	(914)	12722	9507
Provision for Taxation					
- Current Tax (Net)	5832	9262	5125	3080	1950
- Deferred Tax - (Asset) / Liability	(439)	(1005)	(5678)	(21)	40
- Fringe Benefit Tax	27	50	60	-	-
Net Profit / (Loss) after Tax	11471	16377	(421)	9663	7517
<b>PAID - UP SHARE CAPITAL</b>	2950	2950	2950	3820	3820
<b>RESERVES &amp; SURPLUS</b>	23374	36299	32565	82552	88751
<b>RATIOS</b>					
PBIDT to Sales (%)	28.47	31.33	35.61	33.63	30.28
PBT to Sales (%)	20.09	22.29	(-) 0.69	8.35	5.52
EPS (₹)	37.39	52.10	40.87	30.51	19.68
Debt to Equity	0.57	0.71	2.09	0.53	0.72
Book Value per Share (₹)	89	133	120	226	242
Dividend (%)	75	100	100	-	50

## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **Forty Eighth 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 **9<sup>th</sup>** day of **August, 2011** 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, 2011, 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 Palaniappan**, 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 SP.ST. 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 declare a Dividend on the Equity Share Capital for the Financial Year 2010-11.
5. To appoint M/s P.B. Vijayaraghavan & Co., M/s Krishna & Co., and M/s V. Soundararajan & Co., Chartered Accountants as Auditors of the Company to hold office from the conclusion of the Forty Eighth Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of ₹ 2,25,000/- (Rupees Two Lakhs twenty five thousand Only) each, plus Service Tax if any, besides out of pocket expenses.

**By order of the Board**

**S.Hariharan**  
**Company Secretary**

**Place: Chennai**

**Date : 27th May, 2011.**

**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 **02.08.2011 To 09.08.2011** (inclusive of both days) 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 correspondence directly to the above Registrars.
4. As part of their "Green Initiative in Corporate Governance" the Ministry of Corporate affairs, have vide their recent Circular No.17/2011 dated 21.04.2011 and 18/2011 dated 29.4.2011 permitted companies to send various documents, notices, Annual Reports, etc., to the Shareholders through electronic mode to the registered e-mail address of the shareholders.

All the shareholders are therefore requested to register their current e-mail ID with their Depository or the company's Registrars and Transfer Agents, as the case may be to enable the company to send all the future corporate communications/Annual Reports electronically. The company shall still provide a physical copy of the above to any shareholder, on request, at no additional cost.

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

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. As per the Section 205-A, 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 2000-01, except where the claim is under dispute or kept in abeyance, has been transferred to the said Fund within the stipulated time. Since no dividend had been declared for the years 2001-02 and 2002-03, the transfer of the unclaimed / un-encashed dividend amount relating to the said two financial years to the IEPF does not arise. The next remittance of such amount will be only during November, 2011.

The shareholders who have not claimed/ encashed their dividend so far may communicate to the company/Registrars and get the dividend amount, declared for the Financial Years from 2003-04 to 2008-09.
7. 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".

**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 Eighth Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS:

(₹ in lakhs)

	<b>Current Year ended 31/03/2011</b>	Previous Year ended 31/03/2010
Profit before Depreciation and Interest	<b>52093</b>	<b>51209</b>
LESS :		
Depreciation	36287	30808
Interest	6299	7679
<b>Profit before Tax</b>	<b>9507</b>	<b>12722</b>
LESS :		
Provision for Income Tax		
– Current	1950	3080
– Deferred (Assets) / Liabilities	40	(21)
<b>Profit after current and deferred tax</b>	<b>7517</b>	<b>9663</b>
ADD :		
Provision for Taxation no longer required	0	2000
Prior Period expenses	0	(880)
Surplus brought from previous year	31424	20570
Profit of Amalgamating company	0	71
<b>Total available for appropriation</b>	<b>38941</b>	<b>31424</b>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	850	-
Proposed Dividend	1910	-
Tax on the Proposed Dividend	317	-
<b>Balance Carried over to Balance Sheet</b>	<b>35864</b>	<b>31424</b>



## DIVIDEND

Your Directors are pleased to recommend a Dividend of ₹ 5/- per Equity share (i.e., 50% dividend on the Equity Share Capital of the Company) for the Financial year ended 31st March, 2011.

## PRODUCTION AND SALES FOR THE YEAR 2010-11

	MT
Clinker produced	3474372
Cement produced	4562416
Cement and Clinker Sales	4573979

## OPERATIONS

This is covered under the topic Management Discussion and Analysis.

## MANAGEMENT DISCUSSION AND ANALYSIS

### a) Industry structure and developments

The Indian Economy continues to be vibrant and has emerged as a more mature and resilient player following the Global Economic meltdown. The Indian Economy has been one of the drivers of World Economy over the past couple of years. The economy has continued to grow in excess of 8% during the financial year 2010-11 in the face of a resurgent Agricultural sector. The matter of concern is the sluggishness in the growth of Industrial and Service sector in the face of high Inflation rate mainly contributed by food inflation. It is expected that these are only short term hiccups while the long term projection still holds good prospects for the Indian Economy.

The performance of the Cement Industry was a clear reflection of the general sluggishness prevailing in the Industrial sector as a whole. The growth in Production was the lowest in recent years at 5% and the dispatches grew by about 4%. The Capacity Utilisation has reduced from 80% in the previous financial year to 73% for the financial year 2010-11. The disparity between growth in realization and growth in cost of production continued to eat away the bottom lines of the companies.

Your company has commissioned its Line-2 expansion Unit at Karikkali Village with a capacity of 2MT PA during September 2010 preparing to make best use of resurgence in Cement Industry. With this, the installed capacity of the company has increased to 8.5 Million Tonnes per annum.

### b) Opportunities, Threats, Risks, Concerns and Outlook

The continued thrust on development of infrastructure by the Government of India is indeed the impetus for expansion of capacities occurring in the Cement Industry, but the recent hike in Interest rates is a cause of concern in the short term as housing sector is definitely bound to be affected by the costlier housing loans. The spiralling cost of Raw Materials and fuel at a rate much more than the growth in realization has been hitting the industry hard for quite sometime.

With the Cement capacity targetted to touch 550 MT by the end of the next Plan Period, the long term outlook is quite positive for the Industry.

### c) Segment wise or Product wise performance

The Company has only one business segment, that is manufacturing and Sale of Cement. The only other segment namely Generation and Sale of Power revolves around the Cement segment and is mainly used for Captive consumption by the Cement segment. Given below are the Segment-wise and Product-wise production figures for the financial year 2010-11.

Grades of Cement	Quantity in M.T
OPC - 43 Grade & 53 Grade	1410324
SRC - PC	34354
PPC	2920144
Slag - PSC	197594
<b>TOTAL</b>	<b>4562416</b>

Power	Generation (in KWH)
Wind Energy	9192080
Captive Thermal Power Plant	464863425

### d) 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 developed an in-house Internal Audit Department which is contributing to the continuous process of sharpening the Internal Control mechanism by introduction of various concurrent audit systems and facilitating regular evaluation of the system by the management.

**e) Discussion on financial performance with respect to operational performance.**

The Financial Year 2010-11 not being a great year for the Cement Industry, the company registered a decent growth of 14% in Production and 13% in Sales, much more than the Industry growth. The Operational Profit of the company at Rs. 419.40 crores, has gone down by about 15% owing to lower realization and spiraling input costs. The Sales Turnover for the financial year 2010-11 stood at 1720.31 crores, an increase of about 13% over the previous year.

**f) 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 number of personnel employed in the company is : 1368.

**WINDMILL OPERATIONS**

The Company had disposed all the Fixed Assets relating to Windmill Operations during the second Quarter of the financial year 2010-11.

**CAPTIVE THERMAL POWER PLANTS**

**KARIKKALI WORKS**

The Gross power generation from the 15 MW Captive Thermal Power Plant during the year under review was 12.34 Crore Units, with an auxiliary consumption of 0.97 crore units. The Net generation of 11.37 crore Units were entirely consumed by the Cement Plant thereat.

**PULIYUR WORKS**

The Gross power generation from the 15 MW Captive Thermal Power Plant during the year under review was 10.21 Crore Units, with an auxiliary consumption of 0.86 crore units. The Net generation was 9.35 crore Units. Out of the total net generation, 8.66 crore units were consumed captively by the Cement Plant thereat and the remaining 0.69 crore units were sold under Power Purchase Agreements.

**ARIYALUR WORKS**

The Gross power generation from the 15 MW X 3 Captive Thermal Power Plants during the year under review was 23.93 Crore Units, with an auxiliary consumption of 2.03 crore units. The Net generation was 21.90 crore Units. Out of the total net generation, 14.99 crore units were consumed captively by the Cement Plants thereat and the remaining 6.91 crore units were sold under Power Purchase Agreements.

**PROGRESS REPORT ON ONGOING PROJECTS**

**Cement Plant Line – II at Karikkali**

The company has commissioned the Line – II Cement manufacturing unit at Karikkali Village, Dindigul District, Tamilnadu adjacent to its existing Unit with a capacity of 2 MTPA during the second quarter of the Financial Year 2010-11 and a Captive Power Plant thereat during the last quarter of the Financial Year 2010-11 to cater to the Power requirements of the Line – II Cement Plant.

**Proposed Cement Plant project at Karnataka**

The company has completed its entire land acquisition for mining and factory site at Chincholi Taluk, Gulbarga District, Karnataka State for setting up a Greenfield Cement Plant with a capacity of 2.5 MTPA alongwith a 30 MW Captive Thermal Power Plant. Orders have been placed for major machineries and Civil Work has been commenced for both the Cement Plant and the Captive Power Plant thereat.

**INDUSTRIAL RELATIONS**

The Employees at all ranks of the Company have been extending their fullest co-operation for the smooth conduct of the affairs of the Company and maintenance of cordial Industrial relations. The Directors wish to place on record their appreciation to the employees of the Company at all levels.

**PUBLIC DEPOSITS**

The company has no unmatured/unpaid Fixed Deposits at the end of financial year 2010-11.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under Section 217 (1) (e) of the Companies Act, 1956, the details regarding Energy Conservation, Technology Absorption, Foreign Exchange earnings and outgo are given in the Annexure hereto.