



49th
ANNUAL
REPORT
2011-2012

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.

Contents

Pages

Company Profile	2
Performance at a Glance	3
Notice	4
Directors' Report	8
Annexure to the Directors' Report	13
Auditors' Report	29
Balance Sheet	32
Profit & Loss Statement	33
Cash Flow Statement	34
Notes on Accounts	35

49th
ANNUAL
REPORT
2011-2012

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 Sri Md.Nasimuddin, IAS (TIIC Nominee) Sri L.Muthukrishnan
Company Secretary	:	Sri S. Hariharan
Auditors	:	M/s P.B. Vijayaraghavan & Co. M/s V. Soundararajan & Co. M/s Krishaan & Co.
Registered Office	:	"Rani Seethai Hall Building" No. 603, Anna Salai, Chennai – 600 006 Tel : 28292727 Fax : 28291558 E-mail : info@chettinadcement.com Website: www.chettinad.com

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 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.

The Company has commissioned its Green field Cement manufacturing Unit with a capacity of 2.5 MTPA at Chincholi Taluk, Gulbarga District, Karnataka, during the financial year 2011-12

With this, the total cement manufacturing capacity of the company is 11.00 Million Tonnes Per Annum at its four units at Puliur, Karikkali and Ariyalur in Tamil Nadu and Chincholi Taluk, Gulbarga District in Karnataka.

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, 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

	2007-08	2008-09	2009-10	2010-11	2011-12
PRODUCTION			(In MT)		
Clinker	2062346	2318789	3029280	3474372	3887981
Cement	2905698	3148896	4003468	4562416	5139375
Capacity Utilisation (%)	145	135	78	70	52
SALES					
Cement & Clinker	2879187	3141914	4061789	4573979	5154671
FINANCIAL HIGHLIGHTS			(₹ in Lakhs)		
Turnover (Gross) including					
Other Income	111300	132762	153662	182184	235605
Gross Profit	34693	47064	51209	52093	69050
Interest & Lease rentals	1859	5078	7679	6299	9249
Depreciation	8150	42900	30808	36287	34681
Profit / (Loss) before Tax	24684	(914)	12722	9507	25120
Provision for Taxation					
– Current Tax (Net)	9262	5125	3080	1950	5807
– Deferred Tax - (Asset) / Liability	(1005)	(5678)	(21)	40	513
– Fringe Benefit Tax	50	60	-	-	-
Net Profit / (Loss) after Tax	16377	(421)	9663	7517	18800
PAID - UP SHARE CAPITAL	2950	2950	3820	3820	3820
RESERVES & SURPLUS	36299	32565	82552	88751	104221
RATIOS					
PBIDT to Sales (%)	31.33	35.61	33.63	30.28	30.03
PBT to Sales (%)	22.29	(-) 0.69	8.35	5.52	10.92
EPS (₹)	52.10	40.87	30.51	19.68	49.21
Debt to Equity	0.71	2.09	0.53	0.72	0.75
Book Value per Share (₹)	133	120	226	242	283
Dividend (%)	100	100	-	50	75

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **Forty ninth 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 25th day of September, 2012 at 10.00. A.M.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Statement for the Year ended 31st March, 2012, 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**, 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 declare a Dividend on the Equity Share Capital for the Financial Year 2011-12.
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 ninth Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs. 3.00 Lakhs (Rupees Three Lakhs Only) each, plus applicable Taxes if any, besides out of pocket expenses.

SPECIAL BUSINESS:

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

“RESOLVED THAT the Consent of the Company be and is hereby accorded under Section 372A and other applicable provisions of the Companies Act, 1956, if any, to the

Board of Directors of the company to invest upto Rs. 1300 Crores over a period of four years from 2012-13 to 2016-17 in the Equity Share Capital of its Associate Company M/s Chettinad Power Corporation Private Limited which is in the process of setting up of two Units of 660 MW Supercritical Thermal Power Plants in Tharangambadi in Nagapattinam District, Tamilnadu.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its discretion deem necessary, proper or desirable.”

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

“RESOLVED THAT consent of the shareholders/ Company be and is hereby given that pursuant to provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, the Company do commence the new businesses as mentioned in Clause Nos. 6 and 14 contained in the Object of the Memorandum of Association of the Company, as reproduced below:

Clause No.6. To search for, get, manufacture, work, make merchantable, sell and deal in iron, **coal**, iron ore, limestone, manganese, aluminium, tin, copper, silver, gold, cobalt, mica, nickel, clay, fire clay, and other metals, minerals and substances; and to buy, sell, manufacture, import, export and deal in minerals and mineral products, plant and machinery capable of being used in connection with mining or metallurgical operations or required by workmen and other employed by the company.

Clause No.14. To acquire, be interested in, construct, maintain, carryout, improve, work, alter, control and manage any tramways, railways, steam boats, roads, bridges, tunnels, water works, water rights, canals, irrigation works, gas works, **coal mines**, electric works, reservoirs, water – courses,

furnaces, stamping works, smelting works, factories, warehouses and other works and conveniences which the company may think conducive to any of its objects which may seem calculated directly or indirectly to promote the company's interests and to contribute to and take part in the constructing, maintaining carrying on, improving, working, controlling and managing of any such works or conveniences."

"RESOLVED FURTHER THAT, the Board of Directors of the Company be and are hereby authorised to do all such acts and deeds, as may be necessary and expedient to do, in order to get the approval from the necessary statutory and/or regulatory authorities, permissions, approvals for the commencement of the businesses as cited above"

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

"RESOLVED that Sri L. Muthukrishnan who retires under Section 260 of the Companies Act, 1956, at the 49th Annual General Meeting, be and is hereby appointed as a Director of the Company pursuant to Section 257 and other applicable provisions under the Companies Act, 1956".

**By order of the Board,
S.Hariharan
Company Secretary**

Place: Chennai

Date : 7th August, 2012

Notes:

1. An Explanatory Statement as required under Section 173 of the Companies Act, 1956 is annexed hereto for the Item Nos. 6 to 8 in the Notice.
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 **18/09/2012 to 25/09/2012** (inclusive of both days) for transfer of shares.
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 correspondence directly to the above Registrars.
5. As part of their "Green Initiative in Corporate Governance" the Ministry of Corporate Affairs, have vide their 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.

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. As per the 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 2003-04, except where the claim is under dispute or kept in abeyance, has been transferred to the said Fund within the stipulated time. The next remittance of dividend declared during the financial year 2004-05 will be only during November, 2012.

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 2004-05 to 2010-11.

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 of the Companies Act, 1956.

Item No. 6:

The Company has received a proposal from M/s Chettinad Power Corporation Private Ltd., an Associate Company, seeking investment in the Equity Share Capital of the said Company for their proposed Supercritical Thermal Power Project of 1320 MW (660 MW x 2) at Tharangambadi Village, Nagapattinam District, Tamilnadu. The estimated project cost would be around Rs.8500 Crores and the said Company proposed to fund a part of the project cost through Equity Share Capital to the extent of Rs.2100 Crores. They are seeking an investment of Rs.1300 Crores from the Chettinad Cement Corporation Ltd. over a period of four years commencing from 2012-13.

The Proposal to invest in Equity Share Capital of Chettinad Power Corporation Private Ltd. to the extent of Rs.1300 Crores over a period of four years can be considered as the Power Industry Sector would be in demand, in future. In

investing in the shares of such project, the Company would be in a position to leverage the business opportunity in Power Sector.

As per the provisions under Section 372 A of the Companies Act, 1956, a Company can make investment in the shares of other bodies corporate through a Board Resolution upto 60% of its Paid up Share Capital and Free Reserves or 100% of its Free Reserves, whichever is more. In case the Company's investment exceeding the above limit, a previous authorization by a Special Resolution in General Meeting is required.

As the Investment envisaged in Chettinad Power Corporation Pvt. Ltd. exceeds the limit permissible to the Board of Directors, a Special Resolution is required to be passed at the ensuing Annual General Meeting for the total investment of Rs. 1300 Crores in the shares of the Associate Company M/s Chettinad Power Corporation Private Ltd.

Hence this Special Resolution.

Item No. 7:

Your Company is in the manufacture of cement and for that purpose consumes enormous amount of Coal as fuel, most of it imported and at prices which prevail in the International Market. The availability and the cost of the coal, being the major fuel for the manufacture of Cement, is highly fluctuating and not cost effective. Your Company is constantly on the look out for avenues to ensure steady, continuous supply of coal and at reasonable prices without compromising the quality. Towards this objective your management has identified some major suppliers of Coal in bulk quantities as well as Coal mines internationally, which would not only ensure continuous supply of Coal and at reasonable rates for its own consumption but also provide an opportunity for supply and trading to other entities.

The Object Clause of the Company as enumerated in the Memorandum of Association (MOA), more specifically Clause 6 read with Clause 14 clearly authorises the Company to carry on the business of Purchasing Coal, acquiring Coal Mines, commercially exploiting it for its own consumption or for sale, market and Trade to other entities. It would also be highly advantageous to the Company in terms of scalability of its operations and future expansion, when availability of fuel in time would save the Company from the highly volatile International Coal Market/ pricing.

The activity of acquisition, operation and exploitation of coal mines for consumption and utilisation by the Company for its operations and Sale or Trade in Coal to other entities is germane to the business of the Company and does not require Specific approval by means of a Special resolution from the shareholders of the Company.

However, as a matter of abundant precaution, your company seeks the approval of the shareholders by means of a Special Resolution to the new business to be commenced by the Company contained in the Objects Clause of the MOA.

Your Directors therefore recommend this Special Resolution as specified in Item No. 7.

Item No. 8:

Sri L. Muthukrishnan, has been appointed as an Additional director on the Board of the Company by the Board of Directors on 15.05.2012.

As per the provisions under Section 260 of the Companies Act, 1956 the Additional Director has to hold the Office of his Directorship only upto the date of the next Annual General Meeting (AGM) of the Company. Accordingly, Sri L. Muthukrishnan, would hold Office till the ensuing AGM. As per Section 257 of the Companies Act, 1956, the Company has received a Notice alongwith a Deposit of Rs.500/- from a member proposing Sri L. Muthukrishnan as a candidate for appointment as a Director at this AGM. Hence this 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 in the Notice.
2. None of the Directors is deemed to be interested in the subject matter under item No. 6 & 7 in the Notice.
3. Sri L. Muthukrishnan, Director is deemed to be interested in the subject matter under Item No.8 in the Notice.

INSPECTION OF DOCUMENTS

The following documents will be kept at the Registered Office, during the working hours of the Company and they are open for inspection by the Members.

1. Memorandum and Articles of Association of the Company.
2. Notice under Section 257 of the Companies Act, 1956 received from a member, proposing Sri.L.Muthukrishnan as a candidate for the office of the Directorship.

DIRECTORS' REPORT

The Shareholders,

Your Directors take pleasure in presenting the Forty Ninth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS:

(₹ in lakhs)

	Current Year ended 31/03/2012	Previous Year ended 31/03/2011
Profit before Depreciation and Interest	69050	52093
LESS :		
Depreciation	34681	36287
Interest	9249	6299
Profit before Tax	25120	9507
LESS :		
Provision for Income Tax		
– Current	5807	1950
– Deferred (Assets) / Liabilities	513	40
Profit after current and deferred tax	18800	7517
ADD :		
Surplus brought from previous year	35864	31424
Total available for appropriation	54664	38941
APPROPRIATIONS		
Transfer to General Reserve	2000	850
Proposed Dividend	2865	1910
Tax on the Proposed Dividend	465	317
Balance Carried over to Balance Sheet	49334	35864