



50th
ANNUAL
REPORT
2012-2013

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 Ramanathan Palaniappan
Sri R. Krishnamoorthy
Sri SP.ST. Palaniappan
Sri K. Ganapathy
Sri L.Muthukrishnan
Sri S.K. Prabakar, IAS - (TIIC Nominee)
- 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
Email : 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.

The Company later commissioned its second cement manufacturing unit with a capacity of 2 MTPA adjacent to its existing factory site at Karikkali Village, during the financial year 2010-11 taking the total capacity of the plant to 3.4 MTPA

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 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

	2008-09	2009-10	2010-11	2011-12	2012-13
PRODUCTION			(In MT)		
Clinker	2318789	3029280	3474372	3887981	4766369
Cement	3148896	4003468	4562416	5139375	6160875
Capacity Utilisation (%)	135	78	70	52	56
SALES					
Cement & Clinker	3141914	4061789	4573979	5154671	6188277
FINANCIAL HIGHLIGHTS			(₹ in Lakhs)		
Turnover (Gross) including					
Other Income	132762	153662	182184	235605	283188
Gross Profit	47064	51209	52093	69050	63476
Interest & Lease rentals	5078	7679	6299	9249	10605
Depreciation	42900	30808	36287	34681	37149
Profit / (Loss) before Tax	(914)	12722	9507	25120	15722
Provision for Taxation					
– Current Tax (Net)	5125	3080	1950	5807	2240
– Deferred Tax - (Asset) / Liability	(5678)	(21)	40	513	(272)
– Fringe Benefit Tax	60	-	-	-	-
Net Profit / (Loss) after Tax	(421)	9663	7517	18800	13754
PAID - UP SHARE CAPITAL	2950	3820	3820	3820	3820
RESERVES & SURPLUS	32565	82552	88751	104221	115740
RATIOS					
PBIDT to Sales (%)	35.61	33.63	30.28	30.03	22.47
PBT to Sales (%)	(-) 0.69	8.35	5.52	10.92	5.56
EPS (₹)	40.87	30.51	19.68	49.21	36.01
Debt to Equity	2.09	0.53	0.72	0.75	0.59
Book Value per Share (₹)	120	226	242	283	313
Dividend (%)	100	-	50	75	50

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **Fiftieth 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 Saturday, the 28th day of September, 2013 at 10.30 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, 2013, 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 R. Krishnamoorthy**, 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 2012-13.
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 Fiftieth 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 an Ordinary 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 Five Years with effect from the **28th September, 2013** 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 authorized to sanction such minimum (Monthly) 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(A) of Section II of Part II of the Schedule XIII of the Companies Act, 1956 based on the Effective Capital of the Company".

By order of the Board,
S. Hariharan
Company Secretary

Place : Chennai
Date : 20.08.2013

Notes:

1. An Explanatory Statement as required under Section 173 of the Companies Act, 1956 for item No.6 is annexed hereto.
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 24.09.2013 To 28.09.2013 (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. 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 29.04.2011 permitted the 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.
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 Section 205 A of the Companies Act, 1956, 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 2004-05 except where the claim is under the dispute or kept in abeyance, has been transferred to the said Fund within the stipulated time. The remittance of dividend declared for the financial year 2005-06 will be made during October / November, 2013.

The members who have not claimed/ encashed their dividend so far may communicate to the Company/Registrar and get the dividend amount, declared for the Financial years from 2005-06 to 2011-12. [No dividend declared for the year 2009-10].
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 term of Office of the Managing Director Sri M.A.M.R. Muthiah, is due for completion on 27th September, 2013. The Board of Directors at their meeting held on 20.08.2013 considered the re-appointment of Sri M.A.M.R. Muthiah as Managing Director for a period of five years with effect from 28th September, 2013 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 (monthly) remuneration to the Managing Director, such that the remuneration payable to him does not exceed the maximum limits

prescribed under the Sub-Section 1 (A) of Section II of Part II of the 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 Ordinary resolution.

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/Ordinary Resolution under Item No.6 in the Notice to the Shareholders.

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 Fiftieth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS:

(₹ in lakhs)

	Current Year ended 31/03/2013	Previous Year ended 31/03/2012
Profit before Depreciation and Interest	63476	69050
LESS :		
Depreciation	37149	34683
Interest	10605	9249
Profit before Tax	15722	25120
LESS :		
Provision for Income Tax		
– Current	2240	5807
– Deferred (Assets) / Liabilities	(272)	513
Profit after current and deferred tax	13754	18800
ADD :		
Surplus brought from previous year	49334	35864
Total available for appropriation	63088	54664
APPROPRIATIONS		
Transfer to General Reserve	1500	2000
Proposed Dividend	1909	2865
Tax on the Proposed Dividend	326	465
Balance Carried over to Balance Sheet	59353	49334

DIVIDEND

Your Directors are pleased to recommend a Dividend of Rs. 5.00/- per Equity Share (i.e., 50% Dividend on the Equity Share Capital of the Company) for the Financial year ended 31st March, 2013.

PRODUCTION AND SALES FOR THE YEAR 2012-13

	MT
Clinker produced	4766369
Cement produced	6160875
Cement and Clinker Sales	6188277

OPERATIONS

This is covered under the topic Management Discussion and Analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

a) Economy and developments

The Slowdown in the economy that began in the financial year 2011-12 continued to trouble the country during the financial year 2012-13 also. The stimulus for growth brought about after the Global meltdown during the financial year 2010-11 also brought about strong demand for consumption, but the lack of supply strength to cater to the demand for goods led to double digit inflation during the financial year 2012-13. This affected the Annual Growth rate which hovered around 5% for the financial year 2012-13.

b) Opportunities, Threats, Risks, Concerns and Outlook

The Construction Sector contributes to nearly 7% of the country's GDP and nearly 64% of the Cement is being consumed by the Housing sector, still the per capita consumption of Cement in India continues to be among the lowest in the world. The Government is continually bringing out schemes to give impetus to the construction and development of Infrastructure. According to data available, the Foreign Direct Investment in Cement and Gypsum sector since the beginning of the new millennium is around Rs. 12000 crores.

The above datas coupled with the forecast that Cement Industry would achieve output levels of over 300 Million Tonnes by the end of Financial Year 2013-14, it would not be long when the Indian Cement sector begin to show double digit CAGR levels.

c) Segment wise or Product wise performance

The Company has only one business segments and 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 2012-13.

Grades of Cement	Quantity in M.T
OPC - 43 Grade & 53 Grade	2548425
SRC - PC	11954
PPC	3469769
Slag - PSC	130727
TOTAL	6160875

Power	Generation (in Units)
Captive Thermal Power Plant	543460571

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 had also appointed M/s C. Muthukumar & Co., M/s J. Karthik Bharathi & Co., M/s M. Karuppiyah & Co., and M/s Raghavan & Muralidharan, Chartered Accountants as Internal Auditors to conduct the Systems and compliance Audit of the company.

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

The company continued with its habit of rewriting its history as it achieved Production and Despatch in excess of 6 Million Tonnes for the financial year 2012-13. The company achieved a record of Production of 6.16 Million Tonnes and despatch of 6.12 Million Tonnes of Cement during the financial year, thereby achieving a growth of nearly 20% over the previous year, which is a commendable effort considering the fact that Industries sector as a whole and Cement sector in particular has been showing only single digit growth recently.