



52nd
ANNUAL REPORT
2014-2015

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	: Sri. L Muthukrishnan
Managing Director	: Sri. M A M R Muthiah
Directors	: Sri. K Ganapathy Sri. R Ramakrishnan Sri. M Ravindra Vikram Sri. A Mohan Krishna Reddy Ms. Bhavana G Desai Sri. V Chandramoleeswaran Sri. S K Prabhakar, (Nominee Director of TIIC)
Chief Financial Officer	: Sri. R Raghunathan
Company Secretary	: Sri. S Hariharan
Statutory Auditors	: M/s Raghavan & Muralidharan, Chartered Accountants
Cost Auditor	: M/s Geeyes & Co., Cost and Management Accountants
Secretarial Auditor	: M/s V Mahesh & Associates, Company Secretaries
Bankers	: ICICI Bank Ltd HDFC Bank Central Bank of India Hongkong & Shanghai Banking Corporation Limited
Registered Office	: "Rani Seethai Hall Building" No. 603, Anna Salai, Chennai 600 006. Tel. No. 044-28292727 / 42149955 Fax No. 044-28291558 E Mail. ID: shares@chettinadcement.com Website: www.chettinad.com

PROFILE

CHETTINAD CEMENT CORPORATION LIMITED

CIN : U93090TN1962PLC004947

“Chettinad Cement Corporation Limited” was incorporated 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 Chettinad Cement Corporation Limited is the flagship company of the most vibrant and dynamic group in South India steered under the versatile, dynamic and pragmatic Leadership of its Managing Director Sri M.A.M.R. Muthiah. Apart from cement, the Group 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 0.9MTPA 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 Karikkali 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 165 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

	2010-11	2011-12	2012-13	2013-14	2014-15
PRODUCTION			(In MT)		
Clinker	3474372	3887981	4766369	4584337	4265373
Cement	4562416	5139375	6160875	5816357	5551684
Capacity Utilisation (%)	70	52	56	53	50
SALES					
Cement & Clinker	4573979	5154671	6188277	5854346	5552297
FINANCIAL HIGHLIGHTS			(₹ in Lakhs)		
Turnover (Gross) including					
Other Income	182184	235605	283188	256556	281431
Gross Profit	52093	69050	63476	48391	62772
Interest & Lease rentals	6299	9249	10605	7968	4903
Depreciation	36287	34681	37149	29824	32151
Profit / (Loss) before Tax	9507	25120	15722	10599	25718
Provision for Taxation					
-Current Tax (Net)	1950	5807	2240	43	8267
-Deferred Tax - (Asset)/Liability	40	513	(272)	(48)	(3592)
-Fringe Benefit Tax	-	-	-	-	-
Net Profit / (Loss) after Tax	7517	18800	13754	10604	21043
PAID - UP SHARE CAPITAL	3820	3820	3820	3820	3820
RESERVES & SURPLUS	88751	104221	115740	124030	142824
RATIOS					
PBIDT to Sales (%)	30.28	30.03	22.47	19.41	23.93
PBT to Sales (%)	5.52	10.92	5.56	4.25	9.81
EPS (₹)	19.68	49.21	36.01	27.76	55.09
Debt to Equity	0.66	0.46	0.51	0.42	0.30
Book Value per Share (₹)	242	283	313	335	384
Dividend (%)	50	75	50	50	50

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 52nd Annual Report together with the Audited Financial Statements of Chettinad Cement Corporation Limited ("the Company") for the year ended March 31, 2015.

Financial Performance

The summarized standalone and consolidated results of your Company and its subsidiary are given in the table below.

₹ in Lakhs

Particulars	Financial Year ended		Consolidated
	31/03/2015	31/03/2014	31/03/2015
Total Income	2,45,562	2,21,426	2,69,398
Profit before Interest, Depreciation & Tax	62,772	48,391	68,008
Less: Interest	4,903	7,968	7683
Less: Depreciation	32,151	29,824	33210
Less: Provision for Income Tax			
Current	8,267	43	8267
Deferred	(3,592)	(48)	(3866)
Less: Minority interest and adjustment towards acquisition	-	-	(264)
Net Profit After Tax	21,043	10,604	22978
Surplus brought from previous year	66,543	59,274	66,543
Total available for appropriation	87,586	69,878	89,521
Appropriations			
Transfer to General Reserve	2,105	1,100	2,105
Proposed Dividend	1,910	1,910	1,910
Tax on the Proposed Dividend	389	325	389
Transfer to Debenture Redemption Reserve			500
Balance Carried over to Balance Sheet	83,182	66,543	84,617

Dividend

Your Directors have recommended a dividend of ₹ 5/- per equity share for FY 2014-15. The dividend will be paid on 38198998 Equity Shares of ₹10/- each, amounting to ₹ 1910 lakhs (previous year ₹ 1910 lakhs). An Amount of ₹ 2105 lakhs have been transferred to the General Reserve. The cash outgo towards dividend is ₹ 2299 lakhs, inclusive of the corporate dividend tax.

Production and Sales for the year 2014-15

	MT
Clinker Produced	4265373
Cement Produced	5551684
Cement and Clinker Sales	5552297

MANAGEMENT DISCUSSION AND ANALYSIS :

a) Discussion on financial performance with respect to operational performance

The Production and Sale of Cement during the financial year 2014-15 was 5551684 MT and 5552297 MT, a reduction of 4.6% and 5.2% respectively over the previous year. The Gross Turnover of the company for the financial year 2014-15 stood at ₹ 280803 lakhs as against ₹ 255748 lakhs in the previous year, a growth of 9.8% over the previous year. During the year, the net revenue from operations of your Company increased by 11%, from ₹ 220618 lakhs to ₹ 244934 lakhs. For FY2015, your Company's profit after tax stood at ₹ 21043 lakhs vis-à-vis ₹ 10604 lakhs in the previous year, registering a growth of 98%. The Networth of the Company as on 31.03.2015 is ₹ 146644 lakhs as against ₹ 127850 lakhs in the previous year, an increase of 14.70%.

b) Economic Scenario and Future Outlook

Even as the major economies looms under an environment of uncertainty, the Indian Economy has continued to emerge as the one with the most promising outlook based on the foundation of stable inflation levels, rise in demand and decline in the oil prices. The Indian economy has successfully got past the worst face of economic downturn and the progress over the last couple of years show that India is definitely into the path of stable growth. The Indian economy grew at more than 7 per cent in 2014-15 and Inflation has again come down to 4% levels.

The Government's focus on investments in infrastructure development, mainly the initiative of promoting concrete roads in place of bitumen roads, would provide a great opportunity to the Cement Industry at the same time improve the longevity of the road infrastructure with minimal maintenance cost. Further the development of Tier II cities would give a boost to the dormant real estate sector and in turn the Cement sector.

The demand for Cement in India is still driven primarily by housing sector which account for more than 50% of Cement consumption. There lies a vast potential for growth of Cement Industry in the Industry and Infrastructure sector. With the economy again in the part of growth, we may soon expect the Infrastructure and Industry sector to dominate the consumption of Cement.

c) **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. Karupiah & Co., M/s M Bhaskara Rao & Co. Chartered Accountants as Internal Auditors to conduct the Systems audit and compliance Audit of the company.

d) **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.

Your Company continuously invests in retention and development of talent on an ongoing basis. A number of programs that instill focused people attention are currently underway. Your Company thrust is on the promotion of talent internally through job rotation and job enlargement.

The total manpower count in the Company as on 31.03.2015 is 1483

CAPTIVE THERMAL POWER PLANTS [CPP]

a) **KARIKKALI WORKS**

The Gross power generation from the 1 x 15 MW and 2 x 30 MW Captive Thermal Power Plants during the year under review was 3545.49 lakhs Units as against 2054.99 lakhs Units for the last year. The auxiliary power consumption for the current year is 281.09 lakhs units as against 171.47 lakhs units for the last year. Out of the Net Generation of 3264.4 lakhs Units, 1531.39 lakhs units were captively consumed by the Cement Plant thereat and the remaining 1733.01 lakhs units were sold under Power Purchase Agreements.

b) **PULIYUR WORKS**

The Gross power generation from the 15 MW Captive Thermal Power Plant during the year under review was 962.85 lakhs Units as against 1004.02 lakhs Units in the previous year, with an auxiliary consumption of 80.25 lakhs units as against 82.58 lakhs units in the previous year. The Net generation for the current year was 882.59 lakhs units as against 921.44 Units last year. Out of the Net Generation of 882.59 lakhs Units, 846.52 lakhs units were captively consumed by the Cement Plant thereat and the remaining 36.07 lakhs units were sold under Power Purchase Agreements.

c) **ARIYALUR WORKS**

The Gross power generation from the 3 x 15 MW Captive Thermal Power Plants during the year under review was 2759.20 lakhs as against 2234.66 lakhs Units last year, with an auxiliary consumption of 224.04 lakhs units as against 188.77 lakhs units last year. The Net generation during the year was 2535.16 lakhs Units. Out of the Net Generation of 2535.16 Lakhs Units, 1175.93 lakhs units were captively consumed by the Cement Plant thereat and the remaining 1359.23 units were sold under Power Purchase Agreements.

d) **KALLUR WORKS**

The Gross power generation from the 1 x 30 MW Captive Thermal Power Plants during the year under review was 972.70 lakhs as against 735.60 lakhs Units last year, with an auxiliary consumption of 87.40 lakhs units as against 68.62 lakhs units last year. The Net generation during the year was 885.30 lakhs Units. Out of the Net Generation of 885.30 lakhs Units, 698.39 lakhs units were captively consumed by the Cement Plant thereat and the remaining 186.91 units were sold under Power Purchase Agreements.

The company has installed Waste Heat Generation Plant with a capacity of 7.3 MW at its kallur works. The Production during the financial year 2014-15 is 60.23 lakhs Units.

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.

Details of Board meetings

During the year, Board meetings were held, details of which are given below:

Date of the meeting	No. of Directors attended the meeting
22.07.2014	6
30.07.2014*	6
04.09.2014	5
16.12.2014	4
20.03.2015	6

*The Meeting held on 22.07.2014 was adjourned on 30.07.2014.

Committees of Board

The details of composition of the Committees of the Board of Directors are as under:-

a. Audit Committee

Audit Committee was reconstituted pursuant to the provisions of the Section 177 of the Companies Act, 2013 with the undermentioned directors as members.

The members of Audit Committee are

1. L Muthukrishnan, Chairman
2. A Mohankrishna Reddy, Independent Director
3. Bhavana G Desai, Independent Director

During the year, the Audit Committee had met on 14.05.2014, 21.07.2014, 16.12.2014 and 20.03.2015.

b. Vigil mechanism

Pursuant to the requirement of Section 177(9) and (10) of the Companies Act, 2013, the Company has established vigil mechanism and the vigil mechanism policy has been approved by the Audit Committee. Vigil mechanism policy is uploaded in the Company's website www.chettinad.com

c. Nomination & Remuneration Committee

Nomination & Remuneration Committee was reconstituted pursuant to the provisions of Section 178 of the Companies Act, 2013 with the undermentioned directors as members.

The members of Nomination & Remuneration Committee are

1. Sri. L Muthukrishnan, Director
2. Sri. K Ganapathy, Director
3. Sri. MohanKrishna Reddy, Independent Director
4. Ms. Bhavana G Desai, Independent Director

The Company has framed Nomination and Remuneration policy.

Nomination & Remuneration Policy is uploaded in the Company's website www.chettinad.com.

During the year, the Nomination & Remuneration Committee met on 28.04.2014.

d. Corporate Social Responsibility Committee

Corporate Social Responsibility Committee was constituted pursuant to the provisions of the Companies Act, 2013 with the undermentioned directors as members.

The members of Corporate Social Responsibility Committee are

1. Sri. M A M R Muthiah, Managing Director
2. Sri. L Muthukrishnan, Director
3. Sri. MohanKrishna Reddy (Independent Director)

The Company has framed Corporate Social Responsibility policy and has been approved by the Board at its meeting held on 20th March 2015.

Corporate Social Responsibility Policy is uploaded in the Company's website www.chettinad.com.

During the year, the Committee had met on 20.03.2015 to recommend the Corporate Social Responsibility Policy as well as Corporate Social Responsibility Programme to the Board.

Further, the Report on CSR Activities/ Initiatives is enclosed as **Annexure 3**.

e. **Stakeholders Relationship Committee**

During the year, the Committee had met seven times on 01.04.2014, 30.06.2014, 22.08.2014, 31.10.2014, 07.01.2015, 10.02.2015 and 20.03.2015. On 30.06.2014 the name of the Committee has changed from Share transfer Committee to the Stakeholders Relationship Committee.

Extract of Annual Return

Pursuant to section 92(3) of the Companies Act, 2013 ('the Act') and rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return is Annexed as **Annexure 1**.

Directors' Responsibility Statement

Pursuant to the requirement of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, your Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Statutory Auditors

In the last AGM held on 27th August 2014 M/s. Raghavan & Muralidharan Chartered Accountants have been appointed Statutory Auditors of the Company for a period of five years. As required under the Companies Act, 2013, the appointment of statutory Auditors is placed before the members in the General Meeting for their ratification. Accordingly, a Resolution seeking Member's ratification for the appointment of Statutory Auditors is included as Item no. 5 of the Notice convening the Annual General meeting.

Further, the report of the Statutory Auditors forms part of the Annual Report.

Cost Audit

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its cement activity is required to be audited. Your Directors had, on the recommendation of the Audit Committee, appointed Messrs Geeyes & Co., Cost and Management Accountants to audit the cost accounts of the Company for the financial year 2015-16 on a remuneration of ₹ 3.2 lakhs. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in the Annual general meeting for their ratification. Accordingly, a Resolution seeking Member's ratification for the remuneration payable to M/s Geeyes & Co. Cost and Management Accountants is included as Item No. 6 of the Notice convening the Annual General Meeting.

Secretarial audit

In terms of Section 204 of the Companies Act, 2013 and Rules made there under, M/s. V Mahesh & Associates, Company Secretaries have been appointed Secretarial Auditors of the Company. The report of the Secretarial Auditors is enclosed as **Annexure 5** to this report.

Explanations or Comments by the Board on every Qualification, Reservation or Adverse Remarks or Disclaimer made in Statutory Audit Report

Nil

Explanations or Comments by the Board on every Qualification, Reservation or Adverse Remarks or Disclaimer made in Secretarial Audit Report

This is with reference to the remark regarding the appointment of Chief financial Officer, as per the Companies Act, 2013.

The Company has appointed Joint President (Finance) prior to the commencement of Companies Act, 2013 who was performing the role of Chief Financial Officer. The Company however did not redesignate him as the Chief Financial Officer at the Board Meeting.

The Company has since appointed Chief Financial Officer at its Board Meeting held on 12th August 2015.

Anti Sexual Harassment Policy

The Company has framed Anti Sexual Harassment Policy. The same is available in the website of the Company www.chettinad.com.

No complaint was filed during the financial year 2014-15.

Occupational Health and Safety Policy (OH&S)

Safety is one of our core values and part of the Company's vision statement. The Company is committed to strive for 'Zero Harm Environment' and firmly believe safety as one of the most important criteria to achieve the goal of being the 'Most Sustainable and Competitive' Company. The Company is making continuous efforts to reduce OH&S risks through the integration of OH&S requirements with other business processes.

Material Changes & Commitments affecting financial position of the Company, occurring between date of Financial Statements and the Board's Report

Nil

Annual Performance Evaluation of Directors

Pursuant to the provisions of the Companies Act, 2013 the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its various Committees. A structured questionnaire was prepared after taking into consideration various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance. A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement and safeguarding the interest of the various stakeholders of the Company. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was also carried out by the Independent Directors.

Particulars of loans, guarantees or investments

During the year

1. The Company has not given any loans
2. The Company has invested in its subsidiary M/s Anjani Portland Cement Limited aggregating to ₹ 8517 lakhs.
3. The Company has provided guarantees to
 - (a) HDFC Bank for ₹ 9000 lakhs as security for term loan and working capital facilities availed by its subsidiary M/s Anjani Portland Cement Limited for business purpose
 - (b) IDBI trusteeship Services Limited for ₹ 6000 lakhs as security for issue of secured Non convertible debentures by its subsidiary M/s Anjani Portland Cement Limited.

All the statutory Compliance stipulated under Companies Act, 2013 have been complied with.

Related party transactions

All transactions with Related Parties entered during the financial year were in the ordinary course of business and on an arm's length basis. There are no materially significant related party transactions made by the Company with its Promoters, Directors, Key Managerial Personnel or their relatives which may have a potential conflict with the interest of the Company at large. There are no contracts or arrangements entered into with Related Parties during the year to be disclosed under sections 188 (1) read with 134 (h) of the Companies Act, 2013 in form AOC-2.

Subsidiary Company

During the year under review, the Company has acquired 13792197 equity shares in M/s Anjani Portland Cement Limited constituting 75% of the paid up share capital of Anjani Portland Cement Limited. On account of this investment, Anjani Portland Cement Limited has become the subsidiary of the Company.

Statement containing salient features of financial statements of subsidiaries

Pursuant to sub-section (3) of section 129 of the Act, the statement containing the salient feature of the financial statement of the company's subsidiary M/s Anjani Portland Cement Limited is given as **Annexure-2**.