



Ramco Industries Limited

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ANNUAL REPORT 1999 - 2000



BOARD OF DIRECTORS

Shri P.R. RAMASUBRAHMANEYA RAJHA, B.Sc.
Chairman

Shri P.R. VENKETRAMA RAJA, B.Tech, M.B.A.
Vice Chairman & Managing Director

Shri S. ARJUNA RAJA
Shri S.S. RAMACHANDRA RAJA, B.Sc.,
Shri K.T. RAMACHANDRAN, B.E.,
Shri N.K. SHRIKANTAN RAJA, B.Com.,
Shri S.R. RAJAGOPALAN
Shri N.A. JAYARAMAN, B.Com., F.C.A

AUDITORS

M/s. M.S. Jagannathan & N. Krishnaswami
Chartered Accountants, Tiruchirapalli,
M/s. S. Viswanathan,
Chartered Accountants, Chennai.

BANKERS

State Bank of India - Indian Bank - The Karur Vysya Bank Ltd.-
ABN Amro Bank - Credit Lyonnais - HDFC Bank Ltd - Citibank
Syndicate Bank - IDBI Bank

REGISTERED OFFICE

47, P.S.K. Nagar, Rajapalaiyam - 626 108

CORPORATE OFFICE

'AURAS CORPORATE CENTRE'
98-A, Dr. Radhakrishnan Road, Mylapore, Chennai - 600 004.

FACTORIES

FIBRE CEMENT DIVISION

Arakkonam, Tamil Nadu
Karur, Karnataka
Maksi, Madhya Pradesh
Silvassa, Union Territory of Dadra & Nagar Haveli

TEXTILE DIVISION

Rajapalaiyam, Tamilnadu

RAMCO INDUSTRIES LIMITED



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the Annual Report and Audited Accounts for the year ended 31st March, 2000.

	For the year ended March 31, 2000 Rs.	For the year ended March 31, 1999 Rs.
1. FINANCIAL RESULTS		
Operating Profit: Profit before interest, depreciation and tax (PBITD)	31,81,31,174	46,72,07,313
Less: Interest	9,85,72,436	14,35,35,392
Profit before depreciation and Tax (PBDT)	21,95,58,738	32,36,71,921
Less: Depreciation & Amortization	4,74,13,057	14,30,60,752
Profit before Tax (PBT)	17,21,45,681	18,06,11,169
Less: Provision for Taxation	1,20,00,000	2,20,00,000
Profit After Tax	16,01,45,681	15,86,11,169
Add : Surplus in Profit and Loss Account Brought forward	1,30,95,917	1,53,96,546
Balance profit available for appropriation	17,32,41,598	17,40,07,715
Your Directors recommend appropriations as given below:		
a) Donations	19,05,480	23,97,284
b) Transfer to Debenture Redemption Reserve	1,45,00,000	1,45,00,000
c) Dividend	2,16,65,765	2,16,34,697
d) Tax on Dividend	23,83,234	23,79,817
e) Transfer to General Reserve	12,00,00,000	12,00,00,000
f) Surplus in Profit & Loss Account	1,27,87,119	1,30,95,917
	17,32,41,598	17,40,07,715

The Audited figures for the year ended 31.3.2000 reflect the performance of the Fibre cement and Textile Divisions only and hence are not comparable with the figures for the year ended 31.03.1999, which included the performance of the Software division. The comparable figures are given below:-

	Year ended March 31,2000	Year ended March 31,1999
Sales and Other Income	1,42,90,32,532	1,30,66,54,920
Operating Profit: Profit before interest, depreciation and tax (PBITD)	31,81,31,174	31,57,43,594
Less: Interest	9,85,72,436	10,81,31,073
Profit before depreciation and Tax (PBDT)	21,95,58,738	20,76,12,521
Less: Depreciation	4,74,13,057	4,59,24,394
Profit before Tax (PBT)	17,21,45,681	16,16,88,127



2. SHARE CAPITAL:

During the year, the company has allotted 50 Bonus shares which were kept in abeyance. Consequently the paid-up Equity Share Capital of the Company has increased to Rs.4,33,31,530 as on 31st March, 2000.

3. INTERIM DIVIDEND

At the meeting held on 23rd March 2000, the Board of Directors of your company had declared an interim dividend for the year 1999-2000 at the rate of Rs. 5/- per share (50%) on the paid up equity share capital of the Company. The Directors recommend that the above interim dividend may be treated as the final dividend for the year 1999-2000.

4. REVIEW OF OPERATIONS AND CURRENT TRENDS :

(a) FIBRE CEMENT DIVISION:

The Net Production and Sales of the Fibre Cement Products of the Company for the year ended 31st March 2000 were as under:

	(in M.T.)			
	PRODUCTION		SALES	
	Year Ended		Year Ended	
	31.3.2000	31.3.1999	31.3.2000	31.3.1999
Fibre Cement Sheets & Accessories	1,95,743	172,512	1,88,243	166,623
Fibre Cement Pressure Pipes	NIL	Nil	419	97

In spite of adverse marketing conditions during the year, the Company has been able to register an increase in both Production and Sales in the Sheeting Division.

The Company did not receive any workable orders for pressure pipes during the year and hence no production was undertaken.

EXPORTS:

During the year, the division has exported 2,728 MTs of Fibre Cement Sheets for an FOB value of Rs. 130 lacs as against 8,627 MTs during the earlier year for an FOB value of Rs. 420 lacs. The company's exports were on a reduced scale as the Srilankan subsidiary started catering to the domestic demand from its new manufacturing facility.

FUTURE TRENDS:

During the year under review, the profit margins were under considerable pressure. However, the company is taking steps to reduce the cost of production and other innovative measures to increase the volume of sales and profitability.

(b) SRI RAMCO SPINNERS - TEXTILE DIVISION

During the year under review, our 100% Export oriented Unit produced 16,01,433 Kgs of Cotton yarn compared to 14,24,021 kgs. of cotton yarn produced during the previous year.

The export sales of Cotton yarn for the year ended 31st March, 2000 was 15,88,982 Kgs. compared to export of 14,48,515 kgs. during the year ended 31st March, 1999. The FOB value of exports for the year under review was Rs. 2182.13 lacs compared to Rs. 1986.83 lacs for the previous year.

RAMCO INDUSTRIES LIMITED**OUTLOOK FOR 2000-01:**

The demand for Cotton yarn in the International Market continues to be competitive. However, we hope to maintain the Production and Sales in the current year also.

The Board of Directors thank M/s. Mitsubishi Corporation and Doko Spinning Company Limited, Japan for their continued support.

OVERSEAS OPERATIONS:**SRI RAMCO LANKA (PRIVATE) LIMITED, SRILANKA:**

Your directors have pleasure in stating that the new state-of-the-art fibre cement sheet manufacturing plant of the Company's Wholly owned subsidiary in Srilanka viz., Sri Ramco Lanka (Private) Limited, with an annual capacity of 45,000 MT, incorporating Advanced Technology process was formally inaugurated by Shri C.V. Gooneratne, Hon'ble Minister for Industrial Development of Srilanka on 28-10-1999. The plant commenced commercial operations in September, 1999. The subsidiary has sold 8,980 MTs for the year ended 31st March, 2000 and its products are being well received in the Srilankan market.

Encouraged by the increasing demand for the subsidiary's products in the Srilankan market, steps have already been taken for expanding the existing annual capacity of the subsidiary's manufacturing facility by another 50,000 MT. Necessary approvals from regulatory authorities in India and Srilanka have been obtained and the implementation of the expansion is underway.

The investment for the expansion project is estimated at Indian Rs. 7.50 crores which will be entirely met out of the internal accruals of our company as equity. Necessary approvals have been obtained for the investment.

5. RESEARCH AND DEVELOPMENT EFFORTS:

During the year under review, the company undertook research and development efforts in respect of conventional and non-conventional fibres and production technology for manufacture of fibre cement sheets. An amount of Rs. 7.20 lacs has been spent on such R & D efforts by way of revenue expenditure.

6. DEMERGER OF SOFTWARE BUSINESS UNDERTAKING TO RAMCO SYSTEMS LIMITED:

The Scheme of Arrangement (Demerger) for transfer and vesting of the software business undertaking of the Company with Ramco Systems Limited effective from 01.04.1999, was approved by the shareholders of the Company and Ramco Systems Limited at their Extraordinary General Meetings held on 18.08.1999. The said Scheme was sanctioned by the Hon'ble High Court of Madras by its Order dated 24.12.1999. In line with the approved Scheme, the assets and liabilities of the software business undertaking were transferred and vested with Ramco Systems Limited with effect from 1st April, 1999 and 43,33,153 equity shares were allotted by Ramco Systems Limited to the shareholders of the Company.

7. TRANSFER OF INVESTMENTS IN OVERSEAS SOFTWARE SUBSIDIARIES TO RAMCO SYSTEMS LIMITED:

Consequent to demerger of the software business undertaking to Ramco Systems Limited and pursuant to the approval of the shareholders and Reserve Bank of India, the investments held by the Company in its overseas software subsidiaries in USA., Switzerland, Malaysia and Singapore aggregating in all a value of Rs. 72.01 crores were transferred to Ramco Systems Limited. In consideration of the said transfer, the Company was allotted 23,76,719 equity shares in the capital of Ramco Systems Limited.

8. SOLE SELLING AGENTS

M/s. Raja Charity Trust, our Sole Selling Agents for Fibre Cement products in India, have been taking all efforts for marketing the entire production of the Company.

The Board wishes to place on record their deep appreciation for the excellent service being rendered by them in promoting the sale of our products.



9. DEPOSITS

Our Company continued accepting deposits and as on 31st March 2000, deposits stood at Rs. 1072 lacs. This includes deposits aggregating Rs. 14.70 lacs which had fallen due on or before 31st March, 2000 but not claimed by the depositors. On the date of this report Rs. 5.57 lacs thereof has been claimed/renewed by depositors. Other unclaimed depositors have been approached for instructions.

10. TAXES AND DUTIES

For the year under review, Customs and Central Excise duties paid on the Company's Products amounted to Rs. 8.16 Crores. Together with Sales Tax and other taxes, the Company's contribution would be approximately Rs. 17.98 Crores to the Public Exchequer.

11. INDUSTRIAL RELATIONS

Industrial Relations continued to be cordial and harmonious at all units.

12. Y2K COMPLIANCE:

As part of ensuring Y2K compliance of its entire systems in a phased manner, as a first phase, systems covering all the critical activities of the company have been made fully Y2K complaint and there has been no disruption in the activities and in respect of systems covering other activities, steps are already taken for ensuring Y2K compliance.

13. DIRECTORS

Shri S. Subbuswamy Iyer, Director of the Company passed away on 18.02.2000. The Board wishes to place on record the appreciation of the services and the valuable guidance rendered by Shri Subbuswamy Iyer during his tenure.

M/s. Industrial Finance Corporation of India Limited have withdrawn their nomination from the Board of Directors of the Company with effect from 01/03/2000, consequent to the repayment by the company of the entire term loan outstandings with them.

Shri P.R. Venketrama Raja, the Vice Chairman and Managing Director of the Company has been appointed by Ramco Systems Limited as its Vice Chairman and Managing Director with effect from 23.03.2000. The appointment of Mr. P.R. Venketrama Raja as the Vice Chairman and Managing Director of Ramco Systems Limited does not in any way vary the terms of his appointment in the Company and he will be drawing remunerations as Managing Director from both the companies within the limits permitted under Schedule XIII of the Companies Act, 1956.

In accordance with the provisions of the Companies Act, 1956 Shri N.K. Shrikantan Raja, Shri K.T. Ramachandran and Shri S.S. Ramachandra Raja, Directors retire by rotation at the ensuing Annual General Meeting. They being eligible, offer themselves for re-appointment.

14. AUDITORS

Messrs. M.S.Jagannathan & N.Krishnaswami, Chartered Accountants, Tiruchirapalli and Messrs. S. Viswanathan, Chartered Accountants, Chennai, Statutory Auditors of the Company retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

15. PARTICULARS OF EMPLOYEES

Information as per Section 217 (2 A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

However as per the provisions of Section 219 (1)(b) (iv) of the Companies Act, 1956, the report and accounts are being sent to all the members of the Company excluding the aforesaid information. Any member interested in obtaining a copy of the particulars may write to the Company at the Corporate Office of the Company.

RAMCO INDUSTRIES LIMITED



16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Particulars under Sec.217(1)(e) of the Companies Act, 1956 are furnished in a separate statement annexed to and forming part of this report.

17. SUBSIDIARIES

a) RCDC SECURITIES AND INVESTMENTS PRIVATE LIMITED

The Audited statement of Accounts of M/s. RCDC Securities and Investments Private Limited (formerly known as Ramco Cement Distribution Company Private Limited), the Company's Board controlled Subsidiary, together with the Reports of its Directors and Auditor for the year ended 31st March, 2000 as required under Sec.212 of the Companies Act, 1956 are attached.

b) SUDHARSANAM INVESTMENTS LIMITED

The Audited statement of Accounts of M/s. Sudharsanam Investments Limited (formerly known as Sudharsanam Investments Private Limited), a Wholly owned subsidiary of the Company, together with the Reports of its Directors and Auditors for the year ended 31st March, 2000 as required under Sec.212 of the Companies Act, 1956 are attached.

c) SRI RAMCO LANKA (PRIVATE) LIMITED, SRI LANKA

The Audited statement of Accounts of M/s. Sri Ramco Lanka (Private) Limited, Sri Lanka, a wholly owned subsidiary of the Company, together with the Reports of its Directors and Auditors for the year ended 31st March 2000 as required under Sec.212 of the Companies Act, 1956 are being attached.

The Statement pursuant to section 212(1)(c) of the Companies Act, 1956 for each of the above subsidiaries is attached separately.

18. CORPORATE GOVERNANCE

The Stock exchanges where the company's shares are traded have introduced amendments incorporating mandatory and non-mandatory requirements to be complied with by the Companies in respect of Corporate Governance. As far as your company is concerned, the requirements relating to Corporate Governance are to be complied with before 31st March, 2003. However, the Directors are taking efforts towards complying with such Corporate Governance requirements contained under clause (49) of the Listing Agreements with Stock exchanges much ahead of the stipulated timeframe.

19. APPRECIATION

The Directors express their appreciation for the cooperation & assistance extended to the Company by Financial Institutions, Bankers and Investing Institutions.

The Directors wish to thank the Company's valued customers, business associates, members, depositors and debentureholders for their continued support and confidence.

The Directors wish to place on record their appreciation to all employees for their dedicated effort in ensuring excellent operational performance.

Chennai,
05.06.2000

For and on behalf of the
Board of Directors
P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

**ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2000**

In terms of Section 217(1) of the Companies Act (as amended) and the disclosure of particulars in the report of the Board of Directors Rules 1989, the following information is furnished for the year ended 31.03.2000.

(A) CONSERVATION OF ENERGY:

- | | | |
|--|---|---|
| a) Energy Conservation measures taken | : | Strict control was exercised over consumption of Energy at all sections |
| b) Additional investment and proposals if any, being implemented for reduction of consumption of energy. | : | — |
| c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | : | — |
| d) Total energy consumption per unit of production of goods | : | Particulars given in Form A (pertaining to textile division) |

(B) TECHNOLOGY ABSORPTION:

- | | | |
|--|---|-----------------------------|
| e) Efforts made in Technology Absorption | : | Particulars given in Form B |
|--|---|-----------------------------|

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

- | | | |
|---|---|---|
| i) Activities relating to export | : | 1. Fibre Cement Sheets to Sri Lanka
2. Cotton yarn to Japan, Hongkong, China, Korea, Riehaina and Guatemala. |
| ii) Initiatives taken to increase exports | : | By offering high quality yarn, we aim to attract more customers. |
| iii) Development of new export market for products and services | : | Other Non-Quota countries are being targeted for export of Cotton Yarn. |
| iv) Export Plans | : | Ours being 100% EOU, we are exporting our entire production (Cotton Yarn). |

- | | | |
|------------------------------------|---|------------------|
| (D) i) Total foreign exchange used | : | Rs. 38,02,33,127 |
| ii) Total foreign exchange earned | : | Rs. 29,76,12,241 |

FORM A**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT OF CONSERVATION OF ENERGY.**

	Year ended 31.03.2000	Year ended 31.03.1999
a) POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased (Units)	4417820	4386280
(i) Cost per Unit	Rs. 4.03	Rs.3.80
b) Own generation		
i) Through diesel generator (Units)	2358295	2221748
Units per Ltr. of diesel oil	3.58	3.51
Cost/unit	Rs. 2.52	Rs.2.25
ii) Through steam turbine/generator	NIL	
2. Coal	NIL	
3. Furnace Oil	NIL	
4. Others/internal generation	NIL	

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b) Consumption per unit of Production

Standards (if any)	Current Year	Previous Year
Products (with details)		
100% Cotton Yarn		
Unit per Kg.	5.37	6.07
Electricity	-	-
Furnace Oil	-	-
Coal (specify quality)	-	-
Others (specify)	-	-

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY

Research and Development (R&D)

1 SPECIAL AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY

Fibre Cement Division:

Different combinations of Fibres were developed to yield more economic fibre furnishes.
Use of Pozolonic Material - Fly Ash in the manufacture of Fibre Cement Sheets & Pipes

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D

Fibre Cement Division:

Cost of Production reduced without affecting the quality of the Product.

3. FUTURE PLAN OF ACTION:

Use of alternative fibres in the production for Sheets & Pipes

4. EXPENDITURE ON R&D

Recurring expenditure Rs. 7.20 lacs
R & D Expenditure as a percentage of total turnover 0.05%

Technology absorption, adaptation and innovation

1. Efforts, in brief made towards technology absorption, adaption and innovation. -NIL-
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc -NIL-
3. In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year) following information may be furnished. -NIL-



AUDITORS' REPORT

TO THE MEMBERS OF RAMCO INDUSTRIES LIMITED

We have examined the annexed Balance Sheet of Ramco Industries Limited as at 31st March 2000 and the Profit & Loss Account of the Company for the year ended 31.03.2000 and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of Audit.
2. In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of the books of account of the Company.
3. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account of the Company.
4. The Balance Sheet and Profit and Loss Account are in compliance of the accounting standards specified in Sec. 211(3c) of the Companies Act.
5. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required, accounts give a true and fair view.
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000 and
 - (b) in the case of Profit & Loss Account, of the Profit for the year ended 31.03.2000.
6. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us, we state that:
 - (I) The Company has maintained proper records showing full particulars including Quantitative details and situation of Fixed Assets. The Fixed Assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification.
 - (II) None of the Fixed Assets have been revalued during the year.
 - (III) The Management has conducted physical verification at reasonable intervals in respect of finished goods, stores, spare parts and raw materials.
 - (IV) The procedure of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (V) The discrepancies noticed on verification between the physical stocks and the book records were not material.
 - (VI) In our opinion the valuation of the aforesaid stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier year.
 - (VII) The rate of interest and other terms and conditions of Loans taken from Companies, Firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. There are no companies under same management as defined under sub section 1B of Sec. 370 of the said Act.
 - (VIII) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the registers maintained under section 301 of the Companies Act, 1956. There are no companies under the same management as defined under Section 370 (1B) of the company Act 1956.
 - (IX) The Parties to whom the loans or advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable.