



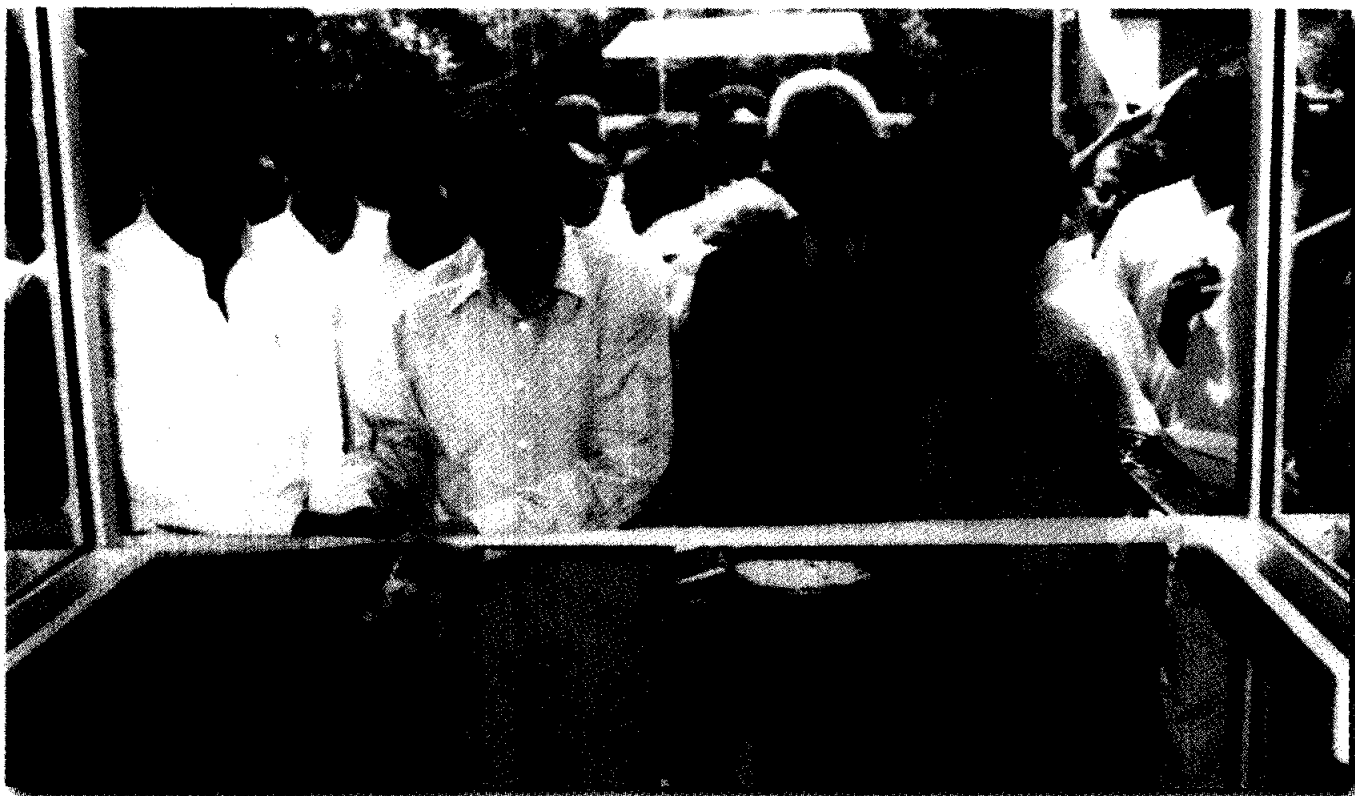
Ramco Industries Limited

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ANNUAL REPORT 2000 - 2001



Prof. G.L. Peiris, Hon'ble Minister of Constitutional Affairs and Industrial Development and Deputy Minister of Finance and Planning, Govt. of Sri Lanka, being received by our Chairman, during the former's visit to our factory in Makandura, Sri Lanka.



Hon'ble Prof. G.L. Peiris, inaugurating the Canteen Block of the factory, as Mr. Anura Priyadarshana Yapa, Hon'ble Minister of Information & Mass Media, Govt. of Sri Lanka and our Chairman look on

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 M.G. BALASUBRAMANIAN, I.A.S. (Retd.)

Shri R. NAGARAJAN, B.Com., (Hons), CAIIB.

AUDITORS

M/s. M.S. Jagannathan & N. Krishnaswami

Chartered Accountants, Tiruchirapalli,

M/s. S. Viswanathan,

Chartered Accountants, Chennai.

BANKERS

State Bank of India - HDFC Bank Ltd - The Karur Vysya Bank Ltd.

Credit Lyonnais - Tamilnad Mercantile Bank Ltd.

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 Thirty sixth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2001

	For the year ended March 31, 2001 Rs.	For the year ended March 31, 2000 Rs.
1. FINANCIAL RESULTS		
Operating Profit : Profit before interest, depreciation and tax (PBIDT)	34,13,72,359	31,81,31,174
Less : Interest	9,48,01,773	9,85,72,436
Profit before depreciation and Tax (PBDT)	24,65,70,586	21,95,58,738
Less : Depreciation	5,09,04,588	4,74,13,057
Profit before Tax (PBT)	19,56,65,998	17,21,45,681
Less :		
Prior Period expenses	9,83,870	-
Donations	79,89,307	19,05,480
	18,66,92,821	17,02,40,201
Add : Surplus in Profit and Loss Account Brought forward	1,27,87,119	1,30,95,917
Balance profit available for appropriation	19,94,79,940	18,33,36,118
Your Directors recommend appropriations as given below:		
Provision for Taxation	2,20,00,000	1,20,00,000
Transfer to Debenture Redemption Reserve	-	1,45,00,000
Transfer to General Reserve	14,00,00,000	12,00,00,000
Equity Dividend	2,16,65,765	2,16,65,765
Tax on Dividend	22,09,908	23,83,234
Balance carried over to Balance Sheet	1,36,04,267	1,27,87,119
	19,94,79,940	18,33,36,118

DIVIDEND

Your Directors recommend declaration of dividend at the rate of Rs.5/- per share (50%) on the Paid up Equity Share Capital of the Company, for the year ended 31st March, 2001.

The Dividend when declared, will be paid to the members whose names appear in the Register of Members as on the date of ensuing Annual General Meeting for physical shares and in respect of dematerialised shares, the same will be paid based on the beneficiary statement given by NSDL and CDSL.

TAXATION

The provision for taxation of Rs.2.20 Crores has been made as per the provisions of the Income Tax Act, after setting off Rs.1.74 Crores of Minimum Alternate Adjustable Tax Credit.



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS AND CURRENT TRENDS

(a) FIBRE CEMENT DIVISION :

Production and Sales :

The Net Production and Sales of the Fibre Cement Products of the Company for the year ended 31st March, 2001 were as under :-

	(in M.T.)			
	PRODUCTION		SALES	
	Year Ended		Year Ended	
	31.3.2001	31.3.2000	31.3.2001	31.3.2000
Fibre Cement Sheets & Accessories	1,99,051	1,95,743	1,94,714	1,88,243
Fibre Cement Pressure Pipes	50	Nil	542	419

Despite the continuance of tight market conditions during the year, the Company has registered an increase in both the production and the sales in the Sheeting Division.

During the year, the Company did not execute major sales in the Pressure Pipes division, as no viable orders were received. However, small production was undertaken for certification requirements.

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, during the current year.

(b) SRI RAMCO SPINNERS - TEXTILES DIVISION

Production and Sales :

During the year under review, the 100% Export Oriented Unit produced 17,69,011 Kgs. of Cotton yarn compared to 16,01,433 Kgs. produced during the previous year.

The Cotton Yarn export for the year ended 31st March, 2001, was 17,85,303 Kgs. as compared to 15,88,982 Kgs. during the corresponding previous year. The FOB value of exports for the year under review was Rs. 2,485.86 lakhs as against Rs.2,182.13 lakhs during the previous year.

The performance achieved during the year is the highest since inception of the Export Oriented Mill in 1990-91.

Developmental efforts :

Under the modernisation programme, the EOU has added the following assets at a cost of Rs.795 lakhs with the financial assistance of State Bank of India under Technology Upgradation Fund Scheme :

Murata Auto Conewinders	-	2 Nos.
Cherry Drawframes	-	2 Nos.
Barco Cotton Sorter	-	1 No.
Daewoo Forklift Truck	-	1 No.
770 KW MAN B&W Holeby HFO based Gensets	-	2 Nos.

HFO Power Project :

The EOU successfully commissioned 2 Nos. 770 KW MAN B&W Holeby HFO based Gensets, as a result of which the power and fuel cost will be under control in the coming years. The HFO Gensets produce consistent quality power which will improve productivity and Yarn quality.

Outlook for 2001-02 :

Recessionary trend is being witnessed in the global market for Cotton Yarn. To face the challenges, the Mill has taken cost reduction measures and is hopeful of achieving satisfactory performance in the current year also.

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

RAMCO INDUSTRIES LIMITED

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

The Fibre Cement Sheet manufacturing plant of the Company's Wholly Owned Subsidiary in Sri Lanka, has actively entered the Srilankan market. The Subsidiary had sold 33,334 M.T. during the year ended 31.3.2001 as against 8,980 M.T. during the corresponding previous year.

The Subsidiary has successfully implemented expansion of the Plant by 50,000 M.T. during the year, thus, taking the aggregate annual capacity to 95,000 M.T.

RESEARCH AND DEVELOPMENT EFFORTS

During the year under review, the Company undertook Research & Development efforts in respect of conventional and non-conventional fibres and production technology for manufacture of Fibre Cement Sheets.

An amount of Rs.73.98 lakhs has been spent on R&D efforts by way of revenue expenditure. The Company also incurred an amount of Rs.54.06 lakhs as Capital Expenditure on Research & Development.

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 its deep appreciation for the excellent service being rendered by them in promoting the sale of our products.

DEPOSITS

The total public deposits outstanding as on 31st March, 2001, were Rs.641 lakhs. This includes 88 deposits aggregating Rs.11.25 lakhs which had fallen due on or before 31st March, 2001 but not claimed by the depositors. On the date of this report, 32 deposits aggregating Rs.4.76 lakhs thereof have been claimed/renewed by the depositors. The holders of remaining 56 unclaimed deposits have been approached for instructions.

TAXES AND DUTIES

For the year under review, Customs and Central Excise duties paid on the Company's products amounted to Rs.7.22 Crores. Together with Sales Tax and other taxes, the Company's contribution to the Public Exchequer would be approximately Rs.17.82 Crores.

INDUSTRIAL RELATIONS

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

DIRECTORS

The Directors regret to inform that Shri S.R. Rajagopalan, Director, expired on 24.01.2001. Shri S.R. Rajagopalan was associated with the Company for nearly 16 years and during his tenure, the Company was immensely benefited by his valuable guidance and advice. The Directors place on record the valuable services rendered by Shri S.R. Rajagopalan during his association with the Company.

The Directors also record with deep regret the demise of Shri N.A. Jayaraman, Director, on 21.04.2001. Shri N.A. Jayaraman was associated with the Company for nearly 16 years and during his tenure as Director, had rendered valuable guidance to the Company. The Directors place on record the valuable services rendered by Shri N.A. Jayaraman during his association with the Company.

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

Shri M.G. Balasubramanian, co-opted as an additional Director of the Company with effect from 30th March, 2001 holds office till the conclusion of the ensuing Annual General Meeting. The Company, in terms of Section 257 of the Companies Act, 1956, has received a notice in writing from a member signifying his intention to move the resolution at the ensuing Annual General Meeting for appointment of Shri M.G. Balasubramanian as a Director of the Company.

Shri R. Nagarajan, co-opted as an additional Director of the Company with effect from 30th March, 2001 holds office till the conclusion of the ensuing Annual General Meeting. The Company, in terms of Section 257 of the Companies Act, 1956, has received a notice in writing from a member signifying his intention to move the resolution at the ensuing Annual General Meeting for appointment of Shri R. Nagarajan as a Director of the Company.

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.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) 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 Corporate Office of the Company.

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.

SUBSIDIARIES**(a) RCDC SECURITIES AND INVESTMENTS PRIVATE LIMITED**

RCDC Securities and Investments Private Limited (RCDC) had been a Board Controlled Subsidiary of the Company by virtue of majority of its Directors being nominated by the Company. Shri S.R. Rajagopalan and Shri N.K. Shrikantan Raja, were the nominee Directors of the Company.

However, during the year under review, due to withdrawal of nomination by the Company RCDC ceased to be a Subsidiary of the Company with effect from 25th January, 2001 and hence the requirement of annexing the Accounts of RCDC Securities and Investments Private Limited, effective from the year ended 31st March, 2001, alongwith this Report does not apply.

(b) SUDHARSANAM INVESTMENTS LIMITED

The Audited statement of Accounts of M/s. Sudharsanam Investments Limited, a Wholly Owned Subsidiary of the Company, together with the Reports of its Directors and Auditors for the year ended 31st March, 2001, as required under Sec. 212 of the Companies Act, 1956, are attached.

(c) SRI RAMCO LANKA (PRIVATE) LIMITED

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, 2001, as required under Sec. 212 of the Companies Act, 1956, are attached.

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

CORPORATE GOVERNANCE

A detailed note on the Company's philosophy on Corporate Governance and such other disclosures as are required to be made under the Listing Agreement with the Stock Exchanges, is separately annexed herewith and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2001 that -

- the applicable accounting standards had been followed alongwith proper explanation relating to material departures, if any;
- the selected accounting policies were applied consistently and judgements and estimates that are reasonable and prudent were made 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 of the Company for that period;
- proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 had been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts were prepared on a going concern basis.

APPRECIATION

The Directors express their appreciation for the co-operation and assistance extended to the Company by 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 efforts in ensuring excellent operational performance.

Chennai,
6th June, 2001

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

RAMCO INDUSTRIES LIMITED

**ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2001**

In terms of Section 217(1) (e) of the Companies Act 1956 and the disclosure of particulars in the report of the Board of Directors Rules 1989, the following information is furnished for the year ended 31.03.2001.

(A) CONSERVATION OF ENERGY:

- | | | |
|--|---|--|
| a) Energy Conservation measures taken | : | Energy saving devices have already been installed and energy consumption is constantly monitored. |
| b) Additional investment and proposals if any, being implemented for reduction of consumption of energy. | | The Company has installed 2 Nos. 770 KW HFO based Gensets and they are generating uninterrupted and continuous quality power and the cost of power will come down. |
| 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 :

- | | | |
|---|---|---|
| (f) i) Activities relating to export | : | The Company has exported Cotton yarn for an FOB value of Rs. 2,485.86 lakhs during the year under review. |
| 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 of Cotton Yarn. |
| (g) i) Total foreign exchange used | : | Rs. 3587.59 lakhs |
| ii) Total foreign exchange earned | : | Rs. 3005.73 lakhs |

FORM A
(See Rule - 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

	Year ended 31.03.2001	Year ended 31.03.2000
a) POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased Units (KWH)	42,81,240	44,17,820
(i) Cost per Unit	Rs. 4.35	Rs.4.03
b) Own generation		
i) Through diesel generator (Units)	3,18,400	23,58,295
Units per litre of Diesel Oil (KWH)	3.69	3.58
Diesel Cost per unit	Rs.3.12	Rs.2.52
ii) Through HFO generator (Units KWH)	24,99,206	—
Units per litre of Furnace Oil (KWH)	3.50	—
Furnace Oil Cost per unit	Rs. 2.46	—
iii) Through steam turbine/generator	NIL	—
Units	—	—
Units per litre of fuel oil/gas	—	—
Cost per unit	—	—



- | | |
|-------------------------------|-----|
| 2. Coal | NIL |
| 3. Furnace Oil | NIL |
| 4. Others/internal generation | NIL |

b) CONSUMPTION PER UNIT OF PRODUCTION

Standards (if any)	Current Year	Previous Year
Products (with details)		
100% Cotton Yarn		
Unit per Kg.	5.74	5.37
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. SPECIFIC AREAS IN WHICH R & D IS 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 and Pipes.

Usage of Cellulose for part substitution of Asbestos Fibre.

Recycling of broken waste in the production process.

Development of Non Asbestos Boards.

Development of Auto Trolley Handling System

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

Development of Poly Propylene strip reinforced sheets

Development of Calcium Silicate Boards

Development of different formulations of asbestos free flat boards for different applications

Development of sandwich panels

Development of coated sheets

4. EXPENDITURE ON R&D

Recurring expenditure : Rs. 73.98 lakhs

Capital Expenditure : Rs. 54.06 lakhs

Total : Rs. 128.04 lakhs

R&D expenditure as a percentage of
total turnover : 0.87%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts, in brief made towards technology absorption,
-
- adaptation 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 -

RAMCO INDUSTRIES LIMITED



REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE :

Ramco Industries Limited, in line with the Ramco Group's philosophy, has been diligently following its self determined goals on Corporate Governance, ever since inception. Protection of the interests of all its stakeholders viz. Shareholders, Creditors, Employees and Customers, and in particular, enhancement of the shareholder's value have been the prime objectives in the Company's mind, and such objectives are sought to be achieved through transparency in dealings and by following ethics in all the business activities.

The Company strongly believes that assimilation of technological advancements and uncompromising attitude towards maintaining quality on products and services alone would help the Company to stay ahead of competition and sustain increased customer satisfaction.

The Company considers its human resources as an invaluable asset, having innate and infinite potential to contribute to the growth and success of the organization. As such, the Company believes in the creative abilities of the people and emphasizes on team building and motivation which would form a strong base in the qualitative growth of the Organisation.

The Company is aware that its source of business strength and security lies in the Customers' satisfaction and hence steps are continually undertaken to sustain the customer's support as without customer, there is no business.

The Company is fully conscious of the fact that as an organization grows, the community around it should also grow and hence believes that it is its responsibility to contribute to the growth of the society as well, through various developmental and welfare activities.

2. BOARD OF DIRECTORS :

The Company is managed by a Board of Directors, under the Chairmanship of Shri P.R. Ramasubrahmaneya Rajha. The day-to-day administration of the Company is looked after by Shri P.R. Venketrama Raja, Vice Chairman and Managing Director, assisted by a team of experienced Professional Managers, under the supervision, direction and control of the Board of Directors.

The Board consists of eminent persons with considerable professional expertise in various fields such as Administration, Finance, Banking, etc.

The Board has eight Directors out of whom seven Directors are Non-Executive. There are three Independent Directors on the Board complying with the code of Corporate Governance. There is no pecuniary relationship or transaction of the Non-Executive Directors vis-a-vis the Company.

3. COMMITTEES OF THE BOARD OF DIRECTORS :

The Board has constituted Committees of Directors to deal with matters in detail and to monitor the activities falling within the terms of reference. The Board Committees are as follows:

a) AUDIT COMMITTEE :

An Audit Committee has been constituted on 14.05.2001 to deal with matters in detail and to monitor the activities falling within the terms of reference.

The Terms of reference of the Audit Committee include :

- i) Review of the reports of Internal Audit Department
- ii) Review of the Auditors' Report on the financial statements
- iii) Review of the strength and weakness of the internal controls and to provide recommendations relating thereto
- iv) General assistance to the Board to discharge their functions more effectively.

COMPOSITION :

The Audit Committee consists of the following Directors :

1. Shri M.G. Balasubramanian, I.A.S. (Retd.), Chairman of the Committee
2. Shri R. Nagarajan
3. Shri K.T. Ramachandran