



Ramco Industries Limited

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ANNUAL REPORT 2001 - 2002



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', 6th Floor,
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 Seventh Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

	For the Year ended March 31, 2002 Rs.	For the Year ended March 31, 2001 Rs.
FINANCIAL RESULTS		
Operating Profit : Profit before interest, depreciation and tax (PBIDT)	29,41,91,250	34,13,72,359
Less : Interest	<u>7,89,09,434</u>	<u>9,48,01,773</u>
Profit before depreciation and Tax (PBDT)	21,52,81,816	24,65,70,586
Less : Depreciation	<u>3,82,34,768</u>	<u>5,09,04,588</u>
Profit before Tax (PBT)	17,70,47,048	19,56,65,998
Less:		
Prior period expenses	—	9,83,870
Donations	<u>47,10,920</u>	<u>79,89,307</u>
	17,23,36,128	18,66,92,821
Add : Surplus in Profit and Loss Account Brought forward	<u>1,36,04,267</u>	<u>1,27,87,119</u>
Balance profit available for appropriation	<u>18,59,40,395</u>	<u>19,94,79,940</u>
Your Directors recommend appropriations as given below :		
Provision for Income Tax	2,68,00,000	2,20,00,000
Provision for Deferred Tax	52,00,000	—
Transfer to General Reserve	12,00,00,000	14,00,00,000
Equity Dividend Proposed	2,38,32,342	2,16,65,765
Tax on Dividend	—	22,09,908
Balance carried over to Balance Sheet	<u>1,01,08,053</u>	<u>1,36,04,267</u>
	<u>18,59,40,395</u>	<u>19,94,79,940</u>

DIVIDEND

Your Directors recommend declaration of dividend at the rate of Rs.5.50 per share (55%) on the Paid up Equity Share Capital of the Company, for the year ended 31st March, 2002 subject to deduction of tax under the Income Tax Act, 1961.

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 dematerialized shares, the same will be paid based on the beneficiary statement as on the 31st July 2002 as given by NSDL and CDSL.

TAXATION

The provision for taxation of Rs 2.68 Crores has been made as per the provisions of the Income-tax Act. Further, in line with the Accounting Standard 22, which is effective from this year onwards, provision for deferred tax liability of Rs. 0.52 Crores for the year 2001-02 has also been made in the P&L account and an amount of Rs.9.08 Crores relating to past years upto 31.03.2001 has been provided separately by reducing the Reserves of the Company to that extent.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**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, 2002 were under :-

PRODUCT	PRODUCTION (M.Ts) Year Ended		SALES (M.Ts) Year Ended	
	31.3.2002	31.3.2001	31.3.2002	31.3.2001
Fibre Cement Sheets & Accessories	2,07,568	1,99,051	2,07,883	1,94,714
Fibre Cement Pressure Pipes	—	50	496	542



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

Due to lack of optimum order position and utilization levels of Pipes, there had been practically no production of Pipes over the last 4 years. M/s. Kanoria Sugar and General Manufacturing Co. Limited, one of the major producers of Pressure Pipes, evinced interest to take on licence our Pressure Pipe production facilities on mutually agreeable terms. Considering the advantages that would accrue to the Company, a licence agreement was executed between the Company and M/s. Kanoria Sugar and General Manufacturing Co. Limited on 9th July, 2001 after obtaining necessary approvals. The Company has earned a Licence Fee of Rs.26 Lacs during the period under review.

Future Trends:

During the year under review, the profit margins were under considerable pressure due to lower realizations. However, the Company is taking steps to reduce the cost of production and other innovative measures are being taken to increase the volume of sales and profitability, during the current year.

ISO CERTIFICATION:

As part of achieving the Corporate objective of continuous improvement in the Quality Systems at all Units, the Company's Arakonam factory, after complying with the various requirements, had obtained the ISO Quality Systems Certification Licence (IS/ISO 9002-1994) from Bureau of Indian Standards, Chennai on 1st January 2002. Bureau of Indian Standards has assigned the ISO 9002 Licence bearing No: QSC/L-008710 valid from 19th December 2001 to 18th December 2004.

(b) SRI RAMCO SPINNERS – TEXTILES DIVISION:

Production and Sales:

During the year under review, the 100% Export Oriented Unit produced 16,78,081 Kgs. of Cotton yarn compared to 17,69,011 Kgs. produced during the previous year.

The Cotton yarn export for the year ended 31st March, 2002, was 16,62,445 Kgs. as compared to 17,85,303 Kgs. during the corresponding previous year. The FOB value of exports for the year under review was Rs.2,248.43 lakhs as against Rs. 2,485.86 lakhs during the previous year.

Outlook for 2002-2003

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 M/s. Doko Spinning Company Limited, Japan for their continued support.

(c) OVERSEAS OPERATIONS

SRI RAMCO LANKA (PRIVATE) LIMITED, SRILANKA

The Fibre Cement Sheet manufacturing plant of the Company's Wholly Owned Subsidiary in Sri Lanka, has actively entered the Sri Lankan market. The Subsidiary had sold 36,403 M.Ts during the year ended 31.3.2002 as against 33,334 M.Ts during the corresponding previous year.

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.46.85 lakhs has been spent on R&D efforts by way of revenue expenditure. The Company also incurred an amount of Rs.13.18 lakhs as Capital Expenditure on Research & Development.

As part of adding new range of products, the Company has been contemplating to put up a project for manufacture of Calcium Silicate Boards. With low density, satisfactory strength and aesthetic appeal, Calcium Silicate Boards are expected to provide greater utility to the Consumers for their internal requirements like false ceiling, partition etc. The Company entered into an agreement on 25-04-2002 with M/s A & A MATERIAL CORPORATION, Japan in connection with transfer of Technical Know-how for manufacture of Calcium Silicate Boards.

RAMCO INDUSTRIES LIMITED

**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. As the Sole Selling Agency agreement had fallen due for renewal on 3.5.2002, necessary approvals were taken from the Board of Directors, Shareholders and Banks for reappointment of the Sole Selling Agent and renewing the Agency agreement for a further period of 5 Years. The approval from the Central Government is awaited.

The Board wishes to place on record its deep appreciation for the excellent services being rendered by them in promoting the sale of Fibre Cement products.

DEPOSITS

The total public deposits outstanding as on 31st March, 2002, were Rs. 320 lakhs. This included 40 deposits aggregating Rs. 4.39 lakhs which had fallen due on or before 31st March, 2002 but not claimed by the depositors. Out of the above said unclaimed deposits, as on the date of this report, 13 deposits aggregating Rs.1.53 lakhs have been claimed / renewed by the depositors. The holders of remaining 27 unclaimed deposits have been requested for further instructions. As required under Section 205 C of the Companies Act, 1956, an amount of Rs. 57,000/- representing 12 Nos. of deposits, that had fallen due for payment on or before 31.3.1995 but not claimed, had been remitted to Central Government for credit of Investors' Education and Protection Fund.

TAXES AND DUTIES

For the year under review, Customs / Central Excise duties paid on the Company's products amounted to Rs.8.04 Crores. Together with Sales tax and other taxes, the Company's contribution to the Public Exchequer would be approximately Rs.19.71 Crores.

INDUSTRIAL RELATIONS

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

DIRECTORS

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

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, though not given in this Report, is available for inspection by the Members at the Registered / Corporate Office of the Company during the working hours, as per the Proviso b (iv) to Sec. 219 (1) of the Companies Act, 1956. Any Member interested in obtaining a copy of the particulars may also write to 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) 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, 2002, as required under Section 212 of the Companies Act, 1956, are attached.

(b) SRI RAMCO LANKA (PRIVATE) LIMITED

The audited statement of accounts of M/s. Sri Ramco Lanka (Private) Limited, Srilanka, a Wholly Owned Subsidiary of the Company, together with the Reports of its Directors and Auditors for the year ended 31st March, 2002, as required under Section 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.



CONSOLIDATED FINANCIAL STATEMENTS :

As required by Accounting Standard 21 on Consolidated Financial Statements issued by The Institute of Chartered Accountants of India, the audited financial statements of the parent company and the two subsidiary companies have been consolidated and such Consolidated Financial Statements for the year ended 31st March 2002 along with the Auditors' Report thereon are annexed to and form part of this Annual Report.

From the Consolidated Financial Statements, it may be observed that the Consolidated Net Profit for the year ended 31st March, 2002 amounted to Rs.21.33 Crores.

CORPORATE GOVERNANCE

A detailed report on the Company's adherence to 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 the same forms part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in the preparation of the Annual Accounts for the year ended 31st March, 2002 that –

- (a) the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- (b) 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;
- (c) 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;
- (d) the annual accounts were prepared on a going concern basis.

APPRECIATION

The Directors express their appreciation to the Bankers and Investing Institutions for the co-operation and assistance extended to the Company.

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

The Directors record their appreciation of all employees for their dedicated efforts in ensuring excellent operational performance.

Chennai
10th June, 2002



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 31.03.2002**

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 31.03.2002

A. CONSERVATION OF ENERGY		
(a)	Energy conservation measures taken	: Energy saving devices have been installed and energy consumption is constantly monitored
(b)	Additional investments and proposals if any being implemented for reduction of consumption of energy.	The consumption of power generated from 2 Nos. 770 KW HFO based Gensets at our Spinning
(c)	Impact of measures at (a) and (b) above, for reduction of energy consumption and consequent impact on the cost of production of goods	: Unit has reduced the power cost by Rs. 92.43 lakhs during the year
(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
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C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(f)	(i) Activities relating to Exports	: The Company has exported Cotton yarn for an FOB value of Rs. 2,248 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 markets for products and service	: Other Non-quota Countries are being targeted for export of cotton.
	(iv) Export plans	: Ours being 100% EOU, we are already exporting our entire production of Cotton Yarn
(g)	(i) Total foreign exchange used	: Rs. 26,03,46,078
	(ii) Total foreign exchange earned	: Rs. 25,40,44,590

Form - A
(See rule - 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**a) POWER AND FUEL CONSUMPTION**

	Year ended 31.03.2002	Year ended 31.03.2001
1. ELECTRICITY		
(a) Purchased Units (KWH) - EB	52,092	42,81,240
i) Cost per Unit	Rs. 24.25	Rs. 4.35
(b) Own Generation		
(i) Through Diesel Generator Units	1,00,704 Units	3,18,400 Units
Units per litre of Diesel Oil (KWH)	3.28	3.69
Diesel Cost per Unit	Rs. 4.34	Rs. 3.12
(ii) Through HFO Generator (Units KWH)	71,91,830 Units	24,99,206 Units
Units per litre of furnace Oil (KWH)	3.46	3.50
Furnace Oil Cost per unit	Rs. 2.05	Rs. 2.46
(iii) Through steam turbine/generator	—	—
Units	—	—
Units per litre of fuel oil/gas	—	—
Cost per unit	—	—
2. COAL		—



b) CONSUMPTION PER UNIT OF PRODUCTION

	Standards (If any)	Current year	Previous Year
Products (with details)			
100% Cotton yarn			
Unit per Kg.			
Electricity		6.46	5.74
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 Calcium Silicate Boards.

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 PLACE OF ACTION

Use of alternative fibres in the production of Sheets and Pipes

Development of Poly Propylene strip reinforced sheets

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. 46.85 lakhs

Capital Expenditure : Rs. 13.18 lakhs

Total : Rs. 60.03 lakhs

R&D expenditure as a percentage of total turnover : 0.42%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- Efforts, in brief, made towards technology }
Absorption, adaptation and innovation } Nil
- Benefits derived as a result of the above efforts }
e.g. product improvement, cost reduction, product }
development, import substitution, etc. } Nil
- In case of imported technology (imported }
during last 5 years reckoned from the }
begining of the financial year) following }
information may be furnished } Nill



REPORT ON CORPORATE GOVERNANCE

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

Ramco Industries Limited, in line with the Ramco Group's Corporate philosophy, has been diligently following its self determined goals on Corporate Governance, ever since its inception. Protection of the interests of all its stakeholders viz. Shareholders, Deposit holders, other Creditors, Employees and Customers has received our continuous attention. In particular, enhancement of the shareholders' value has been the prime objective of the Company and it is sought to be achieved through transparency in our 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 customers' support as without the customer, there is no business.

The Company is fully conscious of the fact that as an organization grows, the community around it should also benefit 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 being looked after by Shri P.R. Venketrama Raja, Vice Chairman and Managing Director, assisted by a team of experienced and Professional Managers.

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

The composition of the Board of Directors is in conformity with the Code of Corporate Governance as detailed here under:

Sl.No:	Name of the Director	Category
1.	Shri P.R. Ramasubrahmaneya Rajha	Chairman - Non Executive Promoter Director
2.	Shri P.R. Venketrama Raja	Vice-Chairman & Managing Director
3.	Shri S.S. Ramachandra Raja	Non Executive Director
4.	Shri N.K. Shrikantan Raja	— do —
5.	Shri S. Arjuna Raja	— do —
6.	Shri K.T. Ramachandran	Non Executive Independent Director
7.	Shri M.G. Balasubramanian	— do —
8.	Shri R. Nagarajan	— do —

There is no pecuniary relationship or transaction of the Non-Executive Directors vis-a-vis the Company.

3. BOARD PROCEDURE:

Attendance of Directors at the Board Meeting:

During the year ended 31.3.2002, 6 Board Meetings were held on 6.6.2001, 6.7.2001, 31.07.2001, 29.10.2001, 30.01.2002 and 19.03.2002.



Details of attendance of each Director at the Board Meetings held during the year are as follows:

Sl.No	Name of the Director	Nature of Directorship	No. of Board Meetings attended	% of meetings attended during the year
1.	Shri P.R. Ramasubrahmaneya Rajha	Chairman	6	100
2.	Shri P.R. Venketrama Raja	Vice Chairman & Managing Director	3	50
3.	Shri S. Arjuna Raja	Director	6	100
4.	Shri S.S. Ramachandra Raja	Director	6	100
5.	Shri K.T. Ramachandran	Independent Director	5	83.33
6.	Shri N.K. Shrikantan Raja	Director	5	83.33
7.	Shri M.G. Balasubramanian	Independent Director	6	100
8.	Shri R. Nagarajan	Independent Director	6	100

There has not been any time gap in excess of four months between any two meetings of the Board of Directors.

A detailed Agenda is sent to each Director in advance of the Board and Committee Meetings. The Board of Directors meets at regular intervals and the details about performance of various units/divisions of the Company, financial position, borrowing plans, quarterly/half yearly/annual financial results, capital expenditure, sale of assets, share transfers, foreign exchange contracts, investments, and all other aspects of the Company which are relevant for review by the Board of Directors are being given in structured format at each meeting.

The said information complies with the requirements of the Code of Corporate Governance with regard to the information to be placed before the Board of Directors.

No Director is a member in more than 10 Committees or acts as Chairman of more than five Committees of Companies in which he is a Director.

Every Director informs the Company about the position he occupies in other Companies and notifies the changes as and when they take place. Whenever commercial and financial transactions have been entered into with the Companies, where Directors are interested, the nature of interest is being disclosed to the Board of Directors.

4. COMMITTEES OF DIRECTORS :

In accordance with the Code of Corporate Governance, the Board has constituted Committees of Directors to deal with matters in detail and to monitor the activities falling within the terms of reference. Such Board Committees are as follows:

a) AUDIT COMMITTEE :

The Terms of reference of the Audit Committee include :

- Review of Internal Audit Reports
- Review of Statutory Auditors' Report on the financial statements;
- Review of the strength and weakness of the internal controls and making recommendations thereto.
- Assisting the Board to discharge its functions more effectively.

The Audit Committee consists of the following Non Executive Independent Directors :

- Shri. M.G. Balasubramanian, Chairman
- Shri. R. Nagarajan, Member
- Shri. K.T. Ramachandran, Member

During the year 2001-02, the Audit Committee had met 4 times on 01.06.2001; 27.07.2001; 24.10.2001