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Ramco Industries Limited

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ANNUAL REPORT 2005 - 2006

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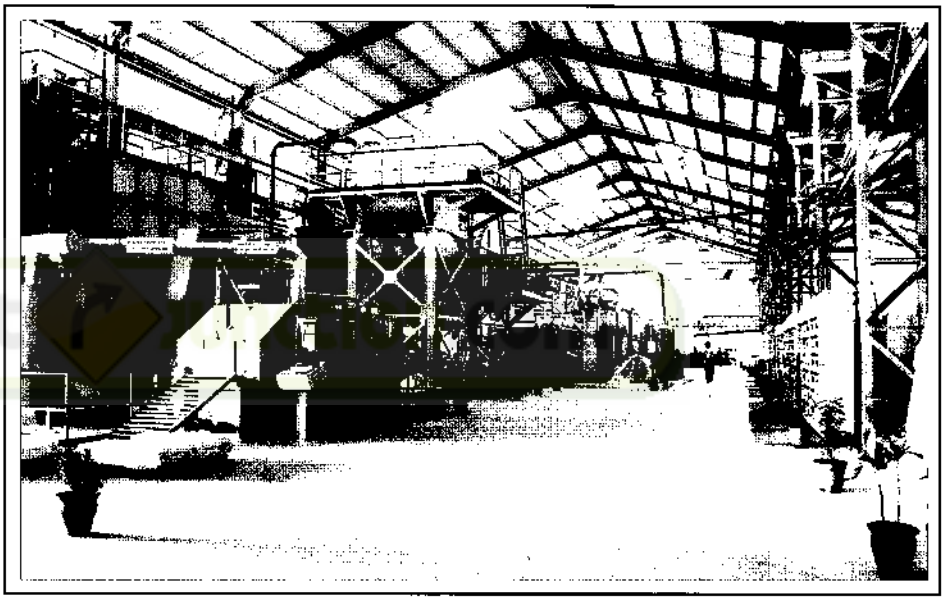
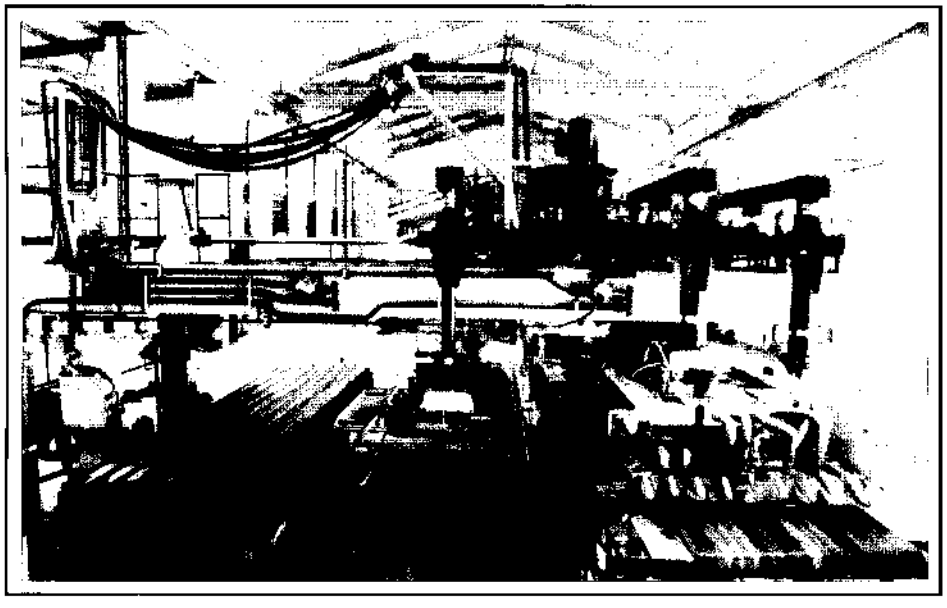
"Our Chairman is addressing at the Stockists' Conference held at Cochin"



"A view of our new Fibre Cement Sheet Plant at Ibrahimpatnam, Vijayawada, Andhra Pradesh"



"A view of our new Fibre Cement Sheet Plant at Sinugra Village, Kutch District, Gujarat"

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RAMCO INDUSTRIES LIMITED

Forty First Annual Report - 2005-06

Board of Directors

Shri P.R. Ramasubrahmaneya Rajha, B.Sc.
Chairman

Shri P.R. Venketrama Raja, B.Tech., MBA
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.)

Dr. A. Ramakrishna, B.E., M.Sc.

Registered Office

47, P.S.K. Nagar
RAJAPALAIYAM – 626 108
Tamil Nadu

Corporate Office

"Auras Corporate Centre", VI Floor
98-A, Dr. Radhakrishnan Road
Mylapore, CHENNAI – 600 004
Tamil Nadu

Factories.

I. **Building Products Division**

Arakkonam, Tamil Nadu
Karur, Karnataka
Maksi, Madhya Pradesh
Silvassa, U.T of Dadra & Nagar Haveli
Kharagpur, West Bengal
Vijayawada, Andhra Pradesh
Sinugra, Gujarat

II. **Textile Division (Cotton Yarn)**

Rajapalaiyam, Tamil Nadu

Subsidiary Companies

Sudharsanam Investments Limited, India
Sri Ramco Lanka (Private) Limited, Sri Lanka

Bankers

State Bank of India
HDFC Bank Limited
IDBI Bank Limited
Indian Bank
Kotak Mahindra Bank Limited

Auditors

M/s. M.S. Jagannathan & N. Krishnaswami
Chartered Accountants
31, Premier Flats, Karur Bypass Road
TIRUCHIRAPALLI – 620 002, Tamil Nadu

M/s. CNGSN & Associates
Chartered Accountants
20, Raja Street, T. Nagar
CHENNAI – 600 017, Tamil Nadu

Contents

	Page No.
Financial Highlights	2
Notice to Shareholders	3 - 6
Directors' Report	7 - 13
Corporate Governance Report	14 - 21
Shareholders' Information	22 - 23
Auditors' Report and Financial Statements of Ramco Industries Limited	24 - 43
Auditors' Report and Consolidated Financial Statements of Ramco Industries Limited and its Subsidiaries	44 - 56

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RAMCO INDUSTRIES LIMITED

Rs. in lakhs

FINANCIAL HIGHLIGHTS	2001-02	2002-03	2003-04	2004-05	2005-06
Earnings					
Sales & Other Income	14618	15364	17271	20854	25978
Operating Profit	2894	3476	5072	5881	7310
Cash Generation	2105	2869	4768	5141	6489
Net Profit (PAT)	1403	1860	2419	2884	3308
Assets Employed					
Net Fixed Assets	5314	7231	9468	10670	20436
Investments	11246	12670	15824	16023	18048
Net Current Assets	5074	3731	3657	4143	7477
TOTAL	**21634**	**23632**	**28949**	**30836**	**45961**
Financed By:					
A. Shareholders' Funds					
a. Equity Shareholders' investment	100	100	100	100	100
b. Bonus Shares	333	333	333	333	333
Reserves and Surplus	11800	13322	15377	17785	20370
Deferred Tax Liability	961	1201	1782	1807	2707
Total Shareholders' funds (A)	**13194**	**14956**	**17592**	**20025**	**23510**
B. Borrowed Funds					
Short Term Borrowings	2476	1467	5882	4005	8504
Term Loans	5964	7209	5675	6806	13947
Sales Tax Deferral	85	-	-	-	-
Total Borrowings (B)	**8440**	**8676**	**11357**	**10811**	**22452**
TOTAL (A) + (B)	**21634**	**23632**	**28949**	**30836**	**45961**
Book Value per Share (Rs.)	283	319	366	421	480
Earnings Per Share (Rs.)	32	43	56	67	76
Dividend %	55	60	75	100	150
Dividend Payout %	17	16	15	17	22
P/E Ratio as at 31st March	3.59	3.16	5.36	10.75	19.16
Operating Profit Ratio %	19.80	22.62	29.37	28.20	28.14
Gross Fixed Assets per share (Rs.)	225	278	351	407	672
Market Price of Share (Rs.)					
a. As on 31st March*	115	136	300	720	1456
b. high**	168	203	407	758	1500
c. low**	88	96	120	250	670
Market Capitalisation@ (Rs. in lakhs)	4983	5893	12999	31199	63091
Debt - Equity Ratio	0.69	0.63	0.72	0.59	1.08
Current Ratio	1.48	1.16	1.09	1.32	1.92

* NSE Quotations.
** High & Low prices during the year ended 31st March.
@ Based on the market price as on 31st March.

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RAMCO INDUSTRIES LIMITED

Regd. Office : 47, P.S.K. Nagar, Rajapalayam – 626 108

NOTICE TO THE MEMBERS

Notice is hereby given that the 41st Annual General Meeting of the Company will be held at 11.30 A.M. on **Thursday, the 27th July, 2006** at P.A.C.R. Centenary Community Hall, Sudharsan Gardens, P.A.C.Ramasamy Raja Salai, Rajapalayam 626 108 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March 2006 and the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend for the year 2005-06.
3. To appoint a Director in the place of Shri N. Shrikantan Raja, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri M.G. Balasubramanian, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri S.S. Ramachandra Raja, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors to hold Office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

   In this connection to consider and, if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

   "RESOLVED that M/s.M.S.Jagannathan & N.Krishnaswami, Chartered Accountants and M/s. CNGSN & Associates, Chartered Accountants be and are hereby jointly appointed as the Auditors of the Company to hold Office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs.2,00,000/- (Rupees Two lakhs only) each, exclusive of out-of-pocket expenses/Taxes."

SPECIAL BUSINESS

1. To Consider and if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION:

   "RESOLVED that Dr. A. Ramakrishna who has been appointed as Additional Director and holds Office until this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation".

2. To Consider and if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION:

   "RESOLVED that subject to Section 149(2A) and other applicable provisions, if any, of The Companies Act, 1956, approval of the Company be and is hereby accorded to the Board of Directors of the Company for commencing and undertaking all or any of the businesses specified in the newly introduced Sub-Clause 3 (I) of Clause III (A) to the Objects Clause of the Memorandum of Association of the Company".

By Order of the Board
For RAMCO INDUSTRIES LIMITED

(P.R. RAMASUBRAHMANEYA RAJHA)
CHAIRMAN

Chennai
June 19, 2006

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NOTES

(i) A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company;

(ii) Proxy Form is enclosed. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting;

(iii) The Register of Members and the Share Transfer Books of the Company will remain closed from 20.07.2006 to 27.07.2006 (both days inclusive).

(iv) Under the provisions of Section 205 C of the Companies Act, 1956, dividends remaining unpaid for a period of over 7 years will be transferred to the Investor Education & Protection (IEP) Fund of the Central Government. Thereafter no claim shall lie against the Fund or the Company and no payment will be made in respect of any such claims. Hence, the Members who have not claimed their dividend relating to the earlier years may write to the Company for claiming the amount before it is so transferred to the Fund. The details of due dates for transfer of such unclaimed dividend to the said Fund are given below:

DIVIDEND FOR THE FINANCIAL YEAR ENDED	DATE OF DECLARATION OF DIVIDEND	LAST DATE FOR CLAIMING THE DIVIDEND AMOUNT FROM THE COMPANY	DUE DATE FOR TRANSFER TO IEP FUND
31-03-1999	28-07-1999	16.08.2006	14-09-2006
31-03-2000	09-08-2000	27.08.2007	26-09-2007
31-03-2001	01-08-2001	07.08.2008	06-09-2008
31-03-2002	07-08-2002	13.08.2009	12-09-2009
31-03-2003	11-08-2003	17.08.2010	16-09-2010
31-03-2004			
Interim Dividend	25-10-2003	31.10.2010	30-11-2010
Final Dividend	28-07-2004	03.08.2011	02-09-2011
31-03-2005			
I Interim Dividend	25-08-2004	31.08.2011	30-09-2011
II Interim Dividend	28-01-2005	06.02.2012	05-03-2012
Final Dividend	10-08-2005	16.08.2012	15-09-2012

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

The following Explanatory Statement pursuant to Section173 (2) of The Companies Act, 1956 (hereafter referred to as 'the said Act') sets out all the material facts relating to the two Special Business items mentioned in the accompanying Notice dated 19.06.2006 convening the 41st Annual General Meeting.

For Special Business Item No: 1

Dr. A. Ramakrishna was appointed as an Additional Director on 19.06.2006. He holds Office till the date of the 41st Annual General Meeting (AGM). Under Section 257(1) of the said Act, a Notice in writing has been received from a Member signifying his intention to propose the appointment of Dr. A. Ramakrishna as a Director, at the AGM.

Dr. A. Ramakrishna, B.E. (Civil Engineering) and M.Sc.,(Structural Engineering) started his career in 1962 with Engineering Construction Corporation Limited, a Subsidiary of L & T. After serving in various capacities, Dr. Ramakrishna was inducted into the Board of Directors of L & T in 1992 and retired as President and Deputy Managing Director. Presently, he is the Advisor of L & T.

He has specialized knowledge in Structural Engineering – Pre-cast and pre-stressed concrete and industrialized methods of construction – for which he has been conferred Honorary Degree of Doctorate of Science by Andhra University.

He has provided leadership for construction of scores of cement plants, steel plants, power projects, bridges, harbours, airports and nuclear power plants in and outside India.

He has played an important role in founding of Industry Associations like the Indian Concrete Institute, Construction Industry Development Council, Construction Federation of India etc.

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He is presently a Director in the following Companies:

1. M/s. GVK Jaipur-Kishangarh Expressway Limited
2. M/s. KCP Limited
3. M/s. Andhra Sugars Limited
4. M/s. Bangalore International Airport Limited
5. M/s. Madras Cements Limited
6. M/s. SPEL Semi Conductor Limited.

He has been elected as a Member of the Audit Committee of the Board of Directors of the Company.

He does not hold any Share in the Company in his name as on date.

None of the Directors is deemed to be interested in the Resolution.

For Special Business Item No: 2

The Company is engaged in the manufacture of Fibre Cement Sheets, Pressure Pipes and accessories and allied Building materials and Cotton Yarn etc. As part of diversification plans, the Company intends to enter new lines of business activities like the manufacture/production and marketing of Plastic Storage Tanks and similar or related products and also Sheets, Panels, Claddings etc., made of Steel, Plastics or Polymer etc. Under the existing circumstances, these new businesses may be advantageously combined with the present business of the Company especially with the Company's strong marketing network for Fibre Cement Sheets.

In order to enable the Company to take-up the above and related new lines of business activities, the Objects Clause of the Memorandum of Association (MoA) of the Company requires to be altered as required under Section 17 of the said Act.

Section 149 (2A) of the said Act requires that the Members of the Company should approve, by way of Special Resolution, the commencement of any new business by the Company which is not germane to the business which it is carrying on as on that date. Accordingly, the approval of the Members is sought pursuant to the said Section to commence and undertake the above said new lines of business activities.

As required under Sections 17 and 192-A of the said Act read with the Companies (Passing of Resolution by Postal Ballot) Rules 2001, the alteration of the Objects Clause of the MoA, requires the approval of the Share holders by way of Special Resolution through Postal Ballot Process. Hence in accordance with the above requirements, Postal Ballot Forms for getting the Share holders' approval for alteration of the MoA by inserting new Sub-Clause 3(I)(a), (b), (c) to the Objects Clause, are being sent to all the Share holders.

For the immediate reference, the new sub-Clause proposed to be inserted to the Objects Clause of the MoA is reproduced herebelow:

3(I)(a)(i) To manufacture and produce by means of blowing, extrusion, orientation, formation, knitting, dipping, lamination, moulding, bonding, heat-setting etc., Plastic Storage Tanks/Plastic Containers of any kind and any similar or related products made of Plastics, Polymers or any such materials etc., and also their derivations, by-products and related products.

3(I)(a)(II) To manufacture and produce all types of Flat or Corrugated Sheets, Panels, Claddings for exteriors/ interiors and accessories thereto, whether colour coated or not and made of various types of steel, Plastics, Polymers and all such other materials of which the above products can be produced.

3(I)(b) To buy, sell, market, import, export, act as agents or dealers in all the Products enumerated in the Sub Sub-Clauses (a)(i) and (ii) above

3(I)(c) To provide consultancy and other services related to all the above products stated in Sub Sub-Clauses (a)(i) and (ii) above.

The result of the Postal Ballot will be announced at the Registered Office of the Company on 27.07.2006 at 9.15 a.m and the same will also be informed to the Shareholders by the Chairman at the AGM on the same date.

Subject to the passing of the Special Resolution relating to the alteration of the Objects Clause of the MoA of the Company by Postal Ballot process as stated above, the Special Resolution authorizing the Board of Directors to commence and undertake all or any of the new lines of business activities as envisaged in the said new Sub-Clause to the Objects Clause is recommended.

Interest of Directors:

None of the Directors is interested or concerned in the Resolution.

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ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING

1. Shri N.K. Shrikantan Raja

Shri N.K. Shrikantan Raja, aged 57 years, is a graduate in Commerce. He was first appointed as a Director of the Company in 1986. He continues to be a Director in the Board extending valuable guidance. He is also a Director in the following Companies :

1	Sri Yannarkay Servicers Ltd.	Director
2	Sri Vishnu Shankar Mill Ltd.	Director
3	Ramco Systems Limited	Director
4	Sandhya Spinning Mill Ltd.	Director
5	Sudharsanam Investments Limited	Director
6	The Ramaraju Surgical Cotton Mills Limited	Director
7	Ramco Infotech Solutions Ltd.	Director
8	Sri Harini Textiles Ltd.	Director

He holds in his name, 6,007 Shares in the Company.

2. Shri M.G. Balasubramanian

Shri M.G. Balasubramanian, aged 84 years, is an IAS Officer retired from Government Service.

Prior to his retirement, he had held various important positions in both Central and State Governments. During his 32 years experience in the Indian Administrative Service, he rose to the position of the Secretary to the Government of India. He had also been a Director in a number of Companies and Public Sector Banks.

He has been a Member of the Board of Directors of the Company since 30.03.2001 as a non-executive Independent Director. He is also the Chairman of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company.

He is the Chairman of M/s Emgeebee Industrial Advisory & Monitoring Services (P) Ltd. He is also a Director in M/s Madras Cements Ltd.

He does not hold any share in the Company.

3. Shri S.S. Ramachandra Raja

Shri S.S. Ramachandra Raja, aged 67 years, holds a Degree in Science. He has been a Director of Ramco Industries Limited since 1992.

He is also a Director in the following Companies :

1	Rajapalayam Mills Limited	Director
2	Sri Vishnu Shankar Mill Ltd.	Director
3	Sri Sethu Ramasamy Farms Pvt Ltd.	Director
4	Ramco Systems Limited	Director
5	Ramco Infotech Solutions Ltd.	Director
6	Ramco Management Private Limited	Director

He holds in his name, 20,384 Shares in the Company.

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DIRECTORS' REPORT

Your Directors have pleasure in presenting their 41st Annual Report and the Audited Accounts of the Company for the year ended 31st March 2006.

	For the Year ended 31.03.2006 (Rs in lakhs)	For the Year ended 31.03.2005 (Rs in lakhs)
FINANCIAL RESULTS		
Operating Profit : Profit before interest, depreciation and tax (PBIDT)	7310	5882
Less : Interest	821	740
Profit before depreciation and Tax (PBDT)	6489	5142
Less : Depreciation	1741	1323
Profit before Tax (PBT)	4748	3819
Less: Provision for - Current Tax	500	910
- Deferred Tax	900	25
- Fringe Benefit Tax	40	-
Profit after Tax (PAT)	3308	2884
Add : Balance Profit from last year	412	320
Surplus for Appropriation	3720	3204
Appropriations :		
Transfer to General Reserve	2500	2300
1st Interim Dividend-50% (P.Y.-30%)	217	130
2nd Interim Dividend-50% (P.Y.-30%)	217	130
Final Dividend on 43,33,153 Equity Shares of Rs.10/- each @ 50% (P.Y.-40%)	217	173
Tax on Dividends	91	59
Balance carried over to Balance Sheet	478	412
TOTAL	3720	3204

DIVIDEND

Your Directors have pleasure in recommending a final dividend of 50% on the Equity Capital. Together with the 1st Interim dividend of 50% and 2nd Interim dividend of 50% paid during the year, the total dividend for the year 2005-06 is 150%.

TAXATION

Amount of Rs.500 lakhs for the current year Income-Tax, Rs.900 lakhs for Deferred Tax Liability and Rs.40 lakhs towards Fringe Benefit Tax have been provided for the year 2005-06.

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MANAGEMENT DISCUSSION & ANALYSIS REPORT

REVIEW OF OPERATIONS AND CURRENT TRENDS

A. BUILDING PRODUCTS DIVISION

PRODUCT	PRODUCTION Qty. in M.T.		SALES Qty. in M.T.		TURNOVER Rs. in Lakhs	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Fibre Cement Sheets	3,87,970	3,03,312	3,57,414	2,98,483	20,834	16,554
Calcium Silicate Boards	7,726	4,601	5,545	1,391	916	238
Fibre Cement Pressure Pipes *	-	-	-	-	-	-

* Operated by M/s. Kanoria Sugar and General Manufacturing Co. Limited, under Licence Agreement.

(a) Fibre Cement Sheets

The Production of Fibre Cement Sheets (FC Sheets) for the year 2005-06 increased by 84,658 M.T. showing a growth of 27.91% over the previous year. The Sales during the year increased by 58,931 M.T. registering a growth of 19.74%.

In December, 2005, production was taken from the new plant at Sinugra Village, Anjar Taluk, Kutch District, Gujarat. Further, production at the FC Sheet plants at Kharagpur and Vijayawada, have stabilized with the production of 59,709 M.T. at Kharagpur Plant and 40,258 M.T. at Vijayawada Plant. Sales from these two units were 48,259 M.T. at Kharagpur Plant and 26,287 M.T. at Vijayawada Plant.

Despite sharp increase in raw material costs, the Sheet Division has improved its profits by selling higher volumes at better realization during the year under review.

Considering the expansion of Capacities undertaken during the year under review, the Company is confident of increasing its Production and Sales volumes, thereby improving the market share.

(b) Fibre Cement Pressure Pipes

In the Pressure Pipes Division, an amount of Rs.113.39 lakhs has been received as Licence Fee during the year under review from M/s. Kanoria Sugar and General Manufacturing Company Limited, for production of 28,347 M.T. (previous year - Rs.34.22 lakhs for a production of 8,555 M.T.).

(c) Calcium Silicate Boards

The production of Calcium Silicate Boards stabilized from the fourth quarter of the year under review. The Production improved to 7,726 M.T. as against 4,601 M.T. and the Sales increased to 5,545 M.T. from 1,391 M.T. The Turnover for the year was Rs.916 lakhs as against Rs.238 lakhs during the previous year.

With the increased efforts on product stability and marketing, there has been considerable improvement in the demand for the Calcium Silicate Boards and higher volumes of Production and Sales are expected to be achieved during the current year.

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