



**Ramco Industries Limited**



**ANNUAL REPORT 2006 - 2007**



Our Chairman performing Bhoomi Puja at the site of our new Textile Mill at Rajapalayam

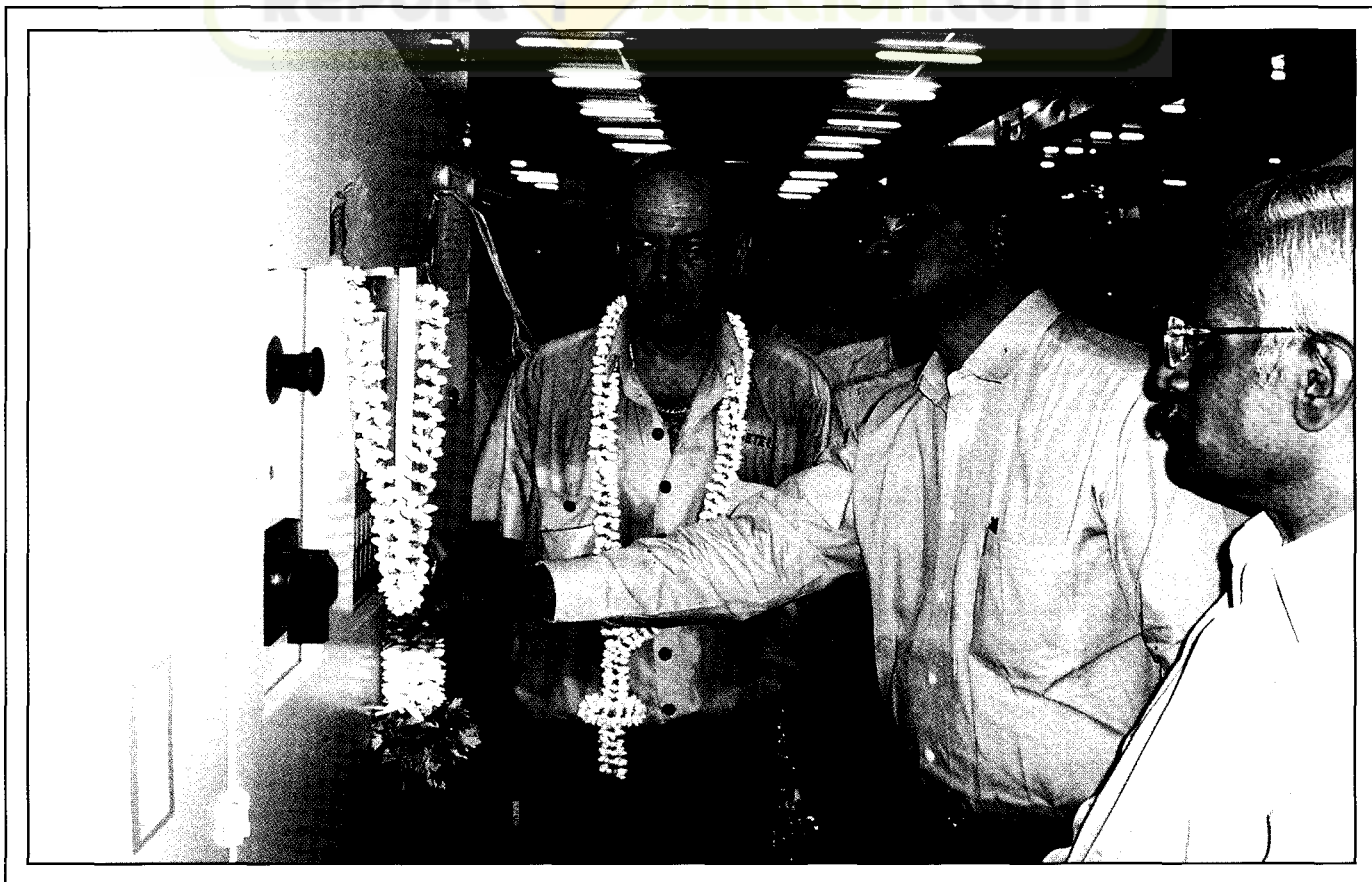


Photo taken on the occasion of the inaugural function of K-43 Rieter Machine at the existing Textile Mill at Rajapalayam

# RAMCO INDUSTRIES LIMITED



## Forty Second Annual Report - 2006-07

### 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  
RAJAPALAYAM – 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**, Union Territory of Dadra & Nagar Haveli

**Kharagpur**, West Bengal

**Vijayawada**, Andhra Pradesh

**Sinugra**, Gujarat

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

**Rajapalayam**, 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  
Kotak Mahindra Bank Limited  
Tamilnad Mercantile Bank Limited  
Indusind Bank Limited  
Indian Bank  
State Bank of Indore  
The Karur Vysya Bank Limited  
Export - Import Bank of India  
State Bank of Mauritius 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 - 5
Directors' Report	6 - 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

## RAMCO INDUSTRIES LIMITED



Rs. in lakhs

FINANCIAL HIGHLIGHTS	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Earnings</b>					
Sales & Other Income	15364	17271	20854	25978	33267
Operating Profit	3476	5072	5881	7310	7702
Cash Generation	2869	4768	5141	6489	6108
Net Profit (PAT)	1860	2419	2884	3308	2432
<b>Assets Employed</b>					
Net Fixed Assets	7231	9468	10670	20436	20109
Investments	12670	15824	16023	18048	19283
Net Current Assets	3731	3657	4143	7477	8463
<b>TOTAL</b>	<b>23632</b>	<b>28949</b>	<b>30836</b>	<b>45961</b>	<b>47855</b>
<b>Financed By:</b>					
<b>A. Shareholders' Funds</b>					
a. Equity Shareholders' investment	100	100	100	100	100
b. Bonus Shares	333	333	333	333	333
Reserves and Surplus	13322	15377	17785	20370	22069
Deferred Tax Liability	1201	1782	1807	2707	2802
<b>Total Shareholders' funds (A)</b>	<b>14956</b>	<b>17592</b>	<b>20025</b>	<b>23510</b>	<b>25304</b>
<b>B. Borrowed Funds</b>					
Short Term Borrowings	1467	5882	4005	8504	6333
Term Loans	7209	5675	6806	13947	16218
<b>Total Borrowings (B)</b>	<b>8676</b>	<b>11357</b>	<b>10811</b>	<b>22451</b>	<b>22551</b>
<b>TOTAL (A) + (B)</b>	<b>23632</b>	<b>28949</b>	<b>30836</b>	<b>45961</b>	<b>47855</b>
Book Value per Share (Rs.)	319	366	421	480	519
Earnings Per Share (Rs.)	43	56	67	76	56
Dividend %	60	75	100	150	150
Dividend Payout %	16	15	17	22	27
P/E Ratio as at 31st March	3.16	5.36	10.75	19.16	13.91
Operating Profit Ratio %	22.62	29.37	28.20	28.14	23.14
Gross Fixed Assets per share (Rs.)	278	351	407	672	724
Market Price of Share (Rs.)					
a. As on 31st March*	136	300	720	1456	779
b. high**	203	407	758	1500	1900
c. low**	96	120	250	670	632
Market Capitalisation* (Rs. in lakhs)	5893	12999	31199	63091	33755
Debt - Equity Ratio	0.63	0.72	0.59	1.08	1.00
Current Ratio	1.16	1.09	1.32	1.92	1.36

\* NSE Quotations.

\*\* High &amp; Low prices during the year ended 31st March.

\* Based on the market price as on 31st March.

RAMCO INDUSTRIES LIMITED



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

**NOTICE TO THE MEMBERS**

Notice is hereby given that the 42<sup>nd</sup> Annual General Meeting of the Company will be held at **11.15 A.M. on Friday, the 27th July, 2007** 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 31<sup>st</sup> March 2007 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 2006-07.
3. To appoint a Director in the place of Shri K.T. Ramachandran, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Shri P.R. Ramasubrahmaneya Rajha, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri S. Arjuna 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 lacs only) each, exclusive of out-of-pocket expenses.”

Place: Chennai  
Date : May 30, 2007

By Order of the Board  
For RAMCO INDUSTRIES LIMITED  
(**P.R. RAMASUBRAHMANEYA RAJHA**)  
Chairman



RAMCO INDUSTRIES LIMITED

**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 20.07.2007 to 27.07.2007 (both days inclusive).
- (iv) The Final Dividend, on declaration, will be paid in respect of Shares held in physical form to the Shareholders whose names appear in the Register of Members as on 27.07.2007 and in respect of Shares held in electronic form to the beneficial owners whose names appear in the list furnished by the Depositories for this purpose as on 19.07.2007.
- (v) The Securities and Exchange Board of India has made it mandatory for all Companies to use the bank account details furnished by the Depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of Dividend.
- (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 Investors' Education & Protection Fund (IEPF) 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 encashed/claimed their Dividends relating to the Financial Year 1999-2000 and thereafter may write to the Company for claiming the amount before it is so transferred to the IEPF. The details of due dates for transfer of such unclaimed Dividends to the said Fund are given below:

<b>Dividend for the Financial Year Ended</b>	<b>Date of Declaration of Dividend</b>	<b>Last Date for claiming the Dividend Amount from the Company</b>	<b>Due Date for transfer to IEP Fund</b>
31.03.2000	09.08.2000	08.08.2007	06.09.2007
31.03.2001	01.08.2001	31.07.2008	29.08.2008
31.03.2002	07.08.2002	06.06.2009	04.09.2009
31.03.2003	11.08.2003	10.08.2010	08.09.2010
<u>31.03.2004</u> Interim Dividend Final Dividend	25.10.2003 28.07.2004	24.10.2010 27.07.2011	22.11.2010 25.08.2011
<u>31.03.2005</u> I Interim Dividend II Interim Dividend Final Dividend	25.08.2004 28.01.2005 10.08.2005	24.08.2011 27.01.2012 09.08.2012	22.09.2011 25.02.2012 07.09.2012
<u>31.03.2006</u> I Interim Dividend II Interim Dividend Final Dividend	29.10.2005 30.01.2006 27.07.2006	28.10.2012 29.01.2013 26.07.2013	26.11.2012 27.02.2013 24.08.2013



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

### 1. Shri K.T. Ramachandran

Shri K.T. Ramachandran, aged 69 years is B.E in Civil Engineering from Madras University. He was appointed as a Director of Ramco Industries Limited in 1986 and since then he continues to be a Director extending valuable guidance. He is a Member of the Audit Committee, Remuneration Committee and Share Transfer Committee of the Board of Directors of the Company. He is also a Director in M/s. Thanjavur Spinning Mill Limited.

He holds in his name, 11,000 Shares in the Company.

### 2. Shri P.R. Ramasubrahmaneya Rajha

Shri P.R. Ramasubrahmaneya Rajha, aged 71 years, is a leading Industrialist, heading the RAMCO Group of Companies, having a turnover of over Rs.2700 Crores, as Chairman. The Ramco Group has interests in the businesses of Cotton Yarn, Cement, Fibre Cement and other Building Products, Software and Bio-Technology. Under the leadership of Shri P.R. Ramasubrahmaneya Rajha, the Ramco Group has increased its turnover manifold to become one of the most respected Industrial Groups, achieving international recognition for its quality products and services.

Shri P.R. Ramasubrahmaneya Rajha has been on the Board of Ramco Industries Limited since inception. He is a Member of the Investor Grievances Committee and Share Transfer Committee of the Board of Directors of the Company. He is a Director on the Board of the following Companies :

1.	Madras Cements Limited	Chairman & Managing Director
2.	Rajapalayam Mills Limited	Chairman
3.	Ramco Systems Limited	Chairman
4.	The Ramaraju Surgical Cotton Mills Limited	Chairman
5.	Thanjavur Spinning Mill Limited	Chairman
6.	Sri Vishnu Shankar Mill Limited	Chairman
7.	Sandhya Spinning Mill Limited	Chairman
8.	Sudharsanam Investments Limited	Chairman
9.	Madras Chipboard Limited	Chairman
10.	Ramco Infotech Solutions Limited	Chairman
11.	Sri Harini Textiles Limited	Chairman
12.	Sri Sandhya Farms (India) Private Limited	Director
13.	Sri Saradha Deepa Farms Private Limited	Director
14.	Ramamandiram Agricultural Estate Private Limited	Director
15.	Nalina Agricultural Farms Private Limited	Director
16.	Ramco Systems Corporation, USA	Director
17.	Sri Ramco Lanka (Private) Limited, Sri Lanka	Director
18.	RCDC Securities and Investments Private Limited	Director
19.	Nirmala Shankar Farms & Estates Private Limited	Director
20.	Sri Nithyalakshmi Farms Private Limited	Director
21.	Ram Sandhya Farms Private Limited	Director

He holds in his name, 2,27,750 Shares in the Company.

### 3. Shri S. Arjuna Raja

Shri S. Arjuna Raja, aged 88 years, was first appointed as a Director of Ramco Industries Limited in 1965. He has been associated with the Company right from the inception and continues to render valuable counsel/ services to the Company. He is a Member of the Remuneration Committee, Investor Grievances Committee and Share Transfer Committee of the Board of Directors of the Company. He is also a Director in M/s. Thanjavur Spinning Mill Limited and M/s. Sudharsanam Investments Limited.

He holds 7 Shares in the Company, in his name.

RAMCO INDUSTRIES LIMITED

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting their 42<sup>nd</sup> Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2007.

	For the Year ended 31.03.2007 (Rs in Lakhs)	For the Year ended 31.03.2006 (Rs in Lakhs)
<b>FINANCIAL RESULTS</b>		
Operating Profit : Profit before Interest, Depreciation and Tax (PBIDT)	7702	7310
Less : Interest and Finance charges	1594	821
Profit before Depreciation and Tax (PBDT)	6108	6489
Less : Depreciation	2778	1741
Profit before Tax (PBT)	3330	4748
Less: Provision for - Current Tax	770	500
- Deferred Tax	95	900
- Fringe Benefit Tax	33	40
Profit after Tax (PAT)	2432	3308
Add : Balance Profit from last year	478	412
Surplus for Appropriation	2910	3720
Appropriations :		
Transfer to General Reserve	1800	2500
1 <sup>st</sup> Interim Dividend-50% (P.Y.-50%)	217	217
2 <sup>nd</sup> Interim Dividend-50% (P.Y.-50%)	217	217
Final Dividend on 43,33,153 Equity Shares of Rs.10/- each @ 50% (P.Y.-50%)	217	217
Tax on Dividends	97	91
Balance carried over to Balance Sheet	362	478
<b>TOTAL</b>	<b>2910</b>	<b>3720</b>

**DIVIDEND**

Your Directors have pleasure in recommending a Final Dividend of Rs.5.00 per Share (P.Y:Rs.5.00 per Share) on the Equity Capital. Together with the 1<sup>st</sup> Interim Dividend of Rs.5.00 per Share (P.Y:Rs.5.00 per Share) and the 2<sup>nd</sup> Interim Dividend of Rs.5.00 per Share (P.Y:Rs.5.00 per Share) paid during the year, the total Dividend for the year 2006-07 is Rs.15.00 per Share (P.Y:Rs.15.00 per Share)

**TAXATION**

An amount of Rs.770 Lakhs towards Current Year Income-Tax, Rs.95 Lakhs towards Deferred Tax, Rs.33 Lakhs towards Fringe Benefit Tax and Rs.97 Lakhs towards Dividend Tax have been provided for the year 2006-07.





## 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	
	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06
Fibre Cement Sheets	4,29,670	3,87,970	4,22,156	3,57,414	23,316	20,834
Calcium Silicate Boards	11,910	7,726	10,166	5,545	1,635	916

##### (a) Fibre Cement Sheets

Production of Fibre Cement Sheets (FC Sheets) for the year 2006-07 increased by 41,700 M.T. showing a growth of 11 % over the previous year. Sales during the year increased by 64,742 M.T. registering a growth of 18%.

Due to sharp increase in raw material costs and lower realization due to acute competition, the Sheet Division's Profits have come down during the year under review.

However, considering the expansion of Capacities undertaken in recent years, the Company is confident of increasing its Production and Sales volumes, thereby improving the market share and also profitability during the current year 2007-08.

##### (b) Calcium Silicate Boards

Production of Calcium Silicate Boards continued to be stable during the year under review. The Production improved to 11,910 M.T. from 7,726 M.T. and the Sales increased to 10,166 M.T. from 5,545 M.T. The Turnover for the year was Rs.1635 Lakhs as against Rs.916 Lakhs during the previous year.

With increased efforts on marketing, there has been considerable improvement in the demand for the Calcium Silicate Boards and higher volumes of Production and Sales is expected further during the current year also.

##### (c) Fibre Cement Pressure Pipes

The Pressure Pipes Division, is operated by M/s. Kanoria Sugar and General Manufacturing Company Limited (Kanoria) under Licence Agreement. An amount of Rs.170 Lakhs has been received as Licence Fee during the year under review from Kanoria, for production of 38,932 M.T. (Previous Year - Rs.113 Lakhs for a production of 28,347 M.T.).

##### (d) Cement clinker grinding plant at Kharagpur, West Bengal

During the year 2006-07, the Unit produced 11,219 M.T. of Cement, out of which 10,691 M.T. was consumed in the FC Sheet Division and the balance 528 M.T. was sold in the market.

##### (e) Plastic Storage Containers

The Plant to produce Water Storage Tanks with an installed capacity of 55,000 Litres Per Day was commissioned at the Company's Silvassa Factory on 22.03.2007. In March 2007, the Unit produced 51 Nos Water Storage Tanks with capacities aggregating 52,000 Litres and sold 5 Nos. of Tanks with total capacities 15,000 Litres.

One more Unit for producing similar Plastic Storage Tanks is under erection at the Company's Maksi Plant, which is expected to be commissioned shortly.

RAMCO INDUSTRIES LIMITED

**B. WIND MILLS**

As on 31.03.2007, the position regarding Wind Mills is as follows :-

Total capacity installed	:	14.90 MW (P.Y: 14.90 MW)
Total Units generated during 2006-07	:	330 Lakh Units (P.Y: 141 Lakh Units)
Income earned during 2006-07 (by generation of power)	:	Rs.1,067 Lakhs (P.Y: Rs. 485 Lakhs)

**C. TEXTILES DIVISION (COTTON YARN) - SRI RAMCO SPINNERS****Production and Sales**

During the year 2006-07 the Unit produced 20.87 Lakh Kgs. of Cotton Yarn as compared to 12.21 Lakh Kgs. produced during the previous year. The Unit's sale of Yarn during the year was 20.73 Lakh Kgs. as against 11.83 Lakh Kgs. in 2005-06. The value of the Exports for the year was Rs.3,067 Lakhs compared to Rs.1,724 Lakhs in the previous year.

Taking advantage of the growing demand for the Cotton Yarn both in Domestic and International Markets and also the availability of Loan under Technology Up-gradation Fund with subsidized Interest cost, in July 2006, it was proposed to further increase the capacity of the Cotton Yarn Unit by adding 16,800 Spindles comprising 14 Frames to the existing capacity of 26,208 Spindles. This Project is expected to be completed by August 2007.

**Outlook for 2007-08**

The Cotton prices are now at reasonable levels. With the removal of quota restrictions and good demand as stated above, the Unit is expected to be in a position to achieve satisfactory results.

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

**D. OVERSEAS OPERATIONS - SRI RAMCO LANKA (PRIVATE) LIMITED, SRI LANKA**

The production at the FC Sheet Plant of the Company's Wholly Owned Subsidiary in Sri Lanka, was 1,07,123 M.T. during the year ended 31.3.2007 as against 1,00,783 M.T. during the corresponding previous year. The Subsidiary sold 1,12,113 M.T. during 2006-07 as compared to 1,00,662 M.T. during 2005-06. The Net Sales was SLR.18,008 Lakhs (INR.7,733 Lakhs) as against SLR 13,980 Lakhs (INR 6,118 Lakhs) during the corresponding previous year.

**TAXES AND DUTIES**

During the year under review, Customs/Central Excise duties paid on the Company's products amounted to Rs.3,939 Lakhs. Together with Sales tax and other taxes, the Company's contribution to the Public Exchequer was Rs.5,989 Lakhs.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company continues to take keen interest in conservation of energy and the information required under Section 217(1)(e) of the Companies Act, 1956 read with the relevant Rules, with regard to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure which forms part of this report.

**INDUSTRIAL RELATIONS**

Industrial relations continue to be cordial and harmonious at all Units. Employees at all levels, are extending their fullest co-operation for the various cost reduction measures of the Company.