



Ramco Industries Limited

ANNUAL REPORT 2011 - 2012



Our Chairman Shri P.R. Ramasubrahmaneya Rajha visiting Gangaikondan Plant.



Our Vice-Chairman and Managing Director Shri P.R. Venketrama Raja during "Bhoomi Pooja" on the inauguration of new Calcium Silicate Board Project at Kotputli, Rajasthan.



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.S. Ramachandra Raja, B.Sc.
Shri K.T. Ramachandran, B.E.
Shri N.K. Shrikantan Raja, B.Com.
Dr. A. Ramakrishna, B.E., M.Sc.
Shri R. S. Agarwal, B.Sc., B.E.

Bankers

Canara Bank
HDFC Bank Limited
DBS Bank Limited
IDBI Bank Limited
Indian Bank
Kotak Mahindra Bank Limited
State Bank of India
State Bank of Mauritius Limited
Tamilnad Mercantile Bank Limited
The Karur Vysya Bank Limited

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

Website : www.ramcoindltd.com
www.ramcohilux.com

Factories

I. Building Products Division

Arakkonam, Tamil Nadu
Bihiya, Bihar
Gangaikondan, Tamil Nadu
Karur, Karnataka
Kharagpur, West Bengal
Maksi, Madhya Pradesh
Sinugra, Gujarat
Silvassa, Union Territory of Dadra & Nagar Haveli
Vijayawada, Andhra Pradesh

II. Textile Division (Cotton Yarn)

Sri Ramco Spinners, **Rajapalayam**, Tamil Nadu

Subsidiary Companies

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

Auditors

M/s. M.S. Jagannathan & N. Krishnaswami
Chartered Accountants
Unit - 5, Ground Floor, Abirami Apartments,
No.14, V.O.C. Road, Cantonment,
TIRUCHIRAPALLI – 620 001, Tamil Nadu

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

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₹ in lakhs

FINANCIAL HIGHLIGHTS	2006-07	2007-08	2008-09	#2009-10	2010-11	2011-12
Earnings						
Sales & Other Income	38,011	40,268	47,069	54,297	57,788	71,593
Operating Profit	7,702	8,461	10,227	11,876	11,927	12,885
Cash Generation	6,108	6,512	7,701	9,754	9,858	10,624
Net Profit (PAT)	2,432	2,548	3,565	5,359	5,321	6,134
Assets Employed						
Net Fixed Assets	20,109	24,946	23,513	24,335	25,577	27,491
Investments	19,283	19,283	20,262	20,262	20,262	20,262
Other Net Assets net off other Liabilities	8,463	9,984	12,832	15,711	17,776	21,737
TOTAL	47,855	54,213	56,607	60,308	63,615	69,490
Financed By:						
A. Shareholders' Funds						
Share Capital	100	100	100	100	100	100
Bonus Shares	333	333	333	767	767	767
Reserves and Surplus	22,069	24,161	27,315	32,037	36,505	41,531
Deferred Tax	2,802	3,214	2,939	2,638	2,408	2,289
Total Shareholders' Funds (A)	25,304	27,808	30,687	35,542	39,780	44,687
B. Borrowed Funds						
Short Term and Long Term	22,551	26,405	25,920	24,766	23,835	24,803
Total Borrowings (B)	22,551	26,405	25,920	24,766	23,835	24,803
TOTAL (A) + (B)	47,855	54,213	56,607	60,308	63,615	69,490
Book Value per Share (₹)	510	558	631	36.95	42.10	47.90
Earnings Per Share (₹)	56	59	82	6.18	6.14	7.08
Dividend Per Share (₹)	15	15	15	0.85	0.90	1.10
Dividend Payout (₹ in Lakhs)	651	650	650	737	780	953
Dividend Payout Ratio %	27	25	18	14	15	16
Operating Profit Ratio %	20.26	21.01	21.73	21.87	20.64	18.00
Gross Fixed Assets per Share (₹)	724	900	938	51.04	52.86	66.74
Debt - Equity Ratio	1.00	1.07	0.93	0.75	0.64	0.59
Market Price of Share (₹)						
a. As on 31st March* (Close)	779	733	375	57.40	45.95	44.75
b. high**	1,900	1,740	925	73.30	83.35	46.00
c. low**	632	545	346	48.60	41.60	44.10
P/E Ratio as at 31st March [@]	13.87	12.46	4.55	9.29	7.49	6.32
Market Capitalisation [@] (₹ in lakhs)	33,755	31,762	16,249	49,744	39,822	38,782

* NSE Quotations.

** High & Low prices during the year ended 31st March at NSE.

@ Based on the market price as on 31st March at NSE.

From 2009-10, Figures relating to Shares are after Stock-Split (F.V. of each Share: ₹ 1/- w.e.f. 16-9-2009). and 1:1 Bonus Issue Figures have been regrouped for comparison purposes.

NOTICE TO THE MEMBERS

Notice is hereby given that the 47th Annual General Meeting of the Company will be held at 11.00 a.m. on Thursday, the 2nd August, 2012 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 2012 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 2011-12.
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 R.S. Agarwal, who retires by rotation and is eligible for re-appointment.
5. 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.3,50,000/- (Rupees Three Lakhs and fifty thousand only) each, exclusive of out-of-pocket expenses.”

Place: Chennai
Date : 24.05.2012

By Order of the Board
For RAMCO INDUSTRIES LIMITED
P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

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 28.07.2012 to 02.08.2012 (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 02.08.2012 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 28.07.2012.
- (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 the Dividends through National Electronic Clearing Service (NECS) to the Investors wherever NECS facility / Bank details are available. In the absence of NECS facilities, the Company will print the Bank Account details, if available, on the payment instrument for distribution of Dividend.
- (vi) 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 2004-05 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 Un-claimed Dividends 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	Due Date for transfer to IEP Fund
31.03.2005 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
31.03.2006 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
31.03.2007 I Interim Dividend II Interim Dividend Final Dividend	30.10.2006 30.01.2007 27.07.2007	29.10.2013 29.01.2014 26.07.2014	27.11.2013 27.02.2014 24.08.2014
31.03.2008 I Interim Dividend II Interim Dividend Final Dividend	23.10.2007 31.01.2008 11.08.2008	22.10.2014 30.01.2015 10.08.2015	20.11.2014 28.02.2015 08.09.2015
31.03.2009 I Interim Dividend II Interim Dividend Final Dividend	23.10.2008 29.01.2009 05.08.2009	22.10.2015 28.01.2016 04.08.2016	20.11.2015 26.02.2016 02.09.2016
31.03.2010 Interim Dividend Final Dividend	27.10.2009 02.08.2010	26.10.2016 01.08.2017	24.11.2016 30.08.2017
31.03.2011 Interim Dividend Final Dividend	25.10.2010 10.08.2011	24.10.2017 09.08.2019	24.11.2017 07.09.2018
31.03.2012 Interim Dividend	21.03.2012	20.03.2019	20.04.2019

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

1. Shri K.T. RAMACHANDRAN:

Shri K.T. Ramachandran, aged 74 years, is B.E. in Civil Engineering from Madras University. He was first appointed as a Director of the Company 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 the Share Transfer Committee of the Board of Directors of the Company. He holds 2,20,000 Shares of the Company in his name.

He is also a Director of M/s Thanjavur Spinning Mill Limited.

2. SHRI R.S. AGARWAL:

Shri R.S. Agarwal, aged 69 years, is a Science Graduate and B.E. in Chemical Engineering. He started his career in 1965 and after serving in various capacities with a leading Paper Mill in North India for 9 years and with Industrial Development Bank of India (IDBI) for 28 years retired as the Executive Director of IDBI. He has been a Director of the Company since 2008 extending valuable guidance.

Shri Agarwal is a Member in the Board of Directors of the following Companies :

1. Madras Cements Ltd.
2. Ramco Systems Ltd.
3. Surya Lakshmi Cotton Mills Ltd.
4. Surya Lata Spinning Mills Ltd.
5. GVK Jaipur Expressway Pvt. Ltd.
6. Elegant Marbles & Grani Industries Ltd.
7. Liberty Videocon General Insurance Company Ltd.
8. Videocon Industries Ltd.

Shri Agarwal is the Chairman of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company.

He holds 192 equity Shares of the Company in his name.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 47th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2012.

FINANCIAL RESULTS

	For the Year ended 31.03.2012 (` in Lakhs)	For the Year ended 31.03.2011 (` in Lakhs)
Operating Profit : Profit before Interest, Depreciation and Tax (PBIDT)	12,885	11,927
Less : Interest and Finance charges	2,415	2,068
Profit before Depreciation and Tax (PBDT)	10,470	9,859
Less : Depreciation	3,339	2,948
Add : Exceptional items	153	-
Profit before Tax (PBT)	7,284	6,911
Less: Provision for Taxation - Current	1,270	1,820
Deferred	(120)	(230)
Profit after Tax (PAT)	6,134	5,321
Add : Balance Profit from last year	867	654
Surplus for Appropriation	<u>7,001</u>	<u>5,975</u>
Transfer to General Reserve	4,900	4,200
Interim Dividend - ` 0.90 per Equity Share (P.Y: ` 0.50 per Equity Share of ` 1/- each)	779	433
Final Dividend- ` 0.20 per Equity Share (P.Y: ` 0.40 per Equity Share of ` 1/- each)	173	347
Tax on Dividend	155	128
Balance carried over to Balance Sheet	994	867
TOTAL	<u>7,001</u>	<u>5,975</u>

DIVIDEND

Your Directors have pleasure in recommending a Final Dividend of ` 0.20 per Equity Share of ` 1/- each. Together with the Interim Dividend of ` 0.90 per Equity Share of ` 1/- each paid during the year, the total Dividend for the year 2011-12 is ` 1.10 per Equity Share of ` 1/- each. (During the Previous Year 2010-11, an Interim Dividend of ` 0.50 and a Final Dividend of ` 0.40 per Equity Share of ` 1/- each were paid making a total Dividend of ` 0.90 per Equity Share).

TAXATION

An amount of ` 1,270 Lakhs towards Current year Income-Tax and ` 155 Lakhs towards Dividend Tax have been provided for the year 2011-12. In respect of Deferred Tax, an amount of ` 120 Lakhs has been adjusted against liability.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Review of Operations and Current Trends

A. BUILDING PRODUCTS DIVISION

PRODUCT	PRODUCTION Qty. in M.T.		SALES Qty. in M.T.		TURNOVER ` in Lakhs	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Fibre Cement Sheets	5,65,026	4,76,699	5,50,026	4,80,333	49,270	38,185
Calcium Silicate Boards	13,375	13,027	14,603	14,382	3,001	3,184

(a) Fibre Cement (FC) Sheets :

During the year under review, the Production of Fibre Cement Sheets (FC Sheets) increased by 88,327 M.T. registering a growth of 19% over the corresponding previous year. The Sales of FC Sheets increased by 69,693 M.T. recording a growth of 15% over the corresponding previous year. The Turnover was higher at ` 49,270 lakhs during the Financial Year under review as against ` 38,185 lakhs in the corresponding previous year. The New Unit at Bihiya commenced Commercial Production during the year. This addition along with improved output from the other plants contributed to the increase.

(b) Calcium Silicate Boards (CSBs):

During 2011-12, quantitative Production and Sale of CSBs were higher when compared to the previous year as indicated above. The Turnover for the year was at ` 3,001 Lakhs as against ` 3,184 Lakhs during the previous year. Work is under way for setting up of a State-of-the-Art Project for manufacture of Calcium Silicate Boards with an annual capacity of 48,000 M.T. at Kotputli, Rajasthan.

(c) Cement Clinker Grinding (CCG) Plant at Kharagpur, W.B:

The Unit recorded continuous improvement in its performance during the year under review. The Plant had produced 1,30,152 M.T of Cement during the year under review as against 1,15,727 M.T of Cement during the previous year, registering 12% growth.

Similarly, Sale of Cement also increased from 1,15,355 M.T during the last year to 1,30,038 M.T during 2011-12. Profitability of this Unit had also improved during the year ended 31.03.2012.

(d) Fibre Cement Pressure Pipes:

Operations of Pressure Pipes continued to be under pressure owing to the slow down in infrastructural activities during the year under review. Accordingly, the minimum Licence fee receivable from the Licencee during the Current year is Rs.100 lakhs.

B. WIND MILLS :

During the Financial Year 2011-12, no new Wind Mill was commissioned and hence the total number of Wind Mills stands at the same 14.

Position regarding Wind Mills was as follows :

Total Capacity Installed	:	16.40 MW
Total Units generated	:	302 Lakh Units (P.Y: 326 Lakh Units)
Income earned (by generation/sale of power)	:	` 1,224 Lakhs (P.Y: ` 1,185 Lakhs)

Units generated were lower during the year under review due to reduction in Grid availability.

C. COTTON YARN DIVISION-SRI RAMCO SPINNERS:

Production and Sales :

During the year 2011-12, the Unit had produced 24.65 Lakh Kgs. of Cotton Yarn as compared to 31.12 Lakh Kgs. produced during the previous year. The Unit had registered its sale of Yarn at 24.98 Lakh Kgs during the year under review as against 30.33 Lakh Kgs. during 2010-11.

The cotton prices have gone up too steeply during the season 2010-11. The Mills were forced to buy good quality cotton at abnormally higher prices during that season which was consumed during the financial year 2011-12. The mounting pressure of inventory with Indian Mills and their eagerness to get rid of their inventory before the arrival of new cotton, virtually pushed the global yarn prices down by more than 30 per cent within a month.

The power cut in Tamil Nadu has worsened during the year and severe power cut measures were announced and the power availability was only 25% from March 2012 and is still continuing. The mismatch between increased demand for electricity and shortage in the supply has affected the capacity utilization of Mills in Tamil Nadu. Timely decision taken by your Directors to install Windmills in previous years and purchase of power from Third Party have helped the Company to tide over the power crisis. Still to meet the full requirements, the Company has to use Diesel Generator sets resulting in higher costs.

The cumulative effect of the above factors have adversely affected the performance of the Textile division of the Company.

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

Performance of the Company's Wholly Owned Sri Lankan Subsidiary during the year under review, recorded substantial improvements in terms of Production, Sales, Turnover and also Profitability. The production at the FC Sheet Plant of the Subsidiary, was 1,11,888 M.T. during the year ended 31.03.2012 as against 1,06,801 M.T. during the corresponding previous year. The Subsidiary sold 1,13,842 M.T. during 2011-12 as compared to 1,08,609 M.T. during 2010-11. The Net Sales were SLR 32,839 lakhs (` 13,990 lakhs) as against SLR.25,492 Lakhs (` 10,365 Lakhs) during the corresponding previous year.

Your Directors have pleasure to inform that the Company's step-down Subsidiary viz. M/s. Sri Ramco Roofings Lanka (Private) Limited (SRRLPL) incorporated for manufacture of Fibre Cement Products at Pallegodowatta Industrial Estate, Mathugama in the District of Kalutara in Sri Lanka, with an annual capacity of 1,20,000 M.T. commenced Commercial Operations on 30th March, 2012. This Company will enjoy tax and other benefits from the Government of Sri Lanka.

E. TAXES AND DUTIES:

During the year under review, Central Excise Duties paid on the Company's products amounted to ` 6,041.43 Lakhs. Together with VAT and CST amounting to ` 7,440.87 Lakhs, the Company's total contribution to the Public Exchequer was ` 13,482.30 Lakhs say ` 135 Crores.

F. 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.

G. INDUSTRIAL RELATIONS:

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

H. PARTICULARS OF EMPLOYEES:

In terms of provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and particulars of Employees are set out in the Annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Any Member interested in obtaining such particulars may write to the Corporate Office of the Company.

I. RESEARCH AND DEVELOPMENT EFFORTS:

During the year under review, the Company continued its Research & Development efforts in respect of conventional and non-conventional Fibres and in production technology for manufacture of Fibre Cement Sheets/Calcium Silicate Boards.

J. INTERNAL CONTROL SYSTEM:

Your Company has adequate internal control procedures commensurate with the size and nature of its operations. The Audit Committee constituted by the Board of Directors is functioning effectively. All significant audit observations were discussed in the Audit Committee, which met five times during the year under review. ERP System developed by Ramco Systems Ltd., has been installed for online monitoring of all functions and management information reports are being used to have better control and to take decisions in time.

K. DIRECTORS:

Since the last AGM held on 10.08.2011, there had been no change in the composition of the Board of Directors. In accordance with the provisions of the Companies Act, 1956 / Articles of Association, Shri K.T. Ramachandran and Shri R.S. Agarwal are the Directors who will be retiring by rotation and are eligible for re-election.

L. PUBLIC DEPOSITS:

The Total Deposits from the general public outstanding with the Company as on 31st March 2012 were ` 14.69 Lakhs including the deposits renewed in accordance with Section 58A of the Companies Act, 1956.

M. SHARES:

The Annual Listing Fees have been paid to the three Stock Exchanges for the F.Y 2012-13.