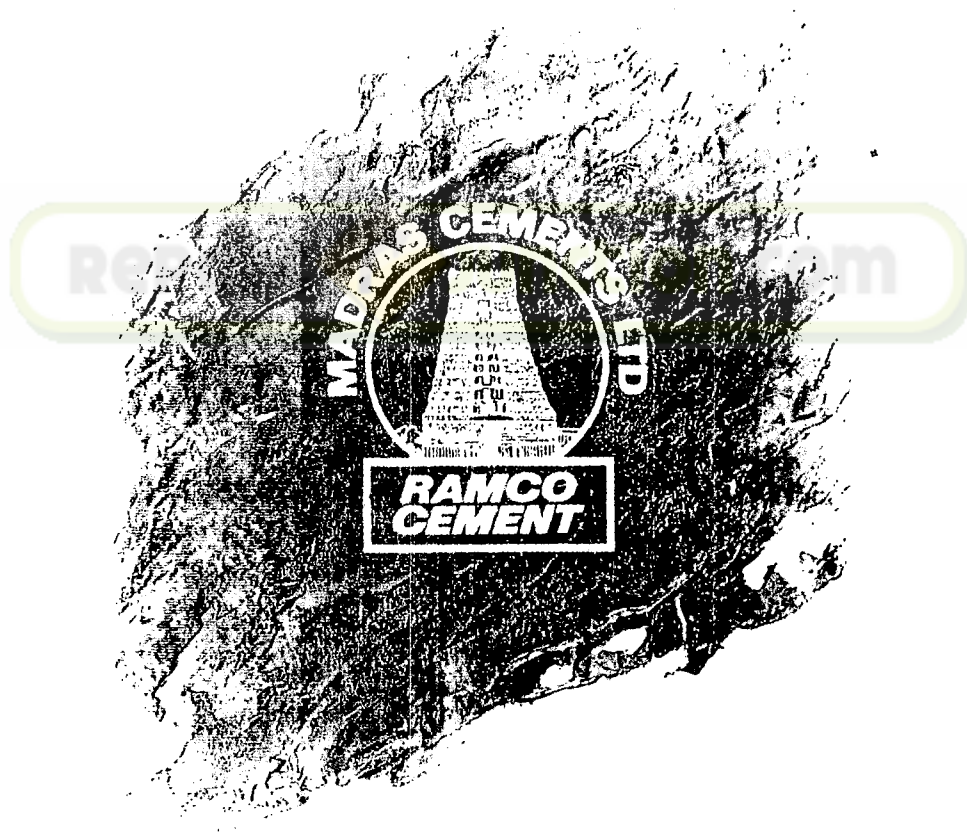


Madras Cements Ltd.

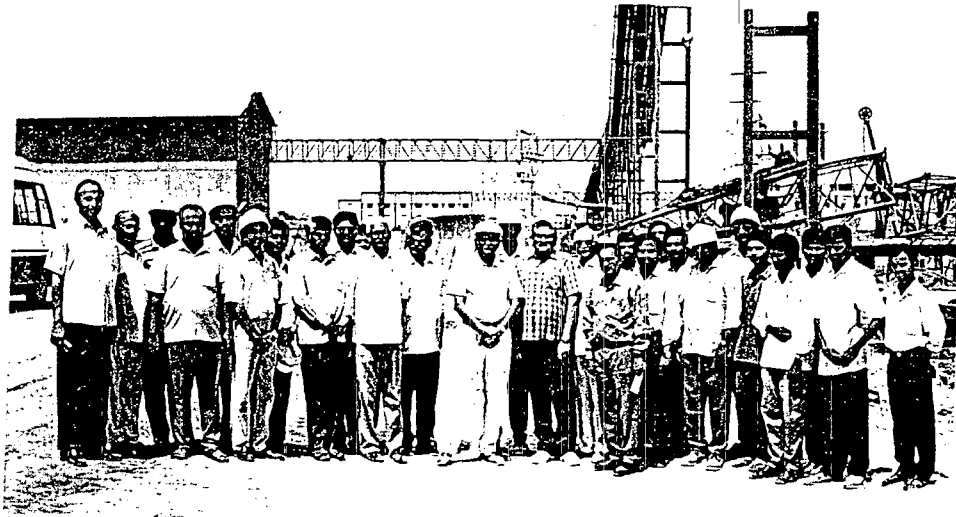
Annual Report

1996-97

MD	<input checked="" type="checkbox"/>	BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>	DPY	<input checked="" type="checkbox"/>
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TR	<input checked="" type="checkbox"/>	AC	<input checked="" type="checkbox"/>
ACM	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



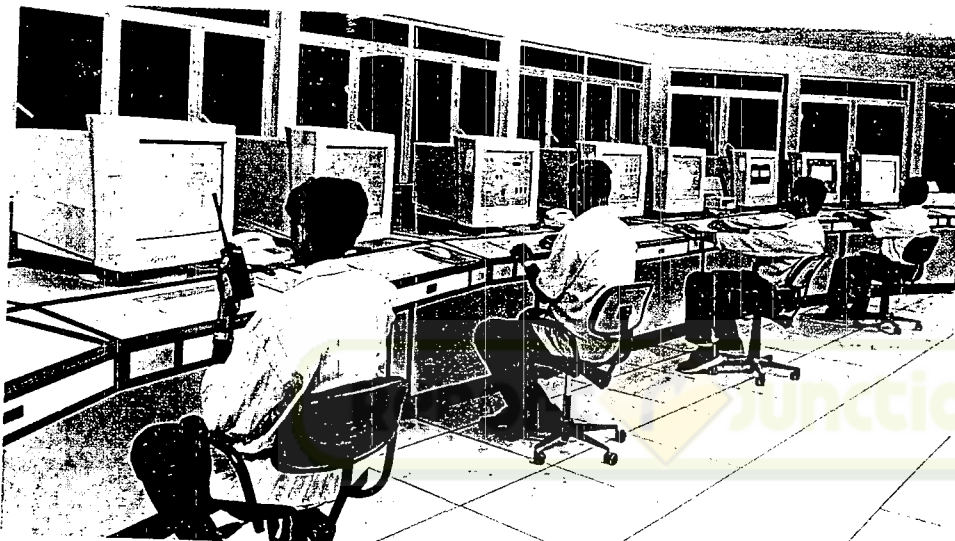
New Alathiyur Cement Plant



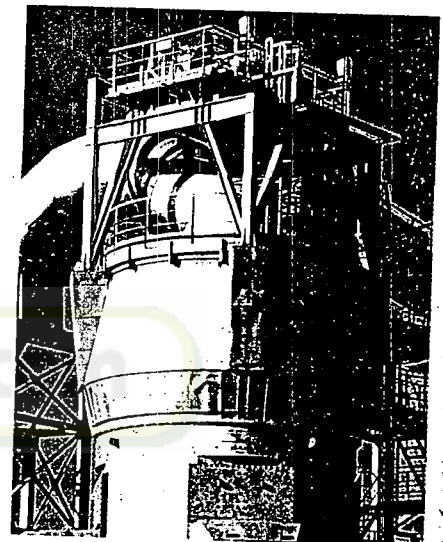
Chairman at Alathiyur during Construction.



Kumbabishegam of Sri Maha Ganapathy Temple at Alathiyur.



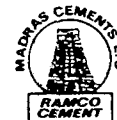
Central Control Room.



Energy Efficient Vertical Roller Mill for Cement grinding.



A view of the Plant at night.



Board of Directors

Shri P.R. RAMASUBRAHMANEYA RAJHA, B.Sc.,
Chairman & Managing Director

Shri M. KUTRALINGAM, I.A.S.,
Nominee of Government of Tamil Nadu

Shri M.G. BALASUBRAMANIAN, I.A.S.(Retd.)
Nominee of SIPCOT

Shri B.P. MISHRA
Nominee of IFCI

Ms. VIMALA VISVANATHAN
Nominee of UTI

Shri R. RAMALINGAM
Nominee of GIC

Dr. T.S. SETHURATHNAM
Nominee of IREDA

Dr.V. GAURI SHANKER, LLB., M.Phil., Ph.D.,

Shri R.K. CHARI, L.E.E., A.I.C.W.A.,

Shri P.R. VENKETRAMA RAJA, B.Tech.,(Chem.)

Shri K.E.S. ELLAPPAN

Shri T.K. THIRUMALAIAPPA MUDALIAR

Shri O.RM.M.SP.SV.AN. ANNAMALAI CHETTIAR

Auditors

M/s. Ramakrishna Raja and Co.,
Chartered Accountants,
252, Goods Shed Street,
MADURAI 625 001.

Registered Office

'RAMAMANDIRAM'
RAJAPALAYAM 626 117.

Corporate Office

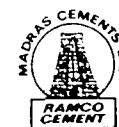
98-A, Dr. Radhakrishnan Salai,
Mylapore,
CHENNAI 600 004.

Bankers

State Bank of India
Indian Bank
ANZ Grindlays Bank, plc
State Bank of Bikaner & Jaipur
State Bank of Hyderabad

Factories

1. RAMASAMYRAJA NAGAR - 626 204
Kamarajar District, Tamil Nadu
2. JAYANTHIPURAM 521 175
Krishna District, Andhra Pradesh
3. ALATHIYUR 621709
Silupanur P.O., Perambalur Thiruvalluvar Dist.,
Tamil Nadu



5 YEARS' HIGHLIGHTS

(Rs. in lakhs)

	1992-93	1993-94	1994-95	1995-96	1996-97
Sales & Earnings :					
Sales & Other Income	20218.29	24072.22	29891.54	39209.13	41969.02
Operating Profit (PBIDT)	4618.51	5504.75	9245.80	13681.23	13975.64
Cash generation for the year	3091.39	3731.86	7215.49	11553.68	10820.22

Assets & Liabilities :

Assets :

Fixed Assets, Net	12962.14	13780.94	22009.85	34021.17	61523.57
Investments	30.29	67.64	87.90	116.73	1959.34
Current Assets, Net	3686.58	3571.38	4426.91	6982.90	7473.66
	<u>16679.01</u>	<u>17419.96</u>	<u>26524.66</u>	<u>41120.80</u>	<u>70956.57</u>

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Represented by :

Share Capital	664.44	664.50	1196.62	1197.97	1198.00
Reserves & Surplus	6633.21	8379.06	12585.42	20734.04	27706.63
Borrowings	9381.36	8376.40	12742.62	19188.79	42051.94
	<u>16679.01</u>	<u>17419.96</u>	<u>26524.66</u>	<u>41120.80</u>	<u>70956.57</u>

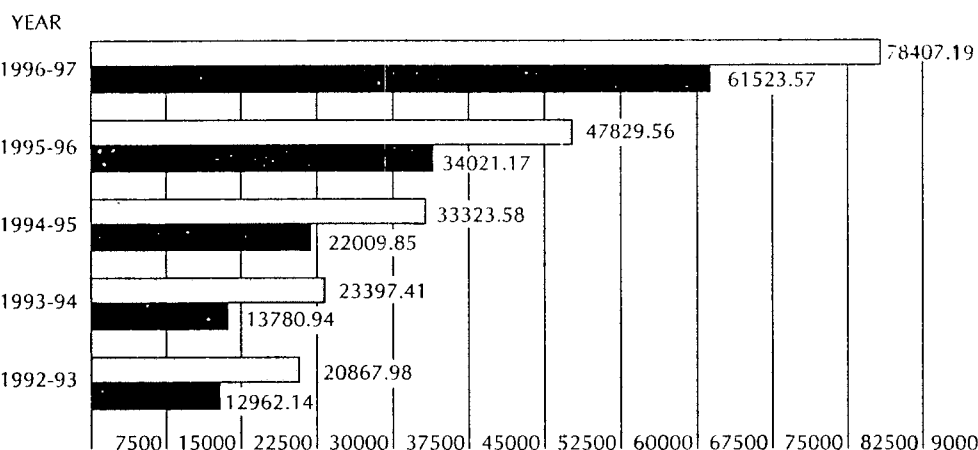
Ratios :

Earnings per Equity Share (Rs.)	302.82	332.58	439.34	751.52	638.28
Net Worth per Share (Rs.)	1196.80	1485.50	1139.48	1813.31	2389.80
Debt-Equity Ratio (on long term borrowings)	1.09 : 1	0.67 : 1	0.63:1	0.70:1	1.14:1
Current Ratio	2.12 : 1	1.95 : 1	1.89:1	2.09:1	1.98:1

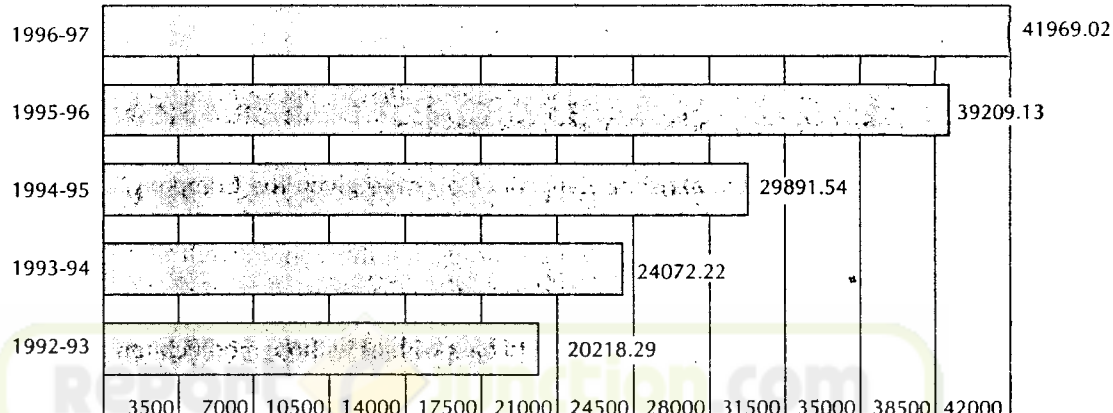


GROSS BLOCK & NET BLOCK

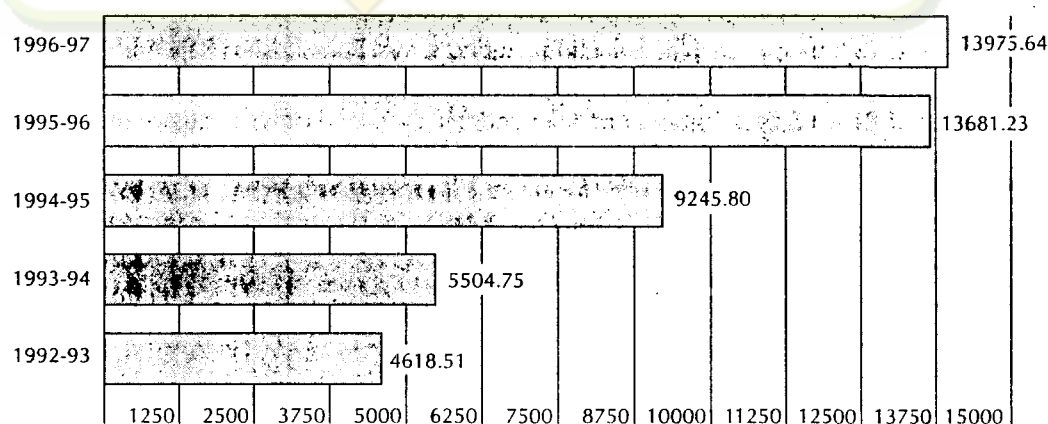
GROSS BLOCK
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SALES & OTHER INCOME

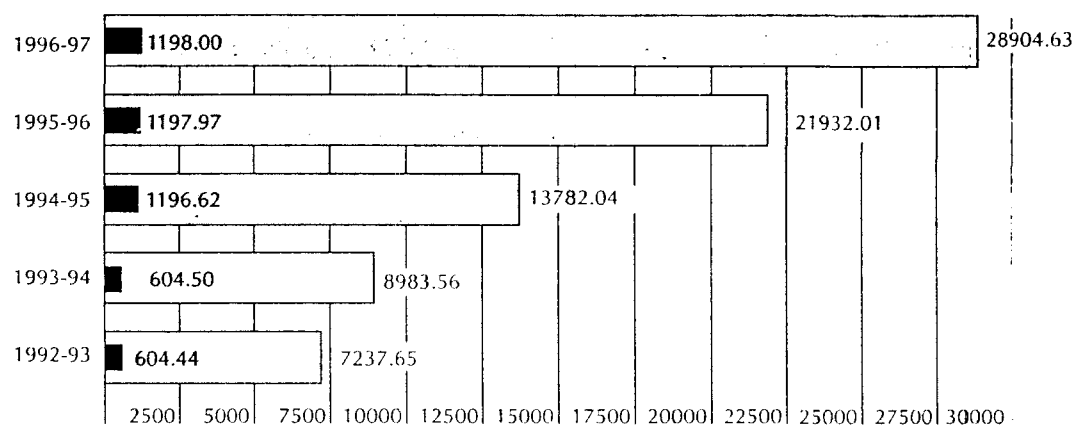


OPERATING PROFIT (PBITD)



CAPITAL & NET WORTH

NET WORTH
CAPITAL





NOTICE TO THE MEMBERS

Notice is hereby given that the 39th Annual General Meeting of the Company will be held at 11.00 A.M. on Thursday, the 4th September, 1997 at Sri P.A.C.R. Centenary Community Hall, Sudharsan Gardens, Sri 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 1997 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 1996-97
3. To appoint a Director in the place of Sri R.K. Chari, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Sri. P.R. Venketrama Raja, who retires by rotation and is eligible for reappointment.
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.

The retiring Auditors, M/s. Ramakrishna Raja And Co., have given the Company, a Notice in writing of their unwillingness to be reappointed. A special notice in terms of Section 190 of the Companies Act, 1956 has been received under Section 225(1) from a Member proposing the appointment of M/s. M.S. Jagannathan & N. Krishnaswami, Chartered Accountants, as Auditors of the Company in their place. *

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

"RESOLVED that M/s. M.S. Jagannathan & N. Krishnaswami Chartered Accountants, be and are hereby appointed as Auditors of the Company in the place of retiring Auditors, M/s. Ramakrishna Raja And Co., Chartered Accountants, to hold Office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs. 1,05,000 (Rupees one lakh and five thousand only) exclusive of out-of-pocket expenses."

Place : Chennai 600 004

Date : 23rd June, 1997

By Order of the Board,
for MADRAS CEMENTS LTD.,
P.R. RAMASUBRAHMANEYA RAJHA
Chairman & Managing Director

NOTES :

- (i) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No. 5 of the Notice is annexed hereto;
- (ii) 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;
- (iii) 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;



- (iv) The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, the 20th August, 1997 to Thursday, the 4th September, 1997 (both days inclusive). The Dividend as recommended by the Directors, if declared by Members at the Annual General Meeting will be paid to those Members whose names are borne on the Register of Members on 4th September, 1997.
- (v) The Company has already transferred all dividends (both Equity and Preference Shares) which remained unpaid/unclaimed for over three years to the General Revenue Account of the Central Government under the provisions of Sub-Section 205-A of the Companies Act, 1956. Any member claiming any such dividend so transferred may apply to the Registrar of Companies, Tamilnadu, Chennai in the prescribed form in duplicate, a specimen of which may be obtained from the Company's Corporate Office, if desired.

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

Item No. 5

Under Section 224-A of the Companies Act, 1956, a Special Resolution is necessary for appointment of Auditors of the Company, since more than 25% of the subscribed capital of the Company is held by Financial Institutions, State Government, Nationalised Banks and Insurance Companies.

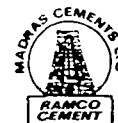
Your Directors recommend the resolution for your approval.

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

Place : Chennai 600 004

Date : 23rd June, 1997

By Order of the Board,
for MADRAS CEMENTS LTD.,
P.R. RAMASUBRAHMANEYA RAJHA
Chairman & Managing Director



DIRECTORS' REPORT

Your Directors have pleasure in presenting their 39th Annual Report and the Audited Accounts of the Company for the year ended 31st March 1997.

FINANCIAL RESULTS:

	Current year ended 31-3-1997 (Rs. in lacs)	Previous year ended 31-3-1996 (Rs. in lacs)
Operating Profit: Profit before interest, depreciation and tax (PBIDT)	13975.64	13681.23
Less: Interest	3101.31	1938.68
Profit before depreciation and Tax (PBDT)	10874.33	11742.55
Less: Depreciation	3100.27	2497.65
Profit before Tax	7774.06	9244.90
Less: Provision for Tax	—	155.25
Profit after Tax	7774.06	9089.65
Add: Balance Profit from last year	344.57	294.61
	8118.63	9384.26
Less: i) Donations	54.11	33.62
ii) Items relating to earlier years	15.58	240.84
Surplus for Appropriation	8048.94	9109.80

Your Directors propose to appropriate the surplus as under:-

	Current Year (Rs. in lacs)	Previous Year (Rs. in lacs)
1. Transfer to Debenture Redemption Reserve	450.00	—
2. Transfer to General Reserve	6000.00	8100.00
3. Provision to pay Dividend on 12,09,500 Equity shares of Rs. 100/- each @ 55%, subject to the approval of Financial Institutions/Banks, for 1996-97	665.23	665.23
4. Tax on proposed Dividend	66.52	—
Balance carried over to Balance Sheet	867.19	344.57
TOTAL	8048.94	9109.80



DIVIDEND

Your Directors have pleasure in recommending a Dividend of 55% on the Equity Capital subject to the approval of the Financial Institutions and Banks.

TAXATION

The tax liability for the current year is only under Minimum Alternate Tax (MAT) of Rs. 10.03 crores. The taxable income being NIL, in view of the various claims and allowances on account of Alathiyur project, the MAT paid is treated as Advance Tax. The same will be charged to Profit and Loss Account in the year in which any tax liability arises.

PRODUCTION & DESPATCHES:

	1996-97 (‘000 tonnes)	1995-96 (‘000 tonnes)
Ramasamyraja Nagar (TN) Factory		
Clinker produced	625	631
Cement produced	799	820
Cement sold:		
Domestic	798	819
Clinker Sales	—	15
Jayanthipuram (AP) Factory		
Clinker produced	905	885
Cement produced	1013	1009
Cement sold:		
Domestic	1000	981
Exports	10	7
Clinker Sales	—	2
Alathiyur (TN) Factory:		
Clinker produced	2	—

SALES & PROFITABILITY

The turnover net of Central Excise and Sales Tax increased to Rs. 404.07 Crores from Rs. 379.46 Crores of the previous year. In spite of increase in power tariff and Railway freight, the operating profit before interest, depreciation and tax has marginally improved to Rs. 139.76 Crores from Rs. 136.81 Crores of the previous year. The operating profit would have been higher but for drop in selling prices and slackness in demand in Andhra Pradesh during the second half of the year due to unprecedented floods etc. Furthermore, due to dislocation in railway tracks, the cement to southern states had to be transported through circuitous routes entailing additional freight costs.

Income from Wind Mills was also not as good as expected due to low wind velocity throughout the year.

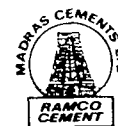
The interest and depreciation charges have been substantially higher than the previous year mainly due to the new Cement Project. This has resulted in the drop in net profits from Rs. 90.90 Crores to Rs. 77.74 Crores of the previous year.

POWER

There was power cut throughout the year in Andhra Pradesh. The power cut ranged from 20% to 35% on maximum demand and 20% to 40% on energy. However this did not significantly affect our production since we had stand-by D.G. Sets.

There was no power cut as such in Tamil Nadu. There were however, voltage fluctuations and unscheduled power trippings. We, however, were able to maintain the production at R.R.Nagar with the stand-by D.G. Sets.

At our Alathiyur Unit also we have installed D.G. Sets for a total capacity of 12MW to ensure production during power-cut periods.



EXPORTS:

The company made direct export of 10,010 tonnes of Cement to Myanmar and earned a Foreign Exchange of US \$ 4,50,436 (Rs.1.61 Crores) as against 7052 tonnes for US \$ 4,19,722 (Rs.1.44 Crores) in the previous Year.

AWARDS:

The company's R.R.Nager and Jayanthipuram Units continued to secure many Awards in Mines Safety, Afforestation, Accident-free performance and in Quality Circle.

ALATHIYUR UNIT:

We are happy to report that inspite of incessant rains and heavy floods in the northern part of Tamil Nadu which caused serious dislocation for a period of two months, we were able to commission the plant upto clinkerisation in March '97 and later the cement grinding in May '97. We have introduced in this plant some of the world's most modern technologies like energy efficient Vertical Roller Mill for cement grinding, which is the first of its kind in South East Asia, Surface Miners for mining, Cross Belt Analyser for Quality Control, Bag Filters for very effective pollution control. We must record our appreciation of the commitment and hard work put in by our project team to commission the plant successfully against heavy odds. We have started marketing the Cement from this plant from June 1997.

READY MIX CONCRETE PLANT:

The Company is establishing a pilot Ready Mix Concrete Plant of 56 cu.mt./hour capacity in the outskirts of Chennai at a cost of Rs.5 Crores. The Plant is expected to be commissioned by November '97.

CURRENT WORKING PROSPECTS FOR 1997-98:

PRODUCTION:

While we will be able to sustain the output levels of the existing two Units during the current year, we will also have the benefit of Alathiyur production. All the three Units have adequate number of Diesel Generator Sets.

CEMENT DEMAND:

With the accent on infrastructure development and on Housing, it is expected that the demand will maintain its annual growth of around 9 to 10%. Although there could be regional imbalances, we do not anticipate any major difficulty in marketing the increased output.

COST:

With the increases in Railway freight, Coal prices, Power tariff and with the cascading effect of ensuing petroleum price increase, the cost of production and distribution is bound to go up. With the Alathiyur factory commencing production, there may be scope for rationalisation of freights.

INDUSTRIAL RELATIONS:

Industrial relations in both the units continue to be cordial and healthy. Employees at all levels are extending their full support and are actively participating in the various programmes for energy conservation and cost reduction. There is a special thrust on Human Resources development with a view to promoting creative and group effort.

Although the company, the focus is on customer driven organisation. The Quality Circle movement has taken deep roots and we must record our appreciation of employees at all levels for their enthusiasm and active participation.

DIRECTORS:

Government of Tamil Nadu appointed Sri M. Kutralingam, I.A.S., Director of Industries & Commerce, Chennai as their Nominee Director on the Company's Board with effect from 19-7-96 in the place of Shri B.K.Prasad, I.A.S.

Unit Trust of India (UTI) appointed Ms. Vimala Visvanathan, Mumbai as their Nominee on the company's Board with effect from 16-8-96 in the place of Shri D.S.R. Murthy, Chief General Manager, Unit Trust of India, Mumbai.