

Madras Cements Ltd.

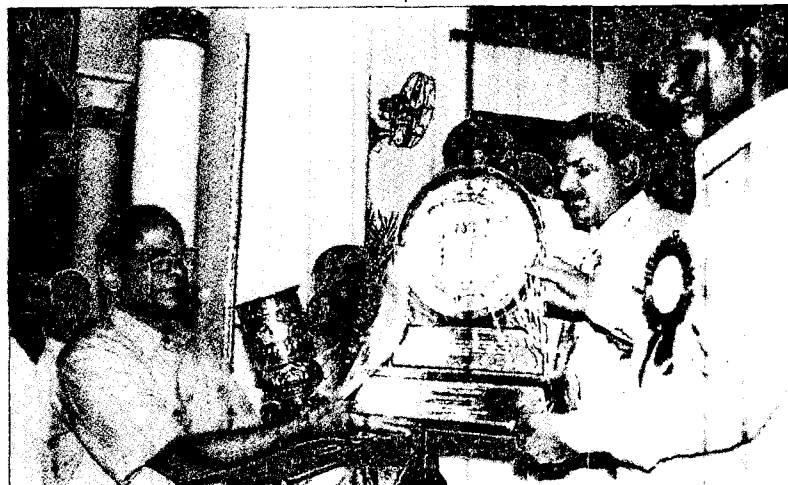
Annual Report

1997-98

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



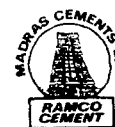
Jayanthipuram Unit receiving Award for the Best Welfare from the Hon'ble Chief Minister of Andhra Pradesh, Shri N. Chandrababu Naidu.



Our Chairman and Directors participating in the Tree Plantation Programme at Alathiyur.

R R Nagar Unit receiving State Safety Award from Hon. Minister for Labour Thiru Rahuman Khan.





Board of Directors

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

Shri N. MURUGAN, I.A.S.,
Nominee of Government of Tamil Nadu

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

Shri P.K. SENGUPTA
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, LL.B., 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 T.K. THIRUMALAIAPPA MUDALIAR,

Shri O.R.M.SP.SV.AN. ANNAMALAI CHETTIAR,

Auditors

M/s. M.S. Jagannathan & N. Krishnaswami
Chartered Accountants,
12, Dr. Swaminatha Sastri Road
Tennur
Tiruchirapalli - 620 017

Registered Office

'RAMAMANDIRAM'
RAJAPALAYAM 626 117.

Corporate Office

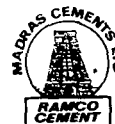
98-A, Dr. Radhakrishnan Salai,
Mylapore,
CHENNAI 600 004.

Bankers

State Bank of India
Indian Bank
ANZ Grindlays Bank Ltd.
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
Canara Bank

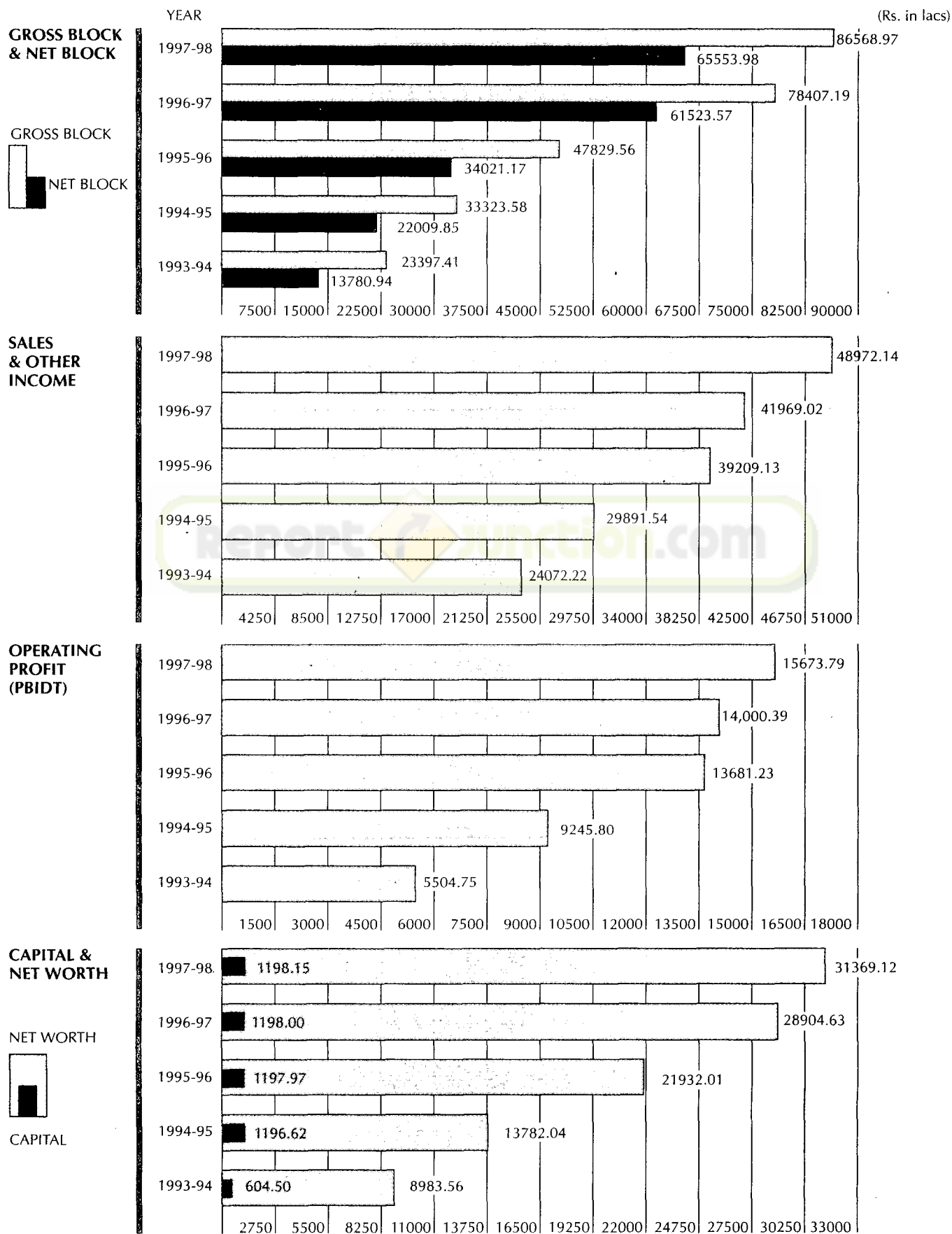
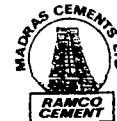
Factories

1. RAMASAMYRAJA NAGAR 626 204
Virudhunagar District, Tamil Nadu
2. JAYANTHIPURAM 521 175
Krishna District, Andhra Pradesh
3. ALATHIYUR
CEMENT NAGAR - 621 730
Perambalur District, Tamil Nadu



5 YEARS' HIGHLIGHTS

	1993-94	1994-95	1995-96	1996-97	(Rs. in lacs) 1997-98
Sales & Earnings :					
Sales & Other Income	24072.22	29891.54	39209.13	41969.02	48972.14
Operating Profit (PBIDT)	5504.75	9245.80	13681.23	14000.39	15673.79
Cash generation for the year	3731.86	7215.49	11553.68	10820.22	7841.31
Assets & Liabilities :					
Assets :					
Fixed Assets, Net	13780.94	22009.85	34021.17	61523.57	65553.98
Investments	67.64	87.90	116.73	1959.34	1927.34
Current Assets, Net	3571.38	4426.91	6982.90	7473.66	12911.44
	<u>17419.96</u>	<u>26524.66</u>	<u>41120.80</u>	<u>70956.57</u>	<u>80392.76</u>
Represented by :					
Share Capital	664.50	1196.62	1197.97	1198.00	1198.15
Reserves & Surplus	8379.06	12585.42	20734.04	27706.63	30170.97
Borrowings	8376.40	12742.62	19188.79	42051.94	49023.64
	<u>17419.96</u>	<u>26524.66</u>	<u>41120.80</u>	<u>70956.57</u>	<u>80392.76</u>
Ratios :					
Earnings per Equity Share (Rs.)	332.58	439.34	751.52	638.28	269.18
Net Worth per Share (Rs.)	1485.50	1139.48	1813.31	2389.80	2593.56
Debt-Equity Ratio (on long term borrowings)	0.67 : 1	0.63:1	0.70:1	1.14:1	1.13:1
Current Ratio	1.95 : 1	1.89:1	2.09:1	1.98:1	2.53:1





NOTICE TO THE MEMBERS

Notice is hereby given that the 40th Annual General Meeting of the Company will be held at 11.30 A.M. on Thursday, the 3rd September, 1998 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 1998 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 1997-98.
3. To appoint a Director in the place of Dr. V.Gauri Shanker, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Sri T.K.Thirumalaiappa Mudaliar, 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. M.S.Jagannathan & N.Krishnaswami, Chartered Accountants are eligible for reappointment. In this connection to consider and, if thought fit to pass with or without modification the following Resolution as Special Resolution:

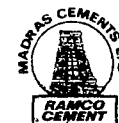
"RESOLVED that M/s. M.S.Jagannathan & N.Krishnaswami, Chartered Accountants, who retire at the end of this Annual General Meeting be and are hereby appointed as Auditors of the Company to hold Office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs.1,25,000/- (Rupees One lac twenty five thousand only) exclusive of out-of-pocket expenses."

Place : Chennai 600 004
Date : 22nd June, 1998

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 19th August, 1998 to Thursday, the 3rd September, 1998 (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 3rd September, 1998.



- (v) The Company has already transferred all dividends 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, Tamil Nadu, Chennai in the prescribed form in duplicate, a specimen of which may be obtained from the Company's Corporate Office, if desired.

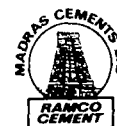
EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:-

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.

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

Place : Chennai 600 004
Date : 22nd June, 1998



DIRECTORS' REPORT

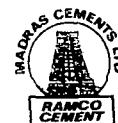
Your Directors have pleasure in presenting their 40th Annual Report and the Audited Accounts of the Company for the year ended 31st March 1998.

FINANCIAL RESULTS:

	Current year ended 31-3-1998 (Rs. in lacs)	Previous year ended 31-3-1997 (Rs. in lacs)
Operating Profit: Profit before interest, depreciation and tax (PBIDT)	15673.79	14000.39
Less: Interest and Finance charges	7777.67	3126.06
Profit before depreciation and Tax (PBDT)	7896.12	10874.33
Less: Depreciation	4198.89	3100.27
Profit before tax	3697.23	7774.06
Less: Provision for tax	386.69	—
Profit after tax	3310.54	7774.06
Add: Balance Profit from last year	867.19	344.57
	4177.73	8118.63
Less: i) Donations	54.81	54.11
ii) Items relating to earlier years (net)	59.48	15.58
Surplus for Appropriation	4063.44	8048.94

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	1575.00	450.00
2. Transfer to General Reserve	1000.00	6000.00
3. Provision to pay Dividend: On 12,09,500 Equity shares of Rs.100/- each @ 55% subject to the approval of Financial Institutions /Banks	665.23	665.23
4. Tax on proposed Dividend	66.52	66.52
Balance carried over to Balance Sheet	756.69	867.19
TOTAL	4063.44	8048.94

**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 taxable income is NIL, in view of the various claims and allowances on account of Alathiyur project. The tax liability of Rs.3.87 Crores is only under Minimum Alternate Tax (MAT) which is provided.

PRODUCTION & DESPATCHES

	1997-98 (‘000 tonnes)	1996-97 (‘000 tonnes)
Ramasamyraja Nagar (TN) Factory:		
Clinker produced	653	625
Cement produced	865	799
Cement sold:		
Domestic	835	798
Exports	14	—
Jayanthipuram (AP) Factory:		
Clinker produced	819	905
Cement produced	955	1013
Cement sold:		
Domestic	944	1000
Exports	—	10
Alathiyur (TN) Factory:		
Clinker produced	565	2
Cement produced	485	—
Cement sold	446	—

While we were able to improve the output at R.R.Nagar, the production at Jayanthipuram Unit was affected due to breakdown of Raw Mill in August '97 resulting in loss of production for about 4 weeks.

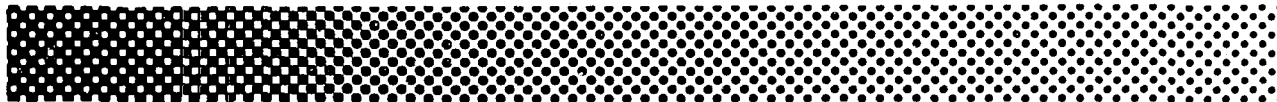
The new Unit at Alathiyur was commissioned in March '97 with clinkerisation and Cement grinding in May '97. We have introduced in this plant some of the world's most modern technologies like energy efficient Vertical Roller Mill for cement grinding, which is the first of its kind in South East Asia, Surface Miners for mining, Cross Belt Analyser for Quality Control and Bag Filters for very effective pollution control.

During the first year itself, the Unit has achieved 75% capacity utilisation. The Cement produced at the Unit has been accepted well in the market.

SALES & PROFITABILITY:

The turnover net of Central Excise and Sales Tax increased to Rs.475.28 Crores from Rs.404.07 Crores of the previous year. Inspite of increase in power tariff and Railway freight, the operating profit before interest, depreciation and tax has improved to Rs.156.74 Crores from Rs.140.00 Crores of the previous year, due to contribution from the new Alathiyur Unit. The operating profit would have been higher but for the steep drop in selling prices in the last quarter of the year.

The interest and depreciation charges have been substantially higher than the previous year due to the investment in Cement Plant at Alathiyur. This has resulted in the drop in net profits from Rs.77.74 Crores of the previous year to Rs.33.10 Crores.

**POWER:**

Throughout the year 1997-98, there was no power cut in Tamil Nadu. During February/March '98, the quality of power was bad. However, the production was maintained with the use of D.G. Sets.

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 affect our production since we had stand-by D.G. Sets to meet the full requirement of power.

EXPORTS:

The Company made direct export of 14360 tonnes of Cement to Maldives and earned a Foreign Exchange of US \$ 7,29,732 (Rs.2.75 Crores) as against 10,010 tonnes for US \$ 4,50,436 (Rs.1.61 Crores) in the previous year.

AWARDS:

The Company continued to secure many Awards in Mines Safety, Environment & Mineral Conservation, Injury Rate Performance, Best Workers' Welfare (including Family Planning) and in Quality Circle.

READY MIX CONCRETE PLANT:

A site has been identified at the outskirts of Chennai for putting up the Ready Mix Concrete Plant. Licence has been obtained for the same. We have started the preliminary works for erection of the Plant and it is expected to be commissioned by September 1998.

Recognising the growing importance for Ready Mix Concrete, Government of India have exempted RMC from the purview of Excise Duty.

CURRENT WORKING PROSPECTS FOR 1998-99:

During the current year, the Company will have the benefit of full year production of Alathiyur Unit resulting in increased output.

Due to the fillips given for infrastructure and housing sector in the Central Budget for the year 1998-99, demand for Cement is expected to get a boost.

INDUSTRIAL RELATIONS:

Industrial relations in all 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 promote 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:

We regret to report the sad demise of Shri K.E.S.Ellappan on 19-3-1998. He was associated with the Company right from its inception and had been on our Board for the past 38 years. The Directors wish to place on record the valuable guidance and services rendered by him to the Company during his long association with the Company.

The Industrial Finance Corporation of India Ltd. (IFCI) appointed Shri P.K.Sengupta, Chief General Manager, IFCI, Chennai as their Nominee on the Company's Board with effect from 29-9-97 in the place of Shri B.P.Mishra, General Manager, IFCI.