

Madras Cements Ltd.

Annual Report

1998-99





Presentation at Quality Circle Meeting at Alathiyur Unit



Ready Mix Concrete Plant at Vengaivasal, Chennai.



Transit Mixers for transporting Ready Mix Concrete to sites



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 K. DESIKAN
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 T.K. THIRUMALAIAPPA MUDALIAR,

Shri R. NAGARAJAN

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
Kumarasamy Raja Nagar - 521 457
Krishna District, Andhra Pradesh
3. ALATHIYUR
CEMENT NAGAR - 621 730
Perambalur District, Tamil Nadu



5 YEARS' HIGHLIGHTS

| | 1994-95 | 1995-96 | 1996-97 | 1997-98 | (Rs. in lacs) 1998-99 |
|-------------------------------|----------|----------|----------|----------|--------------------------|
| Sales & Earnings : | | | | | |
| Sales & Other Income | 29891.54 | 39209.13 | 41969.02 | 48972.14 | 52371.02 |
| Operating Profit (PBIDT) | 9245.80 | 13681.23 | 14000.39 | 15673.79 | 15762.02 |
| Cash generation for the year | 7215.49 | 11553.68 | 10820.22 | 7841.31 | 8509.84 |

Assets & Liabilities :

Assets :

| | | | | | |
|---------------------|-----------------|-----------------|-----------------|-----------------|------------------------|
| Fixed Assets, Net | 22009.85 | 34021.17 | 61523.57 | 65553.98 | 64995.85 |
| Investments | 87.90 | 116.73 | 1959.34 | 1927.34 | 2543.34 |
| Current Assets, Net | 4426.91 | 6982.90 | 7473.66 | 12911.44 | 9477.59 |
| | <u>26524.66</u> | <u>41120.80</u> | <u>70956.57</u> | <u>80392.76</u> | <u>77016.78</u> |

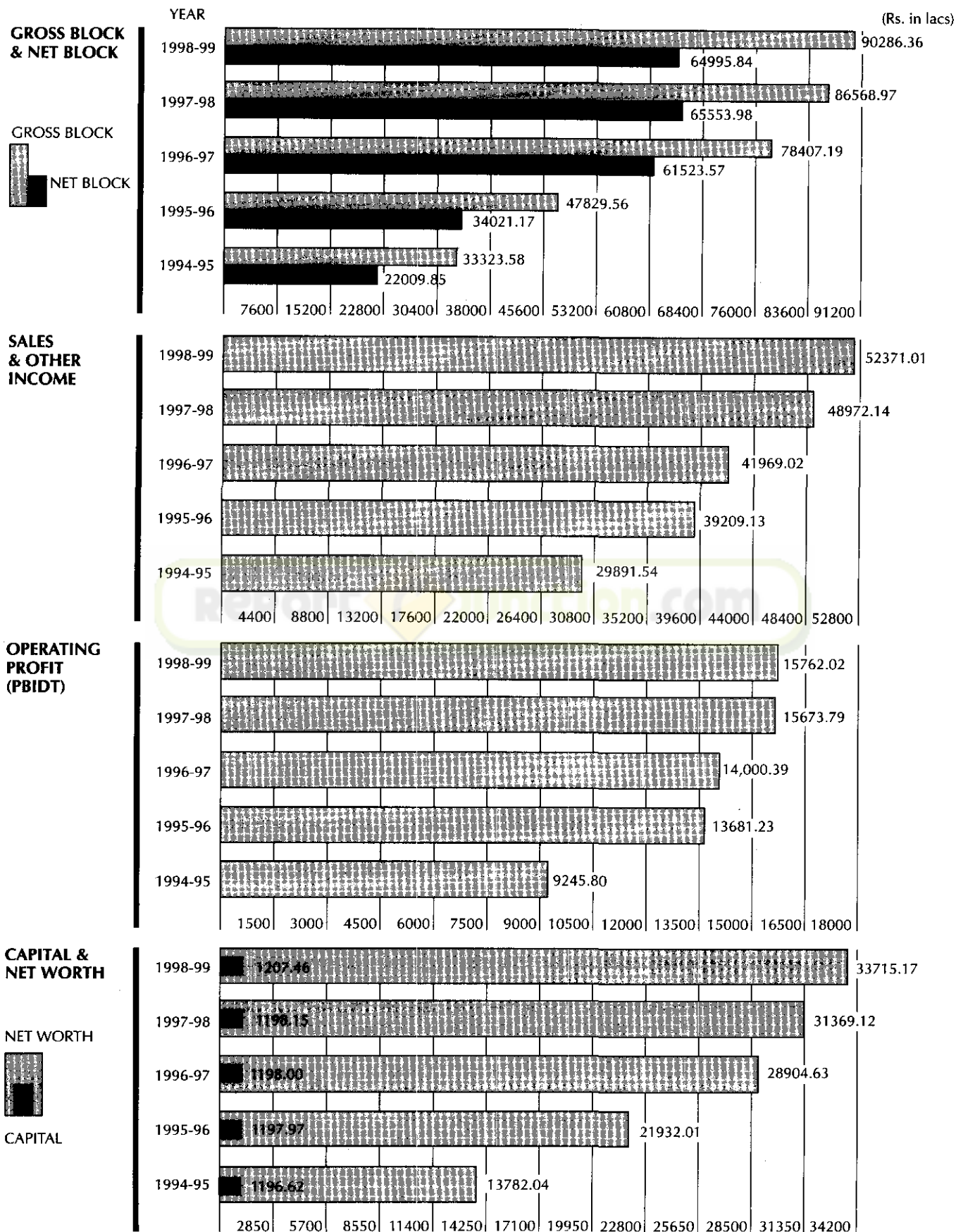
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Represented by :

| | | | | | |
|--------------------|-----------------|-----------------|-----------------|-----------------|------------------------|
| Share Capital | 1196.62 | 1197.97 | 1198.00 | 1198.15 | 1207.47 |
| Reserves & Surplus | 12585.42 | 20734.04 | 27706.63 | 30170.97 | 32507.70 |
| Borrowings | 12742.62 | 19188.79 | 42051.94 | 49023.64 | 43301.61 |
| | <u>26524.66</u> | <u>41120.80</u> | <u>70956.57</u> | <u>80392.76</u> | <u>77016.78</u> |

Ratios :

| | | | | | |
|---|---------|---------|---------|---------|----------------|
| Earnings per Equity Share (Rs.) | 439.34 | 751.52 | 638.28 | 269.18 | 321.82 |
| Net Worth per Share (Rs.) | 1139.48 | 1813.31 | 2389.80 | 2593.56 | 2787.53 |
| Debt-Equity Ratio (on long term borrowings) | 0.63:1 | 0.70:1 | 1.14:1 | 1.13:1 | 0.67:1 |
| Current Ratio | 1.89:1 | 2.09:1 | 1.98:1 | 2.53:1 | 2.26:1 |





NOTICE TO THE MEMBERS

Notice is hereby given that the 41st Annual General Meeting of the Company will be held at 10.00 A.M. on Wednesday, the 28th July, 1999 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, 1999 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 1998-99.
3. To appoint a Director in the place of Shri R.K. Chari, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Shri 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. 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 lakh and twenty five thousand only) exclusive of out-of-pocket expenses."

SPECIAL BUSINESS :

6. To consider and if thought fit to pass with or without modification the following Resolution as an ORDINARY RESOLUTION :-

"RESOLVED that subject to the approval of Financial Institutions and Banks and other Authorities as may be necessary, Shri P.R. Ramasubrahmaneya Rajha, Managing Director be and is hereby reappointed pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 as Managing Director of the Company for a further period of five years with effect from 2-4-2000 to manage the entire business and affairs of the Company subject to the superintendence, control and directions of the Board.

RESOLVED further that the Managing Director be paid a remuneration equivalent to 3% of the net profits of the Company calculated as per provisions of Section 198 and 309 of the Companies Act.

RESOLVED further that where in any financial year, the Company has no profits or inadequate profits, the Managing Director be paid remuneration as per the limit prescribed under Section II, Part II of Schedule XIII of the Companies Act, 1956 based on the effective capital of the Company.

RESOLVED further that the Managing Director be paid the following perquisites which shall not be included in the computation of the ceiling on remuneration mentioned above.



- a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961;
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- c) Encashment of leave at the end of the tenure.

RESOLVED further that the Board of Directors of the Company be and is hereby authorised to accept such modifications of the aforesaid terms and conditions for reappointment of the Managing Director as may be required by the approving authorities and agreed to by the Board and acceptable to Shri P.R. Ramasubrahmaneya Rajha."

7. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution :

"RESOLVED that Shri R. Nagarajan 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."

Place : Chennai - 600 004
Date : 27th May, 1999.

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, 6, and 7 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 Company's shares have been admitted under Depository System thereby providing an option to shareholders to convert their physical holding into electronic holding. In view of the advantages in holding and dealing in shares in electronic mode, members are encouraged to avail the facility.
- (v) The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 16th of July, 1999 to Wednesday, the 28th of July, 1999 (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 28th July, 1999 (for non-dematerialised shares) or Register of beneficial owners maintained by the depositories as on 15th July, 1999 (for dematerialised shares).
- (vi) 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, 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.

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

Item No. 6

The Managing Director has been reappointed by the Board of Directors of your Company for a further period of 5 years from 2-4-2000 pursuant to Article 119A of the Articles of Association of the Company and in accordance with the provisions of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956. The terms and conditions for reappointment are set out in the resolution.

The reappointment and the terms and conditions are subject to the approval of the shareholders in a General Meeting, Financial Institutions and Banks.

The reappointment and the remuneration proposed fulfil the conditions stipulated in Schedule XIII of the Companies Act, 1956 and hence approval of Government of India is not required.

A copy of the terms and conditions of reappointment of the Managing Director is available for inspection by the members at the Registered Office of the Company between business hours on any working day and will also be available for inspection at the forthcoming General Meeting.

The contents of the Resolution along with the Explanatory Statement shall be deemed to be an abstract of the terms and conditions of reappointment of Managing Director under Section 302 of the Companies Act, 1956 and the Memorandum of interest in that behalf.

None of the Directors except Shri P.R. Ramasubrahmaneya Rajha and Shri P.R. Venketrama Raja may be deemed to be interested in this Resolution.

Item No. 7

Shri R. Nagarajan, a retired banker, with rich experience in Banking & Industry was appointed as an Additional Director by the Board of Directors of the Company on 29-10-1998. He holds office till the date of the Annual General Meeting. Under Section 257(1) of the Companies Act, 1956, a notice in writing has been received from a Member signifying his intention to propose the appointment of Shri R. Nagarajan as a Director.

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

Your Directors recommend the resolutions for your approval.

Place : Chennai - 600 004
Date : 27th May, 1999

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 41st Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS:

| | Current year ended 31-3-1999 (Rs. in lacs) | Previous year ended 31-3-1998 (Rs. in lacs) |
|--|---|--|
| Operating Profit: Profit before interest, depreciation and tax (PBIDT) | 15762.02 | 15673.79 |
| Less: Interest | 7051.50 | 7777.67 |
| Profit before depreciation and Tax | 8710.52 | 7896.12 |
| Less: Depreciation | 4348.37 | 4198.89 |
| Profit before tax | 4362.15 | 3697.23 |
| Less: Provision for tax | 370.00 | 386.69 |
| Profit after tax | 3992.15 | 3310.54 |
| Add: Balance Profit from last year | 756.69 | 867.19 |
| | 4748.84 | 4177.73 |
| Add: Investment Allowance Reserve written back | 1610.00 | — |
| | 6358.84 | 4177.73 |
| Less: i) Donations | 99.74 | 54.81 |
| ii) Prior period and Extra-ordinary items (net) | 707.02 | 59.48 |
| Surplus for Appropriation | 5552.08 | 4063.44 |

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 | 1537.50 | 1575.00 |
| 2. Transfer to General Reserve | 1500.00 | 1000.00 |
| 3. Proposed Dividend: | | |
| On 12,09,500 Equity shares of Rs.100/- each @ 55% subject to the approval of Financial Institutions /Banks, for 1998-99 | 665.23 | 665.23 |
| 4. Tax on proposed Dividend | 73.17 | 66.52 |
| Balance carried over to Balance Sheet | 1776.18 | 756.69 |
| TOTAL | 5552.08 | 4063.44 |

**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 of Rs.3.70 Crores is only under Minimum Alternate Tax (MAT) which is provided.

PRODUCTION & DESPATCHES

| | 1998-99 (‘000 tonnes) | 1997-98 (‘000 tonnes) |
|---|--------------------------|--------------------------|
| Ramasamyraja Nagar (TN) Factory: | | |
| Clinker produced | 606 | 653 |
| Cement produced | 774 | 865 |
| Cement sold | 787 | 849 |
| Jayanthipuram (AP) Factory: | | |
| Clinker produced | 858 | 819 |
| Cement produced | 968 | 955 |
| Cement sold | 1000 | 944 |
| Alathiyur (TN) Factory: | | |
| Clinker produced | 710 | 565 |
| Cement produced | 833 | 485 |
| Cement sold | 857 | 446 |

SALES & PROFITABILITY:

The turnover net of Central Excise and Sales Tax increased to Rs. 506.53 Crores from Rs. 475.28 Crores of the previous year. In spite of increase in power tariff and railway freight, the operating profit before interest, depreciation and tax has improved to Rs. 157.62 Crores from Rs. 156.74 Crores of the previous year. Profit After Tax has increased to Rs. 39.92 Crores from Rs. 33.10 Crores of the previous year.

COST:

There was an all-round improvement in operating efficiency of all the three plants. The Company undertook major measures in energy and fuel conservation and cost control throughout. The Company was successful in reducing the inventory and consequently, the cost. Rationalisation and optimisation of market mix had resulted in the control of selling and distribution costs. In spite of the depressed demand conditions and reduction in sales realisations, these measures have contributed to the improved results of the year under review.

POWER:

In Tamil Nadu, there was a power cut of 30% on demand and energy from 20-4-98 to 10-7-98. From July '98, TNEB has increased their tariff from Rs. 2.94 per unit to Rs. 3.36 per unit including Electricity Tax. The demand charges has also been increased from Rs. 125 per KVA to Rs. 150 per KVA.

In Andhra Pradesh, the power cut was lifted with effect from 3-5-98. APSEB has also increased their tariff by an average of 29 paise per unit. The demand charge has also been increased from Rs. 140/- per KVA to Rs. 165/- per KVA. The production was not affected as we have adequate stand-by D.G. sets.

AWARDS:

The Company continued to secure many Awards for Accident-free Performance, Environment and Pollution Controls, Welfare amenities, Productivity, Supervision standards and in Quality Circles.