

Madras Cements Ltd.

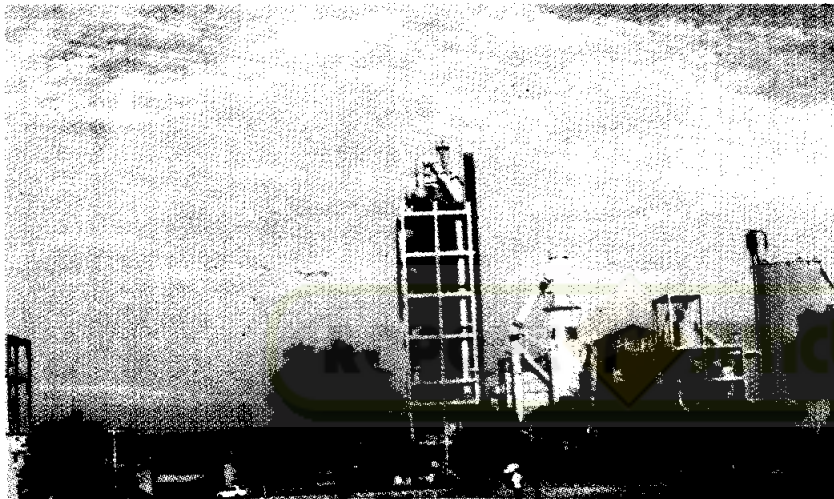
Annual Report

2000-2001





Our Chairman & Managing Director, Shri P.R. Ramasubrahmaneya Rajha receiving the first clinker produced from the Alathiyur Second Line



An overall view of our Mathod Unit in Karnataka



An overall view of our Alathiyur plant after commissioning of the new second line.



MADRAS CEMENTS LTD.

Board of Directors

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

Shri RAMESHRAM MISHRA, I.A.S.
Nominee of Government of Tamil Nadu

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

Shri RAKESH KAPOOR B.Sc. (Hons), AIMA Dip. in Mgt.
Nominee of IFCI

Shri B.P. DESHMUKH M.Com., LLB, FCS.
Nominee of GIC

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 B.Com (Hons), CAIIB

Bankers

State Bank of India

State Bank of Bikaner & Jaipur

Standard Chartered Grindlays Bank Ltd.

Indian Bank

State Bank of Hyderabad

Canara Bank

HDFC Bank Ltd.

ICICI Bank Ltd.

ABN Amro Bank N.V.

American Express Bank Ltd.

Corporate Office

98-A, Dr. Radhakrishnan Salai, Chennai 600 004.
Tamil Nadu.

Registered Office

'Ramamandiram' Rajapalayam - 626 117
Tamil Nadu.

Auditors

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

M/s. S. Viswanathan
Chartered Accountants
8-A, Bishop Wallers Avenue (W)
Chennai - 600 004.

Contents

Financial Highlights	2
Notice to the Members	4-5
Directors' Report	6-11
Corporate Governance	17-20
Shareholder Information	21-25
Auditors' Report	26-27
Balance Sheet	28
Profit & Loss Account	29
Schedules to Balance Sheet	31-37
Schedules to Profit & Loss Account	38-40
Significant Accounting Policies	41-42
Notes on Accounts	43-47
Cash Flow Statement	48-49
Proxy Form	51

MADRAS CEMENTS LTD.

(Rs. in Lacs)

HIGHLIGHTS	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Sales & Earnings											
Sales & other income	13990.77	18473.23	20218.29	24072.22	29891.54	39209.13	41969.02	48972.14	52371.02	51907.15	62082.97
Operating Profit	4285.99	4754.15	4618.51	5504.75	9245.80	13681.23	14000.39	15673.79	15762.02	15295.74	17817.65
Cash generation	2901.71	3415.36	3091.39	3731.86	7215.49	11553.68	10820.22	7841.31	8509.84	9087.21	11181.25
Net profit	1850.95	2351.75	1846.72	2043.54	5339.05	9089.65	7774.06	3310.54	3992.15	4021.96	4840
Assets Employed											
Fixed Assets, Net	8510.62	9531.30	12962.14	13780.94	22009.85	34021.17	61523.57	65553.98	64995.85	75314.11	95588.39
Investments	11.98	29.14	30.29	67.64	87.90	116.73	1959.34	1927.34	2543.34	5030.56	5032.6
Current Assets, Net	3170.38	3392.91	3686.58	3571.38	4426.91	6982.90	7473.66	12911.44	9477.59	11645.92	12401.73
Total	11692.98	12953.35	16679.01	17419.96	26524.66	41120.80	70956.57	80392.76	77016.78	91990.59	113022.72
Financed by :											
A. Shareholders Funds											
(a) Equity Shareholders' investment	302.38	302.38	302.38	302.38	302.38	302.38	302.38	302.38	302.38	302.38	302.38
(b) Bonus shares			302.06	302.12	894.24	895.59	895.62	895.77	905.09	905.17	905.17
(c) Preference shares	70.00	70.00	60.00	60.00							
Reserves and surplus	3045.25	5264.45	6633.21	8379.06	12585.42	20734.04	27706.63	30170.97	32507.07	35586.30	39233.81
Total shareholders funds-(A)	3417.63	5636.83	7297.65	9043.56	13782.04	21932.01	28904.63	31369.12	33714.54	36793.85	40441.36
B. Borrowed funds											
Short term borrowings	238.00	451.00	770.72	1143.26	1494.88	536.78	1696.53	4251.30	4591.15	7165.00	7795
Foreign Currency loans					2820.60	2422.80	5104.52	2235.82	764.64		
Sales Tax Deferral	40.00	40.00	45.00	306.29	1060.17	1568.18	1858.17	2809.94	5591.77	7274.88	8849.94
others	7997.35	6825.52	8565.64	6926.85	7366.97	14661.03	33392.72	39726.58	32354.68	40756.86	55936.42
Total Borrowed Funds-(B)	8275.35	7316.52	9381.36	8376.40	12742.62	19188.79	42051.94	49023.64	43302.24	55196.74	72581.36
TOTAL-(A)+(B)	11692.98	12953.35	16679.01	17419.96	26524.66	41120.80	70956.57	80392.76	77016.78	91990.59	113022.72



HIGHLIGHTS	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Capacity-Lac tonnes	11.6	11.6	12.6	17.1	18.5	18.5	18.5	27.5	27.5	34.5	57.5
Earnings per Equity share (Rs.)	608.84	774.6	302.82	332.58	439.34	751.52	638.28	269.18	321.82	324.57	392.63
Dividend %	30	30	30	36	40	55	55	55	55	55	55
Dividend payout %	5.47	4.30	10.31	11.09	9.06	7.32	9.41	22.10	18.50	18.36	15.15
P/E ratio	6.37	17.27	9.33	22.55	20.14	14.64	11.75	15.79	11.89	11.24	10.70
Price to book value ratio	3.50	7.26	2.36	5.05	7.77	6.07	3.14	1.64	1.37	1.20	1.25
Operating profit ratio %	30.63	25.74	22.84	22.87	30.93	34.89	33.36	32.01	30.10	29.47	28.70
Gross fixed assets per share (Rs.)	4662.68	5352.54	3452.29	3870.47	277.70	3992.50	6544.82	7225.14	7477.29	8701.75	10062.36
Market price per share (Rs.)											
(a) High	4175	13375	20500	8500	23500	11500	13000	9200	5020	8640	5574
(b) Low	525	3975	2825	2600	7050	8250	6800	2900	3120	2950	3360
Market capitalisation (Rs. in lacs)	11732	40443	17075	45338	105901	131777	89850	50921	46186	44063	50717
Net worth per Share (Rs.)	1107.11	1841.03	1196.8	1485.5	1139.48	1813.31	2389.8	2593.56	2787.53	3042.07	3343.64
Debt-Equity Ratio (on long term borrowings)	2.19	1.15	1.09	0.67	0.63	0.7	1.14	1.13	0.67	0.82	1.09
Current Ratio	2.64	2.47	2.12	1.95	1.89	2.09	1.98	2.53	2.26	2.29	2.05

Note : After considering issue of Bonus shares in the ratio of 1:1 in 1992-93 and 1994-95.

MADRAS CEMENTS LTD.**NOTICE TO THE MEMBERS**

Notice is hereby given that the 43rd Annual General Meeting of the Company will be held at 11.00 A.M. on Wednesday, the 1st August, 2001 at Sri P.A.C.R. Centenary Community Hall, Sudharsan Gardens, Sri P.A.C.Ramasamy Raja Salai, Rajapalayam - 626 108 (Tamil Nadu) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March 2001 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 2000-2001.
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 R.Nagarajan, 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 and M/s. S.Viswanathan, 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 and M/s. S.Viswanathan, Chartered Accountants who retire at the end of this Annual General Meeting be and are hereby jointly 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) each, exclusive of out-of-pocket expenses."

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

6-6-2001
Chennai 600 004

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 Tuesday, the 24th July 2001 to Wednesday, the 1st August, 2001 (both days inclusive).
- (v) The Company has transferred dividends which remained unpaid/unclaimed for the financial years upto 1994-95 to the General Revenue Account of the Central Government under the provisions of 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.
- (vi) Dividend relating to the financial years 1995-96 onwards remaining unclaimed for 7 years will be transferred to the Investor Education & Protection Fund of the Central Government under Section 205 C of the Companies Act.



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.

6-6-2001
Chennai 600 004

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

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

Following is the biographical data about the Directors seeking re-election.

Shri R.K. Chari

Shri R.K. Chari, aged 76, is an Electrical Engineer, Cost Accountant and a Member of the British Institute of Management. He held various positions in ICICI, Mumbai for number of years between 1959 to 1984 and retired as Wholetime Director of ICICI.

He had served as adviser to Malaysian Development Bank and Asian Development Bank and been a Faculty Member in several Training Courses and Seminars.

He has travelled to many countries including USA, Europe & Far East.

He has vast knowledge and experience in the fields of Finance, Banking, Costing and Administration.

He has been on the Board of the Company since 1984.

Shri. R. Nagarajan

Shri R. Nagarajan, aged 63, is a B.Com. (Hons.) and CAIIB.

He is an eminent Banker and he retired as Chief General Manager of State Bank of India.

Prior to his retirement he had held various important positions in State Bank of India including as General Manager (Operations), North Eastern Circle, Gauhati, Vice-President, State Bank Staff College, Hyderabad and as Wholetime Finance Director in ACC-Babcock Ltd. while on deputation.

He has rich experience in Banking and Administration and in Mutual Fund Industry.

He has been on the Board of Madras Cements Ltd. Since 1998.

He is also a Director in the following companies:

1. Shapre Global Services Ltd.,
2. S.S.I. Ltd.,
3. Ramco Industries Ltd.

MADRAS CEMENTS LTD.**DIRECTORS' REPORT**

Your Directors have pleasure in presenting their 43rd Annual Report and the Audited Accounts of the Company for the year ended 31st March 2001.

FINANCIAL RESULTS:

	Current year ended 31-3-2001 (Rs. in lacs)	Previous year ended 31-3-2000 (Rs. in lacs)
Operating Profit: Profit before interest, depreciation and tax (PBIDT)	17818	15296
Less: Interest	6541	6112
Profit before depreciation and Tax (PBDT)	11277	9184
Less: Depreciation	5273	4637
Profit before tax	6004	4547
Less: Provision for tax	1164	525
Profit after tax	4840	4022
Add: Balance Profit from last year	2184	1776
	7024	5798
Add: Investment Allowance Reserve written back	400	—
	7424	5798
Less: i) Donations	96	96
ii) Prior period and Extra-ordinary items (net)	311	142
Surplus for Appropriation	7017	5560
Your Directors propose to appropriate the surplus as under:-		
1. Transfer to Debenture Redemption Reserve	5601	2138
2. Transfer to General Reserve	500	500
3. Dividend:		
On 12,09,500 Equity shares of Rs.100/- each @ 55%	665	665
4. Tax on Dividend	68	73
Balance carried over to Balance Sheet	183	2184
TOTAL	7017	5560

**DIVIDEND:**

Your Directors have pleasure in recommending a Dividend of 55% on the Equity Capital.

TAXATION:

The tax liability of Rs.11.64 Crores has been provided under the Income-Tax Act, 1961. However, we are eligible to set off Rs.6.46 Crores of MAT and consequently, the tax payable will be Rs.5.18 Crores only.

MANAGEMENT DISCUSSION & ANALYSIS REPORT:**CEMENT DIVISION:****PRODUCTION & SALES**

	2000-2001 (‘000 tonnes)	1999-2000 (‘000 tonnes)
Ramasamyraja Nagar (TN) Factory:		
Clinker produced	540	684
Cement produced	723	789
Cement sold	719	786
Jayanthipuram (AP) Factory:		
Clinker produced	650	837
Cement produced	875	969
Cement sold	883	934
Alathiyur (TN) Factory:		
Clinker produced	849	786
Cement produced	1027	967
Cement sold *	1090	961
Clinker sold	55	—
Methodu (Karnataka) Factory:		
Clinker produced	35	—
Cement produced	27	—
Cement Sold	27	—

* Includes traded Cement of 63,497 Tonnes.

SALES & PROFITABILITY:

The turnover net of Central Excise and Sales Tax increased to Rs.618.34 Crores compared to Rs.516.17 Crores of the previous year. Even though the Cement sold during the year (27.19 lacs tonnes) was about the same level as of the previous year (26.82 lacs tonnes), the increase in turnover was achieved due to rationalization of market mix and better sales realization throughout the year. The operating profit before interest, depreciation and tax has improved to Rs.178.18 Crores compared to Rs.152.96 Crores of the previous year. Profit after Tax has increased to Rs.48.40 Crores from Rs. 40.22 Crores of the previous year. The share of Blended Cement in the Company's total sale was increased from 82% to 87% due to continuing emphasis on Blended Cement. The Company was able to increase the profitability level

MADRAS CEMENTS LTD.

due to better sales realization from Blended Cements, concentration in cost control measures and reduction in interest and overhead costs.

DEVELOPMENTS DURING THE YEAR:**SECOND UNIT AT ALATHIYUR:**

The Company's Second new Unit at Alathiyur with a capacity of 15 lac tonnes per annum was commissioned upto clinkerisation stage in January 2001, in a record time of just nine months from the start of pile foundation. The Cement Mill was commissioned in May 2001.

The Unit has many world class features. The kiln fitted with Cross bar Cooler is the first of its kind outside USA. The Vertical Mill for Cement grinding is the biggest of its kind in Asia. The Plant has been designed for the lowest electrical energy consumption and thermal energy consumption and hence its cost of production will be among the lowest in the Industry.

MATHOD UNIT:

During the year, the Company took over the assets of Karnataka Minerals & Manufacturing Co.Ltd., a mini Cement Plant situated at Mathod, Hosadurga Taluk, Chitradurga District, Karnataka. The Unit was commissioned in September, 2000. After refurbishing and debottlenecking, the capacity of the Unit was increased from 0.66 lac tonnes to 1.5 lac tonnes per annum. The Hosadurga region where this Plant is located has good limestone reserves and we have identified about 80 million tonnes of limestone reserves. The same would be useful for the Company's expansion plans.

READY MIX CONCRETE DIVISION:

The Company's Ready Mix Concrete Plants (RMC) at Vengaivasal and Vichoor near Chennai are working satisfactorily and the product has been well accepted in the market. The RMC division has produced 85,202 cu.m. of concrete during the year accounting a turnover of Rs.16.09 Crores.

RAMCO WIND FARM DIVISION:

The Company's Wind Farms situated at Muppandal and Poolavadi, consisting of 121 Wind Energy generators are working satisfactorily. The wind availability was lower compared to the previous year even though our machines down time was further reduced. The Division has generated 483 Lac Kwh as compared to 560 Lac Kwh of the previous year. Consequently, the income during the year from the Wind Farm Division has come down to Rs.16.02 Crores from Rs. 18.48 Crores of the previous year.

ISO CERTIFICATION:

During the year, the Company's Cement Unit at Alathiyur and the Ready Mix Concrete Unit at Vengaivasal have been given ISO 9002 Certification. The Company's R.R.Nagar and Jayanthipuram Units have already obtained the ISO Certification.

NEW PROJECTS**DRY MORTAR PLANT:**

The Company, as a value addition to Cement, has ventured into Dry Mortar products such as Renders and skim coat (Wall plastering products) and Dry Concrete. This Plant proposed to be located near Chennai is expected to be commissioned in January 2002.