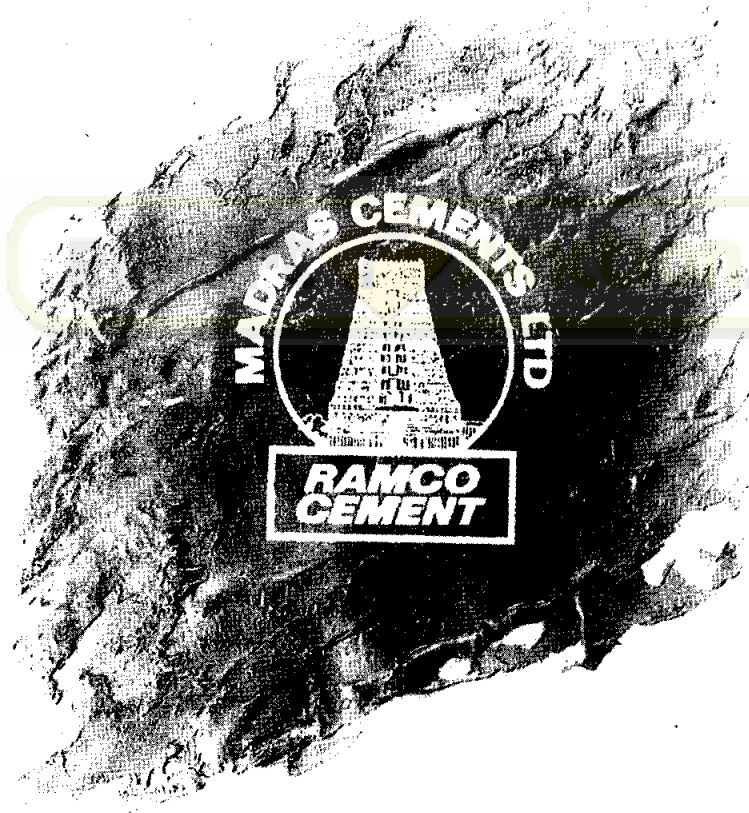


Madras Cements Ltd.

Annual Report

2001-2002



*Our Chairman & Managing Director,  
Shri P.R. Ramasubrahmaneya Rajha at the Company's  
Quality Control Management Presentation.*



*The National Energy Conservation Award-First Prize  
in Cement Sector (Year 2000) instituted by  
Govt. of India, Ministry of Power was given to our  
Alathiyur Unit. The Award being received by  
Shri A.M. Seethaarramaiah, Vice-President (Mfg.)*

*Training Programme – An In-house Workshop on  
Thinking Skills in progress.*





## MADRAS CEMENTS LTD.

### Board of Directors

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

Shri K. SKANDAN, I.A.S.  
*Nominee of Government of Tamil Nadu*

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

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 Bank  
Indian Bank  
State Bank of Hyderabad  
Canara Bank  
HDFC Bank Ltd.  
ICICI Bank Ltd.  
ABN Amro Bank N.V.  
IDBI 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.

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**MADRAS CEMENTS LTD.**

(Rs. in Lacs)

HIGHLIGHTS	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
<b>Sales &amp; Earnings</b>										
Sales & other Income	20218	24072	29892	39209	41969	48972	52371	51907	62083	70937
Operating Profit	4619	5505	9246	13681	14000	15674	15762	15296	17818	18031
Cash generation	3091	3732	7215	11554	10820	7841	8510	9087	11181	10147
Net profit	1847	2044	5339	9090	7774	3311	3992	4022	4840	3866
<b>Assets Employed</b>										
Net Fixed Assets	12962	13781	22010	34021	61524	65554	64996	75314	95588	100712
Investments	30	68	88	117	1959	1927	2543	5031	5033	5734
Net Current Assets	3687	3571	4427	6983	7474	12912	9478	11646	12402	10484
<b>TOTAL</b>	<b>16679</b>	<b>17420</b>	<b>26525</b>	<b>41121</b>	<b>70957</b>	<b>80393</b>	<b>77017</b>	<b>91991</b>	<b>113023</b>	<b>116930</b>
<b>Financed by :</b>										
<b>A. Shareholders Funds</b>										
(a) Equity Shareholders' investment	302	302	302	302	302	302	302	302	302	302
(b) Bonus shares	302	302	894	896	896	896	905	905	905	905
(c) Preference shares	60	60	--	--	--	--	--	--	--	--
Reserves and surplus	6634	8380	12586	20734	27707	30171	32508	35587	39234	25003
Deferred tax liability	--	--	--	--	--	--	--	--	--	17110
<b>Total shareholders funds-(A)</b>	<b>7298</b>	<b>9044</b>	<b>13782</b>	<b>21932</b>	<b>28905</b>	<b>31369</b>	<b>33715</b>	<b>36794</b>	<b>40441</b>	<b>43320</b>
<b>B. Borrowed funds</b>										
Short term borrowings	771	1143	1495	537	1697	4251	4591	7165	7795	12545
Foreign Currency loans	--	--	2821	2423	5105	2236	765	--	--	2770
Sales Tax Deferral	45	306	1060	1568	1858	2810	5592	7275	8850	10896
Others	8565	6927	7367	14661	33392	39727	32354	40757	55937	47399
<b>Total Borrowings-(B)</b>	<b>9381</b>	<b>8376</b>	<b>12743</b>	<b>19189</b>	<b>42052</b>	<b>49024</b>	<b>43302</b>	<b>55197</b>	<b>72582</b>	<b>73610</b>
<b>TOTAL-(A)+(B)</b>	<b>16679</b>	<b>17420</b>	<b>26525</b>	<b>41121</b>	<b>70957</b>	<b>80393</b>	<b>77017</b>	<b>91991</b>	<b>113023</b>	<b>116930</b>



HIGHLIGHTS	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
Capacity-Lac-tonnes	12.6	17.1	18.5	18.5	18.5	27.5	27.5	34.5	57.5	59.9
Numbers of employees	1456	1463	1494	1476	1542	1473	1712	1724	1748	1750
Earnings per Equity share (Rs.)	302.82	332.58	439.34	751.52	638.28	269.18	321.82	324.57	366.53	212.19
Dividend %	30	36	40	55	55	55	55	55	55	60
Dividend payout %	10.31	11.09	9.06	7.32	9.41	22.10	18.50	18.36	15.15	18.74
P/E ratio	9.33	22.55	20.14	14.64	11.75	15.79	11.89	11.24	10.70	20.05
Price to book value ratio	2.36	5.05	7.77	6.07	3.14	1.64	1.37	1.20	1.26	1.96
Operating profit ratio %	22.84	22.87	30.93	34.89	33.36	32.01	30.10	29.47	28.70	25.42
Gross fixed assets per share (Rs.)	3452	3870	2785	3993	6545	7225	7477	8702	10062	11626
Market price of share (Rs.)										
(a) High	20500	8500	23500	11500	13000	9200	5020	8640	5574	5150
(b) Low	2825	2600	7050	8250	6800	2900	3120	2950	3360	3501
Market capitalisation (Rs. in lacs)	17075	45338	105901	131777	89850	50921	46186	44063	50717	51454
Net worth per Share (Rs.)	1197	1485	1139	1813	2390	2594	2788	3042	3344	2171
Debt-Equity Ratio (on long term Borrowings)	1.09	0.67	0.63	0.70	1.14	1.13	0.67	0.82	1.09	1.25
Current Ratio	2.12	1.95	1.89	2.09	1.98	2.53	2.26	2.29	2.05	1.84

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

2. Earnings per share for the year 2001-02 is calculated after considering Deferred Tax Liability for the year.

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

Notice is hereby given that the 44<sup>th</sup> Annual General Meeting of the Company will be held at 11.00 A.M. on Wednesday, the 7<sup>th</sup> August, 2002 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 2002 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 2001-2002.
3. To appoint a Director in the place of Shri P.R.Venketrama Raja, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Dr.V.Gauri Shanker 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."

10-6-2002  
Chennai 600 004

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 Thursday, the 1<sup>st</sup> August, 2002 to Wednesday, the 7<sup>th</sup> August, 2002 (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) Unclaimed Dividend relating to the financial year 1995-96 will be transferred to the Investor Education & Protection Fund of the Central Government under Section 205 C of the Companies Act in August 2003. 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 claimed their dividend for the said year may write to the Company for claiming the amount before it is so transferred to the Fund.



## 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.

10-6-2002  
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 P.R.Venketrama Raja**

Shri P.R.Venketrama Raja, aged 42, has a Bachelor's degree in Chemical Engineering from University of Madras and Masters in Business Administration from University of Michigan, USA. He is the Vice-Chairman & Managing Director of Ramco Industries Ltd. and Ramco Systems Ltd. He has been on the Board of Madras Cements Ltd. since 1985.

He is the son of Shri P.R.Ramasubrahmaneya Rajha, Chairman of the Company.

### **Shri. V. Gauri Shanker**

Dr.V.Gauri Shanker, aged 81, is a leading Senior Counsel in Supreme Court of India, specialising in Income-tax, Company Law and International Corporate Law relating to Trade and Taxation. His qualifications include L.L.B., M.Phil. and Ph.D. in Law. He is a retired Senior Government Officer. He had held various positions in Government while in service including Secretary, Income-tax Investigation Commission, Officer on Special Duty to Central Board of Revenue, Senior Accountant-General to audit Tax Receipts of the Union and State Governments and Additional Secretary in Ministry of Finance.

He had also served as a Member/Secretary in various committees including Central Excise Reforms Committee, 7<sup>th</sup> Five Year Plan Group on Resources, Direct Taxation Enquiry Committee and Public Expenditure Commission.

He has authored many books including Transnational Corporations and Multi-Nationals, Income-tax for layman, Treatise on Income-tax Laws, Commentary on Customs and Foreign Exchange Regulations, etc. He has published many articles in important Journals on Taxation and Finance.

He has been on the Board of Madras Cements Ltd. since 1984.

He is presently a Director in the following Companies:

- i) Seshasayee Paper & Boards Ltd.
- ii) Hindustan Gums & Chemicals Ltd.
- iii) Gwalior Webbing Co. Ltd.
- iv) East India Investment Co. Pvt. Ltd.



**MADRAS CEMENTS LTD.****DIRECTORS' REPORT**

Your Directors have pleasure in presenting their 44th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2002.

**FINANCIAL RESULTS**

	<b>Current year ended 31-3-2002 (Rs. in lacs)</b>	<b>Previous year ended 31-3-2001 (Rs. in lacs)</b>
Operating Profit: Profit before interest, depreciation and tax (PBIDT)	<b>18031</b>	17818
Less: Interest	<b>7750</b>	6541
Profit before depreciation and Tax (PBDT)	<b>10281</b>	<b>11277</b>
Less: Depreciation	<b>6095</b>	5273
Profit before tax	<b>4186</b>	6004
Less: Provision for tax	<b>1500</b>	1164
Profit after tax	<b>2686</b>	4840
Add: Balance Profit from last year	<b>183</b>	2184
	<b>2869</b>	7024
Add: Investment Allowance Reserve written back	—	400
Debenture Redemption Reserve	<b>4152</b>	—
	<b>7021</b>	7424
Less: Donations	<b>134</b>	96
Add : Prior period and Extra-ordinary items (net)	<b>14</b>	(-)311
Surplus for Appropriation	<b>6901</b>	7017
Your Directors propose to appropriate the surplus as under:-		
1. Transfer to Debenture Redemption Reserve	—	5601
2. Transfer to General Reserve	<b>3500</b>	500
3. Dividend:		
On 12,09,500 Equity shares of Rs.100/- each @ 60% (P.Y.55%)	<b>726</b>	665
4. Tax on Dividend	—	68
Balance carried over to Balance Sheet	<b>2675</b>	183
<b>TOTAL</b>	<b>6901</b>	7017



**DIVIDEND**

Your Directors have pleasure in recommending a Dividend of 60% on the Equity Capital.

**TAXATION**

An amount of Rs.15.00 Crores has been provided for Income-Tax. However, the cash outflow for Income-tax is only Rs.3.20 Crores under the provisions of MAT. The balance of Rs.11.80 Crores has been provided towards Deferred Tax Liability for the current year.

**MANAGEMENT DISCUSSION & ANALYSIS REPORT****CEMENT DIVISION****PRODUCTION & DESPATCHES**

	2001-2002 ( <sup>'000 tonnes</sup> )	2000-2001 ( <sup>'000 tonnes</sup> )
<b>Ramasamyraja Nagar (TN) Factory</b>		
Clinker produced	424	540
Cement produced	609	723
Cement sold	614	719
<b>Jayanthipuram (AP) Factory</b>		
Clinker produced	693	650
Cement produced	967	875
Cement sold	988	883
<b>Alathiyur (TN) Factory</b>		
Clinker produced	1202	849
Cement produced	1524	1027
Cement sold *	1586	1090
Clinker sold	64	55
<b>Method (Karnataka) Factory</b>		
Clinker produced	80	35
Cement produced	77	27
Cement Sold	76	27

\* Includes traded Cement of 76,584 tonnes and export of 32,570 tonnes as against 63,497 tonnes and 102 tonnes during the previous year.

**SALES & PROFITABILITY**

The turnover net of Central Excise and Sales Tax increased to Rs.709.37 Crores compared to Rs.620.83 Crores of the previous year. Even though the Cement prices were depressed throughout the year, the increase in turnover was due to increased quantity of cement sold. The Company was able to increase the quantity of cement sold from 27.19 lac tonnes to 32.64 lac tonnes. This represents an increase of 20% as against the market growth of only 9%. The increase in sales quantity was largely on account of contribution from the Alathiyur Second line.

**MADRAS CEMENTS LTD.**

We were able to increase the operating profit before interest, depreciation and tax to Rs.180.31 Crores as against Rs.178.18 Crores of the previous year. However the profit after tax is Rs.26.86 Crores as against Rs.48.40 Crores of the previous year. The increase in interest costs to Rs.77.50 Crores from Rs.65.41 Crores of last year and the increase in depreciation to Rs.60.95 Crores from Rs.52.73 Crores incurred for Company's expansion projects were responsible for the lower net profits of the Company for the current year. The slack in demand in the southern States and consequently the fall in the prices have also impacted the profits of the Company.

**DEVELOPMENTS DURING THE YEAR****MATHOD UNIT**

During the year, the Mathod Unit was modernized. A new Cement Mill was put up. Raw Mill was close-circuited and kiln upgraded. The operating system was converted from RLC to PLC system. After the upgradation, the plant clinkerisation capacity has increased from 400 TPD to 600 TPD and the annual cement production capacity has increased to 2.90 lacs tonnes. The enhanced output from Mathod Unit will enable the Company to increase the Company's market share in the State of Karnataka.

**RAMCO R&D CENTRE**

During the year, Ramco R & D Centre was established. The Centre was inaugurated by Prof. P.K.Mehta, University of California, USA. in the presence of Dr. V.M.Malhotra, Emeritus Scientist, Canada.

The Centre consists of 3 laboratories viz.,

1. Strength of materials laboratory
2. Chemical laboratory
3. Instrumentation laboratory

The Company is actively pursuing R&D efforts in using alternative fuel material, improving the strength of cement and cost reduction in manufacturing of cement. The R&D efforts are expected to increase the quality and cost competitiveness of the Company's products.

**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 88,105 cu.m. of concrete during the year accounting a turnover of Rs.15.95 Crores as against 85,202 cu.m. of concrete for a turnover of Rs.16.09 Crores during the previous year.

**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 490 Lac Kwh as compared to 483 Lac Kwh of the previous year. The income during the year from the Wind Farm Division has increased to Rs.17.03 Crores from Rs.16.02 Crores of the previous year.