

Madras Cements Ltd.

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Annual Report

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2004-2005



*Our Chairman*

*Shri P.R. Ramasubrahmaneya Rajha  
presenting a cheque for Rs.51 lacs to the  
Honourable Chief Minister of TamilNadu  
Dr. J. Jayalalithaa for Tsunami relief  
operations on behalf of Ramco group*



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*Senior Vice President (Manufacturing)  
Shri V. Jaganathan receiving the National  
Energy Conservation Award 2004, Certificate  
of Merit in Cement Sector from Honourable  
Prime Minister Dr. Manmohan Singh*



## MADRAS CEMENTS LTD.

### Board of Directors

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

Shri N. VASUDEVAN, 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 P.R. VENKETRAMA RAJA, B.Tech.,

Shri R. NAGARAJAN, B.Com (Hons)., CAIIB

Dr. A. RAMAKRISHNA, B.E., M.Sc.,

### Bankers

State Bank of India  
State Bank of Bikaner & Jaipur  
Indian Bank  
Standard Chartered Bank  
ICICI Bank Ltd.  
HDFC Bank Ltd.  
State Bank of Hyderabad  
IDBI Bank Ltd.  
Canara Bank  
ABN Amro Bank N.V.

### 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,  
31, Premier Flats, Karur Bypass Road,  
Tiruchirappally - 620 002, Tamil Nadu.

M/s. CNGSN & Associates  
Chartered Accountants  
20, Raja Street, T. Nagar  
Chennai - 600 017  
Tamil Nadu.

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**MADRAS CEMENTS LTD.****FINANCIAL HIGHLIGHTS**

(Rs. in Lacs)

HIGHLIGHTS	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Sales &amp; Earnings</b>											
Sales & Other Income	29892	39209	41969	48972	52371	51907	62083	70937	63037	69982	<b>74511</b>
Operating Profit	9246	13681	14000	15674	15762	15296	17818	18031	15351	16700	<b>15865</b>
Cash generation	7215	11554	10820	7841	8510	9087	11181	10147	8734	11740	<b>12276</b>
Net profit	5339	9090	7774	3311	3992	4022	4840	3746	2148	4998	<b>5202</b>
<b>Assets Employed</b>											
Net Fixed Assets	22010	34021	61524	65554	64996	75314	95588	100712	98444	93315	<b>98477</b>
Investments	88	117	1959	1927	2543	5031	5033	5734	5728	6685	<b>7962</b>
Net Current Assets	4427	6983	7474	12912	9478	11646	12402	10484	10773	9646	<b>14935</b>
<b>TOTAL</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>114945</b>	<b>109646</b>	<b>121374</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>302</b>
(b) Bonus shares	894	896	896	896	905	905	905	905	906	906	<b>906</b>
Reserves and surplus	12586	20734	27707	30171	32508	35587	39234	25003	25275	27397	<b>31840</b>
Deferred Tax Liability	—	—	—	—	—	—	—	17110	17962	16620	<b>19230</b>
<b>Total shareholders' funds (A)</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>44445</b>	<b>48225</b>	<b>52278</b>
<b>B. Borrowed funds</b>											
Short term borrowings	1495	537	1697	4251	4591	7165	7795	12545	12195	4490	<b>25982</b>
Foreign Currency loans	2821	2423	5105	2236	765	—	—	2770	9245	18951	<b>1850</b>
Sales Tax Deferral	1060	1568	1858	2810	5592	7275	8850	10896	13632	17725	<b>22276</b>
Others	7367	14661	33392	39727	32354	40757	55937	47399	35428	20255	<b>18988</b>
<b>Total Borrowings (B)</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>70500</b>	<b>61421</b>	<b>69096</b>
<b>TOTAL - (A)+(B)</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>114945</b>	<b>109646</b>	<b>121374</b>



## FINANCIAL HIGHLIGHTS

HIGHLIGHTS	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Capacity-Lac-tonnes	18.5	18.5	18.5	27.5	27.5	34.5	57.5	59.9	59.9	59.9	59.9
Production-Lac-tonnes	15.1	18.3	18.1	23.0	25.8	27.2	26.5	31.8	35.2	37.0	38
Number of employees	1494	1476	1542	1473	1712	1724	1748	1750	1743	1669	1642
Contribution to Exchequer (Rs. in lacs)	8597	10746	13530	16553	17393	17261	18113	21081	23349	22828	27544
Earnings per share (Rs.)*	439	751	638	269	321	324	366	212	107	28	46
Dividend %	40	55	55	55	55	55	55	60	60	75	100
Dividend payout %	9.06	7.32	9.41	22.10	18.50	18.36	15.15	19.34	38.05	20.45	26.41
P/E ratio	20.14	14.64	11.75	15.79	11.89	11.24	10.70	20.05	31.45	27.21	21.38
Price to book value ratio	7.77	6.07	3.14	1.64	1.37	1.20	1.26	1.96	1.53	3.22	3.59
Operating profit ratio %	30.93	34.89	33.36	32.01	30.10	29.47	28.70	25.42	24.35	23.86	21.29
Gross fixed assets per share (Rs.)	2785	3993	6545	7225	7477	8702	10062	11623	11969	1200	1300
Market price of share (Rs.)*											
(a) High	23500	11500	13000	9200	5020	8640	5574	5150	4435	980	1170
(b) Low	7050	8250	6800	2900	3120	2950	3360	3501	3245	330	595
Market capitalisation (Rs. in lacs)	105901	131777	89850	50921	46186	44063	50717	51454	40642	92033	118777
Net worth per Share (Rs.)*	1139	1813	2390	2594	2788	3042	3344	2171	2193	237	274
Debt-Equity Ratio (on long term Borrowings)	0.63	0.70	1.14	1.13	0.67	0.82	1.09	1.29	1.05	0.80	0.35
Current Ratio	1.89	2.09	1.98	2.53	2.26	2.29	2.05	1.84	1.85	1.65	1.90

Note : 1. Bonus shares were issued in the ratio of 1:1 in 1992-93 and 1994-95.

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

\*3. Equity shares of Rs.100/- each were sub-dividend into 10/- shares of Rs. 10/- each with effect from 15.11.2003.

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

Notice is hereby given that the 47<sup>th</sup> Annual General Meeting of the Company will be held at 10.00 A.M. on Wednesday, the 10<sup>th</sup> August, 2005 at P.A.C.R. Centenary Community Hall, Sudharsan Gardens, 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 2005 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 2004-2005.
3. To appoint a Director in place of Dr.V.Gauri Shanker, who retires by rotation and is eligible for reappointment.
4. 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.

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

“RESOLVED that M/s.M.S.Jagannathan & N.Krishnaswami, Chartered Accountants and M/s.CNGSN & Associates, Chartered Accountants 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.2,00,000 - (Rupees Two lacs only) each, exclusive of out-of-pocket expenses.”

**SPECIAL BUSINESS:**

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

“RESOLVED that Dr.A.Ramakrishna 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.”

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

“RESOLVED that pursuant to the applicable provisions of the Companies Act, 1956 and the Listing Agreement entered into with the Stock Exchanges, the approval of the members be and is hereby given for payment of sitting fees of Rs.15,000/- from 1.1.2006 also, to the Directors for attending the meetings of the Board of Directors and Committees as may be constituted by the Board of Directors.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary the amount of sitting fees payable to the Directors for attending the meetings of the Board of Directors and Committees thereof, within such maximum permissible limit as may be prescribed under the Companies Act, 1956 and rules made and notifications issued thereunder.”

By Order of the Board,  
For MADRAS CEMENTS LTD.,

23-6-2005  
Chennai

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 Nos.5 & 6 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 3-8-2005 to 10-8-2005 (both days inclusive).
- (v) 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.
- (vi) Under the provisions of Section 205 C of the Companies Act, 1956, dividends remaining unpaid for a period of over 7 years will be transferred to the Investor Education & Protection Fund of the Central Government. 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 relating to the earlier years may write to the Company for claiming the amount before it is so transferred to the Fund. The details of due dates for transfer of such unclaimed dividend to the said Fund is given below:

FINANCIAL YEAR ENDED	DATE OF DECLARATION OF DIVIDEND	LAST DATE FOR CLAIMING UNPAID DIVIDEND	DUE DATE FOR TRANSFER TO IEP FUND
31-03-1998	03-09-1998	02-09-2005	01-10-2005
31-03-1999	28-07-1999	27-07-2006	25-08-2006
31-03-2000	09-08-2000	08-08-2007	06-09-2007
31-03-2001	01-08-2001	31-07-2008	29-08-2008
31-03-2002	07-08-2002	06-08-2009	04-09-2009
31-03-2003	11-08-2003	10-08-2010	08-09-2010
31-03-2004			
Interim Dividend	25-10-2003	24-10-2010	22-11-2010
Final Dividend	28-07-2004	27-07-2011	25-08-2011

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

**ITEM No.5**

Dr.A.Ramakrishna was appointed as an Additional Director by the Board of Directors of the Company on 23-6-2005. 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 Dr.A.Ramakrishna as a Director, at the AGM.

Dr.A.Ramakrishna, B.E. (Civil Engineering) and M.Sc. (Structural Engineering) started his career in 1962 with Engineering Construction Corporation Limited (ECC), a subsidiary of L&T. After serving in various capacities, Dr.A.Ramakrishna was inducted into the Board of Directors of L&T in 1992 and retired as President and Deputy Managing Director. Presently, he is the Advisor of L&T.

**MADRAS CEMENTS LTD.**

He has specialized knowledge in Structural Engineering – pre-cast and pre-stressed concrete and industrialized methods of construction – for which he had been conferred Honorary Degree of Doctorate of Science by Andhra University.

He has provided leadership for construction of scores of cement plants, steel plants, power projects, bridges, harbours, airports and nuclear power plants in and outside India.

He has played an important role in founding of Industry associations like Indian Concrete Institute, Construction Industry Development Council, Construction Federation of India, etc.

He is presently a Director in the following Companies :-

1. GVK Jaipur-Kishangarh Expressway Limited.
2. GVK Industries Limited
3. GVK Gowthami Power Limited
4. KCP Limited
5. Andhra Sugars Limited
6. Bangalore International Airport Limited
7. International Infrastructure Consultants Limited
8. International seaports India Limited
9. Teesta urza Limited

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

**ITEM No.6**

Article 82(b) of the Articles of Association of the Company entitles every Director to receive such sitting fees as may fixed by the Board from time to time, not exceeding the limit prescribed under the Companies Act and the Rules made thereunder, for every Meeting of the Board or a Committee of Board of Directors attended by him and is also entitled to receive all reasonable travelling and other expenses incurred by him within India for attending such meetings.

With effect from 10.12.2003, the Company is paying to Directors other than the Managing Director sitting fees of Rs.15,000/- per meeting of the Board of Directors or any Committee thereof, except the Share Transfer / Debenture Committee for which no sitting fees is payable. The sitting fees being paid are within the limits prescribed by the Department of Company Affairs.

Clause 49 of the Listing Agreement with the Stock Exchanges is proposed to be amended effective 01<sup>st</sup> January 2006 and would require all fees / compensation paid to Non-executive Directors to be fixed by the Board of Directors and shall require previous approval of the shareholders in General Meeting.

Approval of the members is accordingly requested for payment of sitting fees as aforesaid and to empower the Board of Directors to vary from time to time the sitting fees within such maximum permissible limit as may be prescribed by the statutory authorities. Any such variation in the sitting fees will be intimated to the members through the subsequent Annual Reports.

All the Directors, other than Shri.P.R.Ramasubrahmaneya Rajha, Chairman & Managing Director, are deemed to be interested in the Resolution.

By Order of the Board,  
For MADRAS CEMENTS LTD.,

P.R.RAMASUBRAHMANEYA RAJHA  
Chairman & Managing Director

23-6-2005  
Chennai



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

### **1. Dr.V.GAURI SHANKER:**

Dr.V.Gauri Shanker, aged 83, 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 laymen, 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:

- 1) Hindustan Gums & Chemicals Ltd.
- 2) Gwalior Webbing Co.Ltd.
- 3) East India Investment Co. Pvt. Ltd.

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

Your Directors have pleasure in presenting their 47th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2005.

**FINANCIAL RESULTS**

	Year ended 31-3-2005 (Rs. in lacs)	Year ended 31-3-2004 (Rs. in lacs)
Operating Profit: Profit before interest, depreciation and tax (PBIDT)	16043	16712
Less: Interest	3589	4960
Profit before depreciation and Tax (PBDT)	12454	11752
Less: Depreciation	6334	6327
	6120	5425
Less: Prior period items (net)	178	12
Profit before tax	5942	5413
Less: Provision for tax		
Current Tax	740	415
Deferred Tax (written Back)	(-) 390	1658
Profit after tax	5592	3340
Add: Balance Profit from last year	2245	2810
	7837	6150
Add: Debenture Redemption Reserve written back	199	2118
Surplus for Appropriation	8036	8268
Appropriations:		
1. Transfer to General Reserve	5000	5000
2. 1 <sup>st</sup> Interim Dividend-30% (P.Y.-25%)	363	302
2 <sup>nd</sup> Interim Dividend-30% (P.Y.-Nil)	363	—
3. Final Dividend on 1,20,95,000 Equity shares of Rs.10/- each @ 40% (P.Y.50%)	484	605
4. Tax on Dividends	164	116
Balance carried over to Balance Sheet	1662	2245
<b>TOTAL</b>	<b>8036</b>	<b>8268</b>