

Madras Cements Ltd.

Annual Report

2005-2006

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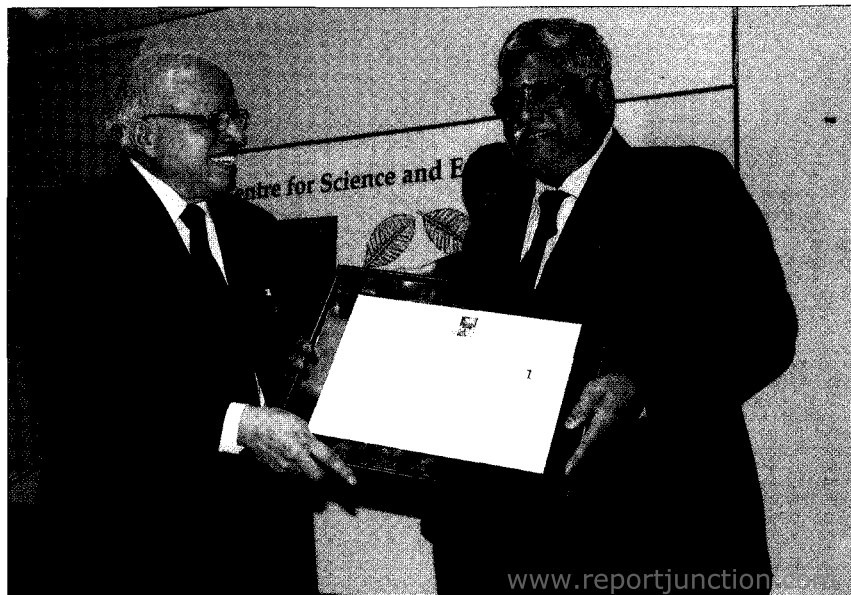


Chairman, Shri.P.R.Ramasubrahmaneya Rajha presenting a cheque for Rs. 25 lacs to the Honourable Chief Minister of Andhra Pradesh Dr.Y.S.Rajasekhara Reddy for Andhra Pradesh Chief Minister's Relief Fund.



President (Manufacturing), Shri.V.Jaganathan receiving the Second Prize for "National Energy Conservation in Cement Sector" for 2005 instituted by the Ministry of Power, Government of India from the Honourable President of India Dr.A.P.J.Abdul Kalam.

President (Manufacturing), Shri.V.Jaganathan receiving the "4 Leaves Award" from Dr.M.S.Swaminathan for Alathiyur Unit being rated the Greenest Cement Plant in the Country by the Centre for Science and Environment.





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

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

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

Shri R.S. AGARWAL, B.Sc., B.E.,

Bankers

ABN Amro Bank N.V.

Canara Bank

Citi Bank, N.A.

Deutsche Bank

HDFC Bank Ltd.

ICICI Bank Ltd.

IDBI Bank Ltd.

Indian Bank

Standard Chartered Bank

State Bank of Hyderabad

State Bank of India

Tamil Nadu Mercantile Bank Ltd.

UTI Bank Ltd.

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Corporate Office

98-A, Dr. Radhakrishnan Road, Mylapore
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)

DESCRIPTION	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Sales & Earnings											
Sales & Other Income	39209	41969	48972	52371	51907	62083	70937	63037	69982	74511	101335
Operating Profit	13681	14000	15674	15762	15296	17818	18031	15351	16700	15865	21481
Cash generation	11554	10820	7841	8510	9087	11181	10147	8734	11740	12276	18046
Net profit	9090	7774	3311	3992	4022	4840	3746	2148	4998	5202	8252
Assets Employed											
Net Fixed Assets	34021	61524	65554	64996	75314	95588	100712	98444	93315	98477	100119
Investments	117	1959	1927	2543	5031	5033	5734	5728	6685	7962	8867
Net Current Assets	6983	7474	12912	9478	11646	12402	10484	10773	9646	14935	9838
TOTAL	41121	70957	80393	77017	91991	113023	116930	114945	109646	121374	118824
Financed by :											
A. Shareholders' Funds											
(a) Equity Shareholders' investment	302	302	302	302	302	302	302	302	302	302	302
(b) Bonus shares	896	896	896	905	905	905	905	906	906	906	906
Reserves and surplus	20734	27707	30171	32508	35587	39234	25003	25275	27397	31840	37792
Deferred Tax Liability	—	—	—	—	—	—	17110	17962	16620	19230	19580
Total Shareholders' funds (A)	21932	28905	31369	33715	36794	40441	43320	44445	48225	52278	58580
B. Borrowed funds											
Short term borrowings	537	1697	4251	4591	7165	7795	12545	12195	4490	25982	18354
Foreign Currency loans	2423	5105	2236	765	—	—	2770	9245	18951	1850	—
Sales Tax Deferral	1568	1858	2810	5592	7275	8850	10896	13632	17725	22276	28891
Others	14661	33392	39727	32354	40757	55937	47399	35428	20255	18988	12999
Total Borrowings (B)	19189	42052	49024	43302	55197	72582	73610	70500	61421	69096	60244
TOTAL (A)+(B)	41121	70957	80393	77017	91991	113023	116930	114945	109646	121374	118824



FINANCIAL HIGHLIGHTS

DESCRIPTION	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Capacity-Lac-tonnes	18.5	18.5	27.5	27.5	34.5	57.5	59.9	59.9	59.9	59.9	59.9
Production-Lac-tonnes	18.3	18.1	23.0	25.8	27.2	26.5	31.8	35.2	37.0	38	47.11
Number of employees	1476	1542	1473	1712	1724	1748	1750	1743	1669	1642	1686
Contribution to Exchequer (Rs. in lacs)	10746	13530	16553	17393	17261	18113	21081	23349	22828	27544	32137
Earnings per share (Rs.)*	751	638	269	321	324	366	212	107	28	46	65
Dividend %	55	55	55	55	55	55	60	60	75	100	150
Dividend payout %	7.32	9.41	22.10	18.50	18.36	15.15	19.34	38.05	20.45	26.41	21.95
P/E ratio	14.64	11.75	15.79	11.89	11.24	10.70	20.05	31.45	27.21	21.38	33.29
Price to book value ratio	6.07	3.14	1.64	1.37	1.20	1.26	1.96	1.53	3.22	3.59	6.70
Operating profit ratio %	34.89	33.36	32.01	30.10	29.47	28.70	25.42	24.35	23.86	21.29	21.20
Gross fixed assets per share (Rs.)	3993	6545	7225	7477	8702	10062	11623	11969	1200	1300	1358
Market price of share (Rs.)*											
(a) High	11500	13000	9200	5020	8640	5574	5150	4435	980	1170	2245
(b) Low	8250	6800	2900	3120	2950	3360	3501	3245	330	595	932
Market capitalisation (Rs. in lacs)	131777	89850	50921	46186	44063	50717	51454	40642	92033	118777	261381
Net worth per Share (Rs.)*	1813	2390	2594	2788	3042	3344	2171	2193	237	274	323
Debt-Equity Ratio (on long term Borrowings)	0.70	1.14	1.13	0.67	0.82	1.09	1.29	1.05	0.80	0.35	0.18
Current Ratio	2.09	1.98	2.53	2.26	2.29	2.05	1.84	1.85	1.65	1.90	1.43

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-divided 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 48th Annual General Meeting of the Company will be held at 11.00 A.M. on Thursday, the 27th July, 2006 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 2006 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 2005-2006.
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 Auditors and, if thought fit, to pass with or without modification the following Resolution as an ORDINARY 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.3,00,000/- (Rupees Three 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 Shri.R.S.Agarwal 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.”

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

27-5-2006
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 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 20-7-2006 to 27-7-2006 (both days inclusive).
- (v) 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 are given below:

Financial Year Ended	Date of Declaration of Dividend	Last Date for Claiming Unpaid Dividend	Due Date for Transfer to IEP Fund
31-03-1999	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
31-03-2005			
1 st Interim Dividend	25-08-2004	24-08-2011	22-09-2011
2 nd Interim Dividend	28-01-2005	27-01-2012	25-02-2012
Final Dividend	10-08-2005	09-08-2012	07-09-2012

MADRAS CEMENTS LTD.**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF
THE COMPANIES ACT, 1956****ITEM No.5**

Shri.R.S.Agarwal, aged 63 years, was appointed as an Additional Director by the Board of Directors of the Company on 30-1-2006. 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.S.Agarwal as a Director at the Annual General Meeting.

Shri.R.S.Agarwal, B.Sc., B.E. (Chemical Engineering) started his career in 1965 and after serving in various capacities with a leading paper mill of Northern India for 9 years and with Industrial Development Bank of India (IDBI) for 28 years, retired as Executive Director of IDBI.

While in service with IDBI, he had dealt with many subjects and projects including –

- Member of “Satyam Committee” set up by Government of India in 1999-2000 for formulation of policy for textile industry and involvement in preparation of policy notes, detailed guidelines and implementation of “Technology Upgradation Fund (TUF)” introduced by the Ministry of Textiles, Government of India in April 1999.
- Preparation of policy paper and guidelines on development of “Special Economic Zone” in the country for the Ministry of Commerce, Government of India in January 2002.
- Head of the Infrastructure Finance Department and Project Appraisal Department of IDBI from February 1999 to March 2002, during which period about 30 large size power projects in the range of 250 MW to 500 MW were evaluated and sanctioned assistance by IDBI.

He holds no shares in Madras Cements Ltd.

He is a Member in the Board of Directors of the following Companies :-

1. Tamil Nadu News Print & Papers Ltd.
2. Torrent Cables Ltd.
3. Surya Lakshmi Cotton Mills Ltd.
4. Surya Lata Spinning Mills Ltd.
5. GVK Jaipur-Kishangarh Expressway Ltd.
6. Elegant Marbles & Grani Industries Ltd.

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

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

P.R.RAMASUBRAHMANEYA RAJHA
Chairman & Managing Director

27-5-2006
Chennai



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

SHRI.P.R.VENKETRAMA RAJA

Shri.P.R.Venketrama Raja, aged 47, has a Bachelor's degree in Chemical Engineering from University of Madras and Masters in Business Administration from University of Michigan, USA.

He has been on the Board of Madras Cements Ltd. since 1985.

He is a Member in the following Committees of the Company:

- a) Audit Committee
- b) Project Management Committee
- c) Share/Debenture Committee
- d) Investor Grievances Committee

He holds 46,440 shares in the Company.

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

He is also a Director in the following Companies –

1. Ramco Industries Limited (Vice-Chairman & Managing Director)
2. Ramco Systems Limited (Vice-Chairman & Managing Director)
3. Rajapalayam Mills Limited
4. The Ramaraju Surgical Cotton Mills Ltd.
5. Thanjavur Spinning Mill Ltd.
6. Sri Vishnu Shankar Mill Ltd.
7. Sandhya Spinning Mill Ltd.
8. Sri Sandhya Farms (India) Pvt. Ltd.
9. Sri Saradha Deepa Farms Private Ltd.
10. Ramamandiram Agricultural Estate Private Ltd.
11. Nalina Agricultural Farms Private Ltd.
12. Sudharsanam Investments Ltd.
13. Ramco Systems Corporation, USA
14. Ramco Systems Ltd., Switzerland
15. Ramco Systems Sdn Bhd., Malaysia
16. Ramco Systems Pte. Ltd., Singapore
17. Sri Ramco Lanka (Private) Limited, Sri Lanka
18. RCDC Securities and Investments Private Ltd.
19. Nirmala Shankar Farms & Estates Private Ltd.
20. Sri Nithyalakshmi Farms Private Ltd.
21. Ram Sandhya Farms Private Ltd.
22. Ramco Infotech Solutions Ltd.
23. RSL Enterprise Solutions (Pty) Ltd., South Africa
24. Sri Harini Textiles Limited

MADRAS CEMENTS LTD.**DIRECTORS' REPORT**

Your Directors have pleasure in presenting their 48th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS

	Year ended 31-3-2006 (Rs. in lacs)	Year ended 31-3-2005 (Rs. in lacs)
Operating Profit: Profit before Interest, Depreciation and Tax (PBIDT)	21551	16043
Less: Interest	3435	3589
Profit Before Depreciation and Tax (PBDT)	18116	12454
Less: Depreciation	6519	6334
	11597	6120
Less: Prior period items (net)	70	178
Profit before Tax	11527	5942
Less: Provision for Tax		
Current Tax	3175	740
Deferred Tax	350	(-) 390
Fringe Benefit Tax	100	—
Profit after Tax	7902	5592
Add: Balance Profit from last year	1662	2245
	9564	7837
Add: Debenture Redemption Reserve written back	175	199
Surplus for Appropriation	9739	8036
Appropriations:		
1. Transfer to General Reserve	6000	5000
2. 1 st Interim Dividend-50% (P.Y.-30%)	605	363
2 nd Interim Dividend-50% (P.Y.-30%)	605	363
3. Final Dividend on 1,20,95,000 Equity shares of Rs.10/- each @ 50% (P.Y.40%)	605	484
4. Tax on Dividends	254	164
Balance carried over to Balance Sheet	1670	1662
TOTAL	9739	8036