



GUJARAT AMBUJA CEMENTS LTD.

Annual Report | 1999 - 2000

— GIVE A MAN ORDERS

and he will do the task reasonably well. But let him set his own targets, give him freedom and authority and his task becomes a personal mission : ‘I CAN’.



BOARD OF DIRECTORS

Suresh Neotia, Chairman

Vinod Neotia

M. L. Bhakta

N. N. Pai

Nimesh Kampani

M. T. Patel

Harshavardhan Neotia

O. V. Bundellu, Nominee - IDBI

A. L. Kapur, Whole - time Director

P. B. Kulkarni, Whole - time Director

A. V. Rao, Whole - time Director

Pulkit Sekhsaria, Whole - time Director

Anil Singhvi, Whole - time Director

B. L. Taparia, Whole - time Director & Company Secretary

N. S. Sekhsaria, Managing Director



Corporate Office:

122, Maker Chambers III,

Nariman Point,

Mumbai 400021.

CHAIRMAN'S LETTER

Dear Shareholders,

This year will go down in the history of your company as one of the most memorable.

Despite very difficult conditions prevailing in the cement industry, your company has performed extremely well this year.

It has earned a record profit of Rs. 174.56 crores from its normal business activities and an extraordinary income of Rs. 253.60 crores (net of Rs.28.00 crores as tax). The total profit after tax is Rs.428.16 crores.

We acquired the management of the erstwhile DLF Cement Limited, now renamed Ambuja Cement Rajasthan Limited. This acquisition fits in well with our strategy to command a leadership position in all our cement markets, from Mumbai to Jammu & Kashmir.

We were also fortunate to have a strategic alliance with the largest and most admired cement company in the country: The Associated Cement Companies Ltd. (ACC)

This strategic alliance will go a long way in benefiting the shareholders of both companies.

There have been rapid changes in the business scenario and I would like to share my thoughts on how businesses are likely to be in the future.

Businesses, globally, are getting increasingly competitive. The increased competition delivers greater efficiency, be it in the old brick and mortar economy, or in the new, click and mortar economy.

Everyone uses technology - the technology of computing power, and the technology of communication - to derive better value propositions for the consumer. Be that in terms of superior quality, better services or more competitive prices.

Today, the consumer is truly, King!

At the same time, inevitably, competition leads to over capacity. All the major players desire to be amongst the top few in their field. Therefore today, globally, there is an over capacity in industries across the spectrum. As a consequence, industry wise reorganisations are inevitable.

Such corporate reorganisations take several forms.

They may be in the form of mergers, takeovers, or they could be in the form of strategic alliances. Of late, we've seen strategic alliances becoming increasingly popular. Such alliances do not however, deviate from the principles of competition. In fact, management theorists have already coined a term for the combining of competition

and cooperation. It's called co-opetition. And the benefits of this are two-fold: While competition enhances the value proposition to the consumer, a well conceived strategic alliance only further enhances this.

Everyday, we witness such alliances in the Automobile, Aviation and Steel industries.

Recently, in the steel industry - another commodity business - one heard that two of the largest steel companies in the world, Pohang Steel of Korea and Nippon Steel of Japan are considering entering into a strategic alliance. They wish to cooperate in bringing together the efficiencies of producing and marketing steel. According to the Financial Times, and I quote, "The impetus for the deal appears to be cost-cutting and better response to price and demand fluctuations, without surrendering management control".

In our own industry, a lot of alliances are taking place, both in the domestic arena as well as internationally. Through such alliances, players expect to improve distribution and delivery systems, and ensure superior quality products, at more competitive prices. Alliances would also help improve the value proposition for the consumer, without denying them the economic benefits of competition.

Similarly, we expect our alliance with ACC to enhance the value of our company and usher in a new era in the Indian Cement industry: One of co-opetition.

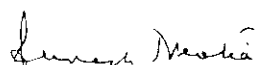
My letter would be incomplete without a mention of our people. The men and women of Ambuja have always worked tirelessly towards making your company the benchmark in efficiency, product quality and innovation.

This year was no different; they did us proud on all fronts. My sincere thanks to them.

Lastly, I am very excited about the prospects of the cement business and the way your company has been positioned to take advantages of all the opportunities of this great business.

I am confident that your company is poised for a very bright future.

Warm regards,



Suresh Neotia

August 9, 2000.

FINANCIAL HIGHLIGHTS

	Rs. Crores	
	1999-2000	1998-1999
Sales	1302	1250
Operating Profit	397	382
Interest	98	108
Depreciation	124	123
Profit After Tax	174	150
Extraordinary Income (Net of taxes)	254	-
Profit after Tax including Extraordinary Income	428	150
Shareholders Funds	1503	1148
Debt	1182	794
Gross Block	2122	1942
Investments	946	268
Net Current Assets	224	215


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*A 60,000 tonne terminal bundles
over 100,000 tonnes. Effortlessly.*

WHEN OUR PEOPLE
PUT THEIR MINDS TO SOMETHING,
THE RESULTS CAN BE SURPRISING.
A FREE 40,000 TONNE TERMINAL,
FOR INSTANCE.

Our shipping terminal in Mumbai is designed to handle 60,000 tonnes of cement per month from our port in Gujarat.

But events took an unusual turn, thanks to the remarkable performance of our marketing team. A sustained effort from them, in particular their focus on the Mumbai retail market, saw demand for the Ambuja brand swell to over 100,000 tonnes.

Suddenly, the Mumbai terminal proved to be a bottleneck.

Our engineers decided they weren't going to let their compatriots in the marketing department down.

They studied the unloading/loading process from ship to truck in minute detail, running hourly checks. Soon they had developed a seamless operation that ran with clockwork precision. Result: In just one month - May 2000 - 7283 truckloads of cement went past our gates, clocking 100112 tonnes: A 40,000 tonne addition to capacity. Free of cost.

Proving once again that an asset is worth only as much as the people who use it.



*Ordinary people achieve extraordinary things.
The 'I Can' spirit at work.*

THE FIRST STEP IN REHABILITATING A SICK COMPANY: A GENEROUS INFUSION OF SPIRIT.

When Ambuja took over Modi Cements, it was a sinking company with a highly demoralised workforce.

While infusion of capital was sorely needed to get the company back on its feet, our engineers felt something far more critical was missing:

The 'I can' spirit.

Here was a true challenge: could our people recreate the ethos and work environment that had so successfully helped Ambuja grow?

Not ones to spend endless time debating, our people threw themselves into the task.

They identified three 'change agents' from the parent company and sent them to the Modi plant to inspire and motivate the people there.

They won the trust of the people by sharing their experiences.

They spoke of how ordinary people can do extraordinary things. Slowly the mind-set began to change. The people's confidence levels in themselves began to rise.

Suggestions on improving productivity began to come in thick and fast: from modifying the raw mill to conserving power by using the sun's rays to remove moisture in the slag.

The result: Productivity is up 20% and power consumption down by 10%.