



AMBUJA CEMENTS LTD.

Annual Report | 2007

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'.

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BOARD OF DIRECTORS

Mr. Suresh Neotia, Chairman

Mr. N. S. Sekhsaria, Vice Chairman

Mr. Markus Akermann

Mr. Paul Hugentobler

Mr. M.L. Bhakta

Mr. Nasser Munjee

Mr. Rajendra P. Chitale

Mr. Shailesh Haribhakti

Mr. Nirmalya Kumar

Dr. Omkar Goswami

Mr. A.L. Kapur, Managing Director

Mr. P.B. Kulkarni, Whole-time Director

Mr. N.P. Ghuwalewala, Whole-time Director

Mr. B.L. Taparia, Whole-time Director and Company Secretary



Corporate Office:

106, Maker Chambers III,
Nariman Point,
Mumbai 400021.

Elegant Business Park,
MIDC Cross Road 'B',
Off Andheri-Kurla Road,
Andheri (East),
Mumbai – 400 059.

CHAIRMAN'S LETTER

Dear Shareholders,

It is my privilege to share with you our company's performance of 2007 at a juncture where the Indian economy is scaling never-before heights and is poised for a coveted position among the top economies in the world. A growth of 9.6% in 2006-07, following that of 9.4% recorded in the previous fiscal, is a commendable achievement. With substantial industrial and manufacturing growth, backed by sustained domestic consumption of goods and services, the economy is expected to clock close to 9% in 2007-08.

The cement industry accounts for approximately 1.3% of the country's GDP. With the continued thrust on infrastructure, the construction sector is bullish. This should translate into high cement consumption, which is expected to show sustained growth.

The industry has always been in the forefront in its endeavor of nation building. In 2006-07, it operated at 94% average capacity utilization, compared to 80-90% in the last few years, and is alive to face the challenge of providing high quality cement in the years to come. A very large capacity is in the pipeline to meet the increasing needs of the nation.

It's the same at Ambuja too. Having commenced with upgrading clinker capacity at Rabriyawas and commissioning grinding units at Farakka and Roorkee in 2007, we are spearheading this initiative and are committed to investing about Rs 3500 crore in the following years to add substantial clinker and grinding facilities across the country. This will provide us with enhanced volumes in core markets and help in maintaining market lead.

I am happy to inform you that during the year, the company sold 16.8 million tonnes of cement. Net sales were up by 18% to Rs 5705 crore over the previous year. Backed by higher dispatches and improved realizations, EBIDTA was up by 19% to Rs 2239 crore while net profit was up by 32% to Rs 1769 crore.

With active support from Holcim, the company continues to further enrich and benchmark its operations and capabilities. A number of initiatives in various fields are well under way. This

will help us maintain a competitive edge and will provide value addition to all the stakeholders.

We have always been proactive in promoting a clean environment and have extensively put to use the requisite technology right from inception. We are, in fact, pioneers in this area. The impact of global warming can now be experienced in our daily lives in the form of extreme climatic situations. Global warming is now on the top of international agenda. By proactively using technological advancements and engaging our community and government in our various initiatives, we continue to provide close focus on this crucial matter. What's more, we are trying to instill environment friendly habits in our people in day to day activities by avoiding waste of water, power and consumables. We are also leveraging Holcim's experience in this initiative.

We are committed to Clean Development Mechanism and Sustainable Development. I am happy that our stakeholders have always supported us in this endeavor.

We continue to support, guide and engage our communities directly and through Ambuja Cement Foundation (ACF) to make them self-sufficient and provide them with much-needed hygienic conditions. I am happy that the initiative is taking on a bigger role and is gradually developing into a kind of revolution for sustaining the well-being of our society.

People are our greatest strength. We have nurtured them over the years and they have shown their mettle by making this company a leader that we are all proud of. In order to develop their knowledge and skills further and to provide them with better motivation and working opportunities, we (with the support of a world renowned consultant) proactively engaged in an initiative called "People Power". The sole aim of this initiative is to promote "Healthy People and Healthy Plants".

The project commenced at Ambujanagar on pilot basis to provide the plant with a redefined organization structure with clear leadership positions. It also entails setting up an academy to harness the knowledge and skills of our people and disseminate it to other plants for wide spread application. This initiative will also ensure fitness of our plants in a proactive manner. We plan to introduce it to other plants for wider benefits. A renewed and greater thrust is being given to training and development of our people in close coordination with Holcim.

In view of the increase in the scale of our activities across India, the company operations have been regionalised into specific geographical business units under the control and

supervision of Business Heads. Besides, the empowerment of the regions have been done by providing substantial delegation of powers with the objective of faster decision making and bringing greater accountability. The corporate structure has been revamped and strengthened to provide ongoing support to regional outfits.

OH&S is accorded very high priority and engages all our people. We continue to pursue the policy of providing healthy and safe working environment to our people. The advent of Holcim has given renewed impetus to this initiative. DuPont provided detailed training to our various functionaries to disseminate knowledge and techniques with the objective of achieving "zero harm". The scope of this training, with internal resources, is widened to include all line functions through specific training within 2008. The challenge to bring about an attitudinal change in the mindset of the people continues and I am happy to say that there have been perceptible improvements.

I thank my management team for providing the company with strong leadership and clear vision at this crucial time. Our people, who work incessantly to bring us glory, are to be felicitated for making us proud. I also offer my sincere thanks to all of you for your continued faith and trust in us. Together, we shall re-write history.

With warm regards



Suresh Neotia

12th February, 2008.

FIVE YEAR PERFORMANCE

	Rs. in Crores				
	2003	2004	2005	2006 (18 Months)	2007 (12 Months)
Sales	1735	1968	2606	6268	5705
Operating Profit	513	587	799	2247	2239
Cash Profit	425	509	714	2168	2163
Profit before Tax	253	384	519	1842 ***	2712 ***
Profit after Tax	222	337	468	1503	1769
Gross Block	3024	3782	3827	5177	5928
Net Worth	1612	2013	2172	3484	4655
Foreign Currency Convertible Bonds	461	–	–	–	–
Debt	1290	1270	1127	865	330
Cash EPS (Rs.)	27	28	5.28	14.29	14.26
EPS (Rs.)	14	19	3.46 *	10.09 *	11.61 *
Dividend (%)	70	80	90 **	165	175
Capacity – Million Tons	9.00	12.86	13.30	16.30	18.50
Production - Million Tons	9.84	10.37	12.80	22.63	16.86

Note :

* On Face Value of Rs. 2 per share.

** Includes 30% on enlarged capital after issue of Bonus shares in the ratio of 1:2.

*** Includes exceptional items of Rs. 785.89 crores, previous year Rs. 47.52 crores.



It was a problem the world's finest minds couldn't solve.

Our engineers converted it into a 10% increase in production.

One day, our engineers noticed a strange occurrence in our cement mills in Rajasthan.

The vibration levels of the machines had risen alarmingly and the equipment had begun to disintegrate. It was a problem that had the potential to cause losses up to crores.

Our engineers acted swiftly. They flew all the way to Denmark to enlist the aid of the biggest cement machine manufacturer in the world.

A trouble-shooting team from Denmark was flown in post-haste.

After studying the problem, the team made their recommendations. Sadly, none of them worked. They immediately took the problem to leading professors and vibration analysts. The results were the same.

It was the kind of challenge our engineers thrive on.

They put their heads together. And a solution began to emerge.

The answer, they realised, was to isolate the driven equipment from the drive. This would enable them to pinpoint where the errant vibrations were coming from.

Each person was asked to scrutinize the machine they were in charge of. This way they were able to locate the problem and isolate the faulty machines from the good ones.

The results were most encouraging.

Vibration levels came down dramatically. And not a single breakdown was reported last year.

Not surprisingly, production went up by 10%. And what's more, the morale of our people reached an all-time high.

It just goes to show that with determination you'll find solutions that even elude the experts.