

Ambuja Cement Rajasthan Ltd.

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8th
ANNUAL REPORT
1999-2000

AMBUJA CEMENT RAJASTHAN LTD.

(Formerly DLF Cement Ltd.)

BOARD OF DIRECTORS

S.K. NEOTIA	-	Chairman
N.P. GHUWALEWALA	-	Managing Director
PRIYA BRAT	-	ICICI nominee
B.L. TAPARIA		
A C SINGHVI		
SNEHASIS KUMAR	-	Company Secretary

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants
Scindia House, K.G. Marg
New Delhi - 110 001.

BANKERS

ABN AMRO Bank
ANZ Grindlays Bank
Canara Bank
ICICI Bank
State Bank of India
State Bank of Bikaner & Jaipur
Standard Chartered Bank

HEAD OFFICE

1-E, Jhandewalan Extension
New Delhi - 110 055

WORKS/REGISTERED OFFICE

Village : Rabriyawas
Tehsil Jaitaran, District Pali
Rajasthan - 306709

NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of Ambuja Cement Rajasthan Limited (formerly known as DLF Cement Limited) will be held on Monday, the 9th October, 2000 at its registered office at Village Rabriyawas, Tehsil Jaitaran, Dist. Pali, Rajasthan - 306709 at 11.00 AM to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Profit & Loss Account for the Corporate Financial Year ended 30th June, 2000 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Anil Singhvi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. A.F. Ferguson & Company, retiring Auditors as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
 "RESOLVED that pursuant to the provisions of Section 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force) read with Schedule XIII to the said Act as amended and subject to such other permissions, consents and approvals as may be required and subject to such conditions, if any, that may be imposed by any authority while granting their permissions, consents and approvals and which the Board of Directors of the Company (the "Board") be and is hereby authorised to accept, the consent and approval of the Company be and is hereby accorded to the appointment of Mr. N. P. Ghuwalewala as Managing Director of the Company for a period of 5 (five) years with effect from 3rd March 2000 on the terms and conditions set out below and incorporated in the Agreement dated 7th April, 2000 entered by the Company with Mr. N. P. Ghuwalewala:

A. REMUNERATION:**a) Salary :**

Rs. 75,000/- p.m. in the scale of 75000 - 7500 - 150000.

b) Perquisites :**i) Housing**

- 1) Residential accommodation; or house rent allowance at the rate of 60% of salary.
- 2) Expenses pertaining to electricity will be borne/ reimbursed by the Company.
- 3) Company shall provide such furniture and fixtures and furnishings as approved by the Board from time to time.

ii) Medical Expenses

Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalisation, nursing home and surgical charges for himself and family.

iii) Leave Travel Concession

Leave travel concession (LTC) in respect of himself and family not exceeding one month's basic salary per annum. The LTC entitlement for any one year to the extent not availed shall be allowed to be accumulated upto the next two years.

iv) Club Fees

Reimbursement of membership fee for upto 1 club in India including admission and life membership fee.

v) Personal Accident Insurance

Personal accident policy of such amount as may be decided by the Board of Directors, premium of which shall not exceed Rs. 10,000/- per annum.

vi) Contribution to Provident Fund, Superannuation Fund and Annuity Fund

Company's contribution to Provident Fund and Superannuation or Annuity Fund not exceeding 30% of salary in aggregate.

vii) Gratuity

Gratuity at a rate of half month's salary for each completed year of service.

viii) Leave

Leave with full pay or encashment thereof as per the Rules of the Company.

ix) Other Perquisites

Subject to overall ceiling on remuneration mentioned hereinbelow the Managing Director may be given other allowances, benefits and perquisites as the Board of Directors may from time to time decide.

c) Amenities :**i) Conveyance facilities**

The Company shall provide suitable conveyance facilities as may be required by the Managing Director and approved by the Board.

ii) Communication facilities

The Company shall provide telephone, telefax and other communication facilities at the Managing Director's residence.

Explanation :

Perquisites shall be evaluated as per Income-tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

II. Overall remuneration :

The aggregate of salary and perquisites in any corporate financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force.

III. Minimum remuneration :

In the event of loss or inadequacy of profits in any corporate financial year during the currency of tenure of service of the Managing Director, the payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of the Part II of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER that where in any Corporate Financial Year during the tenure of Shri N. P. Ghuwalewala as the Managing Director of the Company, the Company has no profits or its profits are inadequate, the Company do pay to the Managing Director, remuneration by way of salary, allowances and perquisites not exceeding the ceiling limit specified under Section II of the Part II of Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to take all such steps as may be necessary to give effect to this resolution."

5. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), the Articles of Association of the Company, the Guidelines on Preferential issues issued by the Securities & Exchange Board of India (SEBI) (the "SEBI Guidelines") and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities or bodies and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions which the Board of Directors of the Company (the "Board") (which term shall be deemed to include any Committee of Directors that the Company may constitute or may hereinafter constitute) be and is hereby authorised to accept, the consent of the Company be and is hereby accorded to the Board to issue and offer to Gujarat Ambuja Cements Ltd. (GACL) on private placement basis upto 5,00,00,000 (Five crore) equity shares of Rs. 10 each at par by way of preferential issue of equity shares or by way of preferential issue of convertible preference shares/ other convertible securities for cash in one or more tranche(s), such that the aggregate of equity shares allotted including upon conversion of the preference shares/ other securities shall not exceed in aggregate 5,00,00,000 (Five crore) equity shares of the face value of Rs. 10 each."

"RESOLVED FURTHER that the Board be and is hereby authorised to issue and allot equity shares/ convertible preference shares/ convertible debentures/ other convertible securities as may be required in pursuance of this preferential issue to GACL, in such denominations as may be found convenient, setting out the principal terms and conditions of the offer as laid down by the existing SEBI guidelines in this regard and that the equity shares so allotted shall rank pari-passu with existing equity shares of the company, save that such equity shares shall carry the rights to receive dividend, if any, which may be declared for the financial year in which the allotment of the shares shall become effective, pro-rata from the respective date of allotment".

"RESOLVED FURTHER that the Board be and is hereby authorised to modify or amend any of the terms and conditions of the preferential issue as and when deemed fit in its absolute discretion subject to the condition that such modification/ amendment shall be in accordance with the provisions of the SEBI Guidelines and the provisions of the Companies Act, 1956".

"RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilization of the proceeds and further to do and perform all such acts, deeds, matters or things and to finalise and execute all documents and writings as the Board may in its absolute discretion consider necessary, proper, desirable or expedient."

By order of the Board
For AMBUJA CEMENT RAJASTHAN LTD.

Date: 2nd August, 2000

Place: Mumbai

(SNEHASIS KUMAR)
COMPANY SECRETARY

Notes:

- 1) 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. PROXIES IN ORDER TO BE VALID MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- 2) A.n explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
- 3) The register of members and share transfer books will remain closed from Tuesday, the 3rd October, 2000 to Saturday, the 7th October, 2000 (both days inclusive).
- 4) Members are requested to intimate any change in their address to the Company by quoting their Folio No.
- 5) Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificates to consolidate their holdings in one folio.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

The following Explanatory Statement sets out all material facts relating to the special business under Item Nos. 4 and 5 of the accompanying Notice dated 2nd August, 2000.

In respect of Item No. 4

The earlier Managing Director of the Company, Mr. A.S.Minocha, resigned from the directorship of the Company on 3.3.2000. The Board had approved the appointment and remuneration of Mr. N.P.Ghuwalewala, a Director nominated on the Board by Gujarat Ambuja Cements Ltd. as Managing Director for a period of 5 (five) years with effect from 3rd March, 2000, subject to the approval of

the shareholders and such other approvals/ permissions/ consents as may be required. Mr. N.P. Ghuwalewala aged 56 years is a Chemical Engineer. He has held senior positions in various large companies of repute. Prior to his joining the Ambuja Cement group, he was a whole time director of Birla Corporation Ltd.. He has total experience of about 30 years out of which 17 years in cement industry. An Agreement recording terms and conditions of appointment was executed with Mr. Ghuwalewala on 7th April 2000. Mr. N.P. Ghuwalewala fulfills all the conditions of appointment stated in Part I of Schedule XIII to the Companies Act, 1956. The details of remuneration payable to Mr. N.P. Ghuwalewala have been given in resolutions at Item No. 4 of the Notice. Other principal terms and conditions as contained in the aforesaid Agreement are given below:-

- The Managing Director shall not be paid any sitting fees for attending the Meetings of the Board of Directors or Committees thereof.
- The Managing Director shall not, so long as he functions as such be entitled to supplement his earnings under the Agreement with any buying or selling commissions. He shall not also become interested or otherwise concerned directly or indirectly through his spouse and/or minor children, if any, in any selling agency of the company, without such approvals as may be required under the law.
- This Agreement may be terminated by either party by giving the other party six months' notice or paying six months' salary in lieu thereof.

The Board of Directors recommends passing of the Ordinary Resolution at Item No. 4 of the Notice.

A Copy of the Agreement dated 7th April, 2000 mentioned above is available for inspection by the members during business hours on any working day, at the registered office of the Company, upto the date of the meeting.

The terms and conditions given hereinabove and the details of remuneration contained in the resolution at Item No. 4 may further be treated as abstract of the terms of appointment of Mr. N.P. Ghuwalewala pursuant to Section 302 of the Companies Act, 1956.

Mr. N.P. Ghuwalewala is concerned or interested in the said resolution. Save as aforesaid, none of the other Directors is, in any way, concerned or interested in the said resolution.

In respect of Item No. 5

The accumulated losses of the Company as per the audited accounts for the Corporate Financial Year 1999-2000 have increased to Rs. 223.13 crores as against the net worth of Rs.238.14 crores.

To improve the net worth of the Company in order to save it from being registered with the Board for Industrial and Financial Reconstruction (BIFR) as a sick company and to augment the resources for its short-term and long-term fund requirements as well as to save the Company from additional interest burden, GACL has agreed to provide necessary financial assistance by way of subscribing to equity shares/ convertible preference shares/ other convertible securities of the Company upto face value of Rs.50 crores. It is therefore proposed to issue and allot the said equity shares or preference share/ other securities convertible into equity shares to GACL on preferential basis in accordance with the provisions of the SEBI Guidelines and other law, rules and regulations.

The Prevailing market price of the share is around Rs. 7.40 per share. However, GACL has agreed to subscribe for the shares at par, i.e. at the price of Rs. 10/- per share.

Since the equity shares/convertible preference shares/other convertible securities would not be offered to all the shareholders of the Company pro-rata, consent of the members is being sought pursuant to the provisions of Section 81(1A) of the Companies Act, 1956 and the Listing Agreements with the Stock Exchanges.

The allotment of the proposed issue of 5 crores equity shares will be made within a period of three months from the date of passing of the resolution in accordance with the SEBI Guidelines for preferential issues.

After the allotment of the proposed 5 crores equity shares, the aggregate shareholding of GACL in the Company shall increase from 42.19% to 52.51% in the post issue capital of the Company. The proposed preferential allotment to the promoters of the Company as aforesaid would not result in any change in the control over your Company. The change in shareholding pattern before and after preferential issue is stated in the table given below :-

Category	Present holding (No. of shares)	% to the total capital	Post preferential issue holding (No. of shares)	% to the total capital
GACL	97164869	42.19	147164869	52.51
Financial Institutions/ Mutual Funds/ Banks	37260406	16.18	37260406	13.29
Foreign Holding	30977045	13.45	30977045	11.05
Others	64883763	28.18	64883763	23.15
Total	230286083	100.00	280286083	100.00

The Board of Directors recommends passing of the Special Resolution at item No. 5 of the Notice.

Mr. Suresh Neotia, Mr. B. L. Tapania and Mr. Anil Singhvi being Directors of GACL may be deemed to be concerned or interested in the aforesaid resolution. Save as aforesaid, none of the Directors of the Company is, in any way, concerned or interested in the said resolution.

A certificate from the Statutory Auditors of the Company in terms of the SEBI Guidelines will be placed before the members of the Company at the meeting.

By order of the Board
For AMBUJA CEMENT RAJASTHAN LTD.

Date: 2nd August, 2000
Place: Mumbai

(SNEHASIS KUMAR)
COMPANY SECRETARY

DIRECTORS' REPORT

To the Members,

The Directors present the Eighth Annual Report together with the Audited Statement of Accounts of the Company for the period ended 30th June, 2000.

Financial Results

The Company's corporate financial year has been changed to end on 30th June, 2000. Since the last financial year of the Company was closed on 30th September, 1999, the operating results are for the 9 months' period from 1st October, 1999 to 30th June, 2000 :-

	Current Period (9 months) (Rs. in lac)	Previous Period (18 months) (Rs. in lac)
Sales	<u>18,525.26</u>	<u>41,479.02</u>
Operating Profit/(Loss) before Interest, Depreciation & Tax	<u>(764.34)</u>	<u>561.92</u>
Less: Interest & Financial charges	<u>3,703.17</u>	<u>7,547.18</u>
Gross Loss before Depreciation & Tax	<u>4,467.51</u>	<u>6,985.26</u>
Add: Depreciation	<u>1,672.15</u>	<u>3,329.05</u>
Loss before taxation	<u>6,139.66</u>	<u>10,314.31</u>
Provision for tax	<u>—</u>	<u>—</u>
Loss after taxation	<u>6,139.66</u>	<u>10,314.31</u>
Add/ (Less):		
Adjustments relating to prior period	<u>586.09</u>	<u>72.72</u>
Net Loss	<u>6,725.75</u>	<u>10,387.03</u>
Loss carried forward from previous year	<u>15,588.02</u>	<u>5,200.99</u>
Accumulated Loss carried forward to next year	<u>22,313.77</u>	<u>15,588.02</u>

Review of Performance

Production and sales of the Company during the period were as under:

	Current Period (9 months)	Previous Period (18 months)
Production		
Cement (lac MT)	9.10	19.49
Clinker (lac MT)	9.51	19.08
Sales		
Quantity (lac MT) (including clinker)	9.36	20.47
Value (Rs. in crores)	185.25	414.79

The plant operated at 87% capacity utilisation as compared to 93% in the previous year on annualised basis. Off-take in the Company's marketing areas during the period under review has been extremely sluggish. Supply was far in excess of demand. Competition was intense and prices remained depressed throughout this period. The drought situation in the State of Rajasthan – its main market – further aggravated the problem. All the major input costs on the other hand continued to rise. All these have affected the bottomline of the Company adversely resulting in a loss of Rs.67.26 crores during the period as against the loss of Rs.103.87 crores in the previous financial year of the Company comprising of 18 months.

Change in Management

After completion of the formalities of open offer under the SEBI Take-over Regulations and acquisition of the entire stake of the erstwhile promoters – DLF Industries Ltd. - Gujarat Ambuja Cements Limited (GACL) took charge of the management of the Company in March, 2000. Mr. N.P.Ghuwalewala, a Director nominated by GACL was appointed as Managing Director, in place of Mr. A.S.Minocha, who resigned as Managing Director of the Company on 3rd March, 2000. Mr. Ghuwalewala, aged 56 years is a Chemical Engineer. He has held senior positions in various companies of repute. Prior to his joining the Ambuja Cement group, he was a Whole-time Director of Birla Corporation Ltd. looking after their cement business. He has total experience of about 30 years out of which 17 years is in cement industry.

The name of the Company has been changed from DLF Cement Ltd. to its present name, i.e., Ambuja Cement Rajasthan Limited with effect from 6th April, 2000.

Strategy for Revival**Plant Operations :**

Our technical team in close co-ordination with GACL, first concentrated on identifying the problems and bottlenecks which were needed to be tackled immediately for improvement in overall operational efficiencies. After discussions, an action plan was drawn for implementation, keeping in mind the priorities. Our engineers are presently busy in de-bottlenecking and optimisation of various plant processes & operations right from mining of limestone to packing of cement. We have started getting results in terms of improved productivity and efficiencies. The full benefit will get reflected in the ensuing year.

Quality Control :

The plant was earlier producing mainly 43 Grade of cement. As per market information, the consumers were not happy with the quality. We took a conscious decision to substantially improve the quality of cement. We decided to upgrade the quality to the highest 53 Grade and to provide to the consumer better quality of cement on a consistent basis. In order to achieve this various actions were taken including screening and monitoring of the quality of limestone, optimising the raw-mix, improvement in operational practices at each stage of production, etc. In addition, quality control checks at each stage of operations have been instituted. As a result, the clinker quality has improved substantially. Furthermore, we started the grinding of the clinker to a much finer level in order to improve cement strength. The additional costs incurred on these quality improvement measures will pay rich dividends in the long run.

Marketing & Logistics :

A fresh look has been given to the entire marketing strategies duly backed up by an effective advertising campaign and extensive after-sales technical services. The prevailing C&F system of sales has been decided to be eliminated in a phased manner. The dealers' and stockists' network is being strengthened. Focus has been shifted to increase sales in the nearby markets of Rajasthan. Strategic steps are being taken to switch from non-trade (Institutional) sale to trade sale with a view to improve realisation. This exercise is being done under the guidance of GACL who are pioneers in distribution and marketing.

Emphasis has been laid to increase direct despatches by road to the consumers as against despatches by rail, to avoid multiple handling and reduce the overall cost of distribution. Although these steps adversely affected the volume of sales in the initial months, they will soon result in increased volumes at better realisation.

To give further support and achieve higher sales volumes as well as improved realisations, GACL has licensed its brand "Ambuja Cement" to the Company for sale of cement. The brand "Ambuja Cement" is registered under the Trademark and Copyrights Laws in India. This brand is well known for its quality and enjoys premium in all its home markets. We have launched our cement under the brand "Ambuja Cement" from April, 2000. Response to the new brand is encouraging.

Infrastructural Facilities:

Infrastructure facilities in and around the plant were quite lacking when we took over. We have taken extensive steps to improve these. Work on the 4 km. road linking the plant with the State Highway has started. We have also started a dialogue with the State Government to improve the extensively damaged portion of the nearby State Highway. This would improve availability of trucks and will help in increasing despatches by road. Further work that has been taken up includes construction of roads within the plant area, construction of the boundary wall around the plant and the colony for reasons of security and safety, completing housing left incomplete earlier and other facilities for the staff at the plant colony, etc.

Finance:

On the financial front, high cost borrowings aggregating to Rs. 142 crores (approx.) were replaced/ restructured by low cost borrowings in order to reduce the interest burden. A foreign currency loan from IFC(W) aggregating to Rs. 70 crores (approx.) with a remaining tenure of 3 years was replaced by rupee loan with a longer tenure. This has insulated the Company from the risks of foreign exchange volatility. Further, the Company intends to raise funds upto Rs. 50 crores by way of private placement of fresh equity shares to GACL. This would help improve the net worth of the Company thereby saving it from being registered with BIFR as a sick company as well as result in savings in interest costs.

We believe that with improvement in productivity, quality, operational parameters, cost reduction, logistics management and the marketing network, the Company will achieve substantially improved results in the coming years.

Present Scenario and Future Prospects

The year 1999-2000 was a mixed year for the cement industry. The cement industry, which has been facing a large surplus situation for the past several years, got some relief during the year. With an encouraging 15% growth in demand as against a mere 2% addition in capacity, the supply demand imbalance got bridged to a great extent. Notwithstanding this, cement prices remained under pressure throughout the year. This was mainly on account of the fear of drought in certain parts of the country, which depressed sentiments. Many cement producers lowered prices in order to increase volumes. The intense competitive pressure influenced the bottomlines adversely. Cement exports remained dismal owing to lower international cement prices.