9th
ANNUAL REPORT
2000–2001

Ambuja
Cement

Ambuja Cement Rajasthan Ltd.

AMBUJA CEMENT RAJASTHAN LTD.

(Formerly DLF Cement Ltd.)

BOARD OF DIRECTORS

SURESH 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
9, Scindia House, K.G. Marg
New Delhi - 110 001.

BANKERS

ICICI Bank
State Bank of India
State Bank of Bikaner & Jaipur
Standard Chartered Grindlays Bank
Standard Chartered Bank

HEAD OFFICE

248, Okhla Industrial Estate
Phase-III
New Delhi - 110 020

WORKS/REGISTERED OFFICE

Village : Rabriyawas
Tehsil Jaitaran, District Pali
Rajasthan - 306709

NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of Ambuja Cement Rajasthan Limited will be held on Friday, the 2nd November, 2001 at its registered office at Village Rabriyawas, Tehsil Jaitaran, Dist. Pali, Rajasthan - 306709 at 4.30 PM to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Profit & Loss Account for the Company's Financial Year ended 30th June, 2001 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. Suresh Neotia, 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.

By order of the Board of Directors
For AMBUJA CEMENT RAJATHAN LTD.

Date : 25th July, 2001
Place : New Delhi

(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) The Register of members and the Share Transfer books will remain closed from Tuesday, the 30th October, 2001 to Wednesday, the 31st October, 2001 (both days inclusive).

3) Members are requested to intimate any change in their address to the Company by quoting their Folio No.

4) 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.

DIRECTORS' REPORT

To the Members,

The Directors present the Ninth Annual Report together with the Audited Statement of Accounts of the Company for the Corporate Financial Year ended 30th June, 2001.

FINANCIAL RESULTS

The highlights of the financial results for the Corporate Financial Year ended 30th June, 2001 are as under :

	Current Year (12 months) (Rs. in lacs)	Previous Period (9 months) (Rs. in lacs)
Sales	**30,248.32**	18,525.26
Operating Profit before Interest, Depreciation & Tax	**2,138.04**	(764.34)
Less: Interest & Financial charges	**5,374.20**	3,703.17
Gross Loss before Depreciation & Tax	**3,236.16**	4,467.51
Add: Depreciation	**2,272.62**	1,672.15
Loss before taxation	**5,508.78**	6,139.66
Provision for tax	—	—
Loss after taxation	**5,508.78**	6,139.66
Add/ (Less):		
Adjustment relating to prior period	**454.36**	586.09
Net Loss	**5,963.14**	6,725.75
Loss carried forward from previous period	**22,313.77**	15,588.02
Accumulated Loss carried forward to next year	**28,276.91**	22,313.77

REVIEW OF PERFORMANCE

Cement industry continued facing the recession during the year. The cement demand was down by 2%. Negative growth in demand and excess production capacity intensified the competition and kept the cement prices under pressure. Till around November 2000, the prices were so low that the industry was suffering heavy losses. Cement prices started improving from December 2000 - January 2001 but not enough to earn profits.

In the above background, the performance of the Company during the year ended 30th June 2001 should be viewed as modest. The Company produced 12.79 lac tons of cement as against 9.10 lac tons in the previous period of 9 months, a growth of 5% on annualised basis. The Company has made much higher sales as compared to previous period. During the year, the Company has sold 14.77lac tons of cement and clinker taken together as compared to 9.36 lac tons of cement and clinker in the previous period (9 months), an annualised increase of 18%. In value terms, sales went up to Rs. 302.48 crores as compared to Rs.185.25 crores in the previous period (9 months), registering an increase of 22%.

The Company earned operating profit before interest and depreciation of Rs. 21.38 crores as against operating loss of Rs. 7.64 crores incurred during the previous period of 9 months. After providing for interest and financial charges of Rs. 53.74 crores and depreciation of Rs. 22.73 crores, company suffered a net loss of Rs. 55.09 crores as against Rs. 61.40 crores in the previous period *(9 months)*.

The accumulated losses of the Company at the end of financial year 2000-2001 amounted to Rs. 282.77 crores wiping out the entire net worth of the Company. The Company, therefore, has become a Sick Industrial Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985.

PLANT OPERATIONS

The Company had initiated various measures towards improving the operational efficiencies, productivity and product quality. Steps had also been initiated for reducing power and fuel consumption. These measures have started yielding results during the year.

Our engineers have reduced the break downs both in terms of time and frequency by about 50% on an average. Power consumption during the year has come down to 99 kwh per ton of cement as compared to 104 kwh in the previous period inspite of much finer grinding of clinker than in the previous period. The coal consumption has also come down, though marginally, from 733 to 724 k/cal per kg of clinker.

Power is one of the major input cost in cement production. To reduce the cost of power and to ensure uninterrupted power supply to the plant, Company has installed one DG set of 6 MW capacity at an investment of Rs.16.88 crores. This DG set was commissioned in the month of April 2001. The installation of DG set is likely to reduce the power cost from current year onwards.

The existing thermal power plant was taken for upgradation as well as for removal of certain bottlenecks to improve the availability as well as to lower the cost of power generation. The work has been completed in the month of June 2001.

The full benefits of various measures taken by the Company during the year towards improvement in operational efficiencies and productivity, reduction in power and fuel consumption and their costs etc. would start accruing from the year 2001-2002. The Company hopes to improve its margins substantially owing to these measures.

MARKETING AND LOGISTICS

The Company's philosophy to produce consistently superior quality of cement and to take care of the needs of the customers has paid rich dividends. The Company's cement sold under the brand "Ambuja Cement" has got the recognition of being a premium brand in most of its markets. "Ambuja Cement" backed up by intensive technical support services and advertising support has become a preferred brand.

As a result of the combination of consistently superior quality of cement produced by the plant, efficient distribution, extensive after sales services by our technical services department, advertisement and promotional support, the Company has achieved 18% higher volume (annualised) during the year and sold 14.77 lac tons of cement and clinker as against 9.36 lac tons in the previous period (9 months). Company has achieved a growth of 22% in value terms at Rs. 302.48 crores as against Rs. 185.25 crores in the previous period (9 months).

Apart from the increase in the sales volume, we have also increased our presence in retail/ trade segment of the market which gives better price realisation. Our sales in this segment have moved up from less than 50% of total sales in the previous period to about 80% in the current year.

To make our distribution efficient and cost effective, we have laid emphasis on road despatches and delivering directly to the customers. During this year, our road despatches have increased from 38% to 61%. We have been able to lower our distribution costs by about 15% which is mainly on account of increase in road despatches, direct despatches to customers and efficient logistics management.

FINANCE

Like the other costs, we are putting our efforts to reduce the interest burden of the Company. To this effect, the Company during the year has redeemed the non-convertible portion of 4004460 Multi Option Convertible Debentures (MOCDs) of Rs. 35/- each carrying interest of 17% p.a. ahead of their maturity date. The Company has paid Rs. 14.02 crores towards principal amount and Rs. 7.61 crores towards interest accrued upto the date of redemption. This redemption was made out of the borrowing from Standard Chartered Bank at lower rate of interest of 11.50% per annum.

INCREASE IN EQUITY SHARE CAPITAL

To improve the networth of the Company, the Shareholders in the Eighth Annual General Meeting of the Company held on 9th October, 2000 had approved and authorised the Board of Directors of the Company to issue upto 5,00,00,000 equity shares of Rs. 10/- each to Gujarat Ambuja Cements Limited (GACL). Accordingly, 3,10,00,000 fully paid equity shares of Rs. 10 each at par were allotted to GACL. Consequent to the above, the Equity Share Capital of the Company stands increased from Rs. 230,28,60,830/- to Rs. 261,28,60,830/-.

ECONOMY & CEMENT OUTLOOK

The Indian economy continues to reel under the slowdown phase for the last about four years. All the three sectors of the economy - agricultural, industrial and services - have registered a slower growth. Investment is stagnant. Demand slackness in all the sectors is continuing.

On the positive side, interest rate is at the lowest it has been in last two decades. Inflation rate is subdued. Government appears serious and concerned to step up the economic growth. Policies for development of roads, housing, national highways, employment generation etc. are getting priorities. We believe that implementation of these policies is imminent sooner than later. The outlook for cement looks good.

Monsoon has been good in most parts of the country. This augurs well for the country and will result in increasing the purchasing power especially in rural parts of the country. Housing is bound to get high priority after food in their spendings. This is also going to boost the demand for cement.

DIRECTORS

Mr. Suresh Neotia, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment.

AUDITORS

M/s. A. F. Ferguson & Co., Auditors of the Company, will retire at the ensuing Annual General Meeting and are eligible for re-appointment. M/s. A. F. Ferguson & Co. have confirmed that their appointment, if made, shall be within the limits under Section 224(1B) of the Companies Act, 1956. The Board of Directors recommend reappointment of the auditors and fix their remuneration.

CORPORATE GOVERNANCE

As per the listing agreement with Stock Exchanges, the Company has to implement Corporate Governance during the financial year 2001-2002. Several effective steps have already been taken by the Company towards implementation of the Corporate Governance code. The requirements of the said code will be fully implemented during the financial year 2001-2002.

PUBLIC DEPOSITS

The Company has neither invited nor accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956, during the year under review.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, required to be given pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is set out in Annexure I and forms part of this Report.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is annexed hereto as Annexure II and forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956

As required u/s 217(2AA) of the Companies Act, 1956, we hereby confirm:

i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;

ii) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2001 and of the profit or loss for the year ended 30th June 2001;

iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors express their gratitude to the Government of India, Government of Rajasthan, Local Authorities, Financial Institutions, International Finance Corporation, Bankers to the Company and various other agencies for their co-operation and guidance extended to the Company.

The Directors also express their gratefulness to all of you, the Shareholders, as well as to the Debentureholders for your support to the Company.

The Directors also place on record their appreciation for the contribution made by Employees at all levels.

For and on behalf of the Board,

Date : 25th July, 2001
Place : New Delhi

(SURESH NEOTIA)
CHAIRMAN

ANNEXURE – I

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE BOARD OF DIRECTORS' REPORT) RULES, 1988.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

i) Replacement of dip tube in fifth Stage Preheater Cyclones.
ii) Modification of clinker cooler inlet.
iii) Boiler modification to increase power generation and reduce consumption of auxiliary power in Captive Power Plant.
iv) Improved plant operations.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

i) Upgradation of raw mill.
ii) Installation of basic refractories in the kiln.
iii) Installation of variable speed drive for cooler fans.
iv) Use of Tailing waste.
v) Use of Petcoke.
vi) Use of dry flyash for manufacture of PPC.
vii) Replacement of bags in bag house by membrane bags.
viii) Total investment on account of above is estimated at Rs. 470 lacs.

(c) Impact of the measures at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods :

Measures referred to in (a) above will result in saving of Rs. 675 lacs approximately per year and the measures under (b) above will result in energy saving of Rs. 680 lacs approx. per year.

(d) Total energy consumption and energy consumption per unit of production :

Information given in the prescribed Form-A annexed.

B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption are given in the prescribed Form-B annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products & services; and export plans:

Export was not viable during the year ended June 30, 2001.

(b) Total Foreign Exchange used and earned:

	Year ended June 30,2001 (12 months) (Rs. in lacs)	Period ended June 30,2000 (9 months) (Rs. in lacs)
Used	**8837.84**	3369.60
Earned	**Nil**	131.83

FORM A

(See Rule 2)

Form for disclosure of particulars with respect to Conservation of Energy

	Year ended June 30,2001 (12 months)	Period ended June 30,2000 (9 months)
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
(a) Purchased		
Unit (lac KWH)	**819.60**	573.23
Total Amount (Rs. in lacs)	**3573.75**	2349.73
Rate/Unit (Rs.)	**4.36**	4.10
(b) Own generation		
(I) Through Diesel Generator		
Net units (lac KWH)	**83.50**	Nil
Units/Ltr of LDO/Furnace oil (KWH)	**4.18**	Nil
LDO/Furnace oil-Cost/Unit generated (Rs./KWH)	**2.18**	Nil
(II) Through Steam Turbine		
Net units (lac KWH) @	**482.83**	445.08
Units per tonne of coal	**920**	1136
Coal - cost/Unit (Rs.)	**2.35**	2.09