

Gujarat Ambuja Cements Ltd.~Annual Report I can 1998~99

growth for the company.

This year was an eventful one. Thanks to a formidable competitor in Gujarat, there was intense competition which led to depressed prices. Faced with the challenge of defending profitability, our people took up a two-pronged approach.

They reduced costs further by 21%. And they pushed market share up from 26% to 29%. The delightful thing is, while prices rose in the last quarter, our costs didn't. Thanks to the

"This simple philosophy has created an environment where there are no limits to excellence, no limits to efficiency. This has been a powerful engine of growth for the company."

competition, we now have lasting benefit of lower costs and an increased market share.

As a result of these efforts, you'll be glad to know the company has made a record profit this year of Rs. 150.47 crores.

Over the years, we have been able to create a business that's internationally competitive and efficient, with a product the customer wants.

We're the lowest cost producers in the country, and we've never been more financially strong. More importantly, we've a team of people who've gone through the trial by fire, and emerged even stronger.

I believe, therefore, the time is right for the company to shift into a higher gear for growth.

Our plans are ambitious – we intend to set up greenfield plants as well as acquire existing cement plants. But our focus will always remain on profitability. We have no intention of acquiring or building plants for mere size – they have to contribute to our bottomline.

Balancing rapid growth and profitability is no easy task. This is going to be the major challenge ahead for us.

I am delighted that Mr. P. B. Kulkarni, Mr. A. V. Rao, Mr. A. L. Kapur, Mr. B. L. Taparia and Mr. Anil Singhvi have joined me on the Board as whole-time directors. I am confident, with them we'll carry out our growth plan and take the company to greater heights.

Warm regards,

Narotam Sekhsaria

Narotam Sekhsaria

BOARD OF DIRECTORS

Suresh Neotia, Chairman

Vinod Neotia

M. L. Bhakta

Nimesh Kampani

N. N. Pai

M. T. Patel

O. V. Bundellu, Nominee – IDBI

Harshavardhan Neotia

N. S. Sekhsaria, Managing Director

Pulkit Sekhsaria, Whole-time Director

A. L. Kapur, Whole-time Director

P. B. Kulkarni, Whole-time Director

A. V. Rao, Whole-time Director

B. L. Taparia, Whole-time Director

and Company Secretary

Anil Singhvi, Whole-time Director

CORPORATE OFFICE: 122, Maker Chambers III, Nariman Point, Mumbai 400021.



~ 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'.



LETTER FROM THE CHAIRMAN

Dear Shareholders,

This was a landmark year for the company. Despite adverse conditions in the market and the economy, the management team turned out a record performance.

The team is in the process of putting finishing touches on an ambitious growth plan for the company. To carry out this growth plan, we've instilled further strength in the management team. We have appointed 5 whole-time directors – Mr. P. B. Kulkarni, Mr. A. V. Rao, Mr. A. L. Kapur, Mr. B. L. Taparua and Mr. Anil Singhvi. These are the people with a proven track record in the business and I welcome them on the Board of our company.

As we enter the new millennium, it is important to look at the developments of the five decades of our independence. The landmark achievement, as I see, was the green revolution in the seventies. From acute shortages and heavy imports of foodgrain, India went on to become totally self-sufficient and even an exporter of foodgrain.

But, we as a nation, have not been as successful in providing shelter. Now, it is time for us to take it on with the same zeal and dedication as the green revolution. I am glad that after several years, the government has given housing its long overdue importance. The new initiatives announced in the recent policy on housing are most welcome. Housing has a tremendous potential for kickstarting the economy. It can set a virtuous cycle going. It's the single biggest employment provider. I am confident, if we pursue housing development seriously, it has the strength to spur economic growth rapidly.

With this, there will be a growing need for cement. The cement industry will play a major role in the development of the nation. And our company is fully geared to participate in this development.

Warm regards,



Suresh Neotia

LETTER FROM THE MANAGING DIRECTOR

Dear Shareholders,

Cement is a great business. After food, shelter is the next priority that any human being seeks. And in India, we still have to build millions and millions of homes. Along with homes we need roads, bridges, ports and other infrastructure. To build all of this, there is no substitute for cement. That is why, there will always be a large and growing demand for this product.

Cement is also a simple business. 'Simple' in the sense that all it needs is a large amount of capital. Unlike other industries it does not suffer rapid technological obsolescence, or shifting consumer tastes.

There is a downside that comes with this. The large demand and simplicity of the business attracts new investments. As a result, there will always be surplus capacity in the market. There will always be competition. This means that only very efficient players will do well.

It is for this reason our people have been obsessed with efficiency. From a 5 million tonne plant capacity that was running at 100% efficiency, they have been able to coax a 6 million tonne production. They've been able to grow our business 10 fold in just 13 years. While keeping our cost of production not just the lowest in the country, but amongst the lowest in the world.

I am very proud that Ambuja's plants match the best in the world in terms of technology. Our environment protection measures are at par with the finest in the developed countries.

Not many industries in India have been able to achieve global standards. I am often asked, "How did Ambuja do this?" From day one, we've adopted a simple philosophy. We don't give targets to our people. Instead, we let them set targets for themselves. Naturally, they set very high targets. And then pursue them with a missionary zeal. Sometimes they don't achieve their goals. But, on the way, their efforts produce extraordinary results.

This simple philosophy has created an environment where there are no limits to excellence, no limits to efficiency. This has been a powerful engine of

growth for the company.

This year was an eventful one. Thanks to a formidable competitor in Gujarat, there was intense competition which led to depressed prices. Faced with the challenge of defending profitability, our people took up a two-pronged approach.

They reduced costs further by 21%. And they pushed market share up from 26% to 29%. The delightful thing is, while prices rose in the last quarter, our costs didn't. Thanks to the

"This simple philosophy has created an environment where there are no limits to excellence, no limits to efficiency. This has been a powerful engine of growth for the company."

competition, we now have lasting benefit of lower costs and an increased market share.

As a result of these efforts, you'll be glad to know the company has made a record profit this year of Rs. 150.47 crores.

Over the years, we have been able to create a business that's internationally competitive and efficient, with a product the customer wants.

We're the lowest cost producers in the country, and we've never been more financially strong. More importantly, we've a team of people who've gone through the trial by fire, and emerged even stronger.

I believe, therefore, the time is right for the company to shift into a higher gear for growth.

Our plans are ambitious -- we intend to set up greenfield plants as well as acquire existing cement plants. But our focus will always remain on profitability. We have no intention of acquiring or building plants for mere size -- they have to contribute to our bottomline.

Balancing rapid growth and profitability is no easy task. This is going to be the major challenge ahead for us.

I am delighted that Mr. P. B. Kulkarni, Mr. A. V. Rao, Mr. A. L. Kapur, Mr. B. L. Taparia and Mr. Anil Singhvi have joined me on the Board as whole-time directors. I am confident, with them we'll carry out our growth plan and take the company to greater heights.

Warm regards,

Narotam Sekhsaria

Narotam Sekhsaria

“We’ve just acquired
a 1 million
tonne cement plant.

And I
Report Junction
didn’t

Our engineers have achieved a production of 6 million tonnes from plants with a peak capacity utilisation of 5 million tonnes.

This additional one million tonnes came without seeking capital for a new plant from our treasury. But, instead, getting greater efficiency out of the existing ones.

In this era of acquisitions, our people have found the most cost-effective method of growing the business: Making the most efficient use of your existing assets.

even know
about it.”

–JAYESH DOSHI, Senior Manager (Treasury)

“Admittedly, there’s
one
thing
that hasn’t
gone up
over the years.
Our power bill.”

In 1989, the cost of power per tonne of cement was Rs. 1.17. To combat rising tariffs, our engineers have been taking a series of steps. They raised the efficiency of the kiln to deliver more output for less power.

A few years later, they set up a captive power plant which supplied power at a substantially lower cost than the national grid. Then last year, they sourced a cheaper and better furnace oil from the Middle East to run the power plant. The result: 10 years later, our power bill still refuses to budge. As you can see, there’s no limit to efficiency if you put your mind to it.

Report  junction.com

– B. K. JAGTIYA, Senior General Manager (Operations)

“Coal. Clinker. Furnace oil.

Look

what

We set up a terminal in Gujarat to bring cement to Mumbai. Then we thought: What next? And came up with the idea of exporting clinker. Followed by cement to Sri Lanka and the island of Mauritius.

Next? The terminal opened up the opportunity of bringing cheaper coal from South Africa. And now, we're using the terminal to import cheaper furnace oil from the Middle East to run our power plants.

Just goes to show, there are no limits to putting an asset to efficient use, even if it's a cement terminal.

So what's next? Luxury cruises?

we keep discovering
at our cement
terminal.”

– K. K. JHAWAR, Terminal Manager