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**GUJARAT
AMBUJA
CEMENTS
LTD.**

Annual Report
2000-2001





**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

Nasser Munjee

O. V. Bundellu, Nominee - IDBI (Upto 25/7/2001)

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 and Company Secretary

N. S. Sekhsaria, Managing Director



Corporate Office:

122, Maker Chambers III,

Nariman Point,

Mumbai 400021.

CHAIRMAN'S LETTER

Dear Shareholders,

2000-2001 was one of the most challenging years in the history of the cement industry. After several years, we were faced with a negative growth in demand for cement.

Despite this and the slowing down of the Indian economy, I am glad to share with you that your Company has performed well during the year. It has earned an operating profit of Rs.463 crores as against Rs.397 crores in the previous year, an increase of 17%. After charging interest and depreciation, the profit after tax is Rs.186 crores, as against Rs.175 crores in the previous year.

I feel that this performance by your Company is quite an achievement. And it's been possible mainly due to its sustainable business model and a very committed team.

Over the years, your Company has consistently performed better than others, with its high level of operating efficiency, an excellent quality product, good logistics management and above all, its high degree of integrity and fairness. These are the core values of the Company. A business can be successful on a sustained basis, only if it's based on these values. We're proud to say, that the Ambuja Team upholds these very values while running the Company.

We in the Company, are very passionate about the cement business in India. Cement is more than just a business. Cement means progress. For the growth of any economy, cement comes first. It touches the core need of every human, be it a home, a place of worship or a place to earn one's livelihood.

Cement is even more important in a developing economy like India; where we still have a very large unrealised demand for housing. 'Housing to everyone' should to my mind, be a fundamental right. This will obviously generate a huge demand for cement from the Housing Sector alone. Infrastructure development will also be big in the near future. The development of roads, ports, canals, bridges, etc. will contribute large portions to the demand.

Therefore, not only are we in a fundamental business with an inherently exciting future, but thanks to a committed team and a sound business model, we find ourselves in a position where our cement business is very profitable on a sustained basis.

Most unfortunately, Gujarat and Kutch in particular, suffered a massive earthquake

on the 26th of January 2001. The magnitude of the earthquake was severe. But the response in terms of men and material from all over the country was overwhelming. From Kashmir to Kanyakumari, people arrived in Kutch to lend a helping hand. In fact, Kutch soon had a problem of plenty. It is in times such as these, when the people of our country rise to the occasion, that we are reminded of Indian cultures, values and bonhomie.

I am happy to inform you that your Company was one of the first ones to arrive in Kutch and has since been working on various fronts for the revival and reconstruction of the affected areas.

Let me end by thanking each one of you for the confidence and faith that you have reposed in Ambuja Cement. I would also take this opportunity to thank every member of the team without whose contribution, the achievements of the Company wouldn't have been possible. I look forward to your continued participation in the growth of the Company.

Warm regards,



Suresh Neotia

August 16, 2001.

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FINANCIAL HIGHLIGHTS

| | Rs. in crores | |
|---|---------------|-----------|
| | 2000-2001 | 1999-2000 |
| Sales | 1448 | 1302 |
| Operating Profit | 463 | 397 |
| Interest | 134 | 98 |
| Depreciation | 129 | 124 |
| Profit after Tax | 185 | 174 |
| Extraordinary Income (Net of taxes) | 1 | 254 |
| Profit after Tax including Extraordinary Income | 186 | 428 |
| Shareholders Funds | 1521 | 1503 |
| Foreign Currency Convertible Bonds | 461 | - |
| Debt | 1186 | 1182 |
| Gross Block (Including CWIP of Rs.494 Crores) | 2671 | 2122 |
| Investments | 1119 | 946 |
| Net Current Assets | 87 | 224 |





Kilns don't increase productivity. People do.

Take our Ambujanagar plant for instance: Last year, our people were considering adding a new kiln to increase production, when our engineers objected.

This, they said, would be prohibitively expensive. Why don't we push productivity from the old kiln instead?

An impossible task by any yardstick.

After all, how much more could a 15-year-old kiln, already running above capacity, deliver?

Worse, there was risk involved: If not handled well, any changes to the kiln's operations could throw the entire production line out of gear.

Our engineers, on the other hand, were confident.

With considerable skill, tenacity and planning they proceeded to add a new 6-stage pre-heater. And modify the raw mill circuit.

They pulled off the unthinkable.

At less than one-fourth the cost of a new kiln, they've upped capacity by a substantial 0.5 million tonnes.

**“HOW CAN A 15 YEAR OLD KILN .com
KEEP INCREASING PRODUCTIVITY
YEAR AFTER YEAR? IMPOSSIBLE.”**

**“THAT’S BECAUSE YOU’RE ASKING
THE WRONG QUESTION.”**



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Our Himachal plant has consistently functioned above capacity.

This year, we faced our most difficult challenge to date: Could we possibly increase capacity any further?

After all, even an incremental raise would require considerable ingenuity and effort.

Our engineers took up the task. They began by studying every little aspect of the plant.

Could a 0.3 m increase in a kiln duct help? How about fine-tuning the cooler operations, they questioned?

Sleeves were rolled up. And hands dirtied.

The result: Kiln production was up by 300 tonnes per day. Power costs down by 5%. While fuel consumption touched an all time low.

All in all, their efforts yielded a good Rs.1.5 crores in savings.

**OUR ENGINEERS OFTEN TURN UP
REMARKABLE THINGS IN THEIR EFFORTS TO
IMPROVE EFFICIENCY.
IN THE CASE OF OUR HIMACHAL PLANT,
IT WAS Rs 1.5 CRORES.**