



GUJARAT AMBUJA CEMENTS LTD.

ANNUAL REPORT | 2004-2005

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

Suresh Neotia, Chairman

Vinod Neotia

M. L. Bhakta

Nimesh Kampani

M. T. Patel

Harshavardhan Neotia

Nasser Munjee

Rajendra P. Chitale

A. L. Kapur, Whole-time Director

P. B. Kulkarni, Whole-time Director

Pulkit Sekhsaria, Whole-time Director

Anil Singhvi, Whole-time Director

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

N. P. Ghuwalewala, Whole-time Director (w.e.f. 28/6/2004)

N. S. Sekhsaria, Managing Director



Corporate Office:

122, Maker Chambers III,

Nariman Point,

Mumbai 400021.

CHAIRMAN'S LETTER

Dear Shareholders,

This past year has been a good one for the Indian Cement Industry. The Industry crossed 127 million tonnes of cement despatches, recording an impressive 8.5% growth over the previous year.

Similarly, the Indian Economy as a whole grew by 7%, over and above the 8.5% growth that was achieved in 2003-04.

I believe, this is the beginning of a new pattern of growth for the Indian economy. The growth momentum is getting into a virtuous cycle, wherein high growth attracts large capital inflows, which in turn fuels further growth. We seem to finally have all the ingredients in place for the country to achieve the status of a global giant.

I am particularly excited about the growth in the manufacturing sector. After trailing for a while, the sector seems to have picked up very well.

This year, the monsoon too has been good across the country. There is now a general consensus that the economy will grow by 7% in 2005-06. This augurs very well for the cement industry, as after a long spell we're seeing the economy grow at over 7% for 3 consecutive years. This has also brought the country the much-needed global attention.

Also, the Government has pledged to continue with reforms in infrastructure and invest in rural development and boost the housing sector as well.

In order to firmly grasp the opportunities offered by the growing Indian economy, and realise the full potential of the company, we have been looking at various options for our strategic investment in ACC. As you may recall, we had purchased about a 14% stake in ACC in 1999 from the Tata Group of Companies.

I am extremely pleased to share with you that we've now partnered with Holcim to consolidate our presence in ACC.

Holcim is the largest cement producing company in the world. And has been looking to build a presence in India. For our part, we were looking for a large global cement partner to further consolidate our presence in the Indian Cement Industry. Our coming together therefore, is a win-win situation for both the companies and their shareholders.

This partnership with Holcim will not only help us further strengthen our relationship with ACC, but also give us access to many of Holcim's strengths like R&D, fuel sourcing,

Information Technology, etc.

The partnership now gives us about a 35% equity stake in ACC, which is the single largest cement producing company with an all-India presence. We will now be able to consolidate ACC's working in our financial results. Which until now was not being done.

In terms of size and structure, this was a landmark transaction in Corporate India.

As far as our performance goes, the last year has been very good. I am pleased to share with you that we have sold 12.75 million tonnes of cement during the year, a growth of 22%. The company made a consolidated Operating Profit of Rs.910 crore as against Rs.710 crore in the previous year - an increase of 28%.

There has been a significant increase in consolidated Profit After Tax from Rs.362 crore to Rs.518 crore - an increase of 43%.

This impressive performance was largely due to our people's unfailing commitment and passion to taking the company ever higher.

As always, they continue to ensure that our efficiency levels are the highest in the industry, even as they keep input costs in check. I have no doubt that their spirit and passion will continue to keep us far ahead of the competition.

With virtually no new capacities on the anvil and demand set to increase, I'm reasonably confident that a very good year lies ahead of us.

I have long believed that cement is one of the best businesses to be in, as it always mirrors a growing economy. Growth is never a challenge, but to keep adding value along with growth is a challenge, and I'm sure our people are more than up to the task.

Finally, I would like to offer my sincere thanks to our people and to each one of you. Your continued trust and faith in us has helped Gujarat Ambuja Cements become one of the most successful companies in the country.

With warm regards,



Suresh Neotia

9th August, 2005.

TEN YEAR PERFORMANCE

Rs. in crores

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales	633	795	973	1058	1117	1269	1384	1735	1968	2606
Operating Profit	262	285	353	382	397	463	466	513	587	799
Cash Profit	207	217	245	274	553 *	329	369	425	509	714
Profit before Tax	148	135	136	151	456 *	200	231	253	384	519
Profit after Tax	148	132	131	151	428 *	186	187	222	337	468
Gross Block	1381	1665	1882	1942	2122	2671	2900	3024	3782	3827
Net Worth	784	885	974	1048	1403	1521	1618	1612	2013	2172
Foreign Currency Convertible Bonds	-	-	-	-	-	461	461	461	-	-
Debt	618	887	1068	794	1182	1186	1322	1290	1270	1127
Cash EPS (Rs.)	28	29	33	37	38 *	22	24	27	28	5.28
EPS (Rs.)	20	18	18	21	29 *	13	12	14	19	3.46
Dividend (%)	50	50	60	70	40 **	50	60	70	80	90 ***
Capacity - Million Tons	3.50	5.00	5.00	5.00	5.50	7.00	9.00	9.00	12.86	13.30
Production - Million Tons	3.06	4.10	5.05	6.01	5.78	6.10	7.20	9.84	10.37	12.80

Note :

* Includes Extraordinary Income of Rs. 254 crores (Net of taxes).

* On enlarged capital after issue of Bonus Shares in ratio of 1:1.

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

CONSOLIDATED FINANCIAL HIGHLIGHTS

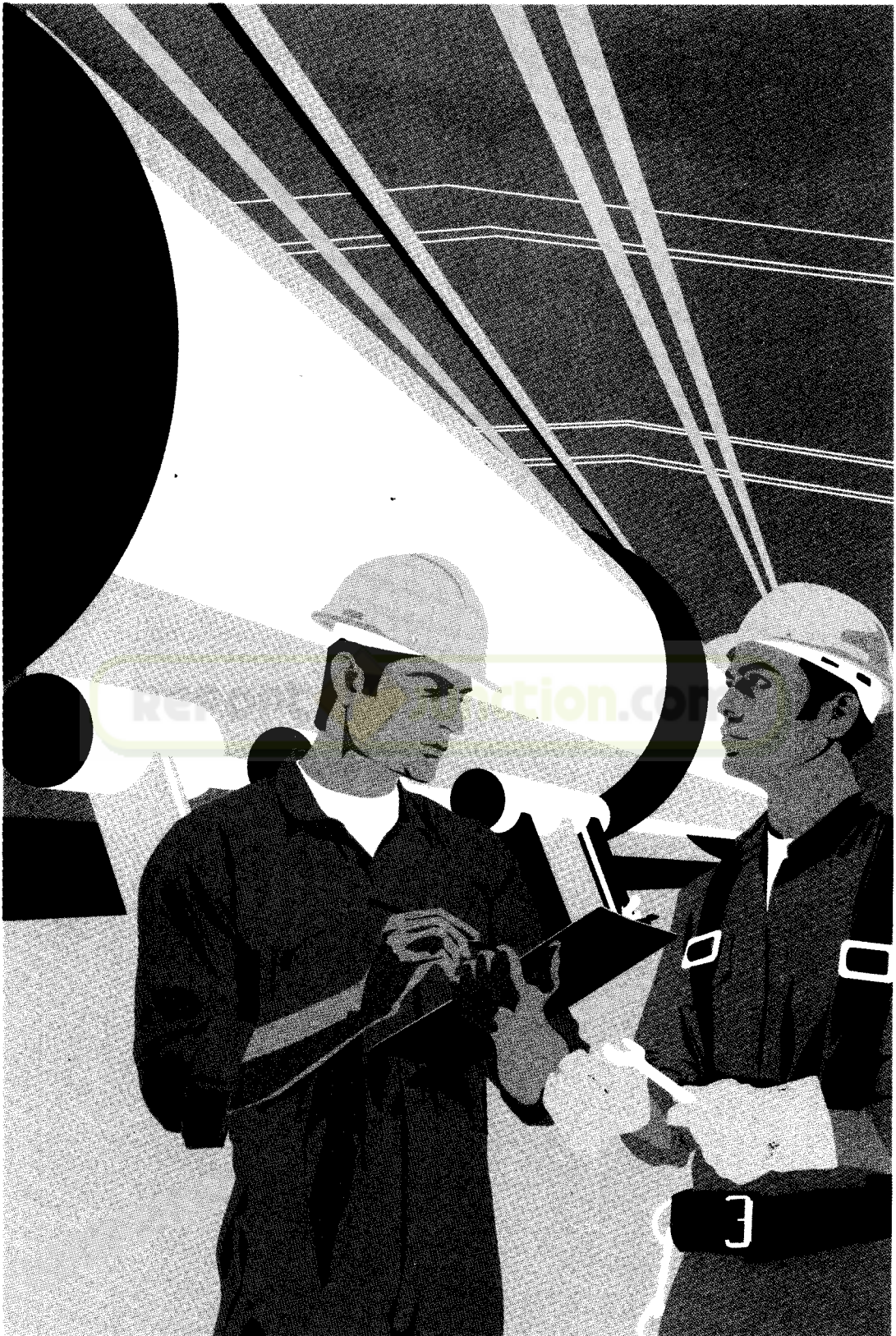
	Rs. in crores	
	2004-2005	2003-2004
Sales	3085	2418
Operating Profit	910	710
Interest	90	90
Depreciation	220	208
Profit before Tax	600	454
Profit after Tax	518	362
Shareholders' Funds	2401	1743
Debt	1161	1440
Gross Block (Including CWIP)	3921	4443
Investments	1301	1086
Net Current Assets	202	202

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OUR TRACK RECORD (1987 - 2005)

Parameters	CAGR %
Capacity	18
Sales	29
Net Profit	36
Networth	30
Return to Shareholders	29
Weighted Average EBITDA Margin (%)	33

CAGR = Compounded Annual Growth Rate



Perhaps the finest testament
to our people's spirit:
a modest 10% rise in
efficiency at our Rajasthan kiln.

The engineers at our Rajasthan plant were unhappy.

Thanks to their efforts, a 4200 tonnes a day capacity kiln was already delivering 4675 tonnes a day. And every further increment in efficiency, no matter how small, was getting more and more difficult to achieve.

Being an obsessive lot however, they just weren't willing to give up trying.

A lengthy brainstorming session only yielded a meagre list of insignificant suggestions. None of which, on their own, would push up efficiency. Was it time to accept defeat, they wondered?

Then one of them took a closer look at the list in front of them. Yes, none of the suggestions were worthy of being implemented on their own. But what if we tried all of them together? Collectively, they could well yield the result needed.

Our people were determined to try. And so, drawing on their collective will, they set about the arduous task of implementing every suggestion. Raw material was piled into bigger heaps, and silos were filled above the half way mark to facilitate better blending. Dispersion plates were re-adjusted by a precise 2° to ensure uniform heating.

Slowly but surely, the results started coming in. Blending had improved, feeding was more consistent. And finally and most importantly, efficiency had moved up a full 10%.

By sheer force of will and determination, our people had achieved the impossible. We can find no better testament to the 'I can' spirit.