AMBUJA CEMENTS LIMITED

Annual Report 2014

I CAN.

OUR VISION

To be the most sustainable and competitive company in our industry.

OUR MISSION - CREATE VALUE FOR ALL

Delighted Customers | Inspired Employees
Enlightened Partners | Energised Society | Loyal Shareholders
Healthy Environment

CONTENT

Chairman's Letter	05
Financial Highlights of 5 Years	07
I Can - Some Highlights	08
Directors' Report and Management Discussion & Analysis	14
Annexure to Directors' Report	35
Report on Corporate Governance	48
Business Responsibility Report for the Year 2014	70
Auditor's Report	79
Financial Statements	82
Consolidated Accounts with Auditor's Report	109
Notice	139

GIVE A MAN ORDERS
AND HE WILL DO THE TASK
REASONABLY WELL.
BUT LET HIM SET HIS
OWN TARGETS, GIVE HIM
THE FREEDOM AND
THE AUTHORITY,
AND HIS TASK BECOMES
A PERSONAL MISSION:
I CAN.

CORPORATE INFORMATION

CHAIRMAN EMERITUS
Mr. Suresh Neotia

BOARD OF DIRECTORS
Mr. N. S. Sekhsaria
- Chairman

Mr. Bernard Terver
- Vice Chairman

Mr. Bernard Fontana
Mr. Nasser Munjee
Mr. Rajendra P. Chitale
Mr. Shailesh Haribhakti
Dr. Omkar Goswami
Mr. Haigreve Khaitan
Ms. Usha Sangwan *(w.e.f. 24th April, 2014)*
Mr. B. L. Taparia
Mr. Ajay Kapur
- Managing Director & Chief Executive Officer *(w.e.f. 25th April, 2014)*

CHIEF FINANCIAL OFFICER
Mr. Sanjeev Churiwala

COMPANY SECRETARY
Mr. Rajiv Gandhi

EXECUTIVE COMMITTEE
Mr. Ajay Kapur
– Managing Director & CEO

Mr. Sanjeev Churiwala
– Chief Financial Officer

Mr. Vilas Deshmukh
– Chief Manufacturing Officer

Mr. Sanjay Gupta
– Chief Marketing Officer

Mr. Vivek Agnihotri
– Chief Corporate Services Officer

Ms. Meenakshi Narain
– Chief HR Officer

Mr. Henning Sasse
– Head of Techport

Mr. Ranjan Sachdeva
– Chief Central Procurement Officer

AUDITORS
M/s. SRBC & Co. LLP (Statutory Auditors)
M/s. P.M.Nanabhoy & Co. (Cost Auditors)

CORPORATE OFFICE
Elegant Business Park,
MIDC Cross Road 'B',
Off Andheri-Kurla Road,
Andheri (E), Mumbai 400 059.

REGISTERED OFFICE
P. O. Ambujanagar, Tal. Kodinar
Dist. Gir Somnath, Gujarat 362 715

CHAIRMAN'S LETTER

Dear Shareholders,

Last year, I shared the momentous news that Holcim had invited Ambuja to merge with Holcim India – a union that would make ACC Limited a subsidiary of Ambuja. I am happy to inform you that we have completed all formalities and are awaiting FIPB clearance. I am hopeful this will be obtained soon and we can begin a new chapter in our company's history.

For the cement industry, 2014 was a year of consolidation. Most companies continued to struggle with weak demand, excess capacity and falling prices. In the face of these challenges, it gives me great pleasure to announce that the company has performed well, recording top line growth in EBITDA, revenue, and PAT. Our net sales and profit increased by 9% and 16%, to ₹ 9,911 crores and ₹ 1,496 crores respectively, over the previous year. This outcome is certainly the result of our 'Operational Excellence' programs, and the untiring efforts of our people to make Ambuja a better, more efficient company.

The future for the industry looks positive with the new government's focus on development of infrastructure and housing. Moreover, a rise in GDP from these initiatives would provide an additional impetus for the cement industry, given the strong correlation between GDP growth and India's per capita cement consumption, which still ranks below the world average.

Since Ambuja's inception, we have dedicated ourselves to being the 'most sustainable cement company'. This reflects our deep concern for the scarcity of natural resources that faces us – an issue that will only intensify for future generations. Because our industry is particularly resource-intensive, we have committed ourselves to continually reduce our consumption of non-renewable resources and decrease CO_2 emissions.

Many of our initiatives in this area have started to bear fruit. Our work with water conservation has made us the only 'water-positive' cement company in India. We have also made concerted efforts to find alternative fuels. These initiatives have been recognised and awarded by industry bodies like CII and ASSOCHAM. Our wider CSR efforts were recently acknowledged in the Harvard Business Review as successful on a holistic level.

These achievements have only deepened our people's 'I Can' spirit to continue our journey towards sustainability. This year, with the assistance of KPMG, we developed an entirely new index to gauge our impact in the social sphere. This index, called 'True Value', lets us ascertain the social and environmental impact of our activities, now, and in the future. We believe it will help us to continually better ourselves, while protecting the communities and resources around us.

We are also committed to improving the health and safety of our employees, subcontractors, third parties and visitors. Our safety initiative, 'We Care', covers all our stakeholders and is driven through top management commitment and visible leadership across all levels.

Our customers have always been at the heart of our efforts, and we continue to provide excellence to them through innovative products and solutions. We recently launched Ambuja Plus, a premium quality cement product aimed at individual home-builders. Last year, we were able to reach out to thousands of customers across the country by providing end-to-end, value-added technical services, through initiatives like the Ambuja Knowledge Centres, which provide know-how to construction professionals.

Today we stand at the threshold of another year that will hold many challenges. I am sure that the 'I Can' spirit of our people will turn every trial into an opportunity. With our enduring focus on sustainability, safety, efficiency, quality, and with the support of all stakeholders, I am sure the company will scale new heights and set new benchmarks for the industry.

With warm regards,

N. S. Sekhsaria

N. S. Sekhsaria

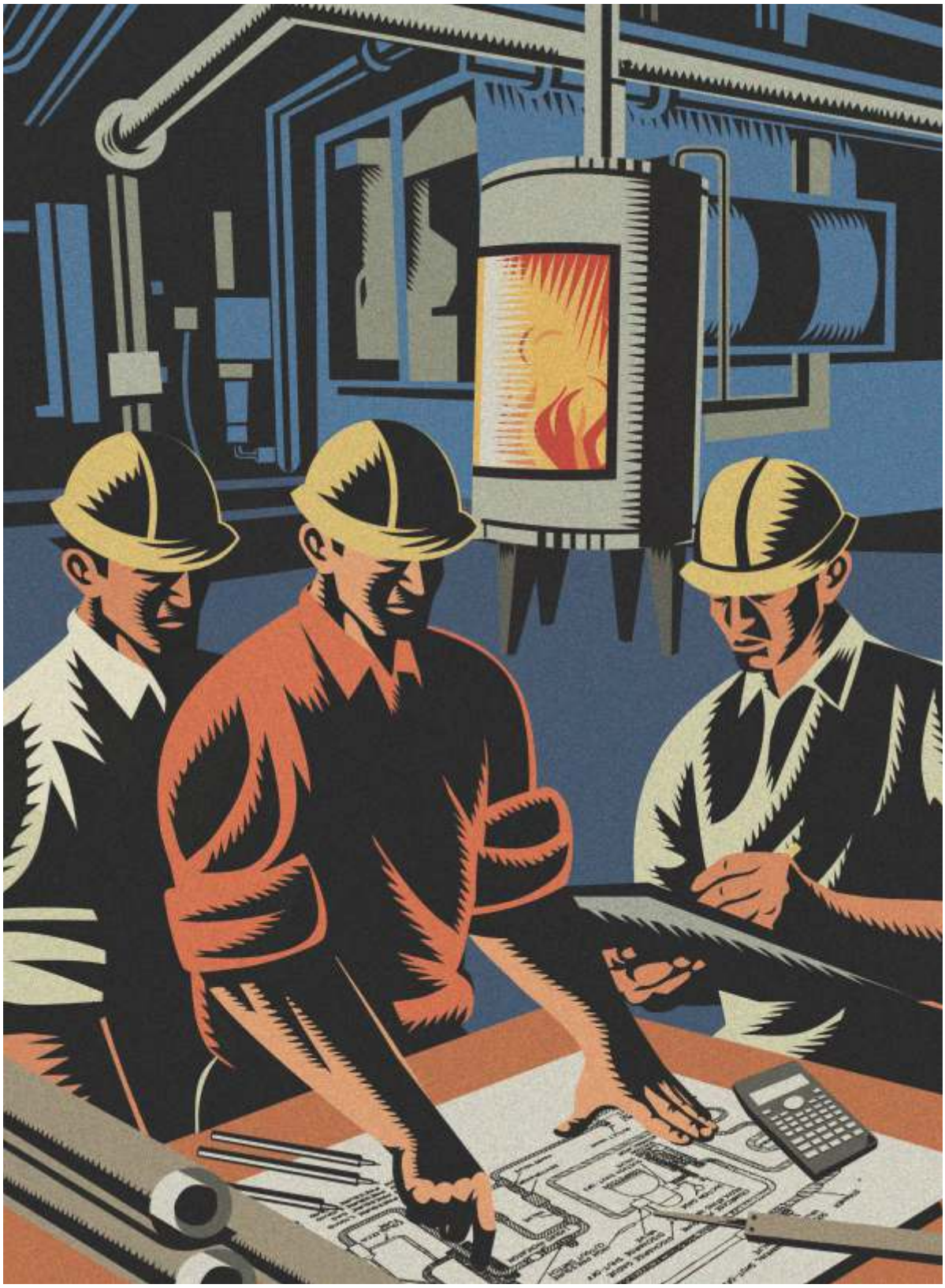
18 February, 2015

FINANCIAL HIGHLIGHTS OF 5 YEARS

Amount in ₹ crores

	2014	2013	2012	2011	2010
INCOME STATEMENT					
Net Sales	9,911	9,079	9,675	8,504	7,390
Operating EBITDA	1,928	1,667	2,473	1,977	1,951
Profit Before Tax	1,783	1,514	1,902	1,703	1,662
Profit After Tax	1,496	1,295	1,297	1,229	1,264
BALANCE SHEET					
Net Worth	10,103	9,486	8,805	8,069	7,330
Borrowings	19	29	35	43	65
Capital Employed	10,753	10,121	9,414	8,778	7,926
Fixed Assets - Gross Block	11,429	10,826	10,184	9,702	8,779
Fixed Assets - Net Block	6,227	6,063	5,862	6,186	5,628
Current Assets	5,995	5,537	5,276	4,264	3,135
Current Liabilities	3,148	2,843	2,899	2,764	2,394
CASH FLOW STATEMENT					
Net Cash Generated from Operations	1,675	1,287	1,858	1,533	1,876
Cash and Cash Equivalents	4,459	3,961	3,860	2,899	2,289
SIGNIFICANT RATIOS					
Operating EBITDA / Net Sales	19%	18%	26%	23%	26%
Return on Capital Employed (EBIT/Avg. CE)	18%	16%	22%	21%	23%
Debt Equity Ratio (Debt/ [Debt+NW])	0.00	0.00	0.00	0.01	0.01
Price Earning Ratio#	23.65	21.79	23.83	19.37	17.28
Book Value Per Share (₹)	65.28	61.43	57.24	52.67	48.01
Basic Earning Per Share (₹)	9.67	8.39	8.43	8.02	8.28
Dividend Per Share (₹)	5.00	3.60	3.60	3.20	2.60
Dividend Payout Ratio	62%	50%	50%	46%	37%
Current Ratio	1.90	1.95	1.82	1.54	1.31
OPERATIONS					
Cement Capacity - Million Tonnes	28.75	27.95	27.95	27.35	25.00
Cement Production - Million Tonnes	21.43	20.96	21.62	20.97	20.13

Market Price as per BSE on last day of year.
Except for the year 2010, the rest of the year's figures are based on Revised Schedule VI



HOW DID WE RAISE PRODUCTION AND REDUCE COSTS?

By running out of the key component in cement production.

It was a shortage that threatened to halt the entire plant's operations. Last November, the Ropar plant faced an acute shortage of dry fly ash - an essential component in the production of Ambuja Cement. Without an adequate supply, the plant's very future would soon be in question.

The engineering team needed to find a viable solution, and fast. The only alternative was to use wet fly ash. However, the wet form chokes the machinery and so it needs to be dried. But the cost involved in the conventional manner of drying wet dry fly ash was impractical - an investment to the tune of 100 crores.

It was this unforeseen circumstance that brought about an unprecedented idea – what if a mix of biomass could offset the problems involved in drying wet fly ash?

Time was not on their side and neither was history. A series of unique experiments followed. With no data to refer to, the engineers had to rely on a mixture of trial-and-error and their extensive knowledge.

The results were sensational.
The operations not only stabilised, they were more productive. The plant increased the quantity of dry fly ash from 100 tonnes to 160 tonnes. And all this at a much lower cost.

This success story translated into not only huge savings but reduced dependency on external vendors. The innovation is now ready to be replicated in other Ambuja Cement plants across the country. It was the 'I Can' spirit of our team that converted an overwhelming problem into a path-breaking innovation.