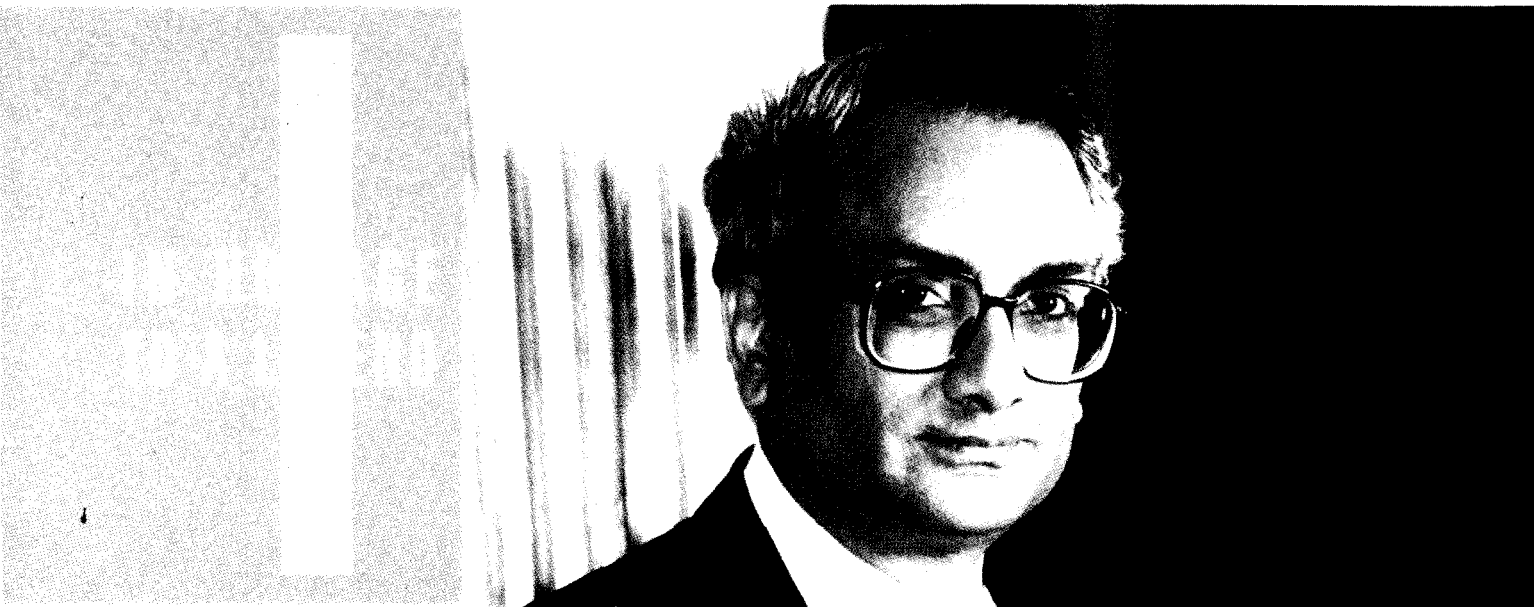


A n n u a l R e p o r t | 2003 - 2004

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“Time and again, the supremacy of the human element cannot be

over emphasized. The success or failure of an organisation depends

on people, on human beings, on their talent, on their initiative, on

their ability to lead, and coordinate with others, to work as a team.

It also depends on the ability of the organisation, to motivate them

to greater heights”.

We carry forth his vision of people power.



ADITYA VIKRAM BIRLA

November 14, 1943 - October 1, 1995

UltraTech CemCo Limited

BOARD OF DIRECTORS

Shri Kumar Mangalam Birla, Chairman
Smt. Rajashree Birla
Shri R. C. Bhargava
Shri Y. M. Deosthalee
Shri A. R. Gandhi
Shri Y. P. Gupta
Dr. S. Misra
Shri J. P. Nayak
Shri S. Rajgopal
Shri D. D. Rathi

Manager & Chief Executive Officer

Shri Saurabh Misra

Chief Financial Officer

Shri K. C. Birla

Company Secretary

Shri Sanjeeb Chatterjee

Auditors

M/s. Sharp & Tannan, Mumbai

Executives

Shri O.P. Puranmalka – CMO Marketing
Shri V.M. Muralidharan – CMO Manufacturing
Shri Deepak Razdan – EVP International Business

Cement Works

Shri A. K. Jain (Awarpur)
Shri K. Y. P. Kulkarni (Gujarat)
Shri J. Kumar (Hirmi)
Shri C. S. Reddy (Andhra Pradesh)

Bankers

State Bank of India
Union Bank of India
UCO Bank
Citibank N.A.

Registrar & Transfer Agents

Sharepro Services
Satam Estate, 3rd Floor
Above Bank of Baroda
Chakala, Andheri (East)
Mumbai 400 099
Tel No. 022 56917360

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Registered Office : UltraTech CemCo Ltd. (formerly L&T Cement Ltd.) "A" Wing, Ahura Centre, 1st Floor,
Mahakali Caves Road, Andheri (East), Mumbai 400 093

UltraTech CemCo Limited

THE CHAIRMAN'S LETTER TO SHAREHOLDERS



*D*ear Shareholders

First of all let me welcome you all to UltraTech and as members of the Aditya Birla Group Family.

At the outset I would like to give you a perspective on UltraTech and our plans, going forward. UltraTech, now a subsidiary of Grasim, was created after Larsen & Toubro demerged its Cement Business into L&T Cement with effect from 1st April, 2003. Grasim acquired a majority stake and management control in UltraTech, the demerged Cement business of Larsen & Toubro, on the 6th of July, 2004.

One of the largest of its kind in the cement sector, this transaction reflects our commitment to grow in this core business of our Group. With this acquisition at an aggressive investment of Rs. 2,200 crores, our Group has become the 8th largest cement player globally. The Groups cement capacity stands raised to 31 million TPA, of which 17 million TPA capacity comes from UltraTech.

Between UltraTech and Grasim, we have 11 Composite Plants, 7 Split Grinding Units, 4 bulk terminals - inclusive of one in Sri Lanka and 6 Ready Mix Concrete Plants. Importantly, it gives us a strong national presence, with a leadership position in several states.

Thus this combination substantially enhances both UltraTech and Grasim's competitive position in the cement sector. UltraTech's plants and markets are complementary to that of its parent Company - Grasim, as UltraTech provides customer solutions in the west, east and south.

Your Company now has the opportunity to leverage synergies and strengthen its ability to compete in the Indian and Overseas markets. I expect UltraTech to grow faster than the market and to improve market shares. At the same time, developing beachheads overseas through a profitable export business is another priority for your Company.

Having said that, I do believe that it will take UltraTech some time to provide a competitive return on the aggressive price offered to its shareholders. Your management's initial focus will be to reduce the very high debt burden. Asset sweating, maximizing operational efficiencies and innovative management of finances, will be the immediate priorities of your Company.

I believe the opportunity to grow the Cement business is very significant. To grow aggressively and to generate superior returns to shareholders and on our investment calls for enormous hard work and commitment. I am sure the Management and Employees at UltraTech, will meet this challenge. My confidence and optimism stems from your Company's strong fundamentals, the quality of its plants, the enviable market position built up over time and, above all, the intellectual capital that is resident in it.

I wish to record my genuine appreciation of the contribution made by UltraTech employees and their commitment to running the Company successfully under the most demanding circumstances.

The Aditya Birla Group in Perspective

Let me now take you through some of the key events of the last year:

- One, we completed the restructuring of the non-ferrous metals business. Consequently, Hindalco has become a non-ferrous metals powerhouse with at least global visibility.
- Two, consistent with our objective of becoming a world-class, globally competitive, integrated copper player, we forayed into Australia with the acquisition of two copper mines - the Nifty Mines (2002-03) and Mount Gordon in the last year.
- Three, we entered the land of the dragon, i.e., we ventured into China, with the acquisition of Liaoning Carbon Black. This 12,000 tonne Carbon Black plant will enhance our global presence in this business. We are now the fourth largest Carbon Black player globally.
- And finally, coming to market capitalization : The market capitalization of the listed Group companies in India increased 97.4% over the past year, far outpacing the rise of 62.7% in the BSE Sensex, over the same period. This measure reflects more than just numbers; it provides a sense of our standing in terms of governance, and the faith investors repose in us, and a recognition - at long last - of our efforts at value creation.

The year that has just gone by has been I believe, a watershed year for our Group. Because, in this year, we have seen the last of the major restructuring initiatives that we needed to undertake. We have emerged stronger, fitter and a leader in many ways. And, now, we are at an inflection point. We stand at the threshold of a new phase in the life of our organisation. I do believe that the rest of the decade - from here on - will be marked by a distinctly different theme. The earlier accent - on restructuring and consolidation - will give way to a phase of growth, not just incremental and normal growth, but accelerated growth. So, the dominant theme, from here on, will be aggressive growth.

Focus On People

All these years, our team across the Group, has stretched incessantly to make the Aditya Birla Group a great place to work in. In one sentence, we have sharply focused on creating a meritocracy. For us, this meant putting in place systems to induct the right talent, for spotting and tracking nascent talent, for creating leaders with a cocktail of skills, who have exposure to different functions, businesses and countries.

Working with Hay Consultants, we have carried out an extensive job analysis and evaluation exercise. More than 4500 jobs have been evaluated and competencies mapped. Succession plans are in place too. By and large, our objective is to make sure that the leadership-pipeline is always full of talented individuals who are raring to shoulder responsibilities that our various businesses offer.

UltraTech CemCo Limited

To foster a learning culture, at Gyanodaya, the Aditya Birla Institute of Management Learning, which is now looked upon as a benchmark for training, more than 2130 executives were trained in 86 diverse programmes for honing their competencies, both for their current and future roles. A virtual campus has been launched through an e-learning portal. Over 3884 unique users, from top-down and bottom-up have enrolled in these self-learning projects. More than 25,725 man-hours of learning have been logged. Our intent is to provide unrivalled learning opportunities to our people across levels.

Today, our Group is anchored by an extraordinary force of 81,000 employees. More than 70 percent of these are under the age of 40 and over 12,000 of our people are drawn from 20 foreign nationalities. Even as the focus on managerial capability is becoming much sharper, we are building capabilities not for an Indian manager who works internationally, but for a global manager, who happens to be an Indian.

We are positioned in almost all our businesses at the cusp of growth opportunity. Above all, our people have the passion that brings energy into the organisation.

Best regards,

Yours sincerely,



Kumar Mangalam Birla

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MANAGEMENT'S DISCUSSION & ANALYSIS

The management of Ultra Tech CemCo Limited presents the analysis of performance of the Company for the year 2003-04 and its outlook for the future. This outlook is based on an assessment of the current business environment. It may vary due to future economic and other developments, both in India and abroad.

OVER VIEW:

The de-merger of the cement business of Larsen & Toubro Limited into the Company in line with the Scheme of Arrangement sanctioned by the Hon'ble High Court of Bombay on 22nd April 2004 was rendered effective from 14th May 2004. The Company with an installed capacity of 15.50 million tonnes per annum and a total capacity of 17 million tonnes per annum including that of its subsidiary Narmada Cement Co. Ltd., is the largest cement manufacturer in the country. The Company has inherited a leadership position in the Indian cement industry with a strong brand equity, robust distribution network and high quality product.

BUSINESS ENVIRONMENT:

India continues to be the second largest producer of cement in the world with an installed capacity of more than 150 million tonnes per annum. The gap between the capacity and demand continues. As a consequence, capacity utilisation is lower and domestic realisation has been under pressure during a large part of the year. On an encouraging note, there has been 5% growth in the industry in comparison to the previous year. 6% to 7% was registered in all the regions except in the eastern region where growth was only 3%.

Another redeeming feature of the industry has been the record exports of clinker and cement of 8.9 million tonnes in 2003-04 vis-a-vis 6.9 million tonnes in 2002-03, a growth of about 29%. Even though, export prices improved, profitability of coast based plants, which are dependant on imported coal, has been dampened due to the steep increase in cost coupled with an increase in ocean freight. This is on account of the huge demand for steel and coal from China and higher coal requirements from Korea and Japan.

PERFORMANCE

The Company's performance during the year ended 31st March, 2004 was as under :

	2003-04
Sales (Rs. crore)	2704.86
PBDIT (Rs. crore)	361.14
PBIT (Rs. crore)	146.67
PBDIT / Sales (%)	13.3

Clinker production for the year was at 12.12 million tonnes, which showed an increase of 5% over 11.54 million tonnes produced during 2002-03. The Company produced 11.79 million tonnes of cement as against 11.74 million tonnes during the previous year. The sale of cement and clinker was higher at 14.87 million tonnes and showed an increase of 7% over the previous year.

The Company continued its efforts to reduce manufacturing costs through reduction in energy consumption, use of alternate fuels and change in the raw material mix. Further, its efforts to increase the production and marketing of blended cement also paved the way for reducing the overall operating costs.

EXPORTS

The Company continues to be the largest exporter of cement and clinker and exported 3.5 million tonnes of cement and clinker during 2003-04 against 2.8 million tonnes in 2002-03. The Company was awarded the CAPEXIL award for highest exports of cement and clinker from India.

OUTLOOK

India is at the threshold of development and 2004-05 holds a promise. Cement demand is expected to grow by about 7 to 8% riding the GDP growth of 8%. Demand would be driven by Governments' thrust on infrastructure like roads, ports, airports, housing, water management systems - which would continue to drive the growth. Housing would continue its growth trajectory and continue to contribute for growth in cement demand.

Despite lower addition to cement capacities, the surplus situation would continue in 2004-05 thereby putting pressure on cement prices. The major thrust therefore would be to look for innovative ways to bring down the cost of manufacture.

UltraTech CemCo Limited

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to inform you that the Scheme of Arrangement for demerger of Cement Business of Larsen & Toubro Limited into your Company was sanctioned by the Hon'ble High Court of Bombay on 22nd April 2004. The said scheme of demerger became effective on 14th May 2004.

Accordingly, the said Cement Business undertaking including all the assets, rights, claims, title, interest and authorities including accretions and appurtenances stand transferred and vested as a going concern to your Company from the Appointed Day, viz., 1st April 2003, in terms of the Scheme of Arrangement.

FINANCIAL RESULTS

Your Directors present the Annual Report and Audited Accounts of your Company for the year ended 31st March 2004.

	Rs. Crore 2003-04
Gross Turnover	2704.86
Profit before depreciation and tax	263.67
Less: Depreciation	214.47
Profit Before Tax	49.20
Provision for Tax	10.37
Profit After Tax	38.83
Add: Balance brought forward from the previous year	Nil
Balance available for disposal which the Directors appropriate as under:	38.83
Debenture Redemption Reserve	6.89
Dividend	6.22
Dividend Tax	0.80
General Reserve	7.00
Balance to be carried forward	17.92

The Sales for the financial year under review were Rs. 2704.86 crore. The Profit before tax (after interest and depreciation charges) was Rs.49.20 crore and the Profit after tax was Rs. 38.83 crore.

DIVIDEND

Your Directors recommend a dividend of 5% for the financial year ended 31st March 2004. The total outgo of the dividend to be paid to the shareholders will be Rs. 7.02 crore (inclusive of dividend tax).

REVIEW OF PERFORMANCE

During the year under review, your Company's cement production capacity was raised to 15.5 million tonnes from 15 million tonnes through sweating of assets and other improvement processes. Your Company's consolidated capacity stands at 17 million tonnes, which includes that of Narmada Cement Company Limited, its subsidiary.

Clinker production for the year was at 12.12 million tonnes, an increase of 5% over 11.54 million tonnes produced during 2002-03. Your Company produced 11.79 million tonnes of cement as against 11.74 million tonnes during the previous year. The sale of cement and clinker at 14.87 million tonnes has risen by 7% over the previous year.

Due to depressed market conditions during most of the year, the average cement sales price realisation in the domestic market was lower at Rs.1266 per metric tonne vis-a-vis Rs.1276 per metric tonne during the previous year. However, on the export front, the average realisation grew by USD 2.7 per tonne, given favourable international prices.

Despite the increase in imported coal and fuel prices, your Company could contain operating costs at the manufacturing levels through various cost reduction measures, among these was the use of alternative fuels, reduction in energy consumption, improvements in operating efficiency of equipments and sweating of assets.

CAPITAL EXPENDITURE

As at 31st March 2004, the gross fixed assets stood at Rs.4275.78 crore and the net fixed assets at Rs.2751.96 crore. The additions during the year amounted to Rs.30.32 crore.

SUBSIDIARY COMPANIES

Narmada Cement Company Limited (NCCL) – NCCL has become a subsidiary of your Company by virtue of the Scheme of Arrangement for the demerger of Cement Business of Larsen & Toubro Limited. NCCL's financial year for 2002-03 was extended for 18 months to end on 30th September 2003. Since the accumulated losses as at the end of September 2003 exceeded its entire net worth, NCCL was declared a sick industrial company within the meaning of Clause (o) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Board of Directors has already made a reference of erosion of net worth to the Board for Industrial and Financial Reconstruction (BIFR).

Dakshin Cements Limited (DCL): The Company is a wholly owned subsidiary and is yet to start its operations.

In line with the Accounting Standard 21(AS 21) relating to Consolidated Financial Statements, the Consolidated Financial Statements comprise the financial statements of your Company and its subsidiary companies listed above.

Larsen and Toubro Ceylinco (Private) Limited (LTCL) : Your Company has purchased 4,00,00,000 shares at par of Sri Lankan Rupees 10 each fully paid from Larsen & Toubro Limited in the current year (2004-05), representing 80% of the share capital of LTCL.

DIRECTORS

S/Shri A.M. Naik, A. Ramakrishna and K. Venkataramanan resigned from the Board with effect from 14th May 2004. The Board places on record its appreciation for their services as Directors of your Company. Shri D.D. Rathie also resigned from the Board and has been re-appointed.

Shri Kumar Mangalam Birla, Shri S. Rajgopal, Shri K.S.K. Khare and Smt. Rajashree Birla were appointed Directors in the casual vacancies on the Board caused by the resignations of S/Shri A.M. Naik, A. Ramakrishna, K. Venkataramanan and D. D. Rathie. Shri. S.S. Marathe was appointed as Additional Director, at the Board Meeting held on 14th May 2004.

Further at the Board Meetings held on 6th July 2004 and 4th August 2004, S/Shri R.C. Bhargava, A.R.Gandhi, D.D. Rathie, Sanrput Misra and Y.P. Gupta were appointed as Additional Directors.

At the meeting held on 4 August 2004, Shri K.S.K. Khare and Shri S.S. Marathe resigned from the Board. The Board places on record its appreciation for the services rendered by them during their tenure as Directors.

Notices proposing the appointments of Shri Kumar Mangalam Birla, Shri S. Rajgopal, Smt Rajashree Birla, Shri R.C. Bhargava, Shri A.R.Gandhi, Shri D.D. Rathie, Dr. Sanrput Misra and Shri Y.P. Gupta have been received by your Company. Your approval to their appointment is being sought at this ensuing Annual General Meeting.

Your Company has received a communication from UTI Limited to consider Shri. Rajgopal as an Institutional Nominee, representing UTI and other financial institutions on the Board.

Shri. J. P. Nayak retires by rotation from the Board and being eligible, offers himself for re-appointment.

AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

AUDITORS

M/s. Sharp & Tannan, Chartered Accountants, the existing Auditors retire at the Annual General Meeting of your Company. They have however, intimated the Company that they do not wish to seek re-appointment. M/s. S. B. Billimoria & Co. and M/s. G.P. Kapadia & Co., Chartered Accountants, have indicated their availability and willingness to be appointed as Joint Statutory Auditors of your Company. A resolution seeking your approval for the appointment of the said joint auditors has been included in the Notice convening the Annual General Meeting.

COST AUDITOR

In pursuance of Section 233B of the Companies Act, 1956, your Directors have appointed M/s N.I. Mehta, Cost Accountants, Mumbai as the Cost Auditors to conduct the Cost Audit of your Company for the financial year ending 31st March 2004, subject to the approval of the Central Government.

DEPOSITS

Your Company has not invited or renewed deposits from the public / shareholders in accordance with Section 58A of the Companies Act, 1956.

UltraTech CemCo Limited

LISTING OF SHARES

The Shares of your Company are listed and admitted for dealings on the Stock Exchange, Mumbai and the National Stock Exchange of India Limited with effect from 24th August 2004. The Shares are tradable in the electronic mode only. Accordingly, your Company has entered into an agreement with National Securities Depository Limited and Central Depository Services Limited.

AWARDS AND RECOGNITION

Your Company received the CAPEXIL award for the seventh time in a row for highest exports of cement and clinker. Your Company's plants have also received various awards for environment protection, social awareness, safety and management of better industrial relations.

CORPORATE GOVERNANCE

Your Company has adopted good corporate governance practices followed by Larsen & Toubro Limited.

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Directors subscribe to the "Directors Responsibility Statement" and confirm that :

- i) that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- ii) that the selected Accounting Policies were applied consistently and the Directors made judgments 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 31st March 2004 and of the profits of the Company for the year ended on that date;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the Annual Accounts have been prepared on a going concern basis.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure "A" forming part of this Report.

INDUSTRIAL RELATIONS & PERSONNEL

Industrial relations continued to be cordial and peaceful at all your Company's Plants.

PARTICULAR OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act, 1956 and the Rules made thereunder, are given in the Annexure to this Report and forms part of the Report. None of the employees listed in the said Annexure is a relative of any Director of the Company.

APPRECIATION

Your Directors wish to place on record their appreciation of the dedication and commitment of your Company's employees to the growth of your Company. They also place on record their appreciation of the co-operation and assistance received by your Company from the concerned Ministries of the Central and State Governments and Financial Institutions and Banks. The Directors wish to record their special thanks to the esteemed shareholders for reposing their confidence in your Company.

On behalf of the Board of Directors



Kumar Mangalam Birla
Chairman

Mumbai, 6th September 2004