Ambuja
Cement

Media Release

1) Standalone Results for January to December 2009

		Full Year Jan - Dec 2009	Full Year Jan - Dec 2008	Growth (%)
Sales Volume – Cement	Million Tonnes	18.8	17.8	6.0%
Net Sales	Rs. crore	7,077	6,220	13.8%
EBITDA	Rs. crore	1,972	1,825	8.1%
Profit Before Tax and Exceptional Items	Rs. crore	1,803	1,662	8.5%
Net Profit	Rs. crore	1,218	1,402	-13.1%

Ambuja Cements Ltd (ACL) today announced that production of cement for 2009 went up by 6.0%, to 18.8 million tonnes, compared to 17.8 million tonnes in 2008.

Domestic sales volumes increased by 7.7%, from 16.8 to 18.0 million tonnes. Exports were 750,000 tonnes compared to 830,000 tonnes last year. Net sales increased by 13.8%, to reach Rs. 7,077 crore, on the back of the higher volumes, change in mix between domestic and export sales, and improvement in realisations.

Despite total operating expenditure increasing by approximately 16% for the year, it was possible to improve EBITDA by 8.1% year on year, from Rs. 1,825 crore to 1,972 crore. This was on account of increased volumes, higher price realisations and better operating and productivity parameters.

Profit before tax and exceptional items rose by 8.5%, to reach Rs. 1,803 crore.

In the December quarter, sales volumes increased 6.3% year on year, and net sales by 9.3%. EBITDA improved by 9%, with the impact of clinker purchases being offset by reduced fuel and power costs.

AMBUJA CEMENTS LIMITED
106, Maker Chambers III, Nariman Point, Mumbai - 400 021. Tel. : 6659 7300, Fax : 91-22-2285 2917
Regd. Off. : P. O. Ambuja Nagar, Taluka - Kodinar, Dist. - Junagadh, Gujarat

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During January 2010, the company's investment in ING Vysya Life Insurance Company Limited has been sold for a consideration of Rs. 193 crore. This will be reflected in the next quarterly results.

2) Dividend

The Board has recommended a final dividend of Rs. 1.20 per share (60%).

Together with the interim dividend of Rs. 1.20 per share (60%) paid out of operating profits, the total dividend for the year will be Rs. 2.40 per share (120%).

3) Highlights of 2009

At the beginning of the year it was expected that the economic slowdown would have a major impact on construction and the cement industry. In fact the impact was limited, and cement demand remained buoyant, largely as a result of increased infrastructure spending, the government's monetary and fiscal stimulus measures, and robust rural demand for housing.

Domestic growth was in double digits for most of the year, and registered 10.5% increase for the year as a whole, the second highest growth rate after 2006. Export activity, however, declined sharply as demand in the Gulf region contracted at the same time as new capacities came on stream in Saudi Arabia.

Buoyant demand, combined with delays in new capacity additions, as well as logistics bottlenecks in certain areas, helped revive sagging prices. During the first nine months, this led to increased sales realisations, which were largely corrected in the period from September to November on account of marginal dip in demand, and over-supply. However, prices started showing some signs of revival after mid-December on account of improved demand.

Fuel and power costs were 7% higher year on year, reflecting the impact of the large imported coal inventory with which the year started. The impact of this overhang was fully absorbed in the first half, and in the December quarter fuel costs were 17% lower than same quarter last year. Apart from the coal price, the improvement also reflected efforts to optimise fuel mix and utilise cheaper alternative sources, such as petcoke, lignite, and biomass.

Raw material costs were significantly higher in 2009, mainly as a result of higher clinker purchases, to build market positions in the East and North in preparation for the new capacities, and to sustain production at the Maratha unit during major maintenance work on the kiln.

Surplus power was sold into the market during the year, and generated approximately Rs. 43 crore of revenue, which is reported under other operating income.

4) Projects update

During 2009 a new bulk cement terminal started operation at Kochi, providing access to new markets in the South, and two new captive power units, each of 15 MW capacity, were commissioned at the Bhatapara (Chattisgarh) and Maratha (MH) units.

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During the December quarter, commissioning activities started at both of the new clinkerisation units, at Rauri (HP) and Bhatapara, as well as the 1.5 million tonne cement grinding facility at Dadri (UP). These facilities will be fully commissioned during the 1st quarter 2010, alongwith a further 1.5 million tonne grinding unit at Nalagarh (HP), and a 33 MW captive power plant at Bhatapara.

After commissioning of these projects, the company's installed cement capacity will increase to 25 million tonnes. Further grinding capacity additions at existing plants at Bhatapara and Maratha will further increase the capacity to approximately 27 million tonnes by the end of 2010.

A third 30 MW captive power unit at the Ambujanagar plant is undergoing production trials and is expected to be fully commissioned during the March quarter, taking total captive power capacity to more than 400 MW.

A number of logistics projects are also in progress. Three new ships are under construction, to handle increasing Gujarat-Maharashtra despatches, so too are investments in rail connectivity at several locations.

5) Outlook

There are early signs that the Indian economy is poised to return to a high growth path. Key drivers are expected to be infrastructure development and housing demand, which should further stimulate cement consumption. Growth in rural markets should also remain robust. Cement demand growth is therefore expected to remain in the range of 9% to 10% in the medium term. The outlook for exports, however, remains uncertain as market conditions overseas are still unfavourable.

With the addition of its new production facilities, Ambuja Cements intends to fully participate in the growth process, and maintain its market leadership.

A L Kapur
Managing Director

Mumbai, 4th. February 2010