



DRIVEN. BY VALUES.

Orient Cement Limited | Annual Report 2013-14

Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Orient Cement Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis of the Orient Cement Limited Annual Report 2013-14.

Inside the report

Message from our Chairman	09
Identity and financial highlights	10
Q&A with the Managing Director	14
Business review	16
Community responsibility	20
Greenfield plant details	22
Profile of the Board of Directors	24
Directors' Report	28
Management discussion and analysis	37
Corporate Governance report	41
Financial statements	56
Notice	87





Results are transitory. Character is permanent.

At Orient Cement Limited, we are driven by enduring values.

- Foresight amidst pessimism
- Persistence during adversity
- Focus within choices
- Empowerment coupled with controls

This does not just make Orient Cement one of the fastest growing cement manufacturers in India; it also makes the Company one of the most competitive.

Emphasising the point that when it comes to the creation of sustainable value, success comes down to enduring values.

Greater ownership per
cubic metre.

Higher empowerment
per square inch!



IN THE CONVENTIONAL COMMAND-DRIVEN MANAGEMENT APPROACH, PEOPLE DID AS THEY WERE TOLD. AT ORIENT CEMENT, WE HAVE SUCCESSFULLY PRACTICED AN EMPOWERED ALTERNATIVE INSTEAD. *FOR YEARS.*

The result is that if you should walk through the shop-floors of our cement manufacturing or grinding plants, you would be able to 'smell the difference.' Greater ownership per cubic metre. Higher empowerment per square inch. You see manifestations of this 'Orient is mine' mindset just about every working day across our Company.

- We take problems encountered in our operations as opportunities to innovate.
- We distill through all observations and data.
- We brainstorm. We collaborate. We find solutions. We innovative.

Take for instance, when we suffered a breakdown in one of our raw-mills, which caused the shutdown of one of our three kilns, reducing the availability of clinker. While the team from our maintenance function diagnosed the problem, it appeared that we would take 5-6 weeks to get the mill operational again. The time and loss in market opportunity were something we just could not afford.

While the technical teams got on with solving the problem, the vendor-development team lined up the best vendor-partner to handle repairs. Meanwhile, the logistics team responded with a never-before logistics solution. Even as the raw-mill and kiln were back in operations in half the expected time, the sales and marketing teams recalibrated the product and market mix to negate any probable downsides of the reduced clinker production for the duration of the repair.

The result: Orient Cement reported sales of 12 lac tons of cement in a quarter (96% of capacity utilisation) despite reduced clinker availability.

Take another example.

We encountered persisting blockages and leakages in the boiler tubes of our captive power plant.

Due to an untraced malfunction, a fine sand layer would settle on the boiler tube's walls, which, in turn, disturbed the gas flow dynamics, leading to leakages and shutdowns. Every hour lost would mean a loss in power generation and a possible loss in cement production.

A number of approaches were prescribed: call in the people who supplied the equipment, said some; get some external technical hands in to study the problem, recommended others.

The Orient team responded to the challenge during the next planned shutdown. It studied the problem deeper. Its engineering and shop-floor teams pored over technical blueprints. Burnt the midnight oil. After painstaking permutations and combinations, the team located the bug in the nozzles.

Round two took over. The team now modeled and simulated a new nozzle design. Designed one out of a special alloy to repel sand from wall linings. Engaged with fabrication vendors. And oversaw the re-installation.

The result is that the boilers at the 50MW captive power plant at Devapur reported minimum stoppages. As a result, plant availability climbed to 92.5% in 2013-14; the higher power generation optimised generation costs.

And all because of a quiet inside voice on Orient Cement's shop-floor that said 'I am second to none.'

Countering challenges
with an unusual ally.
Empowerment.



IN THE CONVENTIONAL SHOP-FLOOR ENVIRONMENT, THE SUPERVISOR STRATEGISED AND THE REST IMPLEMENTED.

At Orient Cement, we dismissed this legacy approach with the objective to create and encourage as many thinkers as possible.

And rarely was our approach tested as rigorously as when our plant encountered a problem in our coal firing system. This system, comprising tubes with several bends, reported systemic fluctuations, inconsistent coal heating and inferior clinker output.

The first response was 'Call in the equipment supplier'. The second response was 'Look within.'

So rather than call in a consultant and leave him in an empty room to resolve the problem, we called in our various shop-floor team members instead. And rather than tell them what to do, we did something that is fairly usual in our operating culture; we asked how they (including graduate engineer trainees) would respond to the challenge instead.

The team studied the problem. Debated. Executed all the engineering calculations to validate their hypotheses. Challenged each other. Cross-examined. And then concurred.

Then responded with unusual simplicity. Their prognosis: replace the pipes with straightened metallic tubes. No more. No less.

The result was that the revamped coal dust firing system resulted in a considerably lower pressure. The fluctuations related to coal firing in the kiln and pyro clone became history. Coal firing became consistent. Clinker quality improved. Cement output became consistent. This also saved power due to a reduction in pipe resistance. Our fresh GETs absorbed an existing culture – and delivered.

One might be tempted to use a number of fancy technical jargon to explain the transformation. However, the reality is that on Orient Cement's shop-floor, the battle was won by an unusual ally.

Empowerment.

Beating the linear with
something unusual.
A collectively lateral
approach

IN THE SHOP-FLOOR OF THE PAST, YOU DID SOMETHING IN A PARTICULAR WAY BECAUSE THAT IS HOW IT WAS ALWAYS DONE.

At Orient Cement, we are different. We question every process, every practice, every holy cow.

This practice was tested at our Devapur unit last year.

This unit provides the Jalgaon cement grinding unit with precious clinker; one clinker rake of 4,000 tons is dispatched to Jalgaon every day. The result: Consistent clinker supply equals consistent cement production; slowing clinker supply equals slowing cement production and declining sales from our Jalgaon unit.

However, last year, even as the Devapur unit produced clinker at full blast, one of the clinker evacuation lines had to be shut for maintenance.

The one alternative was to evacuate clinker manually, load it on trucks, drive to another line and unload the clinker. The 40-hour exercise proved expensive with no corresponding revenues and high railway demurrage.

Until someone questioned this manual evacuation arrangement with a simpler alternative. His suggestion: 'Install a conveyor belt linking Line 3

with Lines 1 and 2.' Representing a simple approach to maximize the functionality of all our resources and infrastructure.

The result of this lateral approach was lower costs, lower clinker loading time, zero demurrage and ensured uninterrupted supplies to Jalgaon.

At Orient Cement, it would be simplistic to believe that it took us a few days to connect the conveyor belt from one line to other; it took us years.

Years of thinking lateral.

