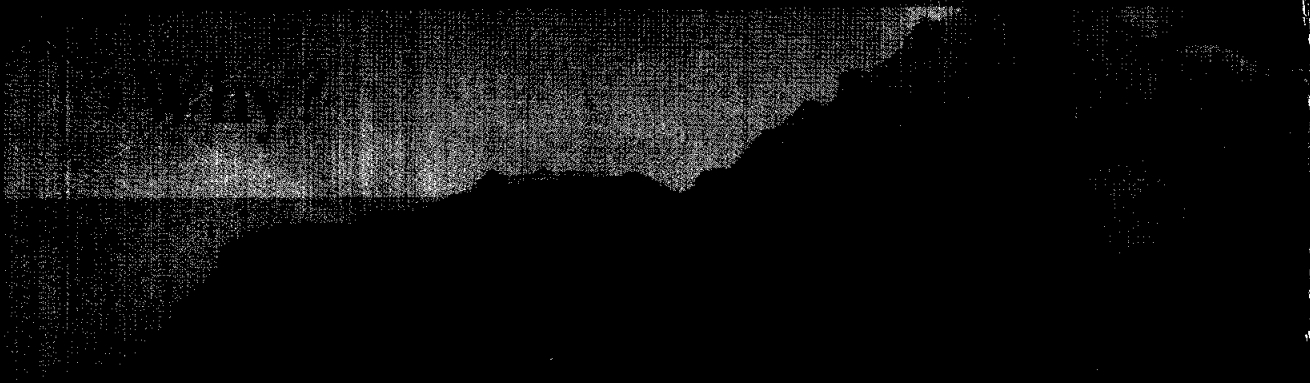
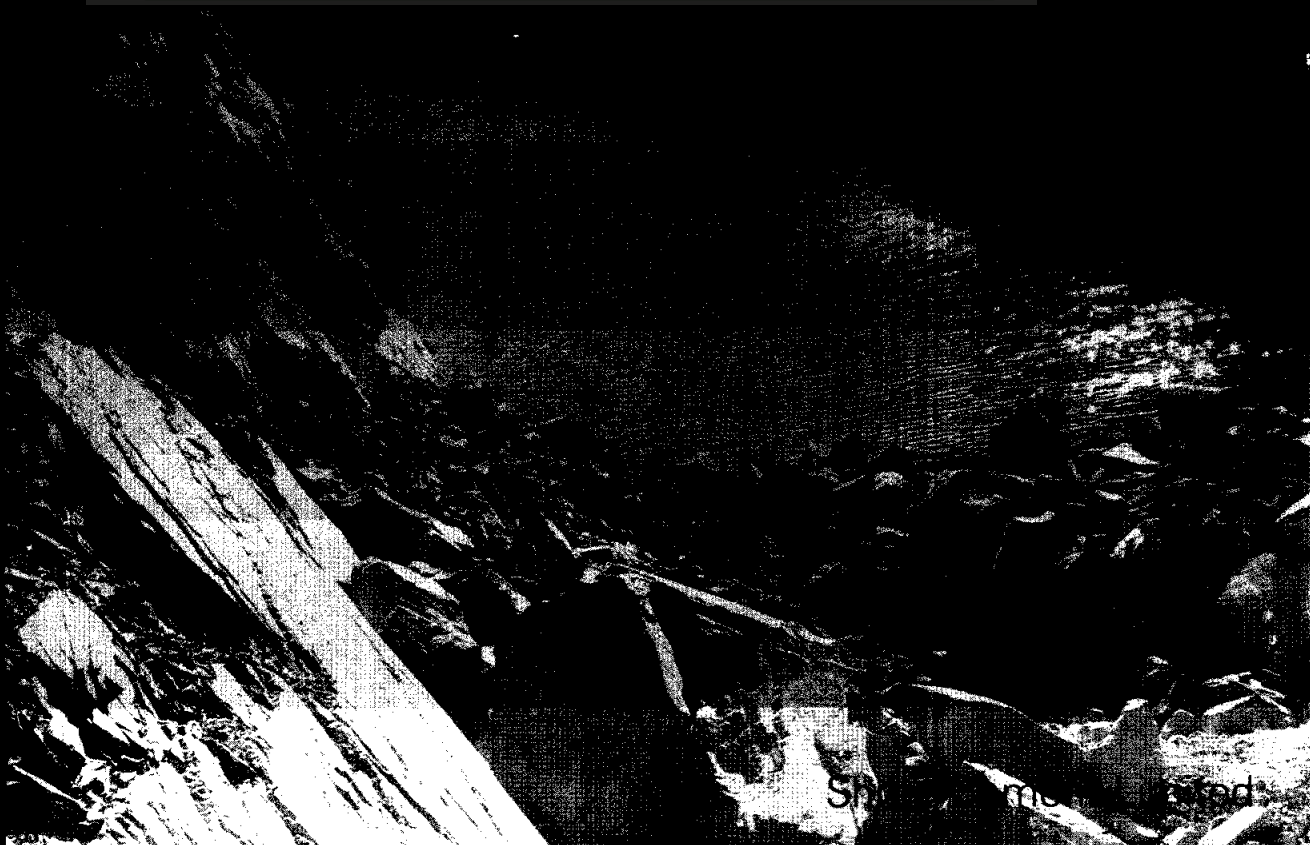


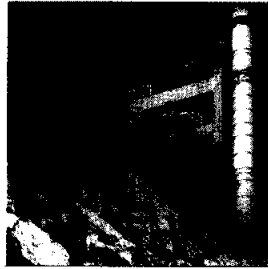
The management is delighted.



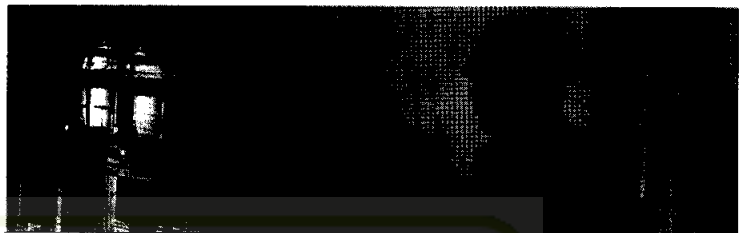
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Annual Report for the shareowners 2001-02





The company's profit was lower as it retained profit of Rs 2103 lacs by providing depreciation on assets as revalued assets in the Profit and Loss Account.



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In a year when most cement manufacturers complained of thinner spreads, Shree Cement increased its post-interest profit by 34.41 percent - from 9.33 percent to 12.54 percent. Inside this annual report, we have explained how we turned one of the most challenging months in our existence into one of the most inspiring.

Contents

Most shareholders who find that Shree Cement reported a post tax profit of only 1.47 cr. are likely to be disappointed.

We are not.



Because, in a year when most businesses became less competitive, Shree Cement reported a 12.28 percent improvement in its return on capital employed - from 16.94 percent in 2000-01 to 19.02 percent in 2001-02.

Prompting the optimism of a considerably stronger 2002-3 - and beyond.

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[THE 'MUST DO' COMPANY]



Shree Cement used the industry
trough to strengthen its business.

The company enhanced its production capacity from
20 lac tonnes per annum to 26 lac tonnes per
annum.

Since this expansion was achieved at a cost lower
than the prevailing benchmark for setting up a
greenfield project, the company protected its ability
to produce cement at one of the lowest capital costs
per tonne in India.

When the economy revives, Shree Cement will not
just be able to call more capacity into play, but at a
cost considerably lower than the prevailing industry
standard.

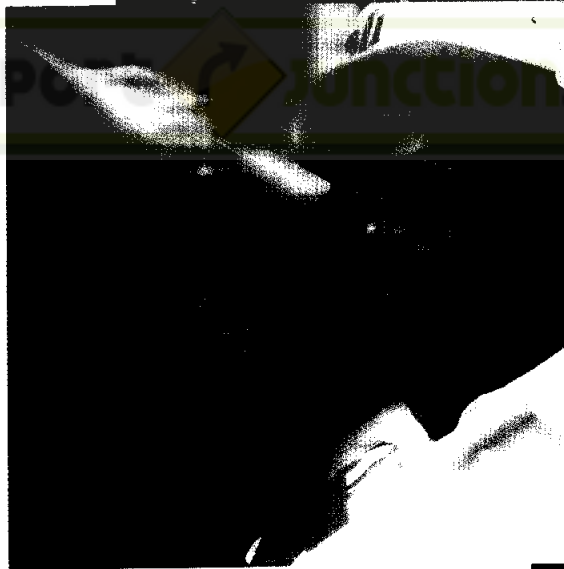
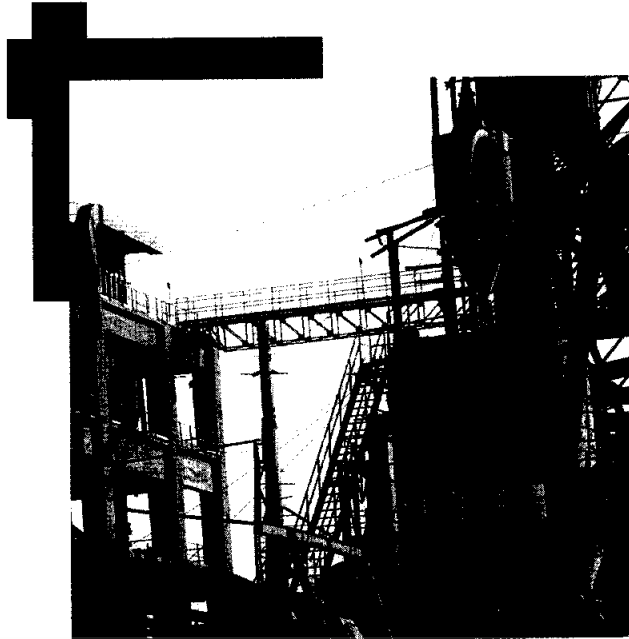
Resulting in more cement. And higher profits.



capacity



[THE 'MUST DO' COMPANY]



Lower running

Shree Cement supplemented its attractively low capital investment per tonne with one of the lowest manufacturing costs in the Indian cement industry.

At Shree, manufacturing expenses accounted for 82 per cent of sales in 2001-02, much below the average in the Indian cement industry.

Once again, the low cost was the result of scores of initiatives across all levels within the company. Some resulting in small savings. Some in big. But each primarily driven by the belief that what was being done could be done better.

For instance, Shree's successful substitution of imported coal with domestically-sourced pet coke saved the company Rs 25.55 cr in 2001-02. The replacement of indigenous kiln bricks with an imported alternative saved Shree Rs 3.94 cr during the financial year under review. Cooler fans were configured to a higher capacity so that heat could recuperate better. A better raw mix helped Shree reduce the proportion of high cost limestone and saved the company Rs 0.44 cr.

[THE 'MUST DO' COMPANY]



the fuel bill

In 2001-02, the company's fuel cost per tonne of cement stood at Rs 171.30, lower by Rs 27.05 than in the previous year.

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In a world where fuel costs are always rising, Shree represents a welcome change.

This reduction was the result of the company's consistent and constructive discontent with existing practices.

Until 1999-2000, Shree imported coal from South Africa and Indonesia. The consignment would be collected at the Kandla port from where it would be delivered deep into Rajasthan at Beawar.

Instead of the linear strategy of looking for alternative cost-effective sources, Shree attempted something completely lateral. It changed the fuel source in favour of pet coke sourced from within India.

The switch was made on the following basis:

- Pet coke was cheaper compared to imported coal
- Pet coke possessed higher calorific value.

As a result, Shree reported a heat consumption of 694 kilocalories / kg of clinker against the industry average of 818 kilocalories / kg of clinker in 2001-02. Shree reduced fuel costs as a proportion of manufacturing expenses from 21.38 per cent in 2000-01 to 18.76 per cent in 2001-02.

[THE 'MUST DO' COMPANY]

