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Forward-looking Statement

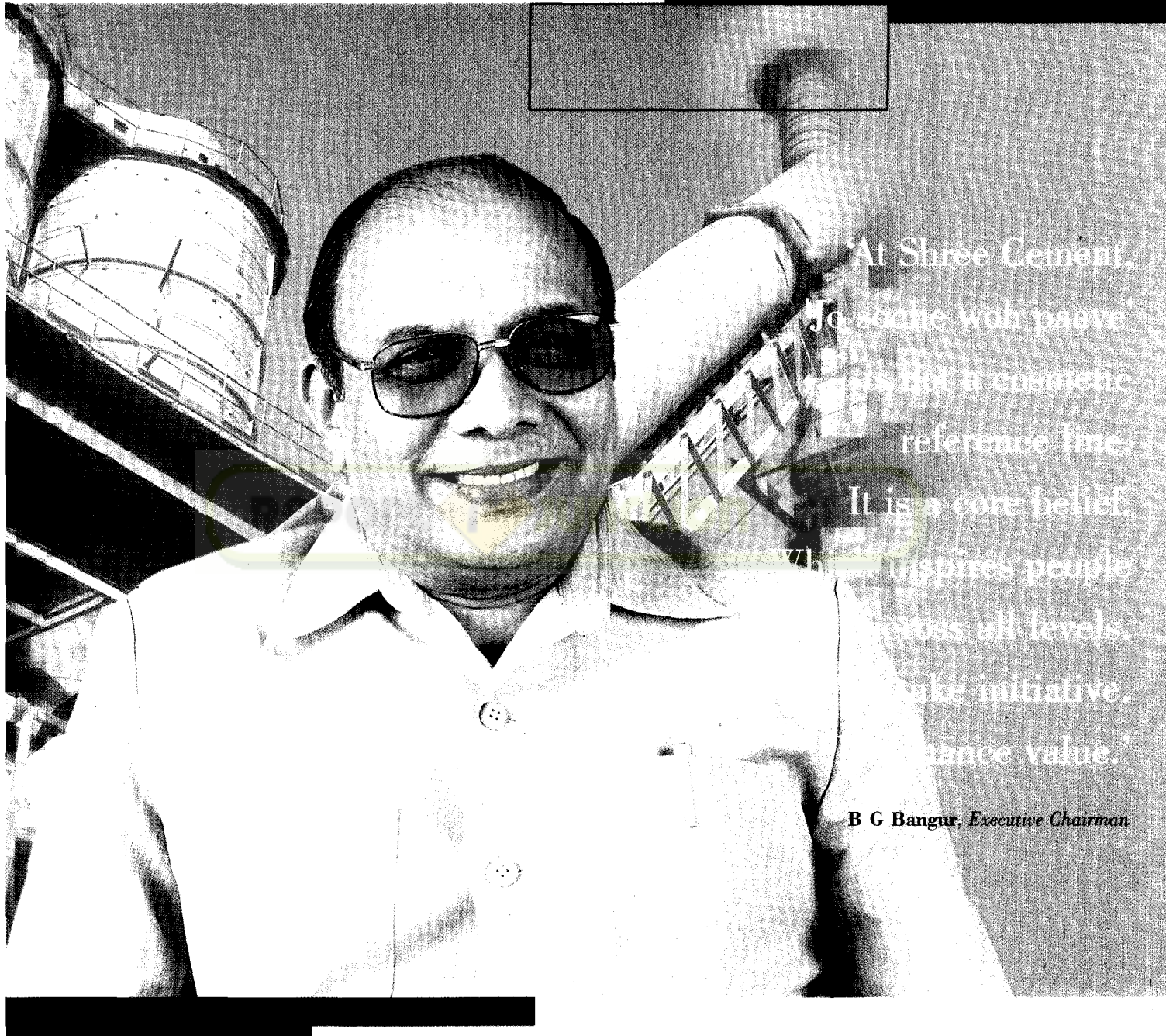
In our report we have disclosed forward-looking information so that investors can comprehend the company's prospects and make informed investment decisions. This annual report and other written and oral statements that we make periodically contains such forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to qualify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words and terms of similar substance in connection with any discussion of future operating or financial performance. We do not guarantee that any forward-

looking statement will be realised, although we believe we have been diligent and prudent in our plans and assumptions. The achievement of future results is subject to risks, uncertainties and validity of inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Forward-looking Statement

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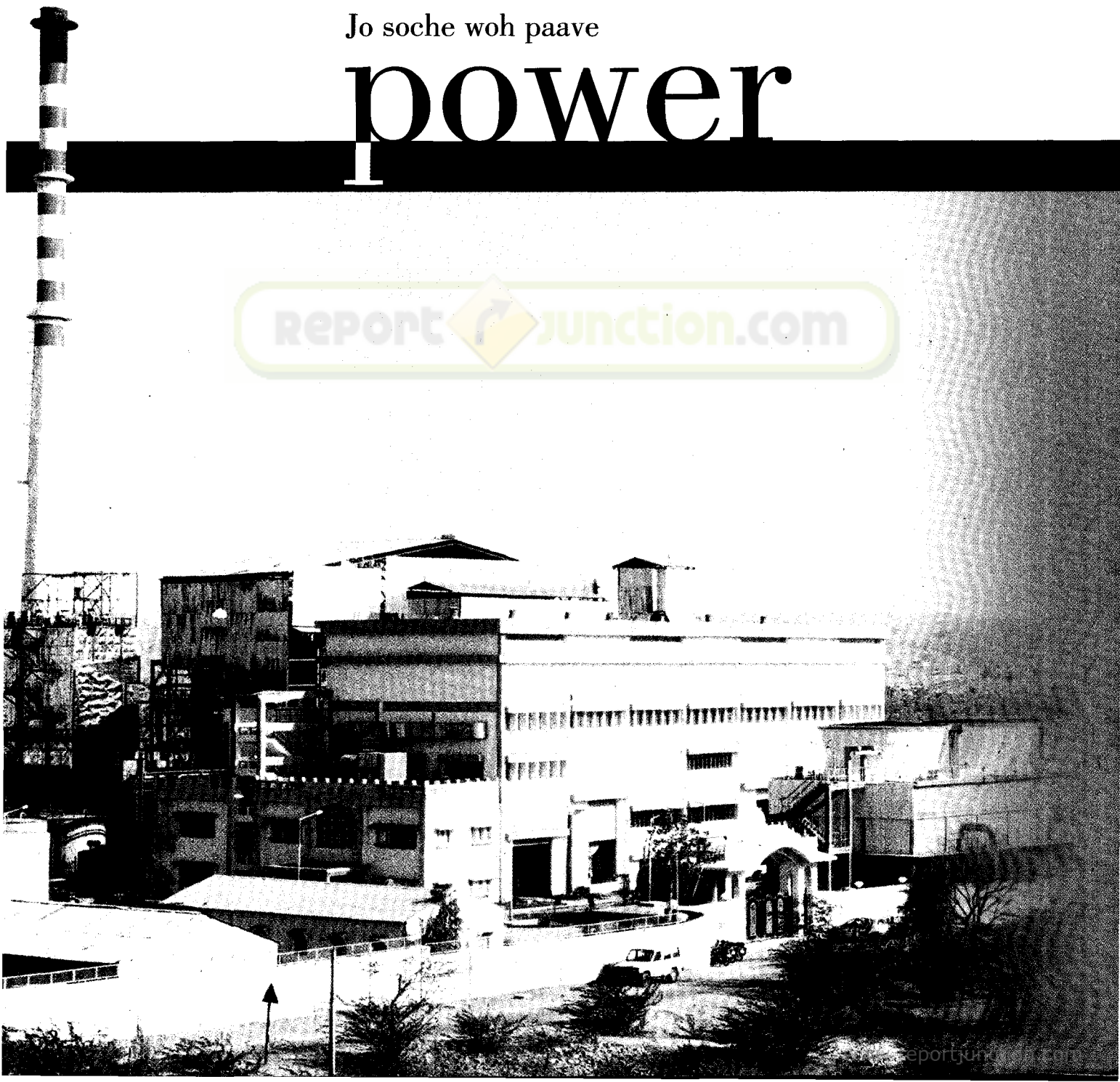
'At Shree Cement,
Jo sothe with paave'
is not a cosmetic
reference line.
It is a core belief.
Which inspires people
across all levels.
To take initiative.
To create value.'

B G Bangur, Executive Chairman

Jo soche woh paave

power

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For years, Shree had worked with a system of assigning different vendors for different projects, selected through the basis of the lowest bidder. This time, Shree did something entirely different.

When Shree Cement conceived a 36 MW captive power plant to save cost and enhance production reliability, the first estimate was that the usual 18-month project would cost Rs 120 cr.

So when Shree's management suggested that perhaps it could be done cheaper and quicker, senior industry experts insisted that it was impossible.

So Shree set about changing this entrenched perception through a method. By changing itself.

For years, Shree had worked with a system of assigning different vendors for different projects, selected through the basis of the lowest bidder. This time, Shree did something entirely different.

It assigned the work to just one vendor with a turnkey responsibility, it bargained intelligently across various parameters, it selected to work with the best in the business for an attractive price-value, it introduced a penalty clause to be invoked against the vendor in the event of delay and it deputed senior executives at the premises of the vendor to accelerate implementation.

Thanks to these initiatives, the Shree power plant was completed at a cost of Rs 97 cr within 16 months.

Creating the foundation for a Rs 25 cr saving in a full year's operation in 2003-04.

Jo soche woh paave

capacities



2.38 million tonnes in
2000-01. 2.41 million tonnes
in 2001-02.
And 2.75 million tonnes in
2002-03.

Shree has emerged as an industry model for its consistent capability to produce more cement than what its nameplate capacity suggests.

For instance, the company's installed capacity as on 31 March 2003 was 2.6 million tpa. When the technology and equipment collaborators suggested that it might be a good idea to shoot for a little less because that would be safe and because that is what most manufacturers did anyway, Shree's engineers felt slighted.

They went into a conclave and emerged with a blue print to do exactly the opposite. Produce more. And then rolled out a second blueprint - to produce more each year.

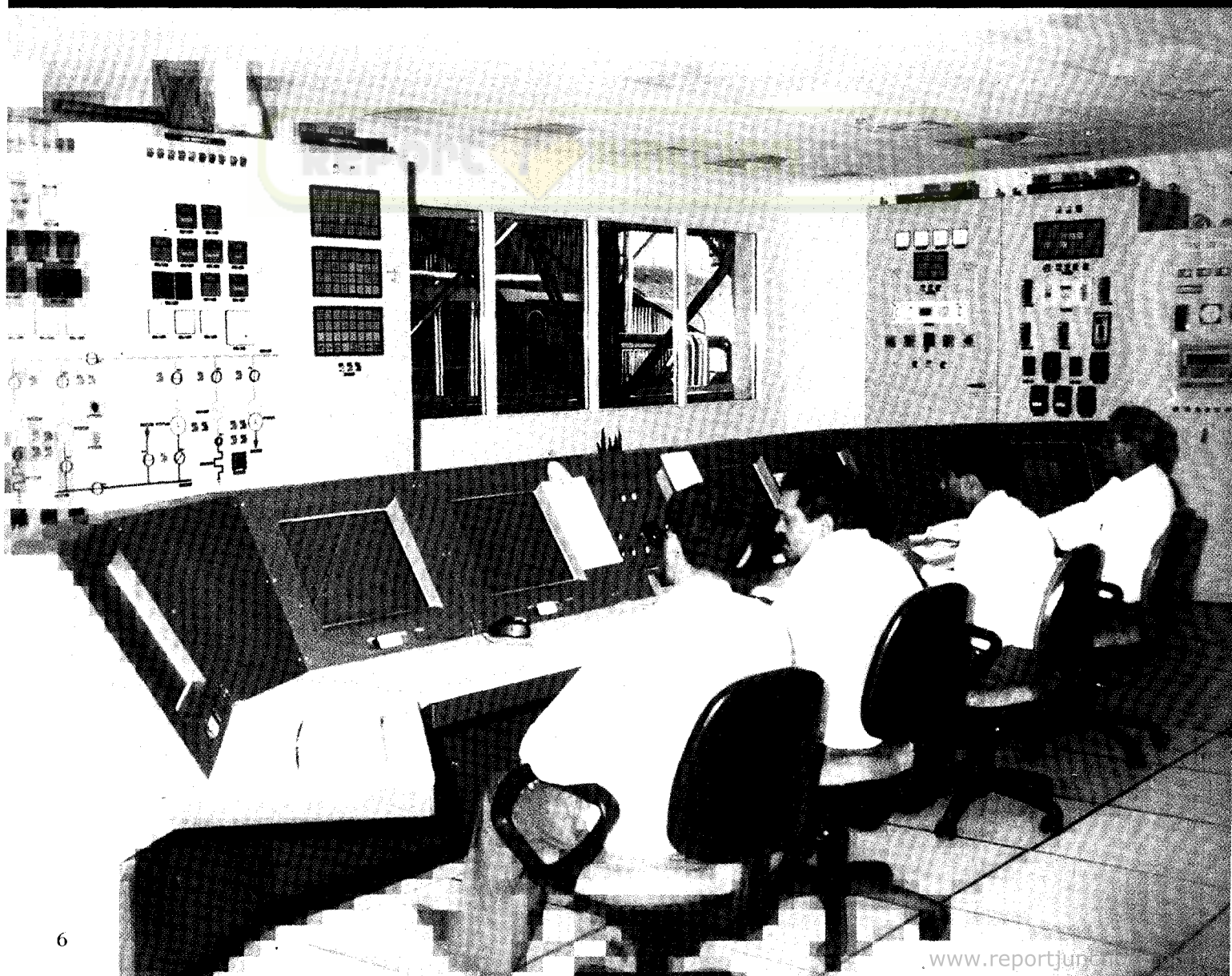
Through a better understanding of the usual life of its machines. Through a periodic component replacement programme. Through a concurrent maintenance to shrink planned downtime. Through an ongoing de-bottlenecking of its various auxiliary capacities. And through a collective belief that more out of less would indeed be possible.

This then is the result of the self-belief: 2.38 million tonnes in 2000-01, 2.41 million tonnes in 2001-02 (annualised). And 2.75 million tonnes in 2002-03.

Shree has raised its target to three million tonnes in 2003-04.

Jo soche woh paave

technology



Shree's senior management demonstrated a willingness to trade a short-term trough for a long-term edge. It supported the R&D and production teams in their endeavour.

At Shree, one of the most challenging things attempted in recent times was the switch in its kiln fuel from imported coal to pet coke.

When this was first suggested in 1999-2000 – on the grounds that imported coal cost Rs 3,100 per tonne with a calorific value of 6,300 units against pet coke that cost Rs 2,250 per tonne with a calorific value of 8,010 units – the proposal was nearly dismissed because it was considered dangerous.

Dangerous for a number of reasons. No cement manufacturer had ever attempted this switchover. Since there was no template to copy from, the dangers were unmapped – a risk even bigger than that of unsuccessful instances where the problems had been mapped and documented.

There was another risk. For years, the production-led company had been obsessed with capacity utilisation. All experiments would have to be conducted live on the production kilns, which would depress utilisation, interrupt dispatches, disturb the market share and impact profitability.

Shree's senior management demonstrated a willingness to trade a short-term trough for a long-term edge. It supported the R&D and production teams in their endeavour. And advised the finance team and dealers on possible disruptions. It also got the project vetted by the World Bank and mobilised commercial finance from them.

As a result, the company's various teams got the message; address the challenge, not shirk it. The experiment began in May 2000; in 2000-01, 82.57 per cent of the output was generated from a pet coke-driven kiln; this proportion rose to 92.44 per cent in 2001-02 and eventually 99.19 per cent in 2002-03. The World Bank's inspection, yielded a Project Completion Report.

As a result, the switch rationalised cost by an estimated Rs 32.33 cr in 2002-03 and strengthened the company's position in a competitive marketplace.

Jo soche woh paave

mining

