

- Shree's sustainability initiatives
- Inherent strengths of Shree

25  
YEARS

# shree cement today

Annual Report, 2003-04

As cement demand accelerates in North India and investment opportunities increase, what are the options facing a progressive cement manufacturer like Shree Cement?

Visit us at [www.shreecement.com](http://www.shreecement.com) (Google key word: Shree Cement)

# Future & Options

[www.reportjunction.com](http://www.reportjunction.com)

# SHREE CALENDAR 2014



**VISION : TO REGISTER A STRONG  
CUSTOMER SURPLUS THROUGH  
SUPERIOR CEMENT QUALITY AT  
AFFORDABLE PRICES.**

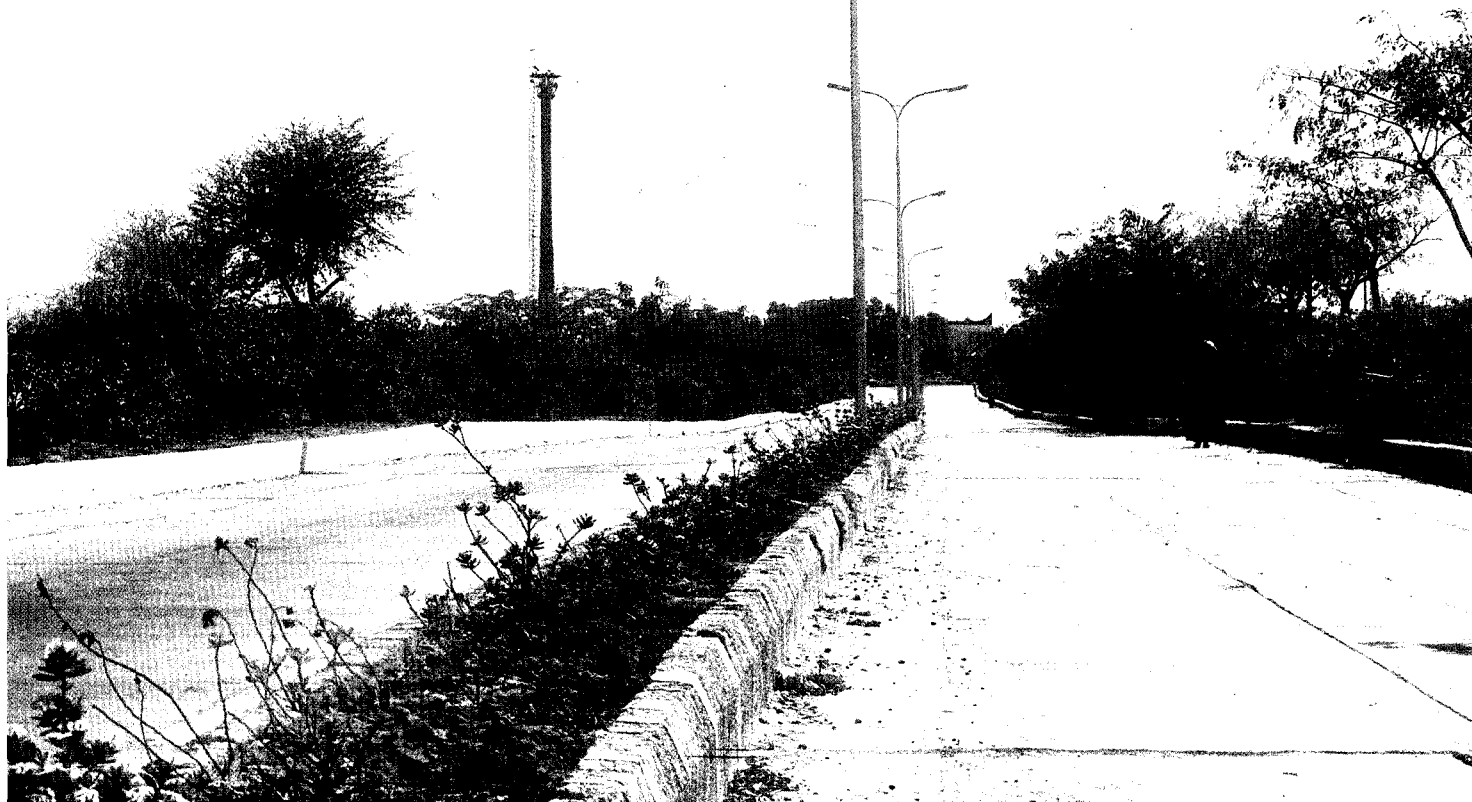




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## MISSION

- To sustain its reputation as the most efficient cement manufacturer in the world.
- To drive down costs through innovative plant practices.
- To increase the awareness of superior product quality through a realistic and convincing communication process with consumers.
- To strengthen realisations through intelligent brand building.



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## VISITING CARD

■ Shree Cement Limited is a Beawar-based company, located in Rajasthan. There are a number of reasons why this presence is strategic: located in central Rajasthan it can cater to the entire Rajasthan market with the most economic logistics cost. Proximity to the profitable cement consuming markets of Delhi and Haryana renders the company an edge over other cement companies of the state in terms of lower freight costs.

■ Shree Cement services the growing requirements of the State and the region with two plants that possess a cumulative installed capacity of 2.6 million tonnes per annum (MTPA). In 2003-04, the company produced 2.84 million tonnes of cement, making it the largest single-location cement

producer in north India.

■ Shree's principal cement consuming markets comprise Rajasthan, Delhi, Haryana, Punjab, Uttar Pradesh and Uttaranchal. Shree manufactures Ordinary Portland Cement (OPC) and Portland Pozzolana Cement (PPC). Its output is marketed under the 'Shree Ultra Ordinary Portland Cement' and 'Shree Ultra Red Oxide *jung rodhak* Cement' brand names.

■ Over the years, Shree has established a reputation as one of the world's most efficient cement manufacturers: one, its production has been consistently in excess of its rated capacity. Two, its per tonne energy consumption is one of the lowest in the world. Three, it has a unique

distinction of operating both its cement as well as captive power plant on alternative fuel.

■ The company posted a topline of Rs 606.93 cr and profit after tax of Rs 13.04 cr in 2003-04, an increase of 4.21 per cent and 94.58 per cent respectively over the previous year. The company's market capitalisation was Rs 490 cr as on 31 March 2004. The company's shares were listed and actively traded on the National Stock Exchange and Stock Exchange Mumbai.

■ The BG Bangur family, the principal promoters of Shree Cement, held 65.37 per cent in the company's equity.





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## 08

### Cover Story

BG Bangur, Executive Chairman and MK Singhi, Executive Director explain how Shree is preparing to capitalise on the opportunities of tomorrow.

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### Interview session

Hari Mohan Bangur, Managing Director, highlights the company's performance in 2003-04.

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### Key strengths

Shree's strengths were not created in a day; they were consciously honed across a decade and a half. Read an analysis of how Shree's muscle will not just make growth attractive but also sustainable.

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### Risk management

The cement sector is influenced by a number of variables, which, if unaddressed, can translate into business risks. Read how Shree has progressively mitigated them through various far-reaching initiatives and investments.

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### Sustainability report

As a forward-looking initiative, Shree Cement was invited to attend the meeting of the Cement Sustainability Initiative (CSI) Group of WBCSD in Switzerland in March 2004 and became the Indian cement industry's first signatory to the CSI charter. Read about the company's sustainable development initiatives.

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### Environment protection

As a responsible corporate, Shree is committed to clean environment practices. Read how the ISO 14001-certified company is observing clean and green practices.

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### Financial section

Balance Sheet, Profit & Loss Account, Schedules and Cash Flow Statement.



## Letters to the Editor

### Consumer's perspective: Material for generations

Dear sir,

I remember seeing the *jang rodhak* advertisement and buying Shree's Red Oxide cement. I am happy for having taken the decision. My life's savings have gone into building this house and I can see that even my grandchildren will now be able to benefit from the decision.

Sincerely,

Sunil Kumar Sharma, Gurgaon

### Structural engineer's perspective: True to claims

Dear sir,

As a community, we do not take advertisements or claims by companies seriously at all. So when someone suggested that against a BIS expansion tolerance of 10 mm, Shree had reported a mere 1 mm, I became suspicious. But when I had the opportunity of using the brand, I realised that this was indeed true. Later, I had the opportunity of actually comparing its strength in a lab test. While the others registered an average strength of a little more than 400 kgs per square metre, Shree resisted more than 500 kgs per square metre! To an extent, you have brought my faith back in advertisements.

Regards

R.A. Srivastav, Rajasthan

### Trader's perspective: Better profitability

Sirjee,

Have you ever had the privilege of selling a 53-grade cement at a 43-grade price? I have. And I can say is that this strategy of your is business-strengthening for me. Over the last couple of years, I have successfully rotated my capital faster and in doing so, have reported a better return on my employed capital. As a result, it makes excellence sense to stock larger quantities of the Shree brand. Which also explains why Shree is the largest cement brand in Rajasthan.

Regards

Arora Cement Store, Punjab

### Shareowner's perspective: Enhanced value

Dear sir,

Over the last year I read about our backward integration into power generation and was convinced that profits would rise. I stayed invested in the shares of the company and was pleasantly surprised to find your stock rise from Rs 45 to Rs 175 during the course of last year. The valuation of my holdings has risen from Rs 45,000 to Rs 1,75,000. Needless to say, I am a proud shareholder of the company today!

Sincerely,

Madhu Sudan Chatterjee, Kolkata

## Editorial

### The present is transitory; the future is all the time.

As responsible corporate people, we live interestingly dual existences. Even as we live in the present, we must be continuously obsessed with the future. Even as our challenges may be for the moment, our responses must be future-relevant.

At Shree Cement, this is the future-direction that represents the foundation of our sustainability.

Over the last number of years, we embarked on a number of such initiatives:

- We enhanced our capacity to address prospective demand even before it transpired.
- We innovated and rationalised costs well before our competition compelled us to do so.
- We evolved a commodity into a brand before customers made that the basis of their purchase. As a result, we developed the ROC brand of cement, which was of better quality available at affordable prices.
- We reached products closest to consumption points even in the deepest pockets of our diverse markets well before this became an industry norm.
- We are the first cement company from India to join the Cement Sustainability Initiative (CSI), a group comprising of world's leading cement companies. We in doing so, reinforced our commitment to sustainable, social and environmental causes.

The result: Shree Cement captured a larger slice of Rajasthan (market share of 12.26 per cent in 2003-04) and north India (market share of 10.33 per cent in 2003-04); reported a consistently higher topline and profitability, thereby improving our financial position; strengthened our human resource function and reinforced our commitment to responsible environment management. In doing so, we created competition for various prominent brands, rather than the other way round.

In this Shareholder Copy of our 2003-04 performance, we have outlined various future-oriented initiatives that will make growth profitable and sustainable across the coming years.

Should you have any comments or observations – either about our performance, prospects or this report, you are most welcome to e-mail it to me at [shreebwr@shreecementltd.com](mailto:shreebwr@shreecementltd.com).

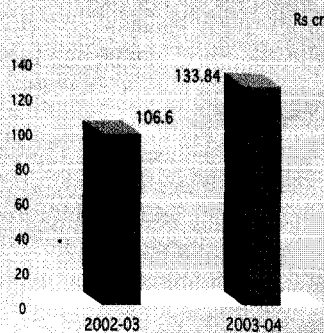
Sincerely,



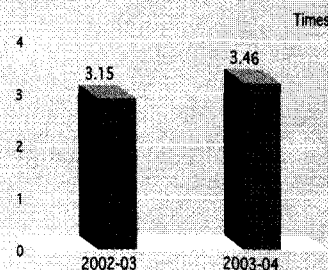
S.S. Khandelwal  
Company Secretary



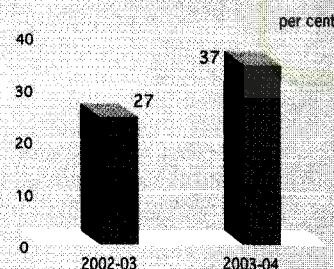
## Highlights, 2003-04



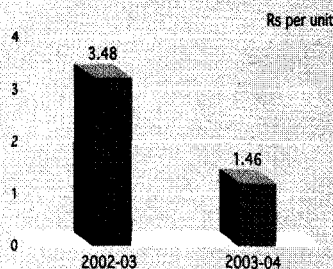
■ Earnings before interest depreciation and tax (EBIDTA) increased 25.56 per cent – from Rs 106.60 cr in 2002-03 to Rs 133.84 cr in the year under review.



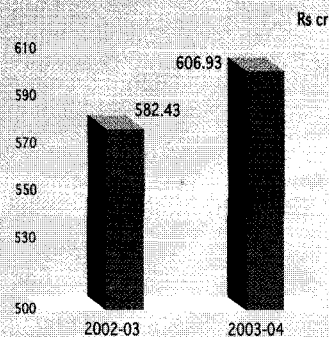
■ Interest cover increased 9.84 per cent – from 3.15 in 2002-03 to 3.46 in 2003-04.



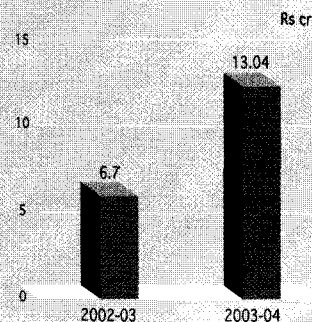
■ The proportion of revenue from the sale of the Red Oxide brand increased from 27 per cent in 2002-03 to over 37 per cent in 2003-04, indicating value-addition.



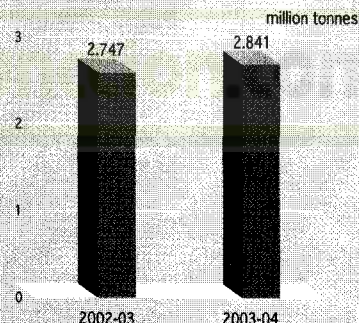
■ Shree's captive power plant helped it rationalise energy cost per unit by 58 per cent - from Rs 3.48 per unit in 2002-03 to Rs 1.46 per unit (excluding depreciation and interest) in 2003-04.



■ Turnover increased 4.21 per cent – from Rs 582.43 cr in 2002-03 to Rs 606.93 cr in 2003-04.



■ Profit after tax increased 94.58 per cent – from Rs 6.70 cr in 2002-03 to Rs 13.04 cr in 2003-04.



■ Cement production increased 3.42 per cent – from 2.747 million tonnes in 2002-03 to 2.841 million tonnes in 2003-04.

■ Shree was awarded the Golden Peacock National Award for Environment Management in recognition of Best Environment Management Practices by the World Environment Foundation.

■ Shree secured the Best Thermal Energy Efficiency Award for its Unit II consecutively for the third year in 2002-03.

■ Shree was felicitated with the Productivity Award by the Rajasthan State Productivity Council.

■ Shree won the award for the best Annual Report for 2002-03 from the Rajasthan Chamber of Commerce and Industry, presented by SEBI Chairman.







## Future

# WILL WE HAVE ENOUGH CEMENT FOR OUR OWN NEEDS A FEW YEARS FROM NOW?

Executive Chairman BG Bangur explains how cement demand growth in India is expected to outpace capacity growth, creating a challenge – and an opportunity

At first glance, the fact is indeed remarkable. India is the largest cement producing country in the world after China.

However, take a second look: India's total installed capacity of around 150 million tonnes per annum (MTPA) is a poor second to China's annual cement production of 700 million tonnes. Moreover, India's per capita cement consumption is a mere 100 kgs compared to China's per capita cement consumption of 448 kgs.

So, even as India's status among the world's largest cement manufacturing nations has improved from four in 1996 to two, the Chinese cement industry has remained the world's largest cement producer for 17 years.

## The big question

Does cement capacity growth precede economic development or simply feed an existing requirement?

Perhaps a study of China's cement industry will lead to some interesting clues.

Its economic reforms, initiated in 1978, started the process of migrating the country from a sluggish central planning system towards a market-oriented system. The principal changes comprised:

- Opening the economy to increased foreign trade and investment,

Cement is an important sector in any developing economy. It has a direct correlation with the GDP and is an effective indicator of the economic performance of a country.

- Increasing the authority of plant managers and local officials, and
- Permitting a wide variety of small-scale enterprises.

This strategic shift was catalysed by the creation of fresh cement capacity, the building block of its development. So as China built millions of new houses, highways and power plants, its cement production increased from 65 million tonnes of cement (1978) to a stage where its output was twice as much as the next three largest cement producing countries combined - only a decade later.

Take a look at this interesting insight:

In 1978, China produced 65 million tonnes of cement, which increased to over 150 million tonnes in 1984-85. This was principally on account of booming infrastructure growth, which in turn, catapulted the average GDP growth to a whopping 11-12 per cent between 1982-1988.

A slowdown in the Chinese economy between 1989-1991, decelerated the average GDP growth to around 5 per cent. But in anticipation of a pick up in the economy, cement production in China increased from over 210 million tonnes in