



Shree Cement Limited



**Touchstone of Performance**

Annual Report 2005-06

# Performance is relative

A company's performance can be measured against one's own, or against others, or certain well-established criteria.

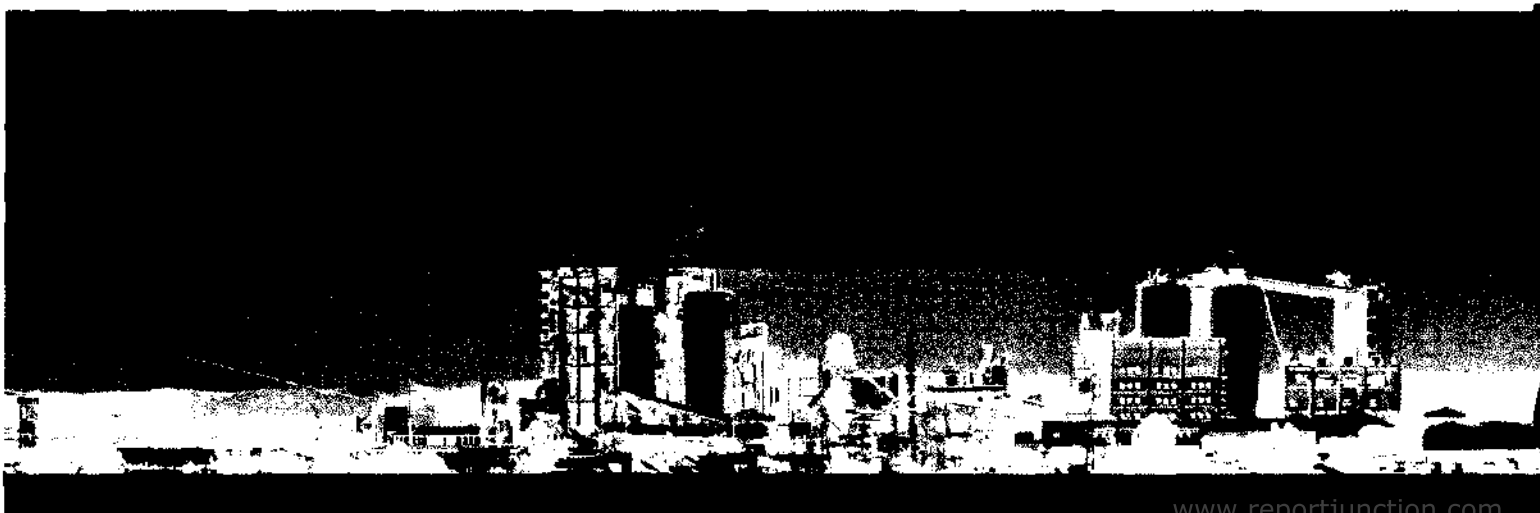
Whatever the nature of assessment, at Shree, we are sure our report card would show 'excellent'. This is not a preconceived notion about ourselves, but a diehard faith in what we produce.

Shree Cement. If there is any single touchstone of our performance, it is this.

This annual report acknowledges it as well as the monuments and structures it has helped create. The report also measures our performance against the ultimate touchstones of shareholder-oriented, corporate performance - the principles of the legendary Warren Buffet.

# Disclaimer on forward-looking statements

This document contains forward-looking statements that anticipate certain actions and results of the company on the basis of current assumptions about the future. There has been an attempt to qualify such assertions with words like 'plan', 'project', 'expect', 'estimate', 'envisage', 'anticipate', 'believe', 'intend', 'will' and other phrases that convey their essence. Although, the company has every reason to believe that its assumptions about the future are likely to hold, it cannot assume responsibility for them because of the associated uncertainty. As such, although the company will do its utmost to realise, wherever applicable, the forward-looking statements made with reference to its intentions in this document, it cannot and does not guarantee them. Further, the company assumes no responsibility of publicly amending, modifying and revising any such statements in the light of subsequent developments, events, information or other facts pertaining thereto.



# Contents

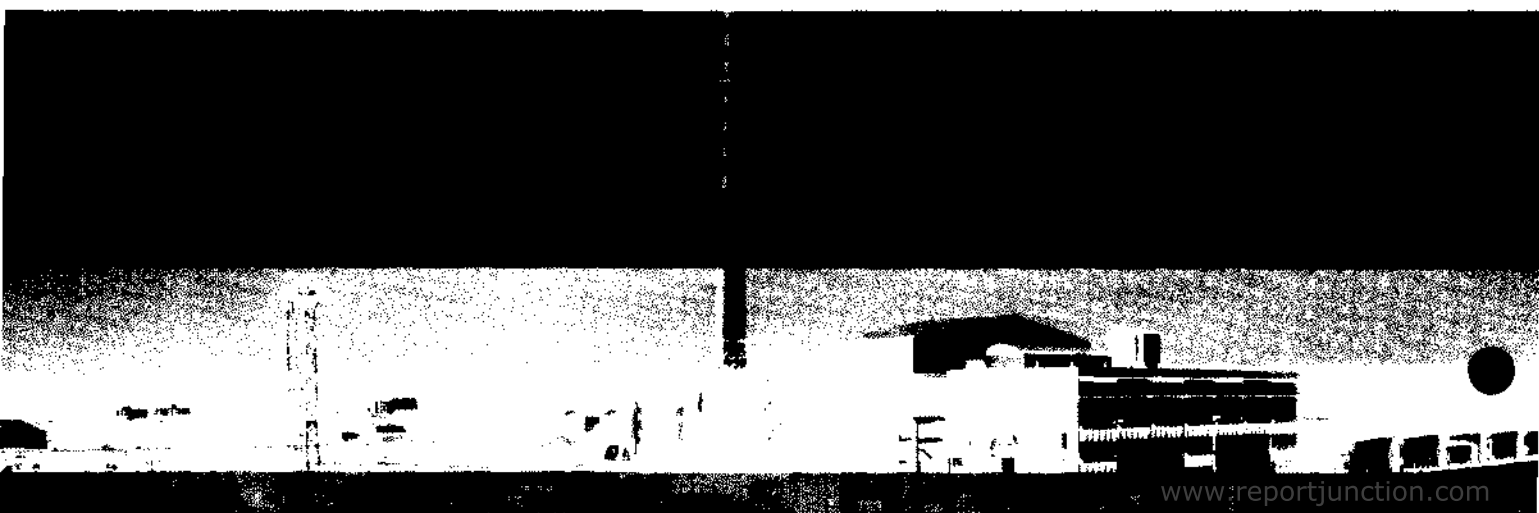
<b>Chairman's Message</b>	3
<b>Vision, Philosophy and Mission</b>	5
<b>MD's Message</b>	7
◆ Principle #1	9
◆ Principle #2	13
◆ Principle #3	15
◆ Principle #4	20
◆ Principle #5	23
◆ Principle #6	26
◆ Principle #7	29
◆ Principle #8	31
◆ Principle #9	33
◆ Principle #10	35
◆ Principle #11	37
<b>ED's Message</b>	38
<b>CFO's Message</b>	42
<b>From the Board</b>	
◆ Management Discussion and Analysis	44
◆ Directors' Report	48
◆ Profile of Directors	54
◆ Corporate Governance Report	57
<b>Financial Statements</b>	
◆ Auditors' Report	64
◆ Accounts	66
<b>Ratio Analysis</b>	81
<b>Five Year Financial Highlights</b>	82
<b>Fifteen Year Financial Highlights</b>	83
<b>The Winning Stake</b>	84
<b>Production Highlights</b>	86
<b>Awards</b>	87
<b>The 3 Ps of Performance</b>	88
◆ Profit	89
◆ People	99
◆ Planet	103
<b>Company Details</b>	106

Report



Junction

.com



Report  Junction

B.G. Banerjee  
Executive Chairman



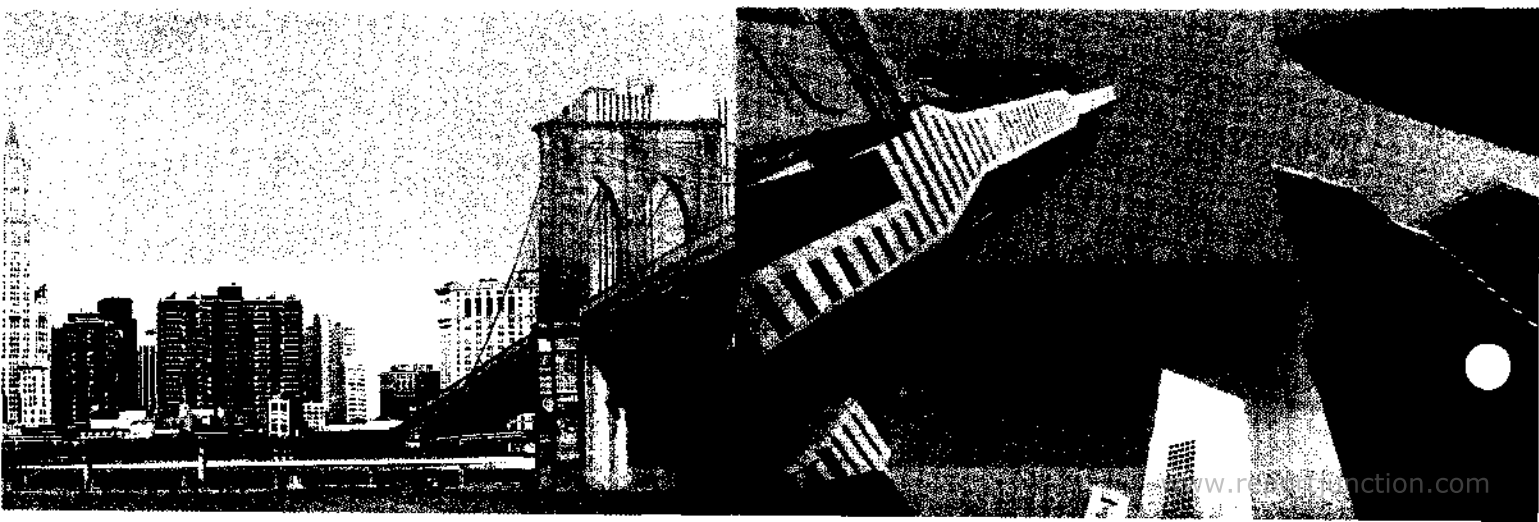
# Chairman's message

At Shree Cement, we believe a cycle of performance should always be followed by a period of introspection- to see how far we have come. For us, crossing milestones is as important as measuring those against touchstones. Until now, our annual reports evaluated current performance against our own high yardstick - past performance. This time, we attempt to view it through the looking glasses of one of the world's most recognized and respected authorities. The following pages show Shree Cement in a new light.

Report



Journal





Assembly House, Jaipur-Rajasthan



## **Vision**

**To become known as a premier  
cement maker offering high  
value realisations for customers  
and stakeholders alike.**

## **Philosophy**

**Let noble thoughts come to  
us from all over the world.**

**-Rigveda**

## **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.**





***H M Bangur meeting***

***Warren Buffet***

# MD's Message

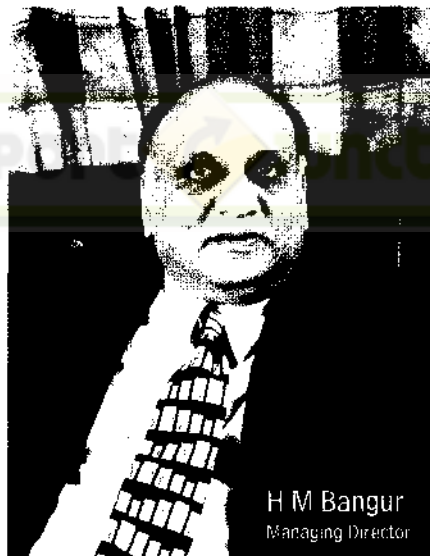
Dear stakeholder friend,

I am proud to place in your hands an annual report that treads new territory compared to earlier editions. Lest some of you wonder what all this is about, let me assure you, the difference is more a matter of perspective than content. All the facts and figures, which featured in earlier annual reports and you have got used to reading, are there. However, these have been used to look at our company differently.

Allow me to explain with an analogy. Looking in the mirror lets you carry out a self-appraisal; you get a fair idea of your health. But, letting a doctor look at you with the help of say a CAT scan or an X-ray is an expert evaluating you; it is the ultimate test of your health. In both cases, the content, you, remained the same; only the perspective differed.

But, what a difference it makes. The process of viewing yourself in the mirror and comparing your reflected image to others leaves some degree of uncertainty about your self-evaluation. Only when an expert looks at you and qualifies it, do you feel sure about yourself.

Something like this transpired when I met with an expert in Omaha during my visit to the USA in



H M Bangur  
Managing Director

May this year. Of course, to call him merely an expert would be doing his formidable talents and achievements a complete injustice. I would prefer to call him an expert of experts, an authority on investing in businesses, a genius who comes once in many years, a messiah and role-model for shareholders around the world, a legend in his lifetime... a person who literally exhausts the superlatives.

He is Warren Buffet, currently the world's second richest man and the greatest value investor. Summer had set in and Omaha was awash in the green of vast spaces and the colors of beautiful flowers when I had the rare honor of conversing with the 'Sage of Omaha.' It was a meeting that set me thinking deeply.

We talked briefly about our respective companies. But, what we discussed most was how to operate them best. Mr. Buffet made succinct yet illuminating observations on his principles, made famous in a booklet for shareholders called 'An Owner's Manual.'

The bible for shareholders, investors and analysts

around the world, 'An Owner's Manual' contains the broad economic tenets behind the operation of Berkshire Hathaway, Warren Buffet's and his partner Charlie Munger's holding company.

They were these principles, which proved to be a big source of inspiration and introspection for me. As the meeting progressed, a thought started emerging. I began to feel that tiny though we were in comparison to Berkshire Hathaway, Shree Cement was by and large following those principles.

As I came away from the meeting, two questions surfaced in my mind. Could we use Buffet's principles, insofar as they applied to non-holding companies, to measure our company's performance? If so, how would Shree Cement fare? The first question concerned the problem of finding practical and workable yardsticks to reflect each principle best; the second question had to do with the results of applying those yardsticks to our company.

In what follows, I present both the aspects-practical measures we have thought of to capture the spirit of Buffet's principles as well as the conclusions arrived at after applying them.