



Change is the new normal

**Shree Cement Limited**  
Annual Report 2009-10

## FORWARD-LOOKING STATEMENT

On this Annual Report we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and other inherent assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake a obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

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## Concept note



### *Change*

*To change is to explore new dimensions*

*Change is to go beyond mere routine*

*To change is to think new and create newer paths*

*Change is to set newer goals*

*To change is to build on the present*

*Change means to prepare for tomorrow, today*

*To change is to capitalize on opportunities*

*Change means to build capacities*

*To change is to expand reach*

*Change means to power ahead*

*To change is to integrate knowledge*

*Change means to sustain the future*

*At Shree,*

*Change is the new normal*

# Foreword



## **The Theme – Change is the new normal**

We look at our annual reports as a tool of transparently communicating the developments we have made and the plans to sustain these developments to all our stakeholders. Each year, we attempt to highlight an inherent characteristic that drives our success. This year's annual report is based on our inherent capability to continually CHANGE. Change to us means innovating, constantly improving and exploring various possibilities of doing things differently. This understanding of change, which we put into practice at Shree, is the centerpiece of the Annual Report 09-10.

Competition is intensifying, quality demands and preferences of customers are increasing, technology is changing fast, regulatory environment is rising, and expectations of all stakeholders are growing. All around, change is happening fast. Those who cannot mould themselves to this fast changing environment are bound to see failures. This requires companies to continually innovate and try to do newer things in order to prepare and keep themselves ready to best meet the competition and customer expectations, embrace new technology and satisfy ever rising demands of all stakeholders.

Successful companies never settle for today's success, rather, they try to make it enduring. They try to anticipate the markets of tomorrow, keep track of customer demands; constantly review existing processes and re-invent them for new technologies and improvements. They place continual thrust on innovation and build a culture of doing newer things in their people rather than being mired in

daily routines. This creates an 'entrepreneurship culture' where the dominant characteristics are dynamism, risk taking, zeal to continually experiment with existing scheme of things for further improvement. They are constantly looking for change. The people of such companies are in a way "change or innovation drivers". They drive their organization in such a way that it becomes a tendency to continually make changes (improvements /innovations) in its products, processes and business model. This enables their organization to achieve a sustainable competitive advantage in the market helping make their success enduring.

## **Why this theme?**

We have tried to elaborate on the philosophy of continual change, which we have adopted at Shree. We have made an attempt to navigate the reader through the seamless transition of inherent potential into the pro-active capability to change and finally into enhanced performances, performances that set internal higher standards with each passing day, across departments and at the organizational level.

Your comments and feedback are of great importance to us. We would be glad to address any queries or observations that you may have with regards to our various future-aligned initiatives, our performance or this report. You are most welcome to email us at [scibwr@shreecementltd.com](mailto:scibwr@shreecementltd.com)

## Chairman's Perspective



B G Bangur  
Executive Chairman

*Change is a natural law. It is inevitable. It is the very nature of life, a force that affects one and all without exception.*

Change is a natural law. It is inevitable. It is the very nature of life, a force that affects one and all without exception. Wherever we look, we see that everything and everyone is in a state of constant change.

As humans, we have a choice about how we relate to change. Whether we engage with change in a conscious and active state or respond reactively to it is a decision we need to make.

An active or proactive engagement with change gives you opportunity, well in advance, to look at and evaluate a multitude of choices with regard to change-actions and thereby help in making right decisions. Putting active change into practice thus enables taking charge of change and driving it instead of being driven by it. It helps in creating new core competencies, expanding dimensions and the building an outlook that values, plans and executes

innovation and improvisation. One is then naturally alert to surroundings, is constantly on the look out for emerging opportunities and goes beyond the layers of the obvious. On the other hand, reactive engagement doesn't allow much scope of choice and one is forced to accept the outcome, whether positive or negative.

It is only by actively engaging with 'change' that we are enabled to grow and thrive.



## About Shree Cement



*Shree Cement is the largest cement manufacturer in North India and among the top five cement manufacturing groups in the country.*

Shree Cement is the largest cement manufacturer in North India and among the top five cement manufacturing groups in the country.

Turnover of the company for 2009-10 was Rs. 3632 Crores and Net profit was Rs. 676 Crores.

It has more than quadrupled its capacity in the last 5 years to reach present cement capacity of 12 million tons p.a. with manufacturing plants at Beawar, Ras, Khushkhara and Suratgarh in Rajasthan and Laksar (Roorkee) in Uttarakhand.

Company follows a multi-brand strategy and sells cement under the highly

recognized brands of Shree Ultra, Bangur and Rockstrong which together enjoy largest market share in high value markets of Rajasthan, Delhi & Haryana.

Shree is also into the power sector with a Power generation capacity of 210 MW which is set to go up to 560 MW by December 2011.

It is known to be an energy efficient and environment friendly company and has received various awards and accolades at national and international level for excellence in energy efficiency and environment management.

Shree has set up waste heat recovery projects of 46 MW capacity which is the largest waste heat power generation capacity in world cement industry excluding China.

Shree follows the triple bottom-line approach of measuring performance against the three benchmarks of Economical, Social and Environmental.

Shree is an active participant at Climate change forums and is the first Indian cement company to join the Cement Sustainability Initiative of the World Business Council for Sustainable Development, Switzerland.

# The Shree Vision

## Vision

"To drive and sustain industry leadership of the company within a global context - by developing individual leadership competencies at every level, through a robust backbone of trust, support, innovation and reward"

## Mission

- To harness sustainability through low carbon philosophy
- To sustain its reputation as one of the most efficient manufacturers globally
- To continually have most engaged team
- To drive down cost through innovative practices
- To continually add value to its products and operations meeting expectations of all its stakeholders
- To continually build and upgrade skills and competencies of its human resource for growth
- To be a responsible corporate citizen with total commitment to communities in which it operates and society at large

## Guiding Principles

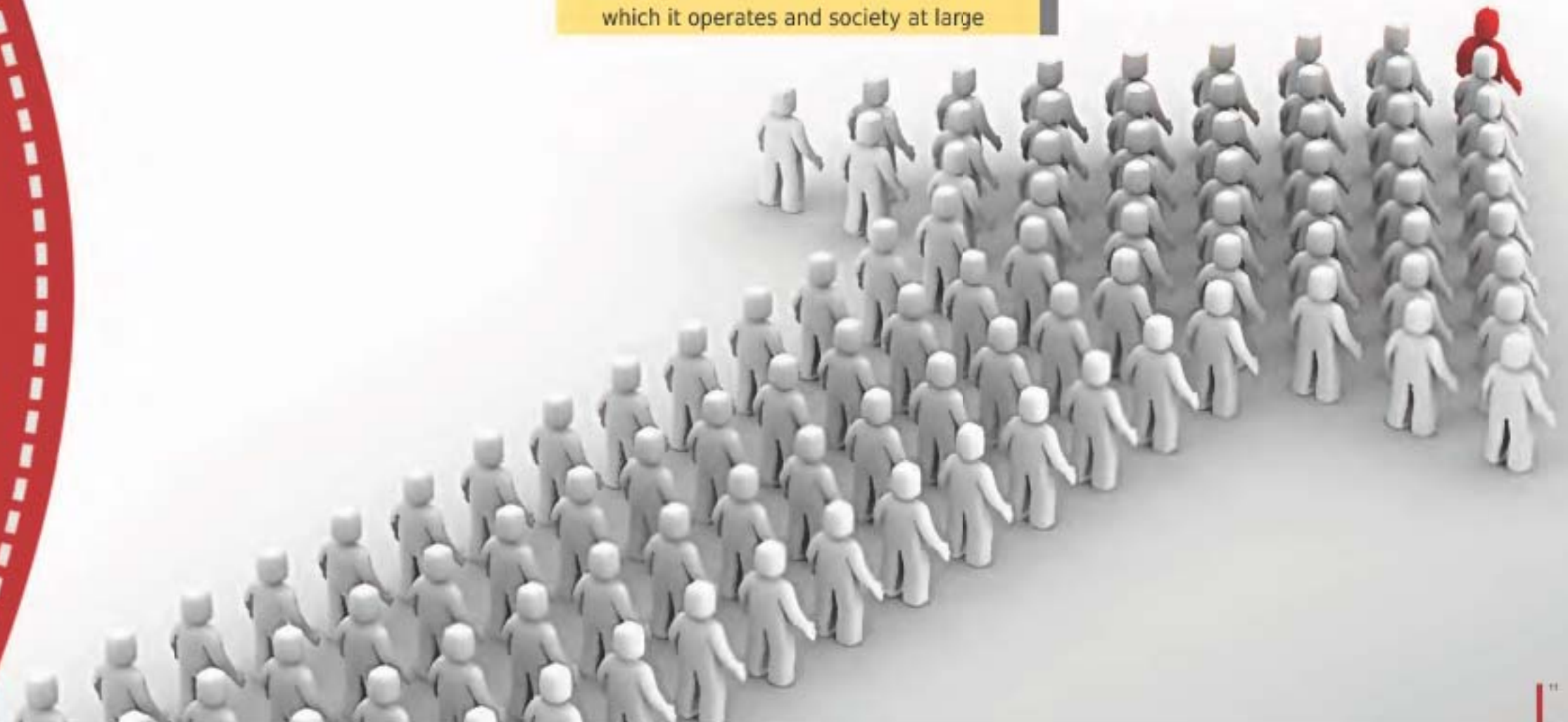
- Enforce good corporate governance practices
- Encourage integrity of conduct
- Ensure clarity and unambiguity in communication
- Remain accountable to all stakeholders
- Encourage socially responsible behaviour

## Philosophy

"Aah no bhadra: Kratavo  
yantu vishwatah"

- *Rigveda*

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



## MD's Message

Aspiring for a change that is perpetual



H M Bangur  
Managing Director

*People are never tired of hard work, they get easily tired by boredom. Challenge for the management is to break this boredom in a creative way. Japanese have given the process of continuous improvement a name kaizen. It is a must for every running company. How one implements kaizen depends upon the internal culture of individual company.*

To the outsiders, it will mean that we are taking big risks and our risk profile is high. This is not at-all so. It is very simple that if changed action does not work, we can immediately get back to the initial level. At best, we have lost some time and efforts, and in the process, get a little deeper understanding of the situation. Biggest problem of this coming back to the old is loss of self-esteem and ego. If the organization is able to protect the fear of failure, new ideas will come continuously and can be tried. In Shree, there is no individual failure and this is the reason that continuous suggestions come from all levels. Of course, success has many fathers and all of us enjoy the new outcome.

Running the present system requires minimal efforts. As the system grows, people become more and more experienced to do the same things and in the process, the amount of their efforts for the job decreases continuously. They can get bored with the routine job. The famous story "Tortoise & Hare" clearly demonstrates that hare lost the race because he felt no challenge. If there is no challenge in the work and the same routine is followed month after month, then it dulls the sharpness of mind. This results in a situation where the person loses interest and makes mistakes even in seemingly full-proof situation. New challenges help in keeping their mental alertness on

Change has a peculiar nature; it places most people in discomfort. People have to leave the comfort of the known and are forced to travel into uncharted areas. Fear of the unknown prevails with the new set up. That is why managing change is a challenge.

We, at Shree have developed an altogether different view on change. Innovation has become a routine job. A sense of discomfort develops when no new ideas are tried.

Ordinarily a target is fixed and management pursues the target. If anything goes wrong, it is corrected and again the company moves towards achieving the target. We, at Shree, continuously want to set higher targets. For this, maintaining the status-quo or repairing the current situation will not work. Same action is bound to give same result. So, to have different results, we have to change the action and try new things. This requires continuous experimentation.

toes and ultimately give superior results.

Newton's Law holds good even for corporate management. It clearly says "everything stays in its state of rest or uniform motion unless and until external force is applied on it". So, for change, apart from innovative thinking, additional work is required. Important thing to understand is why a team which is comfortable will voluntarily take hard work. The fatigue of their efforts is balanced by hope before the experiment and pride and joy after the work is accomplished.

People are never tired of hard work, they get easily tired by boredom. Challenge for the management is to break this boredom in a creative way. Japanese have given the process of continuous improvement a name "kaizen". It is a must for every running company. How one implements "kaizen" depends upon the internal culture of individual company.

Decision becomes final only when no more thinking about it is being done. Till people work on that, the decision is not final and can always change. It is quite

normal to take the final decision as early as possible. In the process, thinking about the same stops as decision has been finalized. In Shree, we like to take final decision as late as possible as it gives that much more time for the people to think about the solution. Higher the time spent on a particular decision, better is the outcome. Patience in planning and impatience in implementation is the key to success.

Our Company is in commodity market. Ups & downs are the nature of commodity. For the last 3 years, we at Shree, have taken few steps to smoothen the impact of bad commodity cycle. We have entered the power sector. Though power sector is very small today compared to cement, but within the next 2 years this business will have sufficient importance on our working. Company changed part of its focus from cement to power.

There exists a big challenge for cement industry. Market has shifted from "advantage seller" to "advantage buyer". Capacity utilization of industry has come down to below 80% and with new

capacities coming in; this scenario is likely to continue for quite sometime.

The biggest challenge in today's time is to contain cost. Fuel is the single most important cost centre for our company. Shree has developed the preparedness for using all sort of solid fuels, whether it is Petroleum Coke, Bituminous Coal or Lignite. We improved upon the existing system in our power plants and re-designed them in a manner which has enabled us to change the fuel as soon as we change our thoughts.

We have an active workforce of 3244 people. The biggest challenge for the management is to encourage them all to have new ideas. This encouragement can come if their ideas are heard and acknowledged by a proper team and detailed feedback is given to them about the positiveness or shortfall of their views. A strong co-relation exists between the sincerity with which the ideas are heard and generation of new ideas. Co-relation with cash reward is little. In Shree there is quite a competition to generate new ideas.

## ED Speaks

Re-look  
Re-discover  
Re-invent



M K Singhi  
Executive Director

*This attitude of constantly striving to find newer ways of doing things, present in our people across all levels, is change for us.*

The definition of an ideal work place changes from one individual to another. So, how do we define 'an ideal work place' at Shree Cement? We have given shape to our own definition of an ideal workplace. We do not come to our workplace merely to fulfill our assigned duties. Each day brings with it, opportunities to find happiness by effecting change through improvisations, big or small. The happiness thus experienced, motivates us even further to better our performance. Each day, for all of us at Shree Cement, is a challenge we take upon ourselves of changing the existing way of doing things and making it better. We are driven to seek newer goals to achieve and find more happiness in the process.

How can we make an existing process better? What kind of an improvement can be made to increase the overall productivity and efficiency of our company? Which initiatives would help us add to our customer's delight? How can the realizations be increased? What kind of innovations would help us 'green' our processes even further? Which measure would help bring down logistics costs? How can we better serve our communities and contribute towards conservation of the eco-system? These are the kind of questions that we ask ourselves when we step into our work stations every morning. It is a passion to perform and to out-perform ourselves every single day. In order to achieve this, we ceaselessly try to re-look, re-discover and re-invent not only the processes, systems and areas with scope for improvement, but our inherent potentials as well.

This attitude of constantly striving to find newer ways of doing things, present in our people across all levels, is change for us. We believe in dynamism, in constantly moving ahead and finding tomorrow's answers today. We do not wait for external factors to determine the changes that we have to undertake; instead we work with an outlook of making ourselves future-ready and try to stay a step ahead always.

The operating word in all our day-to-day functions is 'improve' and the philosophy behind it is of 'Never say yes to no'. What this has translated into is our endeavour to better ourselves at all levels and at all times. This is where the role of the leadership comes in. It becomes the foremost responsibility of the leadership to provide a work environment that is motivating, encouraging and one that is able to sustain this drive amongst its

people. Once this is in place, then it is the people themselves that become 'change drivers' and take the responsibility of perpetuating this change adaptive culture upon themselves.

### **Change is a mind-set**

Our belief in the principle of not settling for the achievements of the past has played a pivotal role in enhancing the performance of our organization. For us, achievements of the past are just a foundation for future accomplishments. We have lived upto this ideology by developing a mind-set that is open to change. We as an organization have been able to achieve all that we have and are still fervent for more, as the need for constant change is not forced upon us, rather, it is practiced by our own free will.

We have time and again put our young team in charge of various projects and they have not only lived up to our expectations but also surpassed it.

**Readiness to change ensures better collaboration within departments**

The process of adapting to change at Shree is systemic. This ensures that each and every department at Shree is in sync with each other and together enable, the optimum output. Our work culture stems from a belief in strong, mutually reinforcing exchanges and linkages between employees and departments. In this culture, operating policies, procedures, standards and tasks are all designed with one goal in mind – to encourage cooperation, teamwork and camaraderie among our people. Creating such an environment in which people feel empowered, share responsibilities and are part of a team creates synergy and increases productivity. It is a culture where our people take ownership of their tasks and act proactively instead of just being told what to do at every step.

**Encouraging young talent to come forth**

We have time and again put our young team in charge of various projects and they have not only lived up to our expectations but also surpassed it. It is the zeal of this young team to go beyond the usual way of doing things and try different approaches that has resulted in numerable positive changes taking place at Shree. In accordance with this, the seniors have taken upon an important role of nurturing and giving proper direction to the passion and the new line of thought that this young brigade brings to work. Moving from micro-management towards de-centralization has yielded benefits for us in terms of prominent talent constantly emerging.

Our people are young at heart and in their ideas. We keep our enthusiastic and dynamic team at the helm of things, which is hungry to explore the unexplored and have the zeal and the confidence to pursue it and transform it into success.

**Benefits of being change adaptive**

Various studies have shown that an organization that is receptive to change will always be ahead of the ones that are rigid in their ways of functioning. There are certain very important and specific benefits that we have and are experiencing by virtue of being an organization constantly on its toes. I would like to take you through certain very tangible gains that we have reaped by infusing 'changeability' in our style of working:

- Awareness of the market and capacity to shift according to its demands
- Easy transfer of learning and knowledge within departments

- Positive approach to problem solving by inculcating a culture of openness to learn from mistakes
- Clear processes in place to evaluate, innovate and implement future ideas
- Guarded from operating as a silos
- Increased people potential

**Consistent change for total prosperity**

Total prosperity. That is what we are out to achieve, continually. Our objective behind introducing innovations and improvisations is to create an environment where our people feel proud about their work and feel happy coming to their workspace every day. Performance, I believe, is a result of this feeling of happiness. Once we have managed to achieve this, performance is bound to follow. One of the biggest change that has taken place at Shree is the systemic movement towards Total Prosperity Management, which has resulted in the wholesome growth of our people, our company and the society at large.

We have created our 'Ideal Workplace'. A workplace that intrinsically motivates us to find newer potentials within ourselves, that encourages us to push ourselves that much further, that gives us the confidence to redefine our areas of responsibilities and explore unknown possibilities. With this clarity in place, the future for Shree definitely looks promising.