

**PERFECTION
IS THE ENEMY OF
BETTERMENT**

CONTENT

Forward looking Statement

In 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 statement 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’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘beliefs’, and words of similar substance in connections with any discussion of future performance.

We cannot guarantee that this 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 even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

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: sclbwr@shreecementltd.com

Concept Note	03
Chairman's Perspective	05
About Shree Cement	07
Vision, Mission, Philosophy & Guiding Principles	09
MD's Message	11
ED's Thoughts	13
Performance Highlights	15
Material Management	19
Manufacturing	23
Logistics	27
Power	31
Quality and R&D	37
Knowledge Processes & Structures	39
Marketing and Branding	41
Human Resource	43
Finance	47
Shareholders' Value	49
Corporate Sustainability	51
Awards	55
Profile of Directors	57
Shree's Policies	59
Five & Twenty Five Years Highlights	60
Directors' Report and Management Discussion & Analysis	62
Auditors' Certificate on Corporate Governance	73
Report on Corporate Governance & Annexures	74
Code of Conduct	88
Auditors' Report	89
Balance Sheet	92
Profit & Loss Account	93
Schedules forming part of the Accounts	94
Cash Flow Statement	117
Ratio Analysis	118
Company Details	119

CONCEPT NOTE

Lucilio Vanini, a 16th century Italian free-thinker formulated the singular paradox of perfection: The greatest perfection is imperfection.

It is the existence of imperfections that drives people towards betterment and motivates them to achieve continual progress. If the world was perfect or if perfection was achieved in everything we did, there would remain no more scope for improvement. In other words, imperfection possesses a potential for development and for complementing new characteristics, whereas the state of perfection harbours inactivity as there would be nothing more to add or subtract.

In real life, perfection does not take place in an absolute sense but only in a relative sense, i.e. things are perfect only in relation to a previous point of reference. Meaning, perfection is not one fixed destination but only a journey made up of various instances from which we can learn and better ourselves.

The fact that imperfection is perfect is applicable to all walks of life, be it, human affairs, technology or the way organizations function. It is through such everyday occurrences that one can truly realize that what one should really strive for in life, personally as well as professionally is progress and not perfection.

We, at Shree, believe in the power of innovation and forward thinking. We have proved, through numerous milestones, that everything can be improved upon and that there does not exist a state where things are perfect and have no further space for betterment.

We, through our years of experience, have adapted as well have adopted the philosophy that

“Perfection is the enemy of Betterment”.



The fact that imperfection is perfect is applicable to all walks of life, be it, human affairs, technology or the way organizations function. It is through such everyday occurrences that one can truly realize that what one should really strive for in life, personally as well as professionally is progress and not perfection.

CHAIRMAN'S PERSPECTIVE

B G Bangur
Executive Chairman



Mankind owes all its progress until date to imperfection. This is undeniably a truth of life. Now, one may ask how progress is largely a result of imperfection? This is because the process of progress is nothing but the process of overcoming imperfections. They are one and the same.

We must understand that imperfections are a blessing in disguise. It is only because of their presence, that a constant drive to overcome them exists. This constant drive is

Evolution. The struggle to prevail over the imperfect is the fundamental force from which evolution has surfaced. It is not only the evolution of us, humans and this world, but that of the entire cosmos which is driven by this same primal force.

We humans ourselves are the best example of imperfection. It is as if God planned things in such a way that imperfection would be our companion forever. And we must be thankful for this. For if we were perfect, we would lose the very purpose of our existence. Luckily we are also gifted to be perpetually unsatisfied. This ensures that we will always try to create new capabilities in

ourselves and always look to reach successively greater heights.

Even in the past, whatever we have achieved that is of great significance, we have achieved by accepting and facing uncertainties, challenges and hardships. They have a huge role to play in the strength, skill and knowledge we possess today. We must in the future also, continue to love and accept imperfections. If we do so, nothing can prevent our continued growth and success.

PERFECTION IS THE ENEMY OF BETTERMENT

To reach perfection
The last few steps demand the most.
And the rewards are not much greater
Than those a few steps before.
To be perfect
Is to conclude one's journey
And stop.
For there can be no more betterment.

Instead realize
The value of good enough.
And its rewards
As against your efforts.
Instead forever
Keep progressing.
For nothing is more satisfying
Than always improving.

ABOUT SHREE CEMENT

Shree Cement, engaged in the cement and power sector, is an energy efficient, environment friendly and sustainable company. Shree is ranked among the top five cement manufacturing groups in the country and is the largest cement manufacturer in North India.

The turnover of the company for 2010-11 was Rs. 3512 crores and net profit was Rs. 210 crores. It has more than trebled its cement capacity in the last 5 years to reach a present cement capacity of 13.5 million tons per annum. Its cement plants are located at Beawar, Ras, Khushkhera, Jobner and Suratgarh in Rajasthan and Laksar (Roorkee) in Uttarakhand. The company follows a multi-brand strategy and sells cement under the highly recognized brands of Shree Ultra, Bangur and Rockstrong which together enjoy the largest market share in high value markets of Rajasthan, Delhi and Haryana.

Shree also has a power generation capacity of 260 MW with plants located at Beawar and Ras in Rajasthan, including waste heat recovery power plants of 46 MW capacity, which is the largest such capacity in the global cement industry excluding China. The company is further expanding its power capacity by setting up a 300 MW (2 x 150MW) power plant at Beawar which is likely to be commissioned by the third quarter of 2011-12 and will take Shree's overall capacity to 560 MW.

Shree follows a triple bottom-line approach of measuring performance i.e. performance against the benchmarks of economical, social and environmental benefits. It has received various awards and accolades at the national and international level for excellence in energy efficiency, environment management and sustainability. Shree is an active participant at climate change forums and is the first Indian cement company to join the Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development, Switzerland. It has made the well-being of people living in regions surrounding its operations an integral part of all its decision making processes and actions. Shree recognizes its people as its greatest asset. It ensures that its HR initiatives employ right systems and processes for appropriate manpower planning, recruitment, orientation, training & development and employee benefits. These initiatives have created a workforce that is happy and driven to continually improve upon their standard of performance.



Shree Cement engaged in the cement and power sector is an energy efficient, environment friendly and sustainable company. Shree is ranked among the top five cement manufacturing groups in the country and is the largest cement manufacturer in North India.

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

H M Bangur
Managing Director

Absolute perfection in any human endeavor, from building satellites to running a cement plant, is unattainable. This is so, because, there is always room for improvement. If we keep waiting for perfection, we would continue waiting without performing any action. The search for perfection in any task is one of the surest ways to ensure inaction. This is best expressed by a very famous quote, ***'The cost of perfection is prohibitive'***.

Successful people know this and that is why they never ask 'Is it the best?' They only ask 'If it is better than earlier or not?' They focus upon what has been accomplished or achieved, relative to where they were in the past. Betterment is the goal rather than perfection. They believe that "done is better than an elusive perfection". They do so, because they realize that chasing perfection is like chasing a mirage. Perfection is a constantly evolving target, so in that sense, perfection does not exist; only the process of betterment does.

It is important to realize that the scope of 'being better' lies in everything that we do. However, it is even more important to believe that it is possible to achieve that improvement. When people start thinking that the best has been achieved and that nothing better than it is possible, it is then that the process of progress comes to a halt. The philosophy of wanting to constantly improve oneself, in every activity that one does, holds equal relevance at both the levels, organizational as well as individual. It is possible for an organization to make progress, only if each and every member of that organization also believes in the power of betterment. It is vital that teams follow



the motto of ***'do what you do even better'***. For example, with the present equipment, if an organization is getting an output of 3000 tons per day, to get 3100 tons per day is improvement. Here again, one needs to note that there is no perfect solution because as soon as you get 3100, you have to think of increasing it to 3200, and so on and so forth. Can there be a perfect solution or the maximum increase ever known? – I doubt if it is possible. On the other hand let us consider the same organization sets 3200 tons per day as the benchmark of perfection from the start. If it then goes about achieving it in an inflexible manner it would end up losing out on resources in the process. This would happen because it would engage in that activity without taking into consideration its present equipment or the amount of time, money or resources it would require to jump from 3000 to 3200. We, at Shree Cement, think that it is better to be prudent than to mindlessly run after

perfection. And hence we focus our attention on getting the best results possible rather than being blinded by a rigid notion of perfection.

The above example talks about the benefits of being 'progress-driven' at an organizational level with reference to production and operational functions. However, it is equally essential that the most important resource of a company, its people, also realize the advantages of betterment rather than an empty perfection. With sound practices, processes and a motivating work environment in place, over a period of time, people in organizations themselves improve. This improvement in terms of their productivity and proficiency should be substantially reflected in the assignments that they undertake. How is this improvement reflected? This improvement is reflected in the people's determination to do each job in a manner that is better than the previous one. It is also reflected in their willingness to shoulder greater responsibilities. In contrast, if the people of an organization improve in terms of their productivity and proficiency but not in terms of their accountability, then they would no longer be incited to do better. Eventually a sense of stagnancy will set in as their job will no longer be a challenge for them. Yes, with increased expertise they would be able to do an 8-hour job in 4 hours. However, they would use the gained 4 hours to gossip around or relax. In such cases, their improvement does not result in either their individual growth or organizational growth. At Shree, our focus on progress and continual betterment has helped us in staying motivated. Additionally, it has allowed us to achieve even better, faster results, explore newer avenues and take on

newer responsibilities. The other benefit has been that it has helped us save on important resources and yet achieve outcomes that are better than industry standards.

When one talks about constant progress and betterment one cannot ignore an imperative factor like Quality. When I say quality, I do not mean quality just with reference to a product or the final output of a project. Quality is something much more than that. Being quality conscious means expecting more from yourself than anyone else expects from you. When you, yourself, are dissatisfied with the present state of things, only then can improvement be possible.

Quality means the presence of which is seldom noticed, but the absence of which can never be missed. If we have to explain qualitative or quantitative upper limits, it is very easy to explain to others than it is to ourselves. Our recent history covering the last 5 years is sufficient proof of reaching these upper limits and setting standards that the industry looks up to. But for us it is difficult to look at them having attained perfection because we know that they can still be better. Only this feeling can ensure growth in us as well as in the organization.

One should always strive to achieve optimal levels, as an individual and as a part of a larger team. One should always put in ones best efforts but never lose sight of the chief objective. One should efficiently judge the cost of pursuing perfection as against the real gains or loss that the pursuit would result in. We, at Shree, believe in working towards progressing incessantly with a pragmatic approach. This has helped us in drawing maximum benefits for us as well as all our stakeholders and we are resolute about doing so in the future as well.

ED'S THOUGHTS

M K Singhi
Executive Director

We live in this real world where by nature's laws, nothing is perfect. No two trees are alike, no mountain is in the shape of a perfect pyramid and no river runs its course in a straight line. Even the stars in a night sky are scattered without adhering to any fixed order. Yet nature is at the same time, probably the best example of efficiency, constantly successful in supporting life and rejuvenating itself. We have only taken this thumb rule ahead and made it a part of our business functioning and I can say with pride that it is giving us an above normal level of performance.

At Shree, there is a widespread belief and understanding that perfection is not an obsession for us. In most cases, perfection is a theoretical concept and in pushing towards it, the last few steps consume the maximum effort and utilization of resources. What we have also noticed is that the gains of these last few steps are not proportional to the forces exerted to take them. This led us to analyze and realize that sometimes, stopping a short distance away from perfection is more return on investment friendly for us than the rewards of absolute perfection.

I will now elaborate on another view through which we also look at the nature of perfection. The point of achieving success and how one reacts to it is the most critical factor in deciding whether the success achieved will be of a continued nature or will be a one-off occurrence. There are two possibilities or shall I say two roads one can choose from after achieving a certain level of success. The first one is where the success is considered to be the greatest ever and this thought then



manifests into satisfaction over one's own effort and progress. Once satisfied with a certain outcome, the mind then sees no reason to push itself even further and complacency starts setting in. This in turn translates, for an organization, into outdated systems, methodologies and an archaic knowledge base, which together, ultimately lead to loss of competitive advantages as any scope for betterment is not explored at all. Let us next examine the other option available at the moment of success. It is the option we at Shree always choose to take. At every achievement, we pause only for a few seconds to take pride in them and pat ourselves on the back after which we completely devote our energies and focus to exploring scope for improvement. This is to say, soon after the initial applause, we become unsatisfied and this is not without reason. The moment we are unsatisfied is also the moment when the desire for betterment is born in us. Therefore, as

against satisfaction causing an increase in complacency, our 'unsatisfiedness' causes an increase in competence. This is a natural outcome because as we strive forward to, give ourselves every chance of becoming better, we are automatically putting on our learning shoes and building upon our skills and knowledge. Put differently, for us, becoming better is the best.

What has the continued betterment, which we have achieved in our operations, meant for us? It is the strengthening of our initial assessment and instincts that it is more sensible to remain motivated to improve infinitely rather than to chase ideal success. This, we also believe, holds true in the prevailing market circumstances. The costs of our inputs or raw materials that are essential for production are rising and the challenging market scenario has translated into more hardships in maintaining realizations. It is therefore paramount for cost curbing or control to occupy the center of our attention. What is also important is that this optimization of expenses should not be the endeavor of just a single function but a collective effort across departments i.e. logistics, manufacturing, procurement, mining, power etc. It is certainly a demanding and testing environment out there today, but it is

precisely in situations like these, that Shree has a habit of performing well above the standards. I am confident that our consistent efforts and improvement initiatives coupled with our unique working style will see us continue to grow and make rapid strides forward in the future.

The distinguishing feature of our growth that I mention will be, like it has been in the past, a strong alignment to the triple bottom-line approach, which is a fundamental part of our every breath. We have always believed that success tastes best when it is shared and we put this belief to action by making people and the planet an equal partner in our growth. In other words, we gauge each step that we take, from not only the perspective of profit but also from what is in the best interests of the environment and the diverse communities of people that co-exist with us in it. This wholesome, sustainable growth is basically the only growth we know.

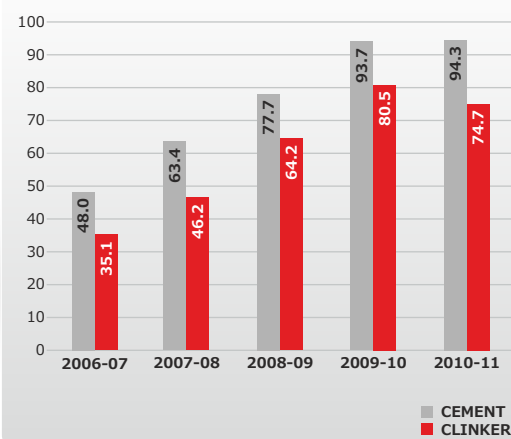
As always, the biggest source of my confidence and success of the organization are the people of Shree whose diligence and dedication, I am certain, will ensure a triumphant tomorrow for Shree.

Perfection Is Not
An Obsession
For Us

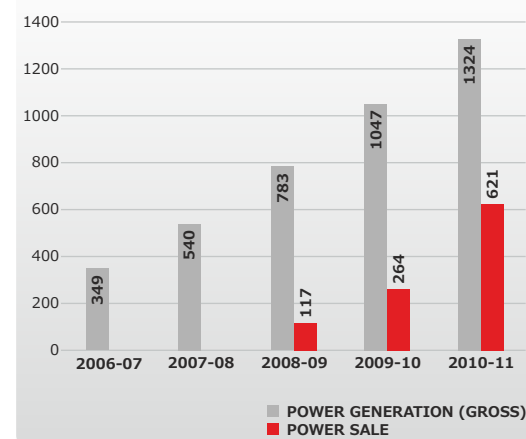
PERFORMANCE HIGHLIGHTS



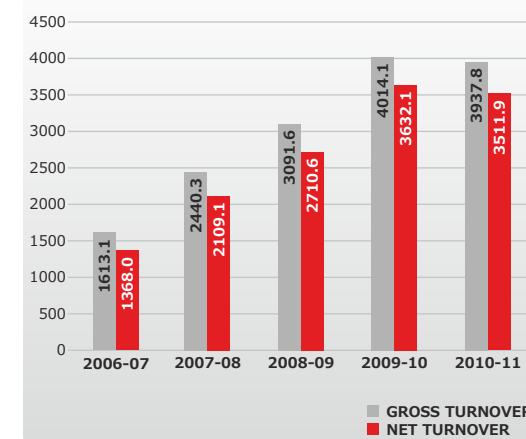
CEMENT & CLINKER PRODUCTION (Lac Ton)



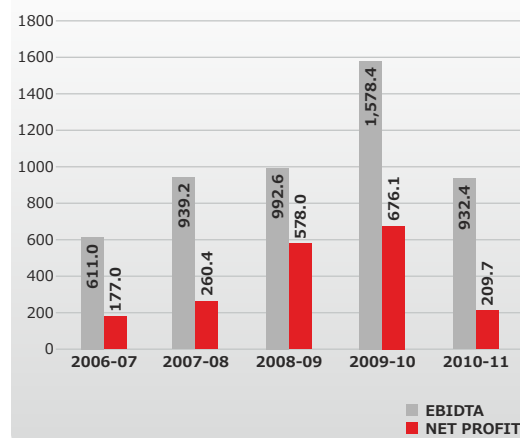
POWER GENERATION & SALE (Million Units)



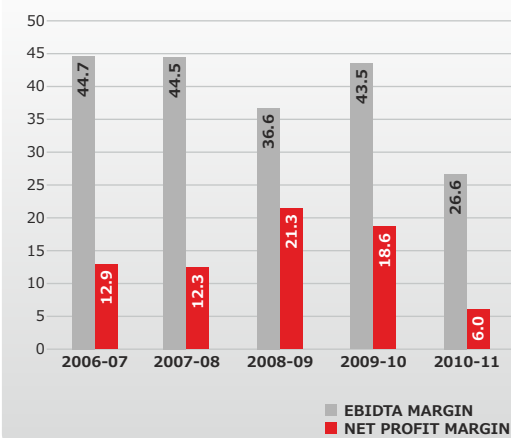
GROSS & NET TURNOVER (Rs. Cr)



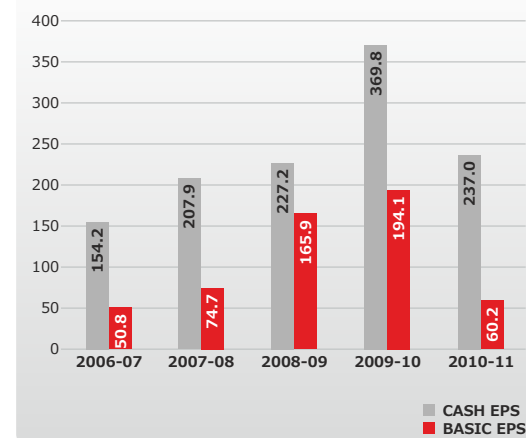
EBIDTA & NET PROFIT (Rs. Cr)



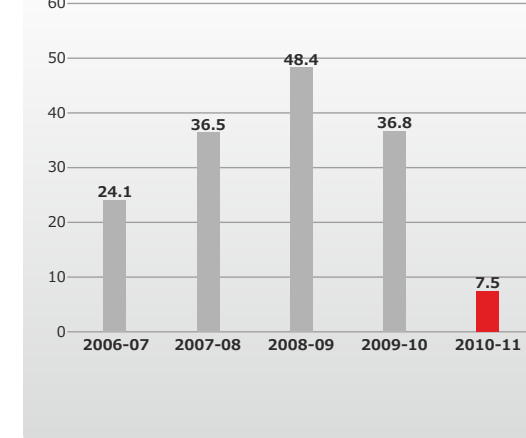
EBIDTA & NET PROFIT MARGIN (%)



CASH & BASIC EPS (Rs. per Share)

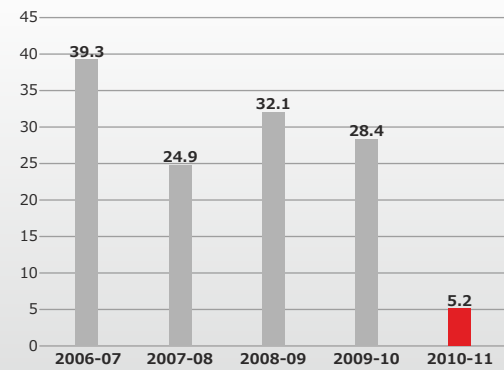


RETURN ON NET WORTH (%)

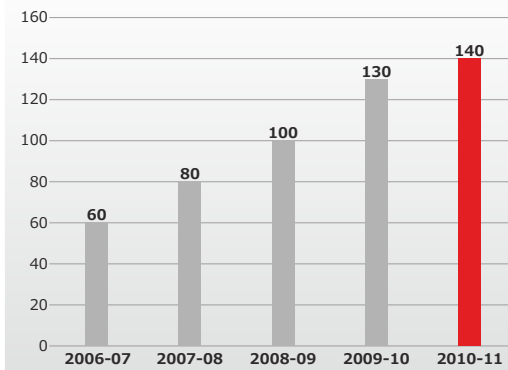


PERFORMANCE HIGHLIGHTS

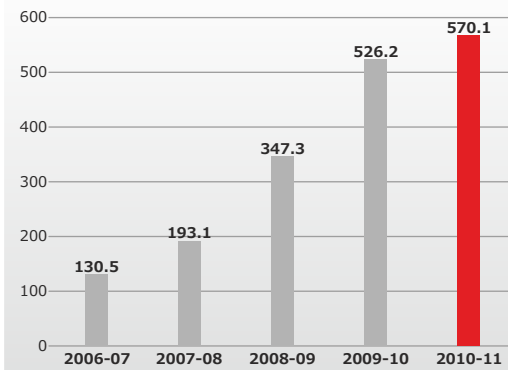
RETURN ON CAPITAL EMPLOYED (%)



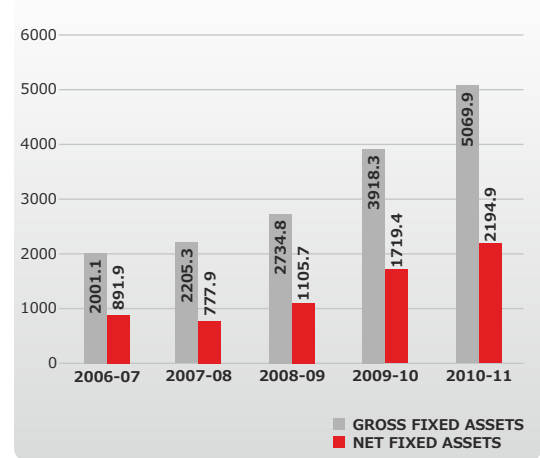
DIVIDEND (%)



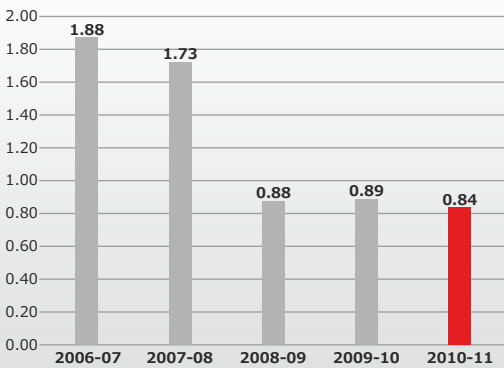
BOOK VALUE (Rs. per Share)



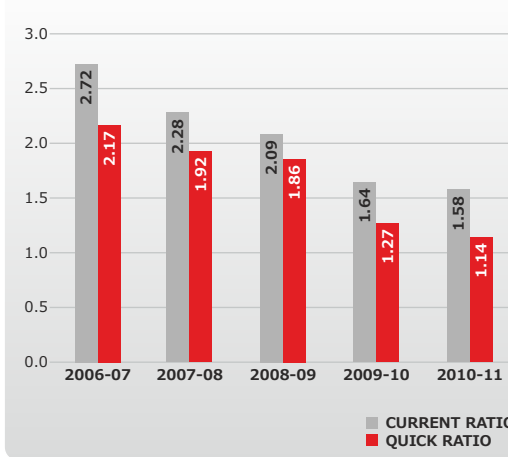
GROSS & NET FIXED ASSETS (Rs. Cr)



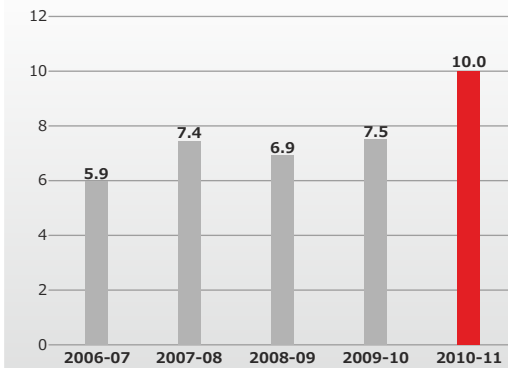
DEBT EQUITY RATIO (Times)



CURRENT & QUICK RATIO (Times)



DEBTORS TURNOVER (Days)



INVENTORY TURNOVER (Days)

