



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

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

We cannot guarantee that these forward looking statements will be realized, however, we believe we have been prudent in making assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, 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.

03	05	07	09	11
CONCEPT NOTE	ABOUT SHREE CEMENT	CHAIRMAN'S MESSAGE	THE SHREE VISION	MANAGING DIRECTOR'S OUTLOOK
13	15	19	21	27
MESSAGE FROM THE EXECUTIVE DIRECTOR	PERFORMANCE HIGHLIGHTS	SHREE ENGAGEMENT CATALYSTS	HUMAN RESOURCE	MANUFACTURING
33	37	41	43	47
POWER	MARKETING AND BRANDING	QUALITY AND R&D	MATERIAL MANAGEMENT	LOGISTICS
51	53	57	59	63
FINANCE	KNOWLEDGE PROCESSES & STRUCTURES	SHAREHOLDERS' VALUE	CORPORATE SUSTAINABILITY	AWARDS
65	67	69	71	82
BOARD OF DIRECTORS	SHREE'S POLICIES	FIVE & TWENTY FIVE YEARS HIGHLIGHTS	DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS	AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE
83	96	97	98	101
REPORT ON CORPORATE GOVERNANCE	CEO / CFO CERTIFICATE	CODE OF CONDUCT ON CORPORATE GOVERNANCE	AUDITORS' REPORT	FINANCIAL STATEMENTS AND NOTES
130	131	132		
RATIO ANALYSIS	COMPANY DETAILS	COMPANY'S PLANTS & MARKETING OFFICES		

WILLING PEOPLE, WINNING ORGANIZATION

The secret of our growing success as an organization
over the years is our self-driven willing people.



People at Shree put their best into work every day, are ready to walk an extra mile, take total ownership of their work and most importantly, do so out of their own free will. This is to say, they are willing people or intrinsically engaged people. And an organization might have the best resources and the most insightful strategies but if it does not have intrinsically engaged people, it is unlikely to be successful.

Today, Shree may claim to have earned the integrity, enthusiasm and proactive involvement of its people by truly engaging them. Such willing people are the driving power of Shree's journey of success. They are the source of our industry redefining innovations, sustainability triumphs and productivity benchmarks.

When they are asked, why they have such high levels of engagement in their work, the reply is unanimous – because they are happy at work.

Shree recognizes this happiness as a universal and fundamental human driver and is one of the few organizations

globally that is dedicated to enhancing the happiness quotient (HQ) of its people. We strongly believe that HQ is a highly underrated performance metric and should deserve far more attention if today's organizations are to succeed tomorrow as well. As a result, while many other organizations are merely working on employee engagement, Shree is leading in researching and focusing on the happiness of its people and actively employs engagement catalysts, which ensure the organization's environment, culture and working style is most conducive for creating and sustaining happy people, willing people.

What this has meant is that the belief and practice of happiness which was earlier sub-consciously carried out while conducting business is now institutionalized at Shree. Our happy and intrinsically motivated people are driving numerous technological, sustainable and management innovations, every single day at Shree.

And the results are for all to see.





Shree Cement has earned the recognition of being one of the most efficient and sustainable organizations, friendly and loyal to all its stakeholders. Its continued thrust on realizing higher efficiencies has enabled the delivery of strong operational performances year after year while high standards of corporate governance and emphasis on transparency and timely reporting have made it a globally admired company.

Shree has successfully created and sustained a culture which encourages innovation and rewards risk taking which in turn has led to high engagement levels amongst its people who perform and outperform at work every single day.

The Company's Turnover and Net Profit for 11-12 (15 month period) was Rs. 5,898.12 crores and Rs. 618.50 crores respectively. The Company's cement plants are located at Beawar, Ras, Khushkhara, Jobner (Jaipur) and Suratgarh in Rajasthan and Laksar (Roorkee) in Uttarakhand. It follows a multi-brand strategy and sells its cement under the highly recognized brands of Shree Ultra, Bangur and Rockstrong. Shree sells the majority of the cement it produces in North India.

It presently has a cement production capacity of 13.5 MTPA (million tons per annum). It plans to raise it further and as a first step, has already undertaken work on setting up two new Clinker Manufacturing Units of 2 MTPA capacity each at Ras in Rajasthan. A new Grinding Unit in the state of Bihar and an Integrated Unit in the state of Chattisgarh have also been envisioned and pre-project activities are in their final stages of completion.

Shree also has a power generation capacity of 560 MW with plants located at Beawar and Ras in Rajasthan. This includes 300MW (150MWx2) thermal power plant commissioned at Beawar during 11-12. The first unit of this plant was completed in a world record time of 21 months and 20 days against the normal completion time of 32 months and best achieved period of 28 months for such power plants. The Company's waste heat recovery power plants have a total capacity of 46MW which is the largest such capacity in the global cement industry (excluding China). It has, over the years, turned itself from a mere captive power generator into a major player in the merchant power sale and trading business.

An important facet of Shree's success is its sustainable nature achieved on the foundation of its 'Clean and Green is Profitable' and 'You Green - Company Green - Globe Green' business philosophies. The Company has been successful in putting into action, green processes in its operations which in turn result in the production of 'Green Cement' and 'Green Power'. This manner of working has not only helped protect the environment but has also led to enhanced efficiencies and reduced costs in operations at Shree.

The fundamental drive behind such and indeed all other endeavors too at Shree is the high level of engagement and self-motivation in its people which in turn stems from the high levels of their happiness. The Company continually directs its efforts towards the prosperity of its people and believes that its talent and other stakeholders are ultimately, the ones who will sustain Shree's success story. This is aptly reflected in the Company's triple bottom-line approach i.e. environmental, economic and social.

B. G. Bangur

Chairman



“Willingness to exceed expectations is vital.”

Whenever we humans have tirelessly pushed the limits of our ingenuity and imagination, it has resulted in the greatest of discoveries and inventions. The benefits of such discoveries and inventions have been enjoyed by not just a set of people, a region or a country but by the entire human race. If you carefully observe these world changing discoveries and inventions, be it in the field of medicine, communications, transportation or archaeology, you will find a common denominator cutting across, which is the burning passion of the inventor or discoverer for their work, making them intrinsically motivated and self-driven.

Our biggest achievements are truly more likely to arrive if we ourselves are intrinsically driven to achieve them. It is then up to us to not wait for any form of external encouragement, to begin and sustain our journey of success. Yes, of course, appreciation and recognition from others does no harm and even motivates us for a while but it alone cannot be the driving force behind excellence in the long run.

A desire from within to put in relentless effort, not be disheartened by failure and the willingness to exceed expectations are far more important. In fact, they are the key that differentiates the ordinary from the extraordinary and lead to results that become benchmarks for the world to follow.

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”

Our world is full of willing people, some who are willing to work and the rest who are willing to let them do so while they themselves sit back and relax. Unfortunately, it is the truth of today's times that the majority of people fall into the second category. And the challenge for leaders now is to increase the proportion of people of the first category within organizations.

Willingness means spontaneity, proactiveness. A willing person does not need supervision or external pressure to be persuaded to work. Willing also means you are ready to go longer, work harder and give more than anyone else. Only by giving more than anyone else, you are able to get more than everyone else. Of course, if taken the wrong way, it also means a habit of not saying no or not being able to refuse.

How teams within organizations perform, totally depends on their attitude towards work i.e. how willing are they to perform. Those who think that something will work, they are right and those who think it cannot be done, they are also right. In fact, those who feel something cannot be done can never do the task at hand, they are hence definitely right. On the other hand, with willing people, who think with a positive

mindset, most of the challenging tasks are executed with ease. To support them, we have to continuously ensure that failures at any level are not stuck upon. We have to get over unsuccessful experiments as soon as possible and be prepared to take on the next challenge and even if it fails, leave it as well and take the next one on.

We have to clearly understand that people are usually willing to do things which allow their influence to grow. In a fair organization, if for the proportion of efficient people, there is recognition of hard and intelligent work, then willingness increases. If people see the influence of willing people grow, they too and especially newcomers will be motivated to emulate such behavior. Now, willingness begins to spread in the organization. It becomes contagious. And it should become so, if the organization must become a winning organization. With the support of such willing people, the future of any organization is predestined. The war is won even before the bullets are fired. Gaining victory only remains a formality. We are confident that Shree is one such organization.

People have to be promoted and should have the desire and confidence to be promoted if their work gets a bit easy to do. If it is too difficult, then they have a tendency to give up. The balance is critical. We focus heavily on training our people in order to enable them to do more challenging work. At Shree, the average number of training hours per person (annually) has been continuously increasing and it has now reached a healthy level of 24.61. We are planning to increase these training hours even more.

Winning organizations also continuously put in place, leaders at all levels. This is because growth needs more leaders than one man, more decision makers and a team which is ready to grow. We have created a pipeline of willing and growth oriented leaders at all levels which has made Shree a growing organization. Such willing people also force the management and leaders to choose growth as an option and not be happy with existing results.

People would normally like to put in an honest hard day of work, every single day, if the conditions of working are not averse or unpleasant. Unfortunately, in organizations, as a result of mindless politics in the middle management and apathy from the senior level, the professional atmosphere becomes violated. Appreciation and promotions are awarded to those who are nearer to the management. If this happens, then against their own wishes and to enhance their career, people often tend to do what they themselves do not like.

Again, it must be clear here that creative permission or allowing people to become risk takers is not enough. Even if all permissions are given, all resources are ensured, it is not necessary that creativity will be seen in work. What is needed is the quest in the seniors to set an example for their teams through new ideas and thoughts for continual improvement. We strongly believe that creativity in the organization is directly proportional to the creativity of the senior level management. They have to become models for such creativity. The words 'reactive' and 'creative' are both made of the same letters; it is for people to 'C' things differently.

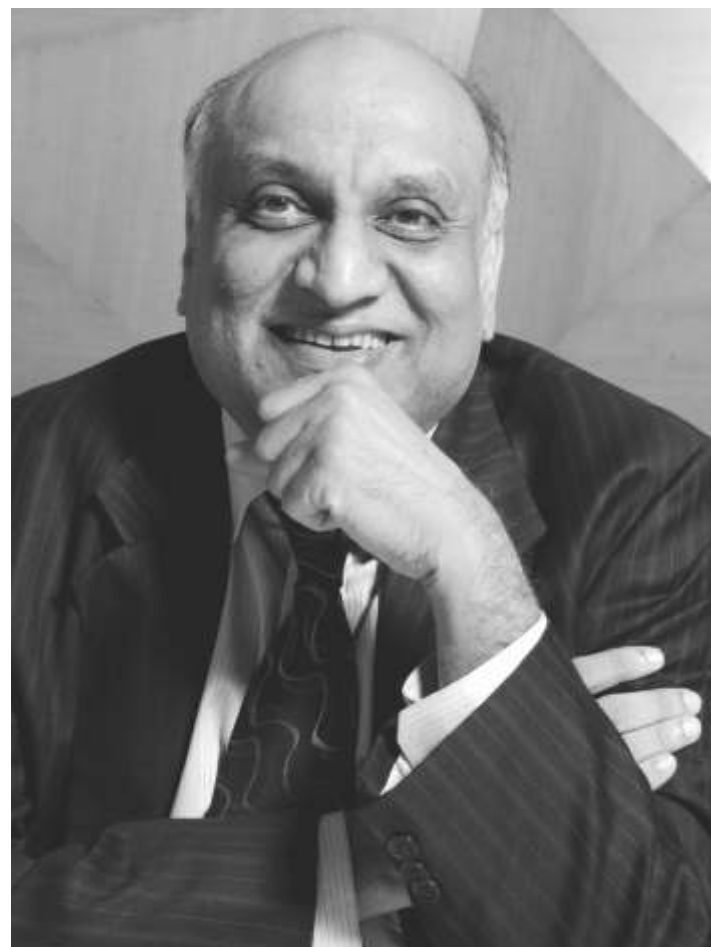
For success at all levels, leaders should remember that success comes 80% from knowing the people and 20% by knowing the product. Every successful leader has to take the best out of the team and if it happens at every level, success becomes a culture in the organization.

It is a wide-spread conception that in the service industry, high motivation of people is vital to organization success. For example, if the courier is delivered late or the service in the hospitality industry is a little slow, customers are likely to become very agitated. At the same time, it is a misconception that in the commodity industry, machines produce the goods and people are only needed to run them. And therefore, the willingness or engagement of people is not important. We at Shree, do not agree to this notion. We manage our business as if it were a service industry. After all, efficient willing people, irrespective of where they work, lead to efficient processes and products. Ultimately, this means high performance, success and growth.

Unwilling people are present in every organization, who do not achieve anything and naturally they suffer in the long run. These people work only for getting their salary without enjoying the work and are not doing justice to their own growth. They do not work themselves, find faults with everything and encourage others to become like themselves. They therefore adversely affect the performance of the organization. Good leaders recognize such people very well.

At times, the only option is to ignore such people and continue focusing on the willing people instead. In fact, because of non-willing people, others have the chance to work harder and enhance their career even further.

At Shree, we have been able to develop a unique culture where innovations thrive, failures are not discouraged and people relish challenges. People work willingly and with self-motivation and are thus sure to propel growth engine of Shree to greater heights.



For success at all levels, leaders should remember that success comes 80% from knowing the people and 20% by knowing the product. Every successful leader has to take the best out of the team and if it happens at every level, success can become a culture in the organization.

H. M. Bangur
Managing Director

A Will To Win One often tends to imagine a successful organization as one that is led by visionaries in the leadership. Though this is correct to an extent, it is an incomplete perspective of success. Equally vital are people who shape and share the vision and channel their undivided focus and efforts to realize it. After all what is the benefit of envisioning a future if there is no one to build it?

In the long run, it is the passion for sustaining high performance, a well-embedded culture of innovation and the discipline to stay engaged with a goal that differentiates successful and growing organizations from others. Again, in a nutshell, this points to the need of having on board a group of talented people who are willing to realize the vision in the best possible manner.

Let us take the example of an organization that decides to place a great emphasis on the need for novelty in their products, processes and services. Now, will this drive be truly successful if innovation is passed around by the leadership in the organization as a commodity or if it is a culture that is professed by one and all in the organization? And will innovation be more sustainable if it is a mere process or if it is the spirit behind every process? At Shree, it is quite clear to us that innovation and other such success indicators in today's economy are all indeed the byproducts of talented, engaged and happy people at work.

Encouraging our people at every step and ensuring the right kind of support for their growth is the key factor behind their high levels of engagement at Shree. In most organizations, it is not the hard work that people run away from; instead it is the boredom of the repetitive and restrained nature of their jobs that they desist. What we practice instead at Shree is allowing

freedom of expression to flow without any hindrances. Stemming from our philosophy of letting good ideas and thoughts come to us from any and all, we have created an environment where every person, irrespective of their standing in the hierarchy is allowed and indeed encouraged to think differently and speak their ideas and suggestions freely. In other words, we encourage our people to take bold decisions even if it means that some of them might go wrong at times. This in turn comes from our belief that the riskiest thing to do is to take no risks.

By allowing talent to express their knowledge and expertise, we have not only increased the know-how of the organization as a whole but have also gained on countless minor and major viable on-ground improvements across all functions. It is this series of small improvements which has eventually contributed in Shree gaining success on a sustainable basis.

We have also tirelessly worked towards building a long-lasting relationship of trust with our people, as a result of which, our people willingly come up with solutions to problems no one asked them to solve in the first place. This can only happen when you begin to transfer ownership of the company's success down the line and right up to the bottom. Once everyone sees their presence as a vital component in the success of the organization, they become intrinsically engaged

with their tasks and responsibilities. They begin to achieve results, maximize performance and leverage strengths on their own accord. In a sense, they start performing like entrepreneurs within the larger framework and vision of Shree. This is the kind of energy which the Shree culture has imbibed in its people, by constantly encouraging them to be bold, move fast and make a lasting impact. And it is a known and time-proven fact of life that facing challenges with such confidence gives you a better chance of overcoming them.

True winning is when everyone ends up as a winner and when a better future exists for all. A better future, the way we envision it, is one where business growth, technological advancements, prosperity and happiness of all stakeholders is holistic i.e. not at the expense of others which includes, most importantly, our precious planet and its fast-draining resources. This is the core value of our working environment. Everyone at Shree believes in sustainability as the root of all

business actions and it is a cause that is not only adhered to but also used as a motivator by our people. Our people realize the importance of ensuring the precarious balance between growth, environmental protection and social well-being across the strata of society.

Today, both within the organization and outside of it, there is a tremendous sense of winning with regard to this direction we are taking and the diligence with which we are doing so. With our talent at the centre and sustainability and innovation as their wings, we are well-placed to continue realizing high-growth in the coming years. Also, with our prestigious recognition as the world's "New Sustainability Champions" by the World Economic Forum (WEF), all of us here at Shree are happy to see our business direction globally appreciated and are motivated even further to achieve even more. And with the ever-willing talent of Shree, we are confident of continuing this winning streak.



With our talent at the centre and sustainability and innovation as their wings, we are well-placed to continue realizing high-growth in the coming years.

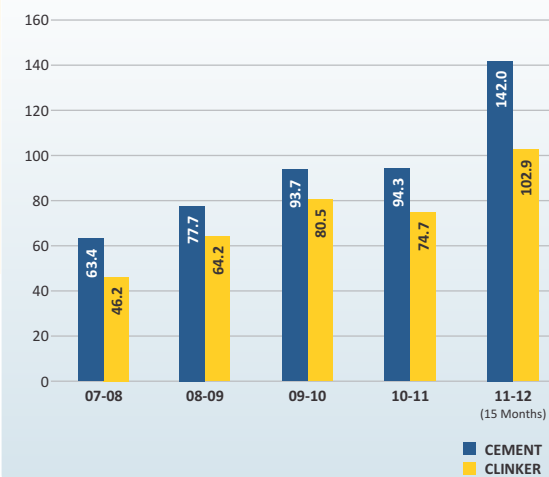
Mahendra Singhi
Executive Director

PERFORMANCE HIGHLIGHTS

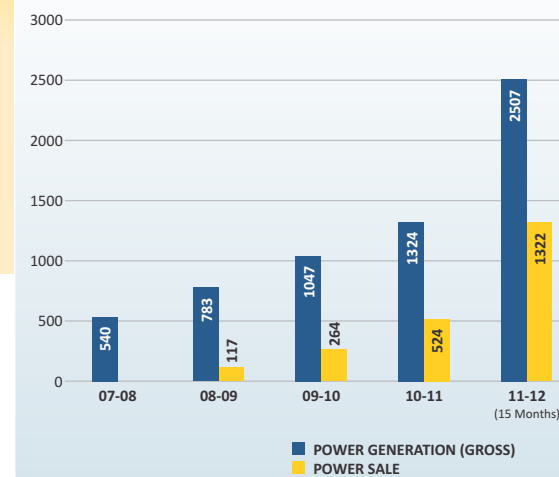
2011 = 2012

Annual Report 2011 - 2012

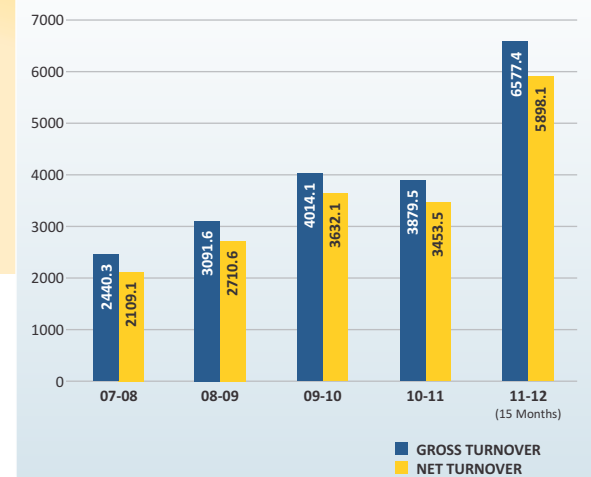
CEMENT & CLINKER PRODUCTION (Lac Ton)



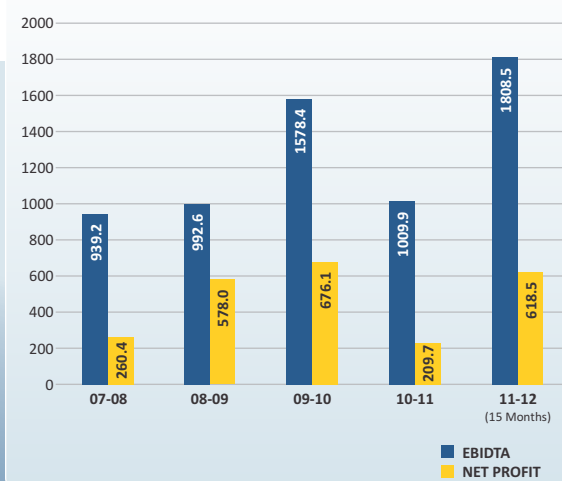
POWER GENERATION & SALE (Million Units)



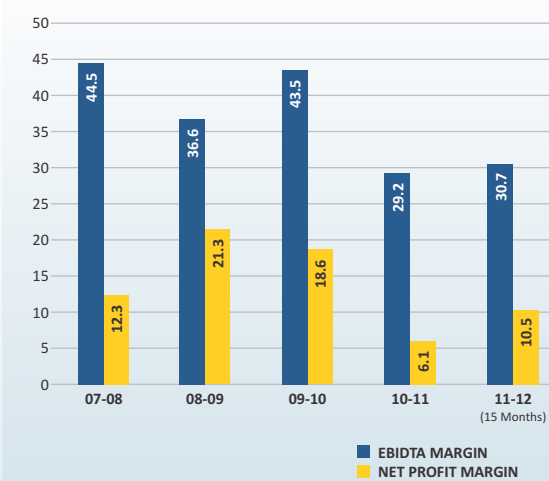
GROSS & NET TURNOVER (Rs. Cr)



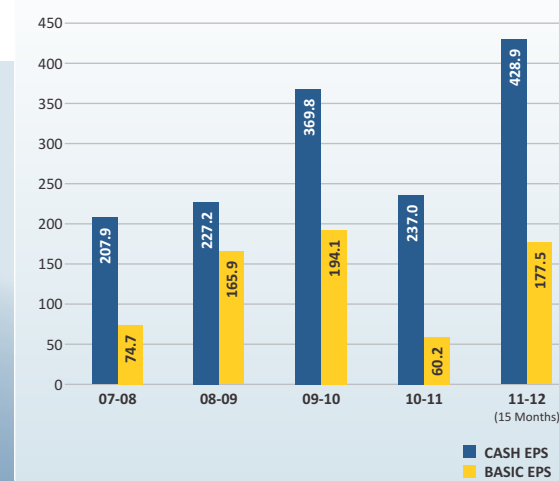
EBIDTA & NET PROFIT (Rs. Cr)



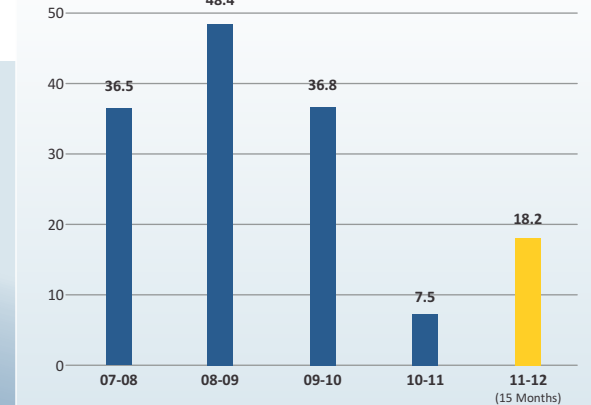
EBIDTA & NET PROFIT MARGIN (%)



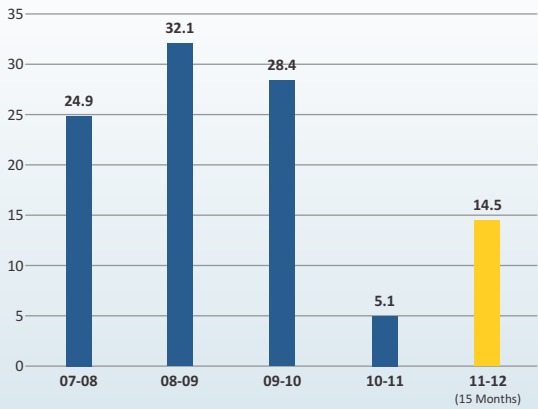
CASH & BASIC EPS (Rs. per Share)



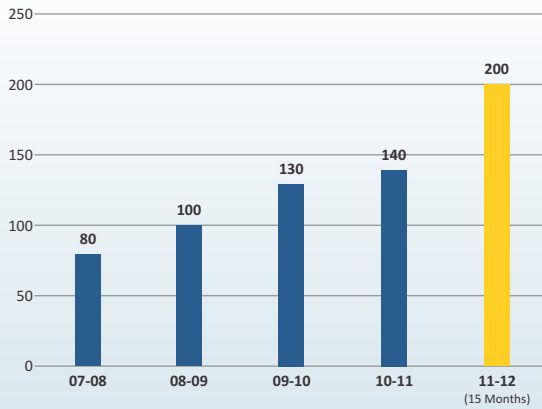
RETURN ON NET WORTH (%)



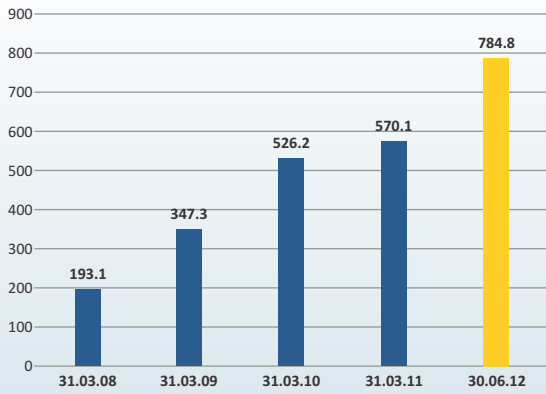
RETURN ON CAPITAL EMPLOYED (%)



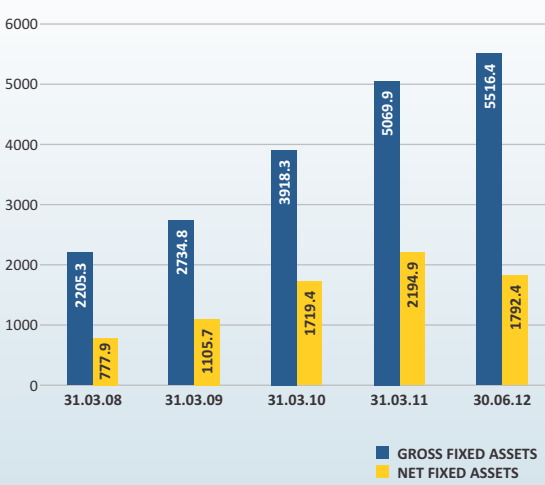
DIVIDEND (%)



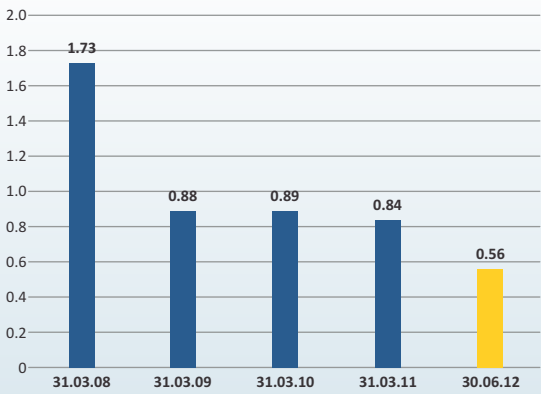
BOOK VALUE (Rs. per Share)



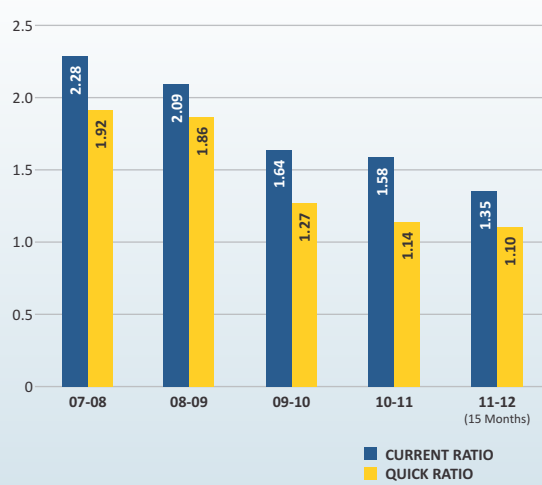
GROSS & NET FIXED ASSETS (Rs. Crore)



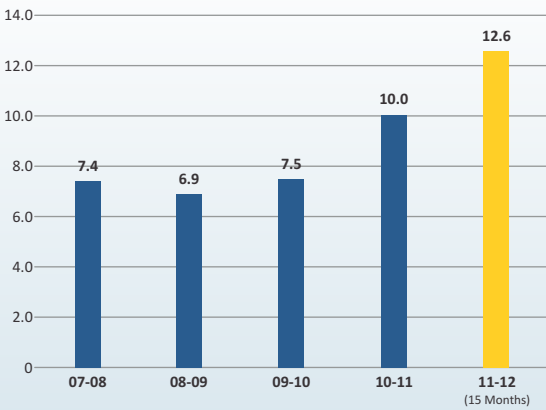
DEBT EQUITY RATIO (Times)



CURRENT & QUICK RATIO (Times)



DEBTOR TURNOVER (Days)



INVENTORY TURNOVER (Days)

