

## Chairman Speech at the AGM for 2010-11

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### **Good Morning Ladies and Gentlemen!!**

I have great pleasure in welcoming you all to the 32<sup>nd</sup> Annual General Meeting of our company.

In 2010-11, the domestic economy grew at 8.5% which is higher than 8% recorded in 2009-10. This economic growth was however driven by the agriculture sector which was buoyed by a good and long monsoon. Hence though the overall economy grew higher than previous year, the manufacturing and construction sector did not grow in proportion.

Cement industry clocked a growth of 4.7% in 2010-11 as against 10.2% growth recorded in the previous year. This drop in demand growth came after several years of high growth and is a matter of concern to the industry. The industry has been proactive in building up cement capacities and achieved 299 MT against the capacity target of 298 MT by 31.3.12 as per the XI<sup>th</sup> (Eleventh) five year plan. The cement demand, however, could not materialize as per the government targets due to lower government spending, slowing down of infrastructure development and dampened construction activities leading to lower capacity utilization across the Country.

Company has undertaken multiple initiatives over the last few years to increase its capacity in both cement and power thereby increasing its scale of operations. This has led to present cement capacity of 13.5 Mtpa. Company has taken advance steps to setup cement plants in Chhattisgarh with split grinding units in other part of eastern India. It is also pursuing completion of pre-project activities for a cement plant in Karnataka. Company shall finalize its investment plans over the next few quarters in this respect.

On power front, our 300 MW power plant shall commence commercial operation by third quarter of this financial year. With completion of this project, the total power generation capacity of the Company will reach 560 MW.

I am sure you all have received the Annual Report of the Company and are aware of the company's performance for the last year. Turnover of the company was Rs. 3512 crores against Rs. 3632 crores in the previous year. Power business including revenue from power trading contributed Rs. 315 crores to the turnover of the company. Operating Profit was Rs. 932 crores and Net profit was Rs. 210 crore against Rs. 1578 crores and Rs. 676 crores respectively in the previous year. The profits are down because of drop in realization as well as significant increase in the costs of inputs such as power and fuel, Gypsum and fly ash etc.

I am pleased to share with you that during the year, your company made another World record by setting up 1 million ton Clinkerisation unit (Unit VIII) at Bangur City, Ras in 330 days against the industry average of around 630 days. In doing this the company broke its own World Record of 367 days made earlier in year 2009. Company also commissioned a clinker grinding Unit of 1.5 mtpa at Jobner near Jaipur.

The Board of Directors has increased the dividend payout to Rs. 14 per share for the year 2010-11 against Rs. 13 per share in 2009-10.

## **Sustainability**

Company fully realizes and works towards ensuring that its business operations integrate the triple bottomline approach of Economic, Environment and Social goals. The company has undertaken several green initiatives. The decision of replacing Water Cooled Condensers in its Power plants at Beawar by Air Cooled Condensers (ACC) saved approx 0.68 million kilo liters of water. Realizing the need for water conservation in its area of operations, Company is implementing ACC in its 300 MW power project also which is the largest such installation in India. Its Waste Heat Recovery Power plants which have the largest such capacity in World Cement Industry outside China operated successfully and enabled saving of petcoke fuel equivalent to approx. 1.05 Lac ton during 2010-11. These power plants have also enabled saving of 350064 Ton CO<sub>2</sub> emission. Company is in advanced stage of registering these projects with United Nations Framework Convention on

Climate Change (UNFCCC) under the Clean Development Mechanism (CDM). Company actively participated at various global forums which are working on various initiatives on matters relating to energy conservation, optimal use of resources and environment protection etc. Company's efforts towards sustainability have been recognized by various institutes. The World Economic Forum, Davos, Switzerland and Boston Consulting Group has selected Shree Cement as one of the 16 New Sustainability Champions after screening 11 million companies all over the world and detailed analysis of 1000 top Companies. This is the result of Shree's innovation related practices and working culture that promotes sustainable development.

Your company has always considered social upliftment as an integral part of its business activities and aims to provide sustainable help for serving the community. It has built road networks and other infrastructure facilities in the nearby areas, provided health and sanitation facilities, provided facilities to impart education as well as vocational training to the local communities to help them earn sustainable livelihood. The Company is committed to continue with this sustainable development approach.

### **Accolades & Landmarks**

I am pleased to share with you that the company has been recognized at various levels during the year. Some of the awards received by the company during the year were

- **ICC Sustainability Vision Award 2010–11** by Indian Chamber of Commerce for “CSR contributing inclusive growth”,
- **Golden Peacock Award** by Institute of Directors for Climate Security,
- **Best Employer Award** by The Employers Association of Rajasthan.

### **Outlook**

The outlook for the cement industry remains sluggish for the next six to eight quarters. On the positive side, the industry can look forward to the fact that Govt is targeting a growth of 8 to 9% for the Indian economy for XIIth (Twelfth) Five year Plan. This may lead to good demand for cement from

infrastructure sector. Further, as a result of expected moderation in inflation, the current rising interest rate regime is expected to ease going forward and may lead to increased housing demand.

## **Acknowledgements**

I take this opportunity to thank the shareholders for their valuable support, my colleagues on the Board for their enlightened counsel and the Government and its various agencies and our lenders for their kind support and guidance. I place on record my appreciation for the dedication, commitment and hard work put in by the employees of the Company at all levels. I also express my sincere gratitude to our customers, whose loyalty, patronage and faith have enabled us to continuously seek higher performance levels. I also appreciate the active support of the local community.

In the end, I would like to mention that it is the high level of mutual trust between Company and all its stakeholders which has enabled it to excel even in tough times and emerge as a Happy Company.

Thank you.

August 1, 2011

**Executive Chairman**