



SHREE CEMENT LIMITED

Chairman Speech at the 30th AGM on 24th July 2009

Ladies and Gentlemen

I have great pleasure in welcoming you all to our company's 30th Annual General Meeting today.

At Shree, we had an excellent last year for the company as new records were set in all round performance and World Record in project execution. I am sure that you all will share the pride I am feeling today in reporting the extra ordinary performance of the company. The fact that this growth was achieved amidst global turbulence and uncertainty makes it that much more remarkable.

Economic Outlook

High level of instability marked the Global and Indian economy in 2008-09. In an integrated global village, the effects of the crisis which engulfed the global financial system were felt in India as well. India's GDP grew at 6.7% in 2008-09 against an average growth of 8.8% in the last five years. Growth in Manufacturing sector decelerated to 2.3% against 9% last year.

The victory of new UPA government has led to political stability. It has triggered renewed hope of implementation of key reforms agenda and taking bolder measures especially with regard to economic reforms. The recent Union Budget pronouncements and subsequent clarifications reveal govt.'s commitment to reforms such as divestment of PSUs and pushing up infrastructure build-up etc.. Govt. has set a target of GDP growth rate of 9% over next 5 years. Achieving this growth will require stimulating domestic consumption, enhancing capital resources for development works and improving infrastructure. There are indications that rural demand is going strong. With enhance spending in rural areas and increased provision for agricultural credit to Rs. 3,25,000 crore, the government hopes to give a fresh fillip to the consumption story from rural India and help it achieve its goal of inclusive growth. I am sure the govt. will take all necessary steps to boost the economy back on clocking near 9% growth.

Industry Outlook

Cement industry clocked a growth of 8.4% in 2008-09 against average growth of around 8.8% in last 5 years. This is significant in the backdrop of sharp economic

deceleration and challenges like duty-free import of cement from Pakistan distorting the level playing field against Indian manufacturers, ban on exports, decline in demand from real estate sector, etc. The industry was aided by Government stimulus programme and strong housing demand especially from semi-urban and rural India. The ratio of Cement demand to GDP growth which traditionally has been at 1.2 times has increased to around 1.5 in 2008-09. I am sure that this is a sustainable upward revision.

Going ahead, I believe the cement industry can look forward to several positives emanating from the budget announcements. This includes increased allocations to National Highway Development Programme, Jawaharlal Nehru National Urban Renewal Mission, development of Delhi Mumbai Industrial and freight corridor and the Commonwealth Games. In fact, the budget has envisaged that during 2009-10, infrastructure spending will be 9 per cent of GDP; the highest ever in history. The Budget also increased allocation to Rajiv Awas Yojana which is aimed at a slum free India by 2014. This will generate demand for permanent housing structures. Increased impetus to housing both urban and rural will significantly improve cement demand across the country as housing remains the biggest driver of cement demand. Allocations to social schemes like NREGA will now be directed more towards building permanent structures. Of late the Central / State governments have started to realize the benefits of Cement Concrete Roads against Bitumen roads. All this certainly augurs well for the industry.

Company Performance

The year 2008-09 saw your company delivering excellent performance in all areas of operations. While the rest of the world was engaged in trying to survive the challenges posed by global environment, we at Shree were utilizing the opportunity given by the adverse external environment to grow our business. During the year, Company's cement production recorded impressive growth of 23% against industry growth of 7.8%. Over last few years, Company has rapidly expanded its operations which are explicit from its 5 year's Compounded Average Growth Rate (CAGR) of 22% in cement production against industry CAGR of 9%. Total turnover of the company grew 29% to Rs. 2715 crores. Net profit grew by 222% to Rs. 578 crore. A salient feature of last year's performance was sale of power from our power plants which added Rs. 80 crores to the turnover of the company. Your company is one of the early entrants to tap the opportunity in the evolving power sector and sees this as new growth area for the future. The Board of Directors, in appreciation of this performance, has increased the dividend payout to Rs. 10 / share for the year 2008-09 against Rs. 8/ share paid in the previous year.

I am proud to share with you that company created a World Record by setting up a Clinkerisation Unit (Unit VII) at Ras in 367 days against industry average of 630 days. This was made possible due to dedicated team work of our people, excellent trust relationship with vendors and contractors, innovative execution practices and focused approach of the management. I take this opportunity to congratulate all the stakeholders for this achievement.

Expansion Projects

We believe that being core sector industries, Cement and Power sectors have good potential to keep growing in the future. Accordingly, your company is executing new cement and power plant projects with an investment of more than Rs. 1000 crores. This includes setting up a 1.8 and 1.2 million ton Cement Grinding units at Suratgarh and Roorkee respectively. On power front, Company is setting up Thermal Power plants of 100 MW and Waste Heat Recovery power (WHRP) projects of 43 MW capacities. Majority of these projects are expected to be completed within the current financial year and the balance are expected to be completed by June 2010. Company has also taken steps for setting up new cement plants in Chhattisgarh, Karnataka and Rajasthan as well as abroad. It is also in the process for setting up new power plants at a suitable site.

Sustainability

The time we live in, demands effective integration of economic agenda with social and environment issues. We at Shree fully realize and work towards ensuring that our business operations fulfill the environment and social goals as well. The company undertook several green initiatives as part of its commitment towards a low carbon economy. In order to promote green environment, company is setting up 43 MW power projects which will utilize waste heat emitted from its cement manufacturing process to generate power. These power plants, aptly named by the company as Green Power Plants (GPP), serves multiple purpose of restraining waste gases from being emitted as well as conserves fast depleting natural resources. This capacity of GPP would be the highest in any cement company in the world excluding China.

Your company has always considered social upliftment as a business policy and contributed towards social causes through several ways. The company aims to provide sustainable help for serving the community and thus has built road networks in the nearby rural areas, provided facilities to impart education as well as vocational training to the local communities to help them earn sustainable livelihood. We are committed to continuing with this sustainable development approach.

Accolades & Landmarks

I am pleased to share with you that your company was selected among the top 20 best employers in the country in a survey conducted by the Business today magazine along with Mercer TNS. It is worthwhile to mention that the company was the only company from the cement sector and one out of only 5 manufacturing companies to be included in the list. Company's performance was recognized at various international levels. It received several awards and accolades in the area of Energy efficiency & conservation, Climate Security, Health and Safety, Corporate Governance and IT. Some of these awards are National Safety Award by the President Smt. Pratibha Patil, Golden Peacock award for combating Climate Change, Green-Tech Environment Excellence award and 1st prize for Energy Conservation by Indian Bureau of Mines.

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.

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 in tough times and emerge winner year after year. I sincerely believe that we will carry this two way flow of trust for all the times to come.

Thank you.

July 24, 2009

Chairman