

# Fund of goodwill

## Impeccable credentials

The short-term rating of the company has been maintained at the highest - PR1+ by Credit Analysis & Research Limited (CARE), a subsidiary of Industrial Development Bank of India, resulting into the assignment of highest credit rating by State Bank of Bikaner & Jaipur (SBBJ), the lead bankers of the company, at SBBJ 1. Likewise, CARE in spite of large capital expenditure programme for 3<sup>rd</sup> unit, has maintained its long-term debt rating at high investment grade (AA-).

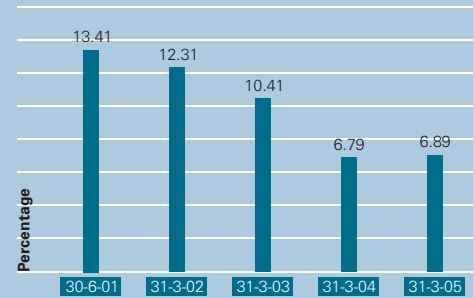
## Low-cost funds

The above credit ratings have enabled the company to mobilise funds at or around 100 basis points above matching maturity Gilts. The weighted average cost of fund of the company stands at 6.89% as at 31<sup>st</sup> March 2005. This has been achieved by taking advantage of the falling interest rate regime as well as proper leveraging of the arbitrage opportunities available between the domestic and international

interest rates.

The said cost of funds is inclusive of both currency and interest rate SWAPs. Ipso-facto, the weighted average cost of the company at 6.89% carries no risk and can be termed as fixed cost of borrowing in INR terms.

Average Interest Cost



## Whipping up interest of investors and financiers

The sterling performance of the company has made the large investors aware of the large potential of reaping rich dividend in



# Shree

## Looking back; looking ahead



the form of price appreciation. I-Sec, the research and stock broking arm of ICICI Bank Ltd., invited the company to make presentation to large number of foreign institutional investors in the two conferences - "India Unlimited Conference" held in November 2004 in New York and another in March 2005 in Singapore.

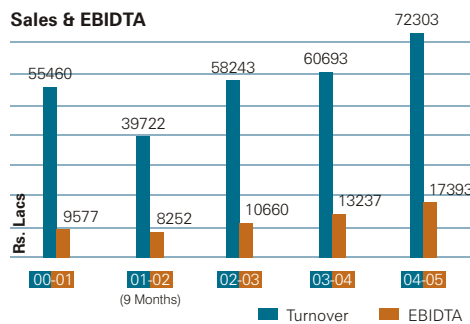
The presentations were made to the foreign institutional investors highlighting the achievements of the company and also explaining the post tax 22% IRR earned by the company for the shareholders over the past 20 years. The presentations were well appreciated and new foreign institutional investors have since become investors in the company. This is readily manifested in the movement of share prices from Rs.140.40 as on 31<sup>st</sup> March 2004 to Rs.341.80 as on 31<sup>st</sup> March 2005, showing an appreciation of over 141% during the year.

The financial discipline of the company has always been appreciated by the consortium of banks and the Chief Finance Officer of the company was invited to share the perspective of "The industrial climate in general and salient features of cement industry in particular" by SBBJ for the benefit of its entire credit department.

### On the balance, a good year

The total income of the company during the year 2004-05 rose to Rs. 723.03 crore from Rs. 606.93 crore in 2003-04 due to higher sales volumes as well as price realisations. Income from interest received, dividend and other miscellaneous sources amounted to Rs. 4.09 crore.

### Sales & EBIDTA



### Reserves and surplus

Reserves and surplus were Rs. 318.09 crore in 2004-05 as against Rs. 305.17 crore in 2003-04. Revaluation reserves came down to Rs. 63.44 crore from Rs. 88.62 crore. Other reserves increased from Rs. 216.55 crore to Rs. 254.65 crore.

### Secured loans

The company contracted new loans of Rs.134.37 crore, out of which Rs. 36.26 crore was used for prepayment of high cost debts while balance was utilised for Bangur Cement Project and other capital expenditure.

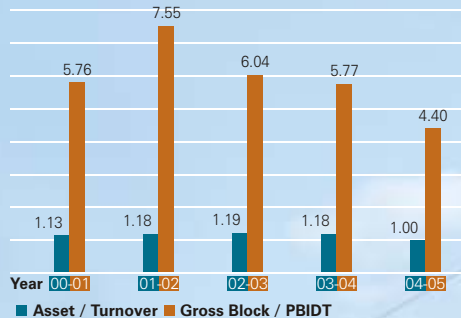
### Capital employed

The capital employed by the company came down to Rs. 586.61 crore from Rs. 600.80 crore following a decrease in bank and other borrowing.

### Gross block

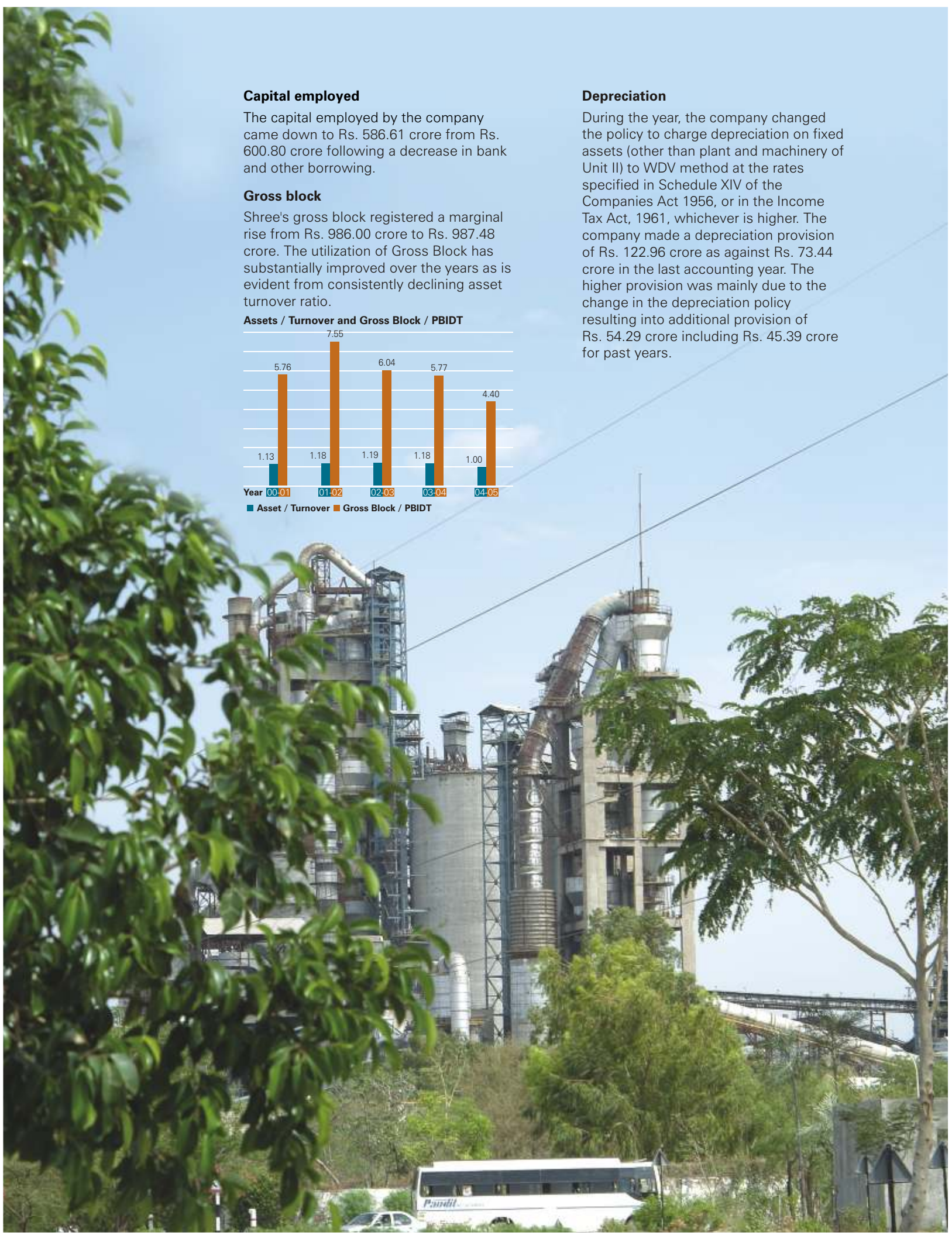
Shree's gross block registered a marginal rise from Rs. 986.00 crore to Rs. 987.48 crore. The utilization of Gross Block has substantially improved over the years as is evident from consistently declining asset turnover ratio.

#### Assets / Turnover and Gross Block / PBIDT



### Depreciation

During the year, the company changed the policy to charge depreciation on fixed assets (other than plant and machinery of Unit II) to WDV method at the rates specified in Schedule XIV of the Companies Act 1956, or in the Income Tax Act, 1961, whichever is higher. The company made a depreciation provision of Rs. 122.96 crore as against Rs. 73.44 crore in the last accounting year. The higher provision was mainly due to the change in the depreciation policy resulting into additional provision of Rs. 54.29 crore including Rs. 45.39 crore for past years.



# Shree

## Looking back; looking ahead



### Debtors

Debtors climbed down to Rs. 23.95 crore from Rs. 29.73 crore because of tighter financial discipline and follow-ups. The debtor turnover went down substantially from 17.88 days in 2003-04 to 12.09 days in 2004-05.

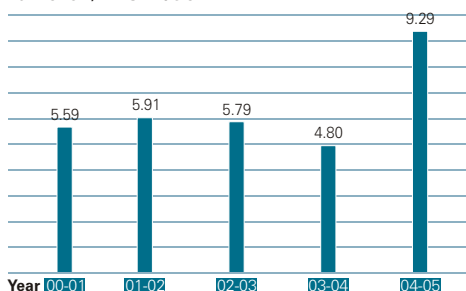
### Inventories

Inventories during the year increased from Rs. 58.78 crore to Rs. 72.59 crore. Inventory turnover went up slightly from 35.35 days to 36.64 days. All this was mainly because of a build-up of stocks.

### Working capital

Working capital came down from Rs. 126.52 crore to Rs. 77.82 crore, mainly due to decrease in debtors and loans & advances.

### Turnover / W.C. Ratio



### 'What Next?'

The company expects its long-term credit rating to improve from AA- to AA. This should enable the company to mobilize funds for its future capital expenditure programme at still finer spreads.

The company shall actively pursue its policy of constant interaction with large investors to adhere to the highest level of corporate governance.

The company will try to keep its borrowing programme in line with the market conditions to ensure lowest cost of funds, thus contributing to shareholders wealth creation.

**Ashok Bhandari**  
Chief Finance Officer