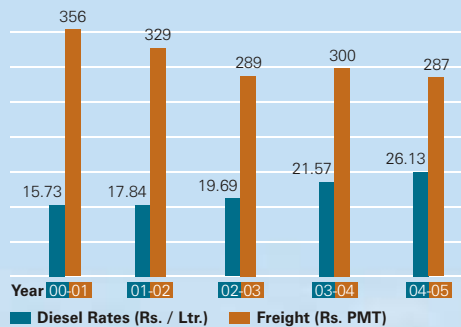


Cost-cutting ways

The logistics logic

If marketing sells the product, logistics involves the nitty-gritty of making it reach the customer on time at an economical cost. Average primary freight was brought down by more than 4% - from Rs. 300 PMT last year to Rs. 287 PMT this year. Over the years, average freight has been posting a remarkable decline even after rail freight, diesel, tyres, etc. have seen a significant increases in price. For instance, although diesel prices zoomed up 66% from 2000-01 to 2004-05, Shree yanked down average freight by an impressive 20% during the period.

Freight and Diesel Rates

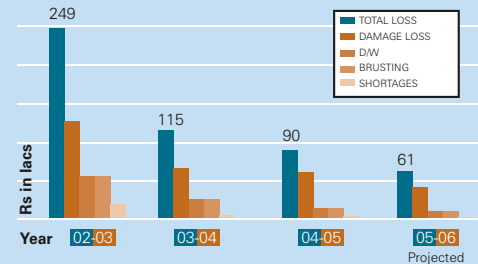


Road to lower losses

Shree's dependence on rail has been brought down over the years. Road dispatches as a percentage of the total went up to 85% from 76% last year. The year 2005-06 should see this figure soar up to about 90%. This is because road

transportation offers the benefits of lower freight, doorstep delivery and faster travel time. Handling damages implicit in rail dispatches add to total dispatch cost. A greater dependence on road over the years has brought down total dispatch losses and increased freight savings.

Lower dispatch losses due to less dependence on rail



Of course, Shree is not closing out rail as a logistics option. There is a broad gauge line inside the plant connecting it with the national rail network.

Locational advantage

Shree's plant, located 6-7 kms from Beawar town, presents a locational advantage to transporters. Trucks have the option of either loading cement at the plant or other material from nearby Beawar. Plus, a company-built road spur connecting the plant to the national highway saves the truckers 2 kms. All this increases truck availability at the plant and helps Shree secure a better bargain on freight as compared to its competitors.

Loads of saving

Cost-cutting measures were identified in each cost component of loading and transportation. For instance, the labour cost of covering loads with tarpaulin



Shree

Looking back; looking ahead



dropped 75% by using company labour instead of contract labour. Among steps that increased the average load factor to 38 MT from 36 MT last year were a greater reliance on three wheel axle trailers rather than two wheel axle ones and an innovative method devised by the packing department to provide more tonnage to turbos and trailers. Synchronising dispatches in conformity with marketing plans has helped in reducing non-ideal or inefficient routes, thereby saving on unnecessary transportation cost.

It's the system

Systemic initiatives during the year have yielded a lot to both the company and the transporters. An open system for the issue of delivery instructions afforded transparency and fairness in dealings with transporters. A transportation tender system for primary freight fetched better rates. The automation of all steps, right from truck arrival at the weighbridge to dispatch, allowed faster processing. As a result, loading turnaround is among the best in the industry.

Trucks are sealed to prevent adulteration and pilferage. To reduce surreptitious unloading, there are penalties for transporters and rewards for informers. A loyalty rewards programme for truckers who cover the maximum mileage for Shree is in place. The company also helps by financing transporters' working capital requirements at rates much lower than the market. Apart from creating a loyal transporter base and ensuring truck availability at the plant, such a proactive step has also got the company better freight deals with the transporters.



'What Next?'

Shree's plans of accelerating sales in the coming year will see an increased number of marketing nodes and loading points. Supported by state-of-the-art systems and cost-saving procedures of loading, handling and dispatch, we are very much ready for the logistics challenge.

R C Gour

Additional General Manager (Logistics)

