



# BOARD'S REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

## Dear Members,

The Directors take pleasure in presenting the 41<sup>st</sup> Annual Report together with the Audited Financial

Statements for the year ended 31<sup>st</sup> March, 2020. The Management Discussion and Analysis has also been incorporated into this report.

## 1. FINANCIAL PERFORMANCE

A brief of financial performance for the year gone by and its comparison with previous year is given below:-

(₹ in Crore)

| Particulars   | Standalone       |                  | Consolidated     |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2019-20          | 2018-19          | 2019-20          | 2018-19          |
| Revenue from Operations   | 11,904.00        | 11,722.00        | 12,868.39        | 12,554.65        |
| Other Income  | 271.62           | 245.40           | 274.40           | 249.76           |
| <b>Total Income</b>   | <b>12,175.62</b> | <b>11,967.40</b> | <b>13,142.79</b> | <b>12,804.41</b> |
| Total Expenditure   | 8,229.47         | 9,069.18         | 9,109.29         | 9,760.97         |
| <b>Profit Before Interest, Depreciation &amp; Taxes (PBITD)</b> | <b>3,946.15</b>  | <b>2,898.22</b>  | <b>4,033.50</b>  | <b>3,043.44</b>  |
| Finance Costs   | 286.52           | 246.98           | 291.43           | 247.86           |
| Depreciation and amortization expenses                          | 1,699.42         | 1,391.68         | 1,807.81         | 1,471.81         |
| Exceptional Items   | -                | 178.13           | -                | 178.13           |
| <b>Profit Before Tax</b>  | <b>1,960.21</b>  | <b>1,081.43</b>  | <b>1,934.26</b>  | <b>1,145.64</b>  |
| Tax Expense   | 390.03           | 130.38           | 390.20           | 130.59           |
| <b>Profit After Tax</b>   | <b>1,570.18</b>  | <b>951.05</b>    | <b>1,544.06</b>  | <b>1,015.05</b>  |
| <b>Profit attributable to Owners of the Company</b>             | <b>-</b>         | <b>-</b>         | <b>1,535.85</b>  | <b>1,006.39</b>  |
| <b>Profit attributable to Non-Controlling Interest</b>          | <b>-</b>         | <b>-</b>         | <b>8.21</b>      | <b>8.66</b>      |

### Key Highlights (Standalone Performance)

- Sales Volume (Cement and Clinker) during the year came down by 3.6% to 24.92 Million Ton mainly because of lockdown announced during last days of Mar 20.
- Revenue from Operations was up marginally 1.6% to ₹ 11,904.00 Crore mainly because of better cement price realization. This include power sales of ₹ 515.24 Crore, which was lower compared to ₹ 801.88 Crore achieved last year.
- During the year, the power and fuel costs went lower due to soft petcoke and coal prices. On Raw material cost, Company was able to contain the cost by optimizing its procurement of fly ash and other materials. Company also continued its efforts on cost optimization through

innovative and alternative methods across its operations.

- EBITDA went up 36.2% to ₹ 3,946 Crore. This was mainly because of better realisation on account of company's strong brand portfolio including contribution coming in from premium cement brands launched by the company and several Cost optimization measures undertaken during the year.
- Last year, Company launched Premium cement brands (Roofon and Bangur Power) in the market. Both the premium brands have been well received by the markets. Company now has a complete range of brands to address all segments of cement consumers.

## Key Financial Ratios

Key financial ratios of the Company in terms of showing the financial performance are as under:-

| Particulars  | 2019-20 | 2018-19 | % Change | Remarks   |
|--|---------|---------|----------|---|
| Operating Profit Margin (without other income) (%) | 30.87%  | 22.63%  | 36.41%   | Higher due to increase in realisation and cost optimisation |
| Net Profit Margin (%)                              | 13.19%  | 8.11%   | 62.64%   |   |
| Return on Net Worth (%)                            | 11.77%  | 9.61%   | 22.48%   |   |
| Interest Coverage Ratio                            | 13.77   | 11.73   | 17.39%   | No significant change                                       |
| Debtors Turnover (Days)                            | 25.40   | 22.81   | 11.35%   | No significant change                                       |
| Inventory Turnover (Days)                          | 43.78   | 49.48   | (11.52)% | No significant change                                       |
| Current Ratio (Times)                              | 2.13    | 2.01    | 5.97%    | No significant change                                       |
| Debt-Equity Ratio (Times)                          | 0.20    | 0.26    | (23.08)% | Lower due to capital raised during the year                 |

## 2. DIVIDEND AND RESERVES

- During the year 2019-20, Company has paid Interim Dividend of ₹ 110/- per equity share of ₹ 10/- each for the Financial Year 2019-20 which includes ₹ 70/- per equity share as normal dividend and ₹ 40/- per equity share as additional dividend. Last year Company had paid total dividend of ₹ 60/- per share (₹ 25/- per Share as Interim Dividend and ₹ 35/- per Share as Final Dividend).
- Total dividend relating to the year 2019-20 amounts to ₹ 478.47 Crore (including dividend distribution tax of ₹ 81.58 Crore) as against ₹ 251.98 Crore (including dividend distribution tax of ₹ 42.96 Crore) for the year 2018-19.
- During the year, an amount of ₹ 300.00 Crore was transferred to General Reserves.

The Board of Directors of the Company in line with SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 had approved Dividend Distribution Policy on 12<sup>th</sup> August, 2016. The Policy is uploaded on Company's website and can be accessed at the link <https://www.shreecement.com/pdf/dividend-policy.pdf>.

## 3. MANAGEMENT OUTLOOK OF MACRO ECONOMY AND INDUSTRY

### I. Indian Economy-Developments and Outlook

During 2019-20, the Indian economy has passed through a tough phase with declining growth

rates. India witnessed a dismal 5.1% GDP growth during first 3 quarters of FY 19-20 against 6.3% in the same period of FY 19. There were positive signs of improvement observed in 4th quarter of 2019-20. But the same was short lived as lockdown of the country due to COVID-19 virus halted the growth momentum.

The Government undertook unique measure of rationalizing income tax rates to boost fresh investments by corporates in the country. This measure is yet to yield its results. RBI on its part also undertook much needed measures of rationalizing its policy rates and increased the liquidity in the banking system. However, this did not lead to meaningful contraction of interest rates for majority of borrowers.

On the external front, the INR which remained mostly stable during most part of the year on the back of strong FDI flows and declining crude oil prices, weakened towards close of the year due to impact of COVID-19 virus.

Overall the Indian economy is expected to witness a growth rate of around 5% for the year 2019-20 which shall be the lowest witnessed since the Global financial crisis in 2008-09. This is largely because of poor showing by manufacturing, construction and mining sectors.

The lockdown imposed in the country as a result of COVID-19 virus has had an unprecedented impact on the entire economy of the country. The month of



April 20 was virtually a complete standstill. There is uncertainty as to how long the impact of lockdown is expected to continue and when one can witness normalcy returning to the economy.

Overall, outlook for the economy in the near term is not encouraging. However, in past also, Indian economy showed strong recovery in the face of global financial crisis. With our robust and large consumer base, expected fiscal stimulus from the Government and timely interventions from RBI, India will soon be on rapid recovery path. We, therefore, believe that in the medium to long term the Indian economy will emerge stronger from this crisis.

## II. Cement Industry - Development and Outlook

While challenging macro-economic conditions coupled with lower infra spending by Governments impacted cement demand, individual housing building segment continued to show good traction.

The nation-wide lockdown due to COVID-19 pandemic however affected cement demand towards last days of the close of the financial year 2019-20. Based on cement production data for 11 months upto Feb 20 and expected production for Mar 20, cement production during 2019-20 is expected to remain at around same level as that of 2018-19.

The COVID-19 pandemic has dented the cement demand because of nation-wide lockdown and resultant dip in the overall economic activities. The uncertainty around the continuation of the impact of the pandemic makes it difficult to make any proposition about the outlook for the near future. While short term outlook is uncertain, the long-term outlook of the cement industry continues to be positive on account of the various economic reforms, increasing aspirations, sustained consumption momentum and persistent infra spending.

### 4. NEW/EXPANSION PROJECTS

During the year, Company completed Clinker Grinding Unit having capacity of 2.5 MTPA at Seraikela- Kharsawan District in Jharkhand. Further,

Company has following on-going projects:

- Clinker grinding unit of 3.0 MTPA at Athagarh Tehsil in Cuttack District of Odisha which has got delayed and is now expected to be completed in second quarter of FY20-21.
- Clinker Grinding Unit of 3.0 MTPA at Patas in Pune District of Maharashtra which is scheduled to be completed by second quarter of FY20-21.

### 5. QUALIFIED INSTITUTIONS PLACEMENT

During the FY19-20, the company raised ₹ 2,400 Crore by allotting 12,43,523 equity shares of ₹ 10/- each at a price of ₹ 19,300/- on 23<sup>rd</sup> November, 2019 through Qualified Institutions Placement. Consequently, the Paid-up Equity share Capital of the Company increased from ₹ 34.84 Crore to ₹ 36.08 Crore.

### 6. INTEGRATION OF CEMENT AND POWER SEGMENT

The Company is primarily engaged in the manufacture and sale of cement related products. From the current year, the power segment is considered as part of cement business for internal reporting purposes as majority of power is consumed for cement operations. Hence, as per Ind AS 108, 'Operating Segments', no disclosures related to segments are presented.

### 7. RISK MANAGEMENT

Company's risk management process is designed to identify and mitigate risks that have the potential to materially impact our business objectives and maintains a balance between managing risk and exploiting the opportunities. Identification and management of risk is systematically achieved using an Enterprise Risk Management (ERM) system under which the Board is responsible for overseeing the overall risk management framework of the Company. The Audit and Risk Management Committee of Board, keeps an eye on execution of the risk management plan of the Company and advises the management on strengthening mitigating measures wherever required. The actual identification, assessment and mitigation of risks are however done by key executives of the Company in a systematic manner through regular meetings and dialogue and

engagement / consultation with relevant stakeholders. The key risks identified by the Company and their mitigation measures are as under:-

**(a) Over-Capacity in the Industry-**Continued over capacity in the industry poses risk of underutilization of production capacities and prices falling to levels which are non-remunerative levels. For this purpose, Company has invested in building customer loyalty through consistent high quality products, faster delivery to consumers and continued customer engagement through its dedicated marketing teams. It also keeps adding capacity in markets where demand-supply conditions are considered to be relatively favourable.

**(b) Availability of Limestone and other resources-**Limestone is the key raw material for cement production and its availability for existing and future plant requirements is essential. With limited reserves at existing mines and acquisition of new limestone mines being uncertain due to regulatory and competition issues, conservation of limestone is quite important. Company has been making all efforts to optimize its usage, thereby, conserving the deposits and enhancing their life. To conserve the high grade limestone, Company blends marginal grade limestone with high quality limestone for clinker production without compromising the Quality of its cement. Company's emphasis on enhanced production of blended cement has also helped conserve limestone significantly.

Company's plants in Rajasthan are located in water deficient areas and as such conserving water becomes very important. Realizing this, Company installed Air Cooled Condensers (ACC) in all its power plants which though involve additional capital expenditure, have helped Company reduce water consumption significantly. Company has installed Waste Heat Recovery Systems in its cement plants thereby, eliminating the need for cooling of waste hot gases and thus, saving water. Water harvesting reservoirs have also been constructed within plant and mines area.

**(c) Fuel Cost-** Company sources fuel from open market and hence, is exposed to volatility of market prices of the fuel. Company has deployed multi-fuel usage strategy as well as state of the art technology, which allows it to use different fuels and use the most economical fuel among a basket of different fuels as per prevailing trends in the market. Company participates in auctions for securing coal linkage for meeting the fuel requirements of its Raipur, Chhattisgarh plant. Additionally, to reduce reliance on conventional fuel for its captive thermal power plants, Company has extensively invested in Waste Heat Recovery Power Plants thereby, cushioned itself from fuel price volatility to that extent. Additionally, to reduce reliability on conventional fuel, company is continually investing in setting up of renewable energy power plants.

**(d) Economic shocks due to external factors-**The COVID-19 virus has shattered the world economy. The industry in general will have to brace itself for the economic shocks of such nature. The Companies will have to prepare contingency plans such as work from home, enhanced safety measures, strategies for continuity of business and rapid restoration of operations. Company has taken the risks of such external shocks into its business strategy and have taken necessary steps in terms of devising plans for mitigating such risk.

**(e) Cyber Security-** Considering the increasing importance of digitisation to business, majority of business activities of the Company have been seeing digital transformations including logistics, marketing and manufacturing. Significant advantages of digitisation reflect in faster customer servicing, enhanced process efficiency, better controls and speedy decision making. Digitisation is however fraught with risk of cyber security. This could be misuse of hardware and software, cyber-attacks, unauthorised access etc. In addition to data loss, the same can impact business operations.

Company has taken necessary measures like systematic back-up procedures, firewall systems, better monitoring & control



mechanism to mitigate any risks arising due to digitisation.

**(f) Climate Change-** Global warming and consequent impact in the form of erratic and frequent climate change has emerged as a major risk across globe. This impacts our operations also as cement manufacturing releases CO<sub>2</sub> due to calcination process and combustion of fuels. Efforts to address climate change by reducing emissions of greenhouse gases (GHG) through national, state and regional laws and regulations as well as international agreements will bring about various regulatory requirements affecting our operations and creates uncertainties for our business. New legislative or regulatory controls may pose risks which could include costs to purchase allowances or credits to meet GHG emission caps, costs required to procure advanced equipment to reduce emissions to comply with GHG limits or required technological standards or higher production costs. In addition, physical risks arising from extreme weather or high temperatures may impact any manufacturing sector in terms of property damage and disruption to operations. We have integrated sustainability as core to our operations and are thus prepared to meet new regulatory and legislative requirements resulting from climate change risks.

### 8. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

In order to ensure orderly and efficient conduct of business, Company's management has put in place necessary internal control systems commensurate with its business requirements, scale of operations, geographical spread and applicable statutes. The Company has an in-house Internal Audit department manned by qualified professionals and an external firm acting as independent internal auditors that reviews internal controls and operating systems and procedures on a regular basis. Company's internal control systems include policies and procedures, IT systems, delegation of authority, segregation of duties, internal audit and review framework etc. Company has designed the necessary internal financial controls and systems

with regard to adherence to company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information. Company keeps documented Standard Operating Procedures (SOPs) for all its major operations. The compliance to these controls and systems including SOPs are periodically reviewed by the Internal Audit function and exceptions are reported. All internal audit observations are discussed by the senior management team for prompt remedial actions and addressal. All material audit observations and follow up actions thereon are reported to the Audit and Risk Management Committee. The Committee holds regular discussions with the auditors to ensure adequacy and effectiveness of the internal control systems and monitors implementation of audit recommendations.

### 9. HUMAN RESOURCES/INDUSTRIAL RELATIONS

**(a) Employee Engagement and Talent Management-** It is the people that make an organisation. With human resources department being the custodian of all people related processes, it becomes the critical success factor in organisational success. The HR works with an objective of aligning the aspirational needs of the people with the organizational objectives of sustained growth, market leadership and cost competitiveness. Its sole aim is to build Shree as an exemplary organisation that inspires excellence every day.

**Developing Talent for Excellence:** People development has been a constant focus of HR. This year we took a step forward to make it more inclusive and targeted. As much as 95% of the Middle to Senior Management participated in a study designed on the SCL Competency Framework - the eight Critical Success Factors that propel us towards excellence. The study was carried out through an online assessment process and its outcome was a detailed report and Development Plan for each participant which is being used for the learning plan for this year.

**Inclusive Employee Experience:** To make learning more inclusive, we also launched STEPS (School for Training, Education and Personal

Success) - an online platform that uses Artificial Intelligence to curate personalised learning programme.

**Automating for better interface with employees:** We believe that continuous improvements in our HR processes can result in positive user experience, faster turn-around time and cost efficiency. This year, we launched a chat-bot to answer employee queries about policies, that answers frequently asked questions, thereby reducing dependence on HR representatives. We observed that people who retire or resign from the Company face various issues in settlement of their claims. To address this, we automated the exit claims settlement process which thereby reduced the response time by 30%. Aarohan - an internal job application process was launched to automate the process of internal applications to any job opening. This has helped us increase transparency and reduce the response time.

**Assessing for Success:** We believe that unless we measure our performance, we will not be able to identify our weaknesses. Its only then we can work upon bringing about improvements. This year we got the people processes audited by Confederation of Indian Industries (CII). As a result of which Shree Cement was awarded, "Strong Commitment to HR Excellence". The audit process was intensive, which included analysis of quantitative and qualitative data. It was followed by multiple rounds of virtual Q&A and was closed with a detailed on-site audit by Industry Experts. This is the first time that we undertook this process and Shree Cement is among the 20% companies that secured the "Strong Commitment to HR Excellence" in its first attempt. As part of the process, we also learnt the areas we need to further improvise upon.

**Certified Great Place To Work:** One step a day can take us further in the future and help us build a stronger foundation as compared to excellence in one day. That is the power of habit. Through all these years we have been taking baby steps to make the organisation more inclusive, more-friendly and more open. The efforts have paid off. Shree Cement was

recognised among India's Great Places to Work for the year 2020-21 with the scores comparable to India's Top 100 organisations. Excellence is a consistent work in progress and our focus is to keep moving forward and keep raising the bar higher, and the feedback of our stakeholders is the fuel that propels us.

**(b) Occupational Health and Safety-** Following a 'Safety First' approach, health and safety are a top priority area of the Company. To institutionalize the organisation-wide focus on Occupational Health and Safety, Company has built a robust safety management system based on the globally recognised and practised OHSAS 18001 standard.

'Safety Committees' have been formed at all manufacturing units with equal representation from both management and non-management categories. These committees play a pivotal role in achieving the objective of 'Safety First' by undertaking assessment of safety issues on an ongoing basis and implementing suitable initiatives and programs for the same. To transform the way workers look at safety and make them aware and adopt best practices related to safety, these Committees periodically organize trainings, mentoring and coaching with the help of internal and external safety experts. This has helped bring about a positive change to the workers' safety performance. Such interactions also help the plant level Safety Committees get feedback from workers and thereby identify hazards and minimize the recurrence of the same. Company has established a structured hazard identification and risk assessment process which helps us identify potential risks which could have resulted in production disruptions and liabilities.

To provide our employees and contractual workers access to quality healthcare services, Company has established 'Wellness Management Centers (WMC)' at all the locations. WMCs are equipped with qualified doctors and modern facilities which help carry out day to day health-care services and also conduct Annual health check-ups for employees & contract



workers. Health talks by experts and specialists are also organized to propagate awareness on chronic and lifestyle diseases.

All our safety initiatives and employee engagement programs have been designed to ensure their continuous review and monitoring. Through a regular internal audit protocol, we assess the overall safety performance and examine the existing procedures, systems and control measures for fire & safety hazards. Observations and recommendations were implemented by concerned departments within set timelines. As part of the process, monthly safety performance of all grinding units are reviewed and discussed with all safety professionals for implementation of common safety system and practices.

**(c) Industrial Relations-** Employee Relations remained cordial during the year. This has enabled Company to build healthy relationship and resolve issues through dialogue and discussions.

Total number of employees as on 31<sup>st</sup> March, 2020 were 6,185.

**10. SUSTAINABILITY**

It has been a constant endeavour of the Company to formulate, adopt and improve its business model embracing both sustainability and growth agenda. This model helps us build efficiencies to achieve sustainable business performance and give us necessary edge to stay ahead of the competitors. As part of our sustainability agenda, we focus on conservation of environment, natural resources and energy efficiency. Our operational strategy is built on a long term commitment to experiment and implement new ideas for improving efficiencies and minimizing the use of input resources. Our continued endeavours towards improving productivity and efficiency of all processes, equipment and systems as well optimization measures have made the Company as one of the most efficient player in terms of energy consumption and resource utilization. With sustained efforts towards greening our operations, we have been able to keep our direct CO<sub>2</sub> emission intensity at one of the lowest levels in the cement

industry. Some of the sustainability initiatives which were taken during the year were as follows:-

**(a) Generation of Power from Renewable**

**Resources-** Focus on renewable energy continues to remain a thrust area in our sustainability agenda. This has helped Company in conserving precious natural resources, mitigating GHG emissions and controlling fugitive emission. Over the years, the Company has been steadily ramping up its RE power generation capacity spanning across Waste Heat Recovery, Solar and Wind power plants. The Company continues to have largest WHRP capacity in World Cement Industry excluding China. This apart, in terms of operational efficiency of WHRP, Company is regarded as one of the best in the industry. Its total RE capacity including Wind and Solar power plants at the end of FY 2019-20 stood at 234 MW.

**(b) Energy Conservation-** Energy conservation has been another focus area of the Company. As part of "Perform, Achieve & Trade" (PAT) scheme of the Govt. of India, Company has, in PAT Cycle II applicable for 2016-19, has yet again realized more than its allotted target reduction of its energy consumption. As a result, the Company has claimed 1,05,594 (Nos) ESCerts which are under assessment by Ministry of Power (MoP) and Bureau of Energy Efficiency (BEE). It is worth noting that in the first cycle, 2012-2015 also the Company had over-achieved its targets and was awarded the 'Best Performer' award for energy saving under PAT Cycle I by BEE.

**(c) Alternative Fuels and Raw Materials-** In line with our goal to increase usage of alternative raw materials and fuels, during the year, we continued experiments with wastes of various industries such as Pharma, Chemical, Sponge Iron as alternate fuel and commenced their commercial usage. To supplement this, we have undertaken necessary modification in the design and system of plant and machinery. In area of alternative raw materials, we continue to step-up reuse of low grade limestone and quarry rejects in a cost effective manner. This has helped us significantly reduce our environmental impacts and economic costs

without compromising on our product's quality and output.

**(d) Water Conservation-** Water is increasingly becoming a scarce and precious natural resource. We therefore give utmost priority in our sustainability initiatives. We have been working on our two pronged approach of conserving usage of water as well as increasing availability of water through water harvesting and recharging. In our water conservation efforts, our macro level initiatives such as installing Air Cooled Condensers in all our thermal power plants has been a great success. There are several micro level initiatives that are implemented regularly in all our operations that help us reduce usage of water. For increasing the availability of water around our operating sites and reduce dependence on ground water, while we regularly work on constructing rain water harvesting structures, we also undertake detailed assessment of water flows around our plants to identify potential areas which are most suited for water harvesting and recharge. This apart, Sewage Treatment Plants (STP) are installed for treatment of domestic waste water at different plant sites of the Company. The Company has been continuously exploring opportunities to increase use of recycled water and reduce water consumption in its operations.

**(e) CDP disclosure-** The Company has been participating consistently in the Carbon Disclosure Project to assess its performance on carbon emission. It has been ranked 'B' in CDP Climate Change Disclosure 2019 which is higher than the Asia regional and Global average Rank C. We have been continuously working upon to further improve our performance by implementing various measures and recommendations.

**(f) Sustainability Reporting-** During the year, Company released its 15<sup>th</sup> annual corporate sustainability report for the reporting period 2018-19 titled "Expanding the Sustainability Horizon", which manifest Company's commitment to embed sustainability not just in our operations but going beyond and sowing the seeds of sustainability across our value chain.

The said report was prepared in accordance with the GRI Standards - Comprehensive Option and assured by an independent certifying agency. The Company has also consistently issued its Business Responsibility Report as part of Annual Report since year 2012-13 disclosing our performance of various Business Responsibility principles.

During the year Company was awarded and recognised for its various initiatives towards sustainable development, a few which are as under:-

- **Corporate Governance & Sustainability Vision Award, 2020-** The Award was instituted by the Indian Chamber of Commerce and given in recognition of its overall governance, environmental, economic & social performance.
- **Greentech Environment Award-2019-** The award was given in recognition of excellence in overall environmental performance through effective emission control, alternative waste utilization, green belt development and climate change mitigation by the Greentech Foundation.
- **Global Sustainability Award-2019-** Company has been conferred on the Global Sustainability Award 2019 by the Energy and Environment Foundation. The award was given in recognition of Company's excellence in overall governance, environmental, economic & social performance.
- **Supply Chain and Logistic Excellence (SCALE) Award 2019 -** Company has been awarded with "Supply Chain & Logistics Excellence Award-2019" for excellence in supply chain strategies to increase efficiency through innovation and cost optimization. The award was instituted by Confederation of Indian Industry (CII).

**11. CORPORATE GOVERNANCE**

Your Directors reaffirm their continued commitment to good corporate governance practices. During the year under review, Company was in compliance with the provisions relating to corporate governance as provided under the Listing



Regulations. The compliance report is provided in the Corporate Governance section of this Annual Report. The Auditor's Certificate on Corporate Governance is enclosed at **Annexure-1**.

**12. BUSINESS RESPONSIBILITY REPORTING**

Company is also releasing Business Responsibility Report (BRR) as part of this Annual Report covering its compliances towards the Business Responsibility Principles enunciated by the Securities and Exchange Board of India as required under Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**13. CORPORATE SOCIAL RESPONSIBILITY**

As part of its triple bottom-line approach to its business, Company has always considered the community as its key stakeholder. It believes that the community around its operations should also grow and prosper in the same manner as does its own business. Accordingly, Corporate Social Responsibility is an integral part of the Company's business. In order to oversee all its CSR initiatives and activities, the Company has constituted a Board level Committee - "Corporate Social and Business Responsibility Committee" (CSBR Committee). The major thrust areas of the Company include healthcare, education, women empowerment, infrastructure support, integrated rural development and conservation of natural resources. The Annual Report on CSR activities of FY 2019-20 with requisite details in the specified format as required under Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed at **Annexure-2** and forms part of this report. The CSR Policy of the Company may be accessed on website of the Company at link [https://www.shreecement.com/pdf/shree\\_csr\\_policy\\_final.pdf](https://www.shreecement.com/pdf/shree_csr_policy_final.pdf).

**14. SUBSIDIARY COMPANIES**

The Company has following subsidiaries:

| SN | Name of Subsidiaries   | Nature of Interest      |
|----|--|-------------------------|
| 1. | Shree Global FZE, Jebel Ali Free Zone, Emirate of Dubai, U.A.E.                | Wholly Owned Subsidiary |
| 2. | Raipur Handling and Infrastructure Private Limited, Baloda Bazar, Chhattisgarh | Wholly Owned Subsidiary |

| SN | Name of Subsidiaries   | Nature of Interest     |
|----|--|------------------------|
| 3. | Shree Enterprises Management Ltd, Dubai International Financial Centre, Emirate of Dubai, U.A.E. | Step-down Subsidiaries |
| 4. | Shree International Holding Ltd, Dubai International Financial Centre, Emirate of Dubai, U.A.E.  |                        |
| 5. | Union Cement Company, PjFSC, Emirate of Ras-Al-Khaimah, U.A.E.                                   |                        |
| 6. | Union Cement Norcem Co. Ltd, LLC, Emirate of Ras-Al-Khaimah, U.A.E.                              |                        |

As required under Section 129(3) of the Companies Act, 2013, Statement showing the salient features of the financial statements of the Subsidiary Companies in Form AOC-1, forms part of the Consolidated Financial Statements of Company. The shareholders, who wish to receive a copy of Annual Accounts of the Subsidiary Companies, may request the Company Secretary for the same. The policy for determining material subsidiaries as approved by the Board can be accessed on the website of the Company at link <https://www.shreecement.com/pdf/Shree-material-subsidary-policy.pdf>.

**15. CONSOLIDATED FINANCIAL STATEMENTS**

The Consolidated Financial Statements of the Company are prepared as required in terms of provisions of Companies Act, 2013 and Listing Regulations by following the applicable Accounting Standards notified by the Ministry of Corporate Affairs and forms part of the Annual Report.

**16. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them, state that:

- In the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2020 the applicable accounting standards have been followed and there are no material departures from the same;
- They have selected such accounting policies, judgments and estimates that are reasonable and prudent and have applied them

consistently so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March, 2020 and of the statement of Profit and Loss as well as Cash Flow of the company for the year ended on that date;

- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis;
- Necessary internal financial controls have been laid down by the Company and the same are commensurate with its size of operations and that they are adequate and were operating effectively; and
- Proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**17. PERFORMANCE EVALUATION OF BOARD, ITS COMMITTEES & INDIVIDUAL DIRECTORS**

In terms of requirements of Listing Regulations and provisions of Companies Act, 2013, Nomination cum Remuneration Committee of the Board of Directors of the Company specified the manner for effective evaluation of performance of Board, its Committees and Individual Directors. Based on the same, the Board carried out annual evaluation of its own performance, performance of its Committees, Individual Directors including Independent Directors during the year. Company had adopted the evaluation parameters as suggested by ICSI and SEBI with suitable changes from Company's perspective. The performance of the Board was evaluated by the Board on the basis of criteria such as Board composition and structure, effectiveness of Board processes, information flow to Board, functioning of the Board etc. The performance of Committees was evaluated by the Board on the basis of criteria such as composition of Committees, effectiveness of Committee working, independence etc. The Board evaluated the

performance of individual Director on the basis of criteria such as attendance and contribution of Director at Board/Committee Meetings, adherence to ethical standards and code of conduct of the Company, interpersonal relations with other Directors, meaningful and constructive contribution and inputs in the Board/Committee meetings etc.

For the above evaluation, the Board members completed questionnaires providing feedback on different parameters as already stated above including on performance of Board / Committees / Directors, engagement levels, independence of judgment and other criteria. This is followed with review and discussions at the level of Board.

The results of evaluation showed high level of commitment and engagement of Board, its various committees and senior leadership.

In a separate meeting of the Independent Directors, performance evaluation of Non-Independent Directors, the Board as a whole and performance evaluation of Chairman was carried out, taking into account the views of Executive and Non-Executive Directors. The quality, quantity and timeliness of flow of information between the Company Management and the Board which is necessary for the Board to effectively and reasonably perform their duties were also evaluated in the said meeting.

The Independent Directors well appreciated the functioning of the Board of Directors, Working Directors as well as Committee of the Board. They were also highly satisfied with leadership role played by the Chairman.

Company appointed an External Facilitator for the purpose of carrying out the performance evaluation in a fair and transparent manner.

**18. DIRECTORS AND KEY MANAGERIAL PERSONNEL**

In accordance with the provisions of the Companies Act, 2013 and Article 112 of the Articles of Association of the Company, Shri Prashant Bangur (DIN: 00403621), Director of the Company will retire by rotation in the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Item seeking approval of members for the same is included in the Notice convening the



41<sup>st</sup> Annual General Meeting (AGM). The Board recommends the re-appointment of Shri Prashant Bangur.

The Board of Directors of the Company vide Circular Resolution passed on 11<sup>th</sup> November, 2019 (on the recommendation of Nomination cum Remuneration Committee), appointed Ms. Uma Ghurka (DIN: 00351117) as Additional Director of the Company w.e.f. 11<sup>th</sup> November, 2019. She holds office as Additional Director up to the date of the ensuing Annual General Meeting. The Board further appointed her as Independent Director of the Company for five years w.e.f. 11<sup>th</sup> November, 2019 subject to approval of the members.

Shri Sanjiv Krishnaji Shelgikar (DIN: 00094311) was appointed as Independent Director of the Company, to hold office for a term of 5 (five) years w.e.f. 5<sup>th</sup> August, 2015. His term will be completed on 4<sup>th</sup> August, 2020. Based on the recommendations of the Nomination cum Remuneration Committee, the Board of directors of the Company in its meeting held on 8<sup>th</sup> May, 2020 proposed to re-appoint Shri Sanjiv Krishnaji Shelgikar, as Independent Director of the Company for second consecutive term of 5 years effective 5<sup>th</sup> August, 2020.

Further, in the opinion of the Board, Ms. Uma Ghurka and Shri Sanjiv Krishnaji Shelgikar are persons of high integrity, expertise and experience and thus qualify to be appointed as Independent Directors of the Company. Further, as required under section 150(1) of the Companies Act, 2013 they have registered themselves as Independent Directors in the independent director data bank. They shall pass the proficiency self-assessment test in due course in terms of Companies (Appointment and Qualifications of Directors), Rules 2014 (as amended).

The resolutions seeking approval of members for appointment of Ms. Uma Ghurka and re-appointment of Shri Sanjiv Krishnaji Shelgikar as Independent Directors of the Company form part of Notice convening the 41<sup>st</sup> Annual General Meeting. The Board recommends their appointment.

Dr. Leena Srivastava (DIN: 00005737) ceased as Independent Director of the Company w.e.f. close of Business Hours on 31<sup>st</sup> August, 2019 consequent upon completion of her term.

During the year under review, Shri Ratanlal Gaggar (DIN: 00066068), Shri Om Prakash Setia (DIN: 00244443), Dr. Yoginder Kumar Alagh (DIN: 00244686), Shri Nitin Dayalji Desai (DIN: 02895410), and Shri Shrikant Somany (DIN: 00021423) were re-appointed as Independent Directors for second term of 5 years w.e.f. 1<sup>st</sup> September 2019.

In accordance with Section 149(7) of the Companies Act, 2013 and Regulation 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, each Independent Director has given a declaration to the Company confirming that he/she meets the criteria of independence as specified under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Profile and other information of the aforesaid Directors, as required under Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard - 2 forms part of the Notice convening the 41<sup>st</sup> Annual General Meeting.

## 19. FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

In order to acquaint the new directors with the Company, a detailed presentation is given to them at the time of their appointment which covers their role, duties and responsibilities, Company's strategy, business model, operations, markets, organisation structure, products, etc. A detailed presentation along similar lines is sent to existing Independent Directors every year to keep them apprised of the above details.

As part of Board discussions, presentation on performance of the Company is made to the Board during its meeting(s). Plant visits are also arranged for Independent Directors from time-to-time for better understanding of the Company's operations. The details of such familiarization programmes for Independent Directors are posted on the website of the Company and can be accessed at link <https://www.shreecement.com/pdf/familiarization-programme-for-independent-directors.pdf>.

[www.shreecement.com/pdf/familiarization-programme-for-independent-directors.pdf](https://www.shreecement.com/pdf/familiarization-programme-for-independent-directors.pdf).

## 20. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

The particulars relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo, as required to be disclosed under the Companies Act, 2013 is set out at **Annexure-3** which forms part of this report.

## 21. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided at **Annexure-4**.

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names of employees and other particulars of the top ten employees and employees drawing remuneration in excess of the limits as provided in the said rules are set out in the Board's Report as an addendum thereto. However, in terms of provisions of the first proviso to Section 136(1) of the Companies Act, 2013, the Annual Report is being sent to the members of the Company excluding the aforesaid information. The said information is available for inspection at the Registered Office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

## 22. AUDITORS

### I. Statutory Auditors

M/s. Gupta & Dua, Chartered Accountants (Firm Registration No. 003849N) were appointed as Statutory Auditor of the Company, in the Annual General Meeting held on 31<sup>st</sup> July, 2017, for a consecutive term of five years from the conclusion of 38<sup>th</sup> Annual General Meeting till

the Conclusion of 43<sup>rd</sup> Annual General Meeting. They have given their report on the Annual Financial Statements for Financial Year 2019-20. The Audit Report does not contain any qualification, reservation or adverse remark.

### II. Secretarial Auditors

The Board had appointed M/s. P. Pincha & Associates, Company Secretaries as Secretarial Auditor of the Company to conduct Secretarial Audit for the Financial Year 2019-20. They have submitted their report in prescribed format and the same is enclosed at **Annexure-5**. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

### III. Cost Auditors

In terms of the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors of the Company appointed M/s. K. G. Goyal & Associates, Cost Accountants, Jaipur (Firm Registration No. 00024) to conduct the cost audit for the financial year ending 31<sup>st</sup> March, 2021 at a remuneration as stated in the Notice convening the 41<sup>st</sup> Annual General Meeting of the members. As required under the Companies Act, 2013, the remuneration payable to cost auditors has to be placed before the Members at a general meeting for ratification. Hence, a resolution seeking ratification of remuneration by the Members, payable to the Cost Auditors forms part of the Notice of the ensuing 41<sup>st</sup> Annual General Meeting.

## 23. OTHER DISCLOSURES

### (a) Composition of Audit and Risk Management Committee:

The Committee comprises of Shri O. P. Setia as Chairman, Shri R. L. Gaggar, Dr. Y. K. Alagh, Shri Nitin Desai, Shri Shreekant Somany and Shri Sanjiv Krishnaji Shelgikar as other Members. More details are given in the Corporate Governance Report. All the recommendations made by the Audit and Risk Management Committee were accepted by the Board.



**(b) Details of Meetings of Board and its**

**Committees:** The Board of Directors of your Company met 4 times during the year to deliberate on various matters. The meetings were held on 18<sup>th</sup> May, 2019, 9<sup>th</sup> August, 2019, 19<sup>th</sup> October, 2019 and 14<sup>th</sup> February, 2020. Further, details are provided in the Corporate Governance Report forming part of this Annual Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and the Listing Regulations.

**(c) Extract of the Annual Return:** Extract of Annual Return of the Company is enclosed at **Annexure-6** which forms part of this report and same is also placed at website of the Company at [www.shreecement.com](http://www.shreecement.com).

**(d) Particulars of Loan, Guarantees or Investments:** During the year 2019-20, there were no loans or guarantees given by the Company which attract the provisions of Section 186 of the Companies Act, 2013. The details of investments made by the Company in terms of Section 186 of the Companies Act, 2013 are given in the Notes forming part of Standalone Financial Statements.

**(e) Particulars of Contracts or Arrangements with Related Parties:** All Related Party Transactions during the financial year 2019-20 were on arm's length basis and in ordinary course of business and were in compliance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations. All such transactions are placed before the Audit and Risk Management Committee for review/approval. The necessary omnibus approvals have been obtained from Audit and Risk Management Committee wherever required. There were no material Related Party Contract/Arrangement/Transactions made by the Company during the year that would have required Shareholders' approval under provisions of Section 188 of the Companies Act, 2013 or of the Listing Regulations. The Company has adopted a Related Party Transactions Policy duly approved by the Board, which is uploaded

on the Company's website & may be accessed at link [https://www.shreecement.com/pdf/rpt\\_policy\\_as\\_amended.pdf](https://www.shreecement.com/pdf/rpt_policy_as_amended.pdf).

Further, in terms of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, the transactions with person / entity belonging to the promoter/promoter group holding 10% or more shareholding in the Company are as under:

| Name of the Entity          | % Holding in the Company | Amount (₹ Cr.) | Nature of Transaction  |
|-----------------------------|--------------------------|----------------|------------------------|
| Shree Capital Services Ltd. | 24.90%                   | 0.24           | Payment of office rent |

**(f) Deposits from Public:** The Company has not accepted any deposits from public covered under Chapter V of the Companies Act, 2013 during the year and as such, no amount on account of principal or interest on deposits from public was outstanding.

**(g) Vigil Mechanism/ Whistle Blower Policy:** The Company has adopted a whistle blower policy and has established the necessary vigil mechanism for employees and Directors to report concerns about unethical behaviour. The policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit and Risk Management Committee. The whistle blower policy may be accessed on the website of the Company at link [https://www.shreecement.com/pdf/whistleblower\\_policy.pdf](https://www.shreecement.com/pdf/whistleblower_policy.pdf).

**(h) Remuneration Policy:** Company firmly believes in nurturing a people friendly environment which is geared to drive the organization towards high and sustainable growth. Each and every personnel working with Company strives to achieve the Company's vision of being the best in the industry. Its remuneration policy is therefore designed to achieve this vision. The policy has been approved by the Board on the recommendation of Nomination cum Remuneration Committee. The policy is applicable to Directors, Key Managerial

Personnel and other employees. The policy provides that while nominating appointment of a Director, the Nomination cum Remuneration Committee shall consider the level and composition of remuneration which is reasonable and sufficient to attract, retain and motivate the Directors for delivering high performance. The Remuneration Policy can be accessed on the website of the Company at link [https://www.shreecement.com/pdf/remuneration\\_policy\\_new.pdf](https://www.shreecement.com/pdf/remuneration_policy_new.pdf).

**(i) Policy on Prevention, Prohibition and Redressal of Sexual Harassment at Workplace:**

The Company has complied with the provisions of the constitution of the Internal Committee under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has adopted a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at the Workplace, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder. Company has formed an 'Internal Complaints Committee' for prevention redressal of sexual harassment at workplace. The Committee has four members and is chaired by a senior woman member of the organization. The Company has not received any complaint of sexual harassment during the financial year 2019-20.

**(j) Material Changes after the Close of Financial Year:**

There have been no material changes and commitments which have occurred after the close of the year till the date of this Report, affecting the financial position of the Company.

**(k) Significant and Material Orders passed by the Regulators or Courts:**

No significant material orders have been passed by the Regulators or Courts or Tribunals which would impact the going concern status of the Company and its future operations.

**(l) Maintenance of Cost Records:**

Company is required to maintain cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, accordingly such accounts and records are made and maintained by the Company.

**(m) Compliance with Secretarial Standards:**

Company has complied with the Secretarial Standards issued by Institute of Companies Secretaries of India (ICS) on Board Meetings (SS-1) and General Meetings (SS-2).

**24. ACKNOWLEDGEMENT**

The Directors take this opportunity to express their deep sense of gratitude to its lenders, Central and State Governments and the local authorities for their continued co-operation and support. They also would like to place on record their sincere appreciation for the commitment, hard work and high engagement level of every member of the Shree family without which the exemplary performance of the Company year after year, would not have been possible. The Directors would also like to thank various stakeholders of the Company including customers, dealers, supplies, transporters, advisors, local community, etc. for their continued committed engagement with the Company. Lastly, the Directors would also like to thank you, the Members of the Company for the confidence and trust reposed in them.

For and on behalf of the Board

Place: Kolkata  
Date : 8<sup>th</sup> May, 2020

**B. G. Bangur**  
Chairman  
DIN: 00244196