ABLE

Even in a dynamic and uncertain external environment, we continued to operate a strong and resilient business in FY2021. Our operating EBITDA and profitability margins expanded, and we were able to prove our resounding ability to create significant value for our investors and other stakeholders.

Reviewing FY2021

Strength meets commitment

At SCL, we continued to deliver on our investor promises, and prioritised the health and well-being of our people and communities. As lockdowns were lifted, our confident workforce ensured that we made up for any losses suffered during the initial months, under the guidance of our management and the Board.

Dear Stakeholders,

I am humbled to write this letter as the new Chairman of Sagar Cements, where I have been serving as an Independent Director on Board.

We are living in interesting times. The external environment is more dynamic than ever, even as we adapt to a new normal and strive to contain the effects of the second wave of the pandemic. Collectively, the past year has tested sectoral strengths as the pandemic initiated deep changes that have redefined industries as a whole. In this context, it is becoming increasingly clear that those enterprises operating with a long-term view, cognisant of emerging realities and agile enough to adapt are the only ones that can survive and grow.

For the past four decades, Sagar Cements has built an enterprise that can not only withstand external shocks, but can also grow significantly and contribute to society. This has held true even in a watershed year such as FY2021, during which, we continued to create value for all stakeholders. Reflections of this value creation has been captured throughout this integrated report.

A year that stood apart

FY2021 was a year that exposed both the strengths and the fault lines of the Indian economy. The year started with the pandemic-induced lockdowns impacting business at both broad and granular levels, causing one of the biggest output dips – 23.9% – in the first quarter.

Once the lockdown eased, economic activity couldn't be restricted for longer, and pent up demand surfaced, boosting activity. This was amply supported by the government's fiscal policy, which included announcements such as the Aatmanirbhar Bharat package of ₹ 20 Trillion (~10% of the GDP). The Reserve Bank of India also complemented the efforts with a conducive monetary policy stance that injected liquidity into the system. In the fourth quarter, pro-growth budgetary announcements further lifted sentiment with announced capital expenditure of over ₹ 5 Trillion. Projects initiated under the National Infrastructure Pipeline also contributed fairly in shoring up activity. Together, these measures contained annual GDP de-growth at 7.3%, a much smaller figure than earlier estimates.

Cement industry bouncing back

From an industry standpoint, cement suffered from inactivity and muted demand in the initial quarters of the fiscal. Supply chain and logistics disruptions added to the sector's problems, and the industry outlook appeared bleak at the time. However, as rural demand revived, green shoots started to appear. The resumption of production and realignment of supply chains capitalised on the rebounding demand. Infrastructure and housing projects continued to support the industry and large-scale public expenditure programmes (including those with a focus on South India) significantly lifted the sentiment. In CY2020, the industry witnessed a contraction of about 10-12%, but this fall is expected to be mitigated by a bounce back of over 10% in CY2021, and a CAGR of over 7% between FY2020 and FY2026.

Resilient performance with collective efforts

At SCL, we continued to deliver on our investor promises, and prioritised the health and well-being of our people and communities. As lockdowns were lifted, our confident workforce ensured that we made up for any losses suffered during the initial months, under the guidance of our management and the Board. As a result, we were able to deliver another year of growth, with about 17% revenue growth and six times growth in profitability, year-on-year.

Delivering on growth ambitions

Even as the pandemic-led lockdowns hampered project schedules, we were able to pick up on our greenfield projects in Madhya Pradesh and Odisha. The projects are expected to aid our cash flows going forward, and will help in leveraging demand from the rising economies of Central and Eastern India. We expect full commissioning of these projects in September 2021.

Stewardship with a sense of responsibility

Being a large manufacturer, we are responsible for managing and containing our environmental footprint in the most prudent way possible. These aspects dovetail into our ESG priorities. By adopting globally accepted conservation practices, we ensure that we reduce our carbon and water footprint involved in the production of every tonne of our cement. Some interventions include investments in renewable energy, efficiency enhancement programmes, circularity in operations and stringent emission controls. At SCL, we also believe in inclusive growth that can create self-sufficient ecosystems and a socially virtuous cycle. Towards this end, we have contributed ₹ 130 Lakhs for our CSR initiatives in FY2021.

An optimistic outlook

The future from here appears positive, as India adapts to the new normal and vaccinations are administered at scale. The announcements made by the government to support the economy are expected to bring results in the near-to-medium term, and the potential for India to emerge as a manufacturing hub is stronger than ever. Cement will play a key role in building the India of the future, as the Country urbanises and steps up in overall competitiveness.

As I conclude, I would like to denote my gratitude to all employees of SCL, who have relentlessly contributed, in both letter and spirit, to keeping us resilient and growing. I would also like to applaud the management, which ensured that our immediate priorities were executed with prudence while keeping in mind our long-term commitments.

Best regards,

K. Thanu Pillai

Powered by
our collective ambitions

FY2021 witnessed SCL deliver on all its strategic priority areas. Our capacity expansion projects are fast nearing completion and within the second quarter of FY2022, we expect to commence production at our new Satguru and Jajpur facilities. Their operations will help us realise our ambition of becoming a 10 MTPA cement producer by 2025.

Dear Stakeholders,

The year 2021 presented new challenges spurred by the outbreak of the COVID-19 pandemic. At SCL, we executed our business continuity plan to deliver on our operational and financial guidance, and continued to deliver to our customers. As the scenario improved, we were able to bounce-back with added vigour, helping us deliver a significantly high performing year amidst all odds.

Towards the close of FY2021, we were operating in an environment led by strong underlying demand, a steady rural economy, consistent housing sector demand and an overall pick-up in infrastructure. We expect this trend to continue in the near term. Input prices rose in the final quarter, post which price revisions were initiated.

Operational performance

From an operational standpoint, we grew our volumes by 1% over the previous year to touch a total production of 3.2 MTPA. Our mother plant at Mattampally operated at 47% capacity, while the Gudipadu and Bayyavaram units saw capacity utilisation of 69% and 54% respectively to achieve this. About 42% of the cement we produced belonged to the blended cement category.

In terms of logistics, the first three quarters witnessed zero rail transport and we relied on road transportation for our outbound logistics. In Q4 FY 2021, however, about 8,000 tonnes of finished product were transported by rail. Across the year, nearly 3.2 Million tonnes of cement were moved via road channels. On an average, the yearly lead-distance factor stood at 291 KM.

From a cost standpoint, there have been marginal increases in raw material, employee and freight costs, while power and fuel costs have remained lower than levels a year ago. This was made possible by reduction in fuel price, usage of alternative fuel and optimisation of thermal efficiency.

Through the year, we have taken various steps towards lowering the costs of our operations. Our units are making significant contribution towards operating cost efficiencies. For example, in order to mitigate pricing risk from increasing fuel prices, we have initiated using a mixture of petcoke and coal. The completion of our projects in Madhya Pradesh and Odisha will result in better margins along with an improved product mix and greater regional presence, bringing down our freight costs in the process.

Financial performance

Revenue from the operations for the year stood at ₹ 1,371 Crores as against ₹ 1,175 Crores in FY2020, an increase of almost 17%. Operating profit for the year stood at ₹ 400 Crores as against ₹ 186 Crores in FY2020, up by almost 116% YoY. From a net profit view, our PAT jumped significantly to touch ₹ 186 Crores during the year, over six times the figure a year ago. The performance was led by a buoyant environment, strict cost control and overall efficiencies. From a balance sheet standpoint, our net worth has increased by ten-fold in the past seven years.

A strategic merger

Our Board of Directors has approved the merger of Sagar Cements (R) Limited (SCRL), a wholly-owned subsidiary, with Sagar Cements. This merger is expected to enhance our overall scale of operations, drawing on significant synergies in business activity, consolidation, focused attention, centralised administration, economy of operation, integrated business approach and greater efficiency. It would also result in cost optimisation with regard to overheads and render a better financial structure and capital utilisation. From an administrative lens, the merger would reduce multiplicity of legal and regulatory compliances and a result in a more simplified Group structure.

Our ESG priorities

At SCL, we view ESG as an integral part of business, and continue to make significant strides in meeting our goals. In FY2021, we undertook a strategic stakeholder engagement and materiality assessment to understand our most material ESG issues, as rated by our stakeholders and management. The results of the same have been published with this report. Further, we have made critical disclosures on key ESG parameters, such as emissions, waste, water, raw material, safety, corporate governance etc., featuring our approach and overall performance on these grounds. From a transparency and disclosure perspective, this year, we have enhanced our integrated report with additional GRI indicators, and we plan to report on these set parameters as we go ahead.

Delivering on strategy

FY2021 witnessed SCL deliver on all its strategic priority areas. Our capacity expansion projects are fast nearing completion and within the second quarter of FY2022, we expect to commence production at our new Satguru and Jajpur facilities. Their operations will help us realise our ambition of becoming a 10 MTPA cement producer by 2025. Cost and efficiencies continue to be our strong emphasis areas, where we have made significant progress in the past. In FY2022, we achieved a total cost savings of 3%. We also continued to adopt new technologies and drive digitalisation as a major agenda throughout the organisation, thus driving significant efficiencies and future-proofing ourselves.

Towards the future

At SCL, we are powered by the ambitions of hundreds of our employees who strive to outperform every day. With their vigour and highly conducive market prospects, we are certain that we will grow faster and build better. In doing so, our ambitions will be complemented by principles of good governance and responsibility. Before we conclude, we would like to thank every stakeholder who continues to support us in our journey forward. As we execute our future plans with confidence, we request your sustained trust and support.

Best regards,

S. Anand Reddy and
S. Sreekanth Reddy

Performing against all odds

In spite of the headwinds, we put up a resilient performance, superseding last year's production even though work had been suspended during the lockdown. Strict cost control and resource optimisation helped improve our profitability by six times over last year. Our expansion plans are on track and we hope to make most of the market buoyancy.

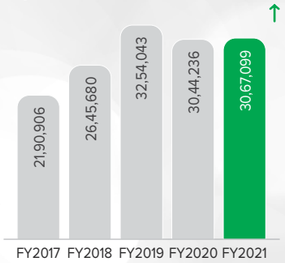
Operational review

Cement production

(in T) ↑

1% YoY growth

7% (5-year CAGR)

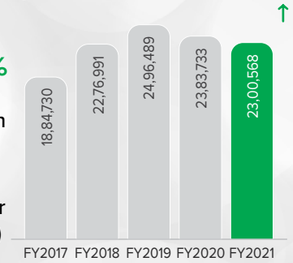


Clinker production

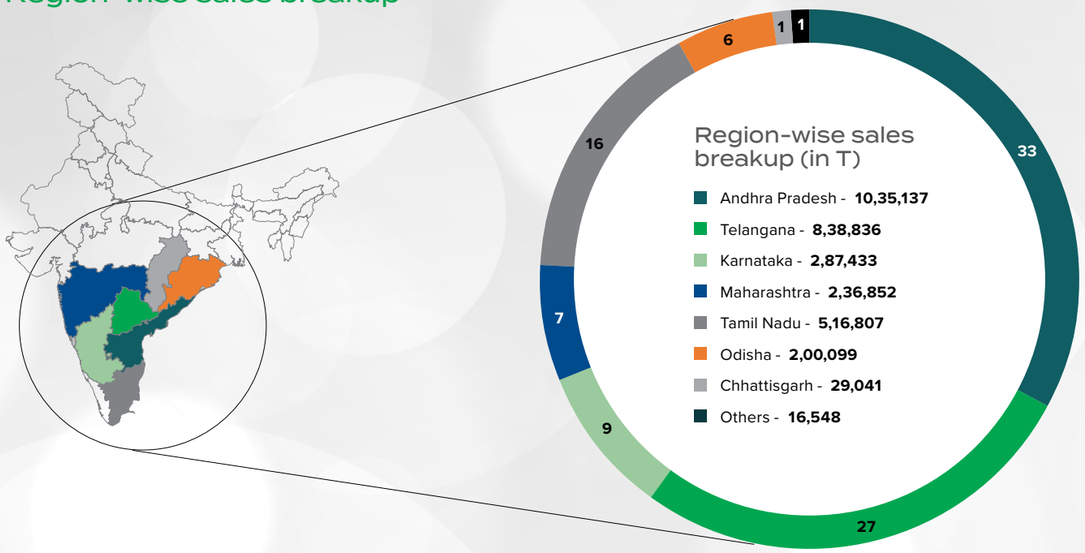
(in T) ↑

(3)% YoY growth

4% (5-year CAGR)



Region-wise sales breakup



Financial review

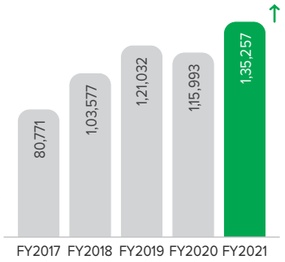
Profit and loss indicators

Net sales

(₹ Lakhs) ↑

17% YoY growth

11% (5-year CAGR)

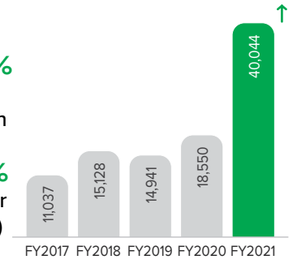


EBITDA

(₹ Lakhs) ↑

116% YoY growth

29% (5-year CAGR)

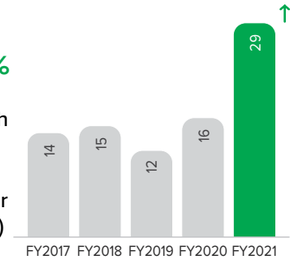


EBITDA margin

(%) ↑

85% YoY growth

17% (5-year CAGR)

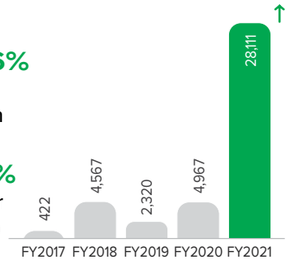


Profit before tax

(₹ Lakhs) ↑

466% YoY growth

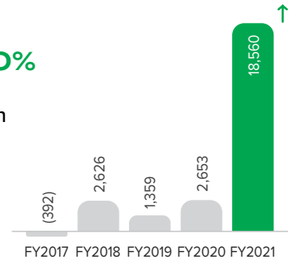
132% (5-year CAGR)



Profit after tax

(₹ Lakhs) ↑

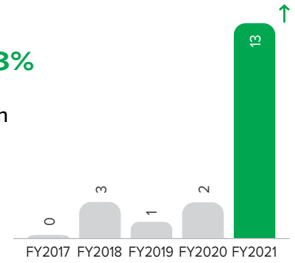
600% YoY growth



PAT margin

(%) ↑

498% YoY growth



↑ YoY growth

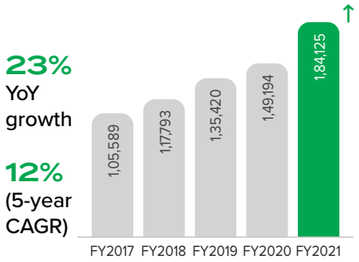
Profit and loss indicators

Net fixed assets*

(₹ Lakhs) ↑

23% YoY growth

12% (5-year CAGR)



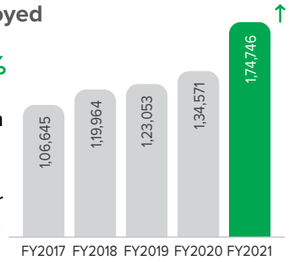
*includes goodwill

Average capital employed

(₹ Lakhs) ↑

30% YoY growth

10% (5-year CAGR)

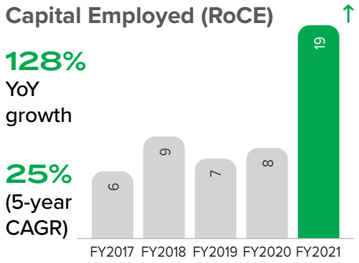


Average Return on Capital Employed (RoCE)

(%) ↑

128% YoY growth

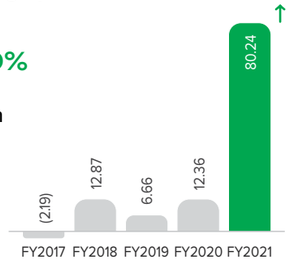
25% (5-year CAGR)



Earnings per share

(₹) ↑

549% YoY growth



↑ YoY growth

Direct economic value generated and retained 2020-21 (₹ Lakhs)

A) Direct Economic Value Generated	
Gross Revenue from Operations	1,68,667
Other Income	778
Total	**1,69,445**

B) Economic Value Distributed	
Operating Expenses (Excluding Employee Wages and Benefits)	94,001
Employee wages and benefits	7,636
Payment to providers of Capital	6,184
Payment to government	41,651
Total	**1,49,472**

C) Economic Value Retained (A-B)	19,973
Profit Before Tax	28,111
Profit After Tax	18,560
Earnings Per Share	80.24

Financial assistance received from government	
Benefits received under State Investment Promotion	1,714