

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