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