

## Opportunities and optimism



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Dear Stakeholders,

I write to you at a time when the worst of the pandemic seems to be behind us, even though spurts in COVID-19 cases now and then make a case for practising caution.

Reviewing the external environment, I can say with fair optimism that we are poised for times of great opportunity. The mettle of organisations was tested during the pandemic, and the resultant reorganisation, digitalisation and overall preparedness of companies have set them up for accelerated growth in a buoyant market scenario. This is especially true for companies such as Sagar Cements, which continue to maintain a strong long-term value focus.

### Reviewing the economic environment

In FY2022, the Indian economy is estimated to have grown by 8.9% (Source: NSO), a significant bounce-back in real terms compared to the last fiscal. This was enabled by strong government expenditure and the release of pent-up consumer demand. Projects under the National Infrastructure Plan (NIP) and initiatives, such as the Production Linked Incentive scheme, have reinvigorated economic activity, acting as force multipliers. However, the economy faces downside risks in terms of elevated inflation and higher fiscal deficit, which could push the Reserve Bank to move away from its accommodative stance.

### Strong prospects for cement

The Union Budget has earmarked 35% more capex and proposed infrastructure spend of over ₹ 10 Lakh Crores during FY2023. This indicates a reinforced commitment from the government towards infrastructure growth, which augurs well for the cement industry. The government's plan to construct 25,000 km of highways and roads in FY2023, together with continued execution of projects under the Bharatmala Pariyojna (BMP) and other infrastructure programmes, are welcome developments for the industry.

On the retail and housing front, the Pradhan Mantri Awas Yojana (PMAY) is attracting strong focus. Further, following a resurgent real estate demand, new projects across a combined area of 450 million sq ft are expected to be launched during FY2022-24 in the top 10 cities in India.

With the strong growth across sectors and user industries, cement is expected to experience buoyant demand in the

coming years. Industry players are, accordingly, announcing greenfield and brownfield projects, which are expected to capitalise on these encouraging prospects. The sector is also expected to witness mergers and acquisitions, with some room for consolidation.

While ripe with opportunities, FY2022 witnessed significant volatility in input prices, particularly with respect to fuel and this has narrowed the operating margins for players in the industry.

### Sagar Cements in FY2022

Resilience and growth underlined FY2022 for Sagar Cements. On an annual basis, we were able to maintain an EBITDA margin of 17%, driven by our cost efficiency measures and operational excellence that helped us meet increasing demand. However, the margin was less compared to 30% a year ago, predominantly as a result of rising input costs.

I am proud to say that this year also saw us commission our greenfield projects in Madhya Pradesh and Odisha. Together, they increased our installed capacity by over 40%. The projects also assume significance from a strategic point of view, as they give us solid entry points to the Central and Eastern markets, which are ripe with opportunities. They are thus critical to our transition from being a predominantly South India-based player, to transforming into a more geographically diversified cement company.

### ESG and climate action

One of the biggest realities of today is climate change, which needs immediate attention from everyone, especially those in core sectors, such as cement. The recently concluded UN Climate Change Conference

in Glasgow (COP26), and preceding report by the Intergovernmental Panel on Climate Change (IPCC) portends a 'Code Red' for humanity and calls for concerted action across governments and across sectors. India has supported this mission and committed to Net Carbon Zero by 2070. At SCL, we are reducing our overall carbon footprint through structured initiatives, increased blending and are in the process of charting our own net zero roadmap. We are also charting stringent targets on various ESG parameters, which we believe will guide us towards improved sustainability as an organisation.

### A future of opportunities

My outlook for the immediate and the long-term remains highly optimistic, with regards to India, the cement industry, and Sagar Cements, in particular. There are substantial opportunities for growth and impact, and we are well-placed to deliver on our strategy and commitments. In fact, in FY2022, in recognition of our continued performance, Premji Invest, the private equity and investment arm of one of India's largest philanthropic endowments, has acquired a 10% equity stake in our business.

I would like to take this opportunity to thank all our employees who have continued to raise the bar at Sagar Cements, and have helped us in realising our vision every day. I also express my sincere gratitude to all our investors, customers, partners, communities and other stakeholders, who continue to repose their faith in Sagar Cements and our journey.

Best regards,

**K. Thanu Pillai**  
Chairman