



THE INDIA CEMENTS LIMITED



CHAIRMAN'S ADDRESS TO SHAREHOLDERS

**SEVENTY SIXTH ANNUAL GENERAL MEETING
ON WEDNESDAY, THE 28TH SEPTEMBER, 2022**

THE INDIA CEMENTS LIMITED

CHAIRMAN'S SPEECH

Ladies and Gentlemen,

It gives me great pleasure in extending a warm welcome to all of you to the Seventy Sixth Annual General Meeting of your Company being conducted through video conferencing and other audio-visual means in compliance with the applicable provisions of the Companies Act, 2013 and the Rules issued by the Ministry of Corporate Affairs and Securities and Exchange Board of India (SEBI).

Members may know last year was Company's Platinum Jubilee year, which marked its 75 years of inspiring journey in concrete nation building. This year, Company and its Plants proudly joined the nation-wide celebration of 75th Anniversary of India's Independence and organised special events on the occasion.

The audited accounts and the Directors' Report for the year ended March 31, 2022, have been with you for some time now and with your consent, I shall take them as read.

ECONOMY

The world economy staged a recovery in 2021 after the worst ever downturn in 2020 caused by the spread of the Coronavirus (Covid-19) which had severely disrupted economic activity and global trade.

After global GDP shrunk by 3.5% in 2020, it was estimated to have grown by 6.1% in 2021 as per IMF estimate. World Bank also estimated rebounding of global growth to 5.5% in 2021.

INDIAN ECONOMY: ROBUST RECOVERY TO PRE-PANDEMIC LEVELS

Last year, Indian economy sustained the turnaround witnessed from the fourth quarter of 2020-21, with good recovery, economic activities exceeded the pre-pandemic levels of 2019-2020. With broad-based recovery in terms of various high-frequency economic indicators, the overall GDP growth in 2021-22 was estimated at 8.7% against the contraction of 6.6% in 2020-21.

The growth rate last fiscal was marginally lower than the 9.2% projected earlier mainly due to supply chain risks that started towards the end of last fiscal year triggered by the spike in the prices of commodities and crude oil after the outbreak of Russia-Ukraine war.

SECTORAL PERFORMANCE

As in the previous years, agriculture and allied sector remained a bright spot in 2021-22 with 3% growth in GVA (against 3.3% in 2020-21). The good rainfall reported in both the monsoon seasons, improved storage in major reservoirs and other factors improved the prospects of farm sector and rural economy.

Last year, the industrial and services sectors also posted recovery with improved consumption and demand on the back of stepped up

higher public spending. Index of Industrial production grew by 11.3% in 2021-22 (against the contraction of 8.4% in 2020-21) aided by the revival in private investments on projects, growth in manufacturing sector, power generation and mining activity.

Credit off take also improved during the year. The Government had fiscal headroom to meet the fiscal target with buoyancy in tax revenue and additional resource mop up.

CORE SECTOR GROWTH

The cumulative growth of core sector or infrastructure sector in 2021-22 was 10.4 % (compared to a contraction of 6.4% in 2020-21) driven by higher production of steel, cement and natural gas.

CONSTRUCTION & HOUSE BUILDING ACTIVITY

During 2021-22, construction sector staged a smart recovery and grew by 11.5% against the contraction of 7.3% suffered in the previous year due to the slump in economic activity , pandemic induced mobility curbs, shortage of labour and extended rainfall in the two monsoon seasons.

Post pandemic, work from home and anywhere concept remained popular in urban and semi-urban centres. This along with the increased preference for living in own homes and work places apart from the Government's thrust on infrastructure development, affordable housing, easy availability of home loans and Income tax rebates in the Budget led to pick up in new house building, renovation of homes and construction activity.

CEMENT INDUSTRY

Last year, revival in construction sector led to pick up in cement demand which was sustained due to the pent up demand and the increased infrastructure spending by the Centre and States but the industry suffered from steep increase in the cost of production due to unprecedented increase - almost double in the price of thermal coal and petcoke along with spiralling increase in petroleum products prices.

The Russian war with Ukraine and the sanctions imposed on Russia and its exports led to further shortage of coal and oil in the market. All these had adversely impacted profitability of the industry and it was unable to increase cement prices to cover the increase in cost.

As per DIPP estimate, cement production increased by 20.8% during 2021-22 against the contraction of 10.8% reported in 2020-21. The recovery in South was sluggish and it witnessed a moderate growth of 8 % and a marginal growth of 2 % in the last quarter. The overall capacity utilisation at the national level was 63% to 64 %.

PERFORMANCE OF THE COMPANY

Last year, the spiralling increase in the cost of input materials together with the loss of volume resulted in sub optimal performance of the Company. Compared to players in other regions, performance of the Company has to be viewed against the backdrop of lower capacity utilisation in the South, huge increase in the cost of imported coal/petcoke, intense competition, extended rains leading to floods and thus sluggish demand growth.

It should also be noted that the Company has Plants of various vintages with varying operating operators.

The overall volume marginally improved to 90.70 lakh tonnes when compared to 89.02 lakh tonnes in the previous year. During the year, capacity utilisation also marginally improved to 58% from 57% in the previous year. Capacity utilisation was lower due to second wave of Covid which impacted its main markets- Tamil Nadu, Kerala, Karnataka and Maharashtra. It was further fuelled by substantial increase in the price of coal together with its shortage in availability in the market.

The Company's operating margin came down as the uncompensated increase in variable cost alone was over Rs.400 per tonne or Rs.350 crore during the year. However, it continued its efforts on pruning the fixed cost with strict control on contract labour, administrative and marketing overheads, travel and other expenses. Despite its lower capacity utilisation, it met all its obligations to banks and financial institutions.

Total revenue, including other income increased to Rs.4730 crores against Rs.4460 crores. The substantial increase in expenditure on account of the significant cost push resulted in 42% drop in EBIDTA at Rs.478 crores compared to Rs.830 crores in the previous year.

The interest and other charges were lower at Rs. 204 crores (Rs.265 crores) while depreciation was Rs.220 crores (Rs.242 crores).

The resultant profit before tax was lower at Rs.54 crores compared to Rs. 323 crores in the previous year. After considering other comprehensive items, the total comprehensive income for the year was marginally higher at Rs.231 crores (Rs.222 crores).

PERFORMANCE DURING THE CURRENT YEAR

With normalcy in economic activity, demand for cement improved at the national level. DIPP estimated a 17% increase in output in the first quarter of 2022-23 on an all India basis as compared to the low base of the previous year which was impacted by the second wave of Covid. The growth rate in south for the cement industry was higher than that of all India growth rate resulting in close to 50% increase in production in the first quarter of the year as compared to the previous year.

Despite better demand, the industry in south was unable to pass on the increase in cost of production due to huge capacity over hang. Hence, as compared to All India peers who had a reasonable increase in the selling price to partially offset the cost increase, the industry in south had to bear the brunt of severe cost push without any compensating increase in the selling price of cement.

While variable cost went up significantly over that of previous year, the net plant realization improved only marginally by 4% and such increase in variable cost alone was close to Rs.200 crores and was the primary reason for the drop in EBIDTA to around Rs.39 crores for the quarter ended 30th June 2022, as compared to Rs.165 crores in the same quarter of the previous year.

After taking into account the benefit of lower taxation rate, the deferred tax liability has been recomputed and thus, the profit after tax was Rs.76 crores for the quarter ended 30th June, 2022, as compared to Rs.37 crores in the same quarter in 2021-22.

The overall volume of sale of clinker and cement was 26.72 lakh tonnes (19.45 lakh tonnes). It should be noted that the growth rate in cement sales for the company was marginally lesser than that of peers in the south as the company reduced its despatches to east and far off markets as the contribution was very low in view of increased cost.

NEW MARKETING INITIATIVE

In March 2022, in order to increase its market presence and broad base its sales, the Company launched two value added and application based products - Concrete Super King (CSK) and Halo Super King (HSK). Members will be happy to know that the new products are well received by our channel partners and customers in different markets. Alongside, the Company is focused on strengthening its sales and marketing force.

ECONOMIC OUTLOOK FOR 2022-23

India is expected to remain a resilient and the fastest growing economy across the globe aided by the broad based recovery with a GDP growth of 7.2% to 7.4% in 2022-23 projected by RBI and global agencies.

This is despite the risks created by global headwinds triggered by the on-going Russian-Ukraine war apart from the domestic inflationary concerns, interest rate hikes, depreciating Rupee value against US Dollar and cost pressure.

At the same time, the Centre and Southern States are expected to retain their thrust on giving push to housing projects and infrastructure development by implementing irrigation, road building, metro rail and other infrastructure projects.

As in the last two years, the good rainfall reported this year from South-West monsoon season augurs well for improved prospects of rural economy.

Cement demand is expected to remain on track with increased house building and construction activity in metros, rural, semi-urban and urban centres although cost pressure is expected to remain with higher cost of fuel, power tariff and logistics and the consequential impact on all other materials including packing.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always been a forerunner in supporting socially relevant activities and livelihood programmes. As part of CSR, the Company conducted vaccination camps in villages near its Plants and constructed shelters to support initiatives for mass vaccination. The Company also distributed oxygen generators, sanitizers to local authorities and people in nearby villages. The activities are outlined in the Annual Report.

SUSTAINABLE ENVIRONMENT, HEALTH & SAFETY

The Company is committed to maintaining sustainable environment through meeting the norms of environment regulations, improving efficiencies, reducing greenhouse gas emissions, water conservation, afforestation at its Plants to protect nature etc., and the Plants have been conducting various safety and health related training programmes for the workforce.

AWARDS, RECOGNITIONS & LICENSES

The Company's Sankarnagar and Sankari Plants in Tamil Nadu have been awarded "Occupational Health, Safety and Environment Awards 2020- Appreciation Award" by the National Safety Council.

The Company's Sankari Works has also won Bronze Award in CII-SR EHS Excellence Awards 2021 from CII for its commitment in Environment Health and Safety practices.

The Company's Chilamkur Works received Certificate of Appreciation from the Bureau of Indian Standards (BIS) for consistent quality maintenance for more than 25 years.

The Company's Yerraguntla Works and Parli Grinding Unit have been granted Environment Management System for Quality Management and Environment Management and Occupational Health and Safety Management System by the Bureau of Indian Standards.

Besides the above, during the Mines Safety Week Celebrations, the mines attached to the Company's works at Malkapur, Vishnupuram and Yerraguntla have won several awards for safety and environmental conservation.

HUMAN RESOURCE DEVELOPMENT & TRAINING

Company's HR philosophy strongly believes in the concept of good people making a good organisation. It is known for its strong focus on man management, team building, enhancing leadership qualities and encouraging the workforce to grow along with the organisation

The Company is credited with enjoying cordial industrial relations for a number of years and it continued during the year under review. It has been encouraging employees to put their best foot forward in the coming years. The emphasis is on improving the operational efficiency, reduce cost and streamline the way we distribute and market cement.

After many years of considerable reduction in work force, the Company is focused on improving the multi-tasking of its employees. Contemporary performance appraisal system for recognising the talents are being introduced along with focus on developing future leaders,

ACKNOWLEDGEMENT

I would like to acknowledge with gratitude the help and co-operation received by us from the Central Government, the Governments of Tamil Nadu, Maharashtra, Andhra Pradesh, Telangana, Rajasthan and their agencies, the all-India Financial Institutions, our Bankers, Investors and stockists.

I wish to commend the management team and the employees of the Company for their dedicated endeavours during the year.

Thanking you.