



75TH ANNUAL GENERAL MEETING OF
THE INDIA CEMENTS LIMITED



**CHAIRMAN'S
ADDRESS
TO SHAREHOLDERS**

**SEVENTY FIFTH
ANNUAL GENERAL MEETING
ON WEDNESDAY, THE
8TH SEPTEMBER, 2021**



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CHAIRMAN'S SPEECH

Ladies and Gentlemen,

It gives me a great pleasure in extending a warm welcome to all of you to the Seventy fifth Annual General Meeting of your Company being conducted through video conferencing and other audio-visual means to comply with the Government norms on social distancing and restrictions to prevent the spread of Covid-19 pandemic.

This year marks a great milestone for your Company, being the Platinum Jubilee year and in the later part of my address I have highlighted the inspiring journey of Company in nation building in the last 75 years.

The audited accounts and the Directors' Report for the year ended March 31, 2021, have been with you for some time now and with your consent, I shall take them as read.

ECONOMY

Whereas the World Economy recorded a marginal growth of 2.9% in 2019, it faced the worst ever downturn in 2020 in the wake of the spread of coronavirus (Covid-19) pandemic.

It is estimated by IMF that in 2020 Global GDP contracted by 3.3%, said to be the worst ever since World War II. Global trade volume contracted by 8.5% after a mere 0.9% growth in 2019.

In India, the virus which emerged from the 1st week of March 2020, resulted in complete lockdown of the entire country from March 25 that paralysed total economic activity.

Indian economy was the worst hit with the GDP growth shrinking by an unprecedented 23.9% in the first quarter of the year (April-June).

From June 2020, Union and the State Governments relaxed the lockdowns in a phased manner while retaining certain restrictions. Barring agriculture and allied sectors, other sectors including construction reported negative growth.

The Centre announced a series of stimulus measures (Aatma Nirbhar Bharat Abhiyan) with focus on reviving consumption and increased public spending on irrigation, road building, housing and other projects. RBI also announced monetary measures to support the stimulus package.

A RESILIENT ECONOMY

With the vaccination drive from January 2021 and the broad-based recovery in terms of various high-frequency indicators, growth improved to 1.6% in the fourth quarter.

Whereas earlier, in the wake of first Covid wave, a steep contraction of 9 to 10% in GDP growth was projected in 2020-21, it shrunk by 7.3% against a positive growth of 4% in the previous year. The revival indicated the resilience of our economy.

SECTORAL PERFORMANCE

Last year, farm sector, less impacted by Covid-19, turned a bright spot with good rainfall reported in both monsoon seasons for the second year in a row and this in turn improved the prospects of rural economy.

With better farm practices and marketing facilities, increased supply of inputs and crop loans, agriculture and allied sector posted a GVA growth of 3.6% during the year against 4.3% in 2019-20. In fact, last year, the share of this sector in GDP improved to 19.9% from 17.8% in the previous year.

On the other hand, Covid crisis, lockdowns, mobility restrictions and weak demand severely affected industrial and services sectors. In 2020-21, the overall IIP growth contracted by 8.6% after a mere 0.8% growth in the previous year. Covid crisis also affected the performance of core sector or infrastructure sector.

CEMENT INDUSTRY

The construction industry, which was paralysed by the exodus of migrant labour, restriction on inter-state movements, started recovering from September 2020.

Though the restrictions and slow recovery in the first quarter led to cement production contracting by more than 45%, it subsequently improved with the easing of lockdown and significant uptrend in production and prices.

While the de-growth in cement production upto December 2020 was over 20% on all India basis, it picked up smartly in March 2021 with more than 32% growth and it came to 7% in the 4th quarter. This helped in containing the de- growth to 11.9% last year.

With huge capacity overhang in South, the industry in the region recorded a de-growth of 13% last year. At the same time, support from Andhra Pradesh and Telangana Governments with higher infrastructure spending increased the construction activity and demand for cement.

Last year, demand was worst hit in metro cities that were reeling under the impact of pandemic. All the same, there was improved rural demand as the rural economy was less impacted by the pandemic and the good rainfall improved its prospects.

Also, due to the pandemic and re-location of work places, the work from home and anywhere practice turned popular in urban and semi-urban areas. This along with the thrust on affordable housing, liberal home loans with lower interest and extended income tax concessions led to pick-up in house building activity and renovation of homes.

PERFORMANCE OF THE COMPANY

During the year under review, performance of the Company significantly improved despite a steep drop in volume caused by Covid-19 pandemic and the steep increase in fuel price, other input costs, freight and packing cost. The capacity utilisation improved every quarter from around 37% in the first quarter to 77% in the fourth quarter.

The Company adopted cash and carry policy which helped in improving the liquidity. It continued its pro-active steps in controlling the fixed cost on contract labour, administration and marketing overheads with total ban on travel and cutting down other discretionary expenses.

The Company also extensively used technology for communication between plants and with stakeholders without losing its focus on improving the operating parameters.

The overall volume came down by 19% to 89.02 lakh tonnes when compared to 110.22 lakh tonnes in the previous year. The variable cost of production was maintained as that of previous year.

The improved selling prices during the year along with tight control on operating parameters and substantial reduction in fixed costs ensured a better bottom line for the Company.

Total revenue, including other income, came to Rs.4460 crore against Rs.5085 crore. While the drop in cement volume contributed to a loss of around Rs.300 crore, the 12% rise in net plant realisation together with reduction in fixed cost more than made up the shortfall and resulted in higher EBIDTA of Rs.830 crore as compared to Rs.613 crore in the previous year.

The interest cost and other charges significantly reduced to Rs.265 crore against Rs.334 crore while depreciation was Rs.242 crore against Rs.247 crore. The resultant profit before exceptional items and tax was Rs.323 crore, a substantial improvement over Rs.32 crore in the previous year.

The Company reported a net profit of Rs.222 crore against a loss of Rs.36 crore in the previous year. The performance is creditable considering that the overall capacity utilisation was only 50% during the year.

PERFORMANCE DURING THE CURRENT YEAR

In the first quarter ended June 30, 2021, the Company reported impressive performance despite the onslaught of second wave of Covid-19 pandemic.

Despite the drop in net plant realisation and increased cost pressure, backed by the increased volume, the EBIDTA was up at Rs.165 crore as compared to Rs.159 crore in the previous year.

The overall volume of clinker and cement was at 19.45 lakh tonnes (14.28 lakh tonnes). The performance was generally in line with the industry in South.

As per information published by DIPP, the index of eight core industries moved up significantly by 25% during the first quarter of this year and cement production in particular moved up by more than 52% on all India basis compared to last year which was on a low base fully impacted by pandemic.

As per information available, the industry in the South also increased its despatch by more than 40% when compared to the same quarter of the previous year. The cement prices also sustained during the quarter under review ensuring reasonable bottom line for the industry which is yet to reach its normalcy in production.

Unlike the earlier wave, the second wave impacted only a few States and there are optimism prevailing for a “V” shaped recovery in economy which is expected to clock a growth of more than 9% during the current year. However, one has to be cautiously optimistic about the immediate future, given the predictions of a third wave of Covid-19 pandemic.

ECONOMIC OUTLOOK FOR 2021-22

According to the latest official estimates, GDP growth rate in the first quarter (April-June) of 2021-22 surged by 20.1% compared to a contraction of 24.4% in the same quarter a year ago.

This indicated that Indian economy is in recovery mode with improving performance across various high-frequency industrial and services sectors indicators.

The recovery is said to have deepened with further easing of Covid related curbs and inoculation drive. RBI and global agencies have projected a rebound with a strong GDP growth of 9.5% in 2021-22.

With reports of good rainfall for third consecutive year, farm sector and rural economy are expected to do better creating more rural demand.

With re-location of work places and increasing work from home and anywhere concept, there is an increased house building and construction activity in urban and semi-urban centres.

The expansionary Budget of the Centre for 2021-22 has envisaged a 34% increase in capital expenditure and if the promised capex on infrastructure, roads, metro rails, including in the South, takes place, there is scope for higher demand for cement.

The new Government in Tamil Nadu has started giving push to housing and infrastructure development. Andhra Pradesh and Telangana Governments are also implementing irrigation, road building and other infrastructure projects and new housing schemes.

All these developments give room for cautious optimism for cement demand in the coming months.

PLATINUM JUBILEE YEAR

Members will be happy to know that this year is the Platinum Jubilee year for the Company incorporated on 21st February, 1946. We can be proud of its 75 years of inspiring journey of excellence in nation building. In commemoration of the Platinum Jubilee Celebrations, a trophy with new logo has been unveiled.

On this momentous occasion, I would like to pay my tribute to our Visionary Founders, Shri.S.N.N.Sankaralinga Iyer and Shri.T.S.Narayanaswami and fondly remember all those who have been an integral part of this journey, who have stood by the Company and immensely contributed to the Company crossing several milestones and attaining the illustrious position.

In fact, as you all know, Company's name is synonymous with India's Independence and it represents the story of the Country from the time we became Independent to now. In very many ways, Company participated in the development and growth of technology in India.

Having been associated with the Company since 1968, I feel all the more proud and have a sense of achievement. The Company has seen 75 summers and it is still going strong. With the support of all stakeholders, the Company is well poised to achieve many more glories in the years ahead.

True to our tag line "tested by times", we have travelled a long way; we have seen the control period, partial de-control, full de-control, competition and excess production. We have seen all sorts of governance and increasing regulations. We have grown by acquisitions apart from green field expansions. We have a mix of a culture and adapting to it has been our strength.

COMPANY HAS MANY FIRSTS TO ITS CREDIT

Founders had the courage and confidence to go in for a public issue of Rs.1 crore in 1946 (which was oversubscribed) even before India gained independence and it was possibly one of the first public issues.

When the DFI, Industrial Development Bank of India (IDBI) was set up, India Cements was among the first applicants seeking funds for a one million tonne expansion.

Again, it was the first Company to get a licence to produce PPC (Portland pozzolana cement). It was the first one to set up a waste heat recovery plant in Vishnupuram, now part of Telangana. From this plant, last year, we used 5 crore units to meet our power requirement. We are setting up another plant in Chilamkur.

Today, we are literally a power producer as we have a total capacity to generate 170 MW of power from different sources.

It was the first Company to implement the Wage Board in 1960. We are still a leader in the field of industrial relations. From 1992, seven settlements have been reached in the cement industry under the leadership of India Cements.

It was the first Company from South to venture into Western India to set up a cement grinding unit at Parli in Maharashtra.

It was one of the first few corporates to set up residential colonies near the Plants. This has helped to control the spread of pandemic and continue our operations.

ICONIC STRUCTURES STANDING TESTIMONIAL TO OUR CONSISTENT QUALITY

From modest beginnings in 1949, when Sankar Cement made its first appearance in the market, both Sankar and Coromandel have been associated with building landmark structures including modern infrastructure projects and dream homes. Every testimonial building that has been built with our cement is a standing testament to the consistent quality of our cement.

We have touched the lives of different sections helping them to build their dream homes and by providing education and giving employment to local people.

Over the last 7 decades, the Company has earned the unshakeable trust of thousands of architects, builders, engineers, stockists, dealers and consumers alike. India Cements is a story of wealth creation fuelled by the foresight, missionary zeal and vision of its Founders and the dedicated efforts of its employees.

LONG SPORTING TRADITION

Company can also be proud of its long sporting tradition since early sixties and its rich contribution to the development of sports and sports persons.

The legacy of the 60s continued to fuel the passion for cricket that burnt higher and stronger in later years.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always been a forerunner in supporting socially relevant activities and livelihood programmes. As part of CSR, the Company has contributed to conducting vaccination camps in villages near its Plants. It is also regularly conducting health camps and other activities in nearby villages. They are outlined in the Annual Report.

SUSTAINABLE ENVIRONMENT, HEALTH & SAFETY

The Company is rigorously following a policy of ensuring sustainable environment through meeting the norms of environment regulations without compromising on the standards. It has a well-defined policy in place for Safety, Health and Environment. It has been undertaking mass plantation of tree saplings for increasing the green cover in and around the Plants and bio-diversity. It has also been conducting awareness programmes on safety and environment. Many safety audit programmes were conducted through electronic means like zoom.

AWARDS, RECOGNITIONS & LICENSES

Banswara works, has won the State Factory Safety Award for 2021, instituted under the Safety Award Policy of Rajasthan Government.

Sankari Works has won the 4th level Award viz., Prashansa Patra (Certificate) in Group D under the manufacturing sector in NSCI Safety Awards 2020. From Tamil Nadu, India Cements is the only Company to have won the award under the Group D category.

Sankari Works has secured 3 Star rating from Confederation of Indian Industry (CII) in appreciation of Environment, Health & Safety (EHS) practices followed in the Plant for the year 2020.

Dalavoi Works has been granted re-certification of Integrated Management System for Quality Management System, Environment Management System and Occupational and Safety Management System for a further period of 3 years.

Besides the above, some of the other units have been granted extension of ISO and Quality Management Systems Certification during the year.

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.

Company is credited with enjoying cordial industrial relations for a number of years and it continued during the year under review.

The Company has also retained its focus on developing future leaders and towards the end it has been conducting various training programmes through premier institutes and experts.

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 and Investors.

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

Thanking You.