

Striding ahead. Steady and sustainable.



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With each passing year, Sagar Cements is growing stronger and more versatile in all areas of business. From doubling capacity to incorporating innovative solutions, we are navigating our way forward. Producing quality cement is our trademark and we do this with much love and care for the environment and people. We stand on our commitment towards building a sustainable future and promoting shared growth.

Marching ahead we see to have a positive transformation by incorporating sustainability goals in our business model to benefit stakeholders in the long term. Over the coming years, our ESG ambitions will help us prove our worth by abiding by the commitments we have made towards the environment, people, and business. As the need of the hour is to have a business that upholds carbon commitments, we are on track to do it proactively. The forty plus years of legacy will shine brighter as the efforts we take today will bear fruits tomorrow.



Gudipadu, A.P. Plant



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ESG Vision 2030

We have been undertaking a host of initiatives across various ESG parameters. We believe integrating sustainability objectives into our core business strategy is a value-creation imperative, which comes with significant long-term benefits for all our stakeholders. In order to further strengthen our ESG commitment, we have codified an ESG vision and roadmap, where we have targets across key focus areas over the medium (2030) and long term (2050).

ESG focus areas



Environment

- ⚡ Energy
- 💧 Emissions
- 💧 Water
- ♻️ Waste management
- 🚛 Resources
- 🌿 Biodiversity

→ Read more on page 32



Social

- 👤 Employee well-being
- 🛡️ Health and safety
- 🤝 Suppliers and partners
- 👥 Communities

→ Read more on page 40



Governance

- 🏢 Corporate governance practices
- 📊 Transparency and stakeholder engagement
- ⚖️ Ethics and compliances

→ Read more on page 46

About this report

We are proud to present this fourth annual integrated report of Sagar Cements Limited (SGC). The objective of the report is to communicate how SGC creates, retains and enhances its stakeholder value. This report provides details of the organisation’s credentials and the environment in which the Company operates.

It articulates how the Company, through its strong financial and non-financial performance, is able to meet shareholders’ expectations by leveraging good governance practices, a robust business model, a future-forward strategic framework, and sustainability commitments. The report discloses our performance across six capitals – Financial, Manufactured, Intellectual, Human, Natural, and Social and Relationship, thereby providing insights on our value creation efforts towards our stakeholders.

Reporting period

This report covers the disclosures that have happened during the financial year FY2023 (1st April 2022 to 31st March 2023) unless mentioned otherwise.

Scope and boundaries

This report presents information on SGC, its material subsidiaries, and its integrated and grinding units located in various parts of India. It also covers information on the multiple resources and external services that the Company is dependent on, to create value and impact.

Frameworks

The report is prepared on the lines of the <IR> framework published by the Value Reporting Foundation. The Value Reporting Foundation is a global non-profit organisation comprising International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB). Non-financial disclosures are made with reference to GRI Standards 2021.

The report complies with the following requirements:

- The Companies Act, 2013
- Indian Accounting Standards
- The Securities and Exchange Board of India (SEBI) Regulations 2015
- Secretarial Standards issued by the Institute of Company Secretaries of India

Safe harbour

Certain matters discussed in this report may contain statements regarding the Sagar Cement’s (the Company) market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the cement industry in India and world-wide, competition, the Company’s ability to successfully implement its strategy, the Company’s future levels of growth and expansion, technological implementation, changes and advancements, change in revenue, income or cash flows, the Company’s market preferences and its exposure to market risks, as well as other risks. The Company’s actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this presentation. The Company assumes no obligation to update any forward-looking information contained in this communication. Any forward-looking statements and projections made by third-parties included in this communication are not adapted by the Company and the Company is not responsible for such third-party statements and projections.

Assurance

The standalone and consolidated financial statements provided in the report are audited by Deloitte Haskins & Sells, the statutory auditors of the Company. The non-financial data in this report have been reviewed by TUV India Private Limited.

The members of the Board along with the senior management at Sagar Cements have reviewed the information presented in this integrated report for consistency, clarity and fairness of the messaging. The report is approved for public release on 5th June 2023.

Feedback

We value your feedback that would enable us to disclose relevant information in an effective and transparent manner. For any suggestions and queries, please write to us at: feedback.ir@sagarcements.in

Read about our ESG efforts on Page 30 and ESG disclosures in the Business Responsibility and Sustainability Report on Page 99.

Our capitals



Financial capital

Financial resources utilised and secured for the future

Material topics

- Economic performance and profitability
- Interest payment
- Tax and economic contribution
- Return on investment



Manufactured capital

Assets covering cement plants and mines used for the production of cement and building materials

Material topics

- Order fulfilment
- Responsible sourcing and alternate raw materials



Intellectual capital

Research and innovation producing best-in-class products for our customers and supporting growth

Material topics

- Technology and process innovation



Human capital

A pool of skilled employees and labour on contract, along with consistent efforts to enhance knowledge, skills, experience and motivation

Material topics

- Benefits fair compensation and social security
- Occupational health, safety and well-being
- Employee relations and engagements



Social and relationship capital

Collaboration with stakeholders including customers, community impacted by our operations, suppliers, vendors and contribution to their growth

Material topics

- Customer satisfaction
- Brand and reputation



Natural capital

Natural resources used and impacted by Sagar’s mining and cement production

Material topics

- Transport and logistics
- Waste management and circular economy
- Climate and energy

→ Read more on value generated through the capitals on page 20

Steady performance

Financial	Operational	Environment	Social	Governance
Revenue (₹ in Lakhs) 2,22,954 40% YoY	Cement Produced (MT) 47,60,282 32% YoY	Specific Power Consumption (kWh/ton) 77.79 (75.93 in FY22)	Employee Strength 2,907	Female Directors on Board 3
EBITDA (₹ in Lakhs) 15,318 44% decline YoY	Green Energy Generated (MWh) 99,484 22% YoY	Reduction in GHG Emissions (%) 0.4%	CSR Spending (₹ in Lakhs) 306 (255 Lakhs in FY22)	Independent Directors on Board 33%
PAT (₹ in Lakhs) 850 86% decline YoY	Capacity Utilisation 58% (61% in FY22)	Specific CO ₂ /Tonnes (in) 700.28 kgs (703.08 in FY22)	Fatalities Zero	Average attendance at Board meetings 95%
	Recycled Water (KL) 80,653 105% YoY	Waste Recycled (MT) 10,24,507	Lives Impacted 69,629 (42,000 in FY22)	
	Specific Water Consumption (Ltr/Ton) 112 91 Ltr/Ton in FY22			
	Thermal Substitution Rate (TSR) 3.31% 3,76% in FY22			

YoY growth YoY decline
** All specific consumption is for cementitious material



Building trust

Sagar Cements is a leading cement manufacturer in India with a strong presence in the Southern markets and expanding footprint in the Central and Eastern parts of the country. We have been producing high-quality cement for over four decades and have earned to be a trusted name in the construction industry. Our manufacturing units are strategically located in the southern, central, and eastern regions of the country. We are committed towards sustainable manufacturing practices reducing our environmental impact through innovative processes.

Product portfolio

Product name	Description	Green Certification
Ordinary Portland Cement (OPC)	Known as grey cement – which includes 90-95% clinker, 5-10% gypsum and other materials	–
Portland Pozzolana Cement (PPC)	Blended cement consisting of 15-35% pozzolanic material, 4% gypsum and balance clinker.	GreenPro Gold and Platinum
Portland Slag (PSC)	Consists of 25-75% granulated slag, 3% gypsum and balance clinker.	GreenPro Gold and Platinum
Ground Granulated Blast-furnace Slag (GGBS)	Used as a partial replacement of cement in concrete. Acts as a stabilising agent when added as an admixture to concrete.	GreenPro Platinum
Sulphate Resistant Cement (SRC)	It is a type of Portland cement with Tricalcium Aluminate (C3A) < 5% and C3A and calcium aluminoferrite (C4AF) combined <25%	–

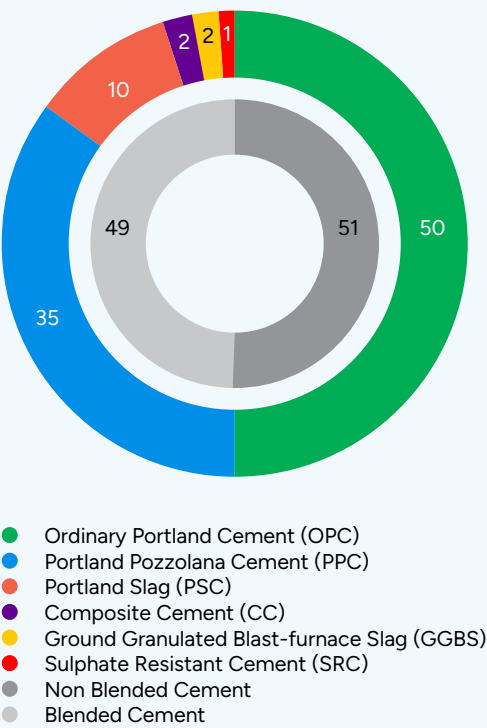
Our Mission

To be India’s most respected and attractive company in our industry – creating value for all our stakeholders

Our Vision

To provide foundations for the society’s future

Share in total portfolio (%)



Sagar Cements at a glance

10.85 MTPA
Total production capacity

828.095 MnT
Limestone resources

2,675
Channel partners

6.40 MTPA
Clinker capacity

96.96 MW
Total captive power capacity


A/Stable
Long-term issuer rating by India Ratings and Research

74
Warehouses

11
Offices

1
R&D facility

2
New products launched in FY2023

 Gudipadu, A.P. Plant

About Sagar Cements

Plant wise capacity

With a strong trust and goodwill built for almost four decades, we have been ramping up our capacity gradually. These achievements are a feather in our cap that has gone a long way in making what we are today.

Plants	Capacity MTPA	Captive power MW	Thermal Power MW	Green energy MW	Limestone resources MnT	Markets
Integrated Plant						
Mattampally, Telangana	3.00	28.23	18.00	10.23	398.27	AP, TS, TN, OD, MH
Gudipadu, Andhra Pradesh	1.25	25.00	25.00		166.16	AP, KA, TN, TG
Jeerabad, Madhya Pradesh	1.00	5.30		5.30	65.25	Western MP, GJ, RJ, MH
Dachepalli, Andhra Pradesh	1.80	30.00	30.00		198.42	TS, AP, TN & KA
Grinding Unit						
Bayyavaram, Andhra Pradesh	1.50	8.43		8.43		AP and South OD
Jajpur, Odisha	1.50					OD, WB, JH
Visakhapatnam* Andhra Pradesh	0.80					AP and South OD

Note: * It is proposed to decommission this Plant in due course.

Our journey

1985	1993	1996	1998	2008	2015	2016	2017	2018	2019	2022	2023
Plant commissioned with 200 TPD kiln four stage preheater technology	Installation of separate line Calciner with 5 stage pre-heater and jaw crusher	Additional cement mill and tertiary crusher	Installed KIDS cooler which is a clinker inlet distribution system	JV with Vicat to set up 5.5 MTPA cement plant in Karnataka	Acquired BMM Cement having 1 MTPA capacity	Acquired Bayyavaram unit and ramped upto 0.3 MTPA	Commissioned WHRS 7.5 MW and Solar Power 1.25 MW	Bayyavaram capacity ramped upto 1.5 MTPA	65% stake in Satguru Cement, MP and 100% stake in Jajpur Cement, Odisha	Commissioned 1 MTPA integrated plant at Jeerabad, MP and 1.5 MTPA grinding unit at Jajpur, Odisha	Acquired Andhra Cement with capacity of 2.6 MTPA

10

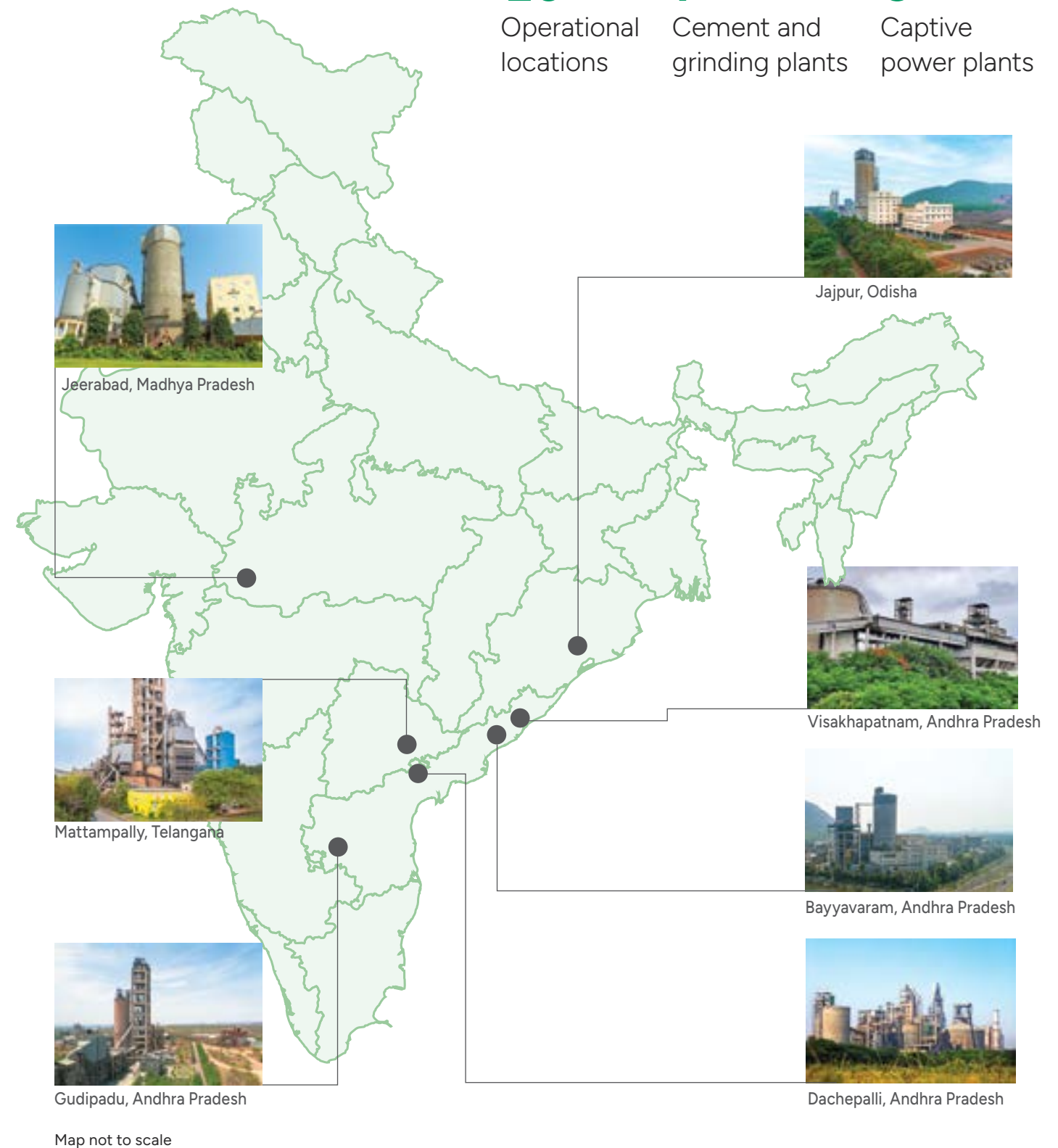
Operational locations

7

Cement and grinding plants

3

Captive power plants



Company Overview

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Investment case

What differentiates us

Identifying the future prospects of infinite growth opportunities, we are transforming ourselves to be mightier with each passing year. Sagar Cements is determined to consistently keep its hallmark of producing quality cement for varying needs through innovative approaches.



1

Inorganic Business Expansion Plans

Acquisition of Andhra Cements to strengthen market position in South India. The ₹ 922 Crores acquisition of Andhra Cements will add a 2.6 MTPA cement capacity in South India, taking the total capacity over 10 MTPA. The key end-use markets for Andhra Cement are Telangana, Andhra Pradesh and Tamil Nadu. It is proposed to spend an additional amount of around ₹ 470 Crores for the enhancement of Andhra Cement unit capacity by 1.2 MT and clinker production by 0.6 MT by second half of FY2025. Accordingly, the total capex stands at ₹ 1,400 Crores and the capacity comes at ~\$ 56 per tonne.

2

New and growing plants to Drive Sales Growth

Sales volume growth in FY2023 was due to a combination of an increase in the volumes in South India and additional volumes from the newly constructed plants in Madhya Pradesh and Odisha. The ramp of these new plants along with the increasing utilisation of existing plants, will be a key growth driver. This will be supported by growth in increasing penetration in the central region, which has low-per capita cement consumption.

3

Geographically Diversified with Significant Presence

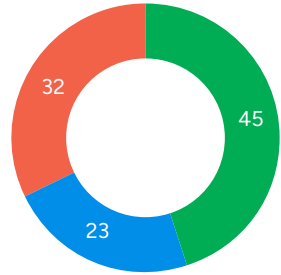
Sagar Cements is a major brand in the Krishna river belt of southern India. The new capacity additions in Madhya Pradesh and Odisha have not only increased scale but also enhanced the Company's geographical diversification. From being primarily a southern India-based player, Sagar Cements is now developing its presence in the faster-growing eastern India market and under-penetrated central India market.

4

Simplification of Corporate Structure

The completion of the merger of the wholly-owned subsidiary Sagar Cements (R) Limited with itself in March 2022, and the ongoing process to merge JCPL will lead to a simplified corporate structure. This is expected to lead to optimisation of operational and administrative costs, operational synergies, and easing of statutory compliances.

Shareholding pattern (%)



● Promoters
● Institutions
● Non-Institutions

5

Ramp up of new plants to improve the financial profile

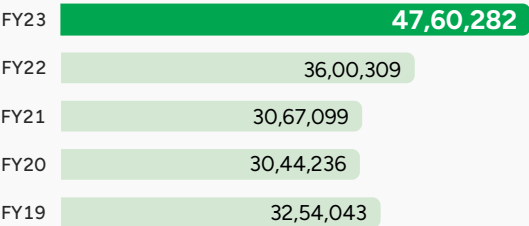
As the newly added plants increase production in FY2024, the profitability and cash flows will likely lead to the strengthening of Sagar Cements balance sheet. Prudent capital allocation along with sufficient liquidity at hand will likely balance the growth and financial profile of the Company.

Delivering commitments

Operational metrics

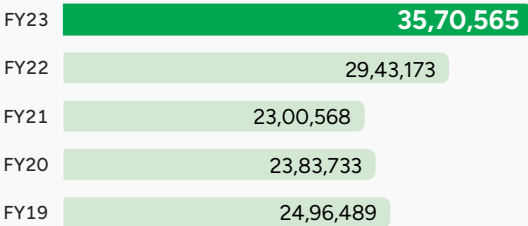
Cement production
(in MT)

32% 8%



Clinker production
(in MT)

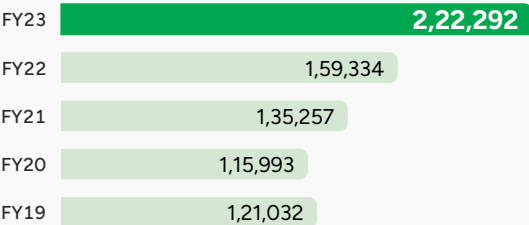
21% 7%



Financial metrics

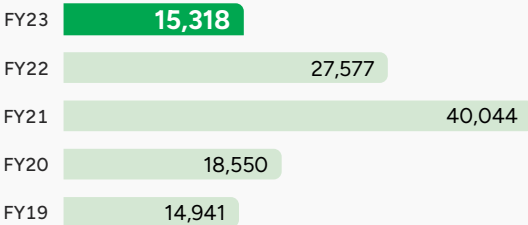
Net sales
(₹ Lakhs)

40% 13%



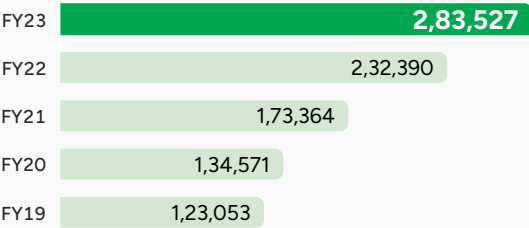
EBITDA
(₹ Lakhs)

-44% 1%



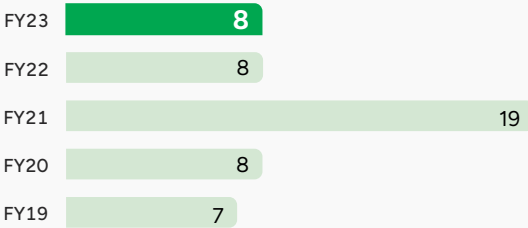
Average capital employed
(₹ Lakhs)

22% 18%



Average Return on Capital
Employed (RoCE) (%)

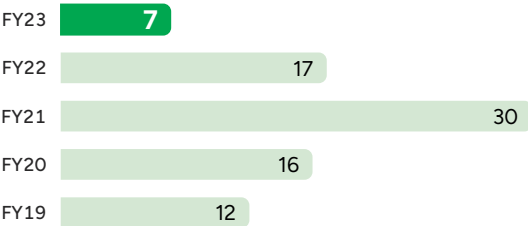
2%



YoY growth 5-year CAGR

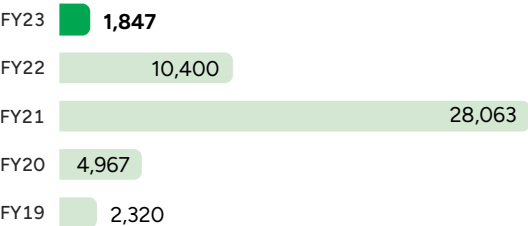
EBITDA margin
(%)

-59% -10%



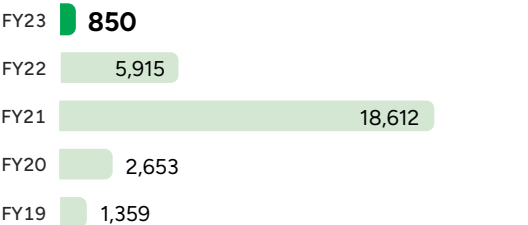
Profit before tax
(₹ Lakhs)

-82% -4%



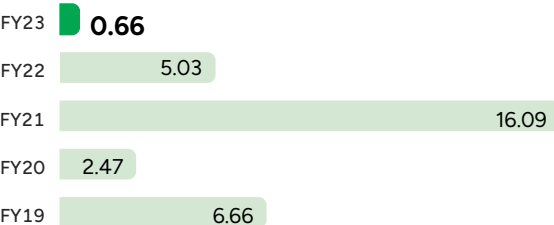
Profit after tax
(₹ Lakhs)

-86% -9%



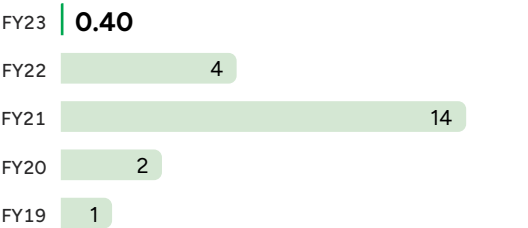
Earnings per share
(₹)

-87% -37%



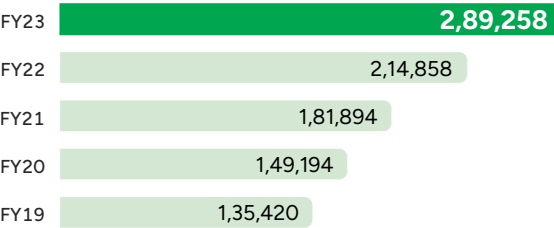
PAT margin
(%)

-90% -19%



Net fixed assets
(₹ Lakhs)


35% 16%



Scaling new heights

As Sagar Cements continues to grow at a significant pace, capturing new markets and implementing innovative practices across the Board, it becomes a strategic imperative to assess performance and progress through the sustainability lens."



 **Shri. K. V. Vishnu Raju**
Chairman

Dear Stakeholders,

A warm welcome to all the readers as the new chairperson of Sagar Cements. I am privileged to work with a trusted and reputed brand in the Cement manufacturing sector today and I hope that with all your support, we can make it attain new heights. I am happy to share that we have become the successful bidder for Andhra Cement in the National Company Law Tribunal (NCLT) process. This acquisition essentially adds 2.6 MTPA capacity taking our total capacity over 10 MTPA. We have been able to achieve our targeted capacity of 10 MTPA two years in advance, and this I think will

go a long way in strengthening our presence in the southern market.

Cement industry

A 6-8% increase in cement production is expected in the next fiscal driven by booming demand induced because of large-scale infrastructure projects undertaken by the government. The demand is set to remain high and the whole cement industry is feeling optimistic about these developments. This is expected to drive top-line for cement companies in the short to medium term as manufacturers are gearing up with capacity augmentations.



We have been able to achieve our targeted capacity of 10 MTPA two years in advance, and this I think will go a long way in strengthening our presence in the southern market.



In FY2023, we developed our ESG roadmap with targets for 2030 and 2050. This ambitious undertaking will enable us to switch from an energy-intensive to a net-zero cement company

Changing dynamics

A by-product of globalisation, any unfavourable event in one part of the world can trigger a chain reaction that affects the rest of the world. Rising raw material and energy costs add up to 60% of our production costs. While we are keeping our dependence on imported coal to a minimum, an elevated freight and fuel cost is affecting us.

Tech adoption

Large scale technology upgradation has enabled us to bring in efficiency in our manufacturing and operation processes. We are collecting and monitoring data over multiple touch points that is allowing us a better control over production and quality. Revenue benefits are achieved through the application of AI powered smart systems while also taking us one step ahead in realising our green commitments. I believe investing in innovative supply chain

strategies can give us cost benefit as we can drive the logistics and transport in a much better way. It should be looked at as a tech enabled function which would help us optimise costs.

ESG and business

In FY2023, we developed our ESG roadmap with targets for 2030 and 2050. This ambitious undertaking will enable us to switch from an energy-intensive to a net-zero cement company. It will open new gateways for securing investments under green financing. We have put in place well-defined policies and undertaken focused initiatives to reduce our environmental footprint, while strengthening relationships with our stakeholders. We continue towards reaching zero CO2 emissions in the near future with the help of innovative carbon capture technologies and solar calcination of limestone.

I take this opportunity to thank our people who have put in tremendous efforts to help us achieving our objective. In addition, I want to sincerely thank all our investors, clients, partners, communities, and other stakeholders who have placed their trust in Sagar Cements. We are humbled by your support and encouragement and assure to attain newer heights with our persistent hard work.

Best regards,

K. V. Vishnu Raju
Chairman

We believe, we can

FY2023 has been a year of strategic growth for us at Sagar Cements. We launched our ESG Vision and Roadmap which lays out our 2030 and 2050 targets while we are also adding to our overall geographic presence, gaining market access, and enhancing production capacity, all in a sustainable manner."



 Dr. S. Anand Reddy



 Shri. S. Sreekanth Reddy

Dear Stakeholders,

It has been an interesting year for Sagar Cements and We would like to thank everyone for your support that has contributed to the growth story of our brand.

Yearly overview

The market picked up very well post-COVID-19. However, the geopolitical instabilities have critically impacted the crude prices and other raw material costs for most of the year. The main reason for the increase in power and fuel cost was the corresponding hike in pet coke and coal. To tackle this, our cost optimisation strategies came into action, and we undertook steps to improve our operational infrastructure by building railway sidings, captive power plants and waste heat recovery systems. We were also able to control outward freight costs by a reduction in the lead distance from 298 kms to 275 kms.

Financial performance

Revenue for FY2023 was ₹ 2,230 Crores which is 40% higher on YoY basis. Cement demand has increased post-monsoon fuelled by the construction boom and other infrastructure projects. Despite strong sales, profitability has taken a hit largely due to the rise in raw material and fuel cost. The PAT for the year was ₹ 8.50 Crores and debt equity ratio was 0.87. Operating margins were at 7%. Our capacity utilisation during FY2023 was 58%. From a balance sheet perspective our net worth has increased 6x times in the last 10 years.

Inorganic growth

We have successfully acquired Andhra Cements Limited, which was funded by ₹ 600 Crores debt and ₹ 322 Crores equity. With an additional 2.6 MTPA capacity, we have achieved our objective of crossing 10 MTPA production

58%

Capacity utilisation during FY2023

4 basis points

Reduction in GHG emissions

capacity by 2025. This acquisition has helped consolidate our presence in the Southern India and enable us to serve our customers efficiently.

Caring for people and planet

Being a planet-conscious brand, we are ingraining approaches that reduce our environmental impact. That includes the use of blended cement, installing waste heat recovery, and recycling of our waste and water. We reduced our GHG emissions by 0.40% this year and We are sure we will further tame them in the coming years. We plan to incorporate best practices across the value chain to bring down our environmental impact. Our roadmap to net zero envisions to achieve this through increasing the share of green energy and alternate raw materials. We are reducing transport



From a balance sheet perspective our net worth has increased 6x times in the last 10 years.



We reduced our GHG emissions by 0.40% this year and we are sure we will further tame them in the coming years.

emissions by reducing lead distances and promoting the use of Green vehicles. Sagar Cements is set on a path to bring down Scope 1 emissions to 495 kg Net CO₂/MT and Scope 2 emissions to 8 kg Net CO₂/MT by the year 2030.

Our people policy has always been inclusive and take into account what our employees seek from us. We conduct engagement surveys to seek feedback from our people which gives us an insight into several areas such as career growth, aspirations, work-life balance, productivity to name a few. We are happy to share that we have received recognitions for our work in pursuit of being a responsible cement manufacturer. Bayyavaram plant was awarded with 'National Energy Conservation Award' for the Cement sector. It is a feather in our cap from the Government

of India towards achieving energy optimisation. We have also received certificate of appreciation from state tax authorities for being tax compliant. Moreover, we have also received the 'Best Management Award' from the Government of Telangana, second year in a row, which is a matter of great pride for us. We assure you that Sagar Cements will continue to strive for being a sustainable brand.

We thank everyone for your continued trust in us and we hope in the coming year we achieve greater heights together.

Best regards,

**Dr. S. Anand Reddy and
S. Sreekanth Reddy**