



Cement

We have two integrated cement plants, one each in Telangana and Andhra Pradesh, with an aggregate installed capacity of 3.5 Mn tonnes per annum. Our plants in South India produce two grades of cement: ordinary portland cement (OPC) and portland pozzolana

cement (PPC). The plants are strategically located within a two-kilometre radius of their primary sources of limestone, and our mines have reserves for ~50 years. Of the total amount produced, PPC-grade accounts for about 78% of our Priya Cement sales volume.



2.90_{Mn} MT

Sales volume

₹13,841_{Mn}

Revenue from operations



9%

Contribution to consolidated revenue

20%

Operating margin

Our cement products

Products	Raw materials used	Uses	Production locations
Ordinary portland cement (OPC) 	Limestone, gypsum, and fly ash, a by-product from thermal power plants	Load-bearing structural concrete works, such as columns, beams and slabs in high-rise buildings, commercial and industrial complexes and infrastructure projects, including roads, runways, bridges and flyovers	Andhra Pradesh and Telangana
Portland pozzolana cement (PPC) 	Limestone, gypsum, and fly ash, a by-product from thermal power plants	Reinforced cement concrete for residential construction, commonly used in plastering, brickwork and mass concrete work	Andhra Pradesh and Telangana

Operational highlights of 2021

- Achieved a 17.3% increase in sales volume over pre-covid levels in 2019 as well as a revenue improvement of 35% since 2020
- Commissioned a ground-mounted, 1 MW solar plant in Suryapet
- Installed a rooftop solar plant with a capacity 25.9 KWh in Suryapet and another with a 60 KWh capacity in Kurnool
- Initiated a water-management study at both units to assess the status of water-resource availability and identify ways to achieve positive water balance
- Planted 12,373 saplings over 6.47 acres at the Suryapet plant and 71,177 saplings (including 19,600 plants grown using Miyawaki method) over 52.64 acres at the Kurnool plant



BUSINESS SEGMENT REVIEW - CEMENT

Market overview

The Indian cement industry was estimated to have a total production capacity of ~550 Mn tonnes in 2021 and is expected to add 80 Mn tonnes of capacity over the next three years. Cement is a cyclical commodity with high correlation to GDP. The Indian housing sector, including the low-cost and affordable housing segment, accounts for close to two thirds of total consumption. The other major consumers of cement include infrastructure at 20% and the rest by industrial capex.

Due to the increasing demand in various sectors such as housing, commercial construction and industrial construction, cement capacity utilisation on a pan-India basis is expected to improve steadily over next few years. In particular, demand is expected to be boosted by infrastructure development in Tier-2 and Tier-3 cities, driven by government initiatives such as Pradhan Mantri Awas Yojana (PMAY), Smart Cities Mission and Swachh Bharat Abhiyan.

Cement, being a bulk commodity, is freight-intensive, and transporting it over long distances can be costly. This has resulted in cement being largely a regional play, with the industry being divided into five main regions in India: North, South, West, East and Central. The southern states of Tamil Nadu, Andhra Pradesh, and Karnataka together account for nearly one third of the country's total installed capacity.

Since the first COVID-19 wave hit India in March 2020, cement demand has progressively recovered. While the next wave in April and May last year negatively impacted demand/supply dynamics, the industry has witnessed a rebound in South Indian demand since June 2021 – albeit inconsistently, due to the festive season and heavy rainfall in November that brought construction to a standstill in Andhra Pradesh, Tamil Nadu, Puducherry, Kerala and south Karnataka.

Outlook

Looking ahead, cement demand will continue to be closely linked to economic growth. Today, India is the fastest-growing major economy in the world. Global bodies such as the International Monetary Fund and the World Bank maintain that India's GDP will grow faster than other major countries in the next two years. While India's economy still must recover to pre-pandemic levels, think tanks expect India to grow at a rapid pace on the back of carefully curated policy interventions from the government addressing inflation, unemployment and other key economic issues.

With the government of India introducing new plans for housing and infrastructure development, the growth outlook for construction and cement sectors remains positive. The 2020 Union Budget of India highlighted a stimulus package of ₹ 103 trillion for developing the infrastructure sector over the next five

years, consisting of more than 6,500 projects across a range of sectors. The government's spending push in the infrastructure sector should help expand aggregate demand and the level of economic activity, thereby cushioning any downturn in cement consumption. Similarly, in the Union Budget of India 2021, India's Finance Minister announced a continued focus on rural development and infrastructure, which will play a vital role in helping India become a US\$ 5 trillion economy.

Overall, India's cement industry should benefit from improved demand due to the government's spending on infrastructure and housing. According to investment research firm ICRA Limited, Indian cement production is likely to increase by 12% to 332 Mn tonnes in 2021 and 358 MT in 2023, driven by rural housing demand and a pick-up in infrastructure activities.

