

# Cementing and reinforcing our leadership position

We are one of the largest cement producers in South India, producing high-quality ordinary portland cement (OPC) and portland pozzolana cement (PPC) under the Priya Cement brand. Our two plants are vertically integrated and located strategically near our limestone mines.

The demand for cement in South India continues to be strong. However, the increase in fuel and freight costs has impacted our margins in line with the rest of the industry in South India. In response, we are working on alternative measures to reduce costs to bring our margins back to the normal levels.

**89%**  
Capacity utilisation

**₹15,330 Mn**  
Revenue

**7%**  
Contribution to consolidated revenues

**9%**  
Operating margin



## Business strength

The integrated nature of our plants helps us remain cost competitive. Further, our presence close to key markets helps us in better managing logistics. In addition, our investments in renewable energy is helping us reduce our energy costs. Notably, more than 31%\* of energy consumed during the year by the Cement segment was from renewable sources. Our focus on upcycling industrial waste helped us generate more than 74.5% in 2022 of our sales from blended cement (77.9% in 2021), reducing our dependence on conventional resources and prolonging the lifespan of our limestone reserves.

\* Unit 1 at Suryapet 33% and Unit 2 at Nandyal 29%



## Our cement products



### Ordinary Portland Cement (OPC)



### Portland Pozzolana Cement (PPC)

#### Raw materials used

Limestone, gypsum and fly ash, a by-product from thermal power plants

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#### Share of total production

25%

75%

#### Uses

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.

Reinforced-cement concrete for residential construction, most commonly used in plastering, brickwork and mass concrete work.

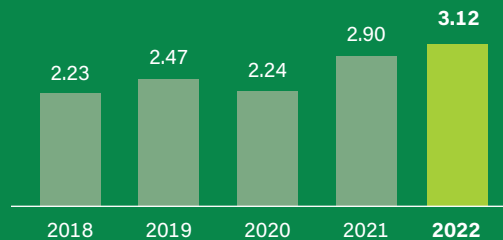
#### Production locations

Andhra Pradesh and Telangana, India

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## Key highlights of CY22

### Cement sales volume (Mn)



While focusing on business growth, we have done our part to contribute to environment sustainability in our cement business including investments in solar power and achieving water positivity at both plants.

Our Nandyal plant was the winner in Mines Safety Week held by Mines and Safety Association Karnataka, Zone II, part of the Directorate General of Mines Safety.

## Operating landscape

The Indian cement industry continues to remain attractive, and demand is expected to grow by 7-8% in 2023. Despite being the second-largest producer in the world, India's per capita cement consumption remains considerably lower than the global average. The housing segment continues to lead cement demand in the country, followed by the infrastructure and industrial sectors. Out of India's 565 MTPA installed capacity, nearly half is located in the Southern part of the country.

Cement demand in the coming years will continue to be driven by the housing sector (60-63% of total demand). As disposable income rises, more people are moving to urban areas and looking for affordable housing, thereby leading to increased cement demand from the housing sector. National highways continue to be built at a high pace along with accelerated construction activities across metropolitan railway and airport projects. Further, e-commerce growth is driving the demand for warehouse spaces, which in turn is increasing the demand for cement.

## Key triggers of cement demand



### Housing for All

Budgetary allocation of ₹ 48,000 crore by government of India to shore up construction activities.



### Urban Housing

Decade-low inventory, coupled with decadal high absorption rate, is driving new launches.



### Roads

Strong construction momentum driven by continued focus on the Bharatmala project.



### Industrial

Growing traction in the industrial and commercial segments driven by Production Linked Incentive schemes, revived corporate capex plans and growth of e-commerce.



### Metro & Airports

Operational metropolitan train coverage length has increased threefold over last few years. The government has proposed to double the operational length by FY25. The number of airports in India is planned to increase from 140 to 220 by 2025.



### Irrigation

Sector driven by Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) and river-linking projects.



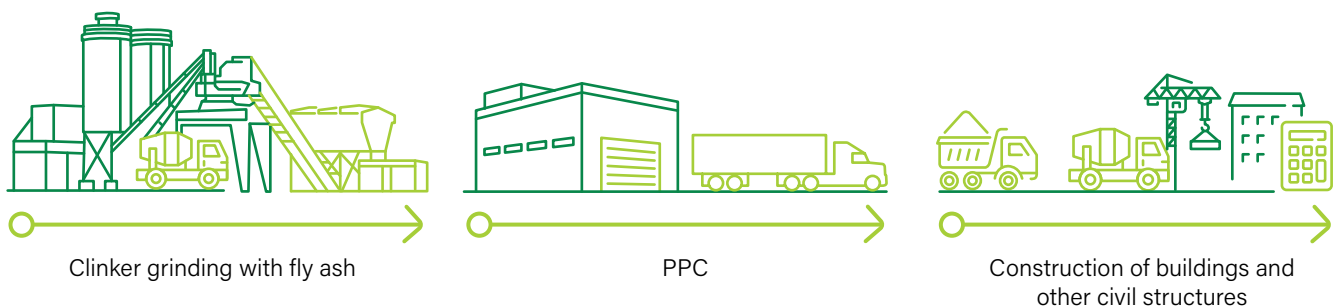


### Our response

We are committed to sustainable cement production, utilising 30% fly ash in portland pozzolana cement and implementing renewable energy and waste-heat recovery systems to reduce our carbon footprint. Going forward, we are focused on increasing sales, marketing and promotions, and reducing environmental impact. In addition, we are committed to expanding the segment's solar capacity, promoting waste management and water replenishment, and exploring carbon-neutral fuels in CY23 and beyond.

### Cement upcycling value chain

Fly ash is a by-product produced by coal-fired thermal power plants. The fly ash generated in thermal power plants is usually dumped into ash ponds to avoid environmental hazards of contamination. We blend fly ash to produce portland pozzolana cement, thereby upcycling fly ash into building materials. This process optimises the use of limestone and preserves the same for future generation.



### Way forward

Our priority moving forward is to enhance our competitiveness and sustainability. To achieve this, we will focus on increasing sales, particularly in regions near our plants to maintain profitability in the face of rising input costs. We will also conduct marketing and promotional activities to generate leads and retain customers.

Additionally, we also focus on optimising operational costs through streamlining and digitising paperwork-heavy processes, upgrading equipment to meet modern standards, implementing strategic procurement of raw materials, optimising inventory management, and investing in training to improve workforce productivity.

We will reduce our environmental impact by increasing our renewable energy capacity, promoting waste reduction, reusing and recycling, expanding water-replenishment efforts, and exploring the use of carbon-neutral alternate fuels to decrease our dependence on fossil fuels and lower our carbon emissions.