Investment Pitch

SAGAR CEMENT

by Shivi Mohan, Soham Shinde, Tanmaiy Mohta, and Vedant Malhotra

Company Name: Sagar Cements Limited

Current Price: ₹214.00 (as of 12:00 PM on 2nd February, 2023)

Face Value: ₹2

Market Capitalisation: ₹2,797cr (as of 12:00 PM on 2nd February, 2023)

Credit Rating: IND A (India Rating),

Analyst Take: Sell

Index

Investment Thesis: Sell

- Sagar Cements is a small cap cement player concentrated in the southern market, we got interested in this company due to the acquisitions it was undertaking to increase capacity and become competitive for the Infra push of the government and capitalise on the demand, which it had failed to do in 2017-18. We have advised a 'SELL' rating on the stock due to the factors mentioned below.
- Historical trends suggest that every 10 years the demand for cements doubles due to Infra cycles kicking in and general elections being held.
- The company has increased capacity to satisfy the central and eastern market of India but has done so inorganically by lifting large sums of debt.
- SCL being a small player in the market got crushed in the past few quarters due to high input costs which it could not pass onto the customers due to lack of economies of scale and low capacity utilisation. This led to lower realisations which added to the piling up interest and a steep fall in net income.
- As a small manufacturer of cement, it has a very good consumer loyalty, consistent quality of products but is unable to hit profitability amidst the high costs environment.
- The company is struggling to pay off interest on its long term debts and has undertaken more loans to fund an acquisition of Andhra Cements. This makes it highly leveraged, giving it high WACC multiples and very low ROIC.
- The acquisitions of SCL might translate well as it's trying to penetrate the Eastern landscape which has the lowest per capita consumption cement. Due to Favorable macrotrends sagar can capitalise on this market and build a presence if it manages to pay its debts.
- SCL's profitability is largely dependent on prices of Coal and Petcoke, which makes it cyclical. Due to its relatively smaller scale of operations, it's unable to compete in a rising input prices scenario which can be seen in their recent results.
- SCL also has a very high promoter pledge, almost 87% of promoter holding is pledged as collateral to lift loans for their acquisition which is abnormally high, aiding our rating.
- SCL also has quite a few related party transaction with its subsidiaries and engages in a number of transaction amongst them and to third parties which is a major red flag in our thesis of the company. .
- SCL is also playing around with it's trade receivables by keeping it under the wraps and using terms such as "unbilled" and "not due".
- The company has also avoided most questions on their acquisition of Andhra cement, which is alarming as they have borrowed large sums, their balance sheet is bleeding in debt. If this acquisition goes south for them it may impact the solvency and existence of the company.
- These factors led us to a SELL rating, which we will elaborate on in the slides below.

Company Overview

Sagar Cements Ltd. was incorporated in 1981, and traces its operations back to 1985, when its first plant was commissioned. It is based primarily in the Krishna river belt in **Southern India,** with an installed production capacity of **5.75MTPA** in Andhra Pradesh and Telangana.
Its operations extend to **Central and Eastern India,** with installed capacities of **1 and 1.5MTPA** in MP and Odisha.

The company has a current total installed production capacity of **8.25MTPA.** It aims to increase this to **10MTPA by 2025,** an ambition fuelled by the increasing demand for cement in Southern India and the acquisition of **Andhra Cements** (that will increase their capacity to **~11MTPA**) among other things.
It is one of the key players in the South Indian cement industry, and growing in Central and Eastern India.

Business Model

- Key markets - AP, Telangana, Tamil Nadu, Kerala, Karnataka, Maharashtra, Odisha
- Product mix - OPC -50%, Blended - 50%
- Channel mix - 62% Trade, 38% Non-trade
- Fuel mix - 40% pet coke, 60% coal

Cement		
Location	Clinker MTPA	Cement MTPA
Sagar Cements –Mattampally, Suryapet, Telangana	2.80	3.00
SCRL – Gudipadu, Anantapur, Andhra Pradesh	1.00	1.25
Sagar Cements –Bayyavaram. Vizag, Andhra Pradesh	-	1.50
Sagar Cements (M) Pvt. Ltd. ("SCMPL") – Indore, Madhya Pradesh	0.83	1.00
Jajpur Cements Pvt. Ltd. ("JCPL") – Jajpur, Orissa	-	1.50
Total	**4.63**	**8.25**

Resources

- Part of Nalgonda & Yerraguntla Cement Cluster
- Strong limestone reserves:
- Over 404.21 mn tons at Mattampally
- Over 161.96 mn tons at Anantapur (SCRL)
- Over 63.05 mn tone at Indore (SCMPL)
- Geographic location with proximity to coal mines (Major Fuel) and ports (less than 150 kms from the plant)
- Packing Material primarily sourced from a promoter entity

Captive Power Plants	
Facility	Capacity in MW
Sagar Cements – Waste Heat Recovery Power Plant	8.80
Sagar Cements – Thermal Power Plant (Commissioned in August 2019)	18.00
Sagar Cements – Solar Power Plant	1.45
SCRL – Thermal Power Plant	25.00
Sagar Cements - Hydro Power Plant (4.3 MW at Guntur &4 MW at Kurnool in Andhra Pradesh, India)	8.30
Total	**61.55**

Business Model

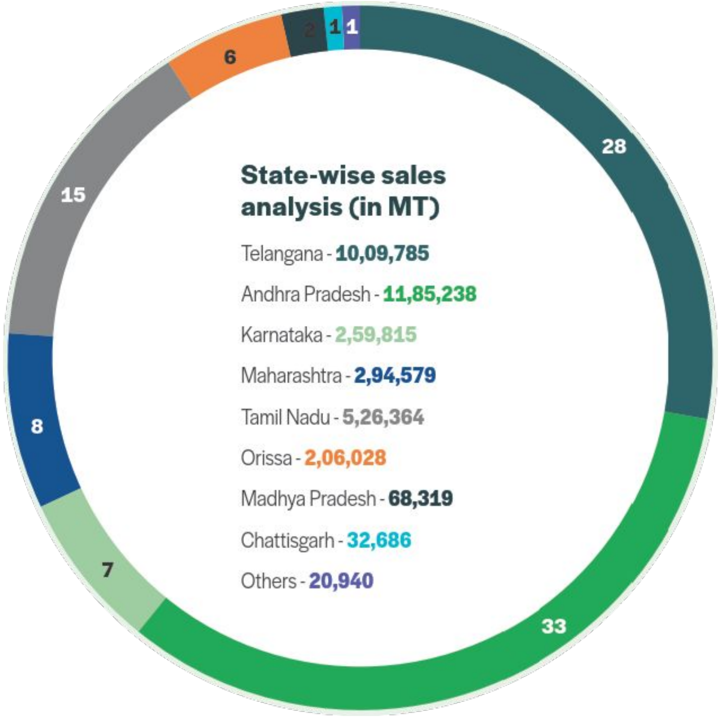
For the past few quarters, operating margins in the industry have been falling, mainly due to rise in input prices, ie rise in prices of coal and petcoke. This resulted in higher cost per ton of power
and fuel, as well as freight. Due to subdued demand in Q1FY23, upward price revisions could not be realised, and margins suffered.

Particulars	Remarks	Rate/Ton	Rate/Bag
MRP	MRP to customer	7000	350
Gross Price	Sales Price to Dealer	6700	335
Less : Discount	Goes to Dealer	500	25
Less : VAT/CST	Tax Component	800	40
Net Revenue - disclosed in Financials	This is what is shown as revenue in Financials	5400	270
Excise Duty	Tax Component	700	35
Freight	Handling of Finished Goods	1000	50
Net Realisation		3700	185
Manufacturing Cost (including depreciation)		3100	155
Margins	**Standard Margin for Manufacturer**	**600**	**30**

Although fuel prices are seeing moderation, their effects on margins are likely to be lagged as the company stocks up three months of inventory to supply its working capital needs.

Regions in Operation

- **Sagar Cements Ltd.** has five existing plants, in Mattampally, **Telangana** (3 MTPA), Gudipadu, **Andhra Pradesh** (1.25 MTPA), Bayyavaram, **Andhra Pradesh** (1.5 MTPA), Jeerabad, **Madhya Pradesh** (1 MTPA), and Jajpur, **Odisha** (1.5 MTPA).
- It is an established player in **South India,** the region of highest cement consumption (**724kg/capita**) and demand, with a large portion of its population reaching the mean **house-buying age.** It has expanded its operations into **East India,** the region with the least commensurate cement consumption (**29kg/capita**) and hence the **most potential for consumption growth** recently, with its Odisha and MP plants.



Marketing and Brand Recall

The company follows a comprehensive marketing strategy to build its presence, which consists of:

- Ads in local newspapers
- Customer loyalty programs
- Participating in construction and building trade shows to establish industry connections.
- 80% repeat purchase rate

Management Structure

The **Sagar Cements Ltd.** board consists of **10 members,** of which **3 are independent** directors (including chairman **Shri K.V. Vishnu Sharma**) and **3 are non-executive** directors, with independent directors having attended all **8 board meetings in the year,** held at **intervals of ≤120 days between consecutive meetings.** Board members serve **~3 year terms.**

The NRC aims to attract, retain, develop and motivate the workforce by rewarding performance on an individual basis through an **annual appraisal process.** It also decides upon the remuneration awarded to executive directors (MD, JMD) based on fixed criteria. **The wages are largely fixed** (for ex. ₹40,000 sitting fees for each board meeting), and also include commissions, perks, etc. Non-executive directors earn nothing but sitting fees.

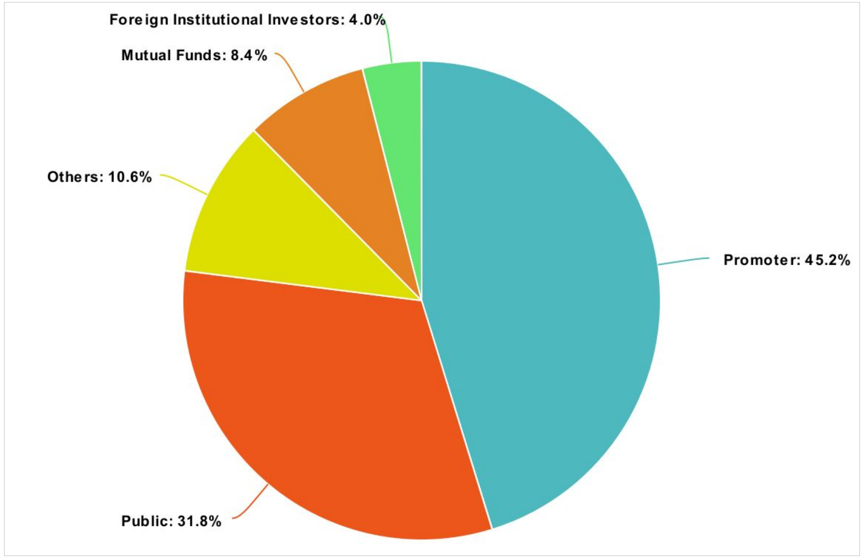
The company also follows a **top-down approach to risk management and shareholder relationships,** i.e. these key areas are directly under board members.

Management Structure

The **Sagar Cements Ltd.** Board of Directors (seen in pictures) has a very strong long-term value focus. Their focus on **ESG** and building a **pan-Indian brand** pays testimony to this. The major qualm about **Sagar's** board is the **lack of participation** by chairman **K.V. Vishnu Sharma,** especially in con-calls.

Managing and joint managing directors **S. Anand Reddy** and **S. Sreekanth Reddy** have 29 and 26 years of experience respectively. The board members, including these key managerial personnel, remain **largely free of controversy.** The credibility of the board is further strengthened by the presence of **Madhavan Ganesan,** nominee director from **PI** with 35 years of experience.

Shareholding Pattern: Analysis



Sagar Cements Ltd.'s promoters hold a relatively low share in the company (45.2%). Not only does this imply a lack of confidence amongst the shareholders who were present during the establishment of the company, it also increases the risk of executive fraud. This share has **reduced by 5.06% over the last two years,** and the **percentage of promoter shares pledged has increased by 73.88% to a worrying 84.79% over the last quarter.**

FII shareholding has decreased by 2.15% over the last six quarters, and stands at 3.99%. FII's tend to invest money only when they are highly optimistic about a company, and pull out when they don't believe it to be a sure-shot ROI, making this a **concerning sign.**

The share of the company owned by mutual funds has increased by 0.67% over the last quarter. Encouraging names like PGIM India Midcap Opportunities Fund Regular Growth have increased their stake in the company.

Shareholding Pattern: Analysis

- **Sagar Cements Ltd.’s** shareholding also consists of encouraging names like **Premji Invest,** which holds a 10% stake in the company. Around **5.1% of this stake came from the promoter shareholding.**

- The **₹350cr of equity** raised from the Premji investment will help fund **~40% of the Andhra Cements acquisition.** Premji believes that **Sagar Cements Ltd.** is well positioned to become a pan-Indian player.

- The **remaining 60%** of the acquisition is to be funded by a **structured debt instrument of ₹500cr.**

- The large debt taken on by the company to fund the acquisition explains its **increasing percentage of promoter shareholding pledged,** in favour of **Axis Trustee Services Ltd.** as **securities to procure term loans and guarantees** and its **D/E ratio >1.**

FIIs -	**3.04**	**2.88**	**2.73**	**2.98**	**3.24**	**3.05**	**6.14**	**5.80**	**5.24**	**4.47**	**4.33**	**3.99**
Hsbc Global Investment Funds - Asia Ex Japan Equit ›							2.97	2.77	2.31	1.86	1.81	1.52
Icq Q Limited ›		1.64										
Icg Q Limited ›	1.64		1.55	1.55	1.55	1.55	1.55	1.37	1.37	1.23	1.23	1.23
Kitara India Micro Cap Growth Fund ›	1.24	1.24	1.17	1.17	1.17							
K India Opportunities Fund Limited Class S ›							1.02	1.02	1.02			
DIIs -	**12.70**	**12.71**	**12.36**	**12.10**	**11.77**	**11.54**	**8.16**	**8.96**	**8.87**	**18.21**	**18.15**	**19.06**
Pi Opportunities Fund I Scheme Ii ›										10.10	10.10	10.10
Hdfc Trustee Company Ltd. A/C Hdfc Balanced Advantage Fund ›	5.88	5.88	5.57	4.61		4.34						
Pgim India Trustee Private Limited A/C - Pgim Indi ›											4.57	4.80
Hdfc Trustee Co Ltd A/C Hdfc Housing Opportunities... ›					4.61							
Idfc Equity Opportunities Fund-Series ›		4.63	4.22	4.68								
Pgim India Trustee Private Limited A/C - Pgim Indi... ›								3.68	4.17			
Idfc Emerging Businesses Fund ›					4.42	4.42	3.85			2.79	2.49	
Idfc Infrastructure Fund ›								3.85	3.30			
Pgim India Trustees Private Limited A/C Pgim India... ›							2.86			4.23		
Idfc Sterling Value Fund ›	4.62											
Pgim India Trustees Private Limited A/C Pgim India... ›					1.39	2.13						
Bajaj Allianz Life Insurance Co.Ltd. ›	1.51	1.51										
Bajaj Allianz Insurance Company Limited ›			1.43	1.27								

Impact of COVID-19

Sagar Cements Ltd. responded well to the COVID-19 pandemic in terms of day-to-day functioning, growth, and employee-leadership relationships.

After going through a period of **degrowth in the first quarter** (lower sales volumes) due to the lockdown, the company recovered quickly when restrictions were lifted.

The company still **continued operations at the height of the pandemic,** adopted certain **cost optimisation** measures, and made **generous provisions to its employees.**

This was turned around by the end of fiscal year 2020-21 because of **Sagar's** efforts and the **government infra and mega-irrigation push,** especially in South India.

Competitor Analysis

	Sagar Cements Ltd.	UltraTech Cement Ltd.	Shree Cement Ltd.	Ambuja Cements Ltd.	ACC Ltd.	Dalmia Bharat Ltd.
Market Cap-INR cr	2,797.00	206,052.00	88,834.00	66,846.00	34,381.00	35,676.00
Production Cap-MTPA	8.25	131	46	31.5	70	37
Revenue (Operations)	1,596.87	52,598.83	15,009.56	28,965.46	16,151.67	11,269.00
Debt	1,484.85	11,679.59	2,781.19	46.83	1,854.95	3,266.00
D/E	1.20	0.20	0.12	0.00	0.00	0.20
PAT-INR cr	59.15	7,174.00	2,336.00	3,690.00	1,851.00	1,160.00
P/E	41.95	34.20	63.30	34.50	52.90	34.30

It is counter-productive to compare cement industry companies purely with other companies on a similar playing field, say geographically or according to market capitalisation.

The largest cement players are all pan-Indian with rapidly growing arms, and exert a lot of power and influence upon the industry through cartelisation and acquisitions.

Sagar Cements Ltd. is very weak compared to some of the biggest players in the Indian cement industry.

Competitor Analysis
UltraTech Cement Ltd.

- **Market Capitalisation:** 206,052.00cr
- **Valuation (DCF):**
- **Current Price:** 7,109.10
- **P/E:** 34.20
- **PAT:** 7,174.00cr
- **Net Sales:** 52,598.83cr
- **PAT Margin:** 13.64%
- **Production Capacity:** 121.5 MTPA (120 MTPA grey cement, 1.5 MTPA white cement)
- **Regions in Operation:** UltraTech has a pan-India presence. The company's **114.5 MTPA** capacity (in India) is fairly evenly divided across Northern, Central, Eastern, Western, and Southern India. Its highest concentration of plants is in Gujarat, while its lowest remains in North-Eastern India, a region that remains relatively untouched by the largest cement players.

Competitor Analysis
Star Cement Ltd.

	Sagar Cements Ltd.	Star Cement Ltd.
Market Cap-INR cr	2,797.00	4,439.92
Production Cap-MTPA	8.25	5.7
Revenue	1,596.87	2,221.81
Debt	1,484.85	0
D/E	1.20	0
PAT-INR cr	59.15	246.77
P/E	41.95	18.51

- **Market Capitalisation:** 4,439cr
- **Current Price:** 109.90
- **P/E:** 18.51
- **Net Sales:** 2,221.82cr
- **PAT Margin:** 11.1%
- **Production Capacity:** 5.7 MTPA

- **Regions in Operation:** Star Cement fills the gap that big players like UltraTech leave behind, geographically. It is the largest cement player in North-Eastern India, with roughly a quarter of the market share. Its sales and operations spreading to Eastern India with its plant in West Bengal.

Headwinds

- Sticky inflation coupled with modest demand
- Inability of cement manufacturers to push up prices amid soaring pet-coke and coal prices
- Liquidity crunch
- Consolidation in market share. Indian cement sector is undergoing consolidation. In this phase, companies with weak balance sheets are suffering and hence do not have much pricing power.
- This lack of pricing power of small/regional players can augur well for the top 4 companies to increase their market share.

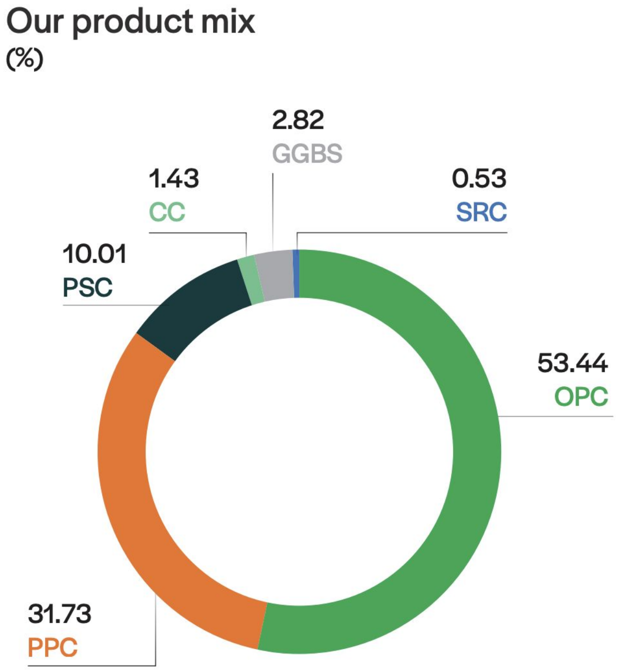
Tailwinds

- Cost front abating as commodities have seen **meaningful correction** in the last 6 months

- Increased spending on infrastructure in 2023-24 union budget; the government allocated a **33% jump in capital expenditure allocation** at 10 lakh crore.

- Southern regions **better placed** in comparison to eastern and central markets **due to supply glut and low per capita cement consumption.**

Product Category and Sales Mix



Ordinary Portland Cement (OPC)

- Most popular general-purpose cement
- Accounts for ~50% of the total cement produced in India

Portland Pozzolana Cement (PPC)

- It can be confidently employed in construction of hydraulic structures, marine works, mass concreting etc

Sulphate Resisting Portland Cement (SRPC)

- The use of SRPC is recommended in places where the concrete is in contact with the soil, groundwater and seawater, and/or exposed to seacoast

Portland Slag Cement (PSC)

- Higher level of compressive strengths in concrete when compared to OPC
- Environment-friendly due to reduced GHG emissions

Ground Granulated Blast Furnace Slag (GGBS)

- GGBS is mainly used as a partial replacement of cement in concrete.
- One of the greenest construction materials that does not produce any waste
- Cost-efficient

Blended Cement

- Sagar cements set up the Concrete Lab in 2017 to create awareness about blended cement among our customers. The idea was to demonstrate that concrete made with blended cement is as durable as OPC and to emphasise the cost effectiveness and environmental benefits of blended cement, whose production enables us to save water, energy, raw materials and cut down on GHG emissions.
- Blended cement is also projected to reach 70% in total revenue in the near future

Environmental Advantages

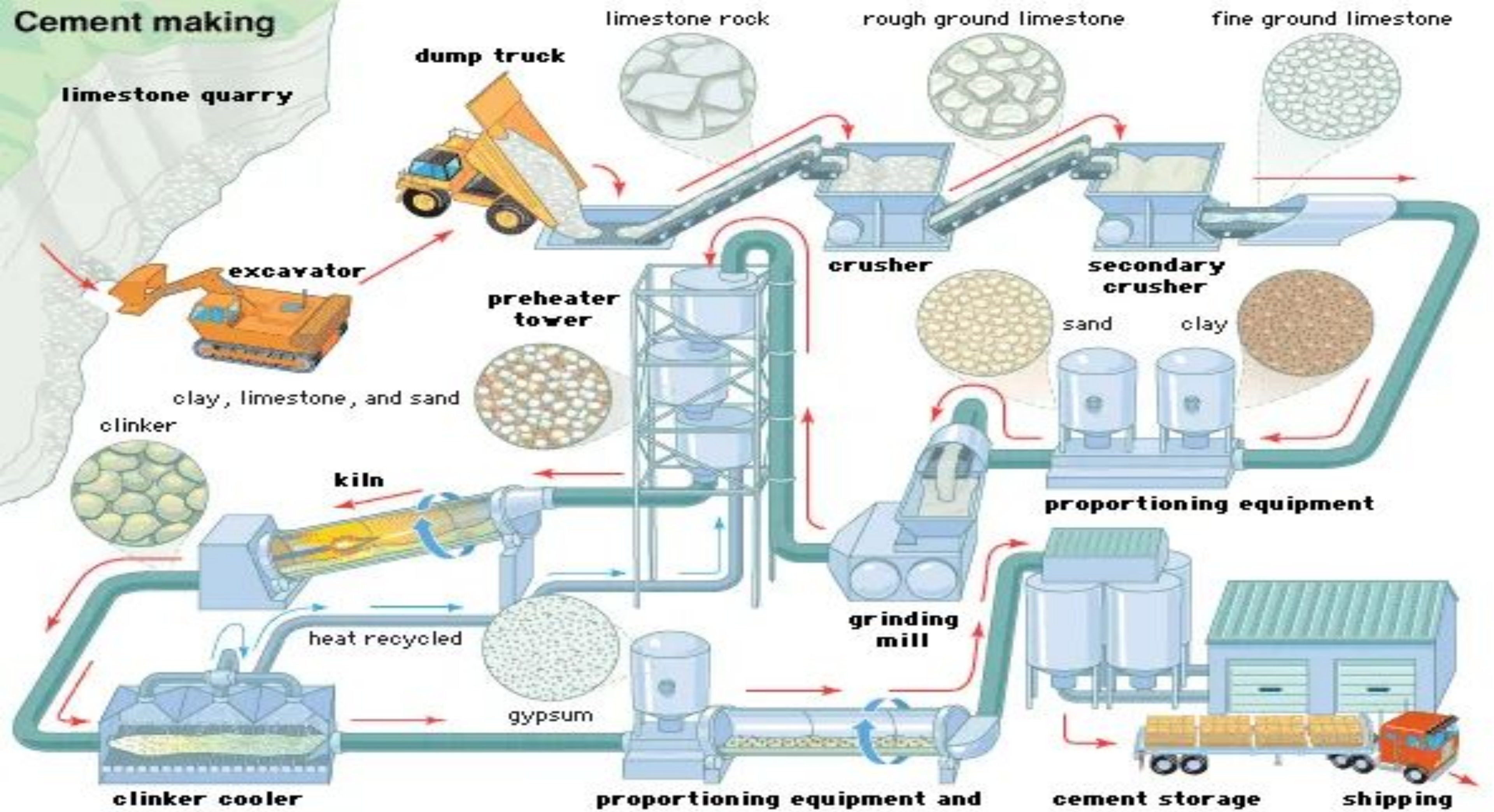
- **Saves Natural Resources** – The mineral admixtures used in the production of blended cement are waste products from thermal and steel plants. Using these industrial waste materials helps conserve precious minerals, such as limestone, clay and silica.
- **Reduces Energy Consumption** – Adding mineral admixtures like fly ash and slag, which are by products of other industrial processes, decreases energy consumption during cement production.
- **Conserves Water** – Blended cement uses a lower water-cement ratio during the construction process, thereby saving water.
- **Protects the Environment** – Cement is a key ingredient used in construction, but it involves an energy-intensive production process that accounts for about 7% of the total CO_2 emissions globally. It releases various pollutants, smog, and greenhouse gases. However, in the case of blended cement, the use of industrial by products, such as fly ash and slag, significantly reduce greenhouse gas emissions during cement production.

Technical Advantages

- **Higher Strength** – Using fly ash or slag can significantly contribute to the strength gain of concrete. They can enhance the long-term strength and durability of your newly constructed house
- **Reduced Costs** – The use of supplementary cementitious materials such as fly ash or slag requires lesser processing and decreases the amount of materials and energy used for cement production, which helps reduce the overall costs of concrete. Moreover, blended cement also helps cut additional expenses on repairs and renovations due to lesser seepage and related incidents, making it ideal for home construction
- **Better Workability** – Since blended cement uses less water, it is easier to work with and shape. Moreover, lower water consumption also minimises shrinkage and permeability
- **Smoother Texture** – Blended cement offers a finer texture than its alternatives when mixed and placed, resulting in improved construction quality for your project. It is also ideal for finishing and elevation works

Manufacturing Process

- Cement is basically made by **heating limestone ($CaCO_3$)** with small quantities of other materials to 1450ºC in a **kiln.** The resultant hard material which is recovered after heating limestone and chemicals is called **clinker.**
- Clinker looks like small lumps. These lumps are crushed with a small amount of gypsum into a powdery form, which gives the final product: **OPC Cement.**
- So, in essence, **limestone, heat, and gypsum** are the three necessary components of OPC cement production. The nature and quality of production depends on the procurement and handling of these components.
- However with time, people realised that limestone can be substituted with other materials like **Fly Ash and Slag,** which will still provide strength but to a lesser extent. The threshold limit of mixing Fly Ash is 33%. For big infra projects, limestone component of upto 95% is required, but for the daily homebuilding use, lower component limestone works fine.


Cement making
limestone quarry
dump truck
limestone rock
rough ground limestone
fine ground limestone
excavator
crusher
secondary crusher
preheater tower
sand
clay
clay, limestone, and sand
clinker
kiln
proportioning equipment
heat recycled
grinding mill
gypsum
clinker cooler
proportioning equipment and finish grinding mill
cement storage
shipping

Supply

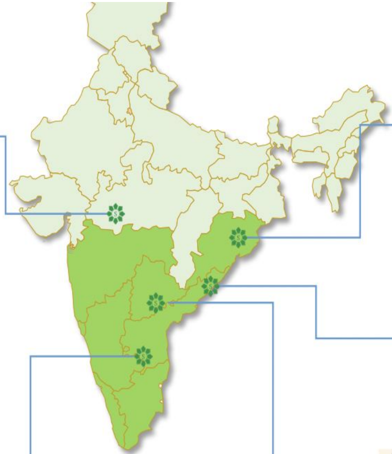
- Sagar cements has been operating in the cement industry for over 4 decades, in the process it has built a vast distribution network, established trust and increased capacity to capture the growing demand of this cyclical industry.
- Through strategic acquisitions, sagar cements has built up a capacity of 8.25MTPA, amongst 5 plants in India. The average capacity utilisation over the 5 plants was 57%. It has 5 plants in Mattampally(Telangana), Gudipadu, Bayyavaram(AP), Jeerabad(MP) and Jajpur(Odisha) with capacity utilization of 60%, 74%, 61%, 40% and 20% respectively. The acquisition of Andhra Cement will further take the capacity to 11MTPA thereby fulfilling its goals of crossing 10MTPA by FY2025.
- The plants of Jeerabad and Jajpur have recently started operating at higher capacity utilization due to certain delays in approvals and regulations. The Jajpur plant also got approval of adding a new product of composite cement. The capacity utilization should reach 40% by end of this financial year. Moreover, this should reflect in higher margins as there is a lot of incremental demand from central and eastern India which this plant will satisfy thereby reducing costs.
- SCL has also added 634 distributors, taking the total to 2244 distributors pan India, mainly focused in South and Central India. It has a 100% customer satisfaction score and a repurchase rate of 80%. This can also be seen in the sales growth which has grown at 11% CAGR over the past 5 years.
- SCL also has a team of 25 people in charge of Quality management, which ensures quality consistency and addresses customer complaints within 48 hours of inquiry.
- The Trade payable days have increased substantially from 258 days in 2018 to 360 in 2022, this shows that its delayed payments to suppliers but most competitors such as Ultra Tech cement have also seen a sharp rise in Trade Payables from 141 in 2018 to almost 240 in 2022.
- The inventory turnover is at 339 days, which is very high compared to its competitors such as Ultra Tech at around 12 days. A big reason for high inventory turnover is the stocking of large amounts of coal (almost 4 months of coal at 80% capacity Utilization) due to the extreme volatility in coal prices over the past year.

Region-Wise Supply

- The **state-wise revenue segmentation** of SCL is as follows:

1. Telangana - 27%
2. Andhra Pradesh - 31%
3. Odisha - 10%
4. Madhya Pradesh - 9%
5. Tamil Nadu - 12%
6. Karnataka - 6%
7. Other states - 5%

Sagar Cements (M) Private Limited (Formerly Satguru Cement Private Limited)	
Capacity	1 MTPA Integrated Cement Plant
Acquired on	8th May 2019
SCL Stake	65%
Key Markets	• Western Madhya Pradesh • Gujarat and Maharashtra (Adjacent to Western Madhya Pradesh)
Captive power	5.3 MW



Jajpur Cements Private Limited	
Capacity	1.5 MTPA (Cement Grinding)
Acquired on	2nd May 2019
SCL Stake	100%
Key Markets	• Central/ Costal Odisha • Bihar • Jharkhand • West Bengal

Sagar Cements – Bayyavaram, AP	
Capacity	1.5 MTPA
Key Markets	• Vizag, • Vizianagaram, • Srikakulam, • South Odisha
Captive power	8.42 MW (Hydro + Solar)

Sagar Cements Ltd. – Gudipadu, AP	
Capacity	1.25 MTPA
Key Markets	• Andhra Pradesh, • Karnataka, • Tamil Nadu
Captive power	25 MW

Sagar Cements – Mattampally, Telangana	
Capacity	3.0 MTPA
Key Markets	• Andhra Pradesh, • Telangana, • Tamil Nadu, Odisha, • Maharashtra
Captive power	28.13 MW

- The commencement of the Jeerabad and Jajpur plants will help SCL meet demand from Odisha and MP. It will also reduce the freight costs which is a primary goal of the company.

- The AP Govt has 0.7 lakh crore worth of infrastructure projects in the pipeline, and demands almost 10 Lakh tonnes of cement every month. Due to its locational advantage, SCL is a key supplier to them.

Optimistic Supply Consistency

- SCL will benefit highly from the increase in Infrastructure spends in states like Andhra Pradesh, Tamil Nadu, Odisha and Madhya Pradesh among other states. The key enablers for them are:

- Easy access to Resources- Strong limestone reserves: • Over 401 MnT at Mattampally • Over 161 MnT at Gudipadu • Over 63 MnT at Indore (SCMPL).

- Strategic Location - Geographic location with proximity to Coal mines (Major Fuel) and ports (less than 150 km from the plant).

- Advanced automated plants - Fully automated 3.00 MTPA integrated plant in Mattampally, Telangana. Highly advanced 1.25 MTPA integrated plant in Gudipadu, Andhra Pradesh. 1.50 MTPA grinding unit in Bayyavaram, Andhra Pradesh.

- Reducing costs due to strategic acquisition - Plants located in close proximity to major markets in the South and select markets in Maharashtra, Odisha and Madhya Pradesh with a Strong sales network – 2,566 dealers and 5,018 sub-dealers.

Increasing Raw Material Costs - Concern

- The cement industry requires large amounts of coal and petcoke for manufacturing. SCL uses 70% coal and 30% petcoke to achieve their quality of cement. The prices of petcoke have increased multifold in the past 18 months, from 7000/tonne to almost 23000/tonne at its peak and currently near 20000/tonne. This has killed operating margins of SCL, which led them to stock large inventories of coal which didn't work in their favour as coal prices cooled off.

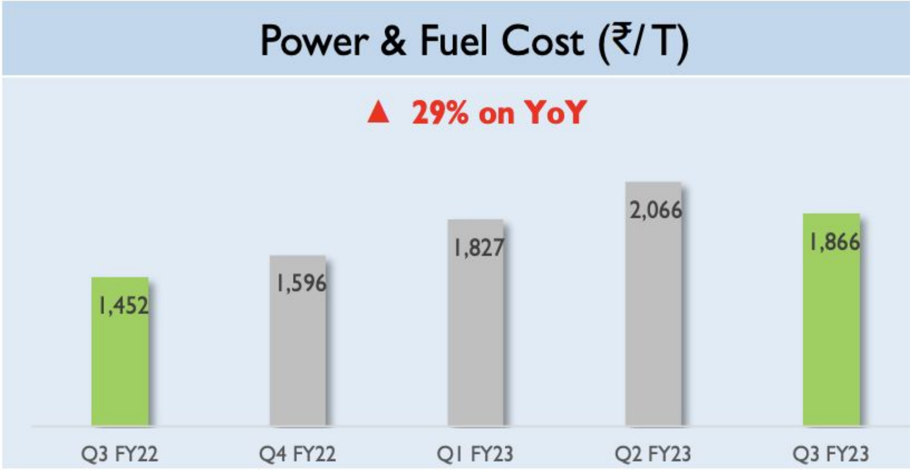
- Petcoke imports also saw a sharp increase with prices increasing 2x over FY 2023. This was mitigated to an extent by using greater amounts of domestically sourced coal to hedge the prices.

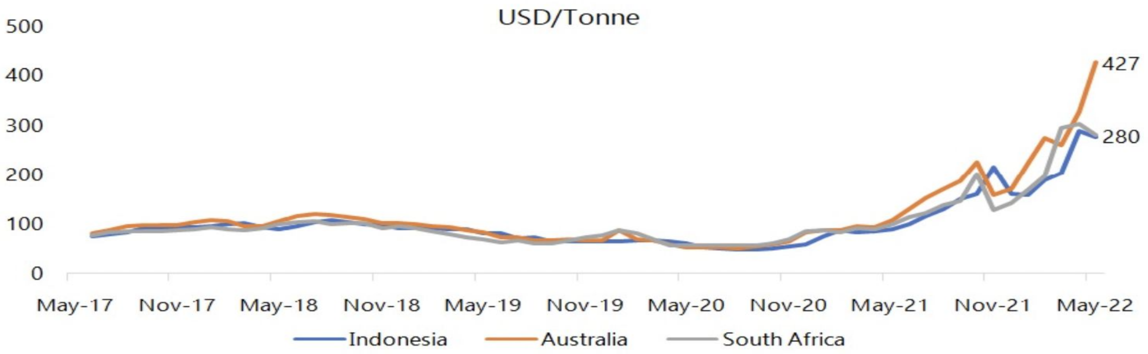
- Average power and fuel costs stood at ₹1,827 per ton as against ₹1,017 per ton reported during Q1 FY22. Elevated prices of coal and pet-coke resulted in higher per ton cost of power and fuel during the quarter. Freight cost for the quarter stood at ₹798 per ton as against ₹764 per ton during Q1 FY22.

- The new plants in Odisha and MP are located in proximity to the domestic coal belt and will be sourcing coal from Coal India. Stability is an issue due to coal mines getting flooded during the rainy season.

- The Freight costs also rallied during this year due to higher prices of diesel, labour costs and inflationary pressure.
- The management expects prices of coal to fall this financial year thereby easing the operating margins.

Translation into Graphs





Rising coal prices due to Russia-Ukraine crisis and steeping inflation in the USA.

Acquisitions

BMM Cements (now called SCRL) in 2015, at EV of Rs. 540 cr at AP

Prior to takeover, the plant was operating at a very low capacity due to outsourcing of limestone at high cost, as it did not have the right to extract from captive mines. These requisite permissions were obtained post the acquisition, and as of Q3FY23, capacity utilisation at the Gudipadu plant stands at 95%. This deal was most likely financed with the proceeds from its sale of stake (47%) in the JV with Vicat.

Jajpur Cements Pvt Ltd (Odisha) in May 2019

100% stake in JPCL was bought and a loan of Rs.31,200 lakhs was taken to develop a cement grinding plant. Plant became operational during FY22 with capacity utilisation at 15% during Q3FY23.

Satguru Cements Pvt Ltd (Madhya Pradesh) in May 2019

65% stake was bought and a loan of Rs.48,800 lakhs was taken to build an integrated cement plant. Plant became operational during FY22 with capacity utilisation during Q3FY23 at 57%.

Acquisitions

Andhra Cements Acquisition in 2023

Although the bid amount has not yet been disclosed, Sagar Cements will acquire Andhra Cements in FY23. This acquisition will give them access to Andhra Cement's 1.65 MTPA clinker plant, a 1.8 MTPA integrated plant in Guntur district of Andhra Pradesh and a 0.8 MTPA grinding plant in Vizag.

The acquisition is being financed entirely by debt and has been fully drawn. Although Sagar Cements has also recently received Rs. 350 crores from Azim Premji's investment arm Premji Invest Opportunities Fund for their equity participation, this has not been used to finance the Andhra Cements deal.

The acquisition is expected to be completed by February 2023 and will increase overall capacity to 10.65 MTPA.

JAYPEE GROUP
NO DREAM TOO BIG

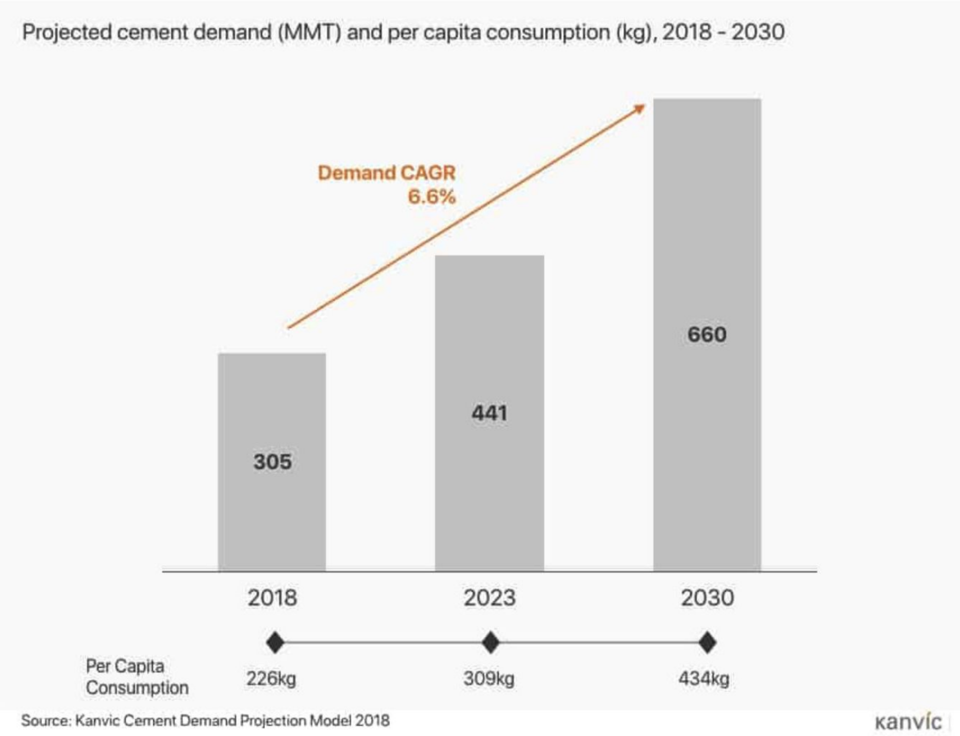
Andhra Cements was acquired by the Jaypee Group in 2012 from the Duncan Goenka Group

Industry Overview

India is the **second-largest producer** of cement in the world, accounting for more than 7% of the global installed capacity. Due to the slowing economy, domestic production in FY 2021 was 294.40 million tonnes, a **12% year-over-year decrease.** Regardless of the current circumstances, the fact that cement consumption in India is still well below the world average will continue to be a positive for the industry. This means there will always be **sufficient capacity for growth.**

The largest production capacity, accounting for 33% of total quantities, is located in **southern India**. In the upcoming years, cement consumption is anticipated to increase because to the robust demand from the **housing and public infrastructure sectors.**

Industry Overview



The projected demand per capita consumption is estimated to grow at 6.6% CAGR

This is due to the fact that Structural demand for housing in India will always be strong owing to

- Government focus on affordability
- Favorable demographics
- Increasing urbanization

Secondly ⅔ of the indian population is below 35, and the
average age of a first time home buyer 38-39

Therefore in the next
1-3-5-7 years it will be necessary to buy a house

Domestic Demand: Infrastructure Push

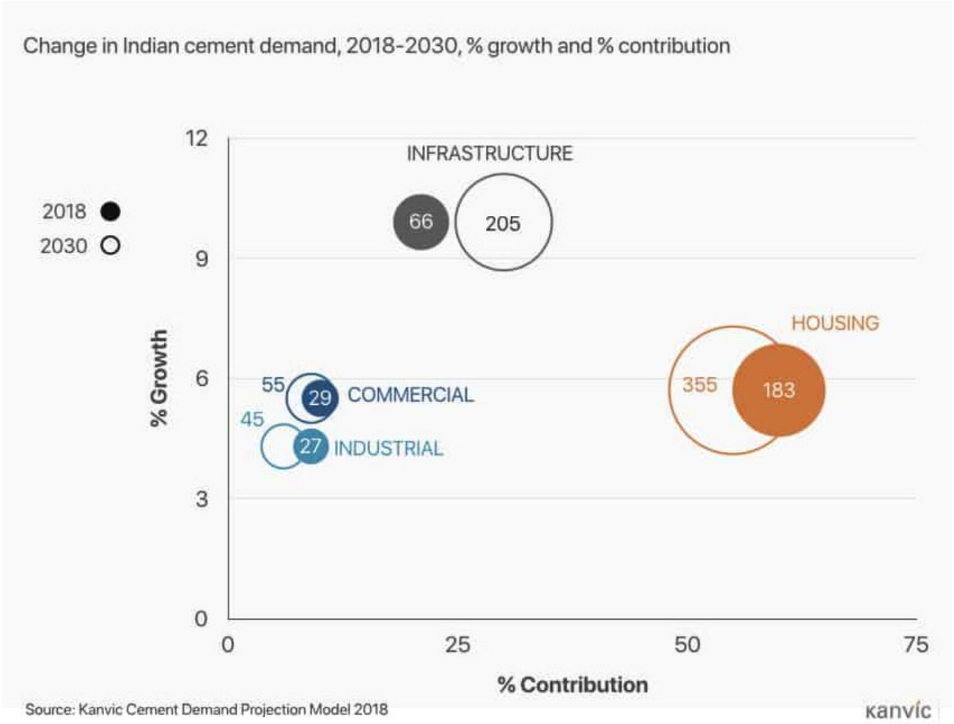
The Government of India has **increased capex** to push infrastructure growth and has a **strong pipeline of projects related to transport, irrigation, sanitation and so on.** Projects worth 111 Trillion will be through the National Infrastructure Pipeline (NIP).

The Ministry of Road, Transport and Highways (MoRTH) has a **target to construct 40 km national highway per day.** Under the UDAN (Ude Desh ka Aam Nagrik) scheme, there are plans to **develop 100 regional airports to improve connectivity** to remote corners of the country. All metros today have a functional network, while **newer lines are being added in a phased expansion.**

Regional Rapid Transit Systems (RRTS) is planning to provide **high speed rail connectivity to smaller towns** surrounding large metropolitan regions. These **huge capital-intensive projects will create a sustained demand for cement in the coming years.**

The East Coast Road (ECR) project in Tamil Nadu is a **70 billion rupee project** allowing cement companies including Sagar cement to contribute into its construction.

Domestic Demand: Infrastructure Push



The model shows that future growth will be driven by increased infrastructure spending, as its share of cement demand rises from 22% today to around 31% in 2030. Demand for cement from infrastructure will grow at around 10% through to 2030 with the fastest growth coming from the Government's prospect Sagarmala programme. At the same time, roads will remain the biggest single source of cement demand from infrastructure as a result of the implementation of the Bharatmala programme and increasing adoption of concrete roads.

Domestic Demand: Incoming Real Estate Cycle

The government's emphasis on **affordable housing** will generate greater demand for cement. **Growing urbanisation and constructions in suburban India will add to this demand growth.** Data suggests that 39% of India's population will live in cities by 2030.

A total of **11.4 million houses** are to be built under the Pradhan Mantri Awas Yojana (urban), while **29.5 million** will be built under PMAY (rural). Apart from government schemes, **organised real estate development has boomed in major metros along with tier II cities** like Jaipur, Lucknow, Kanpur, Bhopal, Nagpur, etc.

As the need for nuclear families gets stronger among the younger workforce, the **preference towards owning independent houses** contributes to the growth of real estate.

Domestic Demand: Product Innovation

There is **growing emphasis** from investors as well as customers for **carbon-negative manufacturing processes**. Companies worldwide are investing in adopting technology and innovation to produce eco-friendly cement. Industry players are also seeking to **diversify their energy mix and use renewable energy.**

Cement is majorly dependent on coal availability as thermal energy is used substantially in the production process. As fossil fuels dwindle, and concerns increase in the pollution caused by the use of these traditional energy sources, companies are **transitioning from a fossil fuel-based energy mix to renewable energy, generated from wind and solar photovoltaics (PVs).**

Domestic Demand: Warehousing

According to Industry reports, India's total warehousing space is about 253m sq-ft, out of which 140m sq-ft consists of Grade A and the rest Grade B warehouses.

Cost of logistics, as a percentage of GDP was 13% in India over the last few years which is significantly high compared to the BRIC nations at 11%.

APAT will directly benefit from the growth in Grade A/ Grade B warehouses as Structural Steel Tubes constitute a major chunk of the building Material.

Storage of cement is predominate for constructional works. Hence, correct arrangements for storing the cement for constructions come are needed. It preserves its quality and fitness of cement to be used.

Therefore the increase in warehousing space will reduce the cost of logistics and will integrate the economy especially benefitting the cement industry.

Environmental, Social, and Governance (ESG)

30%
Energy needs met from renewable sources

16.60%
Specific GHG emission reduction at Mattampally mother plant (between FY 2016 and FY 2020)

₹255 lakh
CSR spend

42,000+
CSR beneficiaries

100%
Industrial water requirements met by rainwater harvesting

Zero
Waste to landfill Fatalities in our operations

Carbon emissions in the past three years (tCO_2e)

Year	FY2022	FY2021	FY2020
Scope 1	24,39,571	18,84,489	20,30,741
Scope 2	46,452	44,541	74,012
Scope 3	80,852	69,450	72,981
Total	**25,66,875**	**19,98,480**	**21,77,734**

GHG emission intensity (tCO_2e/ton cement eq)*

Year	FY2022	FY2021	FY2020
GHG emission intensity	0.703	0.701	0.769

0.14 Kg / MT
SOx Emission

0.94 Kg / MT
NOx Emission

0.052 Kg / MT
SPM

Moat Analysis

Economic Moat: The company has a moderate economic moat, as the cement industry is highly competitive, with many players vying for market share. However, the company has a **strong brand** and **established distribution network**, which gives it some advantage over its competitors.	**Financial Moat:** Sagar Cements has a weak financial moat, as it has a **debt-to-equity ratio** that is higher than its competitors, indicating a higher level of financial risk. Additionally, the **company's margins** and **return on equity** are lower than its peers.
Intangible Moat: Sagar Cements has a moderate intangible moat, as it has established a **strong brand** and has been in business for several decades. Additionally, the company has invested in **research and development** to improve its products and processes. Company is extending support / collaborating with **IIT Hyderabad**, other Government organisations in their R&D activities in the field of **Carbon Capture, Storage & Usage (CCSU)**	**Size Moat:** The company has a moderate size moat, as it has a **significant market share** in certain regions, but it is still relatively small compared to the larger players in the industry.

SWOT Analysis

Strengths

- Strong brand reputation, presence in South India
- Diversified product portfolio, including specialty cements
- Efficient supply chain, distribution network
- State-of-the-art manufacturing facilities
- Commitment to green production practices

Weaknesses

- High competition from established players, measly production capacity in comparison
- Vulnerability to fluctuating raw-material prices, industry price fixing
- Dependence on a few key markets (Telugu regions), lack of significant presence outside South India

Opportunities

- Growing infrastructural development in India
- Expansion into new markets with two new plants
- Increasing demand for specialty cements
- Research to improve product offerings
- Growing presence in regions with potential for demand growth

Threats

- Stringent environmental regulations
- Economic slowdown affecting construction and infra development
- Growing competition
- High amounts of debt
- Unclear line of succession
- Legal disputes due to high contingent liability

Porter’s Five Forces Analysis

Threat of new entrants: Low. There are numerous barriers to entry into the cement industry for new players, including the procurement of land and raw materials, high initial capital requirement, and the omnipresence of existing players.

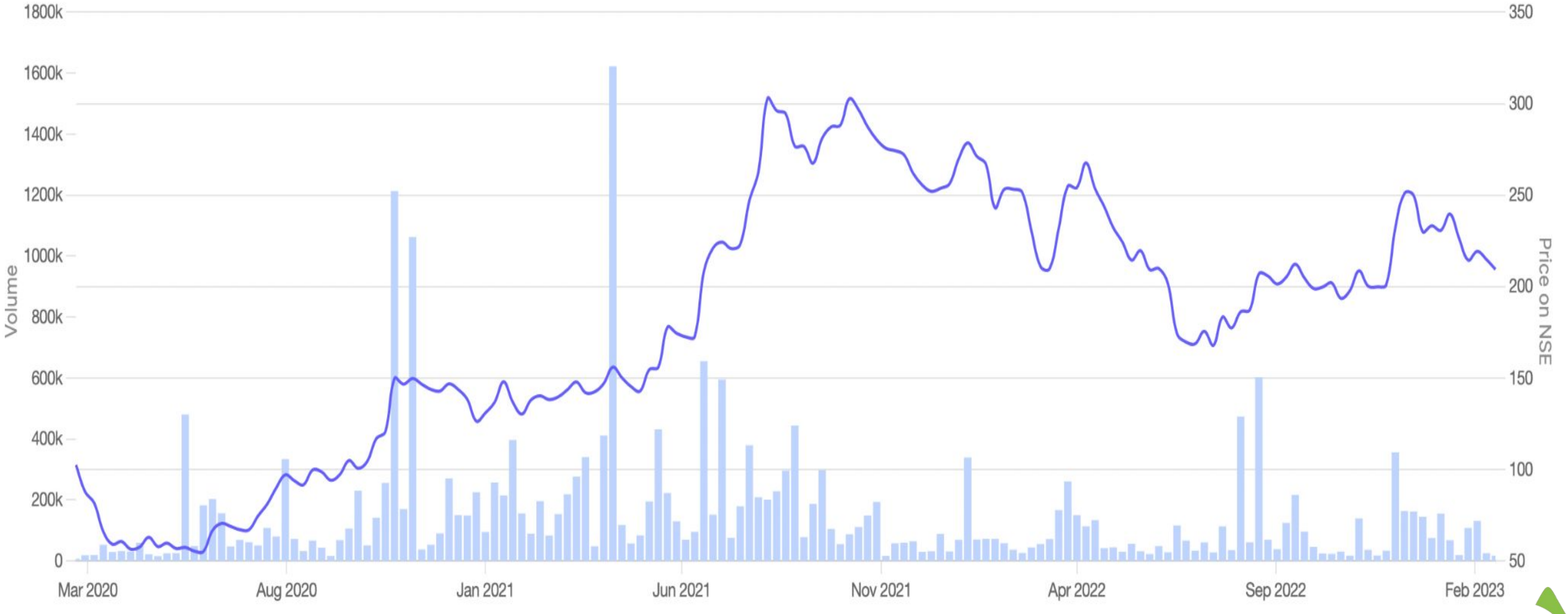
Threat of substitutes: Low. Though there exist substitutes to cement, like fly ash, they are not currently considered reliable (especially for large scale projects).

Competitive Rivalry: High. Though the South Indian cement demand (and the potential thereof) remains largely untapped, the major cement players in India (UltraTech, Ambuja, etc.) have great reach, influence within the industry, and remain a constant threat. In other regions where Sagar Cements Ltd. has arms (Maharashtra, Madhya Pradesh, etc.), these threats are even more prevalent.

Bargaining power of customers: Low. Cartelisation is a prevalent practice in the Indian cement industry. Massive players fix prices, and facing negligible threat of consumer-base loss, they do not need to retreat on these prices.

Bargaining power of suppliers: High. Cement industry is heavily dependent on raw material like limestone, coal, etc. A lack of sufficient raw materials is enough to break down a cement plant. Suppliers hold a lot of bargaining power,because of their immediate importance; disagreements with suppliers need to be resolved quickly.

Quantitative Analysis



Statement of Profit and Loss: Analysis

	Actual	Actual	Actual	Actual	Actual
All numbers in INR Lakhs	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
Revenue from Operations	1,07,772.0	1,21,755.0	1,17,515.0	1,37,132.0	1,59,687.0
Cost of Goods Sold	(18,474.0)	(23,880.0)	(22,728.0)	(23,974.0)	(22,532.0)
Gross profit	**89,298.0**	**97,875.0**	**94,787.0**	**1,13,158.0**	**1,37,155.0**
Gross Profit Margin	***82.9%***	***80.4%***	***80.7%***	***82.5%***	***85.9%***
Employee Benefits Expenses	(5,129.0)	(5,875.0)	(6,487.0)	(7,636.0)	(8,555.0)
Selling, General, and Administrative Expenses	(68,844.0)	(76,825.0)	(69,200.0)	(64,886.0)	(99,804.0)
EBITDA	**15,325.0**	**15,175.0**	**19,100.0**	**40,636.0**	**28,796.0**
EBITDA Margin	***14%***	***12%***	***16%***	***30%***	***18%***
Depreciation	(5,352.0)	(6,398.0)	(7,722.0)	(7,934.0)	(9,079.0)
Amortization	(10.0)	(172.0)	(165.0)	(169.0)	(192.0)
EBIT	**9,963.0**	**8,605.0**	**11,213.0**	**32,533.0**	**19,525.0**
EBIT Margin	***9.2%***	***7.1%***	***9.5%***	***23.7%***	***12.2%***

- The revenue growth has been constant at around 14% over the last 5 years, The primary reason for which is the expansion into new geographies and commencement of operation in the Jeerabad and Jajpur facility. This should remain steady due to their acquisition and expected higher capacity utilisation in the above facilities.
- The COGS has increased in absolute terms but is lower relative to percentage of sales, it is mainly due to rise in extraction costs of limestone, and higher inflation leading to higher labour costs.
- Employee costs have shot up due to the hiring of 250 labourers for their 2 new facilities, this has led to higher initial costs related to provident fund mandatory insurance expenses.
- Selling and general expenses have risen multifold due to rise in prices of coal and petcoke which are used as fuel for the Kiln and clinker facility. This has also led to higher freight costs.
- Depreciation has gone up due to increase in PPE, which has depreciated on the basis of SLD.
- Amortization has increased due to the acquisition of mining rights for the Jeerabad and Jajpur facility for the extraction of limestone.
- This has caused a fall in EBIT margins, which is expected to worsen through to end of financial year.

Statement of Profit and Loss: Analysis

Interest Income on Financial Assets at Amortised Cost	650.0	198.0	139.0	328.0	1,182.0
Interest Expense	(5,929.0)	(5,499.0)	(4,993.0)	(3,698.0)	(6,700.0)
Interest on Deposits from Dealers	0.0	0.0	0.0	(232.0)	(252.0)
Interest on Lease Liability	0.0	0.0	0.0	(23.0)	(43.0)
Other Borrowing Cost	0.0	(840.0)	(1,106.0)	(703.0)	(2,253.0)
Other Income	80.0	90.0	264.0	450.0	160.0
Other Expense	(197.0)	(234.0)	(550.0)	(592.0)	(1,219.0)
Profit Before Tax (PBT)	**4,567.0**	**2,320.0**	**4,967.0**	**28,063.0**	**10,400.0**
Tax Expense	(1,941.0)	(961.0)	(2,314.0)	(9,451.0)	(4,485.0)
Net Income	**2,626.0**	**1,359.0**	**2,653.0**	**18,612.0**	**5,915.0**
Earnings Per Share	**12.87**	**6.66**	**12.36**	**16.09**	**5.03**

- The interest income on Financial Assets at amortised costs has gone up 3x in March 2022 due to higher investments savings accounts, increase in advances given to employees and higher margins given for borrowings.
- The company is also getting higher interest income from its subsidiary Jajpur cement plant to which it has given a loan of 514 Crores in 2022, which has been invested as non convertible debentures in Pridhvi reconstruction asset fund. This is a suspected related party transaction, a major red flag.
- The interest expenses has gone up substantially due to loans taken by the company for the acquisition of Andhra cements, mainly from Axis Bank.
- Other income has increased due to substantial gain from currency fluctuations and the paying back of bad debts which were written off.
- Other borrowing cost has increased but the annual report has no mention or data.
- The net income has fallen from 186cr to 59 cr at the end of March,2022. This is due to the rise in energy prices severely impacting the business, this can be seen with other cement players as well as their margins got crushed.
- Auding of Financial statements done by Deloitte.

Balance Sheet: Analysis

All numbers in INR Lakhs	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
I. ASSETS					
Non-current Assets					
Property, Plant and Equipment	98,500.0	1,17,832.0	1,27,141.0	1,19,111.0	1,93,738.0
Capital Work-in-Progress	12,538.0	11,005.0	10,799.0	51,748.0	10,050.0
Goodwill	3,873.0	3,873.0	4,162.0	4,162.0	4,162.0
Intangible Assets - Mining Rights	2,867.0	2,686.0	5,893.0	5,725.0	5,538.0
Other Intangible Assets	15.0	24.0	23.0	32.0	36.0
Right of Use Assets	0.0	0.0	1,176.0	1,116.0	1,334.0
Investments	0.0	0.0	0.0	0.0	31,468.0
Other Financial Assets	1,584.0	2,084.0	1,659.0	1,785.0	3,044.0
Income Tax Assets (Net)	71.0	102.0	465.0	450.0	480.0
Deferred Tax Assets (Net)	3,188.0	3,284.0	2,119.0	73.0	1,540.0
Other Non-current Assets	5,260.0	1,346.0	8,716.0	11,133.0	13,529.0
Total Non-current Assets	**1,27,896.0**	**1,42,236.0**	**1,62,153.0**	**1,95,335.0**	**2,64,919.0**

- The PPE has increased substantially due to the acquisition of new machines for the Jeerabad and Jajpur facilities, and the capex done in the Mattampally plant.
- Capital Work in Progress has been steady apart from 2021, which was mainly due to COVID, hence exception.
- Intangible assets has gone up due to the acquisition of mining rights for Jeerabad and Jajpur facilities, likely to increase further after Andhra Cements acquisition.
- Investments has gone up, which is a huge red flag. As they have disbursed money to subsidiary Jajpur Cements, who have invested the money with Pridhvi Reconstruction Asset fund.
- Other Financial Assets have increased due to increase in margins given to Banks for borrowed loans, increase in advances to employees.
- Other Non-current and current assets has increased suspecting high related party transactions, mainly its own subsidiary.. Shown as advances to suppliers, and invested in Non convertible debentures.

Balance Sheet: Analysis

Current Assets					
Inventories	9,491.0	14,501.0	11,580.0	12,428.0	20,857.0
Trade Receivables	9,258.0	11,561.0	13,678.0	10,071.0	12,031.0
Cash and Cash Equivalents	4,100.0	1,791.0	290.0	22,514.0	14,306.0
Bank and Bank Balances Other than Cash and Cash Equiv	1,710.0	1,159.0	985.0	2,905.0	1,963.0
Other Financial Assets	382.0	305.0	394.0	335.0	567.0
Other Current Assets	4,223.0	4,558.0	4,795.0	11,106.0	21,790.0
Total Current Assets	**29,164.0**	**33,875.0**	**31,722.0**	**59,359.0**	**71,514.0**
TOTAL ASSETS	**1,57,060.0**	**1,76,111.0**	**1,93,875.0**	**2,54,694.0**	**3,36,433.0**

- Cash increased substantially due to rise in deposits in savings accounts and good profits the previous years, kept as retained earnings and small amount of dividend 0.50 per share was paid.
- The trade receivables has also increased due to a rise in credit sales to customers to increase volumes which is the focus of the company in FY2023 to compensate for the lower profit margins. They have high customer loyalty, so credit seems safe.
- The inventory has increased due to rise in inventory of coal and petcoke, which they had stocked up for upto 3-4 months for their plants to try and hedge the rising coal prices. This backfired as coal prices have softened after that. This coupled with rise in cement prices led to increase in inventory of cement bags as they couldn't achieve lower prices of production due to lower capacity utilisation and lack of economies of scale due to their recent expansions.

Balance Sheet: Analysis

II. EQUITY AND LIABILITIES					
Equity Share Capital	2,040.0	2,040.0	2,228.0	2,350.0	2,350.0
Other Equity	75,880.0	82,343.0	94,438.0	1,16,735.0	1,23,193.0
Equity Attributable to Shareholders of the Company	**77,920.0**	**84,383.0**	**96,666.0**	**1,19,085.0**	**1,25,543.0**
Non-controlling Interests	0.0	0.0	5,393.0	5,351.0	5,401.0
Total Equity	**77,920.0**	**84,383.0**	**1,02,059.0**	**1,24,436.0**	**1,30,944.0**
Non-current Liabilities					
Borrowings	32,972.0	30,582.0	28,724.0	63,803.0	1,12,853.0
Lease Liabilities	0.0	0.0	256.0	188.0	299.0
Other Financial Liabilities	5,065.0	5,459.0	7,016.0	6,999.0	6,852.0
Provisions	394.0	730.0	970.0	624.0	751.0
Deferred Tax Liabilities (Net)	4,030.0	4,113.0	4,391.0	6,804.0	9,769.0
Other Non-current Liabilities	229.0	229.0	229.0	229.0	229.0
Total Non-current Liabilities	**42,690.0**	**41,113.0**	**41,586.0**	**78,647.0**	**1,30,753.0**

- Other Equity has increased due to an addition of net income and the exchange of 120000 warrants for equal number of equity shares.
- Non controlling interests has also increased due to controlling interest in Satguru cement, which is a subsidiary owned by Sagar cement of the Jeerabad plant. SCL owns 65%, the remaining is owned by the bansal group.
- Borrowings have skyrocketed due to the acquisition of Andhra Cements which should be completed by the first quarter of FY 2024.
- Other Financial Liabilities has increased due to rise in unclaimed dividends, loans from related parties and payables for the increase in PPE.

Balance Sheet: Analysis

Current Liabilities					
Borrowings	11,526.0	13,886.0	14,063.0	16,845.0	37,482.0
Lease Liabilities	0.0	0.0	22.0	47.0	190.0
Trade Payables	13,680.0	20,384.0	22,300.0	22,899.0	22,099.0
Other Financial Liabilities	5,077.0	9,008.0	8,688.0	1,791.0	3,104.0
Provisions	228.0	275.0	355.0	443.0	308.0
Income Tax Liabilities (Net)	232.0	756.0	602.0	1,164.0	1,275.0
Other Current Liabilities	5,707.0	6,306.0	4,200.0	8,422.0	10,278.0
Total Current Liabilities	**36,450.0**	**50,615.0**	**50,230.0**	**51,611.0**	**74,736.0**
TOTAL EQUITY AND LIABILITIES	**1,57,060.0**	**1,76,111.0**	**1,93,875.0**	**2,54,694.0**	**3,36,433.0**

- The Provisions have increased due to rise in compensations and gratuity to employees who have left the company recently.
- The increase of borrowings and lease liabilities led to an overall rise in the liabilities.
- There was also a rise in trade payables due to the fall in margins, lower capacity utilisation and increase in prices of iron ore and clay, which reduced margins and increased the payables gradually.
- A major red flag was also almost 30Cr in Unbilled trade receivables which states that the company has provided the goods but the invoice hasn't been generated as yet. This is minimal for competitors.
- The income tax liabilities has increased due to rise in deferred taxes and GST discrepancies.

Cash Flow Statement: Analysis

	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Net Profit before Extraordinary Items and Cash	**26.26**	**13.59**	**26.53**	**185.6**	**104**
Net CashFlow From Operating Activities	149.96	133	202.05	377.17	86.98
Net Cash Used In Investing Activities	-194	-186.82	-226.98	-476.59	-783.92
Net Cash Used From Financing Activities	-76.74	30.73	9.92	321.66	614.86
Foreign Exchange Gains / Losses	0	0	0	0	0
Adjustments On Amalgamation Merger Demerger	0	0	0	0	0
NET INC/DEC IN CASH AND CASH EQUIVALENTS	**-120.78**	**-23.09**	**-15.01**	**222.24**	**-82.08**
Cash And Cash Equivalents - Begin of Year	161.78	41	17.91	2.9	225.14
Cash And Cash Equivalents - End Of Year	41	17.91	2.9	225.14	143.06

- The Free cash flows were negative in the latest quarter, as shown in the next few slide due to high costs and lower margins.
- The CFO has fallen due to sharp rise in trade payables, Increase in trade receivables, fall in net income due to lower realisations, increase in interests costs and higher inflation.
- The CFI is negative due to outflow of cash towards increased capex of Jeerabad and Jajpur facility and advances to subsidiaries.
- The cash Flow from financing activities is high due to large amounts of debt taken by SCL for the acquisition of Andhra Cements. For details, look at the Appendix.
- Fall in cash due to need of working capital and increase in margins given to banks for rise in borrowing.

Ratio Analysis

Ratios	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
Sales Growth	14.5%	13.0%	-3.5%	16.7%	16.4%
EBITDA Margins	14.2%	12.5%	16.3%	29.6%	18.0%
EBIT Margins	9.2%	7.1%	9.5%	23.7%	12.2%
Interest Coverage Ratio	1.68	1.36	1.84	6.99	2.11

- The sales growth has increased due to expansion into new geographies, management's focus on higher volumes and building of customer base in MP and Odisha.
- EBITDA margins fell due to sharp rise in selling and general expenses due to rise in prices of input materials.
- EBIT margins have declined due to rise in depreciation due to increase in machinery and fixed assets and a rise in amortisation due to acquisition of mining rights for new plants.

Ratio Analysis

Inventory Turnover Days	187.52	221.64	185.97	189.21	337.87
Trade Receivables Days	31.35	34.66	42.48	26.81	27.50
Trade Payables Days	270.28	311.56	358.13	348.63	357.99
P/E	71.82	98.16	25.50	1.80	41.95

- Inventory Turnover has increased due to a rise in stock of finished goods due to rising prices and higher competitive intensity. Moreover the rise in coal and petcoke inventory as a hedge against pricing prices caused inventory turnover days to increase.
- Trade Receivables days has fallen which is a great sign, cement is a very high quantity and high credit market. SCL has increased sales by giving credit to dealers but has increased efficiency of collecting them which has helped them manage Working Capital.
- Trade Payables days has gone up due to rise in prices of Iron ore and clay, which are the key items taken from suppliers. The rise in prices of cement are lesser than rise in price of raw materials which is leading to higher days, this should ease out this quarter as the raw material prices are falling. Due to their past relationship with suppliers, they are able to pay them at later dates.
- The P/E fluctuates a lot due to fluctuations in the earnings per share which have been erratic, the 2018, 2019 multiples were very high due to lower earnings. This was low in 2021 due to high earnings and has gone up again last year due to lower earnings. It has increased in 2022 due to lower earnings and high interest costs. Much higher compared to competitors.

Ratio Analysis

ROE	3.4%	1.6%	2.6%	15.0%	4.5%
ROIC	4.6%	3.7%	3.8%	11.6%	4.6%
ROCE	8.4%	6.6%	7.9%	19.0%	8.3%
ROA	2%	1%	1%	7%	2%
EV / EBITDA	14.54	11.91	6.10	2.18	14.67

- The ROE has fallen due to a fall in net income, due to aforementioned factors.
- The ROIC has also decreased due to lower NOPAT due to lower realisations, the invested capital has increased due to the acquisitions.
- The ROCE has also fallen due to fall in net income.
- The ROA has fallen due to a fall in Net Income and a rise in total assets due to recent acquisitions.
- The EV/EBITDA has increased due to a fall in EBITDA and a rise in debt which has reduced the denominator thereby increased EV/EBITDA.

DCF Valuation - WACC

Cost of Equity	16.74%
Weight of Equity	63.52%
Cost of Debt	6.28%
Weight of Debt	36.48%
WACC	**13%**

Cost of Equity = Risk-free Rate + Beta * Equity Risk Premium	
Risk-free Rate	4.7%
Beta	1.3
ERP	9.1%
Cost of Equity	**16.7%**

Risk-free Rate = 10-Year Government Bond Rate - Country Default Spread	
10-Year Government Bond Rate	7.29%
Country Default Spread	2.63%
Risk-free Rate	**4.66%**

- Inputs used from Aswath Damodaran's website
- The risk-free rate factors in inflation and the country default spread
- The cost of debt varies for each company depending on its ICR.
- The 13% WACC obtained is higher than the ROIC of the company.

Cost of Debt = (Risk-free Rate + Company Default Spread) * (1 - Tax Rate)	
Interest Coverage Ratio	2.0
Rating	B
Company Default Spread	5.00%
Marginal Tax Rate	34.9%
Cost of Debt	6.28%

DCF Valuation - Assumptions

	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	
All numbers in INR Lakhs	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	
Income Statement Assumptions											
Sales Growth	14.5%	13.0%	-3.5%	16.7%	16.4%	16.4%	17.0%	17.0%	17.5%	17.5%	Gradual increase due to aggressive capacity expansion
COGS as % of Sales	17.1%	19.6%	19.3%	17.5%	14.1%	14.1%	13.5%	13.0%	13.0%	13.0%	Slight decline as increase in operational efficiency is expected
Employee Benefits Expenses as % of Sales	4.8%	4.8%	5.5%	5.6%	5.4%	5.6%	5.6%	5.6%	5.6%	5.6%	Taken as highest of past five years
SG&A as % of Sales	63.9%	63.1%	58.9%	47.3%	62.5%	62.5%	62.5%	62.5%	62.5%	62.5%	Taken as latest figure
Depreciation as a % Beginning Net PP&E	5.7%	6.5%	6.6%	6.2%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	constant - assumption based on SLM and WDV
Amortization (INR Amount)	10.0	172.0	165.0	169.0	192.0	192.0	192.0	192.0	192.0	192.0	Highest of past five years
Interest Income on Financial Assets at Amortised Cost	650.0	198.0	139.0	328.0	1,182.0	499.4	499.4	499.4	499.4	499.4	Average of past five years
Average Interest Rate on Debt (for Interest Expense)						8.50%	8.50%	8.50%	8.50%	8.50%	
Other Income	80.00	90.00	264.00	450.00	160.00	208.8	208.8	208.8	208.8	208.8	Taken as average of past five years
Other Expenses	-197.00	-234.00	-550.00	-592.00	-1,219.00	-1,219.00	-1,219.00	-1,219.00	-1,219.00	-1,219.00	Highest of past five years
Effective Tax Rate	42.5%	41.4%	46.6%	33.7%	43.1%	46.6%	46.6%	46.6%	46.6%	46.6%	Highest of past five years
Non-Current Assets Assumptions											
Net Capex as % of Sales	18%	16%	19%	2%	22%	16%	16%	16%	16%	16%	
Right of Use Assets	0	0	1,176	1,116	1,334	1,334	1,334	1,334	1,334	1,334	
Capital Work-in-Progress	12,538.0	11,005.0	10,799.0	51,748.0	10,050.0	19,228.0	19,228.0	19,228.0	19,228.0	19,228.0	
Goodwill	3,873.0	3,873.0	4,162.0	4,162.0	4,162.0	4,162.0	4,162.0	4,162.0	4,162.0	4,162.0	
Intangible Assets	2,882.0	2,710.0	5,916.0	5,757.0	5,574.0	5,574.0	5,574.0	5,574.0	5,574.0	5,574.0	
Financial Assets	1,584.0	2,084.0	1,659.0	1,785.0	34,512.0	34,512.0	34,512.0	34,512.0	34,512.0	34,512.0	
Tax Assets (Net)	3,259.0	3,386.0	2,584.0	523.0	2,020.0	2,020.0	2,020.0	2,020.0	2,020.0	2,020.0	
Other Non-current Assets	5,260.0	1,346.0	8,716.0	11,133.0	13,529.0	7,996.8	7,996.8	7,996.8	7,996.8	7,996.8	Taken as average of past five years
Current Assets Assumptions											
Inventory Days	187.5	221.6	186.0	189.2	337.9	224.4	224.4	224.4	224.4	224.4	Taken as average of past five years
Trade Receivables Days	31.4	34.7	42.5	26.8	27.5	32.6	32.6	32.6	32.6	32.6	
Cash and Cash Equivalents	4,100.0	1,791.0	290.0	22,514.0	14,306.0						
Other Financial Assets	2,092.0	1,464.0	1,379.0	3,240.0	2,530.0	2,141.0	2141.0	2141.0	2141.0	2141.0	Taken as average of past five years
Other Current Assets as % of Sales	3.9%	3.7%	4.1%	8.1%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	

DCF Valuation - ROIC

	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
Effective Tax Rate	42.5%	41.4%	46.6%	33.7%	43.1%
EBIT	9,963.0	8,605.0	11,213.0	32,533.0	19,525.0
Tax	(4,234.3)	(3,564.4)	(5,223.9)	(10,956.4)	(8,420.2)
NOPAT	5,728.7	5,040.6	5,989.1	21,576.6	11,104.8
Invested capital	1,24,784.0	1,37,979.0	1,57,500.0	1,86,570.0	2,40,376.0
Return on Invested Capital	**5%**	**4%**	**4%**	**12%**	**5%**

- Company is undertaking inorganic expansions financed with massive debt, which is increasing the invested capital each year
- EBIT growth not sufficient to meaningfully increase ROIC
- Since the ROIC is so much lower than WACC = 13%, company is destroying value

DCF Valuation - Free Cash Flows

	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected
All numbers in INR Lakhs	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
EBIT	9,963.0	8,605.0	11,213.0	32,533.0	19,525.0	18,317.7	24,206.1	30,934.2	37,675.5	45,498.7
Tax	(4,234.3)	(3,564.4)	(5,223.9)	(10,956.4)	(8,420.2)	(8,533.7)	(11,277.0)	(14,411.5)	(17,552.1)	(21,196.7)
NOPAT	**5,728.7**	**5,040.6**	**5,989.1**	**21,576.6**	**11,104.8**	**9,783.9**	**12,929.1**	**16,522.7**	**20,123.4**	**24,302.0**
Depreciation	5,352.0	6,398.0	7,722.0	7,934.0	9,079.0	14,630.2	15,702.9	17,064.8	18,756.9	20,842.9
Amortisation	10.0	172.0	165.0	169.0	192.0	192.0	192.0	192.0	192.0	192.0
(Capex)		(25,909.0)	(30,442.0)	(10,223.0)	(44,690.0)	(29,027.3)	(33,929.2)	(39,664.6)	(46,572.3)	(54,688.8)
(Increase) Decrease in OWC		39,920.0	303.0	1,919.0	(20,041.0)	1,946.9	(3,665.6)	(4,269.2)	(4,673.5)	(5,491.4)
(Increase) Decrease in Other Operating Assets		3,959.0	(11,239.0)	(137.0)	(3,928.0)	5,532.2	0.0	0.0	0.0	0.0
Increase (Decrease) in Other Operating Liabilities		419.0	518.0	2,067.0	3,092.0	123.5	148.7	173.9	209.5	246.2
Free Cash Flows		**29,999.6**	**(26,983.9)**	**23,305.6**	**(45,191.2)**	**3,181.5**	**(8,622.1)**	**(9,980.3)**	**(11,964.0)**	**(14,597.1)**

- Massive capex by company is leading to negative free cash flows
- This is a major concern - cash generated through earnings is not even sufficient to cover claims to creditors and shareholders
- Could be a major reason why such a large amount of promoter shareholding is pledged

Appendix

All numbers in INR Lakhs	Actual 31-Mar-18	Actual 31-Mar-19	Actual 31-Mar-20	Actual 31-Mar-21	Actual 31-Mar-22
Revenue from Operations	1,07,772.0	1,21,755.0	1,17,515.0	1,37,132.0	1,59,687.0
Cost of Goods Sold	(18,474.0)	(23,880.0)	(22,728.0)	(23,974.0)	(22,532.0)
Gross profit	**89,298.0**	**97,875.0**	**94,787.0**	**1,13,158.0**	**1,37,155.0**
Gross Profit Margin	***82.9%***	***80.4%***	***80.7%***	***82.5%***	***85.9%***
Employee Benefits Expenses	(5,129.0)	(5,875.0)	(6,487.0)	(7,636.0)	(8,555.0)
Selling, General, and Administrative Expenses	(68,844.0)	(76,825.0)	(69,200.0)	(64,886.0)	(99,804.0)
EBITDA	**15,325.0**	**15,175.0**	**19,100.0**	**40,636.0**	**28,796.0**
EBITDA Margin	***14%***	***12%***	***16%***	***30%***	***18%***
Depreciation	(5,352.0)	(6,398.0)	(7,722.0)	(7,934.0)	(9,079.0)
Amortization	(10.0)	(172.0)	(165.0)	(169.0)	(192.0)
EBIT	**9,963.0**	**8,605.0**	**11,213.0**	**32,533.0**	**19,525.0**
EBIT Margin	***9.2%***	***7.1%***	***9.5%***	***23.7%***	***12.2%***
Interest Income on Financial Assets at Amortised Cost	650.0	198.0	139.0	328.0	1,182.0
Interest Expense	(5,929.0)	(5,499.0)	(4,993.0)	(3,698.0)	(6,700.0)
Interest on Deposits from Dealers	0.0	0.0	0.0	(232.0)	(252.0)
Interest on Lease Liability	0.0	0.0	0.0	(23.0)	(43.0)
Other Borrowing Cost	0.0	(840.0)	(1,106.0)	(703.0)	(2,253.0)
Other Income	80.0	90.0	264.0	450.0	160.0
Other Expense	(197.0)	(234.0)	(550.0)	(592.0)	(1,219.0)
Profit Before Tax (PBT)	**4,567.0**	**2,320.0**	**4,967.0**	**28,063.0**	**10,400.0**
Tax Expense	(1,941.0)	(961.0)	(2,314.0)	(9,451.0)	(4,485.0)
Net Income	**2,626.0**	**1,359.0**	**2,653.0**	**18,612.0**	**5,915.0**
Earnings Per Share	**12.87**	**6.66**	**12.36**	**16.09**	**5.03**

All numbers in INR Lakhs	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
I. ASSETS					
Non-current Assets					
Property, Plant and Equipment	98,500.0	1,17,832.0	1,27,141.0	1,19,111.0	1,93,738.0
Capital Work-in-Progress	12,538.0	11,005.0	10,799.0	51,748.0	10,050.0
Goodwill	3,873.0	3,873.0	4,162.0	4,162.0	4,162.0
Intangible Assets - Mining Rights	2,867.0	2,686.0	5,893.0	5,725.0	5,538.0
Other Intangible Assets	15.0	24.0	23.0	32.0	36.0
Right of Use Assets	0.0	0.0	1,176.0	1,116.0	1,334.0
Investments	0.0	0.0	0.0	0.0	31,468.0
Other Financial Assets	1,584.0	2,084.0	1,659.0	1,785.0	3,044.0
Income Tax Assets (Net)	71.0	102.0	465.0	450.0	480.0
Deferred Tax Assets (Net)	3,188.0	3,284.0	2,119.0	73.0	1,540.0
Other Non-current Assets	5,260.0	1,346.0	8,716.0	11,133.0	13,529.0
Total Non-current Assets	**1,27,896.0**	**1,42,236.0**	**1,62,153.0**	**1,95,335.0**	**2,64,919.0**
Current Assets					
Inventories	9,491.0	14,501.0	11,580.0	12,428.0	20,857.0
Trade Receivables	9,258.0	11,561.0	13,678.0	10,071.0	12,031.0
Cash and Cash Equivalents	4,100.0	1,791.0	290.0	22,514.0	14,306.0
Bank and Bank Balances Other than Cash and Cash Equiv	1,710.0	1,159.0	985.0	2,905.0	1,963.0
Other Financial Assets	382.0	305.0	394.0	335.0	567.0
Other Current Assets	4,223.0	4,558.0	4,795.0	11,106.0	21,790.0
Total Current Assets	**29,164.0**	**33,875.0**	**31,722.0**	**59,359.0**	**71,514.0**
TOTAL ASSETS	**1,57,060.0**	**1,76,111.0**	**1,93,875.0**	**2,54,694.0**	**3,36,433.0**

II. EQUITY AND LIABILITIES					
Equity Share Capital	2,040.0	2,040.0	2,228.0	2,350.0	2,350.0
Other Equity	75,880.0	82,343.0	94,438.0	1,16,735.0	1,23,193.0
Equity Attributable to Shareholders of the Company	**77,920.0**	**84,383.0**	**96,666.0**	**1,19,085.0**	**1,25,543.0**
Non-controlling Interests	0.0	0.0	5,393.0	5,351.0	5,401.0
Total Equity	**77,920.0**	**84,383.0**	**1,02,059.0**	**1,24,436.0**	**1,30,944.0**
Non-current Liabilities					
Borrowings	32,972.0	30,582.0	28,724.0	63,803.0	1,12,853.0
Lease Liabilities	0.0	0.0	256.0	188.0	299.0
Other Financial Liabilities	5,065.0	5,459.0	7,016.0	6,999.0	6,852.0
Provisions	394.0	730.0	970.0	624.0	751.0
Deferred Tax Liabilities (Net)	4,030.0	4,113.0	4,391.0	6,804.0	9,769.0
Other Non-current Liabilities	229.0	229.0	229.0	229.0	229.0
Total Non-current Liabilities	**42,690.0**	**41,113.0**	**41,586.0**	**78,647.0**	**1,30,753.0**
Current Liabilities					
Borrowings	11,526.0	13,886.0	14,063.0	16,845.0	37,482.0
Lease Liabilities	0.0	0.0	22.0	47.0	190.0
Trade Payables	13,680.0	20,384.0	22,300.0	22,899.0	22,099.0
Other Financial Liabilities	5,077.0	9,008.0	8,688.0	1,791.0	3,104.0
Provisions	228.0	275.0	355.0	443.0	308.0
Income Tax Liabilities (Net)	232.0	756.0	602.0	1,164.0	1,275.0
Other Current Liabilities	5,707.0	6,306.0	4,200.0	8,422.0	10,278.0
Total Current Liabilities	**36,450.0**	**50,615.0**	**50,230.0**	**51,611.0**	**74,736.0**
TOTAL EQUITY AND LIABILITIES	**1,57,060.0**	**1,76,111.0**	**1,93,875.0**	**2,54,694.0**	**3,36,433.0**

Ratios	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
Sales Growth	14.5%	13.0%	-3.5%	16.7%	16.4%
EBITDA Margins	14.2%	12.5%	16.3%	29.6%	18.0%
EBIT Margins	9.2%	7.1%	9.5%	23.7%	12.2%
Interest Coverage Ratio	0.53	0.74	0.54	0.14	0.47
Inventory Turnover Days	187.52	221.64	185.97	189.21	337.87
Trade Receivables Days	31.35	34.66	42.48	26.81	27.50
Trade Payables Days	270.28	311.56	358.13	348.63	357.99
P/E	71.82	98.16	25.50	1.80	41.95
ROE	3.4%	1.6%	2.6%	15.0%	4.5%
ROIC	4.6%	3.7%	3.8%	11.6%	4.6%
ROCE	8.4%	6.6%	7.9%	19.0%	8.3%
ROA	2%	1%	1%	7%	2%
EV / EBITDA	14.54	11.91	6.10	2.18	14.67

Important Aspects of Annual Report

(ii) Loans are advanced to Jajpur Cements Private Limited (JCPL), Wholly owned subsidiary of the Company during the year aggregating to ₹ 46,483. JCPL has subscribed to debentures issued by Pridhvi Asset Reconstruction and Securitisation Company Limited on January 31, 2022 amounting to ₹ 42,960.

As at March 31, 2022

Bank	Loan outstanding	Terms of repayment	Rate of interest
HDFC Bank Limited (Refer Note 1 below)	1,094	4 quarterly instalments	6.50%
Axis Bank Limited (Refer Note 2 below)	491	12 monthly instalments	7.90%
HDFC Bank Limited (Refer Note 2 below)	2,194	50 monthly instalments	6.00%
Axis Finance Limited (Refer Note 2 below)	14,775	18 quarterly instalments	10.00%
Piramal Capital & Housing Finance Limited (Refer Note 2 below)	9,950	48 monthly instalments	11.00%
Axis Bank Limited (Refer Note 3 below)	1,150	8 quarterly instalments	7.90%
Axis Bank Limited (Refer Note 4 below)	2,533	16 quarterly instalments	7.90%
State Bank of India (Refer Note 5 below)	2,399	16 quarterly instalments	8.50%
State Bank of India (Refer Note 6 below)	55	1 monthly instalments	6.95%
Axis Bank Limited (Refer Note 7 below)	1,630	46 monthly instalments	6.50%
HDFC Bank Limited (Refer Note 8 below)	3,000	48 monthly instalments	6.50%
The Federal Bank Limited (Refer Note 9 below)	2,625	14 quarterly instalments	8.20%
State Bank of India (Refer Note 10 below)	11	1 monthly instalments	6.95%
The Federal Bank Limited (Refer Note 11 below)	1,011	48 monthly instalments	6.75%
Axis Bank Limited (Refer Note 12 below)	19,700	36 quarterly instalments	8.75%
Yes Bank Limited (Refer Note 13 below)	15,723	37 quarterly instalments	8.30%
State Bank of India (Refer Note 14 below)	20,745	37 quarterly instalments	9.25%
Vehicle loans from various banks/financial institutions (Refer Note 16 below)	573	2 - 36 monthly instalments	7.16% to 9.13%
Less: Current maturities of non-current borrowings	(12,200)		
	87,459		

As at March 31, 2021

Bank	Loan outstanding	Terms of repayment	Rate of interest
HDFC Bank Limited (Refer Note 1 below)	2,193	8 quarterly instalments	6.50%
Axis Bank Limited (Refer Note 2 below)	991	24 monthly instalments	8.00%
Axis Bank Limited (Refer Note 3 below)	1,721	12 quarterly instalments	8.00%
Axis Bank Limited (Refer Note 4 below)	3,176	20 quarterly instalments	8.00%
State Bank of India (Refer Note 5 below)	2,399	16 quarterly instalments	9.00%
State Bank of India (Refer Note 6 below)	722	13 monthly instalments	7.25%
Axis Bank Limited (Refer Note 7 below)	1,701	48 monthly instalments	6.50%
HDFC Bank Limited (Refer Note 8 below)	3,000	48 monthly instalments	6.50%
The Federal Bank Limited (Refer Note 9 below)	3,125	18 quarterly instalments	8.00%
State Bank of India (Refer Note 10 below)	144	13 monthly instalments	7.25%
Axis Bank Limited (Refer Note 11 below)	11,970	36 quarterly instalments	8.85%
IndusInd Bank Limited (Refer Note 12 below)	12,397	37 quarterly instalments	9.65%
State Bank of India (Refer Note 13 below)	16,326	37 quarterly instalments	9.65%
Vehicle loans from various banks/financial institutions (Refer Note 15 below)	181	5 - 21 monthly instalments	8.50% to 9.31%
Less: Current maturities of non-current borrowings	(4,320)		
	55,726		

6. Loans (Unsecured, considered good)

Particulars	As at March 31, 2022	As at March 31, 2021
Non-current		
Loans to Subsidiary Companies (Refer Notes 32 and 34)	51,413	2,500
Total loans	**51,413**	**2,500**

Notes:

(i) No loans are due from directors or other officers of the Company or any of them either severally or jointly with any other person. Further, no loans are due from firms or private companies in which any director is a partner, a director or a member.

(ii) Loans are advanced to Jajpur Cements Private Limited (JCPL), Wholly owned subsidiary of the Company during the year aggregating to ₹ 46,483. JCPL has subscribed to debentures issued by Pridhvi Asset Reconstruction and Securitisation Company Limited on January 31, 2022 amounting to ₹ 42,960.

7. Other financial assets (Unsecured, considered good)

Particulars	As at March 31, 2022	As at March 31, 2021
Non-current		
Security deposits	1,063	1,346
Balances held as margin money deposit against borrowings	511	122
Total	**1,574**	**1,468**
Current		
Security deposits	267	165
Advances to employees	116	66
Interest accrued but not due (Refer Note 34)	1,895	92
Derivative assets	-	6
Total	**2,278**	**329**
Total other financial assets	**3,852**	**1,797**

FY 2021-22:

Particulars	Outstanding for following periods from due date of payment						
	Not due	Less than 6 months	6 months - 1 year	1-2 years	2-3 year	More than 3 years	Total
(i) Undisputed Trade receivables							
· considered good	7,465	2,913	1,737	234	42	20	12,411
· which have significant increase in credit risk	-	-	-	-	-	-	-
(ii) Undisputed Trade Receivables							
· credit impaired	-	77	77	56	48	722	980
· which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Disputed Trade Receivables							
· considered good	-	-	-	-	-	-	-
· which have significant increase in credit risk	-	-	-	-	-	-	-
· credit impaired	-	-	-	-	-	112	112
Total	7,465	2,990	1,814	290	90	854	13,503

6. Loans (Unsecured, considered good)

Particulars	As at March 31, 2022	As at March 31, 2021
Non-current		
Loans to Subsidiary Companies (Refer Notes 32 and 34)	51,413	2,500
Total loans	**51,413**	**2,500**

Notes:

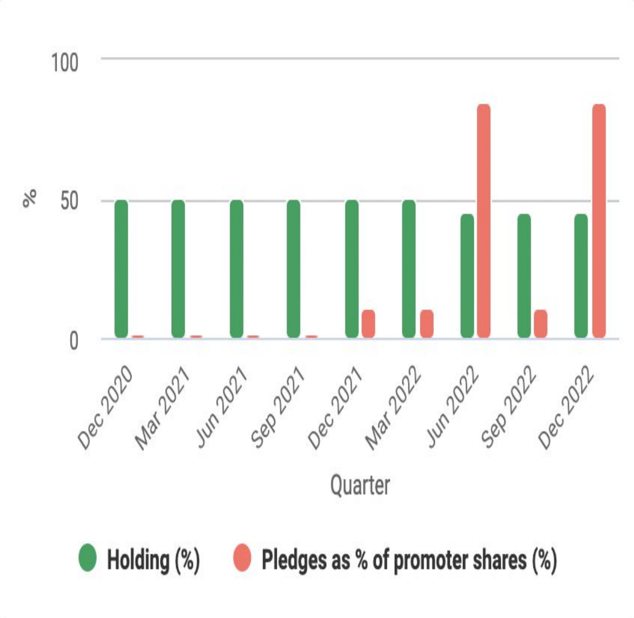
14. Other equity

Particulars	As at March 31, 2022	As at March 31, 2021
Capital reserve	35	35
Securities premium	54,327	54,327
General reserve	3,598	3,598
Retained earnings	69,188	59,398
Other items of other comprehensive income	(87)	(214)
Total other equity	**1,27,061**	**1,17,144**

Movement in other equity is as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
Capital reserve	**35**	**35**
Securities premium		
(i) Opening balance	54,327	45,507
(ii) Premium on allotment of equity shares upon conversion of warrants (Refer Note 44(a))	-	8,820
	54,327	**54,327**
General reserve	**3,598**	**3,598**
Retained earnings		
(i) Opening balance	59,398	49,839
(ii) Effect of business combination (Refer Note 40)	-	(7,839)
(iii) Profit for the year	10,378	18,926
	69,776	**60,926**
Less: Appropriations		
(i) Dividend on equity shares (Refer Note 39)	588	1,528
	69,188	**59,398**
Other items of other comprehensive income		
(i) Opening balance	(214)	(192)
(ii) Effect of business combination (Refer Note 40)	-	(29)
(iii) Other comprehensive income for the year	127	7
	(87)	**(214)**
Money received against share warrants		
(i) Opening balance	-	2,236
(ii) Money received against share warrant (Refer Note 44(a))	-	6,706
(iii) Allotment of equity shares upon conversion of warrants (Refer Note 44(a))	-	(122)
(iv) Premium on allotment of equity shares upon conversion of warrants (Refer Note 44(a))	-	(8,820)
	-	-
Total	**1,27,061**	**1,17,144**

HISTORICAL PROMOTOR HOLDING



Promoters holding remains unchanged at 45.20% in Dec 2022 qtr

Promoters pledged 73.88% of shares in last quarter. Total pledge stands at 84.79% of promoter holdings