



CK Birla - Chairman

Dear Shareholders,

It is with great pleasure that I welcome you to the 10th Annual General Meeting of Orient Cement and I thank you for attending this meeting.

The Annual Report for the year ended 31st March 2021 has already been circulated and I am sure all of you have gone through the same. With your permission, I would like to summarise the year under review.

Steadfast Against the Storm

The fiscal 2020-21 has been an unprecedented year and it will go down as a watershed year in modern history. The world endured one of its most severe health and humanitarian crisis precipitating the sharpest economic and business deceleration in a long time. Business models had to be put through a paradigm shift to survive in the midst of unprecedented adversity.

Operating in the 'core sector' that propels the economic momentum, we had to work through the ever evolving challenges being created by the uncertain and unpredictable health, economic, social and business environment.

The stringent containment measures in the initial weeks of the fiscal year severely affected our operations and our plants had to shut down for the first time in our history. Even when gradual relaxations came into force, we encountered major headwinds in terms of low demand from the infrastructure sector, availability of manpower, trucks, availability of critical raw materials and rising freight charges, all creating large dislocations in our supply-chain network.

Outperformance

In such unprecedented times, your Company pivoted, created and implemented agile strategies and adopted several prudent financial measures to deliver a creditable performance despite all odds. The first wave of Covid-19 largely impacted the urban parts of the country, and demand for cement from the core infrastructure sectors declined. However, as semi-urban and rural parts of the country were less impacted, your Company channelised its resources and energies to leverage the demand from these markets. With a 'limitless' approach to everything we do, while we managed to cope with very low volumes at the start of the year, yet as the situation improved, we were agile enough to sell near full capacity and deliver our best performance in Q4 FY21.

For the year, your Company recorded a total revenue of Rs. 2324 crore, a decline of 4% compared to the previous fiscal. Despite a moderate decline in revenue, EBIDTA recorded a YoY improvement of 42%, to Rs. 570 crore in FY 2021 compared to Rs. 400 crore in FY 2020.

A series of cost optimisation measures and prudent capital allocation drove your company's post-tax profits up from Rs. 86 crore in the previous year to Rs 214 crore this fiscal, recording an impressive YoY growth of 147%. The improved cash flow enabled us to de-leverage our balance sheet dramatically within a span of one year, with net debt down about nearly Rs. 550 crores during the year. This has resulted in a much stronger balance sheet which can now become our launchpad for our future expansion plans.

Limitless

We call our attitude 'Limitless'. There were many facets of our limitless approach during the year and we have given a detailed narration of the same in the Annual Report that is with you.

I am sure I am not the only one to believe that the pandemic brought numerous learning opportunities. The team at Orient Cement has leveraged many such opportunities to re-invent the business during this period.

We utilised our opportunities judiciously and made several vital structural pivots during the year. To better address the preferred markets, customers and channels, we rationalised and strengthened our channel networks, re-purposed our marketing strategies. We also improved our product mix towards more environmentally friendly blended cement.

The strong financial performance of your company has been enabled by our renewed focus on improving our market and product mix through far-reaching structural shifts and our established strengths of cost and resource management.

Digitalisation – Future Ready

'The new normal' needed all of us to make technology leaps to continue to perform well from remote locations. To create a perfect hybrid work environment, we expedited our digital transformation. During the year, your company has taken several key initiatives such as more powerful Sales Force Automation enabling our field force, our channel partners and also our customers for seamless transaction flow from lead management, order placement right through settlement of claims, credit notes etc.

We deployed cutting-edge technology in production facilities to benefit our customers from our compelling value propositions. Our pioneering premium product 'Birla A1 StrongCrete' validates this as we see its increasing market

penetration and strong revenue potential amidst the sluggish economic outlook. It is our conviction and belief that this product will gain increasingly wider acceptance based on its inherent qualities and our service package, despite its premium pricing.

Reducing the Carbon Footprint

Well before ESG became a subject of popular discussion, we have been demonstrating our commitment to the environment, society and to all stakeholders for years. We practice our conviction that sustainability has to be the key driver in all our initiatives and in every facet of our operations. The multiple awards we have been honoured with over the years have been won by us through our sustained frugal and prudent use of non-renewable resources, increasing use of waste in our pursuit of circular economy, our water positive operations, increased use of renewable energy etc.

Our commitment to generously support the welfare of our neighbouring communities is reflected in our CSR spends which are consistently far higher than what the law mandates. Our work in our focus areas of education, health, poverty alleviation and rural infrastructure has been well appreciated by multiple forums, including Government authorities.

Over the years, we have established and embedded robust environmental, social and governance (ESG) principles in our operating ecosystem and all our manufacturing plants adhere to the highest standards of domestic and global safety.

During the year your Company further increased use of alternate fuels replacing traditional fossil fuels in our operations, which is not only cost-effective but also helps reduce our carbon footprint. We are now on track to make important investments in waste heat recovery plant, aimed at further decreasing the carbon footprint. We are also investing to create solar power source for our Jalgaon grinding unit. Such measures will further minimise our reliance on conventional

energy sources and boost our overall competitiveness in the coming years. Though we have not published a separate ESG report so far, our commitment to the cause is evidenced not just by our actions, but also by our commitment to SDGs through the global cement sustainability initiative which was launched under the umbrella of World Business Council for Sustainable Development and has now been adopted by the Global Cement and Concrete Association.

I would urge the management team to consider publishing an ESG report to communicate our efforts and the results achieved by us in more detail.

People Power

The strong performance of your company is a demonstration of the commitment and passion that The Orient Cement Team brings to the business every single day, with a single-minded devotion to excel under any circumstances. As a responsible and people-centred organisation, the focus of the leadership team throughout the year was as much on safeguarding and stabilising the business as it was on the health, safety and well-being of every single member of our team. From the very first day of the Janata curfew, empowered and focused teams were formed with a clear formal check list to implement our hyper-vigilant measures to ensure effective health management with the comprehensive focus on occupational, physical and psychological health of our employees. Even as all the safeguards were implemented, our teams very quickly adopted the new tools of communication and created collaborative platforms and platforms to re-invent our processes to eliminate any wastages become even more efficient and effective.

It is a result of our people centric initiatives and policies that your Company has once again been certified as Great Place to Work with vastly improved Trust and Pride Scores even when our people and our systems were put under extreme stress by the pandemic-triggered dislocations.

The Board of your Company joins me in applauding the spirit, commitment and hard work of the team for their exemplary performance and contribution throughout the crisis.

Road ahead

As we are all aware, the pandemic is still around, and it is difficult to hazard a guess about how much longer it is going to impact the economy and the industry. However, we remain optimistic of our response to the changing market dynamics. Our results for Q1 announced on August 2nd reflect our resilience despite the second wave of Covid 19.

Looking beyond the next few quarters, we are keen to enhance our capacity to 11.5 million tonnes by FY 2024 and further to 14.5 million tonnes in about 2 years thereafter. We are also hopeful of being able to revive our proposed project in Rajasthan after the recent changes by the Government of India in the law pertaining to transfer of mining leases.

Meanwhile, we are continuing our efforts to deleverage our balance sheet and prepay the current debt expeditiously. The healthy balance sheet creates a strong platform for us to take up the ambitious capacity enhancement investments with renewed vigour and confidence. We are now eagerly looking forward to the next phase to maximise stakeholder value and create a sustainable future for Orient Cement.

On behalf of the Board of Directors, I would like to extend our sincere gratitude to all shareholders, company associates, financial institutions, banks, and the respective Government bodies for their sustained support and encouragement.

My appreciation also goes out to all my colleagues on the Board and the entire workforce at Orient Cement, whose steadfast contributions made us who we are today. With your continued commitment and support, we will go even further in our forthcoming endeavours.