



SAGAR CEMENTS LIMITED

Ref:SCL:SEC:NSE:2020-21

26th June 2020

The National Stock Exchange of India Ltd.,
"Exchange Plaza", 5th Floor
Bandra – Kurla Complex
Bandra (East)
Mumbai – 400 051

The Secretary
BSE Limited
P J Towers
Dalal Street
Mumbai – 400 001

Symbol: SAGCEM
Series: EQ

Scrip Code: 502090

Dear Sir,

Sub: Disclosure of material impact of COVID-19 pandemic on listed entities under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We furnish herewith a brief note on the current impact of COVID-19 on our operations.

Please take the above information on record.

Thanking you

Yours faithfully
For Sagar Cements Limited

R. Soundararajan
Company Secretary



Note on COVID-19

Novel coronavirus disease (COVID-19) is a pneumonia disease detected in Wuhan, China. COVID-19 was declared as a public emergency of International concern on January 30, 2020 as pandemic on March 11, 2020 by the World Health Organization (WHO)

The outbreak of Coronavirus (Covid-19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. In many countries including India, businesses are being forced to cease or limit their operations for long or indefinite period of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Impact on operations

Covid-19 has significantly impacted business operation of the companies, by way of interruption in production, supply chain disruption, unavailability of personnel, closure /lock down of production facilities etc. On March 23, 2020, the Government of India ordered a nationwide lockdown for 21 days which further got extended in a phased manner to prevent community spread of Covid-19 in India, resulting in significant reduction in economic activities. Based on directives of both Central and State Governments the Company had suspended its operations from March 23, 2020 to 3rd May, 2020.

During the lockdown period the Company took various precautionary measures like preventive shutdown maintenance at all the plant locations, enabling work from home facility for employees, timely payment of salaries to protect employees and their families from COVID-19. Operations were resumed by the Company by taking all necessary safety measures, as laid down by the government for the purpose.

At the Company level, we are implementing stringent policies and measures to minimize risks for those who continue to work in our facilities and offices. Infact, despite permission to operate being granted, as a matter of precaution we continued to keep our facilities shut until the first week of May and thereafter too, we have been operating at minimal levels. Various initiatives taken by us earlier towards automation have helped considerably in these times,

Demand outlook

Things have changed materially post the lockdown announcement, which resulted in a virtual standstill of construction activities across the nation. Further, unavailability of workers and logistic challenges aggravated the situation particularly for the Infrastructure projects. Pricing environment which remained more or less steady is now showing some semblance of improvement, though it is too early to comment on whether the trend will remain so.

Demand off-take was lower amidst the outbreak of Covid-19 pandemic, which further got aggravated post the announcement of nation-wide lockdown. Further, exodus of labour from construction sites also impacted the demand sentiments. With limited visibility on demand side, we focused our attention towards lowering our costs, which helped us soften the overall impact. The completion of Captive Power Plant and expansion of our Bayyavaram unit are already helping us to lower our fuel and freight cost. Further, the expected completion of the ongoing projects of our subsidiaries viz. Satguru Cement and Jajpur Cements should help us further improve our efficiency.

The management has made an initial assessment, based on the current situation, of the likely impact of the lockdown on overall economic environment and cement industry, in particular, based on which it expects the cement demand to stabilize in due course.

Supply chain management

The company does not foresee any challenges in managing the supply of raw materials and fuel, during post COVID-19 period, since lime stone which constitutes to be 95% of the raw material component is being sourced from captive mines and remaining items like laterite, iron ore, fly ash and gypsum are available without any hurdles as of now. Fuel which comprises of Pet Coke / Coal, is being sourced partly from Chennai Petroleum (CPCL) and partly imports from Saudi Arabia and United States of America. Domestic coal is being sourced from Singareni collieries co. Ltd., to meet the fuel requirements of the 18 MW CPP at our Mattampally unit.

Financing scenario

The company has opted to avail the RBI Covid relief package which allows a moratorium of 3 months towards servicing of interest and instalments on the working capital and term loan facilities. However, the company's wholly-owned subsidiary, Sagar Cements (R) Limited has serviced its Interest and repayment commitment to IFC against the outstanding debentures. Further the company does not anticipate any challenge in its ability to continue as a going concern or meeting its financial obligations.

Impact on financial performance

Keeping in view the impact on its business in short/medium and long term the company has revised its business plan covering projections over a span of five years.

In cement industry, short term can be considered as 6 months to one year, medium term as 1 to 3 years and long term as 5 years and beyond. We do foresee considerable impact in the short term post COVID-19 pandemic, minimal impact in the medium term and no impact in the long term.