



Sagar Cements Limited

Chairman's Address

Speech delivered by Shri O.Swaminatha Reddy, Chairman at the 31st Annual General Meeting of the Company held at Hyderabad on 20th September, 2012

Dear Members

At this 31st Annual General Meeting, on behalf of the Board of Directors of Sagar Cements Limited, I extend a warm welcome to all the shareholders and their representatives.

As the audited accounts of the Company for the year ended 31st March 2012 together with the report of the Directors have been with you for quite some time, with your permission, I would like to share with you my views on the current scenario of the cement industry in general and your company in particular.

Industry Scenario

As the Monsoon, which is now on its second leg across the country is expected to remain active for some more time, the subdued trend in the infrastructural and real estate activities is likely to continue for a while. This has currently resulted in the demand-supply mismatch with the supply side being marginally higher, causing concern over the price front. However, the long-term prospects for the cement industry as a whole look bright as the cement consumption, driven by higher off-take by all user segments, is expected to pick up.

Company Scenario

The lull in the construction and infrastructure industries in Andhra Pradesh, which is a major market for your Company, continued during the year posing a challenge to the cement industry.

There was however a respite in the form of a marked improvement on the price front in the form of better sales realization, mainly due to the efforts made by your company in the recent past to improve upon its brand image among the intermediaries and end users and to extend its reach further. These factors enabled your company to sail through the difficult phase the industry witnessed in the year 2011-12 and achieve a satisfying performance, registering higher levels of growth in sales, PBT and PAT, as compared to the previous year.

Karnataka Project

The project to set up a 5.5 mtpa capacity cement plant along with a captive power unit of 60MW capacity in Gulbarga District of Karnataka State through an SPV promoted jointly with Vicat Group of France is progressing on expected lines and, barring unforeseen circumstances, the first phase of this project is expected to go on stream by the end of the current year.

Future outlook

I hope that with the current monsoon season coming to an end and the consequent improvement in the off-take, the cement prices would eventually stabilize at reasonable levels in the months to come and your company would be able to show a better performance for the current year, though the shortage of coal and volatile fuel prices would still remain a matter of concern.

I believe, that the government's initiatives in the infrastructure, housing sectors, and, development of Special Economic Zones, along with increase in the per capita consumption of cement, by the growing population, would remain to be the main drivers of overall growth for the industry in the long run.

I would like to assure you that your Company will continue to work with a stronger commitment with its focus on producing an high quality cement at an affordable cost which would enable it to establish a stronger foothold in the cement market and cater to the needs of all segments of the end-users.

Conclusion

I would like to express my sincere thanks to the co-operation and support extended by the Financial Institutions, Banks and various departments of State and Central Governments, Distributors, Dealers and all our other business associates. Let me also place on record the contribution made by the employees of your Company at all levels and by my colleagues on the Board for their unstinted support in all decisions taken at its Meetings and thereafter. Finally, on behalf of the Board of Directors of the company, I would like to express my appreciation of the confidence reposed by you in Management and your participation in this meeting.

Thanking you once again,

O.Swaminatha Reddy

Chairman

Hyderabad
20th September, 2012