Managing Director's message

Building a strong foundation for the future

In spite of the challenging external conditions, consistent progress towards our long-term goals was achieved this year. We are ramping up our capacities with a strategic thrust.

Dear Shareholders,

The year we have left behind was one of the toughest ones ever, but we kept going with focus and resoluteness, and emerged closer to the targets we had set for ourselves. Growth with sustainability has become our enduring focus and we kept to this agenda during the year, using the limited opportunities available to control costs, achieve incremental operating gains and increase our sales and market share.

Robust performance in a challenging year

The first and last quarters of the year came with very different set of challenges. The first quarter began with subdued sales due to the second wave of the pandemic, with rural and peri-urban markets holding up while urban centres stalled. Though the recovery was much swifter on account of localized lockdowns and restrictions, our white business volumes got severely affected. The last quarter witnessed unprecedented cost escalations originating from the breakout of the Russia-Ukraine war and the consequent disruptions in global supply chains. However, our internal teams managed this sudden crisis with great dexterity and skill.

The resilience and strength of our business is even more strongly highlighted by our annual results for FY 2021-22. The revenue from operation stood at ₹ 7,679 Crores as against ₹ 6,328 Crores in FY 2020-21, an increase of 21%. The other income was ₹ 54 Crores for the year, as against ₹ 22 Crores in the previous year. The turbulence faced during the year is visible in the above par increase in operating expenses, which were higher by as much as 29% and stood at ₹ 6,197 Crores in FY 2021-22, as against ₹ 4,814 Crores in FY 2020-21. However, EBITDA was at ₹ 1,536 Crores, same as last fiscal. The commendable results achieved under very stressful circumstances indicate the strength of our diverse markets and our trusted portfolio range.

FY 2021-22 saw exceptionally high price volatility, with pet coke prices more than doubling. This has hit our margins, and though we have increased our prices in line with our peers, only a share of the margin loss has been absorbed. We could also mitigate some of the margin loss with our scale economies improving due to increased capacities, better efficiencies in power and fuel consumption, increased usage of alternate fuels/raw materials and green power. We are also continuously working on improving process efficiencies, and material and input substitution in ways that meet both our growth and sustainability ambitions. Our capacities of renewable energy are also on the rise, with all new capacities are being planned with WHR captives replacing fossil fuel-based ones.

Our white cement manufacturing facility at Fujairah (UAE) has been facing cost escalations on several fronts, with the uncertainty over availability of containers and other logistical logjams being the principal cause. In spite of these challenges, we have maintained volume numbers from this plant.

Remaining steadfast on our goals

In spite of the challenging external conditions, consistent progress towards our long-term goals was achieved this year. We are ramping up our capacities with a strategic thrust, and 4 MTPA of greenfield cement capacity is getting added in the current year at our Panna and Hamirpur locations. These plants are in close proximity to our captive limestone mines and fly ash sources. The 'total cost advantage' thus derived creates a higher torque for cost recovery and greater profitability.

We also completed the brownfield modernisation of our Nimbahera Line-3, with the kiln now capable of producing 6,500 TPD, against the earlier capacity of 5,000 TPD. The brownfield projects that have been undertaken over the past few years have been delivering greater efficiencies in the form of reduced power and fuel consumption and increased WHR. With these expansions, we have close to 15 MTPA of installed capacity in grey cement and 2.2 MTPA of combined capacities for white cement and wall putty, which makes us one of the leading cement and building products companies in India. With steady growth in our markets across India, we aim at creating a total installed grey cement capacity of 25 MTPA by FY 2024-25.

With a view to further strengthening our backward integration, we are participating in the tendering process of limestone mining blocks and have won a block in the southern region and two in the northern region. Securing these blocks will greatly stabilise our raw material streams and control over costs. This dovetails with our plans of increasing capacity in a phased manner to stay in step with demand growth as it progresses over the years.

Standing by the nation, supporting our communities

Supporting our people is a valued tradition at JK Cement and we practice it in many ways. As in the earlier year, in this fiscal too we stood solidly behind the nation during the traumatic months of the second wave of the pandemic. We rolled out a host of new COVID-19 initiatives in FY 2021-22. These included distribution of 47 jumbo oxygen cylinders to government hospitals at Mudhol and Bagalkot and 20 oxygen concentrators to hospitals located near our facilities at Madhya Pradesh and Karnataka. In addition, distribution of Bipap A-40 ventilator, pulse oximetres, face masks were also done in selected hospitals. Further, setting up three oxygen generation plants at different locations out of which one plant has already been commissioned.

As a pioneering initiative, the Company has signed a Memorandum of Understanding with IIT Kanpur to build a Super Specialty hospital on premises. The proposed hospital is part of a larger initiative planned by IIT Kanpur to create world-class facilities for medical research and innovation in the country, and JK Cement has committed ₹ 60 Crores towards this purpose.

We continued our work on our CSR focus areas of water, health and sanitation, energy conservation, pollution-free atmosphere, clean technology and primary healthcare, and ₹ 16.9 Crores was spent in FY 2021-22 towards this end. With a clear vision of bringing impactful change, every year we engage with both our partner NGOs and the beneficiary communities to map the progress of the work done and assess what more needs to be achieved. This year several initiatives were undertaken in the areas of education, community income generation, water quality improvement and healthcare and hygiene. In education, our focus has been on creating the right environment within schools by providing educational support materials and creating basic infrastructure. A vocational training centre (ITI) was also started at Gotan.

To generate better income potential amongst the rural poor we have started a pioneering initiative through the JK Gram Trust in the states of Rajasthan, Haryana and Madhya Pradesh. Under this initiative, the attempt is to improve the health and breed of local cattle through cross breeding. To create a facilitative ecosystem for cattle breeding and dairy farming, JK Cement is supporting services like provision of veterinary care and advising of villagers on how to grow low-cost fodder for cattle.

With this difficult year behind us, we have even greater confidence in the fundamental strength and agility of our business and in the commitment and drive of our employees and partners. Together there are many more milestones left to cover, as we continue to serve the nation and the needs of its people.

Warm regards,

Dr Raghavpat Singhania