

Management Discussion and Analysis

World Economy

The World Economy is expected to grow at 5.5% in 2021 after sinking to (-) 3.5% in 2020 as per IMF, however the strength of recovery would vary significantly across countries depending on access to medical interventions and effectiveness of policy support from Government. The World Largest Economies like US would grow at 5.1% after settling with negative growth of (-) 3.4% in 2020, China the second largest would grow at 8.1% after a positive growth of 2.3% in 2020. European Union and Japan would also grow to 4.2% and 3.1% after seeing downtrend in 2020 of 7.2% and 5.1% respectively.

However, many countries, particularly low-income developing economies, entered the crisis with high debt & that is set to rise further during the pandemic. The global community will need to work closely to ensure adequate access to international liquidity for these countries for restructure of their debt under the Common Framework as agreed by G20 Nations. To bring the pandemic under control everywhere there is need to create fund for the COVID vaccines so that all countries could get access to vaccines at affordable prices. This would be in larger interest of society & help the World Economy to rebound at pre-COVID level.

India Economic Growth

In FY 2021-22, India may grow in the range of 8-9.5% from the negative growth of 7.3% in FY 2020-21. In the last few years, India had emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships. FY 2020-21 was yet another unprecedented year of demand contraction on back of pandemic while GDP tells an interesting story about the two halves. GDP contracted (-)16% in the first half led by lockdown but higher government spending on rural development, roads, and highways; pent-up demand as restrictions eased; and improving exports with global economies gaining some support from fiscal stimulus (mostly in Q2). The second half witnesses' mild contraction of only 0.4%, benefitted from strong festive demand, higher government capex, and improved economic activity as the pandemic spread was curbed and hence fiscal 2021 GDP contraction resulted in downsizing Indian Economy at ₹ 135 Lacs Crores.

The GDP would grow in the range of 8.0-9.5% only if India takes series of steps which also includes vaccination drive that would spur economic activity. Further, the infrastructure push of ₹ 5.54 Lac Crores in FY 2021-22 is also expected to aid momentum and revive domestic demand. Also setting up of Development Financial Institution (DFI) for Infrastructure projects would act as provider, enabler and catalyst for cash strapped industry.

Production linked Incentive Scheme as approved by GOI of ₹ 2 Lac Crores (US\$ 27 billion) would help in overall economic activity spread over a period of five years. The Government of India, under its Make in India initiative, is also trying to boost the contribution made by the manufacturing sector with an aim to take it to 25% of the GDP from the current 17%. Further, to support Pandemic hit economy Government planned to borrow ₹ 7.24 Lac Crores in H1FY 2022 (which is 60% of target set in Budget for Government borrowing of ₹ 12.5 Lac Crores). This would help overall economy to grow in green in FY 2021-22.

Indian Cement Industry Outlook

India is second largest producer of Grey Cement with the overall capacity of 541 MnTPA and it is expected to add around 24 MnTPA in fiscal 2021-22 to reach 565 MnTPA. The Indian cement industry has enormous growth potential because India has abundant and high-quality limestone reserves throughout the country.

The Cement demand for this current fiscal is almost flat at 328 MnTPA and in FY 2021-22 it is expected to have volume growth of 9% mainly due to low base supported by macro environment and increased Government spending. The Government of India has taken several initiatives to boost the cement industry. As per Union Budget 2021-22, the government allocated ₹ 13,750 Crores for AMRUT & Smart Cities mission and ₹ 27,500 Crores for Pradhan Mantri Awas Yojana (PMAY). Cement demand in longer run would be driven by infrastructure and housing segment.

Increasing projects

The National Infrastructure Pipeline expanded to **7,400 projects** from **6,853 projects** which will drive cement demand for FY 2021-22.

In long run the cement demand from this segment would reach 25-27% from current demand of 23-25%.



Housing segment

Housing segment would continue its moderate growth trajectory with rural housing outpacing urban segment on the back of lower development base and continued rise in concretisation. Housing Segment still hold 60- 65% of total cement demand.



Rural housing demand

Housing for All Scheme - Pradhan Mantri Awas Yojana-Gramin (PMAY-G) with the target to construct 29.5 million houses with all basic amenities by 2022. Only 13 million houses were constructed out of 18 million sanctioned till March 2021. The pace of completion has slowed down drastically mainly due to spread of Pandemic (COVID-19), elections in some States, saturation of eligible beneficiaries from the SC and ST category & lack of timely allocation of targets to districts.



Urban housing demand

The Pradhan Mantri Awas Yojana (PMAY) Urban programme has witnessed a healthy construction over past 3 fiscals particularly in FY19 and FY20. This fast paced and steady execution exhibits Government focus for providing housing to all. However, revision of housing shortage in urban areas to 11.2 million from 20 million will lead to slower demand beyond 2022-23. Of the 11 million houses sanctioned so far only 4.3 million houses have already been completed, 3 million houses are under construction and 3.7 million houses are still waiting for financial clearance from Government.



Industrial and commercial segment

Cement demand from Industrial and commercial segment is expected to decline to 11-13% from existing 14-16%. While recent government initiatives like PLI scheme and Atmanirbhar Bharat is expected to boost demand from the industrial segment, commercial segment is expected to lag due to rise in commercial real estate inventory and gaining popularity of work from home culture.

Supply chain disruption has become a pressing concern for the cement industry. As the second wave of COVID-19 is unfolding, several states have announced complete or partial lockdowns which restrict the movement of cement out of the plant. Additionally, the rising cost of raw materials and fuel have impact on the overall production cost. Apart from that, several cement manufacturers' production has been constrained by a lack of manpower. Production will pick up once the labour force returns following the easing of the lockdown and all agricultural work is completed.

Performance

The Cement demand for FY 2020-21 was almost flat at 328 MnTPA. Cement demand fell in the first quarter of the year under review because of the nationwide lockdown caused by COVID-19, which occurred at a time when construction activities were at peak. However, when the lockdown softened in the second half of the year, the cement sector saw an uptick in demand, led by rural consumption.

Going forward, the cement industry will rebound with volume growth on the back of revival in demand from the housing and infrastructure sectors along with the timely release of funds as announced in the Union Budget 2021-22, but it surrounds the uncertainties of the emerging COVID situation and rate of vaccination roll out.

Company's Operational & Financial Performance (Standalone):

Although the cement demand in the country remained flat during the year under review, J.K. Cement was able to achieve incremental growth, owing to expanded volume on increase capacity.

- 1) Grey & White Cement Production increased to 11.00 MnTPA in 2020-21 as against 9.57 MnTPA in 2019-20 thereby registering growth of 15%.
- 2) Net Sales increased to ₹ 6,233.42 Crores in 2020-21 as against ₹ 5397.13 Crores in 2019-20 thereby registering growth of 15%.

- 3) EBITDA increased to ₹ 1,536.11 Crores in 2020-21 as against ₹ 1,201.14 Crores in 2019-20 thereby registering growth of 28%.
- 4) Net profit is ₹ 602.83 Crores in 2020-21 as against ₹ 400.38 Crores in 2019-20 thereby registering growth of 51%.

Expansion

Grey Cement expansion of 4.2 MnTPA

With the commissioning of 0.7 MnTPA Split Grinding Unit at Balasinor (Gujarat), the entire Grey Cement Expansion of 4.2 MnTPA was completed. Our Grey Cement Capacity now stood at 14.67 MnTPA.

Also commissioned 16.85 MW Waste Heat Recovery at Mangrol, with this our Captive Power Capacity (including WHR/Solar) has been increased to 144 MW.

Over Land Belt Conveyor work at Mangrol for transportation of limestone from Mines to Plant is going on and is schedule to complete in second quarter of FY 2021-22.

Total amount spent till 31 March 2021 is ₹ 1,739 Crores.

White Cement & Wall Putty Expansion of 0.3 MnTPA
Commissioned 0.3 MnTPA Wall Putty Capacity at Katni in (M.P). With this White Cement & Wall Putty Capacity stood at 1.94 MnTPA in India.

Modernisation & Debottlenecking of Nimbahera Line-3

Line-3 modernisation and debottlenecking would result in additional Clinker output sufficient for producing 5 Lacs Tons P.A. of Cement.

The work is progressing and is schedule to complete in second quarter of FY 2021-22.

The amount spent till 31 March 2021 is ₹ 357 Crores.

Panna Project 4 MnTPA Greenfield Expansion

The Company initiated greenfield Grey Cement capacity expansion of 4 MnTPA at Panna, Madhya Pradesh with split grinding unit at Hamirpur, U.P in wholly owned subsidiary Jaykaycem (Central) Ltd. This would have clinker capacity of 8,000 TPD, 2 MnTPA Cement Grinding Capacity each at Panna in Madhya Pradesh and at Hamirpur in Uttar Pradesh. Waste Heat Recovery of 22 MW would also be installed.

The Cost of Project would be ₹ 2,971 Crores.

The project would complete within 24 months of its start date.



Innovation and launch of new products

Wood Amore

JK White Cement, keeping with its reinvented streak, now entered into the Wood-paint world with the launch of Wood Amore- a range of premium Italian wood finishes in a range of Polyurethane (PU) products ensuring outstanding finish, appealing aesthetics and higher durability for wood surfaces, introduced in matte and glossy finishes and 2,000 different colours.

Translated as 'love for wood', Wood Amore has been formulated in collaboration with Italian wood coatings and finishes pioneer Sivam Coatings.



RepairMaxx

JK Cement RepairMaxX the brand's latest addition to the max range of products and has brought the perfect one-stop solution for all your repair work needs. Living up to its innovative image, JK White Cement challenged conventions yet again with the launch of their new product "JKCementRepairMaxX"- a Masonry compound for general repairs that provides an incomparable bridging to cracks & gaps, for up to 5mm.

Digital Branding

Grey Cement

During the COVID-19 era internet was the only place which was not quarantined for consumer and brands. In fact, it was the only place which was keeping both intact during the most difficult times. There might be very few aspects of human life and business which remain unaffected by the COVID-19 crisis. As a result, almost everything is being looked at with a new lens. Having a positive impression in the minds of our target audience and businesses translates directly into stronger brand equity. With emphasis on expanding marketing boundaries to rural area as well, we launched three major digital campaign.

"YehPuccaHai" - to bring out the toil of our construction workers who work day and night to ensure that we live in safe homes, we wanted to highlight the

social and emotional quotient associated with the labourer. The campaign strikes an emotional connect with the viewers and hence it has gained immense popularity and support.



"Super Drivers" - who drive miles to ensure that our input raw materials and cement are transported throughout the country. Often, their efforts are not recognised in the mainstream discussion, however they are a valuable asset for all of us and contribute greatly to our nation's development.



"ThankYouDoctors" - explores the power of hard work, sacrifices and determination of doctors for the selfless service to humanity. We salute to all those doctors and frontline workers who are working day and night putting everything at stake to perform their duty for fighting against deadly Coronavirus spread.

White Cement

JK White Cement conducted its first ever virtual Annual Dealer Conference, Two meets - Gold and Platinum and Silver and Bronze - were organised to create an immersive experience for all stakeholders and an innovative way to stay connected with the channel partners, through the pandemic. The event was hosted by renowned actor and host Mandira Bedi.



Strong Distribution and CTS to Support Grey & White Operations

Strong distribution network for supply of Grey Cement, White Cement, Wall Putty & Value-Added Products.

Grey Cement is sold in almost 19 States/UT's which are very well supported by Strong distribution network of 17,244 Retailers & Stockist. Further, we have 43 Area Sales offices/Zonal Offices who handle all our dealers and retailers.

CTS grey team have organised 3,086 virtual events attended 40,163 participants and 3,559 physical events attended by 77,551 participants across all our regions during this year.

White Cement and its allied products were sold in more than 39 countries including India. Sales across Pan India is supported by more than 67,881 Retailers & Stockist. Further these dealers and retailers are serviced by 38 White Cement Sales offices and 98 feeder's depots.

CTS White has organised 6,236 events for Painters/Mason/Contractor during the year.

Industry Concern

The Company has well defined structure for defining roles and responsibilities of an individual which enables management to identify business risk and opportunities early and address to such issue well in time.

Raw Material: Limestone is basic extinct natural raw material used in the manufacture of cement and its availability is limited to the reserves deposits in mines. In order to ensure optimum utilisation of limestone it is essential to use additives which would in turn conserve the extinct mineral and increase the life span of mine. Further, increasing the blending in cement would also replace natural raw material with secondary raw material (bi-product of Power Plant & Steel Plant in form of Fly Ash & Slag). Similarly substituting natural gypsum with Synthetic & Chemical gypsum. This would cater to the requirement of Sustainable development and also bring economies in operations.

Power & Fuel: Power & Fuel constitutes 30% of the total cost and its prudent planning is utmost important for highly energy intensive Cement sector. Measures have been taken to reduce Fuel Cost by optimising fuel mix of various fossil fuel. During the year price of Pet coke have reached all-time high, therefore shifting to Imported Coal is major strategy for keeping cost under check. Further, usage of Alternate Fuel has resulted in saving fossil fuel to some extent. Captive Power is dependent on Indian Coal & availability of linkage coal and that to prices of Indian coal have also increased in this fiscal. Renewable source of Power generation is the alternate to replace power generation from fossil fuel. This Green Power from Wind & Solar is not only cost effective but also fulfils the Government initiatives for Green Environment. We have added 1 MW Solar Power Plant at Katni in MP, with this our Solar Power capacity stood at 1.45 MW.

Waste Heat Power generation also helps to reduce carbon emission as it utilises waste gases coming out of kiln and provide power at much lower rate and also reduce dependence on grid and exchange power.

16.85 MW Waste Heat Recovery Plant have been commissioned at Mangrol. With this our total WHR Capacity stood at 40.05 MW i.e. 26.85 MW at Mangrol & 13.2 MW at Nimbahera.

WHR is currently supporting 21% of our existing Power requirement.

Logistic Risk: Initiatives taken by the company for selling goods in consumption area nearest to source location helps in freight saving to great extent. Grinding Units presence in UP/Gujarat/Haryana has resulted in saving in outbound freight cost as now only to 60-65% of clinker need to be transferred as against supply of 100% cement from Integrated Units earlier. Further, GU's being located near to Power Plant site hence it also helps in saving inbound freight on fly ash. However due to Pandemic, Crude price in international market is hovering above US\$ 65-70 per barrel, any increase further in crude price would impact freight cost.

The company is also using GPS based technology for tracking movement of trucks which helps in optimising network for supply chain management.

Sustainable Development

The Company operations intend to achieve sustainable development by accruing positive actions towards the triple bottom line - People, Planet and Profit. To achieve this, our four pillars for sustainability are the focal points. Our material issues and our sustainability framework have helped in risk identification and setting of targets to mitigate these risks. We have outlined our targets till FY30 and keep monitoring our progress regularly. We have also identified climate and business opportunities and are working on leveraging them to our benefit.

Energy & Climate Change: The Company commit to Science-Based Targets (SBT) to combat climate change. We have validated Initiatives corporate-level targets to align with our commitments. We are taking many steps towards achieving low carbon growth. Our efforts towards improving thermal and electrical energy efficiency, use of renewable energy source, increasing our thermal substitution rates, lowering clinker factor and manufacturing of blended cement products are directed towards reduction of carbon footprint.

Our FY30 target has been to reduce specific direct net CO₂ emission to 465 KgCO₂/t of cementitious product.

We have been able to reduce our thermal energy consumption to some extent by means of process optimisation and setting up new generation Clinker production lines. Presently we have specific direct net CO₂ emission is 589 KgCO₂/t of cementitious product which was 593KgCO₂/t of cementitious product last fiscal.

We are also minimising the scope 3 emission by reducing the distance between the manufacturing plants and limestone mines as well as reducing the clinker ratio. In order to reduce above emission arising during the course of transportation of limestone from Mines to Plant, work of Belt Conveyor from Mines to Mangrol is going on and is schedule to complete in second quarter of FY 2021-22.

We have taken targets to increase thermal substitution rate to 35% by FY30. Presently, we have TSR of 6.5% which is slightly higher than last fiscal. We will continue to strive for reducing carbon emission to maintain ecological balance.

Green Energy (including Wind/Solar/WHR (clean energy)) - We have also taken targets to increase the green power mix to 75% by FY30. - With a vision to increase green power we have commissioned 16.85 MW Waste Heat Recovery Power Plant at Mangrol and 1 MW Solar Plant at Katni, M.P in October 2020. The WHR Capacity now stood at 40.05 MW in total Capacity of 144 MW. Besides this, the Company also consumed 19 Million units of Wind Power and 10 Million units of Solar Power in current fiscal. Our Green power consumption is now 25% as against 22% in last fiscal and is higher by almost 14%.

Circular Economy: The Company is working on reducing wastages and adopting a circular economy where feasible. We ensure that our quality remains optimal in finished products while substituting raw materials for alternative and recycled material. Waste is handled as per the local laws and regulations. In addition to alternative materials, our manufacturing units have co-processing facilities. This also helps us make use of our non-recyclable waste streams towards waste to heat recovery processes. During this FY 2020-21, We, consumed almost 1.93 Million Tons of Fly ash & Slag (Waste of our own fly ash from Power Plant along with consuming waste of Power & Steel Plants) in Cement Production thereby promoting the concept of Circular Economy in reality and replacing natural raw material without compromising on the quality of end product.

Water Recycle: The Company main sources of water are surface sources, including river water and groundwater sources. Also, we used recycled water wherever possible to ease the stress of water scarcity



in surrounding areas as most of the plant are located in water deficit region. Continuous efforts were made to improve ground level of water at plant and adjoining area. Water is conserved by way of optimising our process and by rainwater harvesting in our mines and communities nearby. All our manufacturing units are zero water discharge plants where we treat and reuse domestic and industrial wastewater generated. Treated wastewater is used within our boundary.

We, consumed 3.32 Lacs cubic meter recycled and reused water in its manufacturing operations during FY 2020-21. Currently, JKCL is 3 times Water positive & plans to achieve 5 times water positivity by FY30.

We have continued to mine responsibly by following set standards by regulatory authorities. Best practices for the health and safety of workers, protecting biodiversity and compliance with regulations are followed. Our responsible mining philosophy is implemented at all our sites and mines to reduce the impact on flora and fauna. We practice afforestation methods at mines and aim to conduct biodiversity assessments across all the plants by 2025 to ensure that our efforts are in the right direction. We have Planted more than 1 Million Sapling in our plants, mines and adjoining area.

Human Capital: We are actively engaging with our employees through virtual & e-learning platform to keep them motivated by Various skill development Sessions taken by notable speaker Shiv Khara a renowned counsellor. Experts in nutrition field as well as doctors assisted employees in their day to day problem faced due to novel corona virus spread.

Our training and development target to achieve 20 man-hours of training per employee by 2025 is very well facilitated by our annual training plans for all employees. We hope to increase the gender diversity by focussing on recruiting more female talent by targeting 5% share of women in total workforce by 2025.

During this year, no complaints of human right violations (discrimination, harassment, sexual harassment, child labour, forced/ compulsory labour or harm to indigenous communities) were reported across plants or the corporate office.

Health and Safety: The Health and Safety of our employees and contractors is one of our most important material issue. The Company is commit to provide safe and productive work that continually aims to improve our safety metric performance. Our Zero Harm program aims for continuous improvements in achieving zero fatalities and injuries, seamlessly both on-site and off-site. The Company has also implemented a fully integrated Environmental, Health & Safety management system at all manufacturing plants.

During FY 2020-21, various safety training sessions were conducted such as awareness and counselling programs across plants. We aim to increase the training hours for health and safety by introducing topics such as - behaviour-based safety training, driver safety program, safety labelling assessment across plants. During the COVID-19 pandemic, regular awareness sessions on the importance of personal health and hygiene to prevent COVID-19 infections are conducted through structured periodic communications.

CSR & Community Development: We aim to achieve a 25% increase in beneficiaries of our CSR initiatives by 2025. We design our CSR projects and implement them based on need-assessment of the community. Our integrated community development and capacity building interventions are aimed at economic upliftment of the vulnerable and marginalised sections of the society. Our CSR Programme has touched the lives of more than 7 Lacs people.

Supply chain: This year, COVID-19 pandemic has impacted various segments of our supply chain. Our approach to customer satisfaction is based on the core value of 'Customer Orientation'. Consumer grievances related to construction practices and our products are tracked and resolved at the earliest.

We ensure our vendors also adopt the principles of responsible business based on our ESG Policy for Suppliers, Contractors, Consultants and Transporters requiring sustainable business practices. As a risk mitigation process, We require all stakeholders who are applicable under the ESG Policy to comply with the requirements and submit acceptance before commencement of activities at our sites. We encourage procurement through vendors who adopt sustainable practices. Further, we ensure ethical and labour standards are met during vendor evaluation and aim to cover all Tier 1 suppliers in our ESG assessments soon.

We also periodically engage with our dealers in both white and grey cement divisions through dealer's meet and annual dealer's conferences. We also have various loyalty programmes for masons, construction workers, painters etc. to boost our sales.

Human Resources Development

Our employees have always been our pillars of success and growth. We nurtured the legacy of our late MD Shri Yadupati Singhania Ji, of cherishing the human resource as the most important asset, and emphasised on being humane in shaping and nurturing the talent to meet the organisation expectations and Business needs. The core philosophy of respecting human resources and feeling of one JK, One Employee is not only envisioned but also practiced and reflected in our processes and practices.

The year 2020-21 was unprecedented and challenging in many ways. The worldwide pandemic also affected us equally bad, but, by the sheer will power, perseverance and camaraderie among our employees, we were able to sail through the rough terrain without much affect. These challenges could be overcome because of our belief in creating trust and loyalty through our human welfare policies and processes. We created an infrastructure in supporting not only the employees but also the society through various COVID related drives, which was well acknowledged by internal and external stakeholders.

The focus on strengthening the employee brand and employee life cycle experience, was acknowledged not only internally but also externally. One of the testament for this was the "Great Place to work" certificate second year in a row with much better scores on all parameters, which reflects again the trust the employees have on the HR systems and processes.

Our endeavour is to bring improvements in all our processes continuously. We embarked on below 3 major areas of focus:

- 1) Technology
- 2) Best-in-class policies and practices
- 3) Development of internal talent

Over last one year we have strengthened our digital footprint to bring speed and accuracy, brought changes to a lot of our internal processes and policies to match with the times and embarked upon a journey to provide opportunities to internal people and build a talent Pipeline internally for our ever-increasing need of talent to cater to expanding geographies and capacity additions.

We successfully introduced e-joining, e-induction and various e-learning platforms to mitigate the challenges as posed because of COVID restrictions. This was very well received by the new employees.

With our mandate to continuously support business against the unpredictable external challenges, since last year we are continuously addressing the talent management challenges by designing leadership development interventions and programmes to address the skill gaps which becomes a looming threat in future. For our young bright talent, our Flagship Talent development programme "UDAY", a structured process with an aim to build the future talent pipeline and to institutionalise the culture of learning in the organisation has entered into its second year. Successful role elevations of young minds to higher responsibility echoes the robust process laid down to strengthen the talent pipeline. Similarly, we have also launched the programme "SARATHI" to build the capabilities of young managers to develop their required skills.

This year also, we were able to showcase our company in various national and international forums and were awarded with many notable and prestigious awards, "Dream Companies to work for 2020", "Business world-Emerging HR practices award" to name a few.

Last but not the least, is the very important facet of our visibility in various social media. Especially during the tough times of Spread of COVID-19, we have been able to build a strong employer brand and gain trust of employees through various Videos, Post and stories. We strive to improve continuously on the people front to make our company one of the most attractive employer brands in the country.

The total workforce as on 31 March 2021 is 3,751.