



Management Discussion and Analysis

Global Economy:

The Global Economy is expected to grow at 3.6% in 2022 as against growth of 6.1% in 2021. The global economy which is on mending path though not yet fully recovered from covid-19 pandemic and short lived omicron variant, suffered another setback from Russia invasion of Ukraine causing humanitarian crisis in Eastern Europe affecting more than 4 million of Ukraine population who have been shifted to Poland, Romania & Hungary putting economic pressure in these regions. Further, trade ban imposition on Russia would hamper supply of Oil & Gas to other economies. Even prior to war, inflation in many countries including advance economies such as United States and some European countries have surged to 40 years high due to soaring commodity prices and pandemic induced supply demand imbalance. In addition, geopolitical tension and frequent lockdown in China have resulted in slowdown in economic activity there by causing more bottleneck in global supply chain. India is also affected by all these global pressure and economic pressure can be felt in terms of tightening of monetary policy. Further, Pandemic, with war and global disruption in supply chain has resulted in increased borrowing. Increasing interest rate will put more pressure on borrowers. As per IMF, the world advance economies such as US & U. K would grow at 3.7% each, while European union at 2.8% & Japan at 2.4%. The world developing economies such as China would grow at 4.4% and India at 7.2% in FY 23.

Global Climate Policy:

Almost 140 countries have set long-term net zero emission targets, still there is large gap between global mitigation and policy on climate change. Greenhouse gas emission need to be cut by one-quarter to one-half by 2030 there by limiting warming to 1.5 to 2 degrees Celsius. However, only one third of countries have reduced their near-term targets substantially and these are mostly advanced economies. There is need for deepest cuts and commitments in attaining these targets by emerging and developing economies.

India Economic Growth:

India is ranked as sixth largest economies of the world with GDP size of \$ 2.66 Trillion. Further, it is expected to become one of the third largest economies of the world by 2030. The GDP would grow in the range of 7.2% in 2022-23. The economic growth in the coming years will be supported by increased public investment in infrastructure and a pickup in private investment. India is on the path of sustained economic recovery mainly due to vigorous countrywide drive to deliver safe and wide-reaching COVID-19 vaccinations which helped to reduce the severity of the third pandemic wave with minimal disruptions to mobility and economic activity. The biggest challenge for the Indian economy in 2022-23 is

to return to a high growth trajectory despite uncertainty in ongoing geopolitical crisis which is fuelling a surge in global commodity prices, especially crude oil.

In order to accelerate economic growth, series of steps have to be taken by Government such as increase of target capital expenditure to 7.5 lakhs crores which will boost demand for manufacturing and service sector. The Gati Shakti initiative will give much needed legs to infrastructure development and logistic improvement across India and will boost economy. Under Gati Shakti it is planned to build National Highway of 25000 KMs with Centre allocating almost ₹20000 crores for this project.

India Cement Industry:

India is the largest producer of Grey Cement after China with the overall capacity of 565 MTPA and it is expected to add around 27 MTPA in Fiscal 2022-23 to reach 592 MTPA.

The Cement demand in FY 21-22 witnessed volume growth of 6 % to reach around 350 MTPA and in FY 2022-23 it is expected to have annual growth of 5-7% backed by sturdy rural demand, pickup in infra spending, and recovery in urban housing and real estate supported by macro environment and increased Government spending.

The Cement demand would attain the recovery path on wheels of infra and housing, led by government spending on infra sectors followed by Rural housing demand. Further, the Industrial and Commercial segment are expected to recover led by fresh capex rounds by large and mid-size players, PLI implementation and creation of multimodal logistic facility.

Cement demand is spread as housing (60-63%), infrastructure (26-28%), and industrial/commercial (12-14%).

- 1) The housing segment was not moving up till fiscal 2020 and there is huge built up of inventory in fiscal 2021. Post-pandemic demand in the real estate and urban housing sector shot up on the back of higher demand for space amid work from home, income stabilisation and higher savings, preference for owning home, and lower cost of buying. The housing segment is expected to revive over the next five years, backed by lower concretisation in the country, real estate pickup, the central government's push toward the 'Housing for All' scheme, and sustained demand from individual house builders (IHBs). Hence, the housing segment is expected to remain the bedrock of cement demand in India

- a) Housing for All Scheme 2022 mission namely PMAY-G launched in 2016 to build 29.5 million houses by 31 March, 2022. Till now only 17.6 million have been completed and 3.7 million houses are under construction. The slow pace of construction is mainly attributed to slow funding under the schemes.
 - b) Housing for All Scheme 2022 mission namely PMAY-U launched in 2015 was aimed at providing houses to slum dwellers and economically weaker section aimed at providing 11.5 million houses by 31 March, 2022. Till now only 5.6 million houses have been completed and 3.85 million are under construction. The budgetary allocation for above scheme is ₹28,000 crores for Fiscal 2022-23.
- 2) Infrastructure demand to be propelled by Road, Railway, Irrigation etc.
- a) PMGSY provide all weather road connectivity to habitant of rural area. Rural road construction picked up in last fiscal due to reverse migration of labour from urban to rural area. Centre allocated almost ₹19,000 crores for fiscal 2022-23.
 - b) Bharatmala project an umbrella project of Centre Government entails construction of 60,000 km of highways under national corridor (north-south, east-west, and golden quadrilateral), economic corridor, inter-corridor roads, and feeder roads. This would require a total outlay of ₹6.9 trillion. Of the 60,000 Km only 53% target is achieved and remaining project would be completed by fiscal 2026.
 - c) Railways - The Government increased allocation to ₹2.46 trillion for high value projects such as Mumbai –Ahmedabad Bullet Train project, station redevelopment and completion of Dedicated Freight Corridor - the flagship project of Railways.
- 3) Industrial & Commercial Segment- Cement demand from the segment is projected to grow 5-10% in fiscal 2023, led by spill over of deferred capex and the low-base effect led by brownfield capacity expansions by cement, steel and auto components manufacturers, healthy utilisation levels of large players leading to more capex announcements and timely implementation of the Production Linked Incentive (PLI) schemes.

Performance India Operations:

Industry: As per Crisil, Cement demand growth in fiscal 2021-22 is around 6%. The Company however, managed to get higher growth mainly on account of optimum capacity utilisation of expansion.

Company's Standalone Operational & Financial Performance:

- 1) Grey and White Cement & Wall Putty Production increased to 13.1 MTpa in 2021-22 as against 11 MTpa in 2020-21 thereby registering growth of 19%.
- 2) Revenue from Operations increased to ₹7,678.58 crores in 2021-22 as against ₹6,328.28 crores in 2020-21 thereby registering growth of 21%.
- 3) EBITDA margin flat at ₹1,536.02 crores in FY 21-22 as against ₹1,536.11 crores in FY 20-21.
- 4) Net profit is ₹630.67 crores in 2021-22 as against ₹602.83 crores in 2020-21 thereby registering growth of 5%.

Expansion:

Nimbahera Line-3

The upgradation work on line No. 3 at Nimbahera was completed and it was successfully commissioned in September 2021.

Panna Project 4 MTPA Greenfield Expansions

The Company initiated greenfield Grey Cement capacity expansion of 4 MTPA at Panna, Madhya Pradesh in wholly owned subsidiary JayKayCem (Central) Ltd. This would have 2 MTPA Cement Grinding Capacity each at Panna in Madhya Pradesh and at Hamirpur in Uttar Pradesh as well as Waste Heat Recovery of 22 MW.

The Cost of Project would be approx. ₹2,970 crores.

The work at both the site is progressing as per Schedule and is expected to complete by Q4FY23.

The expenditure incurred till 31 March, 2022 is ₹1,535 crores out of which ₹489 crores have been funded by borrowing.

Innovative Way to Reach Far Markets & New Ventures:

Toll Manufacturing of Wall Putty- The company started tolled operations of wall putty at two new locations – one at Siliguri in West Bengal and other at Guntur in Andhra Pradesh in order to improve our capability to serve those market which remained untouched so far.

Foray into Paint Business - Management recently announced foray into Paint Business with Investment of ₹600 crores over a period of 5 years to take advantage of existing dealers / painters network of White Business and this will result in increased sales of Wall Putty also.

Branding Campaign:

Grey Cement

BTL Van activation:

With the vision of educating more customers & consumers about the right construction practices and methods. JK Super has continued its van activation with theme "Sampoorna, Surakshit Nirmaan" where



thirteen vans were deployed for brand awareness & lead generation across all India.

Activation team visits to labour chowks, IHB Sites, dealer-retailer counters and conduct mason Meets in the evening. Collaterals in regional languages were distributed for better understanding of the product services & best practices.

Awareness about JKSS Weather Shield & JKSS Concrete Special is created through demos, quizzes and games. Soaps & Masks are being distributed among winners & network.

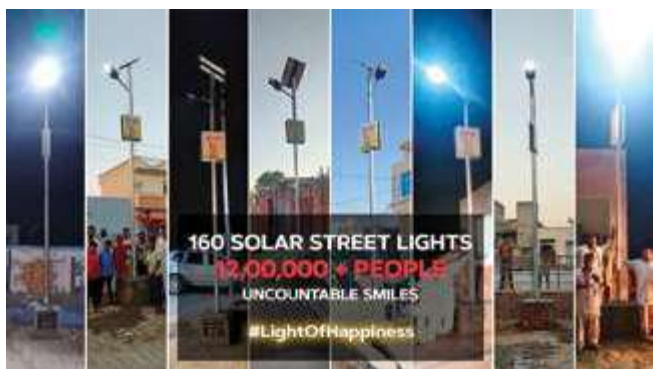


Banaye Har Raah Aasaan - building 251 ramps in schools-

The legacy which have been inherited by us is passed on to society - with the vision to provide support to physically handicapped students the campaign was launched in Jaipur at Rajasthan. 251 ramps were made in 1 day to create history. Credit goes to the entire grey division especially regional team for their super enthusiasm & planning. The contribution provided safe infrastructure for the future generations.



Kare Har Raah Roshan –This Diwali we have touched the lives of 1.2 Million+ people, residing in the rural parts of India, by installing solar-powered street lights in 160 villages across eight states of India to spread the light of Hope, Strength, Safety & Happiness



White Cement:

We have effectively reached out our intended audience through the use of ATL, BTL, and digital media. Our iconic duo Cement WallMaxX and JKCement WhitemaxX stood up to the market standards yet again and has been chosen as a SUPERBRAND, third time in a row.

Launch of SmoothmaxX-

JK White Cement brings lasting beauty and finishing solution for your walls with yet another premium product to its wall putty family- JKC SmoothMaxX- Super smooth wall putty. This revolutionary wall putty sets a new benchmark of smoothness and beautiful walls. Its ultra-fine polymers give an extra smooth coating and unmatched pearl-like whiteness to the walls, along with protecting them from water seepage.

Annual Dealer Conference -White Division also celebrates the indispensable role and rewards the outstanding performance of its channel partners in their growth through grand dealer meets in India and abroad. The pandemic did not stop us from appreciating the hard work that the channel partners put in, especially during these tough times to deliver greater results. We organized a highly immersive and larger-than-lifer **Virtual Annual Dealers Conference 2021-22** hosted by Bollywood celebrity, Aparshakti Khorana. The event was attended and well received by 2000+ stockiest due to highly appealing visuals, entertainment quotient and the seamless experience



Industry Concern:

Cement Industry is facing the heat in operational performance due to increasing trend of Petcoke and International Crude Prices. This would put pressure on margins and Cement Industry needs to pass on this too end user for absorbing increased cost.

Fuel Risk - The major concern for Cement Industry is the increasing price of Pet coke, Imported coal and Crude Price in International Markets amidst Ukraine –Russia Conflicts. During the year price of Pet coke & Imported coal have reached all-time high of above US\$ 250 & US\$ 200 respectively.

Logistic Risk - Crude price in international market is hovering above US\$110, this has significantly impacted inbound and outbound logistic cost.

Above has adversely affected the overall cost on account of increase in cost of Steel, PP granules and Chemicals etc. The cost of power generation based on imported coal has significantly increased. Further, there is a substantial increase in ocean freight impacting the cost of imported goods. There is also acute shortage of containers having impact of overseas trade.

Information Technology:

Enhanced Customer Experience-

Digitalization has added tremendous value to the organization by bringing in customer delight for both Internal (Employee) as well as External Customers.

Channel Partners & Retailers - With an enhanced application for Dealer Management, Logistics Automation including Track and Trace, Online e-Proof of Delivery – supplemented with rewarding the efforts of our partners through Loyalty Portal to encash their redeemable points with Cash – during the pandemic, helping them in meeting their routine requirement. For our end consumers – an App is launched, which helps them identify with the nitty-gritty of building their Dream Home. Supplemented with a focussed efforts from our CTS teams – the journey becomes confident and assured. DNA, IHB, BuildXpert, Uphaar, Shoorveer, Samriddhi, etc. enabled the customers to connect better with JKCL Smart Chatbot for immediate response and feedback capturing at website.

Employees - The productivity multiplies, when an employee enjoys working in an organization. To facilitate our employees, various tools and solutions are provided which help them to perform their task better and efficiently. Applications like Umber (SFA), CONCUR, Dashboards, Dealer On boarding, Automated CMC have augmented their efforts in the Market thereby reducing time consumed in routine submissions of reports. Further, Self Service tools for enabling employees in performing administrative tasks like On boarding, Attendance, Leave, Performance, Travel, Service Desk and Learning Management through SAP Success Factors, ITSM, Intranet and LMS across the organisation.

Internal Audit Function:

Internal Control-

The internal control systems are commensurate with the size, scale and complexity of the operations of the Company. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with the applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization, and ensuring compliance with corporate policies. The Company uses SAP - a well-accepted enterprise resource planning (ERP) system to record data for accounting, consolidation, and management information purposes and connects to different locations for efficient exchange of information.

The Audit Committee of the Board of Directors, comprising of Independent Directors, reviews the effectiveness of the internal control system across

the Company including annual plan, significant audit findings and recommendations, adequacy of internal controls and compliance with accounting policies and regulations.

Internal Financial Control-

The Company has in place an adequate Internal Financial Controls framework. The Company has documented Risk and Control Matrices (RACM) covering all activities and all controls are tested for design and operating effectiveness as part of its Internal Financial Control reporting framework. The financial controls are evaluated for both design and operating effectiveness by an external consulting firm of repute. The Internal Financial Controls are adequate and are in line with best practices applicable to organizations of a similar size, nature and complexity

Risk Management-

The Company has a robust Risk Management framework which identifies & assesses strategic, operational, financial and compliance risks and monitors the effectiveness & efficiency of risk mitigation and control measures. The major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continual basis.

Human Resources Development:

The year gone by can well be described as a year full of Volatility, Uncertainty, Complexity and Ambiguity (VUCA). We sailed through two ravenous waves of Covid 19 that gripped the entire nation. A thing of relief post that is the fact that we were able to not only maintain business as usual but could also come up with some new initiatives.

On the HR front, the year was a change adapting year and right from changing our policies to suit the pandemic related requirements to come up with something new so as to keep people engaged and motivated was something that we consistently and constantly working upon.

Talent acquisition also changed a lot, the concept of e-joining and also donning our humane hat could honour all offers which got rolled out even pre pandemic or amidst the uncertainties. As the business is enhancing its footprints, the organization is also able to increase its reach and penetration in attracting people from various sectors.

Introduce E-Learning Modules with Bite Size and any time learning. Team also organised various health related talks to nullify the anxiety and fear generated from Pandemic. Further, use of technology has given employees a world class experience that brings efficiency in HR Operations through Digitization and automation process.

Diversity was taken as a special focus as we embark on a journey to become sector leaders to set an example of having a truly diverse and Inclusive workforce. With this vision we achieved the first milestone of 100 female employees across our geographic spread. A JK Women



only program by the name of **"Shakti"** was introduced to further strengthen them through peer learning and sharing.

Managing our existing talent has always been the core focus and we had taken many initiatives to not only measure our scores on Trust, Transparency, Camaraderie, Pride and Wellness, but also how to improve them. We achieved the "Great Place to Work Certification" third year in a row, with good scores.

"Shruti" is another new initiative introduced by us (an ear for employees emotional wellbeing), Your Voice Matters -a continuous survey to check employee pulse

on various parameters through a regular engagement survey communicating to all employees that their voice matters to us.

"Protsahan" initiative was launched as the first time ever umbrella reward and recognition program company wide, which created a positivity across all sections of the organization.

We also undertook a detailed exercise for the very first time to adopt the work class practice of Job Evaluations and Job Bands in the company through Our Project "Horizon".

The total workforce as on 31 March, 2022 is 3,941.