

## Management Discussion and Analysis

### Global Economy:

The global economy appears poised for a gradual recovery from the powerful blows of the pandemic and of Russia - Ukraine war. Commodity prices that rose sharply due to war have moderated, but the war continues, and geopolitical tensions are high. Infectious COVID-19 strains caused widespread outbreaks last year, but economies that were hit hard—most notably China—appear to be recovering, easing supply-chain disruptions. GDP growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7 percent in 2022 to 1.3 percent in 2023. In case of Emerging and Developing Economies, economic prospects are on average stronger than for advanced economies, but these prospects vary more widely across regions. On average, growth is expected to be 3.9 percent in 2023 and to rise to 4.2 percent in 2024. The global economy is yet again at a highly uncertain moment, with the cumulative effects of the past three years of adverse shocks—manifesting in unforeseen ways. Spurred by pent-up demand, lingering supply disruptions and commodity price spikes, inflation reached multi decade highs last year in many economies, leading central banks to tighten aggressively to bring it back toward their targets and keep inflation expectations anchored.

India growth remained robust in the face of global uncertainty but it is expected to face some headwinds due to the stubborn inflationary pressure. GDP growth of India for 2023-24 would likely to be 5.9%.

### India Economic Growth:

India is on track to becoming a \$7 trillion economy by 2030 powered by the triple engines of rapid growth, clean energy transition and digital revolution. This would mean India doubling its economy in seven years from the existing gross domestic product (GDP) of \$3.5 trillion.

Factors like demographic dividend and domestic consumption have often been cited as the engines of India's economic growth. India's economic growth over the past two decades has been the second fastest amongst major countries, at an average of 7.5% per annum, only behind China's 9.6% growth.

### India Cement Industry:

India Cement Industry is passing through consolidation phase where small players are gradually acquired by major players. Further, entry of Adani in Cement Industry through acquisition of ACC & Amubja has changed the market dynamics. Now all players including mid-size players are planning for capacity addition through greenfield/brownfield expansion and or by acquisition.

Cement Industry to add another 130-140 MTPA of capacity during fiscal 2024-2028. In fiscal 2023, Cement industry added around 30 MTPA of capacity and robust capacity addition of 30-32 MTPA is expected in fiscal 2024 also due to positive demand outlook and players' efforts to maintain market share in a competitive market scenario. The total installed capacity is estimated to be around 730-740 MTPA by fiscal 2028 with a demand growth of 4.5-5.5% CAGR.

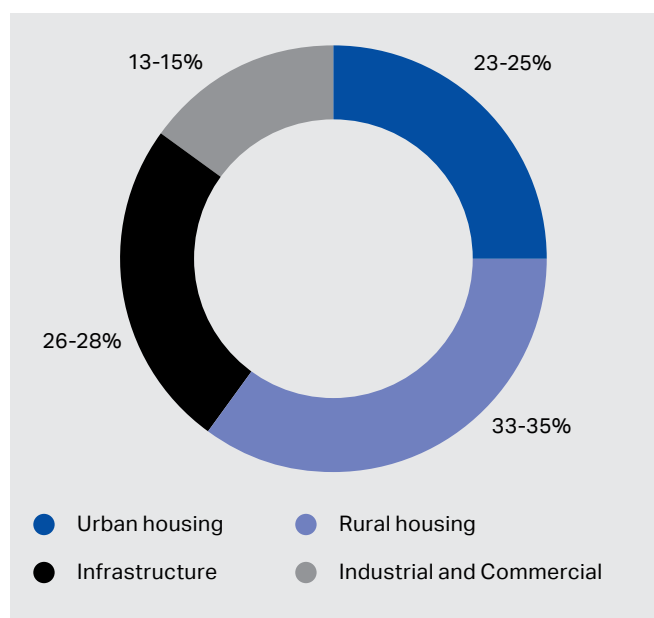
The cement demand grew by a healthy 11-12 % in fiscal 2023 resulting in cement consumption of 395 million tonnes. With higher cement demand growth and GDP moderating to less than ~7% in fiscal 2023, cement-demand-to-GDP ratio improved sharply to ~1.6 times. However, we expect it to moderate in fiscal 2024 to 1.2-1.4 times on back of moderation in GDP growth and demand growth on high base of last fiscal.

In fiscal 24, demand is expected to witness 7-9% growth primarily led by the government's thrust to boost Infra and rural housing before the Lok Sabha election in 2024.

### Cement Demand Drivers:

The Cement demand mainly comprises of housing (58-60%), infrastructure (26-28%), and industrial/commercial (13-15%) segments. The real estate and urban housing demand shot up post pandemic due to WFH environment. The housing demand is expected to moderate over the next five years (fiscals 2024 to 2028), on a high base but will remain major contributor backed by a lower concretization rate in the country (which means high potential for cement demand growth), real estate pick-up, the central government's focus on the 'Housing for All' scheme, and sustained from individual house builders (IHBs). Hence, the housing segment is expected to remain

the bedrock of cement demand in India. Even as housing will be the key volume contributor, infrastructure growth which has nearly doubled from 11-13% in 2013 to 26-28% in 2023 will further expand its share in the next five years, with the Central Government focusing on infrastructure spending through its flagship schemes, such as PM Gati Shakti, and rising investments in roads, railways, metros, airports, and irrigation. The central government's thrust on infrastructure with a plethora of projects in the National Infrastructure Pipeline and the state governments' efforts to increase capex will drive healthy infrastructure-led demand growth in the medium term. On the other hand, the share of the industrial and commercial segment is expected to remain stable at 12-14% in fiscal 2028. Recent government initiatives, such as the PLI scheme and Atmanirbhar Bharat, focus on multimodal logistics and rising capex owing to a long-term positive demand outlook are expected to support demand from the industrial segment.



### Sustainable Journey towards Achieving Net Zero Emission by 2050:

JK Cement is at the forefront of our Sustainability journey. Our progress is on the right speed to achieve our alignment with Cement Sectors SDG Goals and our commitment to Science-Based Target initiatives (SBTi). The Company has pledged for UNFCCC Race to Zero campaign under theegis of GCCA for becoming Net-Zero by 2050, and also submitted UN's Energy Compact with the Ministry of New and Renewable Energy with a target

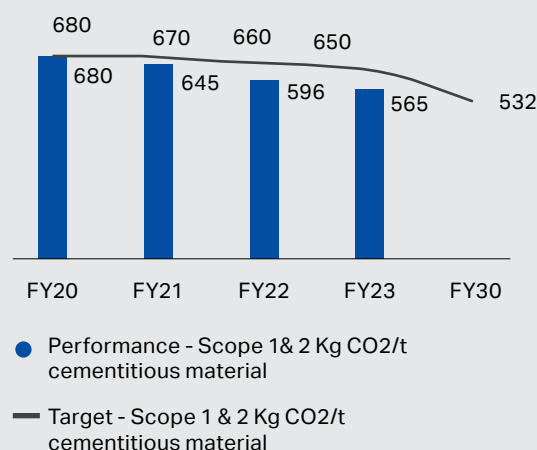
to increase the green energy share from 19% in the base year 2020 to 75% in 2030.

### Reducing GHG Emissions

JK Cement Limited has aligned with the climate science to decarbonization across the value chain and committed for SBTi with a deep cut of carbon emissions by 21.7% till FY2030 from FY2020. In the last three years, we have reduced GHG Emissions by 16.9% to 565 from base level of 680 kgCO<sub>2</sub>/t cementitious (Scope-1&2)

To meet these commitments, we are working on various levers which are Improving energy efficiency, Green Power, Circular Economy, Clinker Factor/Blended Cement, Biodiversity as Carbon Sink and water positivity.

### Gross Sp. GHG Emission

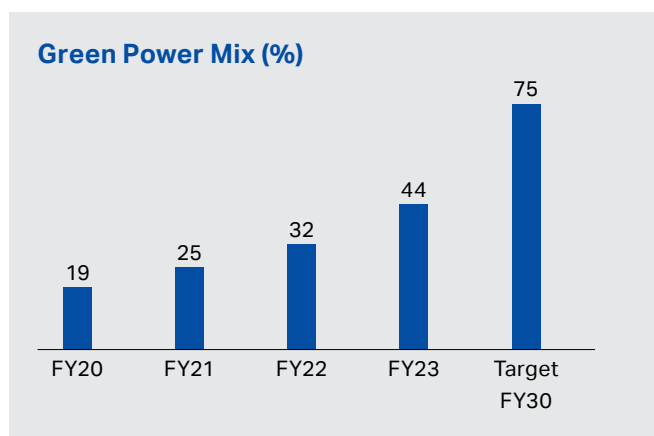


### 1. Improvement in Energy Efficiency

To improve the energy efficiency, we have replaced the old four-stage preheater with a modern 5 stage preheater, replaced old grinding systems with modern energy efficient VRM by Horizontal Roller press, replacement of water-cooled compressor with air-cooled screw compressors and process optimization, implemented fully mechanised material handling systems, commissioned fully mechanized high-speed Over Land Belt Conveyor from mine to plant to avoid road transportation and implemented EVs for employee commuting, modified coolers in Kilns.

## 2. Transition Towards Green Energy

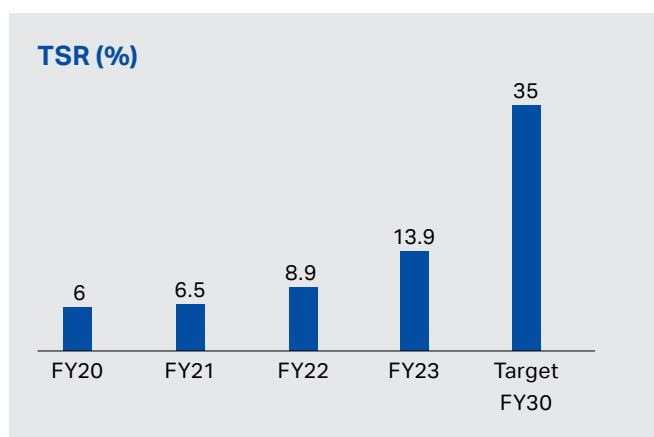
Our Green Power consumption in FY2020 was 19% which has been increased to the tune of 44% by FY2023. The 2030 ambition in the sustainable roadmap journey is to achieve 75% of Green Power share (WHRS + RE). The Company is accelerating investment in green power technologies like WHRS and RE's.



## 3. Circular Economy (Use of Alternative Fuel and Raw Materials)

All of our cement kilns are outfitted with cutting-edge pre-processing and calciner feeding of a wide range of liquid and solid waste materials. We boosted our TSR from 6% in FY2020 to 13.95% in FY2023, with the goal of reaching 35% by FY2030, and we are growing our capacity correspondingly.

Moreover, as part of conservation of natural resources we have reduced the clinker factor by consuming the industrial waste such as fly ash and slag etc.



## 4. Water footprint

We are constantly working to achieve our aim of becoming 5 times water positive till 2030 from 3.2 times in FY 2020. Our water stewardship journey involves continuously enhancing our water use

efficiency, shifting from ground to surface water sources and increase the ground water recharge to make more water available to society where we operate.

We have increased our water positivity from 3.2 times in FY2020 to 4.5 times in by implementing the best water saving practices and conservation technologies in the sector.

## 5. Biodiversity Footprint and Sustainable Mining

JK Cement believes that to build a greener tomorrow Hence, JKCL is developing a biodiversity park as a secure habitat for local flora and fauna where native species are preserved. We are committed to protect the existing biodiversity and also to create the right habitat in urban areas to ensure that it flourishes. We planted around 13.5 lakh trees till FY2023 and maintaining 39% greenery at our operational sites.

We implemented best sustainable mining practices and our mines have been recognized and awarded for 5 star rated mines. We follow GCCA guidelines to implement the biodiversity across all the sites, and developing biodiversity park and Miyawaki forestation at many sites.

## 6. Net Zero aspiration

We are looking for replacement of fossil fuel by adopting the emerging technologies to replace fossil fuel with sustainable green fuel, transition towards green energy and techno-economical solutions such as gasification of RDF, Oxyfuel technology, CCUS, use of H2 as green fuel, Electrification of Kiln, Clean fuel based fleet in mining and all transportation and green sustainable Cement Products.

### Performance India Operations:

Industry margins were impacted in fiscal 2023 mainly due to increase in Power & Fuel costs during first half of fiscal led by rally in crude oil and Petcoke & Imported Coal prices due to geopolitical tensions between Russia and Ukraine. Cement prices rose by 3-4% on-year in fiscal 2023 as players tried to cushion profitability amidst high cost pressures.

### Company's Operational & Financial Performance:

#### Standalone

- 1) Grey Cement, White Cement & Wall Putty sales volumes increased to 15.1 MnTpa as against 13.6 MnTpa in 2021-22 thereby registering growth of 11%.
- 2) Revenue from Operations grew by 17% to ₹8998.59 crores from ₹7678.58 crores in previous year.



- 3) EBITDA recorded de-growth of 12 % at ₹1346.47 Crores from ₹1536.08 crores in 2021-22
- 4) Net profit is lower at ₹562.54 crores as against ₹630.68 crores in 2021-22, recorded decline of 11 %.

#### Capacity addition

- 1) **Central India Expansion in subsidiary**  
4 MTPA capacity expansion in Panna / Hamirpur was completed within 18 months in third quarter of the fiscal. It has also ramped up to the level of 60% capacity utilisation in last quarter.
- 2) **Existing units**  
Capacity of existing units have been increased by 2 MTPA by various modifications carried out for improvement in Clinker quality, Cement Mill throughput, feeding systems and loading capabilities.

With this Grey Cement capacity is increased to 20.7 MTPA.

#### Paint Foray:

Acquired Acro Paints Ltd. having manufacturing facilities in Bhiwadi. It is a profitable & debt free Company producing decorative paints including textures and construction chemicals catering to the markets of northern India. Cost of acquisition is ₹255 crores and further Capital expenditure of ₹30 crores is being done to upgrade the capacity to 60,000 KL.

#### Information Technology:

Digital being the core of business, your Company is highly focussed on leveraging technology to optimize business benefits, along with a robust IT infrastructure and best in class Security practices.

Some of the major investments in Technology during the financial year 2022-23 include :

#### Applications

1. Capturing condition monitoring of equipment on real time basis (Walk by Inspection) their mobile.
2. Institutionalized in-plant logistics solution using RFID including Smart loading – all units for both Outbound as well as Inbound
3. Automated Quality testing and integration with SAP using eLIMS
4. Digital EHS solution across all Units (Safety Plans, Dashboards and Reports, ePermits, etc.)

5. Contractor Labour Management
6. Travel and Expense Management using SAP CONCUR
7. AI/ML based predictive Engine for select plant modules

#### Information Security

1. Replaced Legacy Anti-virus solution with latest End Point Detection and Response solution (EDR), and XDR for Servers and Network, providing smart layer of security from Malware & Exploits.
2. AI based Email Security including CES (Cloud Email Security), APP (Advanced Phishing protection) and Cloud Mail Defence
3. Web applications protection using Cloud based WAF
4. Secure IT and OT integration across all plants.
5. Introduction of Good security practices to safeguard Data within the system
6. Safeguarding Cloud base Applications and Data through SWG & CASB.
7. Centrally managed Patch management and compliances

#### Infrastructure & Manpower

1. Leaner workforce at Digital & IT – focus on best in class solution through more innovation and alignment with business.
2. Seamless connectivity to internal users through Centralised, AI based Wi-Fi across all.
3. DR setup with optimized RPO and RTO.
4. Centralised Backup solution @ JKCL for all users

The direction for next steps are carefully planned and the work has been initiated for taking the Digitalization at JKCL to next level, including Implementation of SAP S/4 HANA, Application Centralization using Low Code Now Code platform, Further, strengthening the Security, and increased usage of emerging technologies.

#### Internal Audit Function:

##### Internal Controls

The internal control systems are commensurate with the size, scale and complexity of the operations of the Company.

The systems, standard operating procedures and controls are implemented by the executive leadership team and are reviewed by the internal audit team whose findings and recommendations are placed before the Audit Committee.

The Internal Audit team monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action(s) in their respective area(s) and thereby strengthen the controls. Significant audit observations and corrective action(s) thereon are presented to the Audit Committee.

The Audit Committee reviews the reports submitted by the Internal Auditors in each of its meeting.

### Internal Financial Controls

The Company has an IFC Framework, commensurate with size, scale and complexity of its operations. The framework has been designed to provide reasonable assurance with respect to reporting and providing reliable financial and operational information complying with applicable laws, safeguarding assets from unauthorized use, execution of transaction with appropriate authorization and ensuring compliance with policies of the Company.

The Company has documented Risk and Control Matrices (RACM) covering all significant risks and all controls are tested for design and operating effectiveness as part of its Internal Financial Control reporting framework.

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

In our view, the Internal Financial Controls are adequate and are in line with best practices applicable to organizations of a similar size, nature and complexity. The Company has continued its efforts to align all its processes and controls with best practices.

### Risk Management

A robust governance structure has been developed across the Organization. Risk Management framework developed which identifies and assesses strategic, operational, financial and compliance risks and monitors the effectiveness and 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.

The responsibility of tracking and monitoring the key risks of the division periodically and implementing suitable mitigation plans proactively is with the senior executives of various functional units. These risk owners are expected to avoid any undue deviations or adverse events and ultimately help in creating value for the business.

During the year, the Company undertook multiple initiatives to strengthen, widen and deepen the scope and coverage of the risk framework across the Company.

### Human Resources Development:

#### Building a Future-Ready Organization

Human Capital has undergone a significant transformation in recent years, largely influenced by the disruptive impact of COVID-19. In this context, organizations are confronted with unprecedented challenges, including a highly competitive talent landscape, the future of work and the need for cost control. As we enter 2023, we see an opportunity for HR to redefine the employee value proposition in the post-pandemic reality. Human capital management has taken centre stage, to address these immediate challenges, where there is a renewed emphasis on its employees. This has led to transformations in key areas such as; Employee benefits, well-being initiatives, Diversity and Inclusion, digital transformation, talent development and organizational culture.

At JK Cement, our commitment to our employees is evident through our industry-leading employee welfare practices and collaborative work culture. As a fundamental principle, we prioritize employee engagement and retention. To achieve this, we have successfully implemented robust systems to understand and proactively address employee feedback. This ensures that employees and managers have structured feedback opportunities available throughout the year.

To retain employees and check attrition, independent feedback on the reason of employee leaving us. This is done through an exhaustive interview methodology by external experts.

Additionally, we prioritize creating a consistent and enjoyable onboarding experience for new employees by providing a standard joining kit and conducting induction sessions to familiarise them with our business goals and organizational culture.

#### A Great Place To Be ...

We are truly invested in our people and as a testimony to our camaraderie and culture, we were recognized as a **"Great Place to Work" for the 4<sup>th</sup> year in a row**. This recognition has further strengthened our commitment to providing a positive and fulfilling work environment for all our employees.



As we have redesigned our people strategy and adapted to the dynamic trends in the industry, let's delve into the major developments, flagship interventions, and cultural transformations that have shaped the way we work at JK Cement.

### Talent Acquisition and Management:

At JK Cement, we have embraced new ways of virtual hiring, strengthened our young talent pipeline for Management Trainees (MT) and Graduate Engineer Trainees (GET), built an internal talent pool, and increased our focus on gender diversity. Our efforts to attract diverse talent have resulted in sustaining 113 women employees across various functions, accounting for 3.5% of our total workforce. Continuing on our path towards leveraging technology, we launched our first Digital Orientation program, 'JUMPSTART,' as part of our flagship onboarding program.

We effectively manage a diverse talent pool through various initiatives that prioritize employee well-being and professional growth. These include providing a nurturing environment, offering benchmarked compensation, enabling merit-based career progression and implementing best-in-class people policies. We have prioritized digital transformation and employee experience as our core pillars of impact. By leveraging modern technology, we have strived to understand employees' unique needs and have simplified processes by digitalization of our HR systems leading to greater efficiency and transparency across locations.

Additionally, we implemented initiatives to identify our Employee Value Proposition (EVP) and took a detailed

survey. Through This survey we identified our EVP statement as **"Jazbaat se Banaa Junoon se Juda"**.

Our continuous focus on industry benchmarking aims to position JK Cement as an employer of choice. We conducted focused interventions on productivity analysis, salary benchmarking, and incorporating external trends to strengthen our people strategy. Furthermore, we celebrated our inaugural **'Foundation Day – Samman,'** honoring long-serving employees and channel partners.

### Learning and Development:

We continuously prioritize building capabilities and developing talent to meet evolving skill and competency needs. Our Learning and Development function has significantly increased overall training man-days. We also invested in the development of our managers and leaders by participating Management Development Programs (MDPs) and Leadership Development Programs (LDPs) from prestigious institutes.

Through a structure methodology of organisation temperature check by various surveys during lifecycle of employee we have been able to develop a competitive workforce, fostered innovation, and driven organizational success thereby building a pipeline of future leaders.

At JK Cement, we remain dedicated to making our brand an "Employer of choice", both internally and externally. Our employees are our most valuable assets, and we will continue to attract, engage, and develop a future-ready workforce for our organization.

The total workforce (standalone) as on 31<sup>st</sup> March 2023 is 3767.