

MESSAGE FROM CEO



Passion to outperform

Dear stakeholders,

Growth with purpose has been the cornerstone of JK Cement's journey since inception, and it gives me immense pleasure to report you that the year gone by was no exception. Amid inflation pressures and intensifying competition, we delivered industry-leading double-digit volume growth while maintaining the trade mix, completed our expansion projects on schedule, and stayed on track to our business and 2030 sustainability targets. This robust performance speaks volumes about our core belief of under-committing and over-achieving.

Aligned with India's progress

In a world grappling with geopolitical tensions, high inflation and moderate

economic growth, India has been an outlier, recording ~ 7% growth in FY 2022-23 and continuing to invest heavily in building economic and social infrastructure. Buoyed by strong demand from housing, infrastructure and industrial sectors, the Indian cement industry recorded 12% demand growth, much above the historical average of 0.9-1.0x economic growth. Demand is likely to remain strong into FY 2023-24 as the Union government frontloads expenditure in the run up to the general elections next year. Further, India's per capita cement consumption at 265 kg, remains significantly below the global average of 500 kg, which leaves significant growth headroom.

We have strategically planned capacity additions in central India to expand our reach in the markets of Uttar Pradesh and Madhya Pradesh. We successfully commissioned two greenfield projects within 18 months – a 2 MTPA integrated plant at Panna and a 2 MTPA grinding unit at Hamirpur, achieving capacity utilisation of 60% and operating profit in the first full quarter of operation. Also 2 MTPA capacity added in various existing units by debottlenecking, thereby increasing overall capacity by 6 MTPA during the fiscal. With this Company joined over 20 MTPA capacity club. Further, the 1.5 MTPA greenfield expansion at Ujjain and 2 MTPA capacity addition at Prayagraj are progressing as per schedule, which when completed will take our grey cement capacity to 24 MTPA by 2025.

Further, we have forayed into the paints segment by acquiring Acro Paints. We believe the acquisition will be immediately value accretive, without the need to deploy resources for setting up a greenfield paint business. We have earmarked a capex of ₹600 crore, which not only makes our portfolio complete but also opens up new avenues for growth going forward.

Resilient performance amid inflationary pressures

During FY 2022-23, we recorded 17% volume growth in grey cement and 8% in white cement, with blended volumes growing at 16% y-o-y. Despite higher volumes, we maintained our Grey Cement - blended cement mix at 65% and trade mix at 68%. Though, there was an average increase in Net sales realisations per tonne of cement by 4 – 5 %, margins remained under pressure due to all round significant increase in operating costs especially due to higher petcoke/ coal prices. Company's continuous effort to increase use of alternate fuel has nullified the impact to some extent. On account of cost optimisation initiatives our overall increase in operating cost has been lower than competition.

We continued investing extensively in brand creation, customer targeting strategies, and demand generation which is creating a strong retail pull for our products.

Transitioning to green energy and net zero

At JKCL, we are committed to transitioning to green energy, achieving net zero emissions, adopting circular economy practices, enhancing biodiversity, and promoting sustainable mining, thereby setting industry benchmarks in sustainability. Operating in a hard-to-abate industry, we actively explore new technologies and alternate fuels, such as green fuel, to replace fossil fuels and work towards a net zero carbon footprint.

We have made significant progress in reducing carbon emissions as per SBTi targets, with a 17% decrease, i.e., 565 kg CO₂/t cementitious material, from the 2020 base year's emissions of 680 kg CO₂/t. Joining the 'Race to Zero' initiative, we aim to produce net zero cement and concrete by 2050 and have already achieved a 10% reduction in net Scope 1 carbon emissions. Increasing our green energy mix is another priority, with a target of

We have maintaining trade ratios despite rapid growth and witnessed gains in the trade market, strengthening presence and market share.

75% by 2030. We employ various approaches to reduce thermal energy consumption and invest in waste heat recovery systems and renewable energy systems. Presently, our green energy mix stands at 44%.

Water consumption is also a key focus, with a goal to become five times water positive by 2030 through efficient technologies and practices from the current four times. Sustainable mining practices and biodiversity preservation are integral to our operations. Environmental impact assessments are conducted, and management plans are developed for mining operations to ensure compliance with environmental standards.

As part of our 'Nature Positive' 2030 plan, we are establishing a biodiversity park in approximately 50 hectares of mine area in Chittorgarh, Rajasthan. Our sustainability efforts have been recognised by the Confederation of Indian Industry (CII), with the GreenCo Platinum (Muddapur) and GreenCo Gold (Mangrol).

Building a skilled and engaged workforce

People remain at the core of our organisation, and we focus on their development and well-being. Upskilling and reskilling initiatives are integral to our efforts, with a goal to provide 20-man hours of training per employee by 2030 from the current 12-man hours of training. We prioritise the health and safety of our workforce and aspire to maintain an injury-free and fatality-free workplace, both on-site and off-site. In fostering a talented and diverse workforce, we aim to increase women's representation to 5% by

2030, with notable progress achieved as we currently stand at 3%.

A future with outsized opportunities

We are driven by the belief that giving back to society and preserving the environment is an integral part of our Company ethos. We understand that these efforts add long-term value to our business while also benefitting the communities we operate in. As we continue this journey, we remain committed to going the extra mile and achieving even greater heights, striking a balance between profitability and sustainability.

India's inclusive and sustainable growth story is marked by its commitment to upliftment and progress for all its citizens while ensuring long-term environmental sustainability. The country has embarked on a transformative journey, embracing sustainable development as a key driver of economic growth and equitable future. JKCL, as a leading player in the cement industry is well placed to contribute to India's multi-faceted progress.

I conclude by expressing my sincerest gratitude to our dealers, distributors, supply chain partners, associates, our entire staff, and all our stakeholders for their unwavering support and trust in our Company. We extend our best wishes for a year filled with good health, safety, and prosperity for everyone.

With warm regards,

Madhavkrishna Singhania
Deputy Managing Director & CEO