

FROM THE MD'S DESK

Crafting opportunities out of adversity



Parth Jindal

Dear Stakeholders,

I hope you and your families are doing well. FY 2021-22 was a challenging year on many fronts. The twin spikes of the pandemic that impacted India's economic recovery, continuing supply chain disruptions, rising input costs and the geopolitical crisis made it a difficult year overall. To successfully navigate the challenges, we, at JSW Cement, continued to follow our business continuity plan and adopted a proactive and responsible approach in mitigating the business risks. As they say in every crisis there is an opportunity and the external environment forced your Company to look inwards and systematically address all aspects of cost, an exercise that will benefit the company for many years to come.

Our approach has been to contribute to nation-building to the best of our ability and create a lasting impact on the industry through our role as India's top green cement manufacturer. Keeping this in mind, we reiterated our commitment as an environmental steward, an innovation leader in the sector and as a fierce advocate of the highest standards of safety. It brings me immense pride to present to you our first ever Integrated Annual Report for FY 2021-22, which is a testament to our above-mentioned commitments as well as our promise to promote transparent communication with our stakeholders.



Navigating a challenging external environment

The financial year began with a devastating second wave of the COVID-19 pandemic, which disrupted life and economic activity. A longer than usual monsoon, persisting supply-side challenges and high commodity prices created challenges in the second quarter. During the third quarter of FY 2021-22, although demand picked up, we faced intense competition, especially in eastern India, which led to price erosion. These factors, together with our decision to withdraw from certain markets in East India for a short while, impacted our overall volume growth. The fourth quarter, however, saw significant pick-up in demand, mainly driven by the government's impetus on infrastructure projects and the bounce back of the real estate industry.

Despite the headwinds we faced during the year, we could maintain and even grow our standalone sales and revenue at a y-o-y level. During FY 2021-22, we sold 8.8 MT of cement and registered ₹4,669 crore revenue, compared to the corresponding figures of 8.01 MT and ₹3,862 crore a year ago. However, due to reasons mentioned above EBITDA came in at almost the same level as last year.

Globally, industry suffered a massive coal shock during the year due to increasing power demand and the lack of corresponding rise in coal production. With the Russia-Ukraine crisis and reduced gas supply, Europe's dependence on coal as an energy source has risen, leading

to an exponential rise in demand and thus coal prices. India, too, has had to bear the brunt. With the domestic coal supply being directed towards power generation, cement manufacturers are increasingly having to depend on international coal. The rise in fuel prices has impacted our margins and until stability is achieved, elevated fuel prices will continue to weigh on margins of all cement players. Your Company in an effort to reduce the impact of this fuel price increase is working on increasing its usage of green energy and alternate fuels as well as implementing waste heat recovery power plants across all three of our clinker locations. Most of these projects will be commissioned in FY 2022-23 insulating us from global fuel shocks to a great extent.

Growth and expansion

This year saw us achieve a milestone with regard to private equity infusion. We have partnered with the State Bank of India, which has invested ₹100 crore in the Company. We have also entered into definitive agreements to raise up to ₹1,500 crore from two global private equity investors, Apollo Global Management Inc. (through its managed funds) and Synergy Metals Investments Holding Ltd. This investment is helping us grow our capacity from 14 MTPA to 25 MTPA.

As of end of FY 2021-22, we have a capacity of 15.1 MTPA, which we intend to increase to 21 MTPA by the end of FY 2022-23. Moreover, we have identified two more locations where we can expand our production. This is complemented

FROM THE MD'S DESK



by our strategic backward integration plan, through which we are acquiring mines to further improve our cost efficiency and streamline our value chain. We have begun production of ready-mix concrete under the JSW Concrete brand and plan to launch 19 new RMC manufacturing units in the near future.

Together with capacity expansion plans, we are making investments in kiln expansion, alternate fuels and waste to heat recovery systems at Shiva Cement, Fujairah and our Nandyal plant, which will enable us to become one of the lowest cost producers of cement. Furthermore, across all locations, we are maximising the use of renewable energy and installing solar and wind energy for our own needs.

A one-of-a-kind proposition

JSW Cement is truly differentiated by being the lowest carbon-dioxide emitting cement manufacturer in the world, which has helped our products earn the tag of being the 'World's #1 Eco-friendly Cement'.

Our understanding of the different types of slag that are generated within steel plants and the extensive R&D efforts by our team of specialists gives us a huge edge and allows to constantly innovate, introduce and enhance our range of sustainable cement. The growing awareness of low-carbon GGBS as an environmentally-friendly construction solution and cement replacement is also helping us grow our sales.

₹4,669 crore

revenue

15.1 MTPA

Capacity

A major contributor to our cost and resource efficiency has been technology, particularly digital technology. We are making great strides in digitalisation with JSW Aikyam, our Dealer App, Saathi App, DGO App and Non-Trade App, which have enabled more efficient operations. We have also set up a state-of-the-art logistics control tower, which has helped us digitally track and control logistics movement across our value chain and enhance our overall efficiency.

Our deep-rooted market presence by virtue of the Group's institutional businesses, proactive expansion strategy through brownfield, greenfield and inorganic expansions, effective branding strategy that is helping us reach out to more consumers through B2C channels are factors that have contributed to our presence in the list of the top 10 cement manufacturers in the country within little over a decade since inception. We will continue to build on this growth trajectory.

Growing every day with sustainability

As part of the hard-to-abate industry, the cement industry has to take on a more aggressive role in ingraining sustainability across the value chain and contributing to climate action. As the Chair of Global Cement Companies Association India chapter it is my endeavour to push the green agenda across the industry. All cement companies need to look at ways to enhance the use of alternate fuel and renewable energy in their operations. At JSW Cement, we would like to lead the way, hence we are heavily investing in the use of alternate fuel in our kilns and have plans of enhancing their use from 12% to 30% of the fuel mix in the near future. We are ensuring that every kiln at our plants has a waste to heat recovery plant set up, and we are also increasing the use of renewable energy across our operations. We have deployed EV buses to commute our employees from sites and plants, thus reducing our carbon footprint. We are also considering the deployment of EV trucks at our mining sites.

Valuing our social relationships

We consider an effective people strategy as one of our business imperatives. We are undertaking active efforts to build a diverse workforce and further employee engagement. The health and safety of our people is of paramount importance to us, we are redoubling our Health & Safety measures to ensure safety at all our plants and offices. We have been bestowed multiple excellence awards for our outstanding performance in occupational health and safety management this year.

It is a matter of great pride to us that we have pioneered one of the biggest ESOP launches in the cement industry and thus contribute effectively to employee wealth creation. During the year, we also devote sufficient attention to build a strong network of trust and partnership with our dealers. We engage with them regularly through campaigns, various schemes and targeted interventions.

The path ahead

Going forward, we assure our stakeholders of growing our business sustainably, backed by our unwavering focus on Environment, Social and Governance (ESG) parameters. I am proud of our entire team, which has contributed immensely to our success. I also thank our Board members, investors, shareholders, partners and communities without whose help and support our journey would have been impossible. We aspire to be Better Everyday. Together, let's usher in a sustainable tomorrow.

Sincerely,

Parth Jindal
Managing Director