BOARD'S REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

TO THE MEMBERS OF
ACC LIMITED

The Directors are pleased to present the Eighty First Annual Report of the Company together with audited financial statements for the year ended December 31, 2016. Management Discussion and Analysis forms part of this report.

1. FINANCIAL RESULTS

	Consolidated ₹ Crore		Standalone ₹ Crore	
	2016	2015	2016	2015
Revenue from Operations (Net) and Other Income	11,274.75	11,916.94	11,271.05	11,916.18
Profit before Tax	805.32	765.53	808.87	783.97
Provision for Tax	209.60	189.98	206.47	192.40
Profit After Tax (PAT)	604.38	587.60	602.40	591.57
Balance brought forward from previous year	4,605.50	4,433.04	4,634.07	4,456.64
Profit available for appropriations	5,210.88	5,020.64	5,236.47	5,048.21
Appropriations:				
Interim Dividend	206.57	206.52	206.57	206.52
Proposed Final Equity Dividend	112.67	112.65	112.67	112.65
Tax on Equity Dividend	64.99	64.97	64.99	64.97
Transfer to General Reserve	30.00	30.00	30.00	30.00
Surplus carried to the next year's account	4,796.65	4,606.50	4,822.24	4,634.07

2. OVERVIEW OF COMPANY'S FINANCIAL PERFORMANCE

Consolidated Income

Consolidated income, comprising Revenue from Operations (Net) and other income, for the year was ₹ 11,274.75 crore, 5.39% lower as compared to ₹ 11,916.94 crore in 2015.

Total consolidated Revenue from operations (Net) decreased to ₹ 11,167.55 crore from ₹ 11,797.16 crore in 2015.

Other operating revenue

Other Operating revenue for the year 2016 on a like-for-like basis remained flat at ₹ 221.93 crore.

Consolidated profit before tax

Consolidated profit before tax for the year was ₹ 805.32 crore as compared to ₹ 765.53 crore in 2015.

Consolidated Profit after tax

Consolidated Profit after Tax for the year was ₹ 604.38 crore as compared to ₹ 587.60 crore in 2015.

Material Changes

No material changes or commitments have occurred between the end of the calendar year and the date of this Report which affect the financial statements of the Company in respect of the reporting year.

3. DIVIDEND

The Board of Directors of the Company had approved the Dividend Distribution Policy on December 17, 2016 in line with the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The Policy is uploaded on the Company's website at http://www.acclimited.com/assets/new/new_pdf/Dividend_Distribution_Policy.pdf

In line with the said Policy, the Board of Directors has recommended payment of final dividend at ₹ 6/- per Equity Share of ₹ 10 face value aggregating to ₹ 112.67 crore. The total dividend for the year, including interim dividend of ₹ 11/- per Equity Share paid in August 2016, adds up to ₹ 17/- per Equity Share involving a total outflow of ₹ 384.23 crore (including tax on dividend). The dividend payout ratio is 64%. The dividend per Equity Share for the year 2016 is the same as in the previous year.

During the year, unclaimed dividend pertaining to the 71st final dividend for the year 2008 and the 72nd Interim dividend for the year 2009 totaling ₹ 2.15 crore was transferred to the Investor Education & Protection Fund.

4. TRANSFER TO RESERVES

The Company proposes to transfer an amount of ₹ 30 crore to the General Reserves. An amount of ₹ 4,796.65 crore is proposed to be retained in the Consolidated Statement of Profit and Loss.

5. SHARE CAPITAL

The Company's paid-up Equity Share Capital as on December 31, 2016 was ₹ 187.79 crore as compared to ₹ 187.75 crore in the previous year.

Pursuant to the Orders passed by The Special Court - Trial of Offences Relating to Transactions in Securities (TORTS), during the year the Company was required to allot 41,907 Equity Shares of ₹ 10 face value into the "Custodian Account - Jyoti Harshad Mehta" out of the shares which were kept in abeyance of "Right Issue - 1999", as then directed by the Special Court (TORTS).

The Company has neither issued shares with differential rights as to dividend, voting or otherwise nor issued shares (including sweat equity shares) to the employees or Directors of the Company, under any Scheme. As on December 31, 2016, none of the Directors of the Company hold shares in the Company except Mr Shailesh Haribhakti who holds 3,100 Equity Shares of the Company.

No disclosure is required under Section 67(3)(c) of the Act, in respect of voting rights not exercised directly by the employees of the Company as the provisions of the said Section are not applicable.

The Company has not issued any convertible instrument during the year.

6. FINANCIAL LIQUIDITY

Cash and cash equivalent as at December 31, 2016 was ₹ 1,944 crore (Previous year ₹ 1,389 crore).

The Company's working capital management is based on a well-organized process of continuous monitoring and controls on Receivables, inventories and other parameters.

7. CREDIT RATING

The Company enjoys a good reputation for its sound financial management and the ability to meet its financial obligations. CRISIL, a reputed Rating Agency, has reaffirmed the highest credit rating of CRISIL AAA/ STABLE for the long term and CRISIL A1+ for the short term financial instruments of the Company.

8. DEPOSITS

The Company's Fixed Deposit Scheme was discontinued in the year 2001-02. The total amount of fixed deposits matured and remaining unclaimed as on December 31, 2016 is ₹ 0.02 crore. The Company has not accepted deposits from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Rules framed thereunder.

9. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

10. ECONOMIC SCENARIO AND OUTLOOK

Indian economy followed a path of recovery registering growth in the first three quarters of the year 2016. The prospect for economic growth became buoyant with the agrarian and rural economy benefiting from a good monsoon after two successive rain-deficient years. The growth was affected in the last two months of the year by the impact of the demonetization scheme. The calendar year is expected to end with GDP growth estimated at around 7.0%.

2016 closed as a momentous year for the country marked by two landmark economic reforms even as the global economic scenario was indifferent. The first is the Goods and Services Tax (GST), a single tax intended to replace the existing Central and State indirect taxes, which is expected to come into force in 2017.

The second reform was the rollout of the demonetization scheme in early November. In the long run, this reform aims to usher in greater transparency in financial transactions and a transition towards a cashless economy; in the short term, it has squeezed liquidity and consumption across the economy, notably in the construction sector.

The wholesale and consumer price inflation rates rose to ~ 1.8 % and ~5.1% in 2016 from last year's (2.8) % and 4.9% following a rise in global fuel and commodity prices, near flat domestic demand conditions and an increase in food inflation.

In 2016, manufacturing growth was ~8.5%, at par with 2015, while growth in agriculture, mining and construction was lower at 2.4%, 2.5% and 3.1% respectively. The Cement sector which grew at over 6% in the first three quarters tapered off in the last quarter due to the effect of demonetization to end the year with growth of ~5% in 2016.

The outlook for 2017 brightens as liquidity in the economy moves towards normalization, with expectations for early revival and growth in overall consumption across several sectors including construction and building materials.

The Union Budget for 2017-2018 was welcomed for its thrust on the rural sector, infrastructure development, housing and a boost to the overall investment climate. If 2017 also experiences a normal monsoon, GDP growth is likely to rebound in the second half of the year. Better liquidity and improved tax collections will enhance government's ability to spend on infrastructure and other development projects, leading to faster growth.

11. CEMENT INDUSTRY - OUTLOOK AND OPPORTUNITIES

With available capacity of approximately more than 375 million tonnes per annum in the Indian Cement Industry, overall domestic consumption during 2016 is estimated at ~283 million tonnes. Cement demand is estimated to have grown at the rate of ~5% in 2016, as compared to ~1.5% in 2015. Effective capacity utilisation in the industry remained low at ~75%; while cement plants in the northern, central and eastern regions of the country were able to produce at levels above 85% of capacity, excess capacity in the south dragged down the industry's average capacity utilisation.

In 2017 we foresee that the cement industry will continue to be dogged by the challenge of excess capacity leading to intense competition. Overall demand for cement is likely to grow at ~5% in 2017. If government is successful in increasing its investment expenditure on large infrastructure and other development projects as announced in the Union Budget 2017-2018, it will further energize construction activity. Any cut in interest rates on housing loans is likely to boost investment in the housing sector. Together these developments can give a much-needed fillip to demand for cement and concrete in the coming year.

The critical challenges before your Company in 2017 would include the following:

- To pursue a judicious value-cum-volume strategy so as to maximise utilization of existing capacity including the additional capacity from the newly expanded Jamul plant.
- To continue to step up the sale of value creating Premium products
- To further streamline channel management and strengthen marketing activities in a manner that leverages the Company's brand equity
- To continue promotion and facilitation of cashless transactions in the retail network with a view to ensure uninterrupted retail offtakes.
- To develop the means to foresee changes in the value chain and the agility needed to keep strict control on the costs of fuel and raw materials amid volatile global prices

The above initiatives together with your Company's continued focus on cost efficiency and other customer excellence initiatives should help in presenting an improved performance.

12. CEMENT BUSINESS – PERFORMANCE

	2016	2015	Change %
Production - million tonnes	23.18	23.84	(2.8)
Sales Volume - million tonnes	22.99	23.62	(2.7)

	2016	2015	Change %
Net Sale Value (₹ crore)	10,068.26	10,652.60	(5.5)
Operating EBITDA (₹ crore)	1,342.23	1,482.88	(9.5)
Operating EBITDA Margin (%)	13.33	13.92	

12.1 Sales Volume & Pricing

Domestic sales in 2016 decreased by 2.7% to 22.99 million tonnes from 23.62 million tonnes achieved in 2015.

Individual House Builders (IHB) remain the largest customer segment in terms of volume and profitability. In addition, the Company gainfully utilizes its core strengths as a pioneer in cement and concrete technology to demonstrate its techno-promotion capabilities in the nation-building sectors of growing importance in infrastructure, commercial and institutional projects such as smart cities, urban rejuvenation, roads, highways, ports, airports, power plants, dams and irrigation schemes.

The cement market continued to witness vigorous price competition. Average selling prices of cement reduced by ~3 % in 2016 over 2015.

12.2 Costs – Cement Business

During the year 2016, the Company maintained a close focus on effective cost management through various initiatives.

a) Cost of materials consumed

A combination of cost efficiency measures and lower input costs helped bring down the cost of materials consumed by 14.2% in 2016 as compared to 2015. The cost of materials consumed as a share of total income from operations came down from 12.3% in 2015 to 11.3% in 2016.

The cost of gypsum reduced by 10.8% as a result of changes made in the mix optimization as well as due to the lower landed cost of imported gypsum.

Continuous efforts were made to reduce the clinker factor by producing a higher share of blended cements using flyash and slag. Procurement costs of flyash and slag were re-negotiated and brought down. This coupled with changes in source and mix optimization enabled a reduction of 5.9% in the cost of flyash. In respect of slag, a reduction of 14.3% was achieved as compared to the previous year.

b) **Power & Fuel**

Power & Fuel efficiencies enabled a cost reduction of 10% in 2016 as compared to 2015. The Power & Fuel spend in 2016 was ₹ 2,142.55 crore as compared to ₹ 2,377.85 crore spent in 2015.

To take advantage of softening global prices of petcoke, vigorous efforts were made to implement the ongoing plans already in place since the previous year to achieve a higher share of petcoke in the overall fuel mix and thus moderate the Company's dependence on domestic and imported coal. This enabled the consumption of petcoke to leap from a level of 18% in 2015 to as much as 62% in 2016.

The cost of generation at our Captive Power Plants (CPP) was brought down by 2.4 % to ₹4.56 per KWh in 2016 against ₹4.67 per KWh in 2015 mainly due to better efficiencies.

The average cost of purchased power during the year was ₹ 6.3 per KWh as compared to ₹ 6.5 per KWh in the preceding year.

c) **Freight & Forwarding expenses**

Despite an increase in rail tariffs, Freight and Forwarding expenses during the year were ₹ 2,560.02 crore as compared to ₹ 2,640.76 crore in 2015, registering a decrease of 3.1%.

This was partly on a account of lower despatches but also on account of the Management's proactive intervention such as changes in the rail-road mix, increase in direct ex-factory despatches, greater penetration and expansion into home markets and markets with shorter leads as well as through renegotiation of road transport and C&F rates.

d) **Employee costs**

Employee costs during the year increased by 3.3% on a like-for-like basis. Overall employee costs as a share of total income from operations increased from 6.5% in 2015 to 7.0% in 2016. Various initiatives taken under India Manufacturing Transformation programme are expected to continue to reflect improvement in employee costs.

e) **Packing materials**

Packing material cost reduced by ₹ 51 crore on account of renegotiation of commercial terms with suppliers, a fall in the prices of Poly Propylene granules and other initiatives like standardization of bags across plants.

13. READY MIXED CONCRETE (RMX)

	2016	2015	Change %
RMX Production – Lakh Cubic Metres	24.43	22.15	10.3
RMX Sales volume – Lakh Cubic Metres	25.90	23.44	10.5
Net Sale value – (₹ crore)	1,054.62	967.50	9.0
Operating EBITDA – (₹ crore)	74.77	54.29	37.7
Operating EBITDA Margin (%)	7.09	5.61	

The Company's Ready Mixed Concrete business performed well during the year maintaining its spotlight on infrastructure, commercial and realty segments and a sharp focus on promoting value-added special products that are more customer service-oriented. This enabled it to follow a consistent course of growth with an increase of 10.5 % in sales by volume and 9.0 % in sales by value. Operating EBITDA of RMX business rose by 37.7% from ₹ 54.29 crore in 2015 to ₹ 74.77 crore during the year.

RMX business expanded its footprint adding plants in the new markets of Lucknow, Nagpur and Raipur and a dedicated plant at a power project site in Aligarh. Four plants were phased out. At year-end the nationwide network comprised 50 state-of-the-art concrete plants catering mainly to major metro cities, state capitals and Tier II cities.

Your Company has shaped its RMX business to perform as a solution provider with a special thrust on serving different customer segments ranging from prestigious metro rail projects, roads and highways, irrigation schemes, power plants, high-rise buildings and townships each with their own varied requirement of concrete applications.

With its experience and expertise the Company expects to be well-positioned to serve major construction projects materializing out of Government's plans for Infrastructure development, Smart cities, urban rejuvenation projects and the growing trends in commercial and realty segments.

14. NEW JAMUL INTEGRATED PROJECT

The integrated Jamul Project was commissioned during the year; It comprises a new clinkering line of capacity 2.79 million tonnes per annum at Jamul and cement grinding units of capacity 1.10 million tonnes at Jamul and 1.35 million tonnes at Sindri. With this, the Company's total cement capacity has now risen to 33.41 million tonnes per annum.

The new Jamul Plant has state-of-the-art features to enable high performance levels in environment management and pollution control systems, safety and quality excellence.

With excellent connectivity by rail and road, the new integrated plant will complement the Company's existing network in Eastern India, strengthening its presence in important markets with the supply of environment-friendly blended cements.

15. SUSTAINABLE DEVELOPMENT

During the year, your Company was felicitated with the prestigious CII-ITC Sustainability Award 2016 for "Outstanding Accomplishment" in recognition of its continued effort and commitment to the cause of Sustainable Development. This award, among the country's most coveted in the field of corporate sustainability development, has been received by ACC three times in the last four years which is an external endorsement of the sustainable manner in which your Company conducts its business. Over the years, the Company's business model has incorporated practices and systems geared towards good governance, customer excellence, environment conservation, human resource management, community development and value creation for all stakeholders.

The Sustainable Development Report for 2015 conforming to Global Reporting Initiative GRI-G4 principles in accordance with "Comprehensive Option" was released during the year. The Report is available on the company's website at www.acclimited.com.

During the year, the Company participated for the first time in the Dow Jones Sustainability Indices (DJSI) under "Emerging markets" category.

Your Company is aligning its Sustainable Development agenda to the Groups Sustainability Strategy which is supportive of the UN "Sustainable Development Goals". The Plan incorporates measurable targets related to the following significant areas:

- Climate – Reduction of Net specific CO_2 emissions
- Circular Economy – Enhanced utilization of waste-derived resources
- Water & Nature – Reduction of specific freshwater withdrawal in cement operations

& enhancing the biodiversity in all operating mines Implementation of Water Access, Sanitation and Health (WASH) pledge

- People & Communities – Improving, performance, gender diversity Low cost shelter & sanitation solutions

15.1 Climate

CO_2 Emissions

Your Company is a prominent member of the India chapter of the Cement Sustainability Initiative (CSI) set up under the auspices of the World Business Council for Sustainable Development (WBCSD), a global partnership effort. All CSI member companies have voluntarily charted for themselves the "Low Carbon Technology Roadmap for the Indian Cement Industry" with time bound targets leading to the year 2050. This incorporates a commitment to reduce CO_2 emissions.

The Company's carbon footprint continues to be among the industry's best-in-class though specific CO_2 emissions during the year 2016 was 545 kg per tonne of cement as against 533 kg CO_2/tonne of cement in 2015, representing an increase of ~2%. This was mainly due to prevailing market conditions, increased demand for OPC and lower capacity utilization.

Your Company is among the leading Indian business houses that have participated in the Carbon Disclosure Project (CDP), a global not-for-profit organization and continued to be ranked high in terms of its disclosure forming part of the Carbon Disclosure Project index.

15.2 Clinker Factor

Reducing the clinker factor in cement is an important pillar of the Low Carbon Technology Roadmap for the Indian Cement Industry. Your Company strives to achieve this through the promotion of blended cements using slag and flyash. Increasing demand for Ordinary Portland Cement (OPC) during the year 2016 has resulted in decrease in share of Blended Cements in the total product portfolio to 83.5%.

When fully stabilized, the newly commissioned Jamul Integrated project with its grinding units in Jamul and Sindri, geared to offer superior varieties of Portland Slag Cement, will augment the Company's overall blended cements portfolio which will in turn serve to reduce the overall clinker factor and thus help in cutting Specific CO_2 emissions in the coming years.

15.3 Alternative Fuels and Raw Materials (AFR):

Your Company is leading the initiative to provide waste management solutions to waste generating industries and organizations in the country through co-processing of wastes in cement kilns.

The co-processing infrastructure was strengthened following the establishment of two pre-processing facilities at Wadi in Karnataka and Kymore in Madhya Pradesh in 2014. As these facilities stabilize and pick up momentum, they serve to increase the Company's capacity to handle larger volumes of waste with greater ease and safety, while ensuring zero harm to the environment, communities and ensuring product quality. A third preprocessing facility at Madukkarai, Tamil Nadu is under execution.

Your Company is redoubling its efforts to expand its capacity to manage higher waste volumes in the near future thereby increasing thermal substitution rates and securing alternative fuels & resources for use in cement manufacturing process to replace naturally mined materials.

With the conviction that co-processing ensures a safe and environmentally sustainable solution for the disposal of hazardous and non-hazardous wastes, the Company has been making consistent efforts through advocacy and stakeholder awareness programmes to ensure that this technology gains more legal traction in the country. These efforts have borne fruit; a legislation brought into force in 2016, recognizes co-processing as a preferred technology for waste management for all types of waste generated in the country.

15.4 Green Energy

Your Company's renewable energy portfolio consists of 19 MW in the form of wind farms across three States viz. Tamil Nadu, Rajasthan and Maharashtra. During the year 2016, 36.51 million units of renewable energy came from these captive sources.

Additional green power of 1.67 million units was procured through Power Purchase Agreement.

In all, the total Green Energy used was 38.18 million units, representing an increase of 9% as compared to the previous year.

15.5 Power generation through Waste Heat recovery system

The Waste Heat recovery system at Gagal Cement Works generated 49.45 million kWh of electrical energy during the year. This resulted in financial savings of about ₹ 21 crores.

15.6 Controlling Emissions

The Indian cement industry is facing increasing stringency from regional, state and central authorities with regard to regulations and standards formulated by them for permissible levels of various types of emissions including SOx, NOx and particulate airborne emissions.

Your Company endeavours to keep its performance in this respect at levels far better than the regulatory requirement so as to maintain good ambient air quality in its environs. Accordingly various measures were implemented across all operations of the Company to control stack emissions by upgradation/modification/installation of new air pollution control equipments to ensure compliance with new environment regulations and fugitive emissions by installing dust extraction and dust suppression systems.

During the year 2016, your Company had commissioned Hybrid Electrostatic Precipitators (ESP) at Jamul and upgraded Coal Mill Bag House and Cooler ESP at Gagal. Implementation of primary measures for NOx reduction is underway at various plants. Orders for Selective Non Catalytic Reduction (SNCR) were placed for NOx emissions reduction at Kymore and Gagal. Online reporting of emissions and effluents are being uploaded on Central Pollution Control Board (CPCB) website and respective State Pollution Control Boards wherever available.

15.7 Circular Economy

During the year, your Company utilized 3.90 million tonnes of flyash, 2.67 million tonnes of slag, 1.10 million tonnes of crushed rock fines, 0.32 million tonnes of alternative materials, thus providing sustainable environmental friendly services to the nation.

15.8 Water & Nature:

a) Water:

With an objective to continuously improve water performance and to achieve a water positive status, efforts were focused on the following:

(i) Reduction of fresh water intake by lowering water demand in process and non-process areas

(ii) Process optimization and upgradation to water efficient technologies wherever feasible

(iii) Installation of Sewage treatment plants (STP), Effluent Treatment Plants (ETP), Zero Liquid Discharge (ZLD) systems for effective reutilization of waste water. During the year 2016, the Company ordered ZLDs for Wadi and Chanda Cement Works, STPs for Lakheri and Damodhar Cement Works

(iv) Conservation of water by rain water harvesting in plants, mines, colonies, community areas and sustained water harvesting measures

b) Biodiversity

Your Company is committed to the conservation of biodiversity and mine rehabilitation. Efforts on biodiversity conservation are focused on following areas:

(i) To study and assess biodiversity around the limestone mines operated by the Company. During the year biodiversity assessment studies were conducted by an independent third party at Jamul and Chanda Cement Works. With this the Company has completed the biodiversity assessment at all its mining sites

(ii) A biodiversity action plan developed for Gagal Cement Works

(iii) On-ground implementation of activities which conserves biodiversity.

15.9 Green Building Centres

As part of the ongoing programme to promote green, cost-effective and affordable construction in semi-urban and rural India through Green Building Centres, your Company supports local micro-entrepreneurs and small businesses to make and distribute affordable cement-based home building components and pre-fabricated materials such as concrete blocks, sanitation and toilet units, tiles, pavers, roofing, walling, and frames in pursuit of promoting the cause of sustainable construction.

16. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

ACC was chosen from among several leading companies to receive the first ever "ICSI CSR Excellence Awards 2016" instituted by The Institute of Company Secretaries of India to recognize the good practices undertaken by Corporates under the CSR umbrella.

Your Company continued the social development schemes initiated in previous years along with some new interventions to address the developmental needs of host communities around the Company's operations. These projects covered the broad thematic areas of Livelihood, Education, Health & Sanitation that are compliant with Companies Act 2013.

Total CSR expenditure incurred during the year was ₹ 22.27 crore which is higher than the statutory requirement of 2% of the average profit of the last three years.

The Company's community development projects reached out to benefit more than 4.23 lakh people residing in 202 villages across the country.

Education initiatives in the vicinity of plants addressed needs of 36,709 students during the year. Scholarships were awarded to 465 meritorious students belonging to weaker sections of society. Modern methods of learning such as smart classes and interactive kiosks benefited students of 70 rural schools. Efforts were made to provide education to 1,495 girl children as part of the "ACC ki Laadli" project. Support continued to be extended to seven government-run Industrial Training Institutes under the Public Private Partnership Scheme with Ministry of Labour and Employment, Government of India.

About 4,234 unemployed youth received skill development training under the Company's DISHA programme; as on the date of this report, over 60% of them had received job placements in various manufacturing and service sector enterprises. Support was provided for the establishment of 129 new Self Help Groups (SHGs) while existing 1,233 SHGs were trained in institutional strengthening; many of them were assisted in setting up a federation and obtaining registration for it.

Health and nutrition initiatives benefited 28,566 people. 9,731 children received access to better health and nutrition through the support provided to 201 anganwadi centres. Valuable assistance was provided to nearly 5,400 persons through counseling, testing and treatment for HIV/AIDS.

Four villages were declared Open Defecation Free (ODF) during the year, in the corporate campaign to promote access to water, sanitation and improved hygiene practices. The programme, which supports Government's Swachh Bharat Abhiyan, includes the creation, repair and maintenance of toilet and wash facilities in local communities.

Your Company's CSR Footprint has been audited by a third party Social Audit team comprising renowned experts from development sector, led by Head of DOC Research Institute, an independent international think-tank organization.

The Corporate CSR Policy has been re-stated making it more comprehensive and in addition to alignment with the requirements of the Companies Act, 2013 and Global Goals it has also been aligned with the LH Group's CSR Policy. The CSR Policy Statement and Report on the activities undertaken during the year is annexed to the Board's Report in Annexure 'A'

17. HEALTH & SAFETY (H&S)

17.1 H&S Improvement Plan

The key focus area during the year was implementation of the Health & Safety Improvement Plan (HSIP). This was prepared based on the feedback and involvement of the Company's senior management. The plan contained seven Health & Safety (H&S) objectives, clearly indicating the ownership of each objective assigned to a senior executive. Salient aspects of the HSIP comprised H&S Leadership & Accountability, People's H&S Capability, H&S management systems, Road Safety and Electrical Safety.

The launch of Visible Personal Commitment (VPC) - a systematic tool for senior executives and management staff to interact with shop floor people on safety matters and take feedback - has helped demonstrate enhanced safety leadership capabilities and Management's commitment. This initiative is expected to be critical in the endeavour to reach the goal of Zero Harm.

H&S audits were conducted during the year. Electrical Safety audits were conducted at all cement manufacturing units by external experts with an objective to carry out a systematic, critical appraisal of all potential electrical hazards involving personnel, premises, services and operation method and to review compliance of electrical (installation & maintenance) with reference to the statutory regulations, international standards and Industry best practices.

A drive to use Personal Protective Equipment (PPE) was strengthened with the initiation of a reward and consequence management approach.

A number of specialized training programs were organized targeting different work groups to enhance their H&S capability. These included topics like NEBOSH International General Certificate, Risk Assessment, H&S auditing, Incident Investigations and behavior based training on "Developing Safety Commitment".

Employees and workmen of contractors at all locations participated enthusiastically in the Group's Global H&S days campaign "I care, I share, I act" which included competitions for poster drawing and slogan writing. During the campaign, the Company's leadership team also connected with all employees over a webcast to re-emphasize the importance of H&S in the organization.

17.2 Health Initiatives

Your Company pursued its well-structured approach to reduce health risk factors among employees and their families. Numerous steps were taken to enhance medical facilities at plants and engage with employees and their families to create awareness and build capabilities.

Infrastructure and facilities were upgraded at the hospitals of four plants. Emergency Medical Response (EMR) capabilities have been optimized at all cement manufacturing units through steps such as outsourcing ambulance services which ensures round-the-clock availability of trained EMR technicians. Other arrangements are also being tied up to secure excellent pre-hospital care in the event of any medical emergency, trauma or any other health care issue concerning employees such as the use of air ambulances.

Significant steps were initiated to induct digitization in the field of employee health. An on-line health management system is being developed which will standardize health processes across all units. It will facilitate the management and retrieval of health data of all employees during their life cycle; this is scheduled to Go live in March 2017.

Other effective measures included the regular use of the Company intranet to disseminate health awareness, conducting health sensitization programmes, personalized health care, identifying health peers from among Shopfloor Associates (SFA) to spread health awareness among employees and their families. Training in office ergonomics was imparted to 500 line managers. 200 teachers from all township schools were trained as part of the "H&S promoting schools initiative" to proliferate and spread awareness among more than 10,000 students.

17.3 Logistics Safety

Logistics is among the most challenging areas in safety, a large part of which relates to offsite situations and environments that cannot be easily influenced. The Company has developed a logistics safety roadmap for 2020, which encompasses an analysis of past incidents, current initiatives and wide-ranging activity-based risk assessments spanning various stages of the shipping cycle from the point a vehicle approaches a plant to its end destination. The plan also prioritizes focus areas based on likelihood, consequence, controllability.

Driver Management Centres were implemented at nine cement plants to educate drivers on various H&S matters and inculcate the right behaviours seen in the context of the three pillars of Driver, Vehicle and Journey Management. Efforts were continued to create greater alertness and awareness among drivers and employees using simulator training, seat belt convincer training and defensive driver training techniques.

External audits were conducted at all cement plants to check the efficacy of logistics safety management.

18. HUMAN RESOURCES

During the year, the Company took many initiatives to increase organizational capability and productivity so as to be value driven and future-ready.

18.1 Productivity improvement

In 2015, the Company implemented its "India Manufacturing Transformation" initiative to introduce a more responsive, efficient and lean organisation design in all cement plants; it incorporated a new way of working with streamlined work practices, enhanced people skills and capabilities and centres of excellence (CoEs) for continuous improvement through exchange of best practices. This was initiated after careful benchmarking of best in class practices of LafargeHolcim plants across the globe. This Organizational reform continued to show its benefits with improvement in productivity by 30%. This is a continuous process through which your Company proposes to transform itself into becoming one of the most productive companies in the country.

18.2 Strengthening core values and performance

Your Company is respected for its strong values and ethics which are embedded in its corporate culture. During the year, the Company adopted a new set of core values aligned with those introduced by the LafargeHolcim group worldwide. The new code is abbreviated simply as CRISP, an acronym that enjoins emphasis on five distinct values viz. Customer, Results, Integrity, Sustainability and People which now form the basic dimensions of the high performance culture the Company wants its employees to demonstrate in all their actions. These values were cascaded in the Organization through various workshops and activities at all locations for the benefit of all employees and contract labour. The values are recommended to be demonstrated with Agility, Collaboration and Empowerment (ACE) – also a new internal motto adopted for desirable behaviours.

Along with the new set of values, a new Performance Management System has also been put in place.

18.3 Talent Development

Several initiatives were taken to identify, develop and nurture talent at all levels within the Organization through various training programmes and exposure to make them future ready for various positions in the Organization.

A leadership convention was conducted to transform the leadership team in the Manufacturing function. Similarly for the Sales & Marketing function an assessment was undertaken for the front line sales team with a view to benchmark individuals against a global high performer for that role. This behaviour and skill assessment was completed for 1,036 sales profiles. The assessment helped in understanding key motivators that drive performance and retention, enabling the preparation of individual development plans for the sales team.

These interventions have enabled the Company to create succession plans for leadership positions so that the Company's talent pipeline is kept ready to meet future requirements and contingencies.

Talent development efforts are also made in respect of Shopfloor Associates with interventions to help build up-skilling and multitasking capabilities.

18.4 Prevention of Sexual Harassment of Women at the Workplace

The Company is an equal opportunity provider and consciously strives to build a work culture that promotes the dignity of all employees. As required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, the Company has implemented a policy on prevention, prohibition and redressal of sexual harassment at the workplace. All women - permanent, temporary or contractual, including service providers - are covered under the policy. This has been widely communicated internally and is uploaded on the Company's intranet portal. An internal Committee comprising four management staff is in place which includes three women to redress complaints relating to sexual harassment. Besides in each of the units there is one nodal person to receive and forward complaints to the "First Instance Person (FIP) who is a woman" or directly to the Committee.

During the year the Company received one complaint which was investigated and closed within 90 days.

Awareness programmes were conducted across the Company to sensitize employees to uphold the dignity of their colleagues at the workplace, particularly with respect to prevention of sexual harassment. A few employees also attended training programmes conducted by an external agency.

18.5 Industrial Relations

The Company continued to enjoy peaceful industrial relations during the year. Your Company is known for its best in class workplace practices that has ensured 81 years of industrial harmony, considered to be one of the best in the country. The Company is proud of its work culture which emphasizes safety, high productivity, good health, quality of life and overall wellbeing of employees.

During the year, an amicable settlement was reached with Pragatisheel Cement Shramik Sangathan (PCSS), a trade union representing a section of contract workers in the old Jamul Plant. The settlement paved the way to resolve their long pending issue in a cordial and mutually beneficial manner.

19. INNOVATION

Your Company's unique track record of innovative research and development has led to its recognition as a pioneer and trendsetter with several breakthroughs in cement and concrete applications over the years. More recently the Company has added many new products that have widened its portfolio of value-added varieties of cement and concrete for special and customized applications. The spirit of innovativeness has helped the Company achieve cost efficiencies in the areas of energy, raw materials sourcing, logistics, customer excellence and manpower optimization leading to productivity improvement.

20. BUSINESS RISKS & OPPORTUNITIES

The Company has a robust Business Risk Management (BRM) process which systematically identifies risks and opportunities and supports the Executive Committee in strategic decision-making. This is a rolling process reviewed periodically at regional and corporate level. It involves mapping of all the risk elements on two parameters viz. likelihood of the event and the impact it is expected to have on the Company's operations and performance. The risks that fall under high likelihood and high impact are identified as key risks for which detailed mitigation plans are developed and integrated with the Mid-Term Planning Cycle and the Audit plan.

Key business risks and their mitigation plans are as described hereinbelow:

Fuel Risk: The manufacture of cement is an energy intensive process requiring large quantities of thermal and electrical energy. Coal and pet coke are the principal fuels used by the Indian cement industry to produce thermal energy. The Company requires more than 5 million tonnes of coal and pet coke to meet the requirements of its kilns and captive power plants. Linkage coal has continued to be in short supply, leaving the Company to source its requirements at higher prices from the domestic open market and from imports. In recent years, pet coke emerged as a viable substitute for coal on account of attractive prices and supply. There is a likelihood that the prices of both coal and petcoke would increase significantly. To mitigate this risk the Company has already initiated steps to progressively increase the usage of Alternative Fuels, improving fuel mix at certain plants, entering into firm contracts for part volume and balance on spot to capture opportunities, spread out purchases throughout the year and explore long term offtake from local refineries.

Fair Competition Directive: The Competition law in India is still evolving and an intensely competitive industry like cement is vulnerable to various interpretations of its provisions which expose it to significant risks that may include administrative, civil or criminal proceedings, financial consequences such as fines and penalties or loss of reputation.

The Company has in place a Fair Competition Directive which entails compulsory adherence by identified employees. Regular training is imparted to all relevant employees through e-learning modules and face-to-face sessions.

Market Actions: The Indian Cement Industry is becoming intensely competitive, with the foray of new entrants and existing players expanding inorganically. This could potentially impact the sales volumes, market share and profitability.

To mitigate this risk, the Company is leveraging its newly created capacity at Jamul and Sindri to increase its market share, enhance its brand equity and visibility, enlarge its product portfolio and service offerings. The Company is also exploring asset light options such as tolling and de-bottlenecking at some of its existing plants to increase volume and market share.

Limestone: As limestone is the primary raw material required in the manufacture of cement, the security of its uninterrupted long-term availability is critical, particularly in view of changing regulations. Under the new Mines and Minerals (Development & Regulation) Amendment Act 2015 (MMDR), leases granted before the commencement of the Act, for captive use are extended upto a period ending on March 31, 2030, or till the completion of their renewal period, whichever is later. Most of the Company's limestone leases thereby get an extension up to March 31, 2030 by virtue of this Act. For new leases, the period of lease will be fifty years from the date of grant.

With the new Act, the earlier policy of deemed renewal has been discontinued and all the mining leases will henceforth be allotted through an auction, which has made it difficult to retain existing leases /acquire new leases. Forest & Wild Life clearances are now a pre-requisite and land acquisition is becoming more challenging and expensive.

To address this risk, the Company plans to secure new mining leases for its existing plants as well as for new expansions at different locations. Further the Company continues to increase consumption of pet coke and additives which enables it to use low grade limestone and thereby conserve minerals and increase the life of the mine.

21. INTERNAL CONTROL SYSTEMS

21.1 Internal Audit and their adequacy

The Internal Audit (IA) function reports to the Audit Committee of the Board, which helps the function to maintain its objectivity and independence. The scope and authority of the IA function is defined in the Internal Audit Charter. The IA Department evaluates the efficacy and adequacy of internal control system, its compliance with operating systems and policies of the Company and accounting procedures at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

21.2 Internal Controls Over Financial Reporting (ICFR)

The Company has in place adequate internal financial controls commensurate with the size, scale and complexity of its operations. During the year such controls were tested and no reportable material weakness in the design or operations were observed. The Company has policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

22. INDIAN ACCOUNTING STANDARDS (IND AS) – IFRS CONVERGED STANDARDS

Pursuant to the notification, issued by The Ministry of Corporate Affairs dated February 16, 2015 relating to the Companies (Indian Accounting Standard) Rules, 2015, the Company and its subsidiaries and joint venture company will adopt "IND AS" with effect from January 01, 2017, with the comparatives for the periods ending December 31, 2016.

The implementation of IND AS is a major change process for which the Company had established a project team and had dedicated considerable resources. The impact of the change on adoption of IND AS has been assessed and the Company is ready to adopt IND AS .

23. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a vigil mechanism named "EthicalView Reporting Policy" (EVRP) to report concerns about unethical behavior, actual/ suspected frauds and violation of Company's Code of Conduct and/or Ethics Policy. Protected disclosures can be made by a whistle blower through several channels. The Audit Committee of the Board oversees the functioning of the EthicalView Reporting Policy. The Company has disclosed the details of the EthicalView Reporting Policy on its website http://www.acclimited.com/assets/new/pdf/ethicalViewPolicy.pdf

During the year, the Company reached out extensively to employees to conduct greater awareness on Fair Competition Directive and on Anti Bribery and Corruption Directive (ABCD) through e-learning modules and face-to-face training sessions, achieving a high level of engagement and compliance. This reflected your Company's strong commitment to "Zero tolerance" for non-compliance in this regard and to do business with integrity.

24. SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANIES

24.1 SUBSIDIARIES

Bulk Cement Corporation (India) Limited (BCCI)

During the year under review, BCCI handled cement volumes of 10.13 lakh tonnes as against 10.02 lakh tonnes in 2015. The Profit before tax and exceptional items for the year 2016 was ₹ 3.89 crore as against ₹ 3.04 crore in the year 2015.

ACC Mineral Resources Limited (AMRL)

This Company had entered into a Joint Venture with Madhya Pradesh State Mining Corporation Limited (MPSMC) for the development of four coal blocks allotted to MPSMC by the Government of India. Pursuant to Orders of the Supreme Court passed in August 2014 and September 2014, the allocations of four coal blocks to MPSMC were cancelled by the Government of India along with all other coal blocks. AMRL did not have any operating income during the period under review.

OTHER SUBSIDIARIES

The Company has three other Subsidiary Companies, viz. Lucky Minmat Limited, National Limestone Company Private Limited and Singhania Minerals Private Limited. These are limestone deposit companies.

24.2 MATERIAL SUBSIDIARIES

None of the subsidiaries mentioned in para 24.1 above is a material subsidiary whose income or net worth in the immediately preceding accounting year exceeds twenty percent of the consolidated income or net worth respectively of the Company and its subsidiaries.

The Board of Directors of the Company has approved a Policy for determining material subsidiary in line with the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The Policy has been uploaded on the Company's website at http://www.acclimited.com/assets/new/pdf/CG/Determiningmaterialsubsidiaries.pdf

24.3 JOINT VENTURE /ASSOCIATE COMPANIES

OneIndia BSC Private Limited is a Joint Venture Company with equal participation with Ambuja Cements Limited to provide back office services to the two Companies with respect to routine transactional process.

As on December 31, 2016, the following is a list of Associate Companies:

- Alcon Cement Company Private Limited
- Aakaash Manufacturing Company Private Limited
- Asian Concretes and Cements Private Limited

25. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company for the year 2016 are prepared in compliance with the applicable provisions of the Companies Act, 2013, and as stipulated under

Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The audited consolidated financial statements together with the Auditors' Report thereon form part of the Annual Report.

Pursuant to Section 129(3) of the Companies Act, 2013, a Statement containing salient features of the financial statements of each of the Subsidiaries, Associates and Joint Venture Companies in the prescribed Form AOC-1 is attached.

Pursuant to the provisions of Section 136 of the Companies Act, 2013, the Financial Statements of the subsidiary and joint venture companies are kept for inspection by the Members at the Registered Office of the Company. The Company shall provide free of cost, a copy of the financial statements of its subsidiary companies to the Members upon their request. The statements are also available on the website of the Company at www.acclimited.com under the Investors section. The consolidated net profit of the Company and its subsidiaries amounted to ₹ 604.38 crore for the Company's financial year ended December 31, 2016 as compared to ₹ 587.60 crores for the previous year.

26. AMALGAMATION OF HOLCIM INDIA PRIVATE LIMITED WITH AMBUJA CEMENTS LIMITED

Through a Scheme of Amalgamation between Holcim (India) Private Limited and Ambuja Cements Limited, your Company has become a subsidiary of Ambuja Cements Limited with effect from August 12, 2016 while the ultimate Holding Company remains unchanged viz. LafargeHolcim Ltd.

27. CHANGES IN PROMOTER HOLDING

During the year, Holderind Investments Limited one of the Promoters of the Company has purchased through the Stock Exchange 78,70,000 Equity Shares of the Company constituting 4.19% of the Equity Share Capital. The total Promoter shareholding of the Company hence stands increased to 54.53% from 50.34%.

28. DIRECTORS & KEY MANAGERIAL PERSONNEL

28.1 Change in Directorate

The Board of Directors has accepted the resignation of Mr Harish Badami, Chief Executive Officer & Managing Director of the Company with effect from February 4, 2017.

The Board of Directors has placed on record its warm appreciation of the rich contribution made by Mr Harish Badami and the leadership provided by him during his tenure as CEO&MD of the Company.

The Board of Directors has appointed Mr Neeraj Akhoury as an Additional Director on the Board of the Company with effect from December 16, 2016 and has nominated him as MD&CEO (Designate).

Mr Neeraj Akhoury takes charge as Managing Director & CEO with effect from February 4, 2017 upon Mr Harish Badami demitting his office.

28.2 Directors coming up for retirement by rotation

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr N S Sekhsaria and Mr Martin Kriegner retire by rotation and being eligible offer their candidature for re-appointment as Directors.

28.3 Independent Directors

The Independent Directors hold office for a fixed period of five years from the date of their appointment at the Extraordinary General Meeting held on September 10, 2014 and are not liable to retire by rotation.

In accordance with Section 149(7) of the Companies Act 2013, each Independent Director has given a written declaration to the Company confirming that he/she meets the criteria of independence as mentioned under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

28.4 Board Effectiveness

a. **Familiarization Program for the Independent Directors**

In compliance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has put in place a Familiarization Programme for Independent Directors to familiarize them with the working of the Company, their roles, rights and responsibilities vis-à-vis the Company, the industry in which the Company operates, business model etc. Details of the Familiarization Programme are explained in the Corporate Governance Report and are also available on the Company's website at http://www.acclimited.com/assets/new/pdf/CG/Familiarization-Programme-for-Independent-Directors.pdf

b. **Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees. The criteria applied in the evaluation process are explained in the Corporate Governance Report.

28.5 Key Managerial Personnel

Pursuant to the provisions of Sections 2(51), 203 of the Companies Act, 2013 read with The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the following are the Key Managerial Personnel:

- Mr Sunil Nayak, Chief Financial Officer
- Mr Burjor D Nariman, Company Secretary & Head Compliance
- Mr Harish Badami, CEO & Managing Director (upto February 3, 2017)

28.6 Criteria for selection of candidates for appointment as Directors, Key Managerial Personnel and Senior leadership positions.

A well-defined criteria is in place for the selection of candidates for appointment as Directors, Key Managerial Personnel and senior leadership positions. The relevant information has been given in Annexure 'B' which forms part of the Board's Report.

28.7 Remuneration Policy for Directors

The policy for remuneration of directors, Key Managerial Personnel and ExCo Members is set out in Annexure 'C' which forms part of the Board's Report.

29. MEETINGS

29.1 Board Meetings

During the year seven Board Meetings were convened and held, the details of which are given in the Corporate Governance Report.

29.2 Audit Committee

The Audit Committee comprises five members. The Chairman of the Committee is an Independent Director. The Committee met seven times during the year. Details of the role and responsibilities of the Audit Committee, the particulars of meetings held and attendance of the Members at such Meetings are given in the Corporate Governance Report.

29.3 CSR Committee

The CSR Committee comprises four members of which three are Independent Directors. The Chairman of the Committee is an Independent Director. The Committee met twice during the reporting period. Details of the role and functioning of the Committee are given in the Corporate Governance Report.

30. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All transactions with Related Parties are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee and the Board is obtained for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis. The statement is supported by a certificate from the CEO & MD and the CFO. Your Company has developed a Related Party Transactions Manual, Standard Operating Procedures for the purpose of identification and monitoring of Related Party transactions.

All transactions entered into with related parties during the year were on arm's length basis, in the ordinary course of business and in line with the threshold of materiality defined in the Company's policy on Related Party Transactions which can be accessed through weblink http://www.acclimited.com/assets/new/pdf/CG/PolicyonRPT.pdf. In particular there were no material transactions with related parties (i.e. transactions exceeding 10% of the annual consolidated turnover entered into during the year as per the last audited financial statements). Accordingly, no transactions are required to be reported in Form AOC 2. The details of transactions entered into with related parties is given in Note No. 34 of the Notes to Accounts.

None of the Directors and the Key Managerial Personnel has any pecuniary relationships or transactions vis-à-vis the Company.

31. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

Appeal before Competition Appellate Tribunal (COMPAT)

The Competition Commission of India (CCI)had originally passed an Order in June 2012 against several cement manufacturing companies, including the Company, in the matter of a complaint filed by the Builders' Association of India for alleged violation of the provisions of Sections 3 and 4 of the Competition Act and in terms of the said Order, imposed a penalty of 0.5 times of the profit of the Company for the year 2009 (calculated prorata from May 20, 2009) and for the full year 2010. For the Company the penalty amounted to ₹ 1147.59 crore.

CCI had also passed an Order directing the Company to "cease and desist" from indulging in any activity relating to agreement, understanding or arrangement on price, production and supply of cement in the market.

Pursuant to an Appeal filed by the Company before the Competition Appellate Tribunal (COMPAT), the said order of CCI of June 2012 was stayed, subject to deposit of 10% of the amount of penalty. Thereafter COMPAT by its order dated December 11, 2015 set aside CCI's Order of June 20, 2012, remanding the matter back to the CCI for a fresh hearing and adjudication. Further in terms of the said Order, the deposit amount along with interest thereon was refunded to the Company.

CCI on rehearing the arguments, by its order dated August 31, 2016, once again held that the cement companies and the Cement Manufacturers' Association (CMA) are guilty and in violation of the Sections 3(1) read with 3(3)(a) and 3(3)(b) of the Competition Act and imposed the same penalty which in the case of the Company again works out to ₹ 1,147.59 crore. The usual order for cease and desist was also imposed.

The Company thereafter approached the COMPAT, which by its order dated November 7, 2016 stayed the operation of the CCI order of August 31, 2016 subject to deposit of 10% of the penalty amount within one month. The Company accordingly deposited an amount of ₹ 114.76 crore in December 2016 in the form of a bank Fixed Deposit in favour of COMPAT on behalf of the Company. The case is now pending before the COMPAT.

As at December 31, 2016, the penalty amount of ₹ 1147.59 crore and interest thereon is disclosed as a contingent liability in the Notes to Accounts (Refer Note 36(A)(d)(i)).

Subsequent Event:

CCI's Order on Complaint filed by Director, Supplies & Disposals, State of Haryana in 2013

In January 2017, the Competition Commission of India (CCI) passed an Order against seven cement manufacturers including the Company imposing a penalty calculated at the rate of 0.3% of the average turnover of the last three years viz. 2012-13, 2013-14 and 2014-15. In respect of the Company the amount of penalty works out to ₹ 35.32 crore. The said Order was issued on the basis of a complaint filed in 2013 by the Director, Supplies & Disposals, State of Haryana before the CCI.

The Company believes it has a strong case on merits to challenge the Order and plans to file an appeal before the Competition Appellate Tribunal (COMPAT) As at December 31, 2016, the penalty amount of ₹ 35.32 crore is disclosed as a contingent liability in the Notes to Accounts (Refer Note 36(A)(d)(ii)).

32. AUDITORS

32.1 Statutory Auditors

As per the provisions of Section 139 of the Companies Act 2013, the term of office of M/s S R B C & CO LLP, as Statutory Auditors of the Company will conclude from the close of the forthcoming Annual General Meeting of the Company.

The Board of Directors places on record its appreciation for the services rendered by M/s S R B C & CO LLP as the Statutory Auditors of the Company.

Subject to the approval of the Members, the Board of Directors of the Company has recommended the appointment of Deloitte Haskins & Sells LLP, Chartered Accountants (ICAI Firm Registration Number 117366W/W-100018) as the Statutory Auditors of the Company pursuant to Section 139 of the Companies Act, 2013.

Members' attention is drawn to a Resolution proposing the appointment of Deloitte Haskins & Sells LLP as Statutory Auditors of the Company which is included at Item No 5 of the Notice convening the Annual General Meeting.

32.2 Cost Auditors

On the recommendation of the Audit Committee, the Board of Directors appointed M/s D C Dave & Co., Cost Accountants (Firm Registration No 30611), as Cost Auditors of the Company for the year 2017 under Section 148 of the Companies Act 2013 read with The Companies (Cost Records and Audit) Amendment Rules 2014. M/s D C Dave & Co have confirmed that they are free from disqualification specified under Section 141 (3) and proviso to Section 148 (3) read with Section 141 (4) of the Companies Act 2013 and that their appointment meets the requirements of Section 141 (3) (g) of the Companies Act 2013. They have further confirmed their independent status and an arm's length relationship with the Company.

M/s N I Mehta & Co. Cost Accountants (Firm Registration No. 000023) who were earlier the Cost Auditors of the Company have given their "No Objection" certificates for the appointment of M/s D C Dave & Co as the Cost Auditor for the year 2017.

The Board of Directors has placed on record its appreciation of the service rendered by M/s N I Mehta & Co.

The remuneration payable to the Cost Auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a Resolution for seeking Members' ratification for the remuneration payable to M/s D C Dave & Co, Cost Auditor is included at item No 8 of the notice convening the Annual General Meeting.

32.3 Secretarial Audit

The Company has appointed Messrs Pramod S Shah & Associates, a firm of Company Secretaries in Practice, to undertake the Secretarial Audit of the Company pursuant to the provisions of Section 204 of the Companies Act 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014. The Report of the Secretarial Auditor is annexed to the Board's Report as Annexure 'D'.

33. AWARDS

Your Company received numerous awards and felicitations during the year from distinguished bodies for achievements in fields as diverse as Health & Safety, financial reporting excellence, sustainable development, CSR and business communication. Notable among these are the first ever award instituted for excellence in CSR by The Institute of Company Secretaries of India and the CII-ITC Sustainability Award 2016 for Corporate Excellence.

CSR

- 'First ICSI CSR Excellence Awards 2016' instituted by The Institute of Company Secretaries of India in the Award Category 'Best Corporate – Medium'
- 'FIMI - Sita Ram Rungta Social Awareness Award' to the Company's Jamul Limestone Mine conferred by the Federation of Indian Mineral Industries (FIMI)
- 'BT-CSR Excellence Award 2016' awarded by CII to the Company's Jamul plant as 'CSR Company of the Year' for its CSR initiatives particularly DISHA.

SUSTAINABILITY

- CII-ITC Sustainability Awards 2016 for Corporate Excellence - Outstanding Accomplishment - in category "A Large Companies" by the CII-ITC Centre of Excellence for Sustainable Development
- The Company's featured in CII's list of ten Sustainable Plus Platinum 2015 companies and rated "India's Most Sustainable"
- CII National Award in the category 'Energy Efficient Unit' for Excellence in Energy Management 2016 conferred on Chanda, Kymore, Thondebhavi and Wadi Cement Works at the 17th CII National Award Function
- '4 Star Rating' by the Ministry of Mines, Government of India awarded to Jamul Limestone Mines

HEALTH & SAFETY

- NSCI Shreshtha Suraksha Puraskar awarded to ACC Sindri by the National Safety Council
- 'FIMI - Health & Safety Award 2015-16' received by ACC's Wadi Limestone Mine instituted by the Federation of Indian Mineral Industries (FIMI)
- State level Safety award for Plant safety performance & State level Best Safe Worker award from Dept. of Factories, Boilers, Industrial Safety & Health, Govt. of Karnataka presented to ACC Kudithini plant.

WASTE MANAGEMENT

- GreenCo Best Practices Award 2016 for the best practices in waste management to Kymore plant
- Clean & Green India 2016 Award for solid waste management initiatives of the company awarded to Madukkarai plant.

FINANCIAL EXCELLENCE

- The Company's Annual Report 2015 won the highest award for excellence in Financial Reporting from the institute of Chartered Accountants in India.
- 13th National award for Excellence in Cost Management conferred by The Institute of Cost Accountants of India

- Your Company has been adjudged Second Runner-Up (Joint) in the Manufacturing Sector as the recipient of Best Presented Annual Report Awards 2015 by South Asian Federation of Accountants (SAFA)

LOGISTICS

ACC was awarded for logistics excellence in "Supply Chain Technology Advancement/Solution Implementation" category at the Manufacturing Supply Chain Awards 2016.

COMMUNICATIONS

- Association of Business Communicators of India (ABCI) - Gold award to "ACC Community Counts" - A Collection of Case Studies, Silver to "Together for Communities", ACC's CSR newsletter and Silver to ACC's "Sustainable Development Report 2015" at the 56th ABCI Awards
- Association of Business Communicators of India (ABCI) - Gold award to ACC Logistics Safety Excellence programme, Silver to ACC Parivar (Hindi) and Bronze to Sustainable Development Report 2014 at the 55th ABCI Awards.

OTHERS

- National Institute of Industrial Engineering's 'Lakshya Avartan - On the Job Achiever's Contest' Award to ACC Concrete - Sales and Marketing.

34. ENHANCING SHAREHOLDERS VALUE

The creation of maximum value for shareholders is among your Company's principal objectives of strategic planning. Central to the Company's decision-making process is a systematic focus on the allocation and utilization of all corporate resources in the most profitable and productive manner so as to create value for all its stakeholders. Your Company's strategic operations are managed with a view to achieve the highest possible levels of operating performance and cost competitiveness, strengthening its productive assets and resource base, building for growth, while nurturing corporate reputation. In this the Company is guided by the philosophy of ensuring that all of its strategic corporate actions are aligned towards sustainable development and thus have a positive impact on the economic, societal and environmental dimensions.

35. CORPORATE GOVERNANCE

The Annual Report contains a separate section on the Company's corporate governance practices, together with a certificate from the Company's Auditors confirming compliance, as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

36. BUSINESS RESPONSIBILITY REPORTING

A separate section on Business Responsibility forms part of this Annual Report as required under Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

37. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated in Section 134(3)(m) of the Companies Act, 2013 read with Rule, 8 of The Companies (Accounts) Rules, 2014 is provided in Annexure 'E' to the Directors' Report.

38. EXTRACT OF ANNUAL RETURN

Details forming part of the extract of the Annual Return in form MGT 9 is enclosed as Annexure 'F'.

39. PARTICULARS OF EMPLOYEES

Disclosure pertaining to the remuneration and other details as required under Section 197(12) of the Act, and the Rules framed thereunder is enclosed as Annexure 'G' to the Board's Report.

The information in respect of employees of the Company required pursuant to Rule 5 of the

Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 will be provided upon request. In terms of Section 136 of the Companies Act 2013, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the aforesaid Annexure which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

40. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 134 of the Companies Act, 2013:

a. that in the preparation of the annual financial statements for the year ended December 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b. that such accounting policies as mentioned in Note 2 of the Notes to the Accounts have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on December 31, 2016, and of the profit of the Company for the year ended on that date;

c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. that the annual accounts have been prepared on a going concern basis;

e. that proper internal financial controls laid down by the Directors were followed by the Company and such internal financial controls are adequate and were operating effectively; and

f. that proper systems to ensure compliance with the provisions of all applicable laws have been devised and such systems were adequate and were operating effectively.

41. INTEGRATED REPORTING

Your Company believes in transparent reporting that is value-friendly to shareholders and investors. The Company's Annual Reports, including the last one for the year 2015, have received the highest awards for excellence in financial reporting from the Institute of Chartered Accountants of India (ICAI) several times in recent years. The Annual Report for 2015 was forwarded by ICAI to the South Asian Federation of Accountants (SAFA) who adjudged it as one of the winners.

The Annual Report carries a detailed section containing the "Business Responsibility Report". Since 2007 the Company also publishes an annual Corporate Sustainable Development Report conforming to the guidelines of the Global Reporting Initiative. The reports for 2014 and 2015 were based on the GRI G4 guidelines in accordance with the "Comprehensive" option and were externally assured.

As one of the Top 500 listed companies, the Company is studying the requirements of the Integrated Reporting Framework and will place an integrated report on its website in due course.

42 ACKNOWLEDGEMENTS

The Directors gratefully acknowledge the support received by the Company from the Central and

State Government Ministries and Departments, shareholders, customers, business associates, bankers, employees, trade unions and all other stakeholders.

43. CAUTIONARY STATEMENT

The Board's Report and Management Discussion & Analysis may contain certain statements describing the Company's objectives, expectations or forecasts that appear to be forward-looking within the meaning of applicable securities laws and regulations while actual outcomes may differ materially from what is expressed herein. The Company is not obliged to update any such forward-looking statements. Some important factors that could influence the Company's operations comprise economic developments, pricing and demand and supply conditions in global and domestic markets, changes in government regulations, tax laws, litigation and industrial relations.

For and on behalf of the Board of Directors

N.S. Sekhsaria
Chairman

Mumbai
February 03, 2017