

## BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

TO THE MEMBERS OF  
ACC LIMITED

The Directors take pleasure in presenting the Eightieth Annual Report together with the audited accounts for the year ended December 31, 2015. The Management Discussion and Analysis has also been incorporated into this report.

### 1. FINANCIAL RESULTS

	Consolidated		Standalone	
	₹ Crore		₹ Crore	
	2015	2014	2015	2014
Revenue from Operations (Net) and other income	11,916.94	11,995.42	11,916.18	12,006.49
Profit Before Tax (PBT)	765.53	1,119.54	783.97	1,135.20
Provision for Tax	189.98	(31.13)	192.40	(33.09)
<b>Profit After Tax (PAT)</b>	<b>587.60</b>	<b>1,161.82</b>	<b>591.57</b>	<b>1,168.29</b>
Balance brought forward from previous year	4,433.04	4,158.74	4,456.64	4,175.87
Profit available for Appropriations	5,020.64	5,320.56	5,048.21	5,344.16
<b>Appropriations:</b>				
Interim Equity Dividend	206.52	281.62	206.52	281.62
Proposed Final Equity Dividend	112.65	356.72	112.65	356.72
Tax on Equity Dividends	64.97	119.18	64.97	119.18
Transfer to General Reserve	30.00	130.00	30.00	130.00
Surplus carried to the next year's account	4,606.50	4,433.04	4,634.07	4,456.64

### 2. OVERVIEW OF COMPANY'S FINANCIAL PERFORMANCE

#### Consolidated Income

Consolidated income, comprising Revenue from Operations (Net) and other income for the year was ₹ 11,916.94 crore, 1% lower as compared to ₹ 11,995.42 crore in 2014.

Total consolidated Revenue from Operations (Net) increased to ₹ 11,797.16 crore from ₹ 11,738.79 crore in 2014.

#### Other Operating Revenue

Other operating revenue for the year ended December 31, 2015 includes ₹ 139.74 crore being accrual of sales tax incentives at Chaibasa Plant, in the State of Jharkhand pertaining to the period August 2005 to March 2015.

#### Other Income

Other income reduced due to lower cash and cash equivalent on account of utilization of funds

for various capex projects as compared to the previous year. Average rate of return on investment was also lower as compared to the previous year.

#### Finance Costs

Finance costs decreased mainly due to reduction in interest on income tax by ₹ 12.87 crore.

#### Depreciation and Exceptional Items

Pursuant to the provisions of Schedule II of the Companies Act, 2013 (hereinafter referred to as "the Act") becoming applicable to the Company w.e.f. January 1, 2015, the Company has reviewed and where necessary, revised estimates of the useful life of fixed assets. Accordingly, an additional charge of ₹ 164.45 crore, being the carrying amount as of January 1, 2015 of the fixed assets with no remaining useful life (as revised) as of that date, is recognized in the year ended December 31, 2015 and has been disclosed as an exceptional item.

With this change the current year's depreciation is also higher by ₹ 111.81 crore.

### Consolidated Profit Before Tax

Consolidated profit before tax for the year was ₹ 765.53 crore as compared to ₹ 1,119.54 crore in 2014.

### Consolidated Profit After Tax

Consolidated Profit after Tax for the year was ₹ 587.60 crore as compared to ₹ 1,161.82 crore in 2014.

In the previous year, on completion of assessments and review of certain tax positions, an amount of ₹ 309 crore had to be written back, whereas no such write backs were necessary in 2015.

In the year under review, as stated above, an additional depreciation charge of ₹ 181 crore (net of tax) was made on account of change in useful life of fixed assets in accordance with the provisions of Schedule II of the Act.

There are no material changes or commitments affecting the financial position of the Company, which have occurred between the end of the calendar year and the date of this Report.

## 3. DIVIDEND

Your Directors are pleased to recommend a final dividend of ₹ 6/- per equity share of ₹ 10 each. The Company had distributed an interim dividend of ₹ 11/- per equity share of ₹ 10 each in July 2015. The total dividend for the year ended December 31, 2015 would accordingly be ₹ 17/- per equity share of ₹ 10 each as compared to ₹ 34/- per equity share of ₹ 10 each. The total outgo for the current year amounts to ₹ 384.14 crore, including dividend distribution tax of ₹ 64.97 crore as against ₹ 757.52 crore including dividend distribution tax of ₹ 119.18 crore in the previous year.

A general slowdown in the cement industry impacted the performance of the Company. This, coupled with a provision for higher depreciation, as explained in the previous paragraph, led to lower profits and reduced Earnings Per Share. Consequently, dividend for the year is recommended at a lower rate as compared to the previous year. However, the dividend payout ratio has been maintained at previous year's level at 65% of the Profit After Tax (PAT) for the year 2015.

During the year, the unclaimed dividend pertaining to the 70th Final Dividend for the year ended December 31, 2007 and the 71st Interim Dividend for the year ended December 31, 2008 aggregating ₹2.16 crore were transferred to the Investor Education & Protection Fund after sending due reminders to the shareholders.

## 4. TRANSFER TO RESERVES

The Company proposes to transfer an amount of ₹ 30 crore to the General Reserves. An amount of ₹ 4,606.50 crore is proposed to be retained in the Consolidated Statement of Profit and Loss.

## 5. SHARE CAPITAL

The paid up Equity Share Capital as on December 31, 2015 was ₹ 187.95 crore. 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, 2015, none of the Directors of the Company hold shares or convertible instruments 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

## 6. FINANCIAL LIQUIDITY

The Company's cash and cash equivalent as at December 31, 2015 was ₹ 1,389 crore. The Company continues to focus on judicious management of its working capital. Receivables, inventories and other working capital parameters were kept under strict check through continuous monitoring.

## 7. CREDIT RATING

CRISIL, a reputed Rating Agency, has reaffirmed the highest credit rating of CRISIL AAA/ STABLE for long term and CRISIL A1+ for short term financial instruments of the Company.

## 8. DEPOSITS

The Company had discontinued its fixed deposit scheme in the financial year 2001-2002. Despite sustained efforts to identify and repay unclaimed deposits, the total amount of fixed deposits matured and remaining unclaimed with the Company as on

December 31, 2015 was ₹ 0.02 crore. The Company has not accepted deposits from the public falling within the ambit of Section 73 of the Act, 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 Act, are given in the notes to the Financial Statements.

## 10. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the calendar year 2015 are prepared in compliance with the applicable provisions of the Act, Accounting Standards and as prescribed by Securities and Exchange Board of India (SEBI) under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'the SEBI Regulations'). The consolidated financial statements have been prepared on the basis of the audited financial statements of the Company, its subsidiaries, joint venture and associate companies, as approved by their respective Boards of Directors.

Pursuant to the provisions of Section 136 of the Act, the Financial Statements of the Company, the Consolidated Financial Statements along with all relevant documents and the Auditors' Report thereon form part of this Annual Report. The Financial Statements as stated above are also available on the website of the Company and can be accessed at the weblink [http://www.acclimited.com/newsite/finance/annual\\_report\\_2015.pdf](http://www.acclimited.com/newsite/finance/annual_report_2015.pdf)

## 11. CONTINUANCE OF THE EXISTING FINANCIAL YEAR

Pursuant to a favourable Order from the Company Law Board, the Company will continue to have the calendar year (1st January - 31st December) as its financial year, in respect of itself as well as its subsidiaries.

## 12. ECONOMIC SCENARIO AND OUTLOOK

As compared to many other countries, India enjoyed relative macro economic stability in 2015.

Last year, Government realigned its methodology for compiling the country's GDP using value added data that makes it closer to accepted international practice. Based on this, India's economic growth in

the calendar year 2015 is estimated to have risen to 7.5% as compared to the previous year 2014, making it among the world's fastest growing economies.

The rate of inflation, as per the wholesale price index, maintained its year-long negative trend and showed a decline of (-)2.8% as compared to the previous year's rate of inflation of 3.9%. This was on account of a high base rate effect and other factors such as the sharp fall in global oil and commodity prices, sluggish domestic demand conditions and some softening of food prices.

Notwithstanding some slackening in the last quarter, manufacturing growth in 2015 was strong at ~7.5% as compared to ~6% growth in 2014, although there was some loss of steam in certain sectors. This spurt in manufacturing resulted in higher industrial production and revival in urban consumer demand. However, the spurt in manufacturing activity did not translate into growth in the construction sector which was lower by ~3.7% as compared to 2014. In turn, the cement sector also experienced dampened growth in cement production of ~2% in 2015 as compared to the preceding year, the slowest in the last decade.

With a second consecutive year of a weak monsoon and unseasonal rains, agricultural growth and rural demand remained muted in 2015.

Official estimates for GDP growth expected in the fiscal year 2015-2016 is of the order of 7.6%. Disregarding some sectoral imbalances, the outlook for India's national economy in calendar year 2016 and beyond shows a strong emerging potential. It is expected that GDP growth in 2016 would be more positive, amid expectations of higher investments in infrastructure and industry. This would drive overall growth, generate incomes and lower inflation rate.

## 13. CEMENT INDUSTRY - OUTLOOK AND OPPORTUNITIES

The Indian Cement Industry has an installed capacity of ~372 million tonnes per annum while domestic consumption of cement in 2015 was ~271 million tonnes. As already indicated, cement consumption grew at the rate of ~2% in the calendar year 2015, the slowest rate of growth in a decade. As a result, the cement market in the country remained very competitive.

Consistent with the positive outlook for the Indian economy, we foresee a similar revival in demand for cement and concrete. Signs of increased construction activity have been witnessed in industrial and commercial segments as well as from mass housing and mid-income housing schemes across the country. Besides this, there are healthy indicators of an uptrend in demand for cement and concrete from projects such as concrete roads, flyovers & bridges, power plants, irrigation schemes, ports, railways and metro rail projects.

Overall cement demand in the calendar year 2016 is estimated to grow at a rate faster than the preceding year, if supported by a faster pace of infrastructure development, housing and industrial growth. Consumption could pick up well beyond 6% if investments in infrastructure development and ambitious projects such as “Make in India”, Smart Cities Mission, Atal Mission for Rejuvenation & Urban Transformation (AMRUT), and Housing For All (including low cost housing) are accelerated. Demand in the housing sector may be stimulated with a gradual reduction in interest rates, wider supply of affordable housing, tax benefits and an increase in disposable incomes and household savings.

**14. CEMENT BUSINESS - PERFORMANCE**

	2015	2014	Change %
Production - million tonnes	23.84	24.24	-1.7
Sales Volume - million tonnes	23.62	24.21	-2.4
Net Sale Value (₹crore)	10,652.60	10,842.82	-1.8
Operating EBITDA (₹ crore)	1,482.88	1,473.13	0.7
Operating EBITDA Margin (%)	13.92	13.59	

**14.1 Sales Volume & Pricing**

Cement sales volume in 2015 was 23.62 million tonnes as compared to 24.21 million tonnes in 2014, a decrease of 2.4%. Sales volume was impacted mainly in the Eastern region where production at Chaibasa and Bargarh was constrained on account of temporary suspension of mining operations during the earlier part of the year on account of regulatory changes.

During the year, the sales volume of the Company’s premium products increased to 2.3 million tonnes in 2015 as compared to 2.1 million tonnes in 2014.

Selling prices of cement improved by ~1% in 2015 over 2014.

Your Company’s main focus areas included managing costs of distribution and logistics, promoting the sale of its premium products, enhancing customer service levels and various other customer excellence initiatives.

While Individual House Builders remained the major customer segment catered by an extensive dealer and retailer network, the ICI (Infrastructure, Commercial and Industrial) team of the Company’s sales division has also been actively servicing the growing requirements from infrastructure, industrial and commercial projects. With increasing urbanization, demand from these sectors is also expected to accelerate.

**14.2 Costs – Cement Business**

During the year 2015, the Company maintained a close focus on effective cost management through various initiatives.

**a) Cost of Materials consumed**

Cost of materials consumed was reduced by 7% in 2015 over 2014, despite an additional cost burden of ₹ 23 crore towards purchase of clinker due to temporary suspension of limestone mining operations at Chaibasa and Bargarh mines during the earlier part of the year. Thus, the cost of materials consumed as share of total income from operations came down to 12.7% from 13.5% in 2014.

The landed cost of gypsum rose by 5% on account of an increase in the price of imported gypsum and also due to a shortage of wagons at Paradip port that necessitated costlier road transportation to some plants. To mitigate such cost increases, the Company is taking steps to optimize its gypsum mix by reducing its reliance on imported gypsum and instead increasing the consumption of phosphor-gypsum, chemical gypsum, activated gypsum and also the more cost effective variety of high purity domestic mineral gypsum.

The landed cost of flyash increased by 4% as it had to be procured over longer leads, following a drop in availability from sources close to our plants. Efforts were made to achieve cost reductions by entering into long term contracts with slag and flyash suppliers. Slag prices were negotiated to achieve a reduction of 27%.

### **b) Power & Fuel**

Power & Fuel costs were reduced by 2% in 2015 as compared to 2014. The Power & Fuel spend in 2015 was ₹ 2,377.85 crore, as compared to ₹ 2,427.45 crore spent in 2014. This constituted 22% of the total income from operations, the same as in the previous year.

The Company continues to focus on reducing the overall cost of fuel as well as shifting its dependence on linkage and imported coal by optimizing the fuel mix to enhance the use of alternative fuels and petcoke. The supply of petcoke became attractive following a general decline in global oil prices. Taking advantage, the Company put plans in place to enable increased consumption of petcoke. During the year, this enabled petcoke consumption to rise from average consumption of 16% in 2014 to 27% during the last quarter of 2015.

As a result of various initiatives taken with respect to power & fuel, kiln thermal efficiency was maintained at 3050 MJ/per tonne of clinker, the same level as in the last year.

The generation cost per KW of our Captive Power Plants (CPP) in 2015 rose by 2% to ₹ 4.67 per unit against ₹ 4.59 per unit in 2014, mainly due to increase in rail freight on coal and electricity duty on generation of power.

Power generated by the Company's waste heat recovery plant of 7.5 MW at Gagal Plant delivered saving of ₹ 22 crore during the year, thus also helping reduce overall power and fuel costs.

### **c) Freight & Forwarding expenses**

A general hike in rail tariffs impacted the cost of inward and outbound transportation in 2015, particularly because 44% of total cement despatches during the year were moved by rail.

Freight and forwarding expenses during the year were ₹ 2,640.76 crore as compared to ₹ 2,530.30 crore in 2014, an increase of 4%. Freight and forwarding expenses constituted a significant share of 24% of the Company's total income from operations, up marginally from a share of 23% in the previous year.

Freight on clinker transfers, effected mainly by rail, increased by about 8% due to the rail tariff hikes and the movement of clinker over longer leads to Chaibasa and Bargarh occasioned by the curtailment of clinker production at these plants for reasons explained heretofore. Freight on cement despatches also rose by about 6% on account of the increase in rail tariffs.

Taking advantage of the decline in diesel prices, proactive efforts were made to bring down the cost of road transportation which accounts for about 56% of total despatches. Average road freight rates were cut by 6%. The Company is taking further steps to rationalize freight and C&F rates and pursue improvements in other operational levers such as lead distances and the share of direct despatches.

### **d) Employee Costs**

Employee costs during the year were brought down by 2.7% on a like-for-like basis. Overall employee costs, as a share of total income from operations, declined to 6.5% in 2015 from 6.8% in 2014. In the forthcoming year, certain initiatives taken as part of the India Manufacturing Transformation programme, as explained later, are expected to reflect further improvement in employee costs.

### **e) Other Expenditure**

Other expenditure constitutes ~23% of total income from operations of the Company (as compared to 22% in 2014). This includes (i) provision for additional royalty on limestone of ₹ 52 crore necessitated by the Mines and Minerals (Development and Regulation) Amendment Act, 2015 for contributions to be made to the District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET) in the districts where mining takes place,

(ii) increase in royalty rate from ₹ 63 to ₹ 80 per tonne of limestone mined effective September 2014 impacting an additional cost incidence of ₹ 24 crore and (iii) severance cost of ₹ 13 crore on account of rationalization of third party manpower. Despite these increases, the overall escalation in “Other Expenditure” was restricted to 1.4% in 2015 over 2014.

Packing material cost reduced by ₹ 79 crore on account of a fall in the prices of polypropylene granules and other initiatives like standardization of bags across plants.

**15. READY MIXED CONCRETE (RMX)**

	2015	2014	Change %
RMX Production - Lakh Cubic Metres	22.15	17.61	25.8
RMX Sales Volume - Lakh Cubic Metres	23.44	18.34	27.8
Net Sale Value - (₹ crore)	967.50	760.77	27.2
Operating EBITDA - (₹ crore)	54.29	34.12	59.1
Operating EBITDA Margin (%)	5.61	4.48	

The Ready Mixed Concrete Business of the Company performed well. Concrete Sales Volume increased by 28% and Operating EBITDA grew at a much higher rate on account of volume growth and new value added products and solutions. EBITDA from RMX business for the year rose to ₹ 54 crore as compared to ₹ 34 crore in 2014, an increase of 59%. Your Company has a wide spread of RMX plants in the country; the number of RMX plants rose to 50 by the close of 2015 as compared to 48 plants in 2014.

A large share of the Company’s concrete business comes from Infrastructure and Industrial projects in addition to mass housing schemes. In the last two years, this business has implemented a programme of widening its customer base, broadening its portfolio with a range of value-added products and customized solutions while simultaneously keeping a close focus on costs. This programme has yielded increased sales volumes and margins, despite an intensely competitive environment.

As part of its endeavour to enrich customer service levels, the Company’s concrete business introduced

an on-line Customer Feedback system which has resulted in improved customer satisfaction and better customer retention, especially of large customers with good financial credentials.

While there was some uptake in a few markets, the concrete industry at large continues to face issues of tight liquidity and increased participation by unorganized local players.

The construction sector is expected to grow at a steady pace in 2016. Consistent growth is foreseen in housing, Infrastructure, commercial and Industrial projects in addition to the rapid urbanization taking place in the country. Accordingly, the Company’s Concrete Business plans to extend its reach to address segments where the markets are promising.

**16. CAPEX**

The ongoing integrated Jamul Project in Chhattisgarh, which partly comprises a new clinkering line of capacity 2.79 million tonnes per annum at Jamul and grinding facilities of capacity 1.10 million tonnes at Jamul and 1.35 million tonnes at Sindri, is nearing completion and expected to be commissioned during the second quarter of 2016.

**17. COAL BLOCKS**

Pursuant to Orders of the Supreme Court passed in August 2014 and September 2014, the allocations of four coal blocks to Madhya Pradesh State Mining Corporation Limited (MPSMC) were cancelled. The Company had entered into through its wholly owned subsidiary company ACC Mineral Resources Limited (AMRL), a Joint Venture Agreement with MPSMC, for development of these four coal blocks viz. Bicharpur, Marki Barka, Semaria Piparia and Morga IV (all in the State of Madhya Pradesh) all of which stood cancelled.

The Ministry of Coal, Government of India completed the auction of Bicharpur Coal Block in February 2015 and the block was allotted to the successful bidder. The reimbursement of expenses incurred on development of coal blocks is awaited. The auction/allocation process of other three Coal Blocks viz. Marki Barka, Morga IV and Semaria Piparia are yet to be carried out by the Ministry of Coal, Government of India.

## 18. SUSTAINABLE DEVELOPMENT

The Company's Sustainable Development programme is comprehensive and robust. Your Company was felicitated with the prestigious CII-ITC Sustainability Award 2015 for "Outstanding Accomplishment" in recognition of its continuous effort and commitment to the cause of Sustainable Development and its improvement in all sustainability parameters. This is one of the Country's most coveted awards in the field of corporate sustainable development.

During the year, the Company released its 8th Sustainable Development Report - 2014 adhering to GRI G4 principles in accordance with comprehensive reporting. The Report is available on the Company's website [www.acclimited.com](http://www.acclimited.com). Significant advancements were made against targets set in its sustainable development roadmap for 2014-2017.

The brand "ACC" was one of those prominently displayed in the India Pavilion at the COP 21 (Conference of Parties) meet held in Paris in December 2015, organised by the United Nations Conference on Climate Change.

### 18.1 CO<sub>2</sub> Emissions:

Your Company is committed to cut its carbon footprint in line with the Low Carbon Technology Roadmap for the Indian Cement Industry of the Cement Sustainability Initiative (CSI).

The Company maintained its best-in-class position in terms of its carbon footprint with specific CO<sub>2</sub> emissions per tonne of cement at 533 kg CO<sub>2</sub>/tonne in 2015. However, there was a small increase of 1% in these emissions as compared to the previous year, which was due to some change in the pattern of cement production caused by the suspension of limestone mining at Chaibasa and Bargarh for part of the year.

The Company has been identified as one of the leading business houses in India, for the quality of climate change related information, which it has disclosed through the Carbon Disclosure Project (CDP), a non-profit global initiative, that shares information to help drive carbon reduction strategies for sustainable economies.

The reported data was independently assessed against CDP's scoring methodology and your Company is one of the few organizations that received a high score of 98 points out of 100 in respect of its disclosure.

### 18.2 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 and plays a lead role in the Industry in this respect. Some shortfall in the availability of flyash from regular sources nearer the plants did have a small impact in the supply of flyash and hence on the clinker factor which showed a minor change of 1%. Despite this and the increasing demand for Ordinary Portland Cement (OPC), the share of Blended Cements in the total product portfolio was maintained at 84.5%.

### 18.3 Alternative Fuels and Resources (AFR):

Your Company takes pride in being one of the few in the forefront of the national effort to promote co-processing of both hazardous and non-hazardous industrial and municipal wastes in cement kilns in order to reduce dependence on fossil fuel.

The Company has two state-of-the-art pre-processing facilities at Wadi and at Kymore to enable safe handling of varied types and volumes of waste streams. These facilities added momentum to co-processing of hazardous wastes in a safer and more efficient manner. With the stabilization of these pre-processing facilities, we expect to enhance both the quality and quantity of waste feed processed in cement kilns and thus increase the thermal substitution rate in the forthcoming year.

### 18.4 Green Energy

#### (a) Wind Energy:

The Company has 19 MW capacity from wind farms in three states viz. 9 MW in Tamil Nadu, 7.5 MW in Rajasthan and 2.5 MW in Maharashtra. These wind farms helped the Company meet its non-solar renewable purchase obligations for Madukkarai,

Lakheri, Thane Campus and the Kalamboli Bulk Cement Terminal Plant. Various options are being evaluated to enhance the renewable energy portfolio such as setting up new assets of renewable energy and by use of renewable energy through the Power Purchase Agreement route. During the year 2015, 29.2 million kilowatt hours (Kwh) of renewable energy was produced as compared to 32.5 million Kwh in 2014.

**(b) Waste Heat Power generation from process waste heat**

During the year 2015, the Waste Heat Recovery System (WHRS) at Gagal Cement Plant produced 51.8 million Kwh of electrical energy as compared to 46.6 million Kwh in 2014.

**18.5 Controlling Emissions**

Various measures were implemented across all operations of the Company to control fugitive emissions by installing dust extraction and dust suppression systems.

Kiln stack dust emissions data and ambient air quality data are uploaded on Central Pollution Control Board (CPCB) website and those of the respective State Pollution Control Boards wherever available. The installation of dust monitors as per the statutory requirement was completed at various plants. The Company also installed Continuous Ambient Air Quality Monitoring stations (CAAQMS) at Wadi and Chanda plants.

**18.6 Water Performance:**

With an objective to continuously improve water performance and to achieve a water positive status, the Company has focused its efforts on two approaches:

- (i) Reduction of fresh water intake by lowering water demand in process and non-process areas and waste water recycling after treatment. Water metering and monitoring systems were installed at various plants.
- (ii) Conservation of water by rain water harvesting in plants, mines, colonies,

community areas and sustained water harvesting measures undertaken over the years has helped Kymore and Jamul Plants become self-reliant without being dependent on natural water sources like rivers and bore wells.

These two approaches have helped your Company reduce its specific water consumption per tonne of cement by 7.6% with respect to the previous year.

**18.7 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 the biodiversity around the limestone mines operated by the Company. During the year, biodiversity assessment studies were conducted by an independent third party at five mines.
- (ii) On-ground implementation of activities which conserves biodiversity:
- (iii) Afforestation activities in and around our plant premises with native species of trees at all our plants.
- (iv) Water harvesting in mined out pits. This is a regular practice at the plants.

**19. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES**

Total CSR expenditure incurred by your Company during the year was ₹ 31.16 crore which was higher than the statutory requirement of 2% of the average profit of the last three years.

The CSR Projects of the Company mainly focus on Livelihood, Education, Water, Health and Sanitation. These projects fall under Schedule VII of the Act.

The Company's community development efforts reached out to more than 4 lakh people residing in ~156 villages across the country.

Education initiatives in the vicinity of plants addressed 35,000 students during the year. Scholarships were awarded to ~400 meritorious students belonging to weaker sections of society. Modern methods of



learning such as smart classes and interactive kiosks benefitted students in ~27 rural schools. Efforts were made to provide education to ~1,500 girl children as part of the “ACC ki Ladli” Project. We continued to support seven government-run Industrial Training Institutes as part of the Public Private Partnership Scheme with Ministry of Labour and Employment, Government of India.

About 1,800 unemployed youth attended skill development training programmes and received job placements in various manufacturing and service sector enterprises. Support was provided for the establishment of ~200 new Self Help Groups (SHGs) while existing SHGs were assisted in obtaining registration and formation of a “Farmers’ Producer Companies”.

Our health and nutrition initiatives benefitted to ~58,000 people. About 8,000 children received access to better health and nutrition through support provided to 156 anganwadi centres. Our existing Anti Retroviral Treatment (ART) Centres provided valuable support to nearly 5,400 persons through counseling, testing and treatment for HIV/AIDS.

Your Company’s CSR Footprint has been duly audited by a team of social auditors chaired by Executive Director, Global Compact Network of India. Your Company’s CSR effort has been ranked twelfth among the top 100 listed companies and first among the Cement Sector companies therein as per the annual CSR ranking initiative by Economic Times and Indian Institute of Management, Udaipur.

The Company’s CSR Policy has been re-stated making it more comprehensive and in alignment with the requirements of the Act, and United Nation’s Sustainable Development Goals (SDGs). The CSR Policy Statement and Report on the activities undertaken during the year is annexed to the Board’s Report in Annexure ‘A’.

## 20. HEALTH & SAFETY (H&S)

### 20.1 H&S Policy and Rules

Health and Safety (H&S) of employees and all stakeholders is an overarching value of your Company. During the year, the Company’s H&S Policy and H&S Rules were restated to be in alignment with the new Group global vision on H&S. The revised policy reiterates the pledge to conduct the Company’s business in

a manner that helps create a healthy and safe environment for all stakeholders (employees, contractors, communities and customers) based on the adoption of a true safety culture. It further directs that H&S be embedded in everything the Company does when it comes to its people, its processes, its customers, in delivering results and in leading sustainability. The H&S rules redefine essential behaviour necessary to ensure safety. Identifying H&S not as a separate activity but as a critical success factor for operational performance, the policy places personal responsibility on every individual employee at all levels for ensuring safe working conditions in their respective work areas coupled with a fair and transparent consequence management process, in the event of negligence or wilful disregard for safety rules. The policy and rules were widely communicated across the organization to employees and contractor workmen.

### 20.2 H&S Initiatives

The thrust on “Surakhsha Samvad” and Zone Improvement initiatives that were launched in the preceding year in the plants was maintained.

A new strategy was adopted to provide impetus to implementation of Fatality Prevention Elements (FPE) and requirements of Contractor Safety Management (CSM) directives, thereby creating an environment which strives to ensure “Zero harm to people”. Nine facilitators were nominated from Corporate and Regional H&S teams to support plants in implementing the directive requirements with each facilitator assigned to work in these areas with two Cement Plants and the nearest RMX plant/s and thus help raise the implementation level of CSM and FPE requirements. The progress was closely monitored by top management with the facilitator team to review activities, sharing of learning and resolving bottlenecks.

H&S business processes and information systems across the Company were further strengthened with the launch of an online H&S application called “Click2Safety”. This application helps streamline reporting in a manner that gives

access to all employees, is standardized, is faster and enriches the H&S database.

As part of the UN Global Road Safety Week in May 2015, your Company extended wholehearted support to the “SaveKidsLives” campaign to demonstrate a serious commitment to road safety for children and to enhance general road safety awareness. The campaign was planned and implemented as a high-involvement campaign across the organization. In the course of this campaign, all units engaged with their key stakeholders comprising children of employees and the community, parents, schools, teachers, guardians, drivers and the general public. This campaign engaged over 32,000 people around our units, making it among the largest Employee Volunteering programmes.

Considering road safety to be an essential part of the Company’s logistics excellence objective, your Company also decided to extend this to make it an ongoing three-year commitment to road safety to be implemented as a CSR project.

### 20.3 Logistics Safety

Logistics safety is one of the major focus areas for your Company. Ongoing initiatives undertaken in this regard included provisions of various plant and parking level protocols, creation of certain hygiene factors for truck drivers and their crew such as amenities at truck parking yards, improving tarpaulin tying practices, improving Personal Protective Equipment usage, renewal of logistics contracts to include safety parameters and issue of “passports” for drivers as well as vehicles which are informal internal databases that provide details of individual identity, registration, roadworthiness and safety preparedness.

Your Company focused on six projects pertaining to the Indian logistics scenario which consisted of Driver Management Centre (DMC), Community road safety education with the help of CSR, use of technology (GPS & RFID) in logistics safety, engagement of drivers and transporters and reduced dependence on market trucks.

Another focus area was inclusion of safety awareness in warehouses. This involved display

of standardized safety posters and observation of safety day/month at each warehouse with a fixed safety topic being discussed.

### 20.4 Health Initiatives

In the area of health, your Company worked to raise EMR (Emergency Medical Response) capabilities in mines and in Captive Power Plants (CPP) during the year. Each Cement Manufacturing Unit is now equipped with basic life-saving equipment in the health centre, well-equipped first aid room in mines and CPP. Each site has an Advanced Life Support (ALS) ambulance with stretchers and AEDs (Automated External Defibrillator). Your Company has trained all the shift supervisors at each plant in basic life support techniques, thus creating a companywide pool of 3,500 trained shift supervisors.

To reduce health risk factors among employees and their families a well-structured approach has been started which involves all stakeholders. The strategy includes use of Company’s internal electronic portal for health sensitization programme and nomination of “Health Peers” from among Shop Floor Associates (SFA) cadre to spread health awareness among their colleagues, other employees and their families. This structured approach is yielding results and we estimate it to have helped reduce the health risk factor among employees by 2%.

During the year, your Company tied up with Air ambulance services, to expedite evacuation in the event of medical emergencies at remote plant locations. This will go a long way in ensuring timely medical care to the employees when needed.

## 21. HUMAN RESOURCES

The Company adopted a new functional organization structure with effect from April 1, 2015, replacing the earlier regional-based structure in a smooth swift transition. The new structure is intended to enable the organization to be more collaborative, agile and streamlined in implementing strategy, harnessing internal functional expertise to the fullest and in enhancing stakeholder value.

## Employee Relations

A new HR policy was introduced from January 1, 2015 which described employee compensation, perquisites, allowances and other benefits. It was intended as a part of the Company's continuous efforts to offer one of the "Best Places to Work" in the cement industry. The new policy was designed to attract new talent and motivate existing employees to contribute to their peak performance levels.

In 2015, the Company participated in a Global Employee Engagement Survey conducted by the Group. Designed by Aon Hewitt, this was felt to be more insightful than the "Engaging For Results" (EFR) Survey of employee feedback that was conducted annually since 2007. Maintaining the trend seen in the EFR exercise, this survey also saw participation of a very high order at 96%; more meaningfully the results showed an employee satisfaction of 86%. The high satisfaction score suggests that a predominant share of employees were satisfied with various work related initiatives, people processes, training and learning opportunities.

The Company's HR function is recognized in the sector for its engagement and leadership development processes in nurturing talent necessary to keep the organization's talent pool future ready. The Company continued with efforts to ensure that its pool of human resources is "future ready" through its robust processes of learning & development, capability building and its development programmes for shop floor associates. Efforts continued to be taken to develop leadership lines as well as to enhance technical and functional capabilities with special focus on nurturing young talent, in order to meet future challenges. The Company's Learning Academy at Thane received the Golden Peacock National Training Award of the Institute of Directors.

## India Manufacturing Transformation (IMT)

The IMT programme aims to make the work-culture in the core areas of production and maintenance in the cement plants more contemporary. This envisages a lean manufacturing organization design with multitasking, standardization and simplification of manufacturing processes, improved productivity standards, introduction of a centralized maintenance design with better planning and benchmarking with the best-in-class. These initiatives will enable

the cement plants operate more efficiently in a competitive environment and render them compatible with global manufacturing standards.

The IMT initiative has brought about visible signs of improvement in on-site safety performance and work culture, whilst at the same time resulted in a reduction of 12.5% in the deployment of human resources in all categories and enhancement of 11.6% in productivity.

Recognizing the need to rehabilitate those employees (permanent as well as on contract) who are affected by the IMT programme, your Company has established vocational guidance centres manned by full-time trainers to provide skill training useful in securing alternative re-employment and in setting-up micro enterprises and cottage industries. A detailed need assessment was conducted to understand the potential employment opportunity in nearby areas alongside a demographic survey of 1500 employees' family members to understand their learning and employability potential.

## Industrial Relations

Employee Relations at all the Units remained cordial. This has helped to build a healthy relationship and resolve issues through mutual dialogue. A major achievement in this area was the successful conclusion of a common long term wage settlement between the Company and trade unions at all plants that takes effect retrospectively from April 2014 and will be in force till March 2018. This accord incorporates novel elements such as a productivity enhancement scheme, a new incentive scheme to encourage clinker despatches, improvement in housekeeping, elimination of waste and effective utilization of time. The settlement is expected to contribute towards enhancing productivity at the plants besides enjoining employees and shop-floor associates at plants to adapt to a richer work culture.

## Sexual Harassment of Women at Workplace

The Company is an equal opportunity employer and consciously strives to build a work culture that promotes dignity of all employees. As required under the provisions of 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, which has been uploaded on the Company's intranet portal. All women, permanent, temporary or contractual including those of service providers are covered under the policy. An Internal Complaints Committee comprising five management staff has been set up 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 on sexual harassment. The complaint has been investigated and appropriate action has been taken. There were no complaints pending for more than 90 days.

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

## 22. BUSINESS RISKS & OPPORTUNITIES

The Business Risk Management Committee, chaired by an Independent Director, is functioning as required under SEBI Regulations. The Committee met twice during the year. Details of this Committee, its terms of reference and functioning are set out in the Corporate Governance Report.

The Company has implemented a Business Risk Management Policy which lays down the framework to identify business risks at both Corporate level and at Business Segment level.

The Company's approach to addressing business risks is comprehensive and enables timely anticipation of risks and identification of opportunities enabling appropriate responses, thereby enhancing the Company's competitive advantage. Separate approaches are defined for each of the main business segments of cement and RMX and forms an integral part of the Company's Mid-Term Planning cycle.

The Company is faced with various risks at an operational level which very often have the potential to offer business opportunities. Some of the main risks are discussed herein:

### Raw Materials Risks

Limestone is the principal raw material for Portland Cement. Under the new Mines and Minerals (Development and Regulation) Amendment Act, 2015, leases granted before the commencement of the Act, for captive use, are extended up to 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 2030 by virtue of this Act. For new leases, the period of lease will be fifty years from the date of grant.

In future, all Mining leases will be granted by a process of auction/bidding. However, under the MMDR the existing lease holder whose term of lease has expired will get the right of first refusal at the time of auction of the said mining lease, in cases where the mineral is used for captive purposes. This will give the incumbent lease holder an opportunity to obtain the same lease at the highest bid, which is likely to be at an increased cost.

To mitigate this risk, the Company is increasing the consumption of petcoke and additives which enables it to use low grade limestone and thus achieve mineral conservation while increasing the life of the plant.

### Competition Risks

The country's Cement Industry is presently facing intense competition with the entry of new players and some existing manufacturers growing inorganically. We expect this situation to continue. To mitigate this risk, the Company is leveraging on its expertise, experience and the additional capacities at Jamul and Sindri which are expected to be commissioned in Q2 2016. This will enable the Company to maintain its market share particularly in the Eastern Region. Simultaneously, the Company is implementing measures to enhance its brand equity, visibility and comparative advantage, broaden its product portfolio and service offerings while leveraging on its ICI (Infrastructure, Commercial and Institutional) Sales team to offer value to large customers. The Company is also closely monitoring its costs so as to be more competitive in the marketplace.

## Proactive Safety Culture

Your Company has identified Health & Safety of employees and workmen as one of its key focus areas. Various safety assessments and training programmes are regularly conducted to reinforce the concept of “Safety as a Value” and to nurture a proactive safety culture. These include programmes on Behaviour Based Safety Training and Visible Safety Leadership. Health and Safety competencies are integrated into the job descriptions of all Management Staff such that accountability is further strengthened.

Safety on National roads is largely dependent on various factors such as the overall condition and maintenance of roads, vehicle road-worthiness and general observance of road traffic laws. As part of its Logistics Safety function and Indian Road Safety Programme, the Company has taken several initiatives including regular simulator-based driver training, vehicle inspection for road-worthiness and the use of Global Positioning Systems (GPS) to monitor outbound movement of cement to the end user.

## Opportunities

Your Company also regularly examines potential opportunities created from situations involving business risks. These include possibilities in the areas of the availability and sourcing of raw materials, energy efficiency and conservation, logistics, product development and market segmentation based on research, imbibing best practices in manufacturing and other areas leading to productivity improvement.

## 23. COMPETITION APPELLATE TRIBUNAL (COMPAT) APPEAL

In December 2015, the Competition Appellate Tribunal (COMPAT) set aside an Order passed by the Competition Commission of India (CCI) in June 2012 and remanded the matter to the Commission for fresh adjudication within a timeline of three months. The said CCI order of June 2012 was in response to a complaint filed by the Builders Association of India against leading cement companies (including ACC) alleging violations of certain sections of the Competition Act, 2002. The CCI order had levied a penalty on cement companies, which for the Company was of ₹ 1,147.59 crore. Responding to appeals against payment of this penalty, COMPAT had granted an interim

stay while directing the Company and others to deposit 10% of the penalty which was placed as a Fixed Deposit with a bank, with the Commission having a lien thereon. The deposit amount has since been refunded to the Company. Members’ attention is invited to Note No. 37 in the Notes to the Financial Statements.

## 24. INTERNAL CONTROL SYSTEMS

### 24.1 Internal Control Systems and their adequacy

The Company has in place well defined and adequate internal controls commensurate with the size of the Company and the same were operating effectively throughout the year.

The Company has an in-house Internal Audit (IA) function. The scope and authority of the Internal Audit function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the IA function reports to the Chairman of the Audit Committee of the Board. 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 IA 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.

### 24.2 Internal Controls Over Financial Reporting

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 in place for ensuring proper and efficient conduct of its business, 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.

The Company has adopted accounting policies which are in line with the Accounting Standards and the Act. These are in accordance with generally accepted accounting principles in India. Changes in policies, if required, are made in consultation with the Auditors and are approved by the Audit Committee.

The Company has a robust financial closure, certification mechanism for certifying adherence to various accounting policies, accounting hygiene and accuracy of provisions and other estimates.

## 25. INDIAN ACCOUNTING STANDARDS (IND AS) – IFRS CONVERGED STANDARDS

The Ministry of Corporate Affairs vide its notification dated February 16, 2015 has notified the Companies (Indian Accounting Standard) Rules, 2015.

In pursuance of this notification, the Company, 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 has established a project team and is dedicating considerable resources. The impact of the change on adoption of IND AS is being assessed.

## 26. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a vigil mechanism named EthicalView Reporting Policy (EVRP) to report concerns about unethical behaviour, actual/suspected frauds and violation of Company's Code of Conduct. Protected disclosures can be made by a whistle blower through several channels. An EthicalView Committee has been constituted to discuss the finding of the investigations of the complaints and to recommend remedial actions. The Audit Committee of the Board oversees the functioning of the EthicalView Committee. The Company has disclosed the details of the EthicalView Reporting Policy on its website [www.acclimited.com](http://www.acclimited.com).

Also during the year, your Company reached out extensively to employees to conduct greater awareness on Value Creation in Competitive

Environment (VCCE) and on Anti Bribery and Corruption Directive (ABCD) through e-learning modules and face to face sessions, achieving a high level of engagement and compliance. This reflects your Company's strong commitment to "Zero tolerance" for non-compliances in this regard and to doing business the right way and with integrity.

## 27. SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE COMPANIES

### 27.1 SUBSIDIARIES

#### Bulk Cement Corporation (India) Limited (BCCI)

During the year under review, BCCI handled cement volumes of 1.00 million tonnes as against 1.03 million tonnes in 2014. The Profit before tax and exceptional items for the year 2015 was ₹ 3.04 crore as against ₹ 6.29 crore in the year 2014.

#### ACC Mineral Resources Limited (AMRL)

AMRL had entered into a Joint Venture for developing four coal blocks. Consequent upon the cancellation of these coal blocks during 2014, this Company does not have any operating income.

#### Other Subsidiaries

As regards the other three Subsidiary Companies, i.e. Lucky Minmat Limited, National Limestone Company Private Limited and Singhania Minerals Private Limited, these are limestone deposit companies and are currently not operational.

### 27.2 ASSOCIATE / JOINT VENTURE COMPANIES

As on December 31, 2015, the following are Associate Companies:

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

During the year, the Company has invested ₹ 2.5 crore in equity shares of "OneIndia BSC Private Limited" which is a jointly controlled entity with equal participation with Ambuja Cements Limited, a fellow subsidiary Company, with an aim to provide back office services with respect to routine processes.

## 27.3 Statement containing salient features of Accounts of the Company's Subsidiaries / Associate / Joint Venture Companies

Pursuant to Section 129(3) of the Act, a statement in Form "AOC 1" containing the salient features of the Financial Statements of each of the subsidiaries, associates and joint venture companies is attached.

Although the audited statements of account, relating to the Company's subsidiaries are no longer required to be attached to the Company's Annual Report, the same are enclosed as and by way of better disclosure practices. These are also available on the Company's website and can be accessed at the weblink [http://www.acclimited.com/newsite/finance/annual\\_report\\_2015.pdf](http://www.acclimited.com/newsite/finance/annual_report_2015.pdf)

## 28. LAFARGEHOLCIM LTD.

In April 2014, Holcim Limited (which represents your Company's promoter group) had announced its intention to combine with Lafarge S.A. through a merger of equals to create the most advanced company in the global building materials industry. Holcim and Lafarge completed their global merger to create a new company called LafargeHolcim Ltd. which was launched on July 15, 2015 and which has emerged as a world leader in the building materials industry.

While the global merger has no immediate impact on your Company's operations, the Company has taken advantage of the opportunity to align itself with some of the group's policies in the areas of Health & Safety and Sustainable Development as also benefit from the access to a larger pool of global best practices.

## 29. DIRECTORS & KEY MANAGERIAL PERSONNEL

### 29.1 Appointment of Directors

Pursuant to the request received from Holcim (India) Private Ltd, to consider the appointment of their representatives on the Board of Directors and on the recommendation of the Nomination & Remuneration Committee, the Board of Directors has appointed:

- Mr Eric Olsen, CEO of LafargeHolcim Ltd. (LH), as an Additional Director of

the Company with effect from July 17, 2015 in the category of Non-Executive, Non-Independent Director.

- Mr Christof Hassig, as an Additional Director of the Company with effect from December 9, 2015 in the category of Non-Executive, Non-Independent Director. Mr Hassig, heads the Corporate Strategy and Mergers & Acquisitions function in LH.
- Mr Martin Kriegner, as Additional Director of the Company with effect from February 11, 2016 in the category of a Non-Executive, Non-Independent Director. Mr Kriegner who is currently Area Manager for LH operations in Central Europe, will be taking over as Area Manager for India in the LH group with effect from March 1, 2016.

In accordance with Section 161 of the Act, the aforesaid Directors hold office upto the date of the forthcoming Annual General Meeting of the Company and being eligible offer their candidature for appointment as Directors. Your approval for their appointment as Directors in the category of Non-Executive, Non-Independent Directors has been sought in the Notice convening the forthcoming Annual General Meeting of the Company.

The Board of Directors has elected Mr Eric Olsen, CEO of LafargeHolcim Ltd., as Deputy Chairman of the Board with effect from February 11, 2016.

### 29.2 Resignation of Directors

- Consequent upon his resignation as CEO of former Holcim Limited, Mr Bernard Fontana, a Non-Executive and Non-Independent Director of the Company resigned from the Board of Directors with effect from July 17, 2015.
- Mr Aidan Lynam, a Non-Executive and a Non-Independent Director of the Company also resigned from the services of former Holcim Limited and consequently stepped down from the Board of Directors of the Company with effect from July 14, 2015.

- Mr Bernard Terver, Deputy Chairman, a Non-Executive and Non-Independent Director decided to retire from the services of LafargeHolcim Ltd. and has therefore stepped down from the Board of Directors of the Company with effect from February 11, 2016.

The Board of Directors has placed on record its warm appreciation of the rich contribution made by Mr Fontana, Mr Lynam and Mr Terver during their respective tenures as Directors of the Company.

### 29.3 Directors coming up for retirement by rotation

In accordance with the provisions of the Act, and the Articles of Association of the Company, Mr Vijay Kumar Sharma retires by rotation and being eligible offers his candidature for re-appointment as a Director.

### 29.4 Independent Directors

The Independent Directors hold office for a fixed term of five years and are not liable to retire by rotation.

In accordance with Section 149(7) of the Act, 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 Act and SEBI Regulations.

### 29.5 Board Effectiveness

#### a. Familiarization Programme for the Independent Directors

In compliance with the requirements of SEBI Regulations, the Company has put in place a familiarization programme for the Independent Directors to familiarize them with their role, rights and responsibility as Directors, the working of the Company, nature of the industry in which the Company operates, business model etc. The details of the familiarization programme are explained in the Corporate Governance

Report. The same is also available on the website of the Company and can be accessed by web link [http://www.acclimited.com/newsite/pdf/Induction\\_program.pdf](http://www.acclimited.com/newsite/pdf/Induction_program.pdf)

#### b. Board Evaluation

Pursuant to the provisions of the Act and the SEBI Regulations, the Board has carried out the 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.

### 29.6 Key Managerial Personnel

The following persons have been designated as Key Managerial Personnel of the Company pursuant to Section 2(51) and Section 203 of the Act, read with the Rules framed thereunder.

1. Mr Harish Badami, CEO & Managing Director
2. Mr Sunil Nayak, Chief Financial Officer
3. Mr Burjor D Nariman, Company Secretary & Head Compliance

None of the Key Managerial Personnel have resigned during the year under review.

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

Your Company has laid down a well-defined criteria 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.

### 29.8 Remuneration Policy for Directors

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



## 30. 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 Act:

- a. that in the preparation of the annual accounts for the year ended December 31, 2015, 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 Financial Statements 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, 2015, 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.

## 31. MEETINGS

### 31.1 Board Meetings

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

### 31.2 Audit Committee

The Audit Committee comprises five Members of which four including the Chairman of the

Committee are Independent Directors. During the year, six Audit Committee Meetings were convened and held. Details of the Committee are given in the Corporate Governance Report.

### 31.3 CSR Committee

The CSR Committee comprises five members of which three including the Chairman of the Committee are Independent Directors. The Committee met twice during the reporting period. Details of the Committee are given in the Corporate Governance Report.

## 32. 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.

The policy on Related Party Transactions as approved by the Board is available on the Company's website and can be accessed through weblink <http://www.acclimited.com/newsite/pdf/CG/PolicyonRPT.pdf> All transactions entered into with related parties during the year were on an arm's length pricing basis and were in the ordinary course of business. There were no material related party transactions i.e transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements entered into during the year. Accordingly, there are no transactions that are required to be reported in Form AOC 2.

None of the Directors nor the Key Managerial Personnel has any pecuniary relationships or transactions vis-à-vis the Company.

**33. ADOPTION OF NEW ARTICLES**

The Companies Act, 2013 and The Companies (Amendment) Act, 2015 has necessitated changes in the Articles of Association of the Company. It is accordingly proposed that a new set of Articles of Association be adopted by the Members and a Resolution to this effect is included at Item No. 9 in the Notice of the Annual General Meeting. The Board recommends the resolution for adoption by the Members.

**34. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant or material orders passed by the Regulators, Courts or Tribunals which impact the going concern status of the Company and its future operations. However, Members' attention is drawn to the following development.

**Chaibasa Mining**

The District Mining Officer, Chaibasa, by his letters dated January 2, 2015 and March 21, 2015, demanded amounts of ₹ 215 crore and ₹ 666 crore towards alleged illegal mining on the part of the Company in mining lease areas of 63.87 hectares and 598.88 hectares, respectively.

The basis for the State to issue these demands were two judgements of the Hon'ble Supreme Court viz. the Goa Foundation case (dated April 21, 2014) and Common Causes case (dated May 16, 2014). It was the contention of the State that in view of the aforesaid judgements the benefit of deemed renewal cannot be made available for second and subsequent renewals and the mining activity therefore subsequent to validity of the last renewals would attract penalties under Section 21(5) of the Mines & Mineral (Development & Regulation) Act (MMDR Act) and hence the levy of penalties as aforesaid.

The aforesaid demands were challenged by your Company by way of a Writ Petition before the Hon'ble High Court of Jharkhand at Ranchi on the grounds that pursuant to the Supreme Court Judgements, Parliament had introduced the MMDR Amendment Ordinance on 12.01.2015, which subsequently became the MMDR (Amendment) Act, 2015. As per

Section 8A(5) of the MMDR (Amendment) Act, in those cases where application for renewal of mining leases were pending, the leases stood automatically extended from the date of the last expiry upto 2030.

The Hon'ble High Court, after hearing the Senior Counsel for the Company, has stayed both the demands upon the deposit of ₹ 48 Crore, which is without prejudice to the rights and contentions of both the parties. Members' attention is invited to Note No. 36(B)(f) of the Notes to the Financial Statements.

Members' attention is also invited to Notes on Contingent Liabilities, in the notes forming part of the Financial Statements.

**35. AUDITORS****35.1 Statutory Auditors**

The Company's Auditors Messrs S R B C & CO LLP, Chartered Accountants, Mumbai, who retire at the ensuing Annual General Meeting of the Company are eligible for re-appointment. They have confirmed their eligibility under Section 141 of the Act, and the rules framed thereunder for re-appointment as Auditors of the Company. As required under SEBI Regulations, the Auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The Auditors have given an unqualified Audit Report.

**35.2 Cost Auditors**

The cost audit records maintained by the Company in respect of its cement activity are required to be audited pursuant to Section 148 of the Act and the Rules framed thereunder. Your Directors have on the recommendation of the Audit Committee, appointed Messrs NIMEHTA & Co. to audit the cost accounts of the Company for the financial year ended December 31, 2015. As required under the Act, 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 Messrs N I Mehta & Co., Cost Auditor, is included at Item No. 8 of the Notice convening the Annual General Meeting.

### 35.3 Secretarial Audit

Pursuant to the provisions of Section 204 of the Act, and the Rules framed thereunder, the Company has appointed Messrs. Pramod S Shah & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditor is annexed to the Board's Report as Annexure 'D'.

## 36. AWARDS

ACC has been recognized for Corporate Excellence in Sustainability and felicitated with the prestigious CII-ITC Sustainability Award 2015 for "Outstanding Accomplishment" in the Category A (large companies with turnover > ₹ 2000 crore). Winners of the CII-ITC Sustainability Award are considered as the country's best role models in sustainability practices.

Celebrating its 20th anniversary, National Stock Exchange of India Limited (NSE) felicitated your Company and fifteen other companies out of the 50 companies whose scrip constitutes the Nifty 50 Index and have been a part of the index from its inception.

Your Company's Annual Report for 2014 won the "Silver Shield" from the prestigious Institute of Chartered Accountants of India for "Excellence in Financial Reporting".

During the year under review, your Company also received several other awards and citations from reputed bodies for good performance in areas as diverse as Safety, Manufacturing, Energy Conservation, Logistics, Environment Management and Communication.

## 37. ENHANCING SHAREHOLDER VALUE

Your Company firmly believes that its success in the marketplace and a good reputation are among the primary determinants of value to the shareholder. The organizational vision is founded on the principles of good governance and by the

resolve to be a customer-centric organization which motivates the Company's Management to be aligned to deliver leading-edge building products backed with dependable after sales services.

Your Company is committed to creating and maximizing long-term value for shareholders and essentially follows a four pronged approach to achieve this end.

- a) by increasing all-round operational efficiencies,
- b) by identifying strategies that enhance its competitive advantage,
- c) by managing risks and pursuing opportunities for profitable growth, and
- d) by cementing relationships with other important stakeholder groups through meaningful engagement processes and mutually rewarding associations that enable it to create positive impacts on the economic, societal and environmental dimensions of the Triple Bottom Line.

Underlying this is also a dedication to value-friendly financial reporting that assures the shareholder and investor of receiving transparent and unfettered information on the Company's performance.

## 38. CORPORATE GOVERNANCE

A separate section on corporate governance practices followed by the Company, together with a certificate from the Company's Auditors confirming compliance, forms a part of this Annual Report, as per SEBI Regulations.

## 39. BUSINESS RESPONSIBILITY REPORTING

A separate section on Business Responsibility forms part of this Annual Report as required by SEBI Regulations.

## 40. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated in Section 134(3)(m) of the Act, and the Rules framed thereunder is annexed herewith as Annexure 'E' to the Board's Report.

**41. EXTRACT OF ANNUAL RETURN**

As required by Section 92(3) of the Act and the Rules framed thereunder, the extract of the Annual Return in Form MGT 9 is enclosed as Annexure 'F' to the Board's Report.

**42. 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 on employees who were in receipt of remuneration of not less than ₹ 60 lakhs during the year or ₹ 5 lakhs per month during any part of the year forms part of this Report and will be provided to any Member on a written request to the Company Secretary. In terms of Section 136 of the Act, 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.

**44. ACKNOWLEDGEMENTS**

Your Directors are thankful to the Central and State Government Departments, Organizations and Agencies for their continued guidance and

co-operation. The Directors are grateful to all valuable stakeholders of the Company viz. our customers, shareholders, dealers, vendors, banks and other business associates for their excellent support and help rendered during the year. The Directors also acknowledge the unstinted commitment and valued contribution of all employees of the Company.

**45. CAUTIONARY STATEMENT**

*Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.*

For and on behalf of the Board of Directors

N S Sekhsaria  
Chairman

Mumbai  
February 10, 2016