

BOARD'S REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

TO THE MEMBERS OF
ACC LIMITED

The Directors are pleased to present the Eighty Third Annual Report of the Company together with the audited financial statements (Consolidated and Standalone) for the year ended December 31, 2018. The section on Management Discussion and Analysis (MD&A) forms a part of this report.

1. FINANCIAL RESULTS

	Consolidated		Standalone	
	₹ Crore		₹ Crore	
	2018	2017	2018	2017
Revenue from Operations*	14,801.62	13,263.12	14,801.35	13,262.59
Other Income	142.66	128.86	138.50	131.65
Total Income	14,944.28	13,391.98	14,939.85	13,394.24
Profit before Tax	1,510.11	1,310.06	1,494.29	1,298.36
Tax Expenses**	(10.51)	385.55	(12.34)	382.91
Profit for the year	1,520.62	924.51	1,506.63	915.45
Attributable to:				
Owners of the Company	1,520.47	924.41	1,506.63	915.45
Non-controlling interests	0.15	0.10	-	-
Other Comprehensive Income (OCI)	(4.84)	2.24	(4.85)	2.37
Total Comprehensive Income	1,515.78	926.75	1,501.78	917.82
Owners of the Company	1,515.63	926.65	1,501.78	917.82
Non-controlling interests	0.15	0.10	-	-
Opening Balance in retained earnings	5,526.05	4,983.63	5,541.33	5,007.74
Amount available for appropriations	7,041.68	5,910.28	7,043.11	5,925.56
Appropriations:				
Interim Dividend paid for 2017	-	206.57	-	206.57
Final Dividend paid				
- For 2017	281.68	-	281.68	-
- For 2016	-	112.67	-	112.67
Tax on Equity Dividend	57.90	64.99	57.90	64.99
Closing Balance in retained earnings	6,702.10	5,526.05	6,703.53	5,541.33

*Figures for Revenue from Operations are comparable numbers .i.e Excise Duty has been removed as the same does not form part of Revenue post GST implementation.

**Including write back of ₹ 500.63 crore relating to tax provision of earlier years.

2. OVERVIEW OF COMPANY'S FINANCIAL PERFORMANCE

- Consolidated income, comprising of revenue from operations (net of excise) and other income, for the year was ₹ 14,944.28 crore, 12% higher as compared to ₹ 13,391.98 crore in 2017.
- Total consolidated revenue from operations (net of excise) increased to ₹ 14,801.62 crore from ₹ 13,263.12 crore in 2017.
- Other operating revenue for the year 2018 was ₹ 324.15 crore representing a decrease of 8 % over the previous year.

- Consolidated Profit Before Tax for the year was ₹ 1,510.11.crore as compared to ₹ 1,310.06 crore in 2017.
- Consolidated Profit After Tax for the year was ₹ 1,520.62 crore as compared to ₹ 924.51 crore in 2017.
- No material changes or commitments have occurred between the end of the financial 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 has recommended payment of dividend of ₹ 14 /- per Equity Share of ₹ 10 face value aggregating to ₹ 316.94 crore (including tax on dividend).

The Dividend Distribution Policy of the Company is annexed to this Report as Annexure 'A' and is also uploaded on the Company's website at http://www.acclimited.com/assets/new/new_pdf/Dividend_Distribution_Policy.pdf

Unclaimed dividends pertaining to the 73rd Final dividend and the 74th Interim dividend respectively for the years 2010 and 2011 totaling to ₹ 4.08 crore have been transferred to the Investor Education and Protection Fund in accordance with Statutory requirements.

4. SHARE CAPITAL

The Company's paid-up Equity Share Capital continues to stand at ₹ 187.79 crore as on December 31, 2018.

During the year, the Company has not issued any shares or convertible securities. The Company does not have any Scheme for issue of shares including sweat equity to the employees or Directors of the Company.

5. FINANCIAL LIQUIDITY

Cash and cash equivalent as at December 31, 2018 was ₹ 2,933.21 crore (Previous year ₹ 2,559.66 crore).

The Company's working capital management is robust and involves a well-organized process which facilitates continuous monitoring and control over receivables, inventories and other parameters.

6. CREDIT RATING

As in the previous years, CRISIL has given the highest credit rating of CRISIL AAA/ STABLE for long term and CRISIL A1+ for short term financial instruments of the Company. This reaffirms the high reputation and trust the Company has earned for its sound financial management and its ability to meet financial obligations.

7. DEPOSITS

The Company has not accepted any deposits falling under the ambit of Section 73 of the Companies Act, 2013 (hereinafter referred to

as "The Act") and the Rules framed thereunder during the year under review.

8. 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 Financial Statements (Refer Note No. 47).

9. ECONOMIC SCENARIO AND OUTLOOK

The Indian economy started the fiscal year 2018 with an upward trajectory showing a robust growth of 7.4%. The improvement in the economic scenario has led to increase in investments in several sectors of the economy.

In the union budget 2019, the Government has committed to further strengthen infrastructure initiatives. We believe that these will positively impact cement demand and boost economic growth.

The silver linings on the horizon are that World Bank has forecast that private investments in India shall grow by 8.8% in FY 2018-19 to overtake private consumption growth of 7.4%, and thereby drive the growth in India's Gross Domestic Product (GDP) in FY 2018-19. Investments are expected to flow in sync with a rising trend in capacity utilization.

Approximately 1.29 million houses have been constructed till December 2018, under Government of India's Pradhan Mantri Awas Yojana (Urban). Cement sector recorded a robust growth during the year as compared to the previous year.

India has retained its position as the third largest "start-up" base in the world. According to a report by NASSCOM, over 4,750 technology start-ups, and about 1,400 new start-ups have been founded in 2016. India's labour force is expected to touch 160 -170 million by 2020, based on rate of population growth, increased labour force participation and higher education enrolment, according to a study by ASSOCHAM and Thought Arbitrage Research Institute.

The Government of India, under the "Make in India" initiative, has provided an environment to give a boost to the manufacturing sector and aims to take it up to 25% of the GDP from the current

17%. It also aims to increase the purchasing power of the average Indian consumer, which would further boost demand, and stimulate development, in addition to benefitting investors. The Government's "Digital India" initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and increasing digital literacy will lead to empowerment in the rural areas.

10. CEMENT INDUSTRY - OUTLOOK AND OPPORTUNITIES

Cement Industry Overview and Market Size

India is the second largest cement producer in the world with a cumulative 502 million tonnes per annum (MTPA) cement production capacity in 2018, which is estimated to touch 550 MTPA by 2020. Cement sector has recorded growth of ~8.5% during 2018 as compared to ~6% in 2017. Domestic cement production was higher by ~8% at 325 million tonnes in 2018, against 301 million tonnes in 2017.

Cement, being a bulk commodity, is a freight intensive industry and transporting it over long distances can prove to be uneconomical. This has resulted in cement being largely a regional play with the industry divided into five main geographic regions viz. (i) North, (ii) South (iii) West, (iv) East and (v) Central. The Southern region of India has the highest installed capacity, accounting for about one-third of the country's total installed cement capacity.

Cement demand is expected to be driven by Eastern, Central and Northern regions. Going forward, the markets in the Eastern region would hold out opportunities for cement companies to ride the crest of demand.

As per Indian Brand Equity Foundation (IBEF) in FY 2019, demand for cement is expected to grow by 7-8% led by affordable housing, rural Individual Home Builders (IHBs) and infrastructure - led activities. The housing and real estate sector is the biggest demand driver of cement, accounting for about 65% of total consumption in India as at December 2018. In the Budget 2018-19, Government of India has announced setting up of an Affordable Housing Fund under the National Housing Bank (NHB) for easing credit to homebuyers. This move is expected to further boost the demand for cement

from the housing sector.

Other major demand for cement comes from public infrastructure which is ~ 20% and for industrial development which is ~ 15%. The Government of India is strongly focused on infrastructure development to boost economic growth. Aiming for 100 smart cities, it also intends to expand the capacity of the railways and the facilities for handling and storage at railway sidings and ports with a view to ease the transportation of cement and reduce transportation costs. These measures, apart from benefitting the cement industry would also provide opportunities for higher demand for cement on account of increased construction activity.

With anticipated increase on infrastructure spending, the cement sector is expected to grow and in turn positively impact India's economy.

12. SALES VOLUME & PRICING

Cement sales of the Company in 2018 increased by 8% to 28.37 million tonnes from 26.21 million tonnes achieved in 2017. Retail Segment (Individual House Builders & Ground plus three storey (G+3) Buildings) continue to remain the largest customer segment in terms of volume and profitability. Your Company has also carved out for itself a niche in infrastructure, commercial and institutional buyer segments which contributes to the bottom line. For these segments which are mainly "B2B" contracts, an integrated approach to marketing is followed where the Company partners with Government authorities and construction companies to provide value added products and services for infrastructure and urban rejuvenation projects. With increasing urbanization and greater rural empowerment, the demand from these sectors is expected to accelerate.

13. MARKET DEVELOPMENT

The name "ACC" is synonymous with cement. The Company has, over its 83 years of existence, assiduously built a strong brand equity and brand recall and has a strong customer base which is loyal to the Brand.

Your Company sells ~ 80% of its cement in retail i.e Business to Consumer (B2C) which it services through its strong channel network

of ~ 11,000 Dealers and ~ 35,000 Retailers/ Sub-Retailers located across the length and breadth of the country. For developing its Business to Business (B2B) customer base, dedicated teams have been set up to service residential and infrastructure segments.

Over the years, the Company's marketing teams have developed a deep understanding of customer preferences and requirements which enables it to maximize utilization of existing capacity on "product value-based volume strategy". This has resulted in creation of new revenue lines with introduction of new product. Composite Cement has been launched and its volumes scaled up in the Eastern region. The sale of premium products has been ramped up. Substitution of Ordinary Portland Cement (OPC) with more environment friendly Portland Pozzolana Cement (PPC) and Portland Slag Cement (PSC), and new value added high performance cements and solutions have been added to the product portfolio. ACC LEAKBLOCK – a water proofing solution for retail segment has been introduced.

With a view to increase the share of wallet per counter and to remain connected with the channel and retail customers, various steps have been taken for effective channel management. The web based "ACC Dealer Connect App/Portal" enables the channel to digitally transact and track information on real time basis and "Service Connect App" helps to digitally capture 100% site information of Influencers for effective conversion and providing on-site services to home builders. The "Construction ka Doctor" serves as a help desk to answer technical queries, provide guidance on cement applications and onsite service interventions to Individual House Builders, thereby offering better value proposition to our customers.

ACC's branding team has effectively used social media to launch and promote the Company's product and services thereby further strengthening the "ACC" Brand.

Thus, your Company is able to create an experience of "customer delight" through its products and services and thereby has expanded its market reach.

14. CEMENT BUSINESS – PERFORMANCE

	2018	2017	Change %
Production - million tonnes	28.36	26.56	7 %
Sales Volume - million tonnes	28.37	26.21	8 %
Net Sale Value (₹ crore)	13,387.09	11,993.63	12 %
Operating EBITDA (₹crore)*	1,981.17	1,794.15	10 %
Operating EBITDA Margin (%)	14.80	14.96	(16) BPS

* excluding employee separation cost of ₹ 70.37 crore in 2018

14.1. Costs – Cement Business

During the year 2018, the Company maintained a close focus on effective cost management through various proactive initiatives across its facilities and operations.

a) Cost of materials consumed

The input cost of materials consumed per tonne of cement during the year was higher by 11% as compared to 2017.

Higher procurement costs of slag impacted material cost adversely. The surge in demand for slag and procurement from long lead sources led to price increase resulting in 55% increase in the landed cost of slag.

The landed cost of flyash reduced by 4% as against previous year on account of increased usage of cheaper wet flyash and through source-mix optimization.

Increased usage of cheaper activated gypsum and procurement from cheaper sources helped in reducing the gypsum cost by 5%.

The above measures as also other measures taken by the Company for improving manufacturing efficiency parameters and for product mix optimization have to some extent helped in mitigating the steep rise in the cost of materials.

Sustained efforts were made to improve flyash absorption which enabled the Company to reduce the clinker factor by producing a higher share of blended cements which in turn had a positive impact on the contribution despite sharp rise in the cost of slag as stated above.

b) Power & Fuel

Power & Fuel costs account for ~25% of the total operating cost. Optimizing power and fuel costs is one of the major drivers for improving the Company's operational performance. The Company constantly endeavours to reduce fuel costs by maximizing the use of linkage coal, judicious procurement of market coal through e-auctions and imports, better fuel mix, higher use of cheaper coal and use of alternative fuels. As a result of these initiatives, kiln thermal efficiency improved by 4MJ to 3099 MJ /per tonne of clinker during the year as against 3103 MJ/per tonne of clinker in 2017, Electrical energy efficiency improved by ~1 kwh to 69 kwh/t of clinker as against 69.9 kwh/t clinker in 2017 and by 1.6 kwh to 38.5 kwh/t of cement grinding as against 40.1 kwh/t cement grinding in 2017. This to a large extent helped in containing the adverse impact caused by increase in the per tonne cost of Power and Fuel to 7% over the previous year.

Thermal power cost was adversely impacted on account of increase in prices of pet coke and imported as well as domestic coal. Non-availability of linkage coal owing to prioritization of allotments to the power sector was another factor which led to the increase in Thermal Power Cost. The generation cost per Kwh of the Company's thermal power plants (TPP) in 2018 went up by 6.7% to ₹ 5.39 per unit as against ₹ 5.05 per unit in 2017. The Company's Waste Heat Recovery plant of 7.5 MW at Gagal delivered a saving of ₹ 22 crore during the year.

c) Freight & Forwarding expenses

Freight and Forwarding expenses during the year were ₹ 3,876.08 crore as compared to ₹ 3,338.96 crore in 2017. This was on account of higher volume of despatches, rise in diesel prices and increase in packing material costs on account of increase in polypropylene prices. Clearing and forwarding charges were also higher due to hiring of additional godown space and higher handling of premium products. This increase was despite the continuous efforts made to improve evacuation efficiency, reduce lead by increasing the market share in home markets, availing of beneficial railway schemes for freight reduction, benchmarking and renegotiation of contracts with the transporters.

d) Employee costs

Employee costs during the year increased by 7%. The Company has taken out various initiatives which are expected to improve productivity and optimize employee costs.

15. CAPACITY EXPANSION

The Board of Directors has granted its approval to the Company for setting up :

- i. A Greenfield Integrated Cement Plant at Ametha, District Katni, Madhya Pradesh (Clinker capacity of 3 MTPA and Cement capacity of 1 MTPA) along with expansion of the existing grinding unit in Tikaria, Uttar Pradesh (Cement capacity of 1.6 MTPA) and a third grinding unit also in Uttar Pradesh (cement capacity 2.2 MTPA)
- ii. 1.1. MTPA Cement Grinding Facility at the existing location at Sindri, Jharkhand.

The above projects are estimated to cost ~ ₹ 3000 crore which is proposed to be funded through internal accruals.

The said expansion will help the Company to maintain the price premium and strengthen its product portfolio. Ramp up of capacity as aforesaid is also likely to be supported by a demand growth will enable the Company to strengthen its market share in the Central and Eastern markets.

16. READY MIX CONCRETE AND ICI BUSINESS

16.1 Ready Mix Concrete (RMX):

During the year 2018, RMX has surpassed its performance over the earlier years, witnessing a substantial growth both in terms of volume and EBITDA.

	Unit	2018	2017	Change %
RMX Production Volume	Lakh m3	31.29	27.29	15%
RMX Sales Volume	Lakh m3	31.57	27.10	16%
Net Sale Value	₹ Cr	1306.38	1140.48	15%
Operating EBITDA	₹ Cr	133.83	114.98	16%
Op. EBITDA Margin	%	10.24	10.08	16 BPS

The RMX business of the Company has been consistently performing well. RMX sales volume & EBITDA rose by 16% in 2018 as compared to the previous year.

During the year, RMX business expanded its footprint by adding 18 new Plants. These Plants are located in high contribution and high EBITDA margin markets across the country. With this addition, the nationwide network of RMX Plants comprises of 75 state-of-the-art Plants.

Over the years, RMX business arm of the Company has developed a wide customer base across diversified profitable construction segments ranging from residential / commercial building complexes to infrastructure projects including underground metro projects and individual house builder (IHB) segment. Each segment/ project has its special requirement of concrete application and construction needs. The RMX business with its technical capabilities and its range of Value Added Products and solutions stands out among other ready mix concrete suppliers as a solution provider for varied construction needs. To support the road segment, a "rapid hardening ready to use material" has been developed specially to counter the menace of potholes on the roads. This 15 minutes pothole repair solution allows the road to be opened for traffic within 15 minutes after its application. The product has been successfully demonstrated to the concerned Municipal authorities in Bengaluru and Mumbai.

Some of the other special application products recently developed are fire resistance concrete and thermal insulation concrete.

Keen focus on day-to-day sales, rigorous business tracking mechanism, a well-defined pricing policy and increase in sale of "Value Added Solutions" (VAS) were some of the key success factors for the RMX business in the year 2018.

16.2 B2B- Focused approach on Infrastructure & Residential Projects

Infrastructure development gained momentum in 2018 with the impetus received from Government schemes under implementation for the development of roads, rail and metro as part of urban rejuvenation.

With an Integrated B2B approach, the Company is well poised to offer customised cement applications, value added products and services to its customers. RMX teams are engaging with customers/clients from the initial stage of projects. With this integrated marketing approach, B2B sales have grossed 5.79 mio MTPA in 2018.

RMX teams have been promoting the use of environmentally friendly blended cement for use in infrastructure projects. This change in specification of cement from OPC to blended cements like PPC/ PSC has been a slow journey and has posed a huge challenge in view of the set market practice of making concrete at site which is more cost effective for the contractors. The RMX teams' efforts towards promoting the use of RMX made with blended cement for infrastructure projects and large /mid-size real estate developers has resulted in increased sales of 2.6 mio MTPA in this product range which represents a 10% increase over the previous year 2017.

Focus will continue in the current year to win in the markets with customer engagement at all levels.

17. SUSTAINABLE DEVELOPMENT (SD)

Your Company's tryst with sustainability which began from the nascent years of its incorporation, has received greater vigour and focused attention in recent years. Your Company has been releasing its Sustainability report as per Global Reporting Initiative (GRI) framework since 2009. The Sustainability Report is available on the Company's website at www.acclimited.com.

17.1 SD 2030 Plan – Building for Tomorrow

In 2016, a structured sustainability strategy was drawn up under “SD 2030 Plan” defining the focus areas viz. (i) climate, (ii) circular economy, (iii) water & nature, and (iv) people & communities, and the roadmap with measurable targets to achieve the set goals by 2030. The SD 2030 Plan is aligned with the LafargeHolcim Group’s Plan. In line with “SD 2030 Plan”, during the year, the Company has taken various initiatives to achieve the set targets. Snippets of this journey are set out below:

17.2 Climate:

17.2.1 CO₂ emissions

As per the SD 2030 Plan which charts the sustainable development roadmap, the Company has taken a target to reduce Specific CO₂ emissions by 40% per tonne of cement (vis-a-vis the base of 1990). To achieve this, following initiatives were continued with vigour during the year which have resulted in reducing specific CO₂ emission to 504.55 kg/T of cement in 2018, a reduction of ~3.8% over the previous year.

a) Clinker Factor

The percentage of CO₂ emission is directly proportionate to the manufacture of OPC. During the year, the manufacture of blended cement was increased to ~88% and composite cement has been launched in the Eastern Region. This has enabled a reduction of 1.68% in CO₂ emission.

Reducing Thermal Energy: Your Company has implemented various energy conservation measures which have helped in reducing the Thermal energy from 3103 MJ/T to 3099 MJ/T of Clinker.

b) Green Energy and Power Generation through Waste Heat Recovery System

The Company has installed wind farms in three States viz., Tamil Nadu, Rajasthan and Maharashtra with a total capacity to generate ~19MW of renewable energy. 34.74 million units of renewable energy were generated from these captive sources

during the year. Additional “green power” of 44.48 million units were procured through Power Purchase Agreements. Thus, 80.68 million units of “green energy” were used in 2018 representing an increase of 83.70% as compared to the previous year.

The Waste Heat Recovery system at Gagal Cement Works also generated 52.97 million units of green electrical energy during the year.

d) Alternative Fuels and Raw Materials (AFR)

The manufacture of cement is an energy intensive process. Coal and petcoke are the main fuels used by the cement industry in India. The use of these fuels is not sustainable as it produces higher % of CO₂ emission. Further the use of coal leads to depletion of natural resources. Accordingly, the use of alternative fuels (AFR) in the production of cement is a preferred option. The Company has set up platforms for co-processing hazardous, non hazardous and municipal waste for use as “Refuse Derived Fuel” (RDF) and biomass in its kilns wherever permissible by law and recently this facility at Wadi Cement works has been expanded.

Through its “Geocycle” activity, continuous efforts are made by the Company to provide safe waste management solutions to industries and municipalities while meeting the highest standards of health, safety and sustainability. Geocycle is also promoting the use of alternative fuels through advocacy at appropriate forums and by creation of stakeholders’ awareness in this regard. The Government’s “Swachh Bharat” programme coupled with mega cities looking for solutions for municipal waste management, co-processing of waste for use as RDF is expected to get greater traction in future.

17.3 Controlling Emissions

During the year, the Company achieved 100% compliance to New Emission Regulations for cement plants by implementing various primary and secondary measures. Brief details of these initiatives are given below:

Dust emission control

Various primary measures such as installation of Computational Fluid Dynamics (CFD) study in Electrostatic Precipitators (ESPs) along with up-gradation to 3 phase Transformer Rectifier sets, high frequency controllers and rapper panels on coolers etc were implemented. The above measures have together resulted in ensuring stack dust emissions in Cement Plants < 30mg/Nm³.

NOx emission control

Measures for NOx emission control comprising of CFD modeling, meal curtain and low NOx burners as primary measures and installation/commissioning of SNCR systems in all its Integrated Cement Plants as secondary measures have been implemented. This has resulted in ensuring compliance to NOx emissions as per new emission regulations.

SOx emission control

The Company's SOx emissions are well within the specified regulatory limits and do not require any emission control measures.

All the Company's Plants are required to have continuous online reporting of ambient air quality and process emission on a real time basis on the websites of regulatory authorities.

17.4 Circular Economy:

During the year, 6.05 million tonnes of flyash, 3.31 million tonnes of slag, 1.49 million tonnes of crushed rock fines and 0.37 million tonnes of alternative raw materials were consumed, thus providing sustainable and environmentally friendly solution for waste management.

17.5 Water & Nature:

Water conservation

In line with its SD 2030 Plan to become water positive, the Company continued its efforts in water conservation, particularly through the

creation of new water bodies, rehabilitating and replenishing existing water tables and to conserve fresh water through rain water harvesting in plants, mines, colonies and within the community in which the Plants operate.

During the year, ACC consumed around 2.23 million m³ of harvested rain water in cement operation which is almost 46% of total water consumption.

Biodiversity

This year, in its journey to conserve nature and preserve biodiversity, International Union for Conservation of Nature (IUCN) organization was invited to conduct capacity building program for environment and mining managers at the Plants to sensitize and train them in the use of Biodiversity Indicators & Reporting Systems (BIRS) for data analytics and planning. As per the SD 2030 Plan, the Company is committed to bring about a positive change on biodiversity by 2030 vis-a-vis the baseline of 2020. The baseline assessment has already been completed ahead of 2020 and action plan for biodiversity conservation is being firmed up in consultation with third party experts.

17.6 Green Building Centers (GBCs)

As part of the ongoing program to promote sustainable, green, cost effective and affordable construction in semi-urban and rural India, through Green Building centers, the Company supports local micro-entrepreneurs and small businesses to make and market affordable cement-based home building components and pre-fabricated materials. During the year, the Company has assisted in setting up 108 new Green Building Centers. These Green Building Centers have helped in utilization of 37,577 MT of Flyash, conservation of 81,416 MT of Earth's natural top soil and avoidance of 5,730 MT of CO₂ emission during the year. Further, through this initiative in all 27,769 low cost housing /shelters have been constructed till date.

Increased resources conservation through enhanced energy and water efficiency, use of renewable energy, minimization of waste etc., during the manufacturing process has contributed to the betterment of the environment.

17.7 Product Stewardship: Environment Product Declaration and Greenpro Certification

Your Company has been one of the first companies to manufacture eco-friendly products such as blended cements and it aims to strengthen its efforts towards environment protection, health and safety performance throughout the entire life cycle of its products. During the year 2018, your Company completed the process of assessing its impact across life cycles of its products through Environment Product Declaration (EPD) for all its cement and concrete products and published the EPDs. Your Company is the first in India to obtain certified EPDs for all its cement and concrete products. These EPDs can be used at National and International level to enhance the Green Building Rating. The Company has also obtained Greenpro certification for all the cement products.

18. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

ACC has structured its Social Development interventions through ACC Ayushmaan Trust (now known as ACC Trust after receipt of necessary approvals), in alignment with Global Sustainable Development Goals. Community development interventions undertaken in previous years continued with further vigour and widening of portfolio of projects, that included projects contributing to national vision of achieving 'Skilled India'.

Total CSR expenditure incurred by your Company during the year was ₹ 20.45 crore which was higher than the statutory limit. The CSR Projects of the Company mainly focused on the following broad thematic areas namely sustainable livelihood, quality education and Water, Sanitation and Hygiene (WASH) that are compliant with the Act and the relevant rules thereunder.

The Company's community development projects reached out to more than 4.79 lakh people residing in 185 villages across the country.

Initiatives taken by the Company to act as an enabler for creation of livelihood helped 17,034 farmers to enhance agricultural production through better methods of agriculture and animal husbandry. Company's employability linked skill development initiatives benefitted

~2,303 youth. ~132 Self Help Groups (SHGs) were supported for formation and institutional strengthening, while existing ~1,430 SHGs were provided with continued support for sustenance and bank linkages. Many SHGs have set up micro enterprises and formulated duly registered federations to achieve larger common good. Education initiatives in the vicinity of plants addressed needs of ~ 44,338 students during the year. Disbursement of Scholarships under the Company's VidyaSaarathi scheme which is an end-to-end online scholarship helped ~ 478 meritorious students from weaker sections of society across the districts in which the Company's units are located to get financial support to pursue their dream of better education. Modern methods of learning such as smart classes and interactive kiosks benefitted students in 53 rural schools. Efforts were made to provide education to ~ 1,380 girl children as part of the "ACC ki Laadli" project. Seven Government-run Industrial Training Institutes (ITIs) continued to receive support under the Public Private Partnership Scheme with Government of India.

Access to WASH is one of the goals of SD 2030 Plan to be achieved by 2030. The WASH pledge is an initiative by the World Business Council for Sustainable Development, an Organization led by CEOs of leading companies including LafargeHolcim Limited. The Company has assessed all its Plant sites for WASH and action plan has been drawn up. The Company's development initiatives for WASH benefitted a substantial cross-section of people. Over 12,581 children received access to better health and nutrition through support provided to 305 Anganwadi centres. ART Centers and STI Clinics supported by the Company provided counseling, testing and treatments for HIV/AIDS to more than 3000 persons. The Trust that was established in 2007 to support ACC's contribution to combat HIV/AIDs is now the major driver of ACC's CSR initiatives at plant locations across India.

The unprecedented rains and floods which ravaged many parts of Kerala in August 2018 resulted in massive loss of lives and destruction of Livelihood, property and infrastructure. Your Company immediately stepped in with resources,

manpower and logistics support to provide on-ground relief and rehabilitation to assist people and local authorities in the flood impacted areas. Along with contributions by the ACC Trust, ACC employees also donated one day's salary in this humanitarian effort. 18 ACC Information Kiosks were set up and 11 ACC Help vans were continuously deployed to help the victims.

The Company also extended support and provided relief in Gaja (Cyclone) affected areas of Tamil Nadu.

The Company's CSR Projects have been duly audited by a third party Social Audit team comprising of renowned experts from development sector, led by the Head of DOC Research Institute, Berlin. ACC remains the torch bearer for the Industry by undertaking Social Audit for the past four years and making the assessment report public.

The Company has been awarded accolades for its impactful CSR activities during the year.

The Company's CSR Policy as stated earlier is in alignment with the requirements of the Act. The CSR Policy Statement and Report on the activities undertaken during the year is annexed to the Board's Report as Annexure 'B'.

19. HEALTH & SAFETY (H&S)

The focus on health and safety (H&S) of employees and stakeholders continues. During the year, employees and workers were engaged in a meaningful interaction with the ultimate aim to build a culture at workplace where safety of life and property is considered as paramount. New safety standards were rolled out across the Organization. There was increased engagement of the Management with the employees and contract workers through safety campaigns, Department-wise "safety corner" meets. etc.

Recognizing that building H&S competencies within the Organization is the key to safe work environment, Hazard Identification & Risk Assessment (HIRA) workshops were conducted for the employees with a view to equip them to recognize the hazards and risks associated with a given task and take preemptive action(s).

The initiatives, "More Boots on the Ground" and "Visible Personal Commitment" were pursued vigorously during the year. These initiatives reinforce the visible personal commitment of senior management towards promoting safety culture at workplace through role modeling, handholding, counseling and imparting shopfloor training to workers in safe work practices.

Under the Health & Safety Improvement Plan (HSIP) 2018, onus was placed on the Top Management to engage with employees and workers to bring about improvements in areas such as H&S leadership & accountability, road safety, health, contractor safety management, strengthening frontline safety behavior, building people capability & engagement etc. All these initiatives resulted in an overall improvement in safety performance in 2018.

During the year, all cement and RMX plants were audited for Health and Safety Management system to provide assurance on the implementation and effectiveness of these systems and processes as per LafargeHolcim Group's defined protocol. For further strengthening the audit process, an online audit website has been developed and launched.

Process Safety Management (PSM) program was launched by the group in February 2018. Pursuant thereto, PSM champions were identified from Techport and Plants for auditing the following important areas in the manufacturing process viz. Traditional Fuel, Hot Meal, Electrical Safety and Quarry & Slopes. PSM audit has been completed for all sites and action plan implementation is in progress. Audits for diesel tank safety were carried out across the Company in April, to control liquid fuel associated hazards.

The Company has been receiving valuable inputs and support on H&S related matters from LafargeHolcim, the ultimate holding company. Global H&S Safety Days were celebrated from 14th – 25th May'18 on the theme "I improve health and safety every day in my workplace". As part of the safety celebrations, several events and activities were organized across all Plants covering management staff, SFA and contractors with focus on building people capabilities in the area of safety.

The practice of sharing key learning from all onsite LTIs and critical incidents across all Plants to avoid repeat of similar incidence at other locations, has been introduced as per group requirements. It is proposed to widen the knowledge sharing base across all LH Group Plants.

The Suraksha Laher campaign in 2018, was designed to focus on 'Safe Work Planning'. As part of this campaign awareness training was provided on topics like job risk assessment, work permits, preparation of work method statement, review of SOP etc.

Health

During the year, Industrial Hygiene survey was conducted at Jamul, Bargarh and Tikaria as per Group template. Further, a Lifestyle Management Program was also launched during the year. Employees having moderate to severe health risks are being regularly monitored and provided health assistance, and significant reduction in health risk was observed. "Click2Health" an online health management system has been launched on the Company's intranet portal for managing health care and for OPD treatment. Protect your ear, a hearing conservation program was launched across the Company.

A workshop was organized for promoting Health and Safety in schools and teachers from all ACC aided schools participated in the workshop. This is a unique initiative to make a positive impact with respect to health and safety behavior in children in the hope that this in turn would get reflected in the health and safety behavior of the employees.

Logistics Safety

The focus on road safety continues. In order to demonstrate logistic safety commitment, the "ACC Road Safety Policy" was rolled out and widely circulated at the Plants and drivers were educated in regard to the same.

The Driver Management Centers set up by the Company at all Plant locations provided valuable support for driver training and counseling. Multiple activities from Defensive Driver Induction (DDI) for first trip driver to Defensive Driving Course (DDC), in-cab assessment, tool box talks, JRM briefing were carried out through these Driver Management Centers.

During the year, Transport Analytics Center (TAC) was set up as a nodal point for monitoring the driving patterns of the drivers through 'In Vehicle Monitoring System' (iVMS) and provide counselling to the drivers on safe methods of driving. The installation of iVMS in the trucks was also accelerated in order to bring more vehicles within the ambit of TAC monitoring and counseling.

In-Camera counseling for drivers was launched across all plants. In respect of vehicles yet to be installed with iVMS, camera installed in the driver's cabin serves to record the journey behavior of the drivers which is later used for driver counselling. Blind spots being a major area of safety concern were identified during the year and safety measures were taken to eliminate the chances of an accident. In addition, a video recording on negotiating blind spot safely was shown to the drivers, employees and their family members.

"Anti toppling devices" were fitted in Transit Mixers to prevent accidents caused by roll-over of mixers.

"Star Warehouse Program" which was launched last year to improve safety standards in warehouse operations continued during the year.

20. HUMAN RESOURCES

Your Company believes that its employees are its core strength and accordingly development of people and providing a 'best-in-class' work environment is a key priority for the Organisation to drive business objectives and goals. Robust HR policies are in place which enables building a stronger performance culture and at the same time developing current and future leaders.

20.1 People for tomorrow

Among the many employee development and training programmes, the 'People for Tomorrow' (PFT) programme is designed to ensure a pipeline of talent which is groomed for succession planning for critical roles within the Organization. The Programme which is specifically designed for manufacturing teams, facilitates an understanding of the business by employee, while at the same time helps the management in assessing and bridging competency gaps for critical role holders thereby ensuring a higher level of employee performance. This in turn translates into better business performance

20.2 Creating a new performance culture

Performance for the Company is the sum total of value creation within the Organization. The leadership focus is such that performance is measured on a continuous basis and performance culture is driven to make every month a successful month. The significant overall improvement in the performance of the Company during the last two years is a testimony to the leadership and management focus on this performance driven culture which has resulted in highly engaged and motivated teams.

20.3 Taking employee engagement to next level

ACC has a rich legacy of nurturing and promoting talent from within the Organization thereby creating a healthy and vibrant work culture across the Company.

“Innovate to Excel” is one such engagement forum which engages employees at a national level competition across all locations to showcase their innovative ideas and skills. This platform challenges employees to question status-quo at the work place and to take a leap of faith towards our journey of innovation.

Several cultural and social programmes are organised within the Company to recognise and promote talent which goes a long way in fostering camaraderie among employees and promotes a sense of belonging in the Organization.

20.4 Industrial Relations

The Company enjoyed harmonious industrial relations during the year. The robust employee relation practices, a collaborative approach to working and vibrant work culture has created a win-win situation for both employees and the Organization. This caring spirit has gone a long way in maintaining a harmonious environment across all Units.

20.5 Prevention of Sexual Harassment of Women at the Workplace

The Company is an equal opportunity provider and continuously strives to build a work culture which promotes the respect and dignity of all employees across the Organization. In order to provide women employees a safe working environment

at workplace and also in compliance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, the Company has formulated a well defined policy on prevention, prohibition and redressal of complaints relating to sexual harassment of women at the workplace. All women who are associated with the Company—either as permanent employees or temporary employees or contractual persons including service providers at Company sites are covered under the above policy. The said policy has been uploaded on the internal portal of the Company for information of all employees.

An Internal Complaint Committee (ICC) has been set up comprising of three female and one male employee. One of the female employees is the Chairperson and a male employee is the Secretary of the Committee. There is one external member on the Committee who is a specialist in dealing with such matters. Apart from the above, there is one nodal person in each unit to receive and forward complaints either to the First Instance Person (FIP) who is a woman or directly to the Committee.

The Committee Members and employees are sensitized from time to time on matters relating to prevention of sexual harassment. Awareness programmes are conducted at unit levels to sensitize the employees to uphold the dignity of their female colleagues at workplace. The Company also promotes e-learning for the employees to cover various aspects of the subject matter.

No complaints pertaining to sexual harassment of women employees from any of the Company's locations were received during the year ended December 31, 2018.

21. INNOVATION

The Company continues with its endeavour to be an innovative and a responsive Organization aligned with its objective to cater to customer needs and optimizing existing and future growth. The thrust on experimenting with new ideas and creating new prototypes is the backbone of the innovation journey and has led to the development of several breakthroughs in cement and concrete applications over the years. More recently the Company has made forays into the

leak-proof market and widened its portfolio of value-added varieties of cement and concrete for special and customized applications. To better its best, the Company has developed with its unique blend of ingredients and cutting edge technology, premium range of products. The spirit of innovativeness has reaped significant benefits and 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. LafargeHolcim has been extremely supportive in the aforesaid areas by lending their expertise.

22. BUSINESS RISKS & OPPORTUNITIES

The Company has a robust governance structure with well defined roles and responsibilities for each vertical. This helps in identifying and managing business risk in a proactive manner and at the same time empowers the management to encash business opportunities.

The governance structure *inter alia* includes a comprehensive framework for strategic planning, implementation and performance monitoring of the business plan which *inter alia* includes a well-structured Business Risk Management (BRM) process. With a view to systematically identify risks and opportunities and monitor their movement, a heat map has been designed comprising of 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. This structured process in identifying risks supports the Executive Committee in strategic decision-making and development of detailed mitigation plans. The identified risks are then integrated into the Company's Planning Cycle which is a rolling process to *inter alia* periodically review the movement of the risks on the heat map and the effectiveness of the mitigation plan.

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

Raw Material Risk

Fuel: During the year, the Company was adversely impacted by steep rise in energy cost. Cement

manufacturing is an energy intensive process and there is high dependence on Coal and pet coke, which form the principal fuels in production of thermal energy.

Limited availability of domestic coal due to prioritization on allotment of coal to the power sector and resultant reduction in rake availability by the Railways to the non-power sector impacted the availability of coal, thereby hardening the fuel prices. There was also significant increase in Petcoke prices during the year.

More than 5 million tonnes of coal and pet coke are required each year by the Company to meet the requirements of its kilns and captive power plants. The volatility of fuel prices in the international markets coupled with uncertainty over availability of domestic and linkage coal continue to pose challenges in regard to coal availability and pricing to the cement industry as well as the Company.

Against this backdrop, the Company has taken various initiatives and proactive measures which have translated into improved manufacturing performance, and have helped in softening the aforesaid cost pressures. Improved fuel mix at selected plants, progressive increase in the usage of Alternative fuels, firming up contracts for part of the volume and balance on the spot to capitalize on opportunities, spreading out purchases throughout the year, are some of the measures adopted by the Company to balance out the impact of the inflationary costs.

Raw Materials: Limestone being one of the primary raw materials used in the manufacture of cement, it is imperative for the Company to ensure its uninterrupted long-term availability.

As per the Mines and Minerals (Development & Regulation) Amendment Act 2015 (MMDR), mining 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 existing period of renewal, whichever is later. Going forward the new mining leases will be allotted for a period of fifty years through fresh auctions.

Most of the Company's mining leases extend up to March 31, 2030 thereby ensuring adequate

limestone reserves to cater to the requirements of its plants till the said date, whereafter the Company will have to participate in auctions.

To address the above risks, the Company has taken various measures to augment resources by initiating the process for conversion of its prospecting licenses into mining leases. The Company is also participating in auctions with a view to securing new mining leases for its existing plants as well as for its expansions at different locations. Bearing in mind that limestone is a gradually depleting natural resource, and to ensure prudent usage of the mineral in the manufacture of cement, higher percentage of additives are used which enable consumption of the low grade limestone, without compromising on the quality and thereby conserving the mineral and increasing the life of the mine.

Forest and Wild Life clearances are a pre-requisite for mining activities. Further, land acquisition is also becoming more challenging and expensive. The Management is taking adequate steps to put in place robust processes for obtaining fresh Environmental Clearances, wherever necessary.

As mentioned earlier, slag prices hardened during the year on account of spurt in demand coupled with shortage caused by wagon non-availability. In order to minimize the impact of the inflating slag prices, the Company has diverted its focus to composite cement.

Market Competition: The cement industry is witnessing a significant imbalance in its total installed capacity vis-a-vis the capacity utilization which presently is ~75%. Despite the capacity overhang, capacity expansion still continues, resulting in intense competition and adverse impact on the Company's market share, sales volume and profitability.

Efforts are also being made by the Company to widen the product portfolio by increasing the share of its premium products in retail segment, application based products and value added products and services to B2B segment.

Cyber Security: With increased reliance on IT systems and the widespread usage of internet for doing business there is a constant threat to the

Company's sensitive data assets being exposed to unethical hacking and misuse. The ramifications from cyber attacks may not only be confined to mere loss of data but may result in business and reputation loss.

The Company's IT systems are fully geared to meet the threat of "DDOS" attacks which are highly probable. The Indian Government having recognized the cyber risks, has also introduced tighter Cyber Security laws. Responsibilities have been entrusted to the Directors of the Company under the Companies Act, 2013 to take appropriate steps to ensure cyber security.

ACC's Business Landscape presents a large surface for a possible attack in view of its vast and disparate network spread across many remote locations, with complex IT and OT environment. There is however a strong firewall and well established Disaster Recovery System within the LafargeHolcim Group. Most of the hardware and software have been mapped. The Company's cyber security management framework aligns with industry standards and regulations. LafargeHolcim has launched a robust programme on cyber security called "Zenith". This programme is aimed to facilitate LH Group Companies stay abreast and vigilant against possible cyber attacks and remain a step ahead by taking immediate remedial action.

The Company has adequate processes and systems in place to review on a regular basis the cyber security risks. The Risk Management Committee of the Board is appraised of steps taken to mitigate cyber security risks.

Legal Risks: The risks arising out of pending legal cases are reviewed on a regular basis by the Compliance Committee of the Board from the perspective of probability of imposition of heavy penalty or receiving adverse orders which could have a high financial and/or reputational impact on the Company. All important cases are closely monitored by the Company and a broad strategy is outlined for effective management of litigation related risks. The appointment of external legal counsels has also been rationalized based on the risk associated with the matter, and keeping in mind the cost of litigation. The Company is in

the process of developing a well defined system which not only tracks the status of all pending litigations but also provides updates on latest jurisprudence in matters similar to those of the Company.

With a view to minimize the risks arising from inadvertent non-compliances with Competition laws continuous and rigorous Fair Competition training sessions are conducted and e-learning modules are rolled out across the Company for relevant employees particularly those in sales and purchase functions. The processes of the Company are subject to both internal and external audits to identify any gaps which could lead to potential violation of competition law. The Commercial documentation/ directive is also reviewed from time to time and strengthened as and when required.

23. INTERNAL CONTROL SYSTEMS

23.1 Internal Audit and its adequacy

The scope and authority of the Internal Audit function is defined in the Internal Audit Charter. With a view to maintain independence and objectivity in its working, the Internal Audit function reports directly to the Audit Committee.

At the beginning of each Financial Year, a risk based annual audit plan is rolled out after the same is approved by the Audit Committee. The Audit Plan is aimed at evaluation of the efficacy and adequacy of internal control system and compliance thereof, robustness of internal processes, policies and accounting procedures, compliance with laws and regulations. Based on the reports of internal audit function, process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

23.2 Internal Controls Over Financial Reporting (ICFR)

The internal financial controls within the Company are commensurate with the size, scale and complexity of its operations. The controls were tested during the year and no reportable material weaknesses either in their design or operations were observed. The Company has robust policies and procedures which, *inter alia*, ensure integrity in conducting its business, safeguarding of its

assets, timely preparation of reliable financial information, accuracy and completeness in maintaining accounting records and prevention and detection of frauds and errors.

24. VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Company has over the years established a reputation for doing business with integrity and displays zero tolerance for any form of unethical behavior. "EthicalView Reporting Policy" (EVRP) is the vigil mechanism instituted by the Company to report concerns about unethical behavior in compliance with the requirements of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as SEBI Listing Regulations). The Audit Committee of the Board oversees the functioning of this policy. Protected disclosures can be made by a whistle blower through several channels to report actual or suspected frauds and violation of Company's Code of Conduct and/or Ethics Policy. Details of the EthicalView Reporting Policy have been disclosed on its Company's website -<http://www.acclimited.com/assets/new/pdf/ethicalview-reporting-policy.pdf>

During the year, the Company reached out to employees through e-learning modules and face-to-face training sessions for creating greater awareness with respect to the Company's' Anti Bribery and Corruption Directive (ABCD) This has helped in achieving a high level of engagement and compliance among the employees.

25. SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANIES

25.1 SUBSIDIARIES

Bulk Cement Corporation (India) Limited (BCCI)

During the year under review, the revenue from operations of BCCI increased to ₹ 18.76 crore in 2018 compared to ₹17.27 crore in 2017. The Profit before tax before considering exceptional items for the year 2018 was ₹ 3.39 crore as against ₹ 2.88 crore in the year 2017.

ACC Mineral Resources Limited (AMRL)

ACC had entered into a Joint Venture with Madhya Pradesh State Mining Corporation Limited (MPSMC) for development of four coal blocks allotted to MPSMC by the Government of

India through its wholly owned subsidiary ACC Mineral Resources Limited. Consequent upon the cancellation of the allocation of all coal blocks including the four coal blocks allotted to MPSMC by the Government of India as per the Orders of the Supreme Court passed in September 2014, AMRL does not have any business activity and correspondingly did not have any operating income during the period under review.

OTHER SUBSIDIARIES

The Company has three other Subsidiary Companies having limestone deposits, viz. Lucky Minmat Limited, National Limestone Company Private Limited and Singhanian Minerals Private Limited. Singhanian Minerals Private Limited is operational, while the other two companies are not operational.

25.2. MATERIAL SUBSIDIARIES

None of the subsidiaries mentioned in para 25.1 above is a material subsidiary as per the thresholds laid down under the SEBI Listing Regulations.

The Board of Directors of the Company has approved a Policy for determining material subsidiaries in line with the SEBI Listing Regulations. The Policy is also being revised effective from April, 1, 2019 in line with the amendments made to the SEBI Listing Regulations. The Policy has been uploaded on the Company's website at:

<http://www.acclimited.com/assets/new/pdf/CG/Determiningmaterialsusidiaries.pdf>

25.3 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 processes.

Your Company also has a Joint Venture with Aakaash Manufacturing Company Private Limited, for manufacture and supply of ready mix concrete. As on December 31, 2018, the following is the list of Associate Companies:

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

26. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company for the year 2018 are prepared in compliance with the applicable provisions of the Act including Indian Accounting Standards specified under Section 133 of the Act. The audited consolidated financial statements together with the Auditors' Report thereon form part of the Annual Report.

Pursuant to Section 129(3) of the Act, 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.

The Financial Statements of the subsidiaries, associates and joint venture companies are available for inspection by the Members at the Registered Office of the Company pursuant to the provisions of Section 136 of the Act. 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.

27. DIRECTORS & KEY MANAGERIAL PERSONNEL

27.1 Changes in Directorate

The Independent Directors of the Company have been appointed by the shareholders at the Extra Ordinary General Meeting held on September 10, 2014 for a term of five years from their respective dates of appointment as per the requirements of the Act and the SEBI Listing Regulations. The appointments of Mr Shailesh Haribhakti, Mr Sushil Kumar Roongta, Mr Ashwin Dani and Mr Farrokh Kavarana were effective from July, 24, 2014 while those of Mr Arunkumar Gandhi and Ms Falguni Nayar were effective from April, 24, 2014.

Pursuant to the Company's Succession policy applicable to the directors which provides that a person shall not be eligible for appointment as a director of the Company upon attaining the age of seventy five years. Mr Ashwin Dani, Mr Farrokh

Kavarana and Mr Arunkumar Gandhi have attained or will attain the age of seventy five years during their current tenure of appointment and have expressed their inability to seek re-appointment from the conclusion of the forthcoming Annual General Meeting.

The Board of Directors has placed on record its sincere appreciation for the rich contribution made by Mr Ashwin Dani, Mr Farrokh Kavarana and Mr Arunkumar Gandhi during their tenure of association as Independent Directors.

Considering the above, it is proposed to appoint Mr Damodarannair Sundaram, Mr Sunil Mehta and Mr Vinayak Chatterjee as Independent Directors with effect from the conclusion of the forthcoming Annual General Meeting for a period of five consecutive years subject to their appointment being approved by the Members. All the above named persons have given their consent for the appointment and have confirmed that they are not in any way disqualified from being appointed as directors. They have also given their confirmation with regard to their independent status vis-à-vis the Company.

The persons identified for appointment are persons of pre-eminence and the Board feels that it would be enriched further by their induction as Independent Directors. Detailed profiles of the above named persons setting out their accomplishments are appended to the Explanatory Statement accompanying the Notice for the Annual General Meeting. The Company has received notices from a Member under Section 160 of the Act proposing their candidature for appointment as Directors and the Nomination and Remuneration Committee as also the Board of Directors have recommended their appointment.

Approval of the Members by ordinary resolutions for appointing the aforesaid persons as Independent Directors for a term of five consecutive years has been sought in the Notice convening the Annual General Meeting of the Company. (Please refer to Item Nos. 8, 9 and 10 of the Notice).

Mr Shailesh Haribhakti, Mr Sushil Kumar Roongta and Ms Falguni Nayar upon completion of their first term of appointment as Independent Directors during the current year are eligible

for re-appointment for another term of five consecutive years subject to approval of the Members by special resolution. The said Directors have given their consent for re-appointment and have confirmed that they still retain their status as Independent Directors and that they do not suffer from any disqualifications for appointment. The proposal for their re-appointment is based on the evaluation of their performance carried out by the Board other than the persons evaluated.

The Company has received notices under Section 160 of the Act, from a Member proposing the re-appointment of Mr Shailesh Haribhakti, Mr Sushil Kumar Roongta and Ms Falguni Nayar as Independent Directors of the Company. Approval of the Members by special resolutions for appointing the aforesaid persons as Independent Directors for a further term of five consecutive years has been sought in the Notice convening the Annual General Meeting of the Company. (Please refer to Item Nos. 5, 6 and 7 of the Notice).

27.2 Directors liable to retirement by rotation

The Independent Directors hold office for a fixed period of five years from the date of their appointment and are not liable to retire by rotation. Out of the remaining 5 Non-Executive/ Non-Independent Directors, in accordance with the provisions of the Act and the Articles of Association of the Company, Mr N. S Sekhsaria and Mr Christof Hassig being longest in office retire by rotation and being eligible, offer their candidature for re-appointment as Directors.

27.3 Board Effectiveness

a. Familiarization Program for the Independent Directors

The Company has over the years developed a robust familiarization process for the newly appointed Directors with respect to their roles and responsibilities, way ahead of the prescription of the regulatory provisions. The process has been aligned with the requirements under the Act and other related Regulations. This process inter-alia includes providing an overview of the Cement Industry, the Company's business model, the risks and opportunities 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

The Board has carried out its annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration, Risk Management and Compliance Committees as mandated under the Act and SEBI Listing Regulations. The criteria applied in the evaluation process are explained in the Corporate Governance Report.

27.4 Key Managerial Personnel

The following are the Key Managerial Personnel of the Company in terms of the provisions of the Act read with The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as on December 31, 2018:

- Mr Neeraj Akhoury, Managing Director & Chief Executive Officer
- Mr Sunil Nayak, Chief Financial Officer
- Mr Ramaswami Kalidas, Company Secretary & Head Compliance

27.6 Remuneration Policy and Criteria for selection of candidates for appointment as Directors, Key Managerial Personnel and Senior leadership positions

The Company has in place a policy for remuneration of Directors, Key Managerial Personnel and Members of the Executive Committee (ExCo) as well as a well-defined criteria for the selection of candidates for appointment to the said positions which has been approved by the Board. The Policy broadly lays down the guiding principles, philosophy and the basis for payment of remuneration to the executive and non-executive Directors (by way of sitting fees and commission), Key Managerial Personnel and ExCo. The criteria for selection of candidates for the above positions cover the various factors and attributes which are considered by the Nomination & Remuneration Committee and the

Board of Directors while making a selection of the candidates. The above policy alongwith the criteria for selection is available at the website of the Company at http://www.acclimited.com/assets/new/pdf/CG/Policy_remuneration_selection_for_appointment.pdf

28. MEETINGS

28.1 Board Meetings

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

28.2 Audit Committee

The Audit Committee comprises five members. The Chairman of the Committee is an Independent Director. The Committee met six 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.

28.3 CSR Committee

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

29. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Company has developed a Related Party Transactions Manual and Standard Operating Procedures for the purpose of identification and monitoring Related Party transactions.

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 foreseeable and of a repetitive nature. The transactions entered into pursuant to the approvals so granted are subjected to audit and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors on a quarterly basis. The statement is supported by a certificate from the CEO & MD and the CFO.

The policy on Related Party Transactions as approved by the Board of Directors has been uploaded on the Company's website and can be seen at the link <http://www.acclimited.com/assets/new/pdf/CG/PolicyonRPT.pdf> All transactions entered into with related parties during the year were on arm's length basis and were in the ordinary course of business. The details of the material related party transactions entered into during the year as per the policy on Related Party Transactions approved by the Board have been reported in Form AOC 2 annexed to the Directors' Report as Annexure 'C'.

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

30. TRANSFER OF EQUITY SHARES UNPAID/UNCLAIMED DIVIDEND TO THE INVESTOR EDUCATION AND PROTECTION FUND

In line with the statutory requirements, the Company has transferred to the credit of the Investor Education and Protection Fund set up by the Government of India, equity shares in respect of which dividend had remained unpaid/unclaimed for a period of seven consecutive years within the time lines laid down by the MCA. Unpaid/unclaimed dividend for seven years of more has also been transferred to the IEPF pursuant to the requirements under the Act.

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

Complaint filed under the Competition Act by the Builders Association of India against cement manufacturers - Appeal before the Supreme Court of India

As reported in detail in reports of earlier years, a penalty of ₹ 1,147.59 crore was levied on the Company by the Competition Commission of India based on a complaint filed by the Builders' Association of India for alleged violation of the provisions of the Competition Act.

The National Company Law Appellate Tribunal (NCLAT) vide its judgment dated 25th July 2018, has dismissed the appeal of the Company upholding the levy of penalty of ₹1147.59 crore as imposed by the Competition Commission of

India vide its Order dated 31st August 2016. The NCLAT initially vide its Order dated 7th November 2016 had stayed the operation of the CCI's Order subject to deposit of 10% of the penalty amount.

The Company has preferred an appeal before the Hon'ble Supreme Court against the above Order of NCLAT. The Hon'ble Supreme Court vide its Order dated 5th October 2018, has admitted the Company's civil appeal and ordered for continuance of the interim orders passed by NCLAT towards stay on the demand subject to deposit of 10% of the penalty amount. The matter is still subjudice.

As at December 31, 2018, the penalty amount of ₹ 1147.59 crore and interest thereon has been disclosed as a contingent liability in the Notes to Financial Statements.(Refer Note –40(A)(a)).

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

The Director, Supplies & Disposals, State of Haryana had filed a complaint before CCI alleging collusion and bid rigging by cement manufacturers in violation of Section 3(1) and 3(3)(d) of the Competition Act. 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 to 2014-15. In respect of the Company, the amount of penalty works out to ₹ 35.32 crore.

An Appeal is pending before NCLAT in the said matter against the Orders of the Competition Commission of India.

As at December 31, 2018, the penalty amount of ₹ 35.32 crore is disclosed as a contingent liability in the Notes to Financial Statements.(Refer Note 40(A)(b)).

Reference is drawn to the 'Emphasis of Matter' by the Auditors in their reports on the above matters.

32. AUDITORS

32.1 Statutory Auditor

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (ICAI Firm Registration Number 117366W/W-100018) were appointed as Statutory Auditor of the Company at the 81st Annual General Meeting held on

March 29, 2017 to hold office from the conclusion of the said Meeting till the conclusion of the 86th Annual General Meeting to be held in 2022 subject to ratification of their appointment by the Members at every intervening Annual General Meeting held thereafter. The requirement of seeking ratification of the members for continuance of their appointment has been withdrawn consequent upon the changes made by the Companies (Amendment) Act, 2017 with effect from May 07, 2018. Hence the resolution seeking ratification of the members for their appointment is not being placed at the ensuing Annual General Meeting.

32.2 Cost Auditor

M/s D C Dave & Co., Cost Accountants (Firm Registration No 30611), have been appointed as Cost Auditor of the Company for the year 2018 under Section 148 of the Act read with The Companies (Cost Records and Audit) Amendment Rules 2014.

M/s D C Dave & Co have confirmed that they are free from any disqualifications as specified under the Act. They have further confirmed their independent status.

The remuneration payable to the Cost Auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, Resolution seeking Members' ratification for the remuneration payable to M/s D C Dave & Co, Cost Auditor is included at item No.11 of the Notice convening the Annual General Meeting.

32.3 Secretarial Auditor

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

33. AWARDS

During the year under review, your Company received numerous awards and accolades which were conferred by reputable organizations and

distinguished bodies for achievements in diverse fields such as Health & Safety, Manufacturing and Environment Management, Corporate Governance, etc.

Corporate Excellence

- CII-ITC Sustainability Awards 2018 - Received the highest recognition for 'Outstanding Accomplishment', under Corporate Excellence category.

Business and Financial Reporting Excellence

- Institute of Chartered Accountants of India (ICAI) - Awarded a plaque 'Commended Annual Report in Category VII - Manufacturing and Trading Sector (Turnover equal to ₹ 3000 crore or more)' for Excellence in Financial Reporting.

Corporate Social Responsibility

- The Government of Odisha awarded ACC the 'Most Innovative CSR Project' for VidyaUtkarsh, at the Make in Odisha Conclave 2018 in Bhubaneswar, in recognition towards creating a social, environmental and economic value for its host Communities in Odisha.
- Indywood CSR Excellence Award 2018 in the category of Best CSR practices in Promoting Biodiversity.
- Lakheri plant was awarded the CSR Health Impact Award - Bronze, for the Women and Child Health Initiative category.
- 'Golden Peacock Award for Corporate Social Responsibility' at the 12th International Conference on Corporate Social Responsibility (CSR) held in Bengaluru.

Environment & Sustainability

- 5 Star rating by the Ministry of Mines for Sustainable Development to Govari Limestone Mines in Chanda, Mehgaon and Bamangawan Mines in Kymore and Jamul Limestone Mines.
- Gagal Plant won 'Sustainability 4.0 2018 award' instituted by Frost & Sullivan and The Energy and Resources Institute (TERI) for continuous improvement in the field of Sustainable Development in the category 'Leaders Award-Large Business Process Sector'. Sustainability 4.0 awards

is designed to honour the efforts made by the companies who actively integrate sustainability principles into their business culture.

- The Company was awarded the GreenPro certification for ACC Suraksha Power, ACC Concrete+ Xtra Strong, ACC HPC Long Life, ACC Gold Water Shield and ACC F2R Superfast products by the Confederation of Indian Industries (CII) at the 14th Green Cementech conference.
- Thondebhavi Plant was recognised as an Energy Efficient Unit by the Confederation of Indian Industry (CII) at the 19th National Award function for Excellence in Energy Management 2018.
- Kymore, Jamul and Wadi Plants were recognised as 'Excellent Energy Efficient Unit' by the Confederation of India Industry (CII) at the 19th National Award function for Excellence in Energy Management 2018.
- Jamul Plant was awarded 1st Runner-Up in Large Scale Category at the Confederation of Indian Industry (CII) Energy Conservation (encon) Awards function 2018.
- Thondebhavi Plant won the 1st Prize in Energy Excellence in Grinding Unit category at the Quality Circle Forum of India (QCFI), Hyderabad Chapter awards, in collaboration with Cement Manufacturers Association (CMA), National Council for Cement and Building Materials (NCCBM) and Cement Sustainability Initiative.
- Jamul Plant won the 1st Prize in Energy Excellence in Integrated Unit category at the Quality Circle Forum of India (QCFI), Hyderabad Chapter awards, in collaboration with Cement Manufacturers Association (CMA), National Council for Cement and Building Materials (NCCBM) and Cement Sustainability Initiative.
- Wadi Plant won the 1st Prize in Alternate Fuels and Raw Materials Excellence and 2nd Prize in Environment Excellence at the Quality Circle Forum of India (QCFI), Hyderabad Chapter awards, in collaboration with Cement Manufacturers Association

(CMA), National Council for Cement and Building Materials (NCCBM) and Cement Sustainability Initiative.

- ACC was conferred with the prestigious 'Yes Bank Natural Capital Award 2018' in the 'Eco-Corporate category under Manufacturing Sector' for its sustainability initiatives.

Manufacturing

- At the Mines Environment and Mineral Conservation Week (MEMCW) celebrated in Dehradun, Gagal Plant won the 1st Prize in Overall Performance, Mineral Conservation, Scientific Development of Mines, Sustainable Development and Afforestation and the 2nd prize in Air and Water Monitoring.

Communication

- Awarded Silver Prize in the Environmental Communications category for Sustainable Development Report 2017 at the 58th ABCI Annual Awards.
- Awarded Bronze Prize in the Social Responsibility Communications category for Muskaan – an animated film on female infanticide at the 58th ABCI Annual Awards.
- Awarded Bronze Prize in the External Magazines category for the Indian Concrete Journal at the 58th ABCI Annual Awards.

Corporate Governance

- ACC won the Golden Peacock Award for Excellence in Corporate Governance for the year 2018 at the 18th Annual London Global Convention on Corporate Governance & Sustainability and Global Business Meet in London.
- Awarded a Certificate of Recognition for Excellence in Corporate Governance by the Institute of Company Secretaries of India (ICSI).

Corporate

- Awarded the title of the 'Third Fastest Growing Company – Large Category 2017-18' (Cement Category) at the Third Indian Cement Review Awards, held at the 10th Cement Expo.

Health & Safety

- Chaibasa Plant won the award for 'OSH Innovation Award–Employee Awareness–Reactive' for the implementation of In-Cab assessment for drivers and counselling on critical driving behaviours during an assessment on harsh acceleration, harsh brakes, over speeding and harsh manoeuvres.
- Lakheri Plant won the award for 'OSH Innovation Award–Employee Awareness–Proactive' for the implementation of Proactive analysis of GPS data and counselling through Driver Management Centres, which resulted in a lower incidence of road accidents and an increase in the percentage of safe kilometres at the Occupational Safety and Health (OSH) India Awards 2018.
- ACC was adjudged winner of 'Innovation in OSH–Safety implementation–Proactive' for its implementation of In-Cab camera in truck - a tool used to identify behavioural aspects of truck drivers of truck drivers in response to highly dynamic traffic conditions at the Occupational Safety and Health (OSH) India Awards 2018.
- Thondebhavi Plant received the prestigious Greentech Safety Award 2018 in the 'Gold Category,' in the Cement sector for 'Outstanding Achievements in Safety Management,' at the 17th Annual Greentech Safety Award.
- Jamul Plant won the 'Rio Tinto Health & Safety Award – for Opencast Mines' (2017-2018) for their exemplary performance in implementation of safety management systems and safe work culture.

34. ENHANCING SHAREHOLDERS VALUE

Our commitment is to create and return value to shareholders. Accordingly, your Company is committed to achieving high levels of operating performance, cost competitiveness, enhancing the productive asset and resource base and striving for excellence in all areas of operations. Your Company firmly believes that its success in the market place and good reputation are among the

primary determinants of value to the shareholder. Our close relationship with customers and an understanding of their challenges drive the development of new products and services. With our expertise and know-how, we aim to offer our customers solutions that enhance their projects and build trust in our partnerships. Beyond these solutions, our market growth activities are focused on creating new channels to serve our customers more effectively. Innovation is present not only in our products and services, but also in the way we execute growth opportunities. Anticipating customer needs early and being able to address them effectively requires a strong commercial backbone. At ACC, we are developing this strength by institutionalizing sound commercial processes and building world-class commercial capabilities across our marketing and sales.

Your Company is also committed to creating value for its other stakeholders by ensuring that its corporate actions positively impact the economic, societal and environmental dimensions of the Triple Bottom Line.

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 Regulations.

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 Regulations.

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 Act read with Rule, 8 of The Companies (Accounts) Rules, 2014 is provided in Annexure 'E' to the Directors' Report.

38. 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 'F' 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 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. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

39. ANNUAL RETURN

The Annual Return of the Company has been placed on the website of the Company and can be accessed at http://www.acclimited.com/newsite/annualreport2018/Form_MGT_7.pdf

40. COMPLIANCE WITH SECRETARIAL STANDARDS

The Board of Directors affirms that the Company has complied with the applicable Secretarial Standards issued by the Institute of Companies Secretaries of India (SS1 and SS2) respectively relating to Meetings of the Board and its Committees which have mandatory application.

41. 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 financial statements for the year ended December 31, 2018, 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, 2018, 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 Act 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.

42. INTEGRATED REPORTING

The Company being one of the top 500 companies in the Country in terms of market capitalization, as part of its voluntary initiatives, has drawn up its first Integrated Report which encompasses both financial and non-financial information to enable the Members to take well-informed decisions and have a better understanding of the Company's long term perspective. The Report also touches upon aspects such as Organisation's strategy, governance framework, performance and prospects of value creation based on the six forms of capital viz. financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital and nature capital. The Integrated Report for the year 2018 has also been hosted on the Company's website www.acclimited.com.

The Annual Report also carries a detailed section containing the "Business Responsibility Report". Since 2007, the Company has been publishing an annual Corporate Sustainable Development Report conforming to the guidelines of the Global Reporting Initiative. From the year 2014, these reports are based on the GRI G4 guidelines in

accordance with the “Comprehensive” option and have been externally assured.

43. ACKNOWLEDGEMENTS

The Directors 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.

44. 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 05, 2019