BOARD'S REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

TO THE MEMBERS OF
ACC LIMITED

The Directors take pleasure in presenting the Seventy Ninth Annual Report together with the audited financial statements for the year ended December 31, 2014. The Management Discussion and Analysis has also been incorporated into this report.

1. HIGHLIGHTS OF PERFORMANCE

- Consolidated income for the year increased by 5% to ₹ 11,995.42 Crore as compared to ₹ 11,431.10 Crore in 2013;
- Consolidated net sales for the year was ₹ 11,480.31 Crore as compared to ₹ 10,889.08 Crore in 2013, a growth of 5.4%;
- Consolidated profit before tax for the year was ₹ 1,119.54 Crore as compared to ₹ 1,213.64 Crore in 2013;
- Consolidated Profit after tax for the year was ₹ 1,161.82 Crore (including tax write back of ₹ 309.23 Crore) as compared to ₹ 1,094.67 Crore in 2013 (including tax write back of ₹ 216.74 Crore).

2. FINANCIAL RESULTS

	Consolidated ₹ Crore		Standalone ₹ Crore	
	2014	2013	2014	2013
Revenue from Operations(Net) and other income	11,995.42	11,431.10	12,006.49	11,435.28
Profit Before Tax (PBT)	1,119.54	1,213.64	1,135.20	1226.96
Provision for Tax	(31.13)	131.91	(33.09)	131.20
Profit After Tax (PAT)	1,161.82	1,094.67	1,168.29	1,095.76
Balance brought forward from previous year	4,158.74	3,845.79	4,175.87	3,861.83
Profit available for Appropriations	5,320.56	4,940.46	5,344.16	4,957.59
Appropriations:				
Interim Equity Dividend	281.62	206.52	281.62	206.52
Proposed Final Equity Dividend	356.72	356.72	356.72	356.72
Tax on Equity Dividends	119.18	95.72	119.18	95.72
Previous Year Tax on Equity Dividends	-	2.76	-	2.76
General Reserve	130.00	120.00	130.00	120.00
Surplus carried to the next year's account	4,433.04	4,158.74	4,456.64	4,175.87

The Company proposes to transfer an amount of ₹ 130 Crore to the General Reserves. An amount of ₹ 4,456.64 Crore is proposed to be retained in the Statement of Profit and Loss.

3. DIVIDEND

Your Directors are pleased to recommend a final dividend of ₹ 19/- per equity share of ₹ 10 each. The Company had distributed an interim dividend of ₹ 15/- per equity share of ₹ 10 each in August 2014. The total dividend for the year ended December 31, 2014 would accordingly be ₹ 34/- per equity share of ₹ 10 each. The total outgo for the current year amounts to ₹ 757.52 Crore, including dividend distribution tax of ₹ 119.18 Crore as against ₹ 658.96 Crore including dividend distribution tax of ₹ 95.72 Crore in the previous year.

During the year, the unclaimed dividend pertaining to the 69th dividend for the year ended December 31, 2006 and the 70th Interim dividend for the year ended December 31, 2007 were transferred to the Investor Education & Protection Fund after giving due notice to the Members.

4. SHARE CAPITAL

The paid up Equity Share Capital as on December 31, 2014 was ₹ 187.95 Crore. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. As on December 31, 2014, none of the Directors of the Company hold shares or convertible instruments of the Company.

5. FINANCE

Cash and cash equivalent as at December 31, 2014 was ₹ 1,686 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.

5.1 NON CONVERTIBLE DEBENTURES

During the year, the Non-Convertible Debentures aggregating ₹ 32 Crore were redeemed (₹ 125 Crore were bought back / redeemed in 2013). Accordingly all the debentures stand extinguished.

5.2 DEPOSITS

The Company had discontinued its fixed deposit scheme in the financial year 2001-02. Despite efforts to identify and repay unclaimed deposits the total amount of fixed deposits matured and remaining unclaimed with the Company as on December 31, 2014 was ₹ 0.02 Crore. The Company has not accepted deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014.

5.3 PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

6. ECONOMIC SCENARIO AND OUTLOOK

Indian economic growth in 2014 rose to ~5.2% from 4.7% last year as a result of the improving macro-economic situation. The wholesale and consumer price inflation has fallen to ~4.2% and 7.4% from last year's 6.3% and 10.1% on the back of a strong base effect. Falling oil prices, lower food and commodity prices and the proactive measures taken by the Government helped in containing inflation in 2014.

Contrary to expectations, agricultural growth was strong at ~4.5% in 2014. However, the slow pace of reforms, lack of impetus for infrastructure projects, high interest rates and tightening of fiscal policies adversely impacted the capital goods sector. Industrial production / output was also sluggish.

The low economic growth appears to have bottomed out and a gradual increase in economic activity is expected in 2015. The medium term to long term growth prospects look positive in view of the Government's determination to bring in reforms. For the year 2015, the economy is expected to grow at a higher rate than in 2014. The long term prospects for the economy is optimistic.

7. CEMENT INDUSTRY OUTLOOK AND OPPORTUNITIES

The Indian Cement Industry has an installed capacity of ~360 million tonnes and the domestic consumption in the calendar year 2014 was

~264 million tonnes. Cement consumption grew at the rate of ~6% in the calendar year 2014.

The overall cement demand is estimated to grow at the rate of 6% in 2015. The consumption growth may go beyond 6% if investment is made in the infrastructure segment. With the gradual reduction in fiscal deficits and Consumer Price Index, it is expected that the interest rates would gradually come down which would stimulate demand in the housing sector. The Company's continued focus on cost reduction, its thrust on increasing the sale of premium products and various other customer excellence initiatives should help in presenting an improved performance.

8. CEMENT BUSINESS – PERFORMANCE AT A GLANCE

	2014	2013	Change %
Production - million tonnes	24.24	23.86	1.59
Sales Volume - million tonnes	24.21	23.93	1.17
Sale Value (₹ Crore)	10,720.28	10,233.17	4.76
Operating EBITDA (₹ Crore)	1,473.13	1,609.19	-8.45
Operating EBITDA Margin (%)	13.74	15.73	

9. MARKET DEVELOPMENT

9.1 Volume

Domestic sales in 2014 increased by 1.5% to 24.14 million tonnes as compared to 23.80 million tonnes achieved in 2013. Cement exports in 2014 reduced to 0.07 million tonnes as compared to 0.13 million tonnes in 2013. Total cement sales (including exports) increased by 1.2% to 24.21 million tonnes as compared to 23.93 million tonnes achieved in 2013. The Company continues to focus on the Individual House Builder segment for higher profitability.

The sale volumes of premium products in 2014 was 2.73 MT as against 1.55 MT in 2013.

9.2 Selling Price

Selling price of cement improved by 4% in 2014 over 2013.

10. COSTS – CEMENT BUSINESS

During the year 2014, the economy witnessed an upward movement in the overall cost structure and the Company continued to focus on cost improvements through its excellence programmes.

10.1 Cost of materials consumed

Cost of materials consumed accounted for 15% of total income from operations (14.4% in 2013). Cost of material consumed increased by 11% in 2014 over 2013. Slag prices were lower by 17% in 2014 as compared to 2013 while gypsum prices remained almost flat. Fly ash prices increased by 11% in 2014 over 2013. The cost of material consumed during the year increased on account of purchase of clinker as a result of temporary suspension of limestone mining operation at Chaibasa and Bargarh.

10.2 Power & Fuel

The power and fuel spend was ₹ 2,441.82 Crore which constitutes 21% of the total income from operations of the Company (₹ 2,375.97 Crore in 2013 i.e. 21% of the total income from operations of the Company). The various initiatives taken such as the usage of industrial waste and biomass as alternate fuels and optimization of fuel mix, has limited the power and fuel costs increases to 2.8% in 2014 over 2013. Coal cost for kilns increased by 3.6% in 2014 over 2013 mainly on account of a drop in supply of linkage coal due to shortage of rakes and resultant higher procurement of imported and e-auction coal. Use of imported coal increased to 24% in 2014 (21% in 2013) while linkage coal availability reduced to 57% in 2014 (67% in 2013). Coal cost for captive power plants increased by 10% mainly because of limited availability of CPP grade linkage coal and resultant higher procurement of market / imported coal. Improved operating efficiencies of kiln and captive power plants and benefits derived from Waste Heat Recovery System (WHRS) operations had a positive impact in limiting cost increases.

The Company continues to focus on maximizing Alternative Fuels & Raw Materials (AFR) consumption in the cement manufacturing process.

10.3 Freight & Forwarding expenses

Freight and forwarding expenses were ₹ 2,598.33 Crore which constitutes 22% of total income from operations of the Company (₹ 2,308.87 Crore in 2013 i.e. ~21% of total income from operations). Freight and forwarding expenses went up by 12.5% in 2014 over 2013.

Freight on clinker transfer increased mainly on account of railway freight increase, freight rationalization by Railways and long lead inter unit movements of clinker.

Freight on cement despatches increased on account of higher cement sale volumes as also on account of hike in rail and road freight. This increase was partially offset by improvement in logistics operational efficiencies.

10.4 Other Expenditure

Other expenditure constitutes ~21% of total income from operations of the Company. The increase in other expenditure was restricted to 3.5% in 2014 over 2013.

Continued focus on reduction in fixed cost helped in restricting the fixed cost increases to ~3% in 2014 on a YoY basis.

11. INSTITUTIONALIZING EXCELLENCE

In 2012, an Institutionalizing Excellence programme was launched across all functions to sustain exceptional performance over time. The programme is now central to the Company's growth initiatives and the whole organization is galvanized to accomplish targets. Over a period of two years, the programme has yielded encouraging results and has helped the Company balance inflationary pressures by improving efficiencies. The Institutionalizing Excellence journey continues with a strong focus on Safety.

In Manufacturing Excellence, two Plants, Chanda and Jamul, figured in the top fifteen amongst all Holcim Plants globally in terms of efficiency. Efforts are underway towards raising the Company's overall efficiency parameters closer to aspirational targets and to pursue further reductions in input costs of coal, power generation and in mineral components like gypsum, slag and fly ash. A manufacturing academy was setup that drives continuous improvement in each Plant by regular training and skill enhancement.

The Customer Excellence programme focuses on the customer and seeks to achieve volume and price improvement and steps for the enhancement of brand equity.

The Logistics Excellence journey saw visible and significant initiatives to optimize cost-to-serve and time-to-serve, reduce lead distances, eliminate multiple handling and initiate the creation of modern infrastructure at the plants and warehouses. The Radio Frequency Identification Device (RFID) and Global Positioning Systems (GPS) modules which were successfully deployed at three plants are being replicated at all plants of the Company in a phased manner.

12. CAPEX

The ongoing Jamul Project in Chhattisgarh, which comprises a new state-of-the-art clinkering line of a capacity of 2.79 million tonnes per annum and grinding facilities of a capacity of 1.10 million tonnes at Jamul and of 1.35 million tonnes at Sindri are expected to be commissioned during 2015.

The pre-processing and co-processing Alternative Fuel and Raw Materials (AFR) platforms at Wadi in Karnataka and Kymore in Madhya Pradesh have been commissioned in December 2014.

13. COAL BLOCKS

During the year 2009, the Company through its wholly owned subsidiary, ACC Mineral Resources Limited (AMRL), had entered into four separate Joint Venture Agreements (JVA) with Madhya Pradesh State Mining Corporation Limited (MPSMC) for the development and operation of four coal blocks with an equity participation of 49% by AMRL and 51% by MPSMC. The coal from these four coal blocks was earmarked for supplies to cement plants of the Company.

Out of the four coal blocks being developed, the Bicharpur Coal Block in district Shahdol was in an advanced stage of development. The second coal block Marki Barka in district Singrauli was also ready for commencement of mine development activities with all its regulatory clearances in place.

While the development of coal blocks was in progress, on September 24, 2014, the Hon'ble Supreme Court of India cancelled the allocation of Coal Blocks by the Government of India to State and private sectors. Consequently, allocation of Marki Barka, Semaria/Piparia and Morga IV coal blocks to MPSMC stood cancelled with immediate effect. However, by virtue of an advanced stage of development, the Bicharpur coal block is liable for cancellation with effect from March 31, 2015.

As of December 31, 2014, the amount incurred, invested and advanced (including deposits / advances to MPSMC and other parties) by the Company in this regard is ~₹153.79 Crore. Subsequently, the Government promulgated The Coal Mines (Special Provisions) Ordinance, 2014, which intends to take appropriate action to deal with the situation arising pursuant to the Hon'ble Supreme Court's decision. The Management, based on its understanding of it's contractual rights under its JV agreements, its interpretation of the Ordinance and on the basis of legal advice, believes that the financial loss or operational impact if any, will not be significant.

In addition to the above "Moira Madhujore North and South" Coal block in the State of West Bengal was allocated to six companies by Ministry of Coal in December 2009, wherein your Company holds equity of 14.37%. The allocation of the said coal block has also been cancelled by the aforementioned Order of Supreme Court. The Company has impaired its investment amounting to ₹ 0.69 Crore made in this Joint Venture Company.

14. LIMESTONE MINING – NEW REGULATORY CHANGES:

As a sequel to the Supreme Court's Order dated May 16, 2014 in two separate Public Interest Litigations, policy changes were made by the Government with regard to renewal of mines and deemed mining rights.

As per the Supreme Court's directive, such of the mines which were hitherto operating under "deemed renewal" without any express orders of renewal passed by the State Governments were not allowed to operate until express orders were passed by the respective State Governments in terms of Section 8(3) of the Mine and Mineral (Development and Regulation) Act, 1957. Pursuant thereto, the Government of India amended Sub Rule, 24A(6) of the Mineral Concession Rules which had the effect of disallowing deemed renewal status for second and subsequent mining leases and limiting the deemed renewal status even in case of the first renewal application to only two years. This development has temporarily impacted the mining operations at Bargarh and Chaibasa which in turn affected the clinker production at the said Plants and clinker was required to be procured from other sister plants as well as from outside. The Government has since passed the Mines and Minerals (Development and Regulation) Ordinance on January 12, 2015 in terms of which the mining leases would stand extended from the date of their last renewal upto March 31, 2030 in cases where the mines were being operated for captive consumption, such as in the case of the Company.

15. READY MIXED CONCRETE (RMX)

Ready Mixed Concrete business continues to perform well despite the fact that in 2014, the Industry witnessed the entry of more players and increased liquidity issues. The RMX market is greatly fragmented and with increased participation by the unorganized segments, there is pressure on pricing. Against this backdrop, the Operating EBITDA increased to ₹ 34.12 Crore in 2014 from ₹ 19.61 Crore in 2013. Sales volume improved by 18%.

The growth in business is attributed to the efforts made to enhance customer satisfaction. ACC Concrete is being perceived as a solutions provider rather than merely as a concrete supplier. This was made possible by continuous customer involvement in projects and by offering various products and providing value added services for its stakeholders. A new line of allied products which could be supplied in the form of ready to use mortar were developed, produced and marketed. The Centre of Excellence set up by the Company facilitates and supports capability demonstration initiatives, helps in engaging with customers and trains professionals in advanced construction techniques.

There is considerable focus by the Government on infrastructure development and in the year 2015, the construction sector is expected to grow at a higher rate than in 2014. Demand for RMX is expected to revive in almost all markets across the country and is likely to be stronger in metro markets like Mumbai, Bengaluru, Chennai, and Delhi. Major demand is expected to come from large investments in infrastructure and development of real estate across India in proposed future cities. Reduction in lending rates by banks and restructuring of loans should ease the liquidity position and help boost sales and profitability. Ready Mix Concrete is expected to maintain the momentum and contribute to the overall business with enhanced participation.

	2014	2013	Change %
Production - Lakh Cubic Meters	19.65	15.96	23.12
Sales volume - Lakh Cubic Meters	21.24	18.00	18.00
Sale value - (₹ Crore)	760.77	655.91	15.99
Operating EBITDA - (₹ Crore)	34.12	19.61	73.99
Operating EBITDA Margin (%)	4.48	2.99	

16. SUSTAINABLE DEVELOPMENT

Sustainability has been deeply embedded into the Company's business and has become an integral part of its decision making process while considering social, economic and environmental dimensions. During the year 2014, a Sustainability Development road map for the period 2014-2017 was developed with a focus on the following areas:

(a) Reduction of Specific CO_2 emissions;

(b) Enhancing Thermal Substitution Rate (TSR);

(c) Reducing specific water consumption;

(d) Reduction of specific total energy intensity (Thermal & Electrical);

(e) Improving CSR footprint focusing on inclusive business projects.

The Company's cement operations retained its certifications under various management systems for quality, environment, energy and safety.

16.1 CO_2 Emissions:

The Company continued in its efforts towards achieving the commitments of Low Carbon Technology Roadmap for the Indian Cement Industry under the umbrella of the Cement Sustainability Initiative (CSI) in India of the World Business Council for Sustainable Development (WBCSD).

The various initiatives taken resulted in reducing the specific CO_2 emissions per tonne of cement to 526 Kg CO_2/tonne of cement from 538 Kg CO_2/tonne of cement. The CO_2 emission per tonne of cement including emissions from on site power generation has been reduced to 617 Kg CO_2/ tonne of cement from 641 Kg CO_2/tonne of cement.

16.2 Alternative Fuels and Raw Materials (AFR):

The Company provides co-processing and waste management services to over a hundred customers which facilitates disposal of a wide range of hazardous and non-hazardous industrial waste streams in the form of solids, sludges and liquids.

The pre-processing and co-processing platforms which were commissioned during the year at Kymore and at Wadi will add momentum to co-processing of larger volumes of wastes in an efficient manner. The AFR feeding and storage systems have also been ramped up in these plants to the required levels.

16.3 Reduction of Thermal Energy

Many initiatives for process optimization were taken to reduce specific thermal energy in the manufacturing of clinker. These efforts resulted in reduction of 16 MJ of specific thermal energy / tonne of clinker to 3050 MJ in 2014 as compared to 3066 MJ in 2013. Other measures such as enhancing the usage of industrial waste and biomass as alternative fuels and optimization of fuel mix has helped to contain the energy costs to some extent.

16.4 Clinker Factor

Through research and product innovation, the Company has been able to reduce clinker factor in both varieties of blended cements viz. Portland Slag Cement and Portland Pozzolana Cement. The use of slag and fly ash in cement manufacture helps the steel industry and power plants to dispose of their waste in an environmentally friendly manner.

The Company's blended cement production activities at Wadi, Kymore, Chanda and Tikaria are registered with United Nations Framework Convention on Climate Change (UNFCCC) as a Clean Development Mechanism (CDM) Project. The blended cement project is one of the biggest CDM of its kind in the Indian Cement Industry.

16.5 Renewable Energy:

The Company's renewable energy portfolio consists of 19 MW in the form of wind farms across three states viz. 9 MW in Tamil Nadu, 7.5 MW in Rajasthan and 2.5 MW in Maharashtra. These helped the Company meet its non-solar renewable purchase obligations for Madukkarai and Lakheri Plants.

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.

16.6 Waste Heat Power generation from process waste heat

During the year 2014, the Waste Heat Recovery System (WHRS) at Gagal Cement Works became fully operational and produced 46.64 million kWh of electrical energy.

16.7 Dust Emissions

The Company's average kiln stack dust emissions were well below the statutory norms fixed by the States in which the Company operates. This has been achieved through various controls and maintenance measures which were implemented on a continuous basis. The Company has also implemented various measures across all its operations to control fugitive emissions.

16.8 Water Initiatives:

Multiple initiatives were taken in process and non process areas to improve the water performance which resulted in 15.6% reduction of specific water consumption/ tonne of cement. These include:

- Increased use of recycled water for process and non-process applications;
- Minimizing leakages and wastages;
- Implementing water metering systems for accurate measurement of water consumption / withdrawal and to initiate more intense and focused measures for conserving water;
- Implementing rain water harvesting measures in mines, plant, colony and surrounding communities.

16.9 Biodiversity

A biodiversity risk assessment of all mines of the Company has been carried out. Afforestation and biodiversity conservation programmes have been initiated / implemented across all the Company's plants and mines. The Company has become a member of Indian Business Biodiversity Initiative (IBBI) a collaborative initiative of Confederation of Indian Industry (CII) and Ministry of Environment Forest and Climate Change (MoEF & CC) and Leaders for Nature (LfN), an initiative led by International Union for Conservation of Nature (IUCN) India. It has agreed to their charters and is in the process of implementing various associated initiatives.

16.10 Green Products

The Company made efforts to promote and increase sales of various innovative cement products like ACC-Gold, ACC-F2R, ACC Plus, ACC Coastal+ and concrete products such as Permecrete, Stampcrete and Imprincrete, ready to use mortar, Thermocrete and Hi-densecrete which have lower environmental footprint.

16.11 Green Building Material Centres:

During the year 2014, four new Green Building Material Centres were setup in different parts of India. These centres provide a one-stop solution in housing expertise and building materials required for high quality low cost housing. These centres also offer architectural services, skilled masons for housing construction. The building material supplies include bricks, blocks, tiles, cement etc. These materials are produced from local resources and incorporate waste material like fly ash which help in reducing CO_2 emissions. This initiative received global recognition for its environment and social benefits. The Company is planning to scale up these centres in the coming years.

17. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As part of its initiatives under "Corporate Social Responsibility (CSR), the Company has undertaken projects in the areas of Education, Livelihood, Health, Water and Sanitation. These projects are largely in accordance with Schedule VII of the Companies Act, 2013.

During the year 2014, the Company's community development efforts successfully touched the lives of almost 5,00,000 people spanning ~150 villages across the country. Providing quality education initiatives in the plants' neighborhood schools benefited ~29,000 students during the year. Scholarships were awarded to ~500 meritorious students from weaker sections of the society to help them continue with their education. Technology aided education initiatives like smart classes and interactive kiosks reached out to students in ~26 rural schools to keep pace with modern methods of learning. Specific support was provided to revive education for ~750 girl children under "ACC ki Ladli" Project. The Company continued to support 7 Government-run Industrial Training Institutes under the Public Private Partnership Schemes with Ministry of Labour and Employment, Government of India.

Skill development training programmes were imparted to unemployed youth in partnership with specialized NGOs, which helped ~3,800 youth get job placements in various manufacturing and service sector enterprises. The Company supported the formation of 486 Self Help Groups (SHGs) and in their strengthening through structured training activities. In matters of health and nutrition, the Company's initiatives benefitted more than 1,00,000 people. Support to 134 "anganwadi centers" helped ~8,000 children get access to better health and nutrition. A Centre for awareness, prevention and treatment of Sexually Transmitted Infections (STI) was established at Tikaria Cement Works. Nearly 3042 HIV/AIDS affected persons were supported through counselling, testing and treatment through Anti Retroviral Therapy (ART) and STI Centers.

Sanitation, being a national agenda, the Company has developed four affordable prototypes of toilets through the Green Building Center. It has also led the forum of Confederation of Indian Industries(CII) Sanitation Committee to promote the sanitation initiative of Government of India and has also actively participated in forums on Public Health & Education.

The Annual Report on CSR activities is annexed herewith as "Annexure A".

18. OCCUPATIONAL HEALTH & SAFETY (OH&S)

In pursuit of ensuring "No harm anywhere to anyone associated with ACC", Occupational Health & Safety (OH&S) remains the Company's top priority. In continuation with the "Surakhsha Laher" initiative which was launched in 2013, "Suraksha Laher 2" and "Suraksha Laher 3" initiatives were launched. The "Suraksha Laher 2" aimed at building Line Ownership and OH&S Competency, establish forums for improving communication and focused on Fatality Prevention. Under this initiative "Suraksha Samvad" forum was set up for improving bottom up communication. This initiative successfully involved and positively engaged all levels of personnel on the shop floor including Shop Floor Associates (SFA) and the Company's business partners in the process of identification and closure of hazards. Another major contribution of Suraksha Laher 2 was the OH&S Leadership Training Program for improving OH&S capabilities of Middle Management level employees. The Zone ownership structure was further enhanced to improve visible leadership with performance targets and reviews being conducted in the plant.

Suraksha Laher 3 aimed at revisiting the implementation of some of the important Fatality Prevention Elements (FPEs) such as working at heights, isolation and lockout with a view to close the gaps identified during audit assessments.

With regard to contractor safety, two key areas of focus identified were Facility Management for the contractors' employees and Equipment, Tools & Material Management. The Facility Management initiative was implemented to ensure adequate welfare facilities for contract labour such as washrooms with bathing facilities, rest rooms, availability of drinking water etc. The Equipment, Tools & Material Management program ensured that the tools used by contractors were safe. The process of screening of contractors was made more stringent to ensure that the contractors were aligned with the Company's objectives to ensure 'Zero Harm'.

18.1 Logistics Safety

The focus on Logistics Safety continued with a view to prevent vehicle related incidents through various planned interventions viz.:

- Defensive Driving training for drivers;
- vehicle inspection at plants;
- segregation of pedestrian and vehicular traffic inside plants;
- 'Suraksha Kawach' campaign for seat belt usage aimed at truck drivers;
- installation of GPS in dedicated trucks in a phased manner for journey monitoring;
- entering into MOU's on logistics safety with our authorized road transporters;
- engagement sessions with truck drivers and felicitating safe drivers.

A programme for improving safety in the warehouses has also been initiated. The Company was declared as Holcim's Regional Award Winner for South Asia/ASEAN in recognition of its Logistics Safety Improvement Programme.

18.2 Occupational Health

In 2014, the Emergency Medical Response (EMR) capabilities in mines were further improved. Each mine site has an ALS ambulance, appropriate stretchers, Automated External Defibrillator (AEDs) units and proper first aid facilities. In each of the plants, at least 50% of the shift supervisors have been trained in basic life support techniques and a total 2000 shift supervisors have been trained in this regard.

To reduce health risk factors among employees and their families, various programmes were launched and implemented with the assistance of health peers selected and trained from Shop Floor Associates and through the extensive use of the Company's intranet portal "Accelerate".

19. HUMAN RESOURCES

Many initiatives have been taken to support business through organizational efficiency, process change support and various employee engagement programmes which has helped the Organization achieve higher productivity levels. A significant effort has also been undertaken to develop leadership as well as technical/ functional capabilities in order to meet future talent requirement.

The Company's HR processes such as hiring and on-boarding, fair transparent online performance evaluation and talent management process, state-of-the-art workmen development process, and market aligned policies have been seen as benchmark practices in the Industry. These state-of-the-art HR processes within the Organization, have enabled the Company to earn the No. 1 position of being the Best Company to work for in Cement Sector by Fortune India Magazine in 2014.

During the year under review, the following Human Resources initiatives received greater focus:

- Employer of Choice: The Company has positioned itself with leading educational institutes as one of the best companies to work for. Employees have an option to work with world class cement technology and have the flexibility to pursue different functions. Employees are encouraged to express their views and are empowered to work independently. Employees are given the opportunity to learn through various small projects which make them look at initiatives from different perspectives and thus provide them with a platform to become result oriented. This has helped greatly in overall development of the employee and has significantly arrested the attrition rate.
- Leadership Development: As a part of leadership development ~40 talented employees have been seconded to the senior leadership team to mentor them and prepare them for the next higher role. Apart from this, a large number of senior, middle and other employees are sent for leadership programmes or are assigned to small independent projects which are planned for identified talent.
- Industrial Relations: The Company's Industrial Relations policy has been benchmarked by the manufacturing sector. The Company shares relevant business information with the Unions in order to enlighten them and make them sensitive towards business requirements. This has helped to build a healthy relationship and resolve issues through mutual dialogue.
- A unique dual educational program has been developed on the lines of the Swiss German vocational educational and training program (VET). The program has been successfully implemented in one of the Company's technical institutes.

20. BUSINESS RISK MANAGEMENT

Pursuant to the requirement of Clause 49 of the Listing Agreement, the Company has constituted a Business Risk Management Committee. The details of Committee and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report.

The Company has a robust Business Risk Management (BRM) framework to identify, evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage. The business risk framework defines the risk management approach across the enterprise at various levels including documentation and reporting. The framework has different risk models which help in identifying risks trend, exposure and potential impact analysis at a Company level as also separately for business segments viz. cement and RMX. Risk management forms an integral part of the Company's Mid-Term Planning cycle.

The key business risks identified by the Company and its mitigation plans are as under:

Project Risks:

The Cement Industry is capital intensive in nature. Its Compound Annual Growth Rate (CAGR) for the next five years is expected to be ~6.5 %. In the execution of large projects which are highly capital intensive in nature, there could be exposure to time and cost overruns. To mitigate these risks, the project management team and the project accounting and governance framework has been further strengthened. Whilst the Company continues to draw on Holcim's expertise, a separate Organization structure at Project sites with defined roles and accountability is put in place for large projects.

Competition Risks:

The Cement Industry is becoming intensely competitive with the foray of new entrants and some of the existing players adopting inorganic growth strategies. To mitigate this risk, the Company is leveraging on its expertise, experience and its created capacities to increase market share, enhance brand equity / visibility and enlarge product portfolio and service offerings. It would also leverage on its Infrastructure, Commercial and Institutional Sales team to offer value to large customers.

OH&S Risks:

Safety of employees and workers is of utmost importance to the Company. To reinforce the safety culture in the Company, it has identified Occupational Health & Safety as one of its focus areas. Various training programmes have been conducted at the plants and sales units such as behavior based safety training program, Visible Safety Leadership program, Logistics Safety program etc. The accountability structure has also been strengthened with the introduction of a Zone Ownership concept and by integrating OH&S competencies into the job descriptions of all Top Management, Line Management and Safety Professionals.

21. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit (IA) function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

22. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a vigil mechanism named Fraud Risk Management Policy (FRM) to deal with instance of fraud and mismanagement, if any. The details of the FRM Policy is explained in the Corporate Governance Report and also posted on the website of the Company.

23. SUBSIDIARY COMPANIES

23.1 ACC Mineral Resources Limited (AMRL)

AMRL had entered into a Joint Venture Agreement with Madhya Pradesh State Mining Corporation Limited (MPSMC) for development of four coal blocks viz. Bicharpur, Marki Barka, Simaria Piparia and Morga IV. Pursuant to the Supreme Court's

Order as discussed in para 13 above, the allocation of three coal blocks to MPSMC viz. Marki Barka, Simaria Piparia and Morga IV were immediately cancelled. The fourth coal block viz. Bicharpur is liable for cancellation w.e.f. March 31, 2015. While work on Bicharpur Coal Block has been temporarily suspended following the Supreme Court's Order, the safety and security of the block is being maintained and will continue to be maintained till the vesting of the coal block in accordance with the The Coal Mines (Special Provisions) Ordinance, 2014.

AMRL has neither operating nor trading activity. The Consolidated Other Income of ₹ 1.74 Crore represents the interest received on the loans advanced by it to its Joint Venture Companies. The Consolidated loss after depreciation, amortization and tax for the year ended December 31, 2014 was ₹ 5.85 Crore.

23.2 Bulk Cement Corporation (India) Limited (BCCI)

During the year under review, BCCI handled cement volumes of 10.30 lakh tonnes as against 9.60 lakh tonnes in 2013. The profit after tax for the year 2014 is ₹ 432.99 lakhs as against ₹ 270.94 lakhs in the year 2013.

23.3 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.

23.4 Audited financial statements of the Company's Subsidiaries

The audited financial statements, the Auditors Report thereon and the Board's Report for the year ended December 31, 2014 for each of the Company's subsidiaries viz. ACC Mineral Resources Limited, Bulk Cement Corporation (India) Limited, Lucky Minmat Limited, National Limestone Company Private Limited and Singhania Minerals Private Limited are annexed.

24. DIRECTORS

The Board of Directors had appointed Mr Arunkumar Gandhi and Mrs Falguni Nayar as Additional Directors of the Company in the category of Independent Directors with effect from April 24, 2014. Thereafter, at the Extraordinary General Meeting (EGM) of the Company held on September 10, 2014, the Members of the Company appointed the said Directors as Independent Directors under the Companies Act, 2013 for a period of 5 years with effect from April 24, 2014.

At the said EGM held on September 10, 2014, the Members had also appointed the existing Independent Directors viz. Mr N S Sekhsaria, Mr Shailesh Haribhakti, Mr Sushil Kumar Roongta, Mr Ashwin Dani, Mr Farrokh Kavarana as Independent Directors under the Act each for a term of five years with effect from July 24, 2014.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The Board of Directors had on the recommendation of the Nomination & Remuneration Committee appointed Mr Harish Badami as Chief Executive Officer & Managing Director (CEO & MD) Designate for the period August 1, 2014 till August 12, 2014 and thereafter as the CEO & MD of the Company for a period of 5 years with effect from August 13, 2014. The Members of the Company had at the aforesaid EGM also approved the said appointment and terms of remuneration of Mr Harish Badami as CEO & MD.

Mr Kuldip Kaura former CEO & MD retired from the services of the Company with effect from August 13, 2014.

Mr M L Narula, a Non Executive Director of the Company retired from the Board of Directors with effect from July 25, 2014.

The Board has placed on record its appreciation for the outstanding contributions made by Mr Kuldip Kaura and Mr M L Narula during their respective tenures of office.

In accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the Company, Mr Bernard Fontana and Mr Aidan Lynam retire by rotation and are eligible for re-appointment.

24.1 Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

24.2 Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

24.3 Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors.

During the year six Board Meetings and six Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

25. 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 statements in terms of Section 134(3)(c) of the Companies Act, 2013:

a. that in the preparation of the annual financial statements for the year ended December 31, 2014, 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 judgement 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 at December 31, 2014 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 financial statements have been prepared on a going concern basis;

e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.

f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

26. RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on a quarterly basis 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. The Company has developed a Related Party Transactions Manual, Standard Operating Procedures for purpose of identification and monitoring of such transactions.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

27. TECHNOLOGY & KNOWHOW AGREEMENT

An Ordinary Resolution was passed by the Members of the Company by means of a Postal Ballot approving the Technology and Know-how Agreement with Holcim Technology Limited (HTL) which, inter alia, provided for the payment of technology and knowhow fees @ 1% of the net sales of the Company to HTL. Whilst the Agreement was valid for a period of five years, the technology and know-how fee was to remain in force for a period of two years with effect from January 1, 2013. The Members had authorized the Board of Directors to review the technology and knowhow fee rate before the end of the financial year 2014. Accordingly, the Board of Directors had at its Meeting held on December 10, 2014 reviewed the rate of technology and know-how fee payable to HTL and have decided that the rate be retained @ 1% of the net sales till the end of the period of the agreement, i.e. upto and including December 31, 2017.

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

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations. Pursuant to a complaint filed before the Competition Commission of India (CCI) by the Builders Association of India against some of the cement manufacturers including the Company, the CCI had in June 2012 held that the cement manufacturers had contravened the provisions of Section 3(3)(a) and 3(3)(b) read with Section 3(1) of the Competition Act, 2002. The CCI had accordingly imposed a penalty on the cement manufacturers aggregating ₹ 6,300 Crore. The penalty imposed on the Company is ₹ 1,147 Crore. The cement manufacturers including the Company has filed an Appeal before the Competition Appellate Tribunal (COMPAT) and the matter is sub-judice. COMPAT has directed the cement manufacturers including the Company to deposit 10% of the penalty amount. Accordingly, the Company has deposited ₹ 114.7 Crore in the form of a bank fixed deposit with a lien in favour of COMPAT. Based on expert legal advice, the Company believes that it has a good case and expects a favourable decision in the appellate proceedings.

29. AUDITORS

29.1 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 reappointment. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for reappointment as Auditors of the Company. As required under Clause 49 of the Listing Agreement, 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.

Members' attention is invited to the observation made by the Auditors under "Emphasis of Matter" appearing in the Auditors Reports.

29.2 Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its cement activity is required to be audited. Your Directors had, on the recommendation of the Audit Committee, appointed Messrs N I Mehta & Co. to audit the cost accounts of the Company for the financial year 2014 on a remuneration of ₹ 10 lakhs. As required under the Companies Act, 2013, 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 seeking Member's ratification for the remuneration payable to Messrs N I Mehta & Co., Cost Auditors is included at Item No. 6 of the Notice convening the Annual General Meeting.

29.3 Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, 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 Audit Report is annexed herewith as "Annexure B".

30. AWARDS

During the year under review, your Company received many awards and felicitations conferred by reputable organizations for achievements in different areas such as Safety, Manufacturing Excellence and Environment Management. ACC ranked as "India's Most Admired Companies" in Cement Sector in a Fortune India - Hay Group Survey for the second consecutive year. Your Company's Annual Report for 2013 won the **Gold Shield** from the prestigious Institute of Chartered Accountants of India for "Excellence in Financial Reporting".

31. ENHANCING SHAREHOLDERS VALUE

Your Company believes that its Members are among its most important stakeholders.

Accordingly, your Company's operations are committed to the pursuit of achieving high levels of operating performance and cost competitiveness, consolidating and building for growth, enhancing the productive asset and resource base and nurturing overall corporate reputation. Your Company is also committed to creating value for its other stakeholders by ensuring that its corporate actions positively impact the socio-economic and environmental dimensions and contribute to sustainable growth and development.

32. CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on corporate governance practices followed by the Company, together with a certificate from the Company's Auditors confirming compliance forms an intergal part of this Report.

33. BUSINESS RESPONSIBILITY REPORTING

As per Clause 55 of the Listing Agreement with the Stock Exchanges, a separate section on Business Responsibility Reporting forms an intergal part of this Report.

34. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company prepared in accordance with relevant Accounting Standards (AS) viz. AS 21, AS 23 and AS 27 issued by the Institute of Chartered Accountants of India form part of this Annual Report.

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

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule, 8 of The Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure C".

36. EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as "Annexure D".

37. PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 read with Rule, 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, 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 information on employees' particulars 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.

38. ACKNOWLEDGEMENTS

Your Directors thank the various Central and State Government Departments, Organizations and Agencies for the continued help and co-operation extended by them. The Directors also gratefully acknowledge all stakeholders of the Company viz. customers, members, dealers, vendors, banks and other business partners for the excellent support received from them during the year. The Directors place on record their sincere appreciation to all employees of the Company for their unstinted commitment and continued contribution to the Company.

39. 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.

40. DISCLAIMER

The Ministry of Corporate Affairs vide its Circular No. 08/2014 dated April 4, 2014 clarified that the financial statements and the documents required to be attached thereto, the Auditor's and Boards' Report in respect of the financial year under reference shall continue to be governed by the relevant provisions of the Companies Act, 1956, schedules and rules made thereunder. Accordingly, whilst the financial statements and the Auditor's Report as aforesaid are prepared as per the requirements of the Companies Act, 1956, the Company, as per its commitment to transparency and good governance, has to the extent possible provided the information in the Board's Report and the Corporate Governance Report as per the Companies Act, 2013.

For and on behalf of the Board of Directors

N S Sekhsaria
Chairman

Mumbai
February 3, 2015