



82nd Annual General Meeting
Wednesday, June 13, 2018



Opening Remarks - Brief of the Company's Performance
Neeraj Akhoury, Managing Director & CEO, ACC Limited

Dear Friends,

Good afternoon. I am very honoured to address the shareholders of ACC. I am privileged to lead this exceptional company with its extraordinary heritage and promising future.

I would like to begin by thanking the Board of Directors for their unstinted guidance and support throughout the year. I want to express my gratitude to our customers and to every single end-consumer who has placed his trust in our company and our products. I thank the Government, the communities who supported us, and most importantly, I am grateful to my colleagues across the length and breadth of the country - in our offices, sales locations and in our plants - who took every challenge head-on and delivered an excellent performance.

The past year has been a year of transformation as this valuable business, with its rich legacy, reinvents itself to respond to the challenges of modern construction, the ferocity of the competition, and the changing policy landscape. Let me take you through some of the highlights of 2017.

India: Economic scenario

2017 saw a number of key economic initiatives by the government towards sustainable growth, which took a while for the country to adapt to. However, economic growth recovered soon enough with consumption demand starting to rise and industrial output improving by the year end. For the first time in years, the Indian Rupee closed positive. The credit rating agency Moody's upgraded India's sovereign rating with a positive outlook after well over a decade.

Budget 2018 saw a welcome thrust on infrastructure development and increased rural spending through measures aimed at reviving the rural economy. The significant increase in the budgetary outlay for infrastructure development including railways, roads, highways and irrigation projects, investment in smart cities and a sharper focus on the affordable housing segment is expected to drive further growth during 2018.

Cement Industry

In 2017, the cement industry grew ~6% compared to 5.1% the previous year, driven in great measure by government spending on infrastructure and construction of concrete roads and highways such as the BharatMala

project. The implementation of GST eased movement of cement between states eliminating arbitrage in state levies, thus providing for a level playing field.

On the other hand, the high GST rate of 28% imposed by the government on cement, which is similar to a luxury goods rate, is very disappointing considering that cement is a product required for fulfilling one of our most basic needs of housing ... "Roti-Kapda-Makaan!"

Inadequate availability of sand as well as railway wagons and rising input costs of coal, fuel, petcoke and diesel added to the sector's challenges.

Performance of our Cement Business:

I am proud to say that ACC delivered a great performance in 2017 - registering robust revenue and volume growth consistently across all four quarters, reflecting strong underlying performance across markets, in both cement and ready mix concrete - despite the headwinds we faced at the beginning of 2017.

We successfully ramped up our integrated capacity at Jamul, and thus strengthened our market presence; improved capacity utilization to 79%; successfully grew our premium product range by 20%; and grew market share by 1%. Cement volumes increased by 14% to 26.21 mn tonnes from 22.99 mn tonnes in 2016. That's an increase of over 3 mn tonnes!

Through operating improvements, we were able to contain our cost per tonne increase to 8.8% despite steep increases in input costs. In order to mitigate the rising cost of fuel, we maximized our use of linkage coal, optimized coal procured through e-auctions and imports, and used a higher amount of petcoke as well as alternative fuels. There was no increase in Selling General & Administration (SG&A) costs despite inflation.

Our focus on cost improvements and profitable revenue growth bore fruit, as did our ability to create value for our customers with innovative and specialized products.

None of this was possible without the support of our loyal customers and our end-consumers who trust ACC at the most important times in their lives - when building their homes.

Our performance in 2017 demonstrates ACC's ability to remain ahead of the market challenges that have partially impacted both costs and market

development. Although price competition in the cement market intensified, ACC was able to enjoy a good price premium because of its focus on innovative premium products as well as its strong brand image as a superior quality product, intensive engagement with customers and influencers and proactive customer service.

ACC has a rich legacy and history that every employee and shareholder is proud of. But as consumer expectations change, we must evolve to continue creating value for our customers. One of our strategic initiatives was to revisit our customer value proposition and provide an integrated value offering. We re-evaluated our brand architecture and now offer the Gold range of premium products and the Silver range of base products.

Our consumers are the bedrock of our success. In order to serve them better, we have introduced new concepts such as the ACC Dream Home App which connects individual home builders, dealers and ACC's community of experts such as engineers, architects and masons. Our programme 'Construction Ka Doctor' offers information and technical assistance to end-consumers who need specialized advice when building their homes.

We have embraced digital technology in many areas of the business, particularly in the trade value-chain. ACC Dealer Connect is an Online Web Sales platform which enables dealers to place and track orders online 24X7.

Ready Mix Concrete

I am very proud of the excellent progress made by our Ready Mix Concrete (RMX) business which surpassed its earlier years' performance with a substantial growth of 11+% in volume and 17.94% in revenue. It's best in class Operating EBITDA margin of 10.08% is 235 bps improvement over the previous year.

Six new commercial and ten dedicated RMX plants were added during the year. We focused on the profitable infrastructure, commercial and realty segments, provided customised concrete solutions and Value Added Products.

I am especially proud of our innovative products such as Supercoat Premium which allows a road to be opened for traffic within 15 minutes of application! You can imagine how useful a product like this will be in a crowded and traffic-prone country like India. You will see even more innovation coming through in 2018.

Overall Performance Summary

To summarize our performance: in 2017 consolidated income was 13.31% higher, consolidated profit before tax was 48% higher and consolidated profit after tax was 40% higher. A remarkable performance indeed.

Dividend

The Board of Directors has recommended payment of final dividend at Rs.15/- per Equity Share of Rs.10/- face value aggregating to Rs.339.02 crore (including tax on dividend). The total dividend for the year, including interim dividend of Rs11/- per Equity Share paid in August 2017, adds up to Rs.26/- per Equity Share involving a total outflow of Rs.587.64 crore (including tax on dividend). The Dividend recommended is in line with the Dividend Distribution Policy of the Company.

Building a Sustainable Business

I have briefed you quite a bit on what we have achieved in the year. I'd like to now speak about how we have done that. No success is complete unless it is underpinned by values and ethics: that's what makes ACC an enduring business, one that has stood the test of time for 82 years.

Health & Safety - our overarching value

Our goal is 'zero harm.' Our highest priority is to ensure that everyone involved in our business, from employees to contractors, go home safe every day. To do this, we have put in place strong processes, we involve our employees and plant workers in the planning stage, we lean on our parent LafargeHolcim for best practices, and we train and re-train our employees on a safety mind-set and effective behavioural change. Our senior management lead from the front, personally demonstrating a visible commitment to safety every time they visit a plant or office.

Sustainable Development

Sustainability is deeply embedded in our business model, focused on the four pillars of Climate, Circular Economy, Water & Nature, and People & Communities and I am proud to state that ACC has done robust work in 2017 to surpass its target in each of these areas.

We are in line with our target to reduce CO2 emissions by 34%; we have utilised ~10 mn tonnes of waste; reduced water withdrawals by 15%; and our community programmes have benefitted half a million people across the country.

Our Green Building Centres (GBCs) support local entrepreneurs to make and distribute cement-based building materials such as fly ash bricks, concrete blocks, paver tiles and more. Our GBCs have helped build over 19,000 affordable homes in 2017 and we intend to scale up this programme even more in 2018.

CSR Programmes

We believe that doing good for society is good for business. We also believe that islands of prosperity cannot exist in a mass of poverty. ACC spent 2.33% of its net profit on CSR activities that have transformed the lives of communities around our plants across the country, improving access to health and sanitation, education, livelihood and income generation opportunities, as well as empowering women. Our livelihood and skilling initiative, DISHA, supported 20,761 rural women and youth in learning employable skills. Vidya Utkarsh has impacted the lives of nearly 24,000 students and ACC ki Ladli has helped over 1,400 girls get back to school. At our 'Clean & Green Madukkarai' initiative, we have partnered with the government to put in place a waste management programme in Coimbatore to segregate household waste at source. We are proud that 100% of Madukkarai households participate in the programme.

This good work did not go unnoticed or unrewarded. ACC was felicitated with several awards including the prestigious 'Golden Peacock Award for CSR' for 2017 and a '2 good' rating for CSR by Economic Times and KPMG. A recent report by IIM Udaipur ranked ACC among the top 10 of India's Top Companies for Sustainability and CSR in 2017.

People

ACC has performed consistently over the years in large measure due to its talented people. We continue to nurture and invest in our people through regular training and a structured Performance Management System. Our robust Talent Review and Succession Planning framework ensures that we have a pipeline of leaders to guide the future of the company. We are also encouraging more gender diversity. During the year, 56 young women were inducted into a three-year programme to be trained as Control Room Operators-cum-Quality Analysts.

We are also very proud that ACC was ranked the best globally in the annual Pulse Survey of LafargeHolcim which measures employee engagement across countries.

Looking forward

We are excited about 2018 and beyond. We have many new initiatives in the pipeline. We already have our very first product in the Solutions space which is LeakBlock waterproofing technology.

We recently signed a Master Supply Agreement (MSA) with Ambuja Cements for a period of three years which will help us achieve synergies, economies of scale and reduce operational costs amongst other benefits.

There is no doubt that the future holds tremendous potential. India is amongst the fastest growing markets in the world. As the nation marches sure-footedly on a long-term sustained growth trajectory, cement as a core sector promises to be one of the major beneficiaries and ACC is perfectly poised to leverage the opportunity of India's growth story. With its rich legacy of the past, a present that is ahead of the game in terms of technology juxtaposed with consumer understanding, we at ACC are determined to shape a new and glorious future.

Closing

Dear shareholders, ACC is privileged to have many of you as shareholders of the company for many years, perhaps even decades. You are the foundation of this company. On behalf of the Board of Directors, I thank you for your invaluable support at all times.

I'd like to extend my best wishes to you and your families.

Thank you.

Neeraj Akhoury

Managing Director & CEO, ACC Limited