



83rd Annual General Meeting
Friday, March 22, 2019



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

Dear Friends,

Welcome to the 83rd Annual General Meeting of ACC Limited. It gives me great pleasure to address you today. It is my privilege to stand before you at this Annual General Meeting of the Company that has a long and glorious history and, undoubtedly, will have a great future in the years to come.

Our success is built through the support of many people: I would like to acknowledge and thank the Board of Directors for their leadership, stewardship and mentorship throughout the year. I'm grateful to all our customers and consumers for their trust in our products and services. I also thank the Government and the other stakeholders for their support. And last but not the least, I am indebted to every single ACC employee who has done a stellar job and transformed many parts of the business to deliver a strong performance on several fronts – financial, social and sustainability-wise.

Incredible India: Economic scenario

The Indian economy continued to strengthen in 2018 led by favourable economic policies and initiatives as well as structural reforms. Robust GDP growth indicates that the reforms are contributing to stronger performance. The improving economic scenario led to increased investments in several sectors of the economy. The construction sector grew strongly by 8% due to infrastructure and housing projects and improved consumer sentiment.

Cement Industry - ~8.5% industry growth

2018 not only presented to our industry several positives but also was replete with significant challenges. Despite this, the cement industry grew strongly, posting over 8.5% growth compared to ~6% the previous year, driven in great measure by government spending on infrastructure and construction of concrete roads and highways, as well as the 'Housing for All' programme. At the end of the year, ~1.29 million houses were constructed under the Pradhan Mantri Awas Yojana (Urban). Thus, industry capacity utilisation improved by 3-4%.

Cement Industry – a challenging year

On the other hand, the government continues to maintain the highest GST rate of 28% on cement, which discourages growth potential. The industry continued to face multiple challenges from the rising costs of coal, fuel, petcoke and diesel. Inadequate availability of railway wagons due to lower priority in some regions led to logistics challenges and higher distribution costs.

Performance of Cement Business

I am proud to say that ACC has demonstrated its capacity to execute multiple strategies to drive competitive advantage. Despite the concerns plaguing the sector, ACC delivered a strong performance in 2018 - registering robust revenue and volume growth consistently across all four quarters. Cement sales increased by 8% to 28.37 million tonnes in 2018 from 26.21 million tonnes in 2017. That's an increase of over 2+ million tonnes. We successfully grew our premium product range by 36%. ACC improved capacity utilisation to 86%, thus, becoming the highest in the industry. There was strong underlying performance across regions both in cement and ready mix concrete.

Over the past year, we focused on increasing our production capacity, improving operational efficiencies, ensuring cost discipline and becoming more productive. Although input cost per tonne was significantly higher by 11% on account of the steep increases in material costs of slag, fly ash, power and fuel – we still managed to mitigate

this through improved manufacturing efficiency. We also successfully lowered Selling General & Administration costs.

Operating EBITDA & Profit After Tax

Our consolidated Operating EBITDA (excluding employee separation cost) grew by ~11% while Profit Before Tax (excluding employee separation cost) grew by ~21% YoY on a normalised basis. Net Sales grew 12% to ₹14,477 crore (consolidated) and Profit After Tax was up by 10% (excluding write back of tax provisions relating to earlier years).

Profitable Growth Performance

We have delivered healthy growth over the last eight quarters, which demonstrates ACC's consistent positive financial performance.

Ready Mix Business Performance

I am very proud of our Ready Mix Concrete (RMX) business which surpassed its performance of previous years, witnessing substantial growth of over 16% in volume and 15% in revenue. Value Added Services (VAS) has improved by 13% in 2018 YoY. Our best-in-class Operating EBITDA margin of 10.2% is a 16 bps improvement over the previous year.

Ready Mix Concrete Business – one of the best RMX businesses in India

Thirteen new commercial, one joint venture and four dedicated RMX plants were added during the year. As on December 2018, we have 75 RMX plants across India.

Overall Performance Summary

I am sure that you have seen that we have a strong balance sheet. We are a zero-debt company. We improved basic earnings per share, and our Return on Capital Employed is one of the best in the industry.

Dividend

The Board of Directors has recommended payment of dividend at ₹14 per Equity Share of ₹10 face value aggregating to ₹316.94 crore (including tax on dividend). The Dividend recommended is in line with the Dividend Distribution Policy of the Company.

A digitally connected world

With a view to increasing the share of wallet per counter and to remain connected with channel and retail customers, we took several steps for effective channel management. We are also leveraging digital technology such as the ACC Dealer Connect App which enables our channel partners to place orders and track orders, check loyalty points and confirm deliveries online. Our Service Connect App helps our field force to digitally geo-tag every construction site visited, add details of contractors of each site, conversion and orders, which help develop initiatives to further demand. In order to rejuvenate Brand ACC, we have launched a new and vibrant television ad 'Karein Kuch Kamaal' which is playing on television screens nationally and has generated very good response.

Four Business Segments

Our strategy for growth is to make ACC a total building materials company. One that covers Cement, Ready Mix Concrete, Aggregates as well as Solutions & Products.

Consumer Centricity

ACC's success over the decades is in great measure on account of its consumer connect. In 2018, we made a concerted effort to understand what exactly our consumers needed, what were

their pain points, and our teams set about finding solutions for these needs. Consequently, we introduced two new innovative cement products: ACC F2R SUPERFAST, revolutionary new cement with superior strength, superfine quality and a superfast setting formula that enables robust construction in quick time; ACC GOLD WATER SHIELD, one-of-its-kind water repellent cement, which resists dampness and seepage. Both these products were developed for the millions of people who dream of building strong, enduring homes for their families.

Supercoat Premium - RMX

Everyone in Mumbai is familiar with potholes – especially during the monsoons. Potholes might just become a thing of the past with ACC's new breakthrough technology – ACC Supercoat Premium. In the past, repairing potholes would cause long hours of traffic disruption. ACC Supercoat Premium is a ready-to-use speciality product designed for instant pothole repair that rapidly hardens, allowing traffic to flow within 15 minutes of application!

Solutions & Products - advanced waterproofing technology

At last year's AGM, I introduced to you ACC LeakBlock Cement Mix, a Waterproofing Compound. I am pleased to inform you that we now have a second product in the range - ACC LeakBlock Cement Coat, a high performance acrylic emulsion based waterproofing and bonding compound. LeakBlock is a retail product, for use by individual home builders, used at the time of constructing a new home and can be used for all applications from the foundation to walls or even a water tank. 70% of the channels sell multiple products besides cement, so we will utilise the strengths of our existing network of 50,000+ dealers & retailers.

Dry Mix

Supported by technical expertise and generations of experience, we create innovative solutions that meet our customer's specific needs and requirements. Our four new products developed – ACC SURAKSHA READY USE PLASTER, ACC SURAKSHA THIN BED JOINTING MORTAR, ACC SURAKSHA TILE FIX, ACC SURAKSHA REPAIR MORTAR – will forward integrate and leverage synergy with our cement and ready mix concrete business, focusing on growth.

Building a Sustainable Business

At ACC, we believe in being conscious about the usage of resources to create a product or service. We remain committed to a sustainable model of business – one that leads us to make judicious use of resources and mitigate any negative impacts of business, demonstrate strong corporate governance and create and maximise long-term value for shareholders, customers and employees alike.

Health & Safety – our core value

Our focus on Health & Safety (H&S) of employees and stakeholders continues. Our mission is to ensure that every single day our workforce goes home safely. Our Zero Harm programme is running at full throttle, both on site and off site. We launched 'Safety Corner – a step towards a safer us' as an initiative to influence employee behaviour and develop a more conscious attitude towards health and safety.

Hazard Identification & Risk Assessment (HIRA) workshops were conducted for employees, equipping them to recognise hazards and risks associated with a given task and take pre-emptive action. Initiatives such as 'More Boots on the Ground', 'Visible Personal Commitment' and 'Safety Corner' were pursued vigorously during the year. These initiatives promote a safety culture at the workplace through role modelling, handholding, counselling and imparting safe work practices to shop floor associates.

Shaping a Sustainable Future

Sustainability is an integral part of our business strategy. As an industry leader, ACC is committed to enduring a sustainable business. Climate, Circular Economy, Water & Nature, and People & Communities are the four pillars of ACC's sustainability agenda, where we have made significant contributions working hard in 2018 to surpass its target in each of the focus areas.

Our specific CO₂ emissions per tonne of cement have reduced by 38% since 1990, which has surpassed our 2020 target. We have utilised ~11 million tonnes of waste-derived resources, continued our efforts to become biodiversity positive, reduced specific fresh water withdrawals in cement operation by ~18% and implemented initiatives to provide access to safe water, sanitation and hygiene.

During the year 2018, ACC completed the process of assessing its impact across the life cycles of its products through Environment Product Declaration (EPD) for its cement and concrete products and published the EPDs. ACC has also obtained a GreenPro Certification for its blended cement portfolio.

Building Communities

We believe in building long-term and transparent relationships with our partners and the communities where we operate. Total Corporate Social Responsibility (CSR) expenditure incurred by ACC during the year was ₹20.45 crore, focused mainly on the three areas of Sustainable Livelihood, Quality Education and Water, Sanitation and Hygiene (WASH), reaching out to over 4.79 lakh people residing in 185 villages across the country. Our livelihood and skilling initiative, DISHA, supported 39,382 rural women and youth in learning employable skills. Our education initiative, Vidya Utkarsh, has impacted the lives of 44,381 students and our WASH initiatives have benefited 1.08 lakh people.

In recognition of its efforts, ACC won several prestigious awards such as the 'Most Innovative CSR Project' for Vidya Utkarsh by the Government of Odisha and the 'Golden Peacock Award for CSR' for 2018.

Rebuilding lives in Kerala

In August 2018, torrential rains hit many parts of Kerala causing large scale flooding and landslides, leaving behind unimaginable destruction to homes, schools, hospitals and civic infrastructure. ACC immediately stepped in to assist people in the flood-impacted regions on Kerala. Every employee of ACC donated one day's salary and the Board of Directors contributed ₹1 lakh each. But going far beyond financial contribution, over 100 ACC employees camped in Kerala to help with the relief and rehabilitation efforts. ACC distributed food kits, cleaning kits, clothes, utensils, water, emergency lamps and essential items to marooned people and relief camps. A task force of 52 volunteers – cleaners, carpenters, plumbers, electricians and masons were mobilised from ACC Madukkarai plant to Kerala.

Green Building Centres (GBC)

Our Green Building Centres support small local entrepreneurs to make and distribute cement-based building materials such as fly ash bricks, concrete blocks, paver tiles and more. GBCs have helped build over 27,000 affordable homes in 2018 and we will scale up this programme even more in 2019.

Our Strength: Our Talent - Delivering through our People

Our Company is only as good as its people. The focus of our people strategy is on developing a stronger performance culture and investing in the development in leaders of today and

tomorrow. 'People for Tomorrow' is a programme specifically designed to improve people performance within the manufacturing function. Our commitment to be a leaner and more agile organisation has yielded significant improvement in the manpower productivity indicator (tonnes/FTE) of ~50% over the last two years, which is one of the best in the cement industry. Our productivity initiatives supplemented with technical skill training, behavioural improvement and engagement programmes for workmen have helped yield better business results.

Looking forward

In Union Budget 2019, the Government of India committed to further strengthen infrastructure initiatives which we believe will positively impact cement demand and boost economic growth. It also announced setting up an Affordable Housing Fund under the National Housing Bank (NHB) to ease credit to homebuyers, which is likely to boost cement demand from the housing sector.

Capacity Expansion to Deliver Growth

We are looking forward to an exciting future. We are committed to continue our growth momentum as we add new cement capacities of 5.9 million tonnes through a greenfield integrated cement plant at Ametha in Madhya Pradesh, with a grinding unit in Uttar Pradesh and expansion of our Tikaria and Sindri plants over a period of three years. This investment will further strengthen our market footprint and contribute to the Company's future growth.

Changes in Directorate

Relinquishment of office by three Independent Directors

Three Independent Directors who have been stalwarts on our Board, Mr Ashwin Dani, Mr Arunkumar Gandhi and Mr Farrokh Kavarana, will be stepping down from the Board of Directors at the close of this Annual General Meeting upon reaching the age of superannuation as per the Company's succession policy applicable to directors. Their wise counsel has greatly enriched the deliberations of the Board and brought a high level of maturity to the decision-making process.

Mr Ashwin Dani, with his astute business acumen and his vast experience in supply chain management, made insightful observations and constructive suggestions on various matters which greatly benefited the Company. Mr Dani shouldered additional responsibilities as Chairman of the Nomination & Remuneration Committee and as a Member on the Audit Committee and discharged his responsibilities admirably.

Mr Farrokh Kavarana's wealth of experience with the House of Tatas had greatly benefitted the Board, in particular the further strengthening of ACC's governance practices. Despite his busy schedule, Mr Kavarana served on five out of six Committees including as Chairman of two statutory Committees viz. Stakeholders' Relationship Committee and Compliance Committee.

Mr Arunkumar Gandhi, with his incisive knowledge of finance and wealth of expertise in the areas of Accounting and Mergers & Acquisitions, has played an advisory role to the Board in all strategic decisions of the Company. Always keeping the best interests of the Company and its minority stakeholders at heart, he has not only upheld the governance standards of the Board but further strengthened the same. As Chairman of the Audit Committee, he ensured that no decision was taken unless the matter was discussed in detail and thought-through from all angles.

The Company has at all times leveraged on the wise counsel and guidance of these Independent Directors. Dear Members, today I would like you to join me in thanking Mr Ashwin Dani, Mr Farrokh Kavarana and Mr Arunkumar Gandhi for their immense contribution to the Company.

Proposed Re-appointment of Independent Directors

The Board of Directors have recommended the re-appointment of Mr S K Roongta, Mr Shailesh Haribhakti and Ms Falguni Nayar as Independent Directors for a second term of five consecutive years commencing from the dates on which their present appointment with the Company expires.

Proposed Appointment of New Independent Directors

The Board has also recommended the appointment of Mr D Sundaram, Mr Sunil Mehta and Mr Vinayak Chatterjee as Independent Directors of the Company for a term of five consecutive years. They are distinguished professionals in their respective fields.

The Resolutions for the reappointment/appointment of Independent Directors as aforesaid have been included in the Notice of the AGM for the Members to cast their votes.

Awards & Accolades

Our good work did not go unnoticed. In recognition of its efforts, ACC won several prestigious awards and accolades in CSR, financial reporting, corporate governance, manufacturing and health and safety during the year. We are particularly proud of the 'Outstanding Accomplishment' that was conferred on ACC under the Corporate Excellence Category at the CII-ITC Sustainability Awards 2018.

Recognition for Sustainability

On the sustainability front, ACC was the first cement company in India to obtain the Environment Product Declaration (EPD) and the CII GreenPro Certification for its blended cement portfolio.

ACC is committed to creating larger societal value by ensuring that its corporate actions positively impact the economic, societal and environmental dimensions of the Triple Bottom Line performance. By making every aspect of our business sustainable, we reaffirm our commitment to a better world by building a future, cemented in trust.

Closing

Dear Shareholders, on behalf of the Board of Directors, I thank you for the generous and unrelenting support you have given us over the years and for your confidence in our business. On behalf of the Board of Directors, I thank you for your invaluable support in helping us build a stronger Company.

My best wishes to you and your families.

Thank you.

Neeraj Akhoury

Managing Director & CEO, ACC Limited

NB: This speech should not be construed as the proceedings of the Annual General Meeting.