

SALES VOLUME

In 2020, the Company’s cement sales de-grew by 11.6% from 28.89 Million tonnes in 2019 to 25.53 Million tonnes. Overall, the industry witnessed de-growth of ~10-12% due to the COVID-19 pandemic. However, in the second half of 2020, the industry showed signs of early recovery.

In the retail segment, individual home builders and ground plus three storey (G+3) buildings continue to remain the Company’s largest customer segment in terms of volume and profitability. With growing urbanisation and rural empowerment, the demand from these sectors is expected to accelerate.



DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS

Key financial ratios of the Company showing its financial performance are as under

Ratios	2020	2019	Change	Change%
Debtors Turnover (Days)	15	18	(3)	(18)
Inventory Turnover (Days)	28	34	(6)	(18)
Interest Coverage Ratio	-	-	-	-
Current Ratio (Times)	1.00	1.04	(0.04)	(4)
Debt Equity Ratio	-	-	-	-
Operating EBITDA Margin (%)	18	16	2	17
Net Profit Margin (%)	10	9	1	18
Return on Net Worth (%)	11	12	(1)	(8)

There is no significant change (i.e. change of 25% or more as compared to the immediately previous financial year) in the key financial ratios.

MARKET DEVELOPMENT

ACC is the first and among the largest producers of cement in the country. For over eight (8) decades, the Company has been playing an active role in the progress and development of the country and has enjoyed a loyal customer base. The Company also has a strong pan-India channel network

of 12,000 dealers and 56,000 channel partners, which is servicing the nation’s requirement of high-quality cement and building materials. This strong network has been instrumental in driving over 79% of the cement sales in the retail segment for 2020.

Strong distribution network

Over the years, the Company’s Sales and Marketing teams have developed a deep understanding of customer preferences and requirements. This enables ACC to maximise the utilisation of its existing capacity on ‘product value-based volume strategy’.



The Company has taken significant steps to be a sustainable organisation. As part of the overall sustainability strategy, ACC has also reduced the percentage contribution of Ordinary Portland Cement (‘OPC’) to the Company’s volumes. It has undertaken various steps for effective dealer channel management to drive growth in key relevant markets. The strategy is to appoint new channel partners, enhance wallet share per counter and to remain connected with the channel and retail customers, who are serviced through the strong dealer channel.



GOLD WATER SHIELD

Water repellent cement

The Company continues to drive the sale of revolutionary cement, ‘GOLD WATER SHIELD’, which has been creating waves in the cement market. The unique water repelling feature of the cement is achieved by minutely controlling the process changes under sustainable environment, along with adjustments in the raw material dosage. Our blended cement products have also got CII-GreenPro certification.

Beyond Cement and Ready Mix Concrete

ACC has diversified into creating new revenue lines beyond cement and concrete to new building material categories like construction chemicals, dry mix products and admixtures for Ready Mix Concreting solutions. ACC ADMIX, a concrete additive mixture range, was also launched under the Company’s Solutions & Products vertical. In precast, premium offerings such as ACC+ premium blocks and bricks, along with customised designer cover blocks, railway platform copings, colour bricks were developed and launched. Specialised grated manhole covers and precast panel-based boundary walls (for faster implementation) were also conceptualised. ACC has expanded the geographical footprint of new products that it had launched in 2019 under construction chemicals, and the cement coat and dry mix range. The first-ever Company owned Dry Mix Mortar plant was inaugurated in Damodar Cement Works located at Madhukunda, West Bengal in October 2020.

Relationship management

ACC engages with its stakeholders and keeps them updated about launches and adds value to their business through its newsletters and journals like Bandhan and India Concrete Journal. Bandhan is a newsletter that is published in ten (10) languages and focuses on creating engagement with the contractor fraternity through inspiring stories, tips and so on. India Concrete Journal is a monthly journal published since 1927, presenting its readership, academia and professionals with contributions that are relevant, contemporary, and futuristic.

The Company uses digital means to connect with its consumers through various routes and has been focusing on building up its engagement on a regular basis. Creating content around various aspects has been one of the ways to scale up brand visibility on the digital platforms. Building on the brand promise, ‘Kamaal Ki Kahani’ is an intriguing series, which focuses on celebrating the journey/achievement of its stakeholders. The thought leadership series of ‘Kamaal Ki Baat’ also builds up interactions between the Company and its stakeholders. In addition, strong presence on social media and digital marketing through platforms like Google and Facebook have helped the Company in driving visibility for the mother brand and respective products.

The Company has also been focusing on enhancing the experience level of its customers through enhanced versions of ‘Dealer Connect App’, which offers additional functionalities, and ‘Concrete Club App’, which comes with a singular social platform for construction professionals such as architects and engineers. These platforms enable the Company to share its knowledge series initiatives, where experts from the industry share details and insights into

various aspects of construction through webinars. Through these digital channels, ACC has stayed connected with its channel partners and influencers even during the COVID-19 lockdown. Dealer engagement has been stepped up through a bi-monthly newsletter—ACC Sambandh—published in six (6) regional languages, which celebrates the excellence of the Company’s channel partners. This empowers dealers with corporate and regional information that gives them insights into the Company’s achievements, new launches, latest innovations and customer service initiatives.



Innovation

ACC has been a pioneering brand with a history of ‘Category first’ innovations that have gone on to set new benchmarks. It continues in its endeavour to be an innovative and responsive organisation by building sustainable, innovative and differentiated solutions aligned with its vision to transition to a ‘Building Materials Company’. This

has been made possible through the global R&D framework and knowhow of the LafargeHolcim Innovation Centre, combined with the local expertise of the India Innovation Centre. The thrust on experimenting with new ideas and creating new prototypes is further strengthened by the Company’s institutional partnership with leading B-schools, design schools and engineering colleges and tie-ups with start-ups in related fields. The spirit of innovativeness has reaped significant benefits and helped the Company achieve cost efficiencies in the areas of energy, raw materials sourcing, logistics, customer excellence and manpower optimisation, thereby leading to productivity improvement.

Digital technology and digitisation are strong pillars of innovation. The Company has leveraged digital technologies across the curve, from targeting increase in its operational efficiencies to strategic data-driven decision-making. The ‘Plants of Tomorrow’ initiative has been a great example of the Company focusing on digitisation in manufacturing, where technical information systems record minute-by-minute data from all key assets at the plants. This enables improving operations, generating automatic alerts, and has also laid the foundation for implementing Industrial Internet of Things (‘IIoT’) use cases. The Company has piloted the use of ‘Artificial Intelligence/Machine Learning’ (‘AI/ML’) into predicting cement strength and quality. Within logistics, the Company has launched an integrated planning tool that enables demand consolidation, constraint-based supply plan and network optimisation. The Transport Analytics Center has helped deliver significant savings with route and lead correction.

The Company has immensely benefited from the Technology Know How (‘TKH’) of the LafargeHolcim, the Parent Company in terms of access to best in class testing processes for upgradation of local labs, new ideas on specially formulated application oriented innovative cement products and bringing global brands like ECOPact, the Green Concrete, to the Indian market.

CEMENT BUSINESS – PERFORMANCE

Particulars	2020	2019	Change%
Production (Million tonnes)	23.77	27.87	(15)
Sales Volume (Million tonnes)	25.53	28.89	(12)
Net Sale Value (₹ in Crore)	12,658.17	14,060.31	(10)
Operating EBITDA (₹ in Crore)	2,421.00*	2,256.30	7
Operating EBITDA Margin (%)	19.13*	16.05	3.08PP

* excluding charge of ₹129 Crore

Costs – Cement business

During 2020, the Company undertook various initiatives towards effective cost management.

a) Cost of materials consumed

The Company’s raw materials cost is lower by 11% per tonne of cement vis-à-vis 2019 through overall improvement in supply chain efficiencies and source mix optimisation. The landed slag cost is lower by 21%, fly ash landed cost is lower by 6% and gypsum landed cost is lower by 13% as compared to previous year.

b) Power and Fuel

Power & Fuel cost dropped by 7% in 2020 vs 2019 and efforts are being made to reduce the same YoY. Kiln fuel cost has dropped by 6% and CPP fuel by 3% in 2020 vs 2019. Continuous focus has been there to reduce Power & Fuel cost by taking various measures such as fuel flexibility between coal and petcoke, new sources and alternative fuels replacing fossil fuels etc. Maximum utilisation of available assets is also key to reducing the cost per tonne of cement.

The Company is undertaking sustained measures to build a better power mix by maximising the use of renewable power sources, including solar, wind and hydro power.

ACC has stabilised its 5.35 MWp onsite solar operation in Jamul, Chhattisgarh, and power supply from offsite solar project ~14.01MWp has started for ACC Tikaria plant in Uttar Pradesh.

The Company’s plants at Thondebhavi and Kudithini in Karnataka have sourced ~60% of plants’ power requirement in 2020 from renewable sources (solar and wind) and another 34% from the spot market (Indian Energy Exchange).

During the pandemic, the Company took measures to reduce the power cost by sourcing short-term wind and hydro power in Karnataka and Himachal Pradesh.

In accordance with LafargeHolcim’s ‘Net Zero’ pledge and reducing carbon emissions, the Company is expanding its waste heat recovery capacity by adding 22.5 MW in addition to its current capacity of 7.5 MW. The new capacities will be operational in the year 2022.

c) Freight and forwarding expenses

The Company undertook various cost improvement initiatives during the year 2020. During the pandemic, business disruptions were compounded by an unprecedented hike in fuel prices. Confronted with a cost increase scenario, the Company achieved a 3% reduction in freight and forwarding expenses. Rigorous implementation of efficiency improvement initiatives, reduction in wasteful expenditure, improved direct dispatches, optimising the warehouse network, higher MSA volumes were some of the key drivers. The Company aims to leverage technology and network optimisation tools to integrate its supply chain for a sustainable competitive edge.

CAPACITY EXPANSION

To effectively manage the Company’s manufactured capital, ACC regularly undertakes both capacity augmentation projects and engages efficiency capex initiatives.



4.4 MTPA
Sindri plant’s total capacity in 2021

Starting 2021, ACC has added 1.4 MTPA to the existing 3.0 MTPA unit, taking the total capacity at Sindri, Jharkhand to 4.4 MTPA. The Company has commenced cement production in a record time, setting a new benchmark at ACC with meticulous planning and collaborative approach even in these unprecedented times.

With cement demand projected to increase in India, development capex projects are being kickstarted to increase clinker and cement capacities at ACC in the attractive and profitable Central region of India. This ensures that ACC has ample capacity to cater to a rising demand scenario.

In this regard, the Company has undertaken to increase capacity by 2.7 MT of clinker and 4.8 MTPA of cement by 2024 in the following manner:

- 1. Setting up a greenfield integrated cement plant in Ametha, Madhya Pradesh, with a clinker capacity of 2.7 MTPA and a cement capacity of 1 MTPA
- 2. Expansion of the existing grinding unit in Tikaria, Uttar Pradesh, with a 1.6 MTPA PPC cement capacity
- 3. Setting up a greenfield cement plant in Shonebhadra Dist., Uttar Pradesh, with a grinding capacity of 2.2 MTPA PPC cement capacity