

# Management Discussion and Analysis

## ECONOMIC SCENARIO AND OUTLOOK

The Indian economy contracted by 6.6% during Fiscal Year 2020-21 (FY21), but witnessed steady recovery despite the COVID-19 related uncertainties. There were expectations of a strong double-digit recovery. But an intense second wave of COVID-19 pandemic, which resulted in localised lockdowns, derailed this growth and dampened consumer sentiment. The successful rollout of the world's largest vaccination drive, pick-up in government expenditure and better preparedness compared with the first wave limited the negative economic impact. The overall Consumer Price Index (CPI) inflation was at 6.0% in January 2022, and could remain elevated in the near future due to high input cost pressures, largely stemming from supply chain disruptions and upward pressure on crude oil. The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) maintained its accommodative stance, retaining the repo rate at 4% and indicating that policy support to economic growth remains a priority. The Union Government plans to boost capital expenditure, with government spending taking the lead and attracting private investments in turn, but without derailing the fiscal deficit 'glide path' to 4.5% by FY26. The country's Gross Domestic Product ('GDP') is expected to rebound by 8.9% in FY22 based on current government estimates. For FY23 real GDP growth is expected to be near 8.0% and fiscal deficit is projected to be at 6.4% of GDP, lower than the fiscal deficit of 6.9% of GDP for FY22.

## Cement industry: outlook and opportunities

India is among the top cement producers in the world, with an estimated cumulative installed capacity of 551 Million Tonnes per annum ('MTPA') in 2021. It is also the second largest consumer of cement, though per capita cement consumption remains below the global average, leaving significant headroom for growth. Cement demand grew by 11-13% YoY in CY 2021, following an 8.6% contraction the year earlier. The demand growth was especially strong in the first three (3) quarters of 2021, but heavy unseasonal rain and shortage of sand in some regions had a negative impact in the last three (3) months of the year. Continuing demand for affordable housing in rural areas, pent-up demand in the urban builder segment, and government infrastructure spending remained the major drivers for cement consumption. Demand from the industrial and commercial segments was relatively more tempered.

In CY 2022, cement demand is estimated to grow above 7.0% YoY, with the structural growth drivers like housing and infrastructure development gathering momentum. The Union Government reiterated its thrust on affordable housing and public investments in core infrastructure sectors, which bodes well for cement demand. The Union Budget 2022-23 has set a target of completing the construction of 8 Million houses under



Pradhan Mantri Awas Yojana and 25,000 km of highways and roads during FY23. Special focus has been given to multi-modal logistics and development of cargo terminals, with infrastructure status being accorded to data centres and energy storage systems.

# 7%

**Estimated growth in cement demand in CY 2022 (YoY)**

## Sales volume

In 2021, the Company's cement sales increased by ~13% to 28.89 Million Tonnes (MT) from 25.53 MT in 2020. The industry registered a growth of 11-13% on the back of strong market recovery in the first half of FY22, but lower secondary demand in the second half resulted in de-growth.

The individual home builders and ground plus three-storey (G+3) buildings in the retail segment continue to be ACC's largest customer segment both in terms of volume and profitability. The demand from these sectors is expected to accelerate on the back of growing urbanisation and rural empowerment.

## Significant changes in key financial ratios (Standalone)

Ratios	2021	2020	Change	Change %
Debtors Turnover (Days)	11	15	(4)	26*
Inventory Turnover (Days)	29	31	(2)	7
Interest Coverage Ratio	-	-	-	-
Current Ratio (Times)	0.92	1.00	(0.08)	8
Debt Equity Ratio	-	-	-	-
Operating EBITDA Margin (%)	19	17	2	9
Net Profit Margin (%)	12	10	2	10
Return on Net Worth (%)	13	11	2	14
Net Worth (₹ Crore)	14,228.43	12,661.44	1,566.99	12

\* Debtors Turnover days has decreased due to better collection and strict credit norms.

## Market development

ACC pioneered cement production in the country and remains India's foremost cement producer, playing a definitive role in the country's growth trajectory while retaining a loyal customer base. It also has a strong pan-India channel network that includes ~13,000 dealers and ~56,000 retailers/sub-dealers, who help the Company cater to the country's need for quality cement and building materials. This strong network has driven ~79% of cement sales in the retail segment in CY 2021.

## Strong distribution network

The Sales and Marketing teams of the Company have garnered deep understanding of customers' changing preferences and



requirements, enabling ACC to maximise capacity utilisation through better product mix and driving efficiency in the supply chain by reinvigorating the dealer network.

The Company believes in responsible growth and as part of its sustainability strategy, it has been reducing the contribution of Ordinary Portland Cement (OPC) to the product portfolio. At the same time, it has been taking measures such as appointment of new channel partners and enhancement of wallet share per counter to manage the dealer channel effectively as part of its growth strategy in key markets. It has also managed to retain a strong connect with retail customers who are served by the dealer channel.

## Gold Water Shield (Water Repellent Cement)

ACC's water-repellent 'Gold Water Shield' cement, which was launched in 2013 continues to be the market leader in the premium cement category, registering healthy growth. The water-repellent property of the product results from minutely controlled process changes under a sustainable environment, with adjustments in the raw material dosage. Blended cement products of the Company have also earned certification from CII-GreenPro and Solar Impulse.

## Beyond cement and ready-mix concrete

ACC has diversified across cement and concrete, and has created new building material categories such as construction chemicals, dry mix products and admixtures for ready-mix concrete solutions. The Company has focused more on developing and promoting green and sustainable products, which lower the carbon footprint of overall construction. ACC ECOPact, JETSETCRETE and Ultivacrete were launched under the Company's RMX vertical. The Solutions &



Products vertical witnessed launch of Leak Block 101 Water Proofing Plaster, whereas in the dry mix range, the Company introduced Premium White Adhesive, Self-curing Plaster, Grout and Fibre reinforced mortar. Distribution of construction chemicals, cement coat and dry mix range has also steadily expanded across all regions.

### Green Building Centres

Green Building Centre ('GBC') is another unique triple bottom line initiative of ACC. It currently has more than 150 partners across the nation, who support the Company's business outcomes as well as its sustainable development goals. This business has attracted more than ₹1,200 Crore investment from the partners.

During 2021, the Company assisted in setting up 40 new GBCs, bringing the total number of GBCs to 150 by the end of December 2021. Together, the GBCs have helped in the utilisation of 88,058 tonnes of fly ash, conservation of 1,90,792 tonnes of the Earth's natural topsoil and avoidance of 13,429 MT of CO<sub>2</sub> emissions during the year. This initiative also facilitated construction of 33,338 low-cost houses. In 2021, the total number of direct beneficiaries at GBCs were ~2,800.

The Company effected a change in its strategy during 2021 to promote greater productivity and establish new business lines. It appointed bigger partners over a larger geography. All the parameters of business and sustainability can be expected to be benefited by this recalibration. The changed strategy resulted in an increase in the number of houses from 31,477 in 2020 to 33,338 in 2021.

In the next couple of years, the replication of GBCs and the returns are expected to play an important role for the Company and its partners.

## ₹1,200 Crore

Investment from ACC's 150 partners in the Green Building Centre initiative

### RELATIONSHIP MANAGEMENT

ACC regularly engages with its stakeholders and provides them necessary information on launches and other important business decisions that add value to their business through its newsletter like ACC Sambandh. ACC Sambandh, published in six (6) regional languages, celebrates the excellence of the Company's pan-India channel partners. Bandhan, a contractor newsletter, is published in ten (10) regional languages and focuses on engaging with the contractor community through inspiring stories, construction tips and so on. The Indian Concrete Journal (ICJ), a monthly publication since 1927, gives its readers in the academia and industry relevant information on the construction sector and its future prospects.

The Company has been using digital technology to connect with its consumers and focusing on increasing this engagement while scaling up brand visibility on digital platforms by creating attractive content and disseminating information relevant to its customers. Extending the brand promise, the 'Kamaal Ki Kahani' series celebrates the success of exceptional contractors. 'Kamaal Ki Baat' is another series that provides snippets of information on innovation and the expertise of engineers and architects. Through the 'ACC Knowledge series' webinars, experts share details and insights into various aspects of construction. The ACChelp website simplifies technical aspects related to different stages of the construction process that independent home builders need to know. In addition, a strong social media presence and efficient



digital marketing have helped the Company gain more visibility for the mother brand and for its various products.

The Company has been enhancing the experience of its business partners and customers through various mobile applications. The Dealer Connect App helps engage channel partners, enabling them to place orders and track ledger accounts. The Atoot Bandhan App manages contractor loyalty, and the Concrete Club App acts as a platform connecting construction professionals such as architects and engineers.

The Company offered virtual site services *via* 'Connect to build' during the lockdown which helped it to remain connected with its channel partners, home builders and influencers. Dealer engagement has been stepped up through a bi-monthly newsletter, ACC Sambandh, which empowers dealers by providing them key corporate and regional information, insights into the Company's affairs, new launches, latest innovations and marketing campaigns, as well as customer service initiatives.

## INNOVATION

ACC has created an enduring position for itself through its category-first innovations, and retains its lead in creating sustainable, innovative, and differentiated solutions in order to realise its vision of becoming a 'Building Materials Company'. What has made this possible is the R&D framework and knowledge sharing by Holcim Innovation Centre, together with the expertise of the India Innovation Centre. The impetus towards new ideas, leading to new prototypes has received a boost from the Company's partnership with leading B-schools, design schools and engineering colleges, and tie-ups with start-ups. ACC's innovation backbone has reaped significant benefits for the Company and helped it achieve cost efficiencies in the areas of energy, raw materials sourcing, logistics, customer excellence and manpower optimisation, leading to significant improvement in productivity.

Digital technology and digitalisation are inseparably connected to this innovation drive. The Company has been using digital technologies across a wide swathe of operations, from improving operational efficiencies to driving strategic data-driven decision-making. The 'Plants of Tomorrow' initiative showcases the Company's focus on digitalisation in manufacturing, whereby data from all key assets at the plants are recorded by technical information systems record every minute. Industrial Internet of Things (IIoT) is also being implemented by the Company, which is also using Artificial Intelligence/ Machine Learning (AI/ML) to gauge cement strength and quality. For better logistics management, the Company has launched an integrated planning tool that enables demand consolidation, constraint-based supply plan and network optimisation. The Transport Analytics

Center (TAC) has led to significant savings through route and lead correction. Initiatives such as Blue Yonder, e-Proof of Delivery, fleet management, e-tenders, supplier platform, reverse auction tools, dealer connect, concrete direct and sales force automation are other areas in logistics, sales and operational planning which aid in cost and time savings by leveraging technology.

Technology knowhow (TKH) of Holcim, the parent company, has enabled the Company to access best-in-class testing processes at its labs and implement new ideas to prepare specially formulated application-oriented novel cement products. The knowledge sharing has also made possible the introduction of global brands like ECOPact – the Green Concrete to the Indian market.

## Cement Business – Performance

Particulars	2021	2020	Change %
Production (MT)	26.92	23.77	13
Sales Volume (MT)	28.89	25.53	13
Net Sale Value* (₹ Crore)	14,772.36	12,658.17	17
Operating EBITDA (₹ Crore)	2,902.96	2,292.07	27
Operating EBITDA Margin (%)	19.65	18.11	1.54 PP

\* Includes sales to RMX



## ECOPact – the Green Concrete

A global brand of Holcim Group, introduced by ACC in the Indian market

### COSTS – CEMENT BUSINESS

During 2021, various cost management strategies were followed by the Company.

- **Cost of materials consumed**

In 2021, the raw materials cost for the Company was higher by 12% per tonne of cement *vis-à-vis* 2020. Landed cost of slag was higher by 28% and that of fly ash was higher by 7%. However, for gypsum, the landed cost was lower by 4% compared to that of Previous Year ('PY').

# 3%

Increase in usage of conditioned fly ash/ wet fly ash in 2021 vs PY

- **Power and fuel**

The cost of power and fuel increased by 31% in 2021 *vis-à-vis* that in previous year driven by external market dynamics. Kiln fuel cost increased by 40% although the Captive Power Plant (CPP) fuel cost remained the same as in 2020. During the reporting period, the Company made consistent efforts to reduce the cost of power and fuel by using both domestic and international coal and petcoke, as also Alternative Fuel and Raw Materials (AFR).

One of the key reasons for the Company's success in reducing energy cost per tonne of cement was the ability to make full utilisation of available assets. ACC is also optimising power mix and enhancing the utilisation of renewable power including solar, wind and hydro power.

ACC continues to use power produced by its onsite and offsite solar plants in Chhattisgarh, Uttar Pradesh and Karnataka, aggregating to more than 51.85 MWp solar power and 19 MW wind power. Another 30 MWp offsite solar project in Chhattisgarh has been commissioned and is expected to begin production by early 2022. In addition, the Company's plants at Thondebhavi and Kudithini in Karnataka sourced more than 60% of their power requirement from renewable sources (solar and wind).

The short-term sourcing of wind and hydro power from Karnataka and Himachal Pradesh helped the Company reduce its power cost during the pandemic. ACC as part of its commitment to the Net Zero Pledge is in the process of adding 38.7 MW of additional Waste Heat Recovery System ('WHRS') to its existing WHRS capacity of 7.5 MW. By 2022, the total WHRS capacity would be 46.2 MW. We will continue our journey to add renewable and green energy in our portfolio as part of Net Zero Commitment.

# 46.2 MW

WHRS capacity by 2022

# 6.5%

Green Power (Renewable + WHRS) contribution in total power consumption during 2021

- **Freight and forwarding expenses**

Various cost improvement measures were undertaken in 2021 to combat disruptions caused by the COVID-19 pandemic and rising fuel prices. The Company managed to keep the freight and forwarding expenses flat despite significant increase of ~25% on diesel prices. Rigorous initiatives to improve efficiency, reduction of wasteful expenditure, improved direct dispatches, optimisation of the warehouse network and higher Master Supply Agreement volumes were some of the measures that helped achieve this. With the efficient use of technology and network optimisation tools, the Company hopes to integrate its supply chain and retain its competitive edge.



### MASTER SUPPLY AGREEMENT ('MSA')

The Company has an MSA with the Holding Company, Ambuja Cements Limited ('Ambuja'). The MSA was approved by the shareholders of the Company in the year 2018 for a period of three (3) years. Considering the benefits of the MSA, the same was renewed in 2021 for a further period of three (3) years.

During the year, the Company produced and sold 8.58 Lakh Tonnes to Ambuja on account of the MSA, which has helped in terms of increase in volume and profitability. It has also helped the Company in (i) achieving synergies and economies of scale; (ii) bring efficiency in operational and logistics costs; (iii) strengthen sustainability in terms of use of fuel and other resources, and conserve natural resources. The Company will continue to explore the MSA arrangement with Ambuja for higher revenues and profitability.

Considering the regulatory changes brought by SEBI in the Listing Regulations, the Company will be approaching shareholders at the ensuing Annual General Meeting for approval of the the MSA and other Related Party Transactions ('RPTs') with Ambuja, as the value of all such RPTs is likely to exceed ₹1,000 Crore.



## CAPACITY EXPANSION

Capacity augmentation projects and capex initiatives are integral to the Company's growth agenda.

The capex projects undertaken earlier in the Central and Eastern regions are progressing well and on track for timely completion. The Company ensures that it has reasonable capacity to cater to this rising demand scenarios in the Central and Eastern regions.

In this regard, the Company has undertaken to increase clinker capacity by 2.7 MTPA and cement capacity by 4.8 MTPA, which are as follows:

### Ongoing projects

- Greenfield integrated cement plant at Ametha, Madhya Pradesh with a clinker capacity of 2.7 MTPA and a cement capacity of 1 MTPA PPC is expected to be commissioned by Q2 of 2022;
- Expansion of existing grinding unit at Tikaria, Uttar Pradesh, with a 1.6 MTPA PPC cement;
- Greenfield cement plant at Salai Banwa (Grinding Unit) with a cement capacity of 2.2 MTPA is on track.

## READY-MIX CONCRETE ('RMX') BUSINESS

### Organisational versatility helps adjust to new normal

CY 2021 started with the belief that the worst of the pandemic was over, but the Delta variant left a larger population infected than the first wave. After witnessing a few green shoots in Q1 of Financial Year 2021, the RMX business also was hit hard by the second wave in Q2. The RMX business remained muted in Q3 as well, due to abnormally heavy and extended monsoon. It was not before Q4 that the RMX business started witnessing some improvement in demand.

The Company's overall focus on 'Health, Cost and Cash', and organisational versatility, helped the RMX business adjust to the new normal. Strategies were reframed for the RMX business to bring it back on track. As a result, the RMX business ended the year on a positive note, which is evident from the results. The Company also managed to overcome and address the challenging potential bad debts which the RMX business witnessed in the Financial Year 2020.

### RMX Business - Performance

Particulars	Unit	2021	2020	Change %
Ready Mix Concrete Sales Volume	Lakh m <sup>3</sup>	28.09	22.70	23.73
Net Sale Value	₹ Crore	1,241.66	955.42	29.96
Operating EBITDA	₹ Crore	97.44	60.08	62.18
Op. EBITDA Margin	%	7.85	6.29	1.56 PP

### Value-added solutions

ACC's RMX business continued to work for niche products and created varied construction products and solutions.

Value-added solutions, which make up 27% of the total RMX sales, play an important role in the RMX business, leading to more customer-focused, solution-driven sales. The year saw a 4% YoY increase in sales of value-added solutions. The Company successfully launched ECOPact – The Green Concrete during 2021. ACC's R&D team continues to work on various new initiatives and products.

## 27%

Contribution of value-added solutions to the total RMX sales

### Green products

**ECOPact – The Green Concrete** is a low CO<sub>2</sub> concrete with a minimum 30% reduction in embodied carbon. The product is designed for sustainable construction needs and makes possible 30-100% CO<sub>2</sub> reduction, which takes ACC a step ahead in its commitment to protect the environment and ensure intergenerational fairness when it comes to the environment. A GreenPro certified product, ECOPact has earned green points from Indian Green Building Council (IGBC).

ECOPact sales now make up 8% of the total RMX sales. The product was launched in Mumbai in January 2021 and rolled out across India by March 2021. The Company is focusing on capability building of the sales force, value communication for customers along with partnering nodal agencies and consultants, to scale up sales.

ACC RMX has both Environmental Product Declaration (EPD) and GreenPro certification. As on date, ACC RMX offers eight (8) products, which have also been certified as eco-labelled/green products. The RMX team is now diligently working on developing carbon-neutral concrete and Ultra High Performance Concrete (UHPC).

ACC has a nationwide network of 78 state-of-the-art RMX plants. For the past 29 years, the RMX business of the Company has shaped the country's construction sector while producing innovative products, enhancing service standards and delivering value to customers.

## DISCUSSIONS ON FINANCIAL PERFORMANCE VIS-À-VIS OPERATIONAL PERFORMANCE

For details on financial performance vis-à-vis operational performance.

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## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

For details on internal control systems and their adequacy Board's Report [pg 111](#)



### SUSTAINABLE DEVELOPMENT

Ever since ACC revisited its sustainability strategy and restated its targets for each pillar in 2019, it has made significant progress across each pillar. Although COVID-19 pandemic has impacted the Company's overall operations, it performed well in most of the pillars, the details of which are given below

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#### A. Climate and energy

CY 2021 has been a significant year for ACC for its climate related progress and efforts. The Company has reduced its specific carbon emissions to 488 kg/T of cementitious materials in comparison to 493 kg/T in 2020. Some of the levers affecting the CO<sub>2</sub> emissions, such as clinker factor and Thermal Substitution Rate ('TSR') have improved over the last year, resulting in reduced carbon footprint in 2021.

- **Clinker factor**

The Company has been reducing its average clinker factor across the entire range of its product portfolio. In 2021, ACC increased the contribution of its blended cements from 90.3% to 91.2% to the portfolio. These initiatives helped it significantly reduce the average clinker factor by 1.42%.

- **Thermal energy**

ACC continued its efforts to reduce thermal energy intensity. The thermal energy intensity during 2021 was retained at the same level as in 2020, i.e. 743kCal/kg clinker.

The Company will continue these efforts as they form an integral part of its efforts at carbon emissions reduction.

- **Green energy and power generation through waste heat recovery system**

In 2021, ACC's captive wind farms in Maharashtra, Tamil Nadu and Rajasthan together generated almost 31.55 Million units of renewable energy. Solar PhotoVoltaic plants at Jamul Cement Works, Chhattisgarh and at Kymore mines have generated 7.53 Million units in 2021. Additionally, Power Purchase Agreements and open access formed avenues through which renewable power of 66.26 Million units was sourced and consumed by the Company.

A total of 102 Million units of green energy were consumed in 2021, which is higher than last year's consumption; 43 Million units of power were consumed from the WHRS installed at Gagal Cement Works during the year. ACC's WHRS projects at two (2) plants in Jamul (Chhattisgarh) and Kymore (Madhya Pradesh) are in an advanced stage and slated to be completed in 2022.

- **Alternative fuels and raw materials**

Given its multiple benefits, co-processing of waste in cement manufacturing is gaining momentum in India. This makes it possible to conserve fossil fuel and raw materials and reduce the carbon footprint while saving public funds which would otherwise have been spent on waste disposal through landfilling

and incineration. This is also socially beneficial as it generates employment and curtails the spread of diseases caused by failure to adequately manage municipal solid waste. ACC has set up two (2) pre-processing facilities and enhanced co-processing at seven (7) plants in order to promote the efficient disposal of hazardous and non-hazardous waste, the use of municipal solid waste as Refuse Derived Fuel (RDF) and biomass (non-cattle feed) in its kilns, wherever this is legally permitted.

Geocycle, its waste management arm, helps ACC contribute to safe waste management solutions in industries and municipalities and increase the utilisation of alternative fuels in cement kilns. The Company has been building up stakeholders' awareness on these issues through its advocacy in appropriate forums. With consumption of alternative fuels of 284551 tonnes, recording growth of 19% YoY, the Company has achieved TSR of 7.25% in 2021 compared to 6.93% in 2020.

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**7.25%**

TSR in 2021, compared to 6.9% in 2020

## B. Circular economy

ACC adopts and promotes the circular economy concept by utilising various types of waste from other industries, termed Waste Derived Resources ('WDR'), into the cement manufacturing process. The Company has been using waste materials from power and steel industries, such as fly ash and slag, as replacement for clinker in the cement, and making possible co-processing of waste as part of its efforts to promote a circular economy. During 2021, ACC consumed 6.71 MT of fly ash, 2.96 MT of slag, 0.91 MT of synthetic gypsum including Phosphogypsum, and 0.51 MT of alternative fuels and raw materials in cement manufacturing. Additionally, 0.27 MT of WDR, including fly ash and slag, were consumed in cement production. The total WDR consumption of the Company in 2021 was 11.36 MT.

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**11.36 MT**

Waste Derived Resources consumption in 2021

## C. Environment

Several measures were undertaken during the year to promote water conservation and harvesting. These included close monitoring of water consumption and withdrawal, augmenting of water harvesting structures in communities, and optimisation of processes. Specific

freshwater consumption in cement operations has reduced from 78 litres/tonne of cementitious material to 74 in 2021. ACC also reduced its specific water consumption by 136 litres/tonne of cementitious material in 2021 as compared to 151 litres/tonne of cementitious material in 2020. Contribution of harvested water used in ACC's cement operation was 45.5% of its total water consumption.

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## Biodiversity

During the year, ACC continued with its measures towards nature conservation and biodiversity preservation. Efforts to conserve specific flora and fauna formed part of the 'B-Buzz' project. Additionally, in 2021, the Company planted ~1 Lakh trees at its various plants and mining locations. Apart from this, plantations were set up at many plant locations and colonies.

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## Emissions

Emissions are an inherent part of cement production. Aware of its responsibility to limit carbon emissions, the Company makes it mandatory for all its sites to measure and manage air emissions as much as possible. During the year, ACC worked towards improving its emissions and the surrounding environment. Brief details of these initiatives are given below:

### • Dust emission control

During the year, maintenance activities were conducted through in-house and third-party teams for upgradation of Electrostatic Precipitators (ESP), replacement of damaged bags and so on. The measures together resulted in reduced stack dust emissions in cement plants at <30mg/Nm<sup>3</sup>.

### • NOx emission control

ACC has undertaken both primary and secondary measures to control NOx emissions and implement Selective Non-Catalytic Reduction (SNCR) systems in integrated cement plants.

### • SOx emission control

Given that ACC's emissions are within limits prescribed by the pollution control authorities, the Company is not required to undertake major emission control measures with regard to SOx emissions. It is mandatory for cement plants to report on a real time basis ambient air quality, effluents and process emission on the websites of regulatory authorities, and ACC complies with this requirement. It monitors its plants' stack emissions (dust, NOx and SOx) through the Technical Information System (TIS) that has been commissioned at most of its plants. This provides information on process and emission parameters to senior management at the plant and the corporate office.



### D. People and communities

Aspects related to this pillar are covered in the following section:

#### Corporate Social Responsibility initiatives

ACC conducts its social development interventions through the ACC TRUST. The usual community development programmes were continued with vigour during the year, which also saw a widening of the scope of these projects. This year, special focus was given to sustainable livelihood, malnutrition mitigation, water conservation and combating the COVID-19 pandemic situation along with initiatives on the regular CSR thematic areas of Sustainable Livelihood, Quality of Education and WASH (Water, Sanitation and Health-Hygiene). These programmes are in accordance with Schedule VII of the Companies Act, 2013 and in alignment with United Nations Sustainable Development Goals.

ACC's total CSR expenditure during the year was ₹35.95 Crore. This was 2.03% of the average net profit of the last three (3) years. Community development projects benefitted over 5 Lakh people in more than 150 villages and nine (9) municipal areas across the country. The sustainable livelihood (DISHA) initiative benefitted more than 44,000 lives, including youth, women and farmers.

ACC's agriculture related initiatives have helped 5,470 farmers to reduce input costs and increase agricultural production. ~1,643 youths were provided skill enhancement training and made employable. Women Self-help Groups ('SHGs') were created, which provided continued guidance and bank linkages. ~16,000 women have been associated with 1,529 SHGs and 4,497 SHG members were provided microenterprise development training during the year.

Education initiatives around the Company's plants reached ~25,000 students during 2021. Digital education, smart classes and interactive kiosks, learning aided the students to learn in a better way. More than 1,200 Vidyasarathi scholarships were provided to students for higher education.

ACC supports seven (7) government-run Industrial Training Institutes (ITIs) under the public-private partnership scheme with the Government of India.

WASH initiatives addressed community requirements for safe drinking water and better health through malnutrition eradication, health camps and waste management in collaboration with municipal bodies. 57 water conservation structures were created in villages across plant locations to conserve water and ensure its availability during lean periods for irrigation and drinking. The Company also helped recharge defunct borewells, dry wells and in-situ moisture conservation, which increases farm yields.

ACC's initiatives to eradicate malnutrition helped more than 20,000 children, and provided them access to better health and nutrition through 330 Anganwadi centres supported by the Company. General and special health camps benefited about 10,000 community members. Through the ART Centre, the Company provided valuable support to more than 900 patients through OPD counselling, testing and treatment for HIV/ AIDS; ~1,000 truck drivers benefited through the health screening programme.

## ₹35.95 Crore

CSR expenditure in 2021

## 5 Lakh+

Lives touched



### COVID efforts

During the second wave of the COVID-19 pandemic, the Company, along with the district administration of the plant locations, reached out to more than 4 Lakh people. By mobilising oxygen cylinders and concentrators, medical oxygen was immediately provided to those in need in hospitals. The Company established eight (8) medical oxygen generation plants especially for COVID-19 patients. Ambulance services were arranged by the Company to take patients to hospital and isolation centres were established at plant locations for community members. Dry ration and cooked food were distributed to those in need in the neighbouring areas. ACC TRUST, through its empowered SHGs, manufactured and distributed over 3 Lakh masks to underprivileged populations. Regular disinfection and sanitisation drives were carried out within host communities. Mass scale awareness drives were conducted on the usage of masks, social distancing and hand washing. Frontline health workers were provided hand gloves, sanitisers and N95 masks to enable them to serve without fear.

## 3 Lakh

Masks manufactured and distributed to underprivileged population

### HEALTH AND SAFETY ('H&S')

A new programme termed 'Critical Control Management' has been launched to focus on the eight Priority Unwanted Events ('PUEs') which cause maximum number of incidents in the cement business across the Holcim Group. The programme has laid down 35 'controls' under 8 PUEs, the implementation of which will help reduce incidents across the operations.

Boots on Ground ('BOG') is one of the most sustainable initiatives at ACC. In 2021, this initiative remained intrinsic to the Company's H&S governance and assurance system, which has reinforced the focus on the ground level and leadership engagement with frontline workers. Moreover, engagement on the shop floor has increased, which has increased the confidence of ground staff. Line Managers are spending more time on the field, which has helped the Company improve the Field Level Risk Assessment (FLRA), resulting in safe completion of jobs. The BOG hours have improved from 7,87,233 hours in 2020 to 10,91,145 hours in 2021.

## 19%

Reduction in LTIFR\* in 2021

\* LTIFR – Loss Time Injury Frequency Rate



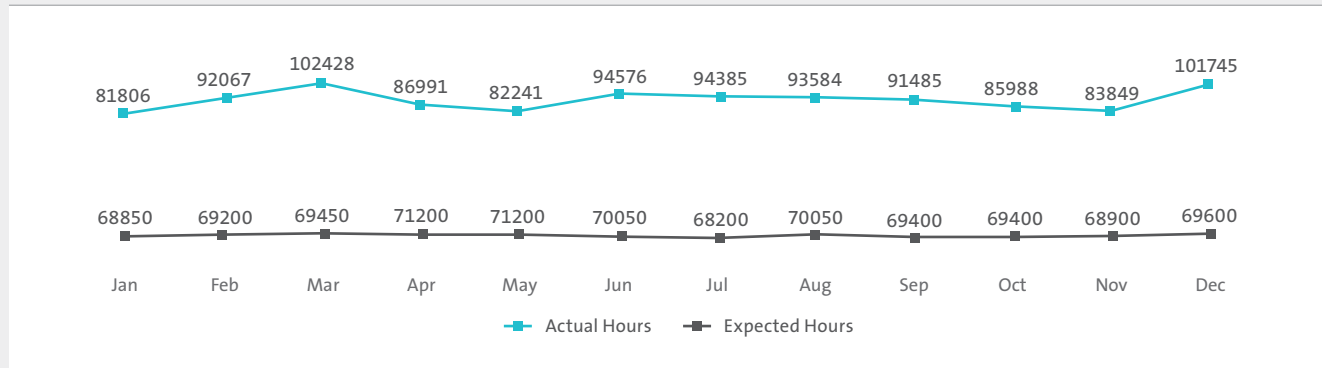


## H&S Performance of ACC

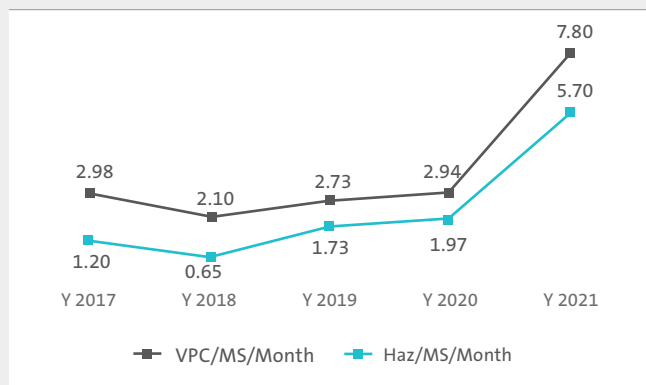
There has been substantial increase in Leading Indicators (BOG, Visible Personnel Commitment ('VPC'), Hazards and Near miss Reporting) in 2021. The details are as follows:

### Leading indicators

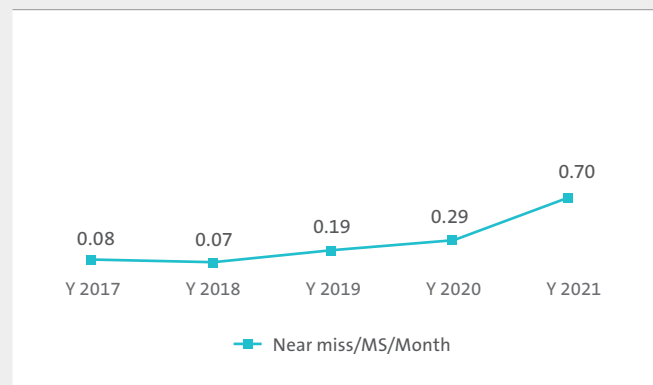
BOG hours



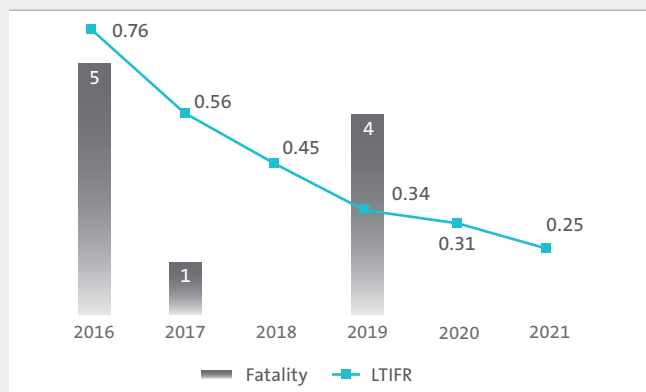
### VPC & Hazards



### Near Miss Reporting



### Lagging indicators (Last six (6) years trend)



### Health, Safety & Environment Improvement Plan ('HSEIP') 2021

The plan was developed at the beginning of the year through a focused group discussion to identify key actions for the year. The plan contains six (6) H&S objectives with clear ownership of the top management. Each objective of HSEIP is developed to build on improvements in the areas of H&S Leadership, Health Management, Fatality Elimination Control, Critical Control Management, Logistics & Supply Chain Safety and Environment. The team has worked relentlessly for effective implementation of actions under each objective despite the difficulties created by the pandemic.

- 123+ Million safe Man-hours spent without major accident (fatality free)
- 13+ Million safe man hours spent on 7 projects
- 19% reduction in LTIFR from 2020
- 38% reduction in TIFR from 2020

### Critical Control Management ('CCM') programme

This CCM programme was launched to address the eight critical elements called PUEs in our operations, which were determined based on last five (5) years' data. Under CCM, ACC organised customised training for PUE owners, safety professionals and department heads at plants. This was followed by each plant conducting a detailed gap assessment for all PUEs leading to action plans to address the gaps. Internal audit for all the critical controls and 'Mission Focus', a virtual verification of critical operations, checked the effectiveness of controls at the sites in addition to providing a way sharing good practices across plants.



### H&S Audit

The pandemic impacted the usual H&S audit undertaken by the Company. There were two (2) five-day long virtual group audits at Lakheri and Thondebhavi, along with one (1) two-day Group Verification audit at Bargarh. Five (5) internal audits were conducted in 2021, two (2) cross OpCo audits were conducted virtually and three (3) intra-plant audits were done physically after June 2021.

In July 2021, based on physical site visits and audits, safety gaps were found in LOTOTO and project sites. Hence dedicated audits were conducted on LOTOTO for all plants in August 2021 and at all seven (7) project sites between September-October, 2021.

Overall, audit compliance at the end of 2021 was 96%. Owing to the COVID-19 pandemic, the 2021 audit programme was restructured with five (5) man-days of remote audit with the audit team members and auditees around the globe with reduced scope of audit covering 15 Group standards. Audit was conducted with the use of digital technology such as

Google Meet/ Zoom meeting for interviews together with camera phones and headset for remote 'visits'.

### Field Level Risk Assessment ('FLRA') certification programme

Our learnings from safety incidents in 2020 led to the launch of FLRA programme to address the issues to inadequate incident investigation and risk assessment. The program is based on 'Train the Trainer' model and was conducted in collaboration with our in-house learning team ACC-Ambuja Learning Academy (AALA). About 130 functional heads from across plants were trained and 47 were certified as FLRA champion, who have in turn trained 879 participants across ACC.

### Process Safety Management ('PSM') programme

During the year, we stepped up the implementation of PSM programme, which identifies safety gaps in dealing with coal shop and conventional fuels, mining operation, hot metal handling, electrical safety and structural integrity including design, safety and construction quality. As a result, our safety compliance has improved from 89% in 2020 to 94% in 2021.

### Global HSE Days

Global HSE Days were celebrated across ACC from September 27, 2021 to October 9, 2021. This is for the first time that environment became a part of the Global HSE Days, an event launched by the Company's senior management this year with a webcast for all employees. The period saw strong mobilisation of the Company's stakeholders to help ACC achieve its Ambition Zero. This year's theme was 'Find It and Fix It'. Finding and fixing a hazard is the best way to improve the Company's workplace safety. Various activities were conducted across ACC along the sub-theme, 'Back to Basics', which involved the Company's top priorities such as shop floor engagement and critical controls. The management, drivers, contractors and suppliers participated in these activities. A 'Find It, Fix It' video competition was conducted and a recognition programme, 'You can make a difference', was conducted, wherein individuals or teams that had gone the extra mile in safety were felicitated.

### War on Waste ('WoW')

In continuation of the BOG initiative and to supplement 'Parvat', the cost reduction programme, the War on Waste initiative was launched in January 2020. The initiative focused on inefficiency, redundancy and excess and called for strengthening of the zone ownership concept (my area, I maintain) by eliminating wastage and improving the work environment. Under this initiative, the Company developed Mission WoW, a virtual audit of zone/area developed/ maintained by each plant. The initiative drew attention to losses in terms of consumption of process water, prevention of cement bag burst age, and improvement in housekeeping of plants with timely identification and disposal of scraps.



## Health

As part of its H&S function, the Company prioritises employee health, and the focus goes a long way in making ACC a much sought-after workplace. The Company has been running lifestyle management programmes for employees in Cement Manufacturing Units ('CMUs') and their families. Their health risk factors are monitored twice a month and appropriate guidance and treatment given. All employees in CMUs undergo periodical medical examination and their health data is reviewed. Regular awareness sessions on various aspects of health are undertaken and guidance on the prevention of seasonal diseases are given to employees and their families.

## Road Safety

Recovering from pandemic in Q1 2021, ACC's Logistics Safety Journey registered steady progress over that made in 2020. Logistics safety at ACC has seen zero offsite fatality during the reporting period. This is a big achievement considering

10,000+ drivers are involved with ACC and drive safely with more than 80% safe km each month. Below are the achievements for the Financial Year 2021:

- 20% reduction in offsite critical incidents;
- 30% increase in % of km by In-vehicle Monitoring System (iVMS);
- 70% increase in % of km by approved drivers;
- % safe km at 80%;
- 100% iVMS installed based trucks in Galag;
- Mirror stations at each plant for physical awareness of vehicle blind-spots;
- 100% Dose-1 vaccination of controlled drivers in coordination with government bodies;
- Two In-cab Master Trainer programmes and 12 additional in-cab trainers added to a total of 21 to further improve % of km by approved drivers in 2022.

## Health and Safety Cultural Survey 2021

Health and Safety Cultural Survey was conducted across all manufacturing units, RMX plants and project sites. A total 7,295 respondents took part in this survey across the Company (16% more participation as compared to 2020). A set of 18 questions were sent out for the survey. The responses were analysed under eight (8) major elements (subjective risk assessment, rule enforcement, addressing problems and hazards, work planning, supervisory oversight, resource management, operational process, values and commitment). The analysis revealed concern in the supervisory oversight element as compared to work planning and rule enforcement in 2020.

## Trend (2018-2021): Health and Safety Perception Index

	2018		2020		2021
Values & Commitment	71	+16.9%	83	+7.2%	89
Operational Process	82	+9.8%	90	+5.6%	95
Resource Management	86	+2.3%	88	+8.0%	95
Supervisory Oversight	80	+7.5%	86	+5.8%	91
Work Planning	83	+1.2%	84	+6.0%	89
Addressing Problems & Hazards	73	+17.8%	86	+4.7%	90
Rule Enforcement	83	+1.2%	84	+8.3%	91
Subjective Risk Assessment	72	+15.3%	83	+12.0%	93

15 cement plants + 6 RMX regions

(Analysis of mean scores of the 8 elements)

## HUMAN RESOURCES

ACC prides itself for being known as a caring organisation not only among its employees but also among communities with which it engages through its operations. All the actions of the Company's leadership aim at reinforcing a fair, transparent and inclusive culture. Leading with empathy is part of the Company's DNA, which is what helped the organisation navigate the pandemic effectively. Through the combined efforts of its employees, ACC continued to promote its business priorities while protecting the best interests of its people and communities.

## Building resilience in the organisation

Immediately following the outbreak of the COVID-19 pandemic, ACC established its Business Resilience Teams ('BRTs') to prioritise the health and safety of its employees and stakeholders. ACC was able to navigate through the second wave of the pandemic by reenergising and reinvigorating the BRTs. The Company conducted regular BRT meetings at the central level to monitor the situation. Guidelines and SOPs issued for running safe business operations were established and adhered to. Travel of

employees was restricted and only need based. The Company continually leveraged IT platforms for communication. ACC enforced RTPCR testing at all its plant locations and project sites to act proactively. Each employee was mapped to a Company doctor and tracked on a daily basis, and support provided as and when required. Health centres were equipped with oxygen supply and oxygen regulators. The Company identified pockets and entered tie ups with hospitals to manage any emergency. Vaccination camps were set up at all locations and employees and families encouraged to go for vaccination, which helped the Company achieve close to 100% vaccination. BRTs aimed to provide continued focus on H&S measures through regular monitoring, feedback and training. The Company ensured employee well-being through its flagship programme, Sparsh, and reached out to employees and their families through virtual sessions.

### Building a high-performance culture

The Company's approach towards performance management focuses on high-quality, regular conversations covering topics that matter to its people. A flexible framework based on employee-initiated dialogue is supported with tools to build capabilities. Both managers and employees put their contributions, strengths and development at the core of the conversation.

With its unique performance management approach, ACC supports a high-performance culture through which it mobilises its employees to reach their full potential and help the Company outperform competitors. Performance is the main driver for the Company's people decisions and its continued efforts at creating a culture of life-long learning.

### Focused on learning and development

The Company is continually leveraging its digital ecosystem of learning and development to support its employees in their developmental journey. To strengthen succession at the mid-management level, the Succession Development Programme (SDP) was conducted for the Manufacturing and Sales teams. The Sales Leader Coaching Programme was started for Sales Leaders. Synergy building workshops are conducted for project teams. A Group level Emerging Career Leader Programme (ECLP) is conducted to build a pipeline of future leaders through a six-month virtual training conducted for select young employees. ACC has continued to leverage its digital learning platform Super Assisted Intelligent Learning (SAIL) to reach out to employees at all levels effectively. The Company continues to focus on multiple models of learning to accelerate the development journey of its employees.

### Industrial relations

The Company believes in collaborative work and maintains harmonious and healthy industrial relations. ACC maintains

a cordial and harmonious relationship with its unions, with which the Company maintains regular communication and open, two-way dialogue. For all business decisions, the Company ensures buy-in from its unions and makes them ACC's trusted business partner.

### Prevention of sexual harassment of women at the workplace

For details pertaining to the prevention of sexual harassment of women at workplace.

Board's Report [pg 110](#)

## BUSINESS RISKS AND OPPORTUNITIES

### Risk management

The Company's comprehensive Business Risk Management ('BRM') framework helps it identify risks and opportunities and monitor them. It ranks each risk based on two parameters: one, likelihood of the event and two, the impact it is expected to have on the Company's operations and performance to form a risk heat map. The risks that fall under the purview of 'high likelihood' and 'high impact' are identified as primary risks. The BRM also identifies emerging risks.

This structured process of identifying risks supports the Executive Committee in strategic decision-making and in the development of detailed mitigation plans. The identified risks are then integrated into the Company's planning cycle, which is a rolling process to, *inter alia*, periodically review the movement of risks on the heat map and the effectiveness of the mitigation plan.

Risks and their Management [pg 56](#)

### Board Risk Management Committee

The Risk Management Committee is a separate Committee of the Board constituted for overseeing risk management systems of the Company and for risk governance. The Committee has framed the Risk Management Policy of the Company that is approved by the Board. The Committee updates the Board from time to time on risk management and mitigation. The Board oversees the risk management and governance process by establishing internal controls and systems that are amongst the best in the industry and are in line with global standards. The Company's internal control framework comprehensively covers financial, operational, compliance and information technology areas and is aligned to the Company's Risk Management Policy. ACC's robust risk management processes are well embedded within the business and enable it not only to identify significant risks but also mitigate them in an effective manner.