

Secretarial Division

ACC

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No. ACC/Sec./SE/22/018

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**National Stock Exchange
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Scrip Code: ACC

BSE Limited
Corporate Relations
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P.J. Towers, Dalal Street
Mumbai 400 001
Scrip Code: 500410

Dear Sir/ Madam,

Sub: Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 – Intimation of Transcript of Conference Call for Analysts and Investors

We refer to our letter dated February 8, 2022 wherein we had intimated regarding conference call for Analysts and Investors scheduled on February 14, 2022 on the financial results of the Company for the quarter and year ended December 31, 2021.

In this connection, we enclose herewith the transcript of said conference call for your information. You may please note that no Unpublished Price Sensitive Information was shared.

This information is also being uploaded on the website of the Company i.e. www.acclimited.com.

Request you to take the above information on record.

Thanking You.

Yours Sincerely,
For **ACC Limited**

Rajiv Choubey
Chief Legal Officer & Company Secretary
ACS-13063

Encl: As above



“ACC Limited
Earnings Conference Call”

February 14, 2022

MANAGEMENT:

MR. NEERAJ AKHOURY – CEO INDIA – HOLCIM

MR. SRIDHAR BALAKRISHNAN – MD & CEO - ACC LIMITED

MR. YATIN MALHOTRA – CFO – ACC LIMITED



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Moderator: Ladies and gentlemen good day and welcome to the ACC Limited Earnings Conference Call hosted by ICICI Securities. This is to remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the company faces. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the base of any subsequent development, information or events or otherwise. Please note that the duration of the call is for one hour. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '**' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Krupal Maniar from ICICI Securities. Thank you and over to you.

Krupal Maniar: Thanks Mike. Good afternoon and a warm welcome to everyone. On behalf of ICICI Securities we welcome you to the earnings call of ACC Limited. On the call we have with us Mr. Neeraj Akhoury, CEO India Holcim, Mr. Sridhar Balakrishnan, M.D. and CEO, ACC and Mr. Yatin Malhotra, CFO of the company. At this point of time I will hand over the floor to the management which will be followed by interactive Q&A session. Thank you and over to you Sir.

Sridhar Balakrishnan: Good morning. Welcome to all of you to today's investor call. We will move to slide #5. Our vision is basically to continue to be a bluechip company with the best performance benchmarks, strong brands and leading in innovation and sustainability. We have played and will continue to play a significant role in nation building. On the slide #6, we have a strong belief that we need to lead the world a better place as compared to what we have inherited. ESG is at the heart of everything that we do. This flows right from our parent Holcim, ESG is a part of our culture which permeates across all levels of the organization.

Moving on to slide #7. The awards listed are a testimony to what we have achieved across the spectrum of the business. Moving on to strategic priorities, we quickly go on to slide #10, which is basically accelerating growth which is basically an update on the capacity expansion. Our expansion in Sindri is fully operational and it was commissioned in a record time of nine months. Our expansion in Tikaria is also very near completion and is way ahead of schedule. Our integrated unit in Ametha is also progressing well and is on track to start producing clinker and cement by September / October of this year. Even our project in Salai Banwa is moving way ahead of schedule.



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Moving on to slide #11, the other aspect of growth is product portfolio. We are constantly innovating to satisfy customer needs, we are also working strongly to develop sustainable products. Our premium product growth has actually been robust, it is close to 20% this year and even the contribution of premium products to the overall trade sales has gone up by at least a couple of percentage points this year. With respect to sustainability a quick update, we had launched ECOPact this year during I think around February / March this year and it is already about 15% of our concrete business. ACC in India is deeply committed towards developing and driving businesses of sustainable products going forward.

Coming to slide #12, we believe that concrete is poised for high growth. ACC is well poised to capitalize on the same. With respect to the value added products it has really done well this year. ECOPact has also done well and has scaled up really well. We are focusing on developing other products to manage the consumer needs and to really drive the sustainability agenda of wholesale and ACC in India. In terms of products and solutions slide #13, it is showing promise. We have doubled the turnover in FY2022, which we believe that this vertical has potential for strong growth going forward and we believe that it will become a significant vertical for us in times to come.

Going on to slide #14, we will continue to invest behind building ACC as the most durable and sustainable building material company in India. You have already seen some of the initiatives that we have taken whether it is leave behind no waste, whether it is leveraging cricket for really driving the saliency of the brands, whether it is the premiumization agenda or whether it is developing green products like ECOPact. As far as sustainability is concerned, slide #16 we are the first company in India to sign up for the net zero pledge, all our action plans have been validated by SBTi. We have also been recognized as being industry leaders in the area of sustainability and innovation.

Going on to slide #18, this has actually been an excellent initiative taken by Holcim in India in terms of clearing up the rivers from plastic and leveraging them as alternative fuels. Currently this initiative has been fructified in Agra, next on the line is Sunder Nagar and HP, Himachal Pradesh which is going to be on the river Beas. We are also in the process of talking to various other state governments to really expand this initiative across. In terms of slide #19 we have already discussed this, this again has been of excellent initiative in terms of managing waste, plastic waste especially from stadiums where cricket matches have been held. We have basically cleared almost two tons per day in one of the matches in the India, New Zealand test series and again this basically is again used as alternative fuels in our kilns.



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Moving on to slide #20, we are very, very clear that we need to leave the world a greener place so the entire power mix, we are going to be moving a significant component of our power mix to a clean and green mix. By 2022 we believe that 16% of our power needs will be met through clean and green which is fundamentally WHRS and renewables which is likely to go up to over 40% by 2025. We have also leveraged our global brand Holcim Geocycle to really increase the alternate fuels, the TSR percentage also is about 7% today and we intend to take it up to about 15% by 2025. Even in terms of waste consumed we have consumed about 11 million tons of waste this year and we are planning to increase it by 50% over the next three years.

Moving on to slide #21 in terms of CSR I think we continue to partner with the community in areas of livelihood and education and WASH (Water, Sanitation, Health & Hygiene), WASH and hygiene as an area has really gained a lot more saliency during COVID times. Moving on to slide #22 as discussed this is going to be a clear focus area for us in terms of water positivity, we intend moving from levels of about 1.1 times water positivity to 5 times by 2030. We are also looking at reducing the quality of water consumed per tonne of cement manufactured. Moving on to slide #23, ESG is going to be at the heart of everything that we do. We have made significant progress across all parameters as far as ESG is concerned. Now our CFO, Yatin Malhotra will take you to the next section. Yatin over to you.

Yatin Malhotra:

Thank you Sridhar. Good afternoon everyone. Welcome once again for joining this investor call. We are on the investors deck that we have released we are on slide #24. I will take you to the delivering superior performance section. We move to slide #25, I think very clearly we identified people as one of the foremost pillars of delivering strong performance. Over the years we have been able to create a strong team and we continue to invest in the best practices around talent management whether it is about growth, whether it is about learning including opportunities with our parent Holcim, talent exchange program with Ambuja, succession planning etc. We are committed as a team to diversity not only gender but also ethnic diversity and we take pride in the culture of transparency, trust and integrity along with delivering superior performance for the organization.

I move to slide #26 and here we talk about the second pillar which we believe very strongly in and that is digitalization. We believe it is the biggest enabler of performance and also in future would be the biggest differentiator of performance between companies. We continue to work effectively on all the three value streams of the business which is manufacturing and where we continue to expand the Plants of Tomorrow journey that we have embarked on basically to drive productivity and safety across our plants. The second pillar where we are doing extensive work on digitalization is logistic and sourcing trying to become nimble



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in the way we approach the market. We have various tools for efficiencies both in terms of cost and processes. And we have got digitalization initiatives around commercial where basically the intent is to be more seamlessly connected to the customers and better consumer experience is what we are trying to chase.

Moving to slide #27 where we talk about our core flagship project we have spoken about this in the past also. This is about project Parvat which is all about delivering cost efficiencies. We have been running this project as I said for the last two years and it has given strong returns to the organization again across the value stream in terms of whether it is about fuel cost optimization through sourcing or flexibility or reducing utilization or whether it is about RM mix optimization, it is about network optimization, direct dispatches one big input that we have had is the MSA that we enjoy with Ambuja that allows a lot of leverage in terms of cost, and also in terms of commercial excellence in terms of revenue management and discount optimization etc. And at the core as I said digitalization is the foundation on which a lot of these initiatives rest on.

Then I move to slide #28 which basically summarizes how the year 2021 was for us with the sales of almost 29 million tons which is the growth of 13% versus last year. RMX we sold 2.81 million cubic meters a growth of 24%, a top line of Rs.15814 Crores a growth of 17%, EBITDA almost Rs.3000 Crores growth of 27% versus last year. At EBIT margin levels we were ahead of 15.2% an expansion of 250 basic points even in a very, very tough year and a profit after tax number of Rs.1863 Crores a growth of 30% versus last year. Now I will move to the next section of our presentation, which is economy and sector update.

If I move to slide #30 it just sort of gives a snapshot of the global sustainability trends. , Slowly and steadily we see sustainability and decarbonization to be the buzzwords across industries across the world, whether it is driven by what consumers tell us or whether it is driven by what the regulators tell us, what investors messages we get or whether simply basis the right governance standard that we need to have. This is the direction that we are very clearly embarking on and Sridhar spoke about it.

Moving to slide #31 a quick glance on the overall macro economy outlook, the GDP growth we saw last fiscal year 2022 was 9.2 and, give or take very clearly the GDP growth can be in the range of 7% to 8% in the years to come for the growth market like India. Inflation has been hovering around 5% and I think with government's commitment to fiscal consolidation, the fiscal deficit also would be by and large under decent check.

If you move to slide #32 which talks about our view on the sectoral outlook the key influences of the demand on cement. Clearly with government initiative on capex and infra,



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infrastructure segment would lead the overall demand followed very, very closely by housing and industrial housing with a lot of money being invested in the housing for all schemes and also with an expected good rabi crop outlook. The housing demand is likely to be good in the coming quarters and even if you look at the industrial and commercial sector propelled by what the government is doing in the overall infra and capex I think the industrial and commercial demand should follow suit sooner rather than later.

Now I move to the last section of our investor/s deck which is the performance review. If we look at slide # 34, Q4 was a tough quarter, the volume went down 3%, the net sales went up 2% thanks to the price increase, EBITDA is Rs.556 Crores was minus 3% and overall PAT at Rs.281 Crores was minus 40%. We should need to keep in account that last year Q4 we had a one time gain. Slide #35 I skipped we have discussed that earlier, we go to slide #36, so if you look at a full year level net sales we spoke growth of 17%, EBITDA of 27%, operating EBIT is up 40% versus last year and we clocked an EPS of Rs.99.2 per share which is again a growth of 30% versus last year.

Moving to slide #37 which talks about the performance of the cement business in a per tonne basis and if you look at the full year 2021, if you look at the EBITDA from Rs.875 to a ton we are around about Rs.988 to a ton so we have added Rs.113 to a ton as EBITDA despite a very, very tough year that has passed by. The next slides talk about every single line item of sales and cost and I will not dwell deeper into that I think we can look at the slide and we can move on from that. So that pretty much brings us to the end of the investor deck that we had put out and now we are open for questions. Krupal over to you.

Moderator:

Thank you. We will now begin the question and answer session. We have the first question from the line of Navin Sahadeo from Edelweiss. Please go ahead.

Navin Sahadeo:

Thank you first of all for the opportunity and thank you for running us through the presentation slide by slide. However, my first question was about the first slide of your presentation which starts with saying change the story and also followed by that two cement giants joining hands to produce their strongest product yet Bubble, so two parts of this question. One this Bubble do you see it as a CSR sort of an opportunity or can we see some meaningful contribution to the P&L as in from the bottom line perspective as well and second is then when we say two cement giants coming together ACC and Ambuja of course so are we looking at more products in the cement space or building solutions together to make this entire MSA far more stronger than what it is being thought of or it has been communicated as of now? Thanks.



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Sridhar Balakrishnan: I think that is a good question. First of all I think as I have said earlier ESG forms the heart of everything that we do. We have a genuine intent to actually leave the world a better place as compared to what it was when we inherited it that was the reason why we went ahead with this initiative of actually cleaning up the Mantola canal in Agra, so the intent is not commercial, the intent is purely from an environmental standpoint to get rid of the plastic waste, it is incidental that the plastic waste collected from a disposal standpoint is used as an alternative fuel in our kiln but that is not the primary objective. The primary objective of this intervention is fundamentally to clear our water bodies of plastic waste. Yes, so the entire intent right now is to develop products which are more sustainable and greener proof of concept you have already seen ECOPact which has scaled up from zero to about 15% of our volumes within a year. We will accelerate not only ECOPact but some of the other sustainable and green products both in the cement and concrete space.

Neeraj Akhoury: Just to add here that most of these new initiatives are also coming to us due to our relations with our group Holcim so when you talk about Bubbles, this is what we have bought from the other countries of Holcim into India and we will continue to bring in new technologies as has been used in other countries which can also help our own country to battle some of these topics including in R&D, we will continue to work very closely with the group to bring in world-class products into India.

Sridhar Balakrishnan: ECOPact is a classic example of a global brand which is basically being leveraged in India.

Navin Sahadeo: Appreciate. I just wanted to get a more color you said it is incidental that like the plastic waste could be used as AFR so that has changed the current percentage of AFR just trying to understand what commercial benefit that we can get from this CSR initiative?

Sridhar Balakrishnan: So too early to comment on this one. Basically the idea is to expand this initiative across various other river bodies purely from the context of cleaning these river bodies of waste. So as I have said earlier the next one is Sunder Nagar in Himachal and we are also exploring some of the other states, answering the question in terms of TSR independent of this initiative. Currently the TSR percentage is about 7% and we intend to take it up to about 15% by 2025 in the next three years. This will be a part of that but the primary driver is not in this specific example is not commercial, it is more in terms of cleaning up waste.

Navin Sahadeo: Thank you for this. Then my second question was about again this ESG aspect and here I just wanted to understand on this waste heat recovery plant because every other company an intensity of waste heat capacity per ton of cement, per million ton of cement is way too high like some of the companies with 45, 46 million ton cement capacities have waste heat capacities running to 30% odd megawatts whereas we at almost 35 million ton of capacity



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only seven megawatt as we speak of course I am aware that we are pursuing waste heat at some of the locations including the new Ametha, but it will be really helpful to understand what is the outlook here in a milestone fashion that in three years can we go to 100 what is the latent opportunity, can we have a total of 150, 200 some number specific things will really help? Thanks.

Sridhar Balakrishnan: Good question. Currently we are at seven megawatts, our immediate milestone for 2022 is about 45 megawatts and by 2025 we intend doubling it, so we should be anywhere in the range of 85 to 90 megawatts of WHRS by 2025.

Navin Sahadeo: And what would be the latent opportunity as on the current total capacity, how much can we change this overall?

Sridhar Balakrishnan: This will be roughly of the total power consumed this will be a 90 megawatt would roughly be about 25% of the total power consumed by 2025.

Navin Sahadeo: Right. Thank you for this. I will join back in queue.

Moderator: Thank you. We have the next question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Good afternoon everyone. Thanks for arranging this call and I think such calls are very useful for the overall investor community, so it would be a very humble request if we can have such calls more often like every quarter like most other companies do. Moving on to my question, first question is on project Parvat, is it possible to quantify some of the benefits that we have already realized and also in the coming years what sort of benefits are yet to be realized and also if we should bifurcate into heads it would be very helpful.

Yatin Malhotra: This is Yatin. Firstly to your point of the quarterly call last year we said that we will continue with this annual investor calls. We take your input in terms of quarterly calls. Regarding Parvat, Sumangal I mentioned that it is a flagship project that we run in the organization this is the warcry on which the entire organization comes together, across the value stream, across all functions we run this. In terms of value we had earlier given an estimate that roughly 200, this was roughly a year, year-and-a-half back we gave that estimate. We have started the journey in 2019, and in the last two years the total efficiency that we have been able to flow into the P&L is upwards of Rs.300 to a ton. Having said that a lot of projects are still underway and if you were to look, there is no outer limit of a number. In a few more semesters to come, another Rs.100 to Rs.150 to a ton is something



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that we are looking at. But this is again, as I said, there is no full stop in this journey so we will see as it comes.

Sumangal Nevatia: I understand thanks Yatin, but is it possible to share some heads under where this remaining Rs.150, Rs.200 could come in from?

Yatin Malhotra: So again there is no single line item that would bring a big chunk of this number, whether we talk about our plants starting from reduction of clinker factor to fuel flexibility to source to higher TSR to better raw material mix, geo mix optimization, MSA. So we have put a number in front of us, we are chasing that number, it is broken into many, many smaller pieces, every piece is a project that is being run in the company and that is the way we are driving.

Sumangal Nevatia: Understood that is very helpful. Second question is on slide #12 from the RMC business, we have written that we have aggressive growth plans there and also plan to scale up some global products, is it possible to share what is the existing performance and what are our growth plans over the coming years?

Sridhar Balakrishnan: Currently we have close to 80 plants. Because of COVID in the last two years we went slow a little, our intent was to be a little careful in terms of expanding plants. Now that hopefully the pandemic has passed us, the intent is to basically double the number of plants over the next three years, so we strongly believe that concrete is poised for high growth and our strategic intent is to make sure that ACC becomes the concrete company of India which means doubling of plants in three years, improving profitability and a dramatic increase in the contribution of green products to the overall mix. So we are very clear that this is going to be a growth engine for us in the next three years. As I have said we will be more than doubling the plants over the next three years and in terms of profile of cities so we were earlier present in the top 15 cities, the idea is now to expand it to the next 50 cities in the country.

Sumangal Nevatia: Understood and what sort of investments and return do we look into this business?

Yatin Malhotra: Sumangal, this is Yatin again, investment, unlike cement plant, RMX is not a very high capital intensive plant for us, so the returns typically are high, it is more about the ability to drive demand and be present to make the right supplies so it is a high return business for us and as we expand it should have more positive contribution in terms of the returns that we generate for our shareholders.



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Sumangal Nevatia: Okay understood. I have a couple of more questions regarding the quarter, but I will join the back into queue. Thank you so much.

Moderator: Thank you. We have the next question from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Good afternoon and thanks for the opportunity. Sir my first question is on ESG like if I look at ACC on carbon side we are already the most efficient player in India and we have a fairly aggressive target of reducing emissions, so I want to understand what is the road map to achieve that and what is the contribution or the support they are getting from the parent on this front?

Sridhar Balakrishnan: Okay, I think we have clearly as I said not only have we signed up for the net zero pledge, but we also have milestones till 2030 clearly listed out so very clearly listed out across various elements so for example we have an intent of reducing, it is broken up across elements as far as these various scopes are concerned and we are basically leveraging the parent company very well whether it is in terms of developing green products, whether it is in terms of looking at the alternative ways of reducing clinker, whether it is in terms of leveraging our global brand Geocycle to dramatically increase the contribution of TSR or alternate fuels to the mix, so we are looking at yes, clear milestones across and as I have just given you some examples we are also looking at leveraging wholesome across the entire value chain to really bring down the carbon dioxide emission whether it is products, whether it is technology in plants or whether it is leveraging Geocycle as a brand to increase the usage of waste in our fuels.

Ashish Jain: Sir, some of these technologies like readily available with Holcim or do you think each plant, each country will be very different on this journey?

Sridhar Balakrishnan: Some cases it could be plug and play in some cases we pick the basic concept and adapt and modify to local conditions.

Ashish Jain: Sir my second question is on the premium product thing like if you see in the last two, three years pretty much most of the large players have started talking about premium product and all so I had two questions there one can you just help me understand how are we differentiating us versus others if that is relevant and secondly what is the market feedback on this like is the consumer cognizant of it and is it translating into better realization, better profitability or is it more of just gaining market share kind of a strategy there?



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Sridhar Balakrishnan: Okay, good question. I think the first part is I will give you the numbers so premium product has grown by close to 20% last year which is significantly higher than the growth of base cement. Second is even if I were to look at the contribution of premium products to the overall mix is gone up from levels of approximately 25% of trade sales to over 27% so that clearly tells you how the performance of premium products is in the market this is actually being driven by us, we would like to believe that in terms of percentage contribution of premium products, ACC would be amongst the relatively higher better placed companies. As far as commercials are concerned there is a significant difference between the EBITDA pattern of premium products and base products. There is a commercial one obviously, when you are looking at premium products you are also looking at addressing specific consumer needs, but also there is a significant positive impact on margin as you keep selling more premium products.

Ashish Jain: Okay, but can you just quantify in terms of pricing maybe EBITDA you may not want to comment, but from pricing point of view?

Sridhar Balakrishnan: It will be about anywhere between Rs.30 to Rs.50 a bag higher than base cement ballpark.

Ashish Jain: And this is finding fair acceptance with consumers?

Sridhar Balakrishnan: Yes it is.

Ashish Jain: Thank you so much.

Moderator: Thank you. We have the next question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Thanks for the opportunity. Couple of questions. Sir first is how should one look at the company's incremental capital allocation and the growth optionality. I think the parent is quite basically if one looks at the commentary from Holcim they are quite clear on delivering growth both on acquisitions as well as things on the solutions and product side, how should one look at the Indian entities specifically we have brand, we have cash on the books but when it comes to growth and capital allocation, sir how should we understand that?

Yatin Malhotra: This is Yatin and I will try to answer your question. Capital allocation for us I think pretty much the tonality similar to what you see our parent Holcim saying. Growth is the area of focus for us in all our actions, yes we do have a decent amount of cash on a balance sheet and you see us expanding significantly now the Ametha project is underway hopefully it will see the light of the day sooner rather than later. We have more capex plans in the

pipeline, capital allocation, the capital is being kept pursuing those growth plans, bolt-on acquisition, opportunities in the market something that is always on our mind we keep our ears and eyes open I would not want to commit anything more than that, but trust me that growing and expanding is the core thing that we chase day in day out and along with that the capital is not only for growth, we spoke about ESG. Sridhar has spoken enough about it, we are putting money behind now what we believe is right, we are putting money behind efficiency projects that we are driving across the organization and that also add to the overall Parvat journey, so capital for us I think we need to do all the right thing for business capacity, ESG and efficiency all three of them.

Ritesh Shah: So just to take this forward but how should one look at it beyond the announced projects you indicated that focus is on growth, but the balance sheet is too sweet to actually basically to make something out of it or if I have to put it the other way around there have been recent amendments on MMDR which indicates that if you have a historical lease and if you do not put it to use it is something which will actually be taken back by the government, so when we come across such situations, what is our philosophy on the growth like give back the lease back to the state government or go ahead and expand?

Sridhar Balakrishnan: We are very clear that we want to expand. If you have seen the proof of concept in the last two years is basically whether you look at expansion in Sindiri, Tikaria, Ametha or WHRS or Salai Banwa, so we are very, very clear that wherever we have limestone deposits, we intend expanding and we are also actively scouting and scouring certain geographies for more limestone deposits in order to grow, so our parent company clearly believes that India is a growth story and they are committed to investing in India to grow whether it is by virtue of capacity whether it is by virtue of investment in ESG whether it is by virtue of investment in RM mix whether it is in virtue of investment in brands.

Ritesh Shah: Okay, my second question is on limestone I just wanted to understand from a sustainability point of view what percentage of our leases could actually potentially face expiry by 2030 and the recent win that we had at Kannur how does it fit on overall scheme of things to my limited understanding I think we had certain limestone issue at Madukkarai lease, is this something which is an offsetting variable to that how should one look into this aspect of limestone and sustainability?

Sridhar Balakrishnan: First of all if I were to look at it Kannur is an independent thing it just basically secures limestone for Wadi for a few decades to come so that is a completely independent thing and we have basically been declared as successful bidders for the same, so as far as the other plants are concerned, we do not see a limestone issue so as to say per se across the plants



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Madukkarai is a completely different issue. Yatin, would you like to comment on Madukkarai?

Yatin Malhotra: Madukkari limestone we took at impairment last year Q4 basically on account of the process that we were following and the economics of the entire clinkering process that we had at that location. It was not a question more of limestone, it was more about the economics of running the clinkering unit and considering the entire supply demand situation in that part of the India that was the decision that we took.

Ritesh Shah: On these expiry by 2030 at a company level how do we see that?

Sridhar Balakrishnan: We do not see that as a stress, we do not foresee any issue there, any issue in that I think we all are integrated units, are fully covered for the limestone availability for quite a long time that is not an issue for us.

Ritesh Shah: Sure Sir. Thank you so much. I will join back the queue.

Moderator: Thank you. We have the next question from the line of Raashi Chopra from Citigroup Global Markets India. Please go ahead.

Raashi Chopra: Thank you. Most questions have been answered. Just on cost inflation from a coal pet coke standpoint where do you think the next quarter or the March quarter will settle for you specifically?

Sridhar Balakrishnan: This is one question. We would not like to speculate on that because you are aware of the volatility in the overall fuel space, so really I would not like to hazard a guess or give any guiding statements or any forecast as far as fuel prices are concerned. I think from a strategic standpoint we are very clear that we will not speculate and we will do back to back buying and so that we are in a position to capitalize on any opportunity that may come up and second thing is that we have invested in ensuring that our plants are flexible in terms of the kind of fuel that they can basically use, so these are the two aspects that we are looking at as far as fuel is concerned, but very difficult to forecast to predict which way it will go.

Raashi Chopra: Okay, thank you.

Moderator: Thank you. We have the next question from the line of Amit Muraraka from Axis Capital. Please go ahead.

Amit Muraraka: Good afternoon. Thanks for the opportunity. My question was more from the strategy of 2025 which the parent has announced a few months back so in that like there is focus the



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sustainable solutions business as in the solutions product business and actually the cement as a piece of the business is actually targeted to kind of become relatively smaller, so firstly what are the kind of opportunities you think you have to kind of launch in these products which the parent has recently gotten into like roofing solutions and secondly in terms of the cement expansion so just focus on cutting down on CO2 footprint plus like making cement in the overall pie smaller could it impede newer investments in India for you?

Sridhar Balakrishnan: First of all I think as far as India is concerned we see a huge headroom for growth in cement as well as ready-mix concrete, because unlike the developed world of countries like China, India is highly under indexed as far as per capita consumption of cement is concerned so very clearly you will see investments will happen both in cement as well as RMX going forward. The also proof of concept is the kind of expansion plans that we have basically embarked on. Second as far as products and solutions are concerned as of now we are focusing on waterproofing solutions, plasters and admixtures. So I think it is each market is very unique and this entire building material, market is fairly localized, so if at all if there are any learnings of products that can be picked up from the global markets and brought to India we surely will do it, but currently we are focusing on these three verticals it is a very small vertical for us today, but the intent is to invest this and make it meaningful, but to answer your question, cement and RMX will continue to be a dominant part of ACCs portfolio in the foreseeable future.

Amit Muraraka: Sure got it, but also my related question was that like because the parent is focused on like reducing the CO2 footprint and cement is still seen as a polluting industry, so would it in that context even though I agree there is potential for growth in India, but could it like make approvals difficult for expansions?

Sridhar Balakrishnan: No even within cement there is a lot that needs to be done to reduce the carbon dioxide footprint for emissions whether it is in terms of the products that we have whether it is in terms of the technology that we use in plants, whether it is in terms of the alternate fuels that we use, whether it is in terms of the waste that we use in our plants, whether it is in terms of the footprint that we optimize to reduce the time that vehicles spend on the road so even within cement without getting, without comparing cement concrete and products and solutions even within cement we believe that there is a lot that can be done and that will be done to basically reduce the carbon dioxide footprint going forward.

Amit Muraraka: You do not think it will at least be difficult to get approvals at a parent level for these expansions?



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Yatin Malhotra: Not at all. Amit, the group is committed to grow in India, cement is going to be the engine of growth for India so there is not even an iota of doubt on that.

Amit Muraraka: Thank you and lastly on the new grinding unit which you are planning like what could be the rough timelines for that?

Sridhar Balakrishnan: Which grinding?

Sridhar Balakrishnan: Sometime around Q1, Q2 next year, we should see that plant really firing actually.

Amit Muraraka: Thank you. That is all.

Moderator: Thank you. We have the next question from the line of Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: Good afternoon. Thank you for the opportunity. A couple of questions, one on capital allocation follow up the previous questions. When you look at growth beyond the Ametha do you have down brownfield optionality across your portfolio for the next phase of growth, beyond Ametha would also be largely Greenfield and partly it is to tie up with the huge auction premium of 190% that ACC has paid for Nawalgarh and given the high ROC target of 10% plus that Holcim actually talked about in the capital market day. What is the thinking there in some of these high premium acquisitions, is it does the management believe that certain things will play out and these acquisitions will ultimately generate the return above the Holchim has, so that is the first question and continue the second after that.

Yatin Malhotra: Let me answer the first question about capital allocation and what the future project look like. Right now we are processing a lot of options in terms of expansion plan and there would be a combination of greenfield and brownfield we would not want to comment on that as Sridhar mentioned securing limestone resource and putting our current limestone resource to use is the key priority and surely Ametha is just a start. Moving to your second point about the premium that we have paid and may be I would request Sridhar to comment on that.

Sridhar Balakrishnan: So we believe that it is of strategic importance to us and I do not think there are too many limestone deposits left in that area so given the strategic importance and limestone is a scarce commodity we all know that, so given the fact that it is of strategic importance and there is certainly going to be a supply constraint of limestone there. We feel that that is a strategic choice to make and which is why we have stated our intent of making that choice.



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- Yatin Malhotra:** And just to add, this is Yatin again, from a commercial perspective we are pretty clear that even with this premium obviously we are in the business of creating return for the shareholders and we will not let go of that again.
- Satydeep Jain:** Thank you. Secondly, on the MSA, the company share in Rajasthan before this Nawalgarh actually comes up in few years, is extremely low Ambuja share is significantly higher, is management looking at increasing share in some of these markets where the current share is low and if that happen how does the MSA work would Ambuja get compensated in some other markets, if ACC market some products in Rajasthan that is the second question.
- Sridhar Balakrishnan:** Specifically on Rajasthan I think between ACC and Ambuja we have three units, we have Lakheri for ACC, we have Rabriyawas for Ambuja and we have Marwar which has just got commissioned a few months back. The idea is to basically leverage all the three plants to maximize capacity utilization and minimize logistics cost for both the OpCos and that is going to be the guiding principle of MSA between both the OpCos wherever we operate.
- Yatin Malhotra:** Just to add, this is Yatin again, there is nothing that needs to be compensated in MSA and that is whole design of MSA is incremental margins to both the companies, so it is only after the exhaustion by one company that it is offered to the other company. Hence the mechanics of the MSA operations are very clear that it is incremental to both.
- Satydeep Jain:** Okay. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Pinakin from JP Morgan. Please go ahead.
- Pinakin:** Thank you very much for the opportunity. Sir, I have three questions. First just to dig deep on the capex, so one of the key investor pushbacks over the years has been that ACC and to an extent even Ambuja have not really invested in growth and even as the cash keeps on accreting, now the Ametha project is welcome, but can you give us more concrete numbers in terms of the outlook for capacity addition over the next three years or five years, what kind of growth can we see, what is the volume target in terms of capacity because many of your peers in fact all your peers have given out multi-year capacity addition project timeline?
- Sridhar Balakrishnan:** Okay, the strategic intent is to move from current levels of about 34 / 35 million to anywhere between 45 to 50 million over the next two to three years.
- Pinakin:** 45 to 50 million tons from the current 34 million tons right Sir over the next two to three years?



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- Sridhar Balakrishnan:** Yes.
- Pinakin:** So that will mean that more project announcements should come through post the Ametha expansion?
- Neeraj Akhoury:** Yes absolutely once it is done when we do our final evaluation of all the investment opportunities, we will be coming up with our next wave of expansion.
- Pinakin:** Thank you very much. My second question is on cost. Now we obviously appreciate that the commodity pricing environment is extremely volatile given what is happening with energy prices, but if we were to assume that energy prices remain where they are basically coal, petcoke and diesel and you have project Parvat and MSA going on, do Q4 cost reflect peak or will cost even move higher or will they move lower depending on how these variables interact?
- Sridhar Balakrishnan:** Could you please repeat.
- Yatin Malhotra:** Articulate the question again, we miss the last portion of your question.
- Pinakin:** Basically if we assume that pet coal, coke and thermal coal prices do not change for the rest of the year, you will have tailwind from your project Parvat, so if we take Q4 cost as a starting point, will cost in CY2021 be higher versus Q4 or will it be lower?
- Yatin Malhotra:** It is pretty hypothetical question. I understand your question but we are not, we really cannot speculate that which way the year is going to be headed. Yes we are at the peak of cost but let us see how it plays out and we will react to that.
- Pinakin:** Understood and my last question is on cement prices, can you give us a sense of what happened in your key markets in Q4 and how prices are in the current quarter because obviously it seems that consolidation benefits did not flow through to the industry in terms of cement prices on the ground in the previous quarter, so just trying to understand how things change or they remain as lackluster?
- Sridhar Balakrishnan:** So difficult to comment on the future, but in terms of what happened last quarter the price increase was muted and it was grossly insufficient to really mitigate the impact of the fuel price increase. Now this is one area which really cannot speculate on the future whether it is the input cost increase or whether it is the price increase really difficult to predict as of now, but yes in the last quarter, the pricing increase for us was significantly lower than what the fuel cost inflation was.



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- Pinakin:** Thank you very much. Thank you for the answers.
- Moderator:** Thank you. We have the next question from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Good afternoon. Could you please explain the capex or break the capex for the central market expansions and how much of that is pending and what do you see the capex outflow for this year and next year?
- Yatin Malhotra:** Sorry, you want the breakup of the capital allocation for the central market project?
- Rajesh Ravi:** Yes I think the total project cost was Rs.3000 Crores, how much of that is already spent and how much is pending?
- Yatin Malhotra:** So Rajesh this is a work in progress for us, yes it was we had an estimate of in the ballpark of Rs.2800 Crores but the world has seen a lot of inflation there have been some areas for us to attend to, there is a tad bit higher amount that we are looking at right now but I would park it at that right now, we are not giving any new number but we are executing the project as the fastest speed possible take it from us. What was the second question Rajesh should we come back on that.
- Rajesh Ravi:** How much capex would we spend this year, because what we understand is most of the spending projects would be operational this year itself, so we want to understand how much of the capex is to be executed this year?
- Yatin Malhotra:** So again if you look at our last three year capex from a level of around Rs.400 Crores odd we are in year 2021 we were in north of Rs.1100 Crores we almost tripled our capex amount and if you were to pick up the entire sense of what we have been saying investment in capacity in ESG and efficiency is the core, I would again not hazard a number to be put on the table but that is our number one priority.
- Rajesh Ravi:** Okay and the timelines for the two grinding units and the integrated plant?
- Sridhar Balakrishnan:** Tikaria is near about completion as I said Ametha both the integrated unit and grinding unit should be operational by September / October, Salai Banwa should be operational towards the end of Q1 or early Q2 next year.
- Rajesh Ravi:** Okay and on the project Parvat you mentioned that over last two year versus CY2019 to CY2021, you have seen Rs.300 contribution right so that is a margin improvement that is reflected in the numbers, but if I look at CY2019 to CY2021 margin expansion is close to



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around Rs.230, so would that mean that you have faced other cost inflation or pricing pressure whereby excluding the project Parvat benefits your margin would have contracted?

Yatin Malhotra: Rajesh, you are absolutely right. Margins is the sum of many small parts, Parvat is one significant piece of them, but that is not the entirety, so price and other inflation factor you rightly said are the other factors.

Rajesh Ravi: Okay and on the AFR you said you are expecting to double it or to around 15% by 2025?

Sridhar Balakrishnan: That is correct.

Rajesh Ravi: Okay and last question on the capex again. You are saying that over the next three years you are targeting total capacity of around 45 to 50, so this is what you are looking at to be total commissioned capacity over next two to three years?

Sridhar Balakrishnan: That is correct.

Rajesh Ravi: And which market would be your focused market over the next two to three years?

Sridhar Balakrishnan: From a strategic standpoint given the market attractiveness and what we believe is our right to win, East and Central India will continue to be focus areas for us going forward.

Rajesh Ravi: Okay and these capacities which are coming up in east and even central market, UTCL and other companies, do you believe they may have some pressure over next two to three years in terms of realization?

Sridhar Balakrishnan: Again to answer this question. First of all at an India level itself, India is highly under indexed on per capita consumption of cement as compared to rest of the world even within India, East is the most under indexed as far as per capita consumption of cement is concerned, so that itself we believe gives us huge headroom for growth in the coming times in the eastern markets and here we are committed to a long term play in India so these short-term blips really do not matter. We strongly believe that both east and center are poised for growth given the per capita consumption of cement in these areas being low.

Rajesh Ravi: Okay, great Sir and this would be mix of both Brownfield and Greenfield expansion?

Sridhar Balakrishnan: That is correct.

Rajesh Ravi: Great Sir. Thank you. I will come back in queue. All the best.



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Moderator: Thank you. We have the next question from the line of Sanjaya Satapathy from Ampersand. Please go ahead.

Sanjaya Satapathy: Most of my questions have been answered. Again my question relating to markets here, so how do you really see your market share shaping up in the near to medium term, will it be entirely driven by the capacity or there is something more to it?

Sridhar Balakrishnan: So it will be driven by capacity primarily also investing behind the brand to basically gain share.

Sanjaya Satapathy: And as far as margin is concerned, ACC of course has done a good job but is there any significant scope to bring down the margin differential with other leading players?

Sridhar Balakrishnan: So as I said our stated intent is also really to basically be the best as far as performance benchmarks are concerned, we strongly believe that Parvat is a journey and we will continue to look at all elements of the value chain to really bring down the cost that is a journey which is going to continue in full earnest even going forward and we understand there is a gap and the entire intent is to bridge the gap over the coming few years.

Moderator: We have the next question from the line of Kamlesh Bhagmar from Prabhudas Lilladher. Please go ahead.

Kamlesh Bhagmar: Thanks for the opportunity Sir. Mr. Akhoury I had one question on the part of your capex, so like if you see Ultratech, your leading peer and if I compare your capex like say our capex is even lower than their maintenance capex and we have a two event in ACC we have a large Greenfield project which we are doing, but even like say if we see this year Rs.600 Crores we have spent that is around 5% of the total capex cost and apart from that even going forward though we have guided that in Ambuja we want to increase the capacity to 50 million ton and even in ACC we are talking about that but the way other peers are talking working on their capacity announcement or the giving orders to the equipment supplier, we are nowhere there, so that is not giving the visibility on the side that how committed we are on the capital expansion side, capacity expansion side no doubt that under your leadership things have changed tremendously, but on the capacity expansion honestly we are not seeing the things on the ground at least on the announcement or the real education side?

Yatin Malhotra: Kamlesh, this is Yatin before I hand it over to Neeraj to respond. Let me first make it very clear on this call we are responding to what we are doing in ACC and Neeraj is where we are talking about Ambuja also. We will stay clear of commenting on how we look versus



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others and etc, etc. We have clearly stated if you look at our performance over the last number of years I think the proof of concept is already there, significant increase is happening in our capex and we have committed to do more I think Sridhar has made some statements clearly indicating significant investment whether TSR or capacity etc, etc. I would now request Neeraj to comment on the other point.

Neeraj Akhoury:

I believe there is also a sense of discipline of announcement that ACC and Ambuja have, which is far more robust and far more real than many other announcements that we also hear in the industry, so when we say we are going to expand it will be only after a proper approval process both from the boards as well as internal working, but I think so far if you receive whichever announcements we have made, we have accelerated those projects which is why you saw Sindri or Tikaria in ACC. Sindri in ACC, I believe I hope what I am saying is right, it is one of the fastest projects ever executed here and same I am sure when we come with the trial production of Tikaria even looking at the corona here it was one of the fastest project to be executed here. There are projects at least one project which Ambuja has announced. The last announcement where we are waiting for the environment clearance once we get which has been delayed because of Punjab elections and so on and so forth. Once we get that you will see the actions in the same speed. I assure you this is not only to you but to everybody in this call that once we have completed the capex to be done, it will be done only after all internal decisions have been taken and all internal clearance is there to execute at the fastest speed is possible, but I hear your Kamlesh.

Kamlesh Bhagmar:

And lastly like just continuing on the capital capacity expansion only, so in the near term or over next one year, how much capacity are we looking to expand, no doubt you have guided your 2025 capacity expansion plan, but at least like say on the near term side like one year?

Sridhar Balakrishnan:

We have clearly stated between the current projects which are work in progress we should be close to 40 million tons over the next 14 to 15 months.

Kamlesh Bhagmar:

Great Sir. Thanks a lot.

Moderator:

Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Krupal Maniar for closing comments. Over to you Sir.

Krupal Maniar:

Thanks Mike. On behalf of ICICI Securities we would like to thank the management of ACC Limited for providing us this opportunity to host the call and I would like to thank all the participants for joining the call. Thanks everyone.



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Moderator:

Thank you very much the members of the management and Mr. Maniar. Ladies and gentlemen on behalf of ICICI Securities that concludes today's conference. Thank you all for joining us and you may now disconnect your lines.