

# Chairman's Letter

Dear Shareholders,

It gives me immense pleasure to re-connect with you and present a summary of the Company's performance during the year 2019, along with the broader outlook. The Indian economy has witnessed an average GDP growth rate of 6% over the last decade and has maintained its position as one of the fastest growing economies in the world. Sustained business reforms and favorable policies have helped India move 14 places upwards to 63<sup>rd</sup> position in the 2019 Global "Ease of Doing Business" Rankings.

Year 2019, however, witnessed a challenging environment resulting in a muted GDP growth rate of ~5% owing to global headwinds and domestic volatility in the capital markets partially due to the domino effect of the NBFC crisis. In order to safeguard the economy from the resulting aftershocks, the year witnessed necessary reforms, regulations and preventive measures enacted by the regulatory bodies. We firmly believe that with the backing of a robust regulatory framework and constituent mechanisms, the Indian economy will regain its prior growth momentum.

Cement demand growth in 2019 remained subdued at 2-3% amid low infrastructure spend and muted private sector participation in the construction space including housing.

Despite the fundamental economic challenges witnessed across sectors, the Company's workforce successfully demonstrated its 'I CAN' spirit and worked together as a team to contribute towards significant improvements in the operational and financial performance.

The key highlights of the year include the formulation of 'Strategy 2022' and introduction of innovative products and solutions in new and existing markets, thereby consolidating the Company's image as a leading brand with comprehensive offerings for its customer base. This has helped us strengthen our relationships with customers and forge lasting partnerships.

On the performance front, as compared to the previous year:

- Cement sales volume decreased by 0.9% to 23.96 million tonnes
- Absolute EBITDA increased by 13.6% to ₹ 2,149 Crores
- Net Profit after tax increased by 2.8% to ₹ 1,529 Crores

Implementation of our Greenfield Marwar-Mundwa project is on track and production is expected to commence towards the end of 2020. Post this, our total installed cement capacity will be well over 32 million tonnes.

With the intent of incorporating sustainable practices in the manufacturing set-up and enhancing overall efficiency and to combat the rising input costs including those of raw materials and fuel, the Company devised and adopted innovative methods like fuel mix optimization and strategic sourcing. Effective implementation of internal measures partially neutralized the negative impact of increased costs.

Supplementing our product-based offerings with our application-based offerings has helped us strengthen our existing relationships with our customer base by way of widening our product portfolio.

Use of latest technology and data analytics to support our Health & Safety initiatives, has yielded positive results. Successful adherence to the 'Zero Harm' framework and principles has enhanced efficiency and output at the plant level.

We are an environment-conscious Company with a detailed Sustainable Development Plan, which has identified and defined four focus areas for our businesses. Our sustained efforts towards reducing our carbon footprint via Green Procurement and similar initiatives have helped us make positive strides towards our intent of conducting business in a sustainable manner bearing in mind the interests of all stakeholders.

The sustainability initiatives of the Company are aligned to LafargeHolcim's sustainability plan 2030. Our consistent track record on water preservation and harvesting fronts has helped us become 8 times water positive as per the 2019 water assurance data. This consolidates our position as the leading water positive company in the sector. As part of our nature conservation and protection measures, we are launching and implementing bio-diversity action initiatives and plans across our integrated sites.

In 2019, the Company's ranking on the global Dow Jones Sustainability Index (DJSI) further improved to 4<sup>th</sup> position (5<sup>th</sup> in 2018) in the list of sustainable companies under the Construction Material (COM) category.

On the CSR front, our efforts through Ambuja Cement Foundation (ACF) for over 25 years in promoting water resource management and enhancing livelihoods, have improved the overall quality of life of the communities. Higher income for the farmers and sustained engagement with women across programs, have paved way for greater economic contribution to the society. Alignment with national agenda of skills has presented numerous opportunities to the thousands of rural youth trained across 32 ACF skill development and training centers.

The outlook for the cement sector in the year 2020 is positive. This optimism is backed by the fiscal sops in the affordable housing segment, higher expenditure on transportation infrastructure and the national infrastructure pipeline of ₹103 lakh crore through 2025, which includes investments in core and allied infrastructure sectors. Additionally, proposals for both rural and agricultural sectors in Union Budget 2020-21, are expected to boost rural income and subsequently result in heightened demand for rural housing, thereby benefitting cement suppliers.

We remain cautiously optimistic about the positive impact of the sectoral developments and continue to work with our partners and end customers in continually enhancing the quality of our products and services with the help of their valuable inputs.

All my fellow Board members, join me in extending our appreciation to every stakeholder, which has supported us in this remarkable journey; our employees, customers, partners and Central and State Governments, and thank you all with a sense of gratitude, for your sustained belief in the Company. We remain committed towards generating steady returns for our shareholders and other stakeholders.

With warm regards,



N. S. Sekhsaria

Chairman and Principal Founder

20<sup>th</sup> February, 2020