

Chairman's statement

Building the India of tomorrow



Dear Stakeholders,

It is my pleasure to invite you to read the second integrated report of ACC Limited. It captures the developments of an eventful year, our performance in multiple impact areas and our way forward. The theme of the report '**Cemented by relationships. Growing with vision.**' is a tribute to the trusted relationships we have fostered over our 83-year history and to the inclusive growth path we tread on.

Reviewing an eventful year

2019 was a challenging year for the world. At a global level, we witnessed rising trade barriers, geopolitical tensions, climate-related disasters and subdued economic activity. Closer home, the issues in the Non-Banking Financial Services (NBFC) sector and consequent decline in credit growth contributed to stunted economic growth of 4.8% in 2019.

These developments had a bearing on the cement industry as well—its growth rate was arrested at 1.5-2%. Demand was listless during the first half of the year in anticipation of the national general elections and the latter half was plagued with an extended monsoon, low infrastructure capex and strapped liquidity.

However, there is fair reason to believe that most of these issues have bottomed out to pave the way for brighter prospects. Globally, there are early signs of stabilisation as US-China dynamics improve and global trade flow gets back on track. Accommodative monetary policy and resilient consumer spending have helped ease market sentiment.

While we are looking at a global growth rebound, in India, we are confident of robust growth in the medium to long term. Factors that are expected to contribute to this growth include the Union Budget and policies that support heavy social and industrial infrastructure. The government's commitment of ₹ 102 Lakh Crore to the National Infrastructure Pipeline over the next five years is expected to significantly drive demand for cement in India.

Taking stock of our performance and growth

Even in a subdued economic environment, we continued to deliver and grow on the most important counts, through the year. In 2019, our net sales grew by 6% and profit after tax by 35% on a normalised basis. Our ready mix concrete business continued to grow strongly at 12% in volume terms. We also saw excellent growth of our premium range of cement products and ready mix concrete Value Added Products & Services (VAPS).

While ACC has continued to grow consistently, it is noteworthy that we achieved the above annual performance amidst liquidity constraints and slowdown in infrastructure projects. On this account, I laud the grit, perseverance and efforts of all members of the ACC family who made it happen.

Our major development projects – setting up a greenfield integrated cement plant at Ametha (Madhya Pradesh), expanding our grinding capacity in Tikaria (Uttar Pradesh), and setting up a cement grinding facility in Sindri (Jharkhand) – are well on track. The added manufacturing capacities

will help us deepen our share in the eastern and central markets, where demand is expected to be buoyant in the coming years.

Progressing sustainably

ACC is an organisation that demonstrates outstanding performance across all three pillars of sustainability excellence—people, planet and profit—in letter and spirit. Our purpose is to create a confident future for everyone and we maintain that our success comes from the prosperity of those around us. Towards this effect, our Environmental, Social and Governance (ESG) performance continued to raise the bar in line with our 2030 Sustainable Development Plan.

On the environmental front, we are working towards being carbon-neutral, water-positive, plastic-negative and biodiversity-positive. On the input side, we are experimenting with newer materials and increasingly sourcing our energy requirements through renewable sources. Within our kilns, we are co-processing millions of tonnes of waste material, catalysed by our Geocycle brand.

In 2019, the Corporate Social Responsibility programmes delivered by ACC TRUST touched the lives of half a million people, spread over 215 villages of India. Our initiatives across livelihood, education, water sanitation and health continued to create measurable impact for communities around our areas of operations.

At ACC, we believe that investing in talent and nurturing our human capital is core to our success. Our people-first

policies align employee safety, well-being and growth as critical priorities. We, therefore, have one of the highest employee retention rates in the industry.

As much as our employees, we are also sustained by a large ecosystem of suppliers, partners, vendors and distributors. It is our constant endeavour to establish mutually beneficial relationships with them and ensure that the relationship continues to be of mutual benefit.

I would like to thank all ACC employees led by Mr. Neeraj Akhoury for delivering another strong performance in 2019. Mr. Akhoury has recently stepped down from the position of Managing Director & CEO and moved to head Ambuja Cements Limited as its Managing Director & CEO. I would like to welcome Mr. Sridhar Balakrishnan who has been promoted to the role of Managing Director & CEO of ACC Limited from his earlier role of Chief Commercial Officer.

Going forward

As I look ahead, I can say with reasonable confidence that we are gearing up for a future of good growth. India's young population, stable government and encouraging policy decisions are paving way for a tomorrow that guarantees progress on both the industrial and social fronts.

As ACC, we will continue to partner India's growth to build a better future for everyone. In doing so, I solicit your continued cooperation.

Best regards,
Narotam Sekhsaria