Management Discussion and Analysis

ECONOMIC SCENARIO AND OUTLOOK

India's economic growth fell from 6.5% in fiscal 2018-19 to 4.0% in fiscal 2019-20, reflecting an 11-year low. Due to the impact of COVID-19, the Gross Domestic Product (**'GDP'**) is expected to contract by 7.7% in fiscal 2020-21, as per the first advance estimates released by the National Statistical Office. While the full impact of the COVID-19 lockdown was felt in the April-June quarter, the worst may have been avoided with a faster than expected recovery of the manufacturing sector in the July-September quarter, and a revival of consumer demand sentiment during the festive season.

"The outlook for fiscal 2021-22 is firmly positive with an estimated GDP growth of around 11%. The Union Budget 2021 focuses on continued spending to stimulate growth as the economy tries to recover from the impact of COVID-19."

4%

Economic growth in 2019-20

Even as the economy negotiated a temporary recession, it witnessed an uptrend in inflation posing a policy challenge. The nationwide lockdown and supply disruption resulted in overall inflation reaching 7.6% in October 2020. Decline in food prices and high base effect of last year brought the Consumer Price Index-based inflation (**'CPI inflation'**) back within the Reserve Bank of India's (**'RBI's'**) target band of 2-6% in December 2020 to a below-consensus rate of 4.6%. The CPI inflation for fiscal 2020-21 is expected to be between 6-7%.

The support package announced by the Government of India (including monetary measures by the RBI in response to the COVID-19 crisis) is estimated at an overall 15% of GDP, with direct spend in the current fiscal at ~2% of GDP. The fiscal deficit of the Central Government is expected to touch 9.5% of GDP in 2020-21, largely due to lower revenues on the back of sharp contraction in economic activity in the first quarter of fiscal 2020. Monetary policy has responded aggressively to the crisis and the repo rates are at a record low of 4%, with a 115 basis point cut in 2020.

The outlook for fiscal 2021-22 is firmly positive with an estimated GDP growth of ~11%. The Union Budget 2021 focuses on continued spending to stimulate growth as the economy tries to recover from the impact of COVID-19. The outlay for capital expenditure for Financial Year 2021-22 has been increased by 26% YoY with a specific emphasis on infrastructure which, in turn, will provide a boost to the employment numbers. While this would stretch the fiscal consolidation path in the near to medium term, the fiscal deficit is budgeted to improve to 6.8% of GDP in 2021-22.

CEMENT INDUSTRY – OUTLOOK AND OPPORTUNITIES

India is the world's second largest cement producer with a cumulative production capacity of 540 Million tonnes per annum (**'MTPA'**) in 2020. The pandemic led to a slowdown and delay in capacity expansion projects.

Cement demand fell by an estimated 10-12% YoY in 2020 owing to the COVID-19 outbreak. Lockdown-led demand disruption was the highest in the second quarter of 2020 on the back of suspension of production, stalled construction activities and mass exodus of labour. However, starting early June, pent-up and pre-monsoon construction requirement cushioned demand de-growth to a large extent.

Rural demand continues to be the silver lining for cement consumption while that from the infrastructure sector was in a slower lane. Infrastructure demand witnessed gradual pickup from September onwards on the back of improving government spending, coupled with gradual normalisation in labour availability.

11%

Estimated GDP growth for 2021-22

Rural incomes increased YoY in 2020 led by agricultural profitability and Mahatma Gandhi National Rural Employment Guarantee Act (**'MGNREGA'**) allocations. The highest-ever grant of more than ₹1 Lakh Crore was made under the scheme after earmarking an additional ~₹40,000 Crore to the earlier budget estimate of ₹61,000 Crore.

The outlook for the cement sector in 2021 is robust, with growth estimated at more than 10% YoY over that in 2020. The country's demand revival is likely to be led by the North, East and Central regions. The primary drivers of growth will be infrastructure and affordable housing. Highways and roads, metro rail projects and dedicated freight corridors are expected to see increased levels of activity with sharply higher budgetary allocations in the next year. The continued focus on affordable housing will also ensure healthy demand for cement in the coming year.

SALES VOLUME

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

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

DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS

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

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

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

MARKET DEVELOPMENT

ACC is the first and among the largest producers of cement in the country. For over eight (8) decades, the Company has been playing an active role in the progress and development of the country and has enjoyed a loyal customer base. The Company also has a strong pan-India channel network of 12,000 dealers and 56,000 channel partners, which is servicing the nation's requirement of high-quality cement and building materials. This strong network has been instrumental in driving over 79% of the cement sales in the retail segment for 2020.

Strong distribution network

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

12,000
Dealers

56,000
Channel partners

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

GOLD WATER SHIELD

Water repellent cement

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

Beyond Cement and Ready Mix Concrete

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

Relationship management

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

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

The Company has also been focusing on enhancing the experience level of its customers through enhanced versions of 'Dealer Connect App', which offers additional functionalities, and 'Concrete Club App', which comes with a singular social platform for construction professionals such as architects and engineers. These platforms enable the Company to share its knowledge series initiatives, where experts from the industry share details and insights into various aspects of construction through webinars. Through these digital channels, ACC has stayed connected with its channel partners and influencers even during the COVID-19 lockdown. Dealer engagement has been stepped up through a bi-monthly newsletter—ACC Sambandh—published in six (6) regional languages, which celebrates the excellence of the Company's channel partners. This empowers dealers with corporate and regional information that gives them insights into the Company's achievements, new launches, latest innovations and customer service initiatives.

Innovation

ACC has been a pioneering brand with a history of 'Category first' innovations that have gone on to set new benchmarks. It continues in its endeavour to be an innovative and responsive organisation by building sustainable, innovative and differentiated solutions aligned with its vision to transition to a 'Building Materials Company'. This has been made possible through the global R&D framework and knowhow of the LafargeHolcim Innovation Centre, combined with the local expertise of the India Innovation Centre. The thrust on experimenting with new ideas and creating new prototypes is further strengthened by the Company's institutional partnership with leading B-schools, design schools and engineering colleges and tie-ups with start-ups in related fields. The spirit of innovativeness has reaped significant benefits and helped the Company achieve cost efficiencies in the areas of energy, raw materials sourcing, logistics, customer excellence and manpower optimisation, thereby leading to productivity improvement.

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

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

CEMENT BUSINESS – PERFORMANCE

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

** excluding charge of ₹129 Crore*

Costs – Cement business

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

a) **Cost of materials consumed**

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

b) **Power and Fuel**

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

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

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

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

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

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

c) **Freight and forwarding expenses**

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

CAPACITY EXPANSION

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

4.4 MTPA

Sindri plant's total capacity in 2021

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

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

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

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

READY MIX CONCRETE BUSINESS

Commendable show of organisational resilience and mettle

The year 2020 has been extremely challenging for the Ready Mix Concrete business, since many key markets (including the metros) remained severely affected due to COVID-19. Enforced lockdowns brought construction activities to a complete standstill and issues of labour migration made the situation worse for Q2 & Q3 of the Financial Year 2020 for the Ready Mix Concrete business.

In order to mitigate the impact of the situation, an action plan focused on 'Health, Cost and Cash' was devised.

It is in such extraordinary situations that an organisation's capabilities, resilience and mettle are tested. In these difficult times, the Ready Mix Concrete team managed to sail through. Be it in crisis management, ensuring the well-being of all employees and workers, implementation of stringent standards of procedure for plant resumptions, maintaining social distancing or management of the receivables during lockdowns, the Ready Mix Concrete team's performance was commendable.

Proactive measures were laid down to curtail cost and minimise losses, along with strict monitoring of the receivables. The YoY Ready Mix Concrete business receivables have been reduced by 32%.

The Ready Mix Concrete business saw a considerable revival in demand and market sentiments in the last quarter, and the business is back on delivering better EBITDA performance.

Despite a considerable drop of 35.7% in the top line for 2020, the Ready Mix Concrete business was able to close the year with a positive EBITDA of 6.29%. The focus on 'Health, Cost and Cash' amid COVID-19, resulted in satisfactory performance and the Company is confident that with the demand revival in 2021, the Ready Mix Concrete business will certainly bounce back and continue on its growth path and ambition of becoming 'The Best and the Biggest'.

Particulars	Unit	2020	2019	% Change
Ready Mix Concrete Production Volume	Lakh m^3	22.70	35.24	(35.59)
Ready Mix Concrete Sales Volume	Lakh m^3	22.70	35.32	(35.73)
Net Sale Value	₹ Crore	955.42	1,473.03	(35.14)
Operating EBITDA	₹ Crore	60.08	153.15	(60.77)
Op. EBITDA Margin	%	6.29	10.40	(4.11PP)

Value Added Solutions ('VAS')

The Ready Mix Concrete business, with its technical capabilities and a wide range of value-added solutions, stands out as the preferred partner for varied construction requirements. This vertical successfully launched two (2) new VAS—ACC Thermofillcrete and ACC Suraksha NX—during the year and ACC's R&D team is working on various new initiatives.

8

Eco-labelled/Green products

Green concrete

ACC Ready Mix Concrete has both Environmental Product Declaration (**'EPD'**) and GreenPro certification. As on date, ACC Ready Mix Concrete offers eight (8) products which have been certified by the Confederation of Indian Industry (**'CII'**) as eco-labelled/green products. The Ready Mix Concrete team is now diligently working on developing Carbon Neutral/Net Zero Concrete and Ultra High Performance Concrete (**'UHPC'**).

The Company has a nationwide network of eighty (80) state-of-the-art Ready Mix Concrete plants. For the past twenty-eight (28) years, ACC Ready Mix Concrete has been a key player in shaping India's construction and infrastructure sector, constantly striving to enhance service standards and deliver value to customers by catering to both on-site and commercial projects.

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

For details on financial performance vis à vis operational performance:

Please refer to the Board's Report 94

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

For details on Internal Control Systems and their Adequacy.

Please refer to the Board's Report 95

SUSTAINABLE DEVELOPMENT

Since inception, ACC has been working towards achieving sustainability across its operations. During the year, the Company's efforts continued with the same rigour. It conducted its business maintaining high standards of governance, respecting nature and demonstrating social responsiveness towards its communities. Due to the growing awareness among stakeholders and their ever-increasing expectations from businesses, ACC has enhanced its focus on the key material issues, i.e. CO_2 emissions and circular economy. In line with the Parent Company, LafargeHolcim, which has signed the Net Zero pledge with Science Based Targets Initiative (SBTi), ACC has also committed to the SBTi in July 2020.

INDUSTRY RECOGNITION

Owing to the Company's efforts at reducing carbon emissions, in 2020, ACC won the CII's Climate Action Plan (CAP 2.0) Award in the Orient Category.

SD 2030 plan – Building for tomorrow

During 2019, ACC revisited its sustainability strategy and restated its targets for each pillar – Climate & Energy, Circular Economy, Environment and Communities. While COVID-19 impacted the Company's overall operations in CY 2020, ACC performed well on most of these parameters.

For more details, refer to pages 49

A. Climate & Energy

During 2020, ACC reduced its specific CO_2 emissions to 493 kg/t of cementitious materials in comparison to 512 kg/t of cementitious material in 2019. While some of the levers affecting the CO_2 emissions, such as clinker factor, Thermal Substitution Rate (**'TSR'**) and specific thermal energy have improved over last year, resulting in significant reduction of carbon footprint, there is a marginal increase in electrical energy consumption in 2020. This is mainly on account of the disruption across manufacturing processes due to COVID-19.

493 kg

CO_2 emissions per tonne of cementitious material

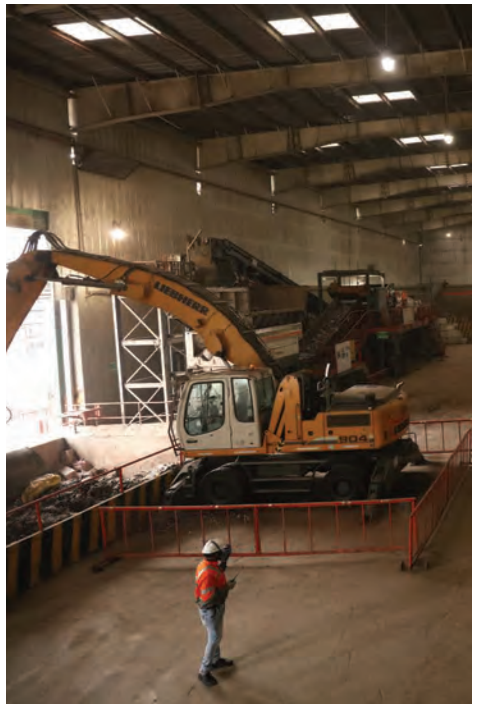
- **Clinker factor**
  The Company's efforts continued to further reduce its average clinker factor across its full range of the cement portfolio. During 2020, the Company increased its blended cement portfolio from 89-90%. All these initiatives helped ACC to significantly reduce the average clinker factor by 1.37%.

- **Thermal energy**
  In 2020, owing to various efforts at energy conservation and process optimisation, ACC reduced its thermal energy consumption by 0.73% from 748 kcal/kg of clinker in 2019 to 742 kcal/kg of clinker in 2020. These efforts will continue to remain a focus area in 2021, also because they are an important lever for carbon emissions reduction.

- **Green energy and power generation through waste heat recovery system**
  During 2020, the Company's three (3) captive wind farms in Maharashtra, Tamil Nadu and Rajasthan together generated ~32.30 Million units of renewable energy. To further enhance its renewable energy portfolio, the Company has installed two (2) solar power plants comprising 5.35 MWp solar photovoltaic plant at Jamul Cement Works, Chhattisgarh, and 380 kWp Solar PV plant at Kymore mines, Madhya Pradesh. These two (2) plants have together generated 2.49 Million units in 2020. Additionally, the Company consumed 49 Million units of solar power and 5 Million units of wind power through Power Purchase Agreement (PPA).

  Thus a total of 85.27 Million units of green energy was consumed in 2020, which is slightly higher than last year's consumption. The waste heat recovery system at Gagal Cement Works also generated ~47 Million units of electrical energy during the year. ACC's waste heat recovery projects at two (2) plants in Jamul and Kymore are in an advanced stage and slated to be completed by 2022.

For more details, refer to pages 43



- **Alternative fuels and raw materials**
  Co-processing of waste in cement manufacturing is gaining momentum in the country as the preferred option as it addresses multiple benefits. It not only conserves traditional fuels and raw materials but also helps in reducing carbon footprint. It saves public funds by minimising the requirement of waste disposal facilities such as landfilling and incineration. On the social front, it generates employment and indirectly reduces the possibility of disease outbreak (due to municipal solid waste dumping). To enhance its co-processing capacity, the Company has set up two (2) pre-processing units and facilitated co-processing at eight (8) plants for the disposal of hazardous and non-hazardous waste, municipal solid waste for use as Refuse Derived Fuel (RDF) and biomass (non-cattle feed) in its kilns wherever permissible by law.

  Through the 'Geocycle' brand, ACC continues its efforts to provide safe waste management solutions to industries and municipalities while meeting the highest standards of health, safety and sustainability. Geocycle is also promoting the use of alternative fuels in cement kilns through advocacy at appropriate forums, thereby building stakeholders' awareness in this regard. The Government's 'Swachh Bharat' programme, coupled with the mega city growth solution to manage municipal waste through co-processing, is expected to get greater traction in future. With increased consumption of alternative fuels—0.29 Million tonnes—the Company has achieved TSR of 6.9% in 2020 compared to 5.6% in 2019.

6.9%

Thermal Substitution Rate in 2020

For more details, refer to pages 43

B. Circular Economy

The concept of circular economy is being widely talked about, and ACC encourages the same by utilising various types of waste from other industries, termed Waste Derived Resources (**'WDR'**), into the cement manufacturing process. Besides, by using waste materials from power and steel industries, such as fly ash and slag to replace the clinker in the cement, the Company is facilitating co-processing of wastes and contributing to circular economy. During 2020, ACC consumed 5.33 Million tonnes of fly ash and 2.82 Million tonnes of slag, 0.43 Million tonnes of synthetic gypsum including Phosphogypsum and 0.57 Million tonnes of alternative fuels and raw materials in cement manufacturing. Additionally, 0.16 Million tonnes of WDR, comprising fly ash and slag were consumed in concrete production. Thus, overall, the Company has consumed 9.3 Million tonnes* of WDR in the year 2020.

**Excluding crushed rock fines used in concrete*

9.3 MT

Total waste derived resources consumed in 2020

For more details, refer to pages 44

C. Environment

Water

During the year, various efforts were made to promote water conservation and harvesting through close monitoring and augmenting water harvesting structures in communities, and by optimising processes. While specific freshwater consumption in cement operations remained almost same as 2019 with 77.8 litre/t of cementitious material, ACC reduced its specific water consumption in cement operations by ~9% from 165 litre/t of cementitious material in 2019 to 151 litre/t of cementitious material. The Company also consumed ~1.75 Million m^3 of harvested rainwater in its cement operations, which is ~50% of its total water consumption.

9%

Reduction in specific water consumption in 2020

For more details, refer to pages 46

Biodiversity

The Company continued its efforts to conserve nature and preserve biodiversity. Under the 'B-Buzz' project, initiatives focused on the conservation of particular floral/faunal groups were undertaken. Additionally, in 2020, the Company planted ~76,000 trees at its various mining locations. Apart from this, plantations were also done at many plant locations and colonies.

For more details, refer to pages 47

Emissions

Air emissions are a key environmental aspect of cement production. As an operating principle, the Company ensures that all its sites measure and manage air emissions to the extent possible. During the year, ACC has undertaken several initiatives to help bring emissions under control.

- *Dust emission control*
  Various maintenance activities were undertaken through in-house and third-party teams for rectification of ESP internals, replacement of damaged bags and so on. All the above measures have together resulted in ensuring stack dust emissions in cement plants at <30mg/Nm^3. There is ~27% reduction in specific dust emissions from 16.9 gm/t of cement in 2019 to 12.3 gm/t of cement in 2020.
- *NOx emission control*
  NOx emission compliance was ensured through primary and secondary measures for NOx control and implementation of Selective Non-Catalytic Reduction (SNCR) systems in integrated cement plants in previous years. There is ~22% reduction in specific NOx emissions from 816 gm/t of cement in 2019 to 635 gm/t of cement in 2020.
- *SOx emission control*
  The Company's SOx emissions are well within the specified regulatory limits and do not require major emission control measures. However, there is ~28% increase in specific SOx emissions from 64.2 gm/t of cement in 2019 to 82.4 gm/t of cement in 2020. This change is primarily due to the variation in the raw material quantity and change of fuel at one of our locations.

  All of the Company's plants are required to have continuous online reporting of ambient air quality, effluents and process emission on a real-time basis on the websites of regulatory authorities and ACC has complied with this requirement. Monitoring of major stacks emissions (dust, NOx and SOx) of the Company's plants is done through the Technical Information System (TIS) commissioned at most of the plants, providing access to process and emission parameters to senior management at the plant and the corporate office.

Green Building Centres ('GBCs')

During 2020, the Company assisted in setting up 43 new GBCs to bring the total number of GBCs to 187 by the end of December 2020. All the GBCs have collectively helped in utilisation of 70,740 tonnes of fly ash, conservation of 1,53,271 tonnes of the Earth's natural topsoil and avoidance of 10,788 MT of CO_2 emissions during the year. Further, through this initiative, 31,477 low-cost houses have been facilitated through GBC products. In 2020, the total number of beneficiaries at GBC, who got direct livelihood support were ~3,150.

D. People & Communities

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

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

ACC structured its social development interventions through ACC TRUST in alignment with United Nations Sustainable Development Goals (UN SDGs). Community development interventions undertaken in previous years continued with vigour with a widening portfolio of projects. During the reporting year, the focus was on malnutrition mitigation, water conservation and combating the COVID-19 pandemic in addition to regular broad thematic areas.

₹32.33 Crore

2020 Corporate Social Responsibility expenditure

The Company's total CSR expenditure during the year was to the tune of ₹32.33 Crore. This was 2.05% of the average net profit of the last three years. The Company's CSR projects primarily focused on the following broad thematic areas: Sustainable Livelihood, Quality of Education and Water, Sanitation, Health & Hygiene (**'WASH'**), which pertained to Schedule VII of the Companies Act, 2013 and are aligned to the UN SDGs.

The Company's community development projects reached 8.30 Lakh people in 166 villages and 15 municipal areas across the country. The sustainable livelihood initiative has helped 14,304 lives, including youth, women and farmers.

8.30 Lakh

Lives touched

The initiative has helped farmers to conserve water, enhance agricultural production and generate livelihood through animal husbandry. Youths were made employable through skill enhancement and women were organised into Self-Help Groups (**'SHGs'**) and provided continued grooming for sustenance and bank linkages.

Many SHGs have set up micro enterprises and institutionalised as registered federations to achieve the larger common good. Education initiatives in the vicinity of plants reached out to 38,401 students during the year. Contemporary learning modules such as digital education, smart classes and interactive kiosks, home-based learning, benefited students of 65 rural schools.

The Company continued to support seven (7) government-run Industrial Training Institutes (ITIs) under the public-private partnership scheme with the Government of India.

WASH initiatives touched ~2.26 Lakh lives. The project addresses community requirements for safe drinking water, better health through malnutrition mitigation, health camps and waste management in collaboration with municipal bodies. Rainwater harvesting structures were created in villages across plant locations to conserve water and ensure its availability during lean periods for irrigation and drinking purpose. It has also helped recharging of defunct borewells, dry well and in-situ moisture conservation which increases farm yields.

The Company's initiatives to eradicate malnutrition have reached out to 13,576 children, providing them with access to better health and nutrition through the support provided to 484 *Anganwadi* centres. Through the ART Centre and Sexually Transmitted Infections clinics, the Company provided valuable support to 5,654+ patients through OPD, counselling, testing and treatment for HIV/AIDS.

The Company responded promptly, providing relief to families affected by the super cyclone Amphan, which caused widespread damage in West Bengal. With the support of channel networks, dealers and Carry and Forward Agents along with the Sales and Marketing team of ACC, 5,160 families of West Bengal were provided relief kits and ration.

COVID EFFORTS

During the COVID-19 pandemic, the Company joined hands with the district administration near plant locations and reached out to 6.83 Lakh lives. ACC provided 30,084 families dry ration and 2,42,234 cooked food packets as immediate relief to migrants and stranded workers mostly in Delhi/NCR and Mumbai. ACC TRUST, through its empowered SHGs, stitched and distributed over 4,00,000 cotton masks to the underprivileged. Regular disinfection and sanitisation drives were carried out within host communities. Mass-scale awareness drives in communities were conducted on the usage of masks, social distancing and on hand washing. Government hospitals of Maharashtra were provided seven (7) ventilators to strengthen their service to patients. Frontline health workers were provided hand gloves, sanitisers and N95 masks to help them serve without fear of infection. As many as 265 employees from various departments of the Company voluntarily served communities in need during the pandemic.

HEALTH AND SAFETY ('H&S')

The 'More Boots on Ground' initiative of the Company has continued to be an integral part of the H&S governance and assurance system. This has reinforced focus on the ground level and leadership engagement through interaction with frontline workers. This initiative has now become a way of life at ACC and its implementation has improved safety performance in the Company.

7,87,233

Total Boots on Ground hours in 2020

Moreover, engagement on the shop floor has increased, which has built the confidence of employees on the ground and line managers, who are spending more time on field. This has helped the Company improve the Field Level Risk Assessment (**'FLRA'**), resulting in safe completion of jobs. Boots on Ground (**'BOG'**) hour count has improved and become part of the daily routine at ACC. In 2019, the total BOG hours was 1,54,598 hours as against 7,87,233 hours in 2020.

- **Health and Safety Improvement Plan ('HSIP') 2020**
  The HSIP was developed at the beginning of 2020 through a brainstorming session to identify key activities as the year's focus area. The plan contains five H&S objectives with clear ownership of the top management. Each objective of HSIP has been developed to build on improvements in the areas of H&S leadership, health management, risk management, Lock-Out, Tag-Out and Try-Out (**'LOTOTO'**) and road safety. The Company has worked relentlessly for the effective implementation of these objectives in difficult situations during the pandemic.

- **LOTOTO Train the Trainer Certification Programme**
  The Company identified 28 LOTOTO champions who would need to qualify in order to take this certification. It partnered with the in-house learning team ACC ACL Leadership Academy (**'AALA'**) to design learning and make it interesting and engaging for the champions. Train the Trainer programme was designed as a virtual training programme to ensure continuous learning in the COVID-19 environment. Over 6,000 people were

covered in this roll out in all the three (3) categories (Management Staff, Shop Floor Associate and Third Party) and was promoted by certified trainers from the plants. In addition to this, ~80 co-facilitators were trained in shorter modules on LOTOTO so that they could join the propagation and knowledge sharing on LOTOTO.

- **H&S Audit**
  The normal H&S Audit programme was heavily impacted this year due to the COVID-19 pandemic. As a result, finding alternative ways to conduct the audit was a challenge for the Company. However, ACC faced two (2) Group audits at Sindri and Chaibasa in Jharkhand and five (5) internal audits were conducted virtually in 2020. Due to the pandemic, audit programme for 2020 was restructured with three (3) man-days of remote audit with the audit team members and auditees around the globe with a reduced scope of audit covering seven (7) Group standards. Audit was conducted using digital technology such as Google Meet/Zoom meeting for interviews, with camera phones and hands-free strap and headsets for remote visit.

- **Railway Safety Risk Management Programme**
  Two (2) critical Lost Time Injury (**'LTIs'**) in 2019 and one critical LTI at the beginning of 2020 related to rail operations, which triggered the need to design this programme. The Company identified 49 participants (champions and co-champions) who needed to qualify in order to take this certification. Train the Trainer certification programme was designed in collaboration with in-house learning team AALA to make learning interesting and engaging. During 2020, 25 trainers were certified as Rail Safety Trainers.

- **Working at Heights ('WAH') implementation**
  As per HSMS Audit in 2019, 25% of the total findings were related to WAH and this has emerged as the top-most grey area for the Company. To target this area, a robust WAH training programme was put in place in which 30 WAH champions across the Company were trained.

- **Process Safety Management ('PSM') programme**
  The programme includes identifying gaps in areas like coal shop and conventional fuels, mining operation, hot meal handling, Design Safety and Construction Quality Programme (DSCQP) and electrical safety. The Company is gradually stepping up the implementation programme through monthly monitoring and follow up with ~89% compliance level.

- **Global H&S Days**
  Global H&S Days were celebrated across the Company from October 6, 2020 to October 15, 2020. The initiative was launched with a webcast for all employees by the Company's senior management. These days are celebrated to mobilise all ACC stakeholders to help the Company achieve its Ambition '0'. This year's theme was 'Ideas to Action', which involved various activities across the organisation, such as inter-plant H&S Quiz Competition, COVID Warrior Day—to recognise and felicitate the contribution of the COVID Warriors across locations, Road Safety Day, training programmes on first aid and domestic safety for employees and their family members, and others. The Company submitted 42 good practices from both Cement and Ready Mix Concrete businesses on the global LafargeHolcim platform for the selection of a local winner and subsequent participation in the global challenge.

- **War on Waste Initiative**
  War on Waste Initiative was launched in January 2020 as an extension of the Boots on Ground initiative. The initiative is derived from the concept of 5S, which is a war on inefficiency, redundancy and excess. The campaign has been undertaken in two time-bound phases across all cement, Ready Mix Concrete plants and office units. Phase I will call for the elimination of wastage across mines and plants, and Phase II will see the organisation emulate these practices at warehouses, in transit operations and all office spaces. This initiative leads to several benefits, including lesser water and compressed air consumption, prevention of cement bag bursting, improvement in housekeeping of plant with timely identification and disposal of scraps, which ultimately results in enhanced sustainability.

Health
Health is an important pillar of H&S function. To make ACC a healthier place to work in, the Company has undertaken various initiatives such as Lifestyle Management Programme, Medical Emergency, Occupational Hygiene Survey and COVID-19 awareness. Under the first programme, the employee's health surveillance data was analysed for lifestyle diseases and 8,983 employees were counselled across the Company on lifestyle diseases such as hypertension, obesity, coronary artery disease and diabetes through the digital platform.

Logistics Safety
Road Safety continued to be the Company's focus area in 2020 as most of the Company's products are transported by road. ACC excelled in the road safety journey in 2020, despite the countrywide lockdown due to COVID-19, which stopped road safety interventions for six (6) months. ACC's road safety performance has improved to zero employee road fatality in 2020 against five (5) in 2019, amounting to a 50% reduction in the fatality rate over 2019. Some of the achievements on road safety in 2020, which were remarkable in the pandemic environment are as follows:

- Over achieved both HSIP KPIs (% Km by iVMS and % Km by trained drivers), despite COVID-19 impacts
- One of the first companies in the industry to achieve 'Full Compliance' status
- Full implementation of 'Consequence management' in 2020. Group verification of data since January 2020 completed
- In Cab programme restarted with COVID measures
- Plant-wise virtual engagement of transporters started in Q3
- Employee iVMS App successfully piloted and made ready for roll-out in 2021

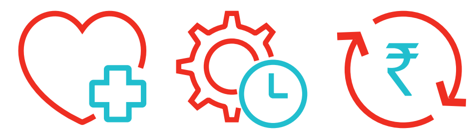
HUMAN RESOURCES
This has been the most eventful year, given the challenges and unpredictability, and yet the people of India have shown sheer grit and resilience. ACC has always believed that its employees are its opportunity multipliers. Through the combined efforts of its employees, ACC was able to continue its focus on its business priorities, and to protect the people and communities with best possible actions. Despite the paradigm shift in running the organisation during the year, ACC was able to collaborate at all levels and create a performance-driven productive environment by engaging and communicating with all employees.

Engaging and communicating with the ACC Parivaar
The Company was quick to establish Business Resilience Teams (**'BRT'**) to keep the health and safety of its employees at the forefront. BRT aimed to provide continued focus on H&S measures through regular monitoring, feedback and training. ACC supported overall employee well-being by strengthening its partnership with the flagship programme 'Sparsh', while reaching out to all of its employees and their families. Multiple virtual sessions were conducted for employees across various locations and functions.

The Company kept its communication channel open and provided continuous and credible communication through multiple small group sessions for open and two-way conversations. These candid sessions were led by the MD & CEO and the Company reached out to all employees, conversing on topics ranging from business to personal life.

Undeterred by the challenges posed by the pandemic, ACC has been diligent in curating various employee engagement activities to boost the spirit of its employees and their families. Through several innovative initiatives, ACC has been extending moral support and offering ways to boost psychological and emotional well-being amidst the challenging times. 'Pratibha Ke Rang, ACC Ke Sang' was one such platform for all its employees and their family members to showcase their diverse talents in photography, drawing and the performing arts to a wider audience. Embracing the use of digital technology, the spectacular event was flawlessly executed and showcased enthralling performances. The engaging and immersive experience brought the entire ACC Parivaar together virtually from the safety of their homes. The event was a first-of-its-kind mega event broadcast live to all locations and witnessed by employees across India on December 5, 2020.

HEALTH, COST AND CASH



Short-term focus areas
The Company continually engaged with its employees through development programmes and designed unique programmes and initiatives to enhance employees' skills and competencies, leveraging technology and functional expertise. ACC was agile enough to provide business-specific training and development through multiple learning formats. With 'Health, Cost and Cash' as the nodal points around which all efforts were centred, ACC partnered and aligned seamlessly with people from different functions and levels to develop and implement an unprecedented climate and programme of learning.

The lockdown presented the perfect opportunity: the learner had the time and the team was ready with technology. The content was presented as a buffet designed to suit the individual palette. To appeal to a cross-section of people, the programmes provided a mix of technical skill-building opportunity as well as leadership skills in customised settings.

- ACC leveraged the knowledge and expertise of its senior leaders to conduct webinars on a wide range of themes – from technical ones on fundamentals of cement, cash & cost negotiations to leadership during crisis. To support the psychological and emotional well-being of employees and their families, programmes on nutrition and diet as well as building emotional and mental well-being were also offered.

- The lockdown was the perfect opportunity to engage, re-skill and up-skill the Company's Sales team as well as its dealers and contractors. Armed with the awareness that small groups of employees were interested in honing specific skill-sets, the Company developed short virtual courses in areas like Sales & Marketing centering on themes such as strengthening channel relationships, grooming dealers for future businesses, communicating effectively, and managing conflict as well as technical ones that gave insight into manufacturing concrete and effective construction practices. Several leadership courses were also on offer across all levels of the organisation – from Managing Motivation in Difficult Times and Working with Emotional Intelligence, to Honing Assertion Skills.
- Technical skills are the mainstay of a manufacturing unit and it is critical that technical skills training continue without pause. An example is the LOTOTO Champion Certification Programme which is a mandatory H&S programme typically run face-to-face with practical demonstrations. The programme was adapted and rolled out as a virtual series replete with pre-assessments, pre-work on the learning platform, virtual classrooms, demonstrations, teach-back sessions, individual development feedback to enhance the participants' teaching skills and was topped by an e-graduation ceremony.

With better digital tools, improved user experience and perseverance, ACC brought about a shift that culminated in behavioural transformation.

- Learning technology has brought more learners into the fold of organisational learning, enabling democratisation of learning, which allows both learners and trainers to nominate and volunteer
- Voluntary rather than mandatory attendance fosters development ownership in learners
- Wide range of topics offered something for everyone – consequently an astounding 90% of the employees attended at least one programme

Building for the future

Sustainable and profitable growth can only be achieved in an organisation that focuses on performance culture and where employees are engaged and empowered to be the best they can be. The Company's results even during this year of crisis are a testament to the performance culture which keeps on reinforcing accountability and ownership in teams.

ACC's Talent Review and Succession Planning processes are the backbone of the Company's people development agenda. These processes have enabled the Company to develop a leadership pipeline for its future business ambitions. Some of those identified as future leaders, based on their readiness level, undergo an immersive successor development programme to prepare them better for future roles.

Industrial relations

The Company enjoys harmonious and healthy industrial relations due to its vibrant work culture and believes in a collaborative approach at work. ACC's employee relation practices ensure that it creates a win-win situation for both employees and the organisation. This mutual trust and caring spirit together goes a long way in maintaining a harmonious environment across all business units. ACC continues to get full support from its workers' unions in ensuring all BRT guidelines are met and adhered to.

Prevention of sexual harassment of women at the workplace

For details pertaining to sexual harassment of women at workplace.

Please refer to the Board's Report 107

BUSINESS RISKS AND OPPORTUNITIES

The Company's governance structure has well-defined roles and responsibilities, which enable and empower the management to identify, assess and leverage business opportunities and manage risks effectively. There is also a comprehensive framework for strategic planning, implementation and performance monitoring of the business plan, which, *inter alia*, includes a well-structured Business Risk Management (**'BRM'**) process. To systematically identify risks and opportunities and monitor their movement, a heat map has been designed comprising two parameters: a) likelihood of the event and b) the impact it is expected to have on the Company's operations and performance.

The risks that fall under the purview of high likelihood and high impact are identified as key risks. This structured process in 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 the risks on the heat map and the effectiveness of the mitigation plan. The key business risks and their mitigation plans are described herein:

Raw material risk

During pandemic, availability of dry fly ash was significantly reduced due to power demand contracted & PLF reduced to all time low, with PLF going down which was mitigated by absorption of Wet Fly ash. Similarly, slow and delayed revival of Blast Furnace Steel production during pandemic resulted in imbalance of demand-supply of slag and consequent hardening of slag prices in H2-2020. However, steel production has shown considerable improvement in early 2021 and we would watch for the demand-supply equation to evolve and balance out before the Company evaluates alternative sourcing options like coastal movement from West Coast to Eastern or import of slag for port-proximity plants as well as switching to composite variety of cement. Likewise, mineral gypsum is being substituted by chemical gypsum as well as other variants so as to conserve natural resources to bring in cost economics and improve sustainable manufacturing of cement.

Fuel: Coal and pet coke are the primary fuels used in kilns to produce clinker and power plants to generate electricity. Fuels contribute to a major share of the cost of cement.

In H1-2020, the market witnessed a sharp drop in international coal and Petcoke prices on account of uncertainty of consumption during the COVID-19 pandemic. However, the steep increase in Petcoke prices in H2-2020 and early 2021 have crossed the highest price levels ever due to uncertainty over production and switching to sweet crude by many global refineries, including in India. This has led to less availability of Petcoke in the market and switching to coal by most industries, thanks to domestic availability of coal from Coal India through auctions. In 2020, the Company has been able to kick-start the journey to reduce the cost of power and fuels through optimum blend of available domestic and import options while recognising the importance/action on fuel flexibility, besides adopting more sustainable and efficient modes of transport options.

Limestone: Limestone is among the primary raw materials used in the manufacture of cement, making it imperative for the Company to ensure its uninterrupted long-term availability.

According to the Mines and Minerals (Development and Regulation) Amendment Act, 2015 (**'MMDR Act'**), mining leases granted before the commencement of the Act for captive use are extended up to a period ending on March 31, 2030, or till the completion of their existing period of renewal, whichever is later. New mining leases would henceforth be allotted for a period of 50 years through fresh auctions.

Most of the Company's mining leases extend up to March 31, 2030, thereby ensuring adequate limestone reserves to cater to the requirements of its plants till the said date, after which the Company will have to participate in auctions. As per the provisions of the MMDR Act, wherever a Company has been issued a Letter of Intent (**'LOI'**) for the grant of a mining lease, such LOI should be converted into a mining lease.

Wherever the Company is of the view that it had an LOI, it has taken up the matter in the respective High Court, seeking a direction to issue the mining lease. Currently, these matters are *sub-judice.* The Company is also participating in auctions to secure new mining leases for its existing plants as well as for its expansions at different locations.

As limestone is a gradually depleting natural resource, to ensure prudent usage of the mineral in cement manufacturing, a higher percentage of additives are added. This helps to make use of the low-grade limestone without compromising on quality, thereby conserving the mineral and increasing the life of the mine.

Environmental clearance, forest and wild life clearances are a pre-requisite for mining activities wherever applicable. Besides, land acquisition is also becoming more challenging and expensive. The management is taking adequate steps to put in place robust processes for obtaining fresh environmental clearances, wherever necessary.

Market competition

The cement industry is witnessing an imbalance in installed capacity and its utilisation. Despite excess production volumes in the industry, expansion programmes continue, resulting in intense competition and adverse impact on the Company's market share, sales volume and profitability. Efforts are also being made by the Company to widen its product portfolio by increasing the share of its premium products in the retail segment, application-based products, value-added products and services to the B2B segment.

Cyber security

In the last few years, technology has evolved manifold and so have the risks attached to it. The proliferation of business data beyond our data centres to the cloud, social media and digital platforms for B2B and B2C connect have forced us to change the way we deal with cyber security. In addition to data loss, cyber-attacks can impact business operations, machinery and human assets, also resulting in legal and regulatory liabilities.

Recognising cyber risks, the Government of India has introduced tighter cyber security laws. The responsibility has been entrusted to the Directors of the Company under the Act to take appropriate steps to ensure cyber security. In addition, the India Data Protection Bill is being analysed by the Joint Parliamentary Committee and is expected to get approved in 2021.

In view of the above priorities, appropriate controls (technology and governance) are implemented and planned as ACC's business landscape presents a large area for a possible attack in view of its vast and disparate network spanning many remote locations, with complex Information Technology (IT) and Operational Technology (OT) environment.

Adequate perimeter security is in place and business continuity plans are tested every year. The impact assessment of most of the hardware and software has been mapped. The Company's cyber security management framework aligns with industry standards and regulations. A global Security Operations Centre (SOC) keeps track and prevents any potential attack in LafargeHolcim IT landscape, of which the Company's IT landscape is a part. YoY cyber security maturity assessments are conducted, and improvement is tracked and measured regularly.

The Risk Management Committee of the Board is apprised of steps taken to mitigate cyber security risks.

Legal risks

Since the Company's business is dependent upon various approvals, consents, licences, permits and other such items, the Company is exposed to various legal, regulatory and litigation risks. The Company has a process of regularly reviewing key legal cases in terms of the demands involved, and the probability of receiving any adverse orders or matters where there may be financial or reputational impact on the Company.

The Company engages Legal Counsel depending on the nature of legal risk and strategy. The Company has implemented a Litigation Management Digital Tool wherein the entire litigation database has been created and the management can access the same from a single portal.

The Company organises regular Fair Competition training sessions on Competition Law for relevant employees, with special focus on functions like Sales, Marketing and Procurement, among others. The purpose of this training is to create awareness on the various facts of Competition Law compliance, the 'Dos' and 'Don't's that form part of risk mitigation.

Apart from the face-to-face training sessions, e-learning modules are also rolled out to ensure better understanding of Competition Law compliance. The Company has also implemented various policies of the LafargeHolcim Group, including the Commercial Documentation Directive on Competition Law, to ensure awareness and review as part of the risk mitigation strategy. The Company undertakes both internal and external audit of the process to identify gaps, if any, and accordingly, corrective actions are taken.

Climate risk

Aligning with TCFD recommendations, ACC has assessed its potential impacts on climate-related risks and opportunities which also get embedded in the Company-level risk management process. These risks include transition risks such as a) Policy and regulatory changes with respect to PAT/RPO regulations (b) Market risks due to change in consumer preferences & demand over sustainable products (c) reputational risks due to the stakeholder's perception towards the sector as one of the biggest CO_2 emitters and d) technological risks due to its high cost. Under physical risks, while impact of climate change (such as flooding, changes in precipitation patterns or extreme variability in weather patterns) may impact our operations due to disruptions in supply chain and logistics, water scarcity (chronic risks) may also affect few of our site's operations in future. In the process, we have also identified the opportunities which include achieving resource efficiency, optimising our energy resources, developing sustainable and low carbon products etc. Our responses to mitigate the above-mentioned risks and our efforts towards leveraging the opportunities are described in the report in relevant sections. We have a Board-level CSR and Sustainability Committee to oversee the governance mechanisms, strategise our efforts and to monitor our progress against this very important topic.

For more details, refer to Sustainability section pages 40

Standalone Financial Highlights

Particulars	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cement Production (Million Tonne)	23.77	27.87	28.36	26.56	23.18	23.84	24.24	23.86	24.12	23.46
Cement Sales (Million Tonne)	25.53	28.89	28.37	26.21	22.99	23.62	24.21	23.93	24.11	23.73
Capacity utilisation	72%	84%	86%	79%	73%	77%	78%	78%	79%	81%
INCOME STATEMENT - ₹ Crore										
Net Sales	13,487	15,343	14,477	12,909	10,772	11,433	11,481	10,889	11,130	9,430
Operating EBITDA	2,481*	2,409	2,045	1,909	1,474	1,537	1,507	1,629	2,196	1,921
Profit before exceptional item and tax	1,993*	2,031	1,494	1,298	914	937	1,135	1,227	1,787	1,540
Profit before Tax	1,688	2,031	1,494	1,298	871	784	1,135	1,227	1,451	1,540
Profit after Tax	1,415	1,359	1,507	915	647	592	1,168	1,096	1,061	1,325
BALANCE SHEET - ₹ Crore										
Net Worth	12,661	11,521	10,528	9,365	8,832	8,443	8,236	7,825	7,383	7,192
Long-term borrowings	-	-	-	-	-	-	-	35	163	511
Net Fixed Assets (Including CWIP)	7,074	7,427	7,442	7,503	7,786	7,656	7,513	6,324	6,175	6,573
Cash and cash equivalents	5,735	4,383	2,837	2,527	1,778	1,389	1,686	2,621	3,137	2,932
Current Assets	5,106	5,107	5,711	5,339	3,726	3,609	3,485	3,476	3,098	3,691
Current Liabilities	5,088	4,919	4,834	4,923	4,110	3,893	3,900	3,726	3,863	3,768
Capital Employed	12,661	11,521	10,528	9,365	8,832	8,443	8,236	7,860	7,546	7,703
SIGNIFICANT RATIOS										
Operating EBITDA margin	18%*	16%	14%	15%	14%	13%	13%	15%	20%	20%
Return on Average Capital Employed	16%*	18%	15%	14%	11%	11%	14%	16%	24%	22%
Return on Net Worth	11%	12%	10%	10%	7%	7%	14%	14%	14%	18%
Current Ratio (Times)	1.00	1.04	1.18	1.08	0.91	0.93	0.89	0.93	0.80	0.98
Debt Equity Ratio (Times)	-	-	-	-	-	-	-	0.004	0.02	0.07
Price Earning Ratio (Times)	21.56	20.03	27.84	36.08	38.39	43.07	22.56	18.91	25.15	16.29
Net worth per share (₹)	674	614	561	499	470	450	439	416	393	385
Dividend per share (₹)	14	14	14	26	17	17	34	30	30	28
Basic Earnings per share (₹)	75.35	72.36	53.57	48.75	34.46	31.51	62.23	58.36	56.52	70.59
Cash Earnings per share (₹)	118.55	104.47	85.51	82.84	66.69	74.40	91.93	88.93	104.15	95.90
CASH FLOWS - ₹ Crore										
Net cash provided by / (used in)										
Operating activities	2,216	2,248	1,118	1,555	1,381	1,461	1,332	1,056	1,577	1,571
Investing activities	(537)	(328)	(368)	(385)	(539)	(948)	(1,437)	(858)	(311)	(258)
Financing activities	(327)	(374)	(441)	(422)	(420)	(681)	(837)	(834)	(1,066)	(768)

** excluding charge of ₹ 129 Crore towards time value of money of Government incentives in 2020.*

Standalone Financial Highlights

Notes:

1. Cash and cash equivalents includes cash and bank balances, investment in short term deposits and mutual funds
2. Cash earning per share - (Profit after tax + Depreciation) / Number of Equity Shares.
3. Operating EBITDA - Profit from operations before other income, finance costs , Depreciation and amortisation expense and exceptional item.
4. Return on Average Capital Employed: EBIT/ Average Capital Employed
(Capital Employed: Net worth + Long-term borrowings + Current maturities of Long-Term borrowings)
(EBIT: Profit before exceptional items and tax + interest on Long-term borrowings)
5. Return on Net worth: Profit after Tax / Net Worth
6. Price Earning Ratio: Market Price per share / Basic Earnings per share
7. Net worth per share: Net Worth / Number of Equity Shares
8. Current Assets : Total assets - Net fixed assets - Investments - investment in short term deposits and mutual funds
9. Current Liabilities: Total liabilities excluding Short-term borrowings - Deferred tax liabilities

Statement of Direct Economic Value Generated and Distributed

₹ Crore

	2020	2019
WEALTH GENERATED		
Gross Income*	19,345	22,246
Total costs	(10,260)	(12,557)
	9,085	**9,689**
WEALTH DISTRIBUTION		
As remuneration including retirement benefits for Employees	839	864
Contribution to Government as taxes and other levies	6,364	7,055
As dividend to Shareholders	263	263
Community investments	32	25
Finance Costs	57	86
Retained with the Business	**1,530**	**1,396**

**Inclusive of goods and service tax (GST)*

Value Added Statement

₹ Crore

	2020	2019	2018	2017	2016
Equity	12,661	11,521	10,528	9,365	8,832
Capital employed	12,661	11,521	10,528	9,365	8,832
Average Capital Employed	12,091	11,024	9,947	9,099	8,637
Value added					
Net operating profit after taxes	1,415	1,359	1,006*	915	690
Add: interest on Long-term borrowings, after tax	-	-	-	-	-
Net operating profit after taxes (NOPAT)	1,415	1,359	1,006	915	690
Cost of Capital	1,287	1,425	1,344	1,106	973
Value added	**128**	**(66)**	**(338)**	**(191)**	**(283)**
NOPAT / Average Capital employed (%)	11.70	12.33	10.11	10.06	7.99
Weighted Average Cost of Capital (%)	10.64	12.93	13.51	12.16	11.26
Value added / Average Capital Employed (%)	**1.06**	**(0.60)**	**(3.40)**	**(2.10)**	**(3.28)**
Enterprise Value					
Market Capitalisation (As at December, 31)	30,377	27,147	28,320	33,021	24,995
Less: Cash and Cash Equivalents	5,735	4,383	2,837	2,527	1,778
EV (Enterprise Value)	**24,642**	**22,764**	**25,483**	**30,494**	**23,217**
EV / Year End Capital Employed (Times)	**1.95**	**1.98**	**2.42**	**3.26**	**2.63**

** Net Operating profit is excluding tax provisions write-back.*

Horizontal Analysis of Standalone Balance Sheet

₹ Crore

Particulars	2020	2020 Vs 19 (%)	2019	2019 Vs 18 (%)	2018	2018 Vs 17 (%)	2017	2017 Vs 16 (%)	2016
ASSETS									
Non-current assets									
Net Fixed assets (including CWIP)	7,074	(4.75)	7,427	(0.20)	7,442	(0.81)	7,503	(3.63)	7,786
Right of use assets	130	-	-	-	-	-	-	-	-
Non-current investments	221	(3.91)	230	-	230	-	230	(10.85)	258
Non current - loans and other financial assets	775	3.89	746	53.50	486	(22.36)	626	238.38	185
Non-Current Tax Assets (Net)	942	9.92	857	27.34	673	128.14	295	(2.96)	304
Other non-current assets	653	63.66	399	(34.80)	612	(0.81)	617	(26.11)	835
	9,795	**1.41**	**9,659**	**2.29**	**9,443**	**1.86**	**9,271**	**(1.04)**	**9,368**
Current assets									
Inventories	900	(21.12)	1,141	(32.04)	1,679	19.59	1,404	14.71	1,224
Financial Assets									
Trade receivables	452	(28.03)	628	(27.65)	868	29.94	668	24.63	536
Cash and cash equivalents	5,735	30.85	4,383	54.49	2,837	12.27	2,527	42.05	1,779
Bank balances other than Cash and Cash Equivalents	156	0.65	155	(4.91)	163	(3.55)	169	1.20	167
Loans	60	93.55	31	(60.76)	79	92.68	41	41.38	29
Other financial assets	266	(1.85)	271	19.91	231	2,466.67	9	80.00	5
Current Tax Assets (Net)	71	-	-	-	-	-	-	-	-
Other current assets and assets held for sale	691	(15.11)	814	11.51	725	(9.38)	800	140.96	332
	8,331	**12.23**	**7,423**	**12.78**	**6,582**	**17.16**	**5,618**	**37.97**	**4,072**
TOTAL	**18,126**	**6.11**	**17,082**	**6.60**	**16,025**	**7.63**	**14,889**	**10.78**	**13,440**
EQUITY AND LIABILITIES									
Equity									
Equity Share capital	188	-	188	-	188	-	188	-	188
Other Equity	12,473	10.06	11,333	9.60	10,340	12.67	9,177	6.17	8,644
	12,661	**9.89**	**11,521**	**9.43**	**10,528**	**12.42**	**9,365**	**6.03**	**8,832**
Liability									
Non-current liabilities									
Financial Liability									
Lease Liabilities	84	-	-	-	-	-	-	-	-
Provisions	214	(8.55)	234	68.35	139	(2.11)	142	0.71	141
Deferred tax liabilities (Net)	376	(41.43)	642	(3.17)	663	22.55	541	21.03	447
	674	**(23.06)**	**876**	**9.23**	**802**	**17.42**	**683**	**16.16**	**588**
Current liabilities									
Financial Liability									
Borrowings	-	-	-	-	-	-	59	18.00	50
Trade payables	1,416	(3.74)	1,471	(23.50)	1,923	6.18	1,811	44.07	1,257
Other financial liabilities	1,026	9.85	934	20.67	774	7.65	719	(13.48)	831
Other current liabilities	1,994	4.13	1,915	7.04	1,789	3.23	1,733	22.83	1,411
Provisions	16	(30.43)	23	(14.81)	27	(47.06)	51	(1.92)	52
Current Tax Liabilities (Net)	339	(0.88)	342	87.91	182	(61.11)	468	11.69	419
	4,791	**2.26**	**4,685**	**(0.21)**	**4,695**	**(3.02)**	**4,841**	**20.42**	**4,020**
TOTAL	**18,126**	**6.11**	**17,082**	**6.60**	**16,025**	**7.63**	**14,889**	**10.78**	**13,440**

Vertical Analysis of Standalone Balance Sheet

₹ Crore

Particulars	2020	(%)	2019	(%)	2018	(%)	2017	(%)	2016	(%)
ASSETS										
Non-current assets										
Net Fixed assets (including CWIP)	7,074	39.03	7,427	43.46	7,442	46.44	7,503	50.40	7,786	57.93
Right of use assets	130	0.72								
Non-current investments	221	1.22	230	1.35	230	1.44	230	1.54	258	1.92
Non current - loans and other financial assets	775	4.27	746	4.37	486	3.03	626	4.20	185	1.38
Non-Current Tax Assets (Net)	942	5.20	857	5.02	673	4.20	295	1.99	304	2.26
Other non-current assets	653	3.60	399	2.34	612	3.82	617	4.14	835	6.21
	9,795	**54.04**	**9,659**	**56.54**	**9,443**	**58.93**	**9,271**	**62.27**	**9,368**	**69.70**
Current assets										
Inventories	900	4.97	1,141	6.68	1,679	10.48	1,404	9.42	1,224	9.11
Financial Assets										
Investments	-	-	-	-	-	-	-	-	-	-
Trade receivables	452	2.49	628	3.68	868	5.42	668	4.49	536	3.99
Cash and cash equivalents	5,735	31.64	4,383	25.65	2,837	17.70	2,527	16.97	1,779	13.24
Bank balances other than Cash and Cash Equivalents	156	0.86	155	0.91	163	1.02	169	1.14	167	1.24
Loans	60	0.33	31	0.18	79	0.49	41	0.28	29	0.22
Other financial assets	266	1.47	271	1.59	231	1.44	9	0.06	5	0.04
Current Tax Assets (Net)	71	0.39	-	-	-	-	-	-	-	-
Other current assets and assets held for sale	691	3.81	814	4.76	725	4.52	800	5.37	332	2.47
	8,331	**45.96**	**7,423**	**43.46**	**6,582**	**41.07**	**5,618**	**37.73**	**4,072**	**30.30**
TOTAL	**18,126**	**100.00**	**17,080**	**100.00**	**16,025**	**100.00**	**14,889**	**100.00**	**13,440**	**100.00**
EQUITY AND LIABILITIES										
Equity										
Equity Share capital	188	1.04	188	1.10	188	1.17	188	1.26	188	1.40
Other Equity	12,473	68.81	11,333	66.34	10,340	64.52	9,177	61.64	8,644	64.31
	12,661	**69.85**	**11,521**	**67.45**	**10,528**	**65.69**	**9,365**	**62.90**	**8,832**	**65.71**
Liability										
Non-current liabilities										
Financial Liability										
Lease Liabilities	84	0.46	-	-	-	-	-	-	-	-
Provisions	214	1.18	234	1.37	139	0.87	142	0.95	141	1.05
Deferred tax liabilities (Net)	376	2.08	642	3.76	663	4.14	541	3.63	447	3.33
	674	**3.72**	**876**	**5.13**	**802**	**5.01**	**683**	**4.58**	**588**	**4.38**
Current liabilities										
Financial Liabilities										
Borrowings	-	-	-	-	-	-	59	0.40	50	0.37
Trade payables	1,416	7.81	1,471	8.61	1,923	12.00	1,811	12.16	1,257	9.35
Other financial liabilities	1,026	5.66	934	5.47	774	4.83	719	4.83	831	6.18
Other current liabilities	1,994	11.00	1,915	11.21	1,789	11.16	1,733	11.64	1,411	10.50
Provisions	16	0.09	23	0.13	27	0.17	51	0.34	52	0.39
Current Tax Liabilities (Net)	339	1.87	342	2.00	182	1.14	468	3.14	419	3.12
	4,791	**26.43**	**4,685**	**27.43**	**4,695**	**29.30**	**4,841**	**32.52**	**4,020**	**29.91**
TOTAL	**18,126**	**100.00**	**17,082**	**100.00**	**16,025**	**100.00**	**14,889**	**100.00**	**13,440**	**100.00**

Horizontal Analysis of Statement of Profit and Loss

₹ Crore

Particulars	2020	2020 Vs 19 (%)	2019	2019 Vs 18 (%)	2018	2018 Vs 17 (%)	2017	2017 Vs 16 (%)	2016
Revenue from operations	**13,785**	**(11.95)**	**15,657**	**5.78**	**14,801**	**11.60**	**13,263**	**20.64**	**10,994**
Other Income	204	(34.45)	311	123.89	139	5.30	132	3.13	128
Total Income	**13,989**	**(12.39)**	**15,968**	**6.88**	**14,940**	**11.53**	**13,395**	**20.44**	**11,122**
Cost of materials consumed	1,673	(25.91)	2,258	(4.72)	2,370	19.52	1,983	24.95	1,587
Purchase of traded goods	697	92.71	362	306.39	89	8,800.00	1	(50.00)	2
Changes in inventories	142	40.86	101	(180.65)	(125)	733.33	(15)	(188.24)	17
Employee benefits expense	839	(2.89)	864	(1.93)	881	7.57	819	8.48	755
Power and fuel	2,572	(17.86)	3,131	4.45	2,998	10.46	2,714	25.82	2,157
Freight and Forwarding expense	3,432	(15.26)	4,050	0.97	4,011	16.23	3,451	29.98	2,655
Finance costs	57	(33.89)	86	(3.12)	89	(12.75)	102	22.89	83
Depreciation and amortisation expense	635	5.31	603	0.49	600	(6.25)	640	5.79	605
Other expenses	2,078	(16.25)	2,481	(2.01)	2,532	5.41	2,402	2.34	2,347
Total expenses	**12,125**	**(13.00)**	**13,936**	**3.65**	**13,445**	**11.14**	**12,097**	**18.51**	**10,208**
Exceptional item	176	-	-	-	-	-	-	-	43
Profit before tax	**1,688**	**(16.89)**	**2,031**	**35.88**	**1,495**	**15.18**	**1,298**	**49.02**	**871**
Tax expenses	273	(59.43)	673	37.54	489	27.68	383	70.98	224
Tax adjustments for earlier years	-	-	-	-	(501)	-	-	-	-
Profit for the year	**1,415**	**4.12**	**1,359**	**(9.83)**	**1,507**	**64.70**	**915**	**41.42**	**647**

Vertical Analysis of Statement of Profit and Loss

₹ Crore

Particulars	2020	%	2019	%	2018	%	2017	(%)	2016	(%)
Revenue from operations	**13,785**	**100.00**	**15,657**	**100.00**	**14,801**	**100.00**	**13,263**	**100.00**	**10,994**	**100.00**
Other Income	204	1.48	311	1.99	139	0.94	132	1.00	128	1.17
Total Income	**13,989**	**101.48**	**15,968**	**101.99**	**14,940**	**100.94**	**13,395**	**101.00**	**11,122**	**101.17**
Cost of materials consumed	1,673	12.14	2,258	14.42	2,370	16.01	1,983	14.95	1,587	14.44
Purchase of traded goods	697	5.06	362	2.31	89.00	0.60	1	0.01	2	0.02
Changes in inventories	142	1.03	101	0.64	(125)	(0.84)	(15)	(0.11)	17	0.15
Employee benefits expense	839	6.09	864	5.52	881	5.95	819	6.18	755	6.87
Power and fuel	2,572	18.66	3,131	20.00	2,998	20.26	2,714	20.46	2,157	19.62
Freight and Forwarding expense	3,432	24.90	4,050	25.87	4,011	27.10	3,451	26.02	2,655	24.15
Finance costs	57	0.41	86	0.55	89	0.60	102	0.77	83	0.75
Depreciation and amortisation expense	635	4.61	603	3.85	600	4.05	640	4.82	605	5.50
Other expenses	2,078	15.06	2,481	15.85	2,532	17.11	2,402	18.11	2,347	21.35
Total expenses	**12,125**	**87.97**	**13,936**	**89.01**	**13,445**	**90.84**	**12,097**	**91.21**	**10,208**	**92.85**
Exceptional item	176	1.28	-	-	-	-	-	-	43	0.39
Profit before tax	**1,688**	**12.25**	**2,031**	**12.98**	**1,495**	**10.10**	**1,298**	**9.79**	**871**	**7.93**
Tax expenses	273	1.98	673	4.30	(12)	(0.08)	383	2.89	224	2.04
Profit for the year	**1,415**	**10.26**	**1,359**	**8.68**	**1,507**	**10.18**	**915**	**6.90**	**647**	**5.88**