



Build with confidence

## *Living Our Values*

**ACC Limited**

74th Annual Report 2009



**BOARD OF DIRECTORS***(As on February 4, 2010)***Mr N S Sekhsaria**  
*Chairman***Mr Paul Hugentobler**  
*Deputy Chairman***Mr Sumit Banerjee**  
*Managing Director***Mr S M Palia**  
**Mr Naresh Chandra**  
**Mr Markus Akermann**  
**Mr M L Narula**  
**Mr D K Mehrotra**  
**Mr R A Shah**  
**Mr Shailesh Haribhakti**  
**Mr Kuldip Kaura****AUDIT COMMITTEE**Mr Shailesh Haribhakti, Chairman  
Mr S M Palia  
Mr Naresh Chandra  
Mr Paul Hugentobler**SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**Mr Paul Hugentobler, Chairman  
Mr M L Narula  
Mr Sumit Banerjee**COMPENSATION COMMITTEE**Mr N S Sekhsaria, Chairman  
Mr Paul Hugentobler  
Mr Shailesh Haribhakti**COMPLIANCE COMMITTEE**Mr R A Shah, Chairman  
Mr Naresh Chandra  
Mr Shailesh Haribhakti  
Mr Paul Hugentobler  
Mr Sumit Banerjee**MANAGING COMMITTEE**Mr Sumit Banerjee  
Mr Ramit Budhraj  
Mr Rajiv Prasad  
Mr Vivek Chawla  
Mr T N Tiwari  
Mr Sunil Nayak  
Mr J Datta Gupta  
Mr Anand Shukla  
Mr Ravinder Mohan  
Mr Shakti Arora**COMPANY SECRETARY**

Mr Burjor D Nariman

**AUDITOR**

S R Batliboi &amp; Associates

**COST AUDITOR**

N I Mehta &amp; Company

**BANKERS**State Bank of India  
Bank of Baroda  
Bank of India  
Central Bank of India  
Canara Bank  
State Bank of Hyderabad  
State Bank of Bikaner & Jaipur  
Standard Chartered Bank  
Bank of America  
Citibank, N.A.  
The Hongkong & Shanghai  
Banking Corporation Limited  
Industrial Development Bank of India Ltd  
HDFC Bank Limited  
ICICI Bank Limited**REGISTERED OFFICE**Cement House  
121 Maharshi Karve Road  
Mumbai 400 020**Website: [www.acclimited.com](http://www.acclimited.com)****CONTENTS**

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**ANNUAL GENERAL MEETING**On Thursday, April 8, 2010 at 3.00 p.m.  
at Birla Matushri Sabhagar  
19, Sir Vithaldas Thackersey Marg  
Mumbai 400 020**Members are requested to kindly bring their copies of the Annual Report to the Meeting.**

**NOTICE**

**NOTICE IS HEREBY GIVEN THAT THE SEVENTY-FOURTH ANNUAL GENERAL MEETING OF ACC LIMITED** will be held at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400020 on Thursday, April 8, 2010 at 3.00 p.m. to transact the following business:-

**ORDINARY BUSINESS**

1. To receive and adopt the Audited Profit and Loss Account for the financial year ended December 31, 2009, the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S. M. Palia, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. Naresh Chandra, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. Shailesh Haribhakti, who retires by rotation and is eligible for reappointment.
6. To appoint Messrs. S R Batliboi & Associates, Chartered Accountants, as Auditors of the Company on such remuneration as agreed upon by the Board of Directors and the Auditors, in addition to reimbursement of service tax and all out of pocket expenses incurred in connection with the audit of the Accounts of the Company for the year ending December 31, 2010.

**SPECIAL BUSINESS**

7. To appoint a Director in place of Mr. Kuldip Kaura who was appointed a Director of the Company with effect from October 28, 2009 in the casual vacancy on the Board caused by the resignation of Ms. Shikha Sharma and who holds office up to the date of the forthcoming Annual General Meeting of the Company under Section 262 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under the provisions of Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of Director.

8. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

“RESOLVED THAT in accordance with the provisions of Sections 198, 309(4) and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, the Articles of Association of the Company and subject to all applicable approval(s) as may be required, the consent of the Company be and is hereby accorded to the payment of commission for a period of five years commencing from 1<sup>st</sup> January 2010, to the Non-Executive Directors of the Company as may be decided by the Board from time to time provided that the total commission payable to the Non-Executive Directors per annum shall not exceed one percent of the net profits of the Company for that year as computed in the manner referred to under Section 198(1) of the Companies Act, 1956, with authority to the Board to determine the manner and proportion in which the amount be distributed among the Non-Executive Directors.”

**Notes:**

- a. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- b. The Register of Members and Share Transfer Books of the Company shall remain closed from March 26, 2010 to April 8, 2010, both days inclusive.
- c. The Dividend, after declaration, will be paid to those Members of the Company whose names stand on the Register of Members on April 8, 2010. The dividend in respect of shares held in dematerialized form in the Depository System, will be paid to the beneficial owners of shares as on March 25, 2010, as per the list provided by the Depositories for this purpose. The dividend will be payable on and from April 13, 2010.
- d. The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use

the bank account details furnished by the depositories for depositing dividends. As per the recent RBI guidelines, effective from September 30, 2009, ECS credit will be moved completely on to the National Electronic Clearance System (NECS) platform, through the core banking system. Accordingly, dividend will be credited to the Members' bank account through NECS, wherever complete core banking details are available with the Company. In the event, any branch of a bank has not migrated to the core banking system, or where the core banking account number is not furnished by the Members to its Depository Participant wherever shares are held in electronic form or to the Company in case of physical shareholding, the Company will print the details available in its records on the dividend warrants to be issued to the Members. The Company is in compliance with SEBI's directive in this regard.

- e. During the current financial year 2010, the Company will be required to transfer to the Investor Education & Protection Fund, the unpaid/unclaimed dividend for the year ended March 31, 2003. Those Members who have not encashed their warrants are requested to immediately return the outdated

warrants to the Company or to write to the Company in the matter to enable the Company to issue demand drafts in lieu thereof.

- f. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Items 7 & 8 as set out above, is annexed hereto.
- g. As per the provisions of the Companies Act, 1956, facility for making nominations is available to Members in respect of the shares held by them. Nomination forms can be obtained from the Share Department of the Company.

By Order of the Board of Directors,  
For ACC Limited

B. D. Nariman  
Company Secretary &  
Head – Compliance

Mumbai, February 4, 2010

Registered Office:  
"Cement House",  
121, Maharshi Karve Road,  
Mumbai 400 020

## EXPLANATORY STATEMENT

The following Explanatory Statement, as required by Section 173 of the Companies Act, 1956, sets out all material facts relating to the business under Items 7 & 8 mentioned in the accompanying Notice dated February 4, 2010.

2. **Item No 7:** The Board of Directors has appointed Mr. Kuldip Kaura as a Director of the Company with effect from October 28, 2009, in the casual vacancy caused by the resignation of Ms. Shikha Sharma.
3. Mr. Kuldip Kaura holds a degree in Mechanical Engineering, BE (Hons.) from Birla Institute of Technology & Science, Pilani, and had also attended various Executive Education Programmes at London Business School and Swedish Institute of Management, Stockholm. Mr. Kaura has rich experience in leading businesses and companies in diverse sectors such as power, natural resources, metals, mining etc. and has a deep understanding of Corporate Governance, Brand Building and Sustainable Development in India, U.K. and U.S. regulatory environment. He is presently Advisor with Vedanta Resources Plc.
4. Under Section 262 of the Companies Act, 1956, Mr. Kuldip Kaura holds office as Director till the date up to which Ms. Shikha Sharma, in whose place he has been appointed would have otherwise held office viz. till the date of the forthcoming Annual General Meeting of the Company. In view of Mr. Kuldip Kaura's qualifications, his expertise and valuable experience, his appointment on the Board is in the interests of the Company.
5. A Notice under Section 257 of the Companies Act, 1956, has been received from a Member signifying his intention to propose the appointment of Mr. Kuldip Kaura as Director of the Company.
6. The Board commends the above appointment and the relevant Resolution at Item 7 of the accompanying Notice.
7. Mr. Kuldip Kaura is interested in the Resolution set out at Item 7 of the accompanying Notice, since it relates to his appointment.
8. **Item No 8:** Pursuant to the provisions of Section 309(4) of the Companies Act, 1956, the Members of the Company at the Seventieth Annual General

Meeting held on April 12, 2006, had approved the payment of commission to the Non-Executive Directors of the Company for a period of five years with effect from 1<sup>st</sup> January, 2006. As per Section 309(7) of the said Act, the approval of the Members for the payment of commission to the Non-Executive Directors is in force for a period of five years i.e. upto December 31, 2010.

9. Taking into consideration the current competitive business environment, stringent accounting standards and corporate governance norms which require considerably enhanced levels of decision making and vigilant corporate governance, thereby making the responsibilities of the Directors more onerous, it is proposed to continue the payment of commission to the Non-Executive Directors of the Company. The Board of Directors will determine each year, the specific amount to be paid as commission to the Non-Executive Directors which shall not exceed 1% of the net profits of the Company for that year, as computed in the manner referred to in Section 198(1) of the Companies Act, 1956.
10. The Members are requested to approve the payment of commission to the Non-Executive Directors of the Company for a further period of five years with effect from January 1, 2011. The payment of commission would be in addition to the sitting fees payable for attending Board/Committee Meetings.

All the Non-Executive Directors of the Company are interested in the Resolution set out at Item No. 8 of the accompanying Notice since it relates to their respective remuneration.

By Order of the Board of Directors,  
For ACC Limited

B. D. Nariman  
Company Secretary &  
Head – Compliance

Mumbai, February 4, 2010

Registered Office:  
"Cement House",  
121, Maharshi Karve Road,  
Mumbai 400 020



### Annexure to Items 3 to 5 & 7 of the Notice

#### Details of Directors seeking appointment / reappointment at the forthcoming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr. S. M. Palia	Mr. Naresh Chandra	Mr. Shailesh Haribhakti	Mr. Kuldip Kaura
Date of Birth	April 25, 1938	August 1, 1934	March 12, 1956	April 5, 1947
Nationality	Indian	Indian	Indian	Indian
Date of Appointment on Board	25.01.2002	05.05.2004	17.02.2006	28.10.2009
Qualification	B.Com.; L.L.B.; CAIIB; CIIB (London)	Post Graduate in Mathematics from Allahabad University; Member - Indian Administrative Services	FCA; FICWA	Bachelor of Engineering in Mechanical Engineering (Honours) from Birla Institute of Technology & Science, (Pilani); Continuous Executive Education including intervention at London Business School & Swedish Institute of Management, Stockholm and other reputable institutes
Shareholding in ACC	NIL	NIL	100	NIL
List of Directorships held in other Companies	Tata Steel Ltd.; Gruh Finance Ltd.; Saline Area Vitalisation Enterprises Ltd.; Tata Motors Ltd.; Al Champdany Industries Ltd.; The Bombay Dyeing & Mfg. Co. Ltd.	Hindustan Motors Ltd.; Bajaj Auto Ltd.; Balrampur Chinni Mills Ltd.; Electrosteel Casting Ltd.; AVTEC Limited; Cairn India Ltd.; Gammon Infrastructure Projects Limited; Bajaj Finserv Limited; Bajaj Finance Holdings Limited; Ambuja Cements Limited; EROS International Media Ltd.; Linde Engineering India Pvt. Ltd.; Vis Legis Consult Pvt. Ltd.; G-4S Corporate Services (India) Pvt. Ltd.; Emerging Ventures India Pvt. Ltd.; Vedanta Resources, Plc (U.K.); International Crisis Group, Brussels (Belgium); Eros International Plc. (U.K.)	Pantaloon Retail (India) Ltd.; Future Capital Holdings Limited; Hexaware Technologies Limited; Akruiti City Limited; Ambuja Cements Limited; Mahindra Lifespace Developers Limited; Blue Star Limited; The Dhanalakshmi Bank Limited; J K Paper Limited; Kotak Mahindra Trusteeship Services Limited; Hercules Hoists Limited; Everest Kanto Cylinder Limited; Raymond Limited; Morarjee Textiles Limited (Alternate Director); Fortune Financial Services (India) Ltd., (Alternate Director); BDO Consulting Private Limited; Advantage Moti India Private Limited; Quadrum Solutions Private Limited; J M Financial Asset Reconstruction Co. Private Limited; Milestone Ecofirst Advisory Services (India) Private Limited.	Sesa Goa Limited

**TO THE MEMBERS OF  
ACC LIMITED**

The Directors hereby present the Seventy Fourth Annual Report together with the audited accounts, for the year ended December 31, 2009. The Management Discussion and Analysis has also been incorporated into this report.

**1. PREAMBLE - 2009**

The year 2009 would be marked as an important year for the Indian cement industry. When the year began, the Indian economy was in a recession amidst the global slowdown that was still prevailing. The cement industry then faced the prospects of a substantial cement capacity addition with no sign that demand would grow significantly. However, the forecasts were belied - demand was robust, capacity creation was delayed, cement plants achieved higher capacity utilization and market prices were favourable. With commodity prices including fuel remaining subdued, most cement manufacturers were able to record good financial performances in 2009.

The cement industry posted a steady growth of about 10.3% during the year under review. Overall cement despatches in 2009 were approximately 195 million tonnes, up from 177 million tonnes in 2008. Growth was registered across all regions, led by rapid developments in infrastructure and a stable housing sector. The demand-supply scenario was generally at balance with high levels of capacity utilization in most of the regions. In 2009, capacity additions of the order of 26.88 million tonnes went on stream. There was some delay in the materialization of fresh capacity addition which helped ease the pressure on selling prices. The industry's cost profile improved on account of lower procurement prices of coal and other commodities.

All of the above conditions had a favourable collective impact on overall profitability.

ACC's installed capacity rose to 26 million tonnes per annum at the close of the year as compared to 23 million tonnes at the end of 2008. The Company continued with its strict control over costs, while taking proactive measures to conserve cash resources which are reflected in the fact that the Company has negative net financial debt even after spending Rs. 1561 crores as capital expenditure.

**2. HIGHLIGHTS OF PERFORMANCE/EVENTS**

- Total consolidated income for the year 2009 was Rs. 8,725 crore, an increase of 9% as compared to Rs. 7,974 crore in 2008.
- Consolidated profit before exceptional items and tax for the year 2009 was Rs. 2,251 crore against Rs. 1,582 crore in the 2008, an increase of 42%.
- Consolidated profit after tax for the year 2009 was Rs. 1,564 crore as against Rs. 1,100 crore in 2008, an increase of 42%.
- The expansion project of the Bargarh Plant was substantially completed during the year. The satellite grinding units which were set up as a part of Wadi expansion programme at Thondebhavi in Chikballapur District and Kudithini in Bellary District in Karnataka were also partly commissioned during the last quarter of 2009.
- There was substantial progress during the year under review in the company's on-going projects at Wadi and Chanda, which are slated for completion in the first half of 2010.
- Work was started on a project to set up a 2.5 MW wind energy farm in Maharashtra.

### 3. FINANCIAL RESULTS

	Consolidated		Standalone	
	Rs Crore		Rs Crore	
	2009	2008	2009	2008
Sale of products and services (net of excise duty) and other income .....	<b>8725.41</b>	<b>7974.28</b>	<b>8268.31</b>	<b>7571.58</b>
Profit after exceptional items and before tax .....	<b>2250.70</b>	<b>1624.82</b>	<b>2294.39</b>	<b>1736.60</b>
Provision for Tax .....	(686.79)	(525.17)	(687.66)	(523.81)
Profit after Tax .....	<b>1563.91</b>	<b>1099.65</b>	<b>1606.73</b>	<b>1212.79</b>
Balance brought forward from previous year .....	2357.25	2057.37	2477.91	2064.89
Profit available for appropriations .....	3921.16	3157.02	4084.64	3277.68
Appropriations :				
Interim Dividend .....	187.70	187.65	187.70	187.65
Proposed Dividend .....	244.06	187.68	244.06	187.68
Dividend Distribution Tax .....	73.38	63.79	73.38	63.79
General Reserve .....	350.00	350.00	350.00	350.00
Debenture Redemption Reserve .....	25.00	10.00	25.00	10.00
Previous Year Dividend .....	-	0.02	-	0.02
Amortisation Reserves .....	0.65	0.63	0.65	0.63
Balance carried forward to the next year's account .....	3040.37	2357.25	3203.85	2477.91

### 4. DIVIDEND

In August 2009, your Company had paid an interim dividend of Rs. 10 per equity share, involving an outgo (including the dividend distribution tax) of Rs. 219.60 crore. Your Directors are now pleased to recommend a final dividend of Rs. 13 per equity share of Rs. 10 each. The total dividend for the year 2009 would accordingly be Rs. 23 per equity share as against Rs. 20 per equity share for the year ended December 31, 2008.

The total dividend outgo for the current fiscal would amount to Rs. 505.14 crore, including dividend distribution tax of Rs. 73.38 crore, as against Rs. 439.12 crore, including dividend distribution tax of Rs. 63.79 crore in the previous year.

### 5. ECONOMIC SCENARIO AND OUTLOOK

After the global financial slowdown witnessed in 2008, culminating in the expensive bailout for banks and insurance companies notably in USA, there has been a perceptible improvement in the outlook for the global economy. The expansion of output in emerging market economies, particularly Asia, was the principal driver of this development. Trade is recovering and financial market conditions are improving. Notwithstanding the confidence exuded by the financial sector, there are concerns that the recovery may as yet be fragile, as the economies of developed countries, particularly USA, continue to lag with high unemployment, low consumer spending and depressed housing markets.



The Indian economy fared better than most developed economies, although its growth was a bit muted. The performance of the industrial sector has markedly improved. Funding constraints eased with ample liquidity and a benign interest regime prevailed during a major part of the year. Capital inflows revived as India became a preferred destination for both portfolio and direct investment. The country is now exhibiting signs of resurgence, despite contraction in exports and a subnormal monsoon in 2009. Government expects the GDP growth to be around 7% in the Financial Year 2009-2010, which is an improvement over the forecast of 6 - 6.5 % growth made in the beginning of the fiscal year.

However, there are still areas that cause concern. Agricultural output may decline as a result of the weak monsoon and inflationary pressures, particularly of food prices, could hamper growth prospects for 2010. Bank credit growth continues to be sluggish. Government fiscal deficit is expected to reach record levels. Nevertheless, the overall economic outlook is generally favourable, though mixed, with some concern of an escalating inflationary pressure.

## 6. CEMENT INDUSTRY OUTLOOK AND OPPORTUNITIES

In 2010, we expect additional capacity of about 70 million tonnes to materialize, more than half of which is coming up in South West India. Despite a growing demand for cement, these capacity additions may create surpluses in some parts of the country.

The prices of major inputs for cement viz. coal, slag, gypsum, fly ash and petroleum products have started rising, and are likely to harden in 2010 pushing up manufacturing and distribution costs. The availability of the aforesaid raw materials also continues to pose challenges. Supply of railway wagons is likely to worsen during the course of the current year affecting cement despatches to some markets.

Government's continued thrust on infrastructure and its stimulus packages to boost rural and other sectors are likely to accelerate construction activity. It is, therefore, expected that the demand for cement will grow steadily in the next few years. The demand from the individual house builder segment is also likely to remain strong. Consequently, we expect the cement industry to maintain a steady growth impetus of 9 to 10% in 2010 and in the near future.

## 7. CEMENT BUSINESS – PERFORMANCE AT A GLANCE

	2009	2008	Change %
Production-million tonnes	21.37	20.83	2.6
Sales volume-million tonnes*	21.52	21.01	2.4
Sales value – Rs crore	8027.19	7282.87	10.2
EBITDA %	32.3%	25.5%	

*\* includes sale to ACC Concrete Limited and trading sales*

## 8. YEAR OF BUILDING ORGANIZATIONAL CAPABILITIES

During the year under review, the Company focussed its attention on building organizational capabilities.

Several initiatives were taken to keep costs under check and improve productivity thereby enhancing cost competitiveness to help combat intense competition emerging in the marketplace.

The Company aggressively pursued the utilization of alternative fuels.

It leveraged on its surplus captive generation capability and maximized the sale of surplus power.

Steps were taken to usher in sales and marketing excellence, besides strengthening the dealer network. The Company adopted and assimilated a series of best practices from Holcim that would prepare it to meet the demands of growth and competition.

Your Company maximized cash generation by reducing its working capital build-up and by spending its capex budget judiciously.

## 9. ENERGY RESOURCES

### Captive Power Plants

Steam based Captive Power Plants (CPP) play a vital role in improving our cost competitiveness and providing quality power to our plants. In 2009, gross generation of power by our CPPs was 1733 million kwh which was 14% higher than the gross generation of 1517 million kwh in 2008. This helped increase the share of power from CPPs in total power consumption for cement production, from 64% in 2008 to 70% in 2009. The sale of surplus power from CPP after meeting the requirements of cement plants increased three times, from 32 million kwh in 2008 to 113 million kwh in 2009.

During the year under review, the Company commissioned one 15 MW CPP as a part of Bargarh plant expansion. Additional captive power generating capacity of 50 MW in Wadi, 15 MW in Bargarh and 25 MW in Chanda is scheduled to be commissioned and stabilized in 2010. With this increased captive generation, we expect our dependence on grid power to go down further.

### Wind Power

The wind farms in Tamil Nadu and Rajasthan performed well and generated 39 million Kwh of power in 2009 against 27 million Kwh in 2008. The Company is setting up a 2.5 MW wind farm in Maharashtra at a cost of about Rs. 13 crore which is slated to be commissioned during March 2010.

### Coal Washery

The Company installed and commissioned a coal washery in Jamul in September 2009 to address deterioration in the quality of indigenous coal. The plant has since stabilized and washed coal obtained from this plant has shown a favourable impact on the quality and cost of clinker. Encouraged by these results, the Company is commissioning a coal washery in the Bargarh plant in 2010.

## 10. ALTERNATIVE FUELS & RAW MATERIALS

The Company registered a substantial increase in the usage of Alternative Fuels and Raw Materials (AFR) through the co-processing route. The major focus was on industrial wastes this year in addition to strengthening the on-going initiatives on commodities and agro-wastes. This enabled the AFR Business to record savings of Rs. 40.8 crores during the year as against Rs. 22.8 crores in 2008, marking an increase of 79%.

The AFR business increased its portfolio and has successfully co-processed 27 different types of industrial waste streams at our plants. The clientele of our Waste Management Services was widened and agreements in this regard were signed with renowned companies from chemical, FMCG, footwear, pharmaceuticals, food and beverages sectors.

## 11. MODERNISATION / EXPANSION / NEW PROJECTS

A major part of the Bargarh expansion project was completed and the Vertical Roller Mill and Captive Power Plant were commissioned during 2009. The next phase of the plant is expected to be commissioned during the first quarter of 2010, after which the cement grinding capacity of Bargarh will stand enhanced to 2.1 million tonnes.

The first phase of the programme to increase the cement grinding capacity by 3 million tonnes per annum of capacity in Karnataka was completed with the launch of two new satellite grinding units. These are the Thondebhavi grinding plant in Chikballapur District near Bangalore with a capacity of 1.6 million tonnes per annum and the Kudithini grinding plant in Bellary District with a capacity of 1.1 million tonnes per annum. The remaining phase of the New Wadi Expansion Project for creation of additional clinkering capacity in Karnataka, including additional captive power plants of 2 x 25 MW capacity, are expected to be completed by mid 2010.