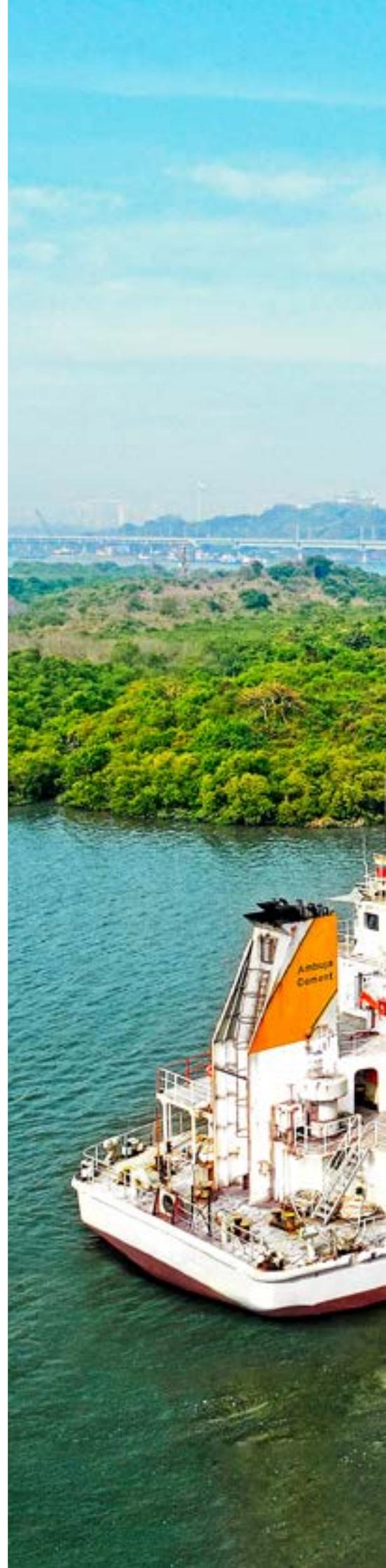




MANAGEMENT DISCUSSION AND ANALYSIS

Setting new benchmarks in sustainability

Powered by the vision of emerging as the most competitive and sustainable cement company in India, Ambuja Cement is setting new benchmarks across sustainability parameters in the country's cement sector. Following the lead of our parent company Holcim, we have developed and validated our 2030 carbon emission reduction targets by the Science Based Targets initiative (SBTi), aligned with the reductions required to limit global warming to below 2°C. Besides, we have taken another stride towards strengthening our climate change adaptability by joining the 'Race to Zero'.







HIGHLIGHTS 2021

AUGMENTING CAPACITIES

Driven by the rebound in real estate demand after a prolonged period of sluggishness, the Indian cement industry is registering a strong growth momentum. The government's push towards infrastructure creation is also driving demand for cement in the country.

To capitalise on market opportunities and to strengthen our positioning, we have already commenced the commercial operations of our greenfield unit at Marwar, Rajasthan. This has helped increase our clinker capacity by 3 MTPA and cement manufacturing by 1.8 MTPA. Further, we have embarked on a brownfield expansion of 1.5 MTPA grinding unit at Ropar, Punjab.

₹310 CRORE

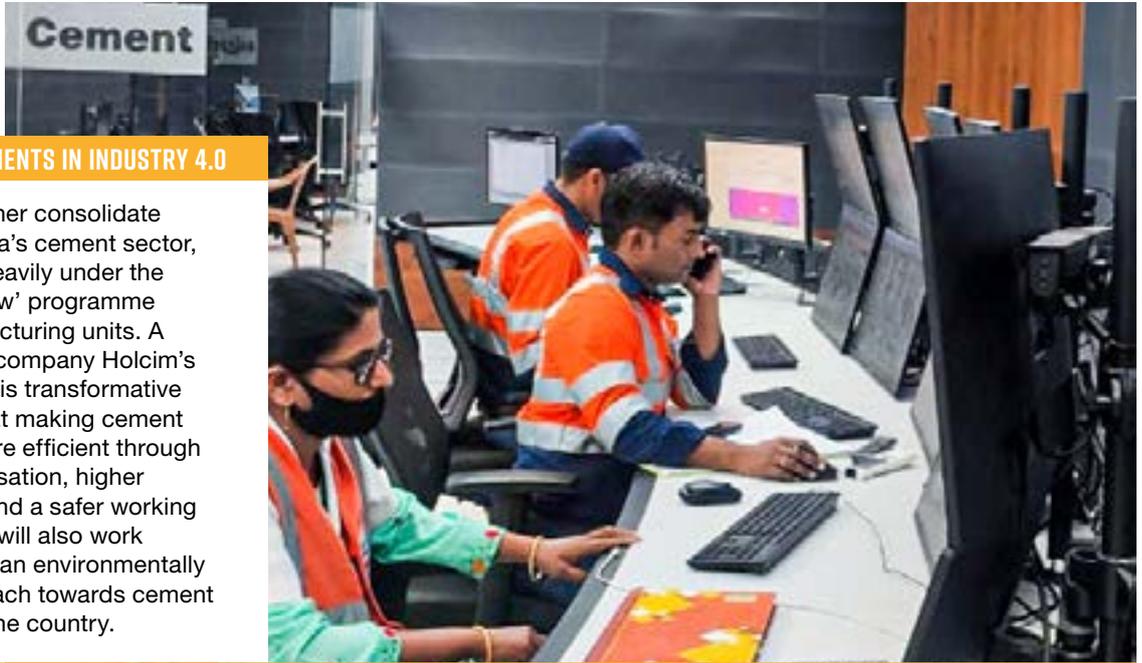
Committed investment to ramp up capacity at the Ropar unit



STEPPING UP CAPABILITIES

We are taking multi-pronged initiatives to strengthen our capabilities, including securing raw material linkages, augmenting captive green energy capacities, and enhancing efficiencies. At the Gare Palma coal mine, we have started underground mining operations this year, providing fuel linkage to our Bhatapara plant in Chhattisgarh. Further, we have made the railway siding operational at our Rabriyawas plant to facilitate efficient raw material unloading and cement loading. Waste heat recovery systems (WHRS) of 80 MW are under various stages of implementation across plants to help us increase the use of green energy as well as optimise resource utilisation.





AMPING UP INVESTMENTS IN INDUSTRY 4.0

With a view to further consolidate our position in India’s cement sector, we are investing heavily under the ‘Plants of Tomorrow’ programme across our manufacturing units. A part of our parent company Holcim’s growth strategy, this transformative programme aims at making cement manufacturing more efficient through better plant optimisation, higher plant availability, and a safer working environment. This will also work towards achieving an environmentally sustainable approach towards cement manufacturing in the country.



SCALING NEW HEIGHTS IN ENVIRONMENTAL STEWARDSHIP

Our relentless efforts towards water conservation have been lauded by the global non-profit charity CDP. We have secured a place on CDP’s ‘A List’ for tackling water security. This achievement reaffirms our will to remain committed to addressing water scarcity issues in the future, and contribute to the establishment of a sustainable tomorrow.

SNAPSHOT 2021

₹1,160 CRORE
Spent towards capex

2.8%
Reduction in freight and forwarding cost per tonne

₹64.41 CRORE
Spent on CSR activities

#5
DJSI ranking

8X
Water positive

80 MW
WHRS



Economic review

GLOBAL ECONOMY

The global economy grew by 5.9% in 2021 following a contraction of 3.1% in 2020 (Source: IMF World Economic Outlook, January 2022).

Countries across the globe focused on vaccination coverage and implemented various economic stimuli to minimise the impact of COVID-19 and hasten economic recovery.

The growth momentum started slowing towards the end of 2021, as the effects of fiscal and monetary stimuli dissipated along with the onset of the Omicron variant of COVID-19.

OUTLOOK

While the early forecast for global economic growth in 2022 is pegged at 4.4% (Source: IMF World Economic Outlook, January 2022), the recent geo-political tensions and conflict in Ukraine will weigh on global growth projections and also lead to high inflation in the short term.

Other downward risks to the global growth outlook are emergence of new COVID-19 variants, supply chain disruptions, energy price volatility and increased occurrence of extreme climate events.

GLOBAL ECONOMY (Y-O-Y GROWTH %)



Data is for Calendar Year-January to December, f=Forecast

Source: IMF World Economic Outlook, January 2022

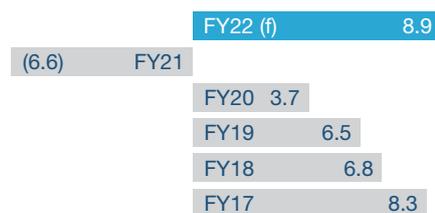
INDIAN ECONOMY

Economic growth in the current financial year is poised for a sharp recovery compared to that in the Calendar year - January 1 to December 31 | Financial year - April 1 to March 31

previous financial year. The April-June quarter of the current fiscal saw the second wave of the pandemic sweep through the country and tested our health infrastructure to its limit. However, localised and selective lockdowns ensured that its impact on economic activity was relatively cushioned.

The government successfully rolled out the world's largest vaccination program and this, combined with continuing monetary and fiscal support, helped the economy bounce back with an estimated real GDP growth of 8.9% this year compared to a contraction of 6.6% in the previous year.

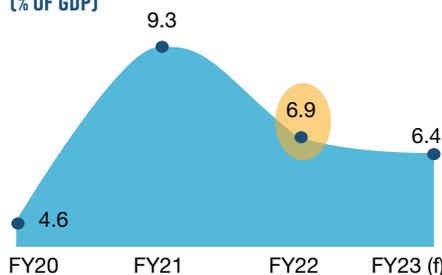
REAL GROSS DOMESTIC PRODUCT (Y-O-Y GROWTH %)



Source: National Statistical Office (NSO), Government of India

The fiscal deficit for 2021-22 is expected to moderate to 6.9% of GDP from the previous year's high of 9.3% of GDP, which was primarily driven by the socio-economic welfare expenditure on the pandemic. The government has targeted a further improvement to 6.4% of GDP for the next fiscal (April 2022-March 2023).

FISCAL DEFICIT TO MODERATE TO 6.9% OF GDP IN FISCAL 2022; SHARP IMPROVEMENT OVER 9.3% IN FISCAL 2021 (% OF GDP)



FY=Fiscal, f=forecast,

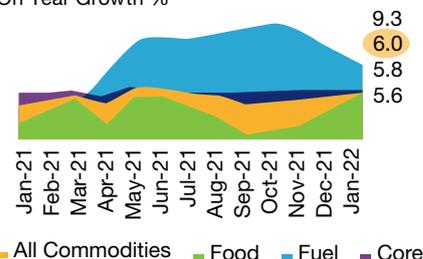
Fiscal 22= April 2021 to Mar 2022

Fiscal 23= April 2022 to Mar 2023

Source: Union Budget 2022, Government of India

INFLATION TOUCHED RBI'S TOLERANCE LIMIT OF 6.0% IN JANUARY 2022

On Year Growth %



Source: National Statistical Office (NSO), Government of India

OUTLOOK

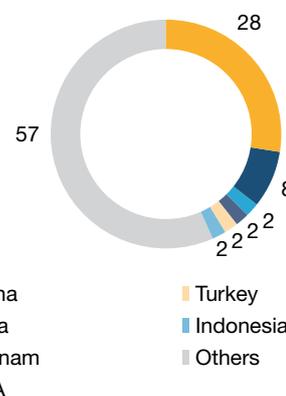
While initial forecasts of real GDP growth for fiscal 2023 (April 2022-March 2023) are in the range of 7.5% to 8.0%, the recent geo-political developments in Ukraine pose a downside risk. Inflation is also expected to remain elevated in the near term.

Other key factors which can impact growth in the coming year are energy prices and the future trajectory of the COVID-19 pandemic.

INDUSTRY INSIGHT Cement industry

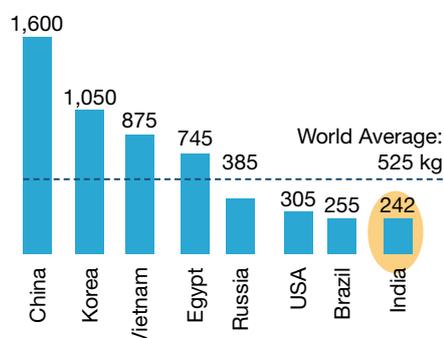
India is the second largest cement producer in the world, accounting for ~8% of global cement production with an estimated production capacity of 550 MTPA. Its per capita cement consumption is less than half the world average of 525 kg.

SHARE IN GLOBAL CEMENT PRODUCTION (%)



Source: United States Geological Survey, Mineral Commodity Summaries, January 2022; CRISIL Research

PER CAPITA CEMENT CONSUMPTION (KG)



Source: United States Geological Survey, Mineral Commodity Summaries, January 2022; CRISIL Research

Cement demand grew by an estimated 13.0% y-o-y in the calendar year 2021 (January to December) compared to a 8.6% y-o-y drop in calendar year 2020.

Demand grew robustly during the first nine months of calendar year 2021 but heavy unseasonal rains and shortage of sand in some regions led to a contraction in growth in the last quarter of the year (October-December 2021).

Government infrastructure spending, pent up demand in the real estate segment and continuing rural demand for affordable housing remained the major drivers for cement consumption in calendar year 2021. Demand growth in the industrial/commercial segment was relatively lower.

OUTLOOK

Cement demand is expected to grow at more than 7% y-o-y in calendar year 2022. The key drivers will be –

- Structural demand for housing due to continued shortage of housing stock
- Increase in rural incomes over recent years to further supplement cement demand for individual housing
- Healthy infrastructure growth over the next five years led by the government push to expedite the National Infrastructure Pipeline (NIP)
- Growth in industrial/commercial segment driven by requirement

of warehousing space due to e-commerce boom and data centres for back offices

KEY STRUCTURAL DRIVERS

I. Housing

The government continues to focus on its flagship affordable housing scheme, the Pradhan Mantri Awas Yojana (PMAY). While the execution of PMAY (Urban) slowed down in fiscal 21 (April 2020-March 2021), it will see a sharp uptick over the next 2-3 years.

Rural affordable housing saw a sharp pick-up in fiscal 2021 (April 2020-March 2021) and the strong execution is expected to continue in fiscal 2022 (April 2021-March 2022).

Of the total housing units targeted till 2025, 47% have been completed under PMAY (Urban) and 57% under PMAY (Rural).

PMAY	Target till 2025 (mn houses) (A)	Completed* (mn houses) (B)	Completed (% (B as % of A)
PMAY (Urban)	11.4	5.4	47%
PMAY (Rural)	29.5	16.9	57%

*Data till December 2021

Source: Ministry of Housing and Urban Affairs

The Union Budget 2022 has allocated ₹48,000 crore towards the PMAY scheme and completion of 8 million houses is envisaged in fiscal 2023 (April 2022-March 2023).

Activity in residential housing projects across towns and cities has also witnessed a sharp rebound and is approaching pre-COVID levels.

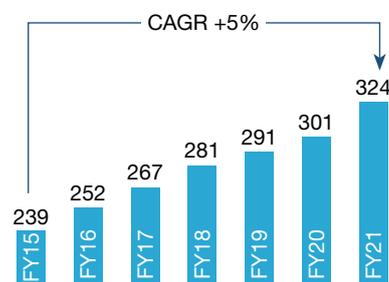
II. Increase in rural incomes

Rural income in the recent years has increased due to higher returns on cultivated produce and increase in budgetary outlay for various rural income schemes such as Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), PM Kisan, fertiliser subsidy scheme and Pradhan Mantri Grameen Sadak Yojana (PMGSY).

Coupled with higher kharif and rabi output (increase of 2% y-o-y) and increase in minimum support price for major crops (paddy, wheat etc.), farmer income from cultivation and allied activities are set to improve further.

Average daily rural wage rates have gone up by 5% CAGR over the last six years.

AVERAGE DAILY WAGE RATES IN RURAL INDIA (₹)



FY=Fiscal year starting April to March

Fiscal 21= April 2020 to Mar 2021

Average Daily Wage is simple average of construction, horticulture, general agriculture and non-agriculture daily wage

Source: RBI-Handbook of Statistics on Indian States

III. Infrastructure

The infrastructure sector is expected to record healthy growth over the medium term led by the government's thrust on the National Infrastructure Pipeline.

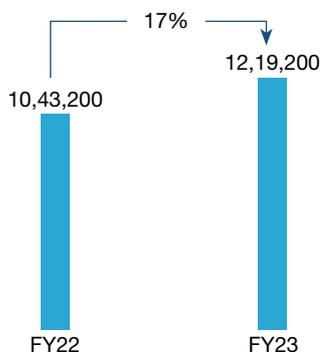
The NIP projects are worth ₹111 lakh crore and 80% of this are to be invested in road, energy, urban rail and irrigation sectors.

National highway and road development has been resilient through the pandemic and the momentum is expected to continue. The Union Budget 2022 has set a target to construct 25,000 kms of national highways and has increased allocation for PMGSY by 36%.

The overall capital expenditure allocation in Union Budget 2022 for fiscal 2023 is up by 17% y-o-y with the allocation for core infrastructure sectors improving by 10% y-o-y.

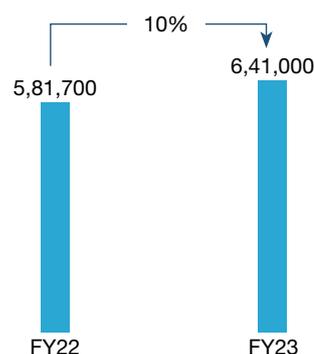


OVERALL CAPITAL EXPENDITURE (₹ CR.)



FY 2022= April 2021 to Mar 2022
 FY 2023= April 2022 to Mar 2023

CAPITAL EXPENDITURE FOR CORE INFRASTRUCTURE SECTORS (₹ CR.)



FY 2022= April 2021 to Mar 2022
 FY 2023= April 2022 to Mar 2023

Source: Union Budget 2022

The government's proposal to grant infrastructure status to data centres and energy storage systems and its focus on multi-modal logistics parks and cargo terminals will also be a positive factor for cement demand in the coming years.



Business review

OPERATIONAL AND FINANCIAL PERFORMANCE

With an installed capacity of 31.45 MTPA of cement, we continue to be a leading cement player in India with the retail segment contributing to ~80% of our sales. Our wide range of products, comprising Ordinary Portland Cement (OPC), Pozzolana Portland Cement (PPC), and Pozzolana Composite Cement (PCC), along with other sustainable and innovative building materials and solutions, provides our customers a wide range of choices.

A year of robust performance

After a challenging 2020, we entered 2021 with renewed vigour and optimism, backed by strong demand from the retail segment. Our greenfield integrated unit at Rajasthan commenced operations in September 2021 and is expected to bolster our growth in the coming years. While rise in input cost put pressure on our margins, we undertook a host of cost optimisation initiatives that led us to absorb the impact. Meanwhile, our continued focus on premiumisation led to an increase in realisations. We strengthened our distributor network further during the year under review.

To secure raw material supply for our operations, we continued to invest in acquisition of mines (limestone) across locations. Besides, several projects were initiated to optimise fuel and freight costs, accelerate digital transformation across plants, and improve efficiency.

Through Ambuja Cement Foundation (ACF), we continued to support communities across villages during the pandemic. We conducted awareness and input sessions for the entire ACF staff, health workers and beneficiaries in order to break myths and rumours surrounding vaccination. We mobilised

COVID-19 vaccination drives and camps in nearby villages with the help of the local administration. Several oxygen concentrators were provided by ACF during the second wave.

Sales

- Backed by strong retail demand, cement sales volume reported a growth of 17% despite the challenging April-June quarter of 2021, when the second wave resulted in local restrictions and inflationary pressures. Cement production stood at 25.89 million tonne, reflecting a growth of 16% over 2020
- Sales value reported 23% increase, owing to stronger volumes as well as an increase in realisations
- There has been an increased penetration of value-added products, resulting in an increased realisation of 3.5% per tonne of cement, from ₹4,930 per tonne in 2020 to ₹5,105 per tonne in 2021
- Our strong market pull-and-push strategies, along with cost optimisation and product improvisation initiatives, helped in strengthening the sales of special products. The segment made up 17% of the trade sales revenue in 2021

86%

Capacity utilisation in 2021, driven by stronger market demand

Financial performance

- Revenue from operations reported a growth of 23% from ₹11,372 crore in 2020 to ₹13,965 crore in 2021. The growth can be attributed to robust market demand as well as improvement in realisations
- We embarked on several cost optimisation measures, which helped in absorbing hikes in the costs of various inputs and enhanced profitability. We reported 21.2% growth in the operating EBITDA for the year, from ₹2,647 crore in 2020 to ₹3,207 crore in 2021. The net profit for the year registered 16.2% growth, from ₹1,790 crore in 2020 to



₹2,081 crore in 2021. The operating EBITDA margin declined 40 bps while net profit margin declined 90 bps

- The earnings per share for the year stood at ₹10.48
- Raw material costs per tonne increased by 8.8% due to increase in input material cost
- Power and fuel costs per tonne increased by 27% due to steep increase in fuel prices
- Logistics cost per tonne decreased by 2.8%. This was a result of our digitalisation efforts in logistics as well as increased volume under master supply agreement with ACC Limited
- The cash generated from the business declined by 5% from ₹2,606 crore in 2020 to ₹2,466 crore in 2021

Performance of material subsidiary
ACC Limited, the material subsidiary of Ambuja Cement, is among the leading cement companies in India with an installed capacity of 34.45 MTPA. The performance of the company during the year has been summarised below:

- Cement sales volume for the year increased 13% at 28.9 million tonnes
- Revenue for the year stood ₹16,152 crore, reflecting a growth of 17%. The operating EBITDA reported 27% increase in 2021 to reach ₹2,998 crore, largely owing to the cost control initiatives undertaken by the company
- Profit after tax for the year stood at ₹1,863 crore, reflecting a growth of 30% over ₹1,430 crore reported in 2020

Market development initiatives

- We continued to bolster Below the Line and Above the Line activities to strengthen our market penetration across geographies
- Revived and launched a new campaign trail with 'Viraat Comprehensive Strength' to connect with customers across digital platforms, and mainline and regional television channels
- Strengthened market penetration with an addition of 1,850 new dealers across markets
- Remained connected with customers through digital platforms by conducting virtual meets
- Commissioned the Marwar plant during the year which is further expected to bolster our market presence in the North Western region of the country
- Focused approach helped strengthen sales of 'Kawach'
- Undertook various initiatives to strengthen our relationship with architects, engineers, contractors, and masons to enhance the experience of our end-consumers

OUTLOOK

Going ahead, our focus will continue to remain on strengthening the share of value-added products in our portfolio. We will further strengthen our market penetration by entering into newer geographies. We aim to further augment our capacities through brownfield expansions, as well as de-bottlenecking initiatives across our existing units. Sustainability will remain the focus area in whatever we do.

Key financial ratios

INVENTORY TURNOVER RATIO (DAYS)

2021	12.48
2020	13.14

ASSET TURNOVER RATIO (X)

2021	1.68
2020	1.52

CURRENT RATIO (X)

2021	1.26
2020	0.98

RETURN ON AVERAGE CAPITAL EMPLOYED (%)

2021	13.10
2020	11.50

NET PROFIT MARGIN (%)

2021	15.10
2020	16.00

OPERATING EBITDA MARGIN (%)

2021	23.30
2020	23.70

RETURN ON NET WORTH (%)

2021	9.80
2020	8.40

DEBTORS TURNOVER RATIO (X)

2021	56.92
2020	31.71

For a detailed discussion on financial capital, please refer to

Page 42



Strategic priorities and progress

Aligned with our parent company Holcim, we have realigned our strategic priorities around four pillars.

ACCELERATING GROWTH

Given the low per capita cement consumption in comparison to the global average, and the continued focus on infrastructure and housing sectors, cement demand in India is expected to grow strongly in the foreseeable future. As an established player in the industry, our ambition is to grow profitably in this flourishing market.

During 2021, we successfully commissioned our integrated greenfield facility at Marwar, in Rajasthan, enhancing our annual clinker capacity by 3 MTPA and the cement capacity by 1.8 MTPA. We have finalised on brownfield expansion of 1.5 MTPA cement at our existing plant in Ropar, Punjab.

32.95 MTPA

Expected capacity by the end of 2023

LEADING IN SUSTAINABILITY AND INNOVATION

Sustainability is a core value for Ambuja Cement with clearly defined strategic goals as enunciated in our Sustainable Development Plan 2030 (SDP 2030). By 2030, we aim to reduce our CO₂ emissions per tonne of cement to 453 kg (excluding captive power plant), and to also reuse 18 million tonnes of waste-derived resources. Our target is to be 10x water positive, and to positively impact the lives of



3.5 million beneficiaries through our various Corporate Social Responsibility programs across the country.

Low CO₂ cement is a key focus area to achieve our sustainability goals. We are also actively working to increase the share of green power in our overall power mix, and investing in Waste Heat Recovery Systems with 40 MW of projects in progress, and another 40 MW in the pipeline.

The SBTi's Target Validation Team has classified your company's scope 1 and 2 target ambition and has determined that it is in line with a well-below 2°C trajectory.

DELIVERING SUPERIOR PERFORMANCE

This pillar focuses on superior performance of our existing portfolio through premium variants, cost efficiency projects, enhancing our people capabilities and digitalisation of systems and processes.

Premium variants

We are reinforcing our core position in profitable markets and in the retail segment through a wide range of premium offerings – Ambuja Plus, Ambuja Kawach, and Compecem. This will enhance our brand image and improve our average realisations.

Cost efficiency projects

The ongoing initiatives under ICAN - our flagship program - continue to deliver significant improvements across our value chain. A key focus in the

coming year will be to further improve logistics efficiencies by reducing lead and delivery cost, ensuring direct dispatches from rake points, network optimisation, and leveraging our Master Supply Agreement with ACC Limited.

People capabilities

Employees remain our key assets and we have been taking initiatives for their holistic development. Under our 'People of Tomorrow' initiative, we are developing our talent pool to meet our strategic objectives. We are plugging gaps across functions and continuously developing the team. Considering the lingering impact of the pandemic, we have initiated multiple initiatives to ensure the mental and financial well-being of our employees.

We are committed to creating a diverse and inclusive workplace. During the year, out of the new employees hired, 9% of them were women.

We have undertaken structured initiatives to identify leaders of tomorrow and encourage internal employees to assume strategic roles. Our pool of future leaders will help us achieve long-term business goals.

₹678 CRORE

Employee benefit expenses in 2021

Digitalisation of systems and processes

We will continue to strengthen our digital footprint across our value chain - from our operations and distribution to our customer interfaces. The market- focused digital initiatives, implementation of the 'Plants of Tomorrow' initiative, and leveraging digitalisation in logistics will be the key drivers for superior performance.

Expanding solutions and products

Our solutions and products portfolio (temperature-resistant concrete blocks, micro-fine mineral additives and maturity sensors), while nascent, aims to complement our strength in our core cement business, and cater to specialised applications. We will continue to scale up volumes and revenue, and strengthen our position in this segment. Our aim in 2022 is to augment top line revenue growth by more than 40% in solutions and products.

 [Read more on Page 26](#)



Risks and areas of concern

Our comprehensive Enterprise Risk Management (ERM) framework helps us identify risks and opportunities and monitor their movement. It ranks each risk based on two parameters:

- likelihood of the event and
- the impact it is expected to have on the Company's operations and performance to form a risk heat map. The risks that fall under the purview of high likelihood and high impact are identified as primary risks. ERM also identifies the potential emerging risks.

This structured process of identifying risks supports the management in making strategic decisions and in developing detailed mitigation plans. The identified risks are then integrated into the Company's planning cycle, which is a rolling process, and is reviewed periodically to make the

business and operations sustainable and secure. Some of the risks may be ongoing, while a few could be emerging risks due to the changing environment around our business operations.

KEY RISKS IDENTIFIED IN 2021

Raw material

Demand for fly ash and slag has increased manifold on account of continuous capacity expansion and larger adoption of blended cement, resulting in increased pressure on availability and price. While supply was impacted due to contraction in power demand and delayed blast furnace steel production during the pandemic, this resulted in a demand-supply imbalance and consequent hardening of prices.

A well-considered plan has been laid down to address the risks. We have increased the usage of wet/conditioned fly ash and also increased the pace of investment for fly ash dryer at our plants. We can also expect slag availability and price to show some correction with a more balanced demand-supply equation.

Further, we are participating in limestone auctions to create a pipeline for our upcoming greenfield projects in attractive markets.

Energy

High volatility in global fuel prices and high power cost add up to the risk. Our journey to mitigate the risk of energy has been initiated through an optimum

blend of available domestic and import options. Besides, we are going to adopt more sustainable and efficient energy modes and options.

We are investing continuously to make our plants compatible for fuel flexibility while using residual fuels such as washery rejects, dolachar, Coal Shale, coal fines etc. We will eventually replace our grid dependency by increasing the usage of alternate fuels and raw materials and install WHRS, solar and wind energy sources.

Health and Safety

Maintaining safety of all stakeholders, be it internal or external, is a humongous task, especially in today's challenging times where we wish to promote our vision of 'Zero Harm' in our day-to-day operations (road safety, safe project execution, safe supply chain movements, etc.). At the same time, we want to continue to ensure that we follow all Health & Safety (H&S) related protocols without impacting business.

In order to meet this dual challenge, a Business Risks Team was created to monitor and adhere to all applicable H&S protocols across the organisation.

We are also continuing with our safety induction programs for our employees/labour/third party workers and reviewing them from time to time to ensure full compliance with H&S directives/guidelines. The Transport





Analytic Center is in place for tracking various parameters for vehicles and providing inputs for improving driving behaviour.

Information and cyber security

With faster-than-expected evolution of technology and digitalisation, the risks associated with these have also evolved. The proliferation of business data beyond our data centres to cloud, social media and digital platforms for business-to-business and business-to-consumer connect, have forced us to change the way we deal with cyber security. There is a need to tighten certain key security controls (including cyber security) across levels (network, application, data, etc.)

To keep pace with technology advances and associated risks, we have implementation end point

threat detection and response (ETDR) solutions for advanced threat protection (e.g. Cylance/Carbon Black/CrowdStrike) to tackle advanced persistent threats/Ransomware and advanced malwares.

Backup solutions have been developed for critical users and local servers, which provide immutable backup, encryption and snapshot of the solution to restore data and protect against advanced malwares.

We are also implementing multi-factor authentication for critical applications to guard against identity and password theft. Many more such ongoing investments are being made in this area to ensure sustained security of our system and process across the organisation.

Environmental impact

Climate change, CO₂ emission, securing resources like water, limestone, coal etc. and other environmental changes could hugely impact business and we need to prepare today to meet this risk. Proactive steps taken today will ensure a sustainable tomorrow.

We are consistently investing in low carbon technologies to increase our attractiveness. We also focus on changing customer behaviour so that more and more green products are encouraged in the market, thus creating a win-win situation for all.

Holcim has been rendering research and development support for the development of new products with lower clinker factor.

 [Read more on Page 38](#)



Health and Safety

As we continue to face the COVID-19 pandemic, our commitment towards safeguarding the health of our people, and efforts to ensure safety at our workplaces has been in greater focus. On the COVID front, the Company's Business Resilience Team (BRT) has worked proactively to protect our people against the disease by implementing a set of dynamic guidelines (as per the evolving situation). Also, more than 99% vaccination (both doses) has been achieved for employees, dependents and workers. We adapted as the year progressed and ensured sustainable operations in a challenging environment with an even better H&S performance.

Our superlative H&S performance is demonstrated by the fact that we had zero onsite and offsite fatalities in all our operating units. Till date, we have achieved 101.8 million safe onsite manhours in our operating plants





without any major accident. During the year, we also reduced our Lost Time Injury Frequency Rate (LTIFR) by 24% and Total Injury Frequency Rate (TIFR) by 21% as compared to 2020.

While we worked towards making our sites safer, we also took responsible and significant steps in our journey towards reducing manual handling across the country through the installation of automatic conveyor systems at seven of our largest warehouses.

Our strategy in 2021 was to sustain performance with a focus on frontline safety. Our safety journey was planned under six pillars - Onsite Safety, Zero Harm Culture, Systems and Processes, Control of Health Risks, Road Fatality Reduction and Environmental Excellence. The actual output was assured through a strong governance and assurance system that reviewed deliverables on a monthly basis.

While we have delivered an excellent H&S performance in line with our values and long-term sustainability development goals, we are conscious of the need for continued commitment and greater effort in the years to come, so as to sustain and improve performance. Our planning for the

same is in place and preparations for execution are in an advanced stage.

 [Read more on Page 100](#)



Sustainability initiatives

We have been setting benchmarks in creating sustainable business operations in the industry. Continuous improvement, enhanced process efficiency and periodic capital expenditures have helped us position Ambuja Cement as one of the most responsible cement manufacturers in the country. We are sure that our continued efforts will help us in building sustainability benchmarks in the long run.

Our sustainability initiatives are also aligned with the United Nations Sustainable Development Goals (UN SDGs), and we report on them in accordance with the latest Global Reporting Initiatives (GRI) standards. In line with our parent company Holcim, we have developed the Sustainable Development Plan 2030, identifying

four key pillars (climate and energy, circular economy, water and nature, and community), under which key initiatives are undertaken. Despite a challenging 2021, we could achieve considerable improvements across our pillars and are confident of achieving our 2030 targets.

We could validate our 2030 carbon emission reduction targets by the Science Based Targets initiative (SBTi), aligned with the reductions required to limit global warming. The SBTi's Target Validation Team has classified your company's scope 1 and 2 target ambition and has determined that it is in line with a well-below 2°C trajectory. With this, Ambuja Cement has now joined the group of global companies for promoting an ambitious low carbon economy model for the industry. This is just another step towards strengthening our Climate Change adaptability. In CDP Climate Change 2021, Ambuja Cement was rated A- (Leadership).

We have also taken up materiality assessment, which will help us in identifying areas of action that are core to business, environment and governance.

We have tied up with the Indian Institute of Technology Delhi to develop green products like Limestone Calcined Clay Cement (LC3), which will add to our sustainable products portfolio and help us reduce our carbon footprint. We are 8x water positive and have emerged 3.5x plastic negative through co-processing of plastic wastes in our kilns. We are the first ever cement company globally to make it to the 'A' list in the CDP Water Security 2021, which demonstrates our water stewardship.

The positive changes made through our sustainability efforts helped us win 5th position in the Dow Jones Sustainability Index (DJSI) 2021 among construction materials companies globally. In the 'S&P Global Sustainability Awards 2021', Ambuja Cement received the 'Bronze Class Award' in the COM sector on a global level.



Digital transformation

We have seen an uptick in the adoption of digital means for doing business across all the functions after the setback caused by the pandemic. Our digital transformation strategy was targeted at making our digital assets more functional so that we could better serve growing customer needs.

To smoothen remote ways of working for our employees and partners, we augmented our digital apps with added features. The apps for employees now have more information to serve customers, automated means of marking market visits, and the ability to capture geo-spatial information. Besides, we built an in-house platform, 'Write to MD & CEO' to have a direct connect with the leadership. Through this platform, our employees can express, suggest innovative ideas, and offer feedback.

Our dealers now have more discreet business information available on their mobiles. They can perform compliance-related functions digitally,

and do more than placing and tracking orders through our Dealer Connect app.

Our simple and user-friendly contractor app has been the jewel in the crown. It has won the award for being the 'Best Mobile Loyalty Program' in the 14th Customer First Leadership Awards, 2021, having seen the user base grow 65% from 46,000+ to 76,000+, despite the intermittent disruptions during last year.

Overall, we saw a considerable change in behaviour in favour of adopting digital means for doing business.

In the manufacturing function, we have a two-pronged focus on safety and operational efficiency using artificial intelligence and machine learning technologies.

Our sustained efforts on safety bore fruits with the completion of a successful pilot using drones for unmanned inspection. We further plan to automate our weighbridge facilities, contactless operations, smart cameras for intrusion detection, and robotic labs for quality inspection.

Under our 'Plants of Tomorrow' initiative to enhance operational

efficiency, we completed implementation of Technical Information Systems (TIS) and Performance and Collaboration Tool (PACT) dashboards across all our plants in 2021 to capture and visualise all process-related data. This has provided data transparency at the plant, region and country levels, and has laid the foundation for running various machine learning algorithms, targeted at improving operational efficiency.

Going ahead, as technology pervades deeper and deeper into human lives, we see data grow more significant as a critical resource. Digital prowess is steadily ascending and gaining a competitive edge, even in a brick-and-mortar industry like ours. To ride the wave of technology ascension, we are now focusing on the unison of digital assets across the business to create a synergistic impact on revenue and margin management.



Corporate social responsibility

Our community development initiatives are implemented at the local level, thereby channeling contributions to areas of the greatest impact in the local context. We have been working towards the development of our communities around our plant areas since the inception of the Company. We consider these communities as our primary stakeholders, and our vision is to ensure their prosperity (through our CSR arm Ambuja Cement Foundation) in tandem with our growth.

Our aim is to fulfil basic human rights of the communities. In line with our goals, our key intervention areas include, water resource management, skill development, as well as agri-livelihood development, women empowerment, community health, and education for all.





During the pandemic, the community needed immediate assistance. We worked closely with the local administration and health departments to ensure that the communities remained safe and carried out initiatives to restrict the spread of the virus. We organised vaccination camps in the remote areas for community stakeholders, as well as ensured that other stakeholders such as our workers and truckers were vaccinated. We managed to vaccinate 26.9 lakh people in our locations. The need for volunteers peaked during the debilitating second wave of the pandemic, for which we trained volunteers on basis of COVID-19 management. Today, we have over 6,000 community youths as 'Ambuja CoviSAINIKs,' working closely with the local administration.

While we invest in our CSR initiatives, we have also created a multiplier effect and leveraged other like-minded organisations to join hands with us to implement our program models across extended geographies. Due to such partnerships, the Ambuja Cement Foundation, acting as an implementing partner, has reached 11 states covering 43 districts in India, and has succeeded in bringing about a change in the lives of 2.7 million people.

Details on CSR expenditure mandated by the relevant laws are presented under Annexure 1 of the Directors' Report. The CSR Policy of Ambuja Cement is available on the website.



Internal control systems and their adequacy

The Company recognises that implementation of corporate governance reinforces the corporate culture and values among employees and business partners. A strong internal control framework sets the tone and serves as the foundation for the implementation of corporate governance policies and guidelines. The Company's Internal Financial Controls (IFC) framework, established in accordance with the Committee of Sponsoring Organisations (COSO) framework, is commensurate with the size and operations of the business, and is in line with the requirements of the Companies Act, 2013. This framework includes well-documented policies, procedures and Standard Operating Procedures (SOP), specific to respective processes. Regular management review processes evaluate various policies for the dynamic and evolving business environment. Furthermore, our internal auditors undertake rigorous testing of the control environment of the Company.

We use IT-supported platforms to keep the IFC framework robust. The design as well as the effectiveness of the internal controls are assessed during the year. This provides reasonable assurance across multiple functions and locations through extensive documentation reviews, enquiries, testing and other procedures as considered appropriate in the circumstances. Based on the assessment of internal audit, process owners undertake corrective action to strengthen the controls on an ongoing basis.

The strong in-house Internal Audit (IA) department, consisting of professionals skilled to deliver audit assurance at the highest levels, reports to the Chairman of the Audit Committee, thereby maintaining its objectivity and independence. The scope and authority of the IA function is defined in the Internal Audit Charter. Over a period, the IA department has acquired in-depth knowledge about the Company, its businesses, systems and procedures, which is now institutionalised. Our IA function is ISO 9001:2015 certified.

The IA department develops a risk-based annual internal audit plan, which covers core business operations as well as support functions. The IA plan is approved by the Audit Committee at the beginning of every year. The IA department carries out risk-focused audits across all locations and functions, enabling identification of areas where risk management processes may need to be strengthened. Significant audit observations and corrective action plans are presented to the Audit Committee. The whistle blower mechanism also forms part of the internal controls and is overseen by the Audit Committee. This formalised system of internal control and risk management framework facilitates effective compliance of Section 138 of the Companies Act, 2013 and relevant statutes applicable to the Holcim Group.