



UltraTech Cement Limited

The Chairman's Speech

At the

Nineteenth Annual General Meeting

Thursday, 18th July, 2019 – 3:30 pm

At

Ravindra Natya Mandir, Mumbai

Dear Fellow Shareholders,

I welcome you to the 19th Annual General Meeting of your Company.

My grandfather, Shri Basant Kumar ji Birla, an industrialist of great standing, statesman of repute, a philanthropist par excellence, an avid educationist and a man of many capabilities and interests left for his heavenly abode on Wednesday, 3rd July, 2019.

He was our guiding light and his endeavors in the cement business started with the setting up a 0.6 MTPA cement plant at Baikunth in Raipur, Chhattisgarh in 1974. With his blessings, we have come a long way since then. His absence will be felt immensely.

India's economy exhibited a mixed performance in the recently concluded fiscal year. GDP growth slowed from 7.2% in FY18 to 6.8% in FY19. Sub-par rainfall in 2018, tight financial conditions faced by the non-banking financial sector and moderation of external demand were some of the key challenges. After witnessing strong growth in the initial months, we have seen a slowdown in economy.

While the current account deficit was high at 2.6% of GDP during the first three quarters of FY19, the softness in international oil prices portends its narrowing in the coming quarters.

Against this backdrop, the Indian cement industry witnessed another good year of favourable demand scenario, achieving double digit volume growth, last witnessed in FY10. What is commendable to note is the volume growth of ~ 13% achieved this year in continuation of ~ 9% growth in FY18.

With a stable government at the Centre, we expect a renewed thrust on infrastructure development through the construction of roads, low-cost housing, metro rail networks, airports renovation, irrigation projects etc. All of this bode well for your Company, which, with its strategic expansion plans in the last three years, is well positioned to participate in the growth story of a rising India.

During FY19, your Company successfully completed the acquisition of Binani Cement Limited, which was subsequently renamed UltraTech Nathdwara Cement Limited (“UNCL”). UNCL with a 6.25 MTPA capacity in Rajasthan, became a wholly-

owned subsidiary of your Company w.e.f. 20th November, 2018. UNCL also has plants in China and UAE.

The acquisition provides your Company access to large reserves of high quality limestone. It consolidates UltraTech Cement's leadership in the fast-growing Northern and Western markets in the country. With major overhauling undertaken to improve production efficiencies, the plants have been ramping up on capacity utilisation, achieving 72% in March, 2019. After completing quality upgradation initiatives, the *UltraTech* brand has been successfully launched from the plants.

In a separate matter, the Hon'ble National Company Law Tribunal, Mumbai Bench ("NCLT") has by its order dated 3rd July, 2019 sanctioned the Scheme of Demerger between Century Textiles and Industries Limited ("Century"), your Company and the respective shareholders and creditors ("the Scheme").

The transaction which had earlier received approval of the stock exchanges, the Competition Commission of India and shareholders of your Company, will be made effective during Q2FY20 upon receiving the required regulatory approvals for the transfer of mining leases.

In terms of the Scheme, Century will demerge its cement business into your Company. Century's cement business consists of 3 integrated cement units in Madhya Pradesh, Chhattisgarh and Maharashtra and a grinding unit in West Bengal. In terms of the Scheme, your Company will issue 1 (one) equity share of face value of Rs. 10/- each for every 8 (eight) equity shares of Century of face value of Rs. 10/- each to the shareholders of Century.

The transaction gives your Company the opportunity to strengthen its presence in the highly fragmented, competitive and fast growing Eastern and Central markets. It also extends its footprint in the Western and Southern markets. Other advantages stem from ready-to-use assets with a strong distribution network, availability of land, railway and other infrastructure.

After the completion of this transaction and coupled with the on-going capacity expansions, your Company's cement capacity will stand augmented to over 117.35 MTPA, inclusive of its overseas operations.

The NCLT has considered 20th May, 2018 as the Appointed Date for the Scheme. Once the transfer of mining leases get

completed, the financials of your Company will be recast to give effect to the necessary changes.

It gives me great satisfaction to inform you that your Company is today the third-largest cement company in the world, excluding China.

Having provided you with a brief overview of the major developments during FY19, let me now move on to dividend.

Your Directors have recommended a dividend of Rs.11.50/- per equity share of face value of Rs.10/- each. This entails a cash outgo of Rs. 381 crores. Of this, your Company will absorb the Corporate Tax on dividend amounting to Rs. 65 crores.

Moving on, I am pleased to reiterate that as a Group, we are committed to inclusive growth and to synergising growth with responsibility.

Your Company reinforces its sustainable commitment through an enunciation of sustainability-centric targets and commitment to protecting not just the earth but all its inhabitants.

Your Company is a founding member of the Global Cement and Concrete Association (“GCCA”), headquartered in London. The

GCCA, led by international cement companies intends to develop the cement sector's role in sustainable construction. It aims to build innovation through the construction value chain, in collaboration with industry associations, architects and engineers. It complements and supports the work done by the existing associations at national and regional level. The GCCA has recently announced the launch of GCCA India. Based in Mumbai, it will focus on driving forward the key sustainability work underway within the cement sector, in the second-largest cement producing nation in the world.

Your Company's sustainability framework is aligned with global benchmarks. Your Company has targeted a high standard of environment compliance and endeavored to reduce resource consumption in absolute terms, even as production has increased or generated a decline in its carbon footprint per unit of production.

During FY19, CO₂ intensity declined from 625.7 kilograms per tonne of cementitious products to 618.86 kilograms per tonne, an ~ 25% decline since 1990. Your Company has set a target to reduce its CO₂ intensity by 25% by FY21, as compared to FY06.

During the year, your Company cut its CO₂ intensity by 18.65% compared to FY06.

Your Company has also commenced valuation of carbon emissions with the introduction of shadow price of USD 10 per ton of CO₂ emission, which will enable your Company to consider the impact on environment of any project or proposed capex in its evaluation and decision making.

Your Company has developed in-house technology to use all waste generated from the rejected concrete in the form of waste sludge or slurry for recycling into Ready Mix Concrete production. This technology is fully automated and enables the plant to be real zero discharge with no water and solid waste. This eliminates the cost of waste disposal and recycling material generated out of the said process. The partial substitution of sand, fly ash and water makes it a sustainable business proposition.

I am proud to also inform that your Company has commissioned the First Green RMC Plant by using the said technology in Mumbai, having zero discharge - A First of its kind RMC Plant anywhere in the world.

Exhibiting the spirit of oneness, two flagship companies of the Aditya Birla Group, viz. Hindalco Industries Limited and your Company have collaborated to offer an innovative green product viz. India's first indigenous dry bulker, to the transport industry, especially for the movement of cement. On World Environment Day, 2019, the two companies delivered the first such bulker to help transporters and cement companies enhance their supply chain efficiencies and reduce greenhouse emissions at the same time. The aluminium bulker can carry about 10 per cent extra quantity, which means that there will be fewer trucks on the road.

In water conservation, your Company achieved a water-positive score of 2.18 across its plants in India, as appraised by DNVGL, a global quality assurance and risk management company. Rainwater harvesting across most units helped reduce groundwater dependence. Three of 19 integrated plants became water sufficient as a first step towards becoming water-positive across the foreseeable future.

During FY19, your Company commissioned 26 MW of Waste Heat Recovery Systems (“WHRS”), which is under ramp-up and the full benefit of which will be realised from FY20 onwards. It is

further setting up 46 MW of WHRS capacity, expected to be commissioned in FY21, taking the total capacity to 131 MW. The waste heat converted into electricity accounted for ~ 8% of its power requirements during the year, which will increase to around 15% over the next two years.

Your Company's captive renewable capacity stands at 66.23 MW. It generated 35 million units of electricity from renewable sources during the year.

Let me now share with you, your Company's endeavors towards inclusive growth and synergising growth in a sustainable manner. Your Company works intensively in 502 villages across 16 States, reaching out to 1.4 million people in proximity to its manufacturing plants. Its activities are implemented under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development, led by Mrs. Rajashree Birla, your Director. The major areas of focus are education, healthcare, sustainable livelihood, infrastructure development and social welfare and empowerment.

For the year 2018-19, your Company's CSR spend was Rs. 74.96 crores. This is over 2% of its average net profit for the last three financial years. Your Company's efforts towards

Corporate Social Responsibility and environmental conservation have been more elaborated in the Annual Report and I do hope, you have read them.

Before moving on with the agenda for the day, let me add that your Company has a strong Balance Sheet, robust cash flows and gearing levels well within reasonable limits. These I believe, sets your Company up for success. Your Company's market cap stands at around 18 billion dollars – a mark of stakeholder confidence.

On behalf of your Company's Board, I convey our gratitude to all the banks, financial institutions, stakeholders, business associates and both the Central and State Governments for their co-operation and support. I would also like to acknowledge our people who are behind the success of your Company. Their dedication, passion, commitment and selfless work ethic have been a significant contributor to our success.

Let me express our deepest gratitude to each of you, our shareholders. I look forward to your ongoing support.
