



UltraTech Cement Limited

Chairman's Speech

at

The 14th Annual General Meeting

on

Wednesday, 6th August, 2014

Ravindra Natya Mandir, Mumbai

Dear Fellow Shareholders,

It's indeed a pleasure to welcome all of you this afternoon, and to briefly apprise you of your Company's performance during the financial year gone by. I will also give you my sense of how the year ahead will play out.

While 2013 witnessed a rather moderate growth and even as of the moment, the economic outlook is clouded by the geopolitical developments in some regions of the world, 2014 seems marginally better for developed and developing countries as well.

In the Indian context, growth continued to hover between 4.5% to 5% in the year 2014. The manufacturing sector's performance was muted. The government and the Reserve Bank of India initiated a slew of measures, to contain fiscal and current account deficit, basically to stabilize the rupee and bolster investor confidence. The new Government has rolled out many initiatives, to address fiscal imbalances and escalate investment activity. These are positives that should see the Indian economy shifting to a higher growth trajectory.

The cement industry has had to bear the brunt of the overall economic environment. Demand stayed sluggish. Alongside capacity additions vis-à-vis the incremental demand situation, continued to impair the sector's advancement. This demand-supply mismatch, I believe, is expected to stay for some more time. It will lead to prices remaining under constant pressure. Additionally, the year witnessed an ongoing surge in logistics and raw material costs, given the increase in railway freight and diesel prices, which was yet another hamper.

In the face of these challenges, by staying focused and continuing its efforts towards cost optimization and operational efficiencies, your Company delivered an encouraging performance in FY 14.

Its Net Revenue stood at Rs.20,078 crores while Profit Before Depreciation, Interest and Tax was Rs.4,147 crores.

A major strategic step was the acquisition of the 4.8 mtpa Gujarat Cement Units of Jaypee Cement Corporation Limited, comprising of an integrated Unit at Sewagram and a grinding Unit at Wanakbori at a cost of Rs.3,800 crores. It strengthens your Company's foothold in the growing western market and bolsters its coastal footprint.

With this acquisition the cement capacity of your Company stands at 58.8 mtpa in India.

Capex

Your Company's expansion plans are on track. During the year your Company commissioned:

- a 10,000 TPD clinkerisation plant together with a cement grinding capacity of 1.45 million ton per annum at Rajashree Cement Works, Karnataka;
- a 1.6 million ton per annum cement grinding unit at Jharsuguda in Odisha;
- a 30 mega watt Thermal Power Plant at Rawan Cement Works in Chhattisgarh;
- a 25 mega watt Thermal Power Plant at Rajashree Cement Works;
- a 25 mega watt Thermal Power Plant at Andhra Pradesh Cement Works and
- a 6.5 mega watt Waste Heat Recovery System at Awarpur Cement Works, Maharashtra.

These projects, along with the modernisation capex, entailed a spend of around Rs.2,300 crores during FY14.

Let me now move on to the dividend: Your Directors have recommended maintaining the dividend at Rs.9/- per equity share of Rs.10/- each. This accounts for 13.5% of the net profits. It entails a cash outgo of Rs.289 crores, which is inclusive of tax on dividend at Rs.42 crores.

I would now like to brief you on your Company's performance in the first quarter of 2014-15.

During the quarter, the domestic cement sales volume improved by 14% over the corresponding period in FY14. Prices continued to remain under pressure. The variable cost is up by 3%, mainly on account of the increase in prices of petcoke and input material.

Your Company attained Net Sales of Rs.5,649 crores vis-à-vis Rs.4,959 crores in the corresponding period of the previous year. Profit before Interest, Depreciation and Tax is Rs.1,264 crores and Profit after Tax is Rs.626 crores vis-à-vis Rs.1,237 crores and Rs.673 crores respectively, in the corresponding period of the previous year.

Your Company's on-going capex plans are on course. During Q1FY15, your Company commissioned a further 25 mega watt thermal power plant at Rajashree Cement Works, Karnataka and a 6.5 mega watt Waste Heat Recovery System at Awarpur, Cement Works, Maharashtra. Consequently, the total power capacity of your Company (including WHRS) is 709 mega watt. This caters to around 80% of your Company's power requirement.

Your Company's installed capacity has been scaled up to nearly 62 million tons annually, inclusive of 3 million tons overseas. By early 2016 we expect this to scale up to 70 million tons when all of your Company's ongoing projects will be fully commissioned. A judicious mix of internal accruals and borrowings have been used for funding the projects.

Let me now very briefly speak about the growth prospects, this fiscal. Even as the outlook in the short term continues to remain uncertain, I believe, over the long term demand growth should move up to double digit levels. The growth drivers will be housing and infrastructure.

On a different yet connected plane, I am pleased to reiterate that as a Group, we are sworn to inclusive growth and to synergizing growth with responsibility.

Since its inception, your Company has been working towards inclusive growth and sustainable development. Your Company works intensively in 407 villages 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. Its focus areas are health care, education, sustainable livelihood, infrastructure and social reform.

Your Company pursues a project-based approach with a robust implementation structure, monitoring process and teams of professionals in place at your Company's Units. Your Company's CSR work is making a difference to the lives of over 12 lakh people. In its own humble way, your Company helps in lowering the level of poverty in villages and urban slums near its Units.

Your Company's Sustainable Development philosophy is to manage the business in a responsible manner far ahead of legal compliance. Your Company is a member of Cement Sustainability Initiative (CSI) of the World Business Council for Sustainable Development, a Global voluntary initiative on sustainability. Through this association your Company is playing a leadership role with Mr. O. P. Puranmalka your Company's Wholetime Director, co-chair of the CSI Indian Chapter of CSI Global. It is also a reflection of your Company's commitment to sustainable issues at a higher level and engaging with multiple stakeholders in this orbit.

Your Company's efforts towards CSR, environment conservation and safety are spelt out at great length in the Annual Report, which I hope, all of you have read.

Before moving on with the agenda for the day, let me conclude by **saying that your Company has a strong balance sheet**. It enjoys the confidence of its various stakeholders. The market cap of your Company is at present over US\$ 11 billion. In turn, these factors help stoke your Company's future growth and development.

On behalf of your Company's Board, I would like to express our **deep sense of gratitude** to all our stakeholders and business associates and the Central and State Governments for their continued support and guidance. We are beholden to all of our employees for their tenacity and commitment to the growth of your Company. Last, but not the least, our deepest gratitude to each one of you, our shareholders. I look forward to your ongoing support.

Having provided you with a snapshot of your Company, I now come to the first resolution relating to the adoption of audited accounts for the year ended 31st March, 2014 and the Directors Report for your consideration and approval.

Kumar Mangalam Birla