



UltraTech Cement Limited

Chairman's Speech

at

The 10th Annual General Meeting

on

Thursday, 29th July, 2010

Ravindra Natya Mandir, Mumbai

Dear Fellow Shareholders,

It is a pleasure to welcome you to the Tenth Annual General Meeting of your Company.

The global economy clearly indicates visible signs of recovery. The severe slowdown of 2008-09 is behind us. Regardless, GDP growth levels will take some more quarters to get back to the pre-2008 track.

In India, we are much better positioned. With GDP slated to grow over 8.5%, the economy is on a firm growth trajectory. Cement demand has grown around 12%. Significant capacity additions have resulted in a surplus scenario. These capacity additions which will continue in the current year will lead to a further surplus scenario over the next 18 to 24 months. This may impact cement prices to some extent. On the other hand, Government initiatives on infrastructure and housing and improving civic amenities are expected to enable the sector grow over 10%.

Moving on to the operations of your Company during the year under review: Your Company's Net Revenues stood at Rs.7,050 crores reflecting a growth of 10% over the preceding year. Net Profit at Rs.1,093 crores was 12% higher. Capacity utilization stood at 88%. Aggregate sales volume at 20.21 MMT was up by 11% compared to 18.16 MMT in the previous year.

Let me now briefly talk about Consolidation and Growth at your company.

To transform your Company into a large cement player, the business needed to be consolidated. The process is on track. In the first stage, the Cement Business of Grasim Industries Limited, your Company's holding company was demerged into a separate entity viz. Samruddhi Cement Limited. In the second stage, Samruddhi has been amalgamated with your Company. The Appointed Date of the Scheme of Amalgamation is 1st July, 2010. It will be rendered effective from 1st August, 2010.

Your Company is poised to become the largest cement company in India, with capacities of:

- 49 million TPA of grey cement across 22 plants,
- 504 MW captive thermal power plants and
- 9.5 million cubic metres of Ready Mix Concrete across 73 plants.

A pan India player with a market share of around 20%, the speciality products of White Cement and Wallcare Putty will be soon added to its portfolio.

Your Company aspires to have a formidable presence in the Indian Ocean rim. As a step in this direction, your Company's Board approved the acquisition of ETA Star Cement Company LLC, Dubai, together with its operations in United Arab Emirates (UAE), Bahrain and Bangladesh. This has been done through its wholly-owned subsidiary in Dubai.

ETA Star Cement's manufacturing facilities include:

- a 2.3 mtpa clinkerisation plant and 2.1 mtpa of cement grinding capacity in the UAE,
- 0.4 mtpa and 0.5 mtpa of cement grinding capacity in Bahrain and Bangladesh respectively.

The acquisition is expected to be completed shortly. It gives us a foothold into the Middle-East. It is also in line with our Group's long-term strategy of expanding our global presence across businesses.

With the amalgamation of Samruddhi and the acquisition of ETA Star Cement, your Company's capacity will stand augmented to 52 mtpa, making it the 9th largest cement company in the world.

I would now like to highlight your Company's Capex plan –

Your Company's capital outlay is over Rs.12,000 crores. This will be spent between now and the coming 5 years. Your Company's capex plans pertain to –

- Increasing the grinding capacity in Gujarat and setting up additional grinding Units across locations.
- Clinkerisation plants through brownfield expansion at Chhattisgarh and Karnataka.
- Installing waste heat recovery systems.
- And instituting bulk packaging terminals across various States.

These projects will be funded through a judicious mix of internal accruals and borrowings. Your Company has a strong balance sheet with a debt-equity ratio of 0.35 and an interest cover of more than 14 times.

Moving on to the Dividend, your Directors have recommended a dividend of Rs.6 per share vis-à-vis Rs.5 in the previous year. This accounts for 8% of the net profit and entails a cash outgo of Rs.87.10 crores, inclusive of the corporate tax.

Let me focus on your Company's performance in the 1st Quarter of 2010-11.

The financial results were approved by the Board earlier in the day. Net Sales stood at Rs.1,790 crores as compared to Rs.1,953 crores in the corresponding period last year. Profit before interest, depreciation and tax stood at Rs.454 crores vis-à-vis Rs.751 crores. Profit after tax at Rs.243 crores as against Rs.418 crores for the corresponding period in FY10, have been marginally lower.

A surplus scenario in the primary markets of your Company, logistics constraints coupled with the increase in the price of coal and raw material like slag and fly-ash impaired your Company's performance.

Going forward, industry demand may grow at 10% on the back of Government initiatives to boost rural development, infrastructure and housing. As you know there have been significant capacity additions during the year. We expect additional capacities of around 30 mtpa during this fiscal. Hence, there will be a

surplus scenario with lower capacity utilizations. In turn these may result in a squeeze, both on price and margins to an extent. I believe, this is a short-lived phenomenon. Given the Government's unrelenting thrust on infrastructure and the booming housing sector, the cement business can only go forward. The outlook for your Company is positive.

Before moving on with the agenda for the day, I would like to very briefly speak about your Company's role as a **caring corporate citizen**.

Sustainable Development and environment conservation are continuously on your Company's radar. Hence, these are integrated into its business strategies. Clean technologies and processes that combine both economic progress and sustainable environment are a top priority for your Company's management. Your Company's thrust on the use of alternative fuels is gaining momentum. It has been relentlessly striving to reduce consumption of fossil fuels by substituting these with wastes from other industries.

Your Company is a voluntary member of the Cement Sustainability Initiative. The CSI sets common measures and is a knowledge networking forum on environmental impact issues. Your Company's sustainable development program is in sync with the parameters of the CSI.

Your Company is committed to preserving mineral resources, minimizing greenhouse gas emissions and to employee health and safety. Your Company is a water positive, carbon positive and waste recycling positive.

Your Company believes in inclusive growth. Reaching out to underserved communities is part of its DNA. Your Company's projects to build a better and sustainable way of life for the marginalized are carried out under the umbrella of the Aditya Birla Centre for Community Initiatives and Rural Development. The Centre is spearheaded by Mrs. Rajashree Birla, your Director.

Your Company's CSR activities extend to 127 villages, reaching out to over 1,58,600 people. Your Company's efforts towards environment conservation and social projects are spelt out in detail in the Annual Report. I sincerely hope all of you have read these chapters.

Last but not the least, I very warmly thank all of our employees for their contribution to your Company's performance. We applaud them for their superior levels of competence, dedication and commitment to your Company.

I would also like to express our deep sense of gratitude to all of you, our shareholders. I look forward to your continuing commitment and support in your Company's onward march.

Having provided you with a snapshot of your Company, may I now commend the first resolution relating to the adoption of the Accounts and Directors' Report for your consideration and approval.

Thank you,

Kumar Mangalam Birla