



## UltraTech Cement Limited

The Chairman's speech at the fourth Annual General Meeting (AGM)  
on Monday,  
11 October 2004

Dear fellow shareholders

At the outset, let me extend a very warm welcome to all of you to the fourth Annual General Meeting (AGM) of your Company.

As you are all aware, UltraTech is now a part of the Aditya Birla Group. Cement is clearly a core business for our Group and the acquisition of UltraTech signals our commitment to take this business even further.

This acquisition catapults our Group to the eighth largest cement player globally. It is our intent to grow even further. It might please you to know that UltraTech's plants and markets admirably complement those of Grasim. Between UltraTech and Grasim, our Group's cement capacity is in excess of 31 million tpa. More than 50 per cent of this capacity flows from UltraTech. Between the two Companies we have 11 composite plants, seven split grinding units, four bulk terminals inclusive of one in Sri Lanka, and six ready mix concrete plants. This accords the Group a strong national presence in the cement sector, with a leadership position in several states.

We are among the top three players in 17 states which aggregate 75 per cent of the industry volumes.

I believe your Company is uniquely positioned to leverage synergies and grow in revenues and earnings. I believe UltraTech has the potential to grow at a faster pace than the market. Parallel to that, developing beachheads overseas through a profitable export business will continue to be a matter of great importance. The investment made in UltraTech poses a major challenge.

The very aggressive price paid by Grasim to UltraTech's shareholders, demands a competitive return. And this will also be a necessary condition for further growth downstream. In my view, your Company would be able to meet this challenge over the next two to three years.

Your management's first priority, next to growing the business, both top-line and bottomline, will be to reduce the very high debt burden. Asset sweating, maximising operational efficiencies and innovative financial restructuring will be key areas of attention. Only through this route can we maximise returns for all the stakeholders.

I would also like to brief you on the transition of the L&T Brand to UltraTech. As you may be aware, your Company can use the L&T Brand only up to March 2005. Your Company has already taken proactive steps to migrate from the L&T Brand and flag off your Company's cement under a new brand. The brand launches all over India are slated to begin very shortly.

The brand transition would be completed by the year 2004. While working on this, we will ensure that the premium and the market shares enjoyed earlier are not compromised in any way.

I am also pleased to inform you that the first quarter results of your Company have improved. There has been considerable improvement in capacity utilisation across all of your seven plants. Market shares have risen marginally from 9.9 per cent to 10.3 per cent. While volumes have gone up by 5.4 per cent, revenues have soared by 22 per cent. Exports have risen phenomenally at 31 per cent year-on-year.

Despite these improvements, the profit before interest, depreciation and tax was lower by 12 per cent due to higher input costs. Fuel costs are up by 22 per cent and power by 19 per cent. Both these have adversely impacted your Company's bottom-line. However, I am confident that for the full financial year UltraTech will show much better results.

I would also like to mention that we have brought forward the deferred revenue expenditure provided during the quarter to standardise UltraTech's accounting policies with Grasim and towards openness and transparency in shareholder communication.

#### **Outlook**

Let me now give you our outlook on the cement business.

I believe the cement business is a great business to be in. India has enormous potential for growth given the lower per capita consumption of only 102 kilos against the global average of 260 kilos at present. The per capita consumption of cement in India is perhaps the lowest in South East Asia. In Thailand, it is 293 kilos, China — 429 kilos, Malaysia — 520 kilos and in South Korea it is 951 kilos. India, thus, offers a tremendous growth opportunity and higher per capita consumption.

The year 2004 – 05 holds a lot of promise, as India is on a growth trajectory. The Government's focus on infrastructure development such as roads, ports, airports, housing, water augurs well for the cement industry. Demand is expected to grow by about 6 per cent. However, the enormous tax burden on the industry acts as a major deterrent. The industry pays over 80 per cent of its ex-factory cost on taxes beginning with royalty on limestone mining to sales tax, compared to a rate of 20 per cent in Sri Lanka and 0 per cent tax in Malaysia.

To become competitive in the global arena, there is need to look into the cost efficiencies in the industry. This can be attained through rationalisation of the various duties and levies on the industry as well as innovative ways of bringing down manufacturing costs.

Before I conclude, I would like to highlight the role that your Company has been playing as a committed, responsible and caring corporate citizen. To qualitatively impact the lives of the weaker sections of the communities that live in proximity to your plants,

your Company is engaged in a series of welfare driven initiatives. The footprint of your Company's social work straddles a hundred villages surrounding your Company's plants. Your Company's work has touched the lives of more than four lakh people. Your Company's focus areas are — health, education, women empowerment, agriculture, infrastructure development as well as environmental conservation.

**Acknowledgement**

Let me now express our deep sense of gratitude to the Central and State Governments, banks, financial institutions and business associates for their continued co-operation and guidance. On behalf of your Directors, I wish to place on record our deep appreciation of the commitment and support that you, our shareholders have given us. I look forward to your ongoing support.

Having provided you with a snapshot of your Company, in all its key dimensions, may I now commend the first resolution relating to the adoption of the accounts and the Directors' report for your consideration and approval.

Thank you  
Kumar Mangalam Birla