



UltraTech Cement Limited

Chairman's Speech

Eighth Annual General Meeting

Friday, 18th July, 2008

Ravindra Natya Mandir Hall, Mumbai

Dear Fellow Shareholders,

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

Operations

Your Company's performance during the year ended 31st March, 2008 has improved. Net revenues at Rs.5,509 crores grew by 12% as against Rs. 4,911 crores in the previous year. Net profit at Rs.1,008 crores reflects a growth of 29% compared to Rs.782 crores in the previous year. Effective capacity utilisation during FY'08 was sustained at 101%. Domestic sales volumes at 14.25 MMT was up by 7% compared to 13.35 MMT in the previous year.

Progressive improvement in operations over the past 4 years, supported by an improved demand / supply balance has enabled your Company to continue its growth trajectory.

Capex

To continue to grow, improve productivity and cost efficiency and proactively address the concern of growing energy prices, a slew of

initiatives have been taken by your Company. I have apprised you of these earlier and would now like to update you on the progress achieved. The clinkerisation unit at Andhra Pradesh Cement Works (APCW) was commissioned in March, 2008. All planned capacity expansions are progressing well. The split grinding Unit at Ginigera in Karnataka is on track. It will be operational in the first half of the current fiscal. Upon commissioning, your Company's total capacity will increase to 23.1 MMT.

With regard to the 92MW TPP being set up at Gujarat Cement Works, the first 2 phases of 23MW each have already commenced operations. The balance Plant will be fully operational during CY'08. Additionally, three more thermal power plants aggregating to 135 MW are being set up at APCW, Hirni Cement Works in Chhattisgarh (HCW) and Awarpur Cement Works in Maharashtra (ACW) respectively. The power plants at APCW and HCW will be commissioned by October, 2008.

On commissioning, your Company will have access to around 270 MW of captive thermal power catering to 80% of your Company's power requirements. More importantly, these power plants, will pare your

Company's power cost. To some extent this will offset the effect on your Company's margins on account of rising input costs.

Ready Mix Concrete reflects our response to the evolving requirements of our customers. Retail customers prefer to buy cement in bags, while large Institutional customers prefer either Bulk Cement or Ready Mix Concrete, which is really cement in a ready-to-use form. To cater to the growing demand for this segment, your Company has 27 Ready Mix Concrete Plants operating across the country, with a combined capacity of 4.8 million cubic metres p.a. We expect to increase this to 39 RMC Plants with a capacity of 7.2 million cubic metres p.a. by the end of FY'09.

Your Board has approved an additional capex of Rs.1,000 crores. Of this, Rs.250 crores will be spent on setting up of Waste Heat Recovery Systems of 25MW across all Units of your Company for generating power out of waste gases, in sync with our program to contain CO₂ emissions. The balance funds are to be invested in setting up additional RMC Plants, extension of our Gujarat jetty and new Port Terminals, as well as other schemes for improving productivity.

Towards all of these capex initiatives, your Company has already spent around Rs.1,800 crores during the year under review. Approximately Rs. 2,400 crores will be further spent during the next three years.

You will be pleased to know that CRISIL has upgraded your Company's rating from 'AA+/Stable' to 'AAA/Stable'. Such a rating enables your Company to borrow on competitive terms.

Dividend

On the dividend, given your Company's growth plans, the need to plough back profits for the proposed capital expenditure and keeping in mind the slowdown of the economy, your Directors have recommended a dividend of Rs.5/- per equity share for the year ended 31st March, 2008. This accounts for 7% of the net profit during the year under review and entails a total outgo of Rs.73 crores inclusive of corporate tax. This compares well with Rs.57 crores inclusive of dividend tax in the previous year.

First Quarter Performance

Let me now move on to your Company's performance in the first quarter of 2008-09. Net Sales at Rs. 1,496 crores was up by 10 % compared to Rs. 1,360 crores in Q1FY'08. Profit before interest, depreciation and tax at Rs.

472 crores compared to Rs.462 crores in Q1FY'08 and Profit after tax at Rs. 265 crores as against Rs.259 crores for the corresponding period in FY'08 were up by 2 % respectively.

These results are lower than that of the preceding quarter, reflecting the impact of higher input costs which have not been passed on to the consumer. For instance, coal prices have gone up from US\$ 78 pmt in Q1FY'08 to US\$ 179 pmt in Q1FY'09. Cement prices have also been contained, given the Government's concern on inflation.

Your Company's performance in the 1st Quarter was further impacted by an export ban for 6 weeks. This is a significant aspect to bear in mind, as your Company is the largest exporter of clinker and cement from India.

Despite these constraints, your Company has done reasonably well.

Caring Corporate Citizen

I would like to take this opportunity to very briefly speak about the role your Company has been playing as a committed, caring corporate citizen.

Sustainable Development

Your Company is committed to sustainable development. It believes that economic growth and environmental protection are inextricably linked. Being a voluntary member of the Cement Sustainability Initiative established under the banner of the World Business Council for Sustainable Development, your Company believes in preserving mineral resources through use of alternative fuels; minimising greenhouse gas emissions and protection of employee health and safety in the work place. Your Company is also a member of the Cement Task Force of the Asia Pacific Partnership on Clean Development and Climate. The objective of this program is to develop, deploy and transfer emerging and existing clean technology. This will support rapidly expanding energy needs, while minimising greenhouse gas emissions.

Social Responsibility

As a Group, we have been and continue to be extremely supportive to societal needs. We try to bring some relief and make a difference to the lives of weaker sections of the society who live close to our Units. Your Company's projects are carried out under the umbrella of the Aditya Birla Centre for Community Initiatives & Rural Development which is spearheaded by Mrs. Rajashree Birla, your Director. We try to provide

health care and raise life expectancy and reduce infant mortality. Through our endeavours in education, we lift literacy rates. Through empowerment and training processes, we promote sustainable livelihood among the rural poor.

Your Company's initiatives in environment management and in social projects have been spelt out in detail in your Company's Annual Report. I sincerely hope all of you have read these chapters.

It would also interest you to learn that your Company has contributed over Rs.1,900 crores to the national exchequer during the year under review which represents over 35% of the gross sales of your Company.

Going forward

Moving on to the future, at the present juncture, the economy in general, including the Cement Sector, is gravely affected by the escalation in fuel prices, which have resulted in double digit inflation, rising interest rates and slower economic growth. Unless this is successfully contained, it can slow down construction growth and consequently the demand for cement.

India is the second largest cement producer in the world. It has witnessed over 95% capacity utilisation during the last few years. During the XIth Five Year Plan period the cement industry is expected to augment capacity by around 115 MTPA at a capital outlay of approximately Rs.50,000 crores. This is expected to go on stream by FY'12.

The new capacity may coincide with slower economic growth and lead to a surplus scenario from CY'09, with consequent impact on margins.

Acknowledgements

I believe our people – our human capital, is our key resource and we owe a large part of our success to them. I acknowledge their contribution. I also place on record your Board's and my personal appreciation of your support and commitment as shareholders and look forward to your continued support.

Having provided you with a snap shot of your Company in all of its key dimensions, 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

18th July, 2008