



**UltraTech Cement Limited**

**Chairman's Speech**

**Extraordinary General Meeting**

**20<sup>th</sup> February, 2006**

**at 3.00 pm**

**Birla Matushri Sabhagar, Mumbai**

## **Dear Fellow shareholders:**

I welcome you all to the Extraordinary General Meeting of your Company.

This meeting has been convened to obtain your approval to the Scheme of Amalgamation of Narmada Cement Company Limited (NCCL) with your Company and also to authorise the Board of Directors of your Company to issue and allot equity shares of your Company to the Members of NCCL in line with the Scheme of Amalgamation.

NCCL, as you all know became a subsidiary of your Company with effect from 1<sup>st</sup> April, 2003 upon the transfer of Larsen & Toubro Limited's shareholding in NCCL to your Company along with the demerger of its Cement Business. Your Company currently holds 97.8% of the paid-up equity share capital of NCCL.

At the outset, let me present, a brief background on NCCL and the measures taken by your Company to improve and strengthen its operations.

NCCL was incorporated in 1977. It has a clinker manufacturing facility of 1.4 MTs at Jafrabad and cement manufacturing facilities of 1.5 MTs at Jafrabad and Magdala in Gujarat and Ratnagiri in Maharashtra.

NCCL commenced commercial production in 1982. Due to the demand supply mismatch in the State of Gujarat, its capacity utilisation was always low. Continued pressure on realisation, aggravated by an increasing interest burden resulted in the complete erosion of NCCL's net worth for the financial year ended 30<sup>th</sup> September, 2003. This was well before your Company acquired management control of NCCL in July, 2004.

An application was filed with the Board for Industrial and Financial Reconstruction (BIFR) within the meaning of Section 3(1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). NCCL's accumulated business losses stood at around Rs.91.46 crores as against its Net Worth of Rs.71.54 crores as on 30<sup>th</sup> September, 2003. The accumulated business losses subsequently increased to Rs. 144.76 crores as on 30<sup>th</sup> September, 2005.

NCCL was declared a Sick Industrial Company by the BIFR at a hearing held on 19<sup>th</sup> December, 2005 and ICICI Bank Limited was appointed as the Operating Agency under Section 17(3) of SICA for the purpose of formulating a Scheme for the revival of NCCL.

NCCL was incurring cash losses till the financial year ended 30<sup>th</sup> September, 2004. For the financial year ended 30<sup>th</sup> September, 2005 NCCL posted marginal profits. This offered very poor returns on your Company's investment in NCCL and it still has huge carried forward losses from earlier years.

Since taking over NCCL, several steps have been initiated by your Company to better the operations of NCCL. An additional Capex of around Rs. 38 crores has been committed for the modernisation and upgradation of manufacturing facilities, increase in clinker and cement production through de-bottlenecking, optimising of production process, improvement in plant run factor, power and fuel cost savings.

To sustain its performance, NCCL will remain dependant on your Company for financial and operational support. Therefore, improving profitability at NCCL is a priority for your Company, as your Company currently holds 97.8% of the paid-up equity share capital of NCCL and has an additional exposure of over Rs.180 crores in the form of ICD's and trade credits.

After careful deliberation, it has been decided that NCCL's best chance of revival would be through its amalgamation with your Company. This would result in common management, procurement of raw materials, marketing, optimum utilisation of capacities, reduction in finance costs and benefits of your Company's infrastructure to NCCL. NCCL would provide additional production facilities and marketing network to your Company in Gujarat and Maharashtra. Further, all of NCCL's plants being shore-based, advantage of low cost sea transportation would also be available to your Company. Additionally, your Company would be able to set off NCCL's accumulated losses against its profits, resulting in reduction of tax payable by it. Your Company's cement capacity after NCCL's amalgamation will be 17 mtpa.

A Scheme of Amalgamation for the revival of NCCL has already been submitted to the BIFR through the Operating Agency.

After the requisite approvals, NCCL will amalgamate with your Company with effect from 1<sup>st</sup> October, 2005. Shareholders of NCCL will be allotted 1 equity share of Rs.10/- each, credited as fully paid-up in your Company for 18 equity shares of Rs.10/- each, credited as fully paid-up of NCCL in terms of the valuation carried out by M/s. Bansi S. Mehta & Co, Chartered Accountants.

The Boards of your Company as well as NCCL have approved the Scheme. BSE and NSE have also conveyed their 'no-objection' to the Scheme. In terms of the provisions of SICA, the Scheme of Amalgamation has to be approved by the Members of the Amalgamated Company, i.e your Company.

The Scheme is placed before you for your approval. Simultaneously, we also seek your approval for the allotment of shares to NCCL's shareholders.

Having said this, I would be pleased to address queries that the Members may have on the Scheme.

**Members are requested to restrict their queries only to the items specifically covered in the Notice convening the meeting.**

I would now request one of you to please commend the resolution set out in item no. 1 of the Notice, as a Special Resolution. Please call out your names at the time of proposing or seconding a resolution.

Thank you.

**Kumar Mangalam Birla**