



**Chairman's Speech**

**at**

**Seventh Annual General Meeting**

**on**

**20<sup>th</sup> July, 2007**

**Ravindra Natya Mandir, Mumbai**

Dear Fellow Shareholders,

I take great pleasure in welcoming you to the Seventh Annual General Meeting of your Company.

Your Company continued along the growth path in 2006 – 07. Net revenues at Rs.4,911 crores were up by 49%. Net profit of Rs.782 crores is a surge of 240%. Higher market realisation, enhanced capacity utilisation and greater volumes have been the growth enablers :

- Average realisation improved from a low base by 29% from Rs.2, 122 per MT in FY06 to Rs.2,735 per MT in FY07.
- Effective capacity utilisation (cement produced + clinker sold) was 101% compared to 89 % during the previous year.
- Aggregate Sales Volume at 17.67 MMT vis-a-vis to 15.55 MMT was higher by 13.63%.

However, the industry continues to be plagued with chronic problems. Cement is an energy intensive industry. It is dependent on the continuous availability of quality power and fuel. Securing energy on a regular basis and at economical rates poses a challenge. Further, the restriction imposed on loads traditionally transported by trucks adversely affects industry.

To meet these challenges, your Company has taken a number of initiatives. At the last Annual General Meeting I had apprised you of the setting up of captive power plants at your Company's Units in Chattisgarh and Gujarat. These are on track. The power plant in Gujarat will be commissioned in a phased manner commencing from the last quarter of the current financial year. Additionally, a 33 MW TPP is planned at your Company's Unit at Awarpur in Maharashtra. These captive power plants will enable your Company to meet the challenge of growing energy costs. At the same time its dependence on the State Grid will be lessened.

The capacity expansion at your Company's Unit in Andhra Pradesh is progressing as scheduled. Initially we had planned to increase the capacity by 4 million tonnes per annum inclusive of a Split Grinding Unit and a captive power plant. In view of the growing demand for cement in the Southern markets and the availability of slag at economical rates, we decided to augment the capacity to 4.9 million tonnes per annum at a marginal cost. In line with our plans, the Split Grinding Unit is being set up at Ginigera in Karnataka. The grinding capacity at the Unit in Gujarat is being augmented by 2 million tonnes per annum. Simultaneously material evacuation is being strengthened to cater to the growing demand in Western India.

Additionally, your Company continuously re-visits its transport mix to optimise the logistics cost.

I believe Ready Mix Concrete is likely to see a substantial growth in the coming years. Recognising the opportunities that this Business will offer, your Company is setting up Ready Mix Concrete Plants across the country.

Towards all these projects, your Company has earmarked a Capex of around Rs. 3,300 crores to be spent over the next three years.

You will be pleased to know that in its first bank loan ratings, CRISIL has assigned a rating of 'AA+/Stable/P1+' to your Company. Such a rating enables your Company borrow at lower rates of interest and also avail other incentives from banks.

Going forward, your Company's focus will continue to be on sustainable plant performance, timely completion of projects and prudent financial management.

**FIRST QUARTER PERFORMANCE:**

Let me now focus on the 1st quarter results. These were approved by your Company's Board at a meeting held earlier in the day.

The performance for the quarter ended 30<sup>th</sup> June on a sequential basis was:

- **Net Sales at Rs. 1,365 crores up 16%**
- **Profit before Interest, Depreciation and Tax at Rs. 460 crores up 19%**
- **Profit after Tax at Rs. 269 crores up 23%.**

**On the DIVIDEND,** as you are aware, your Board has paid an interim dividend of Rs. 4 per equity share of Rs.10 each for the year 2006 -07, as compared to the final dividend of Rs.1.75 per share paid for the year ended 31<sup>st</sup> March, 2006. The total payout on account of dividend so paid was Rs. 57 crores (including dividend tax of Rs. 7 crores) compared to Rs.25 crores in the previous year.

Given your Company's growth plans and the need to plough back profits for the proposed capital expenditure, your Directors recommend that the interim dividend be treated as the final dividend.

**On the OUTLOOK:**

Enthused by the performance of the industry during the last year and a half and the projected demand growth, additional capacities of around 90 million tonnes have been announced. These are likely to be commissioned over the next three years and could result in a surplus scenario. This in turn will exert pressure on domestic prices from the middle of FY09. I believe the demand for cement is expected to grow around 10% linked to GDP growth. The government's thrust on infrastructure development is encouraging. These signs bode well for the industry in the long run.

**A CARING CORPORATE CITIZEN:**

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

Your Company subscribes to the triple-bottom line accountability wherein social, economic and environmental responsibility form an intrinsic part of your Company's business growth and performance.

The Cement Business of the Aditya Birla Group, of which your Company is a part, became a participating member of the Cement Sustainability Initiative (CSI). CSI is a program of the World Business Council for Sustainable Development, Switzerland. It focuses on critical issues relating to climate protection and CO<sub>2</sub> management, responsible use of fuels and materials, employee health and safety among others. As a participating member, your Company will need to fulfill the guidelines set by CSI, report on defined Key Performance Indicators on these issues and fix targets for improvement, ongoingly.

You will be glad to learn that your Company is one of the few cement companies in the world to be awarded Certified Emission Reduction Credits (CERs) by the United Nations Framework Convention for Climate Change (UNFCCC) under the Clean Development Mechanism (CDM) in line with the Kyoto Protocol.

Your Company's CDM Project on Optimum Utilisation of Clinker by Production of Pozzolona Cement at its Unit in Andhra Pradesh for the period 1<sup>st</sup> April 2000 to 31<sup>st</sup> March 2006 has generated around Rs.8 crores.

Your Company has also commissioned a 4 MW power generation unit utilising Cooler Waste gases at its Unit in Andhra Pradesh. This is the second such installation in a cement plant in the world and the first in India. Several other CDM Projects are under various stages of implementation.

These projects are a part of our processes towards environmental conservation.

**Transcending business, your Company's social projects address issues of deep relevance to human society.** These projects relate to sustainable development, healthcare, education, societal change and infrastructure development. Your Company's social projects in India's hinterland are carried out under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development, led by Mrs. Rajashree Birla, your Director. These Social Projects are in sync with needs of the local communities where we operate. For the year 2006-07, we reached out to 7 lac people.

**IN APPRECIATION :**

Many of you must be aware that the Aditya Birla Group has been judged as the "The Best Employer of India (2007)" and among the Top 20 in Asia by the Hewitt Economic Times Study and the Hewitt Wall Street Journal Study respectively. This is a singular achievement and a great honour given that the Study encompassed 230 companies in India and over 700 companies in Asia. This honour is a reflection of the pride, the affection and attachment that colleagues all over have for our Group, and I would like to acknowledge this commitment of our people.

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, 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.

20<sup>th</sup> July, 2007

Kumar Mangalam Birla