



UltraTech Cement Limited

The Chairman's Speech at the

Fifth Annual General Meeting

24th August 2005

Birla Matushri Sabhagar, Mumbai

Dear Fellow Shareholders,

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

It's now over a year that your Company has become a part of the Aditya Birla Group, and we feel very encouraged by the growth in revenues and earnings. At the last AGM I had mentioned that cement is clearly a core business of our Group and the acquisition of UltraTech signalled our commitment to take this business even further. I had also stated that the aggressive investment made in UltraTech called for a competitive return.

To do so, the Management of your Company focused on:

- Firstly, asset sweating and enhancing operational efficiencies,
- secondly, rationalisation of high cost debts
- and thirdly, leveraging synergies with Grasim.

During the year your Company stabilized its capacity utilisation to over 91% across its plants. Rising cost of power and fuel continue to be areas of concern for your Company. Use of alternative fuel is being actioned. Over Rs.600 crores have been committed for the installation of captive power plants. Additionally, over Rs.400 crores has been earmarked towards capex for improving productivity and operational efficiencies.

Domestic cement realisation improved by 12% while the clinker exports realisation increased by 28%. I am pleased to inform you that the transition from L&T to 'UltraTech Cement – *the Engineers Choice*' was smooth. It was accomplished way ahead of the time assigned to your Company for the use of the L&T mark. This was achieved without sacrificing the premium and market share in any way. "UltraTech" is well accepted in all markets across India.

Your Company has repaid a major portion of its high cost debts, resulting in lowering the interest cost. During the year, your Company raised Rs.500 crores and repaid Rs. 612 crores of longterm borrowings. The finance cost of your Company is down from 7.7% in FY'04 to 6.8% in FY'05.

Measures have been initiated for realising synergy gains with Grasim. Task forces were formed to receive recommendations for synergy gains in procurement of raw materials, logistics and sharing of best practices between the companies. Their recommendations have been implemented.

Financials

Let me now briefly highlight your Company's performance during 2004 – 05.

- Net revenues at Rs. 2,681crores grew by 19% as against Rs. 2,251 crores in the previous year.

- Profit Before Tax and provision for diminution in value of investments amounting to Rs.76.8 crores, stood at Rs. 43.2 crores compared to Rs. 49.2 crores in the previous year.
- Profit after tax was Rs. 2.9 crores vis-a-vis Rs.38.8 crores in the earlier year.

The first quarter of the current fiscal saw your Company posting improved results. Increased domestic off-take coupled with improved domestic and export realisation have been the growth-drivers. Net Sales at Rs.815 crores was 20 % higher than the first quarter of the previous year at Rs. 680 crores. Profit Before Tax was Rs. 87 crores. In the previous year, it was Rs. 19 crores. Profit After Tax stood at Rs. 60 crores as against Rs.11 crores in the earlier year.

Gujarat and Maharashtra represent nearly 50% of your Company's sales, and therefore the recent floods in the two States have adversely impacted your Company's operations. In fact, your Company's largest plant at Kovayya in Gujarat was flooded on 29th June resulting in the suspension of production and shipments. This Quarter also coincides with annual maintenance of our plants, and consequently reduced availability of material.

Dividend

Your Directors have recommended a dividend of Rs. 0.75 per share as compared to Rs.0.50 per share paid in the previous year. The total outgo of the dividend to be paid to the shareholders, inclusive of corporate tax will be Rs.10.7 crores as against Rs.7.0 crores paid in the previous year.

Going forward

Your Company will continue to focus on asset sweating, enhancing efficiencies, a tight rein on costs especially that of power, fuel, and logistics and continue to leverage synergies with Grasim.

Having said that, it will take sometime for your Company to provide a competitive return on the aggressive price offered to its shareholders but we are on course.

Outlook

The outlook of the cement business is challenging. While the surplus supply situation in the Company's key markets is likely to continue, putting pressure on cement prices, its major thrust would be to bring down the cost of sales. Moreover, the export boom to the Middle East is subject to commissioning of over 30 mn tonnes per annum new capacity in that region over the next 18 months. The Government's thrust on infrastructure such as roads, ports, airports and housing, would fuel growth. Cement demand is expected to grow by over 8 per cent.

A caring corporate citizen

Last but not the least, I would like to very briefly speak about the role that your Company has been playing as a committed, responsible and a caring corporate citizen.

Environment Management

As a business house, we are totally committed to sustainable development. Hence, building eco-efficiency in all of our operations and guarding natural resources come to us naturally. Your Company has a well-drawn out environmental management strategy in place. Environment concerns are textured into all manufacturing processes and business decisions.

At all of our Company's Plants we adopt clean technologies and processes that offer both economic progress and sustainable environment. All of your Company's plants in Andhra Pradesh, Chhattisgarh, Gujarat and Maharashtra are ISO 9002 QMS and ISO 14000 EMS certified. The plants at Andhra Pradesh, Gujarat and Maharashtra are OHSAS 18001 certified as well.

Social Report

Your Company is engaged in community work, concentrating largely in the rural areas close to your Company's plants. Your Company's social projects are now carried out under the umbrella of the "Aditya Birla Centre for Community Initiatives and Rural development", under the leadership of Mrs. Rajashree Birla, your Director. Your Company's focus areas are water, agriculture and sustainable livelihood, health-care, education and providing infrastructural facilities.

Conclusion

Before I conclude, I would 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.

Finally, 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 Director's Report for your consideration and approval?

Thank you.

Kumar Mangalam Birla

