



UltraTech Cement Limited

The Chairman's Speech at the

Twenty-First Annual General Meeting

Wednesday,

18th August, 2021 – 3.00 pm

Through video-conferencing

Dear Shareholders,

Last year when I addressed you for the very first time virtually, it felt like a momentous point of departure. Today, it feels like business as usual. This is emblematic of how rapidly, creatively, and effectively we have all adapted. As people. And, as corporations.

The story of your Company this year is not just of adaptation and resilience. But of breaking new ground and flourishing in the face of impossible odds. Frankly, even the stellar financial performance, which I will get to shortly, doesn't quite tell the full story.

The cement that your Company makes not just builds the infrastructure of the country but also powers the dreams of millions of people. This was especially evident, during the pandemic year as reverse migrants headed to their rural homes and actualized some of their home-improvement aspirations. Your Company helped bring those dreams to reality.

Let me first share some thoughts on the macroeconomy.

Economy Overview

The world has been fighting the Covid-19 pandemic for more than a year now, and the struggle has had deleterious effects on lives, livelihoods, and the economy. Uncertainty about virus mutations and repeated infection waves has not gone away. Yet, one gets a strong sense that there are more silver linings to the economic scenario today than at most points during the pandemic.

First, vaccination has made rapid progress globally, with many developed economies approaching herd immunity levels. Emerging market economies

are now accelerating their vaccination programs. This gives hope that the future Covid waves, if any, will have relatively lower costs in terms of lives and economy.

Second, policy support – in terms of fiscal stimulus and ultra-easy monetary policies – has been stupendous at the global level. While some countries may be pondering over a gradual normalization of monetary policies, such actions will happen at a measured and calibrated pace. Infrastructure investments are likely to be stepped up significantly in the US, and Green investments are getting a fillip in most economies.

Third, companies and businesses have demonstrated remarkable resilience throughout the pandemic – taking up productivity and digitization measures with missionary zeal. Businesses have devised ways of working that adapt to pandemic-related conditions and uncertainties.

Against this broader backdrop, the International Monetary Fund now expects the world economy to grow at 6% in CY2021, although on a contracted base. More remarkably, world growth is projected at an above-trend 4.9% in CY2022. US and China, which together account for one-third of the world economy, are powering the global economic recovery.

Economic indicators show that the Indian economy is also rapidly normalizing towards pre-pandemic activity levels. In FY22, the Indian economy is projected to grow at a little below 10%. Vaccination is picking up pace, which would improve India's resilience against a potential third wave. Various steps taken by RBI and the government have helped in containing the economic disruptions of the pandemic.

The fiscal stance clearly seems to be poised for an acceleration of Government capex in the coming years, especially in relation to the National Infrastructure Pipeline projects. Alongside, there are very strong signals of a pick-up in the private sector capex cycle, driven by companies like UltraTech.

The three factors of cyclical upswing, conducive policy impulses and an improving global backdrop are likely to align themselves to position India for a virtuous cycle of growth and investments in the medium-term. In the interim, of course, the policymakers and companies will need to remain on guard with respect to the pandemic-related uncertainties.

Let me now shift to your Company's performance in FY21.

Financial Performance FY21:

During FY21, your Company recorded net revenues of US\$ 6.0 billion (Rs. 44,726 crores) and an EBITDA of US\$ 1.66 billion (Rs.12,302 crores).

Working capital management:

Prudent working capital management and control on cash flows resulted in your Company's excellent performance, even during such trying times. During the year, your Company repaid long-term debt amounting to Rs. 5,227 crores and also repaid short-term loans as per due dates.

These were done through operating cash flows generated, despite the challenging circumstances and severe business interruptions during Q1FY21. All of these resulted in improved Net Debt: Equity ratio and Net Debt / EBITDA ratio.

Let me also share a quick update on recent acquisitions.

Recent acquisitions

Performance of the Century assets has improved substantially, with capacity utilisation and profitability reaching the target levels. There are some investments underway for further efficiency improvement. More than 90% of the brand transition has also been completed.

As for UltraTech Nathdwara, it has become one of the most profitable plants in your Company's network.

Capex

Your Company has announced growth plans of 19.8 Million MT with an investment of Rs 6,500 crores. The additional capacity will be created in the fast-growing markets of the east, central, and northern regions of the country. Commercial production from these capacities is expected to go on stream in a phased manner during FY22 and FY23. These expansions, once commissioned, would further strengthen your Company's market share and financial performance.

Your Company's capex ambition is fortified both by the strength of its balance sheet and the conviction on India's inherent growth potential.

Upon completion of the latest round of expansion, your Company's capacity will grow to 136.25 MTPA, reinforcing its position as the third-largest cement company in the world, outside of China.

Dividend:

With adequate cash flows and the confidence of sustaining its performance going forward, your Directors have recommended a dividend of Rs. 37 per equity share (as compared to Rs.13 per equity share in the previous year) for the year ended 31st March, 2021. Your Company expects to maintain this trend in future years as well. The recommended dividend is in line with your Company's dividend policy.

Sustainability:

Sustainable growth is an integral part of your Company's business ethos. It continuously strives to enhance environmental conservation measures while

ensuring that business growth and profitability are concomitant with its contribution to societal well-being.

Your Company has adopted Science-based targets as part of its climate commitment to reduce CO₂ emission / MT cement. The goal is to reduce emissions by 27% till 2032 over the base of 2017. Plans have been articulated to achieve this target. Your Company's Dow Jones Sustainability Index score has improved from 59 to 68. It is actively working on biodiversity, circular economy and increasing its water positive levels.

Being a signatory to the Task Force on Climate-Related Financial Disclosures (TCFD), your Company has undertaken a climate change risk and opportunities assessment study as per TCFD recommendations. These findings have been integrated with the long-term business strategy, risk management and business planning.

In FY21, your Company also set new benchmarks on sustainability. UltraTech is the first company in India and the second in Asia to issue sustainability linked US dollar bonds, marking its entry into the global financial markets. It raised US\$ 400 million, corresponding to around Rs. 2,900 crores, by way of issuance of senior unsecured US\$ denominated notes, in the form of sustainability-linked bonds. The tremendous response received for the issuance was a ringing endorsement of your Company's efforts in the areas of sustainability.

The circularity of materials is a priority for your Company. It is working to reduce the consumption of primary materials in its manufacturing process through various innovations and recycling waste and by-products from other industries for use as alternative resources. This helps lower the dependence on fossil fuels and natural raw materials in cement manufacturing as part of the long-term objective to decarbonize operations. In FY 2021, your Company

replaced 18.36 per cent of its raw material requirement for cement manufacturing and 3.1 per cent of its thermal energy needs with alternative resources.

Reddipalayam Cement Works, your Company's integrated unit located in Tamil Nadu, has achieved the distinction of one-fourth of its fuel (heat) requirement being met through utilisation of waste materials sourced from local municipal corporations and industries. With the increased usage of alternative fuels, Reddipalayam Cement Works is now 16.25 times plastic positive. The unit has also successfully reduced CO₂ emission by 2,250 tonne CO₂ per annum.

Caring Corporate Citizen:

Your Company actively contributes to the social and economic development of the communities in which it operates. This is done through focused interventions across education and capacity building, infrastructure, healthcare, and social reforms to transform life and livelihood opportunities, in sync with the major United Nations Sustainable Development Goals ("SDG").

Your Company's CSR activities are implemented under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development, led by Mrs. Rajashree Birla, your Director. Your Company aims to enable these communities to reap the benefits of the nation's rapid economic growth and become active participants in the exciting journey ahead.

Your Company's initiatives positively impacted the lives of over 21 lakh people across 507 villages in the country. For FY21, your Company's CSR spend was Rs.120 crores, which is over 3% of the average net profit.

As part of its commitment to society, your Company undertook various initiatives during the year to support the country in its fight against the

pandemic. Your Company has been strictly adhering to all government guidelines and SOPs across its plants and offices.

Your Company continues to give primacy to the safety and well-being of its employees and business partners. It has organised vaccination drives across its operations to enable employees and their dependents to get vaccinated at the earliest.

Performance Q1FY22

Your Company continued its strong performance even in the first quarter of the current fiscal, despite the debilitating blow of the second wave. Your Company attained Net Sales of Rs. 11,698 crores as compared to Rs. 7,600 crores in the corresponding period of the previous year. Profit before Tax was Rs. 2,527 crores and Profit after Tax was Rs. 1,703 crores vis-a-vis Rs. 1,153 crores and Rs. 794 crores respectively last year.

Continuing its endeavour to maintain optimal capital structure, your Company has further prepaid long-term loans amounting to Rs 5,000 crores, during July 2021.

Conclusion

Like I said, at the start of my address, no financial metric can truly represent the rigour, passion and dedication that has gone behind your Company's performance this year, given the unprecedented disruption. And for this, I am grateful to all our employees.

On behalf of your Company's Board, I convey our gratitude to all the banks, financial institutions, stakeholders, business associates and the Central and State Governments for their co-operation and support.

Let me express my deepest gratitude to each one of you, our shareholders. I look forward to your continued trust, confidence, and support.

Personally, for me, UltraTech's stellar performance doesn't come as a surprise. The hallmark of a leader is sustained high-quality performance cutting across business cycles and market disruptions. And UltraTech isn't just a leader. It is a national champion.

Thank you very much.