



**UltraTech Cement Limited**

**Chairman's Speech**

**at**

**The 11<sup>th</sup> Annual General Meeting**

**on**

**Friday, 9<sup>th</sup> September, 2011**

**Birla Matushri Sabhagar, Mumbai**

Dear Fellow Shareholders,

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

Worldwide, an unmistakable phenomenon all around has been the sharp accentuation of uncertainty about the future course of the large global economies. Governments are struggling to respond appropriately to this uncertainty which inevitably spills over into the world of business. This is more than evident in terms of volatile financial markets, uncertain growth, uneven trade, high unemployment, and intractable inflation. Clearly, such pronounced volatility is highly disruptive, both for the global economy and for business. And India is no exception to these tectonic happenings.

India's economic performance during FY11 was powered by the agricultural and service sectors. Growth in the infrastructure and capital goods sector was slower than the GDP growth. While the economy showed signs of a turnaround, it suffered setbacks, albeit in a limited way. Factors that affected us include high inflation, fiscal and current account deficit and lack of policy facilitation to increase domestic investments, among others. Despite several measures adopted by the Government and the Reserve Bank of India, inflation has not been reined in at the desired level.

In such a scenario, the cement industry faced a challenging time as well. The sector witnessed demand growth of around 8 to 10 percent in the past decade. However in FY11 this took a nose-dive, plunging to a growth of around 5.3%. Demand off-take was weaker than expected, given the lower infrastructure spends and poor housing demand. The non availability of railway wagons compounded the problem. The industry witnessed a further capacity addition of around 28 million tons, besides the 60 million tons added in FY10. This overcapacity continues to plague the industry. On the cost front too, fuel and energy prices remained high. Consequently, there has been a toll on industry margins which are facing a considerable squeeze.

## **Leadership through consolidation**

As major developments in your Company during the year under review, have been elaborated upon in my 'Letter to the Shareholders' in your Company's Annual Report, I will allude to these very briefly. The two significant developments include :

First, the Scheme of Amalgamation of Samruddhi Cement Limited with your Company became effective from 1<sup>st</sup> August, 2010 and operative from 1<sup>st</sup> July, 2010.

Second, your Company's wholly owned subsidiary, UltraTech Cement Middle East Investments Limited completed the acquisition of ETA Star Cement.

These steps have bolstered your Company's leadership position. I am pleased to inform you that your Company's cement capacity stands raised to 52 million tons.

**Moving on to Operations**, for FY11, your Company's Net Revenues stood at ` 13,210 crores while Profit Before Interest and Tax was ` 1,404 crores. The effective capacity utilisation was 81 percent while aggregate sales volume touched 34.67 million tons.

## **Capex**

To continue to grow, enhance productivity and cost efficiency, your Company has an on-going capex plan of over ` 11,000 crores to be expended over the next three years. The capex pertains to a number of projects. These include –

- clinkerisation plants through brownfield expansion at Chhattisgarh and Karnataka together with additional grinding units;
- installing waste-heat recovery systems;
- instituting bulk packaging terminals and setting up of ready-mix concrete plants.

These expansions are expected to be operational by Q1FY14 and will augment your Company's cement capacity by 9.2 mtpa. These projects will be funded through a judicious mix of internal accruals and borrowings.

Your Company has a strong balance sheet with a debt-equity ratio of 0.39 and an interest cover of approximately 8 times.

**Moving on to the dividend**, your Directors have recommended a **dividend** of ` 6 per equity share. The dividend distribution will result in a cash outgo of ` 191 crores (including tax on dividend of ` 27crores) compared to ` 87crores (including the tax on dividend of ` 12crores) for the previous year.

### **Let me now brief you on your Company's First Quarter Performance**

Your Company's performance for Q1FY12 has been constrained by the 30% increase in the domestic coal price in March, 2011. Alongside, imported coal price rose by 30% YoY, resulting in a substantial escalation in costs.

Your Company's Net Sales stood at ` 4,365 crores as compared to ` 3,990 crores in the corresponding period of the previous year. Profit before Interest, Depreciation and Tax was ` 1,254 crores and Profit after Tax was ` 683 crores vis-à-vis ` 1,086 crores and ` 558 crores respectively, in the corresponding period of the previous fiscal.

### **Outlook**

I view the cement sector as one with a high growth potential. Your Company is exploring both organic and inorganic growth to further strengthen its leadership position. Plans to up our capacity from 52 million tons to around 75 million tons are afoot. As I just mentioned earlier, 9.2 million tons will go on stream by Q1FY14.

Issues such as over capacity, slowing down of demand, surplus scenario, demand supply mismatch, infrastructure bottlenecks and rising input costs are challenges that are being dealt with currently. Over the long term the cement sector is likely to grow in excess of 8.5%. My optimism stems from the Government's enhanced focus on infrastructure development and housing. As perhaps you may be aware, the Government has in the 12<sup>th</sup> Five Year Plan doubled the capital allocation towards infrastructure development to US\$ 1 trillion. The GDP growth at an average clip of 9% in the Plan cycle has been forecasted. This will result in an upsurge in the cement sector. This augurs well for your Company.

## **A Caring Corporate Citizen**

Before moving on with the agenda for the day, I would like to very briefly speak about your Company's role as a caring corporate citizen.

### **Sustainable Development**

At the Aditya Birla Group, caring for the underserved is a legacy and an unwritten edict. Your Company is proud to be a part of this legacy. Your Company's CSR activities are concentrated in 407 villages which are close to your Company's manufacturing plants. These are spread across the country.

Your Company's endeavours to bring in inclusive growth are channelized through the Aditya Birla Centre for Community Initiatives and Rural Development, of which, your Director, Mrs. Rajashree Birla, is the Chairperson.

Long before sustainability and environment conservation became buzzwords, we as a Group, operated and continue to operate our businesses as Trustees with a deep rooted obligation to synergize growth with responsibility. Even as we build a robust business model for long-term growth, texturing sustainable development within its ambit, is part of our process. Environment conservation and sustainable development are always on our radar.

Social and environmental practices in our Group entail the simultaneous creation of economic, environmental and social value, and taking these practices far beyond compliance. Over the last decade these measures have been institutionalized. Consequently, these are integrated into our business strategies and in our endeavors to foster inclusive growth as well.

Your Company's efforts towards environment conservation and social projects are spelt out in detail in the Annual Report. I sincerely hope all of you have read these chapters. We take immense pride in sharing with you that this year the President of India bestowed the Padma Bhushan Award on Mrs. Rajashree Birla in recognition of her exemplary social work. She was also the recipient of the Golden Peacock Life Time

Achievement Award for Community Development, which she received in Portugal at the hands of the honorable former Prime Minister of Sweden Mr. Ola Ullsten.

I also take this opportunity to very warmly thank all of our employees for their contribution to your Company's performance. We applaud them for their superior levels of competence, dedication and commitment to your Company.

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. Finally, I wish you all a very happy festive season.

Having provided you with a snapshot of your Company, 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