



UltraTech Cement Limited

Chairman's Speech

at

The 9th Annual General Meeting

on

Tuesday, 21st July, 2009

Ravindra Natya Mandir, Mumbai

Dear Fellow Shareholders,

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

The financial year 2008-09 began under a challenging environment. Rising energy cost and commodity prices spurred inflation and affected margins. In the second half, the global financial crises aggravated the situation resulting in a liquidity crunch, a high cost of credit and a sharp fall in capital markets. All of this resulted in an overall slowdown in the economy. The Central Government and the Reserve Bank of India adopted a series of fiscal and administrative initiatives to address the situation. These were in the form of infusing liquidity in the market by reducing CRR and SLR of Banks, stimulus packages and release of arrears in wages following the recommendation of the 6th Pay Commission Award. These measures led to a revival of construction activities in the semi urban and rural areas during the last quarter of FY09 resulting in an increase in the demand for cement.

These measures in themselves offer some relief. While global uncertainties remain, the Indian Economy is on an upswing.

The Government at the Centre presented its first budget after the Elections. It signals continuity and stability. The Government's thrust on improving infrastructure and housing is evident from

the substantial hike in the budget allocation and focus on implementation for “Bharat Nirman”. These measures in turn are expected to stimulate the demand for cement.

Operations

I will now move on to the operations of your Company during the year under review.

During the year ended 31st March, 2009, Net revenues at Rs.6,383 crores grew by 16% over the preceding year, while Net Profit at Rs.977 crores was 3% lower. Effective capacity utilisation was 96% on expanded capacity. Aggregate sales volume at 18.18 MMT was up by 6% compared to 17.11 MMT in the previous year.

Capex

Most of the capex plans initiated by your Company have been completed. These include augmenting capacity at Andhra Pradesh Cement Works (APCW) together with a split grinding Unit at Ginigera in Karnataka. Your Company’s capacity now stands increased to 23.10 mtpa. The thermal power plants set up across various Units of your Company have also been commissioned, giving your Company access to around 236 MW of captive thermal power. This will cater to around 80% of your Company’s power requirements.

These initiatives for volume and efficiencies collectively involved a capex of around Rs.3,200 crores spent over the past few years.

They will bolster your Company's productivity and optimize costs.

Your Company has an ongoing capex plan of around Rs. 2,000 crores. This will be invested in setting up of a 25MW Thermal Power Plant at your Company's Unit in Awarpur, Maharashtra; an additional grinding and evacuation facility at its Unit in Gujarat; Waste Heat Recovery Systems across Units for generating power out of waste gases. All of this capex will be financed through internal accruals.

Your Company has a strong balance sheet with a debt-equity ratio of 0.59 and an interest cover of more than 10 times.

You will be pleased to know that CRISIL has re-affirmed its rating 'AAA/Stable/P1+' for your Company's long term borrowings and bank loan facilities.

Dividend

Moving on to the dividend, keeping in mind the overall economic scenario and the need to conserve cash for its growth plans, your Directors have recommended that the dividend be maintained at Rs.5/- per equity share of Rs.10/- each for the year ended 31st March, 2009. This accounts for 8 % of the net profit and entails a total outgo of Rs.73 crores, inclusive of corporate tax.

First Quarter Performance

Let me now focus on to your Company's performance in the first quarter of 2009-10. The financial results were approved by the Board earlier in the day.

Your Company's sales volume grew by 24%, at 5.31 MMT. Net Sales at Rs. 1,953 crores was up by 31% compared to Rs. 1,496 crores in Q1FY'09. Profit before interest, depreciation and tax at Rs. 751 crores vis-à-vis Rs. 472 crores in Q1FY'09 rose by 59% and Profit after tax at Rs. 418 crores as against Rs.265 crores for the corresponding period in FY'09 increased by 58%.

Going forward

Industry demand may grow at 9% for the year given the Government initiatives to boost rural development, infrastructure and housing - all of which provide a growth impetus. New capacities, which are at various stages of commissioning, will inevitably result in a fall in capacity utilization from H2FY10 and squeeze margins.

Your Company's steps in the form of cement / clinker capacity addition, new thermal power plants and capital productivity should partially offset the impact on margins.

Directors

As you may be aware, Larsen & Toubro Limited ('L&T') have divested their entire equity stake in your Company in June, 2009.

Consequently, Mr. Y. M. Deosthalee and Mr. J. P. Nayak, L&T's nominees on your Company's Board have tendered their resignation.

The Board places on record its appreciation for the services rendered by them during their tenure as Members of the Board.

Sustainable Development

Your Company continues to be committed to sustainable development, to meeting the needs of the present without in any way jeopardizing the welfare of future generations. Your Company benefits from the participation of its holding company, Grasim Industries Limited as a voluntary member of the Cement Sustainability Initiative (CSI) which is the apex forum of the leading cement companies across the globe, to establish common measures, share best practices and exchange data relating to environmental impact. During the year, your Company established a focused program on sustainable development in line with the CSI guidelines.

Social Responsibility

As a Group, we have been and continue to be extremely supportive to societal needs. Your Company's social projects address issues of deep relevance to human society. These relate to sustainable development, education, healthcare and infrastructure development. These projects are carried out under the umbrella of the Aditya Birla Centre for Community Initiatives

& Rural Development which is spearheaded by Mrs. Rajashree Birla, your Director.

Your Company's work towards environment conservation and in social projects have been spelt out in detail in your Company's Annual Report. I sincerely hope all of you have read these chapters.

Acknowledgements

We owe a large part of our success to your Company's employees at all levels. I acknowledge their contribution. I also place on record your Board's and my personal appreciation of your support and commitment as shareholders and look forward to your continued support.

Having provided you with a snap shot 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.

Thank you,

Kumar Mangalam Birla