



UltraTech Cement Limited

Chairman's Speech

at

The 17th Annual General Meeting

on

Tuesday, 18th July, 2017

Ravindra Natya Mandir, Mumbai

Dear Fellow Shareholders,

It is a great pleasure to welcome you to the **17th** Annual General Meeting of your Company and **apprise** you on your Company's performance during the financial year gone by and the prospects for the year ahead.

The global economy continued to be subdued in 2016, with world economic growth slowing to 3.1% from 3.4% in the earlier years. This was mainly on account of the slowdown in the advanced economies of the West. The growth in **emerging** markets and developing economies was however encouraging. However, recent data reveals that the global economy is gaining momentum. The IMF has projected global growth to notch up to 3.5% in 2017 from 3.1% last year.

The Indian economy appears to be the fastest growing economy in the world at 7.1%. India's foreign exchange reserves at the end of March 2017 were around USD 370 billion. Investors are bullish. Foreign investment flows, which **were at over USD 60 billion** in FY-17 are scaling new records. Markets are buoyant with Stock indices achieving new highs. India's global ranking has jumped up in **competitiveness** and on the **innovation** index.

Various development programs and economic reforms undertaken by the Government have laid the foundation for sustained long term growth. Large scale national projects, and innovative approaches in policy making have collectively contributed in driving India on to a high growth trajectory. One of the biggest reforms in the country is the rolling out of GST, which will have a positive impact, going forward. The abiding sense is one of immense optimism and confidence in the future with the nation slated to grow at 7.5% to 8%. In order to revive investment activity and the creation of quality jobs in large measure, the Government has taken several steps, including a sharp focus on improving the ease of doing business, speeding up of green clearances and stepping up public sector outlays for infrastructure. The Reserve Bank's focus on NPA resolution is aimed at igniting a virtuous cycle of growth. I believe that it is a matter of time before private sector investments pick up.

While the year started well for the cement industry, with the first half witnessing moderate growth; sluggish demand from the housing segment coupled with the absence of private sector capital expenditure, impacted cement demand subsequently.

By focusing on cost optimization and operational efficiencies your Company delivered a steady performance. For FY17, your Company's Net Sales stood at Rs. 23,616 crores marginally higher than Rs. 23,440 crores in the previous year. Profit before interest, depreciation and tax for the year at Rs. 5,629 crores is higher by 10% over the previous year. Profit after tax for the year increased by 11% from Rs. 2,370 in the previous year to Rs. 2,628 crores in FY 2017.

Consolidated Net Sales stood at Rs. 25,092 crores as against Rs. 24,880 crores in the previous year. Profit before Interest, Depreciation and Tax at Rs. 5,861 crores is 9% higher than Rs. 5,365 crores and Profit after Tax at Rs. 2,715 crores is 10% higher vis-à-vis Rs. 2,478 crores in the previous year.

Your Company, on 29th June, 2017, completed the acquisition of the cement plants of Jaiprakash Associates Limited (JAL) and Jaypee Cement Corporation Limited (JCCL). These are spread across the states of Himachal Pradesh, Uttar Pradesh, Uttarakhand, Madhya Pradesh, and Andhra Pradesh, with a capacity of 21.2 million tons. Consequently, the acquired cement plants of JAL and JCCL **stand transferred** to your Company.

This acquisition expands the geographic footprint of your Company. It enables your Company's entry into the high growth markets of India where greater reinforcement was needed. The operations will be strengthened by process and technological upgradations, leading to enhancement of capacity utilization. Creating synergies in manufacturing, distribution and logistics offer many advantages. Furthermore, economies of scale and reduced lead-time to markets, will

be achieved. These will enhance competitiveness, benefit consumers, and, in turn, create value for all our stakeholders.

The transaction valued at Rs.16,189 crore is the largest deal in India to be concluded so far, that involves a major financial restructuring program. After the acquisition, your Company has 18 Integrated Plants, 1 clinkerisation unit, 25 Grinding Units and 7 bulk terminals, augmenting its Grey Cement manufacturing capacity to 93 mtpa. With this your Company becomes the 4th largest cement player globally (*excluding the Chinese players*) and the largest player in India by an **even larger** margin.

Your Board of Directors have approved the setting up of an integrated cement plant at Dhar, Madhya Pradesh, with a capacity of 3.5 MTPA and at an investment of Rs.2,600 crores. Commercial production is expected to commence by Q4FY19. It will cater to the markets of south-west Madhya Pradesh. This will further enhance your Company's presence in Central India. Your Company has also commissioned cement grinding units at Nagpur in Maharashtra and at Patliputra in Bihar.

These greenfield expansions and the acquisition of the cement plants of JAL and JCCL, shall propel your Company's cement capacity to 96.5 mtpa, by including its overseas operations in the UAE.

The capital expenditure cash outflow plan for FY18 is about Rs. 2,200 crores. This is mainly for capacity de-bottlenecking projects, regulatory requirements, plant infrastructure and routine maintenance.

Having given you a brief overview of the major happenings of FY 2016-17, **let me now move on to the dividend**. Your Directors have recommended a dividend of Rs. 10/- per equity share of face value of Rs. 10/-. This entails a cash outgo of Rs. 330 crores. Of this your Company will absorb the Corporate Tax on dividend amounting to Rs. 56 crores.

I would now like to brief you on your Company's performance in the first quarter of 2016-17:

Your Company has achieved Net Sales of Rs. 6,533 crores as compared to Rs. 6,179 crores in the corresponding period of the previous year. Profit before Interest, Depreciation and Tax is Rs. 1,725 crores and Profit after Tax is Rs. 891 crores as compared to Rs. 1,573 crores and Rs. 775 crores respectively, in the corresponding period of the previous year.

The Governments' focus on infrastructure development, affordable housing, Smart Cities, and Swachh Bharat Abhiyan, among others, are expected to strengthen cement demand and reduce oversupply, which portends well for the sector. The expanse of its presence in the country gives your Company the **strategic ability** to support and participate in the economic growth agenda of the Government of India.

Let me now share with you, your *Company's* **endeavors** towards **inclusive growth** and synergizing growth in a sustainable manner. Your Company works intensively in **407** villages in proximity to its manufacturing plants. Its activities are implemented under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development, led by Mrs. Rajashree Birla, your Director. As a caring corporate citizen, your Company aims to actively contribute to the social and economic development in the communities in which it operates. The major areas of focus are education, healthcare, sustainable livelihood, infrastructure development and social empowerment and welfare. Your Company's efforts towards Corporate Social Responsibility, environment conservation and safety have been elaborated upon in the Annual Report.

Your Company has a very strong Balance Sheet, robust cash flows and gearing levels that are well within reasonable limits. Your Company enjoys the confidence of its stakeholders, which is well reflected in its market cap, which is at around USD 17 billion.

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. **Our people** are the real source of our growth. We appreciate the contribution and commitment of all of our employees.

Let me express our deepest gratitude to each of you, our shareholders. I look forward to your ongoing support.

Having provided a snapshot of your Company, I now come to the first resolution relating to the adoption of financial statements for the year ended 31st March, 2017 and the Reports of the Directors' and Auditors' for your consideration and approval.

Thank you.

Kumar Mangalam Birla