UltraTech Cement Limited

Chairman's Speech

at

The 16th Annual General Meeting

on

Tuesday, 19th July, 2016

Nehru Centre Auditorium, Mumbai

Dear Fellow Shareholders,

It's indeed a pleasure to welcome all of you this afternoon and to apprise you of your Company's performance during the year gone by and the prospects for the year ahead.

The year 2015 saw the global economy trapped in a low growth trajectory. The IMF projects global growth to inch up from 3.1% in 2015 to 3.5% in 2017. Growth in the advanced economies is projected at 1.9% in 2016, with US growth pegged at 2.4%, Europe at 1.5% and Japan at 0.5%. Growth in the emerging markets in 2016 is projected at 4.1%, much of it coming from China, India and the ASEAN region. Consequent to the UK Government's decision to leave the European Union, the IMF sees a near-term risk in global economy arising mainly from macroeconomic and financial market impact. The direct impact on trade with India would depend on the re-negotiation of bilateral and multi-lateral trade agreements between UK and India, and by currency competitiveness. I believe, the overall impact may not be highly significant in so far as it relates to India.

Among all the developing economies globally, India was indeed an exception, with growth at 6.3%. Given the robust macroeconomic indicators, decline in commodity prices and a thrust on fiscally prudent Government policies, India is positioned to weather global volatility even with modest growth acceleration. Consumption is expected to rise on many counts.

Firstly, the Government's impetus on infrastructure development and allied sectors.

Second, the implementation of the recommendations of 7th Central Pay Commission on pay and pension benefits.

Thirdly, the prediction of a good monsoon in 2016, should drive growth in the agriculture sector, and help revive rural demand. These will spur the investment cycle and bolster economic growth.

India's cement demand remained passive for most of FY16, particularly on account of low demand from the housing segment. However, there were signs of demand recovery in the last quarter. This is reflected in double-digit growth riding largely on higher infrastructure spending

Amidst this backdrop, your Company has delivered a steady performance. For FY16, Net Sales stood at Rs. 23,841 crores vis-à-vis Rs. 22,648 crores – a 5% increase over FY15. Profit before interest, depreciation and tax was Rs. 4,851 crores as against Rs. 4,567 crores.

On a consolidated basis, Net Sales stood at Rs. 25,281 crores vis-à-vis Rs. 24,056 crores. Profit before Interest, Depreciation and Tax was Rs. 5,109 crores as against Rs. 4,776 crores.

As you may be aware, your Company has entered into definitive agreements with Jaiprakash Associates Limited for the acquisition of its cement plants in Madhya Pradesh, Uttar Pradesh, Himachal Pradesh, Uttarakhand and Andhra Pradesh. Your Directors have also approved a Scheme of Arrangement between your Company, Jaiprakash Associates Limited, Jaypee Cement Corporation Limited and their respective shareholders and creditors for the acquisition of cement plants of a total capacity of 21.2 mtpa at an enterprise value of Rs 16,189 crores.

The proposed transaction is essentially a geographic market expansion which will lead to your Company's entry into growing markets of India. These include the Satna cluster in Uttar Pradesh (East) and Madhya Pradesh (East), Himachal Pradesh, Uttarakhand and coastal Andhra Pradesh. The operations will be strengthened by the consequent technological upgradation and enhancement in capacity utilization on a year-on-year basis. It will lead to creating synergies in manufacturing, distribution and logistics. As a result advantages such as, economies of scale and creation of efficiencies by reducing lead time to markets will be attained. Alongside it will enhance competitiveness benefiting consumers and in turn creating value for shareholders by acquiring ready-to-use assets.

The transaction is subject to the approval of shareholders and creditors, high courts and all other regulatory approvals as may be required. We expect it to be consummated within the next 12 months. Your Company's cement capacity then will stand augmented to 91.1 mtpa including its overseas operations.

It is with great pride I record that UltraTech is the largest cement player in India and the 4th largest on the world stage, excluding China.

In response to the growing demand for building material, your Company has commissioned cement grinding units at Jhajjar in Haryana, Dankuni in West Bengal and Pataliputra in Bihar. A cement bulk terminal went on stream at Pune in Maharashtra. With the commissioning of these assets, your Company's cement capacity in India now stands at 66.3 MTPA.

Furthermore, with the addition of 26 MW waste heat recovery systems during the year, the total waste heat recovery capacity is now 59 MW. Besides this, your Company has a 717 MW thermal power capacity, both of which cater to more than 88% of its total power requirement.

As I look ahead, I feel optimistic. India, as we are all witnessing is moving on to a higher growth track. The Government's thrust on infrastructure development, housing, Smart Cities, and the Swachh Bharat Abhiyan, among other projects give a good signal to the cement sector. The revival of the Indian economy is yet another booster. I expect UltraTech to perform better.

Let me now move on to dividend - your Directors have recommended a dividend of Rs.9.5/- per equity share. This entails an outgo of Rs.261 crores. Your Company will absorb the corporate tax on dividend amounting to Rs.53 crores. On account of this the total payout will be Rs.314 crores.

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

Your Company attained Net Sales of Rs. 6,182 crores as compared to Rs. 5,948 crores. Profit before Interest, Depreciation and Tax is Rs. 1,573 crores and Profit after Tax is Rs. 775 crores vis-a-vis Rs.1,271 crores and Rs. 604 crores respectively.

On a different yet connected plane, I am pleased to reiterate that your Company has resolutely striven towards inclusive growth and sustainable development. Under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development led by Mrs. Rajashree Birla, your Director, your Company has been working in 407 villages, in proximity to its manufacturing plants. As a caring corporate citizen, your Company aims to actively contribute to 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 reform.

As part of responsible stewardship, your Company is involved in the development of the technology roadmap "low carbon technology for the Indian cement industry". Being a member of the Cement Sustainability Initiative, your Company is putting in efforts to implement the roadmap to reduce its CO_2 emissions and energy consumption. Substitution of fossil fuels and natural raw materials by waste materials is a thrust area for your Company. Your Company is also implementing measures to reduce water consumption. It meets around 49% of its water requirement through rainwater harvesting and recycling.

Your Company's efforts towards inclusive growth and sustainable development have been elaborated in the Annual Report, which I am sure you must have read.

Your Company has a very strong Balance Sheet, robust cash flows and gearing levels well within reasonable limits. Your Company enjoys the confidence of its stakeholders, which is well reflected in its market cap, which is around USD 14 billion.

On behalf of your Company's Board, I record our thanks to all our 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 success. I take pride in their unswerving contribution and commitment to the growth of your Company.

Last but not least, our deepest gratitude to each of you, our shareholders. I look forward to your ongoing support.

Thank you.

Kumar Mangalam Birla