



UltraTech Cement Limited

The Chairman's Speech at the

Twentieth Annual General Meeting

Wednesday, 12th August, 2020 – 3.00 pm

through

Video Conferencing

Dear Shareholders,

It is indeed a telling sign of a changed world that we are having this AGM virtually. A first for UltraTech, and also, a first for the Aditya Birla Group.

I am sure over the past 5 months, all of you have had an array of experiences. Good and bad. Illuminating and Intimidating. Experiences that tested you. And experiences that reformed you.

Far beyond the business and economic disruptions, unlike other crises; COVID -19 has, after all, left an indelible imprint even on our personal lives.

Suddenly, the rhythm of everyday life has been upended. Suddenly, we find ourselves in an unfamiliar work environment — conversing with our computer screens and tethered to our homes.

And while I certainly miss the warmth of your physical presence and the joy of seeing some familiar faces at the AGM, the show must go on. Once again, I welcome all of you to this virtual AGM.

The battle against COVID - 19 is turning out to be a defining test for nations, society, corporations, and individuals. The forces at play are novel, like the virus that caused this upheaval. From companies to individuals, resilience is being tested like never before. We are all having to learn new skills, build new muscles, and confront an unpredictable world.

Periods of turmoil have historically presented an opportunity for industry leaders to emerge as champions — powered by quality leadership, financial strength, and sound business fundamentals. With unmatched capacity, leadership across markets and a robust balance sheet, your Company is one such champion.

Before I talk about your Company's resilient performance, let me briefly share my thoughts on the current economic landscape.

The lockdowns necessitated by COVID -19 have caused an unprecedented economic shock globally. The World economy is likely to contract by 4.9% in CY2020, as per the forecast of the International Monetary Fund (IMF). Most developed and developing economies are likely to record a contraction this year.

The Indian economy, like most other economies, is expected to contract during FY21, on account of the COVID-19 induced shutdown in April and May. The lockdown had more severe impact in urban India and on services that thrive on people's mobility. The economic disruption to the rural economy appears to be less severe. The gradual unlocking of the economy is reflecting in improvement in some economic indicators like GST collections, electricity consumption etc. However, they are not yet back to pre-COVID-19 levels. While FY21 will be a challenging year, I remain confident that the economy will revert to the 6 to 8% growth trajectory in the next fiscal.

As India and the world came together to fight the impact of the crisis caused by COVID-19, your Company made all efforts to tide over the turbulence. In the face of the unprecedented situation arising out of the pandemic, your Company's operations across locations were temporarily halted in line with the Government directives. But through its actions over the last few months, your Company has once again demonstrated its leadership. It systematically took care of not only its own employees but also its partners and the broader community. All this, without dropping the ball on the business front.

Let me give you a few glimpses of how UltraTech did that.

During the initial stages of lock down, UltraTech operated with strict SOPs that helped in the safe shut down of the plants. By as early as mid-April, your Company put together a detailed 125-page manual of Standard Operating Procedures for operations during and post COVID-19 periods. A core team came together remotely to craft this manual in under 2 weeks. The manual provided processes for protecting people working at the plant, staying in the townships and in support services. These SOPs, built as 17 modules covering each area of operation at a unit level, helped them in getting quick approvals from Government authorities for restart of operations after the lockdown was lifted. The result is there for all to see in the form of UltraTech's quarter one results.

Your Company's marketing teams across the country displayed stellar agility by connecting digitally with all stakeholders across the value chain i.e. Dealers, Influencers, Transporters and Customers. These engagements helped reinforce bonds and strengthen relationships. The UltraTech marketing team connected with 28,000+ partners across locations, 100+ Key Customers, over 1.5 lakhs masons and contractors and 1000+ Engineers and Architects through various webinars.

During the period of lockdown, we reached out to over more than half a million people. The magnitude of work can be ascertained from the fact that our teams provided meals to 4.3 lakh people; distributed thousands of grocery packets, supplied more than 6.3 lakh masks and hand sanitizers, around 1 lakh PPE kits, facilitated 2 quarantine centres in the States of Rajasthan and Madhya Pradesh having 130 beds, organised proactive awareness camps amongst local communities, among others. This is, in addition to the Rs. 500 crores contribution made by the Aditya Birla Group towards COVID-19 relief measures.

On behalf of your Company and the Board of Directors; I would like to express our sincere appreciation and gratitude to all the frontline warriors who have gone beyond their call of duty, at times risking their own health and safety, in providing help and support to those impacted by the pandemic.

Let me now move on to the industry performance.....

The cement industry, after witnessing a healthy demand growth of ~ 13% in 2018-19, exhibited a decline in growth in this financial year. Cement demand was sluggish during H1FY20 exacerbated by the general economic slowdown. The second half of the fiscal witnessed extended monsoons, low capital expenditure on infrastructure and road activities, along with financial stress in the NBFC and housing sectors.

The improving demand situation since December, 2019 could not be sustained, with the outbreak of COVID-19. The Report of Directors and Management Discussion and Analysis details the fallout of the pandemic and how your Company is resiliently responding to the new normal. I urge you to read the same.

Your Company's Performance

Against this backdrop, your Company recorded net revenues of US\$ 5.94 billion (Rs. 42,125 crores) and EBITDA of US\$ 1.40 billion (Rs. 9,930 crores) during 2019-2020.

Some major highlights of the year were:

- Acquisition of the Cement Business of Century Textiles and Industries Limited ("Century") with a capacity of 14.6 MTPA. Post this acquisition, your Company has strengthened its position in markets in Maharashtra, Central and Eastern India. Your Company is the undisputed market leader not only pan-India, but also in each Zone of India - North, South, East, West and Central.

- Your Company's global capacity is now 114.8 million tons per annum up from 70.3 million tonnes per annum 3 years ago. Your Company is the 3rd largest cement manufacturer in the world, excluding China, and is the only company to have a capacity of over 100 million tons in a single country, outside of China.

Let me now share your Company's endeavors towards building a sustainable business.

I am pleased to report that your Company has taken rapid strides in its Sustainability journey. Over the last 3 years, the use of Alternative Fuel and Raw Materials, has increased almost twofold. The WHRS capacity has doubled to 118 MW in FY20. Also, the solar and wind capacity has crossed 95 MW compared to none three years ago. Your Company is 2.8x water positive and 2.11x plastic negative. Your Company joined the growing list of companies adopting Science-Based Target initiative (SBTi) as part of its climate commitment to build its business in line with below "2 degrees world" under the Paris agreement.

Your Company is a founding member of Global Cement and Concrete Association ("GCCA") and has been playing a key role in driving sustainability and innovation agenda at the global and national level. UltraTech was also featured amongst the top 10 companies on the Dow Jones Sustainability Index (DJSI) in the construction material category. This enables the Company to benchmark itself against the world's best corporations in sustainability performance.

As a caring corporate citizen, your Company engages deeply in 502 villages spanning 16 States, reaching out to 1.6 million people, 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. The major areas of focus are natural resource management, water conservation, animal husbandry, education, healthcare, sustainable livelihood, infrastructure development, self-empowerment, welfare, and basic life support.

For FY20, your Company's CSR spend was Rs.124.51 crores. This is over 3.5% of the average net profit. Your Company's efforts towards Corporate Social Responsibility and environment conservation have been elaborated in the Annual Report. I hope, you have read them with interest.

Having provided you with a brief overview of the major developments during FY2019-20, let me now move on to the dividend.

Your Directors have recommended a dividend of Rs.13/- per equity share of face value of Rs.10/-. This entails a cash outgo of Rs.375 crores.

I would now like to highlight your Company's performance in the first quarter of 2020-21:

Your Company attained Net Sales of Rs. 7,563 crores as compared to Rs. 11,229 crores in the corresponding period of the previous year. Profit before Interest, Depreciation and Tax is Rs. 2,353 crores and normalised Profit after Tax is Rs. 906 crores vis-a-vis Rs. 3,084 crores and Rs. 1,281 crores respectively last year.

Your Company's focus on conserving cash continued unabated. The "overheads control programme" initiated by the management cut fixed costs by 21% YoY. Prudent working capital management and control on cash flows resulted in a reduction of net debt by Rs. 2,209 crores during Q1FY21.

Your Company has planned total capex cash outlay of Rs. 1,500 crores for a range of key initiatives. These include installation of 66 MW of waste heat recovery systems (WHRS), 1.2 million tons per annum brownfield cement capacity addition in West Bengal and Bihar, pending work for phase 2 of the Bara grinding unit in Uttar Pradesh, coal block development in Madhya Pradesh, new Ready Mix Concrete plants and other plant upkeep capex. With these expansion plans, your Company's consolidated cement capacity will stand augmented to 118 million tons per annum and Green Power capacity will increase to 185 MW for Waste Heat Recovery Systems and over 350 MW for solar and wind power.

Before moving on with the agenda for the day, let me reiterate that your Company has a strong balance sheet, robust cash flows, and comfortable gearing levels.

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. I would like to thank Team UltraTech for their unflinching commitment. Their passion, perseverance, and hunger to win is instrumental for your Company's success.

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

You may have noticed the theme of our annual report this year: "*Tough times don't last; tough companies do*". And your Company is as tough as it gets!

Humankind will eventually quell the pandemic and pave the way for renewal. Many things may change consequently. What will not change is India's #1 Cement Company. You have my word.

Thank you very much.