

FIRST MAN FORWARD



ANNUAL REPORT 2011-2012

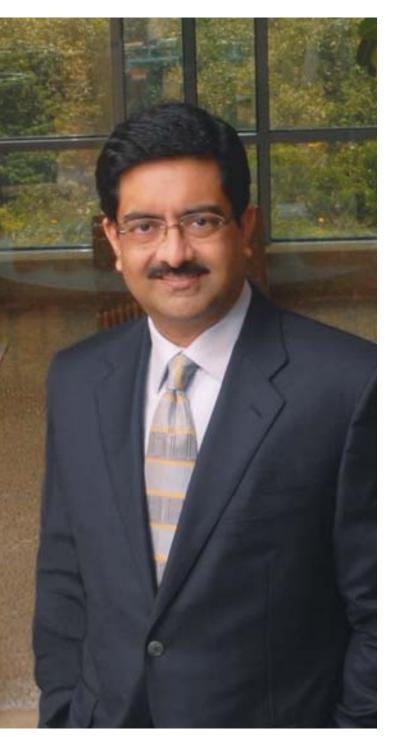
UltraTech Cement Limited





Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers. We live by their values.

Integrity, Commitment, Passion, Seamlessness and Speed.



Dear Shareholder,

Almost four years after the greatest financial and economic upheaval since the Great Depression, the global economy is regaining a measure of stability and confidence. But the risks to growth remain. The situation looks unsteady once again, with the problems in the Euro Zone. The IMF projects that the global economic growth will decline from 4% in 2011 to 3.5% in 2012, before picking up to 4% in 2013. The Euro zone shows signs of slipping into a recession again, though that is expected to be offset by around 2% growth in the US and 6% in the emerging and developing economies. The economies of Africa, particularly sub-Saharan Africa, are demonstrating structural improvement. Japan is on the road to normalcy after the twin disasters of the tsunami and the Fukushima nuclear reactor accident. The global supply chains, disrupted by the disasters in Japan and the floods in Thailand, have been restored. The financial condition of the large global corporations is extremely strong, and their cash holdings at an all-time high.

The worst-case scenarios for the global economy have not come to pass. That, in no small measure, is due to the unprecedented stimulus provided by governments and central banks. Europe has also reached a degree of consensus on The Cement Sector undeniably plays a critical role in the economic growth of the country and in its journey towards inclusive growth. fiscal reforms. The ECB has also put in place firewalls to ward off a widespread economic contagion.

Clearly, the road ahead is not yet smooth. The bond, inter-bank and sovereign debt markets in Europe remain jittery. The process of financial deleveraging still has a long way to go. Oil prices remain stubbornly high. Unemployment is proving extremely sticky and concerns about inequality are growing. A major worry is the political gridlock in many major countries, that makes it difficult to strike the right trade-offs between growth and fiscal and monetary restraint.

The Indian economy was quick off the mark in recovering after the 2008 shocks. But the growth momentum has slowed considerably over the past year. GDP growth of 6.5% in FY12 was down from 8.4% in FY11. Some of the key indicators are bearish. Gross fixed capital formation has contracted in recent months. Growth in industrial production in the April 2011 - March 2012 period slid to 2.8%, compared to 8.2% during the same period last year. Inflation, particularly in food items, remains high. There have been major slippages on the fiscal side. The current account deficit, in the April 2011 - March 2012 period widened to 4.2% of GDP, a clear warning sign. On a trade-weighted basis the Rupee depreciated around 8% in the past year. Given the slippage in growth, RBI's decision to ease monetary policy was timely. Even so monetary policy will not be effective unless it is supported by fiscal restraint. India's economy is poised delicately. Recent policies have not taken the economy forward.

The Cement Sector undeniably plays a critical role in the economic growth of the country and in its journey towards inclusive growth. Cement is vital to the construction sector and to all infrastructural projects. The construction sector alone contributes to over 7% of the country's GDP. Because of the lull in the economy, FY12 was indeed a trying year for the Cement industry. Faced with a surplus scenario, capacity utilisation hovered around 73%. Operating costs particularly that of energy and freight soared. The price of imported coal saw a steep spike. This, coupled with the depreciation of the rupee and escalation in the cost of diesel, compounded the matter. With the recovery in demand from November 2011 onward, the industry recorded a 9.6% growth in the second quarter of FY12, clocking an annual growth of 7% compared to 5.7% in the previous year.

For the Financial Year 2011-12, your Company's revenues stood at US\$ 3.82 billion vis-à-vis US\$ 2.92 billion in the previous year. Its Net Profit was US\$ 510 million as against US\$ 308 million in FY11.

Growing with agility

Our efforts to solidly consolidate our pole position in the cement business continue. UltraTech is a pan India player and is the largest cement producer in the country. We have lined up aggressive growth plans in the cement business. Projects that have been rolled out include clinkerisation plants through brownfield expansions at Chhattisgarh and Karnataka. Additional grinding units, waste heat recovery systems, bulk packaging terminals and ready mix concrete plants, will also take off. These projects are expected to be operational from early FY14. On their completion, your Company's cement capacity will stand augmented by 10 mtpa to total 62 mtpa.

Capital Outlay

A capital outlay in excess of US\$ 2 billion has been earmarked for these projects.

Increased focus on safety

We have always placed a premium on the safety of our employees, service providers, host communities and society at large. Given your Company's expansion plans and advances in technology, it is even more imperative to drive home the criticality of safety in We have always placed a premium on the safety of our employees, service providers, host communities and society at large. I feel positive that UltraTech will raise the bar of performance next year as well and leverage opportunities that the sector presents. every single operation at our plants – be it the construction site or at the shop floor. Our intent is to ensure that safety becomes a way of work at our plants. Towards this objective your Company has enlisted DuPont Sustainability Group, the consultancy wing of DuPont India, renowned worldwide for its strong safety culture. They are to assist us on the path to achieve safety excellence. As a part of this initiative, your Company has set up an Apex Safety Council - "Safety Board" which is spearheaded by its Whole-time Director. Its mandate is to provide the strategic direction, set priorities and inculcate the safety mindset across employees including contract workers. Our ambition is to attain the status of a benchmark cement company in safety as well.

Outlook

The cement sector continues to accost problems such as a mismatch between the supply and demand, and spiralling input costs in every area, particularly energy and freight. While the past few years has seen capacity additions of nearly 100 mtpa, going forward 71 million tons are expected to go on stream between FY13 and FY15. Nevertheless, cement demand is slated to remain firm and rise at the CAGR of 8.5% in the near future. So while the short term does present unique challenges, over the mid to longer term, cement offers good growth potential.

I am buoyant about this sector, given the Government's thrust on inclusive growth and the need to put infrastructural projects on the rail again. I feel positive that UltraTech will raise the bar of performance next year as well and leverage opportunities that the sector presents.

To our teams

I thank all our teams for their solid performance, undiluted commitment and laser sharp focus on delivering results.

The Aditya Birla Group in perspective

Despite a choppy global economy, our Group turned in a solid performance in FY12, anchored by our 133,000 strong workforce comprising 42 nationalities spanning 36 countries. Our consolidated revenues were a little over USD 40 billion, reflecting a 14% growth.

It is my abiding belief that our people are the single most important enablers from every perspective. It is with a sense of deep pride that I share with you the fact that our continuous investment in the people area has paid rich dividends. Our Group has been ranked fourth in the Global Top Companies for Leaders and first in Asia Pacific in the Top Companies for Leaders' 2011 study conducted by Aon Hewitt, Fortune and the RBL Group. 470 companies worldwide participated in this study. This recognition is personally heartening for me, given that we have competed against the best of breed global companies.

I personally am convinced that we are now forging ahead on the people front. Our dedicated efforts in enhancing the quality of life of our employees and their families, continues unabated.

Our Talent Management and Leadership Development processes have been further enhanced, to meet our very specific talent requirements, with many more employees being included. To mention a few, launched:

- a Global Manufacturing Leadership Program to induct lateral recruits and fortify our technical talent in our Units.
- a Continuing Education Policy to support managers in acquiring higher specialist education for skills upgradation while they continue to be in their jobs.
- "Cutting Edge", the accelerated P&L Leadership development Program, to enable function leaders to transition to P&L roles.

Our Group has been ranked fourth in the Global Top Companies for Leaders and first in Asia Pacific in the Top Companies for Leaders' 2011 study conducted by Aon Hewitt, Fortune and the RBL Group. 470 companies worldwide participated in this study. This recognition is personally heartening for me, given that we have competed against the best of breed global companies. And finally let me add that over the years, we have through determined and deliberate effort come to be in this position of being the 'Last Man Standing', almost across each of our businesses the message I want to convey is that, the last man standing has the best chance at being the first man forward. And over 30,000 touch points to our learners through multiple learning formats. With these the number of people being targeted for honing competencies and developing skills has risen many times over. This is in sync with our "World of Opportunities" proposition. The customization of these learning programmes is far sharper this year on.

Beyond Business

Given that our employees have a desire to contribute to the larger community, including those of their colleagues who need support, we are setting up a new trust called the "World Of Opportunities Foundation", through which our employees can contribute to supporting the higher education of children in need.

Last Man Standing – First Man Forward

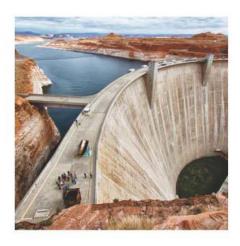
And finally let me add that over the years, we have through determined and deliberate effort come to be in this position of being the 'Last Man Standing', almost across each of our businesses. And when we do face a downturn today, from our position of strength, the message I want to convey is that, the last man standing has the best chance at being the first man forward. The first man forward to consolidate market positions, to show superior performance in each industry and get a few steps ahead of competition.

Yours sincerely,

Kumar Mangalam Birla



From Foundation to Finish: The UltraTech Advantage





UltraTech Cement Ltd, as you see it today, is the consolidation of the Aditya Birla Group's cement business. With its significant presence in grey and white cement, ready mix concrete, building products and building solutions, UltraTech strives to become a one-stop solution provider for all primary construction needs. Its meteoric rise as the largest cement brand in India reflects the organisation's customer-centricity and focus on cutting edge technologies, research and technical services.

Highlights

- Among the top producers of cement globally
- Largest white cement producer in India
- Operations in five countries India, Bahrain, UAE, Bangladesh and Sri Lanka
- India's largest exporter of clinker
- 11 integrated plants, 15 grinding units, 5 terminals, 1 white cement plant
- Over 100 Ready Mix Concrete plants
- Foray into new-age building products and solutions
- Collaboration with DuPont Sustainable Solutions towards enhancing organizational Safety Best Practices
- Member of Cement Sustainability Initiative of the World Business Council for Sustainable Development
- State-of-the-art R&D Centre with focus on new products, processes and sustainable development

Beyond business, UltraTech works in more than 400 villages to provide healthcare, education, safe drinking water and sanitation, sustainable livelihood and income generation opportunities for women.

