



ANNUAL REPORT

2016-17

UltraTech Cement Limited



BIG ON MILESTONES



Mr. Aditya Vikram Birla

We live by his values.

Integrity, Commitment, Passion, Seamlessness and Speed.



THE CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

Global Economy

The global economy continued to be subdued in 2016. The slowdown in the advanced economies of the West adversely impacted growth levels, resulting in the slowing of the world economic growth to 3.1% from 3.4% in the earlier year. The growth in emerging markets and developing economies was encouraging. However, China and India experienced a deceleration. Financial markets reflected a broad uptrend, notwithstanding Brexit and the rate hikes by the US Fed.

Recent data reveals that the global economy is gaining momentum. PMIs (Purchasing Managers' Indexes), accelerating trade flows and better business and consumer confidence are the key pointers. The IMF has projected global growth to notch up to 3.5% in 2017 from 3.1% last year. Growth in the advanced economies is estimated at 2%, with US growth at 2.3%, the Euro area at 1.7% and Japan at 1.2%. Growth in the emerging markets is pegged at 4.5%, driven largely by China, India and the ASEAN region. Latin America is expected to grow only 1.1%, affected by the weak trend in Brazil.

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India's global ranking has jumped up in competitiveness and on the innovation index.

Indian Economy

India is on a roll. There is a buzz about India, as it blazes forth as the fastest growing economy in the world at 7.1%. The trade deficit in 2016-17 was USD 106 billion, lower by 11% over the previous year. The current account deficit has been significantly pared. India's foreign exchange reserves as at March end 2017 were 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. Stock index is at a historic peak. India's global ranking has jumped up in competitiveness and on the innovation index.

The various initiatives and reforms of the Modi Government have built the platform for a quantum leap ahead. High impact national projects, coming to grips with structural issues, which were holding back the country's progress, innovative approaches in policy making – have collectively contributed in driving India on a high growth trajectory. 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%. India's narrative is unmatched.

That said, if there is one subject that needs greater attention on the government's radar for the ensuing years, it is the revival of investment activity and creation of quality jobs in large measure. The Government is seized of these issues. The Government has taken many steps, including a sharp focus on improving ease of doing business, speeding of green clearances and stepping up public sector outlays for infrastructure. I believe, it is a matter of time before the private sector investments pick up – as NPAs are resolved and corporate balance sheets are deleveraged.

Your Company's Performance

In the first half of the year, the cement industry saw moderate growth. Subsequently, sluggish demand from the housing segment coupled with the absence of private sector capital expenditure, impacted cement demand.

Against this backdrop, during 2016-17 your Company recorded net revenues of US\$ 3.78 billion (₹ 25,375 crores) and EBITDA of US\$ 0.873 billion (₹ 5,861 crores) a rise of 9%.

During the year, your Company marked major milestones. First, your Directors approved a Scheme of Arrangement between Jaiprakash Associates Limited (JAL) and Jaypee Cement Corporation Limited (JCCL) wholly-owned subsidiary of JAL for the acquisition of some of its cement plants located in Madhya Pradesh, Uttar Pradesh, Himachal Pradesh, Uttarakhand and Andhra Pradesh of a total capacity of 21.20 mtpa, which your Company is acquiring at an enterprise value of ₹ 16,189 crores.

The Scheme has been approved by the shareholders and creditors of your Company, the Competition Commission of India, the National Company Law Tribunal and the Securities and Exchange Board of India. A joint application for the transfer of mineral concessions from JAL and JCCL to your Company has been made with the respective State Government offices. After receiving these, the process will move forward.

This move is essentially for geographic market expansion, which will lead to your Company's entry into high growth markets of India. The operations will be strengthened by the consequent technological upgradation and enhancement in capacity, post acquisition. It will lead to creating synergies in manufacturing, distribution and logistics. As a result, advantages such as economies of scale and reduced lead time to markets, will be achieved. These will enhance competitiveness, benefit consumers, and, in turn, create value for shareholders with the acquisition of ready-to-use assets. We expect the transaction to be consummated by the first quarter of FY18.

Furthermore, 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.

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Consequent to this expansion and the acquisition of the cement plants of JAL and JCCL, your Company's cement capacity will stand augmented to 95.3 mtpa, including its overseas operations.

To reduce lead distance and to service the markets of south-west Madhya Pradesh, your Company will be setting up a 3.5 mtpa integrated cement plant at Dhar, MP and at a capex of ₹ 2,600 crores. Its commercial production is expected to commence by Q4FY19.

Consequent to this expansion and the acquisition of the cement plants of JAL and JCCL, your Company's cement capacity will stand augmented to 95.3 mtpa, including its overseas operations.

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

As I look ahead, I feel optimistic. India, as we are aware, is moving on to a higher growth track. The Government's thrust on infrastructure development, housing, interest rate subvention scheme on housing loans, the development of smart cities, among other projects, beam a good signal to the cement sector. I expect UltraTech to perform well.

A big thank you to all of our employees

Organisational agility, excellence in execution, customer centricity and cost optimization are a given. I believe to drive business growth in a sustainable manner, the criticality of our people – our intellectual capital, is beyond expression. We deeply value our employees' engagement and their commitment to our culture of innovation and performance accountability.

Aditya Birla Group: In perspective

At the Group level our performance both in terms of revenue and earnings has been growing. In fact our EBIDTA has been the highest ever. In line with our people focus, we have strengthened the capacity of our leadership bench as well as employees across levels. Our Group's HR agenda is even more sharper and defining of our future. Our HR function has collectively developed and clearly articulated the HR 2020 strategy across the organization. It has clear actionables and review mechanisms, focused on talent, technology, productivity and employer brand.

On the people front it has truly been an exciting year of development, building on the strong foundations of the earlier years.

As I had shared with you earlier, we have 3 accelerated leadership programs. First - The Turning Point, which prepares high potential leaders for P&L roles.

Second - Step Up which infuses a ready pipeline for Functional Head roles, and

Third - Springboard designed especially for high caliber women leaders.

These have enabled us set up the requisite bench strength of leaders.

We have prepared 123 leaders for higher responsibilities, over the last one year. Of this 26 have already taken on new roles. The Business leadership and I have personally reviewed talent across the business, and am happy to see the evolution of our structured succession plans.

The hiring freeze came into effect in January 2016. This, coupled with our leadership development actions, has resulted in extremely encouraging people moves. Over the last year, we witnessed 5,500+ career movements across the Group. Of these, 600+ were inter-business movements, 150% higher than the previous year.

The Aditya Birla Group Leadership Program (ABGLP) is another strong source of building leaders. It has gained greater traction this year with 67% higher intake. From the earlier batches, 95 participants, have over the last 2 years, been given cross business and function exposures grooming them for a holistic perspective. I am happy to share that we continue to be an employer of choice amongst the top B schools in India. Our Group features among the formidable Top-5 in the A C Nielsen – CRI Campus Recruitment India Index 2016 as well.

Additionally to accelerate opportunities for our talent we have set up Talent Councils led by Business Heads and Directors at the business and Group levels. Up until now more than a 100 Talent Councils meetings have happened across the Group where the development plans of approximately 3,000 colleagues have been discussed and actions taken.

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Our Group's solid reputation, robust financials, the quality and commitment of our talent, our leadership positions in our businesses, our operational excellence and our CSR engagement, are our strengths that I believe, will see us ride the wave of success.

Project Vega is yet another initiative launched this year. Its basic objective is to review the agility of decision making in the organization, keeping in view end-customer impact. This has yielded significant changes to internal processes, delegation of authority and speed of decision making, in turn empowering teams and freeing up leadership bandwidth. This, along with our focus on technology enabled processes, I believe, will keep us sharp and nimble.

Furthermore, to hone and enhance our functional expertise, Gyanodaya, the Aditya Birla Global Centre for Leadership & Learning, launched Functional Academies last year. The Sales, Marketing & Customer Centricity Academy and HR Academy enabled 1,150 leaders build deeper expertise in their domain areas. Gyanodaya continues to deliver superior learning programs with over 1,583 managers enrolled last year.

Additionally, the Gyanodaya Virtual Campus hosts more than 500 e-learning modules in multiple languages. During the year, over 31,664 employees accessed these e-learning programs. I am happy to update you that we are doubling our capacity in Gyanodaya, through upcoming expansion plans.

In sum,

Our Group's solid reputation, robust financials, the quality and commitment of our talent, our leadership positions in our businesses, our operational excellence and our CSR engagement, are our strengths that I believe, will see us ride the wave of success.

Yours sincerely,



Kumar Mangalam Birla

BOARD OF DIRECTORS

Kumar Mangalam Birla
Chairman

Mrs. Rajashree Birla
Non-Executive Director

Arun Adhikari
Independent Director

Mrs. Alka Bharucha
Independent Director

G. M. Dave
Independent Director

Mrs. Sukanya Kripalu
Independent Director

S. B. Mathur
Independent Director

O. P. Puranmalka
Non-Executive Director

Mrs. Renuka Ramnath
Independent Director

D. D. Rathi
Non-Executive Director

K. K. Maheshwari
Managing Director

Atul Daga
Whole-time Director & CFO

COMMITTEES OF THE BOARD

Audit:

S. B. Mathur
Mrs. Alka Bharucha
G. M. Dave
Mrs. Renuka Ramnath
D. D. Rathi

Corporate Social Responsibility:

Mrs. Rajashree Birla
G. M. Dave
K. K. Maheshwari
O. P. Puranmalka

Nomination Remuneration & Compensation:

G. M. Dave
Arun Adhikari
Kumar Mangalam Birla

Stakeholder Relationship:

D. D. Rathi
Mrs. Sukanya Kripalu
S. B. Mathur

Finance:

D. D. Rathi
Arun Adhikari
Mrs. Alka Bharucha

Risk Management:

K. K. Maheshwari
Atul Daga
K. C. Jhanwar

Executives:

K. C. Jhanwar
*Deputy Managing Director &
Chief Manufacturing Officer*

Sunil Kulwal
CEO – White Cement

Ramesh Mitragotri
Chief Human Resource Officer

Vivek Agrawal
*Group Executive President &
Chief Marketing Officer*

Pramod Rajgaria
President – International Operations

Paresh Thacker
General Counsel

Sanjay Mathur
*CEO – Ready Mix Concrete,
Key Accounts and Aggregates*

Company Secretary:

S. K. Chatterjee

Statutory Auditors:

BSR & Co. LLP,
Chartered Accountants, Mumbai

Khimji Kunverji & Co.,
Chartered Accountants, Mumbai

Cost Auditors:

D. C. Dave & Co.,
Cost Accountants, Mumbai

N. D. Birla & Co.,
Cost Accountants, Ahmedabad

Secretarial Auditor:

BNP & Associates,
Company Secretaries, Mumbai

Solicitors:

Cyril Amarchand Mangaldas,
Advocates & Solicitors, Mumbai

Registrar & Transfer Agent:

Karvy Computershare Private Limited,
Hyderabad

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Registrar & Transfer Agent

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