

Chairman Speech at the 33rd AGM

Good Morning!!
Dear Shareholders,

It is with immense pleasure that I welcome you to our company's 33rd Annual General Meeting today. I feel privileged to share with you the developments of yet another year of excellent performance of your Company which has made all of us proud with its continuing streak of accomplishments year after year.

Macro Environment

The year 2011-12 was marked with high inflation, high interest rate and a depreciating currency. This led to diminishing Investment confidence which hurt capex activities and consumption growth. These factors stifled, in turn, the economic growth to 6.5% in FY12 against 8.4% in previous year. The growth in manufacturing sector declined to 2.5% against 7.6% in previous year mainly due to slackness in local demand.

The government has, off late, shown its resolve in coming up with economic reforms and has indeed made some announcements to this effect. They may change the perceptions of the government but the outcome is far from assured. India thus still appears to be a long way from returning to a high-growth path.

Cement Industry

Indian Cement industry is dependent on domestic market. Signs of slackness in cement demand were felt in the beginning of 2011-12 as a result of softness in demand from real estate and infrastructure and overall uncertain economic environment. The demand, however, revived in the later part of the year especially from November, 11 onwards which enabled the cement industry to clock a 7.5% growth during 2011-12 (15 months).

The outlook for cement demand remains moderately positive. The monsoon which was expected to be poor turned around positively in the latter part of the season. This good monsoon should again give impetus to the economy. The shortages of dwelling units both in the rural and urban areas will continue driving the cement demand. Increased Govt. thrust on infrastructure sector as reflected in the Twelfth Five Year Plan projections also augurs well for cement demand. Although given past

record, the actual realization of these projections is in doubt. On the other hand, the sector still suffers from over capacity and thus capacity utilizations are likely to remain modest.

Power Sector

A spate of reforms and regulatory developments has brought in structural change in the power sector and opened up the power market over last 3-4 years. While this has led to initiation of several new power generation projects, the problems in terms of inadequate availability of coal and delay in grant of environment and other clearances have hampered the actual capacity creation. Therefore there is still enormous power shortage in the country.

Distribution licensees, which are major buyers of power, have been resorting to load shedding as they are not able to meet power shortage due to lack of funds. Recently, the government has bailed out the Distribution Licensees through a debt restructuring program providing them with much needed breather for their financial health. One can hope that they will use this measure in strengthening their financials and enhance their power purchases to meet their shortfall.

Company Performance

I am pleased to share with you that during the year your company completed setting up its 300 MW power plant with its first unit of 150 MW completed in world record time of 21 months and 20 days against normal completion time of 32 months. It is a matter of pride that we have made it a sort of tradition to set new benchmarks in the sectors we operate.

Turnover of the company grew by 37% on an annualized basis to Rs. 5898 crore for fifteen months period ending June, 12. Cement sales increased 22% (annualized) from 93.38 lac tons in the previous year to 142.06 lac tons (15 months period). Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA) rose 43% to Rs. 1809 crore. The net power generation nearly doubled to 2342 million units against 1240 million units in previous year.

In the face of decline in economic growth and overall challenging environment, Company has been able achieve this strong performance. Its cost competitiveness, derived through efficiencies in operations, out of box initiatives and innovative business practices, is the building block for this performance.

In line with its expansion drive, your company has decided to setup two clinker manufacturing units (Unit IX and X) of 2 million ton capacity each at Ras in Rajasthan.

Your Company has reaped benefits of its deep commitment to sustainability. It is only because of its triple bottom line approach that the Company has been able to drive faster growth and achieve good performance. Your Company's investment in Waste Heat Recovery Power Plants has enabled it to produce economical power as also helped in conserving coal to the tune of 3.4 lac tons and resultantly avoided 4.3 lac tons of CO2 emissions. Almost 22% of its total power consumed during 2011-12 came from this green power. It has also set up India's largest Air Cooled Condenser in its 300 MW power plant which not only conserves large amount of water required in cooling the hot gases but has also established itself as a business case for further replication for the entire power sector on account of its economic benefits.

In order to enhance happiness of its people, your company has undertaken a "People First" initiative which would further improve their engagement level. Company proactively engages in understanding the needs of the local community and addresses them through focused CSR programs which include development of infrastructure facilities such as roads, rooms at government hospitals, renovation of schools and gram panchayat buildings etc; Education related initiatives such as "Shree ki Pathshala" for drop out or non-school going children; Health care initiatives such as provision of medical services and regular visits by Company doctors and Mamta project for addressing maternal and child mortality issues.

Your Company invests substantially in research and development activities. It spent Rs.16.40 crore on various R&D activities during 2011-12. It is currently working on possibility of co-processing industrial wastes as alternative fuels.

I take this opportunity to thank every stakeholder as well as my fellow members on board for partnering all of us in this happy journey. I am confident that with their continued support and guidance your Company will continue its exciting journey with a promise that the coming years will be happier and prosperous.

Thank you
October 16, 2012

B. G. Bangur
Chairman