

ACC Limited
Annual General Meeting — April 8, 2009

Chairman's Speech

Ladies and gentlemen,

It gives me great pleasure to welcome you to the 73rd Annual General Meeting of your Company.

Company performance

Let me start by informing you about the company's performance in the year 2008.

The consolidated income for the year 2008 was Rs. 8000 crore, up 11 % over the previous year. Profit before exceptional items and tax was Rs. 1582 crore against Rs. 1716 crore and profit after income tax was Rs. 1100 crore against Rs. 1427 crore respectively, as compared to previous year numbers.

Despite the steep increase in costs and other challenges, your Company performed well in 2008.

Cement business

Production of cement was 20.83 million tonnes, and sales 21.01 million tonnes, up by 4.6 % and 5.9 % respectively. Our market share during the year stood at 11.8 % compared to 12.2 % in the previous year. Capacity utilization for cement production was a healthy 92 %.

Cement prices

During the year under review, there had been an unprecedented rise in input costs due to sharp increases in the costs of energy and transportation. Your Company could not pass on the increased costs to its consumers in view of our commitment to the Government of India to help control the rising inflation. It may be noted that while costs of other inputs in the construction business have registered quantum jumps, cement prices have risen only moderately over the last 10 years.

Modernisation and expansion

In spite of the economic slowdown, your Company is moving ahead with its planned expansions. There is no slowdown in the projects that have been taken up for implementation. Our capex plan for 2009 is about Rs. 1600 crore and for 2010, it is Rs. 1300 crore.

Work at Bargarh, where capacity is being increased to 2.3 million tonnes and a new 30-MW captive power plant is being commissioned, should be completed by mid-2009. Clinker capacity expansion at Wadi and setting up of two new greenfield grinding plants in Karnataka will happen in phases by end-2009. A 7000-TPD new clinker line and an additional 25-MW captive power plant in Chanda should be ready by mid-2010. These expansion projects should take your Company's capacity to over 30 million tonnes, by 2010.

Sustainable development

Having considerable experience in sustainable development, your Company has now brought out its first integrated report on the subject. ACC has taken several practical steps to promote the interests of its stakeholders, which include customers, employees, investors, suppliers and communities. Today, environment tops ACC's list of priorities. Its dust emissions are better than the benchmarks set by the authorities. On the renewable energy front, your Company has added a 7.5-MW wind farm near Jodhpur in Rajasthan. You will recall that the first wind farm was set up in Tamil Nadu in October 2007.

HIV AIDS is an issue of great concern for our Country

I am happy to share that your Company is now running the first-of-its-kind, ART centre for HIV AIDS treatment at Wadi in Karnataka. The second ART centre, namely ACC CMC Trust for Infectious Diseases or ACTFID, has also been launched in collaboration with CMC, Vellore in Tamil Nadu.

Human resources

Your Company's vision statement, which inspires its people, reads : "To be one of the most respected companies in India; recognized for challenging conventions and delivering on our promises." The work environment in ACC encourages transparency, agility and merit. Your Company launched an internal employee portal called "Accelerate" to promote communication across different levels of employees regarding work and company-related issues of common and universal interest.

Industry perspective

The Indian cement industry, which is the second largest in the world after China, moved from one extreme to another in 2008.

The first half of 2008 witnessed cement prices, demand, production, dispatches and imports peaking. Sentiments were upbeat in the pre-monsoon period. However, a closer inspection of the industry's performance revealed a decline in bottom lines as a result of rising input cost and government taxes and levies.

The first half also saw the cement industry in an expansion mode. Manufacturers were planning to add substantial capacities to the existing capacity of 181 million tonnes. But the second half of the calendar year found itself in the grip of an economic slow down. With an international economic meltdown spreading out across the world, liquidity has become an early casualty and consumer sentiments have become extremely cautious. All this has had a sobering influence on expansion plans, and most sectors of the industry are reviewing all capital expenditure plans.

Towards the end of the second half, the Government has taken some effective fiscal and monetary steps to support our economy. The ban on export of cement was lifted, excise duties were reduced across the board, countervailing duty was re-imposed on imports from Pakistan, two stimulus packages on infrastructure were announced and several rate cuts were declared by the apex bank to revive the housing sector. Commodity prices have started dropping, with coal coming down to 70 \$ per tonne from its June 2008 price of 150 \$ per tonne. In all, 2008 was a year of volatile business environment, a year of contrasting economic fundamentals.

Coal

Coal is a very important input for manufacture of cement. It is unfortunate that in spite of our country having one of the largest coal reserves in the world, domestic supply position regarding coal is moving from bad to worse. Linkage coal supplies to the cement industry, through fuel supply agreements, are progressively coming down. As a result, the cement industry is being forced to depend more and more on imported fuels, and many plants had to run on extremely low inventory levels. We hope that in the long term our policies will support growth in availability of domestic coal supplies.

Outlook

The first two quarters of the current year are expected to be reasonably good for the cement industry due to the government's focus on infrastructure and low-cost housing and also due to good retail demand from semi-urban and rural markets. Higher government support prices for agriculture, the rural employment guarantee schemes and the Rs. 60,000-crore farm loan waiver should give a good boost to our rural economy.

Current estimates of our country's GDP growth for 2009 -10 range between 5 and 7 %. If this outlook for India translates into reality, our country's economy will emerge stronger through these unusually difficult times.

Awards

Your Company received the CNBC-TV 18 India Business Leaders Award in the category India Corporate Citizen of the Year 2008 and the Best Audit Committee Award 2008 by the Asian Centre of Corporate Governance & Sustainability and Indian Merchants' Chamber.

Conclusion

At the end, I wish to wholeheartedly thank each of the shareholders of this Company for their enduring confidence in the organization. No business is without risks, and all sectors of the industry are vulnerable to some cyclical ups and downs in the long term. Your Company, ACC, is today strongly positioned to negotiate these uncertainties. I see a healthy future for your Company even as it passes through these competitive times. The unstinted faith that you have continued to repose in the Company will surely inspire the ACC team to work towards greater heights.

Thank you.