

67TH ANNUAL GENERAL MEETING OF THE INDIA CEMENTS LIMITED

Sunday, Aug 18 2013

MR N SRINIVASAN, VICE-CHAIRMAN & MD DELIVERING CHAIRMAN'S ADDRESS AT 67TH AGM ON SEPT 18, 2013

CHAIRMAN'S SPEECH

Ladies and Gentlemen,

I extend warm welcome to all of you to the Sixty-Seventh Annual General Meeting of your Company. I convey my greetings and best wishes to you and your family in the festival season.

The audited Accounts and the Directors' Report for the year ended 31st March, 2013 have been with you for some time now and with your consent, I shall take them as read.

ECONOMY

We are living in the most turbulent times and left to face a difficult economic situation. The Country's macro economic conditions are quite alarming with limited scope for regaining the "India growth story" in the near future. The economy is no longer insulated from external shocks. There is also policy gridlock and passivity at the Centre.

Since 2011-12, macro economic parameters, like trade balance, Budget deficit, price situation, consumption, investment and capital formation had started deteriorating. As a result, the growth rate was only 6.2 % in 2011-12 against the expected 8.2 % and further slipped to decade's low of 5% in 2012-13.

The acute slow down during 2012-13 was triggered by the downturn in the US and Japan and the sovereign debt crisis in the Euro zone. The setback to growth was also due to adverse developments on the domestic front.

The current account deficit spurted to an unprecedented level of 6.7% of GDP during October-December 2012 driven by muted exports and surge in imports of crude oil, gold, coal and capital goods. With corrective steps taken by the Central Government, it was restricted to 4.8% during the fiscal year.

UNION BUDGET

The Union Budget for 2013-14 had its thrust on restoring macro economic stability, a stable tax regime, waging a battle against inflation, regaining India growth story, reviving investment climate and business confidence.

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ECONOMIC OUTLOOK 2013-14

Early this year, some positive macro economic factors indicated the prospects for reversing the slowdown. The Prime Minister's Economic advisory council had expected the growth to be a realistic 6.4%.

However, the May announcement of the US Federal Reserve for withdrawing the monetary stimulus (following recovery in the US economy) dampened the revival prospects for Indian economy. Since then, the Rupee value

against US Dollar had depreciated by nearly 20% and the foreign funds began exiting emerging markets including India. The falling Rupee value and the spike in crude oil prices made imports costlier.

The only silver lining is the bountiful monsoon this year after a gap of 12 years. But, this has not eased the price level with Wholesale Price Index breaching the Reserve Bank of India's comfort level of 5% and food inflation above 10%. During April-June 2013 quarter, the GDP growth again slipped to a four year low of 4.4%. Based on this, most analysts and Economists expect the growth to be around 5% in the current fiscal.

In recent weeks, there are reports of strong recovery in the US and Euro Zone emerging out of recession. China is also catching up with improved factory output.

The signs of stability returning to major economies and the improved sentiments in Indian markets have raised hopes that the worst is over for Indian economy. The erosion in Rupee value seems to have been arrested following certain measures announced by RBI.

Industrial production recovered in July 2013 with a 2.6% growth after two consecutive months of contraction. The manufacturing sector grew 3%. However, the cumulative IIP growth during April-July 2013 still remained negative with a contraction of 0.2%.

CEMENT INDUSTRY SCENARIO

Indian industry's performance in 2012-13 was its worst showing in the past 20 years. Industrial output grew by a mere 1 %, down from 2.9% in the previous year.

The cement industry saw a growth of around 5.6% in 2012-13 as per the data of Department of Industrial policy and Promotion against 6.6% in the previous year.

Though capacity addition had slowed down, the industry had to bear the brunt of ever escalating cost of inputs and services. With cost pressure from imported coal, rationalized Railway freights and dual pricing of diesel and mining, operating costs of the industry were severely impacted. This along with low realization affected the profit margin of the manufacturers. The slowdown in construction and infrastructure affected the demand and the industry was forced to operate at a lower capacity of around 65 to 70% only.

As per financial analysts' reports, whatever growth that was achieved was mainly through rural housing and road construction while the contribution from infrastructure sector continued to be meagre. The supply side pressure, particularly in the southern States and the consequent severe competition in the market led to lower price realization in Andhra Pradesh, which had its own impact on other markets.

PERFORMANCE OF THE COMPANY

Against the backdrop of difficult economic situation, sluggish demand for cement, all around cost pressure and marginal growth in the industry, the company's performance during 2012-13 can be considered satisfactory. Cement production grew by 5% to 99.40 lakh tonnes and clinker production 6.6% to 76.73 lakh tonnes, improving capacity utilization to 71% from 67% in 2011-12.

The performance of the company would have been better but for the worsening of the power situation in Andhra Pradesh which had declared a whopping 12 days a month of power holiday in addition to practically switching off power during the peak hours on daily basis.

Total revenue including other income improved to Rs.4615.67 crore, up by 9 % over Rs.4222.69 crore in the previous fiscal. Expenditure went up by 14% due to various reasons. As a result, the operating profit was lower

at Rs.841.95 crore compared to Rs.922.64 crore in 2011-12. Finance costs and depreciation charges were also higher. The net profit consequently was lower at Rs.163.55 crore against Rs.292.97 crore in the previous year.

During the year, the 48 mw power plant at Sankarnagar came into operation fully along with railway siding for the grinding unit at Parli in Maharashtra. The company's plans to move its own coal from its own mines in Indonesia took final shape and the first shipment arrived during May 2013. The company is also on the lookout for other alternative fuels available at cheaper prices within the vicinity of the plant.

During the first quarter of the current fiscal the clinker production increased by 15% to 20.78 lakh tonnes. The volume of cement and clinker increased by 11% to 26.49 lakh tonnes.

The company is taking all necessary measures at the operational level to improve the working results in the remaining part of the current fiscal. Widespread rainfall and improved farm output are expected to revive rural demand and construction besides the expected spending on infrastructure by the Government ahead of General Elections in 2014.

ACKNOWLEDGEMENT

On behalf of the Company, I would like to acknowledge with gratitude the help and co-operation received by us from the Central Government, the Governments of Tamil Nadu, Maharashtra and Andhra Pradesh and their agencies, the all India Financial institutions, our Bankers and Investors. I wish to commend the management team and the employees of the company for their dedicated endeavours during the year.

Thank You.