DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors present the Nineteenth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2019.

OVERVIEW AND THE STATE OF THE COMPANY'S AFFAIRS

The global economy is estimated to grow at 3.3% in 2019, according to the International Monetary Fund ("IMF"). This comes on the back of two years of 'cyclical upswing'. However, as the IMF points out, this pace of expansion could be at risk on account of an increase in trade tensions, abrupt tightening of financial conditions and policy uncertainty across economies. Emerging economies though remain on a relatively strong growth trajectory, driven largely by robust domestic demand conditions.

The Indian economic growth forecast is estimated ~7.3% in FY20 as per IMF, benefiting from moderating oil prices and expected fiscal push. India is less exposed to a slowdown in global manufacturing trade growth than other major Asian economies and emerging markets and is poised to grow at a relatively stable pace. During FY19 (up to February, 2019), merchandise exports from India have increased 8.85% year-on-year to US$ 298.47 billion, while services exports have grown 8.54% year-on-year to US$ 185.51 billion. Net employment generation in the country reached a 17-month high in January, 2019. With a stable Government at the Centre, the country should continue on its path of economic reforms leading to an increase in employment opportunities and consumption.

The Indian cement industry witnessed another good year of favorable demand scenario. During FY19, industry achieved double digit volume growth, last witnessed in FY10. Commendable to note is the volume growth of ~13% achieved this year in continuation of ~ 9% growth in FY18.

Demand from infrastructure is witnessing growth at a fast pace, backed by Government's thrust on infrastructure development viz. construction of roads, metro rail projects, airports renovation, irrigation projects etc. Besides, there has been a significant improvement in low-cost houses constructed under the Pradhan Mantri Awas Yozana ("PMAY") in rural areas. The government has successfully achieved its target of constructing 10 million houses in Phase I and has accelerated the target for Phase II to 18.5 million houses by FY22. Similarly, the affordable housing segment in the urban areas also gained momentum in the last year. On the individual home building ("IHB") front, the rural housing market has shown demand traction in major markets; however, Tier 2 and Tier 3 urban markets are yet to pick-up. In Tier 1 or metro cities, with the stabilisation of RERA, urban demand has witnessed some improvement.

With healthy volume off-take and comparatively lesser new capacity addition of 12 MTPA during FY19, capacity utilisation for the industry improved to 71%, about 5% higher over the previous year. This is expected to improve further on likely sustained demand growth with incremental new supplies at a slower pace vis-à-vis increment demand.

It is against this background, that we share your Company's performance during FY19.

BUSINESS PERFORMANCE

Production and Capacity Utilisation (grey cement):

Particulars	FY19	FY18	% change
Installed capacity (MTPA)	**88.50**	85.00	4
Production (MMT)	**67.20**	57.23	17
Capacity Utilisation	**76%**	71%	5

MTPA – Million Metric Tonnes Per Annum.

MMT– Million Metric Tonnes.

During the year, your Company commissioned a greenfield cement capacity of 3.50 MTPA at Manavar, District Dhar, Madhya Pradesh, taking its total capacity to 88.50 MTPA. Besides this, your Company also completed the acquisition of Binani Cement Limited ("BCL"), renamed as UltraTech Nathdwara Cement Limited ("UNCL"), having an installed capacity of 6.25

MTPA in India. With this, the total cement capacity for your Company has enhanced to 94.75 MTPA in India and along with its other subsidiary Star Cement the total capacity of your company stands at 98.75 MTPA. UNCL has operations in UAE and China with a total capacity of 5.2 MTPA. These companies are held for disposal and hence not counted as part of your Company's total capacity.

Cement production jumped 17% from 57.23 million tonnes in the previous year to 67.20 million tonnes. The increase in production is on account of healthy cement demand growth and benefit from increased utilisation of the capacities acquired in FY18, where utilisation improved from 53% in the previous year to 72%. Capacity utilisation also improved 5% on expanded capacity base.

With the successful integration of the acquisition completed in June, 2017 and subsequent improvements carried out, these plants are now operating in line with the existing plants of your Company. A planned shutdown was undertaken at one of the acquired plants in Madhya Pradesh for cost improvements, the benefits of which will be fully achieved in Q1FY20. Having achieved a cash break even already, the acquisition is now on course to achieve a PBT break even. The acquisition is generating incremental earnings as planned, which are growing month on month. As the next phase of improvement, it is now proposed to invest in Waste Heat Recovery Systems ("WHRS").

Figures in MMT

Particulars	FY19	FY18	% Change
Domestic Sales	**69.52**	57.75	20
Exports & Others	**3.00**	2.90	3
Total Sales Volume	**72.52**	60.65	20

Domestic sales volume registered a 20% growth, which is higher as compared to likely industry growth of ~ 13%. Some of the key drivers are:

(i) Full year benefit of acquired capacity coupled with increased utilisation level;

(ii) Increased rural penetration, with higher contribution from UltraTech Building Solutions ("UBS"). There are altogether 1,915 such outlets, with 300 being added during FY19;

(iii) higher demand from institutional segment, where UltraTech is the most preferred brand; and

(iv) Additional sales volume upon acquisition of UNCL w.e.f. 20th November, 2018.

FINANCIAL PERFORMANCE

(₹ in crores)

	Standalone		Consolidated	
	FY19	FY18	**FY19**	FY18
Net Turnover	**35,105**	28,930	**36,775**	30,541
Domestic	**34,603**	28,455	**34,626**	28,455
Exports	**502**	475	**2,149**	2,086
Other Income	**1,070**	1,027	**1,042**	1,026
Total Expenditure	**29,183**	23,475	**30,591**	24,833
Profit before Interest, Depreciation and Tax (PBIDT)	**6,992**	6,483	**7,226**	6,734
Less: Depreciation	**2,010**	1,764	**2,140**	1,848
Profit before Interest and Tax (PBIT)	**4,982**	4,719	**5,086**	4,885
Interest	**1,419**	1,191	**1,548**	1,237
Profit before Impairment and Tax Expenses / share in profit of Associates	**3,562**	3,528	**3,538**	3,648
Stamp duty on acquisition of assets	**-**	(226)	**-**	(226)
Impairment of assets	**-**	-	**-**	(75)
Impairment on deconsolidation of subsidiary	**-**	-	**-**	(46)
Profit before Tax Expenses	**3,562**	3,302	**3,538**	3,301
Tax Expenses	**1,106**	1,071	**1,106**	1,077
Profit after tax	**2,456**	2,231	**2,432**	2,224
Profit attributable to Non-controlling Interest	**-**	-	**(3)**	2
Profit attributable to Owner of the parent	**2,456**	2,231	**2,435**	2,222

Net Turnover:

Your Company's Net Turnover at ₹ 35,105 crores is higher over the previous year, driven by higher sales volume and improvement in cement prices.

Other Income:

Other income is higher compared to the previous year due to an increase in State Industrial incentives benefit consequent to the commissioning of capacity in Madhya Pradesh and full year benefits from the acquired capacities.

Operating Profit (PBIDT) and Margin:

PBIDT for the year at ₹ 6,992 crores is higher by 8% over the previous year. Operating margin declined marginally due to increase in operating costs.

Cost Highlights:

(i) Energy Cost:

Overall energy cost rose 14% from ₹ 938/t to ₹ 1,068/t, attributable to an increase in pet coke and coal prices. Imported pet coke prices rose 6% from US$ 96/t to US$ 102/t coupled with the impact of currency depreciation of 8% over previous year and full year impact of hike in import duty on pet coke from 2.5% to 10% w.e.f. December, 2017. Consequently, effective landed cost of imported pet coke in energy terms increased more than 20% over the previous year. Compared to imported pet coke, the average price increase for domestic pet coke was higher at 27%, which forms over 60% of total power consumption during FY19.

To curb the impact of the increase in fuel prices, your Company continuously works on efficiency improvement. Key initiatives towards these are:

- Focus on increasing usage of renewable energy (WHRS, Solar and Wind power), the total share of which increased to 8.5%, which was 100 bps higher over the previous year. During the year, your Company commissioned 26 MW of WHRS capacity, which is under ramp-up and the full benefit of which will be realised from FY20 onwards. Your Company is further setting up 46 MW of WHRS capacity, expected to be commissioned in FY21. This would cater to ~ 12% of your Company's current total power requirement;
- Entering into agreements with third parties for procuring solar power under 'Group captive scheme', which are under implementation. The overall capacity of such tie-ups will increase from 62.5 MW to over 500 MW by end of FY21 and cater to ~ 10% of the total power requirement;
- Use of low cost fuels viz. industrial waste increased from 3% in the previous year to 3.3%. Around 3.48 LMT industrial waste has been used in the kilns;
- Power consumption improvement by 100 bps;
- Improved thermal power plant efficiency by reducing auxiliary consumption power.

(ii) Input material cost:

Raw materials cost saw an increase of 4% from ₹ 473/t to ₹ 491/t due to increase in slag, iron ore, aluminous clay and fly-ash prices and additional limestone on transfer of lime stone mines in your Company's name.

To mitigate the impact of the rise in raw material prices, your Company is working on identifying new sources of materials and alternative low costs materials. Besides, increasing the clinker to cement conversion ratio with the launch of new products, including composite cement have been started.

(iii) Freight and Forwarding expenses:

Logistics cost increased from ₹ 1,124/t to ₹ 1,170/t, due to an increase in diesel prices by 16%.

Increase in cost on account of higher diesel prices was partially negated with optimisation of lead distance, realising synergy benefit from the acquisition and commissioning the 3.5 MTPA capacity in the State of Madhya Pradesh. During the year, your Company has reduced the overall lead distance by ~ 5% over the previous year and 10% since June, 2017.

(iv) Employee costs:

Employee cost went up by 13% from ₹ 1,706 crores in the previous year to ₹ 1,926 crores. This was on account of normal annual increments, commissioning of new plants and full year impact of the cost of employees from the acquisition in June, 2017.

Depreciation:

Depreciation for the year at ₹ 2,010 crores is higher by ₹ 246 crores over the previous year, mainly on account of the full year impact of the acquisition and capitalisation of new capacity.

Finance Cost:

Increase in finance cost from ₹ 1,191 crores to ₹ 1,419 crores relate to the full year impact of the acquisition and additional debt taken during the year for acquiring UNCL.

Your Company does not accept any fixed deposits from the public falling under Section 73 of the Companies Act, 2013 ("the Act") and the Companies (Acceptance of Deposits) Rules, 2014.

Credit rating:

Your Company has adequate liquidity and a strong Balance Sheet. CRISIL and India Ratings and Research have re-affirmed their credit rating as CRISIL AAA and IND AAA for Long Term and CRISIL A1+ and IND A1+ for Short Term respectively.

Income Tax:

Income tax expenses increased in line with an increase in taxable income.

Net Profit:

Profit after tax increased by 10% from ₹ 2,231 crores to ₹ 2,456 crores.

Significant changes in key financial ratios, along with detailed explanations:

There have been no significant changes (more than 25%) in the key financial ratios as indicated below:

Particulars	FY19	FY18	% Change
Debtors Turnover (Days)	**22**	21	3.96
Inventory Turnover (Days)	**41**	46	(11.86)
Interest Coverage Ratio	**3.50**	3.96	(11.61)
Current Ratio	**1.02**	0.94	8.15
Debt Equity Ratio (Gross)	**0.65**	0.67	(3.52)
Debt Equity Ratio (Net)	**0.53**	0.46	15.05
Operating Profit Margin (%)	**18.57**	19.73	(1.15)
Net Profit Margin (%)	**7.00**	7.48	(0.49)
Return on Net Worth (%)	**9.12**	8.95	0.17

Cash Flow Statement

(₹ in crores)

	FY19	FY18
Sources of Cash		
Cash from operations	**5,800**	4,885
Non-operating cash flow	**285**	192
Proceeds from issue of share capital	**5**	16
Proceeds from sale of investment (net)	**-**	3,540
Increase in Borrowings	**710**	-
Total	**6,800**	8,633
Uses of Cash		
Net capital expenditure	**1,527**	1,836
Increase in investment	**2,653**	-
Increase in working capital	**464**	1,267
Repayment of borrowings (net)	**-**	4,027
Interest	**1,373**	1,159
Dividend	**346**	331
Purchase of Treasury Shares	**81**	-
Total	**6,444**	8,620
Increase / (Decrease) in cash & cash equivalents	**356**	13

Sources of Cash

Cash from operations:

Cash from operations was higher compared to the previous year, on account of higher sales volume.

Non-Operating Cash Flow:

Cash from non – operations was higher due to higher interest income.

Borrowings:

During the year, your Company raised ₹ 5,360 crores for the refinancing of loans availed / transferred for the acquisition of Jaiprakash Associates Limited and Jaypee Cement Corporation Limited's cement capacity. Your Company raised ₹ 1,500 crores, which is placed with UNCL as intercorporate deposits for repayment of financial and operational creditors. Your Company availed ₹ 245.32 crores as interest free loan under an incentive scheme of a State government and repaid existing long-term borrowings of ₹ 884 crores in line with the agreed repayment schedule.

Uses of Cash

Net Capital Expenditure:

Your Company spent over ₹ 1,600 crores on various capex during the year, primarily towards:

- completing work remaining on the green field plant at Manavar, District Dhar, Madhya Pradesh, commissioned during Q1FY19;
- ongoing capex at Bara Grinding Unit, expected to be commissioned by Q2FY20;
- WHRS - currently work is in progress at 4 different plant locations, to be operational by FY21; and
- other modernisation capex schemes.

Increase in Investments:

Your Company completed the acquisition of UNCL under the provisions of the Insolvency and Bankruptcy Code, 2016. Upon infusion of funds to the extent of ₹ 3,400 crores; taking over management control and re-constitution of the Board of Directors; UNCL became a wholly-owned subsidiary of your Company w.e.f. 20th November, 2018.

Increase in Working Capital:

Working capital increased on account of an increase in inventory, trade receivables, outstanding incentive receivables under State Industrial Investment Promotion Schemes and upfront royalty payment for the transfer of mines.

Purchase of Treasury Shares:

The UltraTech Employee Welfare Trust constituted in terms of your Company's Employee Stock Option Scheme, 2018 ("ESOS 2018") acquired equity shares of your Company to be allotted to eligible employees under ESOS 2018. As per the Ind AS, purchase of own equity shares are treated as treasury shares.

Transfer to General Reserve:

Your Company proposes to transfer an amount of ₹ 1,800 crores to the General Reserves.

DIVIDEND

Your Directors have recommended a dividend of ₹ 11.50 per equity share (₹ 10.50 per equity share in the previous year) of ₹ 10/- each for the year ended 31st March, 2019. The dividend distribution would result in a cash outgo of ₹ 380.76 crores (including tax on dividend of ₹ 64.92 crores) compared to ₹ 347.61 crores (including tax on dividend of ₹ 59.27 crores) paid for FY18.

In terms of the provisions of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") your Company has formulated a dividend distribution policy. The policy is given in **Annexure I** to this Report. It is also accessible from your Company's website *www.ultratechcement.com*.

CAPITAL EXPENDITURE PLAN

Your Company commissioned a greenfield capacity of 3.5 MTPA at Manavar District – Dhar, Madhya Pradesh in June, 2018. This project went on stream in a record time of less than 365 days, setting a global benchmark for size of such capacity. The plant has already scaled up to full capacity and Clinkerisation section operated at 100% during Q4 FY19.

Work on the 4.0 MTPA Bara Grinding unit is now progressing satisfactorily and is expected to be commissioned by Q2 FY20.

Your Company has a current cement capacity of 94.8 MTPA in India, which will be augmented to 98.8 MTPA in India post commissioning of the Bara capacity.

Your Company has further plans to spend ~ ₹ 2,000 crores in FY20, related to remaining work at Bara, WHRS projects, development of coal block at Bicharpur, packaging terminal at Mumbai, wall care putty projects and other normal maintenance capex.

CORPORATE DEVELOPMENT

UltraTech Nathdwara Cement Limited:

The National Company Law Appellate Tribunal ("NCLAT") by its order dated 14th November, 2018 approved your Company's Resolution Plan for acquiring BCL under the provisions of the Insolvency and Bankruptcy Code, 2016, as amended. BCL became a wholly-owned subsidiary of your Company w.e.f. 20th November, 2018 and it was re-named UltraTech Nathdwara Cement Limited, w.e.f. 13th December, 2018.

The acquisition provides your Company access to large reserves of high quality limestone. It consolidates your Company's leadership in the fast growing Northern and Western markets in the country. Major overhauling of the plants was undertaken in Q4FY19 to improve production efficiencies. The plants have been ramping up on capacity utilisation, achieving 72% in the month of March, 2019. After completing quality upgradation, the *UltraTech* brand has been successfully launched from the plants. UNCL has a capacity of 6.25 MTPA in the State of Rajasthan.

Scheme of Demerger – Century Textiles and Industries Limited:

Your Company's Board of Directors approved a Scheme of Demerger amongst Century Textiles and Industries Limited ("Century"), your Company and their respective shareholders and creditors ("the Scheme"). In terms of the Scheme, Century will demerge its cement business into your Company. Century's cement business consists of 3 integrated cement units in Madhya Pradesh, Chhattisgarh and Maharashtra and a grinding unit in West Bengal. In terms of the Scheme, your Company will issue 1 (one) equity share of face value of ₹ 10/- each for every 8 (eight) equity shares of Century of face value of ₹ 10/- each to the shareholders of Century. The Scheme having received the approval from the stock exchanges, Competition Commission of India and the shareholders, is now awaiting approval of the National Company Law Tribunal, Mumbai Bench and other regulatory authorities as may be required.

Upon completion of the acquisition of Century's cement assets, your Company's total capacity will reach 113.35 MTPA.

CORPORATE GOVERNANCE

Your Directors reaffirm their continued commitment to good corporate governance practices. During the year under review, your Company was in compliance with the provisions relating to corporate governance as provided under the Listing Regulations. The compliance report is provided in the Corporate Governance section of this Annual Report. The auditor's certificate on compliance with the conditions of corporate governance of the Listing Regulations is given in **Annexure II** to this Report.

EMPLOYEE STOCK OPTION SCHEMES

ESOS-2006

Under ESOS-2006, the Nomination Remuneration and Compensation Committee ("NRC Committee") has allotted a total of 286,504 equity shares of ₹ 10/- each of your Company.

ESOS–2013

During the year, 21,539 Stock Options and 6,207 Restricted Stock Units ("RSUs") have been vested in eligible employees. The NRC Committee allotted 28,735 equity shares of ₹ 10/- each of your Company upon exercise of Stock Options and RSUs by the employees. The paid-up equity share capital of your Company increased from 27,46,13,985 equity shares of ₹ 10/- each to 27,46,42,720 equity shares of ₹ 10/- each.

ESOS–2018

The Board of Directors of your Company have, based on the recommendation of the NRC Committee, approved formulation of a new scheme viz. 'UltraTech Cement Limited Employee Stock Option Scheme 2018' ("ESOS – 2018") in terms of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("the SEBI SBEB Regulations"). ESOS-2018 will be administered by the NRC Committee through a trust, viz. the UltraTech Employee Welfare Trust. Shareholders of your Company have by resolution dated 4th October, 2018 approved ESOS–2018. The NRC Committee has on 18th December, 2018 formulated ESOS–2018 and granted 158,304 Stock Options at an exercise price of ₹ 4,009.30/- per Stock Option exercisable into the same number of equity shares of ₹ 10/- each and 43,718 RSUs at an exercise price of ₹ 10/- each.

In terms of the provisions of the SEBI SBEB Regulations, the details of the Stock Options and RSUs granted under the above mentioned Schemes are available on your Company's website viz. *www.ultratechcement.com*.

A certificate from the Statutory Auditor on the implementation of your Company's Employee Stock Option Schemes will be placed at the ensuing Annual General Meeting ("AGM") for inspection by the Members.

AWARDS

Your Company's efforts in various areas of its operations continue to receive recognition. Some of the prestigious awards and recognition conferred on your Company during the year comprise of:

- Silver Prize in '6th FICCI Quality Systems Excellence Awards 2018' in the Large Category Manufacturing Sector – Aditya Cement Works;
- CII-ITC Sustainability Awards-2018, Government of India – Aditya Cement Works;

- CII-ITC Sustainability Awards (Commendation for Significant Achievement in Environment Management Category) – Vikram Cement Works;
- ET Now CSR Leadership Award, Concern for health 2019 - Dhar Cement Works;
- Golden Peacock Award – Environmental Management, Ready Mix Concrete ("RMC");
- Ramkrishna Bajaj National Quality Award - Certificate of Merit, RMC;
- Ramkrishna Bajaj National Quality Award - Best Practice in Manufacturing Sector, RMC;
- Economic Times Innovation Award - Innovation for Sustainability; RMC.

RESEARCH AND DEVELOPMENT

Your Company's Research and Development ("R&D") focused on the development of new types of products, processes and technologies in line with current and futuristic customer requirements. It provided top-class scientific and technical support to various manufacturing Units, Key Account customers, Marketing, RMC and Corporate Cells. Your Company's R&D tracked global developments in the fields of cement, concrete and construction materials to ensure it remains at the highest level of scientific and technical progress. Customers, Sustainability, Innovation, Quality and Profitability are key attributes of all R&D projects. These have resulted in process optimisation and debottlenecking, natural raw materials preservation and promotion of alternative raw materials, while complying with quality and environmental norms. It not only explored newer ways of preserving the environment and non-renewable resources but also encouraged all stakeholders to utilise resources responsibly. Towards this end, your Company's R&D has developed premium products that extend the life of limestone deposits, reduce clinker factor, save fossil energy, while ensuring top product attributes and functionality.

Your Company's R&D has developed new products like low clinker composite cement, red mud based cement, crack resisting cement, water repelling cement, masonry cement, a series of ultra-lightweight concrete as per ISO standards, a series of high impact resistance concrete for special applications and a series of cement grinding aids and concrete admixtures. It has also developed and patented the following products:

- Water positive cement;
- Fire resisting cement and concrete;
- Rapid hardening 3D printable mortar and concrete;
- Red mud based cementitious material.

Your Company's R&D is future-ready and already National Accreditation Board for Testing and Calibration Laboratories ("NABL") accredited. It has enhanced its capabilities in Pollution Abatement and Carbon Capture, Nanotechnology of Cement and Concrete, Concrete Durability, Concrete Rheology, 3D printable Concrete, Geopolymer Concrete, Modelling Cement & Concrete hydration and Chemical Admixtures for cement and concrete.

Your Business R&D actively and closely collaborates with the Aditya Birla Science and Technology Company Private Limited ("ABSTCPL") and Academia, and represents your Company in national and international scientific and technical forums.

SUSTAINABILITY

It has always been your Company's endeavor to enhance its environment conservation measures, continue to be profitable and sensitive towards societal well-being. Your Company has been consistently adopting new technologies that are cleaner and greener. Your Company's plants and processes are constantly driven to become more energy efficient, given its quest to become better stewards of natural resources. With its thrust on the use of alternative fuels, your Company has been relentlessly striving to reduce consumption of fossil fuels by substituting these with wastes from other industries. These efforts have resulted in around 3% of your Company's fuel requirements being met through the use of alternative fuels. Your Company also continues to increase the use of renewable energy as part of its energy mix. It is currently exploring further opportunities for purchase of green power as well as investment in solar and wind generation.

Your Company has set a target to reduce its CO_2 intensity by 25% by FY21, as compared to FY06. During the year, your Company cut its CO_2 intensity by 18.65% compared to FY06. In energy efficiency, your Company has overachieved the target set by the Government of India for the first Perform, Achieve and Trade ("PAT") cycle.

As part of its continuing initiatives in sustainable growth, your Company has commenced valuation of carbon emissions with the introduction of shadow price of

USD 10 per tCO_2 which will enable it to consider the impact on environment of any project / proposed capex in its evaluation and decision making.

HUMAN RESOURCES

The employees of your Company are the pillars of its success and growth. After a phase of rapid growth through acquisitions, your Company's larger employee-base focused on realignment of their work objectives and in setting audacious goals to support business growth. Your Company continued to invest in building talent from within, through a structured process of identification and development in preparation for roles required by your Company, as it grows. Employees are proud to be part of your Company and are engaged to deliver high performance. Employees have also played a voluntary role in community work across manufacturing Units and during natural calamities such as the Kerala floods.

As on 31st March 2019, your Company's employee strength stood at 19,557 employees.

SAFETY

Safety is an integral part of your Company. With a view to further strengthen focus, safety standards have been revised to make them more effective. Standard champions' training is organised to enhance the capability of our internal trainers on safety standards and percolate the learnings down the line. In addition to the existing 7 (seven) safety sub-committees, 2 (two) more project safety and mines safety sub-committees have been constituted and regular review is conducted to track progress of defined key performance indicators of these sub-committees. Your Company's Managing Director chairs the Occupational Health and Safety Board to closely review the safety performance once every two months and decide the next course of action to ensure that each and every person working for and on behalf of your Company remains safe always. Surprise safety audit by external expert agencies and Second Party Safety Audits have been carried out at various units to evaluate the extent of safety system implementation. Further, Safety observation systems for identifying unsafe acts and conditions have been further strengthened. As structural stability is critical from a safety point of view, almost all high-priority action points recommended in structural stability assessment have been completed to ensure that structures at your Company's Units are safe. To take your Company's safety culture to the next higher level, theme-based safety campaigns have been driven across the organisation with an aim to further improve awareness amongst your Company's own and contract employees about various elements of safety.

CORPORATE SOCIAL RESPONSIBILITY

In terms of the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of your Company has constituted a Corporate Social Responsibility ("CSR") Committee which is chaired by Mrs. Rajashree Birla. The other Members of the Committee are Mr. G. M. Dave, Independent Director; Mr. O. P. Puranmalka, Non-Executive Director and Mr. K. K. Maheshwari, Managing Director. Dr. Pragnya Ram, Group Executive President, CSR is a permanent invitee to the Committee. Your Company also has in place a CSR Policy which is available on your Company's website viz. *www.ultratechcement.com*.

Your Company's CSR activities are focused on Social Empowerment and Welfare, Infrastructure Development, Sustainable Livelihood, Health Care and Education. Various activities have been initiated during the year in neighbouring villages around its plant locations. It infused ₹ 74.96 crores, being over 2% of the average net profits of the last three years for the purposes of CSR.

A report on CSR activities is attached as **Annexure III** forming part of this report.

SUBSIDIARY, JOINT VENTURE OR ASSOCIATE COMPANIES

In the matter of your Company's wholly-owned subsidiary, Gotan Lime Stone Khanij Udyog Private Limited ("GKUPL"), the Supreme Court of India has directed the State of Rajasthan to frame and notify its policy relating to transfer of mining lease and thereafter pass appropriate order in respect of the mining lease of GKUPL. The State Government has notified the new policy related to transfer of new mining lease, based on which your Company has requested the Government to consider reinstatement of the mines in its favour.

The audited financial statements of your Company's subsidiaries and joint ventures viz. Dakshin Cements Limited, Harish Cement Limited, GKUPL, Bhagwati Lime Stone Company Private Limited, UNCL, UltraTech Cement Middle East Investments Limited, UltraTech

Cement Lanka (Pvt.) Limited, PT UltraTech Mining Indonesia and PT UltraTech Investments Indonesia as well as related information are available on the website of your Company viz. *www.ultratechcement.com* and also available for inspection during business hours at the registered office of your Company.

Any Member who is interested in obtaining a copy of the audited financial statements of your Company's subsidiaries may write to the Company Secretary at the Registered Office of your Company.

In accordance with the provisions of Section 129(3) of the Act, read with the Companies (Accounts) Rules, 2014, a report on the performance and financial position of each of the subsidiaries, joint venture or associate companies is attached as **Annexure IV** to this Report.

PARTICULARS OF LOAN, GUARANTEE AND INVESTMENT

Details of Loan, Guarantee and Investment covered under the provisions of Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 are given in the Notes to the standalone financial statements.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo, required to be disclosed pursuant to Section 134(3)(m) of the Act read with the Companies (Accounts) Rules, 2014 is given in **Annexure V** to this Report.

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as **Annexure VI**. In accordance with the provisions of Section 197(12) of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of employees drawing remuneration in excess of the limits set out in the aforesaid Rules, forms part of this Report. However, in line with the provisions of Section 136(1) of the Act, the Report and Accounts as set out therein, are being sent to all Members of your Company excluding the aforesaid information. Any Member, who is interested in obtaining these particulars, may write to the Company Secretary at the Registered Office of your Company.

BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34(2)(f) of the Listing Regulations, a Business Responsibility Report forms part of the Annual Report.

CONTRACT AND ARRANGEMENT WITH RELATED PARTIES

During the financial year, your Company entered into related party transactions which were on arm's length basis and in the ordinary course of business. There are no material transactions with any related party as defined under Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014. All related party transactions have been approved by the Audit Committee of your Company and are reviewed by it on a periodic basis.

The policy on Related Party Transactions as approved by the Audit Committee and the Board is available on your Company's website viz. *www.ultratechcement.com*.

The details of contracts and arrangement with related parties of your Company for the financial year ended 31st March, 2019 is given in Note 40 to the standalone financial statements of your Company.

RISK MANAGEMENT

Risk is an integral and unavoidable component of business and your Company is committed to managing risk in a proactive manner. Though risks cannot be completely eliminated; an effective risk management plan ensures that risks are reduced, avoided, retained or shared. To have oversight of your Company's risks, the Risk Management and Sustainability Committee of your Company is mandated to review the risk management plan / process of your Company. Through the annual risk report processes which are based upon Business Environment, Operational Controls and Compliance Procedures, your Company aims to assess and prioritise risks according to their significance and likelihood. The Risk Management and Sustainability Committee oversees the risk management processes to analyse the risks more deeply and to define risk mitigation actions where necessary.

Given the challenging and dynamic environment of your Company's operations, strategies for mitigating the inherent risks in accomplishing the ambitious plans for your Company is imperative. The Key Business risks identified by your Company includes economic environment and market leadership, inflation and cost of production, legal and compliance with local laws, financial and accounting, environment and sustainability, information technology and talent management.

The risk horizon considered includes long term strategic risks, short to medium term risks as well as single events. The risks are analysed considering likelihood and impact as a basis of determining their management.

Key Business Risks identified by your Company

Economic Environment and Market Demand

Economic slowdown and subdued infrastructural development might lead to low cement demand in the country. The demand for construction material is fundamentally driven by economic growth / contraction in the country. The growth in construction activity in the country has been slow over the last few years, impacting the cement demand. In a scenario where incremental cement demand exceeds incremental capacity addition and the Government's push on infrastructure and housing will help the growth in the cement consumption and reduce the overcapacity gap.

The cement industry in India is a myriad aggregation of small and large players. In such an environment the risk of protecting market share is optimal. With the expanding capacities of existing players and also the emergence of new entrant's, competition is a sustained risk. Endeavours to enhance brand equity through innovative marketing activities and continuous efforts in improving the product portfolio and value adding services have been the thrust areas for your Company. It is also worthwhile to note that the engineering expertise of your Company and the emphasis on quality also substantially minimises the risk of market fluctuations.

Inflation and Cost of Production

Your Company faces the risk of inflationary nature and market-driven cost of coal, pet coke, power and other fuel. Changes in fuel prices can significantly impact the production costs as the cement industry is extremely energy intensive. To de-risk, your Company has established specific policies of long deliveries and continuously optimises its fuel mix and energy efficiency as well as explores the use of alternative fuels.

The raw materials procurement at economical cost or of suitable quality have a very high degree of inflationary certainty. Your Company has established exhaustive policies of procurement of specific raw materials and stores and those amenable to just in time inventories. Limestone being the primary raw material required for production of cement, its continuous and long term availability is critical, particularly under the dynamic regulatory environment. Your Company currently possesses sufficient limestone reserves. Securing additional reserves is critical to address your Company's expansion plans. Apart from the preservation and elongation of existing reserves, a range of measures including strategic sourcing and changing input mix are adopted by your Company.

Legal and Compliance

The risk that your Company is found to have inadvertently violated laws covering business conduct. The country's regulatory framework is ever evolving and the risk of non-compliance and penalties may increase for your Company, leading to reputational risks. A comprehensive risk based compliance program involving inclusive training and adherence to the Code of Conduct is institutionalised by your Company. The management encourages employees to place reliance on professional guidance and opinion to discuss the impact of any changes in laws and regulations to ensure total compliance. Periodic and ad hoc reporting to various internal committees for oversight ensures effectiveness of such program.

Financial and Accounting Risks

The risk of exposure to interest rates, foreign exchange rates and commodity price fluctuations. The risk management strategy is to identify the risks exposure, measure and evaluate the financial impact, decide on steps to mitigate the risks and regular monitoring and reporting. With the objective of minimising risks arising from uncertainty and volatility of foreign exchange fluctuations an elaborate financial risk management policy is followed for every transaction undertaken in foreign currency. Your Company's policies to counter such risks are reviewed periodically and aligned with the financial market practices and regulations.

Changing laws, rules, regulations and standards relating to accounting, corporate governance, public disclosure and listing regulations are generating newer and unforeseen risks for companies. The new or changed laws, regulations and standards may lack precedence and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. Your Company maintains a high standard of corporate governance and public disclosure to de-risk itself from such dynamic regulatory changes.

Environment and Sustainability

The risks associated with environmental pollution through the discharge of waste causing damages to the fragile surrounding environment is a legal offence. Various initiatives have been undertaken by your Company like sewage treatment plants, recycling of industrial waste water, bag filters, WHRS and extensive plantation and creation of green belts to de-risk and protect the environment.

Information Technology Risks

Risks related to Information Technology systems; data integrity and physical assets. Your Company deploys Information Technology systems including ERP, SCM, Data Historian and Mobile Solutions to support its business processes, communications, sales, logistics and production. Risks could primarily arise from the unavailability of systems and / or loss or manipulation of information. To mitigate these risks, your Company uses back up procedures and stores information at two different locations. Systems are upgraded regularly with the latest security standards. For critical applications, security policies and procedures are updated on a periodic basis and users are educated on adherence to the policies so as to eliminate data leakages.

Talent Management

Your Company's growth has been driven by the ability to attract and retain top quality talent and effectively engage them in the right jobs. The risks in talent management are mitigated by following a policy of being an employer of choice and inculcating a sense of belonging. Specialised training courses are adopted to enhance and re-skill the employees to prepare them for future roles and create a talent pipeline.

Your Company currently operates in 59 locations in India and 3 overseas locations. Managing the risk of multi-cultural and diverse workforce is extremely critical to the sustained growth of your Company. Continuous dissemination of the Group Values and a strict adherence to the adopted Code of Conduct for the employees is reiterated through various forums.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has in place adequate internal control systems commensurate with the size of its operations. Internal control systems comprising of policies and procedures are designed to ensure sound management of your Company's operations, safekeeping of its assets, optimal utilisation of resources, reliability of its financial information and compliance. Clearly defined roles and responsibilities have been institutionalised. Systems and procedures are periodically reviewed to keep pace with the growing size and complexity of your Company's operations.

DIRECTOR'S RESPONSIBILITY STATEMENT

The audited accounts for the year under review are in conformity with the requirements of the Act and the Accounting Standards. The financial statements reflect fairly the form and substance of transactions carried out during the year under review and reasonably present your Company's financial condition and results of operations.

Your Directors confirm that:

i. in the preparation of the Annual Accounts, applicable accounting standards have been followed along with proper explanations relating to material departures, if any;

ii. the accounting policies selected have been applied consistently and judgments and estimates are made that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31st March 2019 and of the profit of your Company for the year ended on that date;

iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities;

iv. the Annual Accounts of your Company have been prepared on a going concern basis;

v. your Company had laid down internal financial controls and that such internal financial controls are adequate and were operating effectively;

vi. your Company has devised a proper system to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DIRECTORS

Re-appointment of Director

Mr. O. P. Puranmalka (DIN: 00062212) whose existing term of office is upto the conclusion of the ensuing AGM and who is eligible for re-appointment, has expressed his unwillingness to be so re-appointed at the ensuing AGM due to other personal commitments.

Meetings of the Board

The Board of Directors of your Company met 7 (seven) times during the year to deliberate on various matters. The meetings were held on 6th April, 2018, 25th April, 2018, 20th May, 2018, 18th July, 2018, 19th October, 2018, 19th November, 2018 and 24th January, 2019. Further details on the Board of Directors are provided in the Corporate Governance Report forming part of this Annual Report.

Independent Director's Statement

Definition of 'Independence' of Directors is derived from Regulation 16(1)(b) of the Listing Regulations and Section 149(6) of the Act and Rules framed thereunder. The Independent Directors on your Company's Board have submitted declarations of independence to the effect that they meet the criteria of independence as provided under Section 149(6) of the Act and Regulation 16(1) (b) of the Listing Regulations.

Formal Annual Evaluation

The evaluation framework for assessing the performance of Directors of your Company comprises of contributions at the meetings, strategic perspective or inputs regarding the growth and performance of your Company, among others.

The NRC Committee and the Board have laid down the manner in which formal annual evaluation of the performance of the Board, its Committees and individual Directors has to be made. It includes circulation of evaluation forms separately for evaluation of the Board and its Committees, Independent Directors / Non-Executive Directors / Executive Directors and the Chairman of your Company. The process of the annual performance evaluation broadly comprises:

Board and Committee Evaluation

Evaluation of Board as a whole and the Committees is done by the individual Directors, followed by submission of collation to the NRC Committee and feedback to the Board.

Independent / Non-Executive Directors Evaluation

Evaluation done by Board members excluding the Director being evaluated is submitted to the Chairman of your Company and individual feedback provided to each Director.

Chairman / Executive Director Evaluation

Evaluation as done by the individual Directors is submitted to the Chairman of the NRC Committee and subsequently to the Board.

The details of program for familiarisation of Independent Directors of your Company are available on your Company's website viz. *www.ultratechcement.com*.

Policy on Appointment and Remuneration of Directors and Key Managerial Personnel and Remuneration Policy

The NRC Committee has formulated the remuneration policy of your Company which is attached as **Annexure VII** to this report.

KEY MANAGERIAL PERSONNEL

In terms of the provisions of Section 203 of the Act, Mr. K. K. Maheshwari, Managing Director; Mr. K. C. Jhanwar, Whole-time Director (designated as Deputy Managing Director and Chief Manufacturing Officer); Mr. Atul Daga, Whole-time Director and Chief Financial Officer and Mr. S. K. Chatterjee, Company Secretary are the Key Managerial Personnel of your Company.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. S. B. Mathur, Mr. G. M. Dave, Mrs. Renuka Ramnath, Mrs. Alka Bharucha and Mr. K. K. Maheshwari. The Committee comprises of a majority of independent directors with Mr. Mathur being the Chairman. Mr. Atul Daga, Whole-time Director and CFO is the permanent invitee.

Further details relating to the Audit Committee are provided in the Corporate Governance Report, forming part of this Annual Report.

During the year under review, all recommendations made by the Audit Committee were accepted by the Board.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Company has in place a vigil mechanism for directors and employees to report instances and concerns about unethical behaviour, actual or suspected fraud or violation of your Company's Code of Conduct. Adequate safeguards are provided against victimisation of those who avail of the mechanism and direct access to the Chairman of the Audit Committee in exceptional cases is provided to them.

The vigil mechanism and whistle-blower policy is available on your Company's website viz. www.ultratechcement.com.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS

Your Company had filed appeals against the orders of the Competition Commission of India ("CCI") dated 31st August, 2016 and 19th January, 2017. Upon the NCLAT disallowing its appeal against the CCI order dated 31st August, 2016, the Hon'ble Supreme Court has, by its order dated 5th October, 2018, granted a stay against the NCLAT order. Consequently, your Company has deposited an amount equivalent to 10% of the penalty amount.

Your Company, backed by a legal opinion, believes that it has a good case in both the matters and accordingly no provision has been made in the accounts.

AUDITORS

Statutory Auditors

Pursuant to the provisions of Section 139 of the Act and the Companies (Audit and Auditors) Rules, 2014, M/s. BSR & Co. LLP, Chartered Accountants, Mumbai (Registration No: 101248W/W-100022) and M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai (Registration No: 105146W) had been appointed as Joint Statutory Auditors of your Company for a term of five years until the conclusion of the 20th and 21st AGM respectively. Their appointment was subject to ratification by the Members at every subsequent AGM held after their appointment.

Pursuant to the amendments made to Section 139 of the Act by the Companies (Amendment) Act, 2017 effective from 7th May, 2018, the requirement of seeking ratification of Members for the appointment of the Statutory Auditors has been withdrawn. Therefore, ratification by the Members is not being obtained at the ensuing AGM.

The Joint Statutory Auditors have however confirmed that they are not disqualified to continue as Auditors and are eligible to hold office as Auditors of your Company.

The observations made in the Auditor's Report are self-explanatory and therefore, do not call for any further comments under Section 134(3)(f) of the Act.

Cost Records and Cost Auditors

The cost accounts and records as required to be maintained under Section 148 (1) of Act are duly made and maintained by your Company. In terms of the provisions of Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014, the Board of Directors of your Company have on the recommendation of the Audit Committee appointed M/s. D. C. Dave & Co., Cost Accountants, Mumbai and M/s. N. D. Birla & Co., Cost Accountants, Ahmedabad, to conduct the cost audit of your Company for the financial year ending 31st March, 2020, at a remuneration as mentioned in the Notice convening the AGM.

As required under the Act, the remuneration payable to cost auditors has to be placed before the Members at a general meeting for ratification. Hence, a resolution for the same forms part of the Notice of the ensuing AGM.

Secretarial Auditors

In terms of the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed M/s. BNP & Associates, Company Secretaries, Mumbai as Secretarial Auditors for conducting Secretarial Audit of your Company for the financial year ended 31st March, 2019. The report of the Secretarial Auditor is attached as **Annexure VIII**. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Your Company is in compliance with the Secretarial Standards specified by the Institute of Company Secretaries of India.

EXTRACT OF ANNUAL RETURN

In terms of the provisions of Section 92 (3) of the Act read with the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return of your Company for the financial year ended 31st March, 2019 is given in **Annexure IX** to this report.

OTHER DISCLOSURES

– There were no material changes and commitments affecting the financial position of your Company between the end of the financial year and the date of this report.

- Your Company has not issued any shares with differential voting rights.
- There was no revision in the financial statements.
- There has been no change in the nature of business of your Company.
- Your Company has not issued any sweat equity shares.
- **Disclosures as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH Act"):** Your Company has adopted zero tolerance for sexual harassment at workplace and has formulated a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the POSH Act and the rules framed thereunder for prevention and redressal of complaints of sexual harassment at workplace. Your Company has complied with provisions relating to the constitution of Internal Committee under the POSH Act. During the year under review, your Company received five complaints of sexual harassment, all of which have been resolved. There was no complaint pending as on 31st March, 2019.

CAUTIONARY STATEMENT

Statements in the Directors Report and the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your Company's operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in your Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which your Company conducts business and other factors such as litigation and labour negotiations. Your Company is not obliged to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

ACKNOWLEDGEMENT

Your Directors express their deep sense of gratitude to the banks, financial institutions, stakeholders, business associates, Central and State Governments for their support and look forward to their continued assistance in future. We thank our employees for their contribution to your Company's performance. We applaud them for their superior levels of competence, dedication and commitment to your Company.

For and on behalf of the Board

Kumar Mangalam Birla
Chairman
(DIN: 00012813)

Mumbai, 24th April, 2019