Directors' Report and Management Discussion and Analysis

Dear Shareholders,

Your Directors present the 21st Annual Report together with the audited accounts of your Company for the year ended 31st March, 2021.

OVERVIEW AND THE STATE OF YOUR COMPANY'S AFFAIRS

The year 2020 saw mayhem around the world as COVID-19 threatened all that humanity had come to take for granted – mobility, safety and a normal life itself. This, in turn, posed the most formidable economic challenge to India and to the world. Bereft of a cure or a vaccine, the public health system in every country faced enormous pressure trying to tackle this all-pervasive crisis. The imperative of flattening the disease curve was entwined with the threat of an imminent recession and job losses, given the restrictions on economic activities enforced by the lockdown to contain the spread of the virus. In other words, all containment measures had to consider a trade-off between lives and livelihood.

Despite the severe economic contraction of ~3.3% in 2020, the International Monetary Fund now projects global growth at 6% in 2021, which would moderate to 4.4% in 2022. This is the result of the additional fiscal support provided by governments in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and the continued adaption of economic activity to restricted mobility. However, there is uncertainty around this outlook, and much will depend on the path of the pandemic, the effectiveness of policy support in shoring up the vaccine-powered normalisation, and how the financial conditions of countries eventually shape up.

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The Indian economy witnessed a contraction in H1FY21, followed by a subdued but positive growth in the second half. Higher capital expenditure of the government budgeted for FY22, expectation of a third consecutive normal monsoon and continued normalisation of economic activities following the progress of vaccination augur well for the Indian economy. However, recovery will not be easy, given that the scars of the pandemic run deep and there are uncertainties around the massive second wave of COVID-19 infections, which has registered a sharper spike than the first wave.

The Reserve Bank of India ("RBI") has taken several steps to maintain easy liquidity conditions and low interest rates, despite higher government borrowings. Such support is expected to continue until the growth recovery becomes more durable. The Government of India has announced measures such as Production-linked Incentive ("PLI") Scheme and monetisation of assets to fund infrastructure development. These, along with the improving cyclical impulses, are helping improve business confidence and may stoke a revival of project investment activity in due course.

The cement industry witnessed de-growth of 10-12% due to the COVID-19 pandemic. However, in H2FY21 the industry began to show signs of early recovery. Lockdown-led demand disruption was the highest in Q1FY21 on account of suspension of production, stalled construction activities and mass exodus of labour. The total lockdown period from late March to end-April 2020, was a huge challenge for all manufacturing industries. But with the central and state governments taking measured steps towards the opening up of the economy, some encouraging trends were seen from the latter part of May 2020, driven largely by a better-than-expected pick-up in cement consumption in the rural markets. Amidst the pandemic, cement consumption witnessed strong growth in the rural, semi-urban and retail markets. In rural India, better labour availability, increase in construction of rural infrastructure and low-cost housing drove cement demand. Demand is also getting influenced by the resumption of construction work related to institutional infrastructure projects such as road and metro rail networks.

Amidst the pandemic, cement consumption witnessed strong growth in the rural, semi-urban and retail markets. In rural India, better labour availability, increase in construction of rural infrastructure and low-cost housing drove the cement demand.

Cement demand is closely linked to the housing and infrastructure sector. The industry has been on a volume growth path, motivated by the government's 'Housing for All by 2022' mission and large infrastructure projects in the pipeline. Government spending on infrastructure projects and affordable housing schemes such as the Pradhan Mantri Awas Yojana ("PMAY") with enhanced budgetary allocations will be the primary drivers of growth for the cement industry. Going forward, prospects for the industry in FY22 look bright.

Your Company managed the crisis with a sharp focus on operational efficiencies. In the face of the pandemic, your Company's operations across locations were stopped in line with the government directives. It was in continuous engagement with all stakeholders through various digital platforms. Critical Response Teams were set up across the organisation to plan scenarios and respond to the rapidly changing situation. With the easing of the lockdown, operations gradually stabilised. Your Company recovered the carrying amount of all its inventories, receivables and loans in the ordinary course of business. It was able to service all its debt obligations as per schedule, with its capital and financial resources remaining entirely protected and its liquidity position adequately covered. As part of its commitment to society, your Company undertook various initiatives during the year to support the country in its fight against the pandemic.

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Your Company undertook various initiatives during the year to support the country in its fight against the pandemic.

Your Company has the unique advantage of being able to cater to demand in different parts of the country and its focus on conserving cash continues unabated. All this has resulted in your Company emerging stronger and well prepared in the wake of the ongoing pandemic.

Your Company is closely monitoring the impact of the second wave of the pandemic on its operations while giving primacy to the safety and well-being of its employees and business partners. It has also undertaken a vaccination programme for all its employees and their dependents. With its focus on operational efficiencies and cost control and its continuing concern for its employees and all other stakeholders, your Company is better prepared for any resulting slowdown in the economy.

BUSINESS PERFORMANCE

Production and capacity utilisation (grey cement):

Particulars	FY21	FY20	% change
Installed capacity in India (MTPA)	111.35	111.35	-
Production (MMT)	79.70	76.57	4
Capacity Utilisation	71%	69%	2

MTPA – Million Metric Tonnes Per Annum
MMT– Million Metric Tonnes

Cement production at 79.70 million tonnes in FY21 was higher by 4% as compared to the previous year. This is despite the lower cement consumption during Q1FY21 due to the outbreak of the pandemic across the country. Capacity utilisation was higher at 71% as compared to 69% last year.

Sales Volume:

(Figures in MMT)

Particulars	FY21	FY20	% change
Domestic Sales	80.18	76.40	5
Exports & Others	2.38	2.36	1
Total Sales Volume	**82.56**	**78.76**	**5**

Domestic sales volume registered a growth of 5%, after registering a 32% de-growth in Q1FY21. Cement consumption started improving from Q2FY21 on the back of consistent rural demand and pick-up in infrastructure activities during H2FY21.

FINANCIAL PERFORMANCE

(₹ in crores)

	Standalone		Consolidated	
	FY21	FY20	FY21	FY20
Net Turnover	**42,677**	**40,033**	**44,239**	**41,781**
Domestic	42,363	39,706	42,264	39,597
Exports	314	327	1,975	2,183
Other Income	1,300	1,343	1,221	1,300
Total Expenditure	**32,224**	**31,997**	**33,158**	**33,183**
Profit before Interest, Depreciation and Tax (PBIDT)	**11,754**	**9,379**	**12,302**	**9,898**
Depreciation	2,434	2,455	2,700	2,723
Profit before Interest and Tax (PBIT)	**9,319**	**6,924**	**9,602**	**7,176**
Interest	1,259	1,704	1,486	1,992
Profit before Impairment and Tax Expenses / share in profit of Associates	**8,060**	**5,220**	**8,116**	**5,184**
Rates and Taxes	(164)	-	(164)	-
Impairment on Advances Given	-	-	(97)	-
Share in Profit / (Loss) of Associates and Joint Venture (net of tax)	-	-	2	(1)
Profit before Tax Expenses	**7,896**	**5,220**	**7,858**	**5,183**
Normalised Tax Expenses	2,554	1,570	2,539	1,543
Reversal of Deferred Tax Liability	-	(1,805)	-	(2,112)
Profit after Tax	**5,342**	**5,456**	**5,319**	**5,751**
Profit Attributable to Non-controlling Interest	-	-	(1)	(4)
Profit Attributable to Owner of the Parent	-	-	5,320	5,755

Net Turnover

Your Company's Net Turnover at ₹ 42,677 crores is 7% higher than the previous year.

Other Income

Other income is marginally lower mainly on account of lower government grants compared to the previous year.

Operating Profit (PBIDT) and Margin

PBIDT for the year at ₹ 11,754 crores is 25% higher than the previous year. Operating margin improved on account of volume growth and better sales realisation.

Cost Highlights

(i) Energy Cost

Overall energy cost declined 3.5% from ₹ 985/t in the previous year to ₹ 950/t, mainly on account of saving in power consumption and increase in green power mix. Furthermore, your Company continuously works towards efficiency improvement. Key initiatives in this regard are:

- Commissioning of 7 MW Waste Heat Recovery System ("WHRS") capacity. Your Company will commission another 72 MW of WHRS capacity during FY22, taking the total WHRS capacity to 197 MW. There is plan to further increase this to 302 MW by FY24, which will cater to 26% of the total power requirement.
- Increase solar and wind power capacity from 125 MW to >350 MW by the end of FY22 and cater to ~7% of the total power requirement.
- Use low-cost fuel viz. industrial waste.
- Continuous improvement in thermal power plant efficiency by reducing auxiliary consumption power.

(ii) Input Material Cost

Raw material cost rose marginally from ₹ 493/t to ₹ 504/t due to an increase in additive and fly ash prices. Increase in diesel prices impacted inbound transportation, resulting in higher raw material cost.

Your Company is continuously working on improving share of blended and premium products in its product mix, leading to an improvement in overall profitability.

(iii) Freight and Forwarding Expenses

Logistics cost saw marginal increase from ₹ 1,144/t to ₹ 1,158/t, due to increase in diesel cost and lead distance on account of change in market mix. Synergies arising out of the integration of acquired assets aided in lowering the impact.

Employee Costs

Employee cost stood at ₹ 2,182 crores as compared to ₹ 2,336 crores in the previous year. This is a one-time gain on account of lower expenses towards retirement benefits and staff welfare expenses, during the year.

Depreciation

At ₹ 2,434 crores, depreciation for the year is lower by ₹ 21 crores over the previous year, mainly on account of few assets being fully depreciated.

Finance Cost

Reduction in finance cost from ₹ 1,704 crores to ₹ 1,259 crores was mainly on account of lower borrowings and interest rates during the financial year.

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Credit Rating

Your Company has adequate liquidity and a strong balance sheet. CRISIL and India Ratings and Research have reaffirmed their credit rating as CRISIL AAA / Stable and IND AAA / Stable for Long Term and CRISIL A1+ and IND A1+ for Short Term, respectively. This is an acknowledgement of your Company's ability to service its financial obligations in time and its sound financial management abilities.

Your Company has also obtained its credit rating for its foreign currency issuances from Fitch and Moody's and has been rated by them as BBB- and Baa3 respectively.

Income Tax

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

Net Profit

Normalised Profit after Tax increased by 46% from ₹ 3,650 crores to ₹ 5,342 crores.

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

Particulars	FY21	FY20	% Change
Debtors Turnover (Days)	18	19	8
Inventory Turnover (Days)	32	35	7
Interest Coverage Ratio	7.66	4.31	78
Current Ratio	0.81	1.01	20
Debt Equity Ratio (Gross)	0.40	0.48	16
Debt Equity Ratio (Net)	0.09	0.32	73
Operating Profit Margin (%)	26	22	4
Net Profit Margin (%)	12.5	9.1	3.4
Return on Net Worth (%)	13.1	10.2	2.9
Return on Capital Employed (ROCE) (%)	15	11.4	3.5
Earnings per Share (EPS)	185	127	46

Detailed explanation of ratios

(i) **Debtors Turnover** (Days) is used to quantify a company's effectiveness in collecting its receivables or money owed by customers. The ratio shows how well a company uses and manages the credit it extends to customers. The ratio is calculated by dividing average trade receivables by average per day turnover.

(ii) **Inventory Turnover** (Days) represents the average number of days a company holds its inventory before selling it. It is calculated by dividing average inventory by average per day turnover.

(iii) **Interest Coverage Ratio** measures how many times a company can cover its current interest payment with its available earnings. It is calculated by dividing PBIT by finance cost. Your Company's Interest Coverage Ratio improved by 78% over the previous year mainly on account of increase in PBIT and lower interest outgo.

(iv) **Current Ratio** is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It is calculated by dividing the current assets by current liabilities.

(v) **Debt Equity Ratio** is used to evaluate a company's financial leverage. It is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds. It is calculated by dividing a company's total liabilities by its shareholder's equity. Your Company's Debt Equity Ratio (Net) has improved by 45% mainly on account of reduction in Net Debt during the year.

(vi) **Operating Profit Margin (%)** is a profitability or performance ratio used to calculate the percentage of profit a company generates from its operations. It is calculated by dividing the PBIDT (excluding Other Income) by turnover. Your Company's Operating Profit Margin improved by 4% mainly on account of lower costs and higher realisations during the year.

(vii) **Net Profit Margin (%)** is equal to how much net income or profit is generated as a percentage of revenue. It is calculated by dividing the profit for the year by turnover. Your Company's Net Profit Margin improved by 3% mainly on account of lower costs, lower interest outgo and higher realisations during the year.

(viii) **Return on Net Worth ("RONW")** is a measure of profitability of a company expressed in percentage. It is calculated by dividing Net Profit from continuing operations for the year by average Net Worth during the year. The ratio for your Company improved by 2.8% mainly on account of increase in its profitability.

(ix) **Return on Capital Employed ("ROCE")** is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. It is calculated by dividing profit before interest, exceptional items and tax by average capital employed during the year. This ratio improved by 2.8% for your Company mainly on account of increase in its profitability.

(x) **Earnings Per Share ("EPS")** is the portion of a company's profit allocated to each share. It serves as an indicator of a company's profitability. It is calculated by dividing profit for the year by weighted average number of shares outstanding during the year. For your Company, the EPS improved on account of increase in Net Profit by 46% over that of the previous year.

Cash Flow Statement

(₹ in crores)

	FY21	FY20
SOURCES OF CASH		
Cash from Operations	9,569	7,826
Non-operating Cash Flow	172	259
Proceeds from Issue of Share Capital	7	3
Decrease in Working Capital	1,982	433
Total	**11,730**	**8,521**
USES OF CASH		
Net Capital Expenditure	1,726	1,577
Increase in Investments	7,433	2,633
Repayment of Borrowings (net)	891	2,468
Repayment of Lease Liability including Interest thereof	121	112
(Issue) / Sale of Treasury Shares (net)	(7)	3
Interest	1,213	1,631
Dividend	375	380
Total	**11,752**	**8,804**
Increase / (Decrease) in Cash & Cash Equivalents	**(21)**	**(283)**

Sources of Cash

Cash from Operations

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

Non-Operating Cash Flow

Cash from other activities was lower due to reduced interest income on bank deposits as a result of lower bank deposits.

Decrease in Working Capital

Working capital decreased on account of increase in trade payables mainly on account of better credit terms and payment through letter of credit.

Uses of Cash

Net Capital Expenditure

Your Company spent ₹ 1,726 crores on various capex during the year, primarily towards:

- WHRS at various locations
- Cuttack Grinding Unit
- Patliputra Grinding Unit
- Dankuni Grinding Unit
- Pali Integrated Unit
- Bicharpur Coal Block
- Other normal capex schemes for efficiency improvement and compliance with the changing regulatory framework
- Plant modernisation and maintenance

Increase in Investments

Your Company's higher operating cash flows, resulted in an increase in liquid investment during the year.

Repayment of Borrowing

In line with its endeavour to maintain optimal capital structure, your Company repaid high-cost, long-term debt amounting to ₹ 5,227 crores and also repaid short-term loans as per due dates.

The loan repayments have been done through free cash flows that your Company has generated over the last few quarters, despite the challenging circumstances and severe business interruptions during the first quarter of the current fiscal year. The aforesaid steps have resulted in improved Net Debt Equity ratio and Net Debt/EBITDA ratio.

Transfer to General Reserves

Your Company proposes to transfer an amount of ₹ 4,500 crores to the General Reserves.

DIVIDEND

Prudent working capital management and control on cash flows, resulted in your Company's strong performance, even during trying times. Aided by deft financial management, your Company was able to successfully reduce Consolidated Net Debt/EBITDA ratio to 0.55x from 1.72x as on 31st March, 2020.

With adequate cash flows and the confidence of sustaining its performance going forward, your Directors have recommended a dividend of ₹ 37 per equity share (as compared to ₹ 13 per equity share in the previous year) of ₹ 10 each for the year ended 31st March, 2021. Except for unforeseen circumstances or the need to retain cash for its operations, your Company will endeavour to maintain this trend in future years as well.

The recommended dividend is in line with your Company's dividend policy, which is given in **Annexure I** of this Report and is also available on your Company's website.

In terms of the provisions of the Finance Act, 2020, dividend shall be taxed in the hands of shareholders at applicable rates of tax and your Company shall withhold tax at source appropriately.

Unclaimed dividend for the year ended 31st March, 2013, aggregating to ₹ 1.30 crores has been transferred to the Investor Education and Protection Fund ("IEPF"). Your Company has also credited to the IEPF set up by the Government of India, equity shares in respect of which dividend had remained unpaid/unclaimed for a period of seven consecutive years within the timelines laid down by the Ministry

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of Corporate Affairs, Government of India. Unpaid/unclaimed dividend for seven years or more has also been transferred to the IEPF, pursuant to the requirements under the Companies Act, 2013 (the "Act").

DIRECTORS' RESPONSIBILITY STATEMENT

The audited accounts for the year under review are in conformity with the requirements of the Act and the Indian 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

- In the preparation of the Annual Accounts, applicable accounting standards have been followed along with proper explanations relating to material departures, if any.
- The accounting policies selected have been applied consistently, and judgments and estimates are made that are reasonable and prudent to give a true and fair view of the state of affairs of your Company as on 31st March, 2021, and of the profit of your Company for the year ended on that date.
- 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.
- The Annual Accounts of your Company have been prepared on a going concern basis.
- Your Company had laid down internal financial controls and that such internal financial controls are adequate and were operating effectively.
- Your Company has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

CAPITAL EXPENDITURE PLAN

The Board of Directors of your Company approved capex of ₹ 5,477 crores towards increasing capacity by 12.8 MTPA with a mix of brown field and green field expansion. The additional capacity will be created in the fast-growing markets of the east, central and north regions of the country. This expansion is in addition to your Company's 6.7 MTPA capacity expansion currently underway in Uttar Pradesh, Odisha, Bihar and West Bengal. The expansion programme are on track, except for some slowdown on account of the second wave of the pandemic.

Nonetheless, given your Company's history of setting up capacities in record time, commercial production from the new capacities is expected to go on stream in a phased manner by Q4FY23.

This capacity addition will not impact the ongoing deleveraging programme, which is on track to make your Company debt free by the time the expansion programme is completed.

Upon completion of the latest round of expansion, your Company's capacity will grow to 136.25 MTPA, reinforcing its position as the third largest cement company in the world, outside of China.

Your Company approved capex of ₹ 5,477 crores towards increasing capacity by 12.8 MTPA with a mix of brown field and green field expansion.

SUSTAINABILITY LINKED BONDS

Your Company successfully raised US$ 400 million, corresponding to approximately ₹ 2,900 crores by way of issuance of senior unsecured US$ denominated notes (in the form of Sustainability Linked Bonds), due on 16th February, 2031. The bonds bear coupon of 2.80% per annum, payable semi-annually on 16th August and 16th February each year, commencing 16th August, 2021 as per applicable laws. The bonds are listed on the Singapore Stock Exchange.

Your Company is the first company in India and the second in Asia to issue Sustainability Linked Bonds.

Subject to compliance with applicable laws and regulations and as permitted by the RBI under the External Commercial Borrowings Guidelines, your Company intends to use the proceeds from this offering to refinance existing rupee-denominated debt, ongoing capital expenditure requirements and general corporate purposes.

Your Company is the first company in India and the second in Asia to issue Sustainability Linked Bonds.

Apart from the above, your Company has also raised funds amounting to ₹ 1,000 crores by the issuance of Non-Convertible Debentures, which have been fully subscribed.

CORPORATE GOVERNANCE

Your Directors reaffirm their commitment to good corporate governance practices. During the year under review, your Company was compliant with the provisions relating to corporate governance. The compliance report is provided in the Corporate Governance section of the Annual Report. The Auditor's Certificate on compliance with the conditions of corporate governance forming part of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") is provided in **Annexure II** of this Report.

EMPLOYEE STOCK OPTION SCHEMES

ESOS-2013

During the year, 9,533 stock options vested in eligible employees. The Nomination, Remuneration and Compensation Committee ("the NRC Committee") allotted 28,293 equity shares of ₹ 10 each of your Company upon exercise of stock options and Restricted Stock Units ("RSUs") by the grantees.

ESOS-2018

During the year, the NRC Committee:

- Granted 2,152 stock options at an exercise price of ₹ 4,544.35 per stock option, exercisable into the same number of equity shares of ₹ 10 each, and 594 RSUs at an exercise price of ₹ 10 each on 21st October, 2020.
- Granted 2,040 stock options at an exercise price of ₹ 6,735.25 per stock option, exercisable into the same number of equity shares of ₹ 10 each, and 564 RSUs at an exercise price of ₹ 10 each on 27th March, 2021.
- Vested 40,352 stock options to eligible employees, subject to the provisions of ESOS – 2018, statutory provisions as may be applicable from time to time and the rules and procedures set out by your Company in this regard.

Your Company transferred 17,014 equity shares during the year upon receipt of applications from some option grantees for the transfer of equity shares of your Company in their account, from the Trust account, which also include 123 shares pending for transfer for the year ended 31st March, 2020.

In terms of the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the details of the stock options and RSUs granted under the aforementioned schemes are available on your Company's website https://www.ultratechcement.com/investors/financials.

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

SHARE CAPITAL

During the year, your Company allotted 28,293 equity shares of ₹ 10 each to option grantees upon exercise of stock options and RSUs in terms of ESOS-2013. As a result, the paid-up equity share capital of your Company stood at ₹ 2,88,65,33,980, comprising of 28,86,53,398 equity shares of ₹ 10 each.

Transfer of unclaimed dividend and shares: The details relating to unclaimed dividend and shares are given in the Corporate Governance section that forms part of this Report.

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Awards

Your Company's constant endeavour to optimise operational procedures and build greater efficiencies continues to win recognition and prestigious awards. Some of those conferred during the year are:

- **The Mother Teresa Corporate Citizenship Award by the Loyola Institute of Business Administration, Chennai.**
- **Apex India Foundation: Apex India Quality Excellence Award 2020 Platinum Award, Aditya Cement Works.**
- **Maharashtra Energy Development Agency: 1st Prize in Cement Sector (2019-20) for Energy Conservation, Awarpur Cement Works.**
- **Bureau of Energy Efficiency (National Energy Conservation Award – 2000): 1st Prize in Thermal Power Plant (Coal and Gas based <100 MW), Awarpur Cement Works.**
- **Confederation of Indian Industry ("CII"): Excellent Energy Efficient Unit, Dalla Cement Works.**
- **CII: 21st National Award for Excellence in Energy Management, 2020, Kotputli Cement Works.**
- **Apex India Foundation: Gold Award in Apex India Green Leaf & CSR Award Excellence Award 2020, Jhajjar Cement Works.**
- **World Safety Forum: Global Safety Summit CSR Award, Sidhi Cement Works.**
- **Golden Peacock Occupational Health & Safety Award for the year 2020, Birla White.**
- **Advertiser of the Year in Prime-Time Awards hosted by Exchange4Media to honour excellence in Television Advertising.**

RESEARCH AND DEVELOPMENT

Your Company's Research and Development ("R&D") efforts stand on the five pillars of – Customers, Sustainability, Innovation, Quality, and Profitability. These pillars have contributed to the upgradation and optimisation of processes and helped your Company unlock bottlenecks. These have also been instrumental in your Company's efforts towards preservation of mineral resources and use of alternative fuels and raw materials. Your Company has developed premium products that reduce limestone consumption, thus conserving fossil fuels and use of water in cement and concrete applications, while ensuring top-notch functionality.

Your Company's continuing endeavour to address current and future customer needs and provide unmatched scientific and technical support to its manufacturing units and customers have led to greater focus on the development of new products, processes, and technologies, while adopting sustainable means of operations to further reduce emissions.

The R&D unit was granted a patent this year for the invention of 'A Mineral-Based Composition for Use as a Binder in the Manufacture of Cement' as an alternative to the available supplementary cementitious material ("SCM").

Your Company has been granted a patent on safety sieve for its ability to control flow in raw material hopper. The safety sieve offers the following benefits - safety of labour; maintaining quality of raw material; ensuring smooth operations among others.

Your Company is also the first Company to conceptualise and implement a zero discharge Ready-Mix Concrete ("RMC") plant, the first of its kind RMC in the world.

The R&D unit was granted a patent this year for the invention of 'A Mineral-Based Composition for Use as a Binder in the Manufacture of Cement' as an alternative to the available supplementary cementitious material ("SCM").

To remain competitive and make desirable scientific and technical progress, all global developments in the field of cement, concrete, and construction materials are tracked in a continuing manner.

Your Company's R&D is accredited by the National Accreditation Board for Testing and Calibration Laboratories ("NABL"), making the organisation future-ready and enhancing its capabilities in

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pollution abatement and carbon capture, nanotechnology of cement and concrete, concrete durability, concrete rheology, 3D printable concrete, Geopolymer concrete, modelling cement and concrete hydration and chemical admixtures for cement and concrete, including process innovation for improving manufacturing efficiency. Your Company's R&D has also collaborated with the Aditya Birla Science and Technology Company Private Limited and the academia, and the organisation is represented by its R&D unit in the national and international scientific and technical forums.

SUSTAINABILITY

Sustainable growth is an integral part of your Company's business ethos and it continuously strives to enhance environmental conservation measures while ensuring that business growth and profitability are concomitant with its contribution to societal well-being. Your Company's sustainability initiatives include efforts to reduce carbon emissions, increase the use of alternative materials and fuels, increase green power capacity, adopt best practices to remain water positive, conservation of the ecosystem through the implementation of its Biodiversity Management Plan ("BMP"). Apart from strengthening the brand reputation, these measures have enabled your Company to push the industry towards greater sustainable practices.

A Board-level Risk and Sustainability Committee oversees your Company's Environmental, Social, Governance ("ESG") strategy, with the senior management closely involved in driving sustainability across the organisation. The structure ensures adherence, implementation, and monitoring of the sustainability initiatives. Moreover, performance assessment, including that of the senior management, is closely linked to ESG and sustainability outcomes.

Your Company has aligned its sustainability strategy to the UN Sustainable Development Goals ("SDGs"), which address critical issues such as climate change, poverty, gender equality, health and well-being, consumption and biodiversity.

As a founding member of the Global Cement and Concrete Association, your Company is committed to decarbonising its footprint and its aim to deliver carbon-neutral concrete by 2050 by working across the build environment value chain. It also aims to be 5x water positive by 2023, which means that it will replenish five times the amount of water it consumes. The total volume of water consumed has been replenished ~160% over four-years (from 27.4 million m^3 in FY17 to 72.3 million m^3 in FY21). For these efforts and others, your Company has scored 71% higher than the industry average on the Dow Jones Sustainability Index ("DJSI"). In FY20, it ranked among the top 10 companies on the DJSI Index under the 'Construction Material' category globally.

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Your Company has scored 71% higher than the industry average on the Dow Jones Sustainability Index.

In FY20, only the second year of its participation, your Company's score on the S&P's DJSI Index was 68, reflecting a 15% increase over the previous year. This has helped your Company in benchmarking itself against the world's best companies in sustainability performance, thereby establishing its sustainability commitment and helping it identify opportunities to further excel in its sustainability journey.

Your Company has consistently disclosed its climate performance to the Carbon Disclosure Project ("CDP") and has been rated 'B', the highest score in the Indian cement sector. This year your Company also disclosed its water performance to CDP. Your Company has committed to reducing its Scope 1 Greenhouse Gas ("GHG") emission intensity by 27% by 2032 from the base year of 2017. It is also focused on reducing Scope 2 GHG intensity by 69% within the same time frame.

Your Company has been consistently disclosing its climate performance to the Carbon Disclosure Project ("CDP") and has been rated 'B', the highest score in the Indian cement sector. This year your Company also disclosed its water performance to CDP.

Its carbon dioxide ("CO_2") emissions reduction targets, which were committed in July 2020, have been validated by the Science Based Targets Initiative ("SBTi"). Your Company has reduced 6% of Scope 1 CO_2 intensity from the base year of 2017 as against the target of 27% reduction by 2032. In energy efficiency, your Company has overachieved the target set by the Government of India for the first Perform, Achieve and Trade ("PAT") cycle.

Your Company continues to consider emissions at US$ 10 per tCO_2, which has enabled it to evaluate the impact of any project/capex on the environment and take decisions to drive down carbon emissions. It is also committed to doubling its energy productivity under the #EP100 program run by The Climate Group ("TCG") by 2035 against the base year of 2010.

Being a signatory to the Task Force on Climate-Related Financial Disclosures ("TCFD"'), your Company has undertaken a climate change risk and opportunities assessment study by TCFD recommendations. These findings have been integrated with the long-term business strategy, risk management and business planning.

For further details on your Company's Sustainability efforts, please refer to the Sustainability Report which is available at - https://www.ultratechcement.com/about-us/sustainability/sustainability-at-ultratech.

DIGITALISATION

Decarbonisation and Digitalisation are megatrends driving companies to take a relook at structural changes and fundamentally alter traditional business models.

Your Company leverages technology to provide superior value to internal and external stakeholders. Speed, scale, customer convenience and operational efficiency have been the focus areas of its digital transformation journey over the years.

During the year, your Company launched a slew of new initiatives as part of its continuous efforts to accelerate the digital transformation journey. Mobile solutions have been launched for the sales network, dealers and retailers. These facilitate booking and tracking of orders. Digital platforms, through which customers can transact using multiple modes of payments viz. credit/debit cards, UPI and avail convenient EMIs on credit cards, have been launched. It has provided access to up-to-date individual performance information for employees, eliminating efforts in manual and reporting tasks through a single source. The alignment of actions and effective real-time decisions enabled by data integrity is helping teams in achieving organisational goals and improve customer interaction and service at all levels.

The setting up of a single integrated platform, amalgamating data from multiple systems, lies at the heart of your Company's logistics transformation. With the ability to manage real time exceptions for its entire logistics operations, the integrated information hub has made your Company future ready and brought agility in decision making.

Developing a digital ecosystem for its service partners, i.e., transporters and drivers, and using digital solutions to improve their safety and efficiency have been a crucial element of your Company's digitalisation strategy. It is also leading from the front in applying digital solutions in its manufacturing activities to gain advantage and drive sustainability. It has done successful pilots leveraging digital and Artificial Intelligence ("AI") across the manufacturing value chain of cement plant, thermal power plant, safety, mines etc.

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The digital transformation has the potential to decouple emissions and resource use from economic growth while making operations sustainable, safer and more reliable.

As a part of your Company's continued focus towards making it future-ready, the Shared Services Centre viz. UltraTech Knowledge Service Centre ("UKSC") has been set-up at Pune to centralise the accounting processes, thereby enabling it to standardise and make the accounting processes agile.

During the year, your Company completed migrating all transactional accounting processes from the manufacturing and marketing office locations to UKSC. UKSC's main objectives will be to continue creating stronger financial discipline, uniform practices in finance and accounting processes and building up a digitally enabled 'Centre of Excellence' for the accounting processes.

UKSC is currently responsible for processing ~1.3 million invoices annually, amounting to a payment of ₹ 35,000 crores, managing GST compliance of ₹ 9,000 crores, maintaining 1 million customer / vendor master records and accounting closure for 55 manufacturing units and marketing zones every quarter.

The digital transformation projects undertaken in the last 12-18 months have resulted in immense benefits in the areas of operational efficiency / productivity, improved customer convenience and employee collaboration.

With the successful roll-out and seamless adoption of digital solutions by employees, customers, and service partners, the digital journey is expected to further accelerate in the coming months, yielding significant benefits to your Company and its stakeholders.

HUMAN RESOURCES

Amid the raging pandemic, it is your Company's human resource that has been the backbone for not only carrying on business through the period of disruption but also in ensuring the safety of the workforce and that of the community around your Company's locations. Given the situation, the organisation was in a state of readiness to operate remotely from home and all operations were carried out from stop to restart rapidly and safely. The use of the virtual medium was maximised through close online networking of teams and, connect with trade partners, customers and suppliers. Emphasis continued to be laid on the development of talent within and strengthening the core areas of expertise by enabling continuous learning, leveraging the digital platform. Formal digital platforms were launched to enable sharing of ideas and best practices across work levels which helped to drive continuous improvement and innovation.

Your Company's employee strength stood at 21,909 as on 31st March, 2021 (2020: 21,592).

SAFETY

Health and safety of all people working for your Company and on its behalf remained the most important focus area. We are guided by our safety belief: 'Life is precious, and we care for it'. Therefore, your Company ensured greater outreach despite limited mobility during the pandemic. It acted with agility to combat the spread of COVID-19 by:

- Preparing SOPs with timely amendment based on government guidelines and communicating across locations for their strict adherence.
- Ensuring online PTW (permit to work) to avoid requirement of touching paper.
- Facilitating 'Doctors on Call' service across all locations.
- Organising meetings and trainings in the virtual mode.

Your Company's manufacturing units are certified as per International Safety Standard (OHSAS 18001/ ISO 45001) and it maintains a thorough safety management system right from hazard identification and risk assessment, compliance with applicable legal requirements, effective implementation of risk control measures following hierarchy of control, to periodic checks through inspection and audit and appropriate corrective and preventive action. Consequently, it could achieve the lowest ever lost time injury frequency rate ("LTIFR") of 0.14 with reduction by 37% compared to FY20. Number of lost time injury

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incidents reduced by 39%, from 32 in FY20 to 20 this year. The organisational goal of 'zero harm' gained momentum with 80% of your Company's sites having no lost time injury.

Achieve the lowest ever lost time injury frequency rate ("LTIFR") of 0.14 with reduction by 37% compared to FY20. Number of lost time injury incidents reduced by 39%, from 32 in FY20 to 20 this year. The organisational goal of 'zero harm' gained momentum with 80% of your Company's sites having no lost time injury.

Initiatives for the improvement in safety performance and culture were centered around the following five major elements, viz. System and Processes; Capability Building; Behavioural Safety; Assurance and Logistics Safety.

Key highlights of these elements include:

- **Monthly campaigns on selected safety themes.**
- **Walkthrough inspections through structured section-wise checklists.**
- **Formulating effective barriers for critical risks through Bow Tie tool; HAZOP study for AFR operations.**
- **Incident investigation through tap-root software.**
- **Application of video analytics and data analytics to pinpoint improvement areas.**
- **Safety training through AI-based platform; safety behaviour observation.**
- **Virtual safety audit using head-mounted device connected through internet by trained inter-unit auditors.**
- **Structural stability assessment by trained experts.**
- **Romberg test facility created to test whether drivers are under influence of alcohol.**
- **Geo fencing done at critical terrain; monitoring of GPS data of logistics fleet; defensive driving training imparted to drivers.**

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 chaired by Mrs. Rajashree Birla. Other Members of the Committee are Mrs. Sukanya Kripalu, Independent Director; Mr. K. K. Maheshwari, Vice Chairman and Non-Executive Director. Dr. (Mrs.) Pragnya Ram, Group Executive President, CSR, Legacy, Documentation & Archives is a permanent invitee to the Committee. Your Company also has in place a CSR Policy which is available at - https://www.ultratechcement.com/investors/corporate-governance.

Your Company's CSR activities are focused on Social Empowerment and Welfare, Infrastructure Development, Sustainable Livelihood, Healthcare and Education. Various activities across these segments have been initiated during the year around its plant locations and the neighbouring villages. During the year, ₹ 120.68 crores was spent on CSR activities, which constitutes over 3.3% of the average net profits of the last three financial years.

A report on CSR activities is provided in **Annexure III** which forms part of this Report.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

The audited financial statements of your Company's subsidiaries and joint ventures viz. Dakshin Cements Limited ("Dakshin"), Harish Cement Limited, Gotan Lime Stone Khanij Udyog Private Limited, Bhagwati Lime Stone Company Private Limited, UltraTech Nathdwara Cement Limited ("UNCL"), UltraTech Cement Middle East Investments Limited ("UCMEIL"), UltraTech Cement Lanka (Private) Limited, PT UltraTech Mining Indonesia and PT UltraTech Investments Indonesia and their related information are available on your Company's website and also available for inspection. 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.

The name of Dakshin was struck off from the register of companies maintained by the Registrar of Companies, Hyderabad with effect from 9th April, 2021. This was on an application made by Dakshin in terms of the provisions of the Act. Consequently, Dakshin stood dissolved and ceased to be a subsidiary of your Company.

During the year, UNCL through its subsidiary, Krishna Holdings Pte. Ltd, ("Krishna"), a company incorporated in Singapore has completed the divestment of its entire equity shareholding of 92.5% in its cement subsidiary and has recorded net gain on divestment of ₹ 437.68 crores.

UNCL's subsidiary, Star Super Cement Industries LLC, UAE ("SSCI") was previously classified as 'held for sale'. During the year, it was decided to make it a part of the continuing operations considering the synergies available with the existing capacity. Consequently, UNCL has divested SSCI to UCMEIL.

In terms of the order of the National Company Law Appellate Tribunal ("NCLAT") dated 14th November, 2018, approving the Resolution Plan submitted by your Company under the Insolvency and Bankruptcy Code, 2016 for acquisition of Binani Cement Limited, subsequently renamed UNCL, a loan of US$ 230.4 million in 3B Binani Glassfibre SARL, ("3B") a company registered in Luxembourg, was assigned to UNCL from IDBI Bank Limited. Assignment of the loan was along with securities, which included pledge over all assets and shares of 3B in various forms in favour of UNCL. Since 3B was in continuous default in servicing the loan, UNCL enforced its pledge of 3B shares, consequent to which UNCL became owner of 100% equity of 3B w.e.f 12th March, 2021. 3B's Board has also been re-constituted. UNCL has taken this step to safeguard and expedite the recovery of its loan from 3B. Till the time UNCL is able to recover its loan, the investment in 3B will be treated as investment held for sale.

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 and associate companies is provided in **Annexure IV** to this Report.

Consequently, Dakshin stood dissolved and ceased to be a subsidiary of the Company.

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 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 given in **Annexure VI**. In accordance with the provisions of the aforementioned section, the names and other particulars of employees drawing remuneration in excess of the limits set out in the aforesaid rules form 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.

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 completely on an 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 at https://www.ultratechcement.com/investors/corporate-governance.

The details of contracts and arrangements with related parties of your Company for the financial year ended 31st March, 2021 is given in Note No. 39 to the standalone financial statements of your Company.

RISK MANAGEMENT

Risk is an integral and unavoidable component of business. Given the challenging and dynamic environment of your Company's operations, it is committed to proactively managing risk in accomplishing its ambitious goals. Though risks cannot be eliminated, an effective risk management program ensures that risks are reduced, avoided, mitigated or shared. To maintain oversight of your Company's risks, the Risk Management and Sustainability Committee ("RMS Committee") of your Company is mandated to review its Enterprise Risk Management Framework (including plan / process), analyse the risks more deeply and define risk mitigation actions, where necessary.

Through the Annual Risk Report processes, which are based upon the business environment, operational controls and compliance procedures, your Company aims to assess and prioritise risks, according to their significance and likelihood. The key risks identified by your Company include economic environment and market demand; inflation and cost of production; legal and compliance with local laws; financial and accounting; environment, climate and sustainability; information technology and talent management. Needless to mention, with the challenges presented by the COVID-19 outbreak, pandemic and epidemic-related business risks have also been identified by your Company.

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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 to determine their management.

Key Business Risks identified by your Company:

Economic Environment and Market Demand
The demand for construction material is fundamentally driven by the economic growth in the country. Economic slowdown and subdued infrastructural development might lead to a slowdown in construction projects, thus leading to a reduction in cement consumption in the country. The growth in construction activity in the country has been slow over the last few years, impacting the cement consumption. In a scenario where incremental capacity addition exceeds incremental cement demand, the government's push for infrastructure and housing will aid the growth in cement consumption and reduce the overcapacity gap.

The cement industry in India is an aggregation of small and large companies. In such an environment, the risk of protecting market share is optimal. With the expanding capacities of existing players and the emergence of new entrants, competition is a sustained risk. To mitigate this, continuous endeavours to enhance brand equity through innovative marketing activities, enhancement in the product portfolio and value-add services have been the thrust areas for your Company. The engineering expertise of your Company and its emphasis on quality also minimise its risk against market fluctuations considerably.

Inflation and Cost of Production
Your Company faces the risk of inflation and fluctuations in the market-driven cost of coal, pet coke, power, and other fuels. Since the cement industry is extremely energy intensive, changes in fuel prices can significantly impact production cost. To de-risk, your Company has established specific policies of long deliveries and it continuously optimises its fuel mix and energy efficiency, while exploring the use of alternative fuels. The procurement of raw materials at an economical cost or of suitable quality faces a high degree of inflationary certainty. Your Company mitigates this risk through the establishment of exhaustive policies for procurement of specific raw materials and stores and those amenable to just in time inventories. Limestone being the primary raw material required to produce 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 extension of existing reserves, a range of measures including strategic sourcing and changing input mix are adopted by your Company to mitigate the risk of unavailability of limestone.

Legal and Compliance
This comprises the risk if 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 programme, involving inclusive training and adherence to the Code of Conduct, is thus institutionalised by your Company.

As a step to mitigate the legal and compliance risk, your Company's management encourages its employees to place their 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 the effectiveness of such a programme.

Financial
This comprises the risk of exposure to interest rates, foreign exchange rates and commodity price fluctuations. The risk management strategy is to identify the risk exposure, measure and evaluate the financial impact, and decide on steps to mitigate the risks together with ensuring 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 constantly 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 as new guidance is provided by regulatory and governing bodies. Thus your Company maintains a high standard of corporate governance and public disclosure to de-risk itself from such dynamic regulatory changes.

Environment
This comprises risks associated with environmental pollution through the discharge of waste and GHG emissions, which may cause damage to the local ecology and environment. Various initiatives such as sewage treatment plants, recycling of industrial wastewater, bag-house, WHRS and extensive plantation and creation of green belts have been undertaken by your Company to de-risk and protect the environment. Apart from a targeted reduction of CO_2 emissions (Scope 1 by 27% and Scope 2 by 69% by 2032), your Company's risk mitigation strategy includes a change in product mix, energy efficiency, use of alternative fuels and raw materials, WHRS and the increased use of renewable energy. Your Company has also adopted measures such as rainwater harvesting and water recharge that help it overcome challenges related to water availability.

Climate and Sustainability
Sustainability-related climate change risks and opportunities are assessed in line with your Company's risk management policy and have been integrated in its multi-disciplinary Risk Management Framework. Classified as ESG risks, these relate to energy, emissions and water, among other issues. Sectoral review and relevant stakeholder interactions are conducted regularly to develop a list of climate-related risks specific to business and location. Identified risks are then mapped to your Company's risk matrix, which classifies the risk according to its impact and likelihood.

Prioritised climate risks are managed through Unit-level committees. Unit and Functional Heads are responsible for identifying risks, developing mitigation plans, updating and reviewing their respective risk registers as per the defined process. The consolidated risk report is submitted to the Board-level committee.

Scenario based analysis has been conducted for physical as well as transition risks. For physical risks, four scenarios have been considered that are linked to Representative Concentration Pathway ("RCP"), which is a GHG concentration trajectory adopted by the Intergovernmental Panel on Climate Change ("IPCC"). These include RCP 8.5, RCP 6, RCP 4.5 and RCP 2.6 scenarios. The pathways describe four possible climate futures on the basis of the volume of GHG emitted in the coming years. All four scenarios have been considered to assess the impact of temperature and precipitation changes in areas where your Company operates. Maximum possible impact has been considered based on projections up to the year 2100.

Your Company has conducted risk assessment exercise to identify climate-related physical and transition risks. Risks are assessed based on the defined time horizons over short term (0-3 years), medium term (3-10 years) and long term (10-30 years). The categorisation of risks into physical and transition risks has been done in alignment with TCFD guidelines.

In case of assessing the impact of transition risks on your Company, scenario analysis has been conducted in alignment with ETP B2DS and IPCC 1.5-degree scenarios. The potential impact of the evolution of climate policies has been considered under both scenarios to assess the resilience of your Company, as well as the potential pathways for decarbonisation so that it can comply with policy mechanisms such as emission trading schemes.

Product mix is an important variable in managing climate-related risks. Your Company's products are not only sustainable but also aim to embed sustainability in the entire construction value chain. As many as 73 UltraTech products are certified by GreenPro, the largest Ecolabel in India, which enables end users in the built environment sector to choose sustainable materials for reducing the environmental impact during construction, operation as well as use phase of buildings.

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Risk Matrix

Probability of occurence / Amount of damage

	Minor	Moderate	High
Probable			• Environment • Climate and sustainability • Information Technology • Economic Environment • Market Demand
Occasional		• Legal and Compliance • Inflation and Cost of Production	• Pandemic linked
Remote	• Talent Management	• Financial Risk	

Risk classes: High | Moderate | Minor

Your Company's approach is highlighted below:

- Enhancing resilience of the building sector: Extreme weather events due to climate change, such as floods, cyclones and heat waves, may impact the building sector considerably. To mitigate the impact of physical risks on the building sector and society at large, your Company is working with the built environment sector to make buildings more resilient to climate change effects.
- Your Company is committed to developing products and solutions that reduce carbon emissions throughout the lifecycle of the built environment sector. It offers building products and solutions that lead to optimisation of concrete mixing, improving overall quality and strength of construction, and thus alleviating the impact of physical risks.
- Your Company has introduced many new products that are designed to make buildings more resilient to dampness. This also leads to reduced wear and tear of buildings, increasing longevity, thereby reducing the use of input materials and natural resources during their entire lifetime.

Physical risks

Acute physical risks: Such risks can potentially impact sales volumes because of disruption of business operations due to interruption in supply chain, rise in logistics costs, power outage, infrastructure damages, manpower shortage, among other aspects.

Few sites of your Company have been exposed to extreme weather events during the last few years, such as floods and cyclones. In the last three years, sites located in Bhubaneswar, Chennai and Gujarat have been impacted due to extreme weather events. Some of your Company's sites are in geographies that are susceptible to periodic heat waves. However, your Company has implemented several measures to mitigate the impact of physical risks.

Given its pan-India presence, your Company's sites are highly diversified geographically. If a manufacturing plant faces business disruption or shutdown due to extreme weather events, alternative plants in other locations can serve the market need. Also, its wide logistics network, with warehouses across different parts of the country, enable flexibility in your Company's operations.

Annual weather forecasts are considered in supply chain decisions in order to mitigate the risk of delays in sourcing of fuels. Your company has developed strategic partnerships with geographically diverse global vendors for fuels. Regular monitoring of environmental, political and regulatory developments, coupled with flexible contracts mitigate risks of supply chain disruptions. Inventory norms for fuels are periodically reviewed considering probability and expected impact of likely supply chain disruptions due to above developments. Insurance coverage is in place to protect against damages to business assets or loss of material in warehouses due to extreme weather events.

Your Company has not witnessed any impact of heat waves on its facilities. Nevertheless, it ensures that its employees are protected during peak summer days. It is committed to the WASH Pledge, ensuring adequate availability of safe drinking water to workers. Warehouses are also secured with early morning and late evening operational hours. Disaster management plans, health and safety protocols and adequate communication protocols during extreme weather events ensure safety at sites and minimise the impact on the workforce.

The financial impact of physical risks is estimated to be less than 1% of EBITDA. Risk mitigation measures have largely insulated your Company from the impact of extreme weather events.

Chronic physical risks: Your Company's vast geographical presence makes it vulnerable to long-term chronic physical risks, such as variation in temperature, precipitation and water scarcity. Potential impact of variation in temperature and precipitation patterns has been assessed through scenario analysis across all four scenarios. Less than a quarter of your Company's cement plants are in sites with extremely high water-stress, combined with a projected long-term decrease in precipitation patterns.

Your Company has implemented several measures which protect the business from the identified chronic risks. Rainwater harvesting systems have also been installed across sites. Harvested rainwater is either used within the sites or recharged into the ground for raising groundwater levels. In addition, your Company's manufacturing sites are Zero Liquid Discharge ("ZLD") and they reuse 100% of treated water within the sites. As a result, nearly 41 out of 58 sites are water positive. The endeavour is to make all sites water positive, enabling your Company to be future-ready for mitigating risks of water stress.

Transitional risks

Emerging climate-related regulations and carbon pricing mechanisms may financially impact business in the long run. For example, Emission Trading Scheme ("ETS") and Carbon Tax have been adopted in several geographies around the world. India has committed to reducing its emission intensity by 33-35% by 2030 and is on track to achieve this target five years in advance (2025). National level commitments may, in the future, cascade down to various industry sectors through the introduction of new climate change policies. The estimated impact of a policy such as ETS on your Company is estimated to be less than 1% of EBITDA, considering commitments already made to decarbonise the business.

Your Company is prepared to mitigate emerging risks pertaining to climate change policy changes through its existing voluntary GHG reduction targets which are SBTi validated, sustainability-linked bonds, its commitment to the GCCA announced '2050 Climate Ambition' and so on.

Delay in adopting low-carbon technologies may lead to increased indirect operating costs. This could be through early retirement of existing assets. Your Company has strategically reduced its dependence on coal-based power generation and is focused on increasing the share of WHRS and renewable energy. Further, initiatives to utilise waste or by-products from other industries, and reducing clinker ratio are driving down emissions intensity. There are also efforts to track the technology and cost trends in emerging areas such as carbon capture, utilisation and storage ("CCUS"), and hydrogen and kiln electrification. Also, your Company is committed to aligning with the Paris Agreement Goals and is judiciously monitoring climate change performance at the Board-level, Unit-level and across all relevant functions.

Information Technology Risks

This comprises risks related to Information Technology ("IT") systems; data integrity and physical assets. Your Company deploys IT 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 backup 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 periodically, and users are educated on adherence to the policies to eliminate data leakages.

Talent Management

Your Company's growth has been driven by its 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

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are adopted to enhance and reskill the employees to prepare them for future roles and create a talent pipeline.

Pandemic-linked Disruptions in Global Markets

The COVID-19 outbreak has been declared a pandemic by the World Health Organization, and has caused a huge impact on people's lives, families and communities. The pandemic presents a serious threat, impacting organisations in numerous concurrent ways, and potentially limiting their options around recovery if other companies are also affected or challenged by logistical constraints. There are several associated risks viz. cyber and fraud risks, operations risks, supply chain risks, health and safety, among others. Your Company has assessed these risks as part of the risk identification and mitigation process and is considering the impact thereof while making business decisions.

Amid the COVID-19 crisis, your Company is updating and expanding its crisis management and business continuity plans with an emphasis on employees, customers, supply chain, contacts, other stakeholders and business assets. Your Company currently operates in 53 locations in India and five overseas locations. Managing the risk of a multicultural and diverse workforce is extremely critical to the sustained growth of your Company. Continuous dissemination of your Company's Values and strict adherence to the Code of Conduct for the employees are reiterated through various forums to contain this risk.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has put in place adequate internal control systems that are commensurate with the size of its operations. Internal control systems comprising 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, and systems and procedures are periodically reviewed to keep pace with the growing size and complexity of your Company's operations.

DIRECTORS

Retiring by rotation and continuing as Director

In accordance with the provisions of the Act and Articles of Association of your Company, Mr. Kumar Mangalam Birla (DIN: 00012813) retires by rotation, and being eligible, offers himself for re-appointment.

Resolution seeking his re-appointment along with a brief profile forms part of the Notice convening the AGM.

Appointment of Director

Based on the recommendation of the NRC Committee, the Board on 14th August, 2020 appointed Mr. Sunil Duggal (DIN:00041825) as an Additional Director (Independent).

Resolution seeking the appointment of Mr. Duggal as an Independent Director of your Company for a term of five years commencing 14th August, 2020 along with his brief profile forms part of the Notice convening the AGM.

Appointment of Whole-time Director

The existing term of Mr. Atul Daga (DIN: 06416619), Whole-time Director and Chief Financial Officer is upto 8th June, 2021. The Board at its meeting held on 7th May, 2021, based on the recommendation of the NRC Committee and considering the contributions made by Mr. Daga during his term of appointment, re-appointed Mr. Daga for a further period of three years from 9th June, 2021.

Resolutions seeking his re-appointment along with a brief profile forms part of the Notice convening the AGM.

Meetings of the Board

The Board of Directors of your Company met five times during the year to deliberate on various matters. The meetings were held on 20th May, 2020; 28th July, 2020; 21st October, 2020; 3rd December, 2020, and 23rd January, 2021. Additional details relating to the meetings of the Board of Directors are provided in the Report on Corporate Governance, which forms part of the Annual Report.

Your Company has the following six Board-level Committees, which have been established in compliance with the requirements of the business and relevant provisions of applicable laws and statutes:

- Audit Committee
- Nomination, Remuneration and Compensation Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee
- Risk Management and Sustainability Committee
- Finance Committee

The details with respect to the composition, terms of reference, number of meetings held, etc. of the above Committees are included in the Report on Corporate Governance, which forms part of the Annual Report.

Independent Directors

Your Company's Independent Directors have submitted requisite declarations confirming that they continue to meet the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. The Independent Directors have also confirmed that they have complied with Schedule IV of the Act and the Company's Code of Conduct. Your Company's Board is of the opinion that the Independent Directors possess requisite qualifications, experience, and expertise in industry knowledge; innovation; financial expertise; information technology; corporate governance; strategic expertise; marketing; legal and compliance; sustainability; risk management; human resource development and general management, and they hold highest standards of integrity. All Independent Directors of your Company have registered their name in the data bank maintained with the Indian Institute of Corporate Affairs, Manesar in terms of the provisions of the Companies (Appointment and Qualification of Directors) Rules, 2014.

Formal Annual Evaluation

The evaluation framework for assessing the performance of the Directors of your Company comprises contributions at meetings and strategic perspective or inputs regarding the growth and performance of your Company, among others. The NRC Committee and the Board have laid down the way 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 the Board as a whole and the Committees is done by individual Directors, which is collated for submission to the NRC Committee and feedback to the Board.

Independent / Non-Executive Directors Evaluation

Evaluation done by Board members, excluding the Director, is submitted to the Chairman of your Company and individual feedback is provided to each Director. The evaluation of the Chairman / Executive Director as done by the individual Directors is submitted to the Chairman of the NRC Committee and subsequently to the Board. The evaluation framework focused on various aspects of the Board and Committees such as review, timely information from management etc. Also, performance of individual Directors was divided into Executive, Non-Executive and Independent Directors and based on parameters such as contribution, attendance, decision-making, action-oriented, external knowledge etc.

A brief summary of the evaluation exercise is as follows:

The Board as a whole functions as a cohesive body. The Committees function well in their respective areas and the recommendations of the Committees have been accepted by the Board. The Directors bring to the table their knowledge and experience. Independent Directors are rated high in understanding your Company's business and expressing their views freely during deliberations. The Non-Executive Directors score well in all aspects. Executives Directors are action oriented and good in implementing Board decisions. The Chairman leads the Board effectively and encourages active participation and contribution by all Board members.

The details of the programme for familiarisation of Independent Directors of your Company are available at https://www.ultratechcement.com/about-us/leadership-team.

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

Your Company's Directors are appointed / re-appointed by the Board on the recommendations of the NRC Committee and approval of the shareholders.

In accordance with the Articles of Association of your Company, provisions of the Act and the Listing Regulations, all Directors, except the Executive Directors and Independent Directors, are liable to retire by rotation and, if eligible, offer themselves for re-appointment. The Executive Directors are appointed for a fixed tenure and are not liable to retire by rotation. The Independent Directors can serve a maximum of two terms of five years each and their appointment and tenure are governed by provisions of the Act and the Listing Regulations.

The NRC Committee has formulated the remuneration policy of your Company, which is provided in **Annexure VII** to this Report.

KEY MANAGERIAL PERSONNEL

In terms of the provisions of Section 203 of the Act, Mr. K. C. Jhanwar, Managing Director; Mr. Atul Daga, Whole-time Director and Chief Financial Officer and Mr. Sanjeeb Kumar Chatterjee, Company Secretary are the Key Managerial Personnel of your Company.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. S. B. Mathur, Mr. Arun Adhikari, Mrs. Alka Bharucha and Mr. K. K. Maheshwari. The Committee comprises majority of Independent Directors with Mr. Mathur being the Chairman. Mr. K. C. Jhanwar, Managing Director and Mr. Atul Daga, Whole-time Director and CFO, are permanent invitees. Further details relating to the Audit Committee are provided in the Report on Corporate Governance, which forms part of the Annual Report. During the year under review, all recommendations made by the Audit Committee were accepted by the Board.

Value Research

Directors' Report and Management Discussion and Analysis (Contd.)

VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Company has in place a vigil mechanism for the 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/whistle blower policy is available at https://www.ultratechcement.com/investors/corporate-governance.

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. The NCLAT disallowed the appeal against the CCI order filed by your Company. 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 of ₹ 144.95 crores equivalent to 10% of the penalty amount (including the acquired Cement Division of Century Textiles and Industries Limited). Your Company, backed by legal opinions, believes that it has a good case in the said matters and accordingly no provision has been made in the accounts.

AUDITORS

Statutory Auditors

In terms of 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) ("BSR") were re-appointed as Joint Statutory Auditors for a second term of five years from the conclusion of the 20th AGM held on 12th August, 2020 up to the conclusion of the 25th AGM to be held in 2025.

The first term of M/s. Khimji Kunverji & Co. LLP, Chartered Accountants, Mumbai (Registration No: 105146W/W-100621) ("KKC"), the other Joint Statutory Auditor is up to the conclusion of the 21st AGM. They are eligible for re-appointment for a second term of five years as provided under Section 139 of the Act read with the Companies (Audit and Auditors) Rules, 2014.

KKC has confirmed that they are eligible to be re-appointed in accordance with the provisions of the Act and Rules made thereunder. KKC, registered with the Institute of Chartered Accountants of India ("ICAI"), was established in 1936 and is led by 10 partners. The firm provides a range of services, including audit and assurance, taxation, advisory and accounting. The firm has significant experience in providing auditing, taxation and advisory services to leading banks and corporates in the manufacturing, services and financial services sectors. The signing partner heads the Assurance vertical of the firm. He also holds a Diploma in Information System Audit and IFRS Certification of ICAI. In the past, he was a member of various committees of ICAI related to auditing and accounting. Your Company's Board of Directors, upon the recommendation of the Audit Committee, proposes their re-appointment for a second term, subject to the approval of Members. Resolution seeking their re-appointment forms part of the Notice convening the AGM.

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 Auditors

The Cost Accounts and records as required to be maintained under Section 148 (1) of the 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, 2022, at a remuneration as mentioned in the Notice convening the AGM.

As required under the Act, the remuneration payable to the 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 convening the 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 had appointed M/s. Makarand M Joshi & Co. LLP, Company Secretaries as Secretarial Auditors for conducting Secretarial Audit of your Company for the financial year ended 31st March, 2021.

The report of the Secretarial Auditor is provided in **Annexure VIII**. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Compliance with Secretarial Standards

Your Company is compliant with the Secretarial Standards specified by the Institute of Company Secretaries of India. Your Company has complied with all applicable provisions of Secretarial Standard – 1 and Secretarial Standard – 2 relating to 'Meetings of the Board of Directors' and 'General Meetings' respectively, issued by the Institute of Company Secretaries of India.

ANNUAL RETURN

In terms of the provisions of Section 92 and Section 134 of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the Annual Return is available at - https://www.ultratechcement.com/investors/financials.

OTHER DISCLOSURES

- No material changes and commitments affected 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 the Internal Committee under the POSH Act. During the year under review, your Company received four complaints of sexual harassment, of which for two complaints, there were no evidence of harassment, one complaint has been resolved and one complaint is under investigation.

CAUTIONARY STATEMENT

Statements in the Directors' Report and the Management Discussion and Analysis describing your Company's objectives, projections, estimates, expectations or predictions and plans for navigating the COVID-19 impact on your Company's performance, its employees, customers and other stakeholders 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, risks related to an economic downturn or recession in India, the efforts of the government and other measures seeking to contain the spread of COVID-19 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 the 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,
7th May, 2021

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