ADITYA BIRLA

UltraTech

25th November, 2016

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.
Tel.: 22721233/4
Fax: 022 2272 2039
Scrip Code: 532538

The Manager
Listing Department
The National Stock Exchange of India Limited
"Exchange Plaza", Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.
Tel.: 26598236
Fax: 2659 8237 / 38.
Scrip Code: ULTRACEMCO

Dear Sirs,

Sub: Presentation for investors.

In terms of the provisions of Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached presentation setting out the Company's view on demonetization.

The same will be circulated to the investors/analyst and will be available on the Company's website.

This is for your information and records, please.

Yours very truly,

Atul Daga
Whole-time Director & CFO

Encl. a/a.

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INDIA'S LARGEST CEMENT COMPANY

Short Term Pain & Long Term Gain

Stock code: **BSE**: 532538 **NSE**: ULTRACEMCO **Reuters**: UTCL.NS **Bloomberg**: UTCEM IS / UTCEM LX

Demonetization in India

- Government of India announced the ban on usage of ₹ 500 and ₹ 1000 notes w.e.f. 9th November'16
  - Total currency in circulation : ₹ 16.42 lakh cr (US$ 240 billion)
  - 86% of total currency in ₹ 500 & ₹ 1000 bank notes: ₹ 14.18 lakh cr (US$ 210 billion)
- Economic Impact:
  - ~ 50% parallel economy in the country
    - Disruption in businesses
    - Erosion of wealth created with black money
  - Current Account Deficit : $ 22.1 billion for FY16
    - Will be reduced

Source: RBI Annual Report March'2016

Demonetization in India

Short-term

- **Areas of Impact:**
  - **Acute liquidity crunch**
  - **~87% of consumer payments have been in cash**
  - **Reduction in daily purchases and thus a decline in overall volumes**
  - **Negative price impact of perishables & services**
  - **Potential impact on Rabi crop**
  - **Currency fluctuation**
  - **Decline in GDP & De-growth**

Short term negative business sentiments

Demonetization in India

Long-term

- **Areas of Impact:**
  - **Fall in inflation**
  - **Reduction in interest rates**
  - **Increase in Public spending**
  - **Speedy implementation of Government projects**
  - **Strengthening of organized sector**
  - **Likely Fiscal Stimulus**

Growth fuel

Demonetization in India

Immediate effect

- 86% of current currency (₹ 500 & ₹ 1000 notes) rendered illiquid
- Severe working capital crunch in businesses
  - Banking system not geared up to meet the demand of cash distribution
  - Restricted cash withdrawals has sucked out liquidity from Trade
  - Distribution of new currency across the country has to be faster
- Segments most impacted due to cash settlements
  - Daily wage earners
  - Transporters
  - Households
  - Retail sales

Short term impact on overall economic activities

Cement Industry

Overall sales value chain

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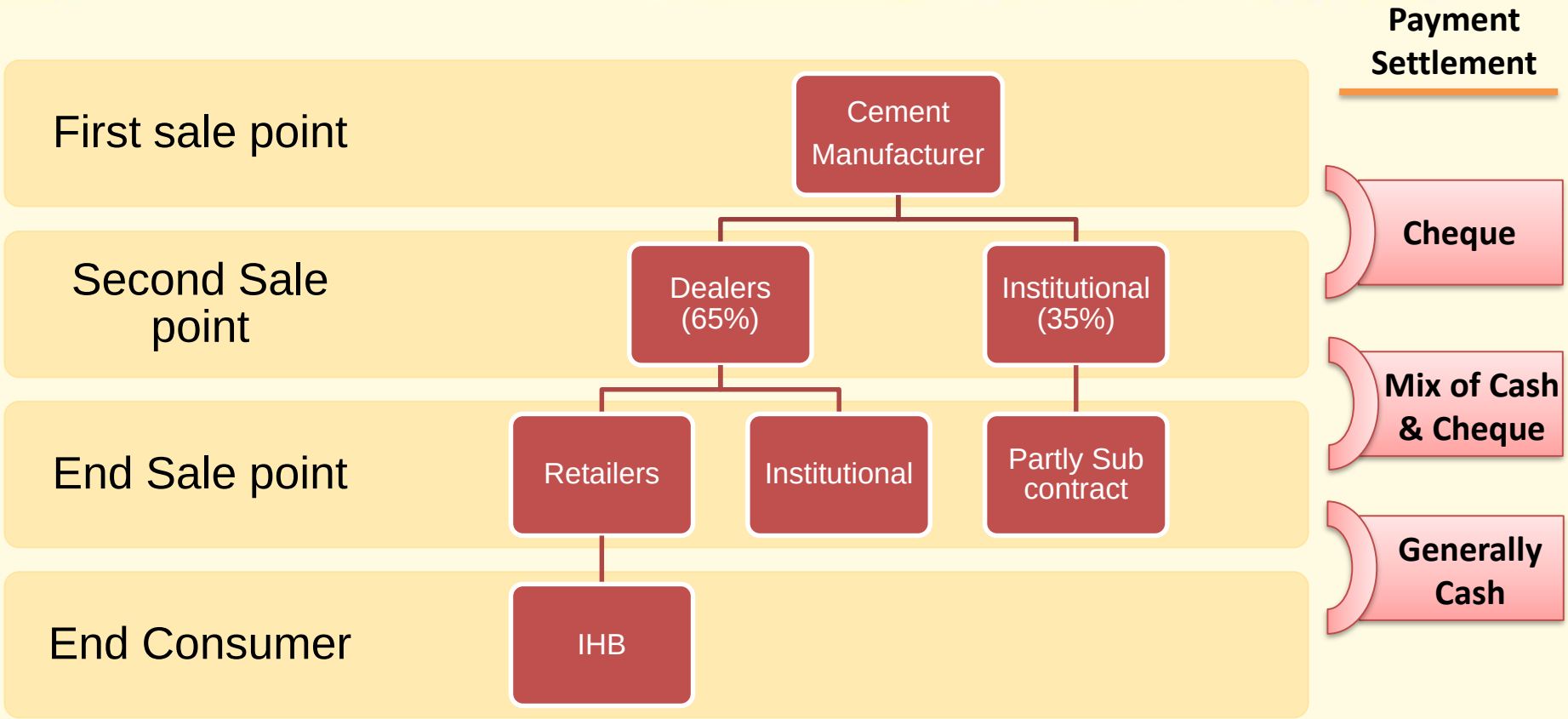

Source: Company estimates

Building Construction

Post-demonetization

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IHB → **Building Construction** ← Institutional

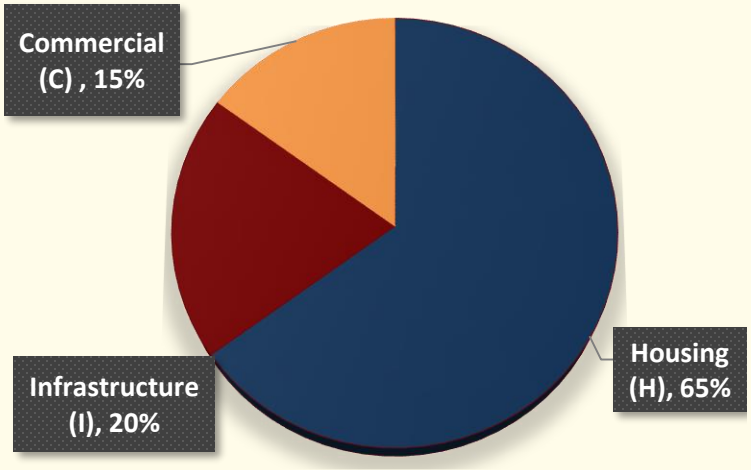
Key Materials

	Cement	Sand and Aggregates	Steel
Source	Cement Dealer / Manufacturer	Mining	Largely secondary sector
Demonetization impact	▪ Largely cheque transaction	▪ Cash transactions ▪ Impact on supply due to involvement of daily / weekly wage employment	▪ Uses scrap to make steel (cash transaction) ▪ Likely to see supply issue due to cash squeeze

- ❑ **IHB Segment was largely cash economy**
- ❑ **Corporate Developers will be less impacted**

Indian Cement Industry

Key Cement Drivers



Supply Channel

Segment	Supply Channel
"H"	▪ Rural: Dealers / Retailers ▪ Urban: Dealers / Retailers / Institutional
"I"	▪ Largely institutional
"C"	▪ Institutional / Dealers

Infrastructure and Rural Housing are key growth drivers for industry

Source: Company estimates

Indian Cement Industry

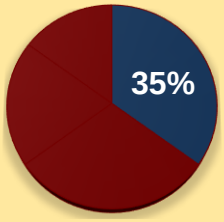
Demand drivers

Cement Demand Centres	Share in Demand	Pre-demonetization	Post demonetization
Rural Housing	**~35%**	↑	↑
Urban Housing:			
Tier 1 Cities	**~10%**	↔	↑
Tier 2 & other Cities	**~20%**	↔	↓
Infrastructure	**~20%**	↑	↑↑
Commercial	**~15%**	↔	↔

Demonetization – Boost for Government infrastructure work

Source: Company estimates

Cement demand Post-demonetization



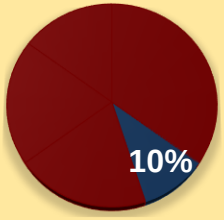
- **Rural Housing**
  - **Retail demand**
  - **Demand for small construction works (repairs, extension etc.)**
  - **Largely cash transaction**

Impact on Demand	Immediate	Long-term

- **Immediate impact on demand due to cash crunch**
- **Demand to normalize once new currency circulation improves**

Source: Company estimates

Cement demand Post-demonetization



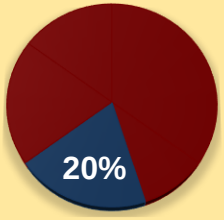
- **Urban Housing - Tier 1 cities**
  - **Key consumers - Institutional**
  - **Sales pattern – Large volumes**
  - **Transaction – largely cheque**

Impact on Demand	Short term	Long-term

- **Demand impacted due to squeeze on working Capital**
- **Demand from "A" category builders likely to remain intact**
- **Positive in the long run:**
  - **Fall in interest rates**
  - **Correction in real estate prices**
  - **Consolidation of the Industry (unorganized players will get aligned)**

Source: Company estimates

Cement demand Post-demonetization



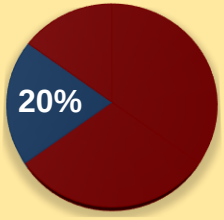
- **Urban Housing – Other Cities**
  - **Key consumers –Individual House Builders (IHB)**
  - **Largely cash transaction for procurement of building materials**
  - **Land purchase deals have a significant component of parallel economy**

Impact on Demand | **Short term to medium term** ↓ | **Long-term** ↔

- **Demand will be impacted due to cash squeeze in system**
- **Land acquisition likely to become difficult as large part of consideration settled in cash**
- **Demand recovery likely to be slowest in this segment**
- **Interest rate correction may support positive traction in this segment**

Source: Company estimates

Cement demand Post-demonetization



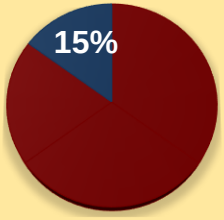
- **Infrastructure**
  - **Demand from large infrastructure companies**
  - **Large volume off-take (bulk as well as bagged)**
  - **Largely Government works viz. Roads, Metro Rails, Irrigation etc.**
  - **No direct impact**

Impact on Demand | **Short Term** ⟷ **Long-term** ↑

- **Short term: Likely no impact on demand, may face some working capital issues in case of sub-contractors**
- **In long-term demand to improve further as with the improvement in liquidity Government is likely to push infrastructure work**

Source: Company estimates

Cement demand Post-demonetization



- **Commercial**
  - **Demand in form of industrial capex**
  - **Large volume off-take**
  - **Largely cheque transaction**

Impact on Demand	Immediate	⟷	Long-term	↑

- **Short term: This segment has not been growing**
- **Long-term: demand may improve with fall in interest rates & increase in consumption**

Source: Company estimates

Way forward…

- Improvement in Government liquidity to support for more infrastructure spending
- Sharper Interest Rate cuts
- Expect a fiscal stimulus in the Union budgets
- Housing Demand:
  - Rural - short term disruption, likely to normalize once cash circulation improves in system
  - Government's thrust on low income housing program
  - Urban housing demand in Tier 1 cities - likely increase in pace of liquidation of surplus inventory due to reduction in interest rates and real estate prices
  - Urban housing demand in other cities – likely reduction in demand due to the old parallel economy

India Shining!

Disclaimer

Statements in this "Presentation" describing the Company's objectives, 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 the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.

UltraTech Cement Limited
Regd. Office: 2nd Floor, 'B' Wing, Ahura Centre, MIDC, Andheri (E), Mumbai – 400 093
[Corporate Identity Number L26940MH2000PLC128420]
91-22 66917800 www.ultratechcement.com or www.adityabirla.com
investorrelations.utcl@adityabirla.com