

**THE CHAIRMAN'S ADDRESS TO THE SHAREHOLDERS OF  
ADITYA BIRLA NUVO LIMITED AT THE 52<sup>ND</sup> ANNUAL GENERAL MEETING  
HELD ON 10<sup>TH</sup> JULY 2009 AT VERAVAL**

Dear Shareholders,

I am pleased to welcome all of you to the 52<sup>nd</sup> Annual General Meeting of your Company.

The financial year 2008-09 witnessed a slowdown across the economies around the World. This, coupled with the liquidity crisis, led to unprecedented volatility in the financial markets and the commodity prices.

Even under this challenging scenario, your company strengthened its position in most of its businesses on the wings of the strategic initiatives taken. Measured against the competition, almost all of your company's businesses performed relatively well.

Idea Cellular became the fastest growing major telecom company, driven by addition of five new service areas. Idea raised nearly Rs. 10,000 Crores through strategically timed deals; moving from being a highly leveraged Company to one with an almost debt free balance sheet.

Supported by expanded distribution network and the launch of innovative products, both Birla Sun Life Insurance and Birla Sun Life Asset Management have outperformed industry by a huge margin. Both these businesses improved their market share considerably, growing from less than 7% to more than 9%.

Your Company acquired a 76% stake in Apollo Sindhoori Capital Investments Limited – a Retail Broking company. It has also acquired remaining 50.01% shareholding in Birla Sun Life Distribution Company Limited. This is an important step in line with our vision “to become a leader and role model in the financial services sector by building a broad based and integrated business”.

The ‘Value’ businesses of our Company, combined together, have maintained their operating profits. This is commendable considering that the profitability of Carbon Black business was severely impaired by steep volatility in the crude oil prices. The Fertilisers business achieved its highest ever profitability. The Rayon, Insulators and Textiles businesses posted satisfactory performance despite high input and fuel costs prevailing during the major part of the year.

The BPO and the Garments businesses were, however, impacted by the global slowdown. Substantial restructuring and cost control measures are being pursued to curtail losses and bring back profitability in these businesses under a renewed leadership.

### **Financial Performance**

Your Company's consolidated revenues registered a 15% year-on-year growth. Telecom, Life Insurance, Carbon Black, Fertilisers and Garments businesses were the growth drivers. The 'Growth' businesses have contributed 72% to the consolidated revenues. The standalone net income from operations of your Company grew by 21%.

While the company grew its revenues, profitability was strained due to the gestating impact of the growth initiatives bunched together such as:

- launch of new service areas in the telecom business,
- launch of new stores in the branded garments business,
- start up costs in the new apparel retailing concepts People and Collective and
- higher interest cost on funds borrowed for capital infusion in the life insurance business and for the acquisition of Apollo Sindhoori.

The initial strain of nurturing new business premium in the life insurance business led to a higher loss from Rs. 445.3 Crores to Rs. 702.1 Crores. Carbon black business witnessed a dip in operating profit from Rs. 152.6 Crores to Rs. 49.7 Crores due to an unprecedented volatility in crude oil prices coupled with the slowdown in demand from tyre / auto sector. Besides, the impact of the global meltdown on the garments exports and the BPO businesses led to forex losses.

As a result, your Company reported a consolidated net loss of Rs. 430.5 Crores as against a net profit of Rs. 150.8 Crores attained in the previous year.

The standalone net profit de-grew from Rs. 243.1 Crores to Rs. 137.4 Crores, because of the lower profitability in the Carbon Black and the Branded Garments businesses besides higher interest costs on borrowings as mentioned earlier.

Your Company has initiated various measures for capital expenditure rationalisation, working capital management and cost control to meet the short term challenges arising out of slowdown.

### **Preferential warrants offer to promoters**

To meet your Company's existing as well as future investment and capital expenditure requirements, the shareholders of your Company have approved issue of 1.85 Crores warrants through preferential offer to Promoters or Promoter Group. Each warrant is convertible into one equity share of Rs. 10 each at a premium of Rs. 531.19 per share within a period of 18 months from the date of allotment in one or more tranches. Your Company has already received 25% application money aggregating to Rs. 250 Crores in June 2009 end.

The proposed equity infusion by the promoters will also strengthen the financial position of your Company by reducing the debt levels.

### **The Dividend**

The Board of Directors of your Company, in its meeting held on 28<sup>th</sup> April, 2009, has recommended a dividend of 40%, i.e., Rs. 4 per share. This will entail a total outgo of Rs. 42.4 Crores including dividend distribution tax. The Dividend will be paid to those shareholders whose names have been registered with the Company and/or Depository as on the record date i.e. 3<sup>rd</sup> July, 2009.

### **Strategy Going Forward**

Since the performance of each business is detailed in the Management Discussion and Analysis section of the annual report already with you, I will focus on the underlying business wise strategy.

- The **Telecom** business is targeting a Pan India presence by the end of calendar year 2009 which will drive economies of scale and operational synergies.
- The **Financial Services** businesses will continue to improve its market standing by building distribution reach, offering innovative products and services, creating a unique customer service experience and strengthening management teams.
- The **BPO** business will focus on achieving profitability by improving seats utilisation, off-shoring support functions to low cost locations and reducing overheads.
- The **IT Services** business is being integrated as a back end solution provider for the BPO business.

- The **Branded Garments** business will lay thrust on achieving cost efficiencies through rent re-negotiation, exit from unviable stores, manpower rationalisation and improving inventory turns.
- The emphasis of **contract exports** business is on rightsizing the business model and cost reduction to regain profitability.
- The **Fertilisers** business thrust will be on agri-products marketing for future growth.
- In the **Carbon Black** business, the emphasis is on improving profitability by managing CBFS procurement costs and Greenfield capacity expansion by 75,000 tones.
- The **Insulators** business will concentrate on manufacturing high rating insulators range and yield enhancement efforts.
- The **Rayon** business will improve yarn quality to derive premium in the exports market.
- The **Textiles** business will lay thrust on enlarging its presence in high margin retail segment under the 'Linen Club' brand besides increasing share of value added yarns.

**With the continuous pursuit of these strategic initiatives, your Company is well positioned to emerge stronger in the long run. It is dedicated to ensure that 'Growth' businesses achieve the 'path to profitability' faster. The investments made, specifically in the Financial Services, IT & ITeS and the Garments businesses, will go a long way to create value for shareholders.**

### **A Caring Corporate Citizen**

Last but not the least, I would like to very briefly speak about the role that your Company has been playing as a committed, responsible and caring corporate citizen.

### **Environmental Management**

Your Company is committed to sustainable development to meet the present needs, without risking the welfare of future generations in any way. Your company constantly

endeavors to develop new ways to preserve the environment and manage natural resources responsibly.

Your Company is engaged in various activities towards environmental conservation. These are detailed in the annual report.

### **Social Projects**

Your Company's social projects pertain to issues of deep relevance to human society. These include poverty alleviation, healthcare, education and infrastructure development. Your company's social projects are carried out with the support of the Aditya Birla Centre for Community Initiatives and Rural Development, headed by Mrs. Rajashree Birla.

The Board of Directors, management and employees of your Company do subscribe to the philosophy of compassionate care and upliftment of our rural societies.

The Annual Report details all these activities.

### **Employees**

At your Company, employees continue to be the key driving force of the organization and remain a strong source of our competitive edge. We believe in aligning business priorities with the aspirations of employees. This leads to the development of an empowered and responsive human capital. We strive to create a work environment which encourages innovation and creativity. Appropriate measures are continuously taken to ensure talent retention and employee engagement.

### **Acknowledgement**

I would like to take this opportunity to thank all the stakeholders of the Company for their continued trust and support.

### **Conclusion**

Having provided you with a snapshot of the key dimensions of your Company, may I now commend the first resolution relating to the adoption of the Accounts and Director's Report for your consideration and approval !