

**THE CHAIRMAN'S ADDRESS TO THE SHAREHOLDERS OF  
ADITYA BIRLA NUVO LIMITED AT THE 53<sup>rd</sup> ANNUAL GENERAL MEETING  
HELD ON 6<sup>th</sup> AUGUST , 2010 AT VERAVAL**

Dear Shareholders,

I am pleased to welcome all of you to the 53<sup>rd</sup> Annual General Meeting of your Company.

In the financial year 2009-2010, the Indian economy marched on the path of economic turnaround propelled by Government stimulus and robust domestic demand. It continued to enjoy one of the highest GDP growth rates in the World at 7.4%.

**Financial Performance**

Your company has also responded well to the upturn in the economy and posted excellent results. The consolidated revenue of your Company have crossed ₹ 15,500 Crore mark in 2009-10. Your Company has achieved its highest ever consolidated EBITDA at ₹ 1,686 Crore which has almost doubled from ₹ 867 Crore attained in the previous year. Your Company posted consolidated net profit of ₹ 155 Crore vis-a-vis net loss of ₹ 436 Crore in the preceding year.

The profitable growth continued during the first quarter of running financial year 2010-11, for which results were announced recently. Consolidated revenue grew year on year by 18%. Your Company achieved a consolidated net profit of ₹ 149 Crore vis-a-vis net loss of ₹ 35 Crore in the corresponding quarter of the previous year. Continuous pursuit of strategic objectives led to the profitable growth across the businesses.

In the **Financial Services** business, vision is to become a leader and role model with a broad based and integrated business. In line with this vision, your Company has created a significant presence for itself in the non-

banking financial services. Collectively in its seven business verticals, Aditya Birla Financial Services today has a nationwide customer reach through more than 1,600 branches and over 2 lacs channel partners. Anchored by more than 16,500 employees, Aditya Birla Financial Services is serving a large customer base of over 5.5 million customers. During 2009-10, Combined AUM grew by 42% to ₹ 82,140 Crore. Combined net revenue grew by 23% to ₹ 5,850 Crore. Net profit (excluding life insurance) more than doubled.

Expanding in-force book size is reflecting in bottom-line of the life insurance business. During the first quarter, Life Insurance business posted a net profit of ₹ 9 Crore against a loss of ₹ 111 Crore in the corresponding quarter of the previous year. The Embedded Value of Birla Sun Life Insurance at ₹ 3,816 Crore as on 31st March 2010, grew year on year by 25%. Embedded Value reflects the value of future profits embedded in the in-force policies written by the life insurance company. The Value of New Business margin, a measure used for gauging the profitability of new business stood at 22.5% for FY2009-10 vis-a-vis 20.3% in FY2008-09.

Asset Management business of your Company ranks 5<sup>th</sup> with 9.3% market share and a total average AUM at ₹ 66,000 Crore. Domestic equity net sales at ₹ 425 Crore placed it among the top three equity mobilisers while the industry witnessed net redemption to the tune of ₹ 1,425 Crore.

Aditya Birla Financial Services continues to lay thrust on building alternate assets. After garnering ₹ 881 Crore through its private equity arm, it has launched Real Estate Onshore fund through its asset management arm.

In the **Telecom** business, the thrust is on building sustainable competitiveness while maintaining growth momentum. In 2009-10, Idea Cellular Ltd. became Pan India Player and added one-third of its subscribers' base in one year itself. It ranks 3<sup>rd</sup> in terms of all India wireless revenue market share which stands enhanced from 11.7% to 12.6% during 2009-10. Amidst hyper competition, Idea registered a 22%

growth in revenue and its net profit grew from ₹ 882 Crore to ₹ 954 Crore. During the first quarter, cash profit was sustained year on year at ₹ 779 Crore despite competitive pressure and new launches. In the recently concluded 3G auctions, Idea won 3G spectrum in 11 service areas which contribute 80% of its existing 2G revenue. Idea ranks first or second in seven out of these eleven service areas. With the rising revenue market share, Idea is well positioned to emerge stronger amidst hyper competition.

The **IT-ITeS** business is augmenting its capabilities and building strong order book with a strong focus on the bottom-line. With the acquisition of Compass, an upcoming UK based F&A player and Bureau of Collection Recovery, a leading US based accounts receivables management company, Aditya Birla Minacs has strengthened its capabilities in the non-voice segment. In 2009-10, it built an order book of about USD 600 million (total contract value). Led by cost rationalization measures, the business posted a swing of about ₹ 100 Crore in the bottom-line during 2009-10. It has built an additional order book of USD 134 million (total contract value) during the first quarter. It posted net profit at ₹ 10 Crore vis-a-vis net loss of ₹ 8 Crore in first quarter of the last year.

The **Fashion & Lifestyle** business is capitalising on brand leadership and enhancing channel productivity to achieve profitable growth. Madura Garments achieved an improvement of more than ₹ 150 Crore in EBITDA in 2009-10 driven by cost optimisation and rightsizing measures. In order to achieve utmost synergy and efficiency of operations and management, your Company has restructured the business. During the first quarter, the business achieved 37% year on year growth in revenue driven by 30% like to like stores sales growth. Profitability also improved considerably.

In the **Manufacturing** businesses, focus is on capturing sector growth and realizing full potential. Combined together, they have posted their highest

ever EBITDA at ₹ 748 Crore, registering a year on year growth of 29%. During the first quarter, they achieved 23% growth in revenue and 37% growth in EBITDA. The operating margin at 18% and return on average capital employed at 25% has been encouraging. The Greenfield Carbon Black Project at Patalganga with a capacity of about 85,000 metric tons was completed in end May 2010, thereby taking the total capacity to about 315,000 metric tons per annum. Your Company is planning to further augment its capacity by 85,000 metric tons each at Patalganga in the second phase as well as in southern India.

Led by improved earnings and equity infusion by promoters, balance sheet has been strengthened. Standalone Net debt to EBITDA improved from 5.9 in March 2009 to 4.1 in March 2010 to 3.9 in June 2010. Standalone Net debt to Equity improved from 0.88 in March 2009 to 0.74 in March 2010 to 0.67 in June 2010.

### **The Dividend**

The Board of Directors of your Company, in its meeting held on 7<sup>th</sup> May, 2010, has recommended a dividend of 50%, i.e., ₹ 5 per equity share of ₹ 10 each for the financial year ended 31st March, 2010. The Board has also recommended a dividend of ₹ 6 per Preference Share of ₹ 100 each issued on 10<sup>th</sup> March, 2010 on pro-rata basis as the same were issued during the year.

This will entail a total outgo of ₹ 59.46 Crore 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. 30<sup>th</sup> July, 2010.

### **Strategy Going Forward**

Going forward, the outlook for Indian Economy remains positive. IMF has raised its GDP forecast for India to 9.4% and even RBI raised its forecast to 8.5% in recently announced monetary policy. The key drivers which

have been and will be driving the Indian economic growth are (a) Savings, (b) Consumption, (c) Infrastructure Development and (d) Exports.

Your Company, a 3.5 billion dollar conglomerate, is a large ecosystem which

- touches lives of more than 70 million Indians
- has a nationwide presence through more than 1 million touch points
- is anchored by over 50,000 employees
- is trusted by more than 1.5 lacs shareholders

Your Company's leadership position in the Financial Services, Telecom, IT-ITeS, Fashion & Lifestyle and Manufacturing businesses, makes it a large ecosystem which is well positioned to capitalise on the growth opportunities available across the wide spectrum of Indian economy and create value for all the stakeholders.

### **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 chapter 'Sustainable Development: Environment Responsibility' of 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 under the chapter 'Sustainable Development: Inclusive Growth' of the Annual Report.

### **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.