



“Our goal is to become a US \$65 billion Group by 2015 from US \$30 billion today. We expect your company to contribute significantly to this growth and earnings.”

KUMAR MANGALAM BIRLA

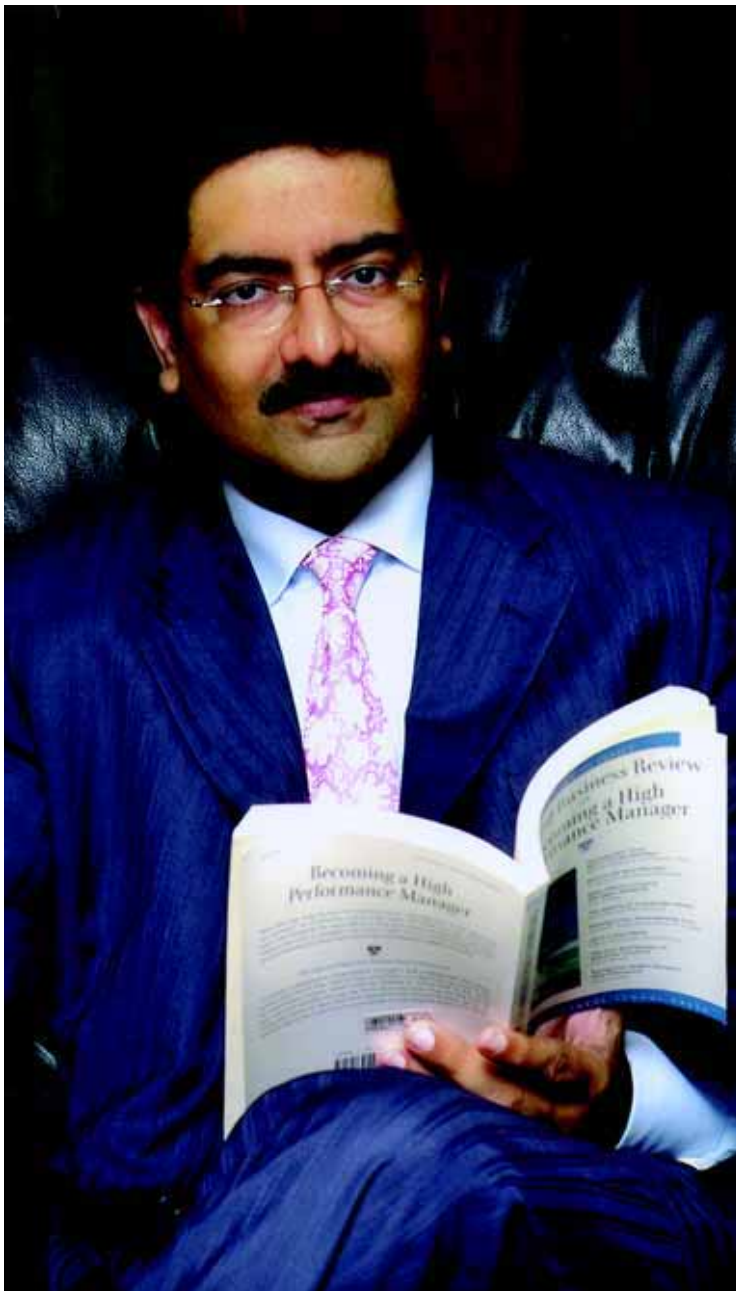


Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.

We live by their values.

Integrity, Commitment, Passion, Seamlessness and Speed

THE CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholder,

The global economy is gradually emerging from the throes of the meltdown of 2008. While growth rates have picked up, it will still be a while to get back to the pre-crisis path. However, the fundamentals of the global economy appear to be reasonably good. The IMF has forecasted a growth of 2.3% for the advanced countries and 6.3% for the emerging economies for 2010. Of all the countries, China's growth has been most impressive. Its economy has recorded a double-digit growth for several quarters. And it continues to surge.

India also is on a strong growth trajectory. Our economy is slated to grow in excess of 8%. Consumer spending is gaining momentum. Private investment is picking up steam globally and in India too, the trend is encouraging. These impact your Company's growth and performance.

For the financial Year 2009-10, your Company's performance has been robust. Consolidated net revenues at Rs.15,505 Crore, is up by 8% over that of the preceding year. Consolidated net profit at Rs.155 Crore vis-à-vis a loss of Rs.436 Crore in the previous year, is indeed very encouraging.

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STRATEGIC INITIATIVES TAKEN

A number of strategic initiatives have been taken by your management in the interests of its multiple stakeholders. As these have been detailed in the 'Management's Discussion and Analysis', I will give you a helicopter view.

In the **Financial Services** business, I must say we have made our mark. Most of its seven verticals namely life insurance, asset management, NBFC, private equity, broking, wealth management and distribution, and general insurance advisory have posted an impressive growth in revenues. Combined net profit, excluding life insurance, has more than doubled. Life Insurance business has also reduced its net loss considerably.

The financial services business has a significant customer base and distribution reach, with about 5.5 million customers, over 1,550 branches and more than 200,000 channel partners. The sector offers enormous growth potential.

I believe, **Aditya Birla Financial Services** is all set to becoming a leader and role model in the financial services sector with a broad based and integrated business.

In the **Telecom** business, **Idea Cellular** has clocked a growth of 22% on a year-on-year basis. This makes Idea the fastest growing major telecom operator in India for three consecutive years. Idea's revenues market share has risen, and it has a customer base of 67 million. More tellingly, in a market characterised by over capacity and hyper competition, Idea, in fact, has stepped up its net profit.

In the recently concluded 3G auction, Idea has won 3G spectrum in 11 service areas. These service areas cover about 80% of its existing revenues, the highest among the major telecom operators.

Idea's service area specific strategy, its improving capacity utilisation, its sophisticated management processes supported by a power brand, underscore Idea's ability to ride out the rough times.

In the **IT-ITeS** business, **Aditya Birla Minacs** braved the downturn, although it faced de-growth in the top-line as few of its global clients suffered

For the financial Year 2009-10, your Company's performance has been robust. Consolidated net revenues at Rs. 15,505 Crore, is up by 8% over that of the preceding year. Consolidated net profit at Rs. 155 Crore vis-à-vis a loss of Rs. 436 Crore in the previous year, is indeed very encouraging.

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the meltdown. Regardless, it remained cash profit positive round the year, driven by consolidation of sites. With a bench strength in excess of 14,500 employees, Minacs is gaining momentum. It has already garnered a strong order book of about USD 600 million.

To strengthen its capabilities, we have made two acquisitions in this domain. The acquisition of Compass BPO, a leading pure-play, end-to-end finance and accounting provider strengthens Minacs' F&A vertical.

Close on its heels, we acquired the US based Bureau of Collection Recovery. A leading accounts receivables management company catering to the credit industry, it will invigorate Minacs' core customer lifecycle services.

These acquisitions will further fuel Minacs' growth by enhancing its capability of delivering end-to-end solutions to its clients.

Moving on to the **Fashion & Lifestyle** business, what is striking is that the business has undergone a major transformation. The business has become EBITDA positive. The restructuring of the garments business and its consolidation will pave the way for higher growth in revenues and earnings as we go forward.

At the macro level, I am happy to inform you that the Group's **Carbon Black** business, which is the 4th largest in the world, has reached significant milestones. The recent commissioning of the Greenfield capacity of your Company at Patalganga in India and Brownfield capacity of Thai Carbon Black in Thailand, takes the Group's business closer to its vision of becoming a 1 million tonnes business by 2012. With these new manufacturing facilities on stream, the Group's capacity has reached to about 900,000 tonnes.

Your Company has plans to augment its carbon black capacity by additional 85,000 tonnes each at Patalganga as well as in the Southern India in the next phase of expansion. Your Company's Carbon Black business is slated for higher growth.

Your Company's team is working closely with the Aditya Birla Science & Technology Centre for the development of innovative products, with the objective of meeting the changing expectations of end customers.

The **Agri-business** achieved its highest ever urea sales volumes at about 1.1 million tonnes. However, revenues have been lower, with subsidies coming off peak levels in line with the raw material prices reached the year before. EBITDA was lower to the extent of higher subsidy arrears and IPP gain accrued during the previous year. Going forward the accent is on customised fertilisers. Hence the business is evaluating the feasibility of setting up a plant that will specialise in

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Today, we are a multicultural, multinational, multidimensional Group anchored by over 130,000 employees, belonging to 30 nationalities, across 6 continents. Our Group turnover is a little over USD 29 billion. Our leadership across several levels is fleet of foot, flexible enough to adapt to the ever changing environment, and ambitious enough to dream audaciously.

manufacturing customised fertilisers. In my view, the fertilisers sector has great growth prospects.

In the **Rayon** business, your Company is the second largest manufacturer of VFY in India. The business has posted its highest ever profitability. To take the business to a far higher level, we are looking at acquiring best in class technology for premium yarn, catering to a niche segment. My sense is that this sector will witness a rather modest rate of growth.

Your Company, as you may be aware, is among the top 4 global leaders in the **Insulators** business. The business has achieved its highest ever sales volumes led by capacity expansion and improved yield. Its product range has been enhanced to cater to the 765 KV and 1,200 KV

lines. The team is also developing a product portfolio for the high voltage direct current application. In India, the augmentation of the power sector, as we know, is integral to the GDP growth, which augurs well for the Insulators business.

To our teams

I very warmly want to thank all of our colleagues in Aditya Birla Nuvo for their immense contribution to your Company's praiseworthy performance. I look forward to their continued commitment to your Company's reaching greater heights and enhancing shareholder value.

The Aditya Birla Group in perspective

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To attain this bold and ambitious vision, we have launched a series of people centered strategies. I believe, the best of goals can only fruition if we have the best of people and harness people potential, irrespective of positions.

A WORLD OF OPPORTUNITIES

As the Group continues to expand globally, exploring and seizing opportunities, we have accelerated the pace of offerings to our intellectual capital. Our endeavour is to provide them with unparalleled opportunities, dynamic challenges, a rewarding professional career and a sense of fulfillment on the personal front. This is a priority area. To take this forward, we launched our employee value proposition. Simply put, it is **"a world of opportunities"**. It entails the reinforcement of a four pronged approach.

Firstly, offering exciting career prospects that give employees a leeway to chart their own growth trajectory.

Secondly, intensifying learning processes that hone existing skills. Transcending it, we have taken the learning to a higher stage where talented employees are able to convert knowledge into action through exposure to the best global minds. For example, this year at **Gyanodaya**, our benchmarkable Institute of Management Learning, more than 500 colleagues at senior levels participated in specially designed, intellectually stimulating, innovative focused programmes. These related to globalisation, leadership, innovation and getting far beyond the mind of the customer. These were conducted in collaboration with the best in class faculty from International Business Schools and consulting organisations. Among these feature, The Ross School of Business, The Duke University, UCLA (all from USA), ISB (Hyderabad), The Hay Group and Mercer Consulting.

I believe, our Employee Value Proposition also helps to create an enabling environment that sets people up for success, enthuses in them the drive to excel, achieve and push back the frontiers of excellence.

It might interest you to learn that this year as well over a 1,000 executives enlisted for different learning sessions. Gyanodaya's virtual campuses reached out to more than 13,500 learners through its e-learning courses and webinars.

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Thirdly, as part of our concerted efforts towards a sharp organisational focus and alignment in the talent management processes, across the businesses, we put in place critical differentiators. Besides linking rewards to performance, special performance incentives, international assignments, and Group-wide recognition programmes have been set in motion.

Fourthly, promoting enriched living by encouraging talent to look beyond just professional enhancement and to work toward building a wholesome, balanced life.

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GREAT PLACE FOR LEADERS

Finally, I am delighted to share with you that in a comprehensive global study of organisational leadership across the world, conducted by The Hewitt Associates, in partnership with The RBL Group and Fortune Magazine (2009) on "Top Companies for Leaders to engage in", our Group, was adjudged "The 6th great place for leaders in the Asia pacific Region". That of 177 companies who participated in this study, we should have been chosen is indeed a great achievement. Their critical assessment criteria included strength and depth of leadership practices, culture, examples of developing world class leaders, business performance and company reputation. On all counts, we are on course.

Yours sincerely,



Kumar Mangalam Birla



A landscape lit by millions of smiles

A business is known not by its balance sheet alone, but also by the smiles it brings to the lives it touches – be it the lives of customers, investors, employees or business associates. It is a world of people. It keeps growing, as the business keeps growing.

Aditya Birla Nuvo has many such businesses. And all are in the common business of making people happy. At all touchpoints. Providing them with superior quality, greater value and uncompromising satisfaction.

At Aditya Birla Nuvo, it has always been a continuous endeavour to reach out to people and make a difference to their lives. Helping them look up to a better today, and tomorrow. Lighting up the entire landscape. With smile, after smile, after smile...

Aditya Birla Nuvo. Touching lives of more than 70 million Indians. Anchored by more than 50,000 employees. Nationwide presence through 1 million touchpoints / channel partners. Trusted by more than 1.5 lacs shareholders.



Financial Services



Secured future is smiling

A father is happy to have secured the future of his daughter by taking a dependable protection cover from Birla Sun Life Insurance besides trusting Birla Sun Life Asset Management for creating wealth from his hard-earned savings.

Aditya Birla Financial Services, a business that is a part of Aditya Birla Nuvo, has a significant presence across various verticals, including life insurance, asset management, private equity, non-banking financial services, broking, wealth management and general insurance advisory. It is among top five private life insurers and top five asset management companies in India besides being one of the leading players in other verticals.