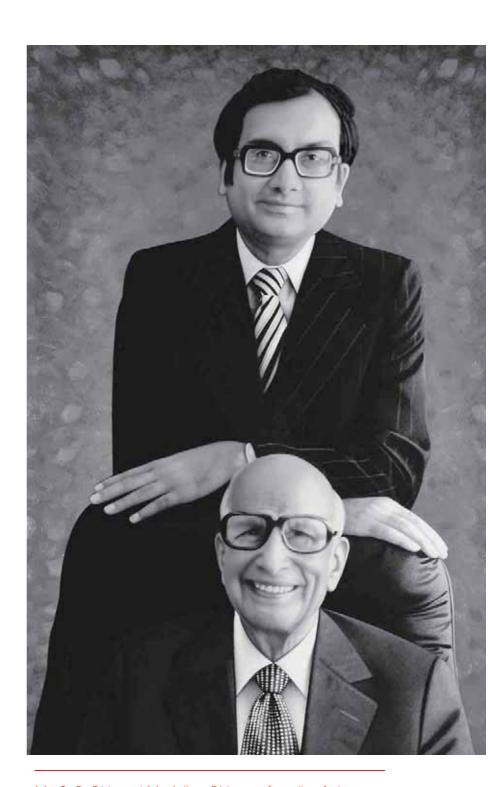
ANNUAL REPORT 2010 - 2011



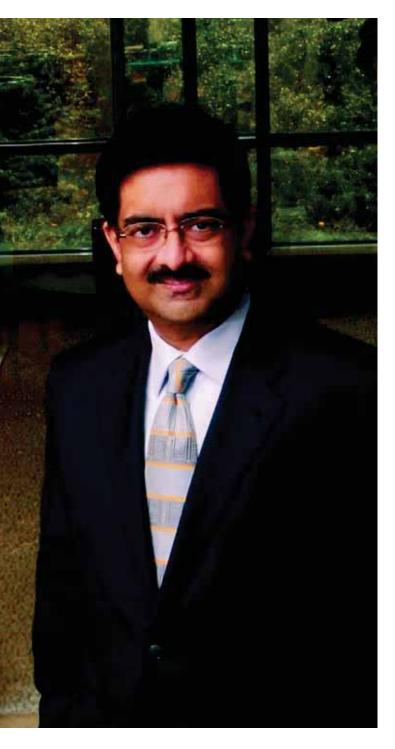
Leadership through Consolidation



ADITYA BIRLA NUVO LIMITED



Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers. We live by their values. Integrity, Commitment, Passion, Seamlessness and Speed.



Dear Shareholder,

The global economy has withstood the recession though its recovery has been rather sluggish. World growth decelerated to nearly 3.8% during the second half of 2010 from 5.3% during the first half. The IMF forecasts a 4.3% global growth in 2011. The US economy grew at 3% last year. Growth in the Euro zone was muted at around 2%. In sharp contrast emerging economies have grown briskly - in excess of 7%. China and India are the clear standouts, peaking at over 10% and 9% growth respectively.

With the global economic growth slowing, growth levels in India are likely to be impacted. Nevertheless, as we know, the fundamentals of the Indian economy remain strong. Over the past few years India's track record has been impressive. The country recorded almost twice the global growth rate. Whilst the country does face roadblocks in the short term, the medium to long term growth prospects for India are bright. These have a bearing on your Company's growth and performance. Your Company's inherent strength is in the diversified nature of its businesses. which mirrors the economy of India.

Your Company has truly excelled. Its consolidated revenue at US \$ 4 billion (₹ 18,168 Crores), EBITDA at US \$ 600 million (₹ 2.702 Crores) and Net Profit at US \$ 183 million (₹822 Crores) have all been the highest ever. Your Company's performance is the culmination of a tremendous focus on profitable growth across businesses.

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I must say that this year has been all about leadership through consolidation, employee engagement, performance management and customer focus.

Leadership through consolidation

It is gratifying to see that at our Financial Services **business**, the pace of growth across all verticals, has been sustained. The team is managing assets of US \$ 20.5 billion with a customer base of about 5.5 million. We are one of the two non-bank players in India ranking among the top-7 Life Insurance as well as Asset Management companies.

Financial Services attained a number of milestones. Specifically these include - maiden profits in the Life Insurance business, scaling up of the NBFC business, consistent growth in its Asset Management arm and widening of its geographical footprint with the setting up of its overseas offices. It posted a revenue of US \$ 1.4 billion.

I believe, that the Indian financial services sector offers enormous growth potential. Our Financial Services arm will capitalize on it, through scaling its efforts for better distribution, greater capital efficiency and enhanced profitability.

The **Telecom sector** is characterized by over capacity, hyper competition and severe price cutting. Regardless, Idea is growing from strength to strength. It is one of the few companies in the world that is able to provide superior quality telecom services at the lowest price point. It is able to post stable cash profits, driven by cost efficiencies. With total minutes of usage of more than 1 billion per day, Idea is amongst the top-10 cellular operators in the world. With revenues of around US\$ 3.5 billion, Idea ranks 3rd in terms of wireless revenue market share at 13.6%. We have a large base of 95 million subscribers. Idea continues to be among the biggest net gainers in India post the launch of the mobile number portability reflecting its brand power. Idea also has the highest active subscribers' ratio in the industry. Currently, Idea offers 3G services in 19 out of total 22 services areas.

I believe, consolidation in the telecom sector, sooner than later, is bound to happen. This will inevitably end the current over capacity phase. Idea is indeed poised to benefit from the long term sector opportunities.

Focusing on Madura Fashion & Lifestyle, I must say that their success story is fascinating. The business' revenue grew by 45% to cross US \$ 400 million. It has outpaced market growth by an impressive margin. What is heartening is that it has achieved a swing of about ₹150 crores in profitability. Madura Fashion & Lifestyle sells one branded apparel every two seconds at its over 2,000 exclusive brand boutiques, multi brand outlets and departmental stores. In the **Textiles business**, the linen segment is gaining momentum. The business achieved its highest ever revenue and EBITDA.

Let me now briefly dwell on IT-ITeS business. Aditya Birla Minacs' performance has been noteworthy. Its revenue grew by 11% to US \$ 375 million while its EBITDA soared by 75%. It has sold total contract value of more than US \$ 775 million. So it should come as no surprise that Minacs has been named among the top-5 emerging outsourcing companies to watch out in North America, in this domain.

In the Carbon Black business, your Company's revenues grew by 37% led by the recent capacity expansion at Patalganga. Plans to expand your Company's Carbon Black Capacity by an additional 170,000 tons per annum, are on the anvil.

As a Group, taking Columbian Chemicals into our fold has been game changing. It catapults our Group to the world's top carbon black producer. At one stroke, it doubles our capacity from 1 million tons to 2 million tons. It creates a business that has the advantage of cutting edge technology, and low costs, with a truly global footprint. Expansion plans in India, South East Asia, South America and China will significantly extend our capacities. The carbon black business is at an inflection point and is all set to move into a higher orbit.

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Across the businesses, given your Company's strong fundamentals and leadership position in the sectors, in which it operates, we envisage superior growth in revenues and earnings. Your Company will leverage its conglomerate structure to scale the next level of growth. The outlook is positive.

In the **Agri-business**, Indo Gulf achieved its highest ever production – in excess of 1.1 million tons. Our strategy is to move up the value chain from urea to seeds to being crop protection agents. Once the sector frees up from regulatory controls, the growth potential is huge. So we are exploring a Brownfield expansion. Our plans are hinged on policy clarity on the allocation of natural gas and of course pricing.

To lift the performance of Viscose Filament Yarn, we are planning to expand its presence in the fine and superfine segment using the spool based technology from ENKA, Germany. The **Caustic Soda** Plant capacity expansion by 45,625 tons per annum is on track.

The **Insulator business** has achieved its highest ever volumes, way ahead of its peers. We will be adding a 2,000 tons capacity to enable us manufacture high rating insulators for the power sector.

Outlook

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To our teams

I would like to say a big thank you to all of our teams for their consistent high performance. I take great pride in the performance of our people.

The Aditya Birla Group in perspective

Today, we are a multi ethnic, multi dimensional Group with a bench strength of 133,000 passionate and committed people, belonging to 42 nationalities across 6 continents. For the year 2010-11, our consolidated revenues stand at US \$ 35 billion, compared to US \$ 29 billion in the preceding year, recording a 22% growth. Our leadership, regardless of levels, has a penchant for collaborative and innovative solutions, for new ways of working that keep our Companies and our products on our clients and customers radar all the time. This is what drives our performance.

I believe that purposive actions in the people area can be huge differentiators to our growth plans. For us, it is very important to know what our people think of us. So we recourse to a biannual Organizational Health Survey (OHS) conducted by Gallup as the barometer of the engagement at work index in our Group. Over 28,000 executives spanning 31 countries participated in OHS 7 (2010). The participation level at 97%, in Gallup's opinion, sets a new benchmark. Given its objectivity and rigor of its process, there is immense value in its findings.

It is a matter of great satisfaction for me that the key strength of the Group, as identified in the OHS, continues to be the great sense of pride that our employees experience and express in working for the Aditya Birla Group. More importantly, this pride stems from our employees' belief and conviction that we are a good corporate citizen. Given the decline in ethics we see in business today, that is a huge validation of our insistence on value-based leadership. Pride, in turn is a great driver of positive energy and performance.

To capitalize on this positivity and to grow and hone the talent resident in the Group, we have launched several initiatives that further our Employee Value Proposition – a World of Opportunities. We have launched the 'Career Management Services' - a pioneering effort which is an integrated end-to-end career service aimed at all employees. This is already afoot in the cement business. Over the coming years it will be extended across other businesses in the Group.

On the issue of grooming talent, collectively our Business Directors and Business Heads, along with me, have invested over 500 man-hours in discussing, reviewing and working through the development plans of each of our talent pool members at the Group level. Their development plans include engagement with special projects, coaching and mentoring by the top leadership team, besides attending cutting-edge functional and behavioural programmes globally that open the frontiers of their mind and goad them to defy limitations. That 60% of the total leadership positions were filled in from our existing talent in 2010-11 validates the talent honing processes which have laid a robust leadership pipeline within our Group.

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Our people are our future. With them and the wind in our sails, we feel buoyant about achieving our stretch goal of becoming a 65 billion dollar Company by 2015. Your Company will play a important role in reaching this destination.

Our commitment to employee learning and development at all levels, is unrelenting. In 2010-11, there were 30,000 touch points with our learners through multiple formats of learning. More than 25,000 employees enlisted in e-learning programmes at Gyanodaya, our Institute of Management Learning. This year, at Gyanodaya, 200 colleagues at very senior levels attended specially designed programmes. They had the opportunity to interact with professors from leading Universities and B-Schools. They were a great faculty, drawn from Universities such as Stanford, RICE, Michigan and Duke at the global level along with professors from the IIMs and ISB (Hyderabad). Our senior managers also derived immense value from training and learning sessions conducted by leading consultancies such as The Centre for Creativity Leadership (CCL), The Hay Group and The Works Partnership (TWP), among others.

Finally, I am delighted to share with you that our employees have given a thumping vote of confidence to our Group as the 'Best Employers' in India and in Asia Pacific. Aditya Birla Group, of which your Company is an integral member, has been declared as one of the 'Best Employers' in India in the Aon Hewitt Survey conducted recently. We ranked 2nd from among 200 other Indian organizations, who participated in the survey. In Asia Pacific, we have been ranked among the top companies as well. Soon we hope to attain this stature in the rest of the world too – wherever we operate.

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Yours sincerely,

Kumar Mangalam Birla



Taking growth to a new high

The Aditya Birla Group is a USD 35 billion multinational, headquartered in India. The Group's operations span 33 countries, across 6 continents.

Aditya Birla Nuvo is proud to be a part of this Group. A USD 4 billion conglomerate, Aditya Birla Nuvo is present across promising sectors of the Indian economy. Sectors driven by strong fundamental factors such as savings, consumption, infrastructure, agriculture and outsourcing.

Led by the relentless pursuit of strategic objectives, Aditya Birla Nuvo has built leadership positions in Financial Services, Telecom, Fashion & Lifestyle, IT-ITeS and Manufacturing businesses, namely - Carbon Black, Agri-business, Rayon, Insulators and Textiles.

Backed by the Aditya Birla Group's ecosystem, strong and successful brands, a large base of more than 100 million customers, a nationwide reach with over 1 million touch points, a committed team of more than 60,000 employees and a strong balance sheet, Aditya Birla Nuvo is well positioned to capitalise on growth opportunities available across the wide spectrum of the Indian economy.

NUVO

At Aditya Birla Nuvo, growth is a business imperative. A bird's eye view.

