



Good things come to those who *innovate.*
To those who weather the storm,
who challenge the norms,
who stay true to their vision, values and beliefs.

To those who follow their *passion,*
stick to their commitments and keep
their heads up high in times of difficulty.

As we continue on our path to growth & success
we will tackle setbacks and difficulties with the same focus,

persistence
strength
that we believe in.

ANNUAL REPORT | 2012 - 2013

ADITYA BIRLA NUVO LIMITED



Mr. Aditya Birla
We live by his values.
Integrity, Commitment, Passion, Seamlessness and Speed.



Dear Shareholders,

The global scenario

Across the world in 2012, the economy remained a worry. Global GDP fell to 3.2% compared to 4% in 2011. Many of the systemic vulnerabilities continued. Among these were fiscal fragility, hidden and unknown risks of financial derivative instruments and the problems of the weaker Eurozone economies. The increasing instances of political gridlock aggravated the situation.

While these are not totally left behind, there are strong positives. The unwinding of financial leverage, several rounds of liquidity injections, with Japan also joining in augur well for the global economy. Alongside, continuing low interest rates, sharp corrections in commodity and energy prices, and a modest recovery in the US housing market ring in a degree of optimism. Furthermore, the private corporate sector seems on the path to stepping up investment outlays. Thankfully, the worst case outcomes have been averted. The US has not fallen off the fiscal cliff. And, despite the recent financial shocks in Cyprus, the government bond yields have fallen. The global economy has clearly shown a lot of resilience.

The global economy is now moving on to a surer recovery mode. The IMF projects growth

In the face of all these odds, for the Financial Year 2012-13, your Company has posted a noteworthy performance. Its consolidated revenues grew by 17% to USD 4.75 billion (₹ 25,490 Crore) and EBITDA at USD 767 million (₹ 4,142 Crore) rose by 27%. Net profit is up by 19% at USD 196 million (₹ 1,059 Crore).

at 3.25% in 2013, increasing to 4.0% in 2014. The GDP growth in emerging markets and developing countries is placed at 5.3% in 2013, increasing to 5.7% in 2014. The US GDP is expected to grow 1.9% in 2013, rising sharply to 3.0% in 2014. Europe will remain a laggard, with de-growth at -0.3% this year, and inching to just over 1% in 2014. China's growth will scale back from its recent double digit levels to 7-8%, which is still respectable.

Developments on the global front undeniably dented India's growth level, besides the issues at home.

The Indian economy – ongoing resilience

Slow growth, investor diffidence, the rupee falling to an all time low, power outages and a poor monsoon added to the country's woes. High commodity prices and supply constraints of critical raw material, such as coal and natural gas, further compounded the problem. Unsurprisingly then, India's GDP growth slowed markedly in 2012-13, to 5%, down from 6.2% in the previous year. The manufacturing sector recorded a growth of only 1.9% in 2012-13, down from 2.7% in 2011-12. Export growth in 2012-13 was 5.1%, compared to 15.3% in the previous year.

There are good signs, as we move into the fiscal 2013-14. There have been some positive policy developments in recent months. These include a decline in interest rates and a move towards market-based pricing for diesel and petrol. If this pricing flexibility persists, it could make a considerable dent in the subsidy bill. The expectation of a normal monsoon is a positive, going forward.

In the FY 2013-14, the GDP growth is projected to rise modestly to around 6.0% with much of the improvement likely only in the second half of the year. Industrial activity will continue to be adversely affected by regulatory bottlenecks. The recent decline in commodity prices,

particularly of crude oil, and continuing buoyancy of FII inflows will pave the way for greater exchange rate stability, and a moderation of inflation. The RBI projects a 5.5% increase in the wholesale price index in the FY 2013-14, down from 7.3% in the previous year.

These developments affect your Company's growth and performance.

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On the Financial Services business, I am pleased to state that it has become a significant player in the non-banking space with 8 verticals. Its performance has been noteworthy with consolidated revenue of USD 1.2 billion and EBITDA at an all time high of USD 152 million. Its market share across all its verticals is on a continuous growth mode. Financial Services business is the largest contributor to your Company's profits and generates a healthy 31% return on average capital employed.

Today, between our Life Insurance and Asset Management businesses, we manage around USD 20 billion of assets making us a top 5 fund manager in the country, excluding LIC. The Life Insurance business continues to be in the 5th position. The Asset Management business, ranked 4th, is one of the fastest growing AMC's in the industry. The Lending business has doubled its book size. The Broking and Wealth Management business continues to be innovative in its offerings. The General Insurance Broking business has continued to gain market share at a scorching pace of growth.

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Idea continues to be the fastest growing major telecom operator, sustaining a growth rate that is 1.5 times that of the sector. It is among the select club of mobile operators globally with about 122 million customers. It is among the top 10 cellular operators in the world, carrying 1.6 billion minutes of voice calls every day

The opening up of the banking sector by the Reserve Bank of India is indeed a forward looking step. For your Company, getting into the banking sector is a perfect strategic fit, given that it completes the bouquet of financial services that we offer. We are in the process of filing our application and are hopeful of a positive outcome.

Moving to the Telecom sector, Idea has made significant strides. Its performance has been amazing. Its revenue was USD 4.15 billion with an EBITDA of USD 1.13 billion. Idea continues to be the fastest growing major telecom operator, sustaining a growth rate that is 1.5 times that of the sector. It is among the select club of mobile operators globally with about 122 million customers. It is among the top 10 cellular operators in the world, carrying 1.6 billion minutes of voice calls every day. Besides the voice business, Idea's presence is being increasingly felt in the new fastest evolving mobile broadband segment.

Over 20% of its existing subscribers generated global scale Internet Data Traffic at 3.75 billion mega byte per month on 'Idea's High Speed Mobile Broadband' network. With a high proportion of Indian mobile subscribers rapidly upgrading to the latest smartphones and tablets, Idea's 3G overlay network presence augurs a huge future business potential upside.

Madura Fashion & Lifestyle outperformed the industry, registering a growth of 15%. Its sale stood at USD 467 million. It achieved its highest ever EBITDA at USD 45 million, up by 25% over the previous year. Three of its brands - Louis Philippe, Van Heusen and Peter England feature among the top 5 apparel brands in the country. With over 3,000 stores, Madura Fashion & Lifestyle boasts of the largest distribution network in the country.

The acquisition of Pantaloons Fashion business from Future Group this year, is in line with our strategic intent

to be the leader in this segment. It has enabled us to become the largest branded fashion player in the country through an extension into fast fashion segment. For the nine months period ending March 2013, the business reported revenues of USD 238 million.

In the linen segment, to capitalize on the ever increasing demand and the marked preference for our linen fabric, a capacity expansion is underway.

In the BPO sector, revenue of Aditya Birla Minacs grew by 18% to USD 457 million. Minacs has marketed new business of a total contract value of USD 230 million. It has transformed its business over the last few years, with 40% of its revenues now coming from Non-Voice services.

In the Agri business, Indo Gulf achieved almost a 40% growth in revenue of USD 542 million (₹ 2,924 Crore) largely led by doubling of its trading business. Though sales volume of Birla Shaktiman Urea were at an all time high of 1.23 million metric tons, profitability was affected by annual maintenance shutdown for 20 days and a steep increase in the capital employed on account of subsidy receivables from the Government.

In the light of the Government's recently announced policy relating to investments in this sector, our plans for 1.3 million tons urea expansion at your Company's existing plant in Jagdishpur (Lucknow), have been blue printed. After greater clarity on the allocation of natural gas is spelt out, we will roll out the brownfield venture.

In the Rayon business, I very proudly share the fact that we continue to enjoy the stellar position of the largest Indian exporter of Viscose filament yarn - for the 8th year in a row. The business deserves kudos on its profitability numbers as well.

The Insulators business witnessed a challenging year due to cheaper imports from China. Power Projects in the

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pipeline at the national level have been deferred and this has also put the brakes on the Insulator sector's growth.

With your approval, your Company has decided to exit from the Carbon Black business, given the limitation of scale and sector dynamics. Its divestment as going concern is underway.

Outlook

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As you are aware both Idea Cellular and Birla Sun Life Insurance have started distributing dividend. This reflects the beginning of generating returns on long term investments. It bolsters the confidence of our multiple stakeholders.

From its position of strength, your Company is indeed all set to scale higher peaks.

To our Teams

I thank all of our teams. For most of our employees, I can say with certitude that their commitment towards their responsibility to give results has been incredibly overwhelming. They have enriched your Company and determined its course over the years. I am confident that as we move into an even higher growth trajectory, our people will continue to rise to the increasing demands of their work.

The Aditya Birla Group in perspective

Over the last two years, significant changes have impacted the global and domestic business scenario. Given our resilience, our Group has managed to weather the storm.

Our consolidated revenue at US 42 billion dollars is marginally above that of the last year.

I believe, that if we have been able to sustain our revenues, it is because of the quality of our 136,000 strong workforce spread over 36 countries and 42 nationalities. The hallmark of our overall leadership development efforts has been our belief in taking “bets on our people”. And it has indeed paid off.

Our entrepreneurial DNA also encourages risk taking which includes taking risks with people, of course with safety nets. We believe that people are endowed with immense capability – our task is to spot them, early in their careers and provide them with suitable opportunities to try their hand at and test their skills. Our investment in people processes has enabled us have a robust bench-strength of talent. Our entire focus is on ensuring that we always remain a meritocracy. This pool of talent is developed through a series of planned exposures, assignments and training opportunities, so that they are prepared to take on leadership roles as and when these emerge.

Let me elucidate these aspects with an overview of our talent management and leadership development processes.

Two new programmes, namely, “Step UP” and “Turning Point” have been launched. These aim primarily to prepare Departmental Heads and Functional Heads for the next stage of their career development as Functional heads and Cost Centre heads respectively. The first pilot batches have already undergone the initial rounds of training. These programmes will be further institutionalised.

Last year, I had alluded to the launch of our *P&L Leaders Development Program*, called – “*The Cutting Edge*”.

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Our in-house learning university 'Gyanodaya' is a globally bench-marked institution. It leverages resources from around the world to meet the development needs of our leadership. Last year, it had 28,000 touch points and partnered with several external institutions and corporations for collaborative learning. More than a 1,000 executives take courses at Gyanodaya each year.

The objective of this programme is to prepare our high-performing functional heads to take on P&L roles. The programme has taken off to a solid start. The first batch of participants has been already absorbed in the global immersion programme across 4 different countries. The second batch of "*The Cutting Edge*" will soon start their programme.

To augment talent on the technical side, we have also been hiring, for the first time, a select set of manufacturing professionals directly at the Group level. The first group has already moved into our businesses.

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Furthermore, we have institutionalised global career paths—driven both by the individual and the organisation's needs. To a great extent, this allows an individual to 'take charge of his own career'. We leverage vacancies across the Group and stimulate talent mobility by identifying and moving leaders across geographies and functions and into new roles as part of their career development. Development for us, today, means providing people opportunities to learn from their work rather than taking them away from their work to learn.

Let me give you some statistics relating to fast tracking of talent. Since April 2011, from our management cadre, comprising of 37,600 colleagues, 15%, i.e. 5,824 have been promoted; 18% i.e. 6,481 have moved roles; and 12%, i.e. 4,543 have moved location.

Additionally, we seek feedback in an institutionalised way and conduct conversations with our people across the