

STAYING FOCUSED DELIVERING PERFORMANCE



ANNUAL REPORT
2013 - 2014

Aditya Birla Nuvo Limited



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



Dear Shareholder,

The Global Scenario

Worldwide 2014 portends to be much more encouraging than 2013, with the forces driving the global economic recovery firmly entrenched. The IMF projects that global economic growth will rise from 3% in 2013 to 3.6% in 2014, and to 3.9% in 2015. This is largely due to a turn for the better in the developed economies - estimated to grow 2.25% in 2014, a full percentage point more than in 2013. US GDP growth for 2014 is projected at 2.8%, and in the Euro area at 1.2%, while China's economy is expected to grow at 7.5%. GDP growth in the emerging markets and developing economies is slated to increase from 4.7% in 2013 to 4.9% in 2014, as these regions step up exports to the developed markets. Continued fiscal easing, loose monetary policy in developed economies and stable commodity prices should boost the global recovery. The nervousness in the financial markets, particularly related to stability of the southern European economies, has abated considerably. Furthermore, we must be prepared for unforeseen geopolitical developments which may have disruptive ripple effects on the global economy.

For the Financial Year 2013-14, your Company's consolidated revenues stood at USD 4.3 billion (₹ 25,893 Crore). EBITDA at USD 823 million (₹ 4,937 Crore) surged by 19%. After neutralizing the one-off items, net profit is up by 16% at USD 204 million (₹ 1,226 Crore).

The Indian Economy – moving on to a stable footing

The outlook for the Indian economy has turned distinctly positive. The increasing traction of the global economic revival and plans to restore vim to India's economy through a slew of timely measures by the new Government by addressing fiscal imbalances and fast-forwarding investment activity should play out positively in the coming year. The RBI's deft moves to stabilize the Rupee, enabled it to recover from a low of around ₹ 68/\$ to under ₹ 60/\$. The current account deficit for the year has been contained at around 2.5% of GDP. Some progress has been achieved on clearing the backlog of large projects whose approvals had been held up. GDP growth is predicted at around 5.5% in 2014-15.

However industrial production needs to accelerate with the IIP declining 0.1% year-on-year in the first 11 months of 2013-14, vis-a-vis 0.9% growth in the same period last year. Inflation also remains a concern, with the wholesale and consumer price indices in March 2014 up 5.7% and 8.3% respectively year-on-year. Continuing inflationary pressures have been a constraint in reducing interest rates. In the medium term, the economy stands to benefit, if the Goods and Services Tax is rolled out. Further initiatives and reforms in areas such as land acquisition, allocation of natural resources, and taxation would help greatly to boost investor confidence and accelerate investment activity. Overall, the stage seems set for India to shift to a higher growth trajectory.

These developments on the global and the domestic front have a telling effect on your Company's growth and end-results.

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Your Company is competitively well placed in most of its businesses.

Our **Financial Services** business has created a large presence in the Indian financial services industry, even as we are a non bank player presently. Today **Aditya Birla Financial Services** (ABFS) ranks among the top 5 fund managers in India, excluding LIC. Its assets under management soared by 14% to USD 20.4 billion (₹ 122,362 Crore). In terms of funds under management, we are among the top 5 private life insurers in India and the 4th largest asset management company in the country. In the NBFC space, we are now a significant player. Our lending book rose by 44% to touch the USD 2 billion mark (₹ 11,550 Crore).

ABFS attained earnings growth across most of the businesses, except the Life Insurance business, which remained affected given the macro-economic environment. ABFS clocked a revenue of USD 1.1 billion (₹ 6,640 Crore) and an EBITDA of USD 133 million (₹ 799 Crore). It generated a sound return on average capital employed of 25% per annum.

Going forward, the financial services sector will be one of the prominent growth sectors driven by the expected improvement in the economic health and the investment climate of the country.

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Madura achieved all round growth in top-line, profitability and free cash flows. Its flagship brands, Louis Philippe and Van Heusen are the best selling brands in India. Pantaloons is in the investment phase and is strengthening its retail presence, brand portfolio and merchandise to enhance sell through. To capitalize on the buoyant demand and to strengthen its domestic leadership position in the linen segment, Jaya Shree has expanded its Linen Yarn capacity from 2,300 tons to 3,400 tons per annum and Linen Fabric processing capacity from 7.3 million meters to 10.1 million meters per annum.

The Fashion & Lifestyle business of your Company is all set to ride upon the consumption boom in India driven by the strong demographics of the country.

Idea Cellular continued its journey as the fastest growing cellular operator in the Country. It has been the biggest revenue market share gainer in India since the past five years. Globally, Idea ranks as the 7th largest cellular operator, in terms of subscribers based on operations in a single country. Carrying 1.75 billion minutes of usage every day, it is positioned as the 3rd largest player in India. It is serving 136 million subscribers covering about 7,400 census towns and 345,000 villages.

Mirroring the brand popularity and quality service experience of its customers, Idea has the highest active subscribers' ratio in the industry. Growing at nearly double

the industry growth rate, Idea recorded a top-line of USD 4.4 billion (₹ 26,432 Crore) and an EBITDA of USD 1.4 billion (₹ 8,560 Crore).

With its strong free cash flows and healthy balance sheet, Idea is well placed to capitalize on the expanding spectrum profile and infrastructure to capture the emerging Voice and Wireless Broadband opportunities.

The **Agri** business was impacted by the discontinuance of trading in imported P&K fertilisers and the 41 days maintenance shutdown. The urea plant resumed full operations on 8th April 2014. In the current fiscal, the business will benefit from higher fixed cost reimbursement in line with the Government policy and the energy savings project.

The **Rayon** business remained the largest Indian exporter of viscose filament yarn (VFY) for the ninth consecutive year. It has recorded its highest ever earnings. The new VFY Capacity using spool technology from ENKA, Germany is running at full capacity.

The **Insulators** business has reported higher profitability, bolstered by an increase in volumes, improved realisation and enhanced yield.

Considering the sector dynamics and to ensure greater focus on other businesses, your Company has divested the Carbon Black business w.e.f. 1st April 2013 and the IT-ITeS business w.e.f. 9th May 2014.

The proceeds from the divestment of the Carbon Black business, the balance equity infusion by the promoters and release of net working capital has strengthened your Company's balance sheet. The proceeds from the divestment of the IT-ITeS business will further support its growth plans.

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As a conglomerate, your Company mirrors the savings, consumption, infrastructure and agriculture led sectors of the Indian economy. Having a leadership position across its businesses present in these sectors, your Company is well placed to scale new peaks with the upturn of the economy.

As a high performance driven, meritocratic Group, we are constantly focusing on building our talent pool to support our business vision.

Outlook

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To our teams

In the face of continuing external challenges, our teams across geographies have stayed focused and delivered performance. I thank all of our employees for their tenacity and commitment to sustain top line and bottom line growth year after year.

The Aditya Birla Group in perspective

Despite the tectonic shifts witnessed globally and in India, at the Group level we have managed to sustain our revenues at USD 40 billion. Much credit must go to the talent resident in our 1,20,000 committed workforce, spanning 36 countries and 42 nationalities.

I would like to reiterate that we place big bets on our people. Let me elaborate on this aspect in some detail.

As a high performance driven, meritocratic Group, we are constantly focusing on building our talent pool to support our business vision. To this end, substantive initiatives taken earlier have since materialized. These include focused endeavours to build a robust talent pipeline, building the employer brand of our Group beyond India, and achieving the distinction of becoming the most aspirational employer for manufacturing professionals also, besides augmenting talent on the technical side.

Furthermore to support our long-term strategies, our business structures have been significantly bolstered.

Our reputation as an employer of choice is again something we are incredibly proud of. We are recognized as an employer that offers a World of Opportunities and is concerned about the professional growth of its people. We continue to fast track our talent – from our management cadre comprising of 38,200 colleagues, 13% have been promoted, 20% have changed roles and 12% have moved location during the year.

Gyanodaya, our in-house world-class university, continues to be an important mainstay of our progress. Leveraging resources across geographies and partnering with leading global faculty, institutions and corporates, it ensure that our leadership and talent pool stays contemporary and is always in the learning mode.

To be a learning and growing organization is an ongoing endeavour.

Ranked No. 1 in the Nielsen Corporate Image Monitor

I am pleased to share with you that for the second year running our Group has been ranked **No. 1 in the Nielsen Corporate Image Monitor 2013-14**. Across the six pillars of corporate performance – products and services, vision and leadership, workplace environment, financial performance, operating style and social responsibility, Aditya Birla Group “emerges as the pace setter, way ahead of 40 corporates. Nielsen’s Corporate Image Monitor measures the reputation of the 40 leading companies in India across sectors and serves as an important indicator of the strength of the corporate brand”, they state. The companies were

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covered in the survey, using the Economic Times 500 and the Business Today 500 ranking of listed companies.

Nielsen is among the most renowned global market research companies, headquartered in New York and operating in 60 countries.

In sum

With the best of talent in our midst, our strong Balance Sheets, robust cash flows, the eye on the customer and unrelenting focus on delivering shareholder value, we are confident of the future. The year ahead I believe will be the one when we consolidate and reinforce what we have achieved in recent years. And see the fruition of the several projects and initiatives in each of the businesses that are currently underway.

Yours sincerely,



Kumar Mangalam Birla