

# STAYING FOCUSED DELIVERING PERFORMANCE



ANNUAL REPORT  
2013 - 2014



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



**Dear Shareholders,**

### **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. The 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%. The 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. That said, we must be prepared for unforeseen geopolitical developments, which may have disruptive ripple effects on the global economy.

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

***Your Company has posted a consolidated turnover of US\$ 4.9 Billion (₹ 29,324 crore) and an EBIDTA of US\$ 0.9 Billion (₹ 5,491 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 ~ ₹ 60/\$. The current account deficit for the year has been contained at around 1.7% of GDP. Some progress has been achieved on clearing the backlog of large projects, whose approvals had been held up. The 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-à-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.

In the face of these odds, your Company has posted a consolidated turnover of US\$ 4.9 Billion (₹ 29,324 crore) and an EBIDTA of US\$ 0.9 Billion (₹ 5,491 crore).

The VSF business has been facing severe pressure on margins due to the huge overcapacity, largely in China. Therefore, despite the significant improvement in its operational efficiencies, the business has seen its margins decline. The pulp and fibre business increased its sales volume at 367K tpa, reported a consolidated turnover of over US\$ 1 billion and an EBITDA of US\$ 119 million.

Consequent to the country's low GDP growth, coupled with the tremendous slide in the housing and infrastructure sector, the cement business' turnover was US\$ 3.6 billion (₹ 21,652 crore) and EBITDA at US\$ 676 million (₹ 4,086 crore).

The Captive Power plant and the VSF expansion at Harihar have been commissioned. The 120,000 tpa VSF project, at Vilayat in Gujarat, is being commissioned in phases with production having started on the first 2 lines during this year. The 51,500 tpa Epoxy plant at Vilayat has also been commissioned.

The acquisition of the 4.8 Mn. tpa Gujarat Cement Unit of Jaypee Cement Corporation Limited at a cost of US\$ 636 million (₹ 3,800 crore) by UltraTech Cement Limited (UltraTech) represents a milestone in UltraTech's growth strategy. It strengthens your Company's foothold in the growing Western market, bolsters its coastal footprint and enables it to deepen our exports as well. There are many other synergies, which are mutually reinforcing.

All of your Company's expansion plans are on track. During the year, UltraTech commissioned – a 10,000 TPD clinkerisation plant together with a cement grinding capacity of 1.45 Mn. tpa at Rajashree Cement, Karnataka; a 1.6 Mn. tpa cement grinding unit in Odisha; and Thermal Power Plants of 30 mega watts at Rawan Cement Works and 25 mega watts each at Rajashree

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***Your Company's Cement business' installed capacity has been scaled up to nearly 62 million tons. In the next 2 years, we expect it to touch 70 million tons when all of its ongoing projects will be fully commissioned.***

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***With additional capacities coming on stream in both its Pulp and Fibre business and Cement business, your Company is well poised to further consolidate its leadership position in these sectors.***

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Cement and Andhra Pradesh Cement Works – at a total capex of US\$ 450 million (₹ 2,562 crore).

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Despite the rather subdued growth of the industry, I believe the long-term fundamentals and growth prospects remain intact, and capacity additions in both the sectors keep us in the state of preparedness.

### **Outlook**

Given the over capacity buildup in China and its consequent impact on prices and margins, the Pulp and Fibre industry continues to face a challenging environment in the short term. However, the long-term growth prospects are encouraging.

In the Cement Sector, a 6% growth with the potential to move to over 8% with the economy on a more stable footing, augurs well for your Company.

Having said that, with additional capacities coming on stream in both its Pulp and Fibre business and Cement business, your Company is well poised to further consolidate its leadership position in these sectors.

### **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 US\$ 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 recognised 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 ensure that our leadership and talent pool stays contemporary, and is always in the learning mode.

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

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

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*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.*

## 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 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



**BOARD OF DIRECTORS**

Mr. Kumar Mangalam Birla - Chairman  
 Mrs. Rajashree Birla  
 Mr. M.L. Apte  
 Mr. B.V. Bhargava  
 Mr. R.C. Bhargava  
 Mr. Cyril Shroff  
 Dr. Thomas M. Connelly  
 Mr. N. Mohan Raj  
 Mr. Shailendra K. Jain  
 Mr. D.D. Rath  
 Mr. K.K. Maheshwari, Managing Director  
 Mr. Adesh Kumar Gupta, Whole-Time Director

**Chief Financial Officer**

Mr. Adesh Kumar Gupta

**Company Secretary**

Mr. Ashok Malu

**Statutory Auditors**

M/s G.P. Kapadia & Co., Mumbai  
 M/s Deloitte Haskins & Sells LLP, Mumbai

**Branch Auditors**

M/s Vidyarthi & Sons, Gwalior

**Solicitors**

M/s Amarchand & Mangaldas & Suresh A. Shroff & Co.

**EXECUTIVES****Fibre & Pulp Business**

Mr. K.K. Maheshwari	Business Director
Dr. Prakash Maheshwari	Chief Operating Officer (India) & Head (Projects)
Mr. Vinod Tiwari	Chief Operating Officer (Pulp Operations)
Dr. Aspi Patel	Chief Technology Officer
Mr. Rajeev Gopal	Chief Marketing Officer
Dr. Raju Mistry	Chief People Officer
Mr. Anil Rustogi	Dy. CFO & Sr. President
Mr. S.K. Saboo	Advisor
Mr. Vijay Kaul	Advisor

**Cement Business (UltraTech Cement Limited)**

Mr. O.P. Puranmalka	Business Director
Mr. R.K. Shah	Group Executive President & CMO (Mfg. & Projects)
Mr. K.C. Birla	Chief Financial Officer
Mr. Vivek Agrawal	Chief Marketing Officer

**Chemical Business**

Mr. Lalit Naik	Business Head
Mr. K.C. Jhanwar	Group Executive President
Mr. G.K. Tulsian	Executive President
Mr. Anil Kumar Sinha	Chief People Officer

**Textile Business**

Mr. Thomas Varghese	Business Head
Mr. S. Krishnamoorthy	CEO - Domestic Textiles

**Corporate Finance Division**

Mr. Pavan K. Jain	Executive President
Mr. Hemant K. Kadel	Executive President

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**Registered Office: Birlagram, Nagda 456 331 (M.P.)**

**CIN: L17124MP1947PLC000410**

**[www.grasim.com](http://www.grasim.com)/[www.adityabirla.com](http://www.adityabirla.com)**

Year →	Unit	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Production											
Grey Cement	Mn. Tons	43.60	42.59	42.11	39.67	37.02	32.18	31.22	29.98	28.43	26.13
Ready-Mix Concrete	Mn. Cu. Mtrs.	4.76	5.21	4.84	4.39	3.87	3.85	2.84	1.57	1.07	1.08
White Cement	Lakh Tons	6.04	5.73	5.53	5.41	5.14	4.41	4.08	3.65	3.50	3.15
Viscose Staple Fibre	Tons	361012	337492	321085	305087	302092	232745	279901	246833	228981	247952
Caustic Soda	Tons	313479	270191	260326	242037	229801	207226	188537	136685	165509	161966
Turnover *											
Grey Cement (Incl. Clinker)	Mn. Tons	44.66	43.64	43.96	41.56	39.58	34.96	33.58	32.56	30.06	29.24
Ready-Mix Concrete	Mn. Cu. Mtrs.	4.76	5.21	4.84	4.39	3.87	3.85	2.84	1.57	1.07	1.08
White Cement	Lakh Tons	6.03	5.66	5.55	5.47	5.09	4.38	3.96	3.67	3.48	3.11
Viscose Staple Fibre	Tons	366978	336065	306917	305072	308431	238463	269781	250725	242399	231533
Caustic Soda	Tons	314488	269438	265816	241365	229876	207520	187356	137830	165853	163111
* Including Captive Consumption											
Profit and Loss Account		2013-14									
Revenue		(USD Million <sup>1</sup> )									
from Operations (Net)		₹ in Crore									
Cement	3585	21652	21324	19232	15941	15475	13512	11792	9940	6938	5652
Viscose Staple Fibre	1048	6331	5428	5007	4824	3940	2915	3456	2706	1990	2009
Chemicals	178	1075	951	781	542	493	523	418	319	386	352
Sponge Iron^	-	-	-	-	-	111	1008	951	756	635	1021
Others	102	615	544	484	419	351	749	733	598	481	440
Inter-segment Elimination	-58	-349	-338	-259	-176	-175	-210	-208	-177	-156	-160
Total Net Revenue	4855	29324	27909	25245	21550	20195	18496	17141	14142	10275	9315
PBIDT											
Cement <sup>§</sup>	676	4086	4872	4283	3345	4706	3686	3747	3175	1459	974
Viscose Staple Fibre	119	716	901	1274	1628	1339	521	1109	754	493	613
Chemicals	37	225	245	161	124	125	155	138	81	125	104
Sponge Iron	-	-	-	-	-	-39	135	160	85	74	390
Others/Unallocated/Inter-segment Elimination	77	464	525	603	297	192	283	268	195	186	192
Total PBIDT	909	5491	6543	6321	5395	6322	4779	5422	4290	2337	2272
Interest	74	447	324	314	407	334	307	222	229	219	284
Gross Profit (PBDT)	835	5044	6219	6007	4988	5988	4472	5200	4061	2118	1988
Depreciation	241	1457	1252	1155	1139	995	865	670	610	563	556
Profit Before Tax, Exceptional and Extraordinary Items	594	3586	4967	4852	3849	4993	3607	4530	3451	1555	1432
Exceptional Items (EI)	-	-	204	-	-	-	-	46	-	4	-129
Profit Before Tax and Extraordinary Items	594	3586	5171	4852	3849	4993	3607	4576	3451	1559	1303
Total Tax Expenses	122	735	1467	1321	954	1570	992	1466	1092	402	442
Net Profit Before Extraordinary Items	472	2851	3704	3531	2895	3423	2615	3110	2359	1157	861
Extraordinary Items (EO)	-	-	-	-	-	336	-	236	-	-	-
Net Profit Before Minority Interest	472	2851	3704	3531	2895	3759	2615	3346	2359	1157	861
Less: Minority Interest	146	883	1074	947	660	714	444	457	392	116	-19
Add: Share in Profit/(Loss) of Associate***#	17	103	74	63	44	51	16	2	-0.4	-	-
Net Profit	343	2072	2704	2647	2279	3096	2187	2891	1967	1041	880

<sup>^</sup> Sold on 22nd May, 2009.

<sup>§</sup> Income of UltraTech Cement related to unallocated corporate capital employed included in Unallocated PBIDT.

<sup>\*\*</sup> Results of Idea Cellular Limited was consolidated as 'Joint Venture' till 31st December, 2009 and thereafter as an 'Associate'.

<sup>#</sup> Results of Domsjo consolidated as JV w.e.f. 1st October, 2012 as against 'Associate' till 30th September, 2012.

Note <sup>1</sup> - 1 USD = INR 60.40