

HIGHLIGHTS

- Landmark year, strategically
 - Brownfield expansion in Aluminium completed.
 - Brownfield expansion in Copper completed; another expansion to double Smelter capacity to 500,000 TPA commences.
 - Acquired Mt. Gordon Copper mines in Australia.
 - Shareholding in Indal raised to 96.5%.
 - Value unlocked from shareholding in Indo-Gulf.
- Aluminium
 - Production at record high levels.
 - Highest ever sale of value added products.
 - Margins recover smartly to 37.1%.
- Copper
 - Record high production above rated capacity.
 - Higher proportion of value added product.
 - Sustain domestic leadership even with higher exports.
- Revenues and net earnings before extra-ordinaries impressive at Rs. 61.91 billion and Rs. 8.38 billion respectively.
- Fully Diluted EPS before extra-ordinaries increases from Rs. 80.6 to Rs. 90.7 and CEPS from Rs. 109.1 to Rs. 125.0 in FY04.
- Dividend increased to 165%.
- A selective list of accolades won
 - The prestigious Asian Corporate Social Responsibility Award from Asian Institute of Management, Manila for its outstanding Rural Poverty Alleviation Project.
 - The coveted “Outstanding Industrial Relations Award” by All India Organisation of Employers (AIOE), an allied body of FICCI, for Industrial Relations, Social Security and promoting Bi-Partism for the year 2002-2003.
 - The National Safety Award (runners up) by Ministry of Labour, Government of India in the category of lowest accident frequency rate.
 - The CII National award for Excellence in Energy Management for the year 2003.

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BOARD OF DIRECTORS

Mr. Kumar Mangalam Birla
Chairman

Mrs. Rajashree Birla

Mr. T.K. Sethi

Mr. C.M. Maniar

Mr. E.B. Desai

Mr. S.S. Kothari

Mr. M. M. Bhagat

Mr. K.N. Bhandari

Mr. A.K. Agarwala

Mr. D. Bhattacharya

Managing Director

SPECIAL ADVISOR

Mr. D.P. Mandelia

KEY EXECUTIVES

CHIEF FINANCIAL OFFICER

Mr. R.K. Kasliwal

Group Executive President & C.F.O.

ALUMINIUM DIVISION

Mr. Ratan K. Shah

Chief Officer - Operations (Aluminium & Power)

Mr. S.K. Maudgal

Executive President (Marketing) & C.E.O. (Foil & Wheel)

Mr. R.P. Shah

Executive President & Chief Manufacturing Officer

Mr. Rahul Mohnot

Joint Executive President (Finance & Commerce)

Mr. Ajey Srivastava

Joint President (Fabrication)

Mr. P.K. Panda

Joint President (H.R.)

Mr. S.C. Tandon

Joint President (Reduction)

Mr. J.D. Mehta

Joint President (Marketing - Foil & Wheel)

Mr. A.K. Karmakar

Senior Vice-President (Boiler & Co-generation)

Mr. R.P. Tiwari

Senior Vice-President (Projects)

Mr. S.N. Sharma

Senior Vice-President (Finance & Accounts)

Mr. K.K. Patodia

Senior Vice-President (Raw Material)

Mr. R. Haridas Menon

Vice-President (Marketing - Primary Metal)

Mr. I.C. Rao

Vice-President (Marketing - Rolled Products)

Mr. A.R. Sangolli

Vice-President (Foil & Wheel)

Mr. Sanjeev Goel

Vice-President (Information Technology)

Mr. O.P. Srivastava

Vice-President (Operation - Reduction)

Mr. V.K. Bajoria

Vice-President (Maintenance - Reduction)

Mr. R.A. Patodia

Vice-President (Finance & Accounts)

Mr. D.C. Kabra

Vice-President (Finance & Accounts)

Mr. I.J. Joshi

Vice-President (Legal)

Mr. R.P. Sharma

Vice-President (External Relations)

Mr. D. Das

Vice-President (Marketing - Extrusion)



Aluminium Complex at Renukoot

RENUSAGAR POWER DIVISION

Mr. G.S. Khurana
Senior Executive President (Renusagar Power Plant)
 Mr. S.R. Gopal
Senior Vice-President (Design)
 Mr. G.M. Pandey
Vice-President (Maintenance)

COPPER DIVISION

Mr. P. Balakrishnan
Executive President
 Mr. A.K. Saxena
Joint Executive President (Manufacturing)
 Mr. J.P. Paliwal
Joint Executive President (Commercial)
 Mr. B.M. Sharma
Joint Executive President (Marketing)
 Mr. P.S. Ghose
Joint Executive President (Projects)
 Mr. N.R. Vyas
Vice-President (HRD & Personnel)
 Mr. K.C.D. Khandelwal
Vice-President (Smelter)
 Mr. D.K. Das
Vice-President (DAP Marketing)
 Mr. S.N. Sharma
Vice-President (Co-ordination)
 Mr. J.S. Bedi
Vice-President (Projects)
 Mr. K.P. Sharma
Vice-President (Commercial & Logistics)
 Mr. Y.K. Mathur
Vice-President (Engineering)
 Mr. Naveen Kumar
Vice-President (Finance & Accounts)

COMPANY SECRETARY

Mr. Anil Malik

SOLICITORS

Mulla & Mulla & Craigie Blunt
 & Caroe, Mumbai
 Khaitan & Co., Kolkata
 Khaitan & Partners, New Delhi

AUDITORS

Singhi & Co.,
 Chartered Accountants, Kolkata

BRANCH AUDITORS

Lodha & Co.,
 Chartered Accountants, Kolkata

INDEPENDENT AUDITORS

(US GAAP)
 KPMG, Mumbai

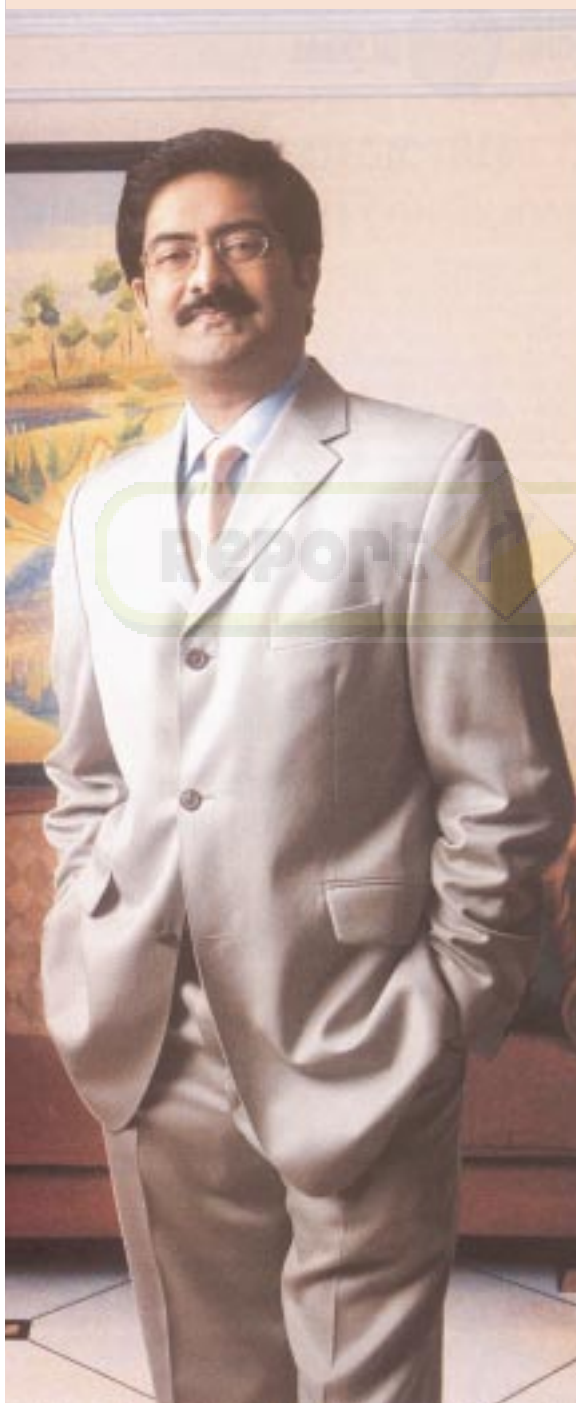
COST AUDITORS

R. Nanabhoy & Co., Mumbai
 Om Prakash & Co., New Delhi

BANKERS

UCO Bank
 State Bank of India
 Allahabad Bank
 Bank of America
 Citibank N.A.
 Standard Chartered Grindlays Bank Ltd.
 ABN Amro Bank N.V.
 Union Bank of India
 IDBI Bank Ltd.
 Hongkong Shanghai Banking Corp. Ltd.
 HDFC Bank Ltd.
 ICICI Bank Ltd.

THE CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Fellow Shareholders,

With the economy having gained its sheen, and having surged at 8 per cent during the year, backed by a good monsoon, and a resurgence on all fronts, consumer sentiments naturally revived. These developments at the macro level had a salutary effect on your Company's operations to an extent as it mitigated some of the issues faced.

Your Company's results have been indeed impressive. Gross revenues at Rs. 68.0 billion have risen by 24 per cent, vis-à-vis Rs 55.0 billion attained in the previous year. Profit before tax and extraordinary items at Rs. 12.4 billion has soared by 17 per cent over that of the earlier year at Rs. 10.6 billion .To get to this level has been indeed a challenge, given an appreciating rupee against the US Dollar, falling Copper Treatment and Refining Charges (TCRC), an exponential rise in sea freight and intensifying competition. Apart from its resilience, I believe, the strategic moves which we had charted out, such as the brown-field expansions, acquisitions and providing total customer solutions, have stood us in good stead.

Among the major events of the year have been the completion of the restructuring of the non-

ferrous metals business. Consequently, your Company has become a non-ferrous metals powerhouse close to a global size.

Consistent with our objective of becoming a world-class globally competitive, integrated copper player, we have entrenched deeper into Australia, with the acquisition of yet another copper mine – Mt. Gordon. Together Mt. Gordon and the Nifty Mines, acquired earlier, will cater to 20 per cent of our copper concentrate requirement at our existing capacities. Our intent is to source at least 40 per cent of our copper concentrate needs through mines owned by us. We are therefore scouting for high quality copper mines across the globe.

As your Company's vision is to be among the top 10 global cost efficient copper makers, we are doubling the smelter capacity at Dahej from 250,000 TPA to 500,000 TPA. On completion, your Company's smelter will have the distinction of being the largest single-location smelter in the world.

While we are consolidating the gains from the recently concluded brownfield expansion in aluminium and synergies with Indal, we have ambitious plans to take this business forward. Your Company is evaluating a series of options encompassing greenfield ventures and further brownfield projects.

Asset sweating, maximizing operational efficiencies and a tight rein on costs, continue to be the hallmark of your Company.

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Going forward, I believe, the aluminium sector is on the cusp of growth. Worldwide, most economies are ratcheting upwards, backed by higher industrial production. In turn, this is expected to augment aluminium demand. Global aluminium demand is slated to rise at a CAGR of 5 per cent over the next couple of years vis-à-vis a growth rate of 3.3 per cent over nearly a decade.

A good sign is higher consumption from USA, parts of Europe and Asia. The flurry of activity in the transportation and housing sectors, enhanced spending on consumer durables across continents, bode well, stoking as they do the demand for alumina and metal usage.

In India as well, the tidings are encouraging. The ongoing progress in the Indian economy, and the heightened pace of activity in the electrical, automotive and construction sectors – should stimulate growth. A good monsoon, as forecasted by the meteorological team, would provide the extra flourish.

Your Company is very well-positioned for ongoing success. Strengthening its operating base through enhanced capacities, amplifying its product range and introducing a range of distinctive applications, along with entrenchment into new global markets – form the strategic contours of your Company, going forward.

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Behind your Company's considerable achievements, lies the intellectual and emotional commitment that our people bring to their work. Besides operational efficiency and project management skills, honed under the most demanding and competitive conditions, it is the spirit of entrepreneurship and the way all of our employees bond cohesively with the organization. I wish to record my genuine appreciation of their contribution.

The Aditya Birla Group in Perspective

Let me now take you through some of the key events of the last year:

- The divestment of your Company's stake in Indo-Gulf, has been a value-creating move that unlocked capital.
- One of the key initiatives of the year has been the acquisition of TransWorks, a leading ITES/BPO Company. The BPO sector offers enormous growth potential. This acquisition is a forward step in creating a balanced portfolio of businesses at the Group level, comprising of the knowledge sector and real economy businesses. The Group's forays into the knowledge sector – in specially the branded apparel and insurance sectors, have been encouraging.
- We entered the land of the dragon, i.e., we ventured into China, with the acquisition of Liaoning Carbon Black. This 12,000 tonnes Carbon Black plant will enhance our global presence in this business. We are now the fourth largest Carbon Black player globally.

The market capitalization of the listed Group companies in India increased 97.4% over the past year, far outpacing the rise of 62.7% in the BSE Sensex, over the same period. This measure reflects more than just numbers; it provides a sense of our standing in terms of governance, and the faith investors repose in us, and a recognition – at long last - of our efforts at value creation.

- And finally, coming to market capitalization: The market capitalization of the listed Group companies in India increased 97.4% over the past year, far outpacing the rise of 62.7% in the BSE Sensex, over the same period. This measure reflects more than just numbers; it provides a sense of our standing in terms of governance, and the faith investors repose in us, and a recognition – at long last - of our efforts at value creation.

The year that has just gone by has been I believe, a watershed year for our Group. Because, in this year, we seen the last of the major restructuring initiatives that we needed to undertake. We have emerged stronger, fitter and a leader in many ways.

And, now, we are at an inflection point. We stand at the threshold of a new phase in the life of our organisation. I do believe that the rest of the decade – from here on - will be marked by a distinctly different theme. The earlier accent - on restructuring and consolidation – will give way to a phase of growth, not just incremental and normal growth, but accelerated growth. So, the dominant theme, from here on, will be aggressive growth.

Focus On People

“All these years, our team across the Group, has stretched incessantly to make the Aditya Birla Group a great place to work in. In one sentence, we have sharply focused on creating a meritocracy. For us, this meant putting in place systems to induct the right talent, for spotting and tracking nascent talent, for creating leaders with a cocktail of skills, who have exposure to different functions, businesses and countries.”

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Working with Hay Consultants, we have carried out an extensive job analysis and evaluation exercise. More than 4500 jobs have been evaluated and competencies mapped. Succession plans are in place too. By and large, our objective is to make sure that the leadership-pipeline is always full of talented individuals who are raring to shoulder responsibilities that our various businesses offer.

To foster a learning culture, at Gyanodaya, the Aditya Birla Institute of Management Learning, which is now

looked upon as a benchmark for training, more than 2130 executives were trained in 86 diverse programmes for honing their competencies, both for their current and future roles. A virtual campus has been launched through an e-learning portal. Over 3884 unique users, from top-down and bottom-up have enrolled in these self-learning projects. More than 25,725 man-hours of learning have been logged. Our intent is to provide unrivalled learning opportunities to our people across levels.

“Today, our Group is anchored by an extraordinary force of 72,000 employees. More than 70 percent of these are under the age of 40 and over 12,000 of our people are drawn from 20 foreign nationalities.

Even as the focus on managerial capability is becoming much sharper, we are building capabilities not for an Indian manager who works internationally, but for a global manager, who happens to be an Indian.”

Today, our Group is anchored by an extraordinary force of 72,000 employees. More than 70 percent of these are under the age of 40 and over 12,000 of our people are drawn from 20 foreign nationalities. Even as the focus on managerial capability is becoming much sharper, we are building capabilities not for an Indian manager who works internationally, but for a global manager, who happens to be an Indian.

We are positioned in almost all our businesses at the cusp of a great growth opportunity and I believe we can cater to the dreams of our people, given that we are all on the same page. Our people have the passion that brings energy into the organisation.

Best regards,

Yours sincerely,



Kumar Mangalam Birla

Date: 28th April, 2004

FINANCIAL HIGHLIGHTS

(Rs. in Million)

	2003-04	2002-03**	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1985
PROFITABILITY	Mn US\$*										
Gross Sales	1,556 68,024	55,024	26,595	25,836	23,076	20,131	16,707	13,083	14,222	11,307	3,065
Net Sales	1,416 61,909	49,856	23,314	22,754	20,312	17,670	14,733	11,571	12,518	9,563	2,323
Operating Profit***	347 15,149	12,972	10,060	10,622	9,450	7,916	6,156	4,425	5,700	3,937	151
Other Income	48 2,093	1,662	1,989	1,221	1,337	1,305	1,176	1,592	1,675	1,166	35
Interest Charges	37 1,612	1,365	456	619	597	836	723	489	616	474	43
Depreciation	73 3,174	2,642	1,543	1,424	1,353	1,246	776	423	348	330	77
Profit before Tax & Extraordinary Items	285 12,456	10,627	10,050	9,801	8,837	7,138	5,832	5,105	6,411	4,299	66
Current Tax	60 2,606	2,520	2,570	3,020	2,485	1,470	870	1,202	2,400	1,380	22
Deferred Tax	33 1,461	653	620	-	-	-	-	-	-	-	-
Net Profit before Extraordinary items	192 8,389	7,455	6,860	6,781	6,352	5,668	4,962	3,903	4,011	2,919	44
Net Profit	192 8,389	5,821	6,860	6,781	6,124	5,668	4,962	3,903	4,011	2,919	44
Dividend Payout (Including Dividend tax)	39 1,721	1,408	1,005	985	691	532	430	369	298	258	20
Retained Profit	153 6,668	4,413	5,855	5,796	5,433	5,135	4,532	3,534	3,714	2,662	24
Foreign Exchange Earnings on Exports	296 12,951	10,283	3,374	3,763	3,123	1,655	1,702	1,566	1,054	672	1
BALANCE SHEET											
Gross Fixed Assets (including CWIP and Revaluation)****	1,630 71,262	64,704	63,168	56,365	53,450	52,055	36,205	30,812	25,046	22,117	3,449
Net Fixed Assets (excluding Revaluation)	1,191 52,079	48,634	26,951	21,520	20,009	19,950	18,929	14,202	8,845	6,262	596
Investments	773 33,772	26,484	19,853	19,175	11,328	10,628	10,012	7,144	9,455	8,415	136
Net Current Assets	419 18,325	19,233	13,032	10,241	12,409	8,851	6,282	7,059	6,339	4,576	157
Capital Employed	2,383 104,176	94,351	59,836	50,936	43,746	39,429	35,223	28,405	24,640	19,253	889
Loan Fund	587 25,646	23,950	9,577	7,147	5,754	6,870	7,799	5,513	5,282	4,385	357
Net Worth	1,796 78,530	70,401	50,259	43,789	37,992	32,559	27,424	22,892	19,357	14,868	532
Net Worth represented by :-											
Share Capital	21 925	925	745	745	745	745	745	745	496	480	184
Reserves & Surplus (Excluding Revaluation Reserves but including Deferred tax Liabilities)	1,775 77,605	69,476	49,514	43,044	37,247	31,814	26,679	22,147	18,861	14,388	348
	1,796 78,530	70,401	50,259	43,789	37,992	32,559	27,424	22,892	19,357	14,868	532
Book Value per share (US\$ / Rs.)	19.42 849.15	761.02	674.93	588.03	510.19	437.24	368.27	307.41	389.92	309.72	39.72
Capital Expenditure	153 6,690	10,373	7,009	2,995	1,474	2,311	5,549	5,786	2,937	2,421	1,084
Market Capitalisation (at year end share price)	2,575 112,556	49,428	57,338	57,447	54,740	34,701	49,892	67,876	39,050	29,481	777

* 1 US\$= Rs. 43.7175

** Figures for 2002-03 onwards include figures relating to the copper business acquired from Indo Gulf Corporation Ltd with effect from 01.04.2002.

*** Operating profit includes operating other income.

**** Fixed assets of Aluminium Business have been reinstated at its original cost in 2002-03.