

# ANNUAL REPORT 2010 - 2011



Leadership through Consolidation



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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.



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

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For the Financial Year 2010-11, your Company's revenues stood at US \$ 2.90 billion vis-à-vis US \$ 1.57 billion in the previous year. Net profit at US \$ 308 million reflects a rise of 27% in comparison to US \$ 243 million in FY 2010.


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

### **Leadership through consolidation**

The acquisition of ETA Star Cement marked our foray beyond Indian shores. It has always been our aspiration to establish our leadership position in India and to have a formidable presence in the Indian Ocean rim. This region is a focus area for your Company in the White Cement sector as well. This acquisition along with the amalgamation of Samruddhi Cement, has bolstered your Company's leadership position. We have become a pan India player. Alongside, we have gained a strong foothold in the growing markets in the Middle East and the neighbouring regions. Today, your Company's cement capacity stands raised to 52 mtpa. UltraTech is among the top-10 global cement companies.

### **Capital outlays**

To accelerate the pace of growth, over the next 3 years, your Company has earmarked a capital outlay of US \$ 2.4 billion. We are investing in the setting up of additional clinkerisation plants at Chhattisgarh and



Karnataka together with grinding units, bulk packaging terminals and ready mix concrete plants across the country. These expansions are expected to be operational in FY14 and will augment our cement capacity by 9.2 mtpa.

## **Outlook**

I believe, in the cement sector, issues such as the demand supply mismatch, infrastructural bottlenecks and rising input costs are challenges that we have to grapple with currently. In the last few years, new capacity additions of around 100 mtpa, coupled with the prevailing sluggish demand has resulted in a surplus scenario. At the same time, the substantial hike in coal and petro-product prices have led to a drastic increase in input costs. So, overall in the short term one feels bearish about the sector.

In my view, over the long term the cement sector is likely to grow in excess of 8.5%. My optimism stems from the Government's enhanced focus on urban as well as rural infrastructure development and housing. Furthermore, the enhanced capital allocation towards infrastructure in the 12<sup>th</sup> – Five Year Plan will be a growth propeller. We are positive that we will continue to do well.

## **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.

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***“In my view, over the long term the cement sector is likely to grow in excess of 8.5%. My optimism stems from the Government's enhanced focus on urban as well as rural infrastructure development and housing.”***

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## 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 Organisational 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 rigour 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.

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To capitalise 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.

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.

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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 Group by 2015. Your Company will play an important role in reaching this destination."***

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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 2<sup>nd</sup> from among 200 other Indian organisations, 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.

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 Group by 2015. Your Company will play an important role in reaching this destination.

Yours sincerely,



Kumar Mangalam Birla



## Board of Directors

Kumar Mangalam Birla  
*Chairman*

Mrs. Rajashree Birla

R. C. Bhargava

G. M. Dave

Adesh Gupta

N. J. Jhaveri

Nirmalya Kumar

S. B. Mathur

V. T. Moorthy

S. Rajgopal

D. D. Rath

O. P. Puranmalka  
*Whole-time Director*

## Chief Financial Officer

K. C. Birla

## Company Secretary

S. K. Chatterjee

## Executives

R. K. Shah  
*Group Executive President & CMO (Mfg. & Projects)*

S. N. Jajoo  
*Chief Marketing Officer*

C. B. Tiwari  
*Chief People Officer*

R. Mohnot  
*Unit Head – White Cement*

## Corporate Finance Division

J. Bajaj  
*Executive President (Finance)*

M. B. Agarwal  
*Joint President (F&C)*

## Statutory Auditors

Deloitte Haskins & Sells, *Chartered Accountants, Mumbai*

G. P. Kapadia & Co., *Chartered Accountants, Mumbai*

## Cost Auditors

N. I. Mehta & Co., *Cost Accountants, Mumbai*

## Solicitors

Amarchand & Mangaldas & Suresh A. Shroff & Co.,  
*Advocates & Solicitors, Mumbai*

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