ANNUAL REPORT
2010 - 2011

Leadership through Consolidation

IDEA CELLULAR LIMITED

Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.
We live by their values.
Integrity, Commitment, Passion, Seamlessness and Speed.

The Chairman's Letter to Shareholders

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.

In the Telecom sector, with the granting of New Licenses in 2008, the number of mobile operators rose from an average of 8 per circle to 14 for every circle. The last two years have witnessed hyper-competition phase and it is apparently continuing. This has led to a steep decline in mobile tariffs, resulting in the slowdown of the Mobile Industry Revenue growth to 11.9% in 2010-11.

In contrast, your Company continued on its upward growth trajectory, clocking an annual revenue growth of 29.0%. I am pleased to share with you that your Company is the fastest growing Indian Mobile Operator. It achieved an annual revenue of ₹ 153.9 billion and EBITDA of ₹ 31.3 billion on a standalone basis. Your Company strengthened its revenue market share to 13.2% in FY'11 vis-à-vis 12.4% in the previous year as per the TRAI release. This reaffirms the increasing consumer preference for brand *!dea*.

Your Company also leads the Industry in terms of the quality of its subscribers. It has the highest ratio of active subscribers to reported subscribers in the sector, at 93.1% with VLR subscribers (surrogate to active subscribers) base of 83.3 million against the reported subscriber base of 89.5 million.

In January 2011, the Department of Telecommunications introduced the global practice of Mobile Number Portability (MNP) - an invite to customers to change their Wireless Operator, while retaining their mobile number. It is heartening to record that your Company is the leader on the MNP space and is the biggest net gainer nationally. The overwhelming response from the consumers on MNP highlights your Company's network quality, superior customer service and brand strength.

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The consolidated revenue of your Company for the year stood at ₹ 155.0 billion with an EBITDA of ₹ 37.9 billion.

Early this year, your Company rolled out its 3G services in 9 out of the 11 service areas, where it won 3G Spectrum. Idea's 3G services connect with the world of faster internet with the speed of upto 21 Mbps, video calling and conferencing on the handset, Mobile TV and many more exclusive applications, which will help your company to tap the growing opportunity in the field of wireless broadband and other 'Non voice' revenue services.

Your Company is also among the first major telecom operator to initiate mobile banking service in alliance with likeminded Banks. Idea has developed a facility titled "Idea MyCash". It provides

basic banking services including money transfer using the mobile platform – to offer banking services to the 'Unbanked' that will play an important role in financial inclusion of a large mass of Indian population.

The service area specific strategy of consolidating its leadership position in the thirteen Established service areas and cautious expansion in nine New service areas, has enabled your Company to strengthen its competitiveness in tough market conditions. The improving capacity utilization of our 2G voice services, capturing future opportunities in wireless broadband, increasing preference of customers for brand *!dea* and the generation of healthy cash profits with a strong Balance Sheet, underscores Idea's ability to benefit from long term sector opportunities. I expect this to happen once the hyper-competitive phase draws to its inevitable close and the pricing power returns to the operators.

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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.

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 Organizational 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 rigor 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.

To capitalize 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.

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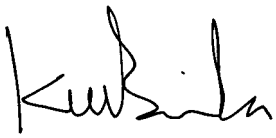
Our commitment to employee learning and development at all levels, is unrelenting. In 2010-11, there were 30,000 touch points

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. 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 2nd from among 200 other Indian organizations, 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

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ADITYA BIRLA GROUP

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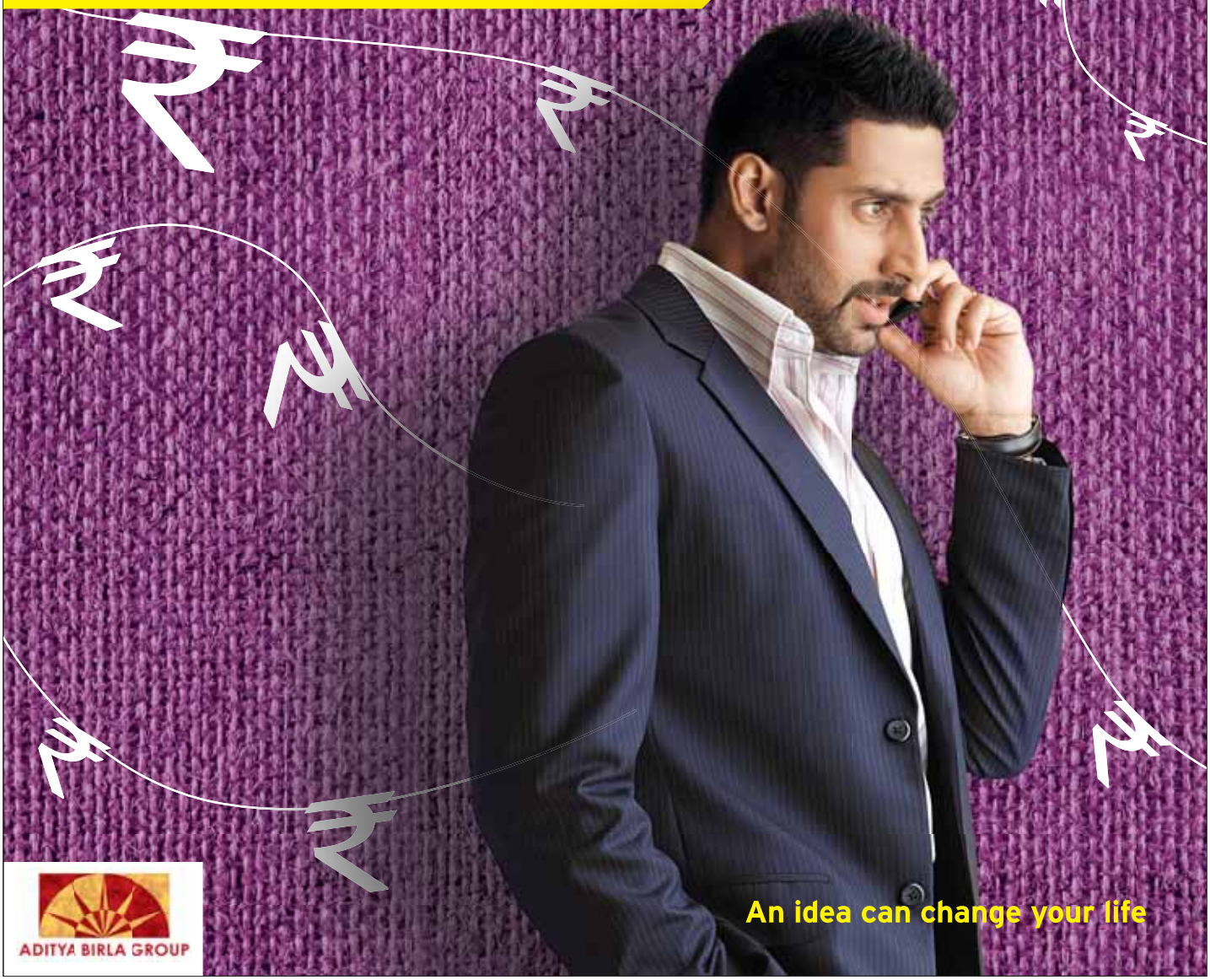

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