

**SPEECH DELIVERED BY SHRI B. L. SHAH, THE CHAIRMAN OF MEETING, AT  
47<sup>TH</sup> ANNUAL GENERAL MEETING AT VERAVAL ON WEDNESDAY, 30<sup>TH</sup> JUNE 2004**

Dear Shareholders,

It is indeed a pleasure to welcome you to the 47<sup>th</sup> Annual General Meeting of your Company.

With the economy having gained its glitter, its impact on the agricultural, industrial and services sector was indeed salubrious. This naturally resulted in a revival of consumer sentiments, which augured well for your Company.

Your Company has posted an impressive performance. **Very briefly, let me dwell on your Company's performance during 2003-2004,**

- Net revenues at Rs. 1,573.8 Crores have grown by 9%
- Operating profit at Rs. 257.8 Crores vis-à-vis Rs. 240.1 Crores is up by 7%.
- Profit before tax and exceptional items have risen by 10% at Rs. 161.5 Crores.
- Net profit has grown by 25% from Rs.105.3 Crores to Rs.131.3 Crores. This includes an exceptional gain of Rs. 20 Crores on divestment of stake in Indo Gulf Fertilizers Ltd.

**The Dividend**

Moving over to the dividend, your Directors recommend a 40% dividend (Previous Year 37.5%) for your approval. The payout on this account for the year 2003-2004 will be Rs. 27.02 Crores, inclusive of the corporate dividend tax of Rs. 3.07 Crores, as against Rs. 25.33 Crores in the previous year.

**Divisional brief and outlook**

Having provided you with this snapshot, I would like to focus on our business sectors and share our plans for taking these ahead, despite challenges.

**Viscose Filament Yarn (VFY)**

VFY continues to be the largest contributor to the Company's over all performance despite the fact that the industry has been in a slump and the pressure on realization continues unabated.

Export volumes, which were at an all time high fuelled a marginal growth in sales. It might interest you to know that in so far as inventory levels are concerned, your Company holds a 3-week stock as against industry levels of 7 weeks.

To focus on enhancing the share of value-added yarns, the Division is expanding the Continuous Spinning Yarn capacity by a 1000 TPA. Plans to set up new facilities for superior quality of coloured yarn, for global customers, are on the anvil. The Company continues its thrust on improving quality. These quality-oriented measures will help in keeping the business profitable.

The short-term outlook for this business is challenging due to the pricing pressure with piling industry stocks and the threat of cheaper imports.

I believe this will be short lived. In my view, the long-term outlook for the VFY sector is positive as fashion fabrics favour its usage.

### **Garments**

In the branded apparel segment, the Division has been successful in reversing the de-growth. Despite the tremendous competition from global and regional brands, the Division was able to grow its revenues by 20 per cent, driven by strategic initiatives and unrelenting cost control.

The long-term outlook for this business is encouraging with positive consumer sentiment, the growing preference for ready-made garments, enhanced buying-power and the surge in the economy.

To augment its profitability, the Division will continue to leverage its brand quality, providing differentiated merchandise, complete wardrobe solutions, apart from encashing opportunities for garnering retail space in high streets and top malls.

### **Carbon Black**

The upswing in the auto and tyre sectors in the country have been admirably capitalized through higher volumes, flowing out of capacity expansions.

Your Company's plant capacity stands raised currently to 1,60,000 TPA – of which 50,000 tonnes were added during this fiscal.

I believe the outlook for this business is indeed positive as growth in the auto and tyre industry is ratcheting up. However, a word of caution, margins may be affected due to change in customs duty as now there is no duty differential whatsoever between carbon black and the carbon black feedstock.

The Division's endeavor to proactively manage volatile CBFS (Carbon Black Feed Stock) prices will continue as we find that it is the biggest value driver.

### **Textiles**

The Textile Division's profitability is constrained, operating as it does amidst extremely difficult market conditions. Higher input costs, lower realization and an appreciating rupee, have put the business under a severe stress.

To improve the Division's performance, it will devote maximum attention to the promotion of niche fabrics such linen and value-added worsted yarns – both of which have an enormous market potential.

### **Insulators**

As you may recall, with the formation of the Joint Venture with NGK Insulators, christened "Birla NGK Insulators Private Limited", your Company retains the domestic marketing rights, whereas exports is focused by Joint Venture partner with their international presence.

Your Company endeavours to leverage its partnership with NGK, to raise the quality levels of its insulators to global standards.

The JV has taken various initiatives to improve production processes and yield, which have impacted its bottom line; the benefit thereof will be seen in due course.

We have drawn out a blue print to better the results through capacity expansion and plant modernization. This will provide your Company with new avenues to produce high voltage insulators for its customers.

I believe, the future of the Insulator Division is promising, given the power sector reforms, which will unleash demand in the transmission and the distribution segment.

### **Insurance**

Your Company's Insurance joint venture "Birla Sun Life Insurance Company Limited" has attained the distinction of being the second largest life insurance player amongst the private sector insurance companies. Furthermore, it enjoys a leadership position in unit linked products and group business.

There is a huge growth opportunity in this sector. We too are expanding our reach. However, the profitability stream will flow when the business arrives at a critical mass in the near future.

### **Software**

Your Company's software subsidiary "PSI Data Systems Limited" has curtailed its losses through its focus on select segments and cost control initiatives, which should help the business, grow in revenues and earnings. Client building and entering new geographies are its thrust areas.

### **BPO**

I am very pleased to record that the BPO business has had an exceptionally strong year. Revenues have leapfrogged. New clients including some leading Fortune 500 Companies have come within its fold. The ITES/BPO sector is the fastest growing sector in the country. I have no doubt that, given TransWorks's value proposition of total commitment to its clients businesses, its share in the industry will grow several-fold and be a major contributor to your Company's bottom-line.

In sum, I believe the future of your Company is bright.

### **A Caring Corporate Citizen**

Last but not the least, I would like to very briefly speak about the role that your Company has been playing as a committed, responsible and caring corporate citizen.

### ***Environmental Management***

Your Company is totally committed to sustainable development and has a well drawn out environmental management strategy in place. It is an integral part of our philosophy. Hence, environment considerations are always featured in your Company's decision-making process. All of your Company's plants are ISO 14001 EMS certified. Many accolades have been conferred on

your Company for its contribution to environment conservation, and these are detailed in the Annual Report.

Likewise, we have always looked beyond the traditional spheres of influence and addressed the larger issues facing people in proximity to our plants and beyond.

### **Social Projects**

Your Company's social projects are carried out under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development, spearheaded by Mrs. Rajashree Birla. Your Company's focus areas are healthcare, inclusive of mother and child care, education, self reliance through the engine of sustainable livelihood, also encompassing agriculture and water shed development activities and women empowerment processes, besides others.

Your Company is actively engaged in 120 villages adjacent to its various plants reaching out to 1,50,000 people. In this regard, your Company was able to cater to the healthcare needs of 57,544 villagers. In the field of education, we were able to reach out to 3,361 students with a slew of supportive measures. Through our engagement, we have managed to put nearly 9,500 people on the sustainable livelihood track. Providing solar cookers and infrastructure support that includes shelter and safe drinking water, also form part of our activities.

All of our social programmes are measurable, sustainable and replicable. Let me add that we work in partnership with the communities, the District Authorities, the Panchayats and some NGOs too. Together we endeavour to make a difference to the weaker sections of society and vulnerable groups and, in doing so, help the Government in its efforts to raise the Human development Index of our nation.

The details of various social projects carried out are mentioned in the Social Report on page no. 33 of the Annual Report.

### **Conclusion**

Having provided you with a snapshot of your Company, in all of its key dimensions, may I now commend the first resolution relating to the adoption of the Accounts and Director's Report for your consideration and approval?