

**THE CHAIRMAN'S ADDRESS TO SHAREHOLDERS OF ADITYA BIRLA NUVO  
LIMITED AT VERAVAL ON WEDNESDAY, 9<sup>TH</sup> JULY, 2008**

Dear Shareholders,

I have great pleasure in welcoming all of you to the 51<sup>st</sup> Annual General Meeting of your Company.

The year 2007-08 has been a tough year characterised by the hardening of interest rates, volatility in global financial markets consequent to the sub-prime crisis and rising inflation. That despite these adverse factors your company strengthened its position in all the business segments is indeed commendable. Let me give you the highlights :

- The Telecom business will soon have a Pan India presence. Growth in the existing circles is being accelerated through widening of network.
- Financial services businesses are regaining market share on the back of expanded distribution reach.
- BPO business is building global delivery capacities, amidst challenges of the US Dollar weakening and a slow down in the US.
- Branded garments business is building sizeable world class presence in apparel retailing.
- Additionally, capacities in the various value businesses are being scaled up to capitalise on growth opportunities.

**Financial Performance**

Your Company has posted a strong growth in its consolidated turnover. Its net consolidated revenues crossed US \$ 3 billion at Rs. 12,134 Crores, up by 45%. Growth businesses such as Life Insurance, Telecom, BPO and branded garments contributed 75% of the consolidated revenues.

Your Company's standalone results have been impressive despite plant shutdown in the Fertilisers business for nearly two and a half months during the FY 2007-08 largely for plant maintenance and partly due to breakdown.

- Net revenues on standalone basis grew by 15% from Rs. 3,420.5 Crores to Rs. 3,924.2 Crores
- Operating profit was up by 5% at Rs. 633.9 Crores.
- Net profit rose by 8% to Rs. 243.1 Crores.

The Insulators and Carbon Black businesses together with the income tax refunds contributed significantly to the earnings.

However, your Company's consolidated net profit at Rs. 150.8 Crores was lower by 46% during the year. Growing share of new business premium, which is the key growth driver in the Life Insurance business, had initial gestating strain on the consolidated profitability. Barring the Life Insurance business, consolidated net profit has grown by 25%.

I would now like to briefly dwell on the key developments in your Company and our growth journey.

### **Preferential warrants offer to promoters**

To augment funds to meet your Company's Investment and Capital expenditure for its existing as well as new growth opportunities, your Company has issued 2.05 Crores warrants through a preferential offer to Promoters and Promoter group at a price of Rs. 2007.45 per warrant. Each warrant is convertible over a period of 18 months from the date of allotment, into one equity share of Rs. 10/- each at a premium of Rs.1997.45 per share. Up until 31<sup>st</sup> March, 2008, a sum of Rs. 411.5 Crores had already been received on application. Out of the warrants issued, the Promoters and Promoter group have exercised their option on 17 Lacs warrants on 31<sup>st</sup> March, 2008. Equity shares against these have been allotted and Rs. 307.1 Crores received, net of application money.

## **Merger of Spice Communications with Idea Cellular**

Idea Cellular Limited has announced the acquisition of the Spice Group stake of 40.8 per cent in Spice Communications Limited at a price of Rs. 77.30 per share. Idea and Telecom Malaysia International along with their affiliates and associates will make an Open Offer for an additional 20 per cent stake in Spice at a price of Rs. 77.30 per share.

The Boards of Idea and Spice have approved the merger of Spice Communications Limited into Idea with effect from April 1, 2008, through a Scheme of Arrangement under Section 391 to Section 394 of the Companies Act, subject to necessary approvals.

The swap ratio has been determined at 49 shares of Idea for every 100 shares of Spice. Idea will also make a preferential allotment of 464.73 million equity shares to Telecom Malaysia International at a price of Rs. 156.96 per Idea share representing 14.99 per cent of Idea's equity capital post allotment.

Idea is also implementing 4 licenses in Mumbai, Bihar, Tamil Nadu (including Chennai) and Orissa by the year end. Soon, Idea's footprint will cover about 90% of India's population.

## **The Dividend**

Moving over to the dividend, your Directors have recommended a dividend at 57.5% i.e., @ Rs. 5.75 per share in the meeting held on 30<sup>th</sup> April, 2008. The Dividend will be paid to those shareholders whose names have been registered with the Company and/or Depository as on the record date i.e. 4<sup>th</sup> July, 2008. The payout on this account for the year 2007-2008 will be Rs. 54.63 Crores, exclusive of the corporate dividend tax of Rs. 9.28 Crores.

## **Business Outlook and Strategy - Growth Businesses**

Since the performance of each business is detailed in the Management Discussion and Analysis section of the annual report already in your hand, I will focus on the business outlook, key challenges and strategies adopted to fuel future growth.

- **Telecom** business will be expanding network in its existing circles and accelerating roll out in new circles to achieve Pan India presence besides improving share of value added and 3G services.
- **Financial Services** businesses will continue to improve market positioning through scaling up of distribution reach, strengthening product portfolio, improving brand loyalty through consistent returns and deriving synergies through cross selling. Exploring and entering growth avenues in new business segments in the financial services space is on the anvil as well.
- The **BPO** business will focus on scaling global delivery capabilities and migration to low cost new geographies. Besides increasing share of the high margin KPO business, it will also improve capacity utilization to achieve better margins. The outlook is challenging but positive.
- **Branded Garments** business has a positive outlook given growing consumerism. It will aggressively pursue apparel retailing by leveraging upon the brand equity of fashion brands and popular brands. The emphasis will be to expand controlled retail space at strategic locations. This will be done in a cost efficient manner.
- In **Contract Exports** business, the thrust is on improving capacity utilisation and product development capabilities. The Immediate challenge is to mitigate the impact of the rising rupee.
- In **IT services** business, focus is on select verticals to improve profitability.

## **Business Outlook and Strategy - Value Businesses**

- In the **Carbon Black** business, the recent completion of 60,000 Metric Tonnes expansion is a forward step aimed at capitalizing the vibrant auto sector. Expediting the Greenfield expansion by 120,000 Metric Tonnes continues to be a priority.
- In the **Fertilisers** business, besides widening of its product portfolio your Company has positioned itself as a one-stop agri-solution provider. So increasingly the thrust will be on trading of agri-products. Alongside, the business will pursue de-bottlenecking or expansion on liberalisation of policy.
- The **Rayon** business will focus on growing its presence in exports markets to derive a premium out of matured markets besides improving yarn quality and increasing share of value added yarns.
- In the **Insulators** business, capacity expansion, yield improvement and widening of the products range are key priorities along with a renewed emphasis on exports.
- The **Textiles** business will leverage the expanded capacity in Flax yarn and Linen Fabric segment and expand its retail distribution network under Linen Club brand.

**Most of our businesses are on track as we continue to leverage growth opportunities. Your Company is optimistic about meeting the challenges of strategic growth initiatives and enhancing its revenues and earnings. The investments pumped, more specifically into the Life Insurance, BPO and Garments businesses, which have created a stretch on profitability in the short term, will go a long way for value creation for shareholders.**

### **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 firmly believes that sustainable development is the cornerstone of our activities. We believe these are linked and key to our success as a Corporate.

## **Social Projects**

Your Company's social projects pertain to issues of deep relevance to human society, such as poverty alleviation through sustainable development and livelihood processes, healthcare, education, societal change and infrastructure development. 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.

The Annual Report details all these activities.

## **Employees**

At your Company, employees continue to be the key driving force of the organization and remain a strong source of our competitive advantage. We believe in aligning business priorities with the aspirations of employees leading to the development of an empowered and responsive human capital. We strive to create a work environment which encourages innovation and creativity.

Your Company continued to support learning and development initiatives to enhance the functional as well as the behavioural competencies of our people.

## **Acknowledgement**

I would like to take this opportunity to thank all the stakeholders of the Company for their continued belief and support.