



ADITYA BIRLA NUVO LIMITED

**The Chairman's Address
to the Shareholders of
Aditya Birla Nuvo Limited
at the 56th Annual General Meeting
held on 6th September, 2013 at Veraval**

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Dear Fellow Shareholders,

I am delighted to welcome all of you to the 56th Annual General Meeting of your Company.

It's a pleasure to share with you a roundup of the year's performance, its highs and lows and how the future will pan out. The year 2012-13 was indeed a very trying year. The economy both in India and across the world faced several headwinds. Even today the worst case scenarios for the global economy have not come to pass. The IMF estimates the global economy to be range bound between 3.5% to 4%.

Slow growth, investor diffidence, the rupee falling to an all time low and, power outages added to India's woes. High commodity prices and supply constraints of critical raw material, such as coal and natural gas further compounded the problem. Unsurprisingly then, India's GDP growth slowed markedly in 2012-13, to 5%, down from 6.2% in the previous year.

It's most creditable that your Company, Aditya Birla Nuvo, navigated these turbulent times and turned in an encouraging performance.

This reflects the strength of the conglomerate model of your Company.

Your Company crossed ₹ 25,000 Crore revenue mark growing year on year by 17%. It has earned its highest ever profitability. EBITDA surged year on year by 27% and crossed ₹ 4,000 Crore. Net profit crossed ₹ 1,000 Crore, growing year on year by 19%.

Your Company has reported impressive financial results for the first quarter ended 30th June 2013 on 9th August 2013.

Quarterly revenue grew by 8% to ₹ 5,745 Crore. EBITDA surged by 28% to ₹ 1,174 Crore. Net profit rose by 24% to ₹ 331 Crore.

Your Company has become a 4.75 billion dollar conglomerate. It has built leadership position across its businesses. Let me briefly dwell on the major businesses.

First: The Financial Services business. It ranks among the top 5 fund managers in India, excluding LIC. It is actually among the top 2 fund managers, if we exclude bank backed players. Getting into the banking sector will be a strategic fit for Aditya Birla Financial Services. Hence your Company has applied for the banking license.

Moving onto Idea Cellular. It is the 3rd largest cellular operator in India by revenue market share. Idea continues to be the fastest growing major telecom operator, growing at 1.5 times of the sector. The health of the sector is improving and Idea is believed to be the biggest beneficiary led by the strength of its brand and balance sheet.

Fashion & lifestyle business is the largest branded apparel player in India, selling one branded apparel every second. Its annual revenue size reached USD 1 billion, with the acquisition of Pantaloons. The business has a nationwide presence through more than 1,500 exclusive brand outlets and stores spanning across 3.8 million square feet as of June 2013. It also reaches customers through more than 4,750 multi brand outlets and departmental stores.

Your Company is leader in its manufacturing businesses viz, Agri, Insulators and Rayon. Indian Rayon is the second largest producer of Viscose Filament yarn in India. Indian Rayon remained the largest Indian exporter of VFY for the 8th year in a row. Indo Gulf Fertilisers is among the top two energy efficient Urea plants in India. Aditya Birla Insulators is India's largest and world's fourth largest manufacturers of Insulators.

Your Company has increased its market share across most of the businesses during the year.

Financial Services business improved its market share in Life Insurance, Asset Management and Broking segments.

Telecom business is constantly enhancing its revenue market share.

Madura Fashion & Lifestyle continues to outperform the industry growth

Most of the businesses are generating sound return on capital employed.

Financial Services generated an ROACE of 31%

Fashion & Lifestyle business is operating at ROCE of 25% including Pantaloons.

ROACE of manufacturing businesses excluding Carbon Black business was 15.4% in FY13. Driven by higher volumes and realisation in both VFY and Caustic Soda segments, Indian Rayon posted a sound ROACE of 26%. ROACE in the Agri business was lower at 12% due to increase in outstanding subsidy. With the gradual realisation of subsidy in Agri business and discontinuance of trading in imported P&K fertilisers, the ROACE is expected to improve going forward in the Agri business.

Your Company has started generating return on its long term investments

Birla Sun Life Insurance paid interim dividend in March, 2013. Your Company received ₹ 146 Crore for its 74% share. Birla Sun Life Insurance has further distributed ₹ 400 Crore in the first four months of current financial year. Your Company received ₹ 207 Crore in May 2013 and ₹ 87 Crore in July 2013 for its 74% share.

Idea has recommended a maiden dividend at 3% for 2012-13.

These cash inflows will support your Company's balance sheet and growth plans.

Your Company had issued 16.5 million warrants in May 2012 to Promoters on a preferential basis after being approved by the shareholders. Of the planned equity infusion of about ₹ 1,500 Crore, a sum of ₹ 832 Crore has already been received in 2012-13. In terms of the Issue, the balance 9,820,000 warrants are to be converted for ₹ 671 Crore on or before 9th November, 2013. This equity infusion will strengthen the financial position of your Company and act as a seed capital for future growth plans.

Let me now give you a perspective on the Carbon Black business. Given that multi-national tyre manufacturers prefer to deal with global carbon black players, scale and global positioning in the Carbon Black sector has become increasingly important. The Carbon Black business of your Company contributes to merely 2% of the global Industry capacity. Moreover, in view of the capital commitment of your Company towards other businesses, it is challenging for your Company to become a global Carbon Black Player. Hence considering the Carbon Black business scenario, both in the Indian and the global context, your Company decided to divest its Carbon Black Business. Having received the approval of the shareholders, your Company has accounted for the slump sale of the Carbon Black Business with effect from 1st April 2013. The cash inflow from the slump sale will strengthen the Company's balance sheet.

Your Company has acquired a controlling stake in Future Group's 'Pantaloon Fashion' business post its demerger. The demerged business got transferred to Peter England Fashions & Retail Limited and it was renamed as Pantaloon Fashion & Retail Limited. An open offer was made in terms of the Scheme to the public shareholders of Pantaloon at the same price at which the controlling stake was acquired. Post open offer, holding of your Company has become 67.95%. The equity shares of Pantaloon are listed on the BSE and NSE.

Your Company is scaling up its businesses to tap sector growth opportunities

Indian Rayon has successfully commissioned an additional unit of Viscose Filament Yarn using Spool Technology imported from ENKA, Germany in the existing premises at Veraval. The production from the new unit had commenced in March 2013 and the plant is ramping up quickly. With this, Indian Rayon emphasizes its focus on technology upgradation to improve product quality and range, especially in superfine segment.

Energy Savings and debottlenecking project in Agri business is underway.

Linen Yarn capacity has already been expanded in the Textiles business and linen fabric expansion is expected to complete by the end of calendar year 2013.

Madura has plans to open new stores to expand its retail presence.

Your Company has standalone capex plan of ₹ 657 Crore for 2013-14. NBFC business will also require capital to fund its growth. Telecom and IT-ITeS businesses are generating steady cash profit to fund their growth capital requirements.

Your Company has a strong balance sheet and cash inflows to support its growth plans

Net Debt to EBITDA improved to 3.3 times as on 31st March 2013. Equity infusion by promoters, dividend income and cash flow from operations contributed.

Led by slump sale of carbon black business, realisation of subsidy in Agri business and distribution of surplus funds by Birla Sun Life Insurance, Net Debt to annualised EBITDA improved to 2.1 times as on 30th June 2013.

Going forward, cash flow from operations coupled with the remaining equity infusion by promoters, will further support the Company's balance sheet and its investment and capex plans.

To sum up, the thrust of your Company is on capturing growth opportunities across its businesses to achieve the next higher level of growth and enhance value for all the stakeholders.

Moving on to the **Dividend**. The Board of Directors of your Company, in its meeting held on 29th May, 2013, had recommended a dividend of 65%, i.e., ₹ 6.5 per equity share for the year ended 31st March, 2013. Towards this we seek your approval as shareholders at this meeting. The Board has also recommended a dividend of ₹ 6 per preference share. This will entail a total cash outflow of ₹ 78 Crore including distribution tax.

Before going ahead with the agenda for the day, I would like to very briefly speak about **your Company's role as a caring corporate citizen.**

At Aditya Birla Group, we believe that bringing the benefits of education, basic healthcare, sustainable livelihood, Safe drinking water and sanitation, women empowerment projects, self help groups and Income generation, infrastructure and social reform will make a difference to the lives of the poor.

Your Company's CSR activities are carried under the umbrella of Aditya Birla Centre for Community Initiatives and Rural Development, spearheaded by our Director, Mrs. Rajashree Birla. We at Aditya Birla Nuvo, work in 231 villages, touching the lives of 8.51 lakhs people. Through our focused endeavours in healthcare, education, sustainable livelihood, infrastructure support and social causes, we work towards alleviating poverty and improving the livelihood of rural poor.

Our vocational training project conceptualized in partnership with the Confederation of Indian Industry, the European Union, British Council and City & Guilds U.K is on track. In this 3 year project, our objective is to provide vocational training to 11,000 underprivileged youngsters in Sirsa and Sitapur. Up until now, we have successfully completed training 2,301 youngsters, of which 1,291 have been already placed in various industries.

The ANYA project, at Gummidipoondi, which is being run in collaboration with NABARD, is progressing well. The first phase of the project entailing setting up 5 production centres for training in tailoring / garment stitching, embroidery, floriculture and phenol / soap oil making is now complete.

Your Company's efforts towards environment conservation and social projects are spelt out in detail in Social Report in the Annual Report.

I take this opportunity to very warmly thank all of our employees for their contribution to the Company's performance.

I would also like to express our deep sense of gratitude to all of you, our shareholders. I look forward to your continuing commitment and support in the Company's future growth.

Thank you!

(This document does not purport to be a record of the proceedings at the Annual General Meeting)