



Aditya Birla Nuvo Ltd.

The Chairman's Address to the Shareholders of Aditya Birla Nuvo Limited at the 57th Annual General Meeting held on 11th September, 2014 at Veraval

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Dear Members,

On behalf of the Board of Directors and the management, I am delighted to welcome you all to the 57th Annual General Meeting of your Company. Thank you for joining us.

I trust the notice convening this meeting and the Annual Report for the year 2013-14 have reached you on time and have been with you for some time now, so, with your permission, I shall take it as read.

I will take you through a brief update on the Country's economic situation, your Company's performance during the financial year gone by and the outlook for the current year.

During the fiscal year 2014, India's GDP grew by sub 5% for the second year in a row. Inflation and interest rates remained at high levels, hampering consumption demand and investments. During past few months, India has taken substantive measures to narrow fiscal imbalances, to tighten monetary policy and to move forward on structural reforms. Pick-up in exports in recent months and measures to curb gold imports have contributed to lowering the Current Account Deficit.

Early signs of recovery are visible with improved industrial growth and wholesale price inflation coming off the peak. However, RBI kept the key interest rates unchanged in anticipation of weak monsoon and high retail inflation. In calendar year 2014, as projected by IMF, India's GDP growth is expected to improve to 5.4%.

Amidst this challenging macro-economic environment, your Company posted strong earnings growth.

Its consolidated revenue crossed ₹ 25,000 Crore mark. EBITDA surged by 19% to ₹ 4,937 Crore. Net Profit before one-off items rose by 16% to ₹ 1,226 Crore.

Your Company reported impressive financial results for the quarter ended 30th June 2014.

Excluding IT-ITeS business, which was divested with effect from 9th May 2014, the consolidated revenue rose by 16% to ₹ 6,207 Crore, EBITDA grew by 15% to ₹ 1,273 Crore and net profit before one-off items surged by 27% to ₹ 300 Crore.

Your Company is competitively well positioned in most of its businesses.

During fiscal 2013-14, your Company focused on fortifying its leadership position across the businesses, exiting sub-scale businesses to ensure greater focus on other businesses and strengthening the balance sheet.

Financial Services business continues to rank among the top five fund managers in the Country. Its assets under management soared by 14% to more than ₹ 122,000 Crore. In terms of funds under management, your Company is among the top 5 private life insurers in India and the 4th largest asset management player in the country. The lending book of the NBFC business rose by 44% to more than ₹ 11,500 Crore.

Your Company's Fashion & Lifestyle business is the largest branded apparel player in India selling two branded apparels every second. It launched new stores at the run rate of one store per day and expanded its nation-wide reach to 1,750 exclusive brand outlets spanning across 4.3 million square feet. Its flagship brands, Louis Philippe and Van Heusen are the best selling apparel brands in India.

Idea Cellular has been the biggest revenue market share gainer in India since past five years. Idea is the 7th largest mobile telecommunications company in the world in terms of the number of subscribers based on operations in a single country. In India, it ranks 3rd in terms of revenue market share. It is serving a large customer base of 139 million subscribers. Idea is generating strong cash profit, is distributing dividend and has a sound balance sheet to support its growth plans.

Rayon business posted its highest ever earnings. The new superfine unit is running at full capacity and its complete benefit will be recognized in coming years. In the Agri business, a 41 days shut down was taken in the fourth quarter of fiscal 2013-14 which impacted the profitability. However, higher fixed cost reimbursement as per government policy and energy savings will augment business earnings going forward. Earnings of the Insulators business improved led by better capacity utilization and higher realization.

Your Company exited sub-scale businesses to ensure greater focus on other businesses.

Considering the sector dynamics and to ensure greater focus in its other businesses, your Company has divested its Carbon Black business with effect from 1st April 2013 and its IT-ITeS subsidiary with effect from 9th May 2014. The divestment proceeds have been and will be utilised to support the balance sheet and the growth plans of your Company.

Capital Infusion by the Promoters supported the balance sheet

The Promoters infused a sum of ₹ 671 Crore on conversion of the remaining warrants in November 2013. This has not only strengthened the balance sheet of your Company but has also supported its growth plans.

Your Company has a strong balance sheet.

The standalone balance sheet supported an investment and capex outlay of about ₹ 2,500 Crore during the year, yet achieved reduction in net debt by around ₹ 450 Crore. The divestment of the Carbon Black business, the balance equity infusion of ₹ 671 Crore by promoters and the release of net working capital has strengthened the Company's balance sheet. Standalone Net Debt to EBITDA improved year on year from 3.3 times to 2.6 times and Net Debt to Equity from 0.53 times to 0.39 times.

Going forward, ABNL's thrust is on capturing growth opportunities across its businesses.

For fiscal 2014-15, your Company has plans to invest ₹ 350 Crore in the Financial Services business largely to fund the growth capital requirement of the NBFC business. Capex guidance for the standalone businesses stands at around ₹ 500 Crore which includes retail stores expansion by Madura Fashion & Lifestyle and linen yarn capacity expansion by Jaya Shree. Cash flow from operations and the proceeds from the divestment of Minacs will support these growth plans.

As a conglomerate, your Company mirrors the savings, consumption, infrastructure and agriculture led sectors of the Indian economy. Having a leadership position across its businesses present in these sectors, your Company is well placed to scale new peaks with the upturn of the economy.

Moving on to Dividend.

The Board of Directors of your Company, in its meeting held on 20th May, 2014, had recommended a dividend of 70%, i.e., ₹ 7 per equity share for the year ended 31st March, 2014. 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 ₹ 98 Crore including dividend 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.**

The focus areas of your Company are healthcare, education, sustainable livelihood, infrastructure and social reform. Your Company works in 190 villages (including 8 model villages and 26 urban wards) in proximity to your Company's 6 Units across 4 states of the country reaching out to a rural populace of 8.02 lakh.

Your Company organised 936 Rural Mobile Camps and 45 speciality Medical Camps in remote villages, wherein, over 193,000 persons underwent free medical checkups, availed of medicines and other diagnostic/referral facilities.

More than 21,800 students were reached out across 108 rural schools in the campaign for enrolment and reducing dropout of students. In addition merit scholarships were awarded to 1,850 students.

Your Company's Units are running 22 tailoring centres, empowering and providing alternate livelihood to 960 rural women at Jagdishpur, Veraval, Bangalore and Rishra. In 10 other skills training centres, 471 people received technical training.

Under Infrastructure Development, your Company's CSR activities involved water conservation / harvesting, renewable energy, building roads, repair of school buildings and helping the communities benefiting about 20,000 people across units.

Your Company's efforts towards environment conservation, sustainability 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.