ADITYA BIRLA NUVO

ADITYA BIRLA GROUP

PRESS RELEASE

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Aditya Birla Nuvo reports results for the first quarter ended 30th June 2008

Consolidated Revenues	**Rs. 3,228.3 Crores**	48%
Standalone Revenues	**Rs. 1,078.9 Crores**	38%
Standalone Net Profit	**Rs. 41.6 Crores**	23%

Growing share of new business premium in the Life Insurance business and retail expansion in the garments business impacted consolidated profitability.

Aditya Birla Nuvo continued to work on its defined objectives for building a strong foundation for all the businesses which includes achieving pan India presence in the Telecom business by acquisition of Spice and rolling out of four new circles besides network expansion in the existing circles; expanding distribution reach and strengthening management team in financial services; transforming the Garments business from a wholesale company to a high-end apparel retailing company through continued expansion of retail space and exiting loss making sites in the BPO business and supporting business through cost effective sites and locations.

As a result, while the company grew substantially in revenues size, the consolidated profitability does not reflect true picture of the investments and efforts made due to the gestating impact of aforesaid growth initiatives bunched together, coupled with nature of the Life Insurance business where new business premium, though profitable in the long run, creates strain in the first year.

Rs. Crores

Standalone Results			Particulars	Consolidated Results		
Quarter ended 30th June				Quarter ended 30th June		
2008	2007	Growth %		2008	2007	Growth %
1,078.9	780.1	38%	Net Income from Operations	**3,228.3**	2,184.1	48%
149.3	123.3	21%	Operating Profit (PBDIT)	**270.8**	307.2	-12%
41.6	33.7	23%	Net Profit / (Loss) after Minority Interest	**(28.3)**	94.7	-130%

The Company's **standalone** revenues grew by 38% to Rs. 1,078.9 Crores from Rs. 780.1 Crores. Higher volumes in the Carbon Black and the Fertilisers businesses have contributed significantly to the revenues and earnings. **Standalone** net profit is up by 23% at Rs. 41.6 Crores from Rs. 33.7 Crores.

The Company's **consolidated** revenues are up by 48% from Rs. 2,184.1 Crores to Rs. 3,228.3 Crores. **Revenues from its subsidiaries and joint ventures, where the company has made substantial investments in the past, grew by 53% to Rs. 2,149.4 Crores from Rs. 1,404 Crores.** All the businesses are on the growth trajectory.

- The **Telecom** business registered a 47% rise in revenues at Rs. 2,173.5 Crores up from Rs. 1,477.3 Crores. Its subscriber base as on June 30, 2008 is 27.19 million. Idea moved one step up to rank 5th with a Pan India market share of 9.6%. Idea enjoys 16.6% market share in 11 operating circles. Spice merger will add about 4.5 million subscribers of Punjab and Karnataka circles with 1.6% all India share. Idea is targeting roll out of services in Mumbai and Bihar (including Jharkhand) by Sep'08 and in Tamil Nadu (including Chennai) and Orissa by Dec'08.
- The **Life Insurance** business achieved 187% growth in new business premium income at Rs. 501.5 Crores supported by expanded distribution reach and enriched product portfolio. This is the highest growth rate amongst top 10 players. Birla Sun Life Insurance now ranks 4th

amongst the private players with a market share of 8.15% upto June'08 vis-à-vis 6.6% in financial year 2007-08. Revenues grew by 84% from Rs. 486.9 to Rs. 895.9 Crores. It launched 248 new branches during the quarter itself to reach a total of 587 branches. The business is targeting to reach 1000 branches mark and double the agents force to over 2 lacs by the year end.

- The **BPO** business reported 22% growth in revenues from Rs. 352.4 Crores to Rs. 431 Crores. Two new clients have been added. Growth could have been higher but for the US slowdown.
- In the **Garments** business, revenues are higher by 12% at Rs. 224.3 Crores from Rs. 200.6 Crores. Weak consumer demand and higher discounting across the industry impacted top-line growth and profitability in the business. The mass family brand "Peter England People" has been launched across five stores of an average size of 12,000-15,000 square feet. Besides this, 11 new Exclusive Brand Outlets (EBOs) were launched, taking the controlled retail space to 5.4 lacs square feet across 258 EBOs.

Investment phase of growth businesses had gestating impact on consolidated profitability

The Company has reported a net loss of Rs. 28.3 Crores at the consolidated level against net profit of Rs. 94.7 Crores attained in the first quarter of the preceding year. This was largely due to higher losses in the Life Insurance business, caused by initial strain of growing first year premium. The consolidated net loss is lower than the budgeted loss and therefore the management is quite confident that while maintaining the growth it could reduce some pain to the stakeholders.

- In the Telecom business, operating profit rose by 34% to Rs. 737.2 Crores. Net profit is lower by 15% at Rs. 263.1 Crores against Rs. 308.5 Crores. The expiry of concessional license fees in seven operating circles, lower foreign exchange gain and higher deferred tax impacted the bottom-line. **Going forward, the business should benefit from the spice acquisition, new roll outs and cash inflows from Telecom Malaysia and Providence.**
- In the Life insurance business, the net loss increased to Rs. 146.8 Crores from Rs. 33.6 Crores. This was largely due to the growing share of new business premium which is key growth driver of the business. The new business is fully profitable; however, income from it will accrue over the policy period, as is the case with the nature of this business. Higher spends on intensification of distribution network also affected profitability. **The new ramp up and other growth initiatives will lay strong foundation for future growth of the company.**
- In the BPO business, net loss was higher at Rs. 23.6 Crores against Rs. 7.9 Crores. A weak US dollar against the Canadian dollar, high manpower costs and closure costs for one site led by site rationalisation efforts constrained profitability in the North America region. Profitability in the Asia Pacific region was lowered by higher interest costs. Efforts are on to bring back profitability by enhancing operating efficiencies, increasing share of high paying KPO segment and migration to low cost locations. **The business is expected to break-even by the year end.**
- The pre-launch expenses of stores in apparel retail subsidiaries and higher lease rentals in the Branded garments business to transform from a wholesale company to a high-end apparel retailing company coupled with higher discounts to maintain its edge over competition impacted bottom-line. Though lower capacity utilisation in the contract exports business impacted profitability**, it is expected to break even on the full year basis.**

Most of our businesses are progressing well on the designed path to leverage growth opportunities. Aditya Birla Nuvo 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 towards value creation for shareholders.