



## PRESS RELEASE

Mumbai, 24<sup>th</sup> October 2008

### Aditya Birla Nuvo reports results for the second quarter ended 30<sup>th</sup> September 2008

Standalone Revenues	Rs. 1,336.6 Crores	
Consolidated Revenues	Rs. 3,594.1 Crores	

Aditya Birla Nuvo continued to work on its defined strategy of building a strong foundation for all the businesses which includes

- Achieving pan India presence in the Telecom business;
- Expanding customer reach and augmenting its portfolio in the Financial Services business;
- Transformation from a wholesale garment company to a “High-end apparel retailing” company through continued expansion of retail space and variety in wardrobe and
- Improving operating efficiency through full utilisation of existing capacity and supporting business through cost effective sites and locations in the BPO business.

As a result, while the company grew in revenues as per plan, the consolidated profitability does not truly reflect the results of the investments and efforts made due to

- a) The gestating impact of the aggressive growth initiatives bunched together
- b) The nature of Life Insurance business where new business premium, though profitable in the long run, causes strain in the first year due to the accounting procedure of amortising all expenses in the first year itself.

#### Revenues on growth path

The Company's **standalone** revenues in the second quarter grew by 45% to Rs. 1,336.6 Crores from Rs. 921.4 Crores, largely driven by higher volumes and better realisation in the Fertilisers, the Carbon Black and the Garments businesses.

The Company's **consolidated** revenues are up by 29% to Rs. 3,594.1 Crores from Rs. 2,795.6 Crores. All the businesses are on the growth trajectory.

- **The Telecom business registered a 47% rise in revenues at Rs. 2,299.2 Crores up from Rs. 1,562.2 Crores.** Idea ranks 5<sup>th</sup> with 30.38 million subscribers as on 30<sup>th</sup> September 2008. After launch of operations in Mumbai and Bihar (including Jharkhand) circles and acquisition of controlling stake in Spice that operates in Punjab and Karnataka circles, Idea is now operational in 15 circles. With the planned launch of services in Tamil Nadu (including Chennai) and Orissa circles by the financial year end, Idea's footprint will cover approximately 90% of India's telephony potential.

During the quarter, Idea received Rs. 72.9 billion through sale of 14.99% stake to TM

International at Rs. 156.96 per share. Consequently, Nuvo's stake in Idea stands reduced to 27.02%. Idea's subsidiary Aditya Birla Telecom has also received the FIPB clearance to sell 20% stake to Providence for USD 640 million.

- The **Life Insurance** business, during the quarter, achieved 59% growth in new business premium income at Rs. 672.8 Crores supported by expanded distribution reach and enriched product portfolio. **During April-August 2008, for which the latest industry data is available, Birla Sun Life Insurance achieved 121% growth compared to 56% growth attained by private players and ranked 5<sup>th</sup> with a market share of 8.15%.** Revenues, during the quarter, grew from Rs. 869.7 Crores to Rs. 999.4 Crores. It has launched 261 new distribution centres during the half year itself to reach a total of 600 centres. In view of the current slow down in the financial services sector, the business has decided to strengthen the existing branches rather than opening of new branches.
- The **BPO** business reported 15% growth in revenues from Rs. 393.7 Crores to Rs. 453 Crores. Growth could have been higher but for the global slowdown.
- In the **Garments** business, revenues surged by 20% to Rs. 325 Crores from Rs. 270.1 Crores. Continued discount sale offerings stimulated demand across the industry. During the quarter, 24 new Exclusive Brand Outlets (EBOs) were launched, taking the controlled retail space to 5.7 lacs square feet across 279 EBOs.

#### **Investment phase of growth businesses had gestating impact on consolidated profitability**

**Standalone net profit, during the quarter, is up by 19% at Rs. 65.3 Crores from Rs. 54.9 Crores.** At the consolidated level, the Company has reported a net loss of Rs. 104.6 Crores against net profit of Rs. 47.8 Crores attained in the corresponding quarter of the preceding year.

- The Telecom business reported lower net profit at Rs. 144.1 Crores vis-à-vis Rs. 220.3 Crores. The start up losses and brand building costs for Mumbai circle impacted the bottom-line. **Going forward, the business will benefit from cash inflows from TM International and Providence, new roll outs and the Spice acquisition which gives Idea the critical circles of Punjab and Karnataka.**
- In the Life insurance business, the net loss increased to Rs. 200 Crores from Rs. 83.9 Crores. This was largely due to the growing share of new business premium and higher spends on expansion of distribution network, which are key growth drivers 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. **The new ramp up will lay a strong foundation for the future growth of the business. The proposed acquisition of Apollo Sindhoori will be driving significant synergies through cross selling.**
- In the BPO business, the net loss increased to Rs. 25.7 Crores from Rs. 20.3 Crores due to forex rates. Efforts are on to plough back profitability by enhancing operating efficiencies, increasing share of high paying KPO segment and migration to low cost locations. **The business is making all efforts for break-even by the year end.**

- Profitability in the branded garments business improved due to improved sales from retail segment which absorbed high lease rentals and higher discounting. In the apparel retail subsidiaries, the pre-launch expenses of stores and branding costs constrained the bottom-line. Lower capacity utilisation in the contract manufacturing business due to weak order flow has impacted its profitability **for which corrective actions have been taken.**

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 as per plan, will go a long way towards value creation for shareholders.**

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Statements in this “Press Release” describing the Company’s objectives, projections, estimates, expectations or predictions may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The Company assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.

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