ADITYA BIRLA NUVO

ADITYA BIRLA GROUP

PRESS RELEASE

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Aditya Birla Nuvo reports results for the third quarter ended 31st December 2008

Quarterly Net Sales : -		
Standalone	**Rs. 1,172.5 Crores**	9%
Consolidated	**Rs. 3,429 Crores**	17%
Nine months net profit – Standalone	**Rs. 111.1 Crores**	36%

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

- **Achieving pan India presence in the Telecom business;**
- **Expanding customer reach and augmenting 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**
- **Improving operating efficiency through full utilisation of existing capacity and supporting business through cost effective sites and locations in the BPO business.**
- **Expanding capacities in manufacturing businesses to tap sector growth.**

As a result, while the company grew in net sales, profitability was strained 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.**
c) **The global economic slowdown impacting India Inc., which has affected few of our businesses as well:**
   - **Carbon black industry was impacted by the sharp volatility in crude oil prices and slowdown in demand from the auto / tyre sector**
   - **Garment industry witnessed weak consumer demand and higher discounting**
   - **Growth rates in Life insurance and Mutual Fund industry softened due to volatile stock markets**

The Company's **standalone** net sales in the third quarter grew by 9% to Rs. 1,172.5 Crores from Rs. 1075.4 Crores, largely driven by the Fertilisers business.

The Company's **consolidated** net sales rose by 17% to Rs. 3,429 Crores from Rs. 2,931.1 Crores. The Telecom and Life Insurance businesses contributed significantly.

- **The Telecom business registered a 60% rise in revenues at Rs. 2,728.6 Crores up from Rs. 1,708.1 Crores**. Spice results since 16th Oct'08 are consolidated at 41.09% as a joint venture. Idea is now operational in 15 service areas with 38.01 million subscribers after "Spice" being rebranded as "Idea" in Punjab and Karnataka service areas. Idea ranks 5th with 11% all India market share as on 31st December 2008. **Idea has received spectrum for the remaining five service areas and is targeting Pan India presence by the end of calendar year 2009.**

During the quarter, a sum of Rs. 21 billion was received from Providence as capital infusion in Idea's subsidiary Aditya Birla Telecom. **The Debt-equity ratio (net of cash and cash equivalents of Rs. 8160.6 Cr.) stood at 0.19 as on 31st December 2008.**

- The **Life Insurance** business recorded a 23% growth in new business premium income at Rs. 614.4 Crores supported by expanded distribution reach and strengthened product portfolio. **During April-December 2008, Birla Sun Life Insurance achieved 62% growth in first year premium compared to 26% growth attained by private players and ranked 5th with a market share of 8.5%.** 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 from existing branches will be strengthened and new branch openings will be re-aligned with the growth outlook. During the quarter, direct sales force grew from about 132,000 agents to over 150,000 agents.

- The **BPO** business revenues grew from Rs. 403.1 Crores to Rs. 416 Crores. Growth could have been higher but for the global slowdown.

- In the **Garments** business, revenues grew to Rs. 293.3 Crores from Rs. 278.8 Crores. Continued weak demand and discounted sale offerings affected growth particularly in the wholesale channel. **Sales from retail channel registered a robust 26% growth**. Controlled retail space stands expanded to 7.6 lacs square feet across 328 Exclusive Brand Outlets (EBOs), five 'Peter England People' stores and one 'The Collective' store.

<u>Investment phase of growth businesses coupled with impact of economic slowdown on few businesses constrained profitability</u>

Standalone net profit, during the quarter, reduced to Rs. 4.1 Crores from Rs. 84 Crores. Besides lower off take from tyre customers, Carbon black business was severely impaired by high priced stock due to sharp fall in CBFS prices linked to crude oil.

At the consolidated level, the Company has reported a net loss of Rs. 156.4 Crores against net profit of Rs. 30.2 Crores attained in the corresponding quarter of the preceding year.

- The **Telecom** business reported lower net profit at Rs. 219.5 Crores vis-à-vis Rs. 236.7 Crores largely due to start up costs in Mumbai and Bihar coupled with its share in losses of Spice. **Going forward, the business will benefit from new roll outs and cash inflows from TM International and Providence.**

- In the **Life insurance** business, the net loss is higher at Rs. 165.8 Crores vis-à-vis Rs. 125.8 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 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 drive significant synergies through cross selling.

- In the **BPO** business, the net loss is reduced to Rs. 37.8 Crores from Rs. 38.2 Crores despite site closure costs of Rs. 7.5 Crores and forex loss. Efforts are on to plough back profitability by enhancing operating efficiencies, increasing share of high paying KPO segment and migration to low cost locations.

- Profitability in the **branded garments** business was constrained due to the gestating impact of new store launches and higher discounting. In the apparel retail subsidiaries, the pre-launch expenses of stores and branding costs constrained the bottom-line; the benefit of which will accrue going forward.

  In the contract manufacturing business, weak order flow / order cancellation resulted in lower capacity utilisation and forex loss, impacting its profitability **for which corrective actions have been taken.**

Most of our businesses are progressing 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 in line with the plan, will go a long way towards value creation for shareholders.**

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