



PRESS RELEASE

Mumbai, 28th April 2009

**Aditya Birla Nuvo reports results
for the Quarter and the Financial Year ended 31st March 2009**

	<u>Quarter 4</u>		<u>Full Year</u>	
Consolidated net sales	Rs. 4,096.9 Crores	↑ 11%	Rs. 14,200.4 Crores	↑ 26%
Standalone net sales	Rs. 1,152.7 Crores	↑ 5%	Rs. 4,687.6 Crores	↑ 22%

Aditya Birla Nuvo continued to pursue distinct strategic initiatives across its businesses to achieve growth:

- Adding new circles to achieve pan India presence and improving network quality to ensure growth in existing circles in the Telecom business;
- Expanding customer reach and augmenting portfolio in the Financial Services business;
 - Enhancing market share in the Life Insurance and the Asset Management businesses
- Transformation from a wholesale “Garment” company to a “High-End Apparel Retailing” company through expansion of retail space;
- Site rationalisation to support business from cost effective sites in the BPO business and
- Expanding capacities to tap sector growth in the manufacturing businesses.

As a result, while the company grew in revenues, profitability was strained due to: –

- The gestating impact of the aggressive growth initiatives bunched together;
- The nature of Life Insurance business where new business premium, though profitable over its life cycle, causes strain in the first year, due to the conservative accounting policy of charging all costs incurred in writing a new policy in the first year itself and not on the “Matching principle” basis;
- The wide-spread slowdown which has affected a 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. Peak crude oil prices built steadily over last 10 years crashed in less than a 3 months span;
 - Garments industry witnessed weak consumer demand and prolonged discounting;
 - BPO, IT and Garments exports businesses faced forex losses resulting from weak order flow due to the unprecedented economic slowdown

The Company has initiated aggressive cost control measures and tighter working capital management besides re-aligning its capital expenditure across the businesses to reduce the

strain. As a result, consolidated losses in the fourth quarter are lower than that of third quarter. Even in the life insurance business, losses in the fourth quarter are lower than those incurred in the corresponding quarter of the last year; despite a 19% growth in the new business premium where we have outperformed industry by a good margin.

The Company's **consolidated net sales** during the fourth quarter rose by 11% to Rs. 4,096.9 Crores from Rs. 3,683.3 Crores; the Telecom and the Life Insurance businesses being the major growth drivers.

- **Bucking the slowdown and intense competition, the Telecom business registered a 48% rise in revenues, during the quarter, from Rs. 1,972.4 Crores to Rs. 2,924 Crores.** Idea operates in 16 service areas with over 43 million subscribers. Idea ranked 5th with 11% all India market share as on 31st March 2009.

In line with its plan, Tamil Nadu circle (incl. Chennai) should be operational in the current quarter, while the remaining five circles will be operational by the end of the calendar year. Cash inflows from TMI and Providence deals will act as cushion to finance capex plans and bidding for 3G. **The Debt-equity ratio (net of cash and cash equivalents of Rs. 5,131.6 Cr.) stood at 0.27 as on 31st March 2009.**

- During the quarter, the **Life Insurance** business recorded a 19% growth in new business premium income at Rs. 1,035.1 Crores, supported by an expanded distribution reach and strengthened product portfolio. **During April 2008-February 2009, Birla Sun Life Insurance achieved a 54% growth in first year premium compared to 12% growth attained by private players and ranked 5th with a market share of 8.5% amongst private players up from 6.6% achieved last year.** It has launched 261 new branches during the year to reach a total of 600 branches. During the year, its direct sales force grew from about 115,000 agents to over 165,000 agents. The Company has delivered better returns than market to its policyholders and therefore more than 85% of its assets under management are in the top quartile of performance.
- During the year market share in the **Asset Management** business has grown to 9.5% from 6.8%. It also won coveted "Mutual Fund House of the Year" award by 'CNBC TV 18 – Crisil' for 2nd year in a row.
- The **BPO** business revenues de-grew by 10%, during the quarter, from Rs. 428.4 Crores to Rs. 387.1 Crores consequent to the global slowdown. The business has expanded about 600 seats in India to serve the needs of telecom sector. The growth in business from the telecom sector will continue this year too.
- In the **Garments** business, revenues remained flat at Rs. 273.3 Crores during the quarter. Continued weak demand and prolonged discounting affected growth particularly in the wholesale channel. **Sales from retail channel registered a robust 22% growth.** Controlled retail space stands expanded to 7.8 lacs square feet across 340 Exclusive Brand Outlets (EBOs), five 'Peter England People' stores and one exclusive 'The Collective' store. Substantial cost cutting

measures have already been taken to ensure savings of around Rs 100 crores in the next year.

During the year, the Company's **consolidated net sales** grew by 26% to Rs. 14,200.4 Crores from Rs. 11,249.6 Crores achieving growth across the businesses except for IT services and textiles.

The Company's **standalone net sales** during the year rose by 22% to Rs. 4,687.6 Crores from Rs. 3,842.3 Crores, largely driven by the Fertilisers and the Carbon Black businesses. During the fourth quarter, **standalone net sales** grew from Rs. 1,102.3 Crores to Rs. 1,152.7 Crores.

Investment phase of growth businesses coupled with impact of economic slowdown on few businesses constrained profitability

During the fourth quarter, **standalone net profit** de-grew to Rs. 26.4 Crores from Rs. 70.5 Crores due to a subdued performance in the Carbon Black and the Garments businesses. While fertilisers business posted its best ever profitability; the Rayon, Insulators and Textiles businesses posted satisfactory results amidst higher input and fuel costs. **Standalone net profit**, during the year, de-grew to Rs. 137.4 Crores from Rs. 243.1 Crores.

Consolidated net loss, during the fourth quarter, increased from Rs. 21.8 Crores to Rs. 141.2 Crores. This is lower by Rs. 15.2 Crores vis-à-vis a net loss of Rs. 156.4 Crores incurred in the previous quarter.

- The **Telecom** business reported a marginally lower net profit at Rs. 274.3 Crores vis-à-vis Rs. 276.7 Crores despite start up costs for newly rolled out circles and its share in losses of Spice and Indus towers.
- In the **Life Insurance** business, the net loss reduced from Rs. 201.9 Crores to Rs. 189.5 Crores despite the 19% growth achieved in new business premium. Improved product mix and refinement of actuarial assumptions helped contain the loss.
- In the **BPO** business, the net loss increased to Rs. 33.9 Crores from Rs. 22.4 Crores due to site closure costs and forex loss.
- Profitability in the **Branded Garments** business was constrained due to the gestating impact of new store launches and discounting pressure. In the apparel retail subsidiaries, the pre-launch expenses of stores and branding costs adversely impacted the bottom-line by Rs. 43.8 Crores against Rs. 16 Crores last year; the benefit of which will accrue, going forward.

In the contract exports business, weak order flow / order cancellation led to lower capacity utilisation and forex loss. **Corrective actions have been taken to regain profitability.**

The Company reported **consolidated net loss** of Rs. 430.5 Crores against net profit of Rs. 150.8 Crores attained in the previous year largely due to new business strain in the life insurance business and increased losses in the BPO and the Garments businesses.

In the BPO and the Garments businesses, the leadership team has been strengthened to ensure that the businesses achieve profitability faster.

Aditya Birla Nuvo is optimistic about meeting the challenges of strategic growth initiatives and enhancing its revenues and earnings. **We have taken initiatives to ensure that all ongoing activities should start delivering the profitable growth from the ensuing year itself.**

Dividend

The Board of Directors has recommended a dividend of 40% for the current year entailing total outgo of Rs. 42.4 Crores including dividend distribution tax.

Change in the management

Mr. Adesh Gupta, CFO and Whole Time Director, has been appointed as CFO of Grasim Industries Ltd. from May 1, 2009.

Mr. Sushil Agarwal, President of Birla Global Finance Co. Ltd., will be taking over the role of CFO of Aditya Birla Nuvo. He has been a part of many restructuring initiatives of the Aditya Birla Group and is known for his financial acumen and analytical skills.

Mr. Pranab Barua, the Business Director for Garments has been inducted as Whole Time Director on the board of the Company.

Dr. Rakesh Jain, present Joint Managing Director, will take over as Managing Director of the Company, on completion of the tenure of Dr. Bharat K. Singh.

About Aditya Birla Nuvo Ltd.

Aditya Birla Nuvo Ltd is a conglomerate and the platform that has launched many new businesses for the Aditya Birla Group. It has a balanced portfolio of traditional and new age businesses under its fold, ranging from textiles to life insurance.

Vision

To become a premium conglomerate, with market leadership across businesses, delivering superior value to shareholders on sustainable basis.

Strategy

To increase the share of "Growth" businesses in the consolidated revenues by deploying surplus cash from "Value" businesses.

The razor sharp focus on each business has made it a leading player in most of the "Value" businesses viz., Viscose Filament Yarn, Carbon Black, Fertilisers, Textiles and Insulators. Over the past few years, Aditya Birla Nuvo has made successful forays into "Growth" businesses viz., Telecom, Life Insurance, Asset Management, Garments, Business Process Outsourcing and IT services.

Aditya Birla Nuvo is part of the Aditya Birla Group, India's first truly Multinational Corporation. The Group operates in 25 countries, is anchored by an extraordinary force of over 125,000 employees belonging to 25 nationalities and derives about 50% of its revenues from operations outside India.

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.
