Aditya Birla Nuvo Limited

Performance Review : 1st Quarter FY2010-11

Mumbai, 30th July 2010

Stock Code: ***BSE*** : 500303 ***NSE*** : ABIRLANUVO ***Reuters*** : ABRL.BO / ABRL.NS / IRYN.LU ***Bloomberg*** : ABNL IN / NABNL IN / IRIG LX

Investor Presentation

Contents

Note : The financial figures in this presentation have been rounded off to the nearest ₹ one Crore.

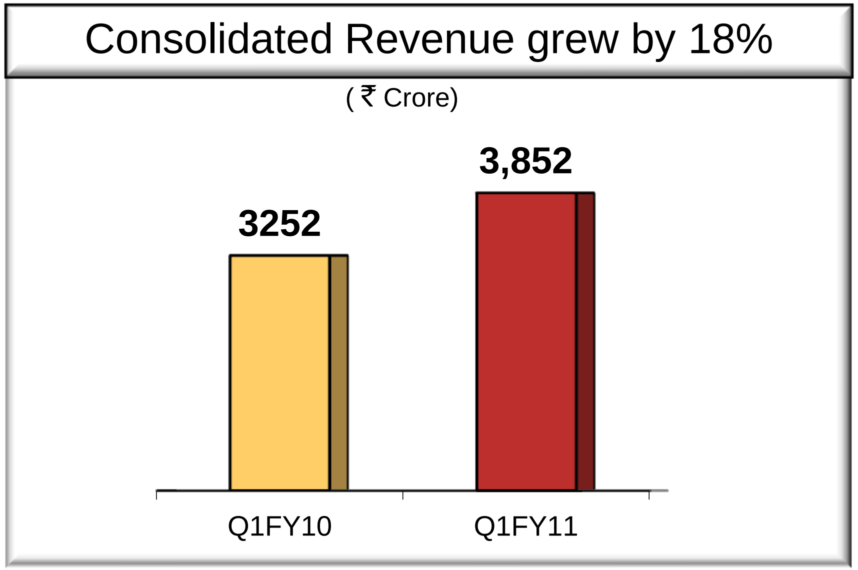
India Inc.

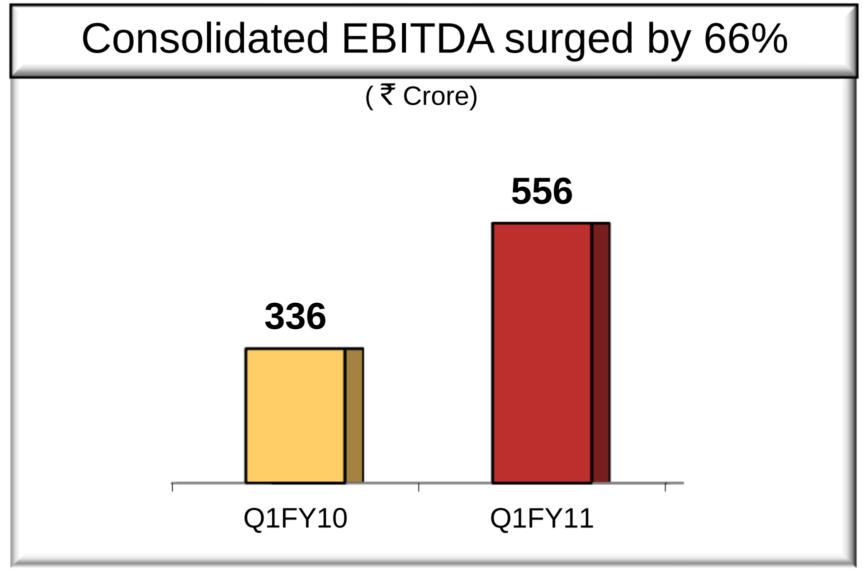
Momentum continues with a positive outlook

- **International Monetary Fund raised India's GDP growth forecast for 2010 to 9.4%**
- **Key economic indicators continues to signify positive outlook:**
  - The Index of Industrial Production (IIP) grew by 17.6%* (y-o-y) in Apr'10 compared to 10.4% in FY10
  - FII investments in H1-CY2010 aggregated to ~ USD 13 billion
  - Government of India garnered ~ USD 24 billion from 3G and BWA spectrum auctions
  - Inflation, normal monsoon, rise in interest rates & global economic cues will be key factors going forward
- **Indian Rupee (₹) gets a distinct identity reflecting strength and global face of the Indian Economy**
- **Growth of Indian Economy continues to be driven by four key factors:**
  - (a) Savings, (b) Consumption, (c) Infrastructure Development & (d) Exports
- **Aditya Birla Nuvo : A large ecosystem with leadership position across its businesses**
  - With a strong presence in the Financial Services, Telecom, IT-ITeS, Fashion & Lifestyle and Manufacturing sectors, Aditya Birla Nuvo is uniquely positioned to capitalise on growth opportunities present across the wide spectrum of Indian Economy

*Quick estimate; Source : Ministry of Statistics and Programme Implementation

Robust growth in earnings





- **Consolidated net profit grew significantly to ₹ 149 Cr. vis-à-vis loss of ₹ 35 Cr. in Q1 last year**
- **Growth supported by strong balance sheet**
  - Standalone Net debt to EBITDA improved from 4.1 in Mar'10 to 3.9 in Jun'10
  - Standalone Net debt to Equity improved from 0.74 in Mar'10 to 0.67 in Jun'10

Continuous pursuit of strategic objectives driving profitable growth across the businesses

Consolidated earnings growth (y-o-y) in Q1FY11

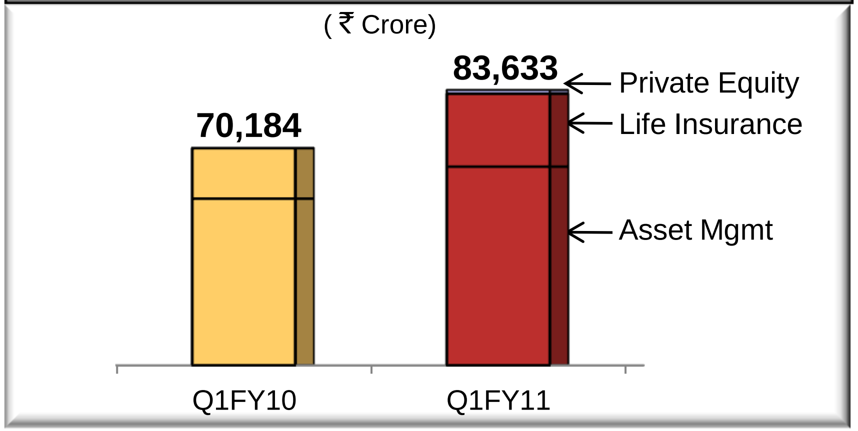
	Revenue	EBITDA
Financial Services	↑	↑
Telecom	↑	↔
IT-ITeS	↔	↑
Fashion & Lifestyle[1]	↑	↑
Manufacturing	↑	↑

[1]Branded apparels and accessories

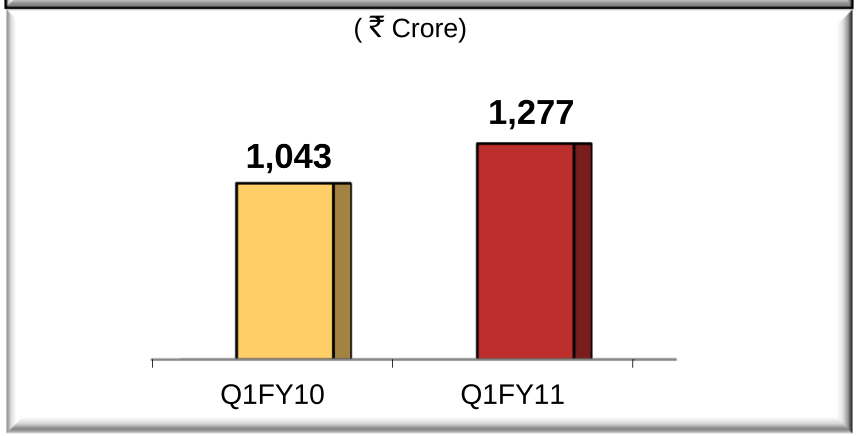
Aditya Birla Financial Services

To be a leader and role model in the financial services sector with a broad based and integrated business

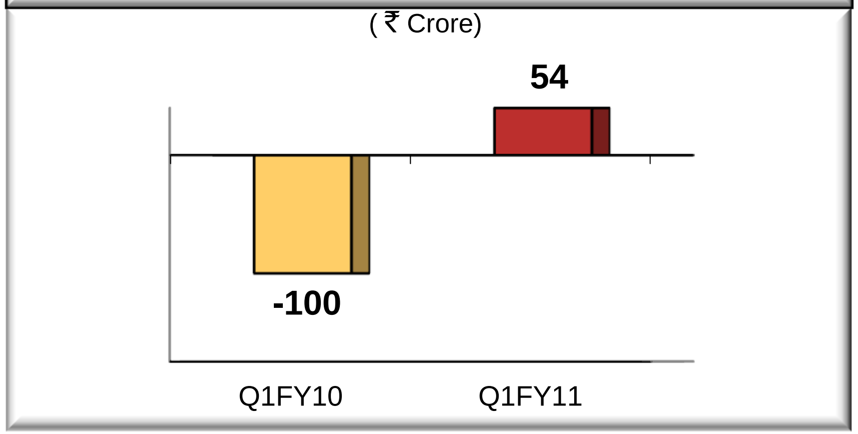
Assets under Management grew by 19%



Revenue surged by 23%



Net Profit grew significantly



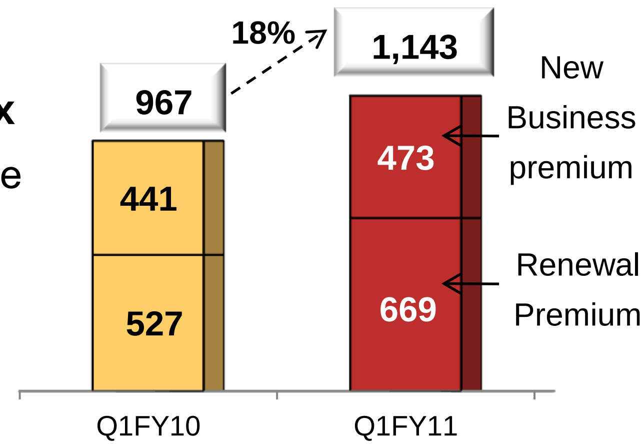
Birla Sun Life Insurance (BSLI)

Driving efficiencies across the distribution channels and areas of operations

- **New ULIP guidelines by IRDA to be effective from 1st Sep'10**
  - Reinforces ULIP as a long term protection cum savings product
  - Medium to long term opportunity continues to remains attractive
- **BSLI : Building non-ULIP portfolio to achieve balanced product mix**
  - Bachat (Endowment) Plan launched in May'10 garnering positive response
- **AUM grew by 44% to ₹ 16,841 Cr.**
  - All the funds consistently outperforming set benchmarks
- **Total premium income grew by 18% to ₹ 1,143 Cr.**
  - Renewal premium grew by 27% to ₹ 669 Cr.
  - New business premium grew by 7% to ₹ 473 Cr.
- **Expanding in-force book size reflecting in bottom-line**
  - Net profit of ₹ 9 Cr. vis-à-vis net loss of ₹ 111 Cr. in Q1 last year
  - No capital infusion during the quarter
- **As on 31st March 2010, EV at ₹ 3,816 Cr. grew y-o-y by 25%**
  - VNB margin grew from 20.3% to 22.5% (Refer Slide No. 35)

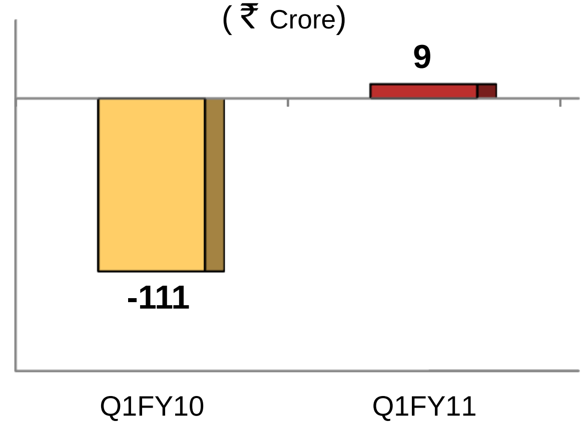
Total Premium Income

(₹ Crore)



Net Profit / (Loss)

(₹ Crore)

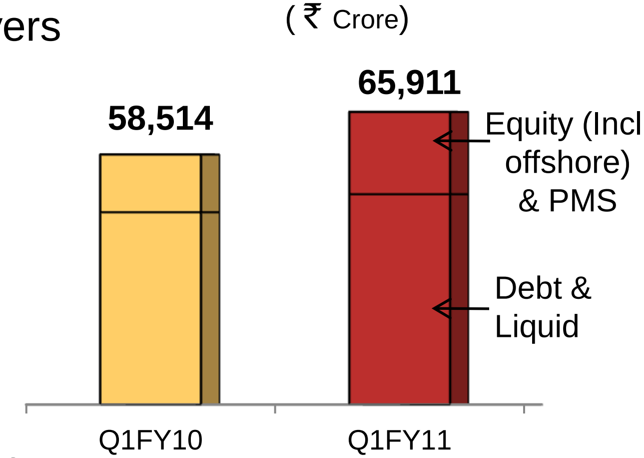


Birla Sun Life Asset Management (BSAMC)

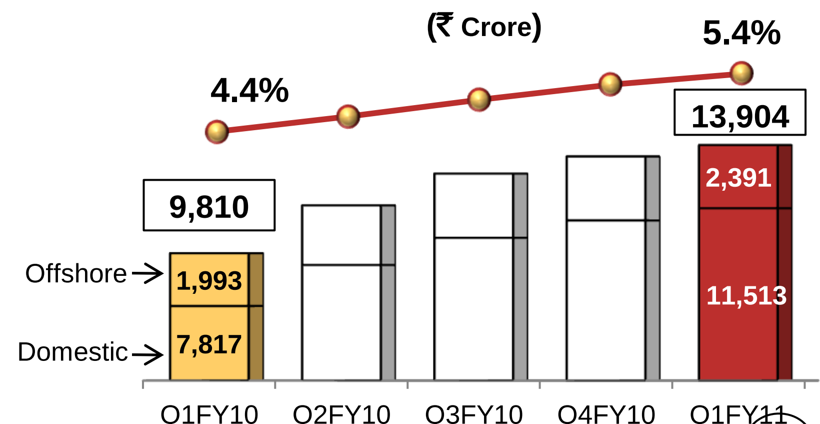
Thrust on increasing share of equity AUM and alternate assets

- **Domestic AUM of BSAMC grew y-o-y by 12% while Industry was flat**
  - BSAMC achieved highest y-o-y & q-o-q growth rate among top 5 players
  - Ranks 5th with 9.3% share vis-à-vis 8.3% in Mar'10 & 8.4% in Jun'09
- **Equity avg. AUM (Incl. offshore) at ₹ 13,904 Cr. grew y-o-y by 42%**
  - Industry's avg. equity AUM grew y-o-y by 20%
  - Achieved 2nd highest y-o-y growth rate amongst top 10 players in domestic avg. equity AUM, led by higher net sales
  - Ranked amongst top 3 equity mobilisers in Q1, garnering equity net sales of over ₹ 425 Cr. compared to industry's net redemption of ~ ₹ 1,425 Cr.
- **Continues to have highest number of funds with 4 & 5 star categories across the industry**
- **Launched India Reforms Fund & Capital Protection Fund mobilising ₹ 556 Cr. Launched Real Estate Onshore Fund**
- **Revenue more than doubled y-o-y to ₹ 100 Cr.**
  - Net profit grew multifold to ₹ 32 Cr.

Total Avg. AUM (Incl. Offshore & PMS)



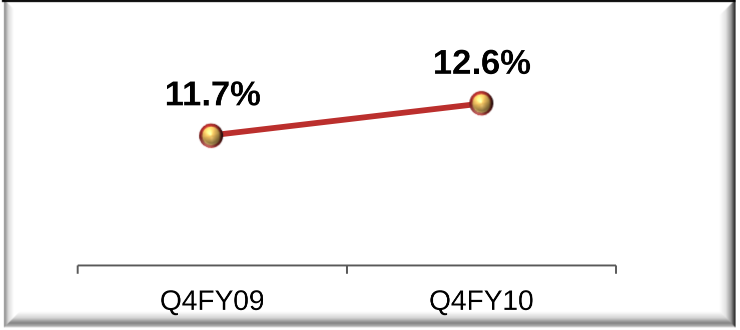
Break up of Equity AUM & share in industry's domestic equity AUM



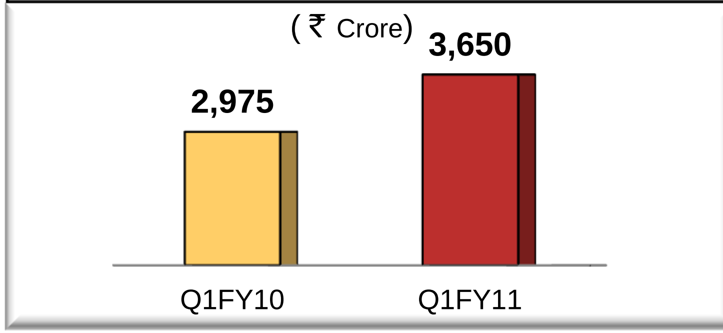
Telecom : Idea Cellular

Building sustainable competitiveness while maintaining growth momentum

Ranks 3rd in revenue market share[1]



Revenue grew by 23%

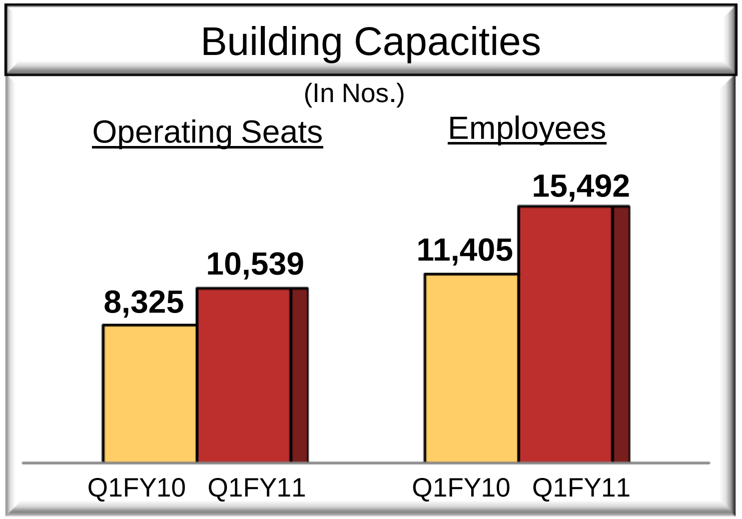


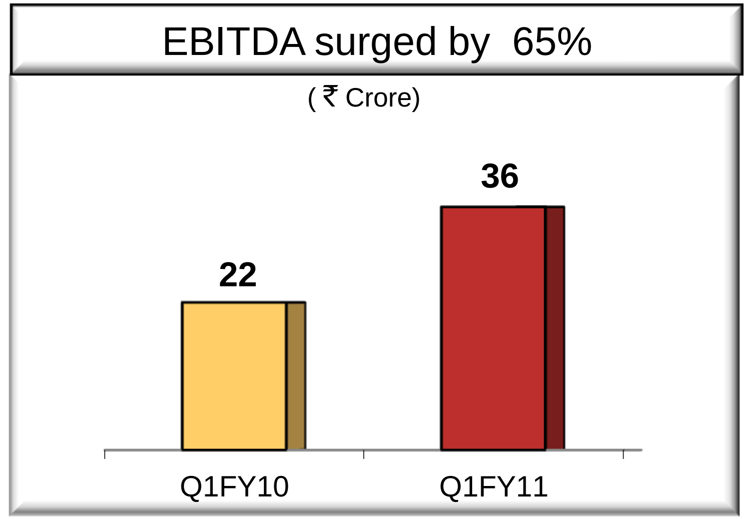
- **Rising revenue share displays Idea's capability to emerge stronger amidst hyper competition**
- **Cash profit sustained y-o-y at ₹ 779 Cr. despite competitive pressure and new launches**
  - During past 5 quarters, average realised rate declined from 58p to 44p. Cost per minute reduced from 44p to 35p even after absorbing start up costs of seven new service areas launched during this period
  - Earnings were supported by robust y-o-y growth in total Minutes of Usage at 82 billion minutes
  - Net profit lower at ₹ 201 Cr. vis-à-vis ₹ 297 Cr.
- **Idea won 3G spectrum in 11 service areas which account for ~80% of its existing 2G revenue and ~50% of Industry's all-India revenue :** Idea ranks 1st or 2nd in 7 out of these 11 service areas
  - Capex guidance (2G & 3G) for FY11 at ₹ 40-44 billion
- **Strong balance sheet & cash profit to support growth:** Net debt-equity less than 1 & Net debt-EBITDA at 3

[1] Incl.Spice & based on gross revenue for UAS & Mobile license only, as released by TRAI, latest available till Q4FY10

IT-ITeS : Aditya Birla Minacs

Augmenting capabilities and building strong order book with a focus on the bottom-line

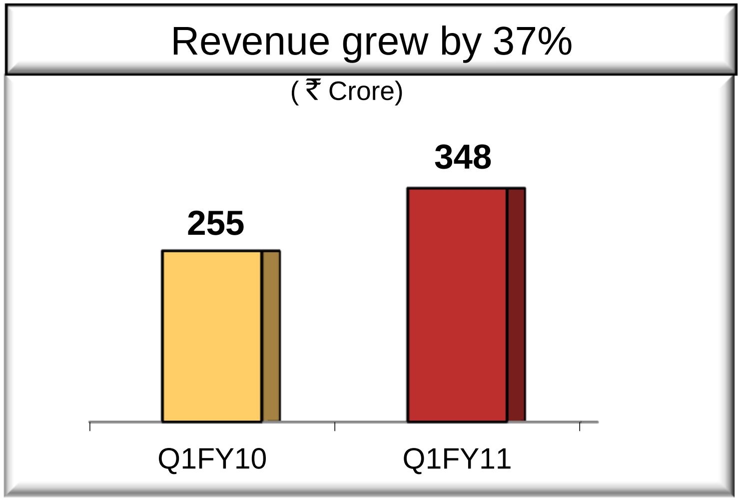


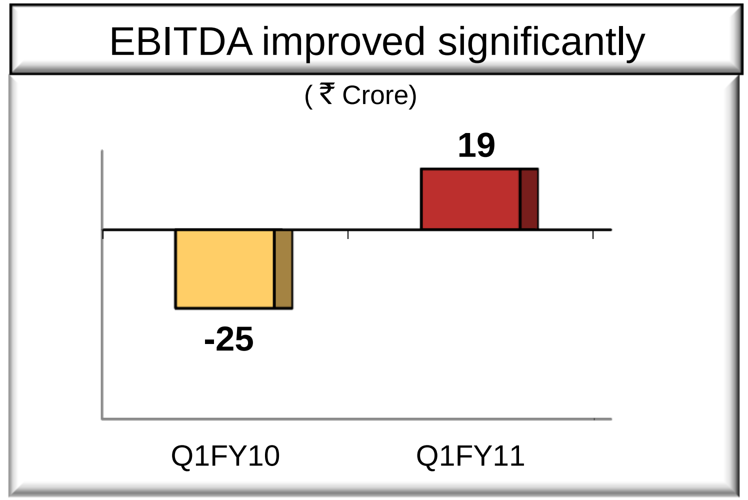


- **Acquired 'Bureau of Collection Recovery' (BCR),** a leading US based accounts receivables management company in Jun'10 to strengthen position in US debt collection market which has industry size of USD 13 billion
  - 2nd acquisition after Compass to augment customer lifecycle portfolio & to improve non-voice business mix
- **Revenue at ₹ 390 Cr. grew sequentially :** De-growth in top-line arrested
  - Additional order book of USD 134 million (Total Contract Value) built in Q1
  - Selective and strategic investment in capacity built up : Over 2,000 seats and more than 4,000 employees added in past one year to support growth
- **Growing profitability : Posted net profit at ₹ 10 Cr. vis-à-vis net loss of ₹ 8 Cr. in Q1 last year**
  - Led by cost rationalisation measures initiated in the previous year

Fashion & Lifestyle : Madura Garments

Capitalising on brand leadership and enhancing channel productivity to achieve profitable growth





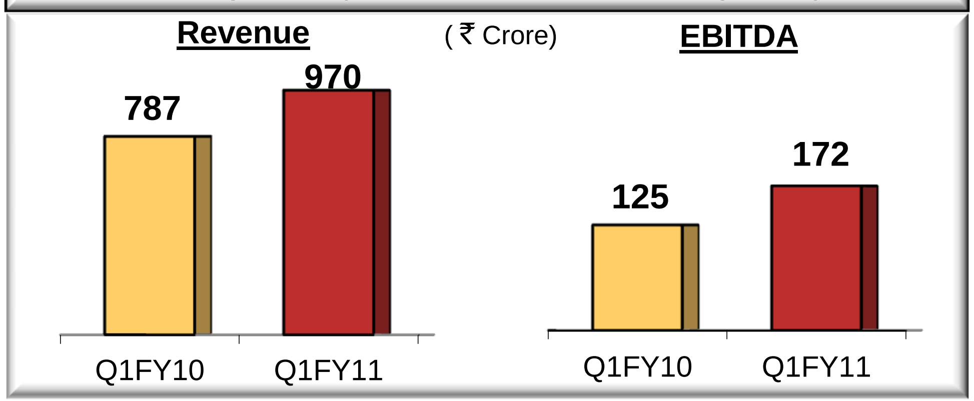
- **Madura Garments achieved 37% growth in revenue led robust volume growth**
  - Improved customer footfalls drove robust sales growth across the brands and channels
  - Initiatives taken to improve retail throughput, inventory replenishment and brand communication contributed
  - Retail channel achieved 30% like-to-like store sales growth
    - Launched 33 new EBOs (Exclusive Brand Outlets) to reach a total of 425 EBOs
  - Besides EBOs, reaching customers through 100 departmental stores & more than 1,000 multi brand outlets

- **Profitability improved considerably driven by strong like to like stores sales growth**
  - Lower Discounting and improved sellex ratio also contributed

Manufacturing Businesses

Capturing sector growth and realising full potential

Revenue grew by 23% & EBITDA surged by 37%



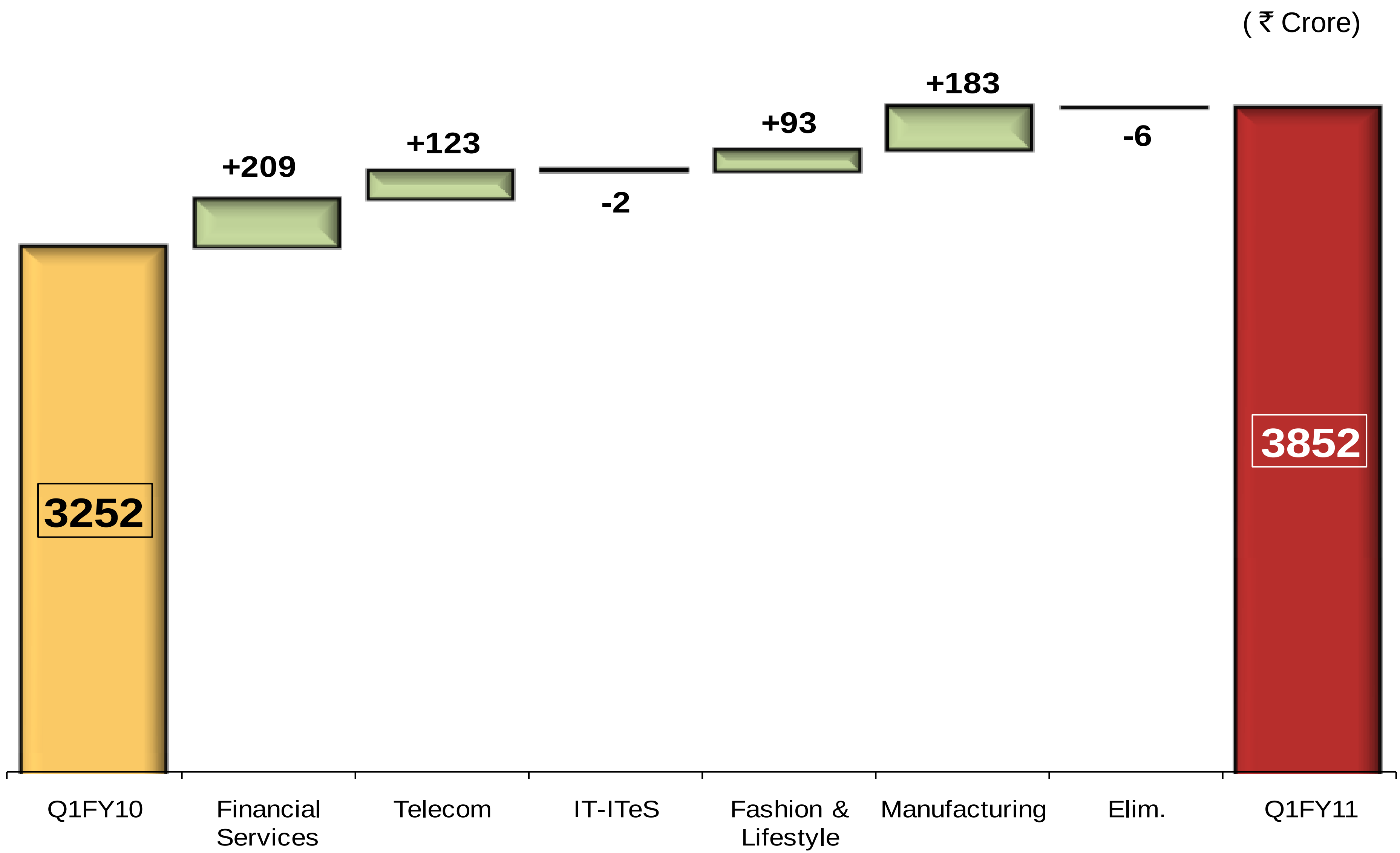
	Q1FY10	**Q1FY11**
EBITDA Margin	16%	18%
ROACE (Annualised)	17%	25%

Business	Q1 EBITDA FY10	**FY11**	Highlights
Carbon Black	31	**58**	In Q1 last year, consumption of high priced CBFS strained margins ~85K MT Greenfield expansion completed in May'10, currently under stabilisation
Agri-business	16	**29**	Higher sales volume and subsidy arrear contributed Annual maintenance shutdown of 21 days vis-à-vis 24 days in Q1 last year
Rayon	47	**31**	Lower sales volume coupled with higher input & fuel prices impacted margins
Insulators	21	**31**	Higher sales volume and improved yield contributed
Textiles	10	**22**	Robust demand led higher volumes in linen segment augmented earnings

Financial Performance

Consolidated Revenue Walk

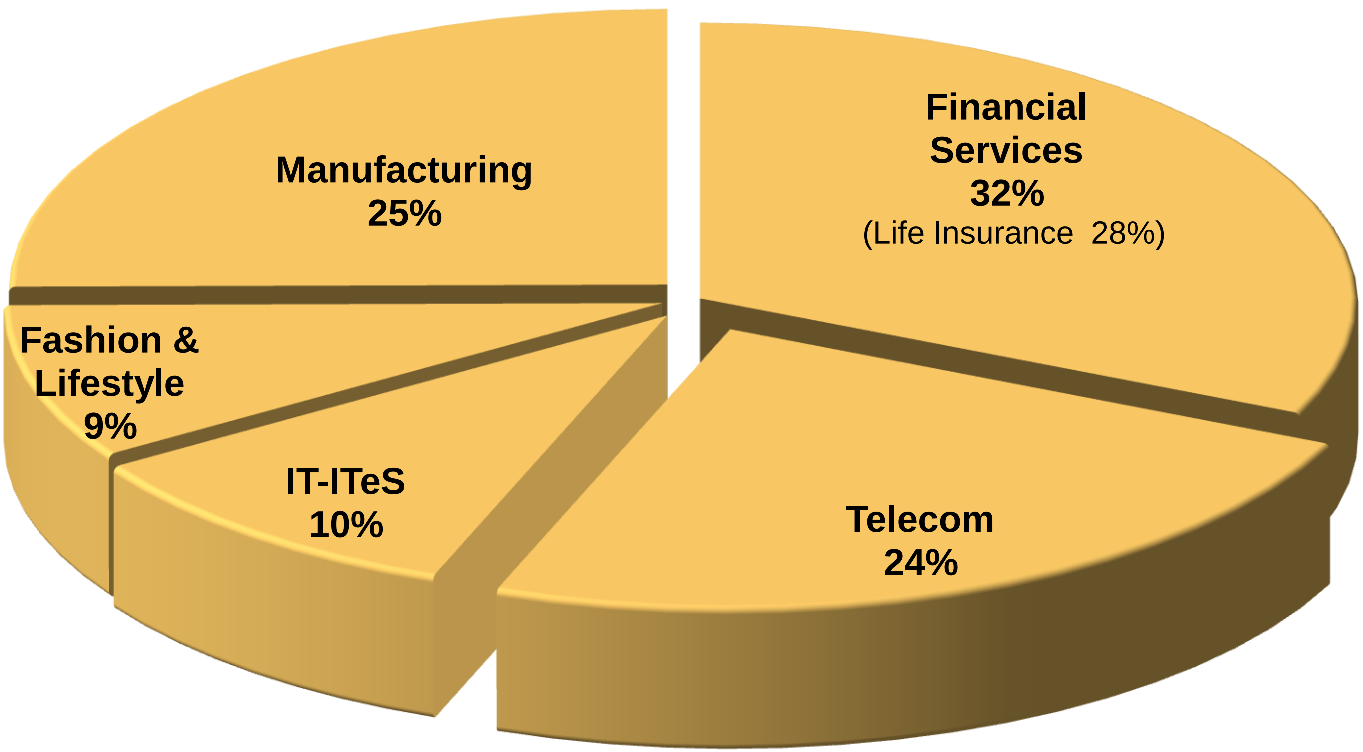
Financial Services led the revenue walk followed by Manufacturing businesses



Consolidated Revenue Mix

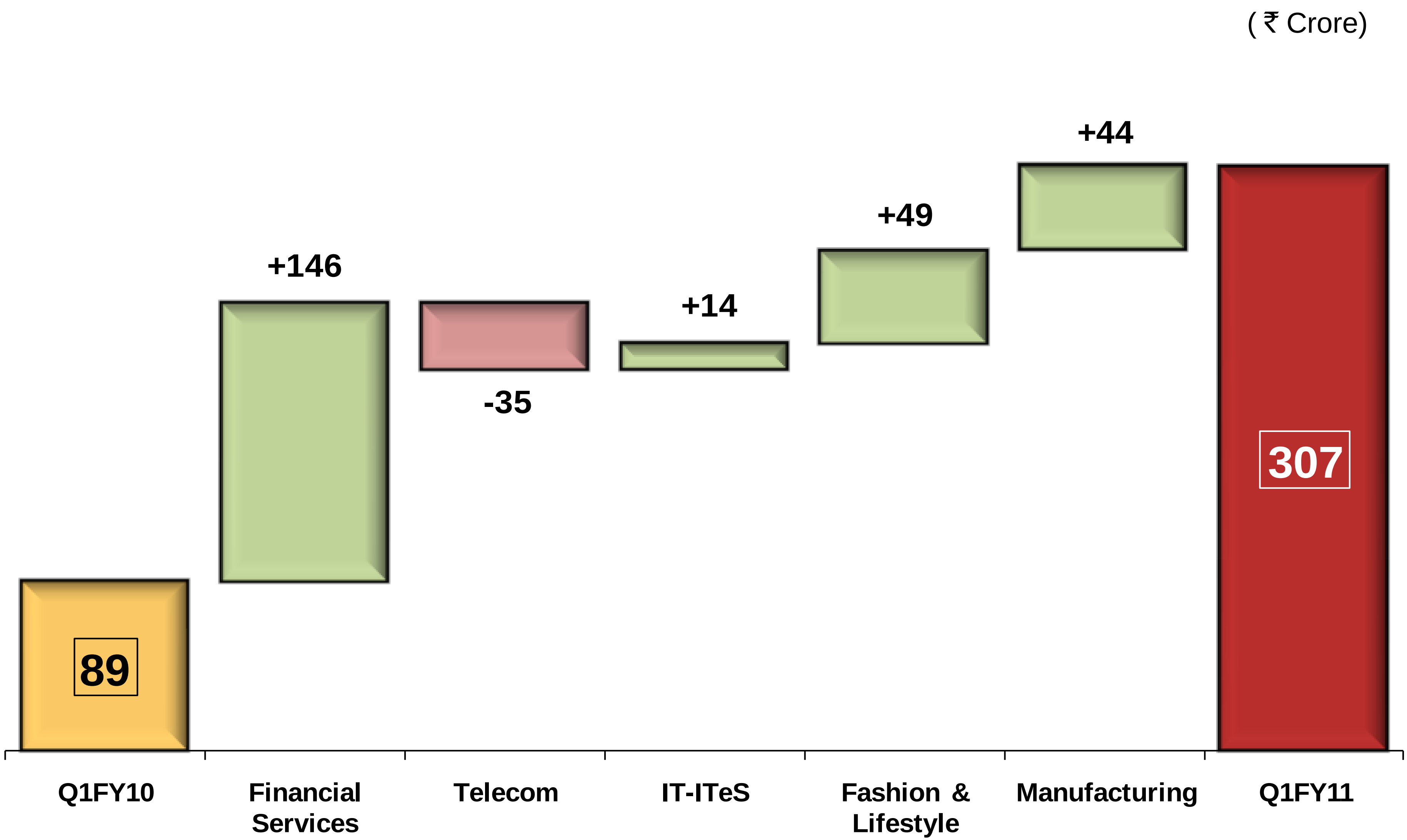
Financial Services is the largest contributor to the consolidated revenue pie

₹ 3,852 Crore in Q1FY11



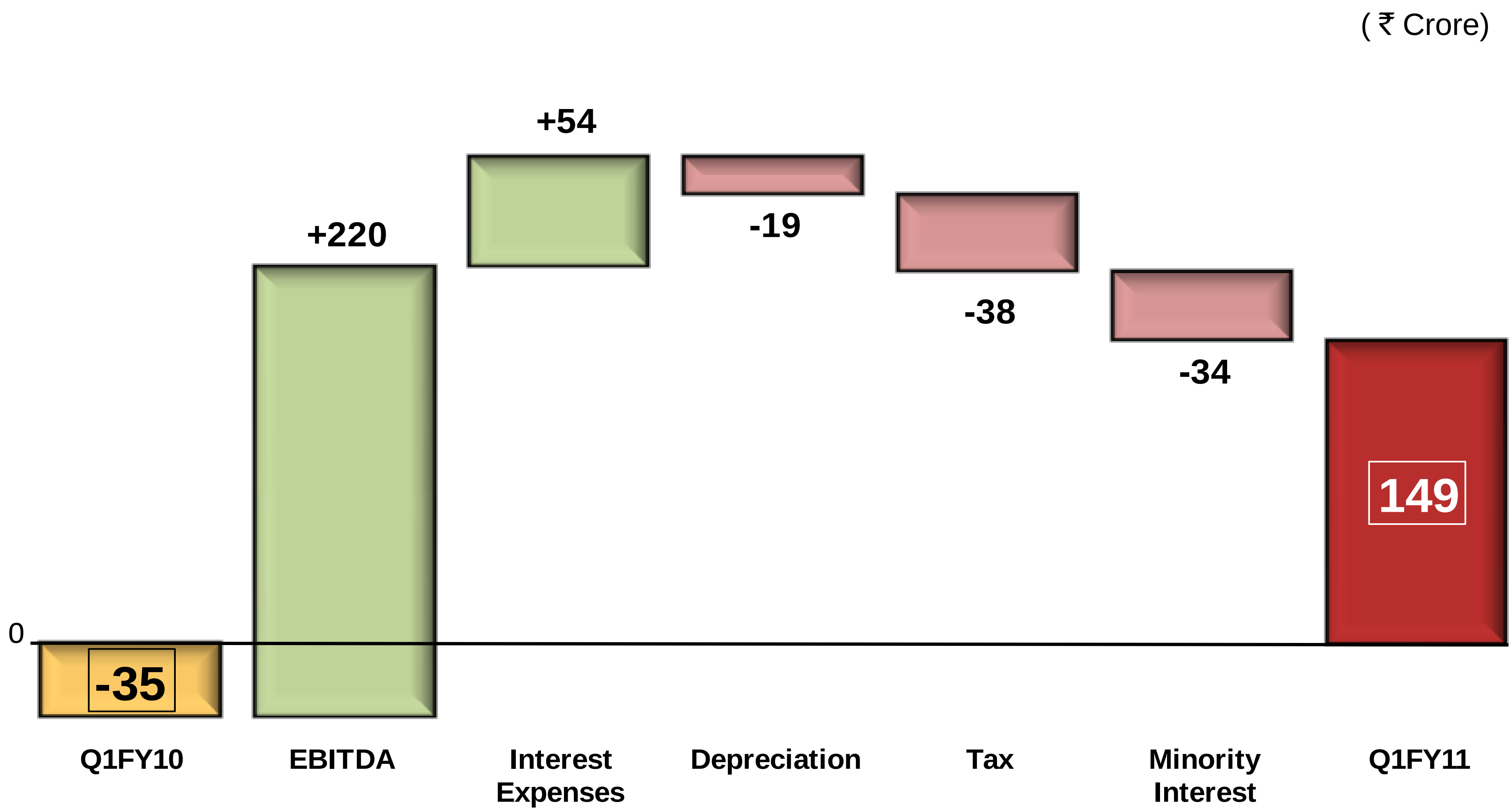
Consolidated Segmental EBIT Walk

Financial Services led the profit walk followed by Fashion & Lifestyle and Manufacturing businesses



Consolidated Net Profit Walk

Improved earnings across the businesses led the turnaround at bottom-line



Annexure – I
Financials

Consolidated Revenue - Segmental

(₹ Crore)

Quarter - 4 2009-10	Revenue	Quarter 1 2010-11	Quarter 1 2009-10
1,759	**Life Insurance**	**1,095**	**934**
124	**Other Financial Services** ⁎	**132**	**85**
878	**Telecom (Nuvo's share)** @	**926**	**804**
375	**IT-ITeS**	**390**	**392**
339	**Fashion & Lifestyle**	**348**	**255**
1,020	**Manufacturing**	**970**	**787**
318	*Carbon Black*	*324*	*246*
273	*Agri-business*	*226*	*191*
134	*Rayon*	*126*	*140*
143	*Insulators*	*115*	*78*
152	*Textiles*	*178*	*131*
(13)	Inter-segment Elimination	(10)	(4)
4,483	**Consolidated Net Income from Operations**	**3,852**	**3,252**

⁎ Other Financial Services include Asset Management (consolidated at 50%), NBFC, Broking, Private Equity, Wealth Management & General Insurance Advisory

@ Idea is consolidated at 27.02% till 1st Mar'10 and at 25.38% thereafter.

Consolidated Profitability (EBIT) - Segmental

(₹ Crore)

Quarter - 4 2009-10	EBIT	Quarter 1 2010-11	Quarter 1 2009-10
(51)	**Life Insurance**	**12**	**(108)**
32	**Other Financial Services** *	**43**	**17**
116	**Telecom (Nuvo's share)** @	**87**	**122**
10	**IT-ITeS**	**21**	**7**
(15)	**Fashion & Lifestyle**	**4**	**(45)**
169	**Manufacturing**	**141**	**96**
54	*Carbon Black*	*51*	*25*
40	*Agri-business*	*25*	*11*
20	*Rayon*	*23*	*39*
36	*Insulators*	*26*	*17*
19	*Textiles*	*17*	*5*
261	**Segmental EBIT**	**307**	**89**

* Other Financial Services include Asset Management (consolidated at 50%), NBFC, Broking, Private Equity, Wealth Management & General Insurance Advisory

@ Idea is consolidated at 27.02% till 1st Mar'10 and at 25.38% thereafter.

Consolidated Profit & Loss and Balance Sheet

(₹ Crore)

Quarter - 4	Profit & Loss Account	Quarter 1	
2009-10		2010-11	2009-10
4,483	**Net income from operations**	**3,852**	**3,252**
516	**EBITDA**	**556**	**336**
151	Interest Expenses	135	190
366	**EBDT**	**420**	**146**
231	Depreciation	221	203
135	**Earnings before Tax**	**199**	**(57)**
(31)	Provision for Taxation (Net)	44	6
(14)	Minority Interest	6	(28)
180	**Net Profit after minority interest**	**149**	**(35)**

(₹ Crore)

Balance Sheet	June-10	March-10
Net Worth	**5,634**	5,475
Minority Interest	**192**	186
Total Debt	**7,718**	6,707
Deferred Tax Liabilities (Net)	**244**	241
Capital Employed	**13,787**	12,608
Policyholders' funds (Incl. funds for future appropriation)	**16,455**	15,652
Total Liabilities	**30,243**	28,260
Net Block (Incl. Goodwill)	**11,400**	9,881
Net Working Capital	**297**	568
Long Term Investments	**219**	219
Life Insurance Investments	**16,841**	16,130
Cash Surplus & Current Investments	**1,486**	1,462
Book Value (₹)	**547**	531
Net Debt / EBITDA (x)	**2.8**	3.1
Net Debt / Equity (x)	**1.1**	1.0

Standalone Profit & Loss and Balance Sheet

(₹ Crore)

Quarter - 4 2009-10	Profit & Loss Account	Quarter 1 2010-11	Quarter 1 2009-10
1,351	**Net income from operations**	**1,311**	**997**
217	**EBITDA**	**204**	**127**
73	Interest Expenses	69	95
144	**EBDT**	**135**	**32**
47	Depreciation	45	44
97	**Earnings before Tax**	**90**	**(12)**
(49)	Provision for Taxation (Net)	25	(10)
146	**Net Profit**	**65**	**(2)**

(₹ Crore)

Balance Sheet	June 2010	March 2010
Net Worth	**4,726**	4,662
Total Debt	**3,757**	3,636
Deferred Tax Liabilities	**180**	178
Capital Employed	**8,663**	8,476
Net Block	**1,836**	1,815
Net Working Capital	**922**	1,045
Long Term Investments	**5,307**	5,436
Cash Surplus & Current Investments	**598**	180
Book Value (₹)	**459**	453
Net Debt / EBITDA (x)	**3.9**	4.1
Net Debt / Equity (x)	**0.67**	0.74
Market Capitalisation - NSE	**7,808**	**9,336**

Note 1 : Capex plan for FY2010-11 is ₹ 300 Cr. including ₹ 150 Cr. towards maintenance capex

Note 2 : Life Insurance business will require funding of ₹ 200 Crore in FY2010-11 to fund its growth plans.

Birla Sun Life Insurance

₹ Crore	Quarter 1	
	2010-11	2009-10
New Business Premium		
Individual Business	398	380
Group Business	75	61
New Business Premium (Gross)	**473**	**441**
Renewal Premium (Gross)	669	527
Premium Income (Gross)	**1,143**	**967**
Less : Reinsurance ceded & Service tax	(52)	(38)
Premium Income (Net)	**1,091**	**929**
Other Operating Income	4	4
Revenue	**1,095**	**934**
Net Profit / (Loss)	9	(111)
Capital	2,450	2,050
Assets under management	16,841	11,670

- Individual life policies issued in Q1 grew y-o-y by 10% to 3.6 lacs – Second highest among private players
- **Going Forward :**
  - Continued strong focus on persistency
  - Building balanced mix of ULIP & Non-ULIP products
  - Review operating model in response to new guidelines

Birla Sun Life Asset Management

₹ Crore	Average AUM	
	Jun-10	**Jun-09**
Equity	11,513	7,817
Debt & Liquid	51,598	48,466
Domestic AUM	**63,112**	**56,283**
Off shore (All Equity)	2,391	1,993
PMS	409	238
Total AUM	**65,911**	**58,514**

₹ Crore	Quarter 1	
	2010-11	**2009-10**
Revenue (Fee Income)	100	49
Earnings before tax	49	8
Net Profit	32	5

- Only player amongst top five players to record positive q-o-q growth in domestic avg. AUM
- Live SIPs grew y-o-y by 56%

Other Financial Services

₹ Crore	Quarter 1	
	2010-11	2009-10
Aditya Birla Finance Ltd.		
Revenue	25	18
Earnings before tax	11	11
Net Profit	7	7
Birla Insurance Advisory & Broking Services Ltd.		
Revenue	10	8
Earnings before tax	5	5
Net Profit	3	3

- **Aditya Birla Finance (NBFC)**
  - Loan against Securities portfolio more than doubled y-o-y to over ₹ 925 Cr. and grew q-o-q by 35%
  - Corporate Finance Portfolio grew by 73% y-o-y to over ₹ 150 Cr. Almost doubled q-o-q
  - In Q1 last year, profit includes investment income on surplus funds

- **Aditya Birla Private Equity**
  - Maiden fund garnered ₹ 881 Cr.
    - Focused on infrastructure, sunrise sectors like education, healthcare, lifestyle and domestic consumption
    - Deployed ~9% of the corpus in the first few months of closing

- **Birla Insurance Advisory & Broking Services (BIASL)**
  - Revenue growth driven by retail and reinsurance segments
  - Built capabilities in credit insurance, liability insurance etc.

Other Financial Services

₹ Crore	Quarter 1	
	2010-11	2009-10
Aditya Birla Money Ltd.		
Revenue	28	27
Earnings before tax	5	5
Net Profit	3	3
Aditya Birla Money Mart Ltd.		
Revenue	17	7
Earnings before tax	(3)	(6)
Net Profit / (Loss)	(3)	(6)

- **Aditya Birla Money Ltd. (Broking)**
  - Industry's equity volumes de-grew y-o-y by 26%
  - Aditya Birla Money sustained earnings
    - Overall market share improved significantly y-o-y to 0.8%
    - Augmented Research capabilities
    - Added 19 branches and 65 franchisees during the quarter
- **Aditya Birla Money Mart Ltd. (Wealth Management & Distribution)**
  - Mutual Fund equity mobilisation more than doubled y-o-y
  - Revenue share from broking and alternate assets rising
  - Second largest corporate distributor in terms of Assets under Advisory at ₹ 165 billion in June 2010 – grew y-o-y by 41%
    - Equity assets grew from ₹ 15 billion to ₹ 18 billion
  - Net loss reduced driven by revenue growth & rising share of alternate assets
  - Product portfolio diversified with foray in products viz., Real Estate advisory services, WRAP etc.

Idea Cellular

₹ Crore	Quarter 1	
	2010-11	**2009-10**
Subscribers (Nos. in Million)	68.9	47.1
Revenue	**3,650**	**2,975**
EBITDA	**909**	**909**
EBIT	344	453
Net Profit	**201**	**297**
Net Worth	11,580	14,127
Total Debt	11,197	7,035
Capital Employed	**22,776**	**21,162**

Note : Spice results consolidated at 41.09% as JV since 16th Oct'08 and as 100% subsidiary since 1st Mar'10. Indus consolidated at 16% as JV

- The 3G spectrum footprint of Idea covers all 8 service areas where Idea ranks 1st, 2nd or 3rd
- Became first player to cross 10 million subscribers mark in Maharashtra and Goa, one of the largest service areas in India
- Interest of ₹ 40 Cr. against payment for 3G auction fee has been capitalised in Q1FY11

Aditya Birla Minacs

₹ Crore	Quarter 1	
	2010-11	2009-10
Operating Seats (Nos.)	10,539	8,325
Employees (Nos.)	15,492	11,405
Revenue	**390**	**392**
EBITDA	**36**	**22**
EBIT	21	7
Net Profit / (Loss)	10	(8)

- Thrust on accelerating F&A & Collections practices
- **BCR is a leading player in US debt collection industry since more than 25 years**
  - Outstanding consumer debt in US was ~ USD 2.6 trillion in 2008 (Source : Datamonitor)

Madura Garments

₹ Crore	Quarter 1	
	2010-11	2009-10
No. of EBOs	425	352
Retail Space (Lacs Sq. Ft)	8.5	7.6
Revenue	**348**	**255**
EBITDA	**19**	**(25)**
EBIT	4	(45)
Capital Employed	530	673

- **Retail channel comprises 425 EBOs spread across 8.5 lacs square feet**
  - Contributes ~45% to the business revenue
- Focus on driving growth through channel expansion and like to like store sales growth

Hi-Tech Carbon

₹ Crore	Quarter 1	
	2010-11	**2009-10**
Sales Volumes (MT)	57,721	56,167
Realisation (Rs./MT)	52,552	39,776
Revenue	**324**	**246**
EBITDA	**58**	**31**
EBIT	51	25
Capital Employed	1,036	719
ROACE (Annualised) (%)	21	14

- **Revenue surged by 32% driven by higher realisation**
  - During Q1 last year, realisation was lower reflecting movement in feedstock (CBFS) prices in line with crude oil prices
- **EBITDA grew from ₹ 31 Cr. to ₹ 58 Cr.**
  - In Q1 last year, margins were impacted due to consumption of high priced CBFS
- **Greenfield capacity expansion by ~85,000 MTPA at Patalganga completed in May 2010 end along with 23 MW power plant**
  - Currently under stabilisation, the capacity expansion will benefit in the coming quarters
  - Total carbon black capacity reached ~3,15,000 MTPA and installed power plant capacity reached ~75 MW
  - Planning to augment capacity further by 85,000 MTPA each at Patalganga in second phase as well as in southern India

Indo Gulf Fertilisers

₹ Crore	Quarter 1	
	2010-11	**2009-10**
Urea Sales (MT)	223,063	194,945
Revenue	**226**	**191**
EBITDA	**29**	**16**
EBIT	25	11
Capital Employed	271	418
ROACE (Annualised) (%)	35	9

- **Sales volumes grew by 14%**
  - Indo-Gulf observed annual maintenance shutdown for 21 days vis-à-vis 24 days in Q1 last year
- **Revenue surged by 18% to ₹ 226 Cr. & EBITDA grew from ₹ 16 Cr. to ₹ 29 Cr.**
  - Led by volume growth and subsidy arrear of ₹ 8 Cr.
- **ROACE improved considerably**

Indian Rayon

₹ Crore	Quarter 1	
	2010-11	**2009-10**
VFY		
Sales Volumes (MT)	3,546	4,088
Realisation (Rs./Kg.)	239	220
Revenue (₹ Cr.)	85	90
Chemical		
Caustic Soda Sales (MT)	20,540	23,701
ECU Realisation (Rs./MT.)	18,409	20,780
Revenue (₹ Cr.)	41	50
Total Revenue	**126**	**140**
EBITDA	**31**	**47**
EBIT	23	39
Capital Employed	406	429
ROACE (Annualised) (%)	22	36

- **Revenue de-grew from ₹ 140 Cr. to ₹ 126 Cr.**
  - Domestic VFY sales across the industry was impacted due to cheaper imports
- **EBITDA at ₹ 31 Cr. is lower vis-à-vis ₹ 47 Cr.**
  - Lower VFY and caustic soda sales volumes coupled with lower ECU realisation impacted
  - Gain from higher VFY realisation was offset by rise in wood-pulp and sulphur prices
- **Setting up Green Field Caustic Soda Plant of 125 TPD** at Patalganga at a Capex of ₹ 150 Cr. by mid 2011-12, thereby, taking total capacity to 375 TPD.

Aditya Birla Insulators

₹ Crore	Quarter 1	
	2010-11	2009-10
Sales Volumes (MT)	9,850	6,727
Revenue	**115**	**78**
EBITDA	**31**	**21**
EBIT	26	17
Capital Employed	274	257
ROACE (Annualised) (%)	36	26

- **In Q1FY11, power sector achieved capacity addition of 1,815 MW : 24% higher y-o-y (Source : CEA)**
- **Sales volumes achieved 46% growth driven by expanded capacity and improved yield**
  - Domestic demand scenario has improved since Q1 last year
- **Revenue surged by 47% to ₹ 115 Cr. and EBITDA grew from ₹ 21 Cr. to ₹ 31 Cr.**
  - Higher volumes and improved yield contributed

Jaya Shree Textiles

₹ Crore	Quarter 1	
	2010-11	**2009-10**
Linen Segment	64	37
Wool Segment	114	95
Revenue	**178**	**131**
EBITDA	**22**	**10**
EBIT	17	5
Capital Employed	196	316
ROACE (Annualised) (%)	28	5

- **Revenue surged by 36% to ₹ 178 Cr. and EBITDA more than doubled to ₹ 22 Cr.**
  - Led by robust demand in Linen Yarn & Linen Fabric segments
  - Higher wool prices reflected in higher revenue in Wool segment
  - In Q1 last year usage of high priced stock impacted profitability due to sudden fall in commodity prices
- **ROACE improved considerably led by better working capital management and improved earnings**
- **Removal of import duty on flax fibre, a input material for linen yarn, is encouraging for the business**
- **Focus on increasing share of high margin retail segment under "Linen Club" brand**
  - Currently at 32 stores, plans are underway to add 8 more franchise stores (buy & sell model without any capex)

Annexure II : Reporting Structure

ADITYA BIRLA NUVO

Consolidated

- **Subsidiaries & Joint Ventures**
  - **Financial Services**
    - Life Insurance[2] (74%)*
    - Asset Management[3] (50%) *
    - NBFC[2]
      Private Equity[2]
      Broking (75%)[2]
      Wealth management[2]
      General Insurance Advisory[2]
  - **Telecom[3] # (25.38%)**
  - **IT-ITeS[2] (88.28%)**
- **Standalone**
  - **Fashion & Lifestyle[1]**
  - **Manufacturing**
    - Carbon Black[1]
    - Agri-Business[1]
    - Rayon[1]
    - Insulators[1]
    - Textiles[1]

[1] Represent Divisions

[2] Represent Subsidiaries

[3] Represent Joint Ventures

*JV with Sun Life Financial, Canada

Listed, Aditya Birla Group holds 46.98%

Note : Percentage figures indicated above represent ABNL's shareholding in its subsidiaries /JV's

Annexure III : EV & VNB of Birla Sun Life Insurance

Birla Sun Life Insurance Growing profitably : Value of New Business created

FY 2009-10	₹ Crore
Embedded Value	**3,816**
Insurance Business Value	3,430
Adjusted Net Worth	386
Value of New Business	**506**

Implied VNB margins of 22.5%* in FY2009-10

(20.3% FY2008-09)*

*** VNB as a % of first year regular premium and 10% of single premium as reported to IRDA**

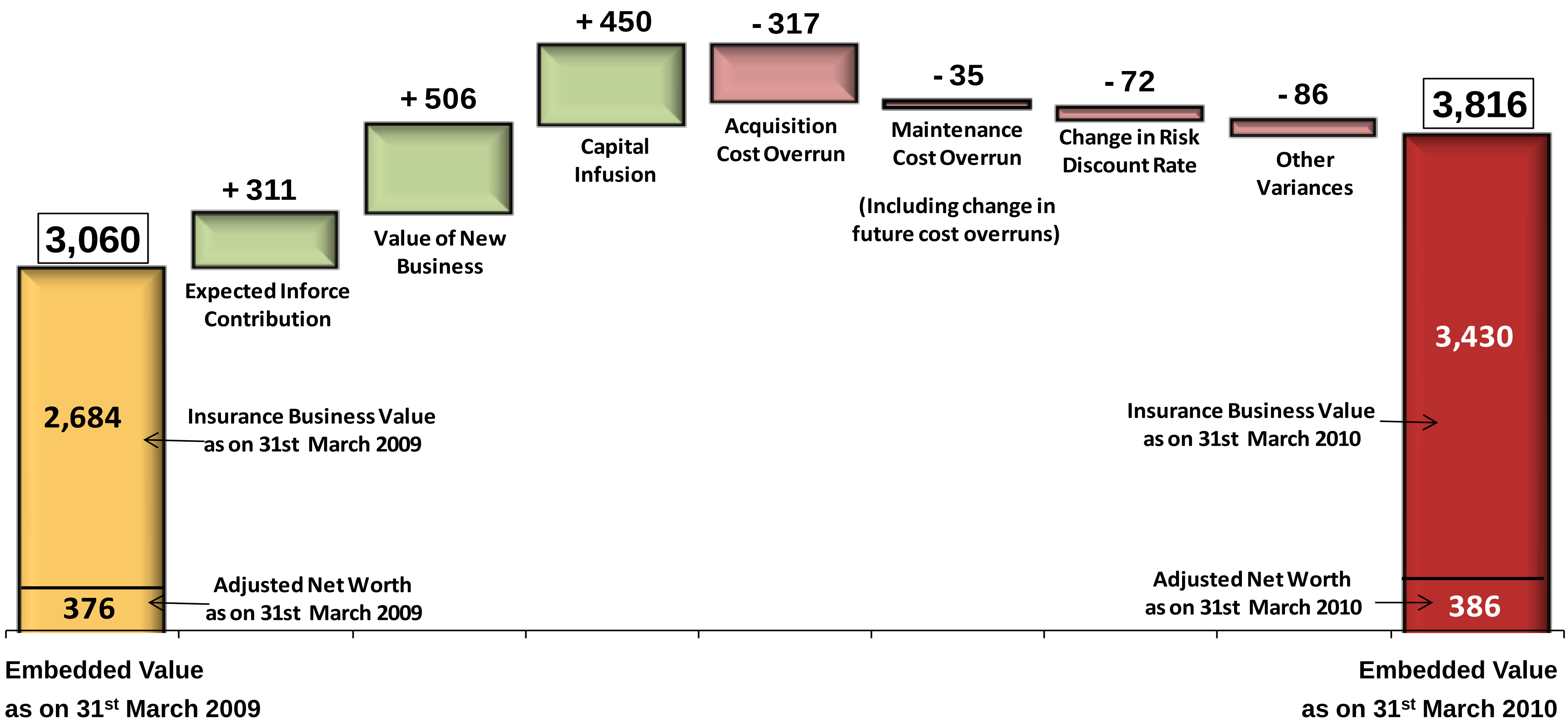
Note : Pl. refer to the basis of preparation and assumptions on slide no. 37

Annexure III : EV & VNB of Birla Sun Life Insurance

As on 31st March 2010, Embedded Value at ₹ 3,816 Cr. grew y-o-y by 25%

(₹ Crore)

Reconciliation of Embedded Value



Annexure III : EV & VNB of Birla Sun Life Insurance

EV & VNB – Key Assumptions

The key economic and operating assumptions used in preparing the EV and VNB results as shown on slide 35 of this presentation are:

Economic Assumptions

Asset Class	***Expected Returns***
Cash/Money Market Instruments	6.50%
Government Bonds	7.25%
Corporate Bonds	8.25%
Equities	12.25%
Other Parameters	***Assumption***
Tax Rate	14.16%
Risk Discount Rate (RDR)	12.50%

The RDR has been increased from 12% last year.

Using an RDR of 12% would increase the Embedded Value of the company by 2.6% and the VNB by 5.7%.

Using an RDR of 13% would decrease the Embedded Value of the company by 2.4% and the VNB by 5.4%.

Operating Assumptions

The ***demographic*** *and* ***business assumptions*** such as morbidity, mortality, premium persistency, policy persistency reflect our best estimate view of future experience in light of actual past experience.

The ***expense assumptions*** are based on our latest approved 5-year business plan.

As per the business plan, the expense allowances are projected to be 95% of the Operating Expenses in FY 2012-13 from the current position of 71% in FY 2009-10. This could be favourably impacted by a stronger shift to long-term business and / or better persistency.

Regulatory environment

The projections assume no significant changes in future regulatory environment. Any impact, positive or negative, resulting from changes in regulatory environment (e.g. New ULIP Guidelines effective from 1st September 2010) have not been considered.

Annexure III : EV & VNB of Birla Sun Life Insurance

EV & VNB – Definitions and Basis of Preparation

- **Embedded Value (EV)** – EV is the aggregate of:
  - Insurance Business Value (IBV), which is the present value of after-tax statutory profits expected to emerge in future from in-force business at the valuation date, discounted at the risk discount rate, less the cost of holding required capital to support the in-force business.
  - Adjusted Net Worth (ANW), which is the market value of assets in excess of statutory reserves.

- **Value of New Business (VNB)**: VNB is defined as the present value, from the point of sale, of after-tax statutory profits expected to emerge in future from the new business written in the period, discounted at the risk discount rate, less the cost of holding required capital to support the new business.

In the EV and VNB, the cost of capital is calculated as the nominal value of the required capital less the present value, at the risk discount rate, of the projected after-tax investment earnings and future releases of the required capital.

- **Basis of preparation :**
  - The EV and VNB are computed based on a traditional EV methodology.
  - Group business is not considered in arriving at the results.
  - The EV includes the value of tax losses carried forward as at the valuation date.
  - An allowance has been made in the IBV for the expected maintenance expense overruns. No allowance has been made in the VNB for the acquisition expense overrun arising in the period.

The methodology, assumptions and results for individual business have been reviewed by Towers Watson. The conclusions of Towers Watson ‘s review are shown in the Appendix.

Appendix - Towers Watson Opinion

Towers Watson has reviewed the methodology and assumptions used to determine the EV and VNB as at 31st March 2010 for the individual business of Birla Sun Life Insurance Company Limited ("BSLI").

Towers Watson has concluded that:

- The methodology used is consistent with recent industry practice in India as regards the calculation and reporting of traditional embedded values on a deterministic basis;
- The economic assumptions used are internally consistent and have been set with regard to current economic conditions;
- The operating assumptions, taken in aggregate, have been set with appropriate regard to past, current and expected future experience, noting the exception of BSLI's approach to setting the acquisition and maintenance expense assumptions, and resultant cost overrun shown in various parts of this presentation including the Key Assumptions section, and noting the difficulty in setting ultimate persistency assumptions, where management's expectations have been used because of the limited experience data with which to determine these assumptions; and
- Allowance for risk has been made through the use of a single risk discount rate and an explicit assumption for the level and cost of holding solvency capital. Whilst this is in line with recent industry practice as regards traditional actuarial embedded value calculations, this may not correspond to a capital markets valuation of the risks (a so called "market consistent valuation").

Towers Watson has also performed limited high-level checks on the results of the calculations and has confirmed that any issues discovered do not have a material impact on the disclosed embedded value and value of new business. Towers Watson has not, however, performed detailed checks on the models and processes involved. Please note that the scope of our work did not include a review of the Reconciliation of Embedded Value shown in this presentation.

In arriving at these conclusions, Towers Watson has relied on data and information provided by BSLI. This opinion is made solely to BSLI in accordance with the terms of Towers Watson's engagement letter. To the fullest extent permitted by applicable law, Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than BSLI for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

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