



Aditya Birla Nuvo Limited

**The Chairman's Address
to the Shareholders of
Aditya Birla Nuvo Limited
at the 58th Annual General Meeting
held on 15th September, 2015 at Veraval**

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The Chairman's Address to the Shareholders

Dear Members,

On behalf of the Board of Directors and the management, I am delighted to welcome you all to the 58th Annual General Meeting of your Company. Thank you for joining us.

I trust the notice convening this meeting and the Annual Report for the year 2014-15 have reached you on time and have been with you for some time now, so, with your permission, I shall take it as read.

I will take you through a brief update on the Country's economic situation, your Company's performance during the financial year gone by and the outlook for the current year.

During the fiscal 2014-15, India's GDP expanded by 7.3% compared to 6.9% a year ago. Led by benign commodity prices, inflation moderated considerably with WPI touching its 9 year lows and CPI easing to 5.17% in March 2015 against 8.6% at the start of the year in April 2014. The moderation in inflation prompted the RBI to cut interest rates to spur economic growth.

The Indian Government managed to beat its fiscal deficit target by containing it at 3.9% of GDP. The Current Account Deficit contracted to below 2% of GDP. Structural reforms to boost investments remained high on the Government's agenda.

Capital markets globally are going through turbulence presently, caused by a slowing Chinese economy and concerns as the US prepares to raise interest rates. However, the medium to long term outlook of Indian economy remains bright led by strong fundamentals. The World Bank and the International Monetary Fund forecast India's GDP to grow at 7.5% in 2016 to become the world's fastest growing economy, ahead of China.

Amidst these developments, your company has posted robust earnings growth.

The consolidated revenue of the Company grew year on year by 2% to ₹ 26,516 Crore, EBITDA surged by 18% to ₹ 5,798 Crore and Net profit grew by 24% to ₹ 1,416 Crore.

On a like to like basis, excluding one-off items and financials of IT-ITeS business, which was divested with effect from 9th May 2014, the growth in revenue, EBITDA and Net Profit was 14%, 25% and 39% respectively.

In line with its vision & mission, your Company continued to invest in the Promising Sectors



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Your Company commenced Housing Finance business in October 2014. It partnered with MMI Holdings Limited of South Africa to foray into Health Insurance and Wellness business in India. It had also applied for license to set up Payments Bank in joint venture with Idea Cellular. I am pleased to inform that your Company is one out of the eleven players who have received RBI nod to set up the Payments Bank. Very recently, your Company has forayed in the Solar Power business, to tap the sector opportunity driven by the renewed focus of the Indian government on clean energy.

Your Company's thrust on building and strengthening its leadership position across its businesses continued during the year.

The Financial Services business, which ranks among the top 5 fund managers in India, witnessed a 35% rise in its assets under management at 27.5 billion dollars, that is, close to ₹ 165,000 Crore as on 31st March 2015. Asset Management business cemented its 4th largest position in India with an improved market share of 10.09% up from 9.85% a year ago. The NBFC business continues to grow ahead of the market and posted 52% growth over last year to reach book size of 3 billion dollars. Life Insurance business maintained its No. 1 position in the Group Segment. Aditya Birla Money MyUniverse, India's No. 1 online personal finance management platform, which enjoys the trust of over 1.5 million registered users, is helping customers manage more than ₹ 18,000 Crore as of date. IFC has become a strategic financial investor in this venture.

Your Company's Fashion & Lifestyle business is the largest branded apparel player in India. Madura is the No. 1 branded menswear player in India and Pantaloons is India's No.1 branded womenswear retailer. Trusted by a large 10.8 million loyalty customer base, Fashion & Lifestyle business sells two branded apparels every second. It has the widest fashion retail presence in India with 1,869 exclusive brand outlets spanning 4.8 million square feet and 6,000+ additional points of sales as on 31st March 2015.

Your Company's telecom venture, Idea Cellular, is the 6th largest mobile telecommunications company in the world in terms of the number of subscribers based on operations in a single country. In India, it ranks 3rd in terms of revenue market share, and is the largest revenue market share gainer between 2009 and 2014. It was serving a large customer base of 158 million subscribers as on 31st March 2015. It emerged as the largest bidder in the March 2015 spectrum auctions, thus laying solid foundation for



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business growth for the next 20 years. Idea is generating strong cash profit, is distributing dividend and has a sound balance sheet to support its growth plans.

Among Divisions, Jaya Shree is the leading Linen Yarn and Fabric player in India. To tap sector growth opportunities, Jaya Shree is targeting to double its linen yarn capacity. Indo-Gulf is the 8th largest and one of the most energy efficient urea plants in India. Agri business, which was affected by a plant shutdown for 35 days in 2014-15 owing to government policy, is expected to benefit from the gas price pooling policy recently announced by the Government. Indian Rayon is among the top two manufacturers and largest exporter of VFY in India. During the year, profitable growth in the VFY segment was offset by lower Caustic Soda volumes owing to maintenance shutdown in the power plant and the softening of ECU realisation. Aditya Birla Insulators is India's largest and world's 4th largest manufacturer of insulators. This business is expected to benefit from the Anti-dumping duty imposed by the Government of India on imports from China.

Coming to the financial position of your Company, the Standalone balance sheet continued to drive synergy of resources and remained a growth engine

Your Company has invested over 1 billion dollar in last six years to fund the growth capital requirements across its businesses. Despite this, your Company continues to command a healthy financial position, with Standalone Net Debt to EBITDA at 3 times and Net Debt to Equity at 0.42 times as on 31st March 2015.

Your Company endeavours to deliver best value to all the stakeholders in the long run

With this objective, your Company constantly evaluates its capital allocation strategy and reviews its business portfolio. Given the capital commitment of your Company in other businesses and considering sector dynamics, your Company divested IT-ITeS business w.e.f 9th May 2014 and earlier in 2013-14 had divested the Carbon Black business. Proceeds from these divestments have strengthened your Company's balance sheet and ensured greater focus on its core businesses.

In the direction of value unlocking for the shareholders and to capitalise on its large market presence in the branded fashion space in India, your Company has announced consolidation of its branded apparels businesses, Madura Fashion & Lifestyle and Pantaloons Fashion, under one roof, under its listed subsidiary – Pantaloons Fashion &



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Retail Limited, through a composite scheme of arrangement (“the Scheme”). This move will give you, as a shareholder, an opportunity to participate in the promising fashion space directly through the consolidated entity. An existing shareholder with 100 equity shares in the Company will continue to hold these 100 equity shares and in addition, will get 520 equity shares of Pantaloons Fashion & Retail Limited. Court convened meetings to obtain shareholders’ and creditors’ approvals were held on 7th and 8th September by Pantaloons and your Company.

I will share the results of Postal Ballot & E-Voting and the Court Convened Meetings held on 8th September, 2015

As per the directions dated 7th July, 2015 of the Hon’ble High court of Gujarat at Ahmedabad, in Company Application No. 200 of 2015, the Company had conducted the process of Postal Ballot and E-Voting for seeking approval the aforesaid Scheme from the Public Shareholders of the Company, in accordance with the Securities and Exchange Board of India (“SEBI”), Circulars bearing Nos. CIR/CFD/DIL/5/2013 dated February 4, 2013 and Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 (“SEBI Circulars”).

As per the Scrutinizers Report on the Postal Ballot & E-Voting, the Public Shareholders of the Company have approved the Scheme, with requisite majority.

The Equity Shareholders, Secured Creditors and Unsecured Creditors of your Company, , have also approved the Scheme with the requisite majority at their respective Court Convened meetings held on 8th September, 2015.

Madura Garments Lifestyle Retail Company Limited, the second Demerged Company and the Pantaloons Fashion & Retail Limited, the resulting Company, have also obtained the requisite approvals from their Shareholders and the Creditors, by the requisite majority.

All the three Companies will now be filing the requisite Company Petitions in the respective Hon’ble High Courts for seeking sanction to the Scheme. We expect the transaction to complete in the next 3 to 4 months.

Being a responsible corporate citizen, the focus areas of your Company are healthcare, education, sustainable livelihood, infrastructure and social reform.



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Your Company works in 193 villages, including 14 model villages, in proximity to its 6 units across 4 states of the Country reaching out to a rural populace of 6.85 Lacs.

To an extent we have helped lower the level of poverty in villages near our plants. We have attained this by reaching out to 4,65,448 people through health care interventions, 30,270 people through education, 18,284 people through sustainable livelihood, 15,446 people through rural infrastructure and 31,817 people through social causes. During 2014-15, your Company's CSR spend was ₹ 9.61 Crore. In addition, a sum of ₹ 41.53 Crore was mobilised through various Government schemes, acting as catalysts for the community. Given the magnitude of the issue, your Company feels that much more needs to be done and will be done.

Your Company endeavours to become a leading player with sustainable business practices across all operations, balancing its economic growth with environmental and societal interests. During the year, your Company honed processes in the areas of environmental compliance, securing water sources, effluent management, safety performance improvement and waste management.

Your Company's efforts towards environment conservation, sustainability and social projects are spelt out in detail in Social and Environment Reports in the Annual Report.

Moving on to Dividend.

The Board of Directors of your Company, in its meeting held on 12th May 2015, has recommended a dividend of 70%, i.e., ₹ 7 per equity share for the year ended 31st March, 2015. This will entail a total cash outflow of ₹ 109.6 Crore including dividend distribution tax. Towards this, the Company seeks your approval as the shareholders at this annual general meeting.

Let me also briefly touch upon the Company's performance during the first quarter ended 30th June 2015.

During the first quarter, your Company's consolidated revenue grew year on year by 10% to ₹ 6,820 Crore. EBITDA surged by 31% to ₹ 1,671 Crore and Net Profit rose by 50% to ₹ 397 Crore. Pursuant to the demerger of Madura Fashion & Lifestyle into Pantaloons Fashion & Retail Limited through composite scheme of arrangement, Pantaloons will



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cease to be subsidiary of your Company with effect from 1st April 2015. Pending the High Courts' approval to the scheme, financial results of the Fashion & Lifestyle businesses have been consolidated in the results of your Company.

Going forward, your Company's thrust will be on capturing growth opportunities across its businesses.

For fiscal 2015-16, your Company plans to invest ₹ 600 Crore in the Financial Services businesses, largely to fund the growth capital requirements of the NBFC and Housing Finance businesses. The capital expenditure guidance for the standalone businesses, excluding the Fashion & Lifestyle businesses, stands at around ₹ 300 Crore, majorly towards Linen Yarn capacity expansion and maintenance capex in other businesses. Besides, your Company will provide equity funding to the solar power business.

Let me conclude by saying that your Company is a uniquely positioned conglomerate having leadership positions across its businesses that mirrors the growing sectors of the Indian economy. Going forward, your Company remains focused on capturing opportunities across its businesses to achieve the next level of growth.

I take this opportunity to very warmly thank all of our employees for their contribution to the Company's performance.

I would also like to express our deep sense of gratitude to all of you, our shareholders. I look forward to your continuing commitment and support in the Company's future growth.