

including the rich Middle East countries. Financial markets remain nervous and exchange rate volatility has been pronounced. This is reinforced by the impending reversal of the interest rate cycle in the US.

INDIAN ECONOMY

Against the backdrop of a muted global economy, India's economy is an outperformer. For FY 2016-17, GDP growth is projected at 7.5%. This would make it the fastest growing among the large economies. This is particularly creditable in the context of two successive unfavourable monsoons and a decline in exports. Recent data indicate a 5.7% year-on-year growth in eight of the key core sector industries, against 2.3% growth registered last year.

Inflationary pressures have been contained. The rise in the consumer price index averaged 4.9% in FY 2015-16, down from 5.9% in the previous year. The wholesale price index declined 2.5% on an averaged basis, compared to a rise of 2.0% in the previous year. In FY 2015-16, merchandise exports and imports each fell over 15% over 2014-15. The trade deficit in FY 2015-16 was USD 118.5 billion, a decline of 14% over the previous year. The current account deficit narrowed sharply from USD 26.1 billion to USD 22.0 billion, representing 1.4% of GDP. India's foreign exchange reserves, as at March-end 2016 were USD 360.2 billion. The Government is also committed to meeting the current year's fiscal target of 3.5% of GDP. Overall, the economic fundamentals are sound.

There have also been positive moves on the policy front, in areas related to ease of doing business, promoting start-ups, rationalising the tax structure

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and administration, and opening up more areas for foreign investment through the automatic route. The Government is substantially stepping up infrastructure spending.

Having said that, some issues come to the fore. For instance, capital investment will take time to revive, given stretched corporate balance sheets, low capacity utilisation (at only 72.5% in the organised industrial sector) and competition from imports. Slow global output and trade growth will continue to impact exports. There is also the overhang of non-performing assets in the banking sector. Much more also needs to be done to "monsoon-proof" the Indian economy.

Your Company recorded a consolidated revenue of USD 3.6 billion (₹ 23,129 Crore) during FY 2015-16. EBITDA expanded by 13% to USD 1 billion (₹ 6,535 Crore) and net profit surged by 33% to USD 290 million (₹ 1,886 Crore).

STRATEGIC MOVES

As part of its growth strategy, your Company has strengthened its portfolio to include – Solar Power, Payments Bank and Health Insurance. Towards this your Company has entered into a 51:49 Joint Venture with the Abraaj Group (Dubai) for Solar

Power, Idea Cellular for Payments Bank and MMI Holdings (South Africa) for Health Insurance. I would like to dwell briefly upon these new ventures.

Your Company has won 60 MW Solar Power Projects in Karnataka in March 2016. The Power Purchase Agreement has been signed in June 2016 and the commissioning of the plants is expected by the end of FY 2016-17.

The in-principle approval has already been obtained for the Payments Bank and 'Aditya Birla Idea Payments Bank Ltd.' has been set up. We expect to commence services by the end of FY 2016-17 after the final approval from RBI.

In the Health Insurance sector, we have already received FIPB approval. The final approval from IRDAI is awaited, consequent to which your Company's Health Insurance business will go on stream.

Your Company continues to invest in the growth opportunities in the existing business portfolio.

I would also like to talk about two major developments at your Company.

With the de-merger of its Madura Fashion division into its subsidiary Pantaloons Fashion & Retail Ltd., your Company has created India's largest pure play listed branded apparel Company viz. 'Aditya Birla Fashion & Retail Ltd.' (ABFRL). This move provides shareholders an opportunity to participate directly in the fashion space through ABFRL.

With the FDI limit in the life insurance sector raised to 49%, Sun Life Financial, your Company's life

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insurance business' partner, raised its stake in Birla Sun Life Insurance (BSLI) from 26% to 49% for ₹ 1,664 Crore.

Aditya Birla Financial Services (ABFS) is one of the largest non-bank financial services players in India. It ranks among the top 5 fund managers in India with over USD 28.4 billion (₹ 184,276 Crore) of assets under management.

Aditya Birla Finance Ltd., the NBFC business, continues to grow ahead of the market. Its well diversified quality portfolio has reached USD 4 billion (₹ 25,755 Crore) growing at an astounding rate of 47% year-on-year. The Housing Finance business has scaled up its loan book to close to ₹ 2,000 Crore.

Birla Sun Life Insurance has gained momentum in the individual life segment. It is the number 1 private life insurer in the Group segment. Birla Sun Life Asset Management has improved its equity AUM ranking to 4th in India.

MyUniverse, India's number 1 online personal finance management portal, enjoys the trust

of more than 2.6 million registered users who are managing close to ₹ 20,000 Crore through this portal.

That ABFS has built a broad based and well-diversified portfolio with 12 lines of business segments in a short span, despite being a non-bank player, is indeed impressive.

In the telecom business, **Idea Cellular** continues to outperform the industry. It has the enviable track record of being the fastest growing large Indian mobile operator for the 8th straight year with 14% annual revenue growth in FY 2015-16. That, the incremental market share of Idea was 44% over that of the preceding year is indeed commendable. To capitalise on the data opportunity, Idea is aggressively expanding its 3G and 4G footprint, leveraging its strong spectrum bank. On the back of its annual cash profit generation of over ₹ 10,000 Crore, Idea is competitively well positioned to support its growth plans.

Importantly, the steady free cash flow generation from the Divisions cushions your Company's standalone balance sheet and supports its growth capital requirements.

Driven by the favourable gas pooling policy aimed at incentivising efficient urea plants to maximise production, **Indo-Gulf Fertilisers** recorded its highest-ever production and sales volume.

Indian Rayon posted its highest ever earnings spurred by volume growth and better realisation in both the Viscose Filament Yarn and the Caustic Soda segments.

The profitability of **Aditya Birla Insulators** has improved. Regrettably, new projects have been

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adversely impacted, as demand in the domestic market continues to be sluggish, given the financial health of the state utilities.

Jaya Shree Textiles sustained its profitability despite lower linen volumes, compensated by higher woollen off-take. Plans to double your Company's linen yarn capacity from 3,400 TPA to 6,200 TPA are on the anvil.

OUR PEOPLE: OUR PRIDE

Our employees have unflinchingly rallied around us. And for this, I would say a big "thank you" to all of them.

OUTLOOK

India is moving on to a higher growth trajectory and to that extent, the sectors in which your Company is present, are poised for a pick-up in growth.

With its ability to pool cash resources coupled with the proceeds from the stake sale in the life insurance business and the steady free cash flow generation from Divisions, your Company's standalone balance sheet is strong enough to fund its growth plans.

THE ADITYA BIRLA GROUP: IN PERSPECTIVE

At the Group level, we have done well both in terms of revenue and earnings. As a matter of fact, the EBITDA attained has been the highest ever.

Having worked extensively on the people front for over a decade, I am happy to state that our leadership processes are now mature. At the management level we have built quality bench strength.

The Chairman's Series launched last year for senior leaders in the areas of business strategy, finance and personal leadership saw 150 of our senior most leaders recourse to these learning interventions.

To create a leadership pipeline to the Business Head roles within the next couple of years, we have created the Aditya Birla Fellows programme. The managers who have won this recognition are put in charge of critical Group-wide projects under my personal oversight. Up until now, we have named 14 managers who have tremendous potential to rise to the stature of Business Heads, going forward.

A slew of other initiatives have been set afoot to grow leaders from within. To do so, we have announced a hiring freeze at the middle and senior management levels for the next 3 years. It paves the way for accelerated talent growth.

In this context, I am happy to state that our accelerated leadership programme Cutting Edge, which prepares high potential leaders for P&L positions across our Group is gaining traction. It was launched last year. Up until now, 20 of the 35 graduates of this programme have already moved roles to take on higher responsibilities.

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Furthermore, the 250+ youngsters who joined us over 6 years ago as Group Management Trainees, in our Leadership Associate Programmes (Lead) and Leadership Programme for Experienced youngsters (Leap), are shaping well. In the last 2 years, nearly a 100 from this slot have moved across functions and businesses. Additionally, we have 25 mid-career participants who have joined us in the Group Manufacturing Leadership Programme. They too are making significant contributions in our manufacturing business units.

The first batch of 14 participants in "Spring Board", (a programme designed specially for high calibre women) graduated commendably to higher roles. The second batch of 39 women leaders is making good progress on their way to greater responsibilities. As of now, we have nearly 5,000 women – 14 percent in the managerial cadre.

In the last 3 years, we have had more than 1,100 inter-business and over 1,000 intra-business transfers of employees across levels.

At Gyanodaya, the Aditya Birla Global Centre for Leadership Learning over 2,000 managers enrolled for learning programmes. With a mix of academics and live case studies, these programmes enable our people to keep abreast of the developments in their area and stay contemporary. Side by side the Gyanodaya Virtual Campus hosts more than 500 e-learning modules in multiple languages. During the year, over 25,000 employees chose to access these programmes.

The Aditya Birla Group Leadership Programme aimed at securing young talent from the top tier Business Schools of India has become aspirational. I am happy to record that our Group's brand attractiveness has taken a quantum leap across 35 top B-Schools in India. Our Group features among the formidable Top-5 in the A C Nielsen – CRI Campus Recruitment India Index 2015.

IN SUM

All these moves are a testament to our commitment to accord a World of Opportunity for our people and they are leveraging it. Our people are fully aware



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Yours sincerely,

Kumar Mangalam Birla