

Directors' Report

Dear Member,

The Directors are pleased to present to you the 59th Annual Report of Aditya Birla Nuvo Limited along with the Audited Financial Statements for the year ended 31st March, 2016.

MACRO-ECONOMIC SCENARIO

India's economy has shown sign of growth in fiscal 2015-16, with estimated GDP growth at 7.6%, compared to 7.2% in FY 2014-15. India continues to be the fastest growing large economy, with stable macro-economic conditions. The government has maintained momentum by unveiling multiple new initiatives like Startup India, Standup India and Digital India, in addition to its focus on Make in India and Ease of Doing Business. These initiatives are expected to provide impetus to the Indian economy. A significant drop in commodity prices, led by crude oil and other measures, resulted in lower consumer inflation, which enabled easing of interest rates in the economy.

The World Bank and the International Monetary Fund have forecast India's GDP will continue to grow at a robust rate. Despite challenging global headwinds, a stable macro performance will help India to remain an attractive investment destination. Execution of the reforms agenda and reviving the investment cycle will be key determinants of India's economic performance in the long term.

CONSOLIDATED FINANCIAL PERFORMANCE

Your Company has posted sound earnings growth and improved performance across most of the businesses. Pursuant to the demerger of the Company's Madura Fashion division (Madura) into its listed subsidiary Pantaloons Fashion & Retail Ltd. (PFRL), Madura & PFRL have ceased to be a division and a subsidiary, respectively, of your Company and hence not consolidated w.e.f. 1st April 2015. Your Company's IT-ITeS subsidiary was divested w.e.f. 9th May 2014. To that extent, the previous year's financials are not comparable.

Like-to-like consolidated revenue of your Company, that is, excluding IT-ITeS and Fashion businesses, grew by 11% to ₹ 23,129 Crore. On a like-to-like basis, the Company's EBITDA rose by 24% to

₹ 6,535 Crore largely driven by the NBFC, the Asset Management, the Telecom, the Rayon and the Agri businesses. Net profit surged to ₹ 1,886 Crore.

Key Highlights:

- Aditya Birla Financial Services, one of the largest non-bank financial services players, ranks among the top 5 fund managers in India (excluding LIC). Its assets under management rose year-on-year by 12% to ₹ 184,276 Crore. Its revenue grew by 17% to ₹ 9,299 Crore and earnings before tax by 17% to ₹ 995 Crore. The lending book of Aditya Birla Finance Ltd., at ₹ 25,755 Crore, continues to grow ahead of the market, posting a year-on-year rise of 47%. Aditya Birla Housing Finance Ltd., which commenced its operations in October 2014, has extended its loan book from ₹ 142 Crore in March 2015 to ₹ 1,973 Crore in March 2016. Birla Sun Life Insurance ranked 4th among private players in India and remained the number 1 private life insurer in the Group segment. Birla Sun Life Asset Management cemented its position as India's 4th largest, with a consistently rising market share. The proposed Health Insurance partnership with MMI Holdings Ltd. has received an in-principle approval from FIPB and is awaiting final approval from IRDAI. MyUniverse, India's number 1 online personal finance management portal, now enjoys the trust of more than 2.6 million registered users who are managing a portfolio close to ₹ 20,000 Crore through this portal.
- In the telecom business, Idea Cellular ranks 3rd in India, with an improved revenue market share of 18.9%, up from 17.5% a year ago. To capitalise on the data opportunity, Idea is aggressively expanding its 3G and 4G footprints, and leveraging its strong spectrum bank. On the back of annual cash profit generation of over ₹ 10,000 Crore, Idea is competitively well-positioned to support its growth plans.
- Amongst the divisions, the Rayon business attained its highest ever profitability, on account of higher volumes and improved

realisation in both VFY and caustic segments. The earnings of Agri business improved sharply year-on-year, led by its highest ever urea sales volume and increased contribution per tonne. The Insulators business posted healthy earnings growth, driven by higher volumes and realisation. While profitability of Jaya Shree textiles remained flat due to subdued demand in Linen segment, the business is planning to expand its Linen yarn Capacity from 3,400 TPA to 6,200 MTPA, considering the long term sector growth potential.

STANDALONE FINANCIAL PERFORMANCE

Your Company's standalone like-to-like revenue, that is, excluding Madura Fashion division, remained flat at ₹ 5,466 Crore. Revenue growth was constrained due to Agri business having to pass through a reduction in natural gas prices on account of the gas pooling policy, effective from 1st June 2015. On a like-to-like basis, EBITDA at ₹ 846 Crore and Net Profit at ₹ 360 Crore surged by 19% and 11% respectively, driven primarily by the Rayon and the Agri businesses.

NEW INITIATIVES AND CORPORATE ACTION

Solar Power:

With the renewed focus of the Indian Government on clean energy and in line with the vision of the Company to invest in promising sectors, your Company has forayed into the Solar Power business. Towards this initiative, Aditya Birla Renewables Limited (ABReL), a subsidiary of the Company was incorporated on 7th August, 2015, to develop and operate utility-scale solar power plants that can provide clean and cost-effective electricity to the national grids across several key states in India and various state grids under its solar platform.

Your Company has entered into a 51:49 partnership with the AEIF Mauritius SPV1 Limited (AEIF), an affiliate of the Abraaj Group. Accordingly, the Company and AEIF hold 51% and 49% of the paid-up share capital respectively in ABReL. The partnership brings together highly experienced management and operations teams with strong execution capabilities.

Your Company has won a total of 60 MW Solar Power projects in three talukas of Karnataka in

March 2016. The Power Purchase Agreement has been signed in June 2016 and the commissioning of the solar power plants is targeted in the fourth quarter of FY 2016-17.

Payments Bank:

Your Company has received an in-principle approval from Reserve Bank of India (RBI) for setting up a Payments Bank as a Promoter. It has incorporated 'Aditya Birla Idea Payments Bank Ltd.', a venture of the Company in 51:49 partnership with Idea Cellular Ltd. in February 2016. It is in the process of appointing senior management team, procuring the right technology and IT system and defining innovative products and cost efficient processes. It is planning to launch its services by the end of FY2016-17, after requisite approvals from RBI are in place.

Health Insurance and Wellness:

Your Company and Aditya Birla Financial Services Ltd. (ABFS), a 100% subsidiary of your Company, entered into a 51:49 agreement with MMI Holdings Ltd. (MMI) in June 2015 to foray in health insurance and wellness business in India. Having received FIPB approval, MMI Strategic Investments (PTY) Limited, a wholly owned subsidiary of MMI Holdings Ltd. has acquired a 49% stake in the health insurance venture Aditya Birla Health Insurance Co. Ltd. (ABHICL) in June 2016. ABHICL is targeting launch of its services in the second half of FY 2016-17 subject to approval from Insurance Regulatory and Development Authority of India. ABFS has incorporated a separate company 'Aditya Birla Wellness Private Ltd. (ABWPL).' for the wellness business. ABWPL shall also be a 51:49 partnership with MMI.

Sun Life Financial, Canada increases its stake in Birla Sun Life Insurance (BSLI) from 26% to 49%

Pursuant to an agreement with your Company, Sun Life Financial has bought 23% stake in BSLI from the Company for ₹1,664 Crore in April 2016. Your Company has received the proceeds and it continues to hold the controlling stake in BSLI at 51%.

Consolidation of Branded Apparels businesses

To capitalise on its large market presence in the branded fashion space in India, your Company –

Aditya Birla Nuvo Ltd. (“ABNL”) – had announced consolidation of its branded apparels businesses under its listed subsidiary - Pantaloons Fashion & Retail Ltd. (“PFRL”) now known as Aditya Birla Fashion & Retail Ltd. (ABFRL), through a Composite Scheme of Arrangement (“Scheme”) under Sections 391 to 394 of the Companies Act, 1956. As part of the Scheme, Madura Fashion, the branded apparel retailing division of ABNL and Madura Lifestyle, the luxury branded apparel retailing division of Madura Garments Lifestyle Retail Company Limited (“MGLRCL”) – a subsidiary of ABNL, have been demerged from the respective companies into ABFRL.

As the Scheme has become effective 9th January, 2016, Madura Fashion and Madura Lifestyle divisions have been transferred to and vested in ABFRL with effect from the Appointed Date, i.e., 1st April, 2015, as a going concern, in the manner more particularly provided in the Scheme.

21st January, 2016 was fixed as the Record Date for determining the entitlement of the shareholders to receive, pursuant to the Scheme, fully paid up equity shares of the face value of ₹ 10 each of ABFRL. Equity shares have been allotted by ABFRL on 27th January, 2016 to the eligible shareholders of the transferor companies as under:-

- Eligible Equity Shareholders of your Company have been allotted 26 equity shares of ABFRL for every 5 equity shares held in the ABNL pursuant to the demerger of Madura Fashion,
- Equity Shareholders of MGLRCL have been allotted 7 equity shares of ABFRL for every 500 equity shares held in MGLRCL pursuant to the demerger of Madura Lifestyle, and
- Preference shareholder of MGLRCL has been allotted 1 equity share of ABFRL.

Consequent to the allotment of shares by ABFRL as aforesaid, it has ceased to be a subsidiary of the Company. Trading in the newly allotted shares of ABFRL commenced on 4th February, 2016.

The aforesaid consolidation has created India’s largest pure-play branded apparel company by bringing India’s #1 branded menswear and #1 branded women’s wear retailers together. The move has given the shareholders of your Company an opportunity to participate in the promising fashion space directly through ABFRL.

Amalgamation of Wholly Owned Subsidiaries:

- A) During the year under review, your Board, had approved the amalgamation of the following subsidiaries with the Company, viz.,
- a) ABNL IT & ITES Limited, a wholly owned subsidiary of the Company,
 - b) Aditya Birla Minacs BPO Pvt. Limited, a wholly owned subsidiary of ABNL IT & ITES Limited, and
 - c) Indigold Trade and Services Limited, a wholly owned subsidiary of the Company
- on a going concern basis with effect from the Appointed Date i.e. 1st October, 2015, in accordance with the Scheme of Amalgamation (“Scheme”). The Scheme has been made effective on 31st March, 2016 after obtaining the requisite approvals and sanction from the Hon’ble High Court of Gujarat pursuant to the provisions of Sections 391 - 394 of the Companies Act, 1956 (“Act”) and as such the aforesaid three subsidiaries stands amalgamated with the Company.
- B) During the year under review, Madura Garments Lifestyle Retail Company Limited (MGLRCL), a wholly owned subsidiary of the Company, was merged with Aditya Birla Finance Limited (ABFL), another wholly owned subsidiary of the Company, on a going concern basis with effect from the Appointed Date i.e. 1st July, 2015, in accordance with the Scheme of Amalgamation (“Scheme”). The Scheme has been made effective on 25th January, 2016. As MGLRCL stands amalgamated with ABFL, MGLRCL has ceased to be a subsidiary of the Company.

Termination of the Global Depository Receipts issued by the Company:

Your Company had issued Global Depository Receipts (GDRs) representing the equity shares and had executed the Depository Agreement on 31st January, 1994 with Citibank N.A., New York, the Depository. ICICI Bank Limited, Mumbai was appointed as a Custodian of the said GDRs. Each GDR was equivalent to one underlying equity share of the Company. During the year under review, your Company has terminated the GDR Program w.e.f. 8th December, 2015 and as such there are no outstanding GDRs of the Company.

FINANCIAL PERFORMANCE

(₹ in Crore)

	Consolidated		Standalone	
	2015-16	2014-15	2015-16	2014-15
Profit Before Depreciation / Amortization, Interest and Tax	6534.93	5,798.21	846.09	1,185.59
Depreciation and Amortisation Expenses	1726.86	1,702.75	119.04	189.36
Finance Costs	2316.83	1,757.57	280.00	263.30
Profit Before Exceptional Items and Tax	2491.24	2,337.89	447.05	732.93
Exceptional Items	413.86	(13.33)	56.44	—
Profit Before Tax	2905.10	2,324.56	503.49	732.93
Tax Expenses	872.05	833.48	143.47	205.24
Net Profit Before Minority Interest	2033.05	1,491.08	360.02	527.69
Minority Interest	147.29	75.58	—	—
Profit for the Year	1885.76	1,415.50	360.02	527.69
Opening Balance as per last audited financial statement	1682.29	778.59	417.98	222.56
Amount Transferred on Stake Change/ Amalgamation of Subsidiaries/ Joint Venture	(1.36)	(81.57)	(44.27)	—
Amount on Merger of Subsidiaries	91.37	—	—	—
Amount adjusted on demerger of Garment Business	(24.35)	—	—	—
Transfer from General Reserve	—	13.45	—	—
Transitional Provision of Schedule II Impact (Net of Deferred Tax)	—	(15.19)	—	—
Share of Minority Interest Transitional Provision of Schedule II impact	—	3.09	—	—
Profit available for Appropriation	3633.71	2,113.87	733.73	750.25
Appropriations :				
Debenture Redemption Reserve	38.29	24.91	35.00	22.50
Special Reserve	81.80	54.69	—	—
General Reserve	202.13	201.76	200.00	200.00
Transfer to Capital Redemption Reserve	—	0.10	—	0.10
Proposed Dividend on Preference Share	—	—	—	—
Proposed Dividend on Equity Share	65.11	91.10	65.11	91.10
Equity Dividend relating to Previous period	0.04	2.60	0.02	0.02
Interim Dividend on Preference Share	—	β	—	β
Corporate Tax on Proposed Equity Dividend of the Company	10.37	18.55	10.37	18.55
Corporate Tax on Proposed Equity Dividend of Subsidiaries and Joint Venture	14.74	11.58	—	—
Corporate Tax on Proposed Preference Dividend of Subsidiaries	0.17	—	—	—
Corporate Tax on Interim / Final Dividend of Joint Venture Company by its Joint Venture	17.15	25.85	—	—
Corporate Tax on Interim Dividend on Preference Shares	—	β	—	β
Corporate Tax on Dividend relating to previous year	β	0.44	—	—
Closing Balance of Surplus in the Statement of Profit & Loss	3203.91	1682.29	423.23	417.98

Note: Figures of ₹ 50,000 or less have been denoted as β.

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 5 (Rupees Five only) per Equity Share of ₹ 10 each (last year ₹ 7 (Rupees Seven only) per Equity Share) for the financial year ended on 31st March, 2016 for your consideration.

The dividend on the equity shares, if approved by the shareholders, would involve cash outflow of ₹ 75.48 Crore (including Corporate dividend Tax of ₹ 10.37 Crore) compared to ₹ 109.65 Crore (including Corporate Dividend Tax of ₹ 18.55 Crore) paid for the year 2014-15.

The equity shares as may be allotted upon the exercise of options granted under the Employees Stock Option Schemes and out of the Share Capital Suspense before the Book Closure for payment of dividend will rank pari passu with the existing shares and shall also be entitled to receive the aforesaid dividend.

TRANSFER TO RESERVES

The Company proposes to transfer an amount of ₹ 200 Crore to General Reserves. An amount of ₹ 423.23 Crore is proposed to be retained in the Standalone Statement of Profit and Loss.

SHARE CAPITAL

During the year, the paid up equity share capital of the Company has increased from ₹ 130.14 Crore to ₹ 130.22 Crore consequent to the allotment of 85,665 equity shares to the eligible employees on exercise of Options granted under the Employees Stock Option schemes of the Company.

Your Company has neither issued any shares with differential voting nor issued any sweat equity shares.

FINANCE

During the year 2015-16, your Company has:

- Raised long term loans aggregating to ₹ 195.75 Crore by way of foreign currency borrowings (excluding ₹ 2.99 Crore due to MTM of External Commercial Borrowings) and ₹ 6.77 Crore by way of Rupee Term Loan.
- Repaid term loans (including Foreign Currency Borrowings and Finance Lease Liability) aggregating to ₹ 245.35 Crore.

Credit rating agency ICRA has re-affirmed the long term rating of [ICRA] AA+ / Stable for your Company's fund based limits of ₹ 1,250 Crore, non-fund based limits of ₹ 1,500 Crore, term loans of ₹ 500 Crore and NCDs of ₹ 1,000 Crore. ICRA has also assigned [ICRA]AA+ / Stable rating to fresh ₹ 500 Crore NCD programme of your Company. ICRA has also reaffirmed short term rating of [ICRA] A1+ to ₹ 1,750 Crore Commercial paper programme of your Company.

Credit rating agency CRISIL has re-affirmed the long term rating of Crisil AA+/Stable for ₹ 200 Crore NCD programme of your Company.

PUBLIC DEPOSITS

During the year under review, your Company has not accepted any deposits from the public falling under Section 73 of the Company Act 2013 ("Act") and the Companies (Acceptance of Deposits) Rules, 2014 and as such no amount of principal or interest was outstanding as on the balance sheet date.

PARTICULARS OF LOAN, GUARANTEE AND INVESTMENT

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act read with Companies (Meetings of Board and its Powers) Rules, 2014 are given in the Notes to the Financial Statements.

CORPORATE GOVERNANCE

Your Company is committed to the adoption of best practices of Corporate Governance and its adherence in true spirit to the requirements set out by Securities and Exchange Board of India (SEBI). During the year under review, your Company was in compliance with the provisions of Regulation 27 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR**) with the Stock Exchanges pertaining to the corporate governance compliances.

The Report on Corporate Governance as stipulated under Regulation 34 read with Schedule V of the SEBI LODR forms part of the Annual Report. The Statutory Auditors' Certificate confirming compliance with Schedule V of the SEBI LODR is given in **Annexure I** and the same forms part of the Directors' Report.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the provisions of Regulation 34 (2) of the SEBI LODR the Management Discussion and Analysis is set out in this Annual Report.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

Subsidiary Companies:

During the year, the following changes have taken place in the Subsidiary Companies:

- The Company entered into a definitive agreement to sell 23% stake in Birla Sun Life Insurance Company Limited (BSLI) to its partner Sun Life Financial, Canada for ₹ 1,664 Crore . The Company has completed the sale in April 2016 and received the sale consideration. It continues to hold the controlling stake in BSLI at 51%.
- Aditya Birla Financial Services Limited (ABFSL) was granted Certificate of Registration (CoR) as a Non – Deposit taking Systemically Important Core Investment Company (CIC-ND-SI) on 16th October, 2015 by Reserve Bank of India (RBI).
- The Company and ABFSL have signed an Agreement with MMI Strategic Investments (PTY) Ltd. and MMI Holdings Ltd. on 3rd June, 2015 to enter into Health Insurance and Wellness Business in India.
- The Company had incorporated Aditya Birla Health Insurance Co. Ltd. (ABHICL) (formerly known as Aditya Birla Health Insurance Limited) on 22nd April, 2015 for carrying on the Health Insurance business in India in partnership with MMI Holdings. ABFSL, upon receiving approval from Reserve Bank of India for making investment in Health Insurance business in India, has acquired all the shares of ABHICL from the Company on 28th March, 2016. MMI Holdings Ltd. has acquired 49% stake in ABHICL in June 2016 after receiving approval from Foreign Investment Promotion Board (FIPB). ABHICL is expected to commence the business operations in the second half of FY2016-17 after obtaining all the requisite approvals.
- The Company had incorporated Aditya Birla Idea Payments Bank Limited on 19th February,

2016 for undertaking banking operations as per the Reserve Bank of India guidelines for Licensing of Payments Banks. The Company holds 51% stake in the same and balance is held by Idea Cellular Limited.

- ABCAP Trustee Company Pvt. Limited became the direct subsidiary of ABFSL on 25th March, 2016.
- A new subsidiary in the name of “Aditya Birla Renewables Limited” has been incorporated on 7th August, 2015 for setting up and for execution / commissioning of Solar Power Projects; for providing Engineering, Procurement and Construction Services (EPC); for providing Operation and Maintenance Services (O&M); and allied activities.

As mentioned herein above, during the year under review:

Madura Garments Lifestyle Retail Company Limited has been amalgamated with Aditya Birla Finance Limited by way of a Scheme of Amalgamation, Appointed Date of the Scheme being 1st July, 2015.

ABNL IT & ITES Limited, Aditya Birla Minacs BPO Private Limited and Indigold Trade and Services Limited have been amalgamated with the Company by way of a Scheme of Amalgamation, Appointed Date of the Scheme being 1st October, 2015.

The Policy of determining material subsidiaries may be accessed on the Company's website at the link below:

http://adityabirlanuvo.com/pdf/policy_material_subsidiaries.pdf

JOINT VENTURE

IDEA Cellular Limited is a Joint Venture of the Company and continues to be a Joint Venture, during the year under review. Idea Cellular ranks 3rd in India with a revenue market share of 18.9%. Having a base of 184 million active subscribers, Idea is the 6th largest cellular operator in the world in terms of subscribers, based on operations in a single country.

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 (“the Act”) read with the Companies (Accounts) Rules, 2014, a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies is attached as **Annexure II** to this Report.

The audited financial statements of your Company's subsidiaries and related information have been placed on the website of your Company viz. www.adityabirlanuvo.com. Any Member, who is interested in obtaining a copy of audited financial statements of your Company's subsidiaries, may write to the Company Secretary at the Registered Office of your Company.

CONSOLIDATED FINANCIAL RESULTS

The Consolidated Financial Statements have been prepared in accordance with the provisions of the Section 129(3) of the Act, read with the Companies (Accounts) Rules, 2014, applicable Accounting Standards and the provisions of the SEBI LODR and pursuant to the provisions of Section 136 of the Act, the same forms part of this Annual Report.

HUMAN RESOURCES

During the year 2015-16, your Company channelized its resources towards strengthening its Employee Value Proposition in line with Aditya Birla Group's "A World of Opportunities". Various initiatives for development of people and creating a robust high performance organization were implemented. Programmes for planned leadership succession, development of successors through structured training & development, and coaching, skill and competency development across all levels were actively conducted across the organization. The process of upgrading and improving facilities for employees at the unit locations was underway in line with the Group's initiative of "Add more to life".

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, are attached as **Annexure III**.

In accordance with the provisions of Section 197(12) of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, the names and other particulars of employees are to be set out in the Directors' Report, as an addendum thereto. However, having regard to the provisions of

Section 136(1) of the Act, the Annual Report excluding the aforesaid information about the employees, is being sent to the Members of the Company. The said information is available for inspection at the Registered Office of your Company during the working hours. Any Member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company and the same will be furnished on request.

EXTRACT OF ANNUAL RETURN

In terms of the provisions of Section 92 (3) of the Act read with the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return of your Company for the financial year ended 31st March, 2016 is given in **Annexure IV** to this report.

BUSINESS RESPONSIBILITY REPORT

As per Regulation 34 (2)(f) of the SEBI (LODR), a separate section on Business Responsibility Reporting forms part of this Annual Report.

RELATED PARTY TRANSACTIONS

During the financial year, your Company entered into related party transactions, which were on an arm's length basis and in the ordinary course of business. There were no material transactions with any related party as defined under Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014. All related party transactions were approved by the Audit Committee of your Company and the same are being reviewed by it on a periodical basis.

The Policy on the Related Party Transactions as approved by the Audit Committee and the Board of your Company is posted on the Company's website viz. www.adityabirlanuvo.com.

The details of contracts and arrangement with related parties of your Company for the financial year ended 31st March, 2016 is given in Note No. 41 to the financial statements of your Company.

RISK MANAGEMENT

Your Directors have constituted a Risk Management Committee which has been entrusted with the responsibility to review the risk management plan / process of your Company. This Committee identifies the potential risks, assesses their potential

impact and takes timely actions to mitigate the same. The Risk Management framework and the Risk Management approach are covered in the Management Discussion and Analysis forming part of this Annual Report.

INTERNAL FINANCIAL CONTROL AND THEIR ADEQUACY

Your Company has in place adequate internal control systems commensurate with the size of its operations. The internal control systems, comprising of policies and procedures, are designed to ensure sound management of your Company's operations, safekeeping of its assets, optimal utilization of resources, reliability of its financial information and compliance. Clearly defined roles and responsibilities have been institutionalized. Systems and procedures are periodically reviewed to keep pace with the growing size and complexity of your Company's operations.

DIRECTORS' RESPONSIBILITY STATEMENT

The audited accounts for the year under review are in conformity with the requirements of the Act and the Accounting Standards. The financial statements reflect fairly the form and substance of transactions carried out during the year under review and reasonably present your Company's financial condition and results of operations.

Based on the information and explanations obtained by your Directors from the management of your Company, your Directors confirm that:

- i) in the preparation of the Annual Accounts for the financial year ended 31st March, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the profit of the Company for the year ended on that date;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv) the Directors have prepared the Annual Accounts of the Company on a going concern basis;
- v) the Directors have laid down internal financial controls and that such internal financial controls are adequate and were operating effectively; and
- vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

EMPLOYEE STOCK OPTION SCHEMES 2006 and 2013 (ESOS 2006 & ESOS 2013)

ESOS – 2006

During the year under review, the Nomination and Remuneration Committee ("the Committee") has allotted 62,331 equity shares of ₹ 10/- each of your Company upon exercise of Stock Options by the employees.

ESOS – 2013

During the year 23,651 Stock Options have vested in the option grantees in terms of the provisions of the Company's Employee Stock Option Scheme ("Scheme – 2013"). However, no Restricted Stock Units have vested in the option grantees in terms of the provisions of Scheme – 2013.

The Committee has allotted 23,334 equity shares of ₹ 10 each of your Company upon exercise of Stock Options by the employees.

Consequent to the Composite Scheme of Arrangement of the branded apparel business as mentioned herein above in this Report having become effective on 9th January, 2016, in respect of the Stock Options (Options) and the Restricted Stock Units (RSUs) granted by the Company to the eligible employees, the Grant Price and related plan elements required an adjustment so as to ensure fair and equitable treatment for the concerned employees under ESOS – 2013.

In view of the same:

- a. an additional grant of 48,777 Options and 26,551 RSUs under ABNL ESOS – 2013 was made to the concerned grantees;

- b. the Exercise Price under various tranches of Options granted under ABNL ESOS – 2013 has been reset as under:
- (i) Tranche I : ₹ 694.30 per Option as against ₹ 1239.80 per Option;
 - (ii) Tranche II : ₹ 590.15 per Option as against ₹ 1053.85 per Option;
 - (iii) Tranche III : ₹ 967.10 per Option as against ₹ 1726.95 per Option

In terms of the provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014, the details of the Stock Options and Restricted Stock Units granted under the Company's Employees Stock Option Schemes are available on your Company's website viz. www.adityabirlanuvo.com

A certificate received from the Statutory Auditors of the Company on the implementation of the Employees Stock Option Schemes shall be placed at the ensuing Annual General Meeting for inspection by the Members.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information on conservation of energy, technology absorption, foreign exchange earnings and out go, required to be disclosed pursuant to provision of Section 134 of the Act read with the Companies (Accounts) Rules, 2014 is given in **Annexure V** to this Report.

CORPORATE SOCIAL RESPONSIBILITY

In terms of the provisions Section 135 of the Act read with Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of your Company has constituted a Corporate Social Responsibility ("CSR") Committee which is Chaired by Mrs. Rajashree Birla. The other Members of the Committee are Ms. Tarjani Vakil, an Independent Director and Mr. Lalit Naik, the Managing Director of your Company. Dr. (Mrs.) Pragnya Ram, Group Executive President, Corporate Communications & CSR, is a Permanent Invitee to the Committee. Your Company also has in place a CSR Policy and the same is available on the website of the Company at www.adityabirlanuvo.com. The Committee places before the Board the details of the activities to be undertaken during the year.

Your Company is a caring corporate citizen and lays significant emphasis on the development of the host communities around which it operates. With this intent, the Company has identified several projects relating to Social Empowerment & Welfare, Infrastructure Developments, Sustainable Livelihood, Health Care and Education during the year and initiated various activities in neighbouring villages around the plant locations.

The work on several CSR initiatives has gained momentum during the year, resulting in a spend of ₹ 7.40 Crore (the same being 2.11% of the average net profits of the last 3 years as defined for the purposes of CSR). A detailed report is attached as **Annexure VI** forming part of this report.

DIRECTORS

Changes in Board constitution

Mr. Sushil Agarwal, Whole Time Director & Chief Financial Officer of your Company, has relinquished his office from the close of business on 30th June, 2015. Mr. Gian Prakash Gupta, an Independent Director, has stepped down as a Director of the Company w.e.f. 9th November, 2015 on health grounds. Mr. Tapasendra Chattopadhyay, Nominee of LIC of India (LIC) on the Company's Board has ceased to be the Non-Executive Director of the Company consequent to the withdrawal of his nomination by LIC. The Board places on record its deep appreciation for the services rendered by Mr. Sushil Agarwal, Mr. Gian Prakash Gupta and Mr. Tapasendra Chattopadhyay during their tenure as the Members of the Board.

At the request of LIC, Mr. V. Chandrasekaran, Executive Director of LIC, has been appointed as an Additional Director of the Company w.e.f. 14th April, 2016 and accordingly, his appointment is placed for your approval at the ensuing AGM.

Mrs. Rajashree Birla and Mr. Lalit Naik, Directors of the Company, retire from office by rotation and being eligible, have offered themselves for re-appointment.

Further details on the Board of Directors are provided in the Corporate Governance Report forming part of this Annual Report.

Your Directors recommend the said appointment / re-appointments. Items seeking your approval on the above appointment / re-appointments are included in the Notice convening the Annual

General Meeting. Brief resumes of the Directors seeking appointment / re-appointments form part of the Notice of the ensuing Annual General Meeting.

Meetings of the Board

During the year, the Board of Directors of your Company met 6 times to deliberate on various matters. The details of Board Meetings held are given in the Corporate Governance Report.

Composition of the Audit Committee

The Audit Committee of the Board comprises of Ms. Tarjani Vakil, Mr. Baldev Raj Gupta, Mr. Pejavar Murari and Mr. Subhash Chandra Bhargava, the Independent Directors, as its members. Other details of the Audit Committee are listed in the Corporate Governance Report. The Audit Committee met 7 times during the year under review.

Independent Directors

Ms. Tarjani Vakil, Mr. Baldev Raj Gupta, Mr. Pejavar Murari and Mr. Subhash Chandra Bhargava, the Independent Directors of the Company, hold office for a fixed term of five years and are not liable to retire by rotation.

In accordance with Section 149(7) of the Act, each Independent Director has given a written declaration to the Company confirming that he/ she meets the criteria of Independence as mentioned under Section 149(6) of the Act and SEBI LODR.

Policy on Appointment and Remuneration of Directors and Key Managerial Personnel

The appointment and remuneration of Directors and KMPs is as per policy of your Company.

Formal Annual Evaluation

The evaluation framework for assessing the performance of the Directors of your Company comprises of contributions at the meetings, strategic perspective or inputs regarding the growth and performance of your Company, among others.

Pursuant to the provisions of the Act and the Listing Regulations, the Directors have carried out the annual performance evaluation of the Board, Independent Directors, Non-Executive Directors, Executive Directors, Committees of the Board and the Chairman of the Board. The manner of evaluation is provided in the Corporate Governance Report.

Details of the familiarisation programme for the Independent Directors of the Company is available on the Company's website www.adityabirlanuvo.com.

Remuneration Policy

The Nomination and Remuneration Committee has formulated the Remuneration Policy of your Company which is attached as **Annexure VII** to this report. The Policy is available on the Company's website viz. www.adityabirlanuvo.com.

KEY MANAGERIAL PERSONNEL

In terms of the provision of Section 203 of the Act, Mr. Lalit Naik, Managing Director; Mrs. Pinky Mehta, Chief Financial Officer (w.e.f. 1st July, 2015); and Mr. Ashok Malu, Company Secretary are the Key Managerial Personnel of your Company.

AUDITORS

Statutory Auditors and their Report

In terms of the provisions of Section 139 of the Act read with the Companies (Audit and Auditors) Rules, 2014, an audit firm can hold office as statutory auditor for 2 terms of 5 consecutive years i.e. for a maximum period of 10 years. Such audit firm can be re-appointed after a cooling period of 5 years. In computing the period of 10 years, the period for which the auditor has held office before the commencement of the Act i.e. before 1st April, 2014 is also required to be considered.

Your Company has M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai (Reg. No. 105146W) as the Joint Statutory Auditors and in compliance with the provisions of the Act, they will continue in office till the ensuing AGM. M/s. S R B C & CO LLP Chartered Accountants, Mumbai (Reg. No. 324982E), the other Joint Statutory Auditor is eligible for re-appointment.

M/s. S R B C & CO LLP, Chartered Accountants, Mumbai (Reg. No. 324982E), will continue to hold the office as the Joint Statutory Auditors of the Company from the conclusion of ensuing Annual General Meeting until the conclusion of 60th Annual General Meeting of the Company.

M/s. S R B C & CO LLP, has given its consent in writing and have furnished a certificate to the effect that their re-appointment, if made, would be in

accordance with the provisions of Section 139(1) of the Act and that it meet with the criteria prescribed under Section 141 of the Act. Your Directors recommend their re-appointment at the ensuing Annual General Meeting.

New Joint Statutory Auditor

M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, the Joint Statutory Auditor, has been in office for more than ten years and in compliance with the provisions of the Act, your Company will have to appoint a new auditor in their place. The Board of Directors has, at its meeting held on 11th July, 2016, recommended the appointment of M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, Mumbai, (Reg. No. 117366W/W-100018), as one of the Joint Statutory Auditors of your Company in place of M/s. Khimji Kunverji & Co., to hold office from the conclusion of this AGM until the conclusion of the 64th AGM of your Company, subject to ratification by the Members at every AGM till the 63rd AGM.

Resolutions seeking your approval on appointment/re-appointment of Statutory and Branch Auditors are included in the Notice convening the AGM.

The observation made in the Auditor's Report are self explanatory and therefore, do not call for any further comments under Section 134(3)(f) of the Act. The Auditors' Report does not contain any qualification, reservation or adverse remark.

Cost Auditors

In terms of the provisions of the Section 148 of the Act read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors of your Company have, on the recommendation of the Audit Committee, appointed the following Cost Auditors for conducting the audit of the cost records of the Company for the financial year 2016-17 at the remuneration as mentioned in the Notice convening the AGM:-

- i) M/s. Ashwin Solanki & Associates, Cost Accountants, (Registration Number – 100392) for Indian Rayon, Veraval – for Viscose Filament Yarn and Chemicals
- ii) M/s. K. G. Goyal & Associates, Cost Accountants, (Registration Number – 000024) for Indo Gulf Fertilisers, Jagdishpur- for Fertilisers

- iii) M/s. R. Chakraborty & Co., Cost Accountants, (Registration Number –100481) for Jaya Shree Textiles, Rishra – for Textiles, and
- iv) M/s. S. S. Puranik & Associates, Cost Accountants, (Registration Number –100133) for Insulators– Halol & Rishra

As required under the Act, the remuneration payable to the Cost Auditor is required to be placed before the Members at the general meeting for their ratification. Accordingly, a Resolution seeking Members ratification for the remuneration payable to Cost Auditors is included in the Notice convening the Annual General Meeting. The Members are requested to ratify the remuneration payable to the Cost Auditors for 2016 -17.

Your Company has filed the Cost Audit and Compliance Report for Financial Year 2015 with the Government.

Secretarial Auditors

In terms of the provision of the Section 204 of the Act read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Board has appointed M/s. BNP & Associates, Company Secretaries, Mumbai as the Secretarial Auditors for conducting the Secretarial Audit of your Company for the financial year ended 31st March, 2016. The report of the Secretarial Auditors is attached as **Annexure VIII**. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

AWARDS AND RECOGNITION

Some of the significant accolades earned by your Company during the year include:

- **Indo Gulf Fertilisers:**
 - i) “National Energy Conservation Award – 2015” by Ministry of Power, Government of India, First Prize in the Fertilizers Sector (Sub-sector Urea)
 - ii) Global CSR Excellence & Leadership Awards for “Best use of CSR practices in Manufacturing”
 - iii) Asian CSR Leadership Award for Community Development in Manufacturing awarded by World CSR Congress,

- **Aditya Birla Insulators – Halol Division:**
 - i) Certificate of Export Recognition being Special Export Award received from CAPEXIL on 28th January, 2016

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

During the year under review, your Company has not received any complaint under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

In compliance with the provisions of Section 177 (10) of the Act and Regulation 4(2)(d) of the SEBI (LODR), your Company has in place a vigil mechanism for the directors and employees to report concerns about unethical behaviour and actual or suspected fraud or violation of your Company's Code of Conduct. Adequate safeguards are provided against victimization to those who avail of the mechanism and access to the Chairman of the Audit Committee in exceptional cases is provided to them.

The vigil mechanism is available on the Company's website at www.adityabirlanuvo.com

OTHER DISCLOSURES

- There are no significant and material orders passed by the regulators or courts or tribunals

impacting the going concern status and the Company's operations in future.

- There were no material changes and commitments affecting the financial position of your Company between end of the financial year and the date of this report.
- There was no revision in the financial statements.

APPRECIATION

Your Directors take this opportunity to express their sincere appreciation for the excellent support and co-operation extended by the shareholders, customers, suppliers, bankers and other business associates. Your Directors gratefully acknowledge the ongoing cooperation and support provided by Central and State Governments and all Regulatory bodies.

Your Directors place on record their deep appreciation for the exemplary contribution made by the employees of the Company at all levels. Their dedicated efforts and enthusiasm have been pivotal to your Company's growth.

For and on behalf of the Board



Kumar Mangalam Birla
Chairman
(DIN: 00012813)

Mumbai, 11th July, 2016