

The Aditya Birla Group

Global Vision; Indian Values

By

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Chairman, The Aditya Birla Group

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The Aditya Birla Group: An introduction

- Amongst the largest and most reputed industrial houses in India
- Domestic market leaders
- Pioneers of globalisation in India
- Aggregate revenues of US\$6.3 bn; Net Profits of US\$ 730 mn
- Market capitalisation of US\$ 7.1 bn
- Anchored by 72,000 employees; Trusted by 700,000 shareholders
- A responsible corporate citizen
- Group flagships

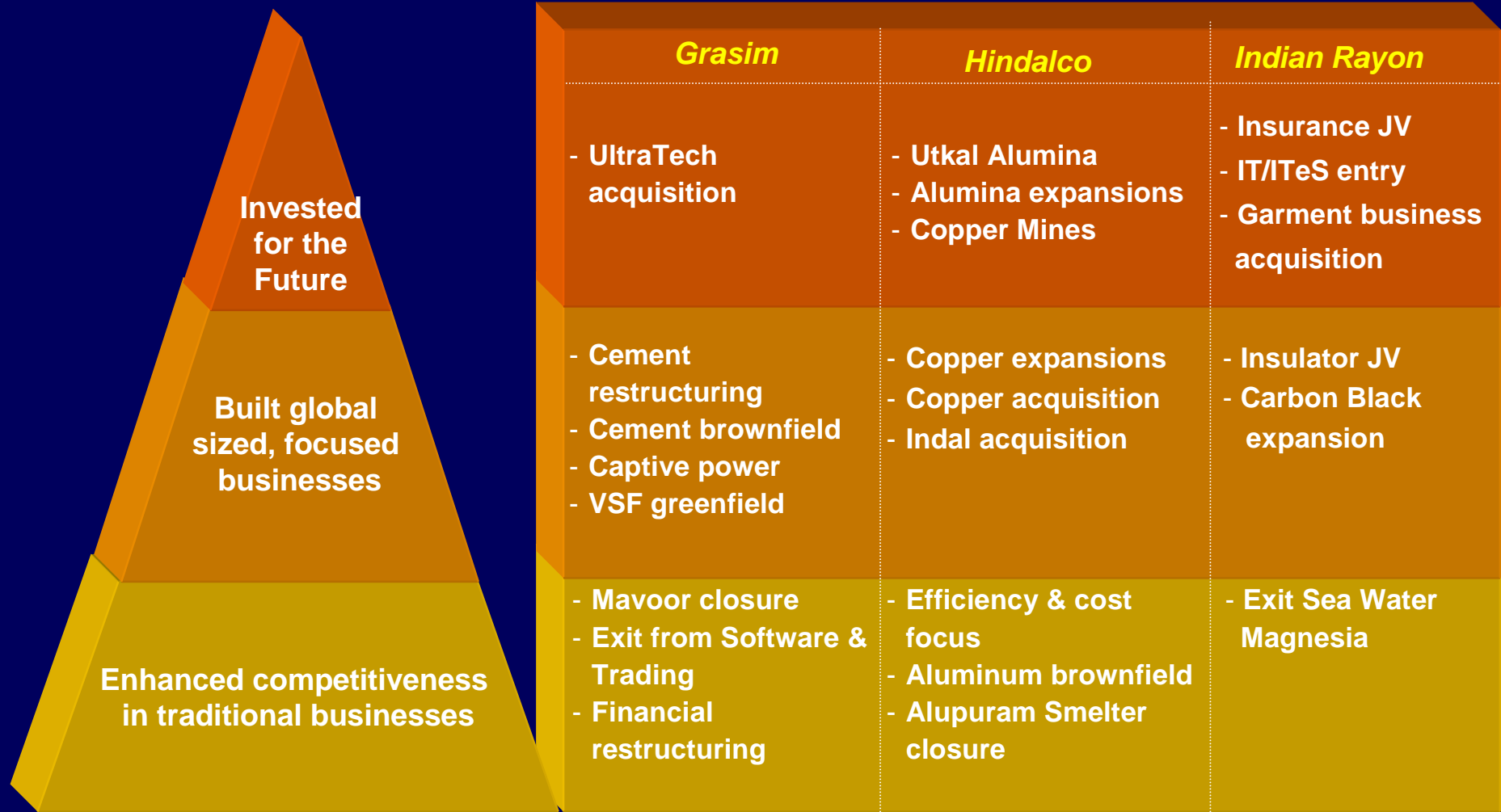
Grasim - Cement & Viscose Staple Fibre

Hindalco - Metals

Indian Rayon - Apparels, Insurance, IT / ITeS, Carbon Black & VFY

Indo Gulf - Fertilisers

Successful transformation in recent years



Towards creation of a robust and globally competitive growth platform

Net Result #1: Leadership across businesses

Domestic Market Leadership

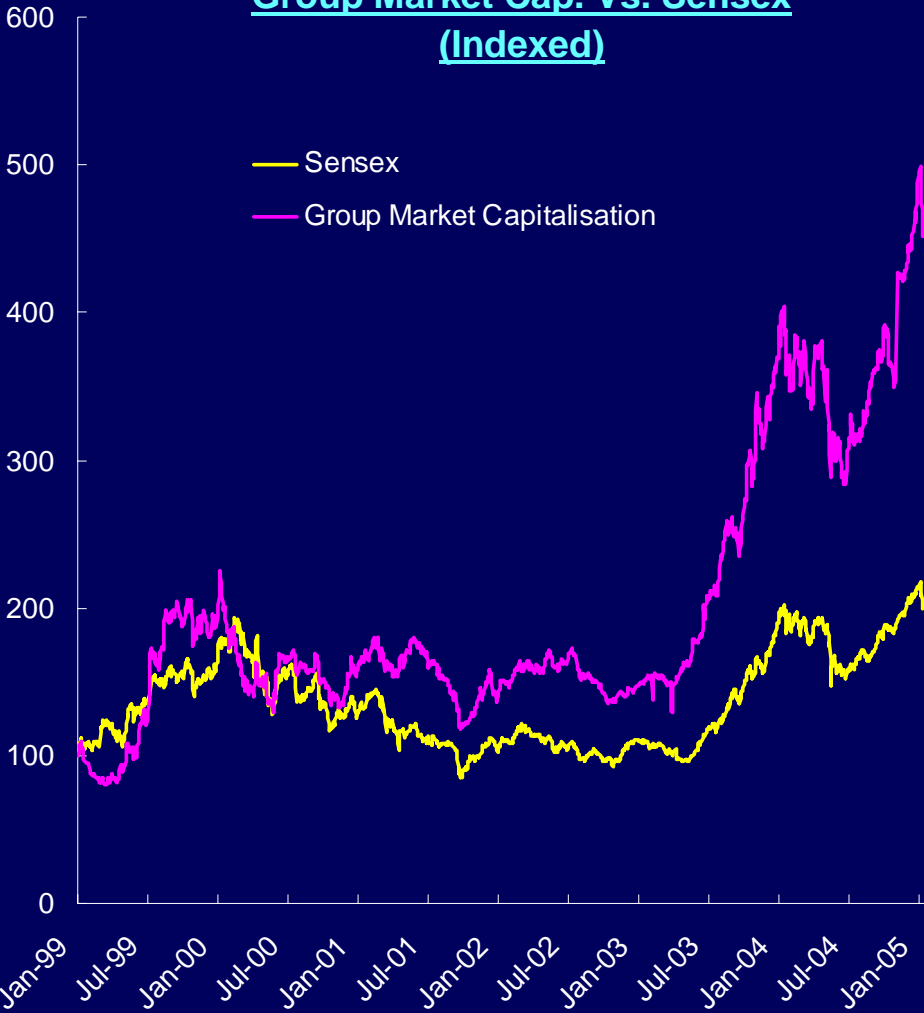
Largest Player:	Cement, Aluminum, Copper Viscose Staple Fibre, Insulators Branded Apparels
2nd Largest:	Carbon Black, Life Insurance (Private) Viscose Filament Yarn
Amongst Top-5:	Mutual Fund, Fertilisers, Chemicals Textiles & Telecom

Global Size and Competitiveness

Cement:	8th Largest in the World Largest in a single country
VSF:	World's largest producer 21% global market share
Metals:	Global cost leadership; regional major
Carbon Black:	5th largest in the World
Insulators:	3rd largest in the World

Net Result #2: Creation of superior shareholder value

Group Market Cap. Vs. Sensex (Indexed)



Source: Bloomberg Data

Individual Stock Returns (Annualised %)

	1 Year	3 Years	5 Years
SENSEX	9.2	24.6	3.8
GROUP	32.4	48.1	22.6
Grasim	18.1	67.8	27.9
Hindalco	3.1	22.1	9.1
Indian Rayon	72.2	77.1	31.9
Indo Gulf	30.7	-	-

Source: Bloomberg data as on 28th Jan 2005

TSR in excess of 25% p.a. over last 5 years

The Next Phase: In the global league

Group Aspiration



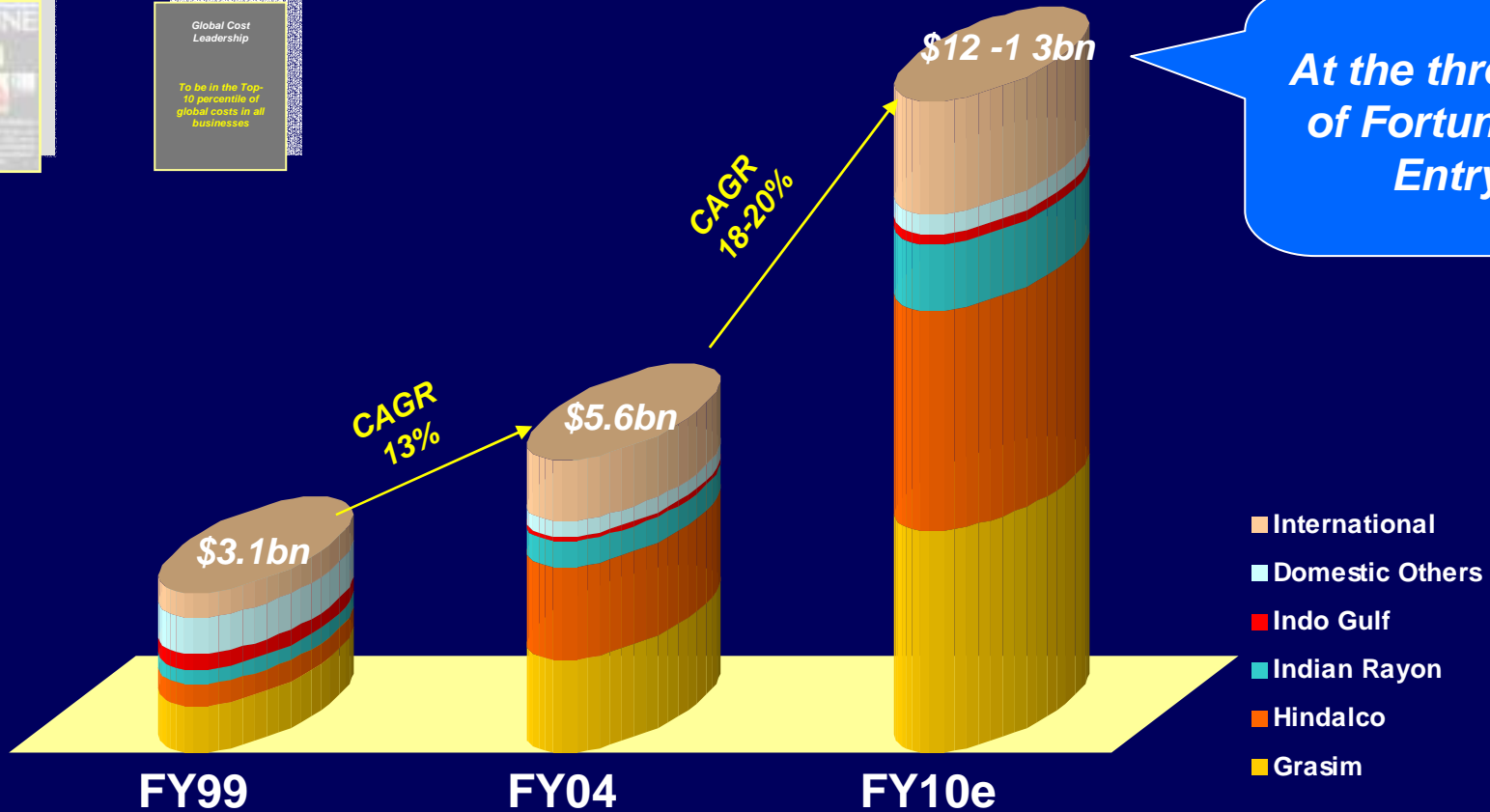
Global Cost Leadership

*To be in the Top-10
percentile of global
costs in all
businesses*

The Next Phase: In the global league



Aggregate Group Turnover



At the threshold of Fortune 500 Entry*

FY99
PBDIT - \$522mn
Gearing - 37%

FY04
PBDIT - \$1,273mn
Gearing - 36%

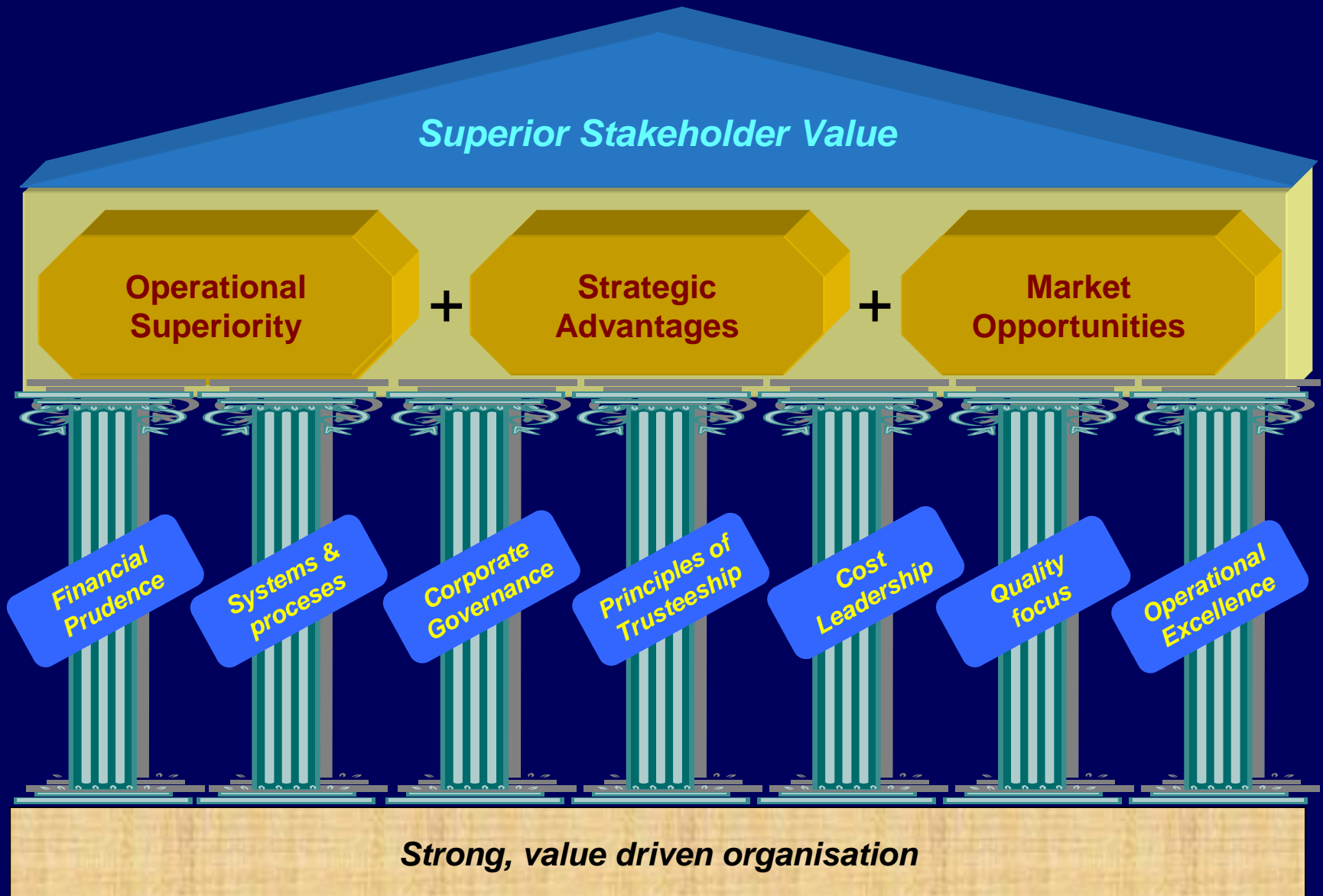
FY10e

- Based on Fortune 500 study in 2003
- Threshold Sales - \$10.83bn
- Median Sales - \$19.8bn

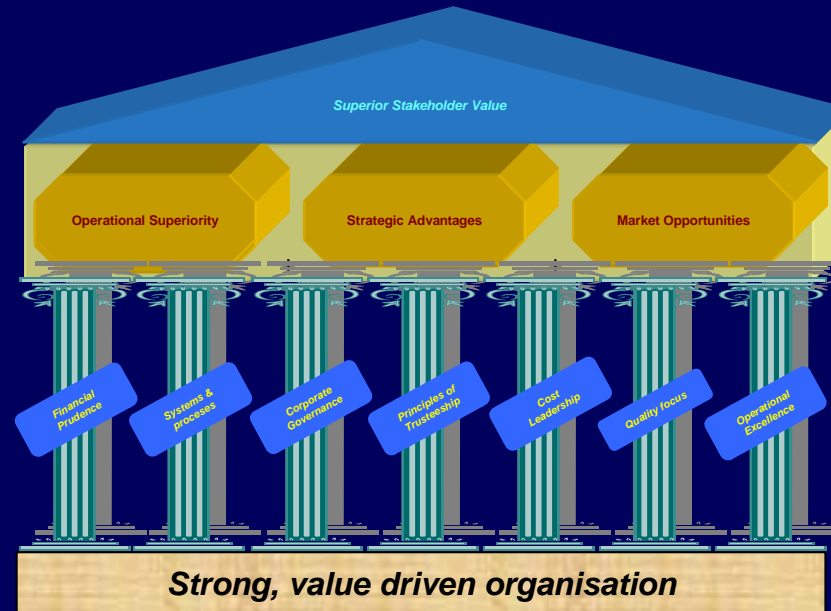


Shifting gears

Value Accretive Growth: Our framework



Organisation Building: 5 pronged strategy



1

Building the leadership pipeline

2

Addressing cultural issues

3

Institutionalising Processes

4

Internalizing growth aspirations

5

Looking beyond boundaries

1 Building leaders for tomorrow



- **‘Global Leadership Framework’ instituted**
 - **10-point criteria to identify potential leaders**
 - **Planned career development for performers with high potential**

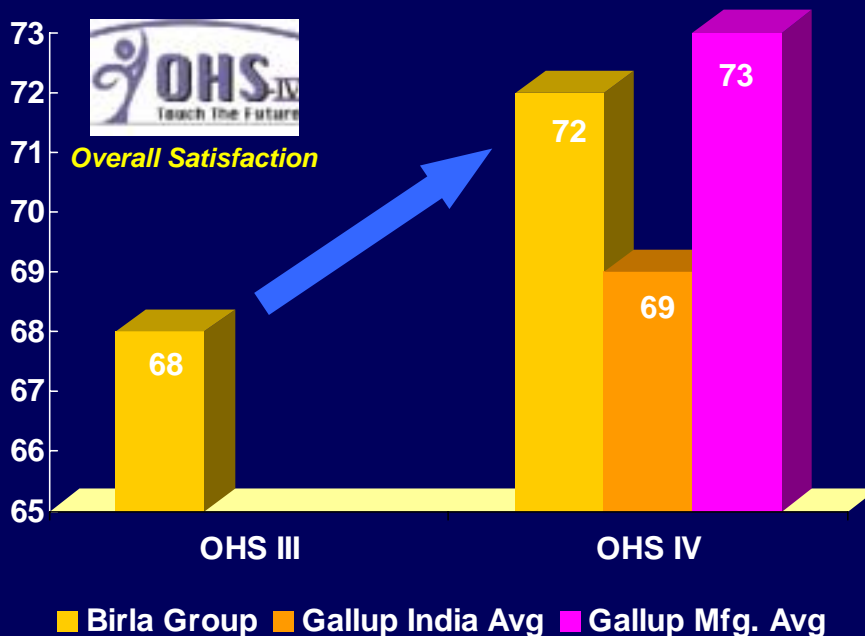
- **Young organization, becoming younger**
 - **48% of employees are below 38 years**
 - **30% have less than 5 years of experience**
 - **52% of managerial resource are professionals, against 46% in 2002**

- **Encouraging progress on ‘Talent Management’ efforts**
 - **External additions to the talent pool: Lateral inductions & Global recruitments**
 - **Performance coaches and mentors**
 - **Job rotation and multi skill-ing**
 - **Individual Development Plans**
 - **‘Gyanodaya’ and e-learning programmes**

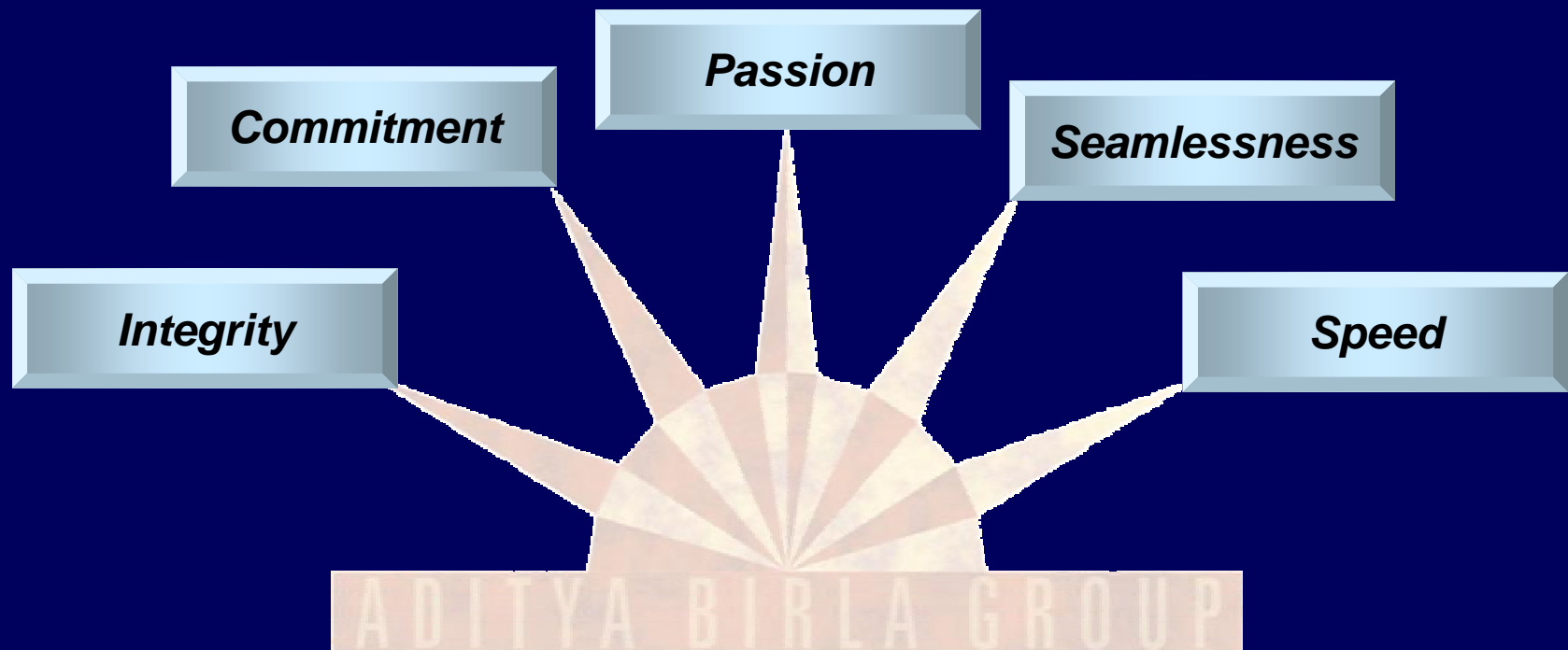
1 Building leaders for tomorrow



- 'Performance Management Systems' towards building meritocracy
 - 'Variable pay' across all levels being introduced
 - Job evaluation by international experts
- 'Business HR Heads' to address industry specific issues
- 'Aditya Birla Awards' to encourage individual and team excellence
- Organisational Health Study (OHS), conducted by international experts



- Cultural diversity widening
 - Operations across 4 continents; employing 30 different nationals
 - Acquisitions bring people with diverse backgrounds
- Alignment towards common objectives is key, ahead of a rapid growth phase
- Values: Our common bond, re-defined and re-focused



■ Value Based Management implemented successfully

- EVA – An understood common metric now, at all levels
- On the success path to result in:
 - Business ownership and empowerment
 - Explicit commitment to value
 - Better use of existing capital and efficient capital planning



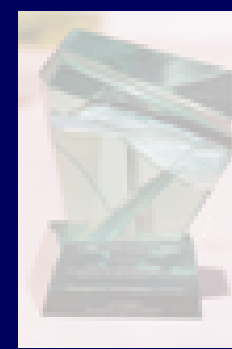
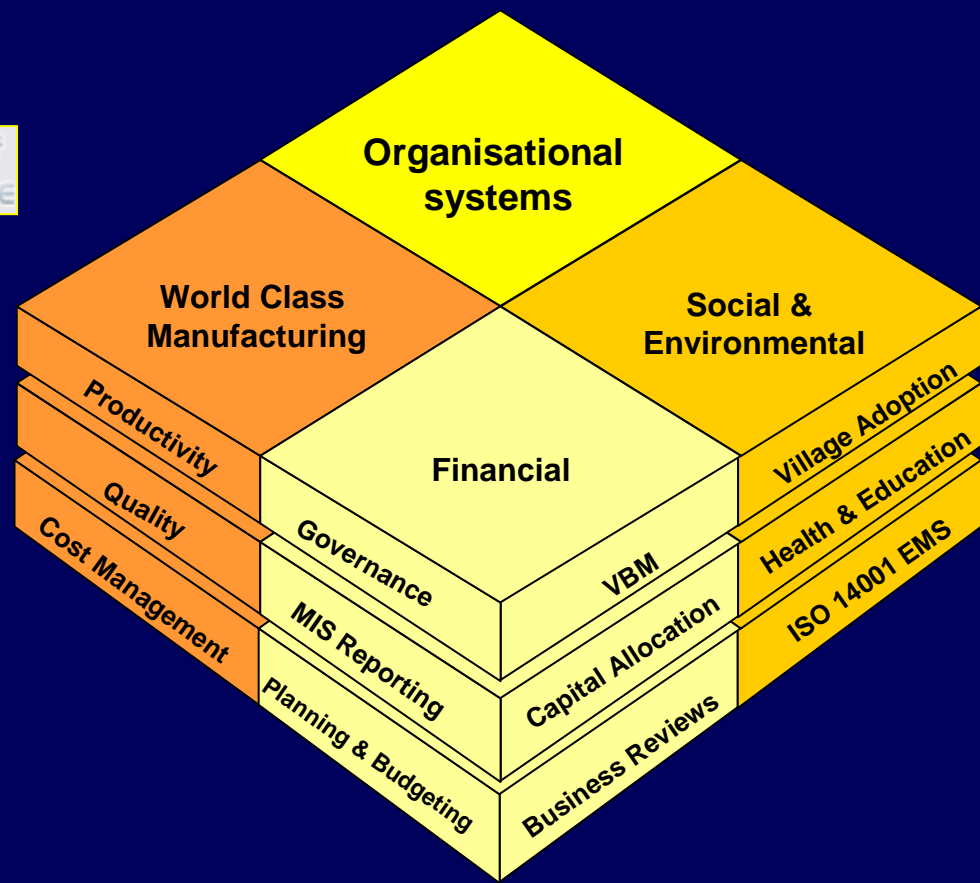
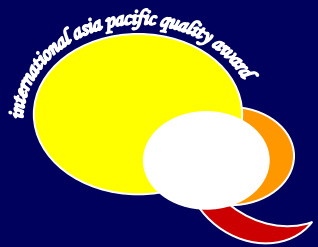
■ Business Review Councils (BRC) set up

- Cross business, multi functional teams to leverage group expertise
- Reviews strategic progress and operating performance

■ 'Capital Request Evaluation Committee' (CREC) set up

- Standardised capital allocation process
- Cross functional, value focused evaluation of capital proposals

To be complemented by existing strong systems infrastructure



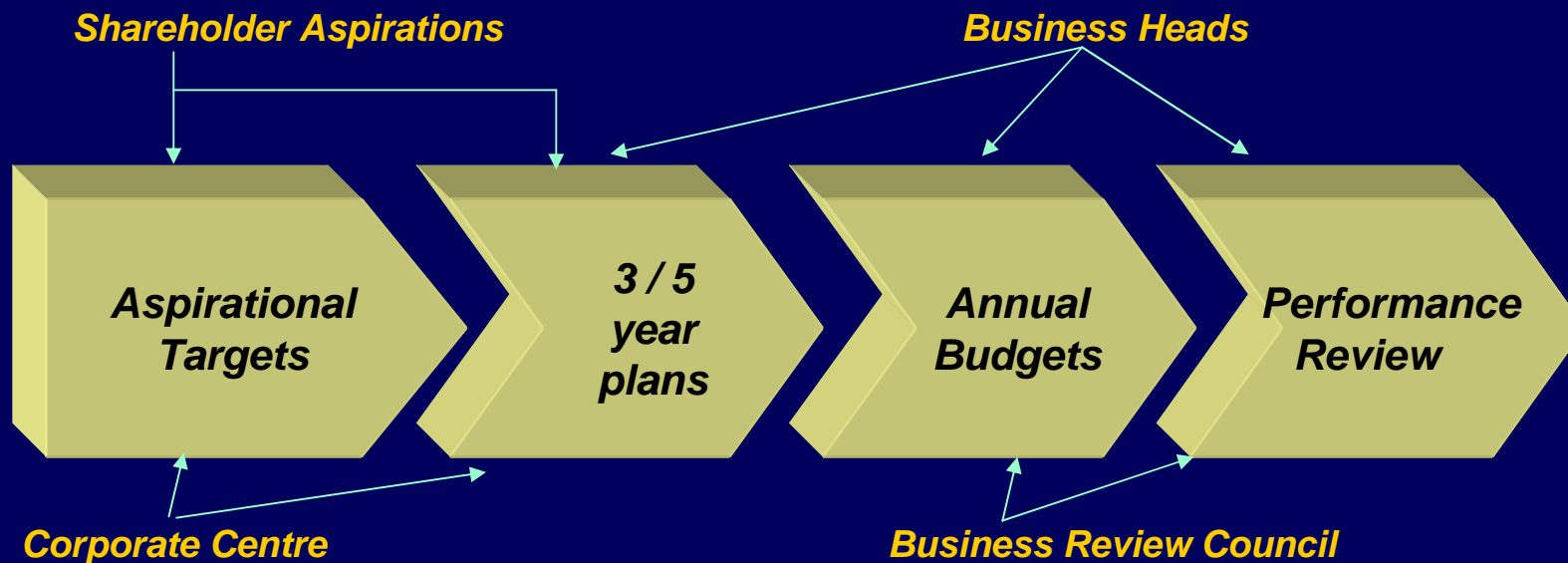
Asian CSR Award 2003
Excellence in Poverty Alleviation



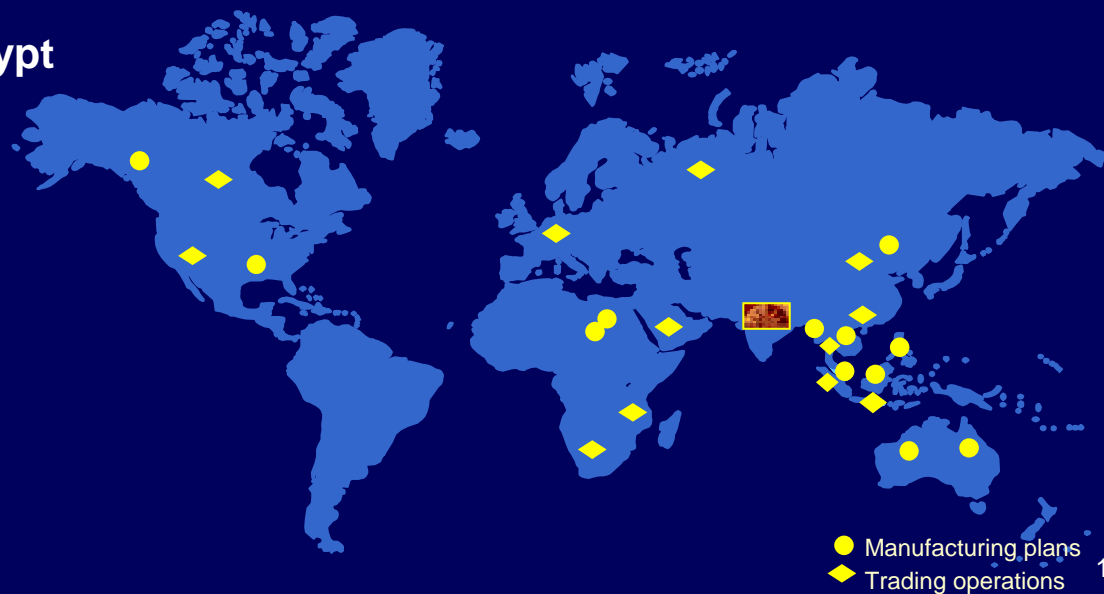
Internalizing growth aspirations is key



- Instituting long-range, strategic planning process
 - Current planning process strong on operational issues
- New process introduced to sharpen strategic articulation by
 - Focusing on value creation
 - Aligning growth and value aspirations
 - Aligning performance of existing capital and future capital allocation decisions
 - Emphasizing a rigorous testing process between business and corporate centre



- Domestic market dependence will restrict growth going forward
- Changing business landscape providing value opportunities
- Group has successful track record
 - Globalisation efforts on since 1970s
 - Successful operations in South East Asia
 - Leadership in the major economies of SE Asia
 - Came unscathed even during the Asian Crisis
- Recent experiences encouraging
 - Carbon Black in China & Egypt
 - Mines in Australia
 - Pulp in Canada



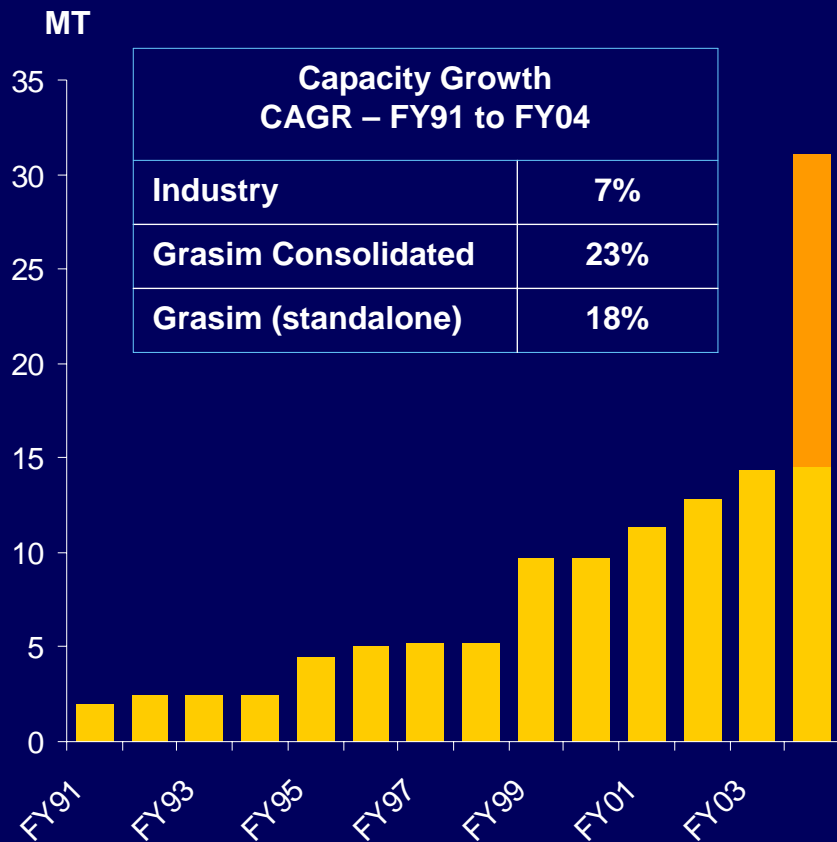


Concrete growth prospects

Grasim Today: A cement major with strategic advantages

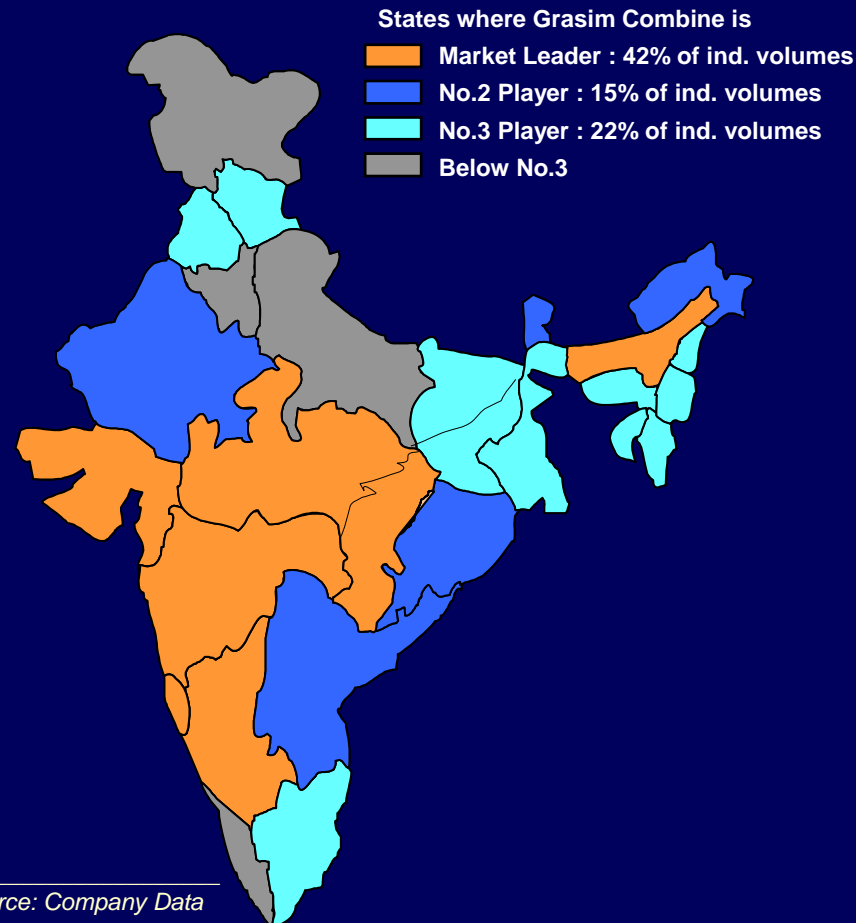


Grasim Capacity additions (FY91-04)



Source: CMA Data

Leadership in key consuming markets

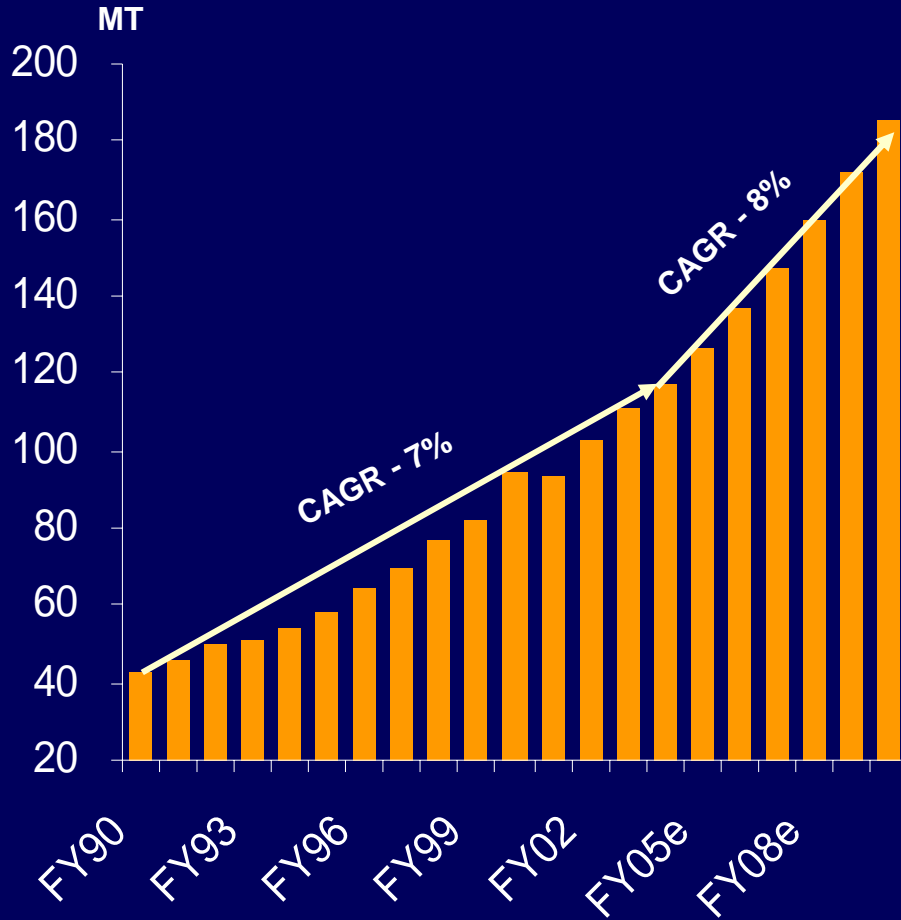


Source: Company Data

Two pronged strategy:
Unlock value from current operations
Embark on fresh growth

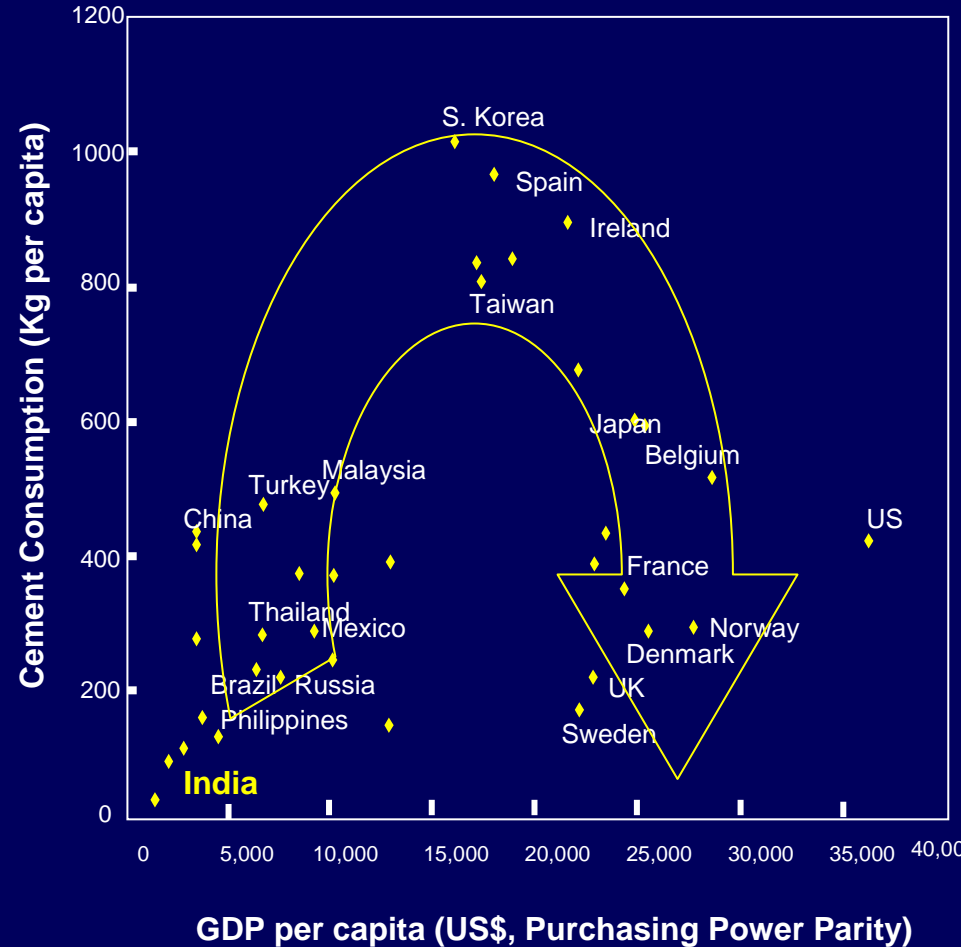
Excellent organic growth potential

Domestic demand growing strong



Source : CMA, Company data

Immense long term potential

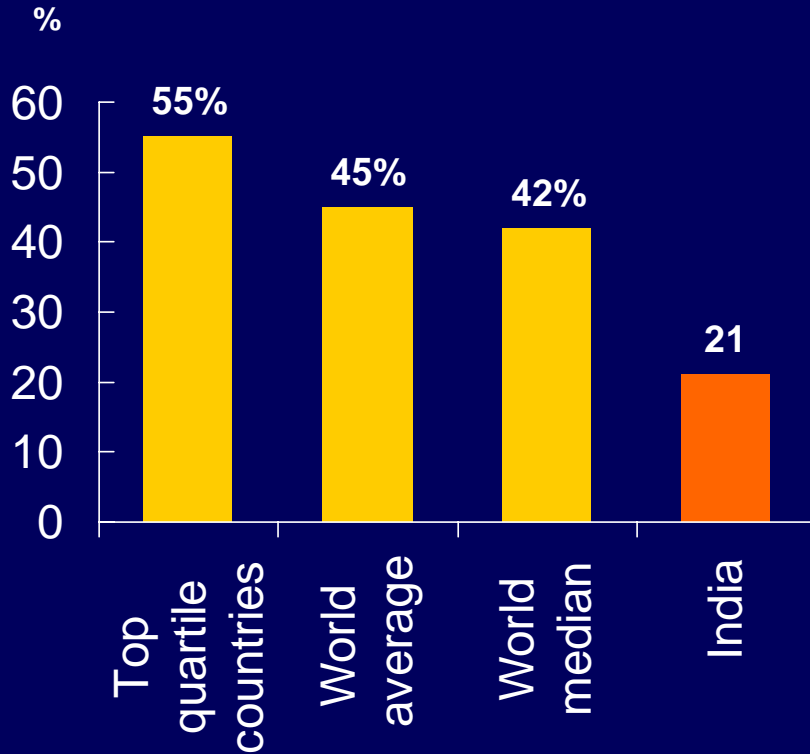


Source : Smith Barney

Capacity needs to grow 35% by 2010 to maintain market share

Market share enhancement: a further upside

Market share of the leader
(Analyzed over 52 Countries*)

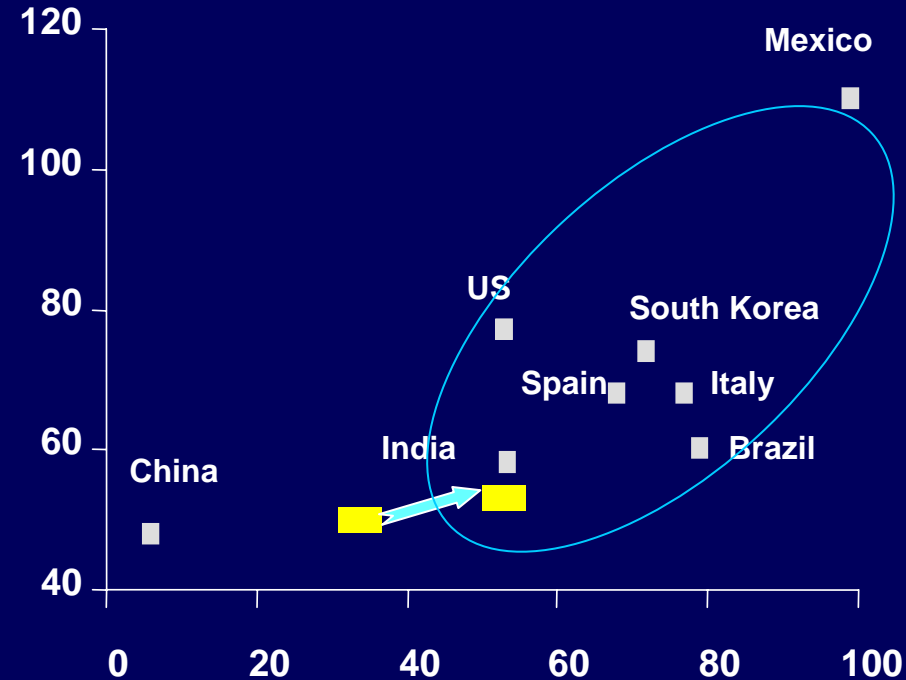


* Analysis of 52 countries accounting for 74% of world consumption excluding China
Source: Boston Consulting Group

Prices v/s Market Concentration

US\$/T
(2002)

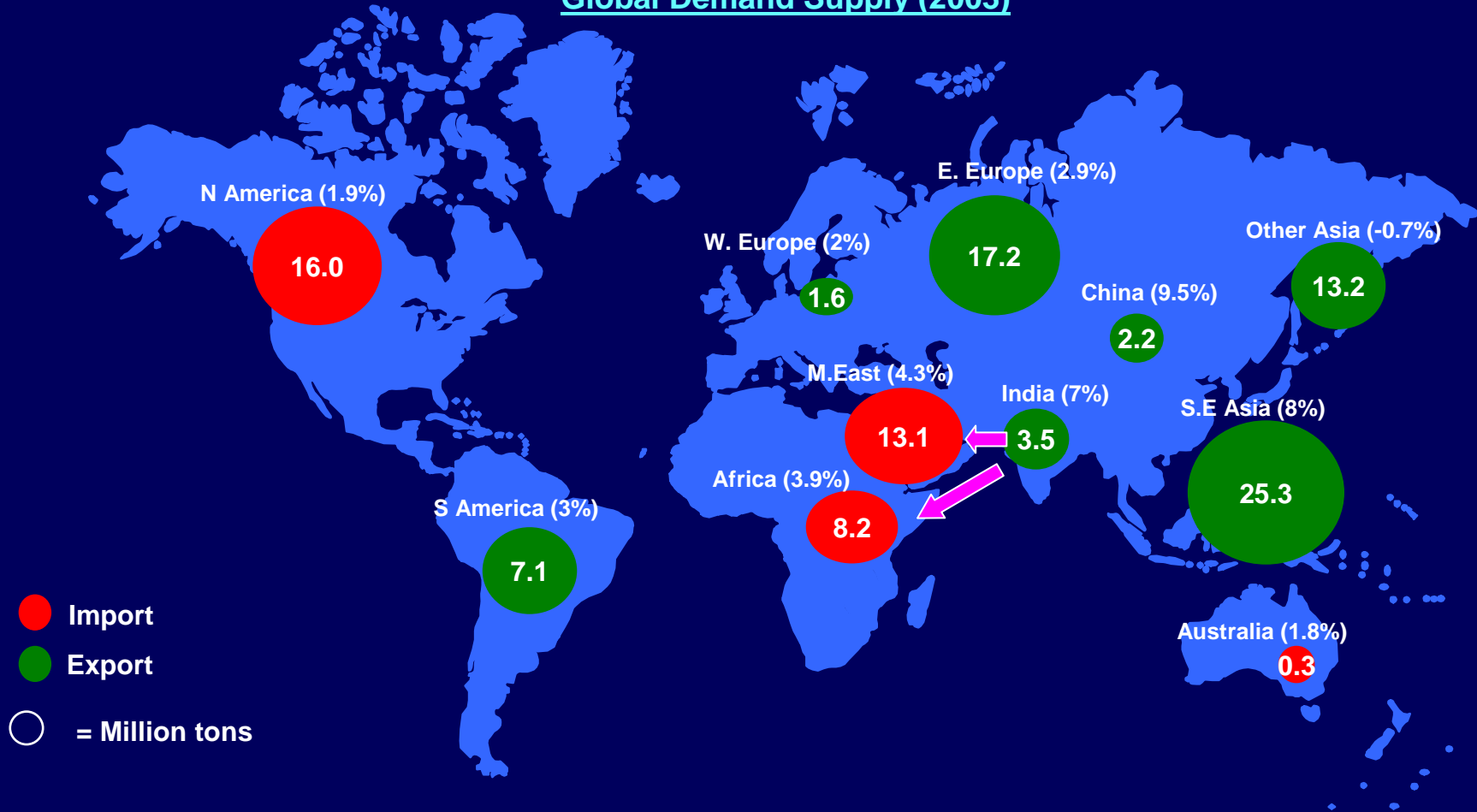
Market share of top 5 players



Incremental growth likely to be more profitable

Regional markets offer twin opportunities

Global Demand Supply (2003)

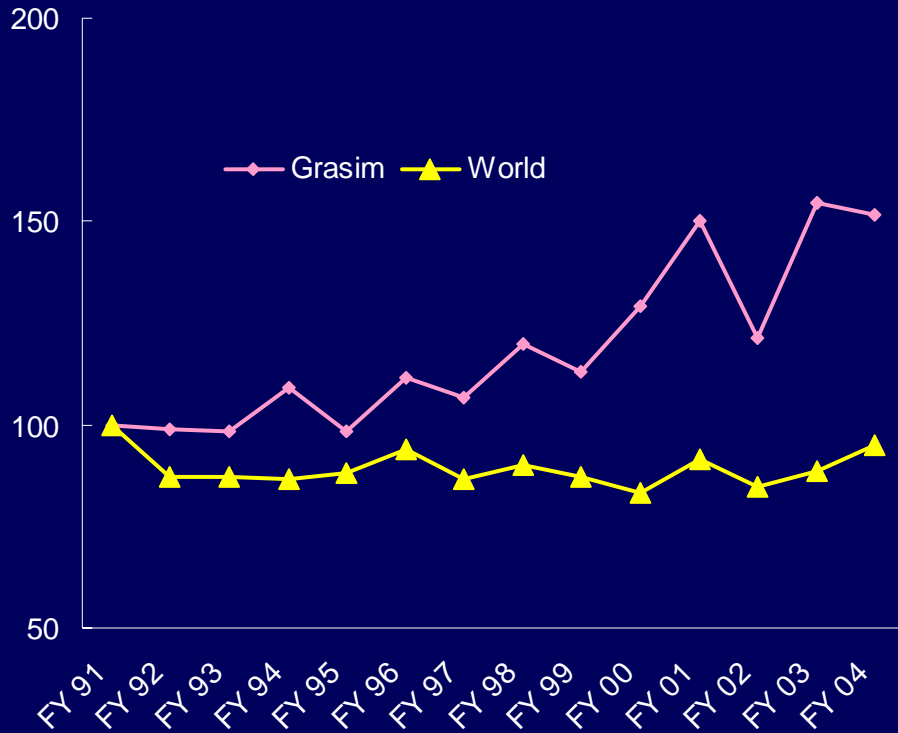


Source: JP Morgan, Cembureau - Brussels
 Figures in bracket indicate CAGR in demand since 1985 to date

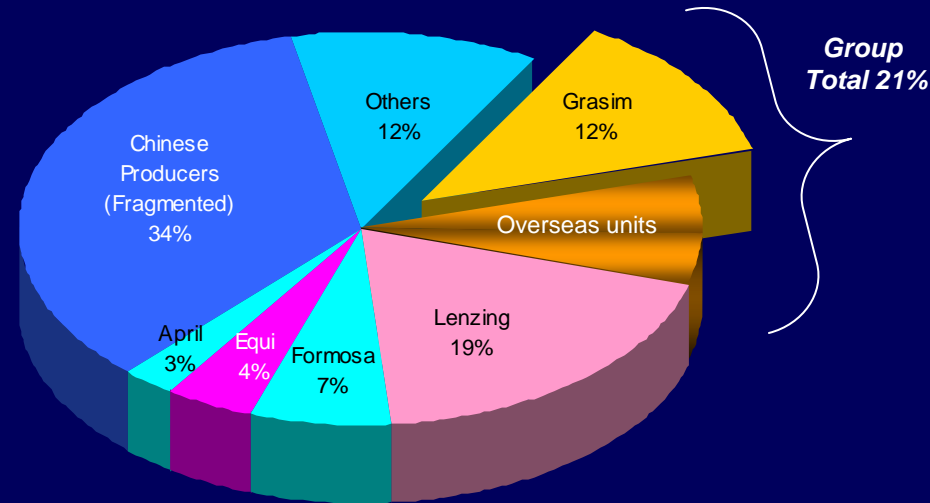
Locational advantages providing export opportunities
Growth opportunities in SE Asia, in the long run

VSF: Robust growth even in a mature market

VSF Production (Indexed)



VSF Market Share



Significant Competitive Strengths

- **Cost leadership**
- **Technology leadership**
- **Integrated operations**
- **Application development competencies**

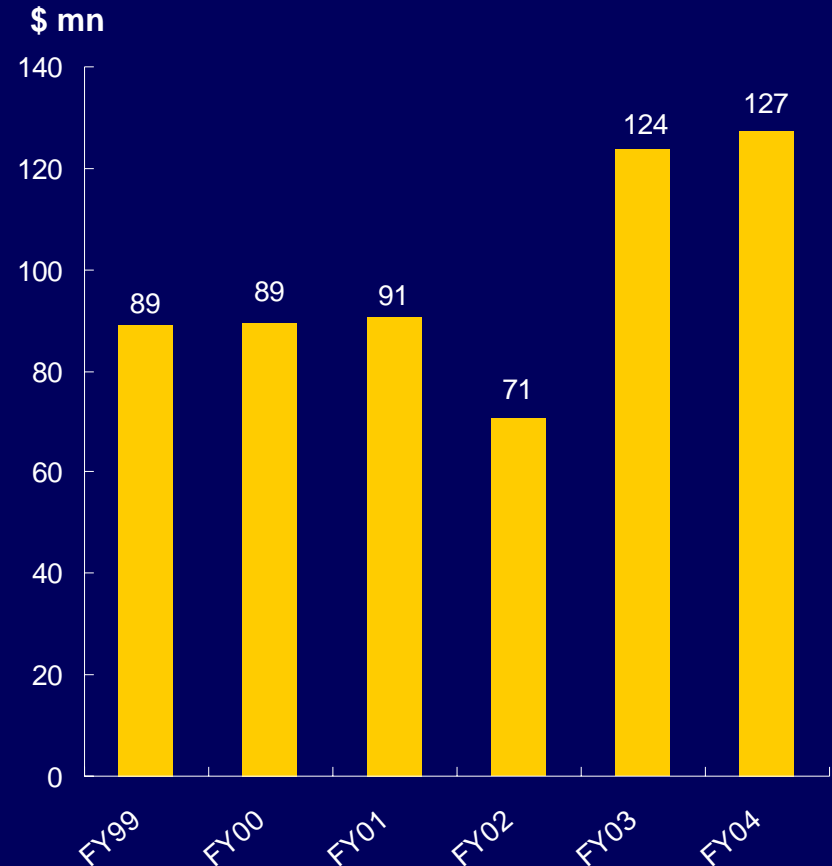
VSF: Stable cash generator, momentum rising

Emerging Opportunities

- India Textile advantage
- Emerging opportunities with WTO
- China : Opportunity v/s Threat
- Success of product & application development efforts



Stable Cash Flows (PBDIT)



Source : Company data

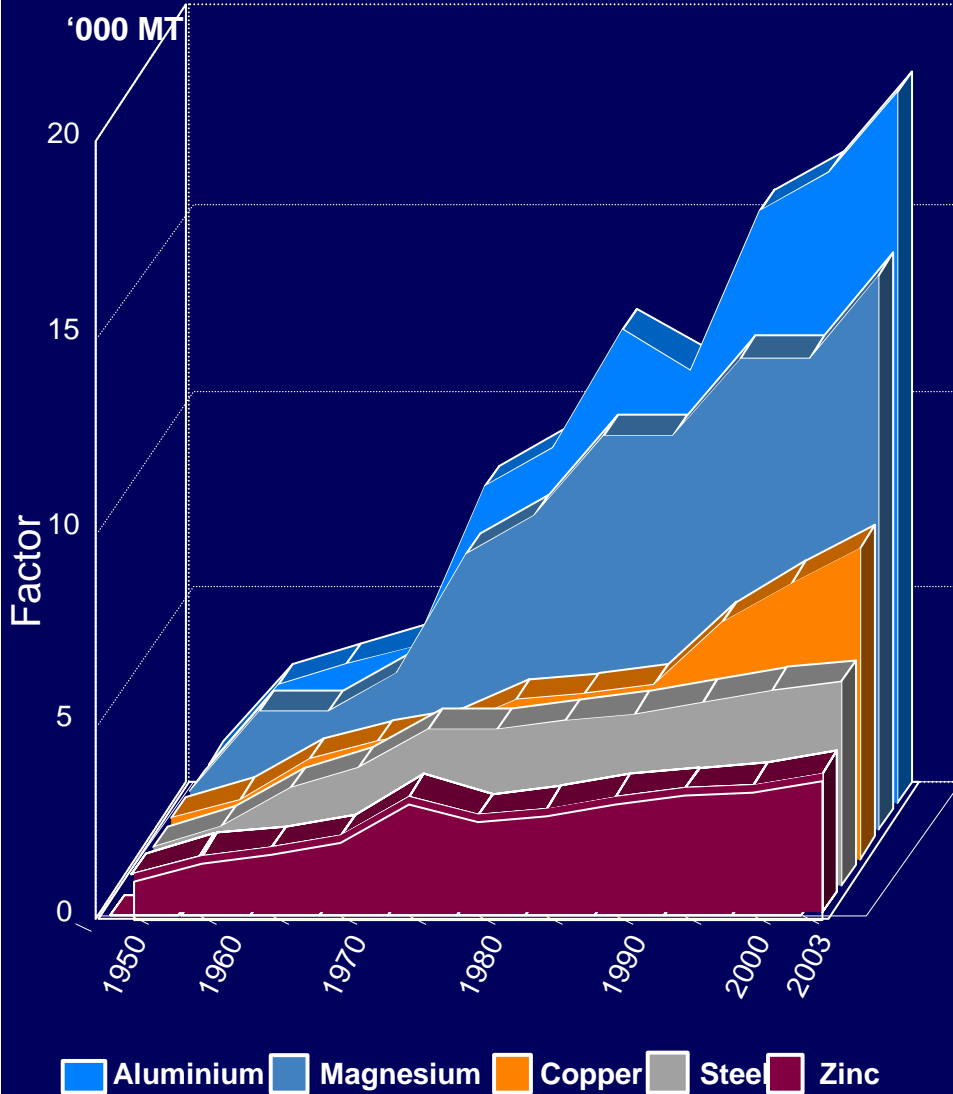
Power cement growth and propel Grasim to a higher growth plane



Leveraging the India Advantage

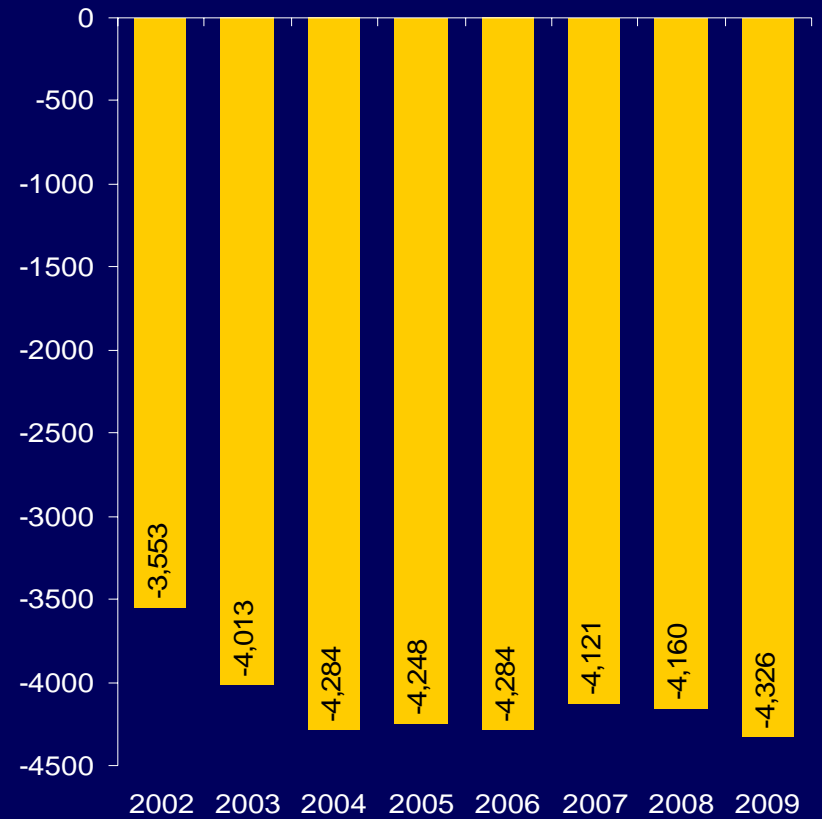
Aluminium: Growing metal with regional upside

Metals Growth (Indexed)



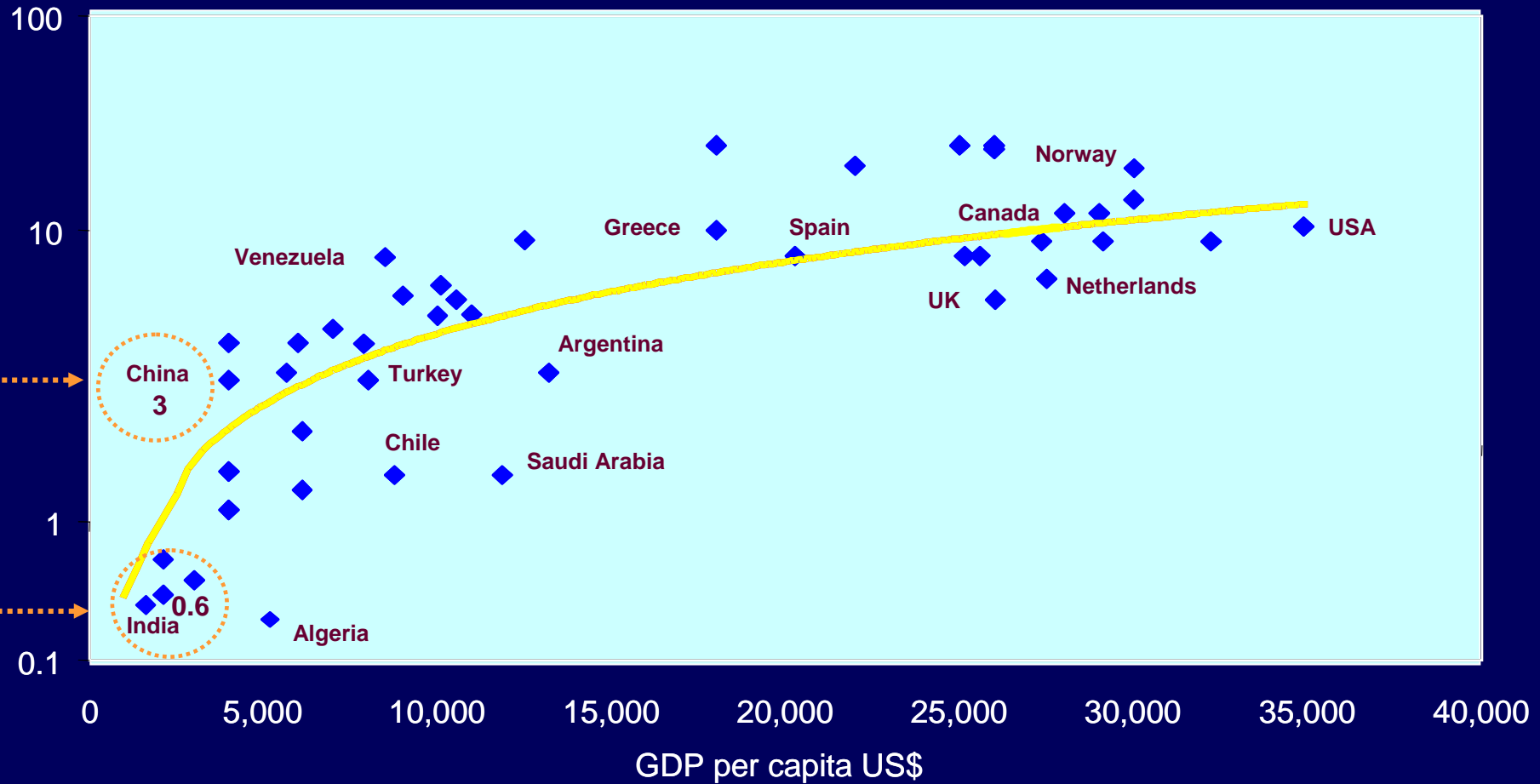
Asian Metal Deficit
Asia Demand Growth: 9.6% CAGR in 5 years

KT



India has significant long term potential

Aluminium Consumption (Per capita kg – log scale)

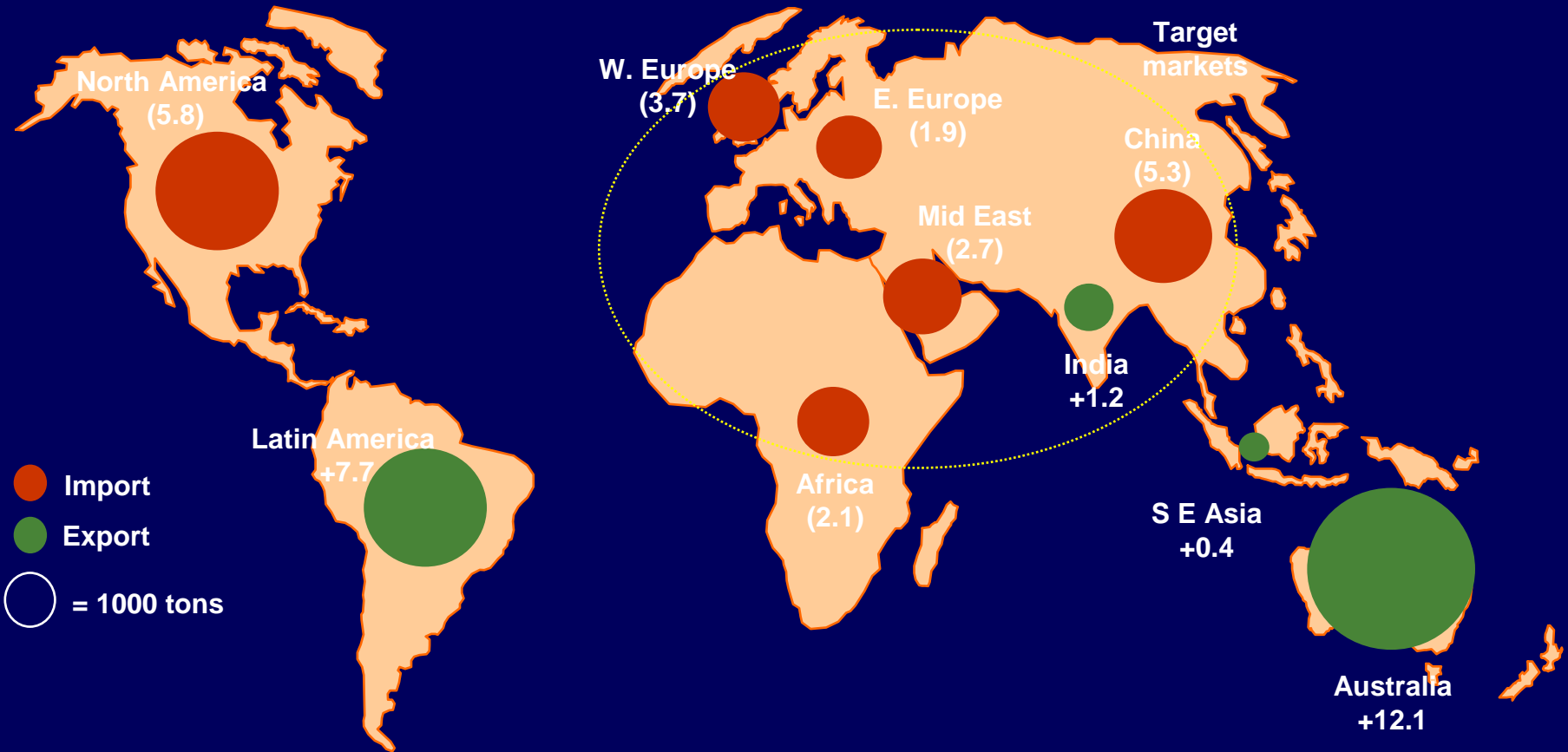


Source: Company Data

Growth triggers in place; Demand growth gaining momentum already

Alumina Deficit in Asia: Another opportunity

Alumina Surplus / (Deficit) 2003
(In mn Tonnes)

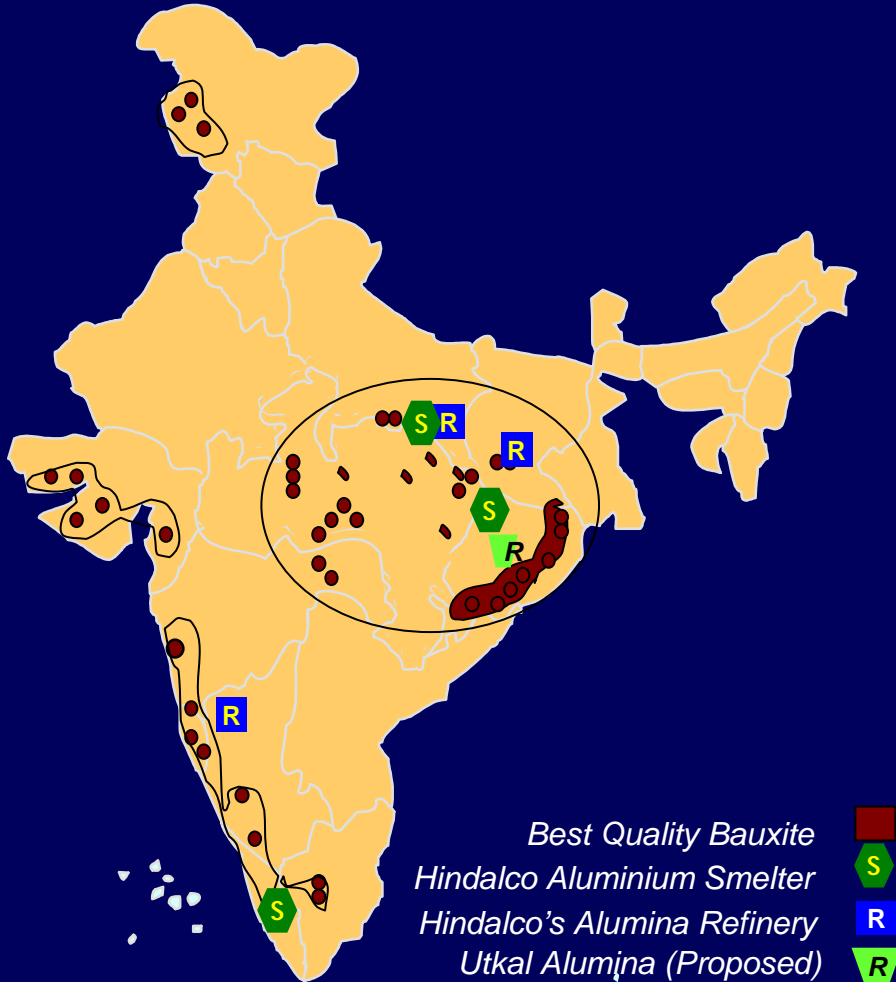


Source: CRU, Boston Consulting Group

India uniquely positioned

Hindalco well positioned

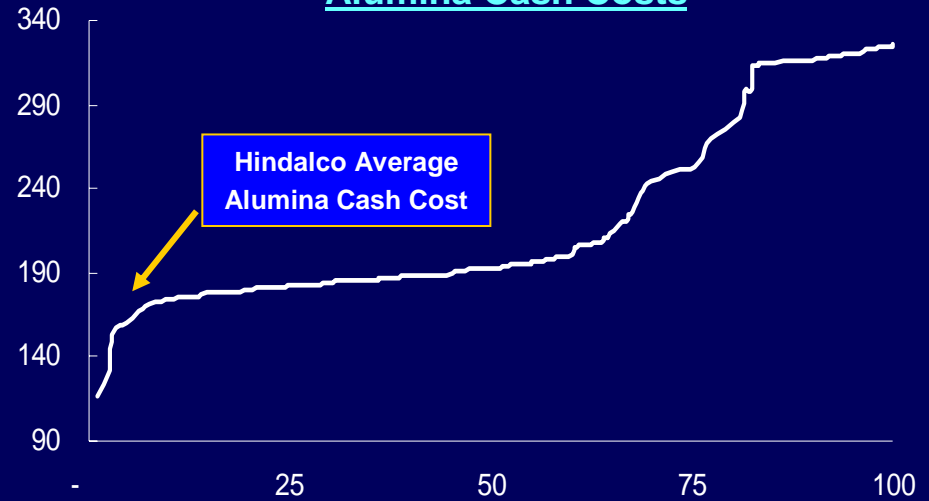
Bauxite Mineral Map of India



Source: Ministry of Mines, Govt. of India
Company Data

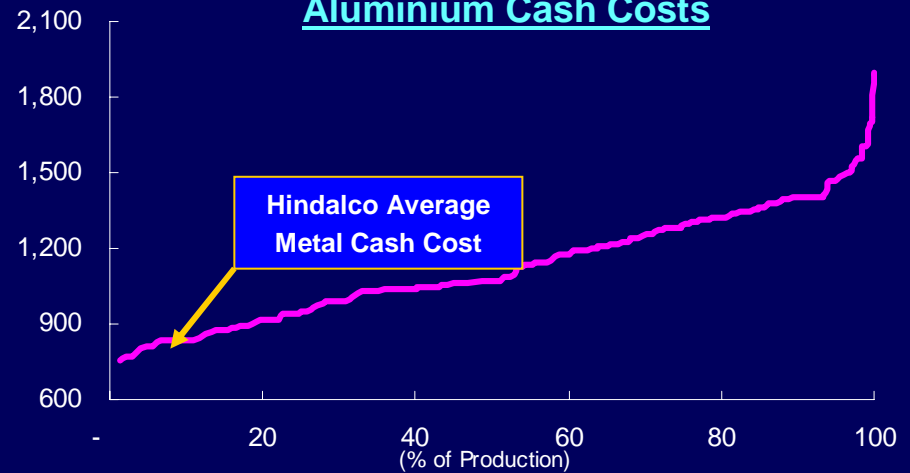
US\$/Ton

Alumina Cash Costs



US\$/Ton

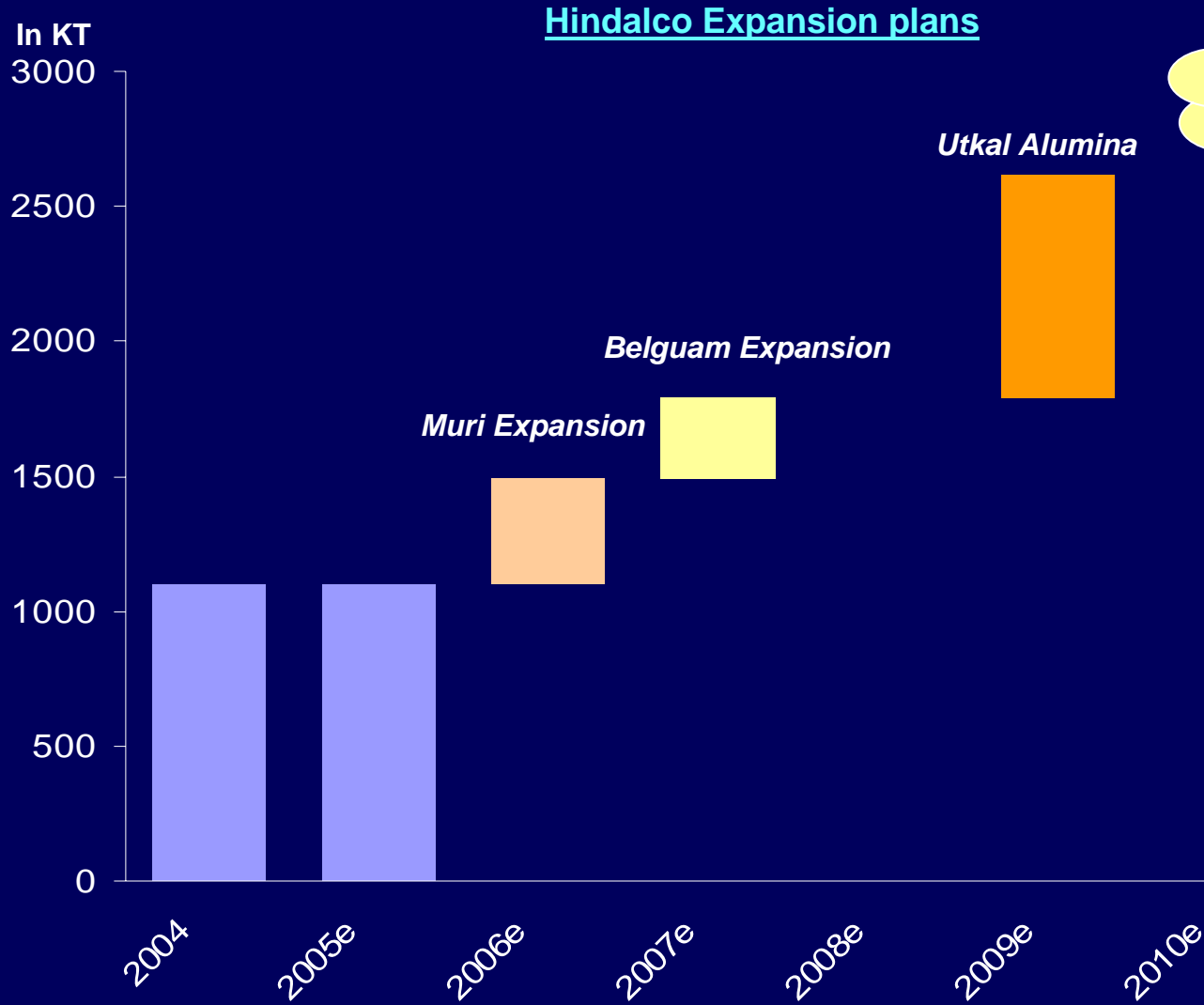
Aluminium Cash Costs



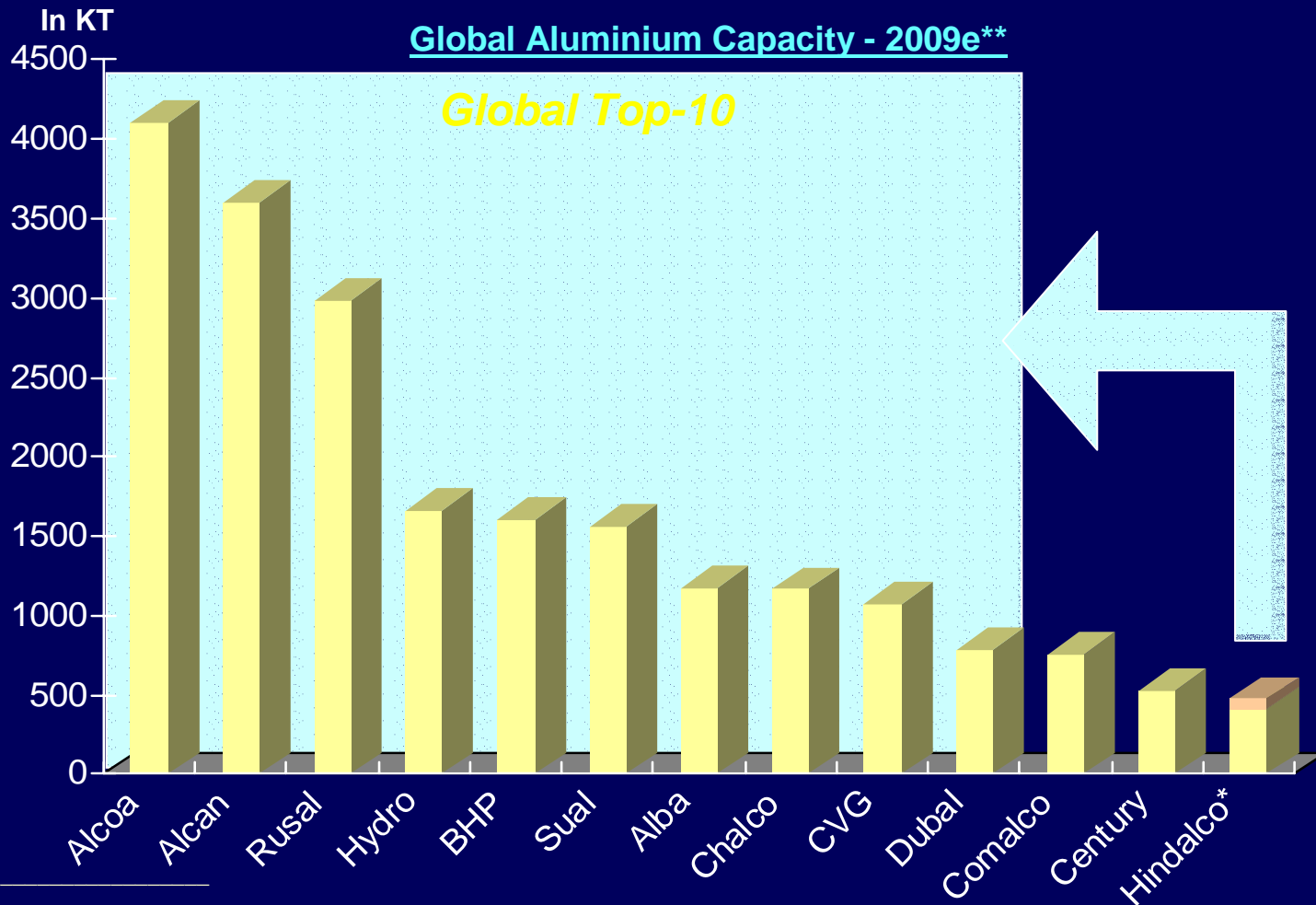
Source: CRU Aluminium Production Costs 2003

Leveraging sustainable competitive strengths for profitable growth

Starting with Alumina...



...Towards the global league in Aluminium



Source: CRU Data

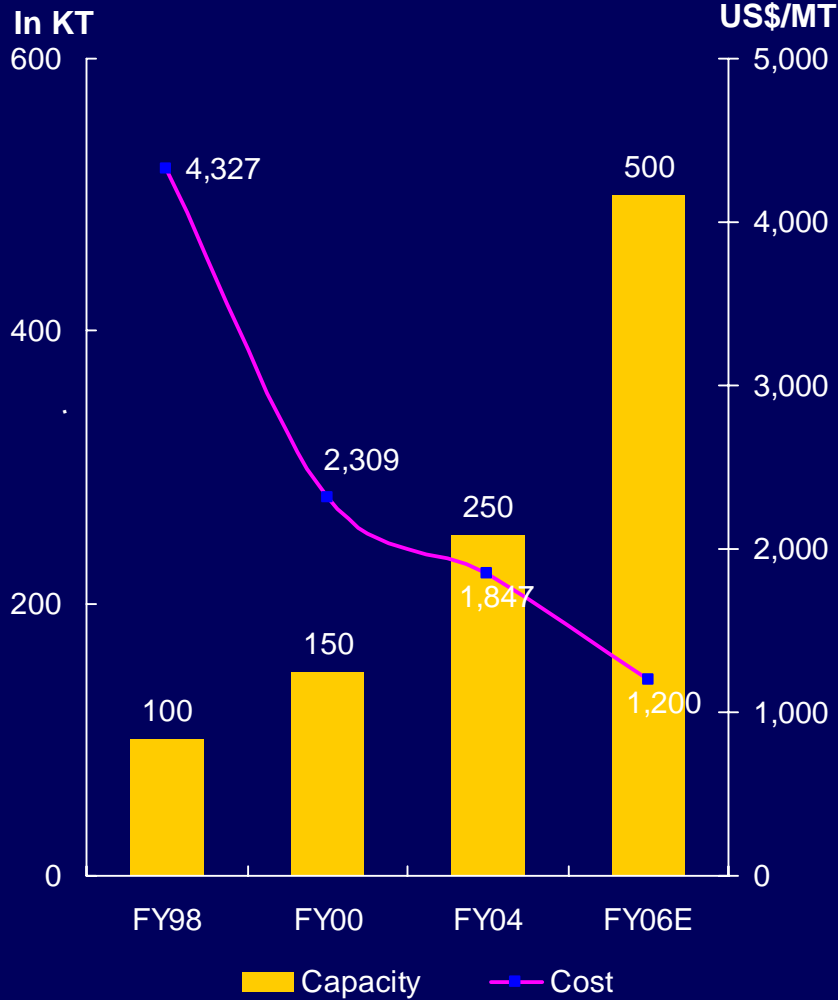
* Hindalco – Current operating capacity of 410 KTPA + Hirakud Expansion of 65 KTPA

** Global Capacity for 2009 as estimated by CRU, based on announced plans

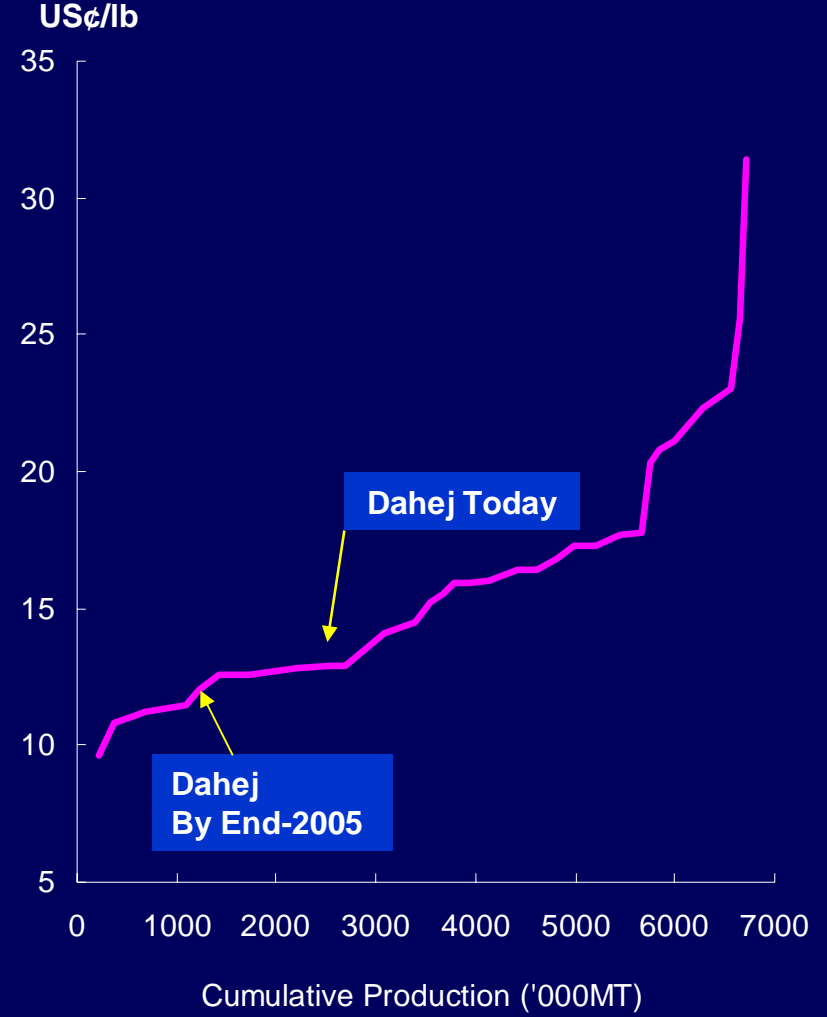
Strong balance sheet and robust cash flows to be leveraged prudently

Copper: Amongst Top 10 global smelters already

Growth in Copper Capacity



Moving towards Top-15% of global costs



Source: CRU Copper Smelting Costs 2003

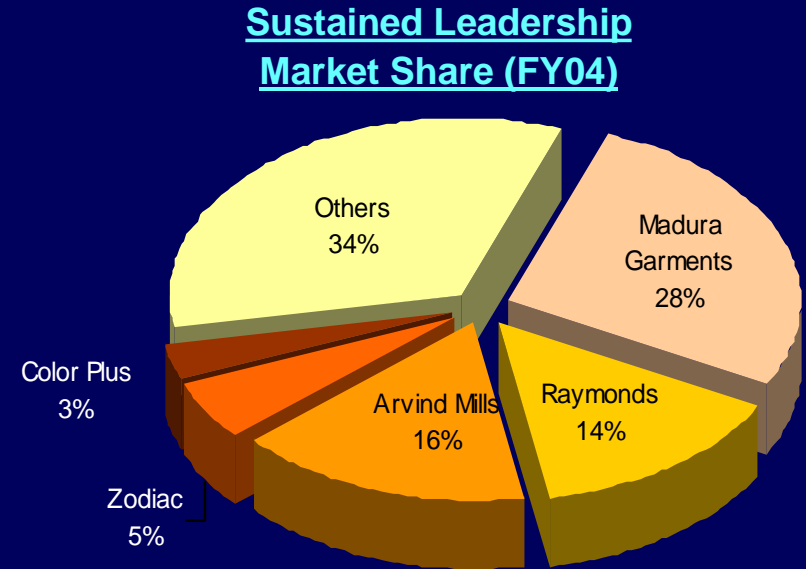
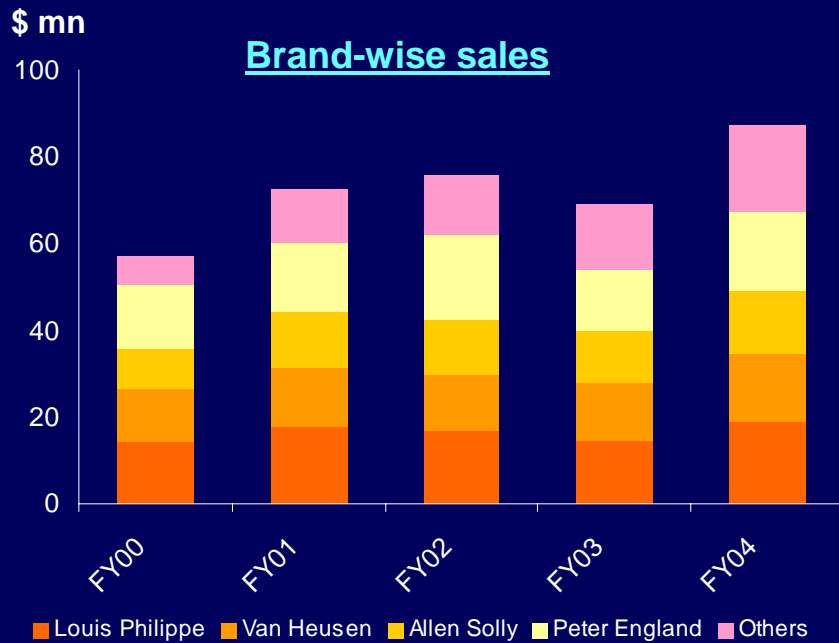
Source: CRU Copper Smelting Costs 2003

Enhanced returns to add further strength

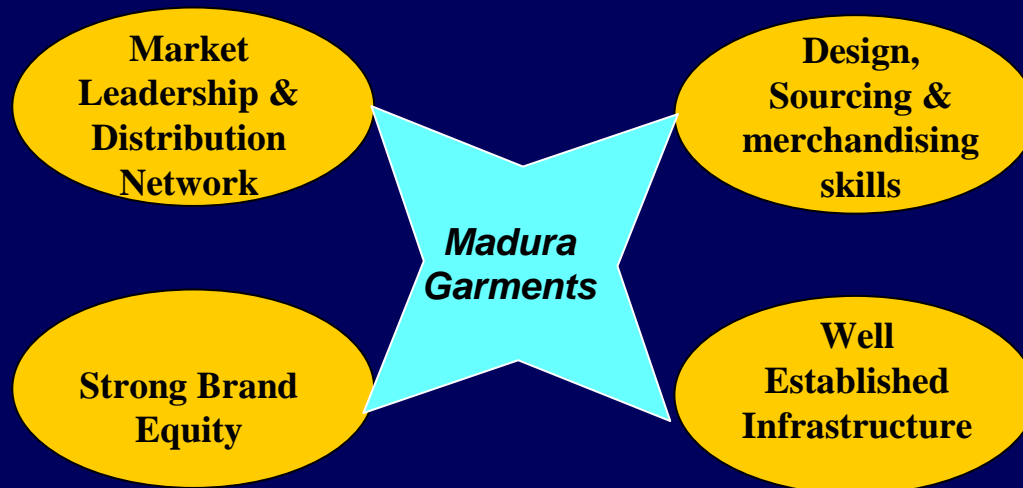


Growth powered by new businesses

Garments to be a key growth contributor...



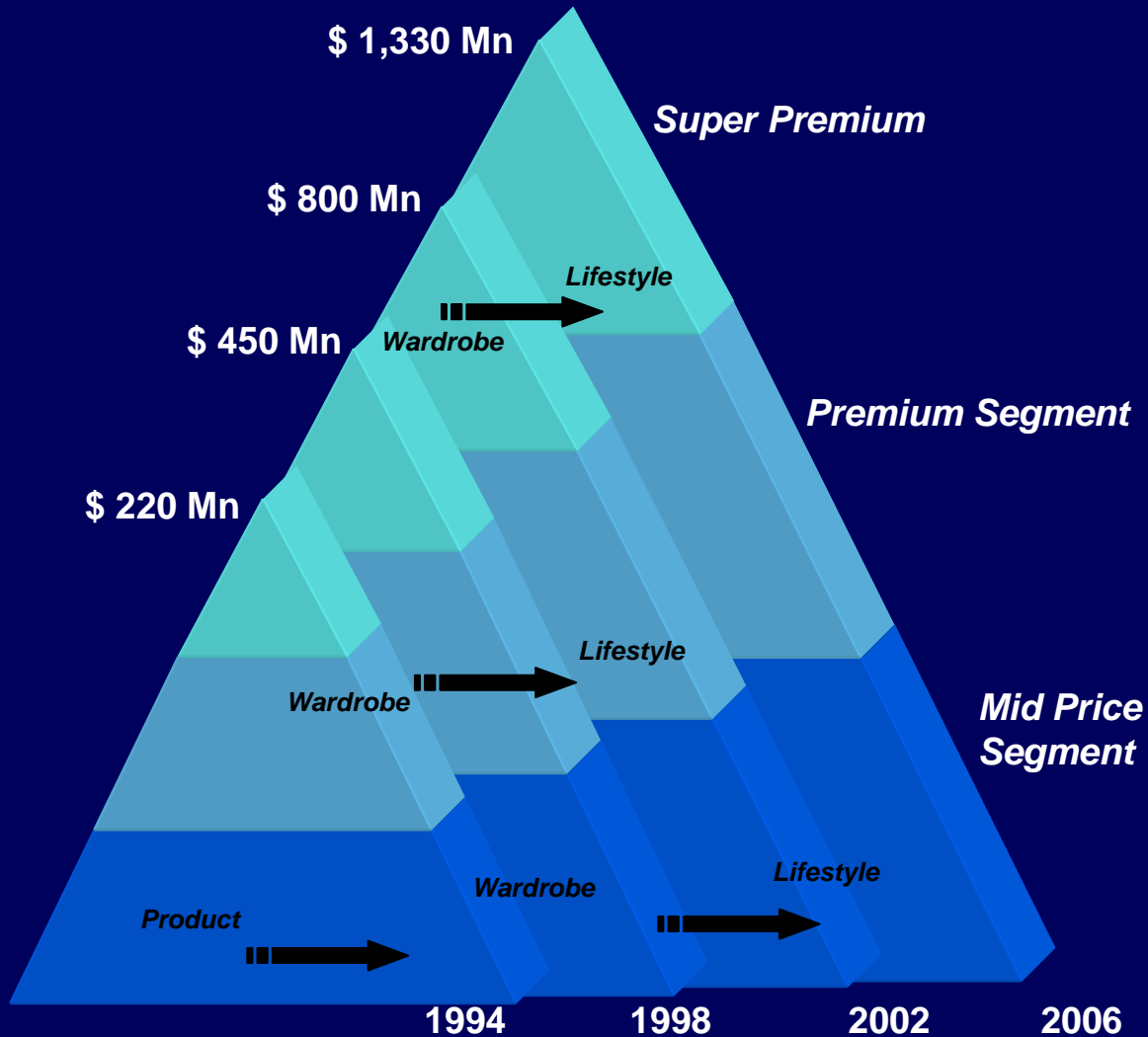
Significant Competitive Advantages



... By capitalising on domestic opportunities



Evolution of Indian Readymade Garments Market (1994-2006)

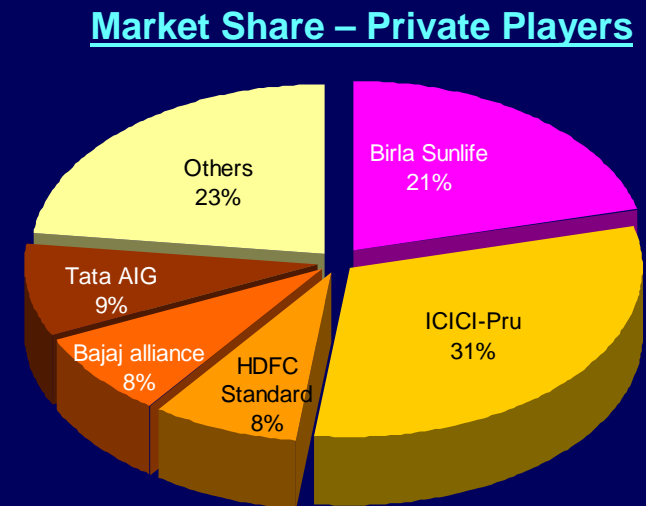
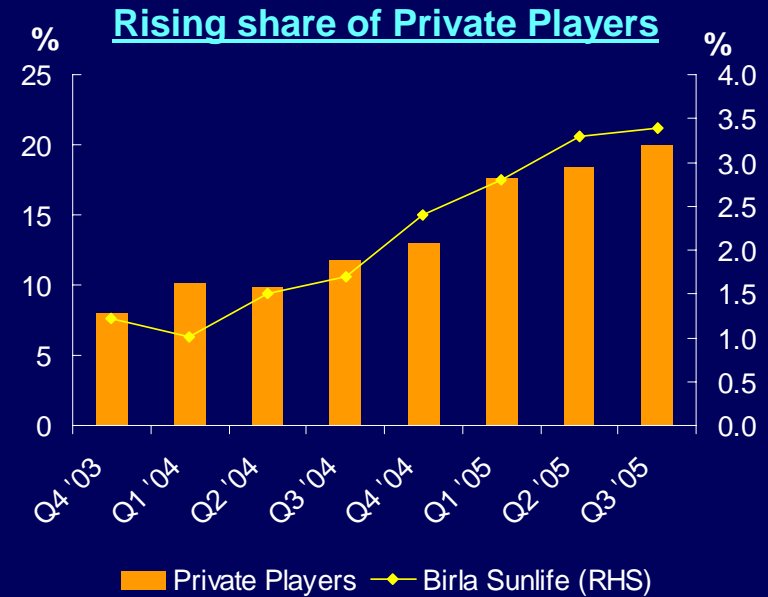
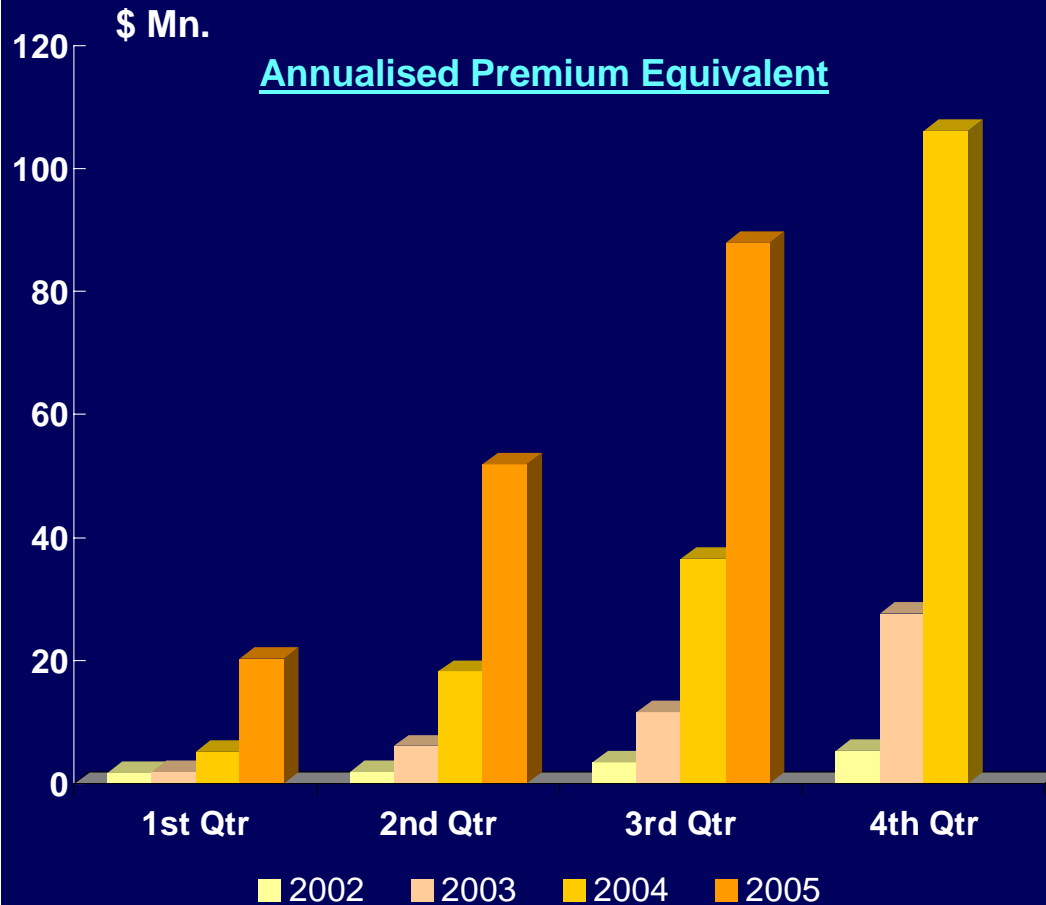


Menswear market size to reach US\$3.3bn by 2010

Branded apparels market to grow 15% annually

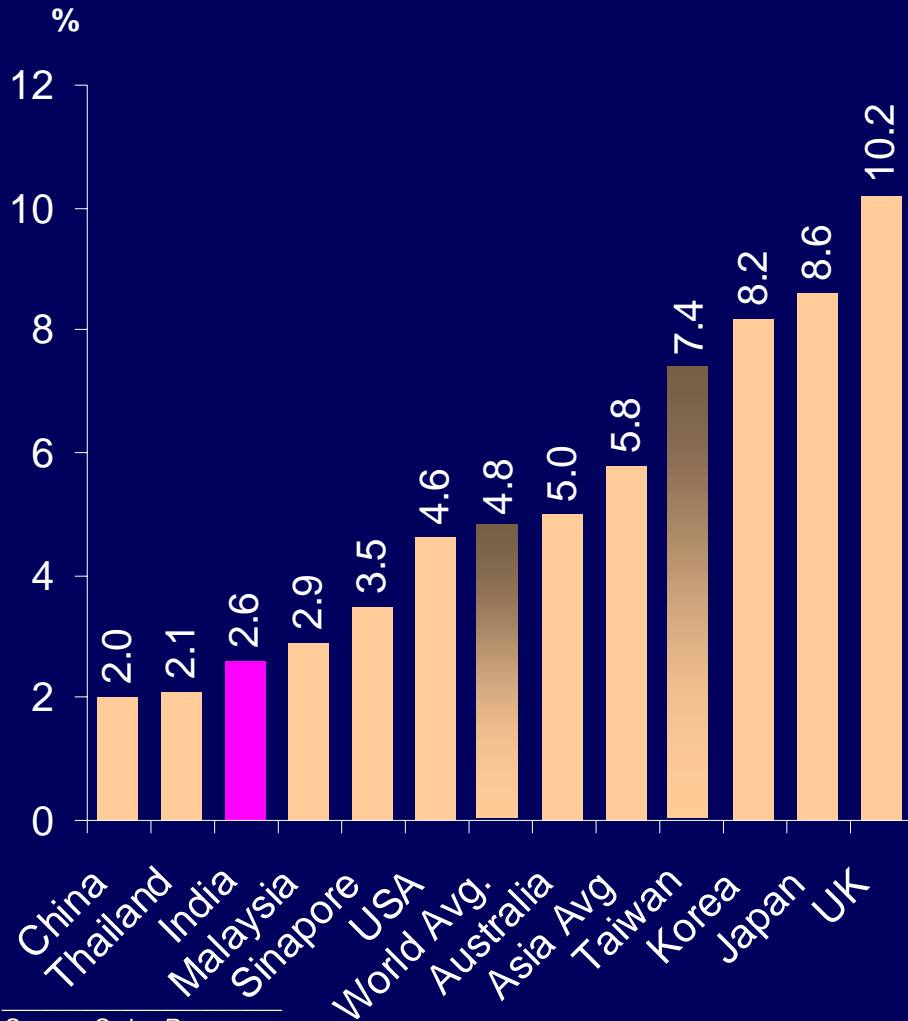
Women's wear & Denim to achieve critical mass

Insurance: Successful start to promising new sector

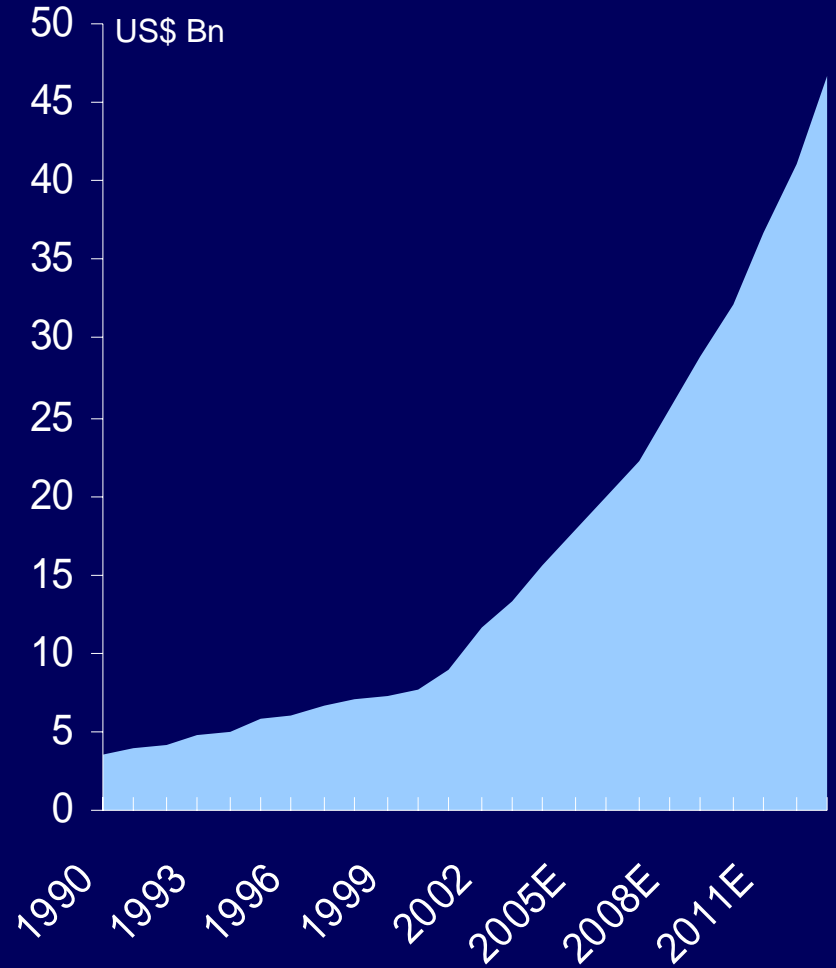


Offers exciting long term prospects

Life Insurance premium as % of GDP (2002)



India Premium Market Size



Source: Swiss Re

Source: Swiss Re

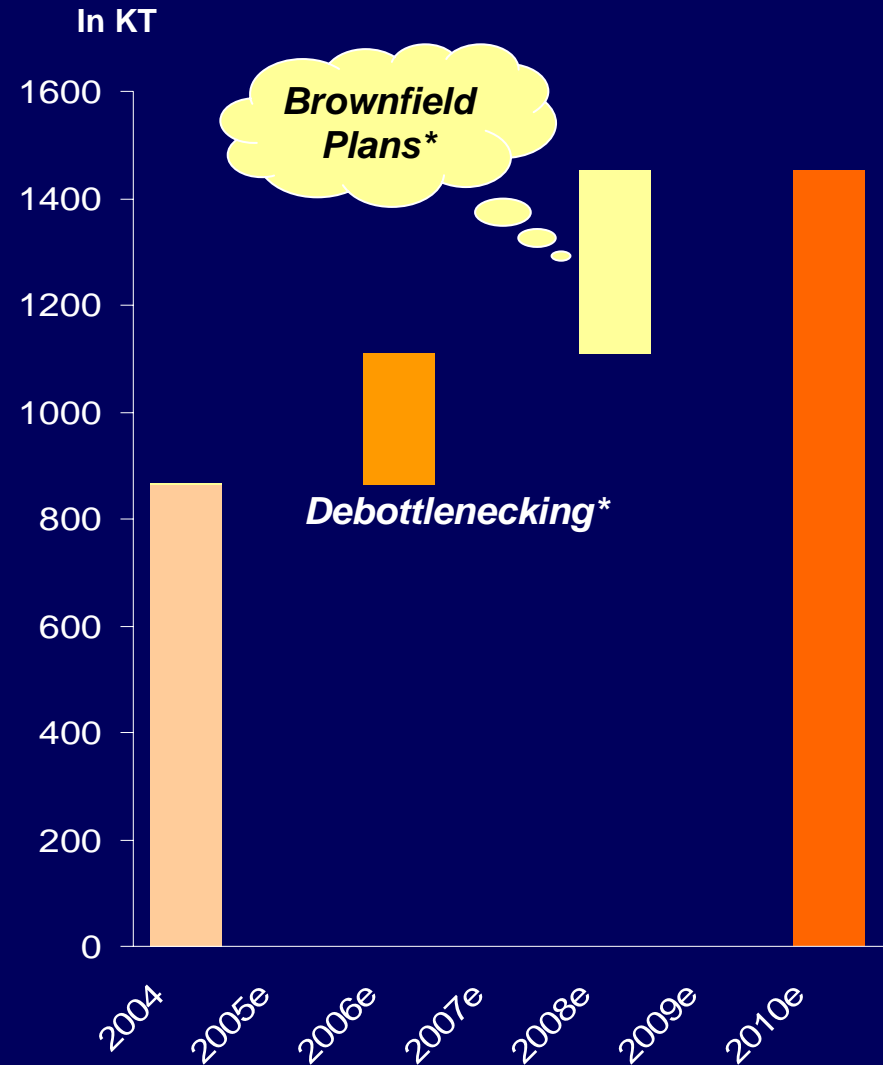
Penetration levels to rise to 4.5%
Premium size to triple to \$46 billion by 2013*

Indo Gulf: Benefiting from changing policy environment

Urea Production Capacity

- Strong position in the fertiliser industry
 - Amongst lowest cost urea producers
 - Strategically located
 - Strong brand equity
 - Best equipped to face de-regulated market conditions

- Well poised to capture growth opportunities
 - Significant financial strength
 - Pursuing growth opportunities
 - Potential to grow inorganic



* Awaiting approvals from Govt. of India

Stock valuations yet to reflect the changing growth profile

	Stock Price* (Rs.)	Market Cap. (US\$ mn)	PER (x)	PCF (x)	EV/EBITDA (x)	Price to Growth (x)
			On FY06 Consensus Earnings*			
<i>Grasim</i>	1,317	2,760	11.5	7.5	7.1	0.8
<i>Hindalco</i>	1,287	2,722	7.8	6.1	5.1	0.6
<i>Indian Rayon</i>	390	534	15.0	9.5	7.4	-
<i>Indo Gulf</i>	128	134	11.9	6.5	5.8	-

* Bloomberg Data as on 31st January 2005

Thank You

Cautionary Statement

Statements in this “Presentation” describing the Company’s objectives, estimates, expectations or predictions may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The Company/Group assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.