

Creating Shareholder Value Through Market Dominance

Presentation by

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The Aditya Birla Group: An Introduction



○ Amongst largest industrial house in India

- ⇒ Aggregate revenues of over US\$ 4.8 billion and net earnings of US\$ 500 million
- ⇒ Anchored by over 72,000 employees and 700,000 shareholders
- ⇒ Aggregate market capitalisation of US\$ 3.0 billion

○ At the core of core sectors of the economy

- ⇒ Dominating presence in the core sectors for decades...

- ✓ *Aluminium*

- ✓ *Cement*

- ✓ *Copper*

- ✓ *VSF*

- ✓ *VFY*

- ✓ *Insulators*

- ✓ *Carbon Black*

- ⇒ ...And successful entry into new sectors in recent years

- ✓ *Garments*

- ✓ *Financial Services*

- ✓ *Telecom*

- ✓ *Insurance*



The Aditya Birla Group Companies



M.Cap: US\$ 600 Mn



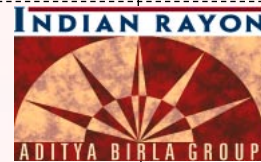
M.Cap: US\$ 900 Mn



M.Cap: US\$ 110 Mn



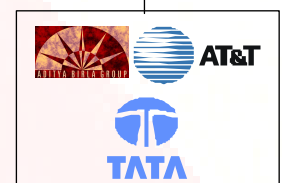
M.Cap: US\$ 175 Mn



M.Cap: US\$ 110 Mn



M.Cap: US\$ 16 Mn



- Cement
- VSF
- Textile
- Sponge Iron

- Aluminium

- Copper
- Fertilisers

- Garments
- VFY
- Carbon Black
- Insulator
- Knowledge & Services

- Telecom

The Group Mission



*To relentlessly pursue creation
of shareholder value*

Operational Efficiency

Improve Operational Efficiency by
Benchmarking with Best Standards



Market Dominance

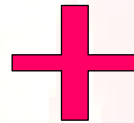
Build Growth Platform to Achieve
Industry Leadership

Enhanced Shareholder Value

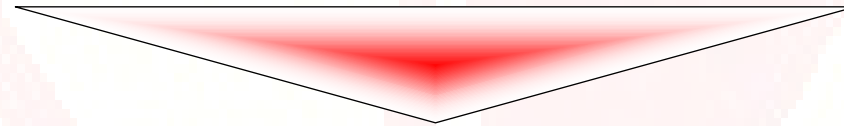
Focus on Efficiency, the Only Value Creation Opportunity in the Pre-liberalisation Environment



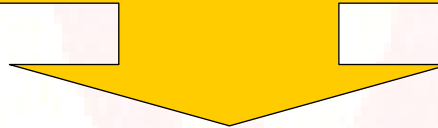
**Commodity Nature of
Core Businesses**



**Controlled Environment
– *“License Raj”***

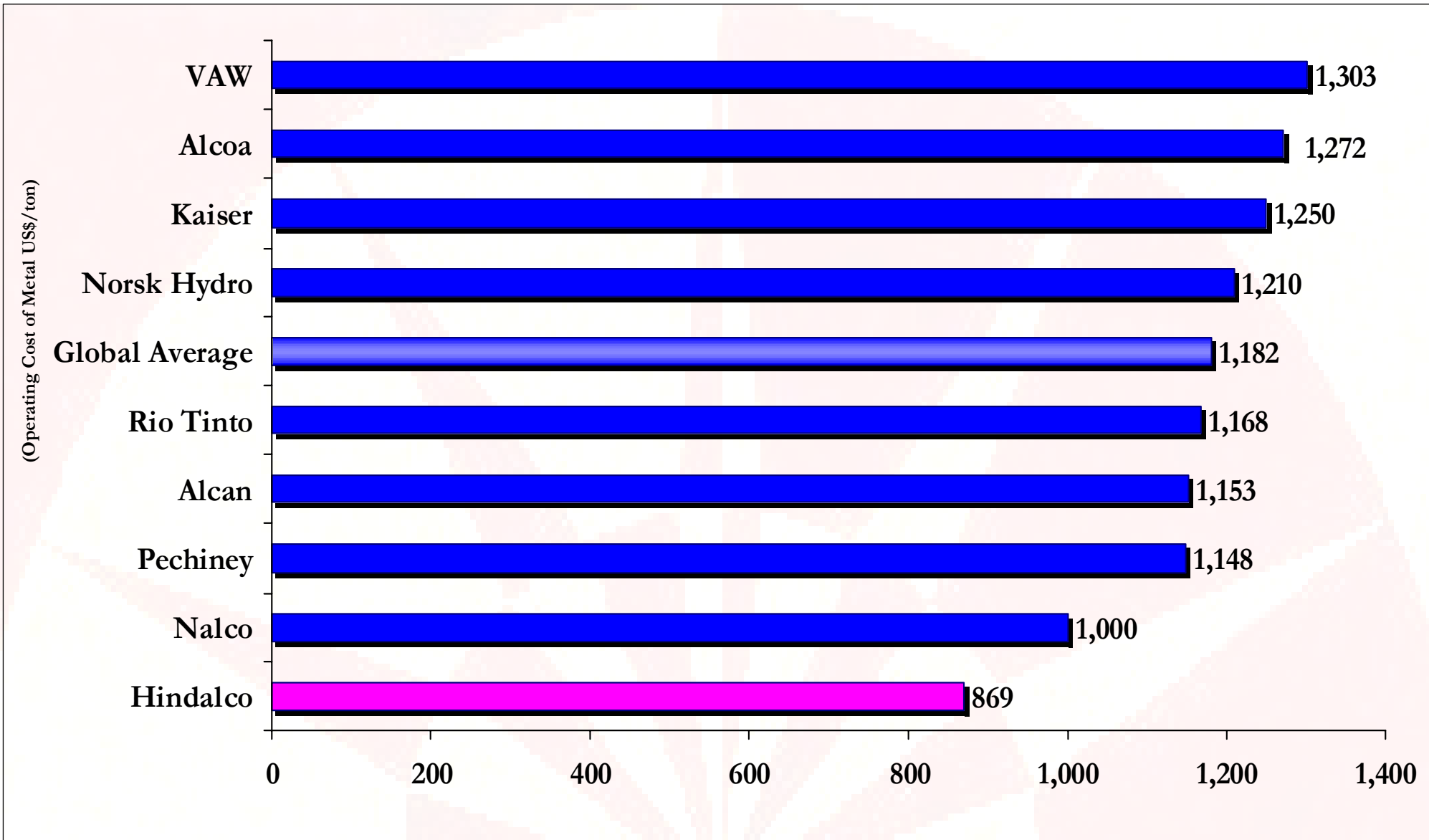


**Efficiency Focus To
Enhance Shareholder
Value**



Cost Leadership Across Businesses

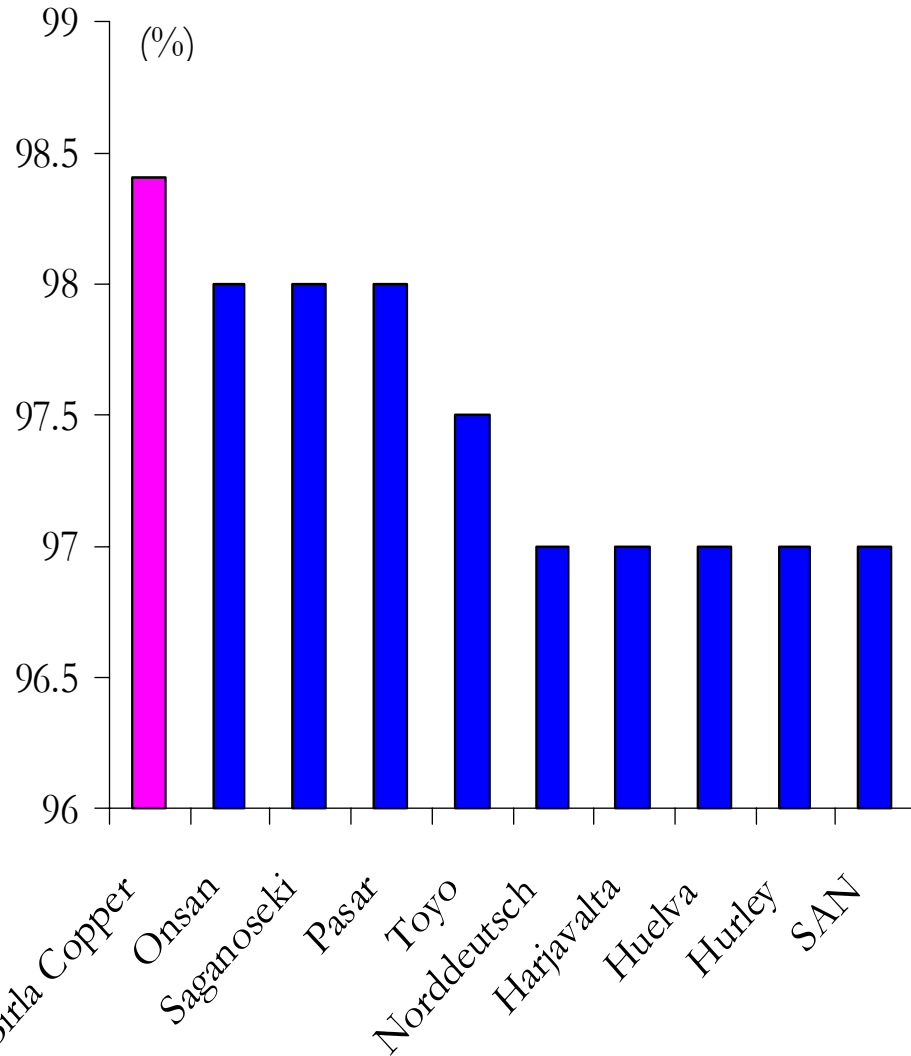
Amongst Lowest Cost Aluminium Producers in the World



Globally Benchmarked Efficiencies in Copper

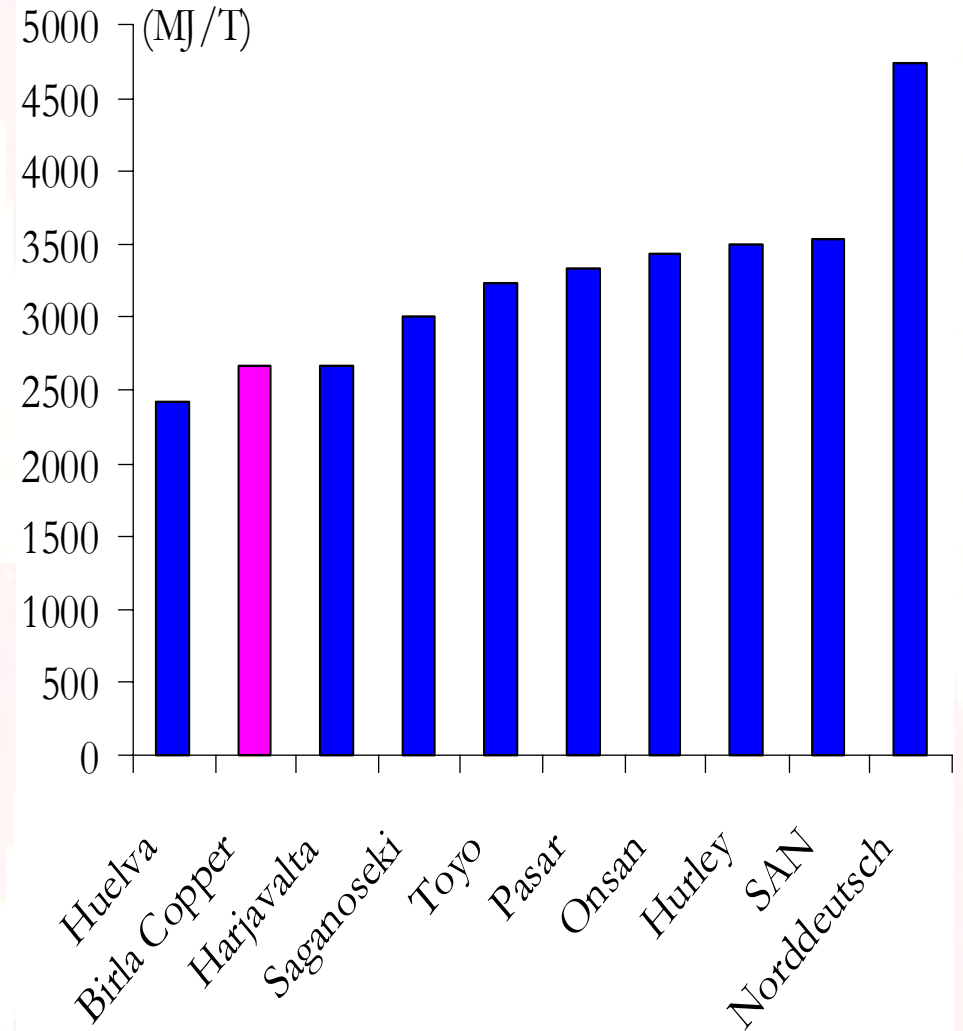


Metal Recovery



Source: BROOK HUNT

Energy Consumption



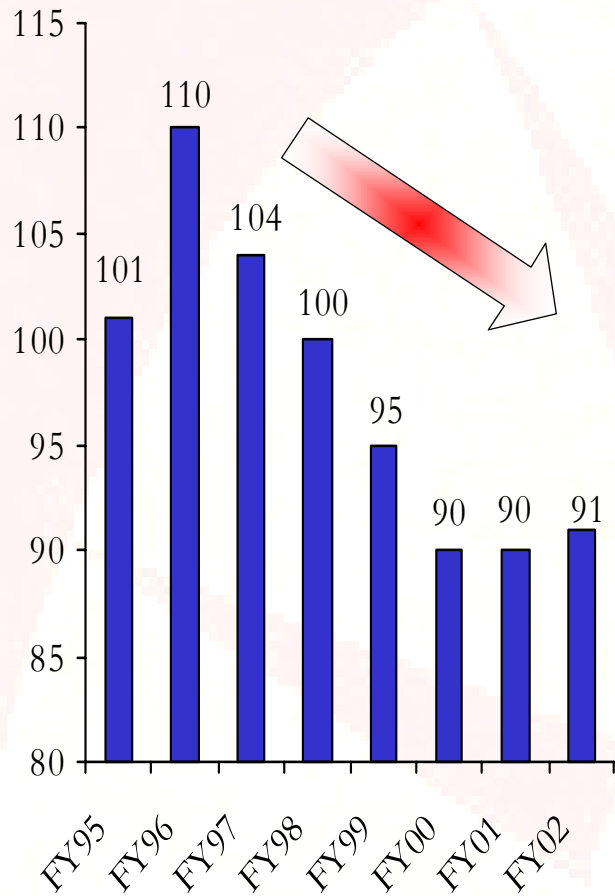
Source: BROOK HUNT

Cement: Sustained Efficiency Improvement...



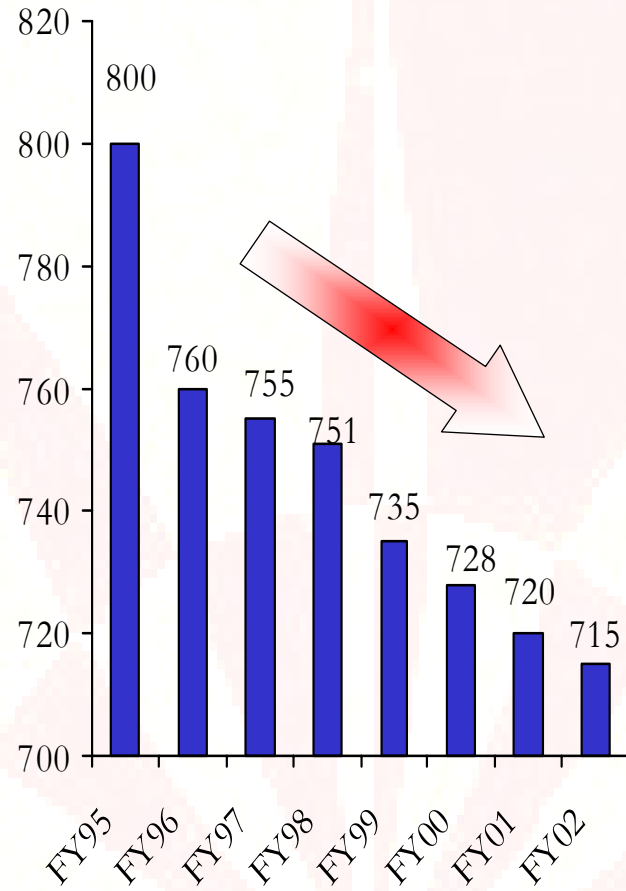
Power costs⁽¹⁾

(Kwh/MT)



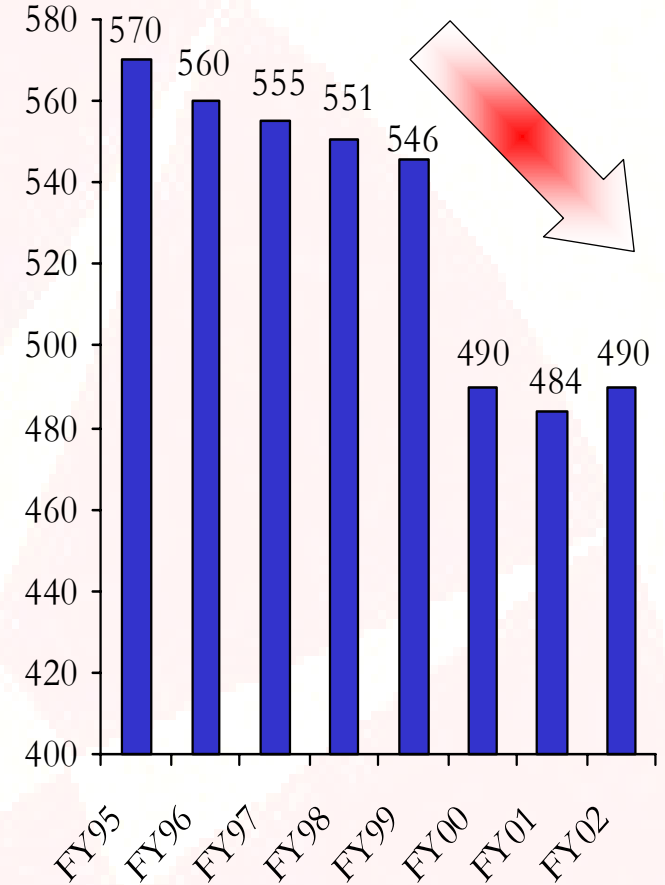
Fuel costs⁽¹⁾

(Kcal/kg)



Freight costs⁽¹⁾

(Distance Travelled (In Kms))



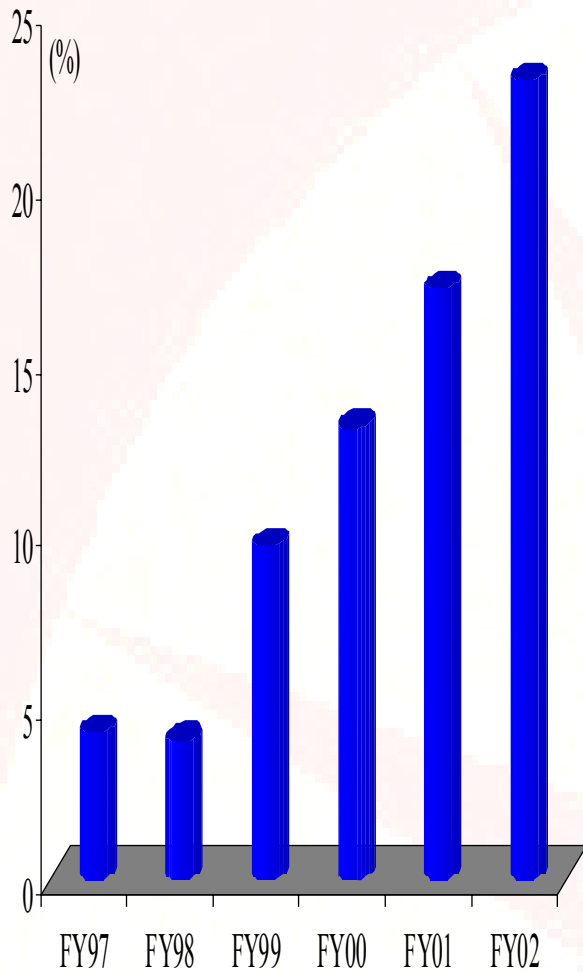
(1) Power, Fuel and Freight costs account for 63% of the cost of production

Source: Company Data

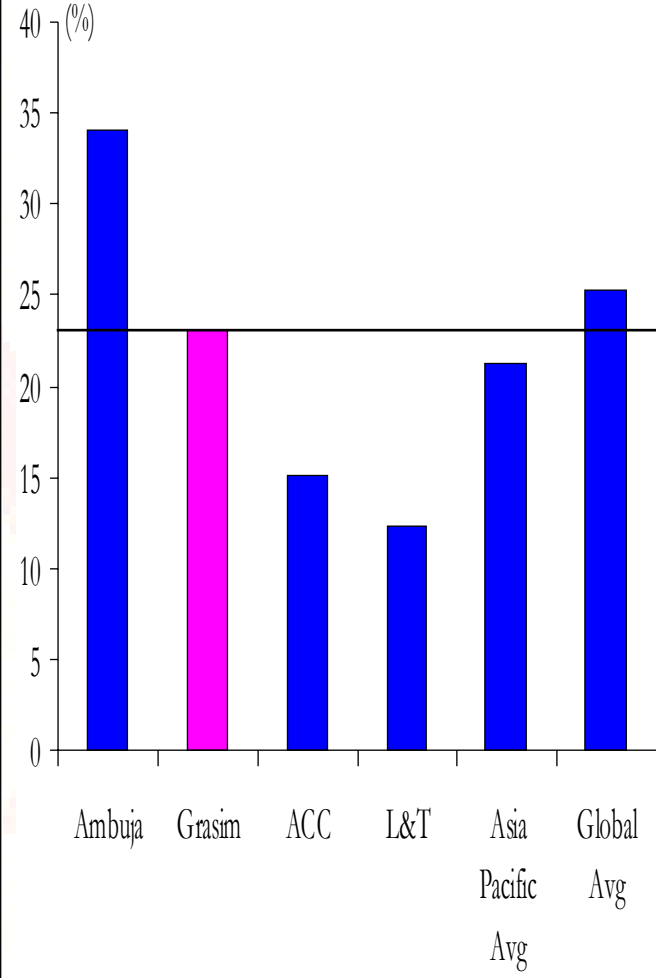
... Led to Competitive Cost Structure and Strong Performance compared to Industry Peers



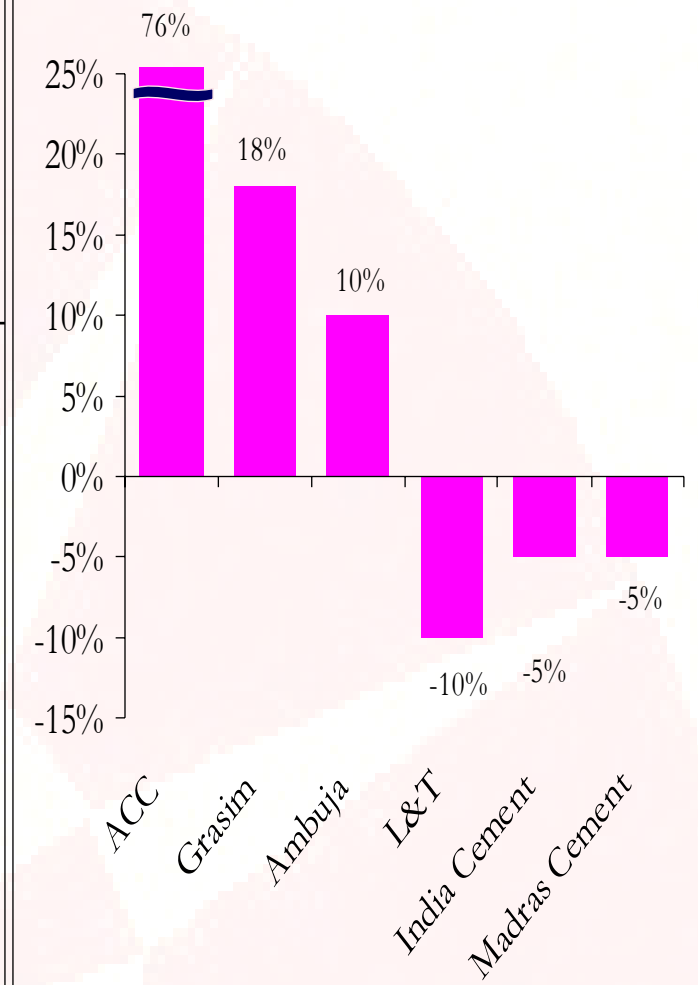
Improving Margins



OPM: Peer Group Comparison



Net Profit Growth – 5 Year CAGR



Need for Market Dominance Gaining Momentum



Commodity Nature of
Core Businesses

Changing
Business
Landscape

Market
Dominance

Intensifying
Global
Competition

Industry Consolidation
across sectors/regions

Achieving market dominance will thus help in building growth platform to deliver superior value for shareholders going forward...

Several Proactive Measures Taken in Recent Years

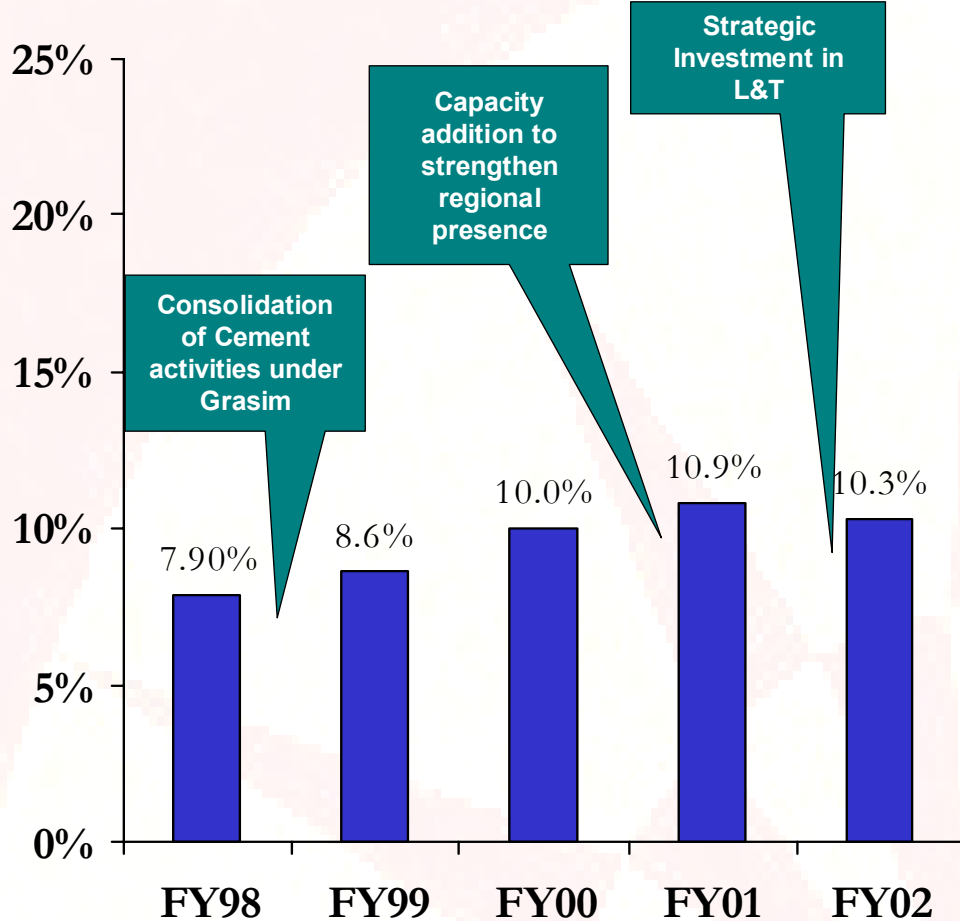


to Achieve Market Dominance in Key Businesses

Cement: Market Dominance Through Restructuring



Market Share



Strategy

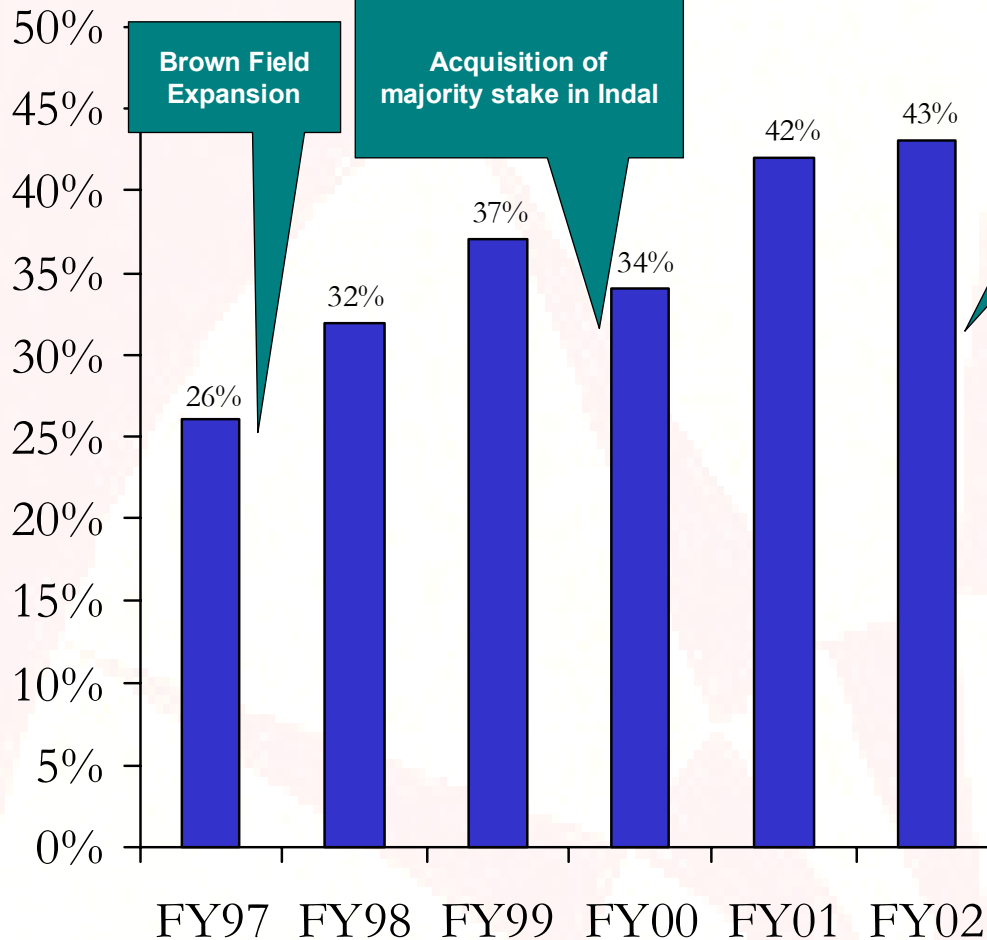
- Started-off industry consolidation through amalgamation of Group capacities under Grasim in FY99
- Acquisition of capacities in the South and at coastal location of the West
- Green field expansion in the profitable Southern and Northern regional Markets
- Marketing alliances and strategic investments
 - ⇒ Marketing alliance with CCI
 - ⇒ Strategic investment in L&T, which has a market share of 11.3%
- Industry dominance through focus on key growth markets

Emerging stronger in the consolidating industry environment

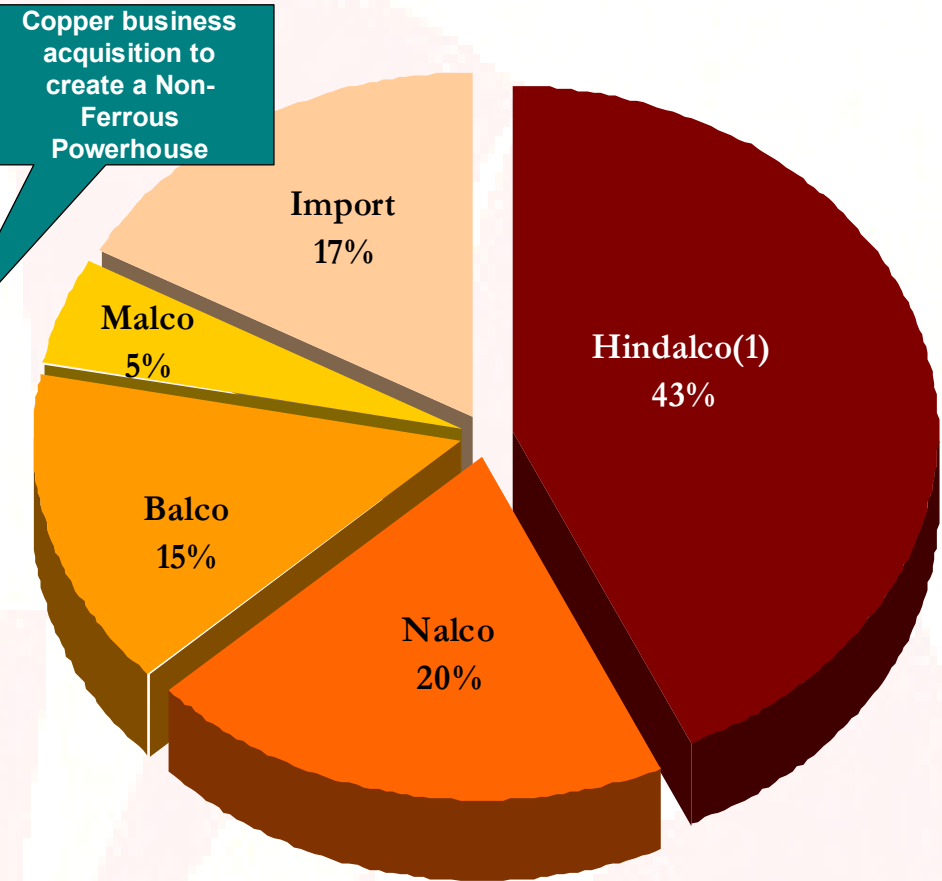
Aluminium: Leadership Through Acquisitions



Impressive Increase in Market Share



Market Share – FY02

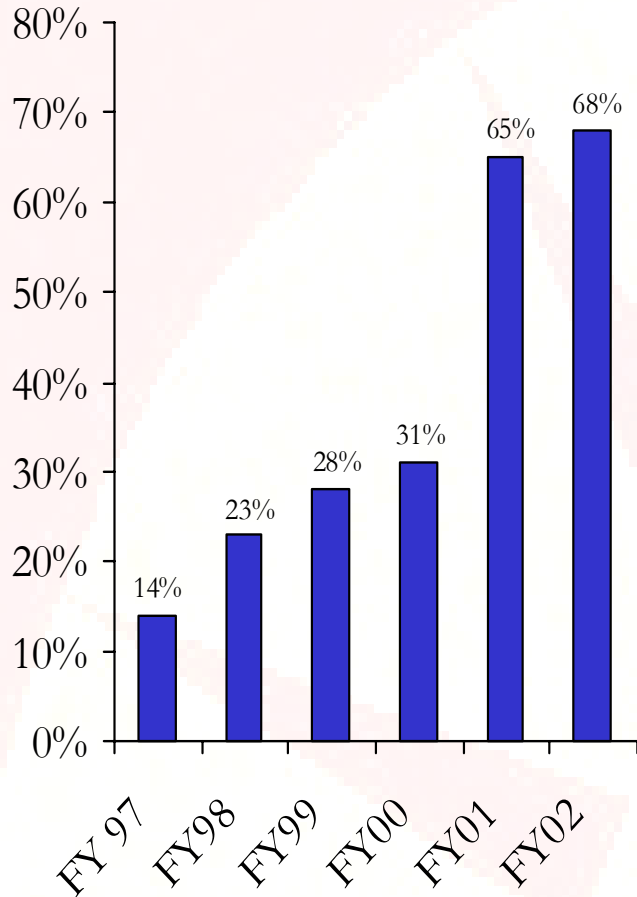


Undisputed Leadership in Primary Metal..

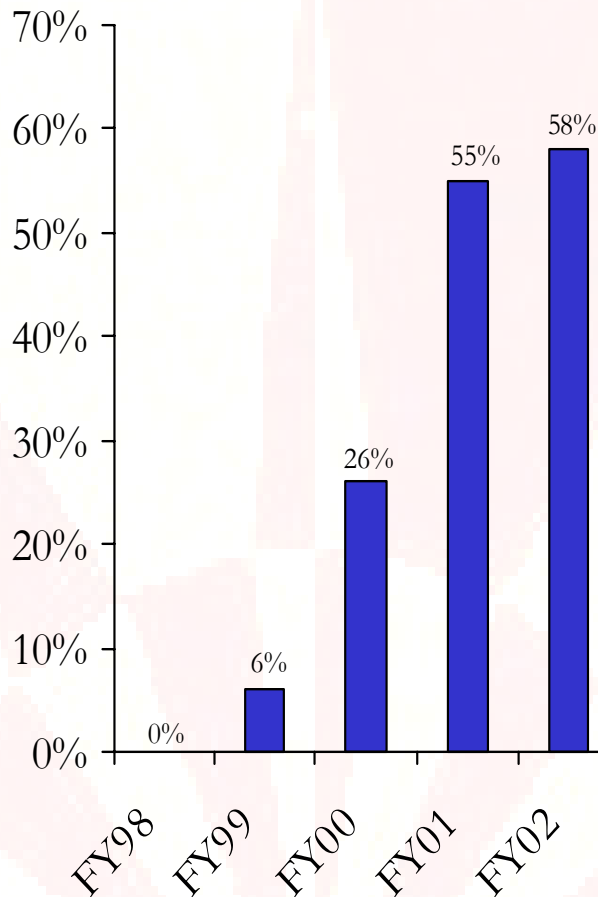
Aluminium: Leadership Through Acquisitions (Contd.)



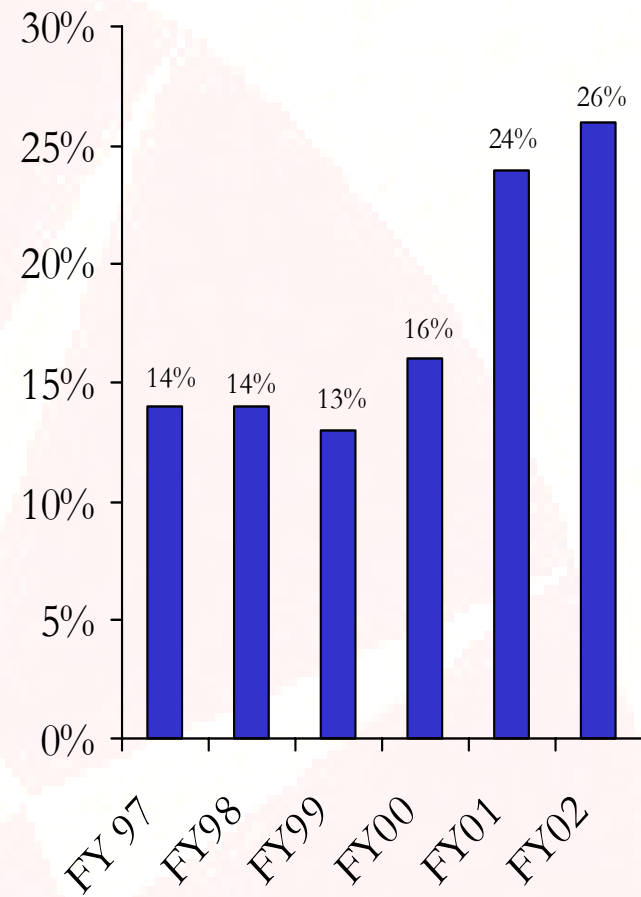
Market Share: Rolled Products



Market Share: Foils



Market Share: Extrusions

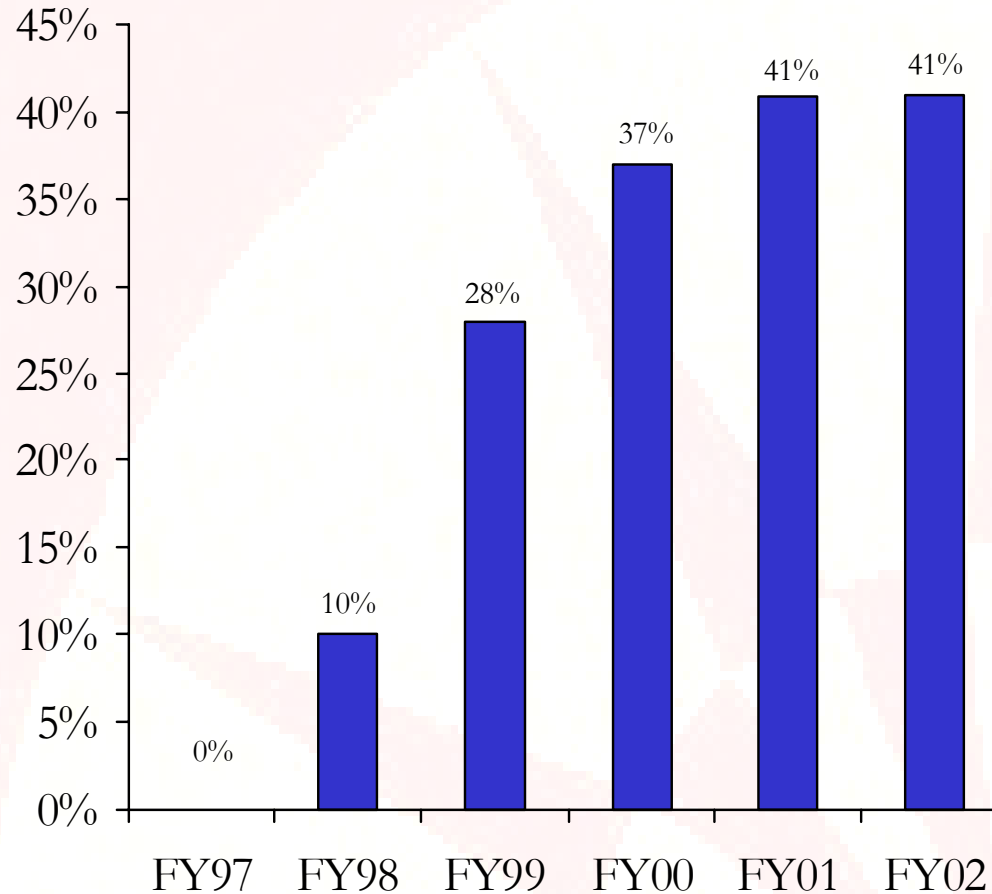


Enviably Market Position in Value-added Products As Well

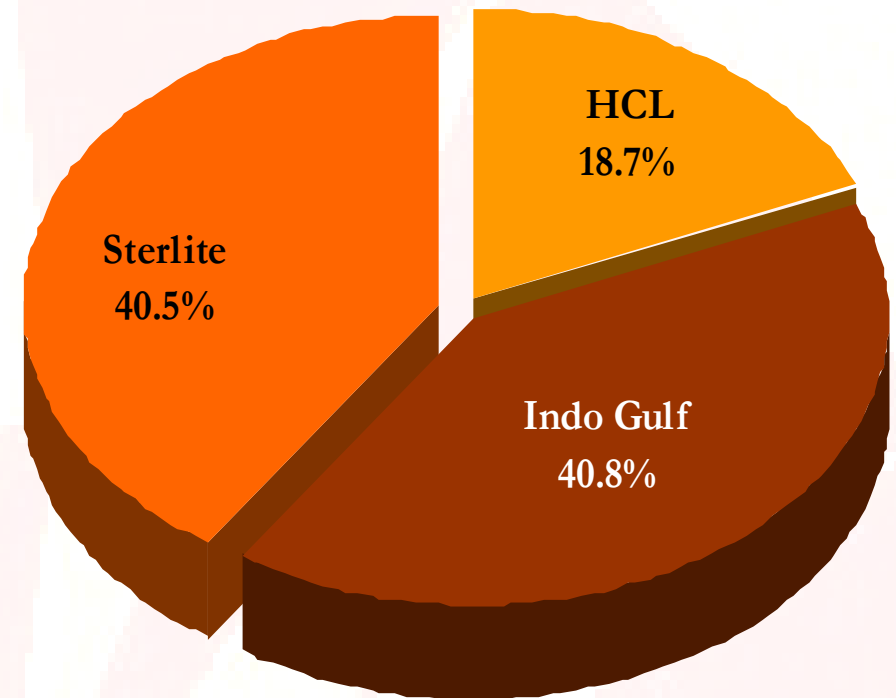
Copper: Leapfrogged Competition to Achieve Dominance in 3 Years



Impressive Rise in Market Share



Market Share – FY02

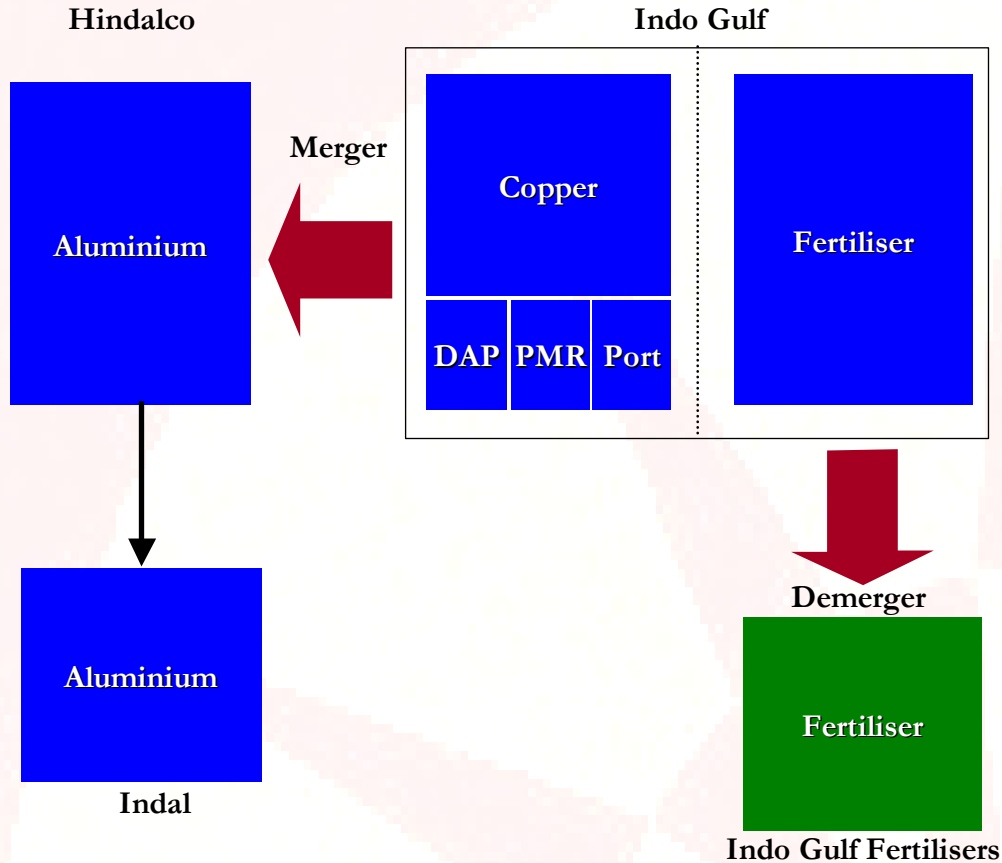


Concerted efforts paying off

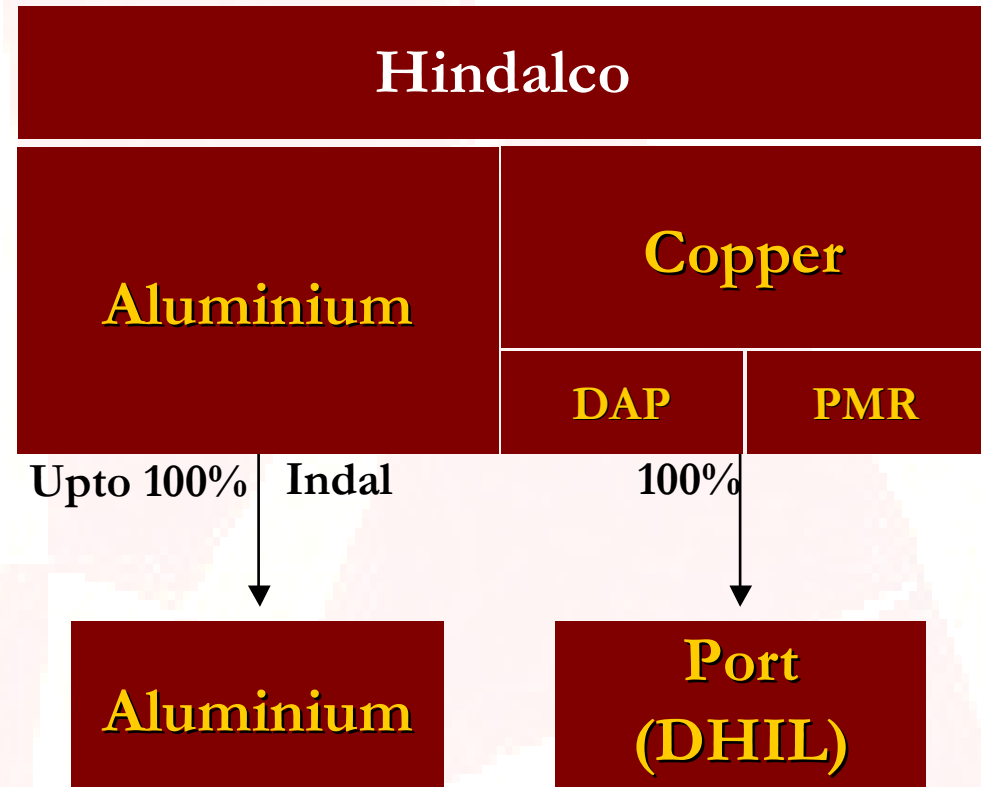
Restructuring to Create a Non-Ferrous Powerhouse



Restructuring Move



Restructured Hindalco



Creation of a growth oriented company with augmented resource base to enable sustained delivery of superior value in a consolidating industry

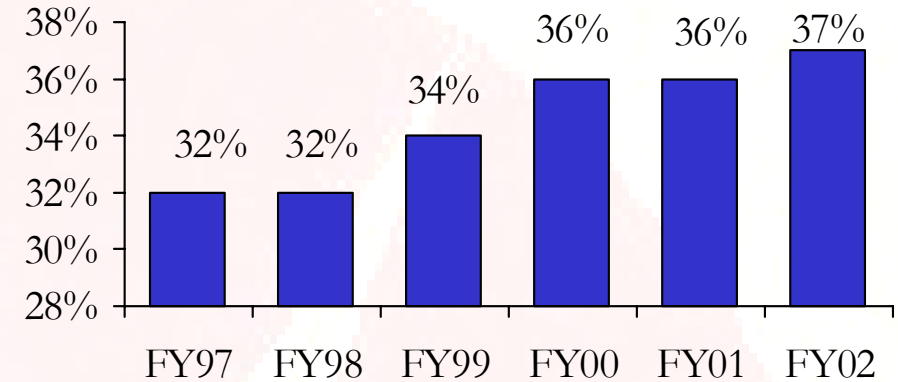
Garments: Acquisition of Brand Leader for Dominant Position in a New Sector



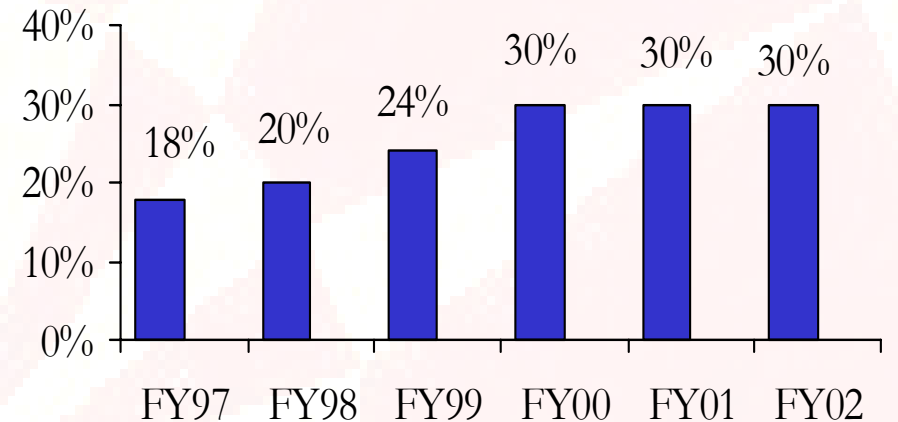
Strategic Rationale

- Foray into brands as part of Portfolio restructuring efforts
- Garments identified as thrust area given its exciting growth prospects
- Madura Garments - an ideal opportunity to gain industry leadership:
 - ⇒ Leading and successful brand portfolio
 - ⇒ Strong distribution and marketing network
- Well planned strategy charted to sustain growth

Market Share – Premium Shirts



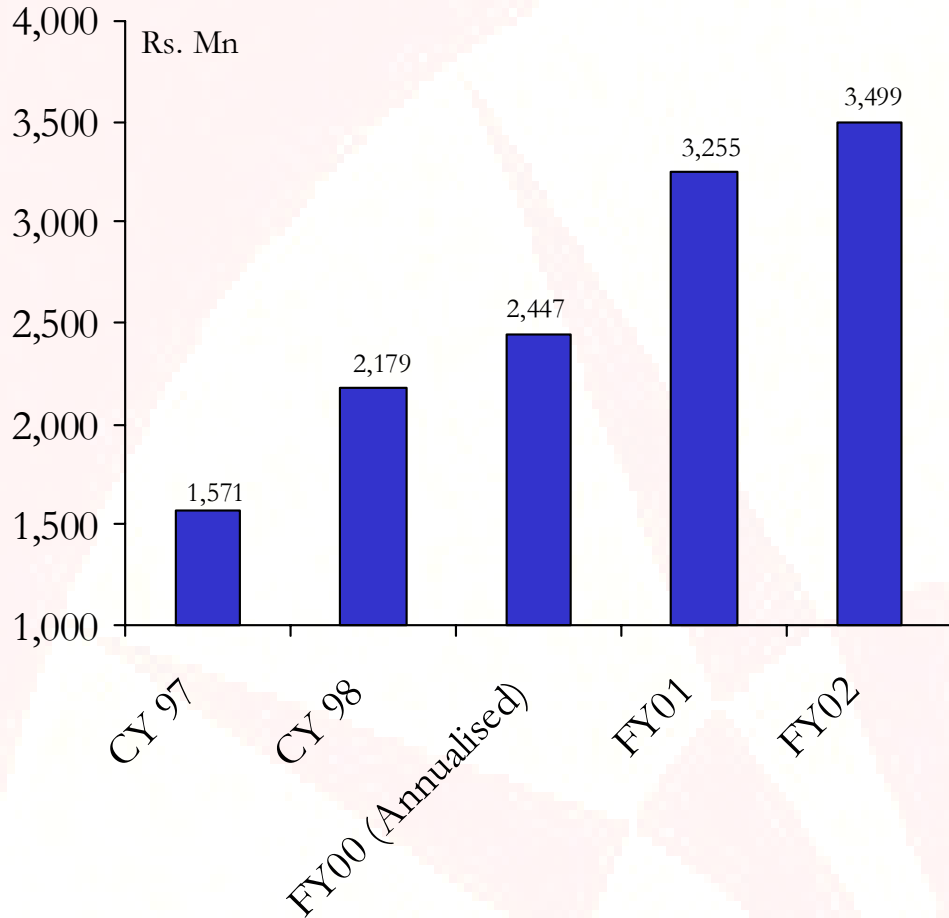
Market Share – Premium Trousers



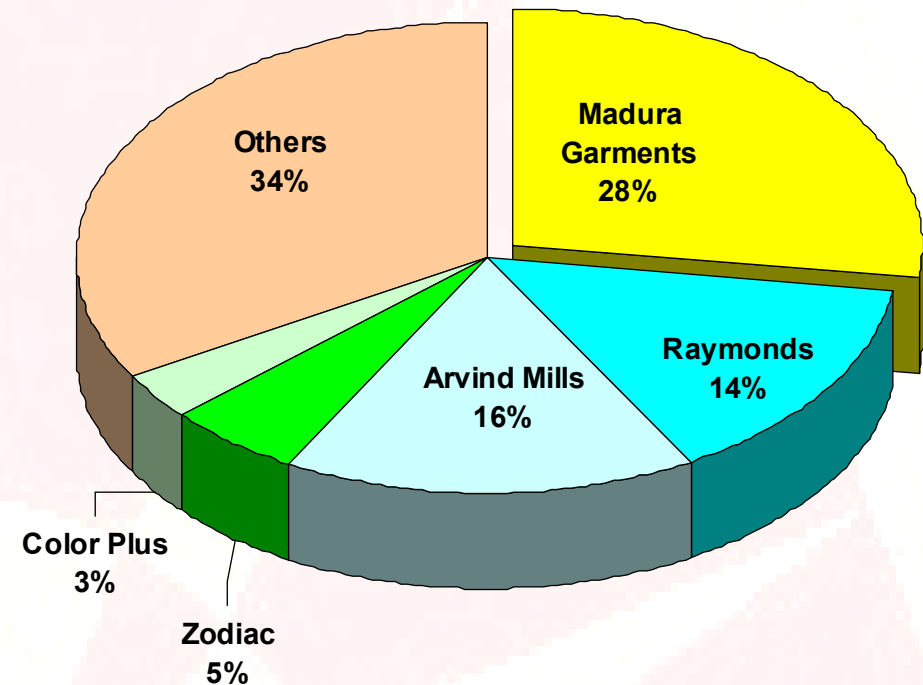
Garments: Acquisition of Brand Leader for Dominant Position in a New Sector (Contd.)



Impressive Growth in Garment Revenues



Market Share – FY02



Brand Revenues Have Risen Significantly since Acquisition in 1999

Established Leadership in All Key Businesses



- 3rd Largest Cement Producer
- Market leader in VSF



- Largest and fully integrated Aluminium producer
- Amongst lowest cost producers in the World



- Market leader in Copper
- Most efficient and low cost Urea producer



- Market leader in Branded Garments
- Dominant player in Carbon Black, Insulators and VFY



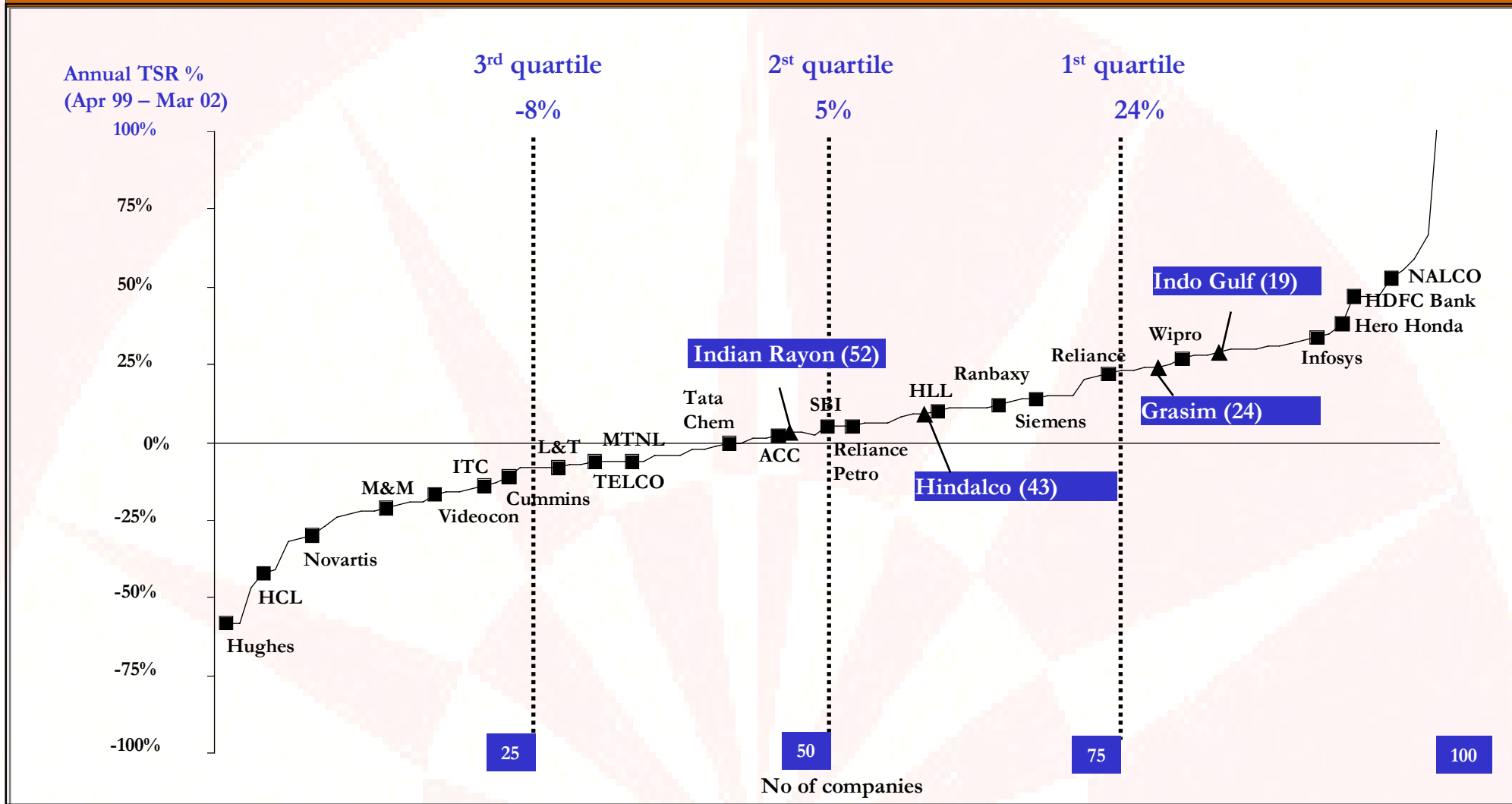
- Fastest growing cellular company
- Coverage extends over Maharashtra, Gujarat, Goa, A.P, M.P., Chattisgarh & Delhi

Diversified Conglomerate With Established Leadership in Key Sectors of the Economy

The Result: Superior TSR Over Last 3 Years



TSR⁽¹⁾ performance of BSE 100 cos. over 1999-2002



Source: Prowess Database & Boston Consulting Group Reports

(1) TSR Calculated as sum of capital appreciation and dividend payouts

() Figures in brackets indicate rank

Strategic Efforts Getting Recognised in the Market



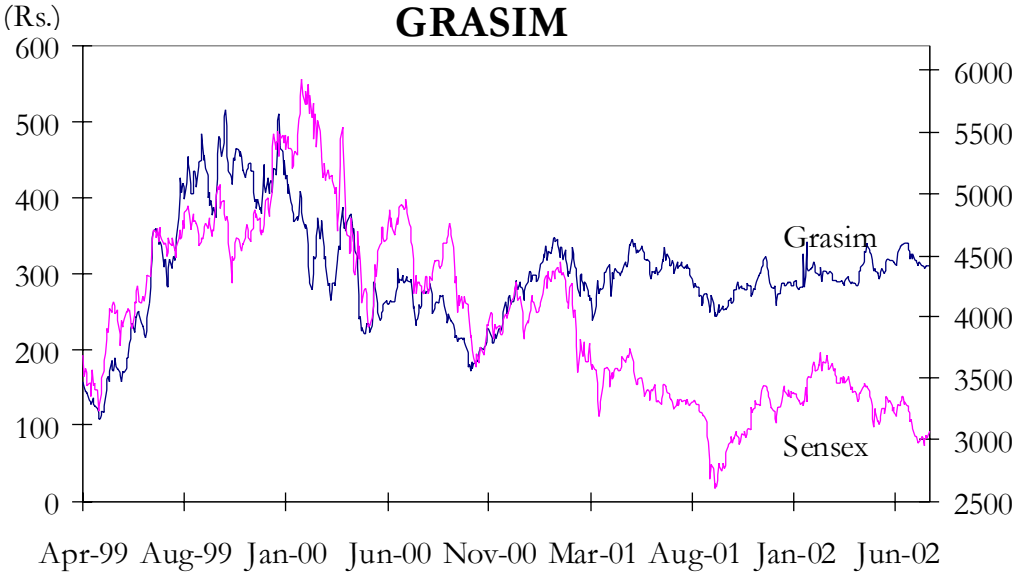
Aditya Birla Group Performance



...Leading to Sustained Outperformance



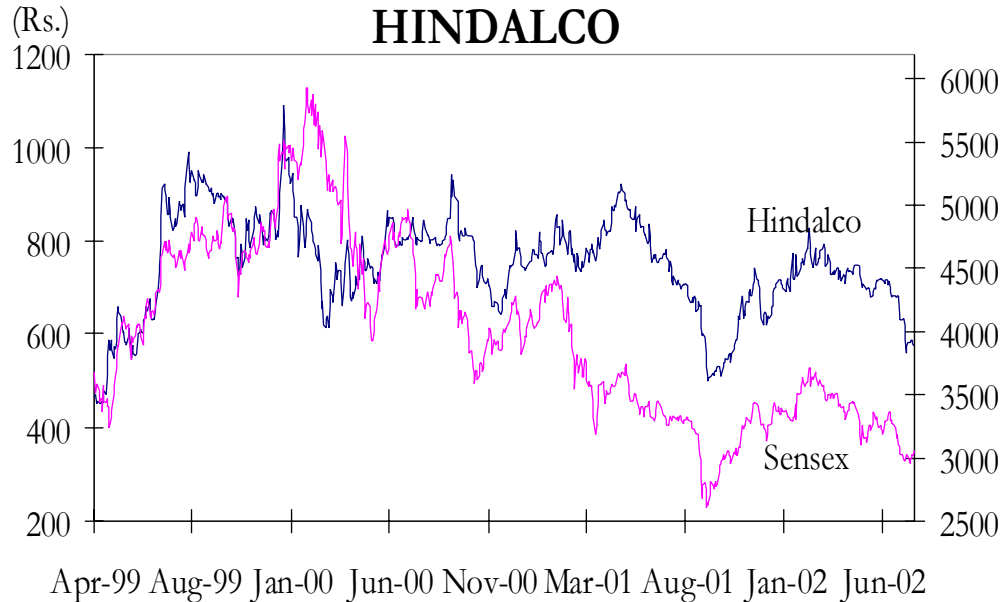
GRASIM



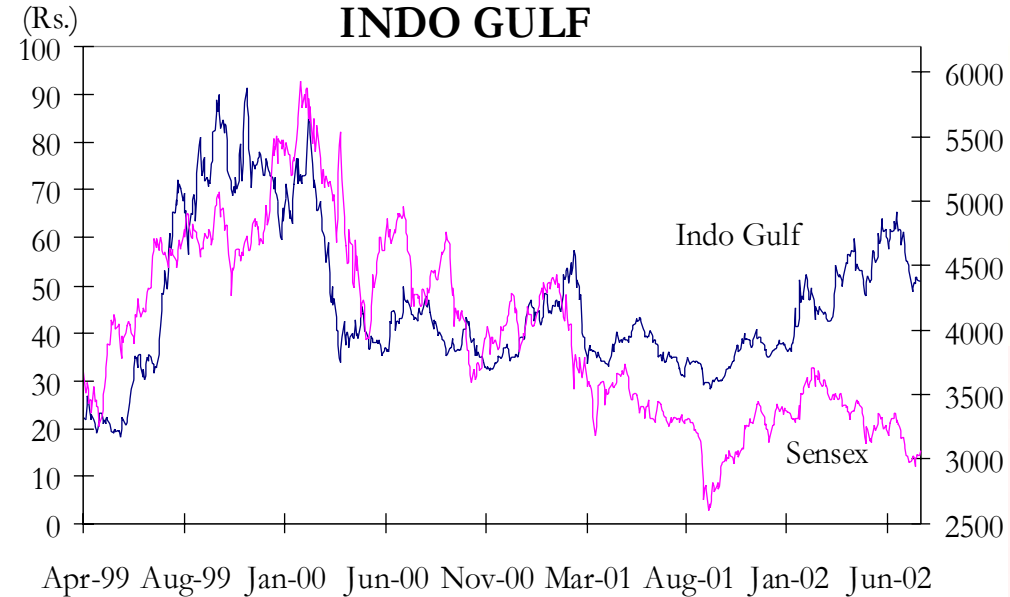
INDIAN RAYON



HINDALCO



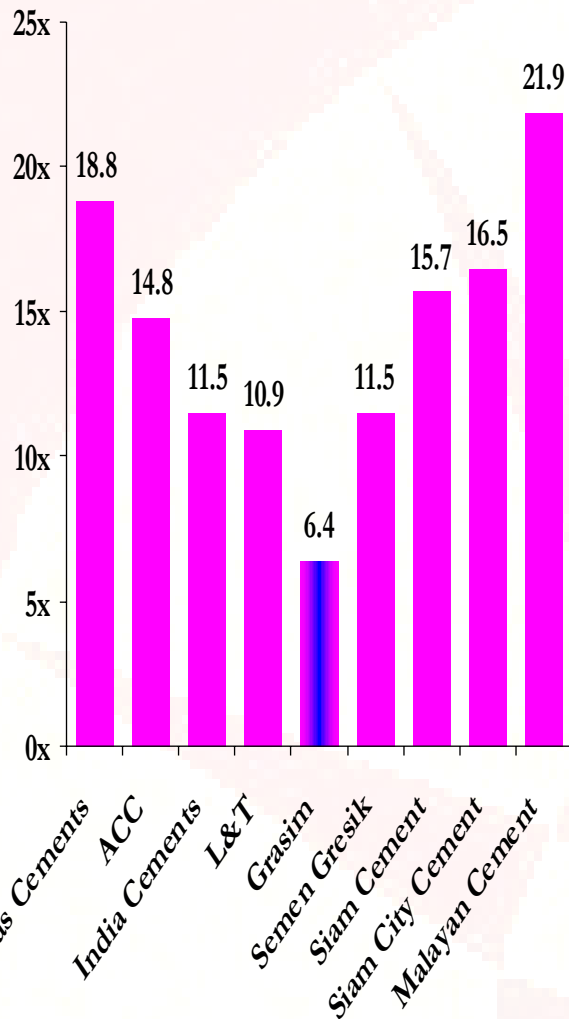
INDO GULF



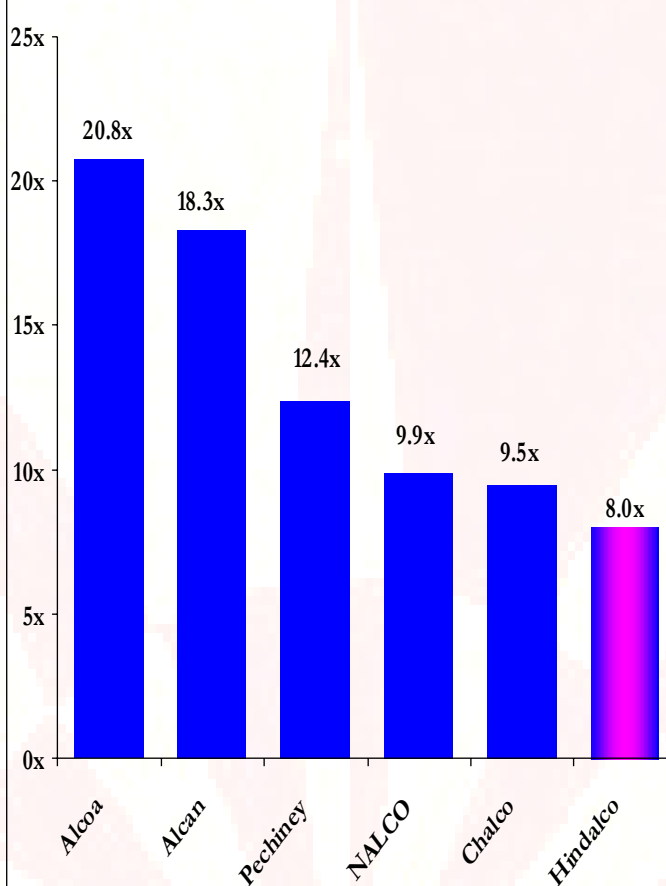
But, Still Has Substantial Upside Potential



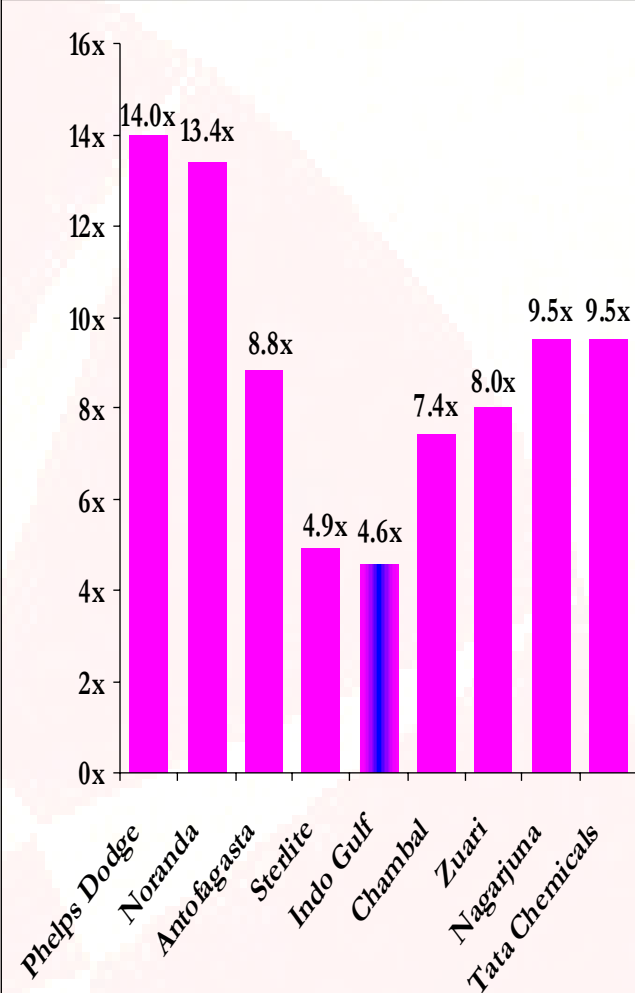
Grasim: PER – FY02



Hindalco: PER – FY02



Indo Gulf: PER – FY02



Going Forward...

Enhanced Dominance in Key Businesses



- **Geography specific businesses - build and retain dominance**
 - ⇒ Cement, Garments, Fertilisers and Carbon Black
- **Global businesses - domestic dominance coupled with cost leadership**
 - ⇒ Aluminium, Copper, Viscose Staple Fibre, and Insulators
- **Growth through brownfield as well as inorganic opportunities**
 - ⇒ Under leveraged Balance Sheets
 - ⇒ Strong cash flows
 - ⇒ Heightened awareness of growth imperatives
- **Emerging opportunities to support aggressive plans**
 - ⇒ On-going consolidation in key business sectors in India
 - ⇒ Government dis-investment programme

Going Forward...

Shareholder Value Will Be Key Criteria for Decisions



- **Shareholder value enhancement to remain the focal point for all decisions**
 - ⇒ CVA to drive decision making across all levels of organisation
- **Dispassionate evaluation of all businesses**
 - ⇒ Continued value creation across companies
 - ⇒ Early identification of businesses with declining prospects for appropriate action
 - ⇒ Divest value destroying businesses at an appropriate time
- **Listed companies to focus on identified core businesses**
- **No fresh crossholdings and concerted efforts to reduce existing crossholdings**



Thank You