

# Chairman's Letter to Shareholders



## Dear Shareholders,

The foundation of our Group rests on a philosophy of trusteeship, which imagines corporations as institutions that drive collective prosperity. This philosophy has played an integral role in shaping our actions for generations, guiding us in our quest to enrich lives. Over the years, this purpose, though unstated, has been our unwavering anchor.

In FY23, we formally put to words our Group's purpose statement. At its heart is the commitment to enrich lives by building dynamic and responsible businesses and institutions that inspire trust. Every day, we strive to honour this commitment through our brands, products, services, solutions, actions, relationships, and institutions.

Our purpose statement stands both timeless and fresh against the backdrop of our extensive history. In a world of increasing opportunity, and also accelerating uncertainty, our purpose statement is meant to act as a talisman and remain at the core of our business decisions.

Our purpose offers us a unique lens with which to view the world, to bring perspective to it, and to thrive in it. Guided by this unique perspective, we navigate the evolving global landscape with resilience and foresight. As we turn our attention to the current state of the global economy, it is evident that we are charting a course through a 'new normal'.

### GLOBAL ECONOMY: FINDING A NEW NORMAL

The global economy continues to pull itself out of the pandemic-triggered shock. It does so amid a complex environment marked by the ongoing conflict in Ukraine, geo-economic fragmentation, soaring interest rates, and looming risks of a banking

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contagion. Reflecting these concerns, the International Monetary Fund (IMF) expects global economic growth to dip from 3.4% in CY22 to 2.8% in CY23. Developed countries are predicted to experience a more pronounced deceleration, their aggregate growth stumbling to just 1.3% in CY23—the slowest pace in a decade, excluding the pandemic-impacted CY20.

On the brighter side, China's economy marches towards normalisation following the lifting of its COVID-related restrictions. Both China and India are set to significantly contribute to global economic growth in CY23, providing a much-needed stimulus as developed economies grapple with challenges.

Meanwhile, global supply chain pressures have largely normalised, helping ease commodity prices and peak inflation levels in most economies. Central banks, led by the US Federal Reserve, appear to be nearing the end of their rate-hiking phase, signalling cautious optimism for the global economy and financial markets. However, vigilance remains crucial in the face of potential risk events in this fragile environment.

### INDIA: THE SHINING STAR

India's economic narrative paints a much brighter picture. With a government-led push to infrastructure investments and pragmatic policies such as the production-linked incentives scheme, private capex has seen a surge. This rise

triggers a multi-year boom, providing valuable support to economic growth in the face of softening global demand.

A decadal reshaping of supply chains is underway. As global corporations start to look at countries across Asia as part of their China + 1 strategies, India is well positioned to benefit. Supported by the dynamism of its tech-based 'new economy' enterprises and the expanding digitisation across sectors, India's growth momentum continues to strengthen.

The Reserve Bank of India (RBI) projects India's economy to grow at 6.5% in FY24, demonstrating the nation's resilience amidst subdued global economic conditions. Inflation seems to have peaked globally and in India. Easing inflation, robust foreign exchange reserves, and improving bank assets' quality provide a sizeable cushion against potential destabilising events in global markets.

A key component of the rise of any industrial ecosystem is the presence of a confident and skilled workforce. This year, India surpassed China in population, and already has the largest and youngest working age population globally. The lessons learnt from the transformations of other economies through the last few decades point to the importance of this demographic dividend.

In the grand theatre of global economic evolution, India stands not as a mere spectator, but as a charismatic lead.

## ADITYA BIRLA GROUP IN PERSPECTIVE

As India takes centre stage in this grand narrative, the Aditya Birla Group finds itself in a unique position to contribute to this monumental journey. Our enduring success amidst global uncertainties stems from our unyielding commitment to purpose, anchored in principles that are much more than just words.

And therefore, the articulation of purpose was just the first step. We cultivated a deep understanding of our Purpose across the depth and breadth of the Group, including the last mile. To transform Purpose from a concept to an embodied experience, approximately 600 of our senior leaders and managers took the initiative to receive training and facilitate introspective dialogues on Purpose. This facilitated their teams to internalise, personalise, and actualise our Purpose in a manner that was both unique and authentically representative of their roles within our dynamic Group.

Driven by purpose, the FY23 stands testament to the breadth and scope of entrepreneurial ventures we have embarked upon. We are exploring uncharted territories, backing our conviction with capital and talent. Our robust platform serves as a launch pad for new initiatives, allowing us to tap into opportunities across traditional and sunrise sectors.

This year, we have emphasised the implementation of our 3-year HR Strategy, guided by our Purpose Principles. This approach has enabled us to build enduring bonds with our stakeholders, including key employee segments, like early professionals, and attract high-quality talent across traditional and digital businesses.

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As we continue to expand, our employer brand has empowered us to attract over 11,000 employees in FY23—a diverse pool of new skills and capabilities. Furthermore, our commitment to diversity is evident in the increasing representation of women in our workforce. Culture champions have been instrumental in fostering an inclusive and collaborative environment where every employee feels heard, valued, and respected.

Amidst shifting market dynamics, Learning and Leadership Development continues to be a key pillar, helping us equip over 35,000 employees with the skills necessary to drive business outcomes. Over 400 senior leaders, encompassing CEOs, CXOs, and Unit heads, have bolstered their capabilities in fields such as geopolitical analysis, interpretation of complex megatrends, inspirational leadership, and agile leadership methodologies. Our adaptability was made apparent in our diverse learning approaches, both in terms of design and implementation. Beyond the traditional classroom environment, we provided learning through various accessible forms, including bite-sized modules, self-paced curricula, and certification courses, thereby benefiting 87% of our management cadre employees.

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evaluations, and leadership-led career guidance sessions. This diverse range of resources has been utilised more than 40,000 times.

Our commitment to the identification and cultivation of talent has remained resolute. We have recognised over 900 pivotal roles within our Group for which a robust succession pipeline is firmly in place. An avant-garde journey of learning is presently being undertaken to equip our future C-Suite leaders, encompassing roles such as CFOs, CMOs, CIOs, and CHROs, with the skills and insights required for leadership in a rapidly evolving business landscape. This focus has significantly enhanced our internal versus external hiring ratio for leadership positions.

This shift is facilitated by our integrated approach to talent identification, development, and internal mobility. Over the past three years, we have seen 14% of our employees and 27% of our talent pool members transition into new roles, bringing our vision of 'A World of Opportunities' to life and fostering enduring bonds within our organisation. This represents our steadfast commitment to talent growth and mobility, crucial for building a resilient and adaptive organisation.

#### YOUR COMPANY'S PERFORMANCE

FY23 was a milestone for your Company as consolidated revenues surpassed the ₹1 trillion mark. Over the past three years, your Company has achieved exceptional growth, with nearly ₹40,000 crore added

to consolidated revenues, reflecting an impressive compounded annual growth rate (CAGR) of approximately 16%. With a substantial share of revenue originating from the domestic market, your Company plays a crucial role in driving India's growth narrative. Furthermore, Grasim's unwavering commitment to India is reflected in its investment of over \$2 billion in the country over the past decade.

In the financial year 2023, we recorded an impressive year-on-year growth of 23% in consolidated revenue from operations, reaching an all-time high of ₹1,17,627 crore, up from ₹95,701 crore in FY2022. This robust all-round performance is noteworthy given the challenging global environment.

Your Company has a well-established and time-tested track record of incubating diverse businesses, guiding them towards leadership positions in their respective sectors, and instilling the ethos and values of the Aditya Birla Group. This approach has been demonstrated in sectors such as Cement, Viscose, Financial Services, Textiles, and Chemicals. We aim to replicate this success in our emerging Paints and B2B e-commerce ventures. Furthermore, we have been significantly investing in the Renewable business sector, with a target to reach 2 GW by 2024. Over the years, we believe our conglomerate approach has facilitated long-term value creation for our stakeholders.

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We are currently directing significant investments and efforts into two new growth areas - Paints and B2B e-commerce for building materials. These sectors were carefully chosen due to their scalability and our deep understanding of their respective ecosystems. They offer a clear path to profitability and allow us to leverage the strength and reputation of the Aditya Birla brand. The launch of these promising new ventures is on track and expected to significantly bolster our revenue streams in the years ahead.

#### Strength from Standalone

Standalone revenues in FY23 witnessed a robust growth of 29% y-o-y. Over the years, your Company's standalone businesses have demonstrated resilience and consistency, emerging stronger from each cyclical downturn. Our Viscose and diversified Chemicals businesses command an undisputed market leadership in India, backed by consistent capacity additions. The Viscose business, propelled by the "LIVA" brand, has created a "pull demand", now selling close to sixty million co-branded labels across the Spring-Summer and Autumn-Winter fashion cycles. Despite facing some challenges in the second half of the year due to a demand-supply mismatch and a lack of level playing field compared with FTA imports in the country, we remained profitable amid challenging market conditions.

Our Chemicals business posted its best-ever annual performance, largely attributed to the Chlor-Alkali segment. Your Company, bolstered by leadership, innovation, and cost strengths, has successfully navigated market cyclicality to its advantage. For example, over volatile cycles, your Company generated operating cash flows exceeding ₹13,000 crore over FY19-23, a noteworthy 104% increase compared to ₹6,500 crore generated over the FY2014-2018 period.

#### Executing our Growth Plans

Your Company is focused on its growth vision and remains committed to achieving set objectives. We plan to ramp up investments in the identified growth sectors of Specialty Viscose and Chemical Products, Paints, and B2B e-commerce over the next three to five years. In FY23, your Company executed its largest ever capital expenditure, investing over ₹4,000 crore. Approximately half of this expenditure was allocated to the construction of Decorative Paints plants. These investments will accelerate over the next two years, positioning us as a formidable contender in the decorative paints sector in terms of capacity.

The upcoming years are expected to signify a transformative growth phase for your Company. While our established businesses are set to consolidate their leading positions, our newly identified growth engines are poised to create a powerful impact.

#### Conclusion

In conclusion, I hold the conviction that our Purpose broadens our perspective, enabling us to pursue even greater horizons. It serves as the bedrock that propels us towards the future, emboldening us to venture into more significant commitments and pursuits.

As we grow, we expand our capacity to receive by enhancing our absorption of talent, technology, and capital. Indeed, with each stride in growth, we deftly weave in more threads of insights and capabilities, enriching the tapestry of our collective endeavour. This, in turn, enables us to increase our ability to give back, create impact, and enrich lives. This virtuous cycle is at the heart of being a successful purpose-driven organisation.

Your Company doesn't just pride itself on being a purpose-driven entity— it embodies it, living out this ethos in every endeavour, every relationship, and every venture. This commitment to purpose is what continues to steer us towards an even brighter, more impactful future.

Yours sincerely,



**Kumar Mangalam Birla**  
Chairman