



Mr. Aditya Vikram Birla

**We live by his values**

**Integrity, Commitment, Passion, Seamlessness and Speed**



## Message from the Chairman



Over the years, corporations have tried to find a balance between efficiency and resilience, with successive decades of growth having swung the pendulum in the direction of efficiency. The events of the last two years have again taught us all the virtues of reserves and resilience.

This era of disruption also presents a unique opportunity for renewal. The exigencies of this disruption have pushed the boundaries of innovation. A world where traditional rules didn't apply, freed thinking from its conventional shackles. And we are clearly staring at a **new age**, with **new paradigms** and **new ideas**.

### **Global Economy: The Storm Before the Calm?**

The Global economy recovered from the pandemic shock in 2022 on the back of supportive fiscal and monetary policies and mass vaccination programmes. However, at the end of FY2021-22, the war in Ukraine and the subsequent economic sanctions on Russia posed a large shock. It disrupted energy markets and supply chains and added to the already evolving inflationary pressures and concerns over consumer demand. Consequently, growth forecasts have been slashed. The International Monetary Fund (IMF) now expects the world economy to grow by 3.6% in CY2021-22, which is 0.8 percentage points lower than its pre-war projections.

Many economies have experienced a sharp surge in inflation recently, particularly in food and fuel prices, taking their inflation rates to multi-decade highs. Central banks have been forced to respond to surging prices with aggressive rate hikes. The pace of monetary tightening is turning out to be quite swift as central bankers attempt to catch up with the rising inflation from their ultra-accommodative stance during the pandemic.

### **Dear Shareholders,**

For many years, we have been talking about increasing volatility and unpredictability. The events of the last 24 months have heralded a new era of uncertainty where both the amplitude and frequency of shifts have vastly exceeded anything we have seen in recent decades.

The unprecedented pandemic was followed by supply chain whiplash, and further disruption was brought on by the Russia-Ukraine war. We are now staring at the spectre of a high-interest rate and high-inflation regime globally.

# Message from the Chairman

Across businesses and markets, our evolution is a story of continuous renewal and regeneration, as we aggressively invested in growth and created long-term value for all stakeholders.

As the stance of monetary policy shifts, there is greater turbulence in currency markets. The dollar has strengthened, while emerging economies have witnessed downward pressure on their currencies. At the same time, energy and commodity markets have witnessed heightened volatility. Global supply chain disruptions due to pandemic-induced lockdowns have been replaced by new disruptions caused by the war in Ukraine and the economic sanctions.

While the global economic backdrop remains challenging, there are reasons to remain optimistic. First, despite the slowdown, IMF's projection of world GDP growth in CY 2021-22 is still tracking the pre-pandemic average. Second, fiscal support in developed economies remains above the pre-pandemic trend, even if somewhat diluted, versus past years. Third, mega-trends around sustainability, green investments, digitisation, and disintermediation remain well-entrenched and will support growth and productivity enhancement in the medium term.

Thus, while businesses will need to remain on guard regarding financial market volatility and cost pressures this year, one could expect the medium-term growth recovery to remain on track.

## India: An Engine of Global Growth

The Indian economy has not remained unscathed by these global developments. Partly on account of the elevated commodity prices in global markets, India's inflation has pushed higher than the target of the Reserve Bank of India (RBI). To control inflationary risks, and reduce the pressure on the rupee, RBI has been selling reserves and unwinding the extraordinary liquidity support provided by it during the pandemic.

On the positive side, economic activity in India has witnessed a sharp recovery to pre-pandemic levels on the back of a rapid and widespread rollout of the vaccination programme. A strong digital ecosystem, fiscal and monetary policy and various government schemes helped small and medium enterprises and the worst affected sections of the population to survive while reviving demand and bringing the economy back on track.

Even as the global headwinds are being felt, India's growth recovery is progressing well, and most estimates peg economic growth during FY 2022-23 around the 7% range. India, therefore, is poised to be the fastest-growing major economy in the world and an engine of global growth.

India's exports are exhibiting a strong buoyancy, and economic sentiment has been supported by a robust pipeline of infrastructure projects as well as the government's pragmatic policies, such as the production-linked incentives schemes. Many industries have witnessed fresh project investment announcements. Foreign direct investment flows have remained strong. The burden of non-performing assets in the banking sector seems to have peaked out and is easing. Dynamism in India's digital ecosystem, diversification of global supply chains, away from China, and the greater emphasis of investors on sustainable finance offer new opportunities for India.

The trends lend confidence to a robust economic narrative for India in the medium term, which augurs well for the corporate sector as well.

## Aditya Birla Group: Dynamism and Resilience at Play

The Aditya Birla Group's pace of activity, range of businesses, and depth of global presence provides a useful compass to navigate this age of disruption. Against the backdrop of our long history as a Group, dynamism leaps out as a common theme. Over the years, we have witnessed multiple business cycles.

Across businesses and markets, our evolution is a story of continuous renewal and regeneration, as we aggressively invested in growth and created long-term value for all stakeholders. This institutional dynamism and resilience helped us navigate an unprecedented business environment in FY2021-22.

The pandemic inordinately impacted the future of work, workforce, and workplace. We have moved with the new work ethic by focusing on a holistic employee experience that puts equal emphasis on growth, engagement, and wellbeing.

Our employees value and appreciate the One ABG culture, which is profoundly embedded across the organisation. This culture gives the ultimate competitive edge in a world where business models are easily upended.

It has been a matter of great pride for us that our employee engagement has continued to be strong despite the stresses of the pandemic. 87% of our employees stated in a survey that they have a colleague/friend at work to lean on during difficult times. 96% of our employees experienced considerate behaviour from their managers during this period.

## We Are Only as Strong as Our People

The Group's continued focus and investment in its People Processes in good times have helped us build and sustain a robust and agile workforce that is able to be nimble and responsive at all times. When corporates across the world are facing a rather unusual phenomenon - The Great Resignation - our employee survey score for Intent to stay remained strong. It is higher than the Global High Performing organisations and almost similar to pre-COVID levels. This strong affinity is a testimony to our relentless commitment to delivering a world of opportunities with care to our employees.

Internal employee movements of over 5,000 (within the businesses) were up 18% from the average of the last two fiscals. We also focussed on bringing in young talent, with 73% of new hires being under 35 years of age. Last year, over 9,000 new employees joined the Group refreshing our competence base.

Building an aspirational workplace for a diverse workforce was identified as one of the important aspects of our new HR strategy. Enhancing the diversity of our Group is a journey, and it is getting strengthened with targeted efforts over time. Our commitment to gender diversity is evident through the appointment of 7 women to senior leadership roles. 21% of all new hires were women, and we had 102 women engineering graduates join us at plant locations.

We have always looked for opportunities to showcase the power of our women leadership. This year, our cement business, UltraTech launched India's first 'all-women' operated Ready-Mix Concrete (RMC) manufacturing plant at Bhugaon, Pune. Our list of firsts includes Aditya Birla AMC's all-women Mutual Fund branch in Bhilai, Chhattisgarh and Aditya Birla Fashion and Retail's Madura manufacturing plants in the South zone, which has 85% women employees.

Internal employee movements of over 5,000 (within the businesses) were up 18% from the average of the last two fiscals. We also focussed on bringing in young talent, with 73% of new hires being under 35 years of age. Last year, over 9,000 new employees joined the Group refreshing our competence base.

Our learning strategy evolved continually to adapt in response to the dynamic external environment. This was achieved by re-designing innovative learning properties and methodologies focussing on building contemporary and contextual skills. We shifted gears across digital, blended, and now hybrid learning, making it easier to shift across modes of learning for different sets of learners. We strategically increased the adoption and penetration of our digital learning platform (Gyanodaya Virtual Campus) to cover 94% of our employees in the management cadre. Leveraging the power of internal and external networks, 500+ high-quality digital content modules were created on various themes and topics across ABG.

The spirit of ABG's resilience and dynamism was displayed at an individual, team and business level. This has been reflected in the business results for FY2021-22.

This year also saw the launch of new businesses, units, capacity, products, and brands. This happened seamlessly, presenting a unique human story of innovation and grit; and bringing alive our Group values of commitment and passion. We have together navigated an unprecedented period of disruption and emerged stronger and sharper—demonstrating that care, empathy, and results are mutually compatible. Especially so in periods of turmoil.

## Your Company's Performance

Your Company delivered its exceptional financial and operational performance consolidated performance in FY2021-22, backed by favourable macros, better cost control and operational efficiencies. This record performance was delivered despite challenges like the ongoing pandemic, a steep inflation in input costs, volatility in commodity prices, and global supply chain disruptions due to the geopolitical situations.

Despite these headwinds, your Company registered an all-time high consolidated business EBITDA of ₹30,056 Crore on a turnover of ₹1,95,059 Crore in FY2021-22. Your Company's aluminium business in India and Novelis continued to deliver a record financial performance, despite tough market conditions caused by inflationary challenges and rising input costs.

The major enablers were improved macros, thrust on operational efficiencies and improved performance of India downstream business and a strong revival of demand. All the plants operated at their designed capacities during the year in both Aluminium and Copper. Hindalco's consolidated EBITDA continued to be delinked from the volatility of the global aluminium prices taking together the EBITDA of Novelis, Copper and India Aluminium downstream VAP.

# Message from the Chairman

**Your Company retained its position of being World's Most Sustainable Aluminium Company (as per S&P Dow Jones Sustainability Indices Corporate Sustainability Assessment 2020 & 2021) and the only aluminium company in the DJSI World Index 2021.**

As a step towards the downstream expansion plans in India, your Company acquired Hydro's aluminium extrusions business in Kuppam, Andhra Pradesh, aligned with its strategy to increase downstream capacity to meet the growing market demand, further expand product portfolio and increase revenue from value-added products. The Kuppam plant will also serve as an archetype for Hindalco's upcoming state-of-the-art extrusions plant in Silvassa in Western India. Your Company intends to build a larger value-added product portfolio over the next few years.

Your Company's Copper business, delivered a strong performance across all fronts amid challenges posed by the pandemic, rise in LME, and supply chain disruptions. In FY2021-22, your Company acquired Polycab's CCR unit, Ryker (now Asoj) having a capacity of 2,25,000 MT of copper rods in Gujarat. Post this acquisition, Birla Copper now ranks among the world's Top-3 copper rod players outside of China. The cathode production was 359 kt in FY2021-22 versus 262 kt in the prior year. The Continuous Cast Rod production was higher at 259 kt in FY2021-22, versus 235 kt in the previous year.

Novelis reported yet another remarkable performance this year with a record shipment of 3,858 kt, adjusted EBITDA of \$2.045 Billion. The adjusted EBITDA/tonne of \$530 was also the highest ever. Novelis continues to improve its product mix with the share of beverage can sheet at 58%, Automotive body sheets at 17%, Specialties at 23% and Aero at 2% in FY2021-22. Novelis reported the share of recycled contents at 57% in FY2021-22, and continues to be world's largest recycler. Your Company continues to focus on strengthening the balance sheet with the consolidated Net Debt-to-EBITDA at 1.36 times at the end of the FY2021-22 from the peak of 3.83 times at the end of June 2020 post the closure of the Aleris acquisition and 2.59 times at the end of March 2021.

On the back of this strong and exceptional performance and with a strong balance sheet, your Company announced a total capital expenditure of nearly \$8 Billion to be spent over the next five years in India and Novelis together. All these investments are directed towards your Company's focus on transformational organic growth through expansion in the downstream businesses in Novelis and India. This investment includes Novelis' identified more than \$4.5 Billion worth of potential organic opportunities to serve the growing demand for sustainable aluminium products. In the India business, your Company has announced a capex investment of around \$3-3.3 Billion that shall be allocated to high-growth downstream projects in the growing segments of EVs, E-Mobility, Packaging, Batteries, Building & Construction, and Consumer Durables.

During FY2021-22, your Company retained its position of being World's Most Sustainable Aluminium Company (as per S&P Dow Jones Sustainability Indices Corporate Sustainability Assessment 2020 & 2021) and the only aluminium company in the DJSI World Index 2021. In addition to this, your Company also achieved the prestigious

Gold Class Distinction in the 'S&P Global Sustainability Yearbook' of 2022. This sustainability-led approach to business has enabled your Company to strengthen its balance sheet and set global benchmarks on sustainable business practises. These affirmations inspire your Company to continue to walk the path of sustainability.

## Conclusion

The forces of change engulfing the world are creating a whole new set of exciting possibilities and unbelievable opportunities. Many that didn't even exist yesterday. We are uniquely privileged that we are not passive recipients of changing circumstances but can actively shape our destiny. And this tomorrow is for us to discover and build.

Across businesses, we are at the cusp of a transformational growth cycle. As a business house, we have always made investment decisions based on long-term fundamental drivers like market opportunity, demography, technology, etc. Our strong leadership position across key businesses has come on the back of bold but calibrated long-term bets. Given the inherent strengths of your Company, we are again at a moment where we are uniquely positioned to invest for long-term growth and explore new paradigms. An exciting journey beckons.



**Kumar Mangalam Birla**  
Chairman