ENAM Securities Pvt Ltd

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1 August 2008

Aditya Birla Nuvo Ltd Q1FY09

Earnings Call on 4 August 2008

We are pleased to host, on behalf of Aditya Birla Nuvo Ltd, a **conference call for analysts and investors on Monday, 4 August 2008** following the announcement of financial results for the first quarter ended 30 June 2008.

The call will be initiated with a brief management discussion on the Q1FY09 earnings performance followed by an interactive Question & Answer session. The management team will be represented by

- Dr. Bharat K. Singh : Managing Director
- Mr. Adesh Gupta : Whole Time Director and CFO
- Mr. Sanjeev Aga : Business Director, Telecom
- Mr. Vikram Rao : Business Director, Garments & Textiles
- Mr. Ajay Srinivasan : CEO, Aditya Birla Financial Services
- Mr. Dev Bhattacharya : MD, Aditya Birla Minacs Worldwide Limited

Details of the conference call are:

Date	**:**	Monday, 4 August 2008
Time	**:**	1430 HRS IST
Call Leader	**:**	Ms. Priya Rohira, ENAM Securities

Details of the conference call are:

Country	**Dial in numbers**	**Conference ID #**
India	**180030131313**	**58058009**
India – Local	186030131313	
India Local - Mumbai	02230360400	
India Local - Bangalore	08030360400	
India Local - Chennai	04430360400	
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Replay of the call will be available from 5 August to 6 August 2008

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Country	**Dial in numbers**
India	**000 800 100 6548 / 022 30360400**
Australia	1800 766 700
United Kingdom	08007317846
United States	1 866 214 5335
Singapore	8006163021

Please mention the conference code after dialing in.

The conference call transcript will be available on the company's website www.adityabirlanuvo.com

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Conference	58058009
Company	Aditya Birla Nuvo Limited
Date:	August 4, 2008

Operator:

Thank you for standing by. And welcome to the Aditya Birla Nuvo Limited Q1 FY09 Earnings Conference Call. At this time, all the participants are in listen-only mode. There will be a presentation followed by question-and-answer session. At which time, if you wish to ask a question, please press "star" "one" on your telephone.

I would like to hand the conference over to your speaker now. Over to you, Ms. Priya.

Priya Rohira:

Good morning, good afternoon and good evening to all the people joining us from different time zones. We at Enam Securities are pleased to host this call for the 1Q FY09 results of Aditya Birla Nuvo. On behalf of all participants I thank the senior management team for taking time out for this earnings call.

The senior management team from Aditya Birla Nuvo on the call today is led by the Managing Director - Dr. Bharat Singh, Chief financial officer – Mr. Adesh Gupta and head of the various business units. The call will be initiated with a brief discussion on the Q1 FY09 earnings performance followed by an interactive Q&A session.

I now handover to Dr. Bharat Singh - Managing Director, Aditya Birla Nuvo.

Bharat Singh:

Hello, ladies and gentlemen, a hearty welcome to you at the conference call for Aditya Birla Nuvo's first quarter FY09 results. I have with me the company's senior management team and business directors. I'll take a few minutes to just introduce you the senior colleagues who are here with me.

I have Mr. Adesh Gupta, the Whole Time Director and CFO of Aditya Birla Nuvo; Mr. Sanjeev Aga, who is on the phone, he is the Managing Director of Idea Cellular; Mr. Vikram Rao, who is our Director of Aditya Birla Nuvo and In-charge of the garments and textile business; Pankaj Razdan, he is the deputy CEO of the Financial Services Business; Mr. Dev Bhattacharya, who is the Business Head and Group Executive President of the IT & IT Enabled Services Business; Mr. Vikram Mehmi, who is on the phone, the CEO of Birla Sun Life Insurance Company; Mr. Anil Kumar, who is also on the phone, he is the CEO of the Birla Sun Life Asset Management Company.

I believe you all are having the quarterly results and investor presentations before you to have a better understanding of the results. I am going to request my colleague Mr. Adesh Gupta, the Whole Time Director and CFO of Aditya Birla Nuvo to give you a snapshot of the company's performance.

Adesh Kumar Gupta:

Thank you, Dr. Singh and good afternoon, friends. Before presenting the quarterly number for the company, I will give brief business wise performance. I am pleased to inform you that all the businesses of Aditya Birla Nuvo are progressing well on the designed track and working meticulously on the defined objectives.

Our **telecom** business is targeting to achieve pan India presence at the earliest. In this direction, the acquisition of Spice Communication is the milestone for the company. On completion, the deal will add two running circles, Punjab and Karnataka, to Ideas' current operational 11 circles. We have paid Rs. 2,176 for acquiring 40.8% stake in Spice besides paying non-complete fees of Rs. 544 crores.

After the open offer, Spice will get merged into Idea after receiving the regulatory approval. TMI who is existing promoter of Spice will contribute Rs. 7,300 crores for having 14.99% stake in Idea. Idea will derive net cash flow of over Rs. 4,500 crores out of this deal besides operating circles of Punjab and Karnataka with 4.5 million subscribers.

In another significant deal, Providence will invest US $640 million in Idea's subsidiary, Aditya Birla Telecom, which has license for Bihar & Jharkhand and holds 16% stake in Indus Tower. This cash inflow will make Idea virtually a debt free company and will open vista for funding its growth plans.

Idea will be rolling out Mumbai and Bihar (Incl. Jharkhand) circles by September '08 and Tamil Nadu (Incl. Chennai) and Orissa circles by December '08. Having done all these, Idea will be operational in 17 circles by calendar year end. On operational front company continues to do well.

Idea added over 3 million subscribers to reach a subscriber base of 27.19 million as on June 30th, 2008 with 16.6% market share in 11 operating circles. Idea registered a 47% rise in revenues from Rs. 1,477.3 crores to Rs. 2,173.5 crores. Operating profit rose by 34% to Rs. 737.2 crores. The expiry of concessional license fees in seven operating circles, lower foreign exchange gain and higher deferred tax impacted the bottom line. Net profit reported is a lower by 15% at Rs. 263.1 crores against Rs. 308.5 crores.

Our **financial services** business continues their strong momentum of growth, while laying a strong foundation to deliver on the vision of the Aditya Birla Financial Services and that is to be a leader and role model with a broad based and integrated business.

During the quarter, the consolidated revenues of financial services and business crossed Rs. 950 crores that is about US$ 240 million. With an eye on being amongst the top three players in each of the businesses, there is a clear focus on aggressive growth in distribution reach, launching customer centric products, building a robust infrastructure, delivering consistently superior performance and strengthening the management team.

The **life insurance** business achieved 187% growth in new business premium income at Rs. 501.5 crore supported by expanded distribution reach. This is the highest growth rate amongst the top 10 private players.

In June quarter, Birla Sun Life Insurance ranked fourth amongst the private players. Our market share improved to 8.15% against 6.6% in financial year 2007-08. We have launched 248 new branches during the quarter as against 202 branches for the last year to reach a total of 587 branches. We are targeting to reach 1000 branches mark and double the agent force to over 2 lakhs by the year-end.

With the growing share of new business premiums and higher spends on intensification of distribution network, the net loss increased from Rs. 33.6 crores to Rs. 146.8 crores.

In the **asset management** business 23 new branches and more than 2500 financial advisors were added to reach 101 branches and over 20,000 advisors. Supported by these initiatives, Birla Sun Life Asset Management Company ranked fifth in terms of average domestic AUM with an improved market share of 7.3%. Our domestic assets under management grew to Rs. 37,429 crores. We achieved 92% growth in domestic AUM during last one-year making us one of the fastest growing players in the industry, well out performing the industry average. Revenues more than doubled to Rs. 43.1 crores and net profit jumped to Rs. 5.1 Crores against Rs. 1.7 crores.

In other financial services business, our NBFC company - BGFCL also reported higher net profit of Rs. 8.9 crore against Rs. 2.1 crores on the strength of the doubled portfolio of loan against shares.

In the **BPO** business, the focus is on strengthening operating efficiencies in North America and to grow at low cost locations. Moving up in the value chain to build KPO business is another key focus area.

The BPO business reported 22% growth in revenue from Rs. 352.4 crores to Rs. 431 crores, Depreciation of US dollar by 10% against Canadian dollar compared to last year coupled with high manpower cost and closure cost of one site led by site rationalization efforts constrained profitability in the North American Region.

Though operating profitability in the Asia-Pacific region improved, net profit was lower due to higher interest cost. Consequently, the net loss is higher at Rs. 23.6 crores against Rs. 7.9 crores. Efforts are on to bring back profitability by enhancing operating efficiencies, increasing share of high paying KPO segment and migration to low cost locations. The business is expected to breakeven by the year-end and exit on term basis.

In the **garments** business, building sizable company controlled retailed presence is the key focus area, as the business believes this only will drive future growth. Under exclusive brand outlet formats, we opened 11 new stores across 34,000 square feet to reach a total number of 258 stores across 5.4 lakh square feet. In high-end apparel retailing format, Peter England "People", a mass family brand was launched. Five such stores were opened in Mumbai, Delhi, Gurgaon, Bangalore and Hyderabad at prime locations adding 60,000 square feet. The target is to launch five more such stores by year-end.

In the garments business, revenues grew by 12% from Rs. 200.6 crores to Rs. 224.3 crores. Weak consumer demand and higher discounting across the industry impacted top line growth in the business. Due to higher discounting and higher lease rental, performance of garments business was adversely affected.

The pre-launch expenses of stores in apparel retail subsidiaries caused loss of about Rs. 20 crores. This retail segment will take two to three years to breakeven.
Lower capacity utilization in the contract exports and efficiency issues impacted profitability. To bring contract export business to breakeven on the full year basis is key challenge taken by the company.

All our manufacturing businesses continue to do well.

In the **carbon black** business, we will be expanding capacity by 1,50,000 metric tons in two phases. We hope to complete the first phase of this expansion by October 2009 next year. Supported by higher volumes, revenues rose by 85% to Rs. 297.7 crores. Operating profit rose by 46% to Rs. 47.7 crore.

In the **fertilizers** business, revenues rose by 97% to Rs. 229.3 crores led by higher volumes. Volumes during first quarter of last year were impacted due to shutdown of 42 days for annual maintenance. Operating profit was more than doubled to Rs. 37.8 crores from Rs. 17 crores.

In the **insulators** business, we are expanding the capacity of the Rishra by further 12,000 tons in second half of the current financial year. Revenues in the insulators business rose by 8% to Rs. 90.7 crores led by higher realization. Business posted operating profit of Rs. 28.5 crores, operating margins at 31.4% and handsome return on average capital employed at 42.6%.

Despite, sluggish demand in VFY segment, the **Rayon** business achieved 29% revenue growth at Rs. 134.3 crores. Chlor-alkali industry performed well on the back of buoyant demand. The business posted 39% growth in operating profit at Rs. 37.6 crores.

In the **textiles** business, revenues from continued operations grew about 9% to Rs. 148.7 crores. Operating profit at 16.1 crore was marginally higher than Rs. 15.9 crores earned in Q1 last year.

Coming to the financial performance of the company as a whole, the company's consolidated revenues are up by 48% from Rs. 2,184.1 crores to Rs. 3,228.3 crores. The company's standalone revenues grew by 38% from Rs. 780.1 crores to Rs. 1,078.9 crores. The company's standalone net profit is up by 23% from Rs. 33.7 crores to Rs. 41.6 crores.

However, due to losses in the life insurance and garment retailing business, which we consider as an investment for future, there is a loss of Rs. 28.3 crores at the consolidated level against net profit of Rs. 94.7 crores obtained in the first quarter of the preceding year.

Most of our businesses are progressing well on the designed path to leverage growth opportunities. Aditya Birla Nuvo is optimistic about meeting the challenges of strategic growth initiatives and enhancing its revenues and earnings. The investments pumped more specifically in the life insurance, BPO and garments businesses, which have created a stretch on profitability in the short-term, will go a long way towards value creation for shareholder.

With this presentation, I now request the participants to address their questions, which can be handled by the senior management team present here. Thank you.

Question and Answer Session:

Operator:

Certainly, sir at this time, if you wish to ask a question, kindly press “star” “one” on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the “hash” or the “pound” key. I would repeat once again, participants who wish to ask a question, kindly press “star” “one” on your telephone keypad and wait for you name to be announced. I would repeat once again, participants who wish to ask any question, kindly press “star” “one” on your telephone keypad and wait for you name to be announced.

Our first question comes from Ms. Reena Verma from Merrill Lynch. Please go ahead.

Reena Verma:

Yeah. Can you hear me?

Adesh Kumar Gupta:

Yeah.

Reena Verma:

Well, thank you very much for the call and your time. Just a couple of questions, one is on the telecom side. Do you think you run the risk of being diluted as we look towards 3G auctions and other growth plans for Idea? And what kind of assurance can we get in terms of your protection of your interest there? And on your BPO business, is there any change in outlook and when do you think you will breakeven? And finally on your life insurance business, can we please just revisit your growth expectations for this year and also your investment plans for this year, please? Thank you.

Sanjeev Aga:

Yeah. Hi, Reena.

Reena Verma:

Hello sir.

Sanjeev Aga:

Well, I don’t know whether you are talking of Nuvo getting diluted or Idea getting diluted, I think as of consequence of 3G neither of the two. Because as I mentioned in our earnings call, after our proposed deal with Spice, we will be practically a zero-debt company. And we have existing large debt facility so it looks very unlikely that we will need to do anything of that nature.

Reena Verma:

Okay.

Adesh Kumar Gupta:

Mr. Dev Bhattacharya for BPO.

Dev Bhattacharya:

Hi, Reena. This is Dev here.

Reena Verma:

Hi, Dev.

Dev Bhattacharya:

Your question was regarding business outlook and when we will breakeven.

Reena Verma:

Yes.

Dev Bhattacharya:

The good news is that the huge staff that is integrating the two companies as a result of the acquisition is behind us. So there will be lot of strong growth and the sort of EBITDA improvement that we are seeing in the first quarter and going forward is encouraging. So as Adesh had mentioned earlier, we will exit the year positively.

Reena Verma:

So just to get it right, by the end of by March '09, you think you will have a positive EBITDA?

Dev Bhattacharya:

EBITDA is positive anyway. I am talking about net profit positive.

Reena Verma:

Okay.

Adesh Kumar Gupta:

Mr. Vikram Mehmi will take the life insurance.

Vikram Mehmi:

Hi, Reena this is Vikram.

Reena Verma:

Hello, sir. How are you?

Vikram Mehmi:

Good. You see as far the investment plan is concerned, in the last quarterly results, I had mentioned that there is a plan of investment of over Rs. 1000 crores by ABNL as its 74% share in current financial year. And with regard to growth expectations, we are focusing on building and continuing this momentum in the year. Our aim is to grow faster than market, so that we achieve our vision of coming in top three private players in the industry. And you can witness this from growth in the first quarter.

Reena Verma:

So in terms of putting a number to the growth rate, do you have a number which you expect for '09 and '10 in terms of premium growth?

Vikram Mehmi:

See, our industry growth expectation is about 45 to 50% in a three-year period. So we will have to perform better than that.

Reena Verma:

Okay. And are you seeing any slowdown in the growth on the back of the volatility in equity markets?

Vikram Mehmi:

Yeah. While there seems to be a slowdown in the overall industry, Birla Sun Life continues to grow faster then last year.

Reena Verma:

But slowdown in the industry is accounted for in the 45% to 50% guidance for industry growth?

Vikram Mehmi:

Yes.

Reena Verma:

Okay. Thank you very much.

Operator:

Thank you Ms. Reena. We have our next question from Ms. Pragati from Dun & Bradstreet. Please go ahead, ma'am.

Pragati:

Good afternoon, sir. My question is with respect to the garments business. I want to ask in the garments retailing you have incurred a net loss of about 20 crore. You say that this is basically an investment for the future. So when you expect to breakeven in this business? And my other question is -- what is the proportion of exports vis-à-vis the domestic sales for you? I think there has been a pressure on the exports front, and what is the future outlook with respect to, you know, the two divisions - exports versus the domestic?

Vikram Rao:

Yeah. Hi. This is Vikram Rao. Let me first take your second question first.

Pragati:

Okay.

Vikram Rao:

The garments exports business is a separate entity, it's a subsidiary.

Pragati:

Okay.

Vikram Rao:

As far as the export business is concerned, the strategy was to grow significantly in terms of volumes and market across the globe. And our business is serving the big leading brands whether it's Tommy Hilfiger, Menswear House and other popular brands like that in the US, which accounted for about 70% of our total business.

What has happened now is that, there has been a significant realignment in the overall strategic buying patterns as well as, the locations from which they would buy.

For example, a lot of retailers in the US are down stocking, the cost are becoming critical, very critical and even the supply chain side, I think we will see a lot of churn in Bangladesh, Cambodia, Vietnam and to the extent Indonesia becoming bigger supplier, Sri Lanka is impacted with an inflation of 28%, China has also been impacted to some extent because of its currency revaluation against US dollar and manpower costs. India doesn't have scale of that kind to meet some of these costs, et cetera, so this is a background scenario.

To come back to your question, we need to do a realignment of the country mix. We need to move from US into Europe. Its still offers a better value in terms of margins. We need to go into different value-added products. And we need to see what kind of capacity which we have and the kind of expansions, which we will do to ensure that we are able to fill up capacities with customers who will give us better margins. Does that answer the export…

Pragati:

Yes, sir. That means you will not be cutting down on exports rather thinking of capacity increasing only; only the mix is what you are planning to change?

Vikram Rao:

At this point of time, we will examine both customer-market mix and capacity in a way that they give us margins and which have optimum efficiencies to make it worth a while..

Pragati:

You have 12% growth in the exports business revenues to Rs. 43.8 croresin Q1FY09. Now that means in the future also we're expecting growth in similar lines or even more in the exports?

Vikram Rao:

Our capacity utilization is still lower than optimum. So when it hits an optimum of 60-70%, we will see higher growth.

Pragati:

Okay.

Vikram Rao:

On the branded garments retailing side; in the last one year Madura Garments business model has undergone a significant transformation and responsive to changing consumer behavior; I think it is important to recognize that Indian consumers are shifting away from conventional multi-brand, wholesale shops to exclusive brands stores and shopping malls and high street stores.

Pragati:

Right.

Vikram Rao:

Close to 60% came from wholesale channel during the last year or so. Madura needed to quickly build a strong, alternate distribution channel to maintain and further expand its market leadership. So as a strategic response to this, we have scaled up our direct retail presence through company stores in the last one year and has doubled from 2.6 lakh square meters to 5.4 lakh square meter in two years. That means for first 5 to 6 years, we only added 2.6 lakh square meters. And if in last two years itself we have double this capacity, amidst challenging real estate environment and increasing lease rentals. I think it is also important to mention that overall market situation in Q1 has witnessed weak consumer sentiments, partly driven by overall macroeconomic conditions, partly on account of factors like, absence of marriages and festivals. This has resulted in secondary sales slowdown for retailers, and to avoid higher inventory in rising interest costs scenario, they initiated early end of season sale.

But we expect a much stronger revenue growth when these retail set ups mature. A retail outlet takes about 22 to 26 months to breakeven on cash profit basis. As you has opened a store three months, six months, nine months ago, you get better response in terms of efficiency and cost and therefore returns. I believe that going forward the real estate slowdown will get us better deals to improve rental sharing. So we are going to look at these opportunity, so that when we build our retail, we will get a most significantly cost perfective model in context of rental to store revenue.

Pragati:

Sir, one more thing can you give the details of the present number of EBOs, and what is plan for the next year or rather next two years?

Vikram Rao:

We have about 258 stores…. We will be adding 1 million square feet across the premium, popular and super luxury brands put together.

Pragati:

Is there any specific focus on any particular cities, I mean is it -- it will be PAN India or concentrating more on the tier I or the tier II?

Vikram Rao:

It is related to brands for example Peter England would have PAN India or could be pan India tier I, tier II because there are significant potential in the mid price segment. As far as the premium brands like Louis Philippe, Van Heusen, Allen Solly and Esprit are concerned, these will be in tier I and tier II also in certain areas. Planet Fashion would go around tier III because of the way it is positioned as a multi brand outlet. And the super premium luxury ones will be in the top three or four cities.

Pragati:

Okay. Thank you, sir.

Operator:

Thank you, ma’am. Our next question comes from Mr. Kuldeep from Kotak. Please go ahead, sir.

Kuldeep:

Yeah. I just wanted to ask in the life insurance business is the cost structure growing in terms of our expense benchmark or standard we look at. Is that factor under control as what company is thinking?

Vikram Rao:

Hi, Kuldeep this is Vikram. Opex to premium ratio for Birla Sun Life Insurance is in line with industry.

Kuldeep:

Okay.

Vikram Rao:

We are at 22% and there are some players going up to 50%. Some players are in the range of 16% to 27%.

Kuldeep:

Okay. And you see any kind of modernization with cost structure or will it continue like this for some year now?

Vikram Rao:

As we scale up the business, cost will definitely come down that we are building up. So current year it maybe high but from next year, we expect the cost to come down.

Kuldeep:

Okay. Ideally, at what expense ratio you would like to run the company?

Vikram Rao:

Well, it depends upon what stage of growth you have entered. At a growth rate of 200% and as we are making investments in building up distribution infrastructure the expense ratio meets the standards. So once we achieve that capacity we are building up, cost will come down from next year.

Kuldeep:

Okay. Okay, fine. Thank you.

Operator:

Thank you, sir. Our next question comes from Mr. Avinash Agarwal of Sundaram BNP. Please go ahead, sir.

Avinash Agarwal:

Good afternoon, sir. Sir, in the insurance business, I just want to know it's the planning to disclose your VNB margins?

Vikram Rao:

Yeah. We are working on evaluation and other parameters for starting our disclosure, which we plan to do from next fiscal.

Avinash Agarwal:

Could you through some more light on the carbon black business in terms of how do you see the prospects in the next six to twelve month. The pricing in terms of the input cost pressures and off demand growth that, you are seeing in the markets.

Bharat Singh:

Yeah, this is Bharat Singh. Let me explain the impact of oil price increases, not only from the carbon black industry but also in the Tyre industry and in the auto industry. The worst affected is automobile industry, the second is the Tyre industry. But since the replacement market in the Tyre industry is pretty good. Therefore, the carbon black industry is the least affected. Cost And we are trying to takes steps to see as we can obtain in some pressures. Hope that answers your question.

Avinash Agarwal:

Yeah. Sir, what is the kind of arrangement you have with vendors of the CBFS and similarly what is that tie-up you have with the customers, in terms of passing input cost pressure.

Bharat Singh:

Okay. We buy CBFS directly so there is no intermediary. And therefore, we are in the position to buy substantially and get advantages of volume. On the price front with customers, we are well protected because the prices are passed on every three months in line with oil prices and the CBFS price.

Avinash Agarwal:

Fine. And literally what is the kind of inventory that you carry of CBFS.

Bharat Singh:

Three to six months is the maximum, three months is about the average. But when prices are really down then we go ahead and if we get a price then we buy a little more.

Avinash Agarwal:

Fine. And in terms of fertilizers business, is the management looking for expansion amidst new policy expectations which is on the cards?

Bharat Singh:

Yes. We are waiting for a stable and favourable policy to be announced for expansion. We will certainly take advantage of that and secondly we are also reconfiguring the business to be a total agri-input and agri-output business which will drive future business growth. This is the second year, where we have performed as agri-input provider to the farmer. Next year, hopefully we'll be able to come to you with the results of agri-output also.

Avinash Agarwal:

Okay. And as you talked about, what are the kind of volumes that you are going to.

Bharat Singh:

We are looking at the markets where we operate, where our brand, brand equity our distribution network, our office network is strong. Mainly UP, Bihar, Jharkhand and Bengal. At the moment we are restricting our focus in these markets, and we are looking at all agricultures produce from fruits, vegetables to food grain.

Avinash Agarwal:

Thank you very much. And wish you, all the best, sir.

Bharat Singh:

Thank you.

Operator:

Thank you, sir. Our next question comes from Mr. Pankaj Prasoon from Axis Bank. Please go ahead, sir.

Pankaj Prasoon:

Hello, sir. This is Pankaj from Axis Bank. And this is regarding financial services business. How are you going to ramp up in the future? And then my second question there were some report in the newspaper regarding that you are going to takeover Apollo Sindhoori. And one more question, is there any material plan of expansion that can be done in your fertilizer business?

Pankaj Razdan:

This is Pankaj Razdan here from Financial Services.

Pankaj Prasoon:

Yeah.

Pankaj Razdan:

In terms of ramp up of financial services, we are well on the growth path as per our design plan. And as a result, we have already generated one of the highest revenue growth in life insurance and as clearly indicated by Dr. Singh and Mr. Gupta that our vision is to be one of top three players in the financial services and whatever it takes to in terms to building either a customer franchise or distribution network, investments in building a management team, all are in certain place. In the phase one goal is to go and ramp up life insurance and mutual fund business, results are therefore for this quarter to look at as both of the businesses have outdone industry growth and being one of the top five players in the businesses. In the second phase, we are focusing ramp up of our distribution business and building our scale in our NBFC business.

The second question was on Apollo Sindhoori, I would say that we are looking at distribution as a very large integrated play and whatever it takes for us to grow both in terms of either organic or inorganic growth we will do it. I can’t comment on any of this speculator matters.

Bharat Singh:

Thanks, Pankaj. The new fertilizer policy has just being announced, but it hasn't been come to effect. The government has long, long procedure and we are closely following it, if that plan is implement we would be very happy. And we certainly, we poise to make out foray into this business.

Pankaj Prasoon:

Are you planning for any capacity expansion or like that?

Bharat Singh:

Well. The policy is as attractive, as its sounds to be, it would be worthwhile.

Pankaj Prasoon:

Okay. And one more question, what is the growth you are looking in your agri-business especially the seed and all?

Bharat Singh:

Well, we want to be a one point input provider for all our customers in the market that I have mentioned to you, mainly UP, Bihar, Jharkhand and Bengal. At the moment we are not able to cater to all their requirements of all inputs, which include seeds, as well as pesticides, plant nutrient and fertilizers. As you are aware we are only making urea and we have marketed wheat and raise wheat, we've not marketed the other varieties mainly for sugarcane. This year we are trying out corn, we aren't in vegetables, we will try and do that by the end of the year. So there is plenty of scope, we would like to capture the entire market.

Pankaj Prasoon:

Sir, are you going to plant or some R&D center in that region?

Bharat Singh:

We are already working with three large Central, Agricultural Universities. And the associations is very, very rewarding.

Pankaj Prasoon:

Sir, can you name that University?

Bharat Singh:

Well, Govind Vallabh Panth University is one of them; Acharya Namdev University is the other.

Pankaj Prasoon:

Okay.

Operator:

Thank you, sir. Our next question comes from Mr. Arun Jain from Shubam Capital. Please go ahead, sir.

Arun Jain:

Hello, Hello.

Bharat Singh:

Hello.

Arun Jain:

Yeah. Sir, my question pertains to the garments business, could you please give me some detail of rental you are paying, per square feet or for all this retail shops?

Vikram Rao:

See its difficult to give you a rental for example mid pricing segment, Peter England we were taking us door, if you take us door in the suburban area, the monthly rental could be in the rnage of 100 rupees per square feet and in our main location it could be higher than that in a Tier 2 town where it would be lower.

Arun Jain:

On an average, if you have any calculation?

Vikram Rao:

On an average, I think for premium brand, there would be plus or minus Rs. 130-150 per square feet per month. And for mid price brand it would be in the range of about Rs. 100-120 per square feet per month. These are averages.

Arun Jain:

Okay. Thank you, sir.

Operator:

Thank you, sir. Our next question comes from Mr. Ravindra Basu from Network Stock Broking. Please go ahead, sir.

Operator:

Thank you, sir. Next in line, we have a question from Mr. Mahesh M.B from Edelweiss. Please go ahead, sir.

Mahesh M.B:

Hello. Sir, just one question on the asset management business. Just want to understand what would be the indicative breakup of AUMs that you get between the banks, the institution segment, your IFAs and BSDL?

Anil Kumar:

Yeah. Basically, the IFA channel is the largest channel at about 35-40%. Next channel would be the National Distributors (ND) and the third would be the banks in that order. But they're more or less similar with slight higher percentage from the ND channel.

Mahesh M.B:

Okay. Sir, just in the NBFC company, your total capital-employed was 235 crores, whereas your loans against security is close to about 900 crores, am I right on these numbers?

Anil Kumar:

Yeah. This is only capital invested in that business and rest business is funded through leveraging.

Operator:

Our next question comes from Mr. Hardik Doshi from Voyager. Please go ahead, sir.

Hardik Doshi:

Hi. I just had two quick questions. One was on the insurance side, could you give us an idea to when you would expect to breakeven out there? And secondly, on your balance sheet, I see your debt to equity is now 1.9, so to what level are you comfortable in taking this up? Thank you.

Vikram Rao:

See, as you would know in the life insurance business the breakeven is a factor of how much you want to expand. And currently, we are in the distribution expansion mode and considering the payback of investment in insurance, our breakeven is a little away from today.

Hardik Doshi:

Okay. But can we expect like the quarterly loss rate start to tend down from now, I mean, do you think this is your peak or you think there could be a higher?

Vikram Rao:

No, in terms of quarterly business, you know, first quarter is normally about 10 to 12% in insurance and its keeps on growing quarter-after-quarter. So to that extend the loss will be in line with the growth of the business in the current financial year.

Hardik Doshi:

Okay. Got it. And just on your balance sheet, I mean, what is your…

Adesh Kumar Gupta:

On the debt equity side, actually what you are talking of 1.9 is consolidated.

Hardik Doshi:

Yes.

Adesh Kumar Gupta:

As you have noticed that we have large borrowings in Idea and that we are now getting Rs. 4,500 crore net from TMI investment and another USD 640 million from Providence, which will make Idea virtually debt free and debt equity ratio will come down considerably. Even on the standalone basis it is 0.7 only and we have always ensured that it has never exceeded 1.

Hardik Doshi:

Okay. Got it. Thanks.

Operator:

Thank you, sir. The next question comes from Mr. Avinash Agarwal from Sundaram. Please go ahead.

Avinash Agarwal:

Sir just one clarification and you are talking about your agri-input business. Just wanted to understand do you have plans to maintain manufacturing too or just the distribution side of the business?

Bharat K. Singh:

Marketing side of business.

Avinash Agarwal:

Both you are seeds and pesticide?

Bharat K. Singh:

In all agri-inputs except fertilizers we are planning to be only in the marketing side of business.

Avinash Agarwal:

Okay, sir. Thank you, sir.

Bharat K. Singh:

All right.

Priya Rohira:

Thanks to all the participants for joining us for this concall. On behalf of Enam Securities I would like to thank the senior management team at Aditya Birla Nuvo for giving us strategic insights on the growth plans of the company. And we wish them all the best. Thank you.

Adesh Kumar Gupta:

Thank you all for handling this conference so beautifully. Bye-bye.

Operator:

That does conclude our conference call today. Thank you for participating. You may all disconnect now.

END