Aditya Birla Nuvo Limited

FY2009-10 Earnings Call

May 7, 2010

MANAGEMENT TEAM: MR. SUSHIL AGARWAL – CFO, ADITYA BIRLA NUVO
MR. AJAY SRINIVASAN – CEO, ADITYA BIRLA FINANCIAL SERVICES
MR. PANKAJ RAZDAN - DEPUTY CEO, ADITYA BIRLA FINANCIAL SERVICES
MR. PRANAB BARUA - BUSINESS DIRECTOR, GARMENTS AND TEXTILES
MR. DEEPAK PATEL- CEO, BPO AND IT SERVICES
MR. MANOJ KEDIA - PRESIDENT AND DEPUTY CFO, ADITYA BIRLA NUVO
MR. MAYANK BATHWAL – CFO, BIRLA SUN LIFE INSURANCE CO. LTD.

Moderator Ladies and gentlemen good afternoon and welcome to Aditya Birla Nuvo's earnings call for discussing FY10 results. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should any one need assistance during this conference call, they may signal an operator by pressing * and then 0 on their touch-tone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sushil Agarwal CFO of Aditya Birla Nuvo, thank you and over to you Mr. Agarwal.

Sushil Agarwal Thank you Rochelle, Good afternoon and welcome to the earnings call on FY10 results of Aditya Birla Nuvo. I have with me Ajay Srinivasan – CEO of Aditya Birla Financial Services, Pankaj Razdan – Deputy CEO of Financial Services, Pranab Braua – business head of Garments and Textiles, Deepak Patel – CEO of IT-ITeS business, Manoj Kedia – President & Dy. CFO, Aditya Birla Nuvo and Mayank Bathwal – CFO, Birla Sun Life Insurance.

Let me begin with ABNL's key achievement vis-à-vis its business-wise strategy.

In financial services our vision is to be leader and role model with a broad base and integrated business. In line with its vision, Aditya Birla Financial Services' combined revenues grew by 23% to USD 1.25 billion during this year and AUM rose by 42% to USD 18 billion and as I speak it is in excess of USD 20 billion. Our maiden Aditya Birla Private Equity fund closed at a size of about USD 200 million.

In telecom our endeavor is to build sustainable competitiveness while maintaining growth momentum. During the calendar year Idea increased its revenue market share from 11.4% to 12.7%. Even in its 11 established service areas the share increased from 17.5% to 18.8%. Idea is now Pan-India player and have added 1/3rd of its subscriber base in FY10 itself to reach around 64 million.

In IT-ITeS business, our focus is on augmenting capabilities and building strong order book with a focus on bottom line. Accordingly, Aditya Birla Minacs acquired UK-based Compass to strengthen its F&A capabilities. It posted EBITDA at about Rs.105 crores which is an improvement of over Rs. 100 crores from last year.

In garments business, the focus is on capitalizing expanded retail space to achieve profitable growth. There is an improvement of around Rs. 150 crores in EBITDA, led by sales growth, cost rationalization and better working capital management.

In manufacturing businesses, we are focusing on capturing sector growth and realizing full potential. Combined together, they have posted highest ever EBITDA at Rs. 748 crores achieving 29% growth.

Our continuous pursuit of objectives led to consistent improvement in earnings. Consolidated net sales crossed USD 3.5 billion mark. We have achieved highest ever EBITDA of Rs.1686 Crores, which almost doubled year on year. Aditya Birla Nuvo made a strong come back and turned positive at consolidated net profit level reflecting a swing of around Rs. 600 crores. Our performance has shown consistent improvement quarter after quarter. All these have led to strengthen balance sheet.

On standalone basis, total debt excluding working capital borrowings are Rs. 2800 crores, lower by Rs. 850 Crores over last year. Our net debt to EBITDA is at 4.1 and net debt to equity is at 0.7. Considering the business and revenue mix of Aditya Birla Nuvo, with strategic investments of around Rs. 5500 crores, these ratios are at reasonable level.

I will now cover business wise highlights starting with financial services.

With the launch of Private Equity Fund and earlier acquisition of broking company, Aditya Birla Financial Services is now a large non-bank financial services player with a presence across a wide spectrum of financial services space. Our combined revenue grew by 23% to around Rs. 5900 crores while combined AUM rose by 42% to over Rs. 82,000 crores. Net profit is more than double excluding life insurance business. The business is anchored by over 16,500 employees and trusted by 5.5 million customer, it has a nationwide presence with more than 1550 branches and over 2,00,000 channel partners.

Total premium income of Birla Sun Life Insurance grew by 20% to Rs. 5500 crores. Its product suite is completely revamped in line with IRDA guidelines relating the cap on the charges. New business premium grew to around Rs. 3000 crore, while renewal premium grew by 45% to about 2550 Crores. Individual life policies grew by 28% to over 1.8 million. With the increasing size of renewal premium and better expense efficiency net loss has reduced from Rs. 702 Crores to Rs. 435 Crores and capital infusion has reduced from Rs. 725 crores to Rs. 450 crores. Peak capital requirements seem to be over for the life insurance business. Its AUM grew by 76% to over Rs. 16,000 crores and all of it is ahead of its set benchmark.

Our asset management business completed 15 years of wealth creation. Its total average AUM registered 34% growth and stood at over USD 14.5 billion. Importantly, its equity AUM has more than doubled to Rs.13,500 crore. It ranked among top three equity mobilisers with net sales of over 2,000 crores. It recorded highest number of funds in four and five star categories throughout the year on the back of strong investment performance.

Let me now cover Telecom business. Idea is now a Pan India player and ranks 3rd in terms of wireless revenue market share at 12.7%. Importantly it ranks 2nd with over 21% revenue market share in 9 service areas where it holds 900 MHz spectrum and industry derives around 50% of revenue from these 9 circles. Idea also achieved its highest ever yearly net adds to reach around 64 million subscribers. Share of Value added services in revenues grew from 9.5% to 12.4%. Its cash profit grew by 31% to over Rs. 3050 crores. Net profit also grew from Rs. 880 crores to Rs. 950 crores even after absorbing competitive pressure and launch of 7 new circle areas. With net debt equity of 0.60 and net debt to EBITDA of 1.8 Idea has a strong balance sheet to support future funding growth.

In IT-ITeS business, Aditya Birla Minacs acquired Compass to build capabilities in fast growing F&A segment. Though its top line remained constrained due to lower business from few clients suffering slow down, it has built a strong sales pipeline of USD 1 billion benefit of which will accrue going forward. To support the growth it added about 2,000 seats and over 3,000 employees during the year. Continuous cost rationalization effort have yielded results and business posted EBITDA at Rs.42 crores vis-à-vis a loss of around 64 crores last year.

Madura garments turned EBITDA positive before store closure cost on a full year basis while revenue grew by 12%. Manufacturing Businesses combined together have achieved highest ever EBITDA at Rs. 748 crores posting 29% growth. Both return on average capital employed and operating margins of these businesses have shown significant improvements to reach 27.1% and 20.1%.

Now I will cover financial performance. On a consolidated basis ABNL's net sales grew by 8% to over Rs. 15,500 crores. This growth was led by financial services, most of which has come from life insurance business. Telecom was second largest contributor. A 23% decline in realized rate per minute, was more than compensated by 45% rise in total minutes of usage. In the IT-ITeS space, though top line remained under pressure during current year we are confident that the strong order book and sales pipeline build will benefit going forward. Like to like store growth and rational retail space expansion contributed to revenue growth in the garments business. Almost all the manufacturing business have achieved good volume growth, however combined revenue marginally de-grew, this was largely because peak input and fuel prices prevailing during last year lead to higher subsidy in fertilizer business.

EBIT has grown from Rs. 9 crores to Rs. 684 crores led by financial services followed by manufacturing business. Profitability in the telecom business was subdued due to competitive pressure on the realized rate per minute and launch of remaining 7 service areas. Thrust on cost rationalization efforts drove bottom line improvement in the IT-ITeS space and the garment business. Collectively, manufacturing businesses posted their highest ever profitability.

Coming to net profits, which shows strong come back and swing of Rs.600 crores. The largest contribution to the net profit growth has come from the operations. Interest expenses decrease led by repayment of loan in the telecom business and working capital rationalization in the manufacturing businesses. Depreciation grew largely due to expansion in telecom businesses, as a result the company has posted a net profit of Rs.155 crores compared to net loss of Rs.436 crores incurred in previous years reflecting a strong comeback.

With this I conclude a brief overview of the company's performance, we will be happy to answer questions which you have.

Moderator Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Mansi Sajeja of SBI mutual fund, please go ahead.

Mansi Sajeja Sir on your consolidated results we see an impairment of Rs. 112 crores on the Idea and Spice overlapping licenses, can you just throw some light more on this, what is the total amount and in future also this impairment will be coming?

Manoj Kedia This amount is ABNL's 25.38% share in total impairment loss. This has been debited to profit and loss account and set off with an equivalent amount withdrawn from securities premium account and hence on a net basis there is no impact on bottom-line.

Mansi Sajeja Okay so this is one time item?

Manoj Kedia Yes it is a one time item.

Mansi Sajeja This Rs. 112 crores is 25%, so the total impairment would be Rs. 450 Crores?

Manoj Kedia Yes.

Mansi Sajeja Okay and this is appearing in your P&L as some other expenses or something?

Manoj Kedia Yes.

Mansi Sajeja Okay and so we can also see full amount in the Idea balance sheet also?

Manoj Kedia Yes.

Mansi Sajeja Okay sir thank you.

Moderator Thank you. Participants who wish to ask a question may please press * followed by 1 at this time. Our next question is from the line of Ajitesh Nair of UBS Securities, please go ahead.

Ajitesh Nair Hi thank you for taking my questions sir. This basically pertains to the life insurance business, how do we see the landscape revolving going ahead particularly in FY11. Is Q4 something of a signal to go by or do you think we can definitely improve on that?

Sushil Agarwal Mayank you want to take this question?

Mayank Bathwal I would like to address this question by first explaining what really happened in the Quarter 4 and then come to some discussions on the way forward. In Q4, there was a transition to the new products post IRDA's regulation on 'Capping Of Charges' on ULIP products. As an organization we took a call that we will go ahead with full implementation of the regulation in spirit and our entire product portfolio was revamped and re-launched effective January 1, 2010. We therefore launched a slew of innovative products with new and value-added features. Transition to a completely new product portfolio requires a lot of adaptation and training which takes time considering our large agency force of over 169,000 advisors and given the magnitude of the changes in our product features. We had clearly factored that there will be some impact in the first three or four months of the new product launch in this quarter and therefore this was not totally unexpected. As the new products penetrate further across the sales force with continuous distributor engagement and initiatives, we should clearly start seeing the delta in terms of the productivity improvement and the acceptance of the products by advisor force and the ultimate customers.

The other thing was that we had also said that we will like to maintain our margins. Whilst we are not in a position to declare the numbers right now and as we did last year, we will come to you shortly with the numbers after they have been reviewed by an independent firm. We took a call that we will go for products which helps us in maintaining our margins by focusing on quality and writing more long-term business and adding features which are innovative and profitable.

Thirdly, with the new guidelines, the customer segment with premium size of less than Rs. 10,000 became unviable. To manage that we have already launched a new traditional product earlier this month, it was launched on 3rd May as we did not want to launch that product in the last quarter, given the whole range of new ULIP product that we had already launched. So, we took a call of nipping that particular segment which forms about 10% to 15% of our product portfolio and that we should be able to do better with the launch of the just launched new traditional product. We are in the stage of increasing the portfolio size in terms of non-unit linked products as we move ahead through the year.

So, that was as far as quarter four is concerned and we are very sure that as we move ahead, the transition period would be done away and sales would pick up. We are also very sure of our product competitiveness in each of the segments and that these products will continue to cater to customer benefits and will lead to growth in the future period.

Now, coming to the way forward, from medium to long-term perspective our confidence in the potential of the life insurance segment remains as positive as it was earlier and we do not see any impact there. We are also hopeful that if the whole matter between the two regulators, SEBI and IRDA gets resolved quickly. The industry should not be impacted in a material way as we move ahead through the year. April, May June typically is a non-peak quarter, so it is too early to say whether there will be a material impact but we continue to remain bullish on the future potential of sector.

Ajitesh Nair Sure sir that is very helpful, but do you have any number or growth in mind that you would be targeting for this year in the premium side

Mayank Bathwal On a more stable basis, we typically expect about 2 to 2.5 time GDP growth in the sector and our target has been to grow faster than the industry.

Ajitesh Nair Sure that is sensible enough sir. Thank you so much.

Moderator Thank you. Our next question is from the line of Nillai Shah of Morgan Stanley, please go ahead.

Nillai Shah Thank you. Sir, in terms of the changes that you undertook to comply with the IRDA regulations, the question is why did you choose this peak quarter, why not the next quarter like other players who do not seem to have affected as much?

Mayank Bathwal Yes, that is a good question. We also looked as this as an opportunity to add value-added features in our product portfolio. Also, once you have gone ahead with the transition of the product portfolio, it is then difficult to go back in another three to six months' time with another set of products to the large advisor force. We believe that is too big a transition and in our own assessment that was not the right step to take. What we did may impact for a quarter and I do not think a quarter is too longer period given the fact that we are in the process of setting up long term sustainable business model.

Nillai Shah But this is also in contrary to the fact that through past few conference call, you always maintained that this cap on charges would not have a big impact in terms of your products because most of your products were very compliant with it, so what has changed?

Mayank Bathwal There are two objectives here for changing product structure; one is to be compliant with the cap on charges regulation. Other is that we have already been contemplating to make some changes in our product design and extend product benefit for customers as well as shareholders. We utilized this opportunity to carry out both the objectives. I will be happy to share with you and explain to you changes that we have made in our products and how these products are now more competitive from our customer's perspective and therefore we clearly intend to maintain our product innovation edge.

Nillai Shah The second question is in terms of the tussle between SEBI and IRDA. In your view what can be the worst case outcome in terms of impact on your margins?

Mayank Bathwal At this stage we are not in a position to comment on going discussions, we would like to await the outcome.

Nillai Shah Let me ask you in different way, in your first year commissions are about 30% of the premiums right?....

Mayank Bathwal On an average it is about 16% to 17%.

Nillai Shah Okay so if I assume that this goes to zero and like in the AMC business, you have to subsidize a part of this internally, what could be the potential impact on margin. Will it reduce from 20% to say 17%, 18%, 16% just a ballpark number, would be very helpful?

Mayank Bathwal Well, that is a hypothetical question at this stage so I would like to say that we would like to await the outcome, we would not like to comment on situation which we feel is hypothetical at this stage.

Nillai Shah Okay thanks.

Moderator Thank you. Our next question is from the line of Darshana Joshi of Sahara Mutual Fund please go ahead.

Darshana Joshi Yes good afternoon sir. There were some articles saying that Aditya Birla Group textile business would be classified into a separate company, so even our textile division, will get into that, can you just clarify on that front.

Pranab Barua No, I am not aware of it, we are actually not aware of which article are you referring and clearly there are no plans.

Darshana Joshi No plans, okay thank you.

Moderator Thank you. Our next question is from the line of Vivek Doval of Boyer Allan Investment Management please go ahead.

Vivek Doval Hi, just a very quick question. I just want to know whether reductions in commission rates that have been proposed by the SEBI are they just for the ULIP products or are they for all the insurance products? And second, in the meantime are you being restrained from actually selling these products or you still sell the products in the interim?

Mayank Bathwal Firstly there is no proposal for any reduction of commission from any authority as of date. Secondly, business is as usual for us and we continue to sell all our existing products.

Vivek Doval In terms of the current discussions between the IRDA and the SEBI, have you got any visibility from regulators and by what time this might actually be resolved or will take time?

Mayank Bathwal No, we will not be able to tell you that what is really happening right now, we are not in a position to comment on that at this stage.

Vivek Doval Okay thank.

Moderator Thank you. Our next question is from the line of Vishal Biraia of B&K Securities, please go ahead.

Vishal Biraia This question will be firstly on the garment's EBIT margins that have dropped compared to Q3FY10, if you could throw some light on that?

Pranab Barua In this particular quarter, there were some store closure costs due to exit from unviable store, benefit of which will accrue in coming quarters. Partly due to that and again it depends on the season to season, quarter to quarter, you need to see it on a full year basis, there has been a major improvement in terms of EBITDA margin as well as EBITs margin and basically it is driven by cost reductions and top line growth.

Vishal Biraia Sir, if you could specify something on the retail space that we have currently and what was it last quarter and what was in the same quarter last year?

Pranab Barua Yes we had about 7.5 lakhs square feet of retail space in the beginning of the year and net space addition, i.e., net of closing of stores, was over 50,000 square feet. We ended the year with just over 8 lakhs square feet. We opened about 80 odd stores and closed about 35 odd stores.

Vishal Biraia So, the proportion of sales through all stores, malls, have the proportion changed or?

Pranab Barua Total retail sales constitute to about 50% and the balance 50% is through trade outlets as well as the department store and as far as between malls and high street the proportion is approximately 50-50.

Vishal Biraia This proportion has not changed significantly between FY09 and FY10?

Pranab Barua No.

Vishal Biraia Sir, similar the reason that you explained for the garments business seasonality, is it applicable to Rayon also?

Sushil Agarwal No.

Vishal Biraia So, the Rayon EBIT has also declined and the margins have also declined compared to Q3FY10, so could you specify some specific reasons.

Sushil Agarwal During Q4, prices of wood-pulp, which is key input for VFY, have increased by 15-20%. Prices of another input Sulphur have also increased. That has impacted since the pass on is not immediate in this business.

Vishal Biraia Okay and what about Carbon Black, the question on margin sir? YoY you have improved profitability significantly, but compared to Q3FY10 there is a dip?

Sushil Agarwal That is because in quarter three we were having higher input price advantage as compared to current quarter because crude oil to which price of raw material is linked, has moved up relatively sharply in the current quarter, that is why slight margin decline.

Vishal Biraia Few more questions, sir. Did we get any IPP realization from urea?

Sushil Agarwal Yeah we have booked but that is lower as compared to last year because the exchange rate has also reduced and there was some change in calculation methodology as notified by the governing body.

Vishal Biraia Right sir. The price at which you have got IPP, it is the fourth quarter price or we have taken average for the full year?

Sushil Agarwal Yes average of full year.

Vishal Biraia Okay, sir out of the Rs. 82,000 crores of AUM that we have in financial services combined together, could you specify what portion of it is in equity approximate percentage would be fine?

Sushil Agarwal Around Rs. 20,000 Crores is equity.

Vishal Biraia Thank you.

Moderator Thank you. Our next question is from the line of Veekesh Gandhi of DSP Merrill Lynch, please go ahead.

Veekesh Gandhi This question is on insurance, just noticing that your EBITDA level losses are significantly down quarter-on-quarter on the insurance business, so I guess one could be the growth has been very much slower in the fourth quarter, which was explained but any other reason for that?

Mayank Bathwal Yes, as the in-force book grows, profitability increases because it increasingly offsets the strain caused by new business strain. If you look at overall premium growth we will find that the contribution of renewal premium to the revenue is gradually increasing, that is clearly a reflection of a move towards break even.

Veekesh Gandhi Okay alright thank you.

Moderator Thank you Mr. Gandhi. Our next question is a follow up from the line Nillai Shah of Morgan Stanley, please go ahead.

Nillai Shah Actually this question is for Ajay, I was just understanding in terms of your entire financial services gamut and your entire offering, are you seeing any synergy benefits accruing to you across entire financial services portfolio?

Ajay Srinivasan Can you just repeat the question Nillai?

Nillai Shah In terms of you spreading yourself over the entire financial services portfolio ex-asset management, do you see any strong benefits accruing in terms of profitability for each of your businesses ex-AMC?

Ajay Srinivasan Why did you leave out AMC I did not understand but broadly we see a lot of synergy across the businesses. We see synergy in our technology platform because we have the ability to spread that across the entire spectrum, we see synergies in terms of providing career opportunity to people if you have 7-8 lines of business. We definitely see synergies in both distribution and customers acquisition because lots of our corporate customers are similar, a lot of high network customers are common. There are several synergies and as long as your product and services are not overlapping the needs of customers then there is a huge benefit there

Nillai Shah Are your advisors also common to each of these businesses, I mean are the AMC advisors also advise for Life Insurance?

Ajay Srinivasan Some of them are, at the top end of the market there are definitely guys who are common across the offerings.

Nillai Shah Ok. In terms of reduction in loss in the insurance business, is there any increased visibility over breakeven for F11 or F12?

Ajay Srinivasan Clearly if you see the trend, it is an indication that we are fast moving towards breakeven, but again a lot of that is also dependent on the kind of growth we are going to see in future. But yes, we are coming very close to break even.

Nillai Shah Right and is the growth factor which was under pressure for this last quarter because of the changes in the regulatory and the scheme, is it all behind us now or we will see some issues going through in the first quarter also?

Ajay Srinivasan As Mayank mentioned earlier on the question that it was a transition issue we are now done away with, so that impact has gone.

Nillai Shah That has gone, okay perfect thanks so much.

Moderator Thank you Mr. Shah. Our next question is from the line of Reena Verma of Merrill Lynch, please go ahead.

Reena Verma Yes hi thank you very much for the call, just a couple of questions. One is Mayank said that business is as usual for the insurance segment and guided to 2 to 2.5 times GDP growth which is pretty much similar to what you have delivered in FY10, but I just wanted to know in that case, why is the funding requirement is lower compared with what you have in FY10 that is my first question. My second question for Ajay is really, if he can just comment qualitatively on what has changed in terms of business strategy as growth expectations and the sector has changed, so we used to hear a lot about distribution and points of sale, are you now looking at things differently and what really has changed. Finally, any broader comment from Mr. Agarwal about the balance sheet health in the overall entity, are you feeling still that you need to take down the debt servicing ratios to more comfortable levels, or are you okay around these levels that is it thank you.

Mayank Bathwal On the first one, capital requirement is linked to accounting profit or loss which you incur and if you look at our numbers for this year, our losses have come down significantly so if that trend continues we do not foresee a large capital requirement to fund the growth aspirations.

Reena Verma Even though your premium growth expectation is not changing?

Mayan Bathwal Yes, because the in-force profit now became a significant part of our P&L and taking care of the future funding requirements.

Ajay Srinivasan Existing book has grown as well, right so although we are growing the new business the existing book is showing off much more profitability, that obviously reduces our need for the capital. On your second question, it is really a function of the stages of growth we operate into. Two-three years ago we did not have the distribution infrastructure on ground. Our focus was on just building the distribution infrastructure. Once we got 600 branches in life insurance we think we have got a good distribution base in life insurance and we have around 110 offices in AMC. In addition to this we have close to 800 branches and franchisees in Aditya Birla money. We know there is some amount of incremental expansions but now our focus is on driving efficiency and productivity across the channels that we have, that is the shift you see in our strategy. That we will be looking to drive much more synergy and much more productivity and efficiency through our existing network.

Reena Verma Sir, does that mean from what you are telling me and what Mayank said earlier that we should now start evaluating the life company from the loss levels or profit levels that you report hereon because I am just wondering if next quarter again you show a bigger loss and then complement yourself based on the growth rate in the premium, so from a consistency standpoint should we now start tracking the profit matrix more carefully?

Ajay Srinivasan Yes I think that trend will definitely continue that we have seen this year which is a clear indication about our breakeven

Reena Verma Okay thank you.

Sushil Agarwal Just to answer your third question on health of the ABNL's balance sheet. On standalone balance sheet, as you have seen in the current year there has been a repayment of the loan of about Rs. 1000 Crores supported by promoter infusion and improved earnings. Our debt to EBITDA has improved, debt equity level has improved. As we speak we have cash on the balance sheet of about Rs. 325 Crores. We have around Rs. 500 crores cash coming from the operation every year. We expect balance promoter infusion Rs. 425 crores in the running year. These all put together would be around Rs.1250 crores. Against that in the current year we will spent around Rs. 300 crores on capex and a broad investment of around 150-200 crores which includes 150 crores towards life insurance. So clearly there is a scope for further reduction of debt which other than working capital is around Rs. 2800 crores as we closed in March 10. That should further reduce by around Rs. 400-500 crores during the running financial year. Directionally the balance sheet looks healthier than what it was may be 18 months back.

Reena Verma Yes thank you very much for that. Just couple of housekeeping questions, one is you do not have a slide on CapEx in the current presentation and second on your working capital, I am not sure if I am looking at the right numbers but the consolidated net working capital is up quite significantly, should I care about it?

Sushil Agarwal Capex guidance has been mentioned in slide number 24, where broadly we have mentioned that in the running financial year, Rs. 300 Crores will be spent out of which Rs. 150 Crores will be maintenance capex. Out of project capex of balance Rs. 150 Crores, we have CapEx commitment of Rs. 150 Crores towards planned caustic soda capacity expansion, part of which would be spent during running financial year and part would be spent in the next financial year. There is some carryover of Carbon Black capacity expansion included which will be spend by May 2010 end. There is some capex lined up to be spent in garment business for opening of new stores.

Reena Verma Sir and on the working capital increasing and that is my final question?

Manoj Kedia The increase in consolidated working capital is largely on account of NBFC business where book size has been doubled in the reported year while keeping the borrowings at the same level. In the previous year, book size was cautiously reduced to manage downturn in the financial markets.

Ajay Srinivasan I can add to the point that Mayank had made on your question about what should we be tracking for life insurance business. Our view is that the long term value of your business and the long term nature of the business do not change so you still need to look at the embedded value, but obviously you would start seeing the signs of realizing that embedded value in terms of accounting profits. Though I do not think it is the time to look at DCF analysis for this industry because I still think there is growth ahead.

Reena Verma Okay thank you Ajay that is helpful but I meant more in the short term should I be looking at quarter-on-quarter improvement because Mayank has been saying that even as you maintain growth rates you will move towards breakeven?

Ajay Srinivasan You should look at our trend, unless we have substantially higher growth than what we are forecasting, this trend should definitely continue.

Reena Verma Thank you very much sir.

Moderator Thank you Ms. Verma. There are no further questions at this time. I now hand the conference over to the management for their closing comments.

Sushil Agarwal Thanks for taking up this call and if there is any question which you want to take offline we will be happy to answer those questions.

Moderator Thank you. Ladies and gentlemen any investor query can be directed to Mr. Saket Shah, Group Investor Relations or Mr. Romi Talwar of Aditya Birla Nuvo. On behalf of Aditya Birla Nuvo that concludes this afternoon's conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines.