# Aditya Birla Nuvo Ltd.

## Transcript of Q3FY13 earnings call held on 14th February 2013

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- Mr. Sushil Agarwal – Whole time Director & CFO, ABNL
- Mr. Ajay Srinivasan – Chief Executive, Aditya Birla Financial Services
- Mr. Pankaj Razdan – Dy. Chief Executive, Aditya Birla Financial Services
- Senior Management Team, Aditya Birla Financial Services
- Mr. Ashish Dikshit, CEO, Madura Fashion & Lifestyle
- Mr. S. Visvanathan, CFO, Madura Fashion & Lifestyle
- Mr. Deepak Patel, CFO, IT-ITeS business

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**Moderator**

Ladies and gentlemen good day and welcome to the second quarter earnings conference call of Aditya Birla Nuvo. As a remainder, 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 you need assistance during this conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand over the conference to Mr. Sushil Agarwal, the Whole Time Director and CFO of the Company. Thank you and over to you.

**Sushil Agarwal**

Good afternoon and welcome to the Q3 earnings call of Aditya Birla Nuvo. With me I have Ajay Srinivasan, Chief Executive and Pankaj Razdan, Dy. Chief Executive of Aditya Birla Financial Services along with the senior management team. Ashish Dikshit, CEO and S. Visvanathan, CFO of Madura Fashion & Lifestyle. And Deepak Patel – CEO of the IT-ITeS business.

I will quickly take you through the key highlights of the quarter.

While top line growth of Aditya Birla Financial Services remained muted given the economic environment, it has posted a strong growth in its assets size and profitability. It has improved market share in most of the businesses and on a consistent basis. The book size of the NBFC business has more than doubled year on year to reach ₹ 6,500 Crore.

Idea has won back spectrum for all 7 service areas where its licenses were cancelled by the Supreme Court last year.

The Fashion & Lifestyle business recorded overall revenue growth of 19%. Like to like growth at 9% during the quarter is encouraging compared to flat growth registered in the first half year.

The IT-ITeS business continued to report good earnings growth even on constant currency basis.

Manufacturing businesses registered growth in combined EBITDA despite earning pressure in the Carbon Black business. The Company has expansion plans in the Rayon, Textiles and Agri business. New VFY capacity is expected to go on stream in the month of March. Expansion in the linen segment is targeted by mid of the next financial year. It will increase existing yarn and fabric capacities by around 50%. The Board has approved proposal for urea brownfield expansion, subject to government approvals. The proposed capacity of around 1.3 million tons per annum will entail a capex of around ₹ 4,000 Crore. It will be set up at the existing plant location in UP where Land is already available. It will be ideally located in the heart of Indo-Gangetic plains and near to the urea deficit North Eastern India region. Besides, Birla Shaktiman enjoys top of the mind recall among farmers in the area. Major approvals are in place. Final approval is awaited from Department Of Fertilisers. Approval for allocation of natural gas is awaited from Ministry of Petroleum & Natural Gas.

Coming to financial performance. During the quarter, ABNL posted a growth of 10% in revenue. Its EBITDA rose by 29% to ₹ 1,090 Crore and net profit surged by 28% to ₹ 323 Crore. Revenue growth was mainly led by Agri, Telecom, and Fashion businesses. Profit growth was driven by Financial services, Telecom and Fashion businesses. Debt has increased due to higher Working Capital largely on account of higher outstanding subsidy.

Coming to business wise performance. Financial services topline de-grew marginally. New business premium growth remained impacted for Birla Sun Life Insurance as well as other non-bank backed life insurers. However, Asset Management and NBFC businesses witnessed strong revenue growth led by increase in AUM and lending book respectively. Aditya Birla Financial Services posted a strong growth in its assets under management and profitability. Most of the businesses improved their respective market share. Lending book growth in the NBFC business has been contributed by all the segments. Contributed by all the businesses, quarterly earnings before tax of Aditya Birla Financial Services grew year on year by 57% to ₹ 215 Crore. Nine months EBT at ₹ 612 Crore grew by 35%. Going forward, strengthening product suite will be key focus area in the life insurance business. Birla Sun Life Insurance has recently launched 4 new products to augment product offerings.

Idea Cellular has posted a decent growth in its earnings despite regulations impacting subscriber acquisition. Net profit rose by 14% after absorbing increase in network costs and higher depreciation on account of expansion. With the fifth consecutive quarter of free cash flow generation, Idea’s balance sheet continues to support its growth plans.

Madura Customer footfalls have shown improvement due to festive season. This benefited Madura, being a market leader, and it posted strong growth in revenue and profitability. Madura has exited distribution tie up with Esprit and closed all Esprit stores. Hence the performance has been given excluding Esprit to focus on continuing operations. Excluding Esprit, Madura posted 32% growth in EBITDA. EBITDA margin of the branded segment has improved to 12.1%. Business earned annualized ROACE of 25% during the quarter and 20% in nine months.

In the latest update on the Pantaloons Transaction, the shareholders of Pantaloons Retail India Ltd. have approved the scheme. The Competition Commission of India has approved the transaction. Now we are awaiting approval from the Bombay High Court.

Minacs posted good growth in the earnings even on constant currency basis driven by conversion of order book. During the nine months period, net profit doubled to ₹ 87 Crore. The business is generating cash profit to fund capex is working capital requirements.

Manufacturing Revenue growth during the quarter was largely driven by higher trading of imported fertilizers. While earnings in the Carbon Black business remained under pressure due to cheaper imports and lower off-take from tyre manufacturers, the Rayon and the Insulators businesses contributed to growth in the profitability. Going forward, the capacity expansion in the VFY and Linen segments will add to the earnings. And with the levy of safeguard duty, carbon black and Insulators businesses should also see some improvement in the coming quarters.

To summarise, ABNL registered strong earnings, despite few business being affected by current economic environment. The Company will continues to scale up and has plans to expand businesses with long term growth potential which will augment earnings in the future. With this I come to the end of my presentation. We can now open session for questions and answers. Thanks.

**Moderator** Ladies and gentlemen we will now begin the question and answer session. The first question is from Anubhav Adlakha from BOA Merrill Lynch.

**Anubhav Adlakha** My questions are pertaining to the life insurance business, could we just throw some more light on what happened, why is the top-line degrowing in this quarter?

**Ajay Srinivasan** It is a function of a couple of things. Firstly, the new product approvals that are coming from the regulator; so for most of the nine months we did not have any of the new products that we had applied for. These products approvals have only come in the December end in the current quarter. And secondly I think the general sentiment overall in the industry has been muted, so it is pretty much in line with the economic environment. If you look at most of the non-bank players you would see a similar trend in all of them. So it is partly an industry issue and partly specific to each company depending on what products they have in their basket and what they don't.

**Anubhav Adlakha** Since the profitability has jumped while the top-line is down, would it be fair to assume, that in the coming quarters, if we see an uptake in premium inflow the profitability might come down?

**Amit** There could be some pressure due to new business strain but it will not be significant because large part of our portfolio is traditional products where new business strain is relatively lesser.

**Ajay Srinivasan** Also relative to the past, new business strain has reduced. Earlier before the ULIP guidelines, expenses used to be up front in these products. Now new business strain is spread evenly, what Amit was talking about, it is spread out across the life of the product. So that strain per se in the new ULIP products is significantly lower than in the past and in the traditional products the new business strain is lower.

**Anubhav Adlakha** You have not declared your margins but any range if you could share?

**Ajay Srinivasan** We normally declare our margins in July or August.

**Anubhav Adlakha** I know but I just wanted to get a hang if it is consistent with the last year or they are up or down?

**Ajay Srinivasan** It is difficult to comment at this time because we do not disclose on a quarterly basis and hence it will be difficult to give you a sense now.

**Moderator** The next question is from Nidhesh Jain from Espirito Santo.

**Nidhesh Jain** My question is regarding the NBFC business, can you give me the breakup of the loan book ₹ 6,500 Crore?

**Rakesh Singh** So it is quite well diversified at this point in time. The capital market business which is the oldest business is close to ₹ 2,500 Crore, Infra and the SME business is ₹ 1,500 Crore each and the mortgages business which we have started at the end of December was close to ₹ 800 Crore, so that is the composition of the entire NBFC business.

**Nidhesh Jain** And in this business the current ROE are low, what is the strategy going forward and what is our targets for increasing ROEs in this business?

**Rakesh Singh** ROEs as of December is actually 12.2% and we see this only improving as we get scaled.

**Nidhesh Jain** Because we are almost increasing our loan book by 100% year-on-year basis and that is why we also need capital going forward?

**Management** That is true but given the leverage and given the scale we have, we're able to generate reasonable returns even on that base.

**Nidhesh Jain** Second question on the Madura Garments your EBITDA margin has improved from 9% to 12%, so is it because of the seasonal nature of the business or there is sustained improvement in the EBITDA margin?

**Ashish Dikshit** I think to some extent it is clearly helped by the fact that most of the festivals this time are more centered towards the end of the year, so Q3 got the better of that sales. On a sustainable basis our nine months trajectory shows an improvement and that is closer to about 11%.

**Nidhesh Jain** Lastly on your planned expansion on the urea side? As I understand the current situation in the country is quite bleak in terms of gas availability? What is our strategy and company's strategy and what are the timeline that we are looking for this ₹ 4,000 Crore of CAPEX?

**Sushil Agarwal** First of all this CAPEX of ₹ 4,000 Crore is subject to final approval from the government and we are also awaiting gas allocation from the ministry of Petroleum and Natural Gas. So these are two things which is yet to be approved before we really go ahead on this project. And this project actually gets completed over a period of three years from the zero date. So the CAPEX of ₹ 4,000 Crore would get spent over a period of three years. The Government has committed fertilizers industry about the availability of the gas and from pricing point of view, the rise in gas price will be a pass through.

**Moderator** The next question is from Priya Rohira from Axis Capital.

**Priya Rohira** My first question relates to more from the garments' business on your expansion plans in terms of the exclusive business outlets over FY14?

**Ashish Dikshit** Over the last couple of years we have had an annual expansion of about 200 to 250 stores per year, some part of it gets affected by the malls that are coming in during that year and large part of supply situation drives that expansion. With the visibility that we have, we are looking at opening of 200 to 250 stores next year.

**Priya Rohira** And secondly in the BPO business can you share the breakup on the geography side and the vertical side because you mentioned that because of North America being weak, the pipeline is getting effected but of late we have seen positive signals from US, is it translating into improvement in the sales cycle so the pipeline may just follow through?

**Deepak Patel** You know our business is primarily focused in US and Canada and we are continuing to see good positive signs in the US in deal conversions. So we continue to see momentum both in US and Canada. In terms of India we have a very limited focus and we focus only on profitable deals so our exposure and the amount of deals that we are working in India are very small.

**Priya Rohira** And how are the verticals split be?

**Deepak Patel** We have about 50% revenue coming from manufacturing, about 22% of revenue coming from telecom, media and entertainment, about 15% revenue coming from banking and financial services. And we have also moved over the last several years from voice business into a lot more non-voice business, so as of this quarter 42% of our revenues come from non-voice activities. And we're continuing to expand it to new verticals primarily focused on government sector and health care.

**Priya Rohira** My last question relates to the margin outlook on three of your important manufacturing businesses, which is textiles, carbon black and insulators, this year has been an impact of dumping from China but how do you see that going into FY14 given the fact that most of the issue seems to be behind now?

**Sushil Agarwal** There is couple of things around manufacturing business. Firstly we have to see the overall economic environment. And then we have to see in particular the carbon black and insulators businesses where volumes an margins were affected by cheaper Chinese imports. Having got safe guard duty in place, now hopefully in coming quarters we should see some positive impact of that. And generally if the economic environment also improves then resultant increase in demand would also lead to better profitability going forward.

**Moderator** The next question is from Manit Varaiya from Vallum Capital.

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| **Manit Varaiya** | My question is relating to our NBFC business, so looking at the past aggressive growth just wanted to have an idea what is our target book size for this year end and next year going forward and what kind of leveraged would it be comfortable at to open this kind of growth? |
| **Sushil Agarwal** | We want to make sure that we're comfortable with the kind of leverage we want to deal with. Generally we have kept the leverage around 5.5 to 6 times, so we'll continue to manage within that ratios. |
| **Manit Varaiya** | And what kind of book size are we targeting on the next two years? |
| **Sushil Agarwal** | In the NBFC business, we have been growing our book and practically doubled our book size in one year time. That is the kind of target we have in mind. |
| **Manit Varaiya** | What would be our current cost of debt for NBFC business? |
| **Sushil Agarwal** | Rakesh can give you the exact numbers because directionally as we are writing more of long term book in our portfolio, we are arranging long-term debt, which obviously is slightly higher cost than the short-term borrowings. Our average cost Rakesh would be what? |
| **Rakesh** | 8.4% is the average cost. |
| **Moderator** | The next question is from Reena Verma from DSP Merrill Lynch. |
| **Reena Verma** | I have two questions, firstly on the fertilizer expansion plan, while you have been kind enough to give the CAPEX estimate, could you also please share with us the proposed means of funding the same because as I see it you have very little space in your balance sheet for this kind of CAPEX, so I would be grateful if you can share some details? And my second question is on your nonbanking financial services bit, in addition to strong top-line you have done well in terms of the EBIT contribution as well, is there any color you can provide in terms of how the drivers of this will shape up going forward? |
| **Sushil Agarwal** | I will take up question on Indo Gulf first. To be candid I do not think I can share a specific plan for funding at this stage because this is only an in-principle approval from the Board and we are still awaiting final approval from the government which I had mentioned earlier. There are two things that we are looking from the government. Firstly, the gas allocation and secondly the final approval itself. As I mentioned that this entire CAPEX of around ₹ 4,000 Crore would get spent over a period of next three years so just note that the CAPEX does not get incurred in one go. And if you may |

recall that promoter has already committed ₹ 1,500 Crore equity infusion out of which 25% funds have already been received and remaining around ₹ 1,125 Crore will come partly during this quarter and remaining amount in next 6-9 months. So there are funds which are likely to come from promoters. As I was responding to Priya's question, performance around some of our businesses which is Carbon Black and Insulators would improve given imposition of safeguard duty and general improvement in environment which would also add to the EBITDA and cash flows. And if you recall rather in this particular quarter our working capital has gone up. This increase in working capital is due to additional amount due as fertilizers subsidy which is around ₹ 1,150 Crore currently against a normal outstanding of around ₹ 300 Crore to ₹ 400 Crore. Out of this some amount should get released in coming months either before year end in March or immediately after that some amount definitely will get released. So there would be some release of the fertilizer subsidy amount also. And as we spoke that there has been ongoing expansion in VFY and linen segments. Both of these businesses are doing well and this expansion will also not only add the profitability but also to the cash flows. So the leveraging ratios will get to comfortable zone. Last but not the least, some of our subsidiary companies also do have a reasonable distributable cash surplus lying with them and if there is a need at ABNL level we can pull out some of those funds appropriately. So these are few areas where cash can be released. And given the investment for Agri expansion will be incurred over a period of three years from zero date, some of these cash pools will support balance sheet. Having said that, once we get the approval from government, we will have more clarity on timing of our capex outflows, then we will come back to you.

**Reena Verma** But still, even after taking the promoter warrant conversion and taking growth in your EBITDA performance without taking subsidy increase that you have reported this quarter, I still can't seem to go below 3.5 to 4x debt-to-EBITDA on the standalone balance sheet . So forget ₹ 4,000 Crore capex over three years, I can't even see how ₹ 1000 Crore capex will fit for fertilizers alone?

**Sushil Agarwal** As I articulated, our EBITDA growth itself will increase the cash flow, there will be release of subsidy, promoter infusion, there is surplus lying with subsidiaries etc., so there are pools of cash available, Reena. Since it is very early at this stage, to time and plan for the cash outflows on account of urea expansion, because this is just an in-principle approval, once we have a formal go-ahead and gas allocation from the government, and then if there is any shortfall visible, we'll come back to all of you with a specific plan if there is a concern around funding of this business.

**Moderator** The next question is from Girish Achhipalia from Morgan Stanley.

**Girish Achhipalia** I just had questions around cash flows. In the standalone balance sheet working capital has gone up by ₹ 550 Crore versus March, so if you can just highlight, from where this is coming, I believe on back of only the fertilizer business. Also I believe the margins in the trading segment of fertilizers business are just 5%, so much of increase is happening just because of this business. You can throw some light as to what can be done here?

**Sushil Agarwal** Working capital around agri-business has increased during this fiscal which is partly beyond our control because urea subsidy amount which is normally outstanding at ₹ 300 - 400 Crore levels, that is presently outstanding at around ₹ 1,150 Crore, so hopefully in coming months we should see some reduction in that. And when I'm saying this, my belief is, it will be just a matter of time, whether we see subsidy coming before March or after that. So that is one area, where if we go back on a normalcy levels, reasonable cash release can take place around ₹ 500 to 600 to 700 Crore depending upon how much amount is outstanding. Also the working capital across businesses - be it Carbon Black to Insulators - in normal course also has increased due to weak economic environment around these businesses, so my sense is going forward, with this safeguard duty and with the business environment improving, the working capital levels will normalise. And these VFY and textiles expansion which we talked about will yield profit hopefully in coming quarters; because this VFY expansion is getting completed during this month or March and linen expansion will happen sometimes in the mid of next financial year, so that not only will throw higher profitability but also will add to cash flow of the company.

**Girish Achhipalia** In case of Fertilizers, if you can just tell me, what is the normalized subsidy days outstanding that we would look because your trading business is growing quite rapidly. So if you just share some light into FY14-15 what would be the normal subsidy day's level?

**Sushil Agarwal** Normally, urea subsidy is realized with a period of around 45 to 60 days except towards the year end. Though we have seen tough time in past one and half years where higher subsidy remained outstanding. And on the trading side, I want to state that given our balance sheet condition we are relooking this initiative and trying to work out a format by which our working capital and borrowings on account of this trading segment gets curtailed. We are hopeful that in the next fiscal we will be able to articulate exact plan which we are working around this trading business.

**Girish Achhipalia** On consolidated working capital we have actually almost doubled, if you can share some light which business is actually increasing or has seen increased working capital there?

**Sushil Agarwal** On a consolidated basis the increase is largely only on account of increase in NBFC book which we are growing.

**Girish Achhipalia** On the garment side commendable job on the return on capital employed both on absolute terms as well as capital employed is down. What is the more sustained ROCE target that you see in FY14 or FY15?

**Management** We have been steadily improving our returns on capital employed over last couple of years, I would definitely see this trajectory to continue for the foreseeable future. We are targeting return on capital employed between 30% to 40% in next 15 to 24 months.

**Girish Achhipalia** I missed the answer on NBFC growth plan, are you looking to double the book size in FY14 versus FY13?

**Sushil Agarwal** That is right.

**Moderator** The next question is from Rohit Sanghvi from Prime Securities.

**Rohit Sanghvi** I have one question and it relates to your life insurance business, I mean, this is the third constitutive year where we have seen the new business premium actually degrow, I understand that obviously the market sentiments has not been great and there has been some regulatory issues but what is your sense on this, when do you see new business premium actually grow and when it does, do you expect it to be more gradual growth or a significant jump going back to earlier levels?

**Ajay Srinivasan** It is a general question, I will give a slightly broader response because I think, over the last two or three years, there are two factors which have been at play, firstly we talked about the regulatory changes, I think, the speed of regulatory changes is pretty unprecedented in terms of the way it has impacted products, the way it has impacted distribution models and the way it has impacted the industry as a whole, so I think at one end industry had issues from adjusting to regulatory change. And the second factor, if you look at industry three and half years ago, 90% of the industry products used to be unit linked, I think what's been happening in the equity market over the recent past, clearly there has been less appetite for any capital market related products as such and most of the traditional products work of interest rates, I think with interest rates themselves being a little volatile it hasn't been that easy to sell insurance. If one has been following the move in financial savings per se, I think with real rates being negative, in fact most financial products and this is not just true for life insurance, but across the sectors if you look, most products have actually had headwinds over the last three years because real rates were negative. And now you are seeing real rates which are positive, and that spread is only going to increase over the course of the year, so we should start seeing rebound in terms of appetite for equity mutual funds, life insurance products, many other financial products that we have. How soon they will rebound, that is a guess, it is very difficult to talk about the shape of the curve but it should rebound from FY14 onwards is our guess.

**Rohit Sanghvi** But you would expect it to be gradual?

**Ajay Srinivasan** Yes, I would expect it to be gradual.

**Moderator** The next question is from S Natraj from Quantum Advisors.

**S Natraj** It is the question about the balance sheet structure. What is the maximum debt equity or any other parameter that you are comfortable with, beyond which you would start discussing about reducing some of the operations or disposing some of the operations or any other strategies you may have, I just want to understand from risk metrics because it really looks like from our side, that the balance sheet will not support the aspirations that you have over a period of time?

**Sushil Agarwal** So from long term point of view, I think, we will only be comfortable around 3 to 3.5 times of debt-to-EBITDA that is one number which we have in mind. Yeah, there are some short terms reflections which does come up especially if you have a business environment like what we are presently going through, so normally we will be comfortable around 3 to 3.5x debt-to-EBITDA.

**S Natraj** So if push comes to show in a different global macro environment big picture scenario, are there any businesses within which you would start rethinking within selling your carbon black business to a promoter which is at much bigger level or what is the thought process there?

**Sushil Agarwal** Some of these things are always under constant discussion and I am sure there must be some projects which are presently also going on. And once we have a specific plan which is ready we always share with investors. But to answer your question I'm saying, yes, evaluating such things are always part of our thought process.

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| **S Natraj** | In the last four or five years the telecom business took a bulk of the ROE, your cash flow, your investments and hopefully it turn around there they will start generating cash flows but at the same time you will have this fertilizer CAPEX and another CAPEX, investment in NBFC, insurance. Though insurance may not require capital but in other businesses it seems that we are going through different kind of cycles where some of other businesses do require cash and net-net your overall Return on Equity on a consolidated basis will still remain weak looking ahead 3-4 years. I'm sure, you will take 20 year view on your businesses but five years later or let's says next three years ahead it looks like a difficult return of equity business? |
| **Sushil Agarwal** | There is one message which I am consistently repeating that fertilizer expansion is currently in-principle approval at this stage. And though we have cash pools available around ABNL, once we have a government final go ahead, we will come back to you with a specific funding plan which is more comfortable to all of us and I don't think we would be comfortable having stretched balance sheet at our end as well. So that is a common objective. So once we have approvals in place we will come back to you with a financing plan of fertilizer expansion. And to answer to your ROCE query, I would add that the urea business has pretty good ROCE. In NBFC business also, currently ROCE is at 12.2% but it should improve with the scaling up of book. |
| **Moderator** | The next question is from Girish Achhipalia from Morgan Stanley. |
| **Girish Achhipalia** | Investment in standalone has gone up by ₹ 550 Crore since March, if you just breakup into how much has gone to NBFC and what is others? |
| **Sushil Agarwal** | Largely NBFC and partly towards sponsor commitment in private equity funds. |
| **Girish Achhipalia** | So the Pantaloons deal as an investment has still not been recorded on the books in terms of investments, right? |
| **Sushil Agarwal** | Yes, because currently it has been funded through a 100% subsidiary of Nuvo which is parent of Peter England Fashions & Retail Limited. |
| **Girish Achhipalia** | So it is in consolidated investment at this stage? |
| **Sushil Agarwal** | It is in consolidated loans and advances. |
| **Girish Achhipalia** | Any thoughts around CAPEX plans or growth plans for Pantaloon format that you'd like to share? |

**Sushil Agarwal** Not at this stage, I think it is a normal expansion and once the transition gets completed, hopefully in a month timeframe we will talk about the plan for that part of business.

**Girish Achhipalia** In terms of CAPEX commitment over the next three years for fertilizer business, would you have a sense in terms of what could be the outlay year wise, year one, two and three?

**Sushil Agarwal** You're talking of the urea expansion plan?

**Girish Achhipalia** Yes.

**Sushil Agarwal** So it would be roughly 25% in year one, 50% in year two and remaining 25% in year three.

**Girish Achhipalia** Last question on the BPO business, is there any update in terms of the strategic nature of this business going forward? Have we decided on something?

**Sushil Agarwal** Not to talk about at this stage, Girish.

**Moderator** The next question is from Rishab Bothra from B&K Securities.

**Rishab Bothra** How we will be shaping up our financial services businesses in case we apply for banking license and in case if we doesn't get one, do we intent to list it separately?

**Sushil Agarwal** From a structure point of view if you recall we have wholly owned non-operating company under Nuvo which is Aditya Birla Financial Services. All our investments other than life insurance has been moved under ABFS and this life company insurance investment is pending approval from IRDA and RBI. We are awaiting final guidelines on holding company structure and accordingly we may be able to move this investment down to that non-operating 100% company of Nuvo. So eventually we will be guided by the final reference points which will come in banking guidelines and in the holding company guidelines.

**Rishab Bothra** But in case if that doesn't go through, we will still go on with the listing plan for ABFS?

**Sushil Agarwal** It would all depend what kind of regulations we have and hopefully as we expect that some of these clarifications should come soon, we will be able to answer these questions as soon as we have a final reference point from RBI.

**Rishab Bothra** Lastly, as you mentioned that Carbon Black can be hived off to a promoter company. Is there something going on for the BPO Minacs business as in, are we planning to divest some stake?

**Sushil Agarwal** For carbon black business, I said that we keep on evaluating options. In case of BPO business, on a relative term this business should ideally be a billion-dollar revenue business. Presently we are at USD 450 million revenue and given our capital requirement in other businesses particularly in financial services and agri-business which we talked about, this business ranks low from capital allocation point of view. In normal course it is difficult for this business to reach to a billion-dollar revenue level and which is where from a strategic point of view we have been thinking possible options for this business. So at this stage I don't have any specific answer to share with you but we are constantly exploring various mechanism to make sure that business gets the required capital and which could be partly divestment or there could be 100% divestment also as another option. We can't share any specific plan as of now.

**Moderator** Ladies and gentlemen that was the last question, I now hand the conference over to Mr. Sushil Agarwal for closing comments.

**Sushil Agarwal** Thank you to all the participants.

**Moderator** On behalf of Aditya Birla Nuvo that concludes this conference call, thank you for joining us.