Aditya Birla Nuvo Ltd.

Transcript of Q1FY15 earnings call held on 12th August 2014

Management Team:

- Sushil Agarwal – Whole time Director & CFO, ABNL
- Pankaj Razdan, Dy. CEO, Aditya Birla Financial Services
- Senior Management Team, Aditya Birla Financial Services
- Pranab Barua, Business Head, Fashion & Lifestyle business
- Senior Management Team, Madura and Pantaloons

Disclaimer

Certain statements in the earnings call transcript may not be based on historical information or facts and may be "forward looking statements" within the meaning of applicable securities laws and regulations, including, but not limited to, those relating to general business plans & strategy of the Company, its future outlook & growth prospects, future developments in its businesses, its competitive & regulatory environment and management's current views & assumptions which may not remain constant due to risks and uncertainties. Actual results could differ materially from those expressed or implied. The Company assumes no responsibility to publicly amend, modify or revise any statement, on the basis of any subsequent development, information or events, or otherwise. This transcript does not constitute a prospectus, offering circular or offering memorandum or an offer to acquire any shares and should not be considered as a recommendation that any investor should subscribe for or purchase any of the Company's shares.

Moderator: Ladies and Gentlemen, Welcome to the Q1FY15 Earnings Conference of Aditya Birla Nuvo. The call will begin with a brief overview of earnings by the management followed by a question-and-answer session. We have with us on this call Mr. Sushil Agarwal – Whole Time Director and CFO of Aditya Birla Nuvo along with other senior management team. I want to thank the management team on behalf of all the participants for taking valuable time to be with us. Participants are requested to focus on the key strategic questions to make sure that we make good use of the senior management's time. I must remind you that the discussion on today's earnings call may include certain forward-looking statements and must be viewed therefore in conjunction with the risks that the company faces. Participants may also note recording or transcribing of the call without the management's consent is strictly prohibited. With this I hand the conference call over to Mr. Sushil Agarwal. Thank you and over to you, sir.

Sushil Agarwal: Good Evening, and Welcome to the Earnings Call of Aditya Birla Nuvo. With me, I have Pankaj Razdan – Deputy CEO of Aditya Birla Financial Services along with the senior management team of Financial Services business, Pranab Barua – Business Head of Fashion & Lifestyle business along with the senior management of Madura and Pantaloon. I will briefly take you through the key highlights of the company, and then I will request Pankaj and Pranab to talk about their businesses.

Financial Services business continues to rank among the top five fund managers in the country. It gained market share across its Life Insurance, Asset Management, Broking, and General Life Insurance Advisory business. The business portfolio has augmented with the receipt of license for Housing Finance business.

Fashion & Lifestyle business continued to expand its customer reach, strengthening its leadership position. It registered strong revenue growth and margin expansion across formats. Madura achieved 23% growth in revenue and 66% rise in EBITDA. Margin expanded by 200 basis points. The revenue of Pantaloon grew by 12% and gross margin was expanded by over 300 basis points. Jaya Shree attained its highest ever quarterly earnings led by expansion in Linen segment. To strengthen its market leadership, it is further expanding its Linen Yarn capacity.

Idea continues to gain revenue market share. It posted a strong growth in earnings led by higher voice usage and realization, scale benefit and cost efficiency. The quarterly cash profit generation of around ₹ 2,000 Crore and equity infusion of ₹ 3,750 Crore raised through QIP and preferential issue will support its future growth.

In the Rayon business, the new Superfine Yarn unit is running at full capacity and is contributing to the bottom line. Production in the Agri and Insulators businesses got impacted during this quarter due to plant shutdown.

The divestment of IT-ITES business got completed on 9th May 2014. All the requisite consents and approvals have been completed in the current quarter and a loss of ₹ 13 Crore has been recognized as an exceptional item. The loss is without considering deferred grant of around ₹ 42 Crore which will be accounted for an actual receipt basis over a period. Excluding IT-ITES business, on a like-to-like basis, consolidated revenue grew year-on-year by 16% and EBITDA is up by 15%. Adjusting to one-off item consolidated net profit rose by 27%.

For 2014-15 our investment plan includes funding growth capital in the Financial Services business to the tune of about ₹ 350 Crore and sanction to right issue by Pantaloons. CAPEX guidance for the standalone business stands around ₹ 500 Crore. Cash flow from operations and proceeds from the divestment of Minacs will support these growth plans. Net debt has reduced quarter-on-quarter led by realization of subsidy in the Agri business. Working capital requirement is likely to increase towards the year-end due to higher full year production in the Agri business and expected rise in natural gas prices.

With this I hand over this call to Pankaj with a request to hand over the same to Pranab thereafter. Thanks, and over to you Pankaj.

Pankaj Razdan: Thank you, Sushil. Good Evening, everyone. I have with me all my colleagues across Financial Services. Sushil has briefly covered the progress of Financial Services, but just to reiterate some of the highlights, because of the stability in the market post elections, we have seen a significant movement across almost all our businesses. The top three businesses led by NBFC, Asset

Management and Life Insurance have shown a growth in the market share along with also a significant growth into overall assets which we manage. The total assets under management have grown by 21% compared to last year, and by 10% on a quarterly basis. The total assets under management as of now across the Financial Services businesses stand at about ₹ 134,216 Crore, which is significantly higher when compared to last year. In terms of our focus, what we discussed during our last call that the top three businesses continued to occupy our focus in terms of the growth. Our Lending business has continued to show a very robust growth. So is our Asset Management and Insurance business. We can have a detailed discussion around it during the Q&A session.

In terms of our focus to build new business in the coming months, we have already received license for our Housing Finance business, which we are ready to launch and take ABFS to the next level of growth.

In terms of the revenue, as I said, there has been a significant movement in the revenue. And the consolidated revenue for Financial Services has moved from ₹ 1,366 Crore to around ₹ 1,650 Crore, showing a growth of almost 21%, with a slight drop in our EBITDA compared to the corresponding period in the last year. The drop in EBITDA has largely been because of the drop of profitability in the Life Insurance business due to reduction in our in-force book in the current market conditions. We continue to focus on the growth of our top businesses. Also, with the change in the market sentiment, our other businesses representing wealth management and brokerage have seen a significant growth in the last couple of months and Broking business has posted 30% rise in the EBITDA margin which is directly linked to the growth of the capital market. So practically all our businesses across Financial Services has shown a growth both around top line, market share, and the bottom line. With this I would like to pass it on to Pranab Barua.

Pranab Barua: Thanks, Pankaj. This is Pranab Barua. Broadly, if you look at Q1 performance, one of the observation that Q1 throws up is the muted consumer sentiment, and I say this because the walk-ins into stores have not improved. However, we have shown overall growth both in Madura and Pantaloons, including like-to-like growth, which has come more from conversions and higher average bill value - which is really reflecting the improvement in our portfolio mix and product enhancement. So, if you look at the numbers from Madura for example, revenue growth is almost 23% but like-to-like growth is only 6%, and that like-to-like 6% growth has come out of a walk-in decrease of 6% but the average bill value and conversion being up by 7% and 9% respectively. One side there is good news on the product and merchandize, on the other side, still market buoyancy has to find an impact on fashion business through improving the walk-ins into stores.

The other good news from Madura point of view is that we continued to increase our number of stores. We put in about 60 stores in Q1. We closed 21 stores. This approximately gives us about 86,000 square feet additional space into our portfolio. All the brands have performed reasonably well more or less in line with the overall Madura numbers, both on the top line as well as bottom line, and all the channels that we have besides retail, which is Department Stores, Trade, etc., have also performed quite well.

Speaking about Pantaloons, it has been a pretty dramatic turnaround from last year, and this is the first quarter where we had the new merchandize which was actually designed and developed by us in ABG group that saw the light of day into the stores. Here, we had overall revenue growth of 12%. Actually the Apparel growth was about 15.5%, and the difference is actually, we have a large range of non-apparel products which we have cut down. So Apparel growth is actually quite healthy at 15.5%, and the large part of this growth has come from rise in average bill value with like-to-like growth of 10% in Apparel segment and roughly 8% in the overall Pantaloons business.

Similarly on the category wise performance in Pantaloons, we have seen very healthy growth – Menswear grew at 18%, the Women's Westernwear grew at 17.5%, Women's Ethnic wear grew at 26.4%; it was a star in our portfolio. Kids wear grew at 11.4%. It is non-apps category, which is where a conscious decision has been taken to bring down the non-performing categories. This brought down average revenue growth number to 12%.

The other very interesting and good news is that we were able to expand the gross margin by 3% point compared to last year Q1.

Region-wise also, we had good growth in East which is our stronghold and North which is a huge market, whereas West and South were a little subdued. So this gives you an overall picture of Q1. And with that I will hand it back to Sushil.

Sushil Agarwal: The floor is open for questions-and-answers.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from Priya Rohira of Axis Capital. Please go ahead.

Priya Rohira: My first question relates to Jaya Shree Textiles. If you could just help us on expansion program, when do you think it would be operational and when would the new capacity be commercialized?

Sushil Agarwal: The new capacity expansion which we are talking would have a capital outlay of around ₹ 220 odd Crore, out of which around ₹ 120 Crore is likely to be spent during the current year. There would not be any revenue or profitability coming this year, but from September 2015, when we are targeting first phase of completion and fully from March 2016 which is the second phase completion target date.

Priya Rohira: With respect to Pantaloons fund raising, which you have in mind, this would be largely for the Retail expansion or do you envisage in terms of working capital requirement or new merchandize in production?

Sushil Agarwal: It is broadly on account of meeting CAPEX requirement and funding the losses.

Priya Rohira: Could you also help us on the subsidy on the Agri business and the impact of Urea plant shutdown?

Sushil Agarwal: In the Agri business, as I was talking, the current level of subsidy as of June 2014 is around ₹ 1,000 Crore. Net of subsidized loan, it is ₹ 800 Crore. As we have seen the trend in the past couple of years, as we progress in the second, third, and fourth quarters, directionally, the subsidy level increases, and as there is a likely increase in the gas prices, the absolute amount also would increase. So, as we go forward in this year, there would be increase in the subsidies level.

Priya Rohira: One more question on Madura Fashion & Lifestyle from Mr. Pranab Barua. Given the fact that seasonally Q1 is not a great quarter, do you think margins of 8% which is up on a YOY basis directionally could mean that in FY15 you could end with a much higher margin versus what you have seen in FY14?

Pranab Barua: I will not give any guidance as such, but the Q1 is always normally much lower than the other quarters. So we expect margins to be higher for the remaining quarters and obviously we will try for an improvement in margins compared to FY14.

Moderator: Thank you. The next question is from Reena Verma of DSP Merrill Lynch. Please go ahead.

Reena Verma: I had few small questions; firstly, from Mr. Agarwal, the standalone balance sheet is once again looking a bit stretched, though the consol balance sheet is looking good, and you have been raising capital in various entities in which you have equity. I just want to understand from an investor standpoint, where should we focus on the consol balance sheet or the standalone and what will make the standalone balance sheet look good from here, if you could share some thoughts? My second question is on the Retail business. Just wanted to get some thoughts on why the top line of Pantaloons is not growing faster than Madura because I would have thought that with all the restructuring that you have done, younger business should have a much higher percentile growth rate than a more mature business. So what is holding it back? And my final question, just a small clarification I needed on the Financial Services bit is, whether your AUMs have shrunk compared to the March quarter. I saw a number somewhere of ₹ 10,500 Crore having become ₹ 9,900 odd Crore.

Sushil Agarwal: Reena, let me first address the balance sheet related question. All along we have focused on the standalone balance sheet. So far as loan and respective ratios are concerned, so during first quarter, there is obviously a rise in Net debt-to-EBITDA big time and we have explained in the presentation that its an aberration. There are a couple of points which you should notice – one is directionally the debt level has come down, so as of June 2014 net debt is around ₹ 2,800 Crore but the net debt-to-EBITDA has increased because of seasonally lower EBITDA in Fashion & Lifestyle business and we have calculated ratio on lower base. As you have heard Pranab and the team, and you have the experience of the past, the first quarter in fashion business is seasonally lowest and going forward, subsequent quarters show better results. Secondly, as I covered in the beginning, during this quarter our Manufacturing businesses, particularly the Agri business and Insulator business have suffered production loss due to plant shutdown. So that also has impacted the earnings of the company for the quarter. I must also add that going forward, as I was explaining Priya earlier, there is likely increase in the subsidies, so there would be some working capital increase towards the year end besides CAPEX and investment plan which we have. On a net basis, we expect increased in debt level by year end. However, Net debt to EBITDA will remain in comfortable level considering rise in earnings going forward. Does it cover your question Rohira?

Priya Rohira: Yes. The debt-to-EBITDA for the standalone entity, what is a comfortable level?

Sushil Agarwal: Around 3 times is what we believe would be our comfortable ratio, and the ratio of 3.5 which you are seeing in first quarter clearly is aberration and I think directionally, even with absolute increase in the overall debt level, I do not think we will go beyond 3 times net debt to EBITDA level in the year end. And Shital, if you can take up the Pantaloons related question, which Priya was referring.

Pranab Barua: Before that, can I just give a perspective on both the fashion businesses and then Shital can supplement that. I think it is not fair to compare Madura and Pantaloons, because Madura is a star performer in industry, and has got a good track record behind it and a lot of momentum behind it. So that is point #1. Point #2, this growth that you see in revenue in Madura comes from various channels, not just Retail - it is Retail, Trade as well as Department Stores, and this growth also reflects what is happening in these channels in terms of like to like growth and expansion which is happening in those channels. Pantaloons has only one channel, which is its stores, which is purely Retail. So now if you compare Retail to Retail between Pantaloons and Madura you would see like-to-like growth in Madura at about 6% and Pantaloons at around 8%, rather if we compare only Apparels, it was around 10%, if we leave the non-apparels section out. So from that perspective it has performed quite well. But the bigger picture in Pantaloon is, this is the first season where the new merchandise has come in. And there has been a lot of transitional issues last year. So it will take time, I do not think we can resolve all the issues in one quarter or one half, but actually I am particularly pleased with the numbers that has come through in Pantaloon, and obviously, going forward, we are looking for better numbers. Shital, if you want to add anything?

Shital Mehta: Yes, just another small point, that if you were to look at the Pantaloons apparel business, which is our main business, that actually has grown at almost 15.5%. Last year in Q1 there was some amount of top line which had come in when we had transferred the old inventory to the brand factory at cost basis. So I mean that is also one reason what took the growth rate down from 15.5% to 12%-12.5%.

Reena Verma: So when do you expect the growth rate of Pantaloon to start overtaking that of Madura based on what you are saying?

Pranab Barua: Without seeming frivolous, I would like to see that both are growing rapidly, and I do believe that the segments are different; markets are different. So I do not think it is a relationship between Pantaloons and Madura which one should look at. I do believe that the revenue growth of Pantaloons will depend on two large parts – one is on the like-to-like growth, therefore what was happening to the stores and the merchandize, and the second is, how many stores we are able to put up – And you would recall that in Pantaloons, the store size is quite different. So therefore while the Madura will put 150 to 200 stores in a year, Pantaloons this year we are targeting something in the range of about 20 to 25 stores. So it is not a comparison between the two, but it is fair to ask when will the Pantaloons performance continue to improve and we will see that going to happen over the rest of the year.

Sushil Agarwal: And Reena, you did raise about this AUM question. We could not find where you got these numbers.

Pankaj Razdan: I think she referred to the assets under advisory in wealth management business which is not part of the total AUM of financial services. Total AUM has actually moved up 10% from ₹ 122,000 Crore to ₹ 1,34,000 Crore on quarter-on-quarter basis. Besides this AUM, we also have assets under advice in the wealth management business from the institutional customers. So last year it was ₹ 10,500 Crore, and actually last year because the direct plan was launched, there has been decline in that assets to ₹ 8,575 Crore in March 2014 but it grew to ₹ 9,225 Crore in June 2014. So that is basically assets under advice which are not counted in overall assets under management. It is only advice what we give to the corporate customers, and since post launch of direct plan, the corporate customers can go directly and invest, there has been this fall in the asset under advice. So it is only for the wealth management segment.

Moderator: Our next question is from Sumit Choudhary of Standard Chartered. Please go ahead.

Sumit Choudhary: How do you see the future path for the Retail business evolving, given you have got two distinct entities – one, Madura within ABNL and Pantaloons, and secondly, of course at the group level, you have 'More'. So do you expect at some stage some sort of consolidation here and would ABNL be in anyway involved with more at any stage, do you see that happening at any stage?

Sushil Agarwal: At this stage that we do not have any concrete plan on any such restructuring. So I think, it is fairly premature to talk about it. If we have any such development, we will come back to you with a complete plan.

Moderator: Thank you. Our next question is from Abhishek Ranganathan of PhillipCapital. Please go ahead.

Abhishek Ranganathan: Sir, I just joined the call, so some of the questions could be repetitive. One thing I wanted to understand with respect to the rights issue, which you are going to do in Pantaloons. Now this funding would basically suffice for about next two years or we will need more funds. Over longer term, just looking at the Pantaloons on a standalone basis, without considering the future scenario of Madura, how do we see the balance sheet looking like on pure Pantaloon operations?

Sushil Agarwal: I think currently ₹ 300 Crore rights issue which has been planned for Pantaloons is broadly sufficient to meet the current CAPEX and loss funding requirement. Over a period of time, we expect the operations to start generating cash flows enough to manage the capex requirements. However, in case required, we have taken board approval and we are likely to take shareholders approval for raising capital of more than ₹ 300 Crore in Pantaloons, if need be. So we will review again during the next budgeting session, about the requirement of cash at Pantaloons level and then we will appropriately decide.

Abhishek Ranganathan: Also, if I look at Pantaloons like-to-like number this quarter we have seen nearly about 8% like-to-like growth, but our overall growth for the quarter is about 12%. How are new stores contributing here?

Shital Mehta: If I were to take that question, I was just explaining, actually in the Pantaloons format overall growth has been 15.5% which is the bulk of our business; however, last year in Q1 we had one off inventory transfer at a cost basis which is also reflecting in the sales last year, so I think otherwise the business growth of Pantaloons has been 15.5%, out of which a little more than 7.5% is the like-to-like and rest is coming from the new stores which we opened last year.

Abhishek Ranganathan: So this inventory transfer, could you just elucidate further?

Shital Mehta: When the transition happened as part of the deal, some of the old inventory were transferred on a cost basis to brand factory so that reflects in the top line last year.

Abhishek Ranganathan: Adjusted for that, you had 15%...?

Shital Mehta: Adjusted for that, it is 15.5%.

Abhishek Ranganathan: With regards to the sourcing from Future Group on certain brands, if you could just share some insights on how have the own brands which are now with Pantaloons how are they faring, and do we envisage a further winding down of the sourcing from Future Group?

Shital Mehta: Product perspective I think summer '14 was our first season, and when we took over we actually reviewed our portfolio and we identified that across organization almost 12 to 15 brands were not performing, and the entire overhaul happened last year and the results have started coming in from this financial year when the March, spring summer new season started. So there are a large number of brands which moved out of the format, and got substituted by equally large number of brands as part of the overall product portfolio optimization and that has yielded good results. So we do not really see going forward large scale change to happen from where we are today in terms of our portfolio composition.

Abhishek Ranganathan: Because if I look at your inventory levels, your inventory levels are almost same year-on-year; Q1FY14 to Q1FY15 in this business, whereas you have added some amount of space, essentially indicating that we are possibly at about ₹ 1,650 of inventory per square feet as against ₹ 1,850 per square feet. One is that we are timing our sourcing better and also our reliance on the outside brands it is reduced. So there was some amount of non-moving third-party brands, which were actually pushing this inventory number up last year?

Shital Mehta: No actually, some of the brands which we have transitioned from an outright model to the sale or return sort of a model, so that is better terms which we had got negotiated and that is what you are seeing in terms of the lower inventory.

Abhishek Ranganathan: So what proportion do we have now of outright and SOR?

Shital Mehta: Approximately 18% to 20% of our business is on SOR.

Abhishek Ranganathan: How was this number say last year?

Shital Mehta: Last year was probably less than 10%.

Abhishek Ranganathan: Where do we see this number moving?

Shital Mehta: I think by and large it is driven by the overall portfolio and the fact that portfolio is fairly stable now… of course there may be one or two brands, season-on-season may get added or deleted, I do not really see that there will be a significant change going forward on this.

Abhishek Ranganathan: The rest 80% would be on books inventory?

Shital Mehta: Yes.

Rajeev Varma: This is Rajeev from Merrill. Just two things – one is on the lending side, I wanted to understand, you obviously had a good growth and you have done about ₹ 1,000 Crore addition this quarter. Are you looking at any change in your loan mix with especially getting license in Housing Finance, etc.? So that is one part of it. Secondly, on the Insurance side, you have obviously done very well in this quarter. Just trying to understand is the market itself seeing much better traction out here and kind of what is the growth outlook for you, and also the margin outlook in this business?

Rakesh Singh: Rajeev, Rakesh here, so I will give you an update on the lending book. So our composition today in the lending book... as you would have seen in the 'Investors Presentation' is Capital Market, Mortgages, Corporate Finance, and Infra which is there. Out of these, mortgages and SME-driven businesses will be the focus for our growth, going forward. Once the Housing business which we are planning to start by Diwali this year, we would look at doing Retail Housing Loans across 40 to 50 centers in the next two years or so. So that is what the plan is, Rajeev. So the growth drivers will be the Housing Finance business, the Mortgages business, and the SME business.

Rajeev Varma: The bond that you are raising, would you be also look at that option to finance this? I know you are not a bank, but just trying to understand.

Rakesh Singh: Not right now.

Rajeev Varma: On the Insurance?

Mayank Bathwal: Rajeev, in the life insurance business, we are seeing green shoots, though on the individual life side, we have not yet got back to growth as yet, but we are seeing month-on-month improvements in the trend. In Q1, we had a very good quarter on the institutional side, but overall even on the individual side, we are starting to see improvements in the trend of business that is coming in, and we are looking at positive trends in the forthcoming quarters as well.

Rajeev Varma: How are margins trending in the business?

Mayank Bathwal: Margins are continuing at around 15% to 16%, and again it is linked to the product mix that we are having. Right now as a business we are about 70% traditional, 30% ULIP, and within traditional we are close to about 70% of traditional coming from PAR, though we are looking at other possibilities on non-PAR, which is a higher margin business. If we can maintain non-PAR at around 15% of overall new business, that should be good, because that is where the levels are currently.

Rajeev Varma: On the majorities, you have to come up with a new product, etc., post IRDA issued a guideline. So all that is done in terms of hit that most insurers had to take because of the revamping of the products etc.

Mayank Bathwal: I would say the big positive is that we are now aware of the broader product regulations so it is therefore possible for us to create a business strategy around the product regulations that are presently in place, unlike what we were going through for the last three years and there was a big uncertainty around the basic product structure as well. So that is a big-big positive for the sector as a whole. As far as our product portfolio is concerned, we are getting there, I mean, I would not say it is complete as yet, we have a reasonably good portfolio as of now, but there are a few gaps like on the pension, health, which we are trying to fill up in the next few months. We are moving towards a much fuller portfolio hopefully by the end of this quarter that should be in place.

Rajeev Varma: I noticed that you declared EV for FY14. Do you have any comparable number to share for the previous year?

Mayank Bathwal: Last year it was about ₹ 3650 Crore, out of which if we normalize for the buyback and a dividend outlay of around ₹ 360 Crore, there will be a very marginal reduction of about ₹ 80 to 100 Crore from last year. We can walk through further details separately if you wish.

Moderator: Thank you. The next question is from Romil Jain of Quantum Advisors. Please go ahead.

Romil Jain: Actually, I just had a couple of questions. Firstly, on the Insulator business if you see, it is not quite performing well for a couple of quarters as we have seen. So what is your broad outlook going forward in a couple of years?

Sushil Agarwal: In the Insulators business, except this quarter, where we have seen production loss due to labour unrest, which was kind of beyond operational control, if you see over last few quarters actually, performance has been improving. There has been a recommendation of levying anti-dumping duty by ministry of commerce, and generally also with economic lift, particularly, in the power sector, the prospects around this business should improve. So directionally, if you see other than this particular quarter, things have been improving, and we believe that going forward you will see better margins around this business and pick up of the volume.

Romil Jain: On the Insurance side, do we see any capital infusion or maybe on any other subsidiary or any other business?

Sushil Agarwal: At least on the life insurance side, as of now, we do not see any further capital requirement. And, as I did talk about, that in our NBFC Company, depending on the kind of growth we see, there would be infusion of capital. We have targeted around ₹ 350 Crore infusion in NBFC during this year.

Romil Jain: On the IT side, Minacs business that we have divested, just wanted to understand a little bit on the structure and what kind of cash flow are we getting and that will be accounted for in FY15, right?

Sushil Agarwal: As we had explained that divestment has been effected from May 9 2014, and we have received ₹ 400 Crore cash flows in May 2014 itself. Further a sum of USD 15 million will be received soon. The only cash flow which is likely to be received beyond 2014 is around ₹ 42 Crore which will accrue over a period of time. This was part of transaction towards government grant which would be recovered over a period of time. So that will be accounted for on receipt basis. The amount in excess of ₹ 300 Crore which presently has been lying as a surplus cash in our 100% subsidiary, ABNL IT-ITES the holding company, that would be utilized during this current year.

Romil Jain: On the fertilizers business, whether the trading which was done for a couple of quarters, or maybe in last year, and it was supposed to come down and the normal business was supposed to just take place, what is the update on that?

Sushil Agarwal: As we had mentioned, we have discontinued the imported bulk fertilisers trading business, from last year April. And now whatever is being reported on revenue is part of normal manufacturing and trading operations that is what we have been doing.

Romil Jain: So, Q1 was actually the normal operations, right, there was no component of import in that?

Sushil Agarwal: Except for a small amount of urea imports. In fact, if you see during first quarter in manufacturing operations as well, there was some production loss of around 15 days. So hopefully going forward you will see a normalized production and profitability.

Romil Jain: So this is not a normalized number, maybe if we adjust for that production loss then it would be a little better number?

Sushil Agarwal: That is right.

Moderator: Our next question is from Nischint Chawathe of Kotak. Please go ahead.

Nischint Chawathe: I just want to understand, how much was the expense overrun during the year?

Mayank Bathwal: It was about ₹ 300 Crore.

Nischint Chawathe: What was the reason for the decline in Insurance business value in the EV?

Mayank Bathwal: As I said, one was that we gave dividend and we had a buyback so that was totaling to about ₹ 320 odd Crore, and we had a marginal reduction of about ₹ 80-100 Crore because of marginal reduction in the in-force book. The lower new business and renewals led to impact on the inforce book.

Nischint Chawathe: Because the economic variance was actually negative, is that what you are saying?

Mayank Bathwal: Yes.

Nischint Chawathe: This was down by around ₹ 100 odd Crore, you said?

Mayank Bathwal: ₹ 100 Crore, yes.

Moderator: The next question is a follow-up from Reena Verma of DSP Merrill Lynch. Please go ahead.

Reena Verma: I just have a big picture question on retailing is, like do you track market share loss to e-commerce online sales and are you kind of doing anything in that direction?

Ashish Dikshit: Reena, this is Ashish from Madura. As we see, most of the e-commerce sales at this point of time is happening either at the lowest price points or a deeply discounted products. As a portfolio branded company, and I think a lot of other leading companies are taking that view, that this is a game that we will have to play differently to protect overall equity of our brands and to keep balance in terms of consumer value across different channels. It is too early for branded players to start noticing and feeling an impact on their revenue and I think we will know it only in our like-to-like sales over the next couple of quarters, but yes, what is clearly happening is a fairly steep discount and price war largely around either lesser known brands or private labels and in some exceptions some brands who have chosen to take this path. At this stage we do not see a very large impact visible, but I think we will have to keep an eye over the next couple of quarters to see how the overall ecosystem develops there.

Reena Verma: Ashish, are there any particular micro markets that are worrying you more like is there a geographical pattern to it? And are you doing anything to kind of set up your own online stores etc.?

Ashish Dikshit: So what we hear and I think you keep hearing about it in newspapers, but even through our interactions with leading e-commerce players there is definitely a much wider breadth of business that they are able to get as supply has not reached to many smaller towns. We are not really large in many of those markets and therefore it is difficult for us to really see an impact there. As far as our own e-commerce initiatives are concerned, we started a small initiative last year with our own e-commerce site called "Trendin.com", and we have been sort of testing water, bringing our technology, building capabilities on logistics side, this is not something that we have pushed pedal too hard at this stage, but we are basically preparing ourselves to be ready for taking it forward when market seems more ready for buying branded product at reasonably fair prices, which I think at this point of time, there is very little of that happening.

Moderator: Thank you. Ladies and Gentlemen that was the last question. I now hand the floor back to Mr. Sushil Agarwal for closing remarks.

Sushil Agarwal: Thank you, everyone for participating. If you have any other further questions, you can get in touch with Romi Talwar or Saket Sah in our office. Thank you so much.

Moderator: Thank you. Ladies and gentlemen with that we conclude this conference. Thank you for joining us. You may now disconnect your lines.