Aditya Birla Nuvo Ltd.

Transcript of Q3FY15 earnings call held on 10th February 2015

Management team:

- Sushil Agarwal – Whole time Director & CFO, ABNL
- Ajay Srinivasan – 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, good day and welcome to the Q3FY15 Earnings Conference Call 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 the call today 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. With this, I hand the conference over to Mr. Sushil Agarwal. Thank you and over to you sir.

Sushil Agarwal: Thank you. Good evening and welcome to the earnings call of Aditya Birla Nuvo. With me, I have Ajay Srinivasan – CEO of Aditya Birla Financial Services along with the senior management of Financial Services Business and Pranab Barua – Business Head, Fashion & Lifestyle business along with the senior management of Madura and Pantaloons. I will briefly talk about the key highlights of the company, then I will request Ajay and Pranab to take you through the Financial Services and Fashion & Lifestyle business.

On a normalized basis, Aditya Birla Nuvo has registered strong earnings growth. Consolidated revenue grew year-on-year by 14%, EBITDA is up by 21%, and net profit is up by 20%. Financial Services, Telecom, and Agri businesses contributed to the earnings growth.

Aditya Birla Financial Services gained market share across the Life Insurance, Asset Management, and Broking businesses. Our total funds under management have grown year-on-year by 26% within which equity assets have surged by 55%. Lending book growth continues to be robust and of good quality.

In Fashion & Lifestyle Business, soft consumer spending impacted earnings growth across the industry during this quarter; however, ROCE continued to be robust at 32% for our Fashion business.

Idea continued to outperform the industry and gain revenue market share. It is now among select club of top global operators with over 150 million subscribers. It posted a sound earnings growth. The ROCE of the business improved to 14% even on the extended capital employed. Given the growing cash profit from operations and recent equity infusion, Idea has reduced its net debt by more than ₹ 8,250 Crore and its net debt-to-EBITDA of 1.12 is amongst the best in the industry.

Led by earning efficiency in Agri, Manufacturing businesses posted 19% year-on-year rise in EBITDA. In Rayon business, profitable growth in VFY segment was offset by lower ECU realization. Annual maintenance shutdown in power plant also led to lower caustic soda volumes and high power cost. Insulators business has continued its improved performance. On a combined basis, ROCE from this segment improved from 12% to 16% per annum.

The company's balance sheet continued to remain strong. During these 9 months, net debt has reduced from ₹ 3,200 Crore to ₹ 2,800 Crore led by operating cash profit and lower net working capital requirement. Net debt-to-annualized EBITDA improved to 2.3 times. For fiscal 2014-2015, we have earmarked ₹ 900 Crore for growth capital requirement in Financial Services business and CAPEX requirement of standalone businesses. Out of this, ₹ 327 Crore has been invested in 9 months. The net debt is likely to increase from current levels due to accumulation of subsidy in the Agri business and as we incur balance CAPEX and investments; however, net debt-to-EBITDA is expected to remain at a comfortable level.

With a strong balance sheet, Aditya Birla Nuvo continues to invest into its businesses to tap sector growth opportunities. After foraying in the Housing Finance business, ABNL is now planning to enter into Health Insurance business. ABNL has also applied for Payment Bank license where 51% stake will be held by Aditya Birla Nuvo and remaining 49% will be held by Idea, which may increase to 60%, if permitted from time to time, with regulatory approvals. With this, I hand over the call to Ajay with a request to hand over the same to Pranab thereafter. Thank you. Over to you, Ajay.

Ajay Srinivasan: I am joined on this call by Rakesh Singh who is CEO of our NBFC business, Bala who is CEO of our Mutual Funds, Mayank who is Deputy CEO of our Life Insurance business and a group of CFOs from various businesses. So, good afternoon to everybody on the call. Just to give you some key points about the business in the third quarter. AUM of the business grew by 26% year-on-year. We are close to ₹ 150,000 Crore of AUM, so quite a significant player in both debt and the equity markets. Our lending book grew in a good way by 53% year-on-year along with very good control in terms of quality of assets which I will talk about in a minute. So we ended the quarter with ₹ 15,475 Crore of lending book. Our quarterly revenue grew by 30% to ₹ 1,913 Crore and the quarterly EBIT grew by 10% to ₹ 202 Crore.

To take you through some of the other features of the quarter, BSLI received the PFRDA approval for managing pension assets under the NPS scheme. We have signed a definitive agreement with IFC for a strategic investment in MyUniverse, which is an online personal money management portal. Sushil mentioned we have gained market share in Life Insurance, Asset Management, Broking, although there is no market share data for the NBFC business, but we have grown significantly faster in the NBFC business. So in a sense, we have gained market share there as well.

I talked about the quality of assets in our NBFC, our gross NPA there is 1.22%, down from a prior year number of 1.54%. So there is actually a significant improvement in the quality of the business and net NPA is at 0.43%, down from 0.85% in the previous year. So I think this really is testimony to the fact that we are growing the book reasonably fast but with good quality controls in place.

Aditya Birla Housing Finance commenced operations in October 2014. Lending book is just building out and we expect to see traction in this business as we go forward. BSLI achieved top spot among the private players in group new business with over 21% share in YTD new business, significant growth in this part of the business contributed to the overall BSLI numbers. In our Asset Management business, domestic equity AUM actually doubled year-on-year to ₹ 21,500 Crore and market share has increased. We have now got a market share of about 6.5% in equity segment as against a prior year number of 5.7%. We often talked about this being precious for us, growing our equity mix and growing the equity assets and I am happy to report good success on that account. Equally I think we have had good success in our offshore business. As of 31st December 2014, our offshore assets crossed ₹ 10,000 Crore.

Talking about couple of the other businesses in our portfolio. The Insurance Broking business grew its profit before tax year-on-year by 23% on a 9-month basis and Aditya Birla Money, Aditya Birla Money Mart, our distribution and broking business, both of which were losing money last year, have turned profitable this year. So we have seen a swing from losing money last year to actually making money in 9 months to date.

So I will stop here and hand over to Pranab now, I will speak again when you have questions.

Pranab Barua: Thank you, Ajay. This is Pranab Barua from Fashion & Lifestyle business. I have with me senior members of both Madura and Pantaloons. So what I would do is first give you an overview of the market and then talk specifically about Madura business and then about the Pantaloons business.

Let me start by saying that the quarter 3 of this year is not fully comparable with quarter 3 of the previous year because the Pujo (Durga Puja) was early this year. Having said that, the market still was much muted. Consumer demand was muted, Diwali was not as good as expected, the consumer sentiment was weak, winter was delayed and there was huge amount of discounts from the online players in the market. So that was about the market environment.

Let me talk specifically about Madura. Whilst the revenue grew at about 7%, like-to-like growth was lower at around about 2%. In fact the like-to-like growth in quarter 3 was higher than quarter 2, so from that part, it is good news. In terms of the performance if you look at the channel-wise performance, the good news is that the retail businesses at our EBOs grew at about 14%, so the retail business has done well. The pressure came mostly both in the department stores and in the trade channel which appeared to have been hit quite severely by the online massive discounting that took place. So both the department stores as well as our trade channel got impacted. Our trade actually did not even grow, it had marginally negative growth and they were destocking during this period of time. The department stores, which in the first half grew by over 50% in both the quarters, in quarter 3, they grew at only around 11%. So that is the channel-wise performance.

In terms of stores launches, we have launched 68 Madura EBOs in this quarter. Including buy and sell outlets, we have launched total 114 EBOs spanning across 1.4 lakhs square feet during this quarter. Walk-ins have been poor. It has been a negative 7% walk-in growth but the average bill value has gone up, by about 6%. So that is about Madura.

The Pantaloons sales, which only has the retail channel, grew at about little over 6.5% with like-to-like growth of 1.3%. This is more or less in line with what the industry actually has achieved in this quarter. The good news here is that again we improved our gross margin, it was the highest gross margin ever that we have achieved so far of around 48% and accordingly in spite of the moderated sales growth, we had EBITDA margin of about 7% which is quite creditable for this young company. We have launched 6 Pantaloons stores in the quarter, so year-to-date we have now launched 12 stores and we have an expansion plan for quarter 4 as well. In terms of category-wise performance, we find that the women's business is doing extremely well. We had very healthy growth in the first and the second quarter in the women's western wear and that continued in the third quarter as well. Similarly in the ethnic wear, we had almost 35% growth in ethnic wear in quarter 3 following similar growth numbers in quarter 1 and quarter 2. The areas where we have not grown as sharply as women's wear is the men's wear segment. In menswear, we had grown by about 18% plus in the first half, but it is down to around 5% in quarter 3. So that is the overall performance of both Madura and Pantaloons. I will hand it back now to Sushil and we can take specific questions thereafter.

Sushil Agarwal: So we are on for Q&A session now. So participants those who have questions, please let us know.

Moderator: Thank you sir. We have the first question from the line of Priya Rohira from Axis Capital. Please go ahead.

Priya Rohira: Good evening to the management team and a good steady EBITDA despite the top-line being a little lower on Madura Fashion & Lifestyle. Most of my questions are on Fashion and Lifestyle, just wanted to understand do you see this weak sentiment or the online disruption, which you are seeing, likely to continue more so in the coming quarters more from the online distribution side? and if yes what do you think, what could be our strategy to combat it, if you could just help over there and given the fact that we are already 1.5 months down in this quarter, any improvement have you seen in this quarter which strengthens our proposition?

Pranab Barua: Okay so just to quickly respond, I do not think the online trend is going to go away immediately. It is certainly here to stay, but my own sense is that in the medium term, I would believe that as they establish their model, the discounting will come down. They are at the moment driving consumers through discounts but it will come down. Having said that what will be our strategy! We see this situation as an opportunity and not just as a threat. We are actually in dialogue with many of these companies to do B2B business mostly in market place, so that you can pull over the brand dynamics and also we are at the moment moving into Omni-channel. We have some key assets with us which are our store network as well as our brands and we can certainly leverage that. That will not show immediate results but I think over a period of 12-18 months, this should be very good in terms of consumer experience that we deliver out of our business. So that is from the online side. We also have got an e-commerce business through which we sell directly to the consumers, it is small but it is expanding very rapidly. So that is what we believe. The quarter 4 is currently broadly in line with our expectations. January was the end of season sales period. Both Pantaloons and Madura had performed as per our expectations by and large. We have been able to also control our discounting, so our margins also came up in January. February and March which is the new season, stock is coming in, we will have to see how the consumer reacts to the new season products. It is too early to talk about February and March.

Priya Rohira: Sure. My second question relates to the Pantaloons Fashion and Lifestyle, where we have introduced a couple of own brands. So if you could just help us on the breakup with respect to sales from own brands versus the licensed ones?

Pranab Barua: See, overall the own brands are doing very well. So if you compare year-to-date December, let me give you comparison for a longer period of time, share of our own brands year-to-date December last year was around 49% and this year that share has gone up to 53%. So I talked about the ethnic wear and the women's western wear doing well; these are our own brands essentially. So by and large, we are very happy with the performance of our brands and margins are substantially higher and that is what has driven our gross margins up as well.

Priya Rohira: Sure, that is helpful, and Sushil, is it possible to have the likely subsidy number in the fertilizer business which will come up in Q4 which could change a little bit of leverage on ABNL's balance sheet?

Sushil Agarwal: Yes, so as I said in the beginning that typically second half of the year is always a little more difficult so far as subsidy is concerned and the last quarter as usual is expected to have higher subsidy outstanding. Broadly based on the current outstanding subsidy, my sense is that, another couple of ₹ 100 Crore would get added to the outstanding subsidy. So we are presently at around ₹ 1,100 Crore of outstanding subsidy which could be higher by couple of ₹ 100 Crore at the year end.

Moderator: Thank you. Our next question is from the line of Resham Jain from Batlivala & Karani Securities. Please go ahead.

Resham Jain: Sir just two questions on the Fashion and Lifestyle business, one is basically we are seeing online getting more fashionable and especially the departmental store category where you also highlighted and mentioned in your presentation that because of online, that channel is getting more impacted. So are we calibrating our growth plans because that is a segment which is getting a larger hit? So in terms of store additions, are we calibrating our growth plans?

Pranab Barua: So if you look at the channel strategy that we have as I was explaining to you, our retail exclusive brand outlets are doing extremely well and in fact relatively better than other channels like department stores and trade which are multibrand outlets and that is because we are able to offer a customer experience in our stores. So I think the strategy therefore will continue to be expanding our retail footprint both in the urban areas as well as the tier 2, tier 3 towns. So that strategy will continue, but over and above that, we do believe that the Omni-channel strategy, which I talked about, will be an added benefit which the online players will not be able to deliver, so that is an advantage. Second, we will partner with them because at the end of the day, I think we should utilize the opportunities that they give us in terms of partnering with them and offering our products through both B2B as well as B2C channels which is what we are doing. So in short, answer is that in retail channel, we need to keep expanding, offer a differentiated service level, leverage the brand values around the brands in the stores and also partner with the e-commerce companies as well as initiate our own online business. So that is the overall strategy. As far as trade is concerned which is the multi-brand small outlets as well as department stores, I think we will have to help them to fight this discounting battle that they are doing, they have to learn to compete smartly. That is the channel-wise strategy that we will pursue.

Resham Jain: And sir second question is again with respect to online, are we seeing this impact of online being more pronounced in the urban locations or you are seeing similar impact in the semi-urban locations as well?

Pranab Barua: In the fashion space, as we understand it, when you look at the online channel, I cannot comment on that business, but at least from newspaper reports, it indicates that almost 50%-60% of their business is coming from tier 2, tier 3 towns. As far as we are concerned, it seems to be fairly uniform. In our growth, and in our overall pattern, there is no distinct pattern that is emerging. So it is more or less uniform across, both in major town and cities as well as the smaller towns.

Moderator: Thank you. Our next question is from the line of Abhishek Ranganathan from Phillip Capital. Please go ahead.

Abhishek Ranganathan: A few questions on the fashion and apparel side. One is on the Pantaloons specifically, that there is a marked deduction in the mix of non-apparel in our business. Is there a conscious move which we have made or is it that we believe this category is not growing as fast as the apparel side and secondly I would also want to know that we have also started retailing Madura brands in Pantaloons since about nearly 4-5 quarters ago, so ex-Pantaloons, how has the other departmental stores grown for us?

Pranab Barua : Sorry, what is the second question?

Abhishek Ranganathan: Excluding sales to Pantaloons where we started retailing Madura brands nearly 4-5 quarters ago, how has the rest of the sales from Madura's departmental stores grown because that base would not be there, so it is practically a new store sale for us?

Pranab Barua : Okay the first question is on non-apparel which actually is not a category; it is basically lots of different products which is clustered around and called non-apparels. So essentially we have looked at everything what we cluster under non-apparels and found that many of the areas actually are either low margin business or we have a low competitive advantage of selling those products and let me explain to you what I mean. For example, let us say we sell watches and glasses and things like that on the non-apparel side, firstly we do not have a full range, or a credible range to offer vis-a-vis a Shoppers Stop or Lifestyle and hence the GMROF (gross margin return on footage) and the space utilization, and the margin that we make out of that is extremely poor. So we took a conscious decision that in non-apps, we will focus on few categories and that is what we are trying to build on and what are those categories - we are trying to focus on women handbags, women shoes etc. So the areas where we can bring brand values as well as our competitive advantage there. So essentially in short answer is yes, we are actually going to cut down on the non-apparel categories, different categories and focus on a few of them and that strategy will play out over the next year or two.

Abhishek Ranganathan: So it also makes sense because you might also see an impact on online on the accessories more than other categories…

Pranab Barua: Absolutely and that is another very vital part of our strategy that we will not be able to compete with the online players on these kinds of products. So thats why is this strategy.

Abhishek Ranganathan: Yes the second question, may be if you can elucidate further that you mentioned that the departmental stores have grown 11% and we started retailing Pantaloons, the Madura brand quite recently so if you just strip that off.

Pranab Barua: The growth numbers for department stores that I gave you was for Madura brands sold in department stores.

Abhishek Ranganathan: Is it Excluding Pantaloons?

Pranab Barua: It is including Pantaloons.

Abhishek Ranganathan: So basically excluding Pantaloons, how we would have performed?

Pranab Barua: It is a negative number of around 4.5%. Overall, including Pantaloons the growth number is at 11% which basically means Pantaloons has done very well.

Abhishek Ranganathan: They have done very well. Exactly this is what I wanted to understand. So excluding Pantaloons, that number is negative 4.5%

Pranab Barua: I think with respect to the department store performance, I do not want to comment on the overall performance but recently they are not necessarily fighting the discounting game and therefore I think the consumers are finding it difficult and thus the issue of low growth there. So department stores are under some pressure.

Abhishek Ranganathan: And sir actually on a structural basis, do you see that once you go Omni, you also will have the other online market places which are essentially replication of the offline market place in a much bigger scale. That is an offline market place, bigger departmental store. Do you see that over a period of time, your presence in departmental store for the Madura brands will not be as important as being present in the other markets and therefore your priority will be to focus on these channels considering that we are an under penetrated retail market in terms of retail infrastructure.

Pranab Barua: I think there will be shifts in the mix between channels. I do not want to predict how it will move and how fast the trends will shift there, but we need to be aware of it certainly and I think our Omni-channel strategy is not really talking about channel so much as the experience we want to offer to the consumer, almost like a seamless retail experience. So from that perspective, we will drive it hard. I think department stores will have to find their own strategy, not just about Madura brand but overall strategy to compete.

Abhishek Ranganathan: Right and any particular categories where we saw getting impacted in terms of, when you said apparel portion or the accessories portion across our portfolio being Madura or Pantaloons fashion which has got impacted with the entire disruption caused by online?

Pranab Barua: I will put it positively. I think what is happening is our women's western wear brands as well as our ethnic brands have done extremely well and they have been consistently growing between 20%-30% plus on the ethnic wear and around 15 odd percent year-to-date for women's western wear. So obviously whether the brand is strong or the fashion design is strong, I think it is performing extremely well in spite of all the threat from the online. The areas which have not performed as well in Pantaloons have been the men's brands where we do not have very strong brands in Pantaloons. It is mostly Madura brands and Bare Denim and I think that is the area that we are trying to sort of bring in new brands to cover some of the gaps that we see in the Pantaloons portfolio. In Madura, actually stronger brands like Louis Philippe and Van Heusen have been less affected but Allen Solly which is the casual brand has done extremely well. So it is a mixture but I do not think anything which is majorly off the rails on either side.

Abhishek Ranganathan: Right and in terms, if you just see the Madura performance, intuitively we had seen that our gross margins have been impacted and that is what has resulted in the reduction of EBITDA. Would be the right way of looking at it, the EBITDA de-growth which you have recorded in Madura?

Pranab Barua: Yes it is because we have actually discounted a little heavier than we normally do.

Abhishek Ranganathan: Also we had offered more incentives to the MBOs.

Pranab Barua: It is led by discounts more than anything else and our intrinsic margins have been actually quite on the upward swing, so we have decided to compete. And because of that you see a slight impact on the margins.

Abhishek Ranganathan: Slightly unusual to hear discounting in the third quarter, so there would be any like-to-like discounting which we have seen in the previous year third quarter?

Pranab Barua: That is true, but matter of the fact is that online has never been so aggressive.

Abhishek Ranganathan: I just wanted to understand so therefore to get a sense on what would have been the full price sales we have this quarter?

Pranab Barua: No, when I say discounting, it is not the end of season sales that we were doing, it is that we have increased the percentage of discounts. So normally we discount around 20% plus, in the 20s. So just couple of percentage points have gone up on year-on-year basis.

Abhishek Ranganathan: So 20% plus is the discount which you are saying you have offered to the dealers, I did not quite get that?

Pranab Barua: To the consumers.

Abhishek Ranganathan: And lastly your views on two things. One is you mentioned about online impact in October, is it specific to October or because there was also big online festival in December.

Pranab Barua: That is throughout the quarter. I think to me, the Diwali was a bit of a disappointment. Pujo of course was a mismatch between last year and this year. So quarter-to-quarter, you cannot fully compare, but Diwali was a disappointment. The delayed winter also impacted because Q3 is a very big winter wear sales quarter, so all these factors have unfortunately all come at the same time.

Abhishek Ranganathan: And in Omni-channel, what strategy are you looking to adopt as such in terms of the backend, the integration and the process, what is the timeline you are looking at?

Pranab Barua: Honestly, it is too early to talk about it, but let me just give you an overview. Broadly, we are basically framing the questions as to what kind of consumer experience we want them to have. So it should be fairly seamless between online and offline as far as the consumer is concerned. So you could browse at the store, buy online, you can browse online and buy on the store, you can pay anywhere, so on and so forth. So you get an experience which is fairly consistent whichever channel you go to. So that is a kind of experience we want to give at the front end. This has major implications in the backend as you can very well understand as far as stock is concerned, technology is concerned, service revenues are concerned, logistics is concerned. So this is what we are now ruling after in terms of a strategy. So my own sense is normal Omni-channel strategy implementation takes over 3 years or so.

Obviously at any point of time, it is not over, it is ongoing process. So we believe that in about 6-9 months, we should have something fairly well on the ground and then we will keep improving the experience as we go along.

Moderator: Thank you. Our next question is from the line of Sanjay Bembalkar from Quantum Advisors. Please go ahead.

Sanjay Bembalkar: Sir, in the Fashion & Lifestyle segment, would you please throw some color on how much percent of your sales are contributed by online segment as such and could you please also comment on your e-commerce venture, its growth and size and the experience which you are getting from the online sales.

Pranab Barua: Our online sales currently are basically B2C which is what we have a pocket called Trendin.com so that is very small at the moment. It is approximately on annualized basis this year, we will probably do somewhere in the region of ₹ 30-40 Crore, very early stages. We have got aggressive plans going forward and in B2B currently negotiations are going on.

Sanjay Bembalkar: So B2B would include most of this platforms on which you will sell, is that the correct understanding?

Pranab Barua: Yes, normally the Jabongs, the Myntras, the Amazon, everything; we will be negotiating with all of them. We are actually in the advanced stages already.

Moderator: Thank you. We have the next question from the line of Prince Poddar from UBS. Please go ahead.

Prince Poddar: Just two questions. The first one is on the lending book in NBFC. So we are seeing a strong growth in mortgage segment. So do you think this kind of growth will continue in this segment or are there any other focus areas going ahead, that is one. And in the insurance business, the group business saw a very strong quarter. Still the earnings have been subdued, the net profit has been subdued. What was the particular reason for that?

Rakesh Singh: Let us take the mortgage question first. So the way the mortgages book has reached around ₹ 4,500 Crore, it means we have added ₹ 1,500 Crore this year. So I think we will continue to grow this business at this rate and your second question was which are the other areas where we are focusing. As we mentioned earlier, housing is another segment where we are looking at growing the business. So the focus along with the mortgages will be on the housing loans.

Mayank Bathwal: You are right, our group business has grown in the life insurance business, and I must highlight that unlike many other players in the industry who are struggling with the profitability in that part of the business, we have a reasonably profitable group business because of our well-diversified portfolio there. So overall, the reduction in our profit is because there is stress on the individual life business and there has been some degrowth in the overall inforce book and more importantly, the margins coming down has been the trend across the industry. Some of the sources of profits like surrender charges have actually virtually become nil given the new portfolio of unit-linked products which got introduced about 3 years back. So the new products have virtually very negligible surrender charges as you know. So since that has disappeared and the overall margins have come down from 18%-20% to now about 14%-16%, that is reflecting in the flow of profit into the P&L. Broadly, this is the reason.

Moderator: Thank you. Next question is from the line of Sangeeta Tripathi from Sharekhan. Please go ahead.

Sangeeta Tripathi: Sir, my question is first on the CAPEX side. You have given a CAPEX guidance of ₹ 900 Crore, of which only ₹ 327 Crore have been spent for the 9 months. So just wanted to understand and this will be divided between the financial services and the CAPEX for the standalone business as well as the lifestyle. So wanted a sense from you what kind of infusion are we going to see in the financial services, ₹ 125 Crore already done, if any guidance on that front?

Sushil Agarwal: Broadly around ₹ 600 Crore is what we are expecting will go in financial services for the year. So out of this, we have already invested ₹ 175 Crore already, so around ₹ 425 Crore will go in the current quarter and remaining out of ₹ 900 Crore, broadly around ₹ 300 Crore is across various business CAPEX including fashion & lifestyle stores.

Sangeeta Tripathi: And the leveraging as far as the NBFC is concerned, that would be in the range of 5.5-6 times?

Sushil Agarwal: Yes, broadly around in that band.

Sangeeta Tripathi: Secondly, I wanted to understand on the lifestyle front also. You spoke about subdued consumer sentiment also along with that, like-to-like not comparable because of early Diwali this time. So just wanted a sense let us talk about December to December, what kind of same-store sales are we looking at, have we clocked in this particular month, broadly to understand?

Pranab Barua: First of all, we are not talking about early Diwali, what we said was it was early Pujo so Pujo actually went into the second quarter this year. So that is the reason. Now if you want month wise, so in Pantaloons for example in December, we achieved 6% like-to-like growth which is much healthier than the overall quarterly rate of 1.3% I talked about and in Madhura, the like-to-like growth will be much higher than the quarterly like to like growth number.

Sangeeta Tripathi: And lastly, I would like to understand about this fall in the crude prices. What kind of impact do you have in our manufacturing business if any?

Sushil Agarwal: Not really, Sangeeta.

Sangeeta Tripathi: Nothing on the insulator, not on the textile business.

Sushil Agarwal: Not really.

Pranab Barua: Sangeeta, just to come back to the Madura number, we just pulled it out. The like-to-like growth was 17%.

Sangeeta Tripathi: 17% for December?

Pranab Barua: Yes.

Sangeeta Tripathi: So that is a very good number.

Pranab Barua: So what we are saying is that one is the like-to-like comparison is not fair, but however, having said that, there is an issue about the winter. Unfortunately, the winter got delayed, otherwise November sales would have been much better as well. So these are the factors which have impacted us and the reality what is here to stay is the online business and clear strategy we are putting in place to both partner and compete.

Sangeeta Tripathi: So taking everything into place, what do you understand is around 6%-7% same-store sales growth or the like-to-like growth is given.

Pranab Barua: Won't consider it as given as it depends on consumer sentiments, Sangeeta.

Moderator: Thank you. We have the next follow-up question from the line of Priya Rohira from Axis Capital. Please go ahead.

Priya Rohira: Just wanted to understand if you could share more color on your MyUniverse plans and the health insurance venture?

Ajay Srinivasan: So Priya, on the health insurance side, we are in the final stages of signing agreement with MMI Holdings. I think once that is done, then we will apply for the licenses with IRDA and that takes probably 9-12 months to get a license. So we are pretty much in that mode. MyUniverse is an online financial management platform for individuals. The idea is that an individual is able to aggregate financial data, he is able to get advised and is able to transact. We think this platform is doing very well in terms of customer acquisition. We today have 1.3 million customers on board and we manage about ₹ 14,000 Crore of assets. So we continue to see this adding significant customer base to us and being able to get new customers into the segment because many ways this is catering to customers who are traditionally out of the purview of most financial services products today. I do not know if that answers all the questions you had on it, but if you have any more, please do let us know.

Moderator: Thank you. Next question is from the line of Saumil Jhaveri from DMZ Partners. Please go ahead.

Saumil Jhaveri: The question is on the Pantaloons business. Just wanted to get a sense for our strategy with regard to store expansions in terms of cities and locations, is there advantage to be a first mover in particular cities, the smaller cities. The second question is related to how we can perhaps insulate ourselves from some of this irrational exuberance with respect to discounting of the online guys?

Pranab Barua: As far as the expansion is concerned, I think we talked about in the last call as well in the last quarter. There is no change in our strategy. I do not think we are going to change our strategy based on what has been happening because we believe that both in the cities as well as in the smaller towns, there is a huge opportunity, we are sitting at just on tip of the iceberg. So the market is extremely large. The unorganized market is so large and the consumer research that we have done indicates to us that the people are actually looking for brands. So that is the first thing. So obviously based on newspaper reports, we also see that many of the e-commerce are getting a large amount of their business from the smaller towns. So therefore our physical presence there would be a big benefit. So we are going to go ahead and expand. This year, we have launched 12 stores up to now and our target probably is 20 plus. So anything between 20-22 stores we will be launching and then in next year we will have a similar kind of target that we are setting for Pantaloons. In terms of the weightage, the way it will go, obviously I think the weightage will move more and more in favour of the smaller towns, but the fact is that the model seems to be working very well in smaller towns. The rent model works for us, the brand mix works for us, the price points work for us and I think it is a great advantage. Therefore the expansion strategy is around what we have described to you last time as well. As far as competing with the mindless discounting that is happening, I think without a brand you cannot survive. So we will position our brands, strengthen our brands, work towards making sure that the customer experience around the brands in our stores is of differentiated nature. We are working on our price points, we are working very hard to improve the costs efficiency in our system. That is the exercise that we are doing now to improve our margins. In spite of not raising prices, keeping our competitive prices extremely sharp, that is the overall strategy that we are doing and so brand-led good positioning, good experience and sharp price points.

Moderator: Thank you. Participants that was the last question. I now hand the floor back to Mr. Sushil Agarwal for any closing comments. Thank you and over to you sir.

Sushil Agarwal: Thank you everybody for participation. For any further queries, you can get in touch with Mr. Romi Talwar or Mr. Saket Shah in our corporate office. Thank you.

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