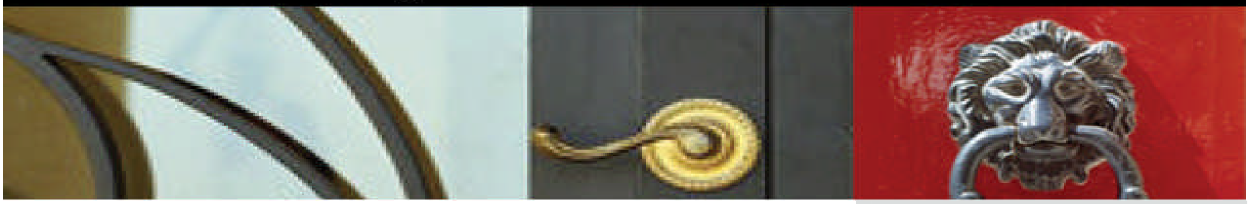
UBS Access: Corporate Conference Call



Q1 FY10 Results Call:
Aditya Birla Nuvo Ltd. – ABNL

Management Team:

- Dr. Rakesh Jain, Managing Director
- Ajay Srinivasan, CEO, Aditya Birla Financial Services
- Pranab Barua, Business Director, Garments and textiles
- Sushil Agarwal, Chief Financial Officer
- Manoj Kedia, Deputy Chief Financial Officer

About Aditya Birla Nuvo Ltd.:

Aditya Birla Nuvo Ltd is a diversified conglomerate and the platform that has launched many new businesses for India's premier business house, the Aditya Birla Group.

As a leading player, Aditya Birla Nuvo ranks as:

- India's second largest producer of viscose filament yarn
- The country's largest premium branded apparel company
- The second largest producer of carbon black in India
- Largest manufacturer of linen fabric in India
- Among the most energy efficient fertiliser plants
- India's largest and the world's fourth largest producer of insulators

Among Aditya Birla Nuvo's joint ventures & subsidiary companies are:

- Idea Cellular Limited, the third largest listed cellular operator in India
- Birla Sun Life Insurance, one of the leading life insurance companies in India
- Birla Sun Life Asset Management, one of the leading asset management companies in India
- Aditya Birla Minacs Worldwide Limited, among the top five BPO players in the country by revenue size

Date:
Wednesday, 29th July 2009

Time:
17:00 (IST)
19:30 (HKT/SGT)
12:30 (London)
7:30 (New York)

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UBS Access. Opening the right doors.

Company	**Aditya Birla Nuvo Limited**
Date	**April 29, 2009**

Coordinator: Welcome to the Q1 FY '10 earnings call for Aditya Birla Nuvo (ABNL) hosted by UBS. At this time your lines have been placed on listen only mode for today's conference.

During the question and answer session you will be prompted to press star 1 on your touchtone phone. Please record your name so you that you may be introduced to ask your question.

The conference is also being recorded and if you have any objections you may disconnect at this time. I will now turn the conference over to Mr. Navin Gupta, Associate Director, Research, UBS. Sir you may proceed.

Navin Gupta: Thanks a lot. Good morning, good afternoon and good evening to all those people joining us from the different time zones. We, at UBS, are pleased to host this call for the Q1 FY '10 results for Aditya Birla Nuvo.

On behalf of all participants I would like to welcome and thank the senior management for taking time out for this earnings call.

The senior management from ABNL on the call today is led by Mr. Sushil Agarwal, Chief Financial Officer, ABNL; Mr. Pranab Barua, Business Head, Garments and Textiles; Mr. Deepak Patel, Business Head, BPO and IT; Mr. Pankaj Razdan, Deputy CEO, Aditya Birla Financial Services; Mr. Manoj Kedia, Deputy CFO, ABNL and Mr. Mayank Bathwal, CFO, Birla Sun Life Insurance.
The call will be initiated with a brief presentation on the performance for the reported quarter, during which all the participants' lines will be in a listen only mode. After the presentation a Q&A session will be conducted. Given that the senior management is on the conference call, participants are requested to focus on key strategic decisions to make sure that we take good use of the management's time.

May I now request Mr. Sushil Agarwal to give us an overview of the results. Thank you very much.

Sushil Agarwal: Thanks Navin. I'm delighted to welcome you all on the Quarter 1 earnings call for Aditya Birla Nuvo. As you all know, last year we saw the toughest global economic crisis ever witnessed in the history. But today it seems that the worst is behind us, with confidence returning to the global financial market and signs of revival in the Indian economy.

Indian economy is moving back to the level of 7% or more GDP growth in a scenario where most countries are reporting negative growth. The recent electoral mandate and the subsequent policy initiatives announced by the government have improved investors sentiments. This will help in the economic recovery process. As they say that in every crisis lie an opportunity, I am delighted to say that ABNL is emerging stronger from the economic slow down witnessed last year.

Let me start with strategic initiatives taken by us. After out-performing industry across most of the business segments in FY '09, ABNL continues to focus initiatives like building momentum to achieve leadership in the financial services business; achieving pan India presence in the telecom business; achieving profitable growth in BPO and Garments businesses; strengthening operations and out-performing competition in the manufacturing businesses; and strengthening balance sheet by capital infusion of Rs. 1,000 Crores through preferential allotment to promoters. Most of the businesses have out-performed competition while strengthening their position and earnings. I am now going to share some of our numbers, which you must have already seen.

Growth in consolidated net sales from Rs. 3,098.7 Crores to Rs. 3,214.3 Crores is largely driven by the Life insurance, Telecom and Garments businesses. Growth in consolidated PBDIT from Rs. 270.8 Crores to Rs. 306.4 Crores is primarily due to improved performance in the BPO and the Garments businesses coupled with lower new business strain in the Life Insurance business. Higher depreciation consequent to expansion in the Telecom business and higher interest costs to fund growth in the Financial Services businesses results in increased consolidated net loss from Rs. 28.3 Crores to Rs. 35.3 Crores. All the businesses are progressing well on the designed path of achieving profitable growth.

I would now like to cover a brief review on Nuvo's Businesses , starting with Financial Services. Our financial services business is one of India's fastest growing financial services business serving over four million customers spread across 500 towns and cities with over 1650 offices and over 2 lacs business associates.

Our **life insurance** venture continues to out-perform the private insurance industry. During the first quarter, while private players de-grew by 18 percent in new businesses premium, Birla Sun Life insurances (BSLI) contained de-growth in its annualised premium equivalent to 6%. In June '09 per se, BSLI ranked fifth with 10.1% market share. In Quarter 1, total premium income grew year-on-year by 17%. Renewal premium achieved 64% growth backed by higher persistency.

We have launched around 52 Bima Kendras to tap rural potential. This is a new initiative which we took in life insurance business. AUM of BSLI at Rs. 11,670 Crores gross grew almost three times in last two years. One hundred percent of our AUM is ahead of benchmarks. All our 18 funds have out-performed respective benchmarks based on the one-year return.

We have achieved zero percent claim outstanding ratio in FY '09. This is a live example of "customer first" approach. Lower strain of new business premium reduced net loss y-o-y from Rs. 146.8 Crores to Rs. 111.1 Crores, during the quarter.

In the **Asset Management** business too, we continued to out-perform industry by a wide margin. We achieved 37% y-o-y growth in average AUM while industry grew by 19%. This is the second highest growth rate among top five players. It ranked fifth with 8.4% market share. Domestic equity AUM grew quarter on quarter by 70%, which is the highest growth rate in the segment amongst top five players.

More

than 80% of AUM is in top 2 quartiles of performance based on one-year return. Our current AUM has crossed Rs. 60,000 Crores.

Coming to **other financial services** business. Retail broking business has fostered considerable improvement in earning supported by improved volumes. Aditya Birla Private Equity, has successfully launched its maiden offering to Indian investors and is getting good response from the investors. Other financial services continue to invest in people, process and infrastructure.

Having said this, I strongly feel that we have barely scratched the surface in financial services business. In a country of over a billion people, there are only 400 million bank account holders, out of which only 45 million people have mutual fund accounts and only 15 million hold dmat accounts.

In U.S., more than 31% of the population invests in mutual funds, whereas in India it's barely 4% of the population. The life insurance penetration is as low as 4%.

The Indian insurance market at around USD 56 billion in 2008 is expected to nearly double to USD 100 billion by 2012. The per capita spend on life insurance is just about USD 40 compared to world's average of around USD 370.

Our vision for the financial services business is to be a leader and role model in the financial services sector, with broad based and integrated businesses. We were one of the initial entrants in the Life Insurance and the Asset Management business after liberalisation and since then we have built a highly successful track record in this business despite varying growth rates of the economy. We remain committed to play a vital role in the process of growth and transformation in India's financial services industry.

Coming to the **telecom** business. Idea has expanded its footprint to 17 services areas and is targeting to achieve pan India presence by December 2009. It launched two new service areas during this quarter – Orissa and Tamil Nadu (Including Chennai). Its operating service areas now cover 90% of the national subscribers base. Idea achieved over 9% quarter on quarter growth to reach in excess of 47 million subscriber base.

It ranked fifth holding a market share of around 11%. In terms of the combined subscriber base of eight established service areas, Idea ranks second with 19.3% market share where the top player is having a market share of 19.8%. Cash profit of Idea achieved 37% growth at 772.6 Crores. The net profit grew by 13% to 297.1 Crores.

Let me now cover briefly on other growth businesses. In the **BPO** business cost control measures like site consolidation and overheads reduction are showing encouraging results. We are scaling up domestic operations and already launched one site for Idea. We are targeting to launch two more sites in the current financial year to serve the telecom sector. Efforts are on to increase the share of high margin F&A and KPO segments.

Revenues of the **branded garments** business grew across the brands and channels helped by expanded retail space and growth in like to like stores. Profitability improved due to higher sales, rent renegotiations, manpower rationalization and improved inventory turnover. Losses in contract exports and apparel retail subsidiaries reduced considerably due to rightsizing and reduction on overheads.

Finally, I will now cover manufacturing businesses.

In the **Carbon Black** business, capacity utilization is consistently on a rise from 67% in Q3 to 79% in Q4 last year to 100% in the reported quarter. This only reaffirms that later half of FY09 was one time aberration and sector is quickly back to normalcy. Turnaround in profitability is driven by lower CBFS costs and higher volumes. High priced CBFS inventory is completely exhausted.

The **fertilisers** business achieved higher per day productivity YoY. However, planned maintenance shutdown and subsequent breakdown resulted in lower operating days. Consequently lower volumes coupled with higher repairs and maintenance costs lowered profitability. Previous quarter was exceptionally good due to IPP gain and subsidy arrears.

In the **Rayon** business, we registered highest ever quarterly profits supported by higher VFY realization and 16% growth in caustic soda sales volumes.

In the **insulators** business, dispatches were lower due to deferment of delivery by few clients. Capacity expansion by 10,000 TPA is under trial run, commercial production is targeted in Q2 FY10.

To sum up, we remain one of the most unique plays of capturing both Growth and Value Businesses of Indian Economy.

We are well positioned to emerge stronger with the continuous pursuit of strategic initiatives. The investments made, specifically in the Financial Services, BPO and the Garments businesses, are endeavored towards creating long term value for the shareholders.

We are part of the Aditya Birla Group, one of India's largest and most respected Business Houses with Global and Domestic leadership positions in various businesses.

So this is from my side as an overview on the quarterly earnings of Aditya Birla Nuvo. We can now open the call for Q&A. Thanks and over to you Navin.

Navin Gupta: Can you start the Q&A session please, Moderator?

Coordinator: Thank you. At this time if you would like to ask a question please press star 1 on your phone. Please press star 1 and be sure to record your name at the prompt to ask a question. Please stand by for questions.

We have a question from Darshan Shah. Your line is open.

Darshan Shah: Good evening everyone. My question relates to the life insurance business. What kind of growth are you looking for in this business in the next couple of years? How much capital will be investing and when you expect it to break-even?

Mayank Bathwal: Okay. For the private players, our view is that growth should be in the range of about 10 to 15%. And so we are basically coming back from a negative growth situation in the last year. Just like it has outperformed industry in the past, BSLI would like to grow in future at a faster rate than the private player's growth projections.

It's difficult at this point of time to take a call on what the growth is going to be next year. But clearly we see the growth momentum coming back towards the end of this quarter and next year should definitely be much more optimistic than the current year.

On the capital front, we have also disclosed in the capex plan sheet of our quarterly presentation that ABNL is expecting capital infusion of Rs. 500 Crores in this business for its 74% share.

And, you know, the capital infusion is always related to the kind of growth prediction that you have. If industry grows faster than what is being projected currently, our growth will expectedly be ahead of the market and ABNL may be required to infuse more capital as a function of growth.

Darshan Shah: Thank you and break even too will depend on the growth? Any target have you set?

Mayank Bathwal: The way we look at it - you know we haven't set a target because as long as the business is being written profitably, we will not like to lose any opportunity for growth in this sector, given the kind of profitability and the value that we are creating for all our stakeholders. So at this point of time, there's no particular target that we have set for ourselves.

Darshan Shah: Okay, thank you sir.

Coordinator: Our next question comes from B&K Securities, you're line is open.

B&K Sec: Good evening sir. Before infusing the said capital infusion of Rs. 500 Crores, what kind of growth in the APE are you looking at?

Mayank Bathwal: As I said, for the private sector growth could be about 10 to 15% and we would like to grow ahead of the market.

Pankaj Razdan: Typically financial services sector grow about 2 to 3 times of GDP growth. If you look at the GDP growth rate of 6 to 7%, you can expect 10 - 15% kind of growth in financial services industry and we hope to perform better than the industry. In the prospective years, GDP is going to grow faster and so the multiplied effect is much higher.

B&K Sec: Sure sir and what would be key parameters that would make us performing better than the industry?

Mayank Bathwal: It takes a combination of the competitive advantage like having a very strong and productive distribution reach and innovative product development capabilities. In the life insurance industry, almost 60% of sales come through direct selling agents' model. So far, we have one of the most productive direct sales force today in the country. We feel that with about 600 branches, more than 160,000 agents, and the kind of third party relationship that we have, our distribution channel is one of the best in the industry. Even if you look at the productivity measures of the players last year, our own productivity was one of the highest.

That really gives us a significant advantage in reaching customers. We achieved more than 100% growth last year in the number of policies, and more than 80% growth in Q1FY10. And this signifies that we have got a strong 'Birla' brand advantage. Our third party distributor relationships are very strong. In terms of bancassurance - we are the largest non-bank backed insurance company in this segment. And if you look at our broker relationships, we are the most preferred manufacturer.

Besides, we have a very strong product development team. In past two years we have launched as many as 10 individual life products and almost all of these are best selling products catering to different customer needs. In terms of returns to policyholders, 100% of our AUM is ahead of benchmarks. Also we achieved zero percent claim outstanding ratio, which speaks of the level of service we provide to customers. This is a significant competitive advantage.

B&K Sec : Okay. I'm not saying it will happen but in case if you see a very weak monsoon. And if there are inflationary pressure of all kind of things on the floor or over the side, even though not everybody, but rural population are somehow linked to it. Would we see a tempering of growth or is it a risk for growth in APE?

Pankaj Razdan: Life Insurance industry is largely not driven by the agriculture economy. We have different set of branches / agents catering to different set of customers. In few blocks of braches, which are largely concentrated on upper / middle income class people which really drives the APE growth today. We do have other sets of branches catering to lower middle income class which drive the policy growth and retail base for future sustainable growth but not necessarily today account for majority share. In future the mix may change with higher business coming from later set but today share of income class depending on agricultural economy is very less.

B&K Sec: Thanks.

Coordinator: Our next question comes. You're line is open.

Question : Just wanted to know when we plan to unlock value from the financial services business. Have we created a holding structure for finance business?

Sushil Agarwal: Clearly there is a plan to unlock the shareholders value from other growth businesses just like we did for Idea Cellular. We are in the process of creating a holding company for financial services for deriving operational synergies across critical functions like marketing, admin, IT etc. Whether and when the holding company will be listed– it is very pre-mature to talk about this.

Question : Oh. Okay. Thank you very much sir.

Coordinator: Our next question comes from Edelweiss Security. You're line is open.

Vishal: Hi, this is Vishal. Actually I want to ask about the outlook for life insurance business, especially after the new IRDA guideline on capping charges in the sector. What do you think that this guideline could have potential impact on industry growth rate? Also some sense on the profitability and the product mix going forward. I mean do you think that should actually change?

Mayank Bathwal: We are still assessing the impact of the guidelines, but one general observation is that this will bring a discipline in the opex structure and the origination of the regulation is actually to benefit the customer. Really the industry is going to be benefit in the long run, whatever may be the outcome of this regulation in the short term.

I think, this will make the industry more efficient, in terms of managing its operations, this will make our product more competitive, then clearly the regulation has to be positive for the industry in the long run.

Now, in terms of, the very short-term and the medium-term impact, we are all assessing, but my own assessment is that, it shouldn't really impact the current growth estimates which we just shared with you.

In fact, when we assess our own products portfolio, we don't see any major issue in meeting the requirements of this new guideline. One thing more I can share is that mortality charges should be kept out of the capping on charges. Life insurance policy offered to a 25 year old and a 60 year old don’t have same mortality risk so how can charges be the same. It defeats the very purpose of life insurance.

Vishal: Thank you, Sir.

Coordinator: Our next question comes from Merrill Lynch. Your line is open.

Reena Verma: Yes hi. Just couple of questions from me;

One is on your balance sheet. Can you please tell us what your net debt to EBITDA as we speak? And what is the target net debt to EBITDA. And does the promoter warrant issue resolve your funding problems or do you still see a need to correct the balance sheet? That's the first question.

And on the turnaround in your garments and BPO businesses, can you please offer some out-look in terms of whether this is really sustainable and whether the margins are likely to even improve further going forward?

On the carbon black business, can you please talk about your exit margin? You're presentation says you exited the June month at a much higher operating margin. If you can throw some light there?

Sushil Agarwal: Let me take the first question first. In Q1FY10, Debt / EBITDA won't present the true picture due to shutdown in the fertiliser plant. In FY09, net debt to EBITDA was 6. In the current year, it should come down due to planned promoter infusion of Rs. 1000 Crores and carbon black business coming to normalcy after being impacted last year.

So far as the funding is concerned, as I mentioned that we have Rs. 800 Crores cash in the balance sheet including Rs. 250 Crores received as 25% application money on preferential allotment to promoters. About half of remaining sum of Rs. 750 Crores is expected to come in the current year and remaining half in early next year. Whatever capex and the commitment which we have towards life insurance business would be met with this. Besides, our value businesses generate cash surplus of about Rs. 500 Crores per annum.

Reena Verma: In the garments business, the EBITDA losses have shrunk compared to the fourth quarter. So I'm just wondering whether the cost savings that are driving this is sustainable.

Sushil Agarwal: Pranab, can you take that question?

Pranab Barua: Yeah, I think two broad reasons; one is on the top line. The world market actually is still weak and growth has been only around 4% to 5%. But we are growing about 20% in retail channel driven by expansions that we put in place last year.

So on one side I suspect at least for the next six or nine months we do not expect the markets to recover dramatically and the market will probably keep going at the 4 to5% but we will be ahead of the market because of expanded retail channel.

That's on the growth side. On the cost side what you see the dramatic improvement from quarter four to quarter one, has been driven very hard by actually cost savings.

And the cost savings comes from two parts. One is coming out from the new apparel retail initiatives in which we had invested very heavily well ahead of the revenue growth. So we are monitoring that and taking the overheads out of the systems. The second area is in the operations where there's rent in the stores, actual fixed costs in the businesses, running costs, etc. Rent renegotiation and manpower rationalisation are the areas where we are achieving cost savings.

So that's sustainable. So the answer to your question is sustainable and you will keep seeing this. When you combine quarter two between the revenue growth and the cost savings you'll see a much better result than quarter one.

Reena Verma: Okay. My question is again about, sustainability of the improvement that we've seen in BPO as well and, you've highlighted that revenue outlook is cloudy in your presentation.

Sushil Agarwal: Deepak, can you take that question?

Deepak Patel: Certainly. Thank you. We have put together a strategy over the last several months of aligning our cost structure to current market realities and putting together a sales team that is focused on selling in the telco, high tech verticals and the BFS vertical and in insurance, as well as in the manufacturing.

So with the focus that we have and the plans we have put together we will see sustained profit improvement over a period of time to get to a point where we consistently are making cash profits and get to net profit some time into the next fiscal year. So certainly we are not going backwards. We will continue to have sustained profit improvement from where we are at.

In the short term there will be transition from a predominantly voice business to a more optimum mix of voice and non-voice segments.

Reena Verma: We've been hearing a lot of the same things on BPO for a couple of quarters and I must say this is the only quarter where we've actually seen some kind of a turnaround. So I'm just trying to understand what specifically have you done this quarter, because revenues have not moved at all?

Deepak Patel: Correct. So I think the first thing is that these are the results of initiatives we started taking a couple of quarters ago. With the closure of 3 loss making sites by transferring their business to some other cost effective site, we've taken over $27 million of our fixed costs out of our North American operations on a sustained basis.

It is now showing up into the financial performance. Then we have about 250 back end support positions that over a period of time we've been migrating to low cost location. Whether it is our internal IT software development, whether it is finance and accounting work for our own company, we are trying to do it from more cost-competitive locations.

Reena Verma: In the carbon black business you said in the June month you are back to normalcy?

Manoj Kedia: Yeah, for the month of this June, operating margin was in the range of 18% since high priced raw material stock exhausted in May'09. Also business is operating at 100% capacity utilisation.

Reena Verma: Okay great. Thanks. Rajeev?

Rajeev Verma: In life insurance, you obviously had a regular jump in your new business market share which is, quite credible. But your conservation ratio is low. I mean, is that sustainable and any factors that led to that?

And just one more question on insurance was, if we assume that a 49% increase does happen in the foreign ownership - is there an agreement now with Sun Life which would allow them to raise their stake at a predetermined value or it's still not very clear on that?

Mayank Bathwal: Okay let me take your first question first. You know, as I had shared with you some time back that we look at 13 months persistency which is more than 80% and among the best in the industry.

In last year, we had some products which offered flexibility in premium payment and owing to slowdown some customers opted to exercise the flexibility. That's why the conservation ratio (new business premium of the current year/ total premium of the previous year) looks lower in the previous year. I have no doubt of it getting corrected with the new IRDA guideline which offers no flexibility at all in the first three years of the product life. This will reflect in the actual collection as you go ahead in the year.

And on the other question, if FDI is increased from 26% to 49%, in our case it will be based on the current market valuation basis.

Rajeev Verma: Great. Okay thanks.

Coordinator: Thank you. Our next question comes from Jupiter. Your line is open.

Jupiter: Hi. Just one question. If you're looking into exiting some of the businesses, may I know which businesses are you talking about?

Sushil Agarwal: No, I don't think I said that we are looking at exiting from any business per se. What I said was monetizing investments in some of our growth businesses, once they achieve a required size and are profitable. Like we did for Idea. For e.g., our first priority in the Garments and BPO businesses is to achieve profitability. In future, once they attain a size, we may take them public. But we will not exit any business. Nuvo is and will remain a conglomerate. We are running businesses and hence are business builder and not an investor. Currently, if we are saying that we will be creating a holding company for financial services, it is for achieving operational synergies and it doesn't mean we are going to monetize it in foreseeable future. We will grow the businesses and at a suitable time we may take them public.

Jupiter: Okay, thank you.

Coordinator: Thank you. Our next question comes from ENAM Securities. Your line is open.

Priya Rohira: Yeah hi. Good evening to everybody. My first question relates to the BPO business. You have a Rs. 127 Crore capex plan in this business. Could you address where and how the capex would be spent?

And the second question relates to your clientele profile. Could you give us any highlight on the captive business which you do for any of the other group companies over here?

Deepak Patel: Certainly. So first of all on where the capex is being done. We see a significant growth opportunity in the Indian domestic market and in the domestic market while the recovery of the invested capital is quite fast, within a year we typically recover our capital.

To serve the telecom sector alone, we will be adding approximately 1000 plus seats in the balance of the year which will require facilities, which is where bulk of the capital is going into.

And the second portion is on the ongoing replacement capital for our aging equipment and things of that nature, but bulk of it is going into furnishing for our growth in the Indian domestic market.

On the second question related to the group companies we've made significant progress. If you remember about a year ago we were doing just under about $2 or $3 million of revenue.

In this fiscal year we will expect somewhere in the range of $15-20 million from the group companies where we are doing significant amount of work for IDEA Cellular in the customer service area. We've just recently signed an agreement to perform additional financial accounting services for our life insurance unit, as well as back office insurance practicing.

Priya Rohira: Sure. And what would be the composition of the auto and other verticals in the overall profile of BPO business in Q1?

Deepak Patel: The automotive verticals in Q1 generated about 48% of the total revenue of the company.

Priya Rohira: Sure. And my second question relates to the insulator business. If you could just give us what could be the improvement in the margins, by shift to coal and natural gas?

Manoj Kedia: Yeah, I would say it will be in the range of 1 to 2%.

Priya Rohira: Okay, and when do you see this benefit kicking in?

Manoj Kedia: In some of the kilns, we have already shifted from liquid to gas based fuel. In other it should be done in the current year itself. Full benefit would be seen in the end of the year only.

Priya Rohira: Okay great. Thanks very much and wish you all the best.

Coordinator: Thank you. Our next question comes from Kotak Securities. Your line is open.

Nishchint: Yeah hi. This is Nishchint. I just want to understand as to what is the portion of your products that have the margins or spreads higher than the one proposed in recent IRDA circular?

Mayank Bathwal: Since the guidelines are getting clarified and as I earlier said it is not yet clear whether mortality charges are out of capping or not, I think at this stage should reserve my comment about your query.

Nishchint: Lets assume if mortality charges are kept out of the capping, would then there be much impact of the guidelines on your margins?

Mayank Bathwal: Well, I don’t expect any effect on the business per se but yet, going through product portfolio, most of the products already meet the limits.

Nishchint: Okay thank you very much.

Coordinator: Our next question comes from ING Investment Management. Your line is open.

Manish: Yeah hi. This is Manish and my question is on the current credit crisis and where the capital has become quite scarce. What kind of benchmark are you following for your value businesses to generate return on the capex and investments over maybe a two or three year period and what for growth businesses?

Sushil Agarwal: In the value businesses combined together we expect to generate ROCE of 18-20% and we have actually generated such return in last year despite carbon black industry being impacted severely. In the growth business, I won’t be able to comment on the returns we expect since these are in gestation phase except Idea. What I can share is while approving any capex plan for any business, we follow a minimum IRR or hurdle rate of 18 to 20% over a period of five or seven years.

Manish : Sure. Just one follow up question that long back the group decided that these individual businesses you would be operating in, would have to remain among top three players in the respective sector. So do you stick to that or will you be exiting any business which you are not in top 3 positions?

Sushil Agarwal: We continue to have that same focus at a group level. In all the manufacturing businesses, we are one of the top 3 players in terms of size except fertilisers where expansion is regulated. Even in fertilisers, we are among the top three players in terms of operating margins.

In the Garments business, again we are leader in the premium branded segment. In the Telecom, Life Insurance and Asset Management businesses, we are fifth largest and our focus is to become top 3 there too. In fact the distance from fourth position in all these businesses is not much. Only in the BPO business we are amongst top 7 players. The business faced its own challenges and now its on the recovery path. Our first focus in this business is to achieve profitability and only after that we will focus on scaling the same. By that time impact of global slowdown too will fade away.

Manish: Okay thank you.

Coordinator: Before we take our last question I would just like to remind parties to please press star 1 and record your name if you would like to ask a question.

Our last question at this time is a follow up from B&K Securities. Your line is open.

B&K Sec: I had a follow up question on fertilisers business. I wanted to know if we have realized IPP on some of the volumes and if so what are the volumes of the proportion.

Sushil Agarwal: IPP gain accrues in the fourth quarter because it is dependent on the production achieved in the full financial year. We cannot account for it in the first quarter.

B&K Sec: Thank you very much.

Coordinator: We do have one other question that came in. It's from Quantum. Your line is open.

Quantum: I have a few questions. One is related to the garments business : What kind of store additions you would be looking at and what you have done in the first quarter?

Pranab Barua: Across the businesses we will be probably putting around a 60-80 stores this year. Most of these stores will be low cost stores and through franchisees. Also we will be closing some unviable stores this year.

Having said that we have not put many stores in the first quarter. I think we added 10 stores in the first quarter. At the same time we closed another 10 unviable stores. Due to negotiation of the rents which has been a burning issue for this business, it took us some time but going forward we have line of sight into about 60 to 80 stores addition this year.

Quantum: And the second thing was on the Rayon business where we had seen some very good improvement on the profitability side. So how would you see it going forward?

Sushil Agarwal: Yes the business has actually achieved its highest ever quarterly profitability supported by higher VFY realisation and 16% growth in caustic soda volumes which we believe should be sustainable in the coming quarters.

QUESTION: And would you also be doing some expansion in this business since the capacity utilization is close to 90-95%?

Sushil Agarwal: We have not planned any capex in the Rayon business since the market is matured for VFY. Value addition comes from finer denier yarn which we are continuously doing. In caustic we have expanded capacity in December 2008 itself.

Quantum: Okay. And there is just one question earlier asked related to your spending side. As per your capex plan, you will be spending Rs. 500-600 Crores this year and will also be infusing Rs. 500 Crores in life insurance not only this year but also some amount next year. Would there be any kind of a further dilution because as we are seeing that the cash flows from the core businesses not enough to fund the growth businesses?

Sushil Agarwal: As I earlier said, besides value businesses generating cash flows of Rs. 500 Crores annually, we have surplus of Rs. 800 Crores on our standalone balance sheet as on June 30, 2009. Besides, promoter will be infusing remaining Rs. 750 Crores. So we would be in a position to take care of our capex and investments needs.

Quantum: Okay thank you.

Coordinator: Gentlemen we have no further questions.

Navin Gupta: On behalf of everyone I'd like to thank senior management team for participating in the conference call today. I would like to request Mr. Sushil Agarwal for his ending note.

Sushil Agarwal: Thank you so much for joining on the call and if you have any other specific question you can please email it to us. We'll - we're happy to answer those questions. Thanks everybody.

Coordinator: That does conclude today's conference call. We thank you all for participating. You may now disconnect and have a great evening.

END