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30 April 2008

Aditya Birla Nuvo Ltd

Business Strategy – Financial Services Conference Call on 8 May 2008

We are pleased to host a conference call on behalf of Aditya Birla Nuvo Ltd (ABNL). **The conference call for Investors/Fund Managers with the key personnel in the Financial Services BU of Aditya Birla Nuvo Ltd will be held on Thursday, 8 May 2008.**

The call will begin with a brief management discussion on business strategy for Financial Services at ABNL, followed by an interactive Question & Answer session. The management team would be represented by:

- Dr. Bharat K Singh : Managing Director
- Mr. Adesh Gupta : Whole time Director and CFO
- Mr. Ajay Srinivasan : CEO - Financial Services
- Mr. Pankaj Razdan : Deputy CEO- Financial Services
- Senior Management Team : CEO & CFO- Birla Sun Life Insurance
CEO & CFO- Birla Sun Life AMC

Date:	Thursday, 8 May 2008
Time:	15:00 HRS IST
Call Leader:	Priya Rohira, ENAM Securities

Details of the conference call are:

Country	Dial in numbers	Conference ID #
India	180030131313	45571288
India – Local	186030131313	
India Local - Mumbai	02230360400	
India Local - Bangalore	08030360400	
India Local - Chennai	04430360400	
India Local - Delhi	01130360400	
India Local - Calcutta	03330360400	
International Dial In	+912230360400	
Hong Kong	800964999	
Singapore	8001011906	
U K (Available from Landline)	08082381435	
U K (Available from Landline and Mobile)	08000518864	
U.S and Canada	18663944523	

Replay of the call will be available from 9 May to 13 May 2008

Company	Aditya Birla Nuvo Limited
Date:	May 8, 2008

Operator:

Thank you for standing by. And welcome to the conference call with the financial services team at Aditya Birla Nuvo Limited hosted by Enam Securities. At this time, all participants are in listen-only mode. There will be presentation followed by a question-and-answer session, at which time, if you wish to ask a question please press "star", "one" on your telephone.

I would like to hand the conference to over to Ms. Priya Rohira now. Over to you ma'am.

Priya Rohira:

Thanks, Nisha. A very good afternoon, good evening and good morning to various participants joining us from various time zones. It is with great pleasure that I welcome you to the Aditya Birla Nuvo teleconference, Aditya Birla Financial Services Group to discuss their business strategy.

We have with us Dr. Bharat Singh, Managing Director; Mr. Adesh Gupta, Whole Time Director and CFO of Aditya Birla Nuvo; Mr. Ajay Srinivasan, CEO, Financial Services; Mr. Pankaj Razdan, Deputy CEO of Financial Services and other senior members from Birla Sunlife Insurance and Birla Sunlife AMC.

The call will begin with a brief management discussion on the business strategy for the Financial Services Group at ABNL, followed by an interactive Q&A session. A copy of the presentation has been emailed to you and will also be available on Nuvo's website. The conference will be archived and a transcript will be available on their website www.adityabirlanuvo.com.

I now handover the floor to Mr. Ajay Srinivasan, CEO of Financial Services for the initial presentation. Over to you Mr. Ajay.

Ajay Srinivasan:

Thanks, Priya. And if I can just extend on behalf of the financial services team a very good afternoon, good morning to the various participants on the call.

I'd like to talk today about the financial services business to give you a sense of what the business has done over the course of the last financial year and to set a broad direction for the way forward.

As Priya mentioned, I have a senior team with me over here and let me just start by introducing them before I dive into the presentation. We have CFO of our company Aditya Birla Nuvo, Mr. Adesh Gupta. There is Pankaj Razdan, who is Deputy Chief Executive of Aditya Birla Financial Services Group, along with him representing the broader team across financial services is Ajay Kakar, who is our Chief Marketing Officer. From our businesses, we have Vikram Mehmi, who is Chief Executive of Birla Sunlife Insurance and he's joined by Mr. Mayank Bathwal, who is CFO of Birla Sunlife Insurance, from the asset management team we have Anil Kumar, who is CEO of the Birla Sunlife Asset Management Company and he is joined by Abhay Palnitkar, who is CFO of the Asset Management Company, Sushil Agarwal who heads our Non-Banking Finance Company and Ravi Sharma, who heads our Distribution and Wealth Management Company are also present.

What I intend to do is really running through an overall view on the broad financial services sector and our business and strategy and then let the individual teams dive into the details and then of course we'll take questions at the end.

As Priya mentioned, we've circulated presentations to you before. So I am presuming you have that in front of you, but if not at least my colleagues and I will go through the presentation assuming you don't have a copy with you as of now.

I'd like to start by just painting a picture of the broad financial services opportunity in India, just to give a sense and quantify the sale, the size and scope of the opportunity.

I think, as all of you know India has one of the fastest growing economies in the world. One of the largest populations in the world I think the combination of that means you are basically talking of a large market of potential customers for retail financial services in a market where incomes are growing rapidly.

Not only do we have incomes growing rapidly but we have a very high rate of savings in India, which again means the pool of assets available to people like us or provider of all financial products is obviously large. I think one of the things, we've noticed in the last few years in India is the change in the consumer aspiration and we see Indian consumer becoming much more aspirational in terms of their needs for the future. And financial needs are obviously a key part of meeting the general needs of the consumer segment.

We believe that the financial consumer in India is still a simpleton because we see by and large, if you look at the pattern of investment, even today safety is preferred over returns and they are really looking for reassurance. Therefore the offeror is much more important than the offering in the market that we are operating today.

And finally, if you just look at where penetration stands today, we have a very low penetration for most financial services products. I think as most of you maybe aware 55% of household savings today lies in bank deposit and penetration for products like mutual funds is less than 5% of household savings and life insurance is less than 15%. If you compare this to what's available in other parts of the world, I think you'd agree that there is a long run way really for the financial services sector in India.

This was just to set background for what the Aditya Birla Financial Services Group is setting out to achieve. Our vision is really to be a leader and a role model in financial services with a broad based and integrated business. There are four key words in this vision statement that I'd like to just talk a little bit more about.

The first is leadership, and I think that is something that the group believes in very strongly and I think it demonstrates across the various businesses in the portfolio that we have today and I am here talking about the Aditya Birla Group, in general.

Clearly, we are looking to be leaders in the market and in the segments that we operate in but as important as leadership for us is the qualitative aspect of our business and that's why being a role model fits in because we want to be known for doing things the right way, as well as, being leaders in the businesses in which we operate.

In addition to these two elements of the vision, I would like to talk about two other elements, which is the notion of having a broad based business because our view is that given our target customer with whom we are looking to build long and sustainable relationships, having a broad based offering of products and services is critical.

And I think the last element that I'd like to highlight is the integrated nature of the business we are looking to build. So whether we integrate the backend in term of the way technology works or the front-end in terms of the way the customer sees us. I think we have several competitive advantages that can emanate from being able to drive synergies across the platform.

I now move on to what I feel the key drivers of our business are and where we're going to be able to differentiate ourselves from our competition. This would be in the five areas set out in slide number four. Broadly we see product and product innovation as being a key driver of financial services business and I think that will continue for sometime to come.

Distribution and distribution infrastructure becomes key for what we are trying to build and especially, when you have the aspiration that we have to be a retail player, distribution assumes a fair amount of significance.

The third driver that I'd like to talk about is brand. As I said earlier, the offeror is more important than the offering today in the financial services business. And therefore brand becomes a key part of that relationship that we build with our customers.

The fourth element that I'd like to talk about is people and clearly this is a people driven business and the quality of people will determine the quality of the results in more ways than one.

The last element that I'd like to talk about is customer experience because although this business can tend to be fairly hard, nosed and very much about numbers, at the end of day, the way the customer experiences us, and the way the customer can actually deal with us at different points will differentiate one provider from another.

I move to slide five and set out the way the business is today. I have these five pillars in the slide which are the various entities that we have under operation today. So we have Life Insurance business, which we'll talk about in a minute. We have a Fund Management business, we have Distribution / Wealth Management business, we have an Insurance Advisory Broking Services business, which does general insurance broking, and we have the Non-Banking Finance Company.

I think, the way we look at this business together goes back to my earlier point, about an integrated vision, we see this as one virtual company with many real businesses. And as I said earlier, if we can leverage synergies and be more competitive and cost effective then I think, we have some competitive advantages over other players in this space.

Before I handover to the individual businesses just a couple of slides, talking about our approach in the course of the period that I've been looking at this business over the last year. I think, the way we see it is really a phased approach and slide six sets out the three phases that we want to talk about.

Phase I in our mind is very much about laying a firm foundation for the future, and what is meant is actually building momentum in our Life Insurance and Asset Management business, two largest businesses in our financial services base. We wanted to build momentum in both these business and the teams will talk about the success we've had in doing that.

I talked earlier about the importance of people and I think that's been very critical for us over the course of the last 9 to 12 months. We have really put together a team of very high talented individuals across the platform that we have.

The third element of phase I is really in terms of just scaling up because our aspirations are to be in a leadership position and that means all our processes and platforms have to have scalability. Our focus in Phase I have been building that scalability.

Phase II for us is really then setting new goals for our other businesses and here when I am talking about other businesses, I am talking about Distribution and Wealth Management, and I am talking our NBFC and Insurance Brokerage business, which we are currently embarking by drawing up the blueprint for the expansion of these businesses.

Phase III for us then is exploring new horizons because once we've laid the foundation for our large businesses, once we've got the rest of our existing businesses to start delivering the goals that we have for them, then we want to start looking at new horizons, which is really going to be driven by the way we look at our customer needs. So that's really the phased approach to the growth of the business that we are looking at.

Just one last line in terms of our overall strategy before I hand over to the individual teams and this is set out in slide seven. Basically we are looking at our strategy in four broad buckets if I can use that term.

The first is what we call expansion because in many ways this is at the broadest level in expansion of the market given the penetration that we've been speaking about earlier. But in many ways also it is expansion across different other functions.

Second, we are looking to scale up distribution so that we can reach across markets and channels and our businesses will talk to you about the success we had in doing that over the course of last year. The third element of expansion is product and segment expansion and again our individual businesses will talk about how we've been expanding in that area. And the third phase that I referred to earlier is our potential entry into new financial services segments.

The second bucket that I would like to talk about is differentiations, so once we have the expansion strategy underway where we start differentiating ourselves. And here there are six areas that I would like to talk about where we see ourselves differentiating our business.

The first area of differentiation is what I talked about earlier as being a key driver of success is people. We see our differentiation as actually bringing together, people with different backgrounds, from different skills sets, all bound by a common vision.

The second area of differentiation for us is product. We've had a track record in our Asset Management business and our Life Insurance business of product innovation and we see that continuing into the future. The third area of differentiation for us is speed to market and the quality of execution and I think we've seen some of that come to bear in the course of last year.

The fourth element of differentiation is superior investment performance. And I think we'll talk about that in detail in both the businesses, but we have a very proud track record in terms of the investment performance that our teams have delivered.

The fifth element of differentiation is in the way we engage with our customers. As I said earlier, given the penetration is as low as it is today and given therefore there is an opportunity to expand the market, there is a huge opportunity in these segment to actually engage with our customers and to build long lasting relationships with them and therefore we believe that is an important area of differentiation for our business. And last of course

is making sure that we can drive our capital usage in a way that is productive and efficient from all perspectives.

The third bucket, I would like to talk about is transformation because once you get the expansion and differentiation, where do we think we can actually transform these businesses. And there are really three points that I would like to refer to in this bucket.

The first one is in terms of leveraging on synergies because we are part of a very large group and part of a wider business ecosystem. At one level we have the ability to leverage synergies within financial services. At the second level we have the ability to leverage synergies within the broader Aditya Birla Group. And at the third level we have the opportunity to leverage synergies with our joint venture partners Sun Life, who are present in several markets across the world, including many in Asia.

The second area of transformation for us is structural changes in organization and as Vikram will talk about in the Insurance business, the way our direct selling has been structured in the course of last year.

And the last area for transformation is really in terms of looking at outsourcing and decentralizing the businesses in terms of our operations and IT infrastructure, because there are several elements of that I think that we can look to get economies and efficiencies.

The fourth and last bucket of the strategy which is really driving for excellence. And I just like to point out three areas where we see ourselves doing this.

The first is in the area of employment and as some of you may know the group was the best employer last year and I think that's a very proud heritage that we have it and we clearly want to carry that forward and excel in the area of employee relationships with our teams across the businesses.

The second area is in terms of brand where I think again we want to be known as a trusted brand across the footprint that we operate. And the last is in the whole area of risk and compliance, because at the end of the day this business is about trust. We understand that and therefore whatever we do to protect the franchise and the business is good business sense. So as I said at the start I wanted to set a broad picture in terms of what we are looking to do and a broad direction for strategy.

And now, I would like to invite Vikram to deep dive into the insurance business and to give you a sense of what last year has been and what the future holds.

Vikram Mehmi:

Greetings from the Aditya Birla Financial Services Group. My name is Vikram Mehmi and I look after the Birla Sun Life Insurance. The key aspiration of the life insurance business is to get back to the leadership position that we held earlier and currently we are

looking at becoming one of the top three players while at the same time, providing superior value creation for our stakeholders.

We aim to achieve this mainly through distribution expansion, through better innovative products and the other three elements, which Ajay mentioned which was the customer relationships, brands and our people. In terms of strengthening the distribution reach over last two years we've actually expanded our branch network four times and reached 339 branches, while also increasing direct selling force to 115,000.

Currently we are rolling out another 261 branches, which will be completed by end of May and in the coming year we want to reach target of about 1,000 branches which will bring our distribution strength at par with some of the top players in the industry.

In terms of products we have actually strengthened our product portfolio during the year and we are now focusing on filling up a few identified gaps in order to meet all the needs of the customers. The gaps we've identified are health, pension and the traditional product segment.

I'll take you to the next slide where we indicate our product launches during the year 2007-08. You would notice while in the last two years the company had launched only one product each and this year we have improved the processes to better our speed to market very significantly, we've added products in the investment segment, two products which are Gold Plus and Platinum Plus. We've added two products on the microinsurance side. We have also added a product, which can be sold over the counter and added number of innovative funds to all these products.

On the group sides, we improved on our existing products on the unit link products for the superannuation funds and also came up with the long-term guaranteed product for the group segment.

Coming to next slides on the key highlights for 2007-08, I think this is a year where we have got back our momentum. We've actually out performed the industry on many fronts. We built a very strong momentum of business. The first year weighted annualized premium for the year 2007-08 was Rs. 2,203 crores, which is over 131% of the last year number of Rs. 953 crores. So this takes us to the second highest growth rate amongst the top 7 players in the industry.

The total revenues have also grown over 90% over last four years. The new business premium income as measured in life insurance business is at Rs. 1,965 crores, which is 123% higher than last year. The renewal premium has also grown significantly, so therefore our total revenue also has grown by over 94%. So this all has helped us grow our assets under management at a CAGR of over 80% to almost 7,000 crores at the end of March 2008.

And all this we've achieved through realigning our organization particularly on the sales side we've created a zonal structure to bring higher focus to the productivity and

preparing for the growth that we want to take through additional branches that we are setting up.

We are also focused on growing our alternate channels. We've tied up with number of new relationships on the alternate channels sides. And we've strengthened relationship with our existing banks viz., Citibank and Deutsche Bank. We are currently embarking on very big project to build capacity in both operations and IT, which will give us the scalability to grow our business in the coming year.

In terms of fund performance, 11 out of 14 major funds of Birla Sun Life Insurance were in the top quartile of performance during the year. And as you know we continue to get strong support from the promoters, during the year we've got over Rs. 600 Crores of equity capital which is as much as which was put in by promoters over the last six years.

Coming to the market shares, so it was not just growth for the sake of it, we are the six largest player in India with 6.6% market share in the players and this has grown from 5.3% last year.

In the month of March, we actually are ranked number fourth with the market share of 8.1% and as you know, March is a very, very large month for the insurance industry. So we've reached our market share of roughly 8% and if you look at past then we were at 8% market share, we were ranked as one of the leaders in the industry, second and third position. And during this year, twice or thrice in the year, two-three months, we were at 8%. So we are very close to getting back to that leadership position which is very clear from this chart.

I'll take you to the financial results. Slide number 13. As I mentioned, we've increased our branches to by 147%, the direct selling agents by over 100%, new business premium by over 120%. Assets under management by 70% to over Rs. 6800 Crores and if you look at on the qualitative side, we are selling mostly long duration products. Our single premium products are almost negligible as compared to other players in the industry and so if you see our overall revenues, these actually were Rs. 4000 Crores during this year. The loss figure for the year is in line with our expectations because we've kept our costs under check and we continue to focus on selling long duration products and maintaining high persistency for our business.

And how are we geared to meet our challenges to become a leader in the industry, I take you through in the next slide which is my last slide and here as Ajay has mentioned, these are key enablers for us. Starting with the products where we've always been innovative and we have filled up the product gaps during the last financial year and this year, we would be enhancing those products to become more competitive. Distribution will continue to remain our key focus areas when the market is growing at 100% and we will continue to have a multi channel approach to the growth of the distribution. But our dominant focus will remain on the direct selling channel and from this year, we started focusing on the training recruitment and productivity in terms of improving the quality of

the advisors so that we get good quality of business and we are able to improve our productivity.

In terms of operations, our key focus is to build the capacity now and we are looking at maintaining our capacity on all fronts partly through outsourcing, partly through re-looking at all over processing with the help of an independent consultant. The brand, the Birla Sun Life brand is very well known in the financial industry market and trust being important for this business and we believe that Birla Sun Life brand has done very well in the last seven years.

In terms of people, we have built up a very strong leadership team in the company now. We've always been recognized as a best employer for the last three, four years and we are now strengthening the HR process in the organization as we are decentralizing the organization to meet the needs for the growth.

And on the profitability side, our persistency is one of the best in the industry and we are very focused on managing cost particularly in the branch expansion. We are looking at very low cost branch expansion and our monitoring system at the branch level for cost management is very strong and all these things coupled with looking at the needs of the customers, we have identified two clear segments in the company, one is HNI channel and one is other.

For HNI channel, we are putting in place an end-to-end process starting from – commence of the application right up to processing of the plans. And we believe that if we continue to focus on these key parameters and enablers, we believe we could become one of the leaders in the coming years and create superior value for the shareholders. Thank you. I'll hand you over to Anil for the AMC business.

Anil Kumar:

Hi. Good afternoon everybody. My name is Anil Kumar. I head the Birla Sun Life Asset Management Company. Basically, very briefly, I'd like to update you on our key highlights and achievements of 2007-08 and then talk about going forward, one of the key enablers in the business. As stated, our goal is to be amongst the top three players and offer superior value to our stakeholders.

In 2007-2008, we focused on the building and scaling up of our distribution network. We more than doubled our branches from 32 branches in 2007 and took it up to 78 branches. We also more than doubled our financial advisors from 8000 to 18000.

Investor portfolio grew by 65% during the year to 1.9 million folios and we really built our distribution across various channels. We had a multi channel non-polarized distribution network as our focus. The other focus was to certainly maintain our superior fund performance. We had 69% of our AUMs in the top quartile based on one-year return and we've been recognized and awarded Mutual Fund House of the Year during the year by CNBC TV 18 - CRISIL which is really the Oscar of the mutual fund industry. We've

also got five other awards from CRISIL and four awards from Lipper and two awards from ICRA in the same year.

Moving on to the next slide, our investment performance has been strong and consistent across the time horizons, that is, six months period, one year period and three years period, we had 70%, 69% and 50% of our AUM in the top quartiles respectively. So that really has been a strong pavement for us. Getting to the next slide, year 2007-2008 has been a year of regaining market share for us and playing catch-up on the distribution in the business.

We've got market share of 6.9% in 2007-08 as against 5.8% we had in 2006-07. Our domestic AUM grew by 89% in the last one year as against the industry average of 62% and we achieved the second highest AUM growth among the top 7 players. We are the only AMC to show positive month-on-month growth in March '08. Out of 33 AMCs in the industry, the only one that grew positive in March'08 was Birla Sun Life. So that's again kind of a trend we've achieved in the last few months.

Our AUM grew by four times in the last three years from about Rs. 10,900 Crores to over Rs. 45,000 Crores and this includes offshore equity AUM of Rs. 2,500 crores. Our equity AUM particularly grew much faster, it grew five times in three years to Rs. 10,838 crores. Our focus really has been on building and holding long-term equity assets.

Also on the overall number of mutual funds, we have 92 schemes including 2 offshore funds. In 2007-08, we focused on equity NFOs. We launched four equity NFOs during the year collecting Rs. 2,700 Crores. Another asset class that we have been focusing on is high margin fixed income funds.

So really we've built the momentum in the last one year and that now you can see from the next slide as I compare the market share with our competitors. We have grown by one rank from number six to number five. The second thing, you can look at is the growth rate in last one year which has been 89% as against the industry average of 62% and we achieved second highest growth amongst the top 7 players in the industry.

Moving to the financial results, as I said, we have grown our branches from 32 to 78, which is 144% growth. Our investor folios have grown from 11.5 lakhs to 18.9 lakhs, which is 65% growth. Our assets under management have grown from Rs. 20,830 Crores in 2006-07 to Rs. 37,160 Crores achieving a growth of 78%. This also includes the offshore assets.

Our total income has grown from Rs. 95.5 Crores to Rs. 135 crores. Profit has come down over the last year because of our conscious effort and conscious strategy to plough back funds into the business to build our brands network, to build our people strength and to build presence in the market through NFOs. So we have very consciously ploughed back funds into the business last year to ramp up scale of our business.

Finally, getting into next year, our focus again is to continue ramping up the distribution further to build 50,000 point of sale from 20,000 where we are today, and this was 8000 as of last year. So in the two years time we are taking up it from 8000 to 50000. We are launching various technology enabled robust CRM platforms across sales and service functions. We are focusing on alternate channels to grow much faster than what traditional channel offers. And of course our focus is also on building our PMS proposition and presence in the overseas market.

Thank you. So now, I handover to my colleague Ravi Sharma to talk about Birla Sun Life distribution.

Ravi Sharma:

Thanks, Anil. Good afternoon. I handle Birla Sun Life Distribution and we are an open architecture distribution company. We have four channel of business i.e. private fund group, channel partner which is B2C, institutional segment and the insurance segment. We have currently about 250,000 customers nationwide. We have 36 branches in 29 cities, which mean we are in all those areas which contribute more than 90% of the business in the country and we currently have more than 3,800 channel partners.

We have grown in last year. We had a stock strength of fewer than 100, which is now more than 350, which by the year-end will be about 1000 people. We are currently ranked as a sixth distributor and this is up from 27th last year, and we currently manage about Rs. 12,000 Crores of AUM which is up from last year of just under 5,000 crores.

As I said, we have already increased our number of branches and the plan this year would be to reach at least across 100 towns. Our revenues have also increased, but more than the revenue our profitability has also increased in terms of PAT because what we have improved upon is the negotiation. We are expanding our presence across the spectrum of financial products. We have already reintroduced life insurance selling through Birla Sun Life Distribution. We are also diversifying across all AMCs currently as against last year that we had only three AMCs over Rs. 400 Crores of AUM. We currently have 11 AMCs where we have more than Rs. 400 Crores of assets under the advice and therefore we are representing all, and truly providing and open architecture to all our investors.

We are across the pyramid. We are offering all the products that support all distribution channels so right from mass affluent to the ultra high net worth individual. And in order to support our activity, we have one of the best technologies and at the same time we are even further strengthening it, so that we can really service across all segments. Thank you very much. I will pass on to Mr. Sushil Agarwal.

Sushil Agarwal:

Thanks Ravi, and good afternoon to everybody. I will quickly take you through highlights for the year 2007-08. We have four lines of activities under our NBFC arm and

which are loan against securities, initial public offering financing, corporate finance and insurance broking.

During the current year our overall portfolio has doubled to Rs. 10 billion. Our loan against portfolio is highest in the history of the company, which is around Rs. 8 billion and we have best short-term rating from ICRA and we had the highest profit for the current year, which is around Rs. 370 million at profit before tax level and which is 67% higher than the previous year. And for us the key enabler is clearly capital and the plan would be to expand our presence by offering various different products to meet the customer needs. And in this background, as I mentioned that the plans are at drawing board stage. I will handover to Ajay for conclusion.

Ajay Srinivasan:

So I just like to draw the various aspects and pieces together and word from our four Chief Executives of the individual businesses. I just like to pull all of that together with one final summary slide before we open for questions.

I just like to make five points in summarizing the presentation and where we stand today. You know, first I think, as would you hear from all of our businesses we have regained momentum in 2007-2008, that was our focus as I set out earlier and I think we've seen success in building both strong top-line growth as well as profitable growth across all our businesses. And the second message I would like to leave with you is the fact that we have starting to build capacity for future growth, be that in terms of people and the organization strength, be that processes or be that the technology that we need to put into place. The third message, I'd like to leave with you is the three phase growth that I referred to earlier, that we are looking at this growth in three phases and I have talked about phase I, phase II and phase III. The fourth message, I'd like to leave with you is basically the view that we believe that we have several synergy benefits that are possible across the financial services businesses and across the wider spectrum of the Aditya Birla ecosystem. And last I think, I would like to leave with you the thought that we've identified the enablers in success and we are on our way to start building our competitive advantage on these parameters. With that I'd handover to you Priya to open up for Q&A.

Question-and-Answer Session:

Priya:

Nisha, we can start up for the Q&A session.

Nisha:

Certainly ma'am. Participants, who wish to ask a question, please press "star, one" on your telephone and wait for your name to be announced. I repeat participants, who wish

to ask a question, please press “star, one” on your telephone and wait for your name to be announced.

We have our first question from Mr. Rajeev from DSP Merrill Lynch. Please go ahead, sir.

Rajeev Gupta:

Yeah. Ajay, hi this is Rajeev.

Ajay Srinivasan:

Hi, Rajeev.

Rajeev Gupta:

Hi Ajay. Actually I just wanted to understand on the life insurance side, what portion of policies are coming on the yearly payment; how much is like on a half yearly? The reason I am asking is; I think some of your peers who recently disclosed the results, we’ve seen a lot of difference in the number being put out by IRDA.

Ajay Srinivasan:

See most of our policies are on an annual premium basis or on monthly premium basis. There are very few policies on quarterly or half yearly basis, and we had noticed that some of the policies on quarterly, half yearly the lapsation was marginally higher. So in the near product that we are coming out we are taking care of that to ensure that we have either have monthly premium or the annual premium.

Rajeev Gupta:

Yes. I guess, the majority would be on a monthly premium or on annual premium.

Ajay Srinivasan:

Annual and monthly premium both. Yeah. I think Mayank has something to say.

Mayank Bathwal:

The majority is of annual which would be about 50% compared to 10-15% monthly and rest are other modes. We are trying to promote the monthly mode through ECS which we feel is the right mode to have and it gives the discipline in payment for the policy.

Rajeev Gupta:

Okay. I mean Mayank, just to understand, I think someone is also saying that if you go for the annual that improves persistency than monthly or half yearly because they are

seeing higher lapse rates on these monthly and half yearly payments. I mean, what's been your experience?

Mayank Bathwal:

See I feel that would be on both the monthly mode and the annual mode Rajeev and why we say monthly mode is right mode to have because there are certain segments of policy holders who would not like to pay a large amount on annual basis and they prefer paying it in multiple installments over the year. And the monthly term helps them in bringing that discipline in payment. The quarterly mode and half yearly mode are just couple of other options that could be provided for the policyholders.

Rajeev Gupta:

Okay. Thanks. Just one more question on your AUM in Life insurance business, how much is equity?

Vikram Mehmi:

About Rs. 2,800 crores, which is about 40% of our total AUM

Rajeev Gupta:

Thanks.

Operator:

Thank you very much, sir. Next in line we have Mr. Rohit Shimpi from SBI Mutual Fund. Please go ahead, sir.

Rohit Shimpi:

Yeah. Good afternoon. Congratulations on good numbers. Question is on the Life Insurance side, I mean, how has the correction in equity markets impacted. What are your expectations for the current year around that front?

Ajay Srinivasan:

Okay. See in the insurance business we are actually looking at very long-term investment and therefore these short term changes in the markets do not affect us very significantly. So although there was a marginal slowdown; but in the month of March or business has performed almost best in the industry in terms of growth.

Also we have come up with the products where you know these changes in the market will not affect the end results. So there is Platinum Plus product so we don't see that as a problem as far as life insurance is compared.

Rohit Shimpi:

Okay and my last question is on the NBFC side. When we say capital employed, we are talking about the net worth invested in business that's right?

Ajay Srinivasan:

Yes. That's right.

Rohit Shimpi:

Okay. Fine. And could you have the number what would have been the loan-book as of FY08 end?

Sushil Agarwal:

Rs. 8 billion on account of loan against shares.

Rohit Shimpi:

You know, I was asking at FY07 end and FY08 end also

Sushil Agarwal:

It was around Rs. 400 Crores or Rs. 4 billion at FY07 end.

Rohit Shimpi:

All right. In the NBFC when you talk of loan against shares, is this similar business what the companies like India bulls etc are doing?

Sushil Agarwal:

Yeah. That's right.

Rohit Shimpi:

Okay. Fine. Thank you so much.

Operator:

Thank you very much, sir. Next in line we have Mr. Ajinkya Dhavle from Motilal Oswal. Please go ahead, sir.

Ajinkya Dhavle:

Yeah. Good afternoon. Just one question again on Birla Sun Life Insurance. Can you just throw a light on the composition of the policy and the income in terms of ULIP, Non-ULIP and traditional policies, etc?

Mayank Bathwal:

97% of the new business premium comes from ULIP based products.

Ajinkya Dhavle:

Okay. And just wanted one clarification, you talked about Rs. 2,203 Crores of weighted average premium this year in your press release, right? Is that APE number which is the denominator for calculating NBAP margins?

Mayank Bathwal:

Yeah. That's right.

Ajinkya Dhavle:

Yeah. Thanks. Bye.

Operator:

Thank you, very much, sir. Next in line we have Mr. Krishna from Kotak Asset Management. Please go ahead, sir.

Krishna:

Yeah. Hi. Again a question on Life Insurance, the assets under management includes the share capital for the firm?

Mayank Bathwal:

Yes, that's included

Ajay Srinivasan:

Yes. It does.

Krishna:

And in terms of asset under management growth if one compares vis-à-vis the premium received for the year you were approximately Rs. 4,000 Crores in terms of AUM in the beginning of the year and that became Rs. 6,900 Crores and against which the total income shown is around Rs. 4000 Crores or may be we should take the premium which is

around Rs. 3,200 Crores. So what is the gap between growth in AUM versus premium income; is it accounting to some lapses or surrenders?

Mayank Bathwal:

They would be small amount of lapsation.

Ajay Srinivasan:

But that would be you know when you received premium there would be charges that you will deduct from that premium for administrative expenses and the net amount goes into the AUM.

Krishna:

Right.

Ajay Srinivasan:

On the new business sold, you remove the charges and you add market movement.

Krishna:

Right.

Krishna:

So is there -- I mean in terms of lapses, will it be a big number in terms of opening AUM?

Ajay Srinivasan:

No.

Krishna:

Yeah. Either surrender or lapse?

Ajay Srinivasan:

We note that, that is well in line with our own pricing estimates and industry standard.

Krishna:

Right. Yeah. Thanks.

Operator:

Thank you, very much, sir. Next in line we have Mr. Anand Ladda from HDFC Mutual Fund. Please go ahead, sir. Mr. Anand you can go ahead with your question.

Anand Ladda:

Hello? Aditya Birla has announced preferential allotment to promoters, just wanted to ask has it been through and at what price?

Adesh Gupta:

The price is Rs. 2007.45 per share.

Anand Ladda:

Okay.

Adesh Gupta:

At the year-end, promoters have already converted 17 lakh warrants in one share of Rs. 10 each at a premium of Rs. 1,997.45 per share. You have a still another 17 months to go for conversion of remaining 1.88 Crores warrants.

Anand Ladda:

Fine. So secondly on the life insurance business, just wanted to know what your plan on the capital is. How much capital business will be requiring in the next one year and what's going forward? Secondly, what's your current manpower in the insurance business and what's your plan for next year?

Mayank Bathwal:

I think for the next two years, we'll have to contribute about Rs. 1,000 Crores of the capital each year.

Anand Ladda:

Rs. 1,000 Crores will be total of Aditya Birla Nuvo's share?

Mayank Bathwal:

It will be Nuvo's share each year.

Anand Ladda:

Okay. In terms of manpower, what's your manpower currently and how much you are looking to add?

Mayank Bathwal:

So currently we were about 8,000 in the month of March 2008.

Anand Ladda:

Okay.

Mayank Bathwal:

And we plan to double this manpower in the current financial year.

Anand Ladda:

Double. Fine.

Mayank Bathwal:

We'll also we adding about 661 new branches, so that's building capacity for future, which includes these new branches as well.

Anand Ladda:

Yeah. I just want to know what's your typical cost of the branch?

Ajay Srinivasan:

The typical cost of the branch is between 20 to 25 lakhs today.

Anand Ladda:

And typically what will be your work force per branch?

Ajay Srinivasan:

We will have about 12 to 18 agency managers, three support staff and a branch manager.

Anand Ladda:

Fine, sir. I just wanted to know your persistency ratio for the first year, second and third year business I mean is it in line with the industry trend or what?

Ajay Srinivasan:

Yeah. The persistency ratios are actually better than industry average.

Anand Ladda:

Fine, sir.

Operator:

Thank you, very much, sir. Next in line we have Mr. Ashish Sharma from Enam AMC. Please go ahead, sir.

Ashish Sharma:

Good evening, sir. This is Ashish Sharma from Enam AMC, just one data point would you be able to give average ticket size for 2008 sir in Life Insurance business?

Vikram Mehmi:

The average ticket size was Rs. 36,000.

Ashish Sharma:

Okay.

Vikram Mehmi:

And we have about 30% share from the banca channel which is one of the highest in the industry and hence our average ticket size is higher than the industry average.

Ashish Sharma:

Okay.

Ashish Sharma:

Okay and the second question again on the life insurance, considering there is a down turn in the market persist for a longer period of time and assuming people shift from the predominantly equity composition to more of a debt composition would this make a difference on the EBITDA margins.

Ajay Srinivasan:

These movements, everyone believes should be for short period because I don't think so we are taking a view that the market going to have a down turn for a long period. Second, in fact our own experience has been that money has moved from debt to equity in the last two, three months. Overall net movement has been more to equity.

Ashish Sharma:

Okay.

Ajay Srinivasan:

And thirdly, you know that the since difference between, margins is not really very different because our debt fees is about 100 basis point, the equity broadly about 125 basis point.

Ashish Sharma:

Okay.

Ajay Srinivasan:

So it could not make any significant impact on the NBAP margins.

Ashish Sharma:

Okay. Thank you. Thanks a lot.

Operator:

Thank you very much, sir. Next in line, we have Mr. Kuldeep from Kotak Mahendra. Please go ahead, sir.

Kuldeep:

Yeah. Good afternoon to all. My question towards life insurance business, as we seen good growth in the top line number from life insurance roughly 94% as I understood. The losses are actually gone up from say from Rs. 139 Crores to Rs. 445 Crores. Could I know when the top line has grown by 100%, why the bottom line loss has grown more than 3 times, so what could be probably reason for that?

Ajay Srinivasan:

That is a statistical percentage.

Kuldeep:

No. But I mean to say is that mainly because of the rollout of the branches or what was the real reason for that?

Ajay Srinivasan:

Yeah. That is right because we have added over 202 branches in first half from which the revenue has not come during the year. Maybe it will come in the subsequent year, that's why.

Kuldeep:

Okay. And in terms of persistency, I just missed the number earlier is that roughly near 90% or so?

Ajay Srinivasan:

On accumulate basis it's about 90%.

Kuldeep:

Okay. Fine, thanks.

Operator:

Thank you very much, sir. Next in line, we have Mr. Rajeev Varma from DSP Merrill Lynch please go ahead sir.

Rajeev Varma:

Yeah. Hi, just actually one more thing on the NBFC, you mentioned that you are Rs. 8 million on account of loans against shares. I just could not understand that aggregate loan book is Rs. 8 million or there are other loans also on the balance sheet?

Sushil Agarwal:

Actually, our total portfolio is around Rs. 10 billion out of which Rs. 8 billion is on account of loan against shares and balance is on account of corporate bills discounting.

Rajeev Varma:

Okay. I know you mention that you're kind of financing the strategy but so is there something to share you in the low what kind looking and you are looking at in this business and now your looking to expand the loan mix going forward?

Ajay Srinivasan:

All we can share this time that we are working on our strategy.

Rajeev Varma:

Okay. On the existing loans just one other thing those are typically giving yield of 30% or 18 to 20%?

Ajay Srinivasan:

You know, it would define on the composition for what we are dealing with but our net margins would be in the range of say about 3% to 3.5%

Rajeev Varma:

Okay. Thanks.

Operator:

Thank you very much, sir. Next in line, we have Mr. Dhiren from Goldman Sach. Please go ahead sir.

Dhiren:

Hi. Few clarifications on the life insurance side. On the capital like what's the total paid up capital as of now it's about around Rs. 1250 Crores or so?

Ajay Srinivasan:

Yeah. Rs. 1275 Crores.

Dhiren:

Okay. And you are looking at additional Rs. 1,000 Crores each for next two year is that what I understand?

Ajay Srinivasan:

Rs. 1,000 Crores is 76% share for Nuvo.

Dhiren:

Okay. And can we have some sense on what's the expense ratio, ie, total operating expenses divided by premium income and what's the percentage of equity and debt in the life insurance side?

Mayank Bathwal:

Equity is about 40% in the total AUM in Mar'08. Expense ratio would be about 22% for 2007-08.

Dhiren:

Okay. And when do you expect to make disclosures in terms of NBAP margins or the embedded value?

Ajay Srinivasan:

See we are currently doing an audit of all our processes. And we are putting in place in automatic system to chalk out the NBAP margins on the regular basis, which will be consistent, so we hope to do that in about 12 to 15 months time.

Dhiren:

Okay. But I mean would you be able to comment in terms of whether the margins will be substantially different or not in line with the industry?

Ajay Srinivasan:

That would be in line with the industry on a product to product basis.

Dhiren:

Okay. And again coming back to that branch number the presentation mention that 339 branches of FY'08 and you have further 261 approval, but how does it reach to 1000 branches by the year-end?

Ajay Srinivasan:

339 plus 261 takes it 600 by May'08. Then we will go back to IRDA, and we plan to do other 400 branches roll out in second half of the year. That is reaching 1000 branches by March 2009.

Dhiren:

Okay. And does this 1000 branches will make you reach at your goal or you think you will have you will have to more branches even next year as well?

Ajay Srinivasan:

See we roll out then we evaluate the potential of the towns, the competitive position and then take a decision for further expansion too.

Dhiren:

Okay. What is your expectation of the private sector growth rate let's say for the next couple of years and where would you want to grow obviously would be more than that but?

Ajay Srinivasan:

So we are expecting next three years 40 to 50% a year.

Dhiren:

From 2008 to 2011.

Ajay Srinivasan:

That's right. Yeah

Dhiren:

Okay. And coming back to the AMC business, we have seen substantial decline in the profitability this year, any particular reason?

Ajay Srinivasan:

Yeah. As I mentioned basically, we have had a conscious strategy to plough back into the business to grow and expand our distribution network. And marketing and selling expenses that we kind of spend last year to build up areas of the equity side has really contributed to the going to pull down profit, but which very consciously we you know emergent back into business to build for future growth.

Dhiren:

I mean, would have be able to share, what you would be the average realization for debt and equity product?

Anil Kumar:

Typically long-term debt gets you about 40 and 60 basis points. Short terms gets you about 20 to 30 basis, equity gets you about 90 to 115 basis points.

Dhiren:

Okay. These are net of distribution right?

Ajay Srinivasan:

Yeah. Net of distribution, that's right.

Anil Kumar:

That's right.

Dhiren:

Okay. And what's the equity capital employed in the NBFC business - Birla Global Finance?

Ajay Srinivasan:

At the year-end it is over Rs. 200 Crores, because in the current year, we have increased our capital employed.

Dhiren:

Okay. And just coming back to life insurance, you said 45 to 50% is the expected this year for the industry or for you?

Ajay Srinivasan:

For the industry.

Dhiren:

For the industry. Okay. Thanks a lot.

Ajay Srinivasan:

Yeah.

Operator:

Thank you very much, sir. Next in line, we have Mr. Sanjay from UTI Mutual Fund. Please go ahead, sir.

Sanjay:

Yes. Sir, do you have any road map for unlocking value in this entity?

Ajay Srinivasan:

Let us create the value first.

Sanjay:

Okay. And sir, I mean just the clarification like in Birla Sun Life Insurance, you have 74% take. Now it is economic stake also or in run to regulation exchange do you transfer stake at market link prices or will it be at some cost less?

Ajay Srinivasan:

Sanjay, the economic stake and the actual stake is the same.

Sanjay:

Okay. Thank you.

Operator:

Thank you very much, sir. Next in line, we have Mr. Anand from HDFC Mutual Funds. Please go ahead, sir.

Anand:

Hi, my questions have already answered. Thanks.

Operator:

Next in line, we have Mr. Manish Bhandari from ING Mutual Fund. Please go ahead, sir.

Manish Bhandari:

Yeah. Hi, this is regarding the Birla Global Finance, what is the recapitalization you go on this. And how much leveraging you can used?

Ajay Srinivasan:

Actually, typically leverage is would be around 5 to 6 times of the network.

Manish Bhandari:

Yeah.

Ajay Srinivasan:

And but as we have said that in the current year, we did infuse some capital and our present capital employed is over Rs. 200 Crores and we are actually looking at growth so there would be some infusion in the current year as well.

Manish Bhandari:

Your portfolio would get slightly widen in terms of the loan against share. So would you look at consumer financing or how what will be the road map for this company?

Pankaj Razdan:

Yeah. We are looking numbers of both fee based and fund-based products for this company. So yeah, by definition we will have broader sources of revenues.

Manish Bhandari:

Yeah. So maybe what three-year down the line, what kind of book you will be running on this?

Ajay Srinivasan:

I can't comment.

Manish Bhandari:

Thank you.

Operator:

Thank you very much, sir. Next, we have a follow-up question from Mr. Kuldeep from Kotak. Please go ahead, sir.

Kuldeep:

Yeah. Just wanted to ask what is our current product-mix in life insurance business and also which product mix may I know we're going to focused next year going forward?

Ajay Srinivasan:

Product mix as in you mean, ULIP – non-ULIP or debt – equity mix in AUM?

Kuldeep:

No. Individual product wise, you can just give some idea of your Gold Plus and you know the Saral Jeevan those products. So how is a composition of individual product and which is the key focused area for you?

Ajay Srinivasan:

We are roughly half, half in Gold Plus kind of products and half in other products.

Kuldeep:

Okay. And focused area would be similar next year?

Ajay Srinivasan:

Yeah. Our aim is to improve on our margins.

Kuldeep:

Okay. And the other question was on the new product future life, at your platinum product right?

Ajay Srinivasan:

That's right.

Kuldeep:

On that product. How that product generally works as an, there's a capital guarantee and the return guarantee which I think you are giving right?

Ajay Srinivasan:

Can I send an agent to your house?

Kuldeep:

Okay. Fine. We will check up late. Thanks.

Operator:

Thank you very much, sir. Next in line, we have Shreya Lonkar from Reliance Mutual Fund. Please go ahead.

Shreya Lonkar:

Hi, sir. I just wanted to ask that we have lined up huge investments in the life insurance business and our NBFC business. How do you propose to fund that?

Pankaj Razdan:

Aditya Birla Nuvo will be raising over Rs. 4,000 Crores through issue of 2.05 Crores warrants to promoters convertible into one equity share of Rs. 10 each within next 18 months at a premium of Rs. 1,997.45 per share. They have already converted 17 lacs shares. Including that and 10% upfront payment on the issue size, the company has already received Rs. 718.7 Crores till March 2008.

Shreya Lonkar:

Okay. Rs. 4,000 Crores. Okay. And secondly sir, if you could give the mixed of value and force. What is the product mix of value and force between ULIP and non-ULIP term?

Ajay Srinivasan:

From the very inception our books have been in favour of ULIP and we have been selling about 95% plus of ULIP, so that will hold good even for book in force.

Shreya Lonkar:

Okay. Great. That's all I got.

Operator:

Thank you very much, sir. Once again, participants who wish to ask a question please press "star" "one" on your telephone and wait for your name to be announced. I repeat, participants who wish to ask a question please press "star" "one" on your telephone and wait for your name to be announced.

We have follow-up question from Mr. Ajinkya Dhavle from Motilal Oswal. Please go ahead, sir.

Ajinkya Dhavle:

Yeah. Again on the life insurance, can you break down the premium income into that various channels how it is being contributed and who is the largest bank insurance partner?

Ajay Srinivasan:

It would be about 60% from DSF. Group product will be 10% and the balance 30% would come between the bank insurance and alternative channels.

Ajinkya Dhavle :

Okay.

Ajay Srinivasan:

On the bank insurance side the largest relationship is with Citi Bank

Ajinkya Dhavle :

Thank you.

Operator:

Thank you very much, sir.

Priya Rohira:

Operator, we would like to conclude the call now?

Operator:

Okay. Ma'am, there is one last question in the queue ma'am, would you want to take up?

Operator:

All right. The last question which would be taken up is from Mr. Avinash from Sundaram BNP. Please go ahead, sir.

Avinash:

Sir, looking at your Mutual Fund Business, can you just give us some sense of what kind of growth are you running for the current year. And how do you see profitability moving in the current year, last year also your give us a significant sign so. And how do you see?

Ajay Srinivasan:

I think broadly you are asking for the forward-looking statement, which we are not in a position to give. But I think we have said in the presentation we are looking at above average market growth. And the investments we made last years will start to show results this year. I don't think, we can share with you anything more specific than that at this point in time.

Avinash:

Thanks.

Operator:

Thank you very much, sir. At this time, there are no further questions from the participants. I would like to hand the floor back to Ms. Priya Rohira for final remarks. Over to you ma'am.

Priya Rohira:

Thanks Nisha. On behalf of Enam Securities, I would like to thank the financial service team at Aditya Birla Nuvo for sharing their valuable insight and a very detailed business strategy with that. Thank you.

Operator:

That does conclude our conference for today. Thanks you for participating. You may all disconnect now.

END