



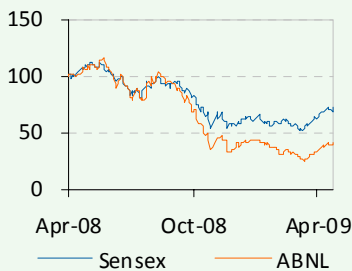
Aditya Birla Nuvo Ltd

Relative to sector: **Neutral**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 95mn
Market cap : Rs 50.2bn
52 week high/low : Rs 1,635/ Rs 330
Avg. daily vol. (6mth) : 136,900 shares
Bloomberg code : ABNL IB
Reuters code : ABRL.BO

Shareholding (%) Mar-09 QoQ chg

Promoters	: 41.5	0.3
FIs	: 20.5	(0.0)
MFs / UTI	: 4.7	(0.3)
Banks / FIs	: 11.9	(0.0)
Others	: 21.4	0.1

^ - DSA - Direct Selling Agents

- APE: Annualised Premium Equivalent

MOMENTUM CONTINUES IN INSURANCE BIZ

Aditya Birla Nuvo Ltd (ABNL) declared net revenues of Rs 42.1 bn (↑ 35% QoQ and 48% YoY), EBITDA of Rs 1.1 bn (↑ 205% QoQ and ↓ 32% YoY), and a loss of Rs 1.4 bn.

Key highlights

- **Sales:** QoQ growth driven by Insurance (166%), Telecom (7%), Rayon (9%) and Carbon black (7%). Insurance sales were driven by investment income in Q4FY09 v/s investment loss on policyholder's funds in Q3FY09. A fall in effective stake in Idea Cellular resulted in lower contribution from Telecom business.
- **EBITDA:** Continuing investment phase for 3 growth businesses, (BPO, Garments and Insurance) impacted EBITDA.
- **PAT:** Higher interest & depreciation (v/s EBITDA) led to losses.

Strategic focus on Insurance to drive FY10E: Birla Sun Life Insurance (BSLI) continues to grow higher than the industry consistently. While we are looking at a negative to flat growth for the industry in FY10E, we are building in a conservative 5% growth in APE[#] for BSLI in FY10E. In addition to topline growth, the management indicated that profitability improvement would be the focus area in FY10E.

Telecom business: Lower-than-expected declines in ARPU and MoU led to a good performance from Idea Cellular. MoU resilience and market share would overshadow the margin and regulatory concerns (spectrum charges/ impact of 3G) in the near-to-medium term.

Valuations: Our revised SOTP valuation at Rs 731 indicates a fair share for insurance (45%) and telecom (41%) after a 30% holding company discount. Consolidated debt at ~Rs 89 bn would impact PAT performance. Hence, we maintain our sector **Neutral** rating. Any equity/ preference infusion would lower interest outgo and hence PAT performance may be better than our estimates.

Financial summary: Consolidated

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2007	83,668	2,809	-	29.6	(38)	-	10.8	10.9	-
2008	112,496	1,508	-	15.9	(46)	-	4.3	6.0	-
2009	142,004	(4305)	(51.8)	(45.3)	-	(11.7)	(8.8)	0.6	18.0
2010E [^]	158,508	(665)	(29.3)	(7.0)	-	(75.5)	(1.1)	4.3	12.1

Source: *Consensus broker estimates, Company, ENAM estimates. Note: ^ Our estimates for IDEA are consolidated for 100% Spice

Results update

(Rs mn)	Quarter ended					12 months ended		
	Mar-09	Mar-08	% Chg	Dec-08	% Chg	Mar-10E ^	Mar-09	% Chg
Net Sales	42,120	28,546	47.6	31,140	35.3	158,508	142,004	11.6
EBITDA	1,085	1,585	(31.6)	355	205.5	11,494	6,052	89.9
Other income	632	825	(23.4)	831	(23.9)	2,377	1,651	44.0
PBIDT	1,717	2,410	(28.8)	1,186	44.7	13,870	7,702	80.1
Depreciation	1,980	1,501	31.9	1,815	9.1	7,356	6,959	5.7
Interest	1,685	1,323	27.4	1,606	5.0	8,500	6,241	36.2
PBT	(1,948)	(414)	371.1	(2,234)	-	(1,986)	(5,498)	-
Tax	(13)	355	(103.7)	(208)	-	1,014	753	34.7
Minority Interest	(534)	(550)	-	(474)	-	(2,335)	(1,946)	20.0
Adjusted PAT	(1,401)	(218)	-	(1,553)	-	(665)	(4,305)	-
Extra ordinary income/ (exp.)	11	-	-	12	(10.3)	-	-	-
Reported PAT	(1,412)	(218)	-	(1,564)	-	(665)	(4,305)	-
No. of shares (mn)	95	87	-	95	-	95	95	-
EBITDA margin (%)	2.6	5.6	-	1.1	-	7.3	4.3	-
PBIDT margin (%)	4.1	8.4	-	3.8	-	8.8	5.4	-
EPS - annualized (Rs.)	(60.0)	(10.1)	-	(65.4)	-	(7.0)	(45.3)	-

Source: Company, ENAM Research. Note: ^ Our estimates for IDEA are consolidated for 100% of Spice

Valuations

Sum-of-parts valuation	(Rs mn)	Valuation parameter (FY10E)
Telecom^ (1)	41,038	Rs 49, Excl. Tower business value at Rs 20 per share
Insurance* (2)	45,106	15% NBAP Margin and 10x NBAP Multiple + Embedded value
Financial Services		
- Birla AMC	7,064	3% of AUM (Current AUM)
- Other Financial Services	1,520	3x PAT
Insulators	7,059	5x EBITDA
Garments	3,988	0.4x Sales
VFY / Rayon	3,730	3x EBITDA
Carbon Black	3,135	4x EBITDA
Fertiliser	11,661	4x EBITDA
Textiles	1,515	4x EBITDA
BPO	6,256	0.4x Sales less minority interest of 11.72%
Less: Net Debt	36,794	Standalone Net Debt
Equity Value (3)	9,135	
Total Equity Value (1+2+3)	95,279	
Equity	950	
Value per share (Rs.)	1,003	
Note: Standalone net debt taken for the above businesses. Consolidated Debt at Rs 56.64 bn.	11.72	

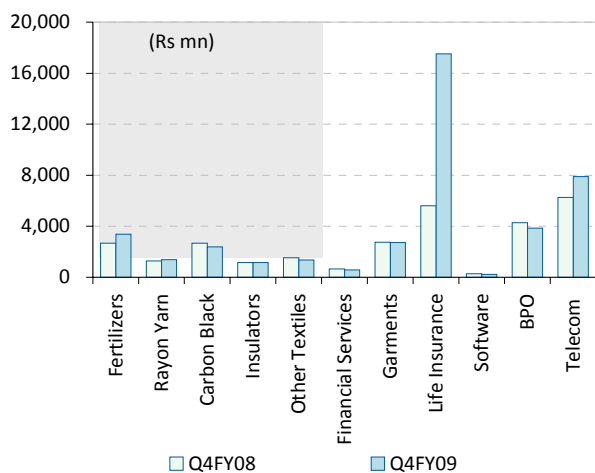
Source: ENAM Research Note: * We have valued the Insurance business at 74% equity stake on account of no clarity on economic interest, however the economic interest in insurance JV may fall to 51% in future. ^ Our estimates for IDEA are consolidated for 100% of Spice

FY10E Valuations: Discount

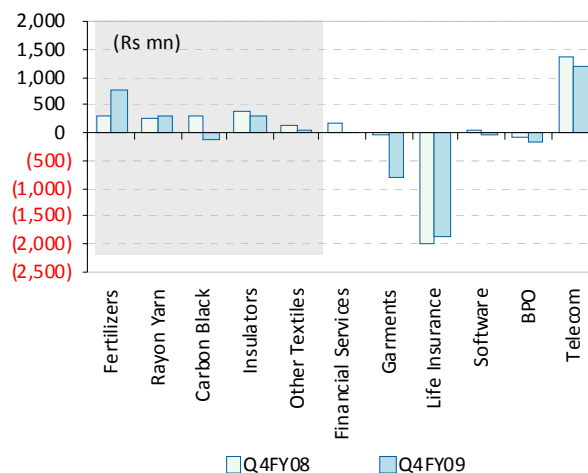
(Rs / share)	Discount to Insurance and Telecom					
	Nil	10%	20%	30%	40%	50%
Businesses other than Insurance & Telecom	96	96	96	96	96	96
Insurance	475	427	380	332	285	237
Telecom ^	432	389	346	302	259	216
Valuation Range	1,003	912	822	731	640	550

Source: Company, ENAM Research. Note: ^ Our estimates for IDEA are consolidated for 100% of Spice

Revenue: Growth businesses drive topline



PBIT: Investments in growth businesses



Source: Company. Note: Results indicated are on a consolidated basis. The shaded portion represents traditional businesses (Carbon Black, Textiles, Rayon, Fertilizers & Insulators). New businesses constitute Life Insurance, Garments, BPO, Telecom, Software and Financial Services.

Contd. Overleaf...

Segment-wise analysis (Consolidated): Q4FY09

(Rs mn)	Quarterly Sales			Quarterly PBIT			Remarks
	Mar-09	Mar-08	% Chg	Mar-09	Mar-08	% Chg	
Branded garments	2,733	2,763	(1.1)	(822)	(44)	-	Lower footfalls and continued discounting led to muted sales growth. Higher lease rentals, forex loss and lower capacity utilisation impacted bottomline
Rayon (VFY + Chemicals)	1,371	1,278	7.3	287	254	12.9	Better realisation in VFY and ECU offset the volume decline leading to steady performance. However, since the raw material price rise (coal, salt, sulphur and wood pulp) was passed on to the customers, PBIT margins were higher
Carbon black	2,381	2,671	(10.9)	(138)	309	(144.5)	Slow demand pick up from tyre industry and impact of crude oil on CBFS prices led to a decline in Revenue and PBIT. It was the worst quarter for Carbon Black and trajectory should improve in the coming quarters
Insulators	1,153	1,152	0.1	299	374	(20.1)	While volumes increased by 4.5% YoY, realizations dipped in the quarter. For the full yr, better product mix enabled better realizations. Rise in fuel and raw material costs led to lower margins
Textiles	1,353	1,537	(12.0)	41	113	(63.8)	Volumes were impacted both in domestic & exports markets. Also, use of high cost inventory impacted bottomline
Fertilizers	3,378	2,692	25.5	768	311	146.9	Growth was led by higher sales of surplus ammonia, urea, agri-products and subsidies. Additionally, benefits accrued from higher capacity utilisation as per new regulations. Benefit from carbon credit was offset by MTM loss in bonds
Financial Svcs.	580	658	(11.8)	11	176	(93.8)	Total AUM increased by 27% YoY. Sharp decline in capital markets led to low volumes in retail business in Q4FY09. Higher AUM in debt schemes YoY has led to lower margins
Life Insurance	17,511	5,622	211.5	(1,869)	(2,006)	-	New business premium grew at 19% YoY. There were no branch additions in the quarter. Increased its market share to 8.5% among private players
Software	220	268	(17.9)	(18)	29	(161.9)	Bleak demand outlook and forex loss impacted performance. Now de-listed effective April 6, 2009
BPO	3,871	4,284	(9.6)	(177)	(87)	-	No. of clients reduced to 54 in Q4FY09 from 59 in Q3FY09. Rationalisation initiatives undertaken but economic slowdown in the US continues to impact topline
Telecom	7,900	6,268	26.0	1,194	1,381	(13.6)	54% increase in subscriber base was partially offset by the QoQ decline in ARPUs and MoUs. However, decline was less than expected. Investment phase in new circles continues to impact EBITDA, though losses were lower QoQ. YoY decline in PBIT contribution was due to lower equity stake of ABNL in IDEA
Total Inc.*	42,449	29,194	45.4	(424)	810	(152.3)	-

Source: Company, ENAM Research, * Before Inter Segmental Revenue of Rs. 68mn for Q4FY08 and Rs 70mn for Q4FY09

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