

# FINANCIAL RESULTS – Q2 FY20

MUMBAI

7<sup>th</sup> November 2019



**ADITYA BIRLA  
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

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**A Leading Financial Services Conglomerate**

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NOTE 1: The financials of Aditya Birla Capital Ltd are consolidated financials prepared based on Ind AS unless otherwise specified

NOTE 2: The financial figures in this presentation have been rounded off to the nearest Rs 1 Crore

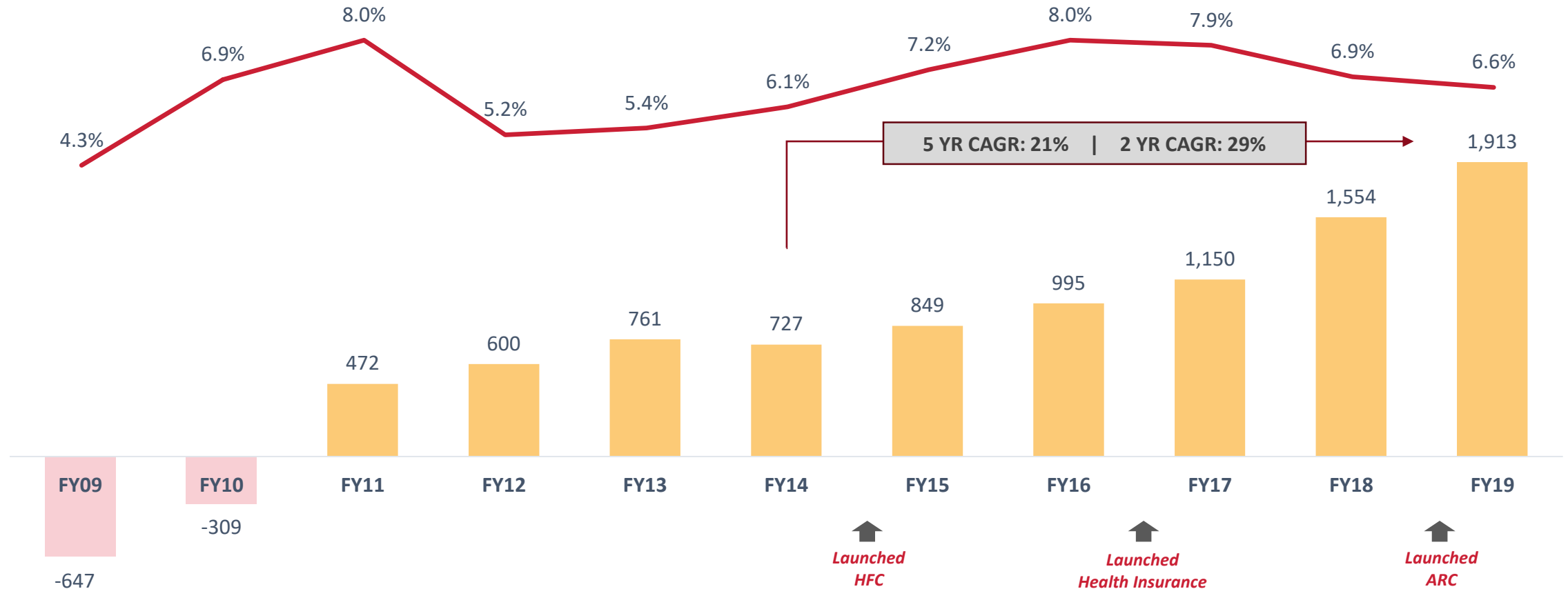
# Diversified portfolio delivering returns across economic cycles



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Figures in Rs Crore

ABCL Aggregate PBT (IGAAP) vs India GDP Growth %



# A strong track record of delivery across businesses

Figures in Rs Crore

## PROTECTING

	FY14	H1 FY20	3 Year Aspiration
Total Gross Premium <sup>1</sup>	4,833	8,008 <sup>2</sup>	➤ LI Protection 10-12 %
LI: Gross VNB Margin	16.2% <sup>3</sup>	36.3%	➤ LI Net VNB ~ 18-20 %
LI: 13M Persistency	60%	80%	➤ HI to break-even in FY21-22; GWP of Rs 1,700 – 2,000 Crore
LI: EV Growth	(12.5)%	14.4%	
HI: Combined Ratio	NA	155%	

## INVESTING

	FY14	H1 FY20	3 Year Aspiration
AMC: Domestic AAUM	82,767	2,53,897	➤ Domestic Equity AAUM Mix ~40% (in line with industry avg.) ➤ PAT to grow at 15-20 %
AMC: Equity Mkt share	5.8%	8.5%	
AMC: Equity AUM Mix	13%	36%	
AMC: Monthly SIP Book	96	968	
AMC: PBT bps	17	28	

## FINANCING

	FY14	H1 FY20	3 Year Aspiration
Total Lending Book <sup>4</sup>	11,735	60,477	➤ Continue to focus on retail growth ➤ NBFC RoE ~ 17-18 % ➤ HFC RoE ~ 14-15 %
NBFC: NIM (Incl. Fee)	5.10%	5.34%	
NBFC: GNPA / GS3	1.29%	1.85%	
HFC: RoE <sup>5</sup>	NA	10.2% <sup>6</sup>	
Lending Net Worth <sup>4</sup>	1,769	9,132	

## OTHER BUSINESSES

	FY14	H1 FY20	3 Year Aspiration
GI Broking: Customers	0.3 M	4.2 M	➤ Other Business (i.e. ABIBL, ABML and ARC) to contribute to RoE
GI Broking: Mkt share	1.1%	2.2%	
GI Broking: RoE %	46%	34% <sup>2</sup>	
Stock Broking: RoE %	(34) %	47% <sup>2</sup>	

# Disciplined approach in a challenging business environment



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## Securing Long-term Growth Capital

- 1 | **Raised Rs 2,100 Crore of equity capital** through preferential allotment to marquee investors and the Promoter/ Promoter Group entities
- 2 | Fund raise at **Rs 100/ share (at a premium over traded price)** reflecting strong confidence in business

## Strategically Managing Risk

- 1 | **Greater diligence in underwriting** with approval rates coming down
- 2 | **Reduced ticket sizes** across the board
- 3 | Continued focus on **quality, over growth**

## Maintaining Sufficient Liquidity

- 1 | Raised LT borrowing of **~Rs 8,000 Crore** in Lending Business
- 2 | **ALM optimised** in lending businesses
- 3 | Further diversification of borrowing profile, with sanction of **USD 275 Mn (drawn USD 100 Mn) through ECB route**

## Optimising Portfolio

- 1 | Aligning other businesses basis future potential and contribution to overall RoE; PBT from Other Businesses<sup>1</sup> - **H1 FY20: Rs. 39 Crore vs. PY: (2) Crore**
- 2 | Reducing annualised interest Cost **~ Rs (100) Crore at ABCL standalone**

## Strong Focus on Quality

- 1 | Stage-3 book for NBFC at **1.39% (Ex-IL&FS), HFC at 0.85%**
- 2 | LI persistency improvement across all buckets 13th Month at **80% (H1FY19: 74%)**
- 3 | Health insurance business with retail claim ratio at **44% (H1FY19: 48%)**

## Leveraging Technology

- 1 | To improve **customer, distributor and employee experience**
- 2 | To find ways of **growing revenues**
- 3 | To build a **more robust, scalable business model**

# Leveraging Technology for our Customers, Partners & Employees



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## BETTER EXPERIENCE

1. **One million customers with One ABC ID; One Call in number**
2. **AI/ML/NLP conversational UI:** Whatsapp + Chatbot (30 + services across LOB's) and Email Bot. Building voice capability
3. **Office-in-a-Box** approach for distributor and partner end to end journey
4. **Digital Loan Origination system** for lending business with end to end digitization (Q4)
5. **Mobile app** for employee services and learning interventions



## GREATER REVENUE

1. **Analytics driven persona-based suitable upsell & cross sell offers**
2. **Holistic Financial Needs Planner** & connected purchase journeys
3. **Real time Lead integrations** with partners
4. **AI based Renewal Premium intervention** (Persistency 13<sup>th</sup> month: 80% ↑) & **Policy Surrender** (18% ↓)
5. **AI/ML backed** sales officer hiring, success profile mapping and **predictive attrition analysis**



## IMPROVED OPERATING MODEL

1. **Video KYC, online validations and AI based OCR** to scale up acquisition
2. **ML based model for risk-based pricing;** early fraud detection; payment behavior prediction
3. **Automation Index approach:** 150 automations p.a.; 100 Robots (RPA)
4. **Hybrid Cloud strategy** with private (onsite) & public cloud for scalability, cost efficiency & resilience
5. **Plug-n-play ecosystem** of APIs for partner integration. Building ABC level API portal
6. **Sales force enablement** through technology

# Fostering innovation through BizLabs Fintech Program



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- Aiming to **fuel innovation culture through collaboration** with startups
- Platform to leverage innovation ecosystem to **address our key focus areas through advanced fintech capabilities**
- 3 month **fast-track program which saw 570+ start-ups** targeting defined focus areas of which a select group will work on specific areas

## SOURCING INNOVATIVE SOLUTIONS TO DRIVE KEY OBJECTIVES



# Key highlights



**H1 Ind. APE<sup>1</sup> grew by 20%** in Life Insurance, higher than industry (ex-LIC) **at 11%**



Life Insurance Net VNB margin **improved by 250 bps** in H1; EV **grew by 14.4% y-o-y**



Health Insurance Q2 GWP **grew 70% y-o-y** to ~ **Rs 172 Crore** with retail mix at **69%**



Q2 AMC PAT increased by **40% y-o-y** with PBT to AAUM<sup>2,7</sup> at **27 bps (increased 3 bps y-o-y)**



NBFC Q2 NIM<sup>3</sup> **expanded by 64 bps** to 5.28%; Q2 NII<sup>3</sup> **grew by 20% y-o-y**



NBFC H1 PAT<sup>4</sup> grew by **24% y-o-y**; YTD RoE<sup>4,5</sup> at **15%** and RoA<sup>4,5</sup> at **2.2%**



HFC Q2 PAT<sup>4</sup> **grew 2.5x y-o-y**, YTD RoE<sup>4,5</sup> at **10.2% (PY: 4.3%)** and RoA<sup>4,5</sup> at **1% (PY: 0.5%)**

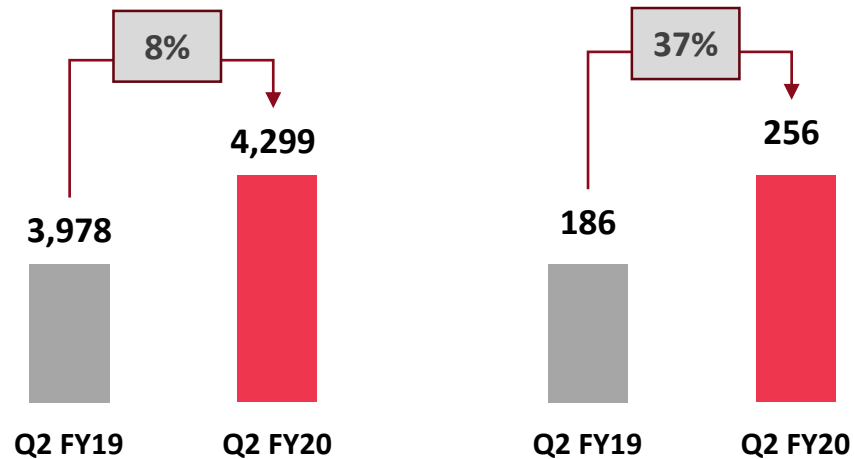


ARC platform **turns profitable in first year of operation**



# Q2 FY20: Key Financials

## CONSOLIDATED



Revenue<sup>1</sup>

PAT

**Delivered strong growth across businesses**

## Figures in Rs Crore

Businesses (Aggregated on 100% basis)	Quarter 2		Δ LY%
	FY 18-19 (PY)	FY 19-20 (CY)	
NBFC	317	317	
Asset Management	155	175	↑ 13%
Life Insurance	(2)	41	
Housing	21	36	↑ 1.7x
General Insurance Broking	8	11	↑ 35%
Stock & Securities Broking	3	4	↑ 17%
<b>Profitable Businesses</b>	<b>503</b>	<b>585</b>	↑ 16%
Health Insurance	(73)	(70)	
Less: Interest Cost	(18)	(28)	
Less: Brand & Marketing	(7)	(10)	
Less: Others <sup>2</sup> / Eliminations	(21)	(5)	
<b>Aggregate PBT<sup>3</sup> (pre – MI)</b>	<b>385</b>	<b>471</b>	↑ 23%

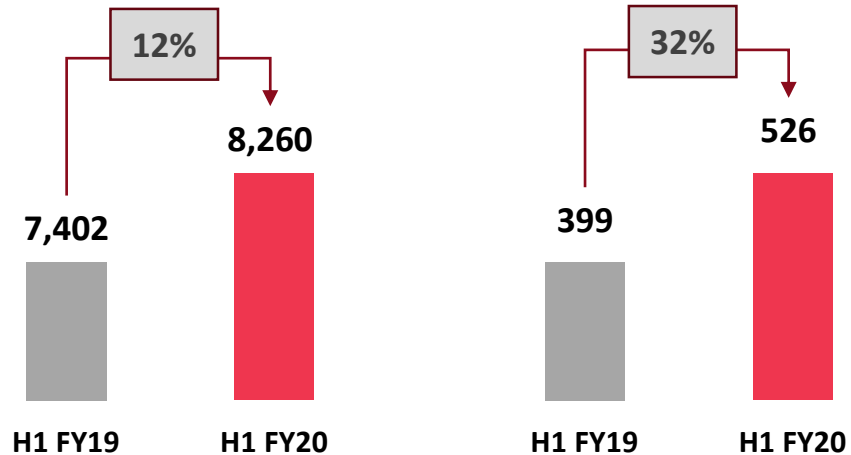
<sup>1</sup> Consolidated segment revenue ; for Ind AS statutory reporting purpose Asset management and wellness business are not consolidated and included under equity accounting

<sup>2</sup> Includes ABCL standalone (ex-interest and brand expenses), Online Personal Finance, Private Equity, ARC, ABMM and other businesses

<sup>3</sup> Aditya Birla Sun Life AMC Ltd and Aditya Birla Wellness Pvt Ltd consolidated based on equity accounting under Ind AS, however considered as a part of segmental performance to show holistic financial performance

# H1 FY20: Key Financials

## CONSOLIDATED



Revenue<sup>1</sup>

PAT

**Delivered strong growth across businesses**

H1 FY20 Consolidated PAT (ex-DTA impact) grew by 47%

## Figures in Rs Crore

Businesses (Aggregated on 100% basis)	Half Year		Δ LY%
	FY 18-19 (PY)	FY 19-20 (CY)	
NBFC	652	718	↑ 10%
Asset Management	301	351	↑ 17%
Life Insurance	20	66	↑ 3.3x
Housing	34	74	↑ 2.2x
General Insurance Broking	23	35	↑ 51%
Stock & Securities Broking	6	9	↑ 52%
<b>Profitable Businesses</b>	<b>1,037</b>	<b>1,254</b>	↑ <b>21%</b>
Health Insurance	(137)	(135)	
Less: Interest Cost	(32)	(57)	
Less: Brand & Marketing	(35)	(20)	
Less: Others <sup>2</sup> / Eliminations	(21)	(18)	
<b>Aggregate PBT<sup>3</sup> (pre - MI)</b>	<b>811</b>	<b>1,024</b>	↑ <b>26%</b>

<sup>1</sup> Consolidated segment revenue ; for Ind AS statutory reporting purpose Asset management and wellness business are not consolidated and included under equity accounting

<sup>2</sup> Includes ABCL standalone (ex-interest and brand expenses), Online Personal Finance, Private Equity, ARC, ABMM and other businesses

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# A 5-year perspective: Resilience through changing times

Figures in Rs Crore	FY14	What the Industry witnessed?	H1 FY20	3 Year Aspiration
<b>Loan Book</b>	<b>11,735</b>	<p><b><u>Factors impacting credit quality</u></b></p> <ul style="list-style-type: none"> <li>➤ Increase in defaults across multiple sectors</li> <li>➤ NBFC crisis</li> <li>➤ Slowdown in economy</li> </ul> <p><b><u>Factors impacting credit provisioning</u></b></p> <ul style="list-style-type: none"> <li>➤ Credit provisioning norms changed from 180 dpd in FY14 to 90 dpd by FY18</li> <li>➤ Accounting transition from IGAAP to IndAS in FY19, adoption of ECL</li> </ul>	<b>48,368</b>	<ul style="list-style-type: none"> <li>➤ Continue to grow retail loan book with expansion of NIM</li> <li>➤ Open <b>~100 branches</b> in line with retail growth strategy</li> <li>➤ Leverage tech platform to manage cost effectively</li> <li>➤ Target RoE: <b>17 – 18%</b></li> </ul>
<b>NIM (incl. Fees) %</b>	<b>5.10%</b>		<b>5.34%</b>	
<b>Opex to Avg. Loan Book</b>	<b>1.6%</b>		<b>1.6%</b>	
<b>GNPA/ GS-3</b>	<b>1.29%</b>		<b>1.39%<sup>1</sup></b>	
<b>Credit Cost %</b>	<b>0.8%</b>		<b>0.9%</b>	
<b>RoE %<sup>2</sup></b>	<b>13.1%</b>		<b>15.0%<sup>3</sup></b>	
<b>Leverage</b>	<b>5.5x</b>		<b>5.4x</b>	

<sup>1</sup> Excluding IL&FS

<sup>2</sup> Based on monthly compounding of annualised RoE

<sup>3</sup> RoE excluding one-time DTA impact of Rs 55 Crore)

<sup>6</sup> FY14 numbers are based on IGAAP

# Diversified portfolio with value accretive growth

Figures in Rs Crore

**SME + Retail Loan Book grew by 14% y-o-y**  
Continue to diversify loan book with focus on higher margin segments

**Q2 Net Interest Income grew 20% y-o-y**  
NIM expanded by 63 bps to 5.28%

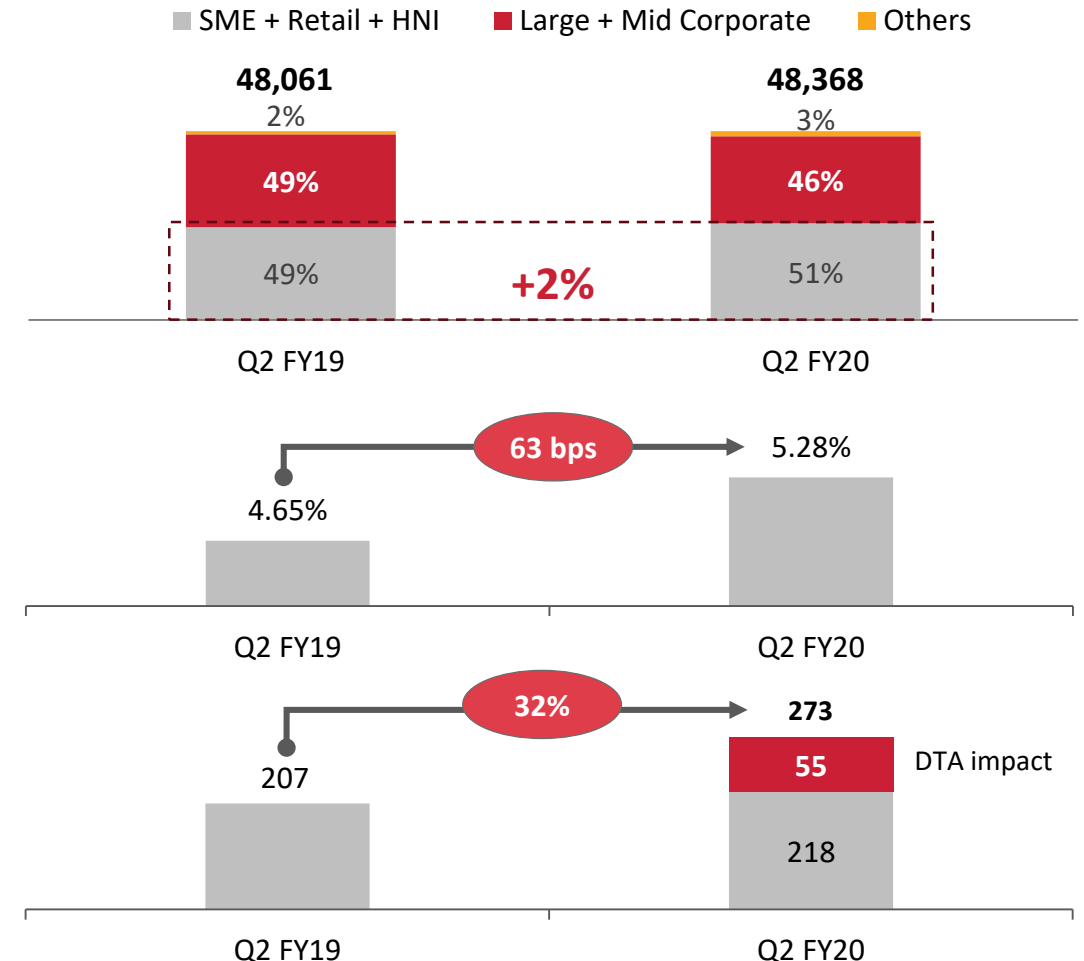
**Q2 PAT<sup>1</sup> at Rs 273 Crore (ex-DTA impact), grew 32% y-o-y**  
Reported PAT Rs 218 Crore (grew 6% y-o-y)

**YTD RoE<sup>1,3</sup> at 15.0% & RoA<sup>1,3</sup> at 2.2%**  
Closing leverage at 5.4x (PY: 5.8x)

Loan book shift underway

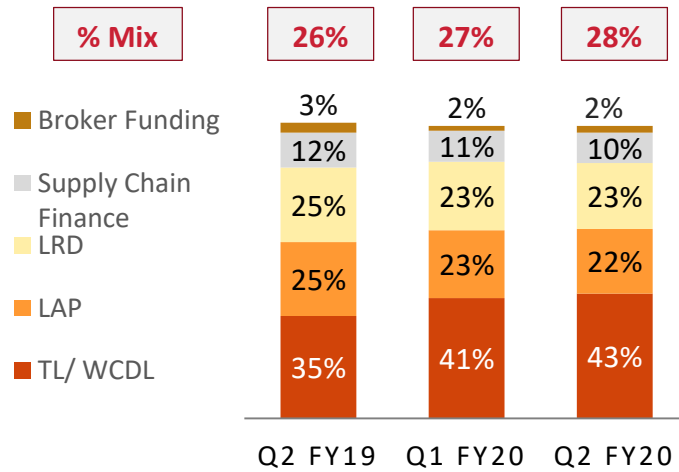
Improving Net Interest Margins<sup>2</sup>

Strong growth in profitability (PAT)

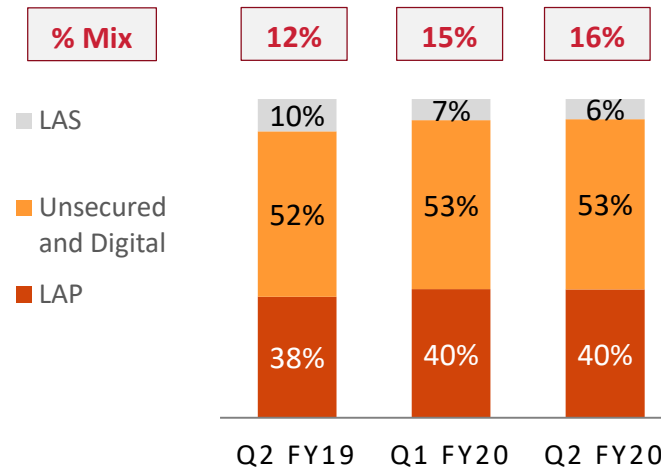


# Multiple products catering to a range of customer needs

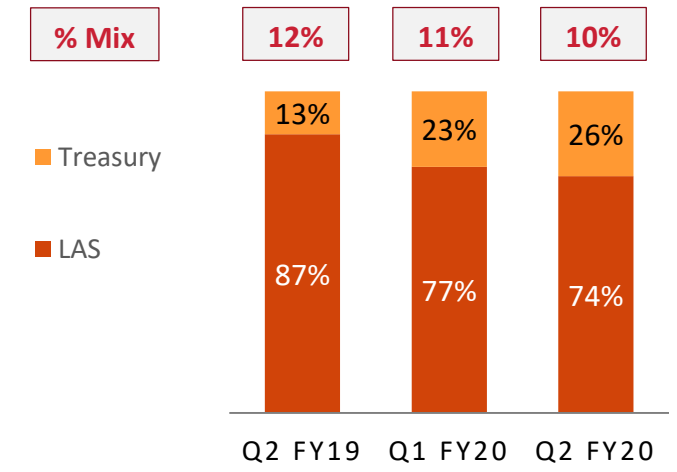
## SME (Grew 5% y-o-y)



## Retail (Grew 32% y-o-y)



## HNI + Others



### SME

- ATS: Rs 5 Crore (↓ 24% y-o-y)
- Focus on secured TL/WCDL segment, grew by 30%+ y-o-y; Backed by future cash flows and adequate security cover of ~1.75x

### LAP & LRD

- LAP ATS: Rs 2.3 Crore (↓ 27% y-o-y)
- LAP LTV of ~50%
- Selective approach in LRD, degrew 6% y-o-y

### Retail

- ATS: Rs 6 Lacs
- Continue to grow retail, pricing in credit risk adequately
- Identified new segments for growth – Travel, Healthcare and Education

### LAS

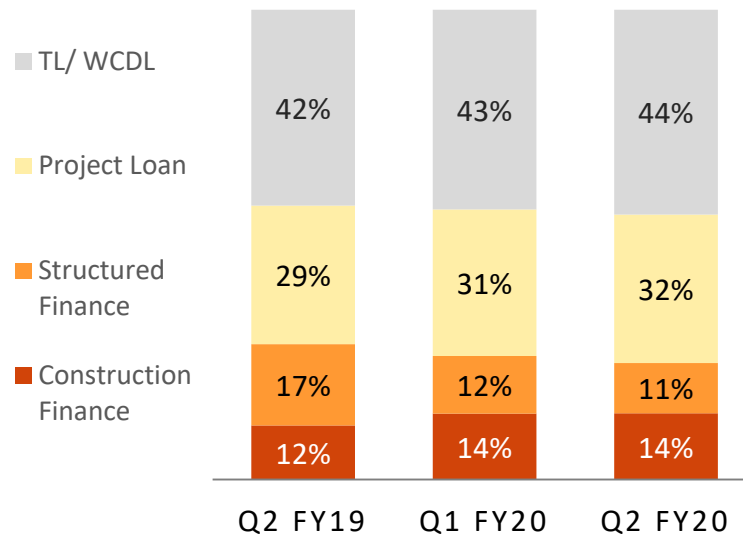
- Overall book reduced by ~27% y-o-y
- No stage- 3 exposure
- ~80% of LAS exposure in securities of companies having M.Cap > Rs 10,000 Crore

# Portfolio Update: Large and Mid Corporate Loan Book

Figures in Rs Crore

## Large & Mid Corporate (De-grew 6% y-o-y)

<b>% Mix</b>	<b>49%</b>	<b>47%</b>	<b>46%</b>
<b>Loan Book</b>	<b>23,632</b>	<b>23,615</b>	<b>22,331</b>



## Portfolio Update

- ~Rs 1,700 Crore run down of structured finance book over 1 year (degrew 41% y-o-y)
- Top 20 customers in large and mid corporate contribute ~10% of overall Loan Book
- No stage-3 exposure in Top 20 exposure
- Exposure to Aditya Birla Group companies < 1% of overall Loan Book

## Project Loan (15% of overall Loan Book)

- No stage-3 exposure
- Funding towards projects with ring-fenced cashflows
- 96% of exposure has recourse to cash flows from operational projects; balance 4% of projects have recourse to pedigreed sponsors

## Large & Mid Corporate Concentration

Ticket Size Range	# of Customer	% of Total Book
0 – 50	180	7%
50 – 100	75	11%
100 – 200	66	19%
200 – 400	16	9%
<b>Total</b>	<b>337</b>	<b>46%</b>

## Construction Finance (6% of overall Loan Book)

- No stage-3 exposure | No luxury residential project exposure
- 90%+ exposure to Mumbai, Pune, Bangalore, Chennai and Noida | No other NCR exposure
- 30% of o/s as on 30<sup>th</sup> Sept 2018 repaid out of sales proceeds in last 1 year
- Average actual loan tenor 2.5 years

# Strong focus on growth with quality of loan book



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Figures in Rs Crore

## Maintaining asset quality

Gross Stage 3 (excl. IL&FS) at 1.39%

## Gross Stage 3 exposure for all segments (ex-retail) below overall portfolio average

Retail credit risk adequately priced-in

## Secured loan book at ~80% of total

Primarily focused on cash flow-based underwriting

## Rs 220 Crore of exposure to 4 IL&FS entities categorized as stage 3

Rs 62 Cr provided for ECL on the above exposure

### Stage-wise assets and ECL Provisioning

Asset Quality	Q1 FY20		Q2 FY20	
Gross Stage 1 & 2	98.31%		98.15%	
	Excl. IL&FS	IL&FS	Excl. IL&FS	IL&FS
Gross Stage 3	1.24%	0.45%	1.39%	0.46%
Less: ECL Provision	0.52%	0.13%	0.48%	0.13%
Net Stage 3	0.72%	0.32%	0.91%	0.33%
Provision Coverage	42%	28%	35%	28%

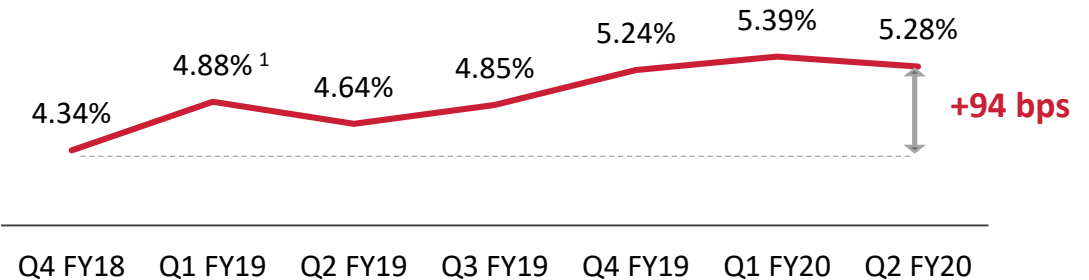
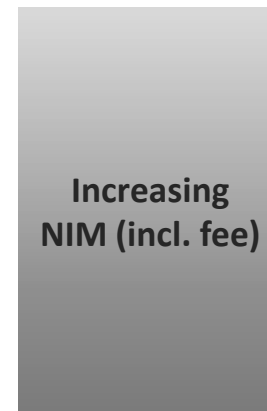
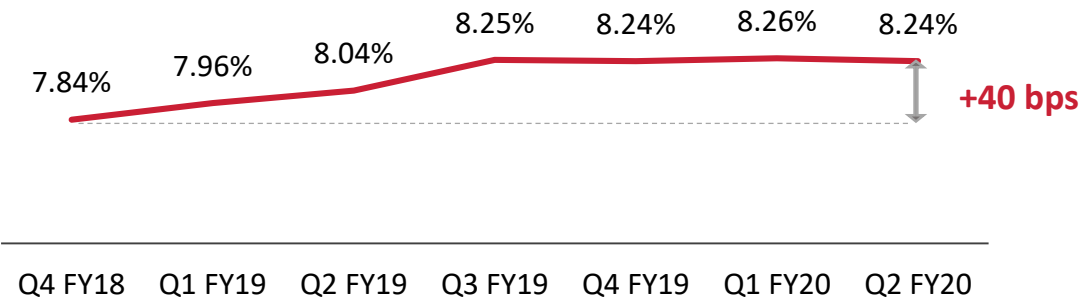
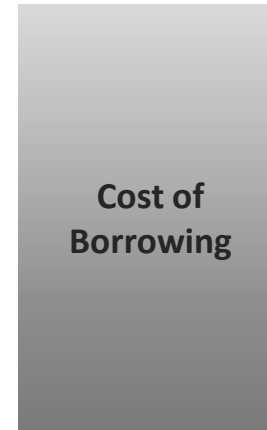


# Consistent margin expansion across quarters

## Optimised borrowing cost in a volatile interest rate environment

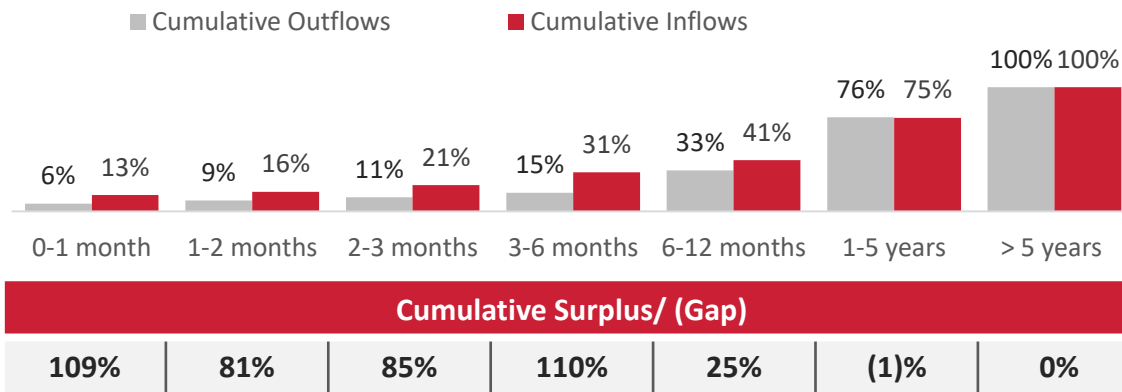
### Factors contributing to margin expansion:

- Increasing product mix towards retail and SME
- Ability to pass on borrowing cost increases
- Prudent treasury management with diversified borrowing mix



# Well matched ALM with diversified borrowing mix

## ALM optimised for liquidity and costs



### Raised LT borrowing of ~Rs 6,000 Crore in H1

Term Loans: Rs 2,450 Crore (Sanctioned ~ Rs 4,100 Crore)

NCD: ~Rs 2,800 Crore

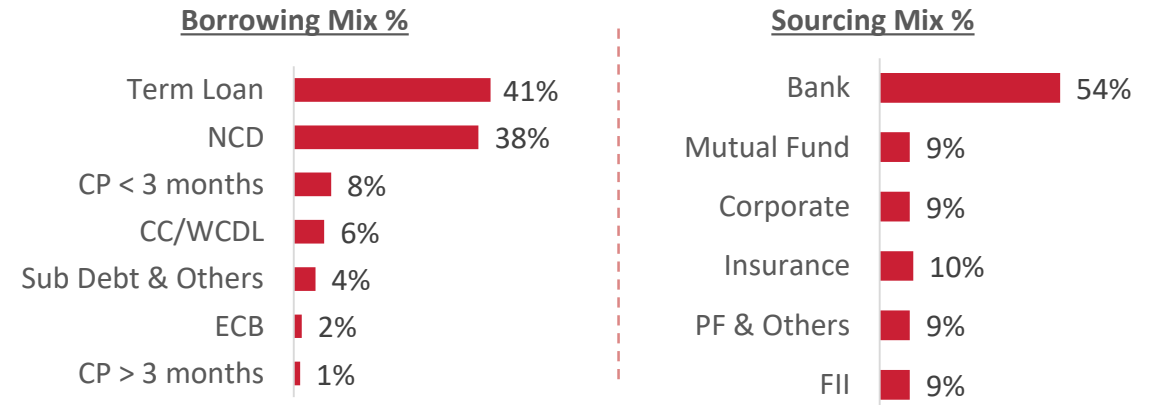
ECB: ~ Rs 700 Crore (USD 100 Mn)

### Adequate liquidity to meet growth requirements

Undrawn CC/WCDL of Rs 3,000+ Crore (not considered for ALM)

Received additional ECB sanction of USD 75 Mn

## Diversification across instruments and investors



### Continue to broad base investor profile

Institutional investor base increased to 490 (PY: 331)

### Maintaining comfortable capital adequacy

Q2 FY20: CRAR at 19.1% (PY: 17.2%)

# Key Financials – Aditya Birla Finance Limited



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Δ LY%	Quarter 2		Figures in Rs Crore	Half Year		Δ LY%
	FY 18-19 (PY)	FY 19-20 (CY)		FY 18-19 (PY)	FY 19-20 (CY)	
	<b>48,061</b>	<b>48,368</b>	<b>Lending book</b>	<b>48,061</b>	<b>48,368</b>	
+118 bps ↑	11.59%	12.76%	Average yield (Incl. Fee Income)	11.66%	12.73%	↑ +107 bps
	6.94%	7.48%	Interest cost / Avg. Lending book	6.89%	7.40%	
+63 bps ↑	4.65%	5.28%	Net Interest Margin (Incl. Fee Income)	4.77%	5.34%	↑ +57 bps
20% ↑	<b>533</b>	<b>643</b>	<b>Net Interest Income (Incl. Fee Income)</b>	<b>1,057</b>	<b>1,324</b>	↑ 25%
	1.68%	1.64%	Opex / Avg. Lending book	1.64%	1.60%	
	35%	31%	Cost Income Ratio	33%	30%	
	0.40%	1.11%	Credit Provisioning/ Avg. Lending book	0.36%	0.93%	
	<b>317</b>	<b>317</b>	<b>Profit before tax</b>	<b>652</b>	<b>718</b>	↑ 10%
6% ↑	<b>207</b>	<b>218</b>	<b>Profit after tax</b>	<b>430</b>	<b>481</b>	↑ 12%
	<b>6,903</b>	<b>7,890</b>	<b>Net worth</b>	<b>6,903</b>	<b>7,890</b>	

Aditya Birla Housing Finance Limited



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# Delivery in line with stated targets

Figures in Rs Crore

## Lending book at ~Rs 12,079 Cr (Retail: 94%)

Overall growth 22% y-o-y

Affordable book at ~ Rs. 1,900 Crore

## Improvement in Cost Income Ratio y-o-y

Led by scale and operating efficiency

## Maintaining quality of asset book

Gross Stage 3: 0.85% | Net Stage 3: 0.62%

## Q2 PAT<sup>2</sup> grew 2.5x y-o-y to Rs 33 Crore

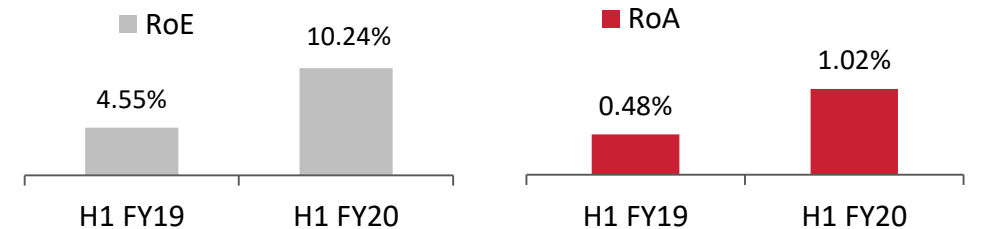
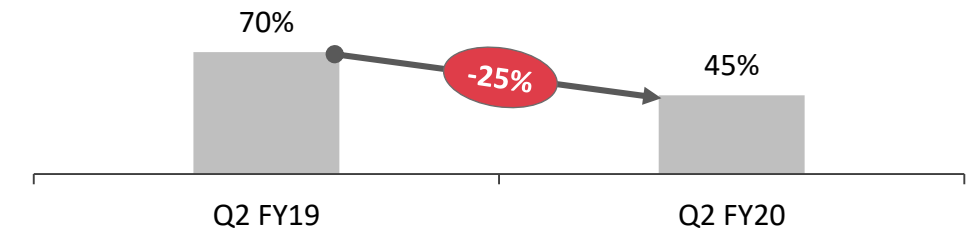
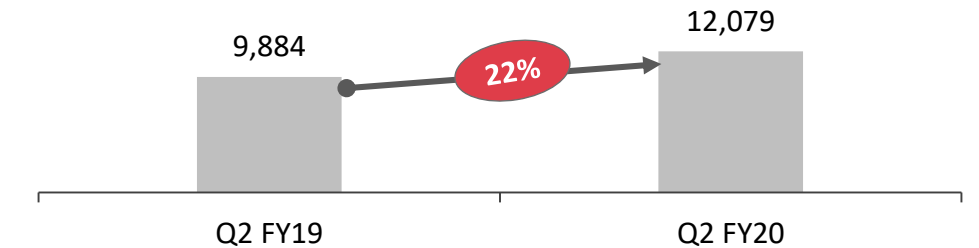
Reported PAT at Rs 28 Crore (Grew 2.1x y-o-y)

## Significant improvement in RoE and RoA

Strong growth  
in Lending  
Book

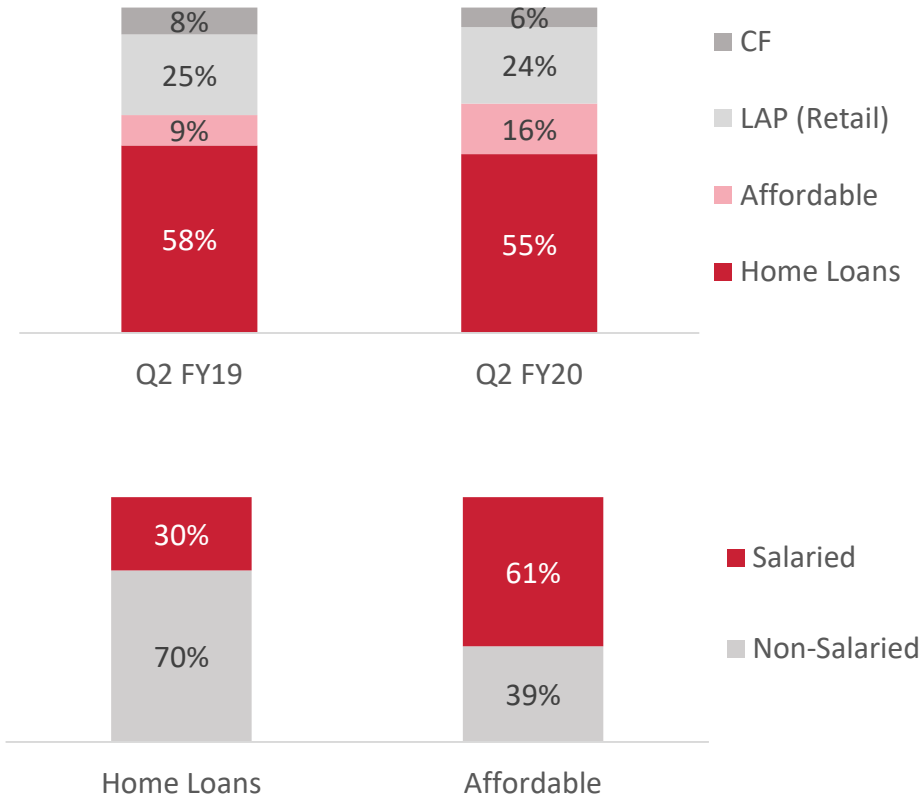
Improvement  
in Cost  
Income Ratio

Building  
profitable  
scale<sup>1,2</sup>



# Systematic approach to build a healthy portfolio mix

## Segment Mix (%)



### Affordable Loans

- ATS for Affordable Home Loans ~ Rs 12 Lacs
- 27% of affordable HL portfolio backed by IMGCC (PQ: 21%) and 48% eligible for PMAY subsidy (PQ: 39%)

### Retail LAP

- ATS: Rs 51 Lacs (PY: Rs 63 Lacs)
- LTV: 47 %

## Construction Finance

### Quality

- No stage 3 exposure

### Average Ticket Size

- ATS on exposure: Rs 14 Crore
- ATS on outstanding: Rs 9 Crore (PY: 15 Crore)

### Exposure

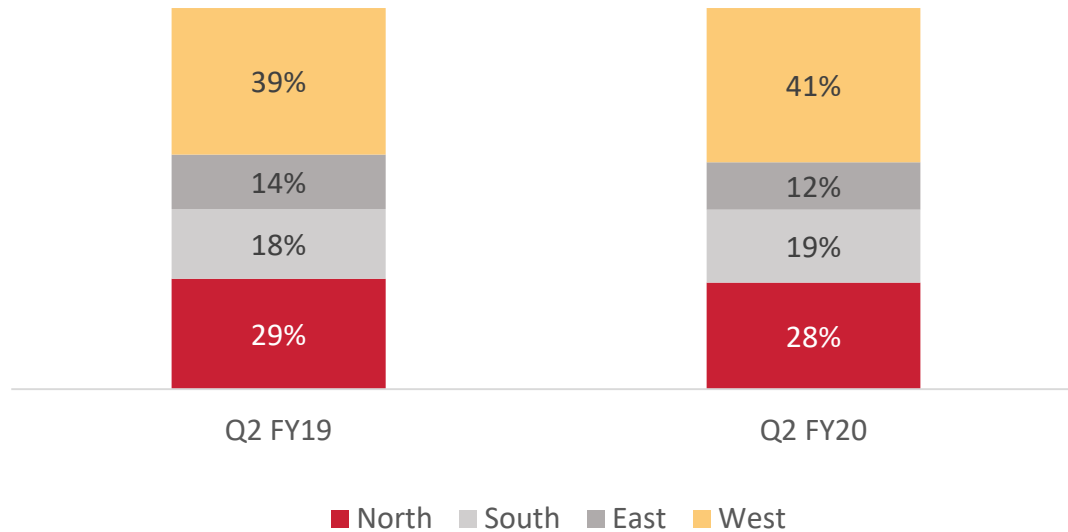
- ~85% of CF exposure to Bangalore, Mumbai, Pune, Surat, Ahmedabad and Noida | No other NCR exposure

### Sales Velocity

- 30%+ outstanding repaid out of sales proceeds in last 1 year

# Pan India distribution network

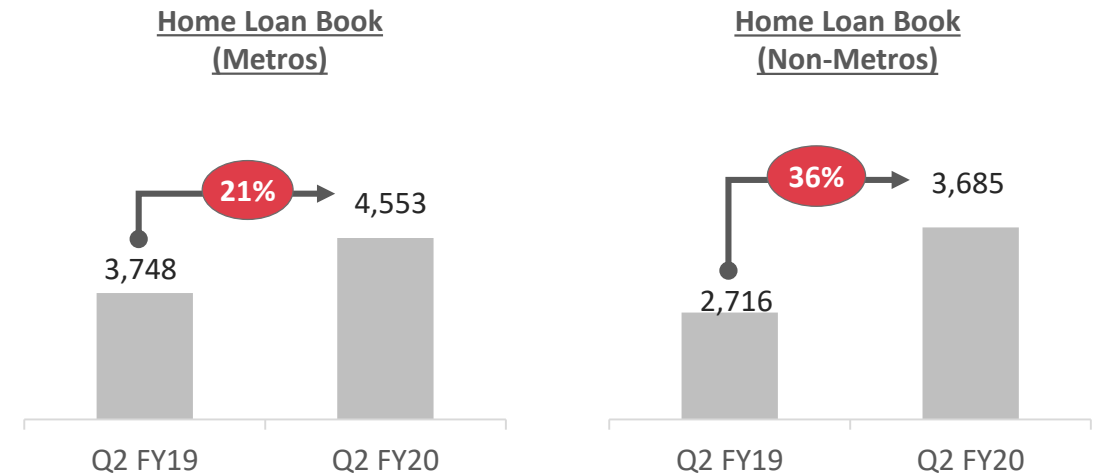
## Stable Geographic Mix (%)



### Balanced distribution strategy

Tapping growth in smaller cities through affordable

## Focus on increasing reach and building retail granularity



### Non-metro loan book mix at 45% (PY: 42%)

Note: Metro cities includes Delhi, Mumbai, Kolkata, Chennai, Bangalore and Pune

# Maintaining margins through interest rate cycles

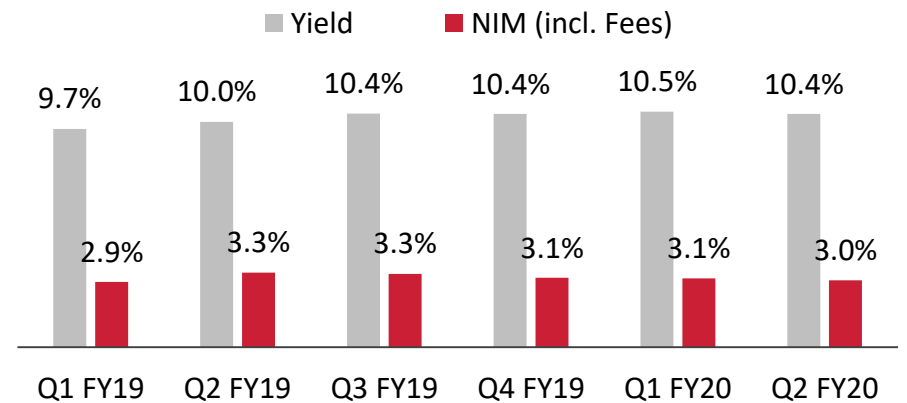
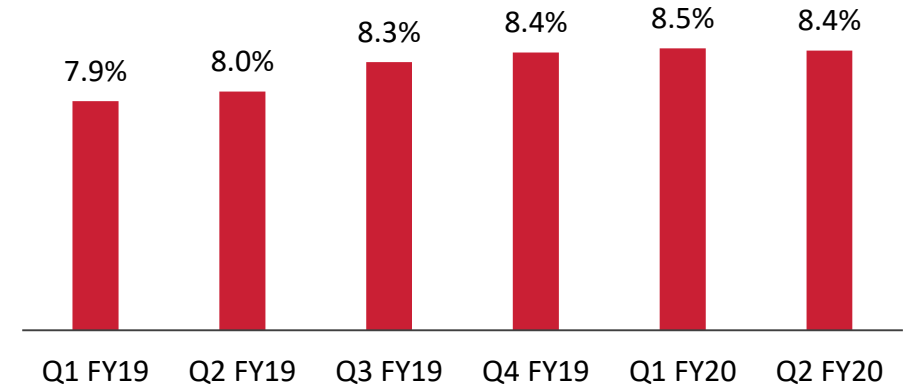
**Optimised borrowing cost in a volatile interest rate environment**

**Maintained margins across interest rate cycles**

**Demonstrating ability to successfully pass on borrowing cost increases**

Cost of Borrowing

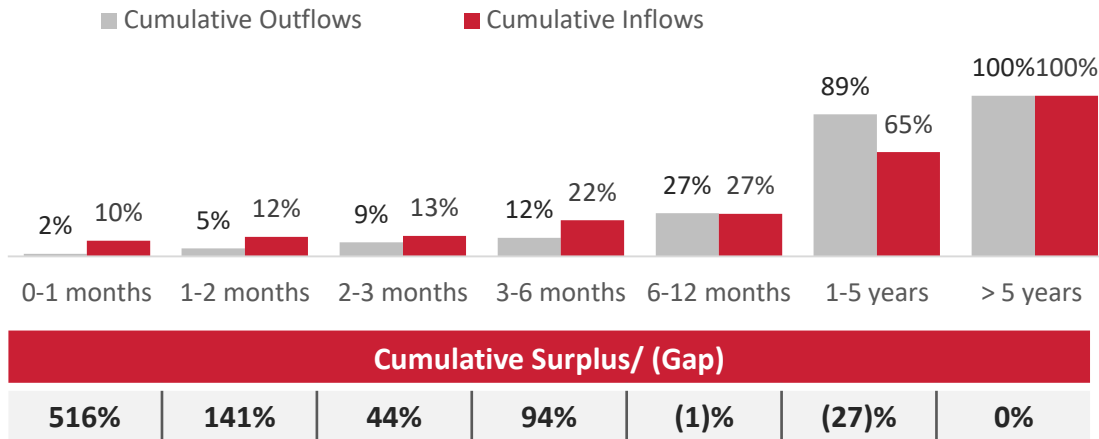
Maintaining stable Margins





# Prudent asset liability management

## Optimised ALM for liquidity and cost<sup>1</sup>



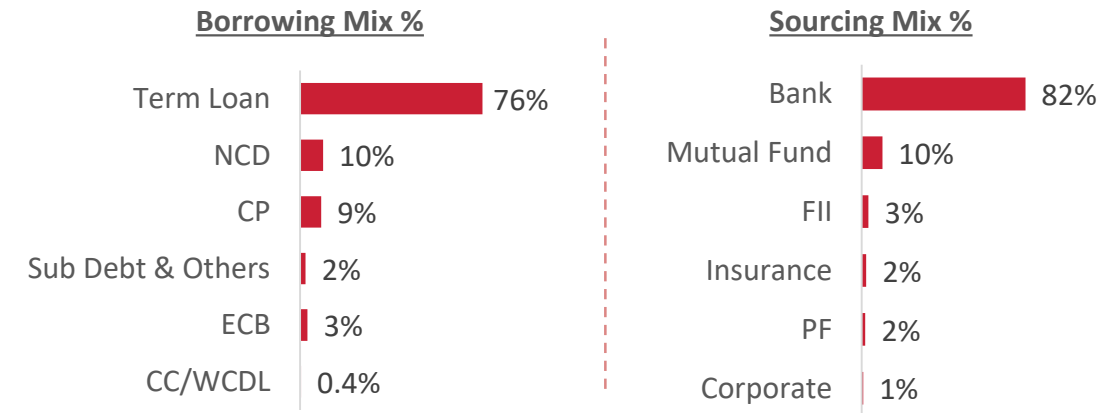
**Raised LT borrowing of ~Rs 2,150 Crore**

**Actively pursuing overseas funding through ECB**

Drawn USD 50 Mn (sanction of USD 100 Mn)

**Adequate liquidity to meet growth requirements**

## Diversification in borrowing mix and investor profile<sup>1</sup>



**Continue to broad base investor profile**

- Investor base increased to 103
- Funding from 21 banks and refinance from NHB

**Maintaining comfortable capital adequacy**

Q2 FY20: CRAR at 16.3% (Regulatory requirement: 13%)

# Key Financials – Aditya Birla Housing Finance Limited



adityabirlacapital.com

Δ LY%	Quarter 2		Figures in Rs Crore	Half Year		Δ LY%
	FY 18-19 (PY)	FY 19-20 (CY)		FY 18-19 (PY)	FY 19-20 (CY)	
			<b>Key Performance Parameters</b>			
↑ 22%	9,884	12,079	Lending book	9,884	12,079	↑ 22%
↑ 35 bps	10.01%	10.36%	Average yield (Incl. Fee Income)	9.86%	10.41%	↑ 55 bps
	7.20%	7.54%	Interest cost / Avg. Loan book	7.18%	7.53%	
	3.32%	2.97%	Net Interest Margin (incl. Fee Income)	3.12%	3.01%	
	<b>242</b>	<b>325</b>	<b>Revenue</b>	<b>461</b>	<b>635</b>	
	2.42%	1.48%	Opex/ Avg. Loan Book	2.40%	1.52%	
↓ 25%	70%	45%	Cost Income Ratio (%)	71%	46%	↓ 25%
	0.18%	0.58%	Credit Provisioning/ Avg. Loan Book	0.21%	0.49%	
	<b>21</b>	<b>36</b>	<b>Profit Before Tax</b>	<b>34</b>	<b>74</b>	
↑ 2.1x	<b>13</b>	<b>28</b>	<b>Profit After Tax</b>	<b>22</b>	<b>54</b>	↑ 2.5x
	<b>1,136</b>	<b>1,243</b>	<b>Net worth</b>	<b>1,136</b>	<b>1,243</b>	

Aditya Birla Sun Life AMC Limited



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# Profitable growth aided by robust asset mix

Figures in Rs Crore

## Maintained domestic AAUM<sup>1</sup> Market Share

Overall Domestic AAUM market share<sup>2</sup> at 10.47% (PQ: 10.52%)

## Fixed Income AAUM<sup>1</sup> market share improved

Market share<sup>2</sup> at 12.17% (PQ: 12.08%)

## Domestic Equity AAUM mix steady at 35%

SIP Book share of domestic equity : 35% (PY: 29%)

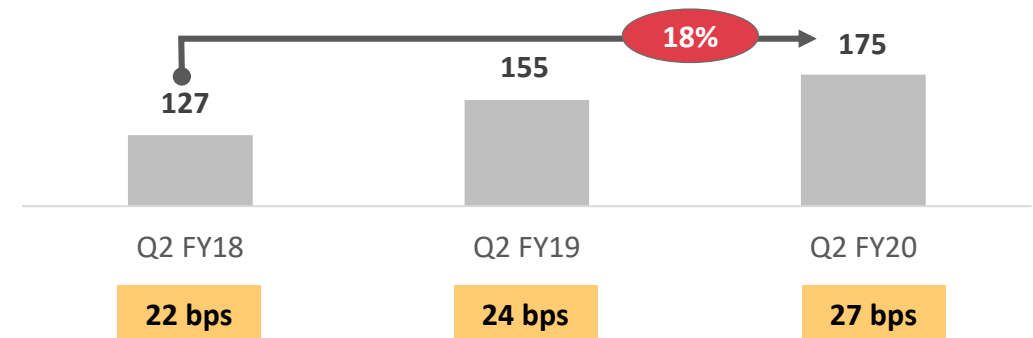
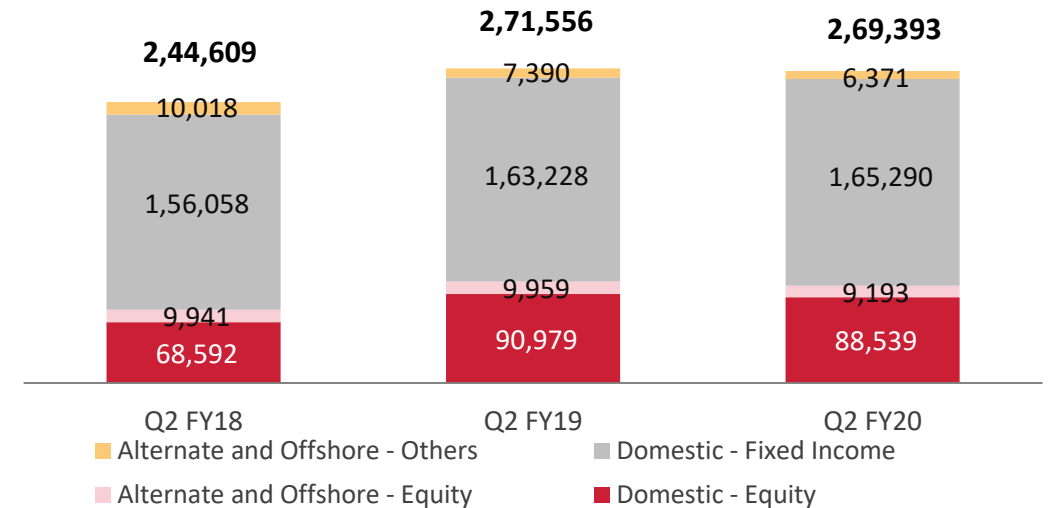
## Q2 PAT at Rs 148 Crore (grew 40% y-o-y)

## Margin maintained post regulatory changes

PBT at 27 bps<sup>3</sup> of AAUM (PY: 24 bps<sup>3</sup>)

Growth in Overall AAUM

Strong growth in PBT with margin (bps) expansion<sup>3</sup>



# Continued focus on retail expansion

**Retail + HNI AUM<sup>1</sup> at Rs ~1,20,000 Crore**

**Broad based penetration in B-30 cities with  
AUM<sup>1</sup> at ~ Rs 35,600 Crore.**

Market Share<sup>2</sup> at 8.90% (PQ : 9.11%)  
B-30 contributes 23%<sup>1</sup> of retail AUM

**Investor folios up 1.5x in 2 years**

5 Year CAGR as on FY19: 29% | Industry: 15%

**Monthly SIP<sup>3</sup> book ~Rs. 1,000 Crore**

SIP Market Share<sup>4</sup> 11.01%

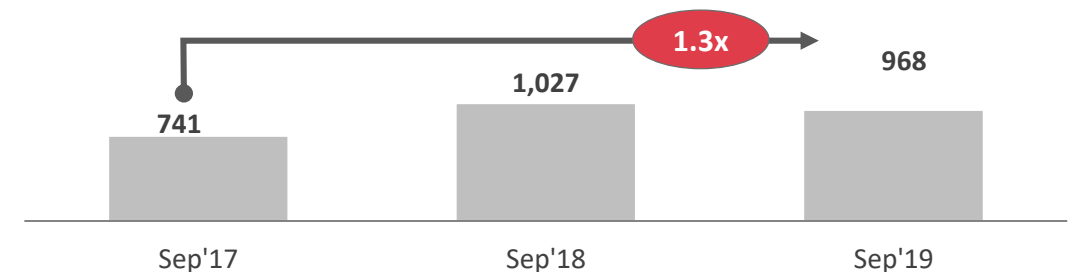
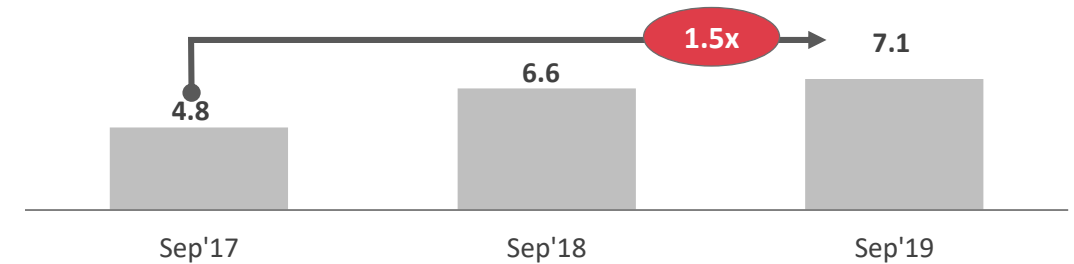
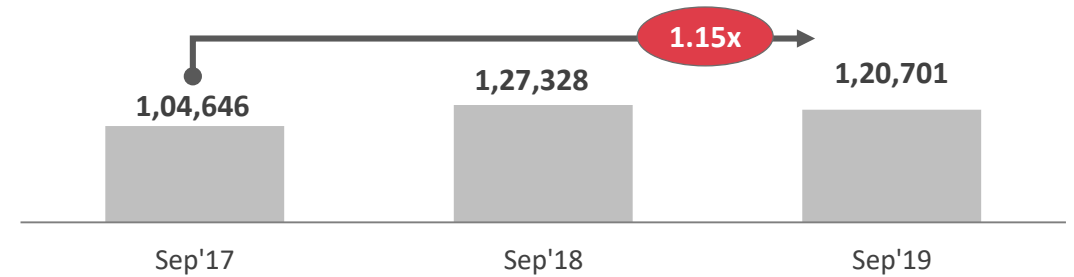
3 Year CAGR as on FY19: 33% | Industry: 29%

**Increasing  
Retail  
Penetration  
(AUM)**

**Significant  
Growth in  
Investor Folio  
(Million)**

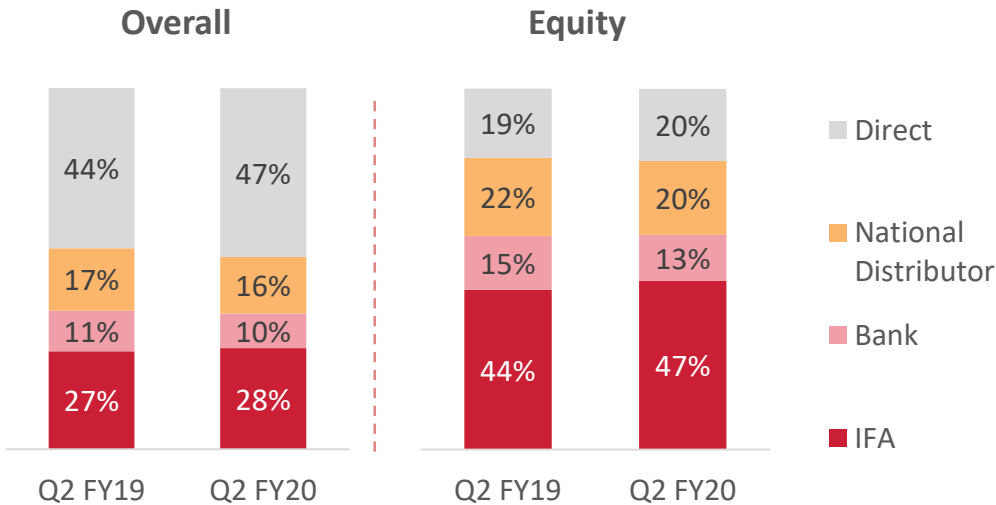
**SIP Monthly  
Book<sup>3</sup> Growth**

Figures in Rs Crore



# Balanced Distribution Network

## AAUM Sourcing Mix (%)



## Continue to grow IFA share in Equity Sourcing

Large bank owned AMCs benefit from 30 - 90% share of their associate distributor Bank's total AUM sourced

## Distribution Scale

**300** Locations  
> 75% in B-30 cities

**88** Banks

**79,000+** IFAs

**230+**  
National Distributors

## Digital Tech enablement

### Customers

- Launched new investor portal with simplified UX
- Launched micro ticket size SIP product
- Up-sell: Launched "Next-best-offer" programme
- Video KYC API enabling ease of customer onboarding

### Distribution

- Distributor portal with customized customer journeys and simplified distributor experience
- 10+ new-age digital ecosystem partners/ distributors on-boarded through API gateway

### Outcome

- Increase in digital penetration: Digital transactions ~ 75% (PY: 67%)

# Key Financials – Aditya Birla Sun Life AMC Limited



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Δ LY%	Quarter 2		Figures in Rs Crore	Half Year		Δ LY%
	FY 18-19 (PY)	FY 19-20 (CY)		FY 18-19 (PY)	FY 19-20 (CY)	
	2,54,207	2,53,828	<b>Domestic AAUM</b>	2,51,739	2,53,897	
	90,979	88,539	Domestic Equity AAUM	90,005	90,506	
	9,959	9,193	Alternate and Offshore Equity AAUM	10,097	9,471	
	<b>1,00,938</b>	<b>97,732</b>	<b>Total Equity</b>	<b>100,102</b>	<b>99,977</b>	
	387	323	Revenue	749	638	
	232	148	Costs	448	287	
↑ 13%	<b>155</b>	<b>175</b>	<b>Profit Before Tax</b>	<b>301</b>	<b>351</b>	↑ 17%
↑ +3 bps	24 bps	27 bps	<b>Profit Before Tax (bps<sup>1</sup>)</b>	24 bps	28 bps	↑ +4 bps
↑ 40%	106	148	Profit After Tax	207	265	↑ 28%

<sup>1</sup> Margin based on annualized earnings as % of domestic AAUM

Aditya Birla Sun Life Insurance Limited



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# Fast growing franchise with significant value creation



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Figures in Rs Crore

## Individual FYP<sup>1</sup> grew by 20% y-o-y

Significantly higher than industry growth

Industry<sup>2</sup>: **11%** | Private<sup>2</sup>: **16%** | Top 4 Private<sup>2</sup>: **17%**

## Market share<sup>2</sup> increased to 3.8%

Maintained rank in Individual business at No.7<sup>2</sup>

## H1 Net VNB improved ~250 bps y-o-y

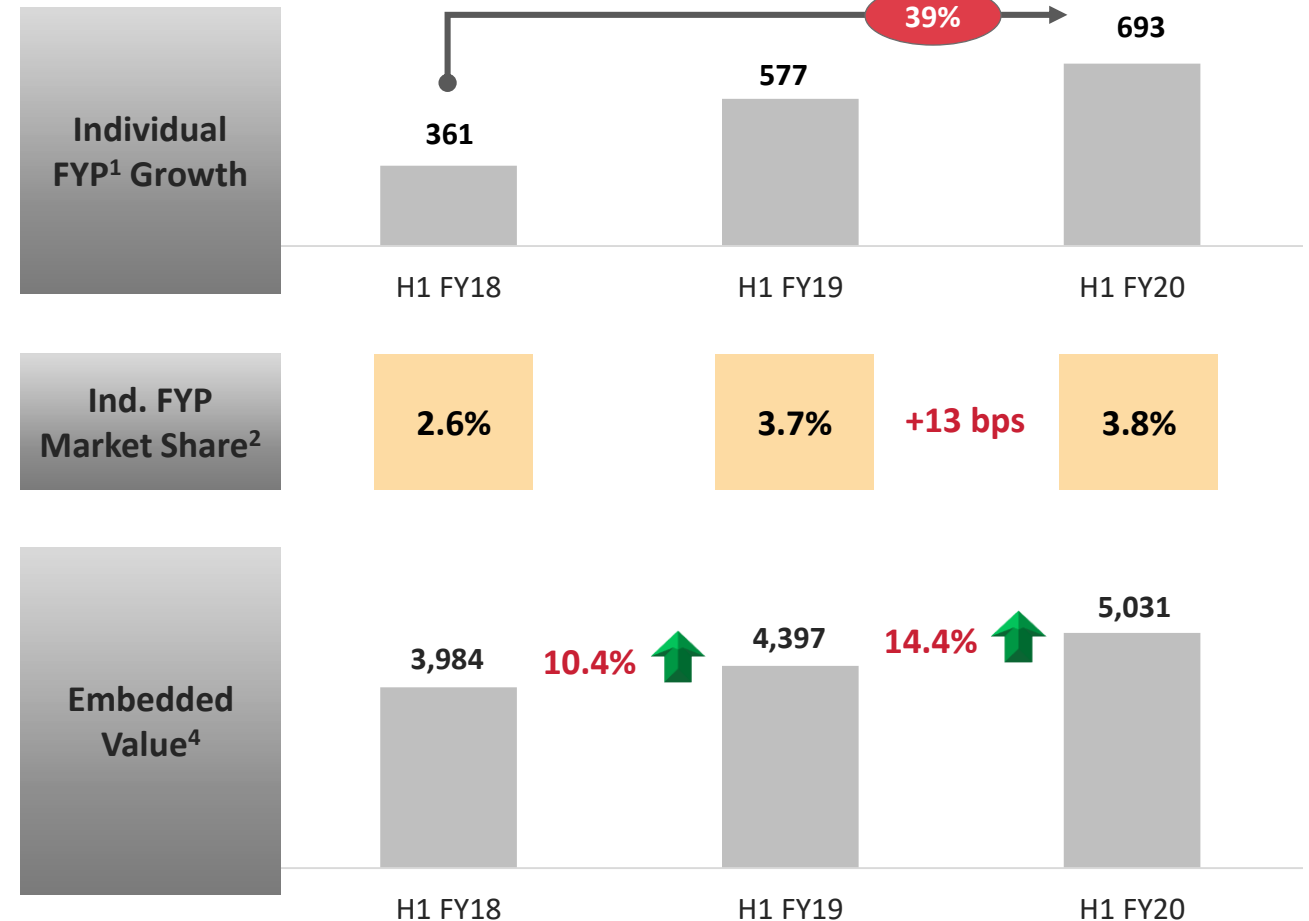
H1 Net VNB Margin<sup>3</sup> at 0.2%

## H1 Embedded Value at Rs 5,031 Crore

EV grew by 14.4% y-o-y

## Group business continues to be value accretive

Risk business grew by 16% y-o-y



<sup>1</sup> Individual FYP adjusted for 10% of single premium

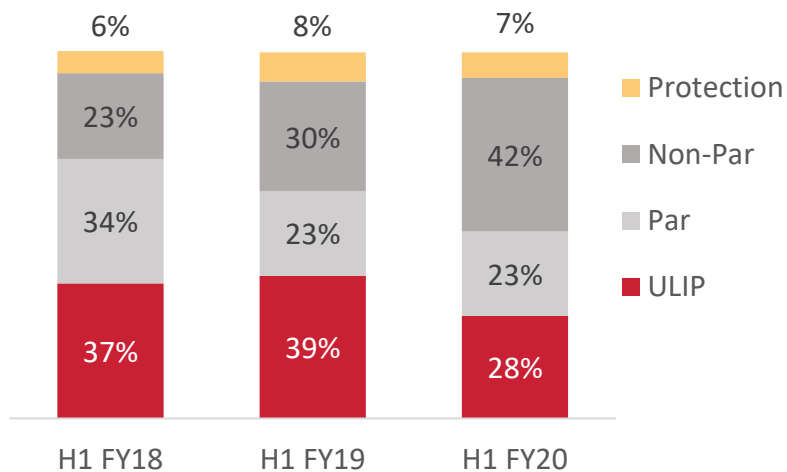
<sup>2</sup> Rank and Market Share amongst players (Excl. LIC) based on adjusted Individual FYP: Source IRDAI

<sup>3</sup> Based on Individual Business basis Management estimates

# Focus on value accretive product mix

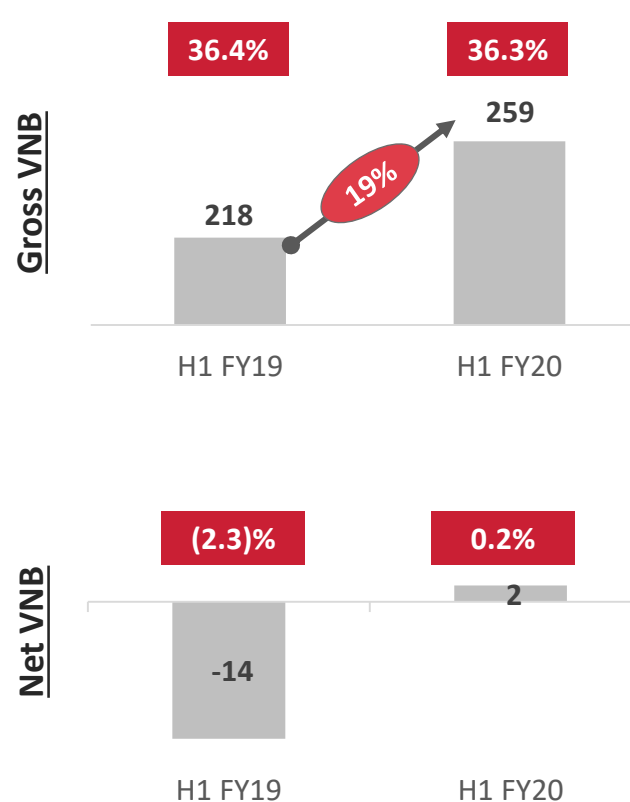
Figures in Rs Crore

## Continued focus on balanced product mix



**70% of maturity benefit of guaranteed products are protected**

## Improvement in VNB Margins<sup>1</sup>



**Gross VNB grew 19% y-o-y**

Q2FY20 Gross VNB at 37.7% (PY: 35.9%)

**H1 Net VNB Margin at 0.2% (PY: -2.3%)**

Q2FY20 Net VNB at 5.7% (PY: 2.5%)

**Factors contributing to improvement in Net VNB:**

- Higher volume and productivity
- Balanced channel mix and better product mix

# Balanced sourcing strategy

Figures in Rs Crore

## Driving growth through partnerships and operating leverage in proprietary

- 8 Banca tie-ups incl. HDFC Bank, DCB and KVB
- Pan India presence across 2,750+ cities through 87,000+ agents, 9,500+ bank branches and 390+ own branches

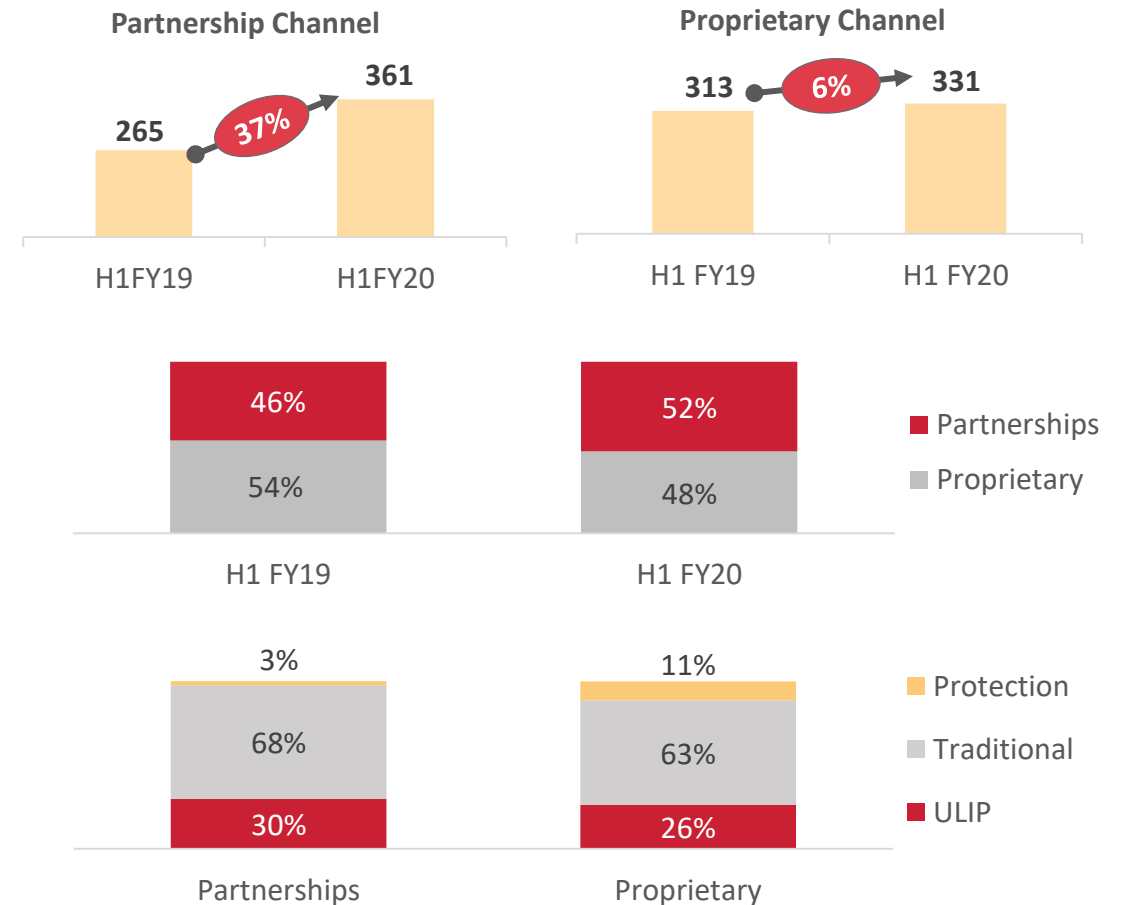
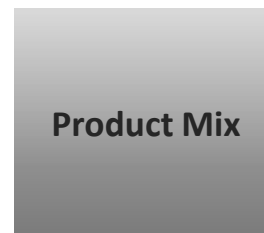
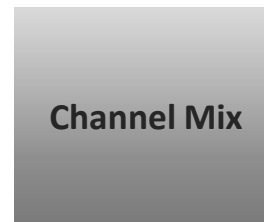
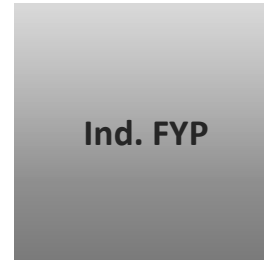
## Partnership with Indian Bank

Providing access to 2,900 branches

## Proprietary channel contributing to margin improvement

Efficiencies in proprietary channel driven by:

- Increase in productivity ; Controlled ULIP mix
- Protection mix at 11%



# Focus on quality of business

## Continuous improvement in persistency across periods

13<sup>th</sup> Month persistency at 80% (PY: 74%)  
HDFC Bank experience will lead to further improvement

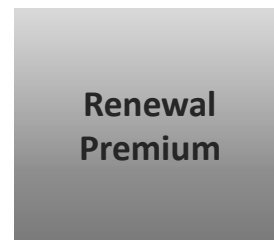
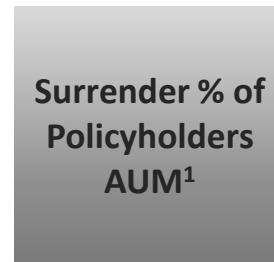
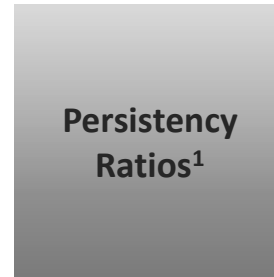
## Focus on customer retention

Ind. renewal premium grew 19% y-o-y  
Continuous improvement in surrender ratios

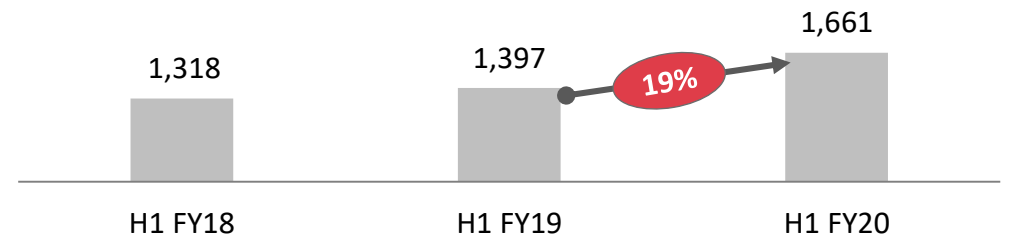
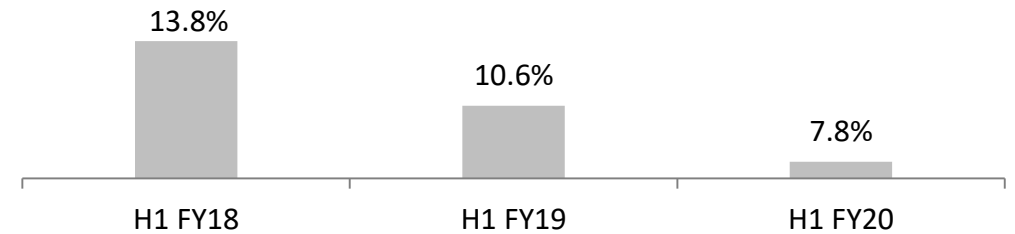
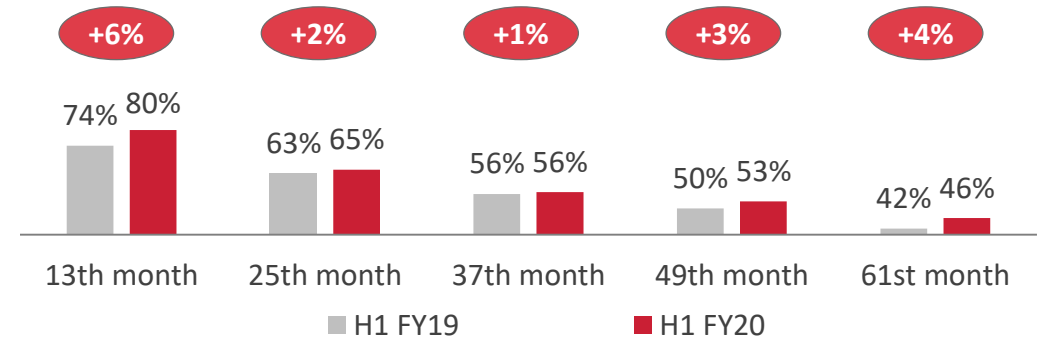
## Complaints reduced by ~50% over 2 years

## Improvement in claim settlement ratio

FY19 Claim Settlement Ratio: 97.2% (PY: 96.4%)



Figures in Rs Crore



<sup>1</sup> Parameters are pertaining to Individual Business

# Key Financials – Aditya Birla Sun Life Insurance Limited



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Δ LY%	Quarter 2		Figures in Rs Crore	Half Year		Δ LY%
	FY 18-19 (PY)	FY 19-20 (CY)		FY 18-19 (PY)	FY 19-20 (CY)	
			<b>Key Performance Parameters</b>			
↑ 12%	379	423	Individual First year Premium	627	745	↑ 19%
	656	491	Group First year Premium	1,049	679	
↑ 18%	771	911	Renewal Premium	1,397	1,661	↑ 19%
	<b>1,806</b>	<b>1,825</b>	<b>Total Gross Premium</b>	<b>3,073</b>	<b>3,086</b>	
↑ 14%	287	327	Opex (Excl. Commission)	539	620	↑ 15%
	15.9%	17.9%	Opex to Premium (Excl. Commission)*	17.5%	20.1%	
	20.6%	23.7%	Opex to Premium (Incl. Commission)	22.2%	26.1%	
	(2)	41	Profit Before Tax	20	66	↑ 3.3x
	(3)	34	Profit After Tax	14	54	

\* Opex to Premium (Excl. Commission) is higher mainly due to lower Group Business

Aditya Birla Health Insurance Limited



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# Strong growth led by retail

**GWP grew 78% YoY with retail growth at 83%**

Retail GWP Mix: 67% (PY: 65%)

**5+ million lives covered**

2.4 million lives through micro products

Grew ~ 4x y-o-y (PY: 1.2 million lives)

**Improved retail Claim Ratio 44% (PY: 48%)**

Holistic health risk management - better sourcing, provider management, claims and care management

**Combined ratio at 155% (PY: 180%)**

**Steady path to break even**

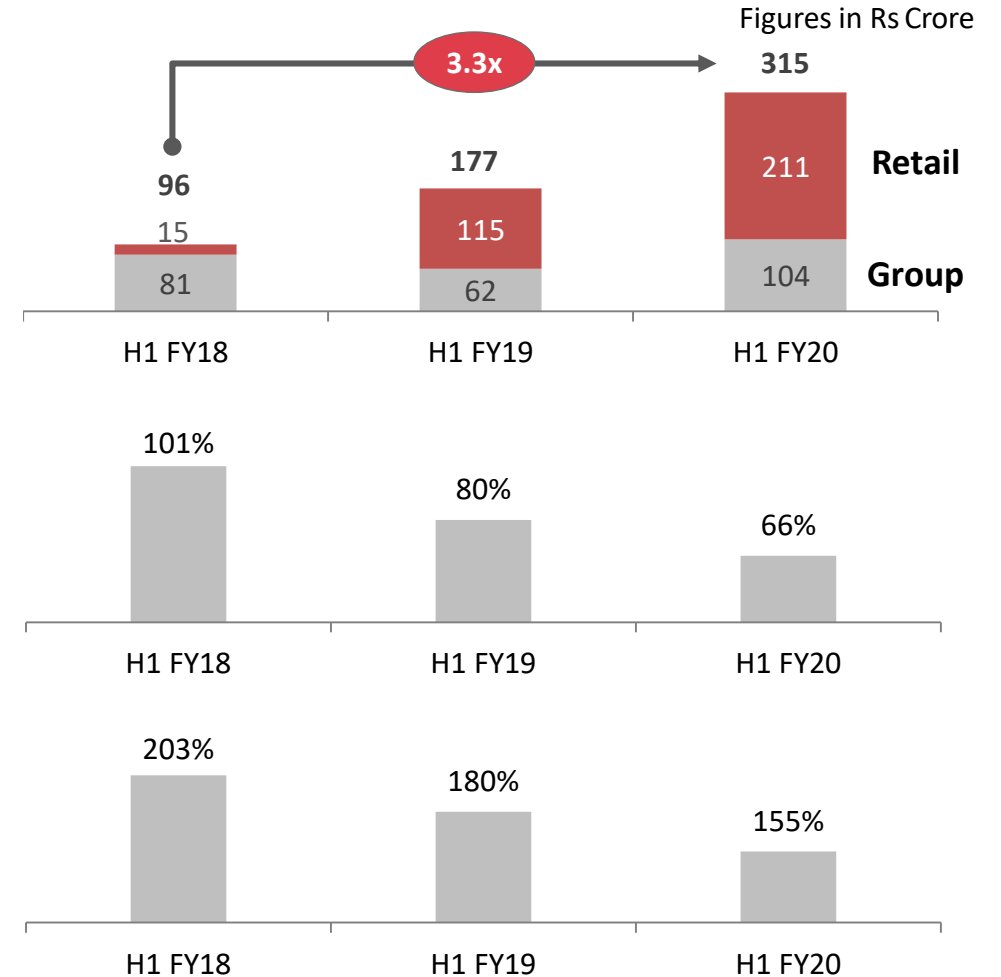
Q2 PBT loss at Rs 70 Cr (Peak loss Rs 73 Cr in Q2 FY19)

Expected to break-even in FY21-22

Strong GWP growth led by Retail

Focus on improving overall Claims Ratio

Improvement in Combined Ratio



# Driving Value through Scale and Diversification

## One of the largest 3rd party distribution capacities

- ✓ 10 Bank tie-ups incl. HDFC Bank, Axis Bank (Q2 go-live)
- ✓ 10,000+ bank branches through Banca channel
- ✓ Monthly utilization of available capacity still leaves significant upside potential
- ✓ Focus on new age digital partners



**Cities**



**H1 FY19**

**650+**

**H1 FY20**

**1,200+**



**Agents**



**18,100+**

**22,500+**



**Sales force**



**1,400+**

**2,100+**

## Diversification drivers

- ✓ Diversification across channels, geographies, products customer segments lead to better claims ratio
- ✓ New product launched in H1 to further diversify product and customer segments:
  - Activ Care (Senior Citizen)
  - Group Product (8 in 1 product incl. Cancer Care, CVD)



**Geographical diversification**

(non-metro % retail GWP)



**34%**

**39%**



**Fixed benefit % of GWP**



**16%**

**18%**



**Banca % of retail GWP**



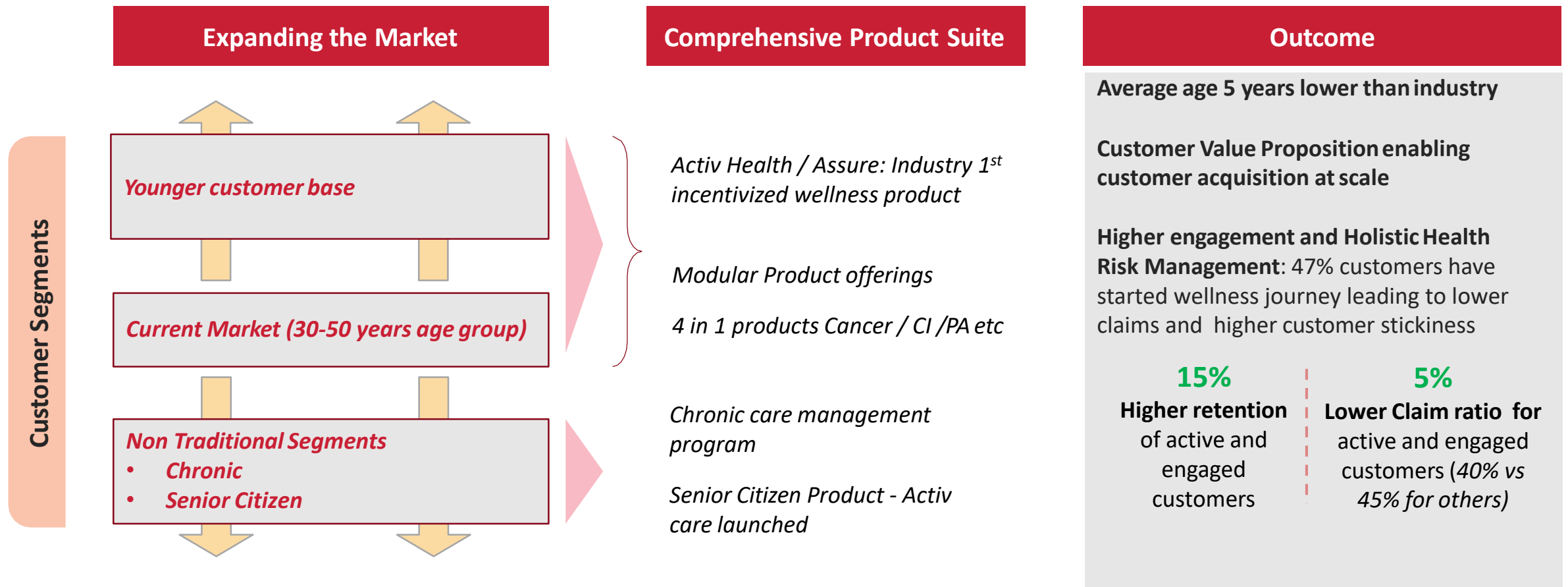
**57%**

**62%**



# Expanding market through customer value proposition

## Comprehensive Product suite enabling traditional & non traditional customer acquisition



# Key Financials – Aditya Birla Health Insurance Limited



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Δ LY%	Quarter 2		Figures in Rs Crore	Half Year		Δ LY%
	FY 18-19 (PY)	FY 19-20 (CY)		FY 18-19 (PY)	FY 19-20 (CY)	
			<b>Key Performance Parameters<sup>1</sup></b>			
↑ 1.8x	70	123	Retail Premium	115	211	↑ 1.7x
	32	53	Group Premium	62	104	
↑ 1.6x	102	176	<b>Gross Written Premium</b>	177	315	↑ 1.8x
	102	149	Revenue	179	294	
	170%	167%	Combined Ratio	180%	155%	
	(73)	(70)	<b>Profit Before Tax</b>	(137)	(135)	

<sup>1</sup> Financials for Aditya Birla Health Insurance include Aditya Birla Wellness Private Limited

## Other Financial Services businesses

---

# Other Financial Services Businesses

Quarter 2		Figures in Rs Crore	Half Year	
FY 18-19 (PY)	FY 19-20 (CY)		FY 18-19 (PY)	FY 19-20 (CY)
<b>Key Performance Parameters Other Financial Services Businesses<sup>1</sup></b>				
156	168	Aggregate Revenue	323	361
(4)	14	Aggregate Profit Before Tax	(2)	39

## General Insurance Broking

- Premium placement in H1 FY20 grew y-o-y by 12% to Rs 2,164 Crore
- Q2 Revenue increased by 7% y-o-y to Rs 116 Crore (PY: Rs 109 Crore)
- Q2 PBT grew 35% y-o-y to Rs 11 Crore

## Stock and Securities Broking

- Q2 Revenue at Rs 40 Crore (PY: Rs 44 Crore)
- Q2 PBT grew 17% to Rs 4 Crore (PY: Rs 3 Crore)

## ARC

- Launched ARC platform in partnership with Varde in FY19
- Platform profitable within first year of operation

## **Annexure A**

## **Consolidated Financials**

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# Consolidated Profit & Loss



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Figures in Rs Crore

Δ LY%	Quarter 2		Figures in Rs Crore	Half Year		Δ LY%
	FY 18-19 (PY)	FY 19-20 (CY)		FY 18-19 (PY)	FY 19-20 (CY)	
			<b>Consolidated Profit &amp; Loss</b>			
↑ 11%	3,591	3,976	Revenue	6,654	7,622	↑ 15%
	231	296	Profit Before Tax (before share of profit/(loss) of JVs)	513	675	
	53	75	Add: Share of Profit/(loss) of associate and JVs	104	134	
↑ 31%	284	372	Profit Before Tax	617	809	↑ 31%
	131	129	Less: Provision for taxation	269	310	
	(33)	(13)	Less: Minority Interest	(51)	(27)	
↑ 37%	186	256	Net Profit (after minority interest)	399	526	↑ 32%

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**Home Finance  
Personal Finance  
SME Finance  
Real Estate Finance  
Project Finance  
Loan Against Securities  
Corporate Finance  
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**Corporate Office:** One Indiabulls Centre, Tower 1, Jupiter Mills Compound, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013

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# Glossary

- AAUM – Quarterly Average Assets under Management
- ALM – Asset Liability Management
- ANW – Adjusted Net Worth
- ATS – Average Ticket Size
- FYP – First Year Premium Income
- Bps – Basis points
- Banca - Bancassurance
- CAB – Corporate Agents and Brokers
- CF – Construction Finance
- CP – Commercial Paper
- Cr - Crore
- CY – Current Year
- DPD – Days Past Due
- ECL – Expected Credit Loss
- EIR – Effective Interest Rate
- FV – Fair Value (IndAS)
- FY – Financial Year (April-March)
- Ind FYP – Individual First Year Premium
- GNPA – Gross Non-Performing Assets
- GWP – Gross Written Premium
- HL – Home Loan
- JV – Joint Ventures
- LAP – Loan Against Property
- LAS – Loan Against Securities
- LIC – Life Insurance Corporation of India
- LRD – Lease Rental Discounting
- LT – Long Term
- LTV – Loan to Value
- MI – Minority Interest
- MTM – Mark to Market
- NII – Net Interest Income
- NIM – Net Interest Margin (including fee income)
- NNPA – Net Non-Performing Assets
- PAT – Profit after Tax
- PBT – Profit before Tax
- PY – Corresponding period in Previous Year
- PQ – Previous Quarter
- Q1– April-June
- Q2 – July-September
- Q3 – October – December
- Q4 – January – March
- Rs – Indian Rupee
- SIP – Systematic Investment Plan
- SME – Small and Medium Sized Enterprise
- TL/WCDL – Term Loan/ Working Capital Loan
- VIF – Value In-Force
- VNB – Value of New business
- Y-o-Y – Year on Year
- YTD – Year to date
- GS 3 – Gross Stage 3