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AUM GROWTH of NBFC arm doubled in Q3 with focus on retail loans amid improving asset quality, while life insurance arm's poised for robust new business; analysts maintain 'outperform' on stock

Aditya Birla Capital Looks Set to Gain from Loan Expansion, Digital Initiatives

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ET Intelligence Group: The stock of Aditya Birla Capital (ABCL) has gained nearly 16% in April so far compared with a drop of 0.7% in the ET NBFC index.

The company is expected to deliver strong growth driven by its non-banking financial services (NBFC) arm given its focus on expanding branch presence and digital platform. On Tuesday, the company launched a multichannel platform to consolidate various financial offerings to drive future growth.

ABCL is the financial services division of the Aditya Birla Group, which holds around 69% stake in the company. It offers financial services across diverse segments including corporate and personal loans, housing finance, life and health insurance, and investments through various subsidiaries.

The NBFC division has doubled

Strong Show

Aditya Birla Capital: Segment-wise Financials

Segment	9-mth Dec '23	9-mth Dec '22	YoY chg (%)
Revenue			
NBFC	9231.1	5,745.8	60.7
Housing Finance	1,338.9	1,028.8	30.1
Life Insurance	12,083.4	10,441.8	15.7
Asset Management	1,197.4	1,020.7	17.3
Health Insurance	2,246.0	1,765.0	27.3
Profit Before Tax			
NBFC	2,193.5	1,486.1	47.6
Housing Finance	281.6	225.7	24.8
Life Insurance	114.5	133.7	-14.4
Asset Management	740.6	612.9	20.8
Health Insurance	-273.3	-211.1	-

Source: Company data



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focus on smaller cities and towns.

Like peers, ABCL has shifted focus on consumer loans away from

(NPA) ratio reduced by 100 basis points year-on-year to 2.6% in the December quarter. The NBFC divi-

basis points to 2.2% aided by improved focus on quality of origination, pre-delinquency management and in-house collection teams. The division had an RoA of 1.9% and RoE of 13% in the nine months to December 2023.

The value of new business (VNB) of the life insurance division increased to ₹345 crore in the nine months to December 2024 from ₹324 crore in the year-ago period.

Macquarie Capital Securities (India) expects ABCL to show 28% growth in the NBFC AUM, and 17% growth in the new business of the life insurance segment between FY23 and FY26. The brokerage has initiated an outperform call on the stock citing the potential for robust loan and VNB growth, and ROA, and VNB margin expansion. Deterioration in the NBFC's asset quality, change in holding company structure, and management change are some of the risks identified by the brokerage.