

Aditya Birla Capital Ltd. (ABCL)
Q2 FY26 Earnings Conference Call
Transcript

October 30, 2025



Moderator:

Ladies and gentlemen, good day, and welcome to the Q2 FY26 Earnings Conference Call of Aditya Birla Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vishakha Mulye, MD and CEO, Aditya Birla Capital Limited. Thank you, and over to you, ma'am.

Vishakha Mulye:

Good evening, everyone and welcome to the earnings call of Aditya Birla Capital for Q2 of FY2026.

Joining me today are senior members of my team Bala, Rakesh, Pankaj, Kamlesh, Mayank, Pinky, Vijay, Ramesh and Deep. I will cover our strategy, financial and business performance and Vijay will cover key financial and business highlights followed by a discussion on performance of our key businesses by our business CEOs.

The Indian economy continues to exhibit resilience with strong GDP growth in an uncertain global macro-economic environment. Headline CPI inflation has remained benign. The Government has rationalized GST rates with the objective of stimulating consumption and growth. We are starting to see some of the benefits of these measures in terms of record automobiles and white goods sales since the last week of September. The growth outlook for the second half of FY26 remains strong driven by implementation of structural reforms, including streamlining GST rates, above normal monsoon and rising capacity utilization. However, ongoing tariff and trade policy uncertainties will impact external demand and need to be monitored closely.

At Aditya Birla Capital, we continue to focus on driving quality and profitable growth by leveraging data, digital and technology. Our customer centric approach enables us to provide simple and holistic financial solutions in a seamless way. Prudent risk management practices form the bedrock of our approach which has enabled us to protect capital and deliver risk-calibrated and sustainable returns across businesses. We also continue to strengthen our omnichannel based distribution network.

Coming to the financial and business performance for the quarter

1. Growth and profitability

- a. During Q2 of FY26, the consolidated profit after tax increased by 3% year-on-year to 855 crore Rupees. The total consolidated revenue grew by 4% year-on-year and 10% sequentially to 12,481 crore Rupees.

- b. In our NBFC business disbursements increased by 39% sequentially to 21,990 crore Rupees in Q2 of the current year. The NBFC portfolio grew by 22% year-on-year and 6% sequentially to about 1.4 trillion Rupees. We had mentioned in our previous quarter's earnings calls that given the uncertainties in the operating environment, we had taken various proactive interventions in the personal and consumer loan and unsecured business loan segments such as tightening the underwriting norms, strengthening our internal sourcing channels and teams and recalibrating the sourcing from digital partners. The credit environment in the personal and consumer loan segment has settled since March and remains stable. We continue to build on the growth momentum in personal and consumer loans seen in Q1 with disbursements growing by 52% year-on-year and 26% sequentially to about 4,970 crore Rupees in Q2. The personal loan portfolio grew by 15% year-on-year and 11% sequentially to 18,218 crore Rupees and comprises 13% of our total portfolio. We are also seeing signs of the environment stabilizing in the unsecured business loan segment. Disbursements in this segment grew by 32% year-on-year and 37% sequentially to about 1,500 crore Rupees. The unsecured business loan portfolio grew by 24% year-on-year and 11% sequentially to 13,663 crore Rupees and comprises 10% of our total portfolio.

The secured SME and corporate and mid-market segments continue to show steady growth. The secured business loans to SMEs grew by 22% year-on-year and 6% sequentially. The corporate and mid-market portfolio grew by 23% year-on-year and 4% sequentially.

I am happy to share that our asset quality continues to remain strong. The credit quality indicators such as bounce rates, forward flow and delinquency rates across all segments are stacking up well. Gross stage 2 and 3 loans declined by 121 bps year-on-year and 67 bps sequentially to 3.03% as of September-end. During the quarter, we have sold gross stage 3 assets from our business loan portfolio which Rakesh will cover in detail later. Our provision coverage on stage 3 loans has improved from 41.2% as of June-end to 44.2% as of September-end. Our credit cost in the current quarter is 1.16% and we expect the credit cost to be in the range of 1.2% to 1.3% in FY26.

The profit after tax of the NBFC segment grew by 14% year-on-year to 714 crore Rupees in Q2 of FY26. The RoA of the NBFC segment was 2.20% in the current quarter.

- c. Coming to our HFC business, we have created a full-stack franchise focused on both prime and affordable segments. In Q2 FY26, we continued to deliver on the strong growth momentum and gained market share. Our disbursements grew by 44% year-on-year to 5,786 crore Rupees during the quarter. This has resulted in our HFC portfolio growing by 65% year-on-year and 11% sequentially to 38,270 crore Rupees. The credit quality in the HFC portfolio is among the best-in-class with stage 3 loans declining by 69 bps year-on-year and 2 bps sequentially to 0.61%. The net stage 3 loans were 0.26% as of September-end. We continue to see the operating leverage kicking in because of the investments made in distribution, data, digital and emerging technologies over the past two years. The opex-to-assets improved by 62 bps year-on-year and 20 bps sequentially to 2.39% in the current quarter. The RoA of HFC business increased by 23 bps sequentially to 1.82% and RoE increased by 168 bps 13.95%.

- d. Moving on to the asset management business:

During Q2 of FY26 our average AUM grew by 11% year-on-year and 5% sequentially to more than 4.25 trillion Rupees. Equity AUM increased by 7% sequentially to 1.92 trillion Rupees. We continue to see an improvement in the performance of our funds with 70-75% of equity AUM

in the top 2 quartiles for 6-month and 9-month returns. The operating profit grew by 13% year-on-year and 6% sequentially to 270 crore Rupees. The profit after tax was 241 Crore Rupees in Q2 of the current year.

e. Moving on to the insurance businesses:

The growth in the life insurance business continues to remain strong. We were the fastest growing private life insurer with individual first year premium growth of 19% year-on-year in H1 FY26. Our market share increased by about 50 bps year-on-year to 4.9%. We continue to be in the top quartile in the industry in terms of 13th and 61st month persistency. A well-calibrated product mix, increase in rider attachments and favorable movement in interest rates have led to 420 bps year-on-year increase in net VNB margin to 11.6% in H1 FY26.

f. In the health insurance business, we continue to be the fastest growing standalone health insurer. Our gross written premium grew by 31% year-on-year, driven by our differentiated health first model and data-enabled approach towards customer acquisition. Excluding the impact of multi-year guidelines, the growth in GWP was 41%. Our combined ratio was 112% in H1 of FY26.

g. In a landmark and citizen-centric move, the government has recently waived GST on all individual life and health insurance products. This progressive reform is expected to enhance affordability, stimulate demand, drive growth and increase penetration in the long run. We are assessing the impact from unavailability of input tax credit on our profitability and are in a dialogue with various stakeholders to mitigate the same. Taking into consideration the above, in the life insurance business, we remain confident to achieve a net VNB margin of more than 18% in FY26. In the health insurance business, we remain confident of improving our combined ratio in the current year from 105% in the previous year.

2. Omnichannel architecture for distribution

a. Our omnichannel architecture allows customers to choose the channel of their choice and interact with us seamlessly across digital platforms, branches and VRMs, fostering engagement and loyalty.

b. Our D2C platform, ABCD, went live about a year ago. It offers a comprehensive portfolio of more than 26 products and services such as payments, loans, insurance, and investments and helps customers to fulfil their financial needs. ABCD has witnessed a robust response with more than 7.6 million customer acquisitions till date.

c. Our comprehensive B2B platform for MSME ecosystem, Udyog Plus, continues to scale up quite well. It has reached an AUM of about 4,400 crore Rupees. Udyog Plus now contributes about 32% of the AUM of unsecured business loans. ABG ecosystem now contributes about 38% of the disbursements on Udyog Plus.

d. Our branch count increased by 22 during the quarter, and we had 1,712 branches across all businesses as of September-end. We are focused on capturing white spaces and driving penetration into tier 3 and tier 4 towns and new customer segments. We now have 1,028 co-located branches across more than One ABC 260 locations.

Going forward, we will continue with our approach of driving quality and profitable growth.

Now I request Vijay to briefly cover the financial performance of our key subsidiaries for the quarter.

Vijay Deshwal:

Thank you Vishakha and good evening to all of you. Vishakha covered the consolidated highlights, I will cover the standalone financials and key business highlights.

During Q2 of FY26, the standalone profit after tax grew by 12% year-on-year to 916 crore Rupees. During Q2 of FY26 we received a dividend income of 311 crore Rupees from Aditya Birla Sun Life Asset Management Company compared to 237 crore Rupees in Q2 of last year. On a standalone basis, the tier 1 ratio was 15.39% and total CRAR ratio was 17.98%. Standalone return on equity adjusted for investments in subsidiaries and associates was 14.2% in Q2 FY26.

In our NBFC business, the portfolio grew by 22% year-on-year and 6% sequentially to about 1.4 trillion Rupees. NIM, including fee income, improved by 9 bps sequentially to 6.06% for the quarter. The credit quality of NBFC business segment continues to be healthy with GS2 & GS3 loans improving by 67 bps sequentially to 3.03% as of September-end. RoA of the NBFC business segment was 2.20%.

Our Housing Finance Business continues to see strong momentum. The loan portfolio grew by 65% year-on-year to 38,270 Crore Rupees. During Q2 FY26 we further infused equity capital amounting to 250 crore Rupees in our HFC subsidiary, taking the total infusion to 500 crore Rupees for H1 FY26. This infusion was done to support the growth momentum and maximize our share of opportunities. We are seeing operating leverage kicking in with opex-to-AUM further improving by 20 bps sequentially. The RoA of the HFC business increased by 23 bps sequentially to 1.82% in Q2 of FY26

Coming to our AMC business, our AUM grew by 11% year-on-year and 5% sequentially to about 4.25 trillion Rupees, of which equity AUM was approximately 45.3%.

In the life insurance business, our first-year premium increased by 19% year-on-year in H1 FY26. The net VNB margin increased by 420 bps year-on-year to 11.4% and absolute net VNB increased by 74% year-on-year to 237 crore Rupees in H1 FY26.

In our health insurance business, our unique and differentiated “Health First” model helped us to deliver a growth of 31% year-on-year in gross written premium during H1 FY26. Excluding the impact of multi-year guidelines, the growth in GWP was 41%.

I now hand over to Rakesh, Executive Director & CEO (NBFC) to cover the NBFC business performance.

Rakesh Singh:

Thanks Vijay, and good evening, everyone.

The NBFC business grew by 6% quarter-on-quarter and 22% year-on-year taking the AUM to Rs. 1,39,585 Crore in Q2 FY26. Profit delivery was healthy, registering a 4% sequential growth in quarter PAT.

In Q2 FY26, we disbursed Rs. 21,990 Crore which was highest ever quarterly disbursement and 39% higher sequentially. Of the total disbursements, secured and unsecured business loans to SME was 42%, personal and consumer segment was 23% and corporate & mid-market was 34%.

We continue to see the momentum in our personal and consumer loans business post strategic calibrations. I am happy to share that in Q2, disbursement in this segment registered a sequential growth of 26% which was largely driven by improvements in branch business and scale up of direct

digital business through proprietary journeys. The AUM grew by 11% sequentially and 15% year-on-year to Rs. 18,218 crores.

About 56% of our portfolio comprises of business loans to MSMEs which has grown 7% sequentially and 23% year-on-year to Rs. 77,532 Cr. Out of this, 82% is secured and 18% is unsecured.

Disbursements in unsecured business loans grew 37% sequentially. The portfolio grew 11% quarter-on-quarter and 24% year-on-year and comprises about 10% of the overall NBFC portfolio. Of this, supply chain financing is about 1.5%, business loan is about 7.3% and small ticket unsecured loans is about 1%.

The disbursements for secured business loans to SMEs grew 33% sequentially, resulting in AUM growth of 6% quarter-on-quarter and 22% year-on-year. The growth has been largely driven by scaling direct sourcing efforts through our branch network.

Coming to credit quality, in personal and consumer loans segment, we continue to see a sustained improvement in credit quality parameters. The Gross stage 2 and 3 reduced by 100 bps sequentially and 180 bps year on year. GS3 for this segment stands at 2.1% as of September 2025.

The GS2 + GS3 of the unsecured business loan portfolio reduced by 380 bps sequentially and 230 bps year on year. Gross stage 3 for this portfolio stands at 1.9%. of which 42% of the GS 3 book is covered under government guarantee schemes.

The asset quality of the secured SME loan segment continues to be healthy on the back of strong cashflows & collaterals and is amongst the best in the industry. GS3 for this portfolio stands at 1.2%, down by 40 bps sequentially and 80 bps year-on-year.

As a result of improving portfolio quality trends in each of our segments, overall GS2 and GS3 book declined by 67 bps quarter-on-quarter and 121 bps year-on-year to 3.03%. About 73% of our book is secured and our overall Stage 3 book is well provided for with a PCR of 44.2% which increased by 300 bps sequentially.

During the quarter, we executed sale of Rs. 500 Cr from our unsecured business loan book. This was covered under government guarantee and classified in Stage 3. These assets were adequately provided for as per our ECL policy. Following this transaction, the proportion of Stage 3 assets within the unsecured business declined significantly—from 5.4% in Q1 to 1.9% in Q2. For the total book, Stage 3 assets reduced from 2.3% in Q1 to 1.7% in Q2. We have aligned our provisioning norms for unsecured business loans covered under government guarantee schemes in line with the rest of the unsecured loan portfolio. We write-off all unsecured business loans when they are overdue for more than 180 days.

Going forward, we remain confident to maintain the credit cost in the range of 1.2%-1.3% at the company level.

Moving to profitability, our net interest income has increased by 17% year on year and 7% sequentially to Rs. 1,994 Crore. Net interest margin including fee, was 6.06% in the current quarter, up by 9 bps sequentially. Our Opex to AUM ratio increased 29 bps sequentially and 5 bps year-on-year. On a half yearly basis, this ratio has declined by 9 bps year-on-year to 1.89%.

In Quarter 2, we delivered Profit After Tax of Rs 714 Crore, registering a growth of 4% quarter-on-quarter and 14% year-on-year. The ROA for the quarter was 2.20%.

Moving forward, we expect the mix of retail and MSME segments to improve and we will continue to leverage our proprietary digital platforms viz. ABCD App and Udyog Plus and invest in branches to further improve share of direct sourcing. As we scale up, strengthen our capabilities, and invest in technology, our primary commitment remains to deliver sustainable returns in the upcoming quarters.

With that, I will now handover to Pankaj, MD and CEO of Housing Finance business.

Pankaj Gadgil:

Thank you, Rakesh, and good evening to everyone on the call. I am pleased to share that Q2 FY26 is yet again a strong quarter for us in terms of disbursements growth and asset quality. We've continued to grow consistently for the last 12 quarters and percentage GNPA is now at its lowest level.

The key highlights for Q2 FY26 are as follows:

Disbursements for the quarter stood at Rs. 5,786 crores, an increase of 44% Y-o-Y and 7% Q-o-Q. The ABG ecosystem accounted for 15.9% of retail disbursement in Q2 FY26. AUM as of September 2025 is at Rs. 38,270 crores, reflecting a robust growth of 65% Y-o-Y and 11% Q-o-Q. PBT at Rs. 194 crores, up 87% Y-o-Y and 26% Q-o-Q. On asset quality, Stage 2 and 3 assets reduced to 1.10%, improving 112 basis points Y-o-Y and 24 basis points Q-o-Q.

ROA stood at 1.82% and ROE at 13.95%. As mentioned by me earlier, the strategic investments that we made in the last 2 years are starting to deliver results. We are clearly seeing signs of operating leverage coming through. In Q1, operating expenses as a percentage of the average loan book improved by 32 basis points sequentially. In Q2 FY26 as well, we saw a further 20 basis point improvement in operating leverage.

Cost-to-income ratio also reduced further by 442 basis points Q-o-Q and ROA improved by 22 basis points sequentially. Given this consistent improvement, we are on track to achieve ROA of 2% to 2.2% over the next 6 to 8 quarters, consistent with our guidance.

Let me now provide a quick update on a few key pillars. During the quarter, absolute AUM growth is at Rs. 3,665 crores. The growth is well balanced across both the prime and affordable segments, and our average retail ticket size stands at Rs. 30 lakhs, reflecting the granularity of the portfolio.

On the digital front, we have achieved deep adoption of our digital platforms across the customer journey. We are already seeing strong early gains with our AI copilots across sales, underwriting, customer service and audit. These initiatives have started giving us early gains in sales by productivity, reduction in repeat service requests and implementation of continuous control monitoring objectives.

On asset quality, gross NPAs have improved significantly from 1.3% in September 2024 to 61 basis points in September 2025, which is a reduction of 69 basis points. Our Stage 3 provision coverage ratio stands at 57.6%.

Lastly, moving to the liability side. The share of NCDs in our funding mix has increased from 33% in Q2 FY25 to 50% in Q2 FY26. Our cost of borrowing correspondingly has improved by 17 basis points

Q-o-Q and now stands at 7.52%. We have continued to deliver strong and consistent performance across all business segments and improved profitability driven by focused execution across all key pillars of digital asset quality and liability management.

Thank you for your attention. And with that, I now hand over to Bala, MD and CEO of our Asset Management company.

A. Balasubramanian:

Thank you and good evening to everyone attending. I would like to share some highlights of ABSLAMC Q2 FY26.

At ABSLAMC, I am pleased to announce that we have sustained and crossed the remarkable milestone of Rs. 4.25 lakh crores in average AuM. This achievement is a testament to our team's dedication and commitment to growth.

- Our Overall Average Assets under Management, including alternate assets, stood at Rs. 4.61 lakh crores, growing by 15% on a year-on-year basis.
- Our Mutual Fund quarterly average AuM reached Rs. 4.25 lakh crores, growing by 11% year-on-year. The quarterly Equity average AuM crossed Rs. 2 lakh crores, including Alternate Assets.
- Our SIP contribution for September 2025 is at Rs. 1,100 crores, with 39 lakh contributing SIP accounts. Our SIP AUM contributes around 44% of our total Equity AUM, reflecting the stickiness of our assets.
- The total number of investor folios for September 2025 stood at 1.07 crore, witnessing 5% year-on-year growth.
- Our Alternatives business is a key growth driver, with a high-calibre team and deep expertise. PMS/AIF assets surged 8x from ₹3,852 crores in Q2 FY25 to ₹30,250 crores in Q2 FY26, fuelled by strong momentum in both Equity and Credit segments. The ESIC mandate contributed ₹25,800 crores, while excluding ESIC, AUM grew 15% Y-o-Y, highlighting robust organic growth.
- We are proud to have been selected by EPFO to manage its debt portfolio for the next five years, pending formal confirmation. This milestone underscores the trust in our capabilities.
- We also completed the first close of the ABSL Structured Opportunities Fund II and are set to launch the ABSL India Equity Innovation Fund. Our real estate business is gaining strong momentum, with a 23% Y-o-Y growth in the book and a clear path to double its size by year-end, driven by robust investor interest and a solid pipeline.
- Our Offshore Average AuM reached ₹4,795 crores in Q2 FY26. While we saw some withdrawals due to portfolio restructuring and a shift towards other Emerging Market economies, we are actively fundraising for the India ESG Engagement Fund, ABSL Flexi Cap Fund, and ABSL Global Bluechip Fund under the GIFT City platform.
- On the Passives front, we launched the ABSL BSE 500 Momentum 50 Index Fund and ABSL BSE 500 Quality 50 Index Fund to grow our Passive AuM. As of September 2025, our total Passive QAAuM stood at ₹36,000 crores, reflecting a 20% Y-o-Y growth, with a customer base of 13.5 lakh folios.

Moving to the financials:

- Q2 FY26 Revenue from Operations stood at Rs. 461 crores, up by 9% year-on-year.
- Q2 FY26 Operating Profit stood at Rs. 270 crores, up by 13% year-on-year.
- Q2 FY26 Profit before Tax stood at Rs. 316 crores, and Profit After Tax stood at Rs. 241 crores.

With this, I'll hand it over to Kamlesh Rao, MD and CEO of Birla Sun Life Insurance.

Kamlesh Rao:

Thank you, Bala, and good evening all. I'll give you some highlights of the life insurance business.

The first half year of the year saw muted growth for overall life insurance industry at 2% with the private Life Insurance Industry growing at 8%. During the same period ABSLI clocked a premium growth rate of 19.2% and we saw a balanced growth with our proprietary business growing at 13% and the partnership business growing at 23%.

The partnership growth of 23% came across all our existing partners as well as the recent partnerships in BOM, IDFC Bank and Axis Bank where we have increased our mindshare significantly in the first half of the year.

We now have 12 banca tie-ups and the most recent one, Equitas Small Finance Bank started business with us from July '25 onwards.

During the half year, we have added 17 branches continuing our focus on expanding the Proprietary business. With this we are now at 444 branches across the entire country.

In the product mix of the individual business, traditional business including protection increased to 69% and ULIP came down to 31% helping expand margins for the first half of the year. Our recently launched Par Product named Akshaya Par contributed 15% of our overall H1 business and our Protection mix stands at 5% with the successful launch of Super Term Plan

In the Group Life Insurance segment, the private industry grew by 19% and overall industry grew by 11%. As we articulated in Q1, we have calibrated the interest rate sensitive business as part of our strategy, so whilst the degrowth was 51% in Q1, we have brought that down to 22% in H1. We will continue to grow the interest rate sensitive fund business in a measured manner in a low-interest rate environment as part of our overall group business strategy. We continue to be at rank 2 in ULIP AUM in the industry with an AUM size of 14,000+ Crores. Credit Life business registered a growth of 28% despite no captive bank with attachment ratios going up in most counters with the exception of microfinance segment. On GTL business, we continue to remain focused on expanding the margins. Group AUM contributes ~26% of the overall AUM at Rs. 27,058 Crore.

Our total premium for H1 stands at Rs. 8,941 Crore, up by 3% from last year with a 13th month persistency at 86.4%. Renewal premium grew by 18% with growth across Individual and Group segment. Our digital collections now account for 83% of our renewal premium. We continue to work on customer lifetime value, which is reflected in our upsell ratio of 32%.

On quality parameters, our overall customer NPS now stands at 61 (compared with 55 LYSP). While the 13th and 61st month cohorts have seen a marginal dip, all other cohorts are growing compared with LYSP. Our Opex to Premium ratio stands at 24.6% due to lower Group Trad fund business as narrated before, the retail opex to premium ratio is progressing as per plan.

ABSLI crossed AUM of 1 Lakh Crore in Apr' 25 and now stands Rs. 104,492 crores, with a YoY growth of 9%. 24% of this AUM is in equity and the balance 76% in debt. 93% of our funds continue to outperform in our investment performance in respective benchmarks.

Our digital adoption across various areas is demonstrated in Investor Deck in slide 46. 100% of new business customers are onboarded digitally, 93% of all our services are now available digitally, 67% services are STP, and our customer self-service ratio now stands at 93%.

As we move ahead, we will continue to be best-in-class in our digital infrastructure, across prospecting and onboarding in sales, underwriting, and customer service as well as claims

Regulatory changes:

The recent GST exemption on life insurance premiums, is a welcome step towards making life insurance more affordable and accessible to a larger segment of the population, aligning well with the government's broader objective of financial inclusion and social security. We expect it to support long-term demand and improve insurance penetration in the country.

We also believe that this move will expand the overall market in the long run, strengthen customer trust in life insurance as a value proposition, and create a more sustainable growth environment for the industry.

The exemption does lead to some short-term margin pressure given the inability to currently reprice products and the loss of input tax credits as compared to before. However, we believe these are transitional in nature. Various methods are being evaluated including distribution costs to mitigate the same impact and all of these are in various stages of execution.

With our strong focus on cost efficiency, digital enablement, and balanced product mix, we remain optimistic about our growth and margin expansion trajectory for the second half of the year.

Value and Guidance:

Our solvency continues to remain healthy at 188%.

Our net margins for H1 FY'26 are at 11.6%, 420 bps higher than LYSP at 7.4 %. We observed margin expansion due to a controlled ULIP mix and increase in Protection mix, value accretive growth in Partnership business and rider attachments. On the back of strong growth and quality of our book, we are reporting an EV of ₹ 14,585 Cr with a growth of 18% over LYSP.

We will continue to focus on increasing productivity across all cohorts in our Proprietary business. For our Partnership Business, we will continue to invest in our Bank partners to increase our mindshare and drive better productivity across all partners.

Our guidance is to grow Individual FYP at a CAGR of 20%+ for the next 3 years, whilst achieving this growth we intend expanding our current VNB margins of 18%+ and in absolute numbers double the value of our Net VNB in the next 3 years' time.

With this, I hand over to Mayank, MD and CEO of Health Insurance.

Mayank Bathwal:

Thanks, Kamlesh and I would like to now share an overview of the performance of our Health Insurance Business.

We had a very strong Q2 as we continued to build on the growth momentum from Q1 of this FY, maintaining our track record of consistently outpacing market growth whilst continuing to improved profitability metrics as well. For the first half of the year as per the old accounting regulations (without 1/n), we achieved a gross premium of Rs. 3,070 crores, representing a strong 41% Y-o-Y growth. On a 1/N basis, our gross premium stood at Rs. 2,839 crores, reflecting a healthy 31% growth. Thus, our market share in SAHI has increased from 11.9% to 13.9%, a YoY an increase by 200 bps.

We registered a strong growth momentum across both retail and group businesses. The retail business registered an impressive growth of 35% in H1 FY26. The growth in retail is driven across all our retail channels.

Our Corporate business delivered a strong 49% YoY growth in H1, driven by our focused and disciplined strategy to create a sustainable franchise in this segment. We do this by playing in very specific corporate segments and industries. We have now taken our differentiated health first insurance model to corporates also and this will only further improve our competitive strength here.

On the profitability front, our net loss for the H1 FY26 stands at Rs. 102 crores as per new accounting regulations (1/n). As per the old accounting regulations (without 1/n), the net loss for Q1 stands at Rs. 76 crores compared to loss of Rs 115 crores last year. Our Combined Ratio for H1 FY26 as per old accounting regulations is at 108% vs 113% on a comparable basis in the previous year.

These improvements underscore our continued focus on unit economics and thus overall profitability ahead of market. We strongly believe our robust growth and superior unit economics are driven by our digitally enabled and differentiated health first business model. This model gives us a selection advantage with larger share of the more health-conscious customers and then based on a hyper-personalised health engagement access to a deeper understanding of the health profile of our in-force base.

In H1 FY26, 9.4% of eligible customers earned good health-based incentives - Health Returns, up from 7.4% last year, reflecting deeper engagement with our wellness ecosystem. These customers continue to exhibit 8%+ lower loss ratios and 11%+ better persistency. This is shown in slides 56 and 57. Similarly, our investments in managing customers with high health risks, through interventions with more than 180K lives, have led to an improvement in their loss ratios by more than 6%. Overall, this has helped keep our retail loss ratios well under control.

We continue to innovate to expand the scale of the differentiated health first model. Our collaboration with a leading wearable brand has experienced very encouraging results with increasing sales

volumes helping us in getting access to a larger pool of customer health data. The hyper personalised scale health engagement with customers is mainly enabled by our industry leading customer app Activ Health.

The App now provides opportunity for non-policy holders to also experience our comprehensive health and wellness ecosystem. Given our large data focus we have been investing consistently in our data and analytics play to consistently create efficiencies across the entire business lifecycle. We have given some examples of the key use cases across sales, customer engagement and claims processing in slide 60.

The recent structural GST changes effective from 22nd September 25 are expected to benefit the health insurance sector in the medium to long term. Short term impact of the GST reforms is being reviewed with various stakeholders.

Looking ahead, we remain very optimistic about the long-term growth prospects of the health insurance sector, with our differentiated, health-first model and sharp execution focus, ABHI is well positioned to grow ahead of the market.

Thank you, and I will now hand it back to Vishakha for her closing remarks.

Vishakha Mulye:

Thank you, Mayank. This concludes our remarks on the Q2 FY26 performance and we will be happy to take any questions.

Moderator:

Thank you very much. The first question is from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah:

Congratulations on a very strong set of numbers. So, on the NBFC piece, firstly, on the Opex cost, I think there is a jump of more than 25% sequentially on the operating expense front. So, I just wanted to understand, is there any one-off here? Firstly, on that.

And secondly, on the yields part. So, yields have been kind of declining for now almost 5, 6 quarters. Hence, now given that we are increasing focus on the unsecured business, personal and consumer loans, business and unsecured business loans as well, and it's in the second quarter of strong growth in these businesses. So, when do we see this reflecting in the yields part? Yes, and that's on the NBFC business.

Rakesh Singh:

So Chintan, on opex, it's one-off. And if you look at the H1 number, it is 1.9% opex to AUM. Going forward, we will be in this range. So, since the last quarter, 1.74% was slightly muted. If you see last year, it was above 2%. And if you look at it in H1, it is 1.9%. So going forward, it should be at 1.9% in that range. So, this one-off should get normalized going forward.

Your second question was on the yields. If you look at our yield, in fact, when compared to quarter 1, I think it's in the same range, 12.71% and 12.68%. So that's the range. Our margin, if you look at it, has improved by 9 bps from 5.97% to 6.06%. So clearly, as our personal and consumer and unsecured business grows the way it has grown in quarter 2, we will see improvement in yield going forward.

Chintan Shah:

Okay, sure. Sir, if you could just quantify the amount of opex mix and exactly in terms of some qualitative aspect on what was it exactly? That would be helpful.

Rakesh Singh:

So, these will be primarily on the business side, retail operations and investment in branches, technology and all, and that's slightly one-off, which we did. So, I think we can take you through that separately.

Chintan Shah:

Sure. And so, sir, you said that the margins have improved, but I think they have improved largely because of the borrowing cost, while yields have compressed even 3 bps Q-o-Q in this quarter. So, if you could just give the breakup of the yields into the 4 segments, if that is possible?

Rakesh Singh:

Segment-wise yield, if you look at EIR, it's in the same range, like personal and consumer, if you look at, it's around the 16% to 17% range is what we had. Our corporate is in the same range. We have always mentioned 10.75% to 11%, so it's in that range. Secured was in the range of around 12%, and it is at around 11.96%.

So, I think the NIMs are quite stable, Chintan. As I said, as we grow our personal and consumer, we will start seeing the benefit in quarter 3, quarter 4 with the growth which we have seen in quarter 2. So yes, so I think the yields will start improving in the coming quarter.

Moderator:

Ladies and gentlemen, we will move on to the next question, which is from the line of Avinash Singh from Emkay Global Financial Services Limited.

Avinash Singh:

Thank you for the opportunity. The first one is regarding your NPA sale, some Rs. 700-odd crores out of that, you highlighted Rs. 500-odd crores from unsecured business. So can you help us understand the rationale and strategy behind doing this kind of ARC sale particularly when the portfolio had the CGTSME guarantee backing. So, why this change of strategy rather than getting recovery from guarantees or sending it to ARCs? So that's one.

Second question is on Housing Finance. Can you provide some color on the competitive intensity there? And does that mean that in this falling rate environment, there will be kind of pressure on your NIMs. So, I mean, of course, so far in the last 4 quarters, the profitability improvement has been very, very impressive. But going forward, do you see this competitive intensity kind of bringing some sort of a pressure on margins?

Rakesh Singh:

So, Avinash, the rationale was we wanted to align the ECL policy and the write-off policy, and that's the reason why we did it because there used to be a cash flow mismatch in terms of when the claim comes back and all of that, and it used to look elevated. That's the reason one, we have taken a one-time decision to align it with all our other businesses.

Pankaj Gadgil:

Yes. Avinash, Pankaj here on the housing question that you asked on whether there's a compression in yields that is expected. So, I think what we have done here is while logically, there has been a lot of competitive intensity. If you look at our EIR also, it has come down from 10.77 bps to 10.62. So, there's a 15 bps decrease that has happened there because we also made a change in EIR of 15 basis points that has showed up here.

But as the competitive intensity moves up, I will maintain that the opportunity in the HFC segment is continuing to be very, very large. As of June, the industry was still at about Rs. 10.5 lakh crores, our AUM is Rs. 38,000 crores. So, the market share is still at about 3.8%, 3.9%. So, opportunity is quite significant. I think we need to find our own space there, which we have been doing quite well, backed by our entire product range as being a full stack player, we're having best-in-class digital platforms.

And also, most importantly, I think the distribution structure, which is giving and providing us this growth. Having said that, I think, Avinash, in the last call also, I had mentioned that in the way we are looking at the business, while currently, the NII's are looking at 5.07% and the ROA is looking at 1.82% with operating leverage coming in quite sharply in the last 2 quarters. I think the idea is that there will be naturally some reduction in the NII. So, 5.07% that we're talking, realistically, we should be seeing it somewhere in the range of between 4.75% to 4.80% at the end of the year.

So that's the broad range. But that will get compensated by the operating leverage that we will get. So right now, 1.82, which is the ROA. We've guided that in the next 6 quarters; this number will be close to anywhere between 2% to 2.2%. So that is where we are on the HFC business.

Avinash Singh:

Yes. Rakesh, just I mean, this sale to ARC of this government guarantee backed portfolio, is kind of a onetime nature, but your kind of your reliance or your willingness to get this CGTMSE backing, that does not change. I mean, in future growth also, you will continue to take this guaranteed scheme or is there a rethink on that strategy?

Rakesh Singh:

Yes, Avinash, we will continue to leverage that. And the only change is that we have aligned the provisioning policy in terms of the writing off at a guaranteed portfolio also at 180 days.

Moderator:

The next question is from the line of Nidhesh Jain from Investec.

Nidhesh Jain:

My first question is on NBFC. So out of Rs. 735 crores, you mentioned Rs. 500 crores is unsecured business loans. What was the rest of the book? And what is the sort of haircut that we have seen in unsecured business loan book, which was by CGTSME?

Rakesh Singh:

Nidhesh, I think the remaining is SME, secured SME, which was the old portfolio. So that's the remaining.

Nidhesh Jain:

Sure. And the book that was backed by CGTSME, what is the haircut that ARC has taken?

Rakesh Singh:

No, there is no haircut. As I mentioned, the reason why we have done it is because there's always a claim mismatch in terms of the timing mismatch, that's the reason one time we have taken this call to align with all our other portfolio.

And going forward, we will stick to that. And we will leverage that credit guarantee, as I mentioned. But from a provisioning point of view, from a write-off point of view, we will treat it exactly the same as what we do with all other unsecured portfolios.

Nidhesh Jain:

Sure. The second question on NBFC is how are you seeing cost of funds moving? Because you mentioned the yield should start to improve and the cost of funds, if they further reduce going forward, there could be a sharp expansion in margins. So, what is the trajectory of cost of funds that you see over the next 2, 3 quarters?

Rakesh Singh:

So, cost of fund, we operate in a competitive environment. And if the cost of funds comes down, if the floating rate interest is there, we need to pass it on to our customers. So, it's a fine balance, Nidhesh, and we will continue to do that. But as I mentioned, with the change in the product mix, our yield should improve, and that should help our margins to improve.

Nidhesh Jain:

So, margin trajectory should be upwards going forward, right, in next few quarters?

Rakesh Singh:

Yes. I think in quarter 4, we will start seeing some bit of improvement in margins because I think the way we have grown in quarter 2 and we will continue, we'll see some improvement, sure.

Nidhesh Jain:

Sure. The next question is on Housing Finance business. Since we have witnessed pretty significant

operating leverage this quarter, ROEs have already reached pretty decent numbers. So why are we guiding that we will still take 6 quarters? I think if we see a similar amount of operating leverage, we should be able to reach 2% ROA in the next 3 quarters.

Pankaj Gadgil:

So, I think we will not stop there on the lighter side. But what we are seeing is in any business that you run, actually the first impact that we saw was quite significant because the gains in operating leverage typically come in 2 ways.

One it comes with increase in productivity. So, that has improved significantly for us in the last 12 to 18 months. The other advantage that also comes in is that as the disbursement to opening book for that particular year keeps going down, while the overall absolute disbursement is high. But last year, you would have noticed that number was 57% of the overall books that is disbursed.

So, our disbursements to overall book is Rs. 18,000 crores and Rs. 31,000 crores was the overall book. That number was 57%. As the disbursement to the opening book keeps reducing, you also get operating leverage. So, these are the 2 levels from where the operating leverage will actually come in.

So naturally, the impact has been sharper in the first quarter and the second quarter. The impact may not be 20 basis points in the third and the fourth quarter. It will be there, but we feel strongly that when I said ROA, I said 2% and 2.2%. So, for 2.2%, it will take that much of time to reach between 5 to 6 quarters. So, that is the way in which we are looking at the numbers right now.

Nidhesh Jain:

Sure, sure. And the last question is on Life Insurance. What is the impact of GST on our margins that you anticipate? Because of the GST impact, what is the VNB margin guidance for the full year now?

Kamlesh Rao:

So, the VNB margins for the next 6 months will also be a function of how we'll moderate the product mix. And like I said, we are in negotiations on distribution costs and all of them have not fully fallen in place at this point in time. Typically, impact on VNB margins could range between 200 to 250 basis points.

But like I said, depending on what we are negotiating right now and what discussions that we are doing, we continue to maintain our guidance. We have guided above 18% margins of net VNB, we still are giving the same guidance to say we'll get there by the end of the year.

Moderator:

The next question is from the line of Sameer Bhise from Dymon Asia.

Sameer Bhise:

Congrats on a strong set of numbers. Just wanted to pick your brains on slightly medium-term picture now that credit costs are fairly under control, we are entering a period of margin expansion. How should one think on the 6- to 8-quarter margin trajectory for the NBFC piece? I think that is one.

Rakesh Singh:

Yes. So, as we improve our personal and consumer and unsecured business loan, that will help us improve our yields and margins. Also, the opex, which we mentioned, which is 2.03%, if that comes down to 1.9%, we will see some expansion in our ROAs.

Sameer Bhise:

Okay. I think that would be a fairly linear outcome. Secondly, in terms of this policy change on the CGTSME, the guaranteed part, any incremental impact that you expect from a P&L perspective? Good to see that it hasn't impacted credit cost this quarter, but even going forward?

Rakesh Singh:

We don't see any incremental impact.

Sameer Bhise:

Okay. And the recoveries will accrue as they accrue when the payouts happen from the government side?

Rakesh Singh:

We'll continue to focus on the collections and claims from the guarantees.

Sameer Bhise:

Okay. This is helpful.

Rakesh Singh:

We have given a guidance at a company level as we grow our retail portfolio, the credit cost at a company level will be at 1.2% to 1.3% range.

Moderator:

The next question is from the line of Suresh Ganapathy from Macquarie.

Suresh Ganapathy:

Just a continuation of the previous question on ROA. Some of the math doesn't add because for last 4 quarters, you have stuck in this 2.2% ROA range. And if I look at it this quarter, your margins went up, credit costs came down. But still, you are at 2.2%, in fact, lower than the previous quarter ROA marginally.

Now, you have given a medium-term aspiration of 3%. How do you take it up by 80 bps because interest rate cyclicity will also be there. Can you really structurally for this business aspire a 3% ROA because you are saying your credit cost is also not going to come down. It is going to go up from the current levels of 1.16% to 1.2% to 1.3%. So, 2.2% to 3%, that 80 bps gap, how are you going to bridge over the next 3, 4 years?

Rakesh Singh:

Suresh, we had given a guidance of 2.5%. By the end of this quarter 4, we should be closer to around 2.4%. And from there on, we will look at how do we expand the margins. But in the given environment, we had mentioned about 2.5% in the medium term. In slightly longer term, we will have to recalibrate and see how we expand the ROAs from there.

Suresh Ganapathy:

Okay. So, 2.4% to 2.5% is what you're saying over the medium term. Okay, cool. The other thing is that on the SEBI regulations on mutual funds, can Bala say what could be the impact? Have you guys done any preliminary assessment? How are you going to tackle it? I know it's draft, but any deliberations here on that?

A. Balasubramanian:

Yes. What we have done, Suresh, is one of course, welcome what they have proposed in terms of various changes that they have made with respect to improving the compliance standards, governance, reporting, and other stuff. With respect to the change of TER calculation, making the statutory obligations out of the TER, also will make it relatively easy for the MF industry from a monitoring point of view.

At the same time, given the fact that they have proposed some changes in the TER structure, we have, of course, taken it up with SEBI through the committee which is formed under the AMFI to make a holistic representation. And we are, at this point in time, a little confident that they will be quite amenable to the changes that will be proposed.

I think their intention is not to hurt the mode of the industry, which is, of course, one of the largest supporters of the Indian capital market. But having said that, we will take it up with SEBI for proper discussion. That's the plan.

Moderator:

The next question is from the line of Punit Bahlani from Macquarie.

Punit Bahlani:

Yes. Just one question on the margins bit. Over the past 2 quarters, your personal loan disbursements have been pretty good, but yields, if I might be more specific, have declined. So, I know part

of it has got to do with the repricing bit. But is it fair to assume that like this half, we are done with the repricing and now we'll directly see the impact of these increased disbursements flow into the yields from next quarter onwards? Like the increase in yields will be like in a significant proportion? That's the only question I have.

Rakesh Singh:

Yes. We have to look at the overall mix of the portfolio. So, I think with that going up, personal and consumer growing, unsecured business growing, we will start seeing improvement in yields and margins as we go along in quarter 3 and quarter 4.

Moderator:

Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Ms. Vishakha Mulye for closing comments. Thank you, and over to you, ma'am.

Vishakha Mulye:

Thank you so much for joining us today evening. And if there are any more questions, all of us are here, and please feel free to reach out to us. So, thanks a lot again.

Moderator:

Thank you members of the management. Ladies and gentlemen, on behalf of Aditya Birla Capital Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

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