Aditya Birla Capital Ltd. (ABCL)
Q4 FY26 Earnings Conference Call Transcript

May 04, 2026

Moderator:

Ladies and gentlemen, good day and welcome to the Q4 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 and then zero on your touchtone phone.

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:

Thank you and good evening everyone and welcome to the earnings call of Aditya Birla Capital for Q4 of FY2026.

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

The Indian economy continues to demonstrate resilience amid heightened global uncertainty and supply chain disruptions arising from the war. Underlying growth momentum in India remains strong, anchored on domestic demand and investment activity. While external volatility and energy price pressures warrant close monitoring, inflation remains broadly manageable and policy conditions are stable.

At Aditya Birla Capital, we continue to focus on driving quality and profitable growth by leveraging data, digital and technology. I am delighted to share that in April, we concluded the equity fund raise of 2,750 Crore Rupees in Aditya Birla Housing Finance from Advent International post receipt of all requisite approvals.

Now coming to the financial and business performance:

- The consolidated profit after tax, excluding one-off items, increased by 30% year-on-year to 1,124 crore Rupees in Q4 of FY26. For the full year FY26, excluding one-off items, consolidated profit after tax grew by 21% year-on-year
- The total consolidated revenue grew by 12% year-on-year in Q4 of FY26 and 14% year-on-year in FY26

Moving to growth across businesses: During the quarter, we built on our strong growth trajectory across businesses seen in the previous quarters, further strengthening our market position

- Disbursements in the NBFC business grew by 28% year-on-year to about 24,950 crore Rupees and in the HFC business grew by 37% year-on-year to about 7,980 crore Rupees in Q4 FY26

- Our NBFC portfolio grew by 27% year-over-year to about 1.6 lakh crore Rupees driven by growth in unsecured and secured business and personal and consumer loans. HFC portfolio grew by 53% year-on-year to about 47,450 crore Rupees
- In insurance businesses, we remain among the fastest growing companies. In FY26, the individual first year premium of the life insurance business grew by 15% year-on-year and gross written premium of the health insurance business grew by 39% year-on-year
- In our AMC business, the quarterly average mutual fund AUM grew by 14% year-on-year to about 4.35 trillion Rupees.

On profitability: The strong growth across businesses was accompanied by an increase in profitability.

- In the NBFC business, the profit after tax increased by 27% year-on-year to 825 crore Rupees in Q4 FY26. The RoA increased by 6 bps year-on-year and sequentially to 2.31%.
- In the HFC business the profit after tax doubled year-on-year to 200 crore Rupees in Q4 FY26 and 647 Crore Rupees in FY26. The RoA increased by 63 bps year-on-year and 11 bps sequentially to 2.07%.
- Despite the changes in GST, there was an improvement in the profitability of our insurance businesses. In life insurance business our VNB margin expanded by 260 bps year-on-year to 20.6% in FY26 and in the health insurance business our combined ratio improved to 103% in FY26.

Moving to quality of the portfolio across businesses: At Aditya Birla Capital we follow prudent risk management practices with a strong emphasis on return of capital

- We saw strong quality trends across our businesses despite volatile market conditions and uncertainties in operating environment. The GS2 and GS3 loans in the NBFC business declined by 38 bps sequentially to 2.42% and in the HFC business declined by 19 bps sequentially to 0.76%. We have seen no material impact from the geopolitical tensions in West Asia on our portfolio. However, we continue to be watchful and will calibrate our strategy by closely monitoring the ongoing developments
- In our AMC business, fund performance remains strong with over 75% of equity AUM in top 2 quartiles for 1-year returns

Moving to digital and technology: We continue to leverage data and technology as core growth enablers

- AI is now becoming a core operating layer for us and we are scaling up its use across various areas such as underwriting, sales, voice calling, audit and compliance, customer service and operations. This will significantly enhance customer experience, reduce turnaround times and improve productivity. Our business CEOs will take you through select use cases in more detail.

At Aditya Birla Capital, we remain excited about the long- and medium-term opportunities in the Indian economy despite near term uncertainties and volatilities. Our strategy, disciplined execution and the building blocks that we have put in place give us confidence to sustain growth, gain market share and improve profitability while maintaining strong portfolio quality across business. We will continue to closely monitor the ongoing developments in the macro-economic environment and take appropriate interventions to recalibrate our strategy if necessary.

Now I request Rakesh to talk about the performance of the NBFC business. Over to you, Rakesh.

Rakesh Singh:

Thank you Vishakha, and good evening everyone. I am pleased to report a very strong close to the financial year 2026.

In Q4 FY26, our AUM reached Rs. 1,59,916 Crore, reflecting an 8% quarter-on quarter and 27% year-on-year growth. At this growth rate, we would be amongst the fastest growing diversified NBFCs operating at this scale. Bottom line delivery remained robust, with Profit After Tax for the quarter growing 7% sequentially and 27% compared to the same period last year. We nearly doubled our AUM and profits in last three years demonstrating a track record of building a franchise that delivers industry leading growth with strong commitment to scale profitably.

This year has been a remarkable journey for us, and I would like to share a few key milestones achieved:

• First, our AUM crossed Rs 1.5 lac Crore in February with our focused segments – Retail and MSME AUM surpassing Rs 1 Lac Crore

• We delivered highest ever quarterly disbursement, ~ Rs 25,000 Crore, up 16% quarter on quarter

• Udyog Plus, our proprietary B2B platform, nearly doubled in scale this year with its AUM crossed Rs 5,000 Crore

• From asset quality standpoint, our portfolio ranks amongst the best in-class in the industry with credit costs at 1.04% in Q4, which would be our lowest ever.

Now, coming to quarter performance and starting with new business sourcing – our disbursements for the year was up 25%, driven by strong traction in Retail and MSME—our focus segments for growth. Together, these segments accounted for 68% of total disbursements and grew 33% year on year.

This performance reflects sustained improvements in employee and branch productivity, enabled by our deliberate re-engineering of customer journeys end to end. Since the start of the year, turnaround times across Retail and MSME product journeys have reduced by over 30%. These gains have been powered by deeper integration with digital public infrastructure, efficient file processing, and upgrades to our underwriting platforms with best-in-class rule engines and refreshed scorecards. Collectively, this has improved the speed and precision with which we calibrate risk cohorts throughout the year, eliminating the need for manual rework. This year, we also expanded our MSME proposition with new product launches, which have seen a very encouraging response.

In our personal and consumer business, we see steady momentum return with disbursements growing by 60% for the full year to Rs. 18,738 Cr. As a result, the AUM grew 8% sequentially and 38% year-on-year to Rs. 21,432 Crore. The mix in the total AUM improved by 106 bps to 13.4%. This portfolio has seen continued cohort corrections through the year. Also, initiatives such as use of AI calling bots and behavioral analytics have led to higher front-end efficiency and nearly half the flow rates compared to last year, resulting in superior asset quality outcomes. The Gross stage 2 and 3 for the personal and consumer loans portfolio reduced by 50 bps sequentially and 260 bps year on year. GS3 for this segment stands at 1.3% as of March 2026.

In Q4, we disbursed Rs. 12,023 Crore to MSMEs registering a 21% sequential growth. As a result, our MSME book grew by 31% year on year to Rs. 91,451 Cr – comprising 57% share in the overall AUM. Out of this, 81% is secured and 19% is unsecured. We continue to be a category leader in secured MSME segment, in terms of growth and asset quality. Our Secured MSME AUM grew at 27% year-on-year, which is faster than industry growth. The asset quality for this segment continues to be healthy and best in class on the back of strong cashflows & collaterals. GS3 for this portfolio stands at 1%, down 20 bps sequentially and 50 bps year on year.

In unsecured business loans segment, we saw the disbursements grow at a healthy 28% year-on-year in Q4. This growth comes on the back of consistent risk cohort calibrations in sourcing undertaken throughout the year. Growth in this segment benefited from new product launches, which now comprise nearly 20% of full year disbursements with our proposition for professionals doing exceedingly well. Udyog Plus, our proprietary MSME platform, now supports a full suite of trade credit solutions powered digitally and is recognized amongst the top non-bank financers on TReDS exchanges. This growth is also supported by strong improvement in asset quality with GS2 + GS3 down 90 bps sequentially. Gross stage 3 for unsecured business loans portfolio stands at 1.5%. 40% of the GS3 book is covered under government guarantee schemes excluding which the GS3 is 0.9%.

Our corporate segment grew 3% Q-o-Q and 15% Y-o-Y. This segment now comprises 29% of our overall portfolio in line with our strategy to focus on Retail and MSME businesses. Asset quality in our wholesale business also continued to improve where GS2 + GS3 reduced by 60 bps year-on-year.

Coming to portfolio quality, at an entity level, our GS2 + GS3 stands at 2.4% improving by 38 bps sequentially and 136 bps year on year. At these levels, our GS2 + GS3 would be our lowest ever in last 5 years. I further wish to highlight that about 72% of our book is secured. Our overall Stage 3 book is well provided for with a PCR of 47.8% which has improved by 358 bps over last quarter.

The impact of improving asset quality is clearly visible on credit costs as well. Our Credit cost for the quarter reduced by 19 bps to 1.04%. The full year credit cost reduced by 13 bps to 1.18%, which is better than the guided range of 1.2 - 1.3%. In fact, our credit costs have been one of the lowest among diversified NBFCs and the lowest we have had in last 5 years.

Moving to profitability, our net interest income for the full year has increased by 18% to Rs. 8,170 Crore. Net interest margin including fee, was 6.08% for the quarter and Opex to AUM ratio for the quarter was 2%. In Quarter 4, we delivered Profit After Tax of Rs 825 Crore, registering a growth of 7% quarter-on-quarter and 27% year-on-year. The full year profits grew 20% to 3,001 Crore. The ROA for the quarter increased by 6 bps quarter-on-quarter to 2.31%.

We continue to invest in AI to transform how we do business and I am happy to share our progress in realizing measurable gains across scale, productivity, and customer experience.

Across sales and servicing, AI-driven channel intelligence enables more autonomous interactions across voice, email, and mobile. By end-FY26, ~65% of contact-centre calls and ~71% of service emails were straight-through processed, driving a seamless digital experience.

Our loan origination journeys are powered by AI to enable fraud detection by analyzing identity data, digital footprints, and behavioral signals in real time, flagging anomalies and strengthening onboarding and underwriting decisions without adding manual friction.

In credit and underwriting, AI and ML are embedded across decisioning workflows, including AI co-pilots for credit assessment memos. This has improved credit manager productivity, reduced underwriting turnaround times, and strengthened consistency, governance, and cohort monitoring.

In collections, GenAI-powered bots enhance contactability, call quality, and self-cure outcomes. AI-led pre-delinquency management optimizes engagement timing and channels, supported by 100% call coverage and automated audits. Across operations, GenAI use cases span grievance handling, agent upskilling, digital contracting, automated letters, and real-time service NPS, strengthening operating efficiency and scalability.

Going to FY27, Retail and MSME segments will continue to pivot our growth strategy. We will continue to deepen our relationships with customers by offering relevant and timely solutions. We will further leverage our sourcing capabilities through scaling up the new product variants and leveraging our proprietary digital platforms - ABCD App and Udyog Plus for direct sourcing. Overall, our approach remains consistent - grow responsibly, stay close to our customers, and deliver steady, long term value to all stakeholders.

With that, I will now hand over to Pankaj Gadgil, MD and CEO of the Housing Finance business.

Pankaj Gadgil:

Thank you, Rakesh, and good evening everyone.

Let me begin with the key highlights for FY26:

• We recorded our highest ever disbursements of ₹25,332 crore, registering a growth of 44% YoY

• AUM has reached ₹47,452 crore, registering a 53% YoY

• Contribution from the ABG ecosystem stood at 17.4% of retail disbursements

• Stage 2 & 3 reduced to 0.76%, improving by 63 bps YoY

• PBT of ₹832 crore, increasing 98% YoY • ROA at 1.88% and ROE at 14.27%

For more detailed financials, please refer to Slide 31.

Now covering the strategic highlights and initiatives:

FY26 has been a pivotal year for the entire housing industry, supported by strong structural tailwinds - rising urbanization, improving affordability, & an increasing home ownership across income segments. At ABHFL, our guidance at the beginning of FY26 was to achieve an RoA of 2.0%–2.2% over the next 6–8 quarters. I am pleased to share that we have accelerated this journey with RoA at 2.07% in Q4FY26, supported by strong operating leverage and disciplined execution.

Our digital transformation journey, initiated in FY23 has delivered significant outcomes over the last three years. We have delivered 4x processing scale up in processing capacity, 96% improvement in productivity, TAT improvement from 21 days to 12 days and Stage 2 + 3 has improved from 4.99% in FY23 to 0.76% in FY26. These outcomes strengthen our confidence and position us well to scale sustainably.

Now covering our outlook:

Given the industry outlook and our performance so far, we remain focused on consistent growth leadership with best-in-class portfolio quality, while remaining mindful of the macro environment.

On Distribution, we have undertaken a comprehensive assessment of our branch footprint and identified high-potential geographies to enhance both coverage and conversion.

Accordingly, we plan to open 100+ branches in FY27, with expansion in Tier 2/ Tier 3 markets to increase distribution width and deepening penetration in metro & Tier 1 cities. This expansion will support us to achieve ₹1 lac crore AUM in the next 24 to 30 months.

Tech, Digital & AI

As mentioned earlier by Vishakha, Tech, Digital and AI continue to be core pillars of our strategy. We are embedding AI across customer and operational journeys - supported by structured capability building through global best-practices and internal immersion programs.

Let me briefly highlight a few AI use-cases that are being implemented across ABHFL:

1. FinWise - Sales Manager Productivity:

- Using 'AI enabled Doc Assist' to ensure the right documents are collected upfront for FTR logins.
- We are enhancing our industry first AI-Co-pilot, FinWise, for contextual objection handling and predictability for teams.
- FinWise+ is being launched for enabling channel partners with instant knowledge access resulting in higher counter share.

2. FinEngage - Top-of-Funnel Engagement: Enables query handling from login to disbursement, enhancing sales manager face-time and higher productivity.

3. FinTellect - Back-Office Automation and Faster Credit Decisions:

- Automated sufficiency and completeness checks (e.g., bank statement period validation, cross-document consistency checks such as Date of Birth)
- AI-generated, insight-enriched CAMs to support faster underwriting decisions

4. FinServe Assist – Enhancing Customer Experience: Enables contextual customer interactions, driving a ~40% reduction in repeat calls and a measurable uplift in Net Promoter Score.

In summary, in FY27, we expect NII and credit cost to be range-bound. Growth led by capacity and productivity will continue to drive operating leverage leading to an RoA of 2.1% to 2.2%.

Thank you for your attention. And with this, I will now hand over the call to Bala, MD and CEO of our Asset Management Company.

A. Balasubramanian:

Thank you, Pankaj and good evening to everyone. I would like to share some highlights of ABSLAMC for Q4 FY26.

- At ABSLAMC, our overall Average AUM, including alternate assets, now stands at Rs. 4.74 lakh crores growing 17% year-on-year.
- Our Mutual Fund quarterly average AuM stood at Rs. 4.36 lakh crores, representing a 14% year-on-year increase.
- Within this, our Equity mutual fund quarterly average AuM stands at approximately Rs. 1.97 lakh crores, growing 17% year-on-year.
- Our SIP contribution for March 2026 improved to Rs. 1,204 crores growing 11% quarter-on-quarter, supported by 40 lakh contributing SIP accounts.
- Total investor folios for March 2026 stood at 1.1 crores, with new SIP registrations for the quarter at approximately 6 lakhs, growing 16% on a quarter-on-quarter basis.

Over the last year, we at ABSLAMC have made meaningful progress in further strengthening our investment team and sharpening our portfolio construction processes, resulting in sustained improvement in investment performance, stronger investor confidence and consistent flows into our flagship funds.

Moving to our alternatives business, the PMS and AIF category has maintained a strong momentum, complemented by a comprehensive suite of credit offerings.

- Our PMS/AIF assets grew significantly from Rs. 11,300 crores in Q4 FY25 to Rs. 32,570 crores in Q4 FY26 – delivering 3x growth over the year.
- The ESIC mandate accounted for approximately Rs. 28,400 crores as of March 31, 2026, while our PMS/AIF AUM (excluding the ESIC mandate) registered year-on-year growth of 14%, reflecting healthy underlying momentum.
- On the EPFO mandate, we have signed all the agreements and are operationally ready to receive the fund inflows, which will commence shortly.
- On the Real Estate front, our AUM grew to approximately Rs. 740 crores, registering 51% year-on-year growth. We currently have fund raising underway for the Aditya Birla Real Estate Credit Opportunities Fund - Series II, focused on senior secured lending to post-approval, brownfield real estate projects across Tier I cities.
- Our passive business is witnessing significant momentum with the Q4 FY26 average AUM at Rs. 41,200 crores, reflecting 25% year-on-year growth and ETF quarterly average AUM grew by 68% year-on-year, significantly outpacing the industry growth. And an expanded base of 16.9 lakh folios supported by a diversified 54 product suite.

We have invested in strengthening our technology and digital ecosystem with the launch of our new Investor App and an enhanced Partner App. These platforms reflect our commitment to simplifying how our customers interact with us by making them more intuitive and transparent. Beyond infrastructure, we have built an AI foundation across our customer journeys through Voice AI, WhatsApp integration and intelligent chatbots that engage customers in ways that resonate with their preferences.

We are happy to announce that we have incorporated our wholly owned subsidiary, Aditya Birla Sun Life AMC International (IFSC) Limited at GIFT City and have subsequently obtained a retail licence to further strengthen our presence.

Moving to the financials:

- Q4 FY26 Revenue from Operations is Rs. 458 crores as compared to Rs 429 crores in Q4 FY25
- Q4 FY26 Operating Profit is Rs. 252 crores as compared to Rs 233 crores in Q4 FY25
- Q4 FY26 Profit After Tax is Rs. 187 crores as compared to Rs 228 crores in Q4 FY25

For the full year:

- Revenue from Operations stood at Rs. 1,845 crores as compared to Rs 1,685 crores in FY25
- FY26 Operating Profit is Rs. 1,051 crores as compared to Rs 944 crores in FY25
- FY26 Profit After Tax is Rs. 975 crores as compared to Rs 931 crores in FY25

With this, I hand over to Kamlesh Rao, MD and CEO, Aditya Birla Sun Life Insurance Company.

Kamlesh Rao:

Thank you, Bala, and good evening to all of you. Some quick highlights of the Life Insurance business at ABSLI.

The overall industry registered a growth of 10 % in FY26 with the private Life Insurance Industry growing at 12 %, during the same period ABSLI clocked a premium growth rate of 15% in the individual life insurance segment.

The components of this growth were proprietary business growing at 3% and the partnership business growing at 23%.

In the agency business, we focussed on getting the retail part of our business better and in our direct business we continued our growth backed on productivity. In our proprietary business the product mix is favourable for growth and hence, in order to scale further, we have added 26 more branches and with this we now have a distribution network of 450+ branches across the country.

The partnership growth of 23% came across all our existing 12 partner banks. In the bancassurance space we have a healthy mix of private as well as public sector banks and have banks that have both a large national presence as well as ones which dominate the regional space.

Mindshare in the large banks has grown and in a large part of the smaller private sector as well as the public sector banks, we continue to have a dominant mindshare of their total business. At Axis Bank, we started with being present in 25% of their total business and by end of Q3 last year, we got access to more zones backed by a good performance in the bank. We will, for this year, have access to more than 50% of the business of the bank.

The partnership business had a balanced product mix with margins going up through the year for all banks, we now have 12 banca tie-ups, we will continue to expand our banca presence further going forward.

In the product mix of the individual business, traditional business including protection increased to 67% and ULIP came down to 33% helping expand margins for the year. We are seeing a healthy growth in the annuity segment with 10% of our retail new business coming from this segment.

In the group life insurance segment, the private industry grew by 24% and overall industry grew by 19%. Like we have mentioned in previous quarters too, we have had a calibrated approach to interest-rate-sensitive business this year which saw us de-grow in the first half of the year. We are happy to share that for the full year we have grown by 31% enabling us to get back to Rank 4 in the group business. A large part of this business for group has come from the profitable unit linked business.

We continue to be at rank 2 in ULIP AUM in the industry with an AUM size of 16,000+ Crores. Credit Life business delivered strong growth of 40% during FY26, supported by all partners and with 33% of our business now coming from the captive channels of our NBFC as well as housing finance. In the group term life insurance business, we continue doing business at 18-20% ROE and with a very healthy renewal book.

Group AUM now contributes 26% of the overall AUM at Rs. 29,000 Cr. Our total premium for FY26 stands at Rs. 24,779 Crore, up by 20% from last year, the 13th month persistency for us grew in the last quarter reaching a healthy 86.1% for the full year. Renewal Premium grew by 17% 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 66 compared to 59 last year.

Our Opex to Premium ratio stands at 21.2% including the GST and Labour law impact for the year.

Total AUM now stands Rs. 1,10,505 crores, with a Y-o-Y growth of 11%. 22% of this AUM is in equity and the balance in debt. On YTD basis, more than 82% of our funds continue to outperform as compared to the respective benchmarks.

Our digital adoption across various areas is demonstrated in Investor Deck in slide 48. 100% of new business customers are onboarded digitally, 83% of all our services are now available digitally, 67% services are STP, and our customer self-service ratio now stands at 94%.

At Aditya Birla Sun Life Insurance, we are bringing our AI initiatives together under a focused program we call Saras.AI - designed to improve how we operate across policy issuance, underwriting, and servicing.

Through Saras.AI, we are reducing manual effort, enabling faster underwriting decisions, and making policy issuance and servicing more responsive, especially through AI-led handling of conversations across email, calls, and WhatsApp.

We are also equipping our advisors with better insights and tools to improve productivity and customer engagement. The focus is clear - use AI to enhance human judgment, not just replace it, and drive greater speed, consistency, and quality in everything we do.

On value performance parameters, our solvency stands at 178%. Embedded value is at Rs. 15,447 Cr growing at 12% with a ROEV of 13.2% for this year. Our net margins are now at 20.6%, 260 bps higher than LYSP at 18.0 %. We observed margin expansion due to a controlled ULIP mix and increase in Protection and annuity mix apart from healthy rider attachments. The traditional business did see an uptick in margins also on account of favourable interest rate and the steepness of the yield curve through the second half of the year, this partially helped margins and partially helped offset the GST impact

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

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

Mayank Bathwal:

Thanks Kamlesh and let now share an overview of the performance of our Health Insurance Business.

It was a very interesting year for the Insurance sector - reduction of GST to nil rate, new Insurance Act, new Labour Code, and the latest being transition to IFRS reporting from FY27. Our view is that all changes supportive for sector's long-term growth but with some issues to address in the short term.

Presenting our performance - we continue to build on growth momentum m in maintaining our position as the fastest-growing SAHI player during the year.

For FY26, as per the old accounting regulations (without 1/n), we achieved gross premium of Rs. 7,292 crores, representing a strong 39% Y-o-Y growth. On a 1/n basis, our gross premium stood at Rs. 6,855 crores, reflecting a healthy 39% growth. Our market share in SAHI has increased from 12.6% to 13.7%, a Y-o-Y an increase by 110 bps.

We grew strongly across both retail and group businesses. The retail franchise experienced a large 43% Y-o-Y growth, and it continues to be diversified across retail distribution channels. The Proprietary channel with an agent base over 1.86 Lakh+ agents registered a 36% growth. All our major bank and digital alliance partnerships also experienced impressive growth.

Our Corporate business delivered a strong 35% in the last year, driven by our focused and disciplined strategy to create a sustainable franchise in this segment. A we shared earlier, we have now taken our differentiated health first insurance model to corporates also and we are seeing very positive response.

On the profitability front, our net profit for FY26 stands at Rs.39 crores as per new accounting regulations (1/n). The profit includes new Labour code impact of 5 crores and a net GST impact of 36 crores. As per the old accounting regulations (without 1/n), the net profit for FY26 stood at Rs. 85 crores. Our combined ratio for FY26 under the old accounting regulations (without 1/n), stood at 102%, whereas under the new accounting framework (with 1/n), the combined ratio was 103%, vs 105% on a comparable basis. These improvements underscore our continued focus on unit economics and thus overall profitability ahead of industry.

We believe our robust growth and superior unit economics driven by our digitally-enabled and the Future and Health First model will continue to help us grow ahead of the market. Our Health First model is resonating with our consumers with nearly 40% to 45% of our consumer retail consumers engaging with us for their help where we use an AI-driven consumer engagement engine.

11.25% of our eligible customers earned good health-based incentives - Health Returns, up from 9% last year, reflecting a very deep engagement with our wellness ecosystem. These customers continue to exhibit 8%+ lower loss ratios and 11%+ better persistency on an absolute basis. This is shown in slides 59 and 60.

Similarly, our investments in managing customers with high health risks, through interventions with more than 270K lives, have led to an improvement in their loss ratios by more than 9%. Overall, this has helped keep our retail loss ratios well under control. We believe this business model, which now other competitors are also trying to look at seriously but needs a large investment commitment and persistent efforts over many years to mature, gives us a large competitive advantage as we further scale this including in the corporate side of our business.

Our ‘Promise of Insurance’ is centred on providing industry leading experience. Continued Investments in state-of-the-art AI/ML-driven claims auto-adjudication engine continues to enhance customer satisfaction and enable efficient claims management by reducing leakages and wastages. We now more than 25% of the pre auth requests are processes straight through with no human involvement.

Similarly, we are investing consistently in data and analytics capabilities to create efficiencies across the entire business lifecycle. For example, apart from claims as I shared earlier, usage of Gen AI helped bring in 35-40% productivity improvement in underwriting a loan.

We use agentic AI extensively in renewals management leading to significant cost reduction and also better consumer confidence experience leading to very good traction in renewals.

Investment in key capabilities across consumer health and insurance life cycle has helped to use our consumer app, Active Health to create very high consumer engagement. It has led to our MOU crossing 6 lakhs consumers.

We continue to remain very optimistic for our business, and FY27 marks a significant milestone for ABHI, as we entered our 10th year of operations. We will continue to invest more in our proprietary distribution franchise, work towards 100% combined ratio and scale our differentiated Health First approach and also even more deeply embedding AI in emerging tech in our business. We believe we are well positioned to outperform the market and deliver sustainable value.

Thank you, and I'll now hand it back to Vishakha for closing remarks.

Vishakha Mulye:

Thank you, Mayank. This concludes our remarks on Q4 FY26 performance, and we'll be happy to take any questions.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. Your first question comes from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah:

Yes, thank you for the opportunity and congratulations on this quarter. So, first question on the margins in the NBFC business. The margins have compressed at almost 4 bps and this is despite a strong growth seen in the unsecured business. This unsecured growth has been continuing since the last 2 quarters now. When do we see the margins improving? Also, can you give the delta between secured and unsecured yields?

Rakesh Singh:

Chintan, the margins have been more or less stable over the previous quarter. You see in quarter 1 of last financial year, the margin was 5.97% and it is around 6.08% now, slightly 4 basis points down compared to Q3 because there were some MTM losses and all. The last couple of quarters, the unsecured business is growing but our unsecured personal and consumer is still 13.4% of our overall product mix, which used to be 19%. Our unsecured business, which is also at higher yield compared to the overall portfolio, that is at 11%. So combined together, unsecured business and personal consumer is around 23.4%.

If we improve both these segments even by 200 basis points in the next 2-3 quarters, we will see expansion of margins by almost 25-30 basis points. So that's how we are really looking at in terms of improving the margins.

Chintan Shah:

Sure. Correspondingly with the rise in margins, credit cost seems to be at almost historical low. So, there could be also some normalization expected here plus growing in the unsecured business would also entail a higher credit cost requirement. As you already mentioned 25-30 bps on the margin front and somewhat probably normalizing on the credit cost front, so, what could be the ROE which we could be looking at in FY27?

Rakesh Singh:

We are looking at 2.5% ROA by the end of this year. And as I said, the margin expansion is the one way in terms of achieving that. And yes, the credit cost of 1.04% is the lowest for us. We have guided that it will be in the range of 1.1% - 1.2% even if the unsecured business grows.

Chintan Shah:

On the AI front. what is the result expected from this? Our margin or the credit cost is already at historically low. So probably delta won't come much from that front. Also, NIM, we are expecting it to improve that is largely due to change in the mix. Is opex likely to further moderate due to AI or is it the customer quality which is likely to improve? Some thoughts on that would be helpful.

Rakesh Singh:

If you look at underwriting, I think the stages can come down. If earlier, there were multiple stages that can come down and that has improved our turnaround time, which I spoke about in my opening remarks. Clearly, the customer experience will improve significantly, and which is improving.

We are seeing our Net Promoters Score, both on onboarding and service going up. Self-cure on collections has significantly improved because of the usage of AI and bots. So across, we should see branch productivity and employee productivity improving, customer experience improving.

In terms of your opex, if you see for the full year, it's 1.93% and for the quarter, it's 2%. So, it's been one of the better cost income ratios in the industry. We will see what efficiency we can draw on this line as well.

Chintan Shah:

This is really helpful. Thank you and all the very best.

Moderator:

The next question comes from the line of Zhixuan Gao with Schonfeld. Please go ahead.

Zhixuan Gao:

Thanks for the opportunity and congratulations on a good set of results. Yes. On the margin, I just want to know on that. So, unsecured mix has gone up 2% year-on-year but the margin is almost flattish from year-on-year. I just want to understand why the increase in the mix has not impacted the margin?

Rakesh Singh:

Yes. So, I think if I understood your question right, you are talking about that unsecured has grown and our margins in terms of reflection on the margin. What I mentioned from my earlier question's response also that the overall product mix is still at 13.4%. Personal and consumer was at 13% and still at 13.4%. So, all other segments have also grown quite well.

Our personal and consumer used to be 19% of our overall portfolio, which 2 years back, we had calibrated. We are coming back with the growth. So, in the next 2-3 quarters, as we keep growing, as I mentioned, by every 200-basis point improvement, there will be a margin expansion the way we see it in this business. So, I think if it continues to grow at the current rate, if you see last quarter, we have grown by 8% quarter-on-quarter. And if that continues in the next 2, 3 quarters, we will see the margin expanding.

Moderator:

Thank you. The next question comes from the line of Avinash Singh from Emkay Global.

Avinash Singh:

Hi, good evening. Thanks for the opportunity. The first question is on your credit cost. FY26 performance is very great and you're guiding again at 1.1-1.2% despite increasing unsecured business. What is your kind of a base case assumption behind this 1.1% to 1.2% guidance in terms of the current conflict because the current conflict is, of course, on certain scenario and that sort of is dragging on. So, based on your kind of assessment, what is your base case estimate where you are guiding for this 1.1% to 1.2%?

Secondly, you are the leaders in opex and credit costs, that's why, of course, you are allowed to operate in a slightly lower margin. But when you are talking of margin expansion, is it largely driven by product mix? So, based on the market dynamics and competitive analysis, can you sort of indicate where are you versus competition? Are you pricing it lower or is it kind of a parity to some of the midsize bank or the large NBFC that operates? How are you placed versus competitive dynamics in this segment in terms of yields you are offering because you have one of the best cost of fund but the margins have slightly moderated?

Rakesh Singh:

So, Avinash, your first question was how we are giving guidance for the base case in terms of the credit cost. The reason for that is almost 72%-73% of our loan book is secured. And when I say secured, it's secured by a collateral which is not depreciating in nature, which is appreciating in nature, majority backed by real estate collateral, primarily the MSME owners, self-occupied residences, offices.

In terms of pricing, we compare quite well with the other NBFC in this segment. Our yield in this segment is almost 12.2-12.2% odd. So, I think our pricing is quite well priced compared to the industry. And in terms of how the margins are, yes, we have one of the best cost of borrowing, best credit cost. Our personal and consumer is pretty small in the overall product mix. 13% is our personal and consumer, which is a high yield product for us. The moment it improves every 200-300 basis point, you will see a margin expansion in this for us and even 200-300 basis point we go up, close to 70% of our loan book will be secured. That's the reason we are quite confident on the credit cost and with that change in the product mix, expansion of margin.

Moderator:

Thank you. Your next question comes from the line of Arun Antony from JM Financial. Please go ahead.

Arun Antony:

Hi. Thanks for the opportunity. When I look at the numbers for this quarter, the opex growth has sharply outpaced the AUM growth and this is for the last three quarters as well. If you could give some light on why this opex growth has been increasing and specifically for this quarter?

Another question would be despite increasing the P&C exposure, the AUM numbers have been increasing, but disbursement figures have been broadly flat for the P&C as well as the unsecured space. So why is this also happening?

Rakesh Singh:

We have investing in our retail businesses and MSME business which we have been doing over the last few years and few quarters as well. So that's the only reason on the opex side and there will be some normalization which will happen. There's no specific reason for sharp rise in this quarter.

On the disbursement piece, we are quite calibrative in terms of how much we will disburse in the personal and consumer segment. The disbursement is flattish and we are looking at a very calibrated growth in the current environment.

On the unsecured business side, last quarter also I had mentioned that there is a supply chain business and line of credit which we don't include in our disbursement numbers because those are churning portfolios. So that's the reason you don't see that kind of numbers in terms of disbursement, but that adds to the AUM. There are some segments and some products which we don't count in our disbursements.

Moderator:

Thank you. Your next question comes from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain:

Thank you for the opportunity. In housing finance, we have seen margin compression on a q-o-q basis. What is the reason for that and what is the outlook for margins and ROA in the housing finance business for FY27?

Pankaj Gadgil:

If you see the NII for Q3, it was 5.22% for us and Q4 NII is 5.03%. So, 19 bps has gone down. If you drill down it a bit deeper, you will see that the NIM actually is 4.13% for Q3 and it is 4.07% for quarter four. So there's a 6 basis points difference in NIM. Largely I would say seasonality and competitive pressures on that side has led to that 6 bps decrease in Q4.

If you look at the other income element, there is 1.09% that we got in Q3 and Q4 we got 0.97%. Other income typically is a function of three important parameters; one is of course the direct assignment that you do, second is the insurance attachments that you make, and third is any repricing that you have to do for any BT outs that happen. So I'm happy to share that the BT outs are very consistent for us, so Q3 and Q4 there is no broad difference.

The DAs were slightly lesser because DA typically you do for capital conservation and also for sometimes maintaining that your PBC mix meets the minimum criteria. On both these fronts we were comfortable, so DA was slightly lower as compared to Q3, so therefore there was some kind of a gap.

The insurance business attachment was same. So the reason of the other income being down is essentially because the DA has been low. And last but not the least, mark-to-market in Q4 was also there because some maturities are held to maturity and others are also linked to market. So all of us know how the G-Sec actually moved and there was some loss that we also had on mark-to-market.

So that is basically the reason why though we see overall NII being 5.03% versus 5.22%. As I had mentioned earlier in my opening remarks, we are estimating the NII to be range-bound in this year, so they should be in the range of about 5.10% - 5.13%. There will definitely be some compression in spreads, but as you would know, the capital has come in. So there will be some support that we will have on the COF side of it and that should help us in maintaining the NII at the current levels that we are talking.

We are demonstrating operating efficiencies as you would have noticed versus last full financial year against 2.94%. We have closed the year on opex to Average Loan Book at 2.4%. So it is about a 50 over this point decrease that we have got.

So this year also we anticipate that number to be closer to about 2.10%. And this is coming at the back of the 100 plus branches that are opening. So actually we are building operating efficiencies and net of increase in the branches. We expect the opex to Average Loan Book to be in the range of about 2.13%. So that gives us 3% and with the credit cost being at 28 basis points, we should have pre-tax ROA of 2.72%, which should translate to an ROA between 2.10% to 2.15%. That is what we are targeting right now. And on credit cost, we are fairly confident because if you look at the trajectory of the credit cost, both in absolute and in percentages, we have come down. So stage 2 plus stage 3 for us is amongst the top 2 in the industry.

It is currently trending at 76 basis points, it is 44 basis points of stage 3 and 32 basis points of stage 2. So having a very strong stage 2 performance gives a lot of confidence that the credit cost will be normalized. And therefore, our confidence of being in that ROA trajectory of between 2.10% to 2.15%. I think is where we are, along with a robust growth and that is why I spoke about the 1 lakh crores of AUM in the next 24 to 30 months. So very focused on asset quality and also growth.

Nidhesh Jain:

Sure. From a medium-term perspective, how do you see ROA, ROE for housing finance business?

Pankaj Gadgil:

For FY27, the ROA will be in the range of 2.10% to 2.15% because currently the capital has come in. You would have noticed 2750 crore of capital is coming in already. So naturally the ROE will be lesser than the last financial year. It will be net range of about 11.5% to 12%.

Currently, we are at 14.27% at the end of the financial year. So the D/E is becoming much better and it continues to rise because as you would have seen, we have always been in the D/E of about 6.1% to 6.5%. So as the years will progress in the next 12 to 24 months, you will see the ROE crossing 15%. That is our trajectory.

Nidhesh Jain:

Sure. Now in life insurance, there is negative operating variance and assumption change variance. So what are the reasons for that?

Kamlesh Rao:

In the bridge that you see, there are two aspects. We are on the verge of shifting from the IGAAP regime to the IFRS regime. And typically in an IFRS regime, the conservatism that you have in your valuation interest rate actually does not unwind for you. So what we've done is we've revisited some of our assumptions as we build in for moving into the IFRS regime in the next one, one and a half years. It's supposed to be FY26 or FY27. Of course, we've asked for a forbearance to say we will go to IFRS in financial year 2027.

We've had some change in assumptions on the reduced paid-up benefits on some of our products, so that has got built in as we speak. So we are showing operating variance negative on account of these factors. But like I said, the large part of the reason is on account of change of the assumption which we think when we move into from IGAAP world to an IFRS world, it may be a prudent step to do at this point in time.

Nidhesh Jain:

On which parameters are these assumptions built on? Persistency?

Kamlesh Rao:

These are largely on parameters related to your portfolio getting a little better. So for the lapses that you assumed, if they are lesser than what you planned for, you obviously need to bring in better reserving. So some of the assumptions that you make, if the experience does not turn out to be the same, but in a way on a long-term basis it is good for the portfolio because you're seeing less lapses, so obviously it will contribute to the embedded value growth in future times to come. So you do this on an annual basis and we did this in the month of January. We do this every year.

Nidhesh Jain:

Sure. In life insurance, we have also been growing pretty well versus industry growth. How do you see growth next year, FY27?

Kamlesh Rao:

We've maintained that we will definitely want to grow at 20% plus. If you look at the CAGR of the life insurance business for the last two years in individual, we've been at about 23%- 24% and in group we've been at about 26%- 27%.

Like I said, as we get new banca infrastructure, like I said Axis we were present in only about 20%- 25% of their business for the whole of last year, it will be close to about 50% of the business of the bank. So all of this will help us maintain that CAGR for sure in the next two-three years to come.

Nidhesh Jain:

Sure. The last question is on NBFC. So have we seen spread compression on a line of business basis? Because there is a marginal decline in margin this quarter. Last quarter also there was slight dip in margin. There has been a mix shift towards high-yielding portfolio, but that is not visible, probably the numbers have been marginally shifted. But on a line of business basis, have we seen a spread compression basically in secured business? Are we seeing a spread compression?

Rakesh Singh:

No, Nidhesh, we haven't seen any compression. It's primarily the outcome of the product mix is what it is. And if you see from in Q3, it had not compressed. The quarter 2 was 6.06, it improved to 6.12. It's 6.08 in this quarter and the reason I mentioned, one is yes, quarter 4 is slightly more competitive and everything else, but there was a MTM loss because of the yields on G-Sec which had gone up. So that has impacted our margin by 3-4 basis points. We believe it's quite stable and we should be able to improve from here.

Moderator:

Thank you. Ladies and gentlemen, due to time constraints, we will take this as our last question. I now hand the conference over to Ms. Vishakha Mulye for closing comments.

Vishakha Mulye:

Thank you again for joining us today evening and we look forward to keep in touch. If there are any more questions, feel free to get in touch with any of us. Thank you.

Moderator:

Thank you. On behalf of Aditya Birla Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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