Aditya Birla Capital Ltd. (ABCL)
Q3 FY26 Earnings Conference Call Transcript

February 03, 2026

Moderator:

Ladies and gentlemen, good day. And welcome to the Q3 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 touch-tone phone. Please note that this conference is being recorded.

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

Vishakha Mulye:

Thank you. Good evening, everyone, and welcome to the earnings call of Aditya Birla Capital for Q3 of 2026. Joining me today are the senior members of my team, Bala, Rakesh, Pankaj, Kamlesh, Mayank, Pinky, Vijay, Ramesh and Deep. I will cover our strategy, financial and business performance followed by a discussion and performance of our key businesses by our business CEOs.

The Indian economy has maintained a strong growth momentum despite of a challenging external environment. Rural consumption has benefited from a good monsoon and improved agricultural output, while urban spending surged during the festive season which was further facilitated by the rationalization of GST rates. Inflation remains well-contained. The Government in its Union Budget has announced investments for electronics, textiles, infrastructure and MSME sectors and measures to boost manufacturing, tourism, youth skilling and medical tourism to further improve economic growth.

At Aditya Birla Capital, we continue to focus on driving quality and profitable growth by leveraging data, digital and technology.

Now coming to the financial and business performance:

a. The consolidated profit after tax, excluding exceptional and one-off items increased by 41% year-on-year and 15% sequentially to 983 crore Rupees in Q3 of FY26

b. The total consolidated revenue grew by 30% year-on-year and 14% sequentially to 14,181 crore Rupees

c. On a standalone basis, the profit after tax, excluding exception and one-off items, grew by 24% year-on-year to 749 crore Rupees

d. We saw a strong momentum in our lending business with NBFC portfolio growing by 24% year-over-year to 1.48 lakh crore Rupees and HFC portfolio growing by 58% year-on-year to 42,204 crore Rupees

e. We continue to see strong asset quality trends in both our lending businesses with improvement in GS2 and GS3 ratios

f. In our AMC business, we continue to see an improvement in the fund performance along with healthy growth in AUM

g. In insurance businesses, we remain among fastest growing companies. The individual first year premium of the life insurance business grew by 19% year-over-year, and gross written premium of the health insurance business grew by 39% year-on-year

h. Despite the changes in GST, we saw an improvement in the profitability of our insurance businesses. In life insurance business our VNB margin expanded by 380 bps year-on-year to 14.2% and in the health insurance business we saw an improvement in combined ratio to 111% from 114% in 9M of FY25

I am happy to share that the Board of Directors of Aditya Birla Capital and Aditya Birla Housing Finance at their meetings today approved a proposal for primary capital infusion of 2,750 Crore Rupees in ABHFL from one of the entities of Advent International subject to requisite approvals. The transaction announced today values ABHFL at 19,250 crore Rupees on a post-money basis. Upon completion of the transaction, ABCL will hold about 85.7% and Advent International will hold about 14.3% stake in ABHFL.

As we had mentioned in our earlier calls, we had identified housing finance as one of the major drivers for growth for ABCL given the opportunities in this sector. Over the past three years, at ABHFL we have created a full stack franchise focusing on prime and affordable segments and construction finance. We have made significant investments in technology, digital properties, people and distribution. We have built a strong distribution fully equipped for deeper penetration.

Today, we are one of the fastest growing HFCs in India and are among the top 3 players in terms of incremental loan book growth. Our monthly disbursements have grown by more than 6 times since June 2022 to more than 2,250 crore Rupees in December 2025. Our portfolio has grown by a CAGR of 48% over the last three years to 42,204 crore Rupees. Our asset quality remains best-in-class with gross stage 3 ratio of 0.54% and net stage 3 ratio of 0.23%. We had indicated in our earlier calls that we would be seeing benefits of operating leverage this year and a gradual expansion in RoA on the back of strong growth in AUM. I am delighted to share that the opex-to-loan book has improved by 51 bps year-on-year to 2.37% in Q3 FY26. The RoA increased by 54 bps year-on-year and 14 bps sequentially to 1.96%.

We believe we are now fully geared up for the next phase of growth. Going forward, we believe our strengthened balance sheet will enable us to sustain the current growth momentum, gain market share and improve our profitability while maintaining best-in-class asset quality.

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

Rakesh Singh:

Good evening, everyone.

The NBFC business grew by 6.2% quarter-on-quarter and 24% year-on-year taking the AUM to Rs. 1,48,182 Crore in Q3 FY26. Profit delivery for the quarter was healthy, registering a growth of 8% sequentially and 29% year-on-year.

Our strong business momentum continued in Q3 FY26, with quarterly disbursements Rs. 21,417 Crore, up 41% year on year. Of the total disbursements, secured and unsecured business loans to SME was 46%, personal and consumer segment was 23% and corporate & mid-market was 31%.

We continue to see the momentum in our personal and consumer loans business post strategic calibrations. For Q3, the disbursement in this segment was ~Rs. 4,900 Crore which was largely driven by improvements in branch business and scale up of direct digital business through proprietary journeys. The AUM grew by 9% sequentially and 28% year-on-year to Rs. 19,921 crores.

As one of the leading lenders to the MSMEs, we continue to strengthen our position in the NBFC space and consistently outpace the industry growth in this segment.

Our expansion in this segment is driven by offering carefully chosen business expansion and working capital solutions for different profiles of MSMEs. The recent measures announced in the Union Budget to enhance liquidity support for MSMEs through the TReDS platform position us well to capture large and growing opportunities in this segment through our holistic suite of supply chain finance solutions comprising of invoice discounting, channel financing, merchant cash advance etc spreading across MSME value chain.

Supported by a robust underwriting framework powered by new age scorecards and rule engines, we have enabled faster credit decisioning and reduced disbursement timelines while maintaining one of the best-in-class asset quality in the industry.

About 56% of our portfolio comprises of business loans to MSMEs which has grown 7% sequentially and 26% year-on-year to Rs. 82,809 Cr. Out of this, 82% is secured and 18% is unsecured.

The unsecured business loan portfolio grew 12% quarter-on-quarter and 36% year-on-year and comprises about 10.3% of the overall NBFC portfolio.

The disbursements for secured business loans to SMEs grew 6% sequentially, resulting in AUM growth of 6% quarter-on-quarter and 24% year-on-year. The growth has been largely driven by scaling direct sourcing efforts through our branch network.

Coming to portfolio quality, in personal and consumer loans segment, we continue to see a sustained improvement in asset quality parameters. The Gross stage 2 and 3 reduced by 60 bps sequentially and 220 bps year on year. GS3 for this segment stands at 1.7% as of December 2025.

The GS2 + GS3 of the unsecured business loan portfolio reduced by 20 bps sequentially and 300 bps year on year. Gross stage 3 for this portfolio stands at 1.9%. of which 40% of the GS 3 book is covered under government guarantee schemes.

The asset quality of the secured business loan segment continues to be healthy and best in class on the back of strong cashflows & collaterals. GS3 for this portfolio stands at 1.2%, down by 50 bps year-on-year.

Asset quality in our wholesale business also continued to improve where GS2+GS3 reduced by 100 bps year-on-year.

As a result of improving portfolio quality trends in each of our segments, overall GS2 and GS3 book declined by 20 bps quarter-on-quarter and 150 bps year-on-year to 2.8%. About 73% of our book is secured and our overall Stage 3 book is well provided for with a PCR of 44.3%.

Our credit costs have reduced by 13 bps year-on-year to 1.23% for the quarter which is well within the guided range of 1.2 - 1.3%. Going forward, we remain confident to maintain the credit cost in the same range at the company level.

Moving to profitability, our net interest income has increased by 23% year on year and 7% sequentially to Rs. 2,127 Crore. Net interest margin including fee, was 6.12% in the current quarter, up by 6 bps sequentially and 13 bps year on year. Our Opex to AUM ratio reduced 8 bps sequentially despite the impact of the new labour code.

In Quarter 3, we delivered Profit After Tax of Rs 772 Crore, registering a growth of 8% quarter-on-quarter and 29% year-on-year. The ROA for the quarter increased by 15 bps year-on-year to 2.25%.

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.

Q3 FY26 was a landmark quarter for ABHFL and a defining step forward in our long-term strategic journey. During the quarter, we have successfully signed one of the largest capital infusion deals in the Indian housing finance sector and are pleased to welcome Advent International as a new minority shareholder.

Advent's investment reflects their strong conviction in ABHFL's business model, governance framework, and execution capabilities, as well as the structural growth opportunity in the Indian housing finance market. Their global experience, institutional depth, and strategic orientation will significantly strengthen our ability to scale responsibly and accelerate the next phase of our growth and innovation agenda.

On the performance front, Q3 FY26 has been yet another strong quarter, marked by healthy disbursements, robust book growth and continued improvement in asset quality reflecting consistency of execution across all key business levers.

In line with our guidance of consistent growth leadership with best-in-class portfolio quality, let me take you through the key highlights for the quarter:

- We recorded highest ever disbursements at ₹6,165 crore, registering a growth of 30% YoY and 7% QoQ
- ABG ecosystem contribution at 17.6% of retail disbursements

- AUM crossed the ₹40,000-crore milestone to reach ₹42,204 crore, registering a 58% YoY and 10% QoQ growth
- Stage 2 & 3 reduced to 0.95%, improving by 82 bps YoY and 15 bps QoQ
- PBT of ₹229 crore, increasing 109% YoY and 18% QoQ
- ROA at 1.96% and ROE at 14.94%

For more detailed financials, please refer to Slide 31.

Let me now provide a brief update across our key strategic pillars.

Digital, Data and Analytics

Digital & AI continues to be a core pillar of our strategy. We are witnessing encouraging traction from our AI-enabled co-pilots across sales, underwriting, customer service and audit. Additionally, account aggregator usage is now at 62% from 39% in FY25. These initiatives have resulted in a 1.3x increase in sales manager productivity YoY.

I would also like to highlight that during the quarter, we migrated to the ABC Stellar platform, which is a next-gen channel onboarding & engagement platform. This is expected to further enhance turnaround time, scalability and partner experience.

Asset Quality

We have successfully implemented multiple analytical models across the customer journey from demand generation and underwriting to collections. Our application scorecard and collections scorecard are already delivering tangible outcomes, reflected in improved portfolio quality.

FinCollect, our end-to-end digital collections management platform, is driving an effective collections strategy, resulting in reduced Stage 2+3 from 1.77% in December 2024 to 0.95% in December 2025, a reduction of 82 bps.

Liability Franchise

On the liability side, we continue to strengthen and diversify our funding profile. The share of NCDs in the borrowing mix increased to 48% in Q3 FY26 from 39% in Q3 FY25. Our cost of borrowing further improved by 11 bps QoQ and stood at 7.41% for the quarter.

To conclude, we have delivered consistent performance across growth, asset quality and profitability.

Thank you for your attention. With that, I will now hand over the call 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 Q3 FY26.

- At ABSLAMC, our overall Average Assets under Management, including alternate assets, now stands at ₹ 4.81 lakh crores growing at 20% year-on-year

- Our Mutual Fund quarterly average AuM has reached ₹ 4.43 lakh crores, representing a 15% year-on-year increase
- Within this, our Equity mutual fund quarterly average AuM stands at approximately ₹ 2 lakh crores, growing by 11% year-on-year
- As an AMC, we firmly believe that SIPs continue to remain a cornerstone of long-term investing in India. Our SIP contribution for December 2025 stood at ₹ 1,080 crores, supported by 40 lakh contributing SIP accounts
- Our total number of investor folios for December 2025 stood at 1.08 crores, witnessing 3% year-on-year growth. We are driving growth by building scale through increased market traction and adding customer base
- Improved fund performance has strengthened market perception and driven higher inflows into our core products. Building on this momentum, our priority is to scale core equity offerings through consistent SIP inflows, broad-based distribution participation, sustained performance and deeper market engagement
- Turning to the Alternative business, the PMS and AIF Equity segments have demonstrated robust momentum, supported by a steadily expanding suite of Credit offerings. We continue to enhance and refine our solutions to address the evolving and sophisticated requirements of HNIs and family offices
- Our PMS/AIF/Advisory assets experienced substantial growth, expanding from ₹ 3,853 crores in Q3 FY25 to ₹ 32,663 crores in Q3 FY26, representing 8 times increase.
- The ESIC mandate stood at approximately ₹ 28,000 crores as of December 31, 2025, while PMS/AIF AUM (excluding ESIC) grew 17% year-on-year, reflecting strong organic momentum in our core alternatives business
- During the quarter, we received the EPFO allocation letter for fixed-income mandates. We are now progressing through the required regulatory formalities and expect to onboard the assets in due course
- On the Fixed Income Credit side, we completed the final close of ABSL India Special Opportunities Fund Series I with commitments of approximately ₹ 500 crore during the quarter. Fundraising is underway for Series II, ABSL India Structured Opportunities Fund II and the Money Manager Fund, alongside preparations to launch the ABSL India Select Sector Fund
- Our real estate business continues to build momentum, supported by strong investor interest and a healthy deal pipeline. The real estate portfolio stood at ₹ 700 crores, reflecting approximately 44% year-on-year growth
- Offshore Average AUM stood at ₹ 4,847 crores in Q3 FY26. We incorporated a wholly owned subsidiary, Aditya Birla Sun Life AMC International (IFSC) Limited, to expand GIFT City operations and are in the process of securing regulatory approvals. Flows continue through our existing branch setup, supporting delivery of globally competitive investment solutions

- Our Passives business continues to gain strong momentum, with QAAuM at ₹ 38,600 crores, up 28% year-on-year, and a growing customer base of 15.1 lakh folios. ETF QAAuM grew 40% Y-o-Y, significantly outpacing industry growth of 24%. Our focus remains on delivering superior long-term outcomes through tighter tracking difference and lower tracking error. Additionally, sustained investor interest in precious metals such as gold and silver has reinforced the diversification value of our passive offerings in this segment
- As of today, our passive product suite comprises 52 distinct offerings across Equities, Fixed Income, Commodities, and Multi-Asset solutions, designed to address the diverse investment needs of our investors

Moving to the financials:

- Q3 FY26 Total Revenue from Operations stood at ₹ 562 crores, up by 16% year-on-year
- Q3 FY26 Profit Before Tax at ₹ 358 crores, up by 19% year-on-year
- Q3 FY26 Profit After Tax stood at ₹ 270 crores, up by 20% year-on-year

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

Kamlesh Rao:

The overall industry registered a growth of 10% in the first nine months of FY26 with the private Life Insurance Industry growing at 13%. During the same period ABSLI clocked a premium growth rate of 19%, with proprietary business growing at 8% and the partnership business growing at 26%.

In our proprietary business we are growing in line with the market, the product mix is favourable and we are now planning to scale this business even further, during the first 9M of FY26, we have added 20 branches continuing our focus on expanding the Proprietary business, with this we are now at 445+ branches across the entire country.

The partnership growth of 26% came across all our existing partners as well as the new partnerships in BOM, IDFC Bank and Axis Bank wherein we now have reasonable mindshare. In the existing bank partnerships also, we have gained reasonable mindshare consistently throughout the 9 months of this year.

At Axis Bank, until now we were present in selective zones which contributed to 20% of their total business, we have now got access to 3 new zones and with this we will be present in 50% of their business going forward.

The partnership business had a balanced product mix with margins going up through the year. We now have 12 banca tie-ups and like I mentioned we will expand our presence at Axis Bank going forward.

In the product mix of the individual business, traditional business including protection increased to 70% and ULIP came down to 30% helping expand margins for the 9M of the year. We will continue calibrating our product mix in line with customer demand as well as the need to optimize margins for the firm.

In the Group Life Insurance segment, the private industry grew by 17% and overall industry grew by 15%. Like we have mentioned in previous quarters too, we have had a calibrated approach to interest-rate-sensitive business, we are happy to state we have moved from a de-growth for the first half of the year to a 8% growth for 9M YTD Dec enabling us to reclaim Rank 4 and large part of this growth has come from market facing ULIP business.

We continue to be at rank 2 in ULIP AUM in the industry with an AUM size of Rs. 15,000+ Crores. Credit Life business registered a growth of 37% with attachment ratios going up in large counters and even more significantly in our own NBFC as well as housing business. On Group Term Life Insurance business, we continue to remain focused on expanding the margins. Group AUM contributes 26% of the overall AUM at Rs. 28,218 Cr.

Our total premium for first 9M stands at ₹ 15,471 Crore, up by 14% from last year with a 13^{th} M Persistency at 84.4%. 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 62 (compared with 57 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 22.9% and adjusted for Lower Group business, GST impact and Labour laws impact, the retail opex to premium ratio is progressing well in line with plan.

ABSLI crossed AUM of 1 Lakh Crore in Apr'25 and now stands Rs. 1,10,048 crores, with a YoY growth of 13%. 25% of this AUM is in equity and the balance 75% in debt. On YTD basis, 100% 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 47. 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 93%.

Value and Guidance:

Our solvency continues to remain healthy at 210%.

Our net margins are now at 14.6%, 380 bps higher than LYSP at 10.8 %. We observed margin expansion due to a controlled ULIP mix and increase in Protection mix, value accretive growth in Partnership business and rider attachments.

The expansion in Net VNB margins is despite the GST impact in the second half. As we speak, we have resolved 40% of the GST impact through our commercial arrangements with the distributors and the balance going forward will be managed through both product strategy and management actions.

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 continues 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 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.

Coming to performance, with a strong Q3 we continue to build on the H1 FY25 growth momentum, maintaining our track record of consistently growing faster than the market whilst continuing to improve profitability metrics as well.

For the first nine months of the year as per the old accounting regulations (without 1/n), we achieved a gross premium of Rs. 4,956 crores, representing a strong 41% Y-o-Y growth. On a 1/N basis, our gross premium stood at Rs. 4,651 crores, reflecting a healthy 39% growth. Our market share in SAHI has increased from 12.0% to 14.2%, a YoY an increase by 220bps.

We registered a strong growth momentum across both retail and group businesses. The retail franchise experienced an impressive 42% YoY growth. The retail growth continues to be diversified across retail distribution channels. The Proprietary channel with an agent base over 1.6 Lakh agents registered a 35% YoY growth. All our major bank and digital alliance partnerships also experienced impressive growth.

Our Corporate business delivered a strong 41% YoY growth in 9M FY26, 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 9M FY26 stands at Rs. 178 crores as per new accounting regulations (1/n). The loss includes an impact due to implementation of new labour codes & loss of GST input. As per the old accounting regulations (without 1/n), the net loss for 9M FY26 stands at Rs. 145 crores compared to loss of Rs 195 crores last year. Our combined ratio for 9M FY26 under the old accounting regulations (without 1/n), stood at 108%, whereas under the new accounting framework (with 1/n), the combined ratio was 111%, vs 114% on a comparable basis.

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.

Our Health First model is resonating with our consumers with ~40% of our consumers are engaging with us for their health. 9.9% of our eligible customers earned good health-based incentives - Health Returns, up from 8.4% 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 57 and 58. Similarly, our investments in managing customers with high health risks, through interventions with more than 210K 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.

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 will further enhance customer satisfaction and enable claims costs management more effectively.

We continue to adopt a digital-first approach across revenue, engagement, and claims, driving higher renewals, stronger customer engagement, and greater self-service through our Activ Health app.

Given our large data focus we are investing consistently in data and analytics capabilities to create efficiencies across the entire business lifecycle. We continue to embed Gen-AI capabilities across key processes such as sales governance, claims management, underwriting and customer engagement helping us to scale faster and operate more efficiently.

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. We believe 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 Q3 FY26 performance, and we'll be happy to take any questions.

Moderator:

First question comes from the line of Chintan Shah from ICICI Securities.

Chintan Shah:

Congratulations on the quarter and on the HFC deal. So just on the HFC deal, one thing for now, what are the timelines and when can we expect the money flowing? And secondly, for now, HFC seems to be well capitalized at least for the next few quarters. But in terms of NBFC, are we also looking to include any capital?

Vijay Deshwal:

Thank you, Chintan. Vijay here. So first, on the timeline for the deal completion, today, both the Board and the shareholders of Aditya Birla Home Finance, which is 100% owned currently by ABCL have approved the transaction. It will be subject to CCI approval for the investor that application will be filed subsequently in the next few days.

We believe that CCI will take about 45 days to grant approval and the approval should come by end of March. And once the CCI approval comes, the transaction will be closed. At the same time, I mean, whether it comes end of March or it comes in the week of April, we are sufficiently capitalized for the time being in the housing finance company.

For the second question, Rs. 2,750 crores in housing finance will take care of our growth capital requirements for the next 2 to 2.5 years. For rest of the businesses, on a stand-alone basis, our total capad right now is at 17.34%. Our AMC business continues to pay dividends.

It does not need any capital. In the insurance business, as we have said earlier, we have a JV partner who is equally committed to supporting the growth need. We will keep evaluating our capital requirements and take suitable actions in due course, keeping in mind the interest of all the stakeholders.

Chintan Shah:

And on the margin piece, for the NBFC business, I think the overall margins have ended up including the fee income. Margins are up almost 6 bps, but could you provide any ballpark number on what could be the yields? What could be the fee income component in the overall average yield? So excluding that, have you seen an uptick because it looks like despite those and unsecured, it is not translating into a meaningful uptick in the end. So, I just wanted to understand that piece.

Rakesh Singh:

Chintan, it's the product mix, which will drive the yields and the margins. Until quarter 1, we were calibrating our personal consumer and unsecured business. Post that, if you see the growth has come back quite strongly. It will take a couple of more quarters for the yield to improve at a company level and the portfolio level and that should result in an improvement in margin as well. So, it will take a couple of quarters before you will start seeing it because in a large portfolio of almost Rs. 1.5 lakh crores, I think it will take some time to reflect.

Chintan Shah:

Understood. And just one last thing on the credit cost. We have seen a benign credit cost for us as well and the environment also remains favorable for us but given that in the context of the global uncertainty of the macros, are we looking to make any provision buffers or there could be any reset in an ECL model, or it looks adequate as of now?

Rakesh Singh:

So Chintan, I mean, if you look at it in our growing book, if you look at both Stage 2 and Stage 3 have come down significantly. If you look at Stage 2, it has come down from almost Rs. 2,329 crores to Rs. 1,819 crores, a drop of Rs. 510 crores and in Stage 3 from Rs. 2,674 crores to Rs. 2,140 crores.

And I think the business has scaled up quite well in the same period year-on-year and our Stage 2 and Stage 3 have come down significantly. So, I think that credit profile and the credit performance looks quite stable and good. We don't think we need it at this point in time.

Also, as you know, 73% of our exposures are secured by collaterals and 82% of our exposure to MSMEs is secured by collateral. So, we don't think we need any enhancement of provision coverage at this point in time.

Moderator:

Next question comes from the line of Gaurav from MLP.

Gaurav:

Congratulations on the housing finance deal and the quarter. I have 3 questions. And just taking forward Chintan's question earlier regarding margins, if I look at the yield profile, yields have remained broadly flat in the last 2 quarters despite the mix change being favorable. If I look at the mix of unsecured business loans and personal loans have moved up every quarter in the last couple of quarters. So, when do we start seeing the impact on yields? The entire NIM expansion that we've seen in the last couple of quarters is largely driven by the cost of funds benefit that you got. So, when do we start seeing the yield kind of moving up? Is it next quarter because the 200 basis points of improvement in the mix have already happened?

Rakesh Singh:

So, as I mentioned, it will take a couple of quarters. Within the personal and consumer and also unsecured business, we have been cutting down a high risk and wherever the portfolio has not been stacking up. We have been recalibrating our unsecured portfolio over the last 18 months or so. So high-risk segment across our personal and consumer and unsecured business, we are cutting off.

So, as I mentioned, the credit quality and if you look at Stage 1, Stage 2 is stacking up quite well. The bounce rates and everything else is stacking up quite well at this point in time, and that's the reason why we are growing these segments. But it will take a couple of quarters at least to see improvement in yields and improvement in margins.

Gaurav:

Sure, sure. And on the other side, where do you see the cost of funds moving in the next couple of quarters? Have we kind of repriced borrowings completely?

Rakesh Singh:

We are one of the most efficient borrowers in the market. And we look at all the opportunities in terms of bringing our cost of funds down. We are looking at the liquidity in the market and everything else, we will see how it goes forward. So can't comment at this point in time the way the liquidity is there in terms of how much and by when the cost of funds will come down.

But as you know, we are, I think, almost 70% of our loans are floating. So even if the cost of funds comes down, I think we need to pass on that to our customers. As you have seen in the last 2, 3 quarters, the cost of funds has been coming down. We will continue to leverage the opportunity in terms of bringing the cost of funds down.

Gaurav:

Got it. Can you highlight the delta between the stock cost of funds and the incremental cost of funds?

Rakesh Singh:

Cost of borrowing on the stock and the incremental. I'll come back to you on this.

Gaurav:

Sure, sure. And my next question is on the Stage 1, Stage 2 and Stage 3 ECL. I understand you've given the Stage 3 PCR. Can you provide the total ECL breakdown into Stage 1, Stage 2 and Stage 3 maybe for this quarter and the previous quarters? This is just to understand the overall movement in ECL and perhaps back calculate the write-offs.

Rakesh Singh:

So far, we have not shared this, and we will see at what point of time this information can be shared. I think you can clearly see that staging has improved. This is all basis the portfolio performance basis the ECL model. So, I think that's what drives our PCR.

Gaurav:

Understood. One of your competitors has taken an ECL reset and I think Chintan alluded to that question earlier. In terms of the ECL, how should we look at it incrementally, are there any sort of changes in PD or LGD assumptions that you are undertaking?

Rakesh Singh:

So again, if you look at our portfolio quality, it's very stable. And especially the MSME segment where the issues will raise, 82% of our exposure is secured. This is secured by cash flows and collaterals. So, we don't expect anything at this point in time.

Gaurav:

Understood. Just last question, any growth guidance for FY27 given that this year you're already on a strong footing. The asset quality, you mentioned, is looking good. So, what kind of growth can we expect?

Rakesh Singh:

For NBFC, we have grown 24% year-on-year. Our guidance is in the similar range of 24%- 25%. We have guided that we will double our loan book in 3 years. That means 25% growth is what we're looking at.

Moderator:

Next question comes from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal:

Congratulations on a good quarter. So just trying to understand,.

We have seen a sudden increase in provision cover from one of the peers who reported earlier today. So just trying to understand this better that at least from the regulator, there has been no nudge to kind of increase the provision cover, especially on your unsecured business and including your personal incomes?

Rakesh Singh:

If you look at our personal and consumer segment, we have a provision cover of 68.1%. Our unsecured business is almost 45%. And here, almost 40% of this portfolio is backed by the credit guarantee. Taking this into account, both unsecured portfolios are well provided and well covered.

Abhijit Tibrewal:

Got it. And this 45% cover in unsecured business that you spoke about is a little lower than peers predominantly because what you mentioned also shared in the PPT that 40% of the Stage 3 book is actually covered in the different government schemes?

Rakesh Singh:

Yes. That's the credit guarantee which we have on unsecured business.

Abhijit Tibrewal:

Got it. If you look at your disbursements in NBFCs across different products this quarter. Sequentially seeing a moderation in your unsecured business, personal loans are slightly flattish. I'm just trying to understand, is this some kind of an internal recalibration or some seasonality that you see in this quarter? Or how should we interpret?

Rakesh Singh:

So, Abhijit, our disbursement has grown 41% year-on-year. So, there is a very strong momentum on disbursement. To answer your question on unsecured business, we should look at the AUM growth in the same segment. The AUM growth in this segment is 12% quarter-on-quarter and 36% year-on-year.

The reason why sequentially is looking slightly down is because we don't include the line of credit products or supply chain where there's a high churn in the reported disbursements. If we include that, I think our disbursement will be much higher sequentially as well. But you should look at the AUM growth.

Abhijit Tibrewal:

One last question on the housing business. What is the LTV that you are doing in the housing business today? Basically, your portfolio LTV in the home loan book and what are the incremental LTVs that you do? And lastly, out of total home loans that you source, what proportion of that actually comes from the construction finance business?

Pankaj Gadgil:

As you will know, LTVs in the housing business are regulated for housing purpose and that guidance is around LTV. But overall, to answer your question, we are at the average LTV of between 50% to 52% on the portfolio. On construction finance, as you will see, we have also given this breakup in the slide that we have presented. 15.8% of portfolio is the construction finance portfolio in the overall Rs. 42,204 crores of AUM.

Abhijit Tibrewal:

No sir, my question was a little different. What I was trying to understand is out of the total home loans that you source across both prime and affordable, what proportion comes from those projects where you have given construction finance?

Pankaj Gadgil:

So currently, that proportion is low. In fact, that's a potential area for us. And we have more than 400 developer relationships and we are present in almost similar amount of projects. We've started this journey where we are trying to leverage the developers also working for retail penetration. So that's the focus area for us.

Moderator:

Next question comes from the line of Nidhesh Jain from Investec.

Nidhesh Jain:

My first question is on sourcing mix in the NBFC book. If I look at personal and consumer loan, there is a sharp increase in digital sourcing. What is driving that? And how are we looking to increase the share of direct sourcing because that still remains a bit low in both personal and consumer and unsecured business loan? That is the first question.

And second question, we have seen pretty good ROAs of 2% in housing finance business. We have guided a range of 2%-2.2% and have already reached that number. How do you see ROA in the housing finance business going forward? And similarly, ROA guidance for the NBFC business?

Rakesh Singh:

So Nidhesh, personal and consumer business is getting completely digitized in terms of the way it's being driven to the score card and the analytics and the campaigns which we run. So clearly, that's what is showing here that we have insta PL journeys which we have built for our business. So that's driving the digital sourcing here.

In terms of the unsecured business, a lot of customers depend on their chartered accountants to really help them source the funding. And that's the reason why you see sourcing of DSA slightly higher.

Nidhesh Jain:

Just a follow-up on the sourcing thing that the digital sourcing, it is on fin-tech partners, right? The 66% digital sourcing that we are showing in personal and consumer, it's fin-tech partners?

Rakesh Singh:

We have our own journey. So, we source a lot through our customers. Wherever we have fin-tech partners option, which is selective, the scorecard is ours, sourcing is ours, process is ours, collection is ours.. But this is not reflection of sourcing through the digital partner. We do a lot of business through ABCD app, which is our in-house app. We have the campaigns which we run on our existing ABC customer base, all of that. So insta PL journey which we have built, it's not a reflection of only the partnership business.

Pankaj Gadgil:

On the question that you asked on housing, I think your observation is right in March 2025, we had all guided towards reaching our targeted ROA of between 2.1% and 2.2% in 6 to 8 quarters. But I think given the progress that we've made both on scale and profitability, and you would have seen the numbers, the ROA has grown consistently 1.46% was the ROA for FY25. And right throughout the 3 quarters, we have been consistently moving this up. And now we've reached 1.96% on Q3. But overall, on a full year basis, roa is at 1.8%. But like I said earlier, I think given the progress that we've made on both scale and profitability, we believe we could achieve this slightly earlier than the guided timestamp.

Rakesh Singh:

And ROA for the NBFC business, I think if we look at excluding the one-off of the labor code impact, it's almost 2.28%. We are looking at expanding it closer to 2.5% in the next 4-5 quarters.

Moderator:

Ladies and gentlemen, due to time constraint, that was the last question. I would now like to hand the conference over to Ms. Vishakha Mulye for closing comments.

Vishakha Mulye:

Thank you, everybody for joining us so late. And if there are any questions, all of us are available. Kindly reach to Vijay, Pramod or Aashwij. 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.

<u>Disclaimer</u>: The information contained in this document is provided by Aditya Birla Capital Limited ("ABCL or the Company"), to you solely for your reference. Any reference herein to "the Company" shall mean Aditya Birla Capital Limited, together with its subsidiaries / joint ventures/affiliates. This document is being given solely for your information and for your use and may not be retained by you and neither this document nor any part thereof shall be (i) used or relied upon by any other party or for any other purpose; (ii) copied, photocopied, duplicated or otherwise reproduced in any form or by any means; or (iii) re-circulated, redistributed, passed on, published in any media, website or otherwise disseminated, to any other person, in any form or manner, in part or as a whole, without the prior written consent of the Company. This document does not purport to be a complete description of the markets conditions or developments referred to in the material.

Although care has been taken to ensure that the information in this document is accurate, and that the opinions expressed are fair and reasonable, the information is subject to change without notice, its accuracy, fairness or completeness is not guaranteed and has not been independently verified and no express or implied warranty is made thereto. You must make your own assessment of the relevance, accuracy and adequacy of the information contained in this document and must make such independent investigation as you may consider necessary or appropriate for such purpose. Neither the Company nor any of its directors, officers, employees or affiliates nor any other person assume any responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information or opinions contained herein, and none of them accept any liability (in negligence, or otherwise) whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith. Any unauthorised use, disclosure or public dissemination of information contained herein is prohibited. The distribution of this document in certain jurisdictions may be restricted by law. Accordingly, any persons in possession of the aforesaid should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

The statements contained in this document speak only as at the date as of which they are made and it, should be understood that subsequent developments may affect the information contained herein. The Company expressly disclaims any obligation or undertaking to supplement, amend or disseminate any updates or revisions to any statements contained herein to reflect any change in events, conditions or circumstances on which any such statements are based. By preparing this document, neither the Company nor its management undertakes any obligation to provide the recipient with access to any additional information or to update this document or any additional information or to correct any inaccuracies in any such information which may become apparent. This document is for informational purposes and private circulation only and does not constitute or form part of a prospectus, a statement in lieu of a prospectus, an offering circular, offering memorandum, an advertisement, and should not be construed as an offer to sell or issue or the solicitation of an offer or an offer document to buy or acquire or sell securities of the Company or any of its subsidiaries or affiliates under the Companies Act, 2013, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, each as amended, or any applicable law in India or as an inducement to enter into investment activity. No part of this document should be considered as a recommendation that any investor should subscribe to or purchase securities of the Company or any of its subsidiaries or affiliates and should not form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This document is not financial, legal, tax, investment or other product advice.

The Company, its shareholders, representatives and advisors and their respective affiliates also reserves the right, without advance notice, to change the procedure or to terminate negotiations at any time prior to the entry into of any binding contract for any potential transaction. This document contains statements of future expectations and other forward-looking statements which involve risks and uncertainties. These statements include descriptions regarding the intent, belief or current expectations of the Company or its officers with respect to the consolidated results of operations and financial condition, and future events and plans of the Company. These statements can be recognised by the use of words such as "expects," "plans," "will," "estimates," or words of similar meaning. Such forwardlooking statements are not guarantees of future performance and involve risks and uncertainties and actual results, performances or events may differ from those in the forward-looking statements as a result of various factors, uncertainties and assumptions including but not limited to price fluctuations, actual demand, exchange rate fluctuations, competition, environmental risks, any change in legal, financial and regulatory frameworks, political risks and factors beyond the Company's control. You are cautioned not to place undue reliance on these forward looking statements, which are based on the current view of the management of the Company on future events. No assurance can be given that future events will occur, or that assumptions are correct. The Company does not assume any responsibility to amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events, or otherwise.