Aditya Birla Capital Ltd. (ABCL)
Q1 FY26 Earnings Conference Call Transcript

August 4, 2025

Moderator:

Ladies and gentlemen, good day and welcome to the Q1 FY26 Earnings Conference Call hosted by 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 “*” then “0” on your touchtone phone.

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

Vishakha Mulye:

Good evening, everyone and welcome to the earnings call of Aditya Birla Capital for Q1 of FY26.

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

The global macro-economic environment continues to remain uncertain due to tariff related negotiations and geo-political tensions. In this global backdrop, the Indian economy presents a picture of strength, stability, and opportunity. CPI inflation has softened significantly over the last six months, and the progress of monsoon shows encouraging signs for a strong kharif output. RBI has reduced repo rate by 50 bps and has taken various measures to improve system liquidity and stimulate growth.

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

Coming to the financial and business performance for the quarter:

1. Growth and profitability

   a. During Q1 of FY26, the consolidated profit after tax grew by 10% year-on-year to 835 crore Rupees and the total consolidated revenue grew by 10% year-on-year to 11,333 crore Rupees.

   b. In our NBFC business disbursements increased by 18% year-on-year to 15,851 crore Rupees in Q1 of the current year. The NBFC portfolio grew by 22% year-on-year and 4% sequentially to about 1.31 trillion Rupees. We had mentioned in our previous quarter’s earnings call that we have taken several proactive interventions over the last few quarters in the unsecured loan segments, that is personal and consumers loans and business loans to

SMEs by tightening the underwriting norms, calibrating the sourcing and reducing the exposure to smaller ticket size loans. Now talking about personal and consumer loans, the environment seems to have settled. We have put in place several building blocks to pursue growth. We strengthened our internal sourcing channels and our products, underwriting, sales, and distribution teams and recalibrated our sourcing from digital partners. I am happy to share that these steps have resulted in disbursements in the personal and consumer segment growing by 28% sequentially and 65% year-on-year to 3,947 crore Rupees in the current quarter. We will continue to monitor the macro-economic conditions in this segment closely.

However, there are still uncertainties in the smaller ticket size unsecured MSME segment and we continue with our cautious approach towards growth and tighten our underwriting norms in this portfolio. Disbursements in unsecured loans to SMEs grew by 1% year-on-year and declined 8% sequentially. The secured SME and corporate and mid-market segments continue to show steady growth. The secured business loans to SMEs grew by 27% year-on-year and 4% sequentially. The corporate and mid-market portfolio grew by 28% year-on-year and 4% sequentially.

Our portfolio quality continues to remain stable. Gross stage 2 and 3 loans declined by 75 bps year-on-year and 8 bps sequentially to 3.70% as of June-end. About 74% of our portfolio is secured and the provision coverage on stage 3 loans is 41.2% as of June-end. Further, about 53% of our stage 3 loans in unsecured SME business loan segment are covered by the central government's guarantee schemes. Our credit cost in the current quarter is 1.30% and we expect that it will remain in a similar range for FY26.

The profit after tax of the NBFC segment grew by 11% year-on-year and 6% sequentially to 689 crore Rupees in Q1 of FY26. The RoA of the NBFC segment was 2.25%, which is at a similar level compared to the previous quarter.

c. Coming to our HFC business, we have created a full-stack franchise focused on both prime and affordable segments. In Q1 FY26, we continued to deliver on the strong growth momentum and gained market share as seen in FY25. Our disbursements grew by 76% year-on-year to more than 5,400 crore Rupees during the quarter. This has resulted in our HFC portfolio growing by 70% year-on-year and 11% sequentially to 34,605 crore Rupees. The credit quality in the HFC portfolio is among the best-in-class with stage 3 loans declining by 97 bps year-on-year and 4 bps sequentially to 0.62%. The net stage 3 ratio was 0.30%. We are seeing benefits of the investments made in distribution, data, digital and emerging technologies over the past two years in the form of operating leverage kicking in. The opex-to-assets improved by 32 bps sequentially to 2.59% in the current quarter. The RoA of HFC business increased by 15 bps to 1.59% and RoE increased 132 bps 12.27%.

d. Moving on to the asset management business: During Q1 of FY26 our average AUM grew by 14% year-on-year and 6% sequentially and crossed 4 trillion Rupees. Equity AUM increased by 11% year-on-year and 7% sequentially. We have seen a strong momentum in net sales and an improvement in the performance of our funds with 80-85% AUM in the top 2 quartiles for 6-month returns. The profit after tax grew by 18% year-on-year to 277 Crore Rupees in Q1 FY26.

e. Moving on to the insurance businesses: The growth in the life insurance business continues to remain strong. Our individual first year premium growth of 23% year-on-year in Q1 FY26 was significantly higher than the private industry growth of 8%. Our market share increased by about 60 bps year-on-year to 5.1%. We continue to be in the top quartile in the industry in terms of 13th and 61st month persistency. The high quality of business along with the well-calibrated product mix and product construct and an increase in rider attachments have led to 110 bps year-on-year increase in net VNB margin to 7.5% in the current quarter.

f. In the health insurance business, we continue to be the fastest growing standalone health insurer. Our gross written premium grew by 30% year-on-year in driven by our differentiated health first model and data-enabled approach towards customer acquisition. Excluding the impact of multi-year guidelines, the growth in GWP was 40%. Our market share among SAHIs has increased by about 200 bps year-on-year to 14.5% in Q1 of FY26. Our combined ratio improved to 111% in Q1 of FY26. Going forward, we will continue to grow our business driven by our differentiated health first model and gain market share.

2. Omnichannel architecture for distribution

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

b. Our D2C platform, ABCD, went live about a year ago. It offers a comprehensive portfolio of more than 25 products and services such as payments, loans, insurance, and investments and helps customers to fulfill their financial needs. ABCD has witnessed a robust response with about 6.4 million customer acquisitions till date.

c. Our comprehensive B2B platform for MSME ecosystem, Udyog Plus, continues to scale up quite well. It has reached an AUM of 3,658 crore Rupees in two years of its launch. Udyog Plus now contributes about 30% of the AUM of unsecured business loans. ABG ecosystem now contributes about 37% of the disbursements on Udyog Plus.

d. We added 67 branches during the quarter, and we had 1,690 branches across all businesses as of June-end. We are focused on capturing white spaces and driving penetration into tier 3 and tier 4 towns and new customer segments. We now have over 1,000 co-located branches across more than One ABC 250 locations.

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

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

Vijay Deshwal:

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

During Q1 of FY26, the standalone profit after tax grew by 3% year-on-year to 676 crore Rupees. On a standalone basis, the tier 1 ratio is 15.62% and total CRAR ratio is 18.11%. Standalone return on equity adjusted for investments in subsidiaries and associates is 14.4% in Q1 FY26.

In our NBFC business, the portfolio grew by 22% year-on-year and 4% sequentially to about 1.31 trillion Rupees. NIM, including fee income, was 5.97% for the quarter. The credit quality of NBFC business segment continues to be healthy with GS2 & GS3 loans declining by 8 bps sequentially to 3.70% as of June end. RoA of the NBFC business segment was 2.25%.

Our Housing Finance Business continues to see strong momentum. The loan portfolio grew by 70% year-on-year to 34,605 Crore Rupees. During Q1 FY26 we further infused equity capital amounting to 250 crore Rupees in our HFC subsidiary. This infusion was done to support the growth momentum and maximize our share of opportunities which Vishakha mentioned earlier. We are seeing operating leverage kicking in with opex-to-AUM improving by 32 bps sequentially. The RoA of the HFC business increased by 15 bps sequentially to 1.59% in Q1 of FY26

Coming to our AMC business, 14% year-on-year and 6% sequentially to more than 4 trillion Rupees, of which equity AUM was approximately 44.7%. Alternate AUM, including real estate, grew 2.64 times year-on-year to 39,784 crore Rupees in Q1 FY26.

In the life insurance business, our first-year premium increased by 23% year-on-year. The net VNB margin increased by 110 bps year-on-year to 7.5% and absolute net VNB increased by 27% year-on-year to 66 crore Rupees.

In our health insurance business, our unique and differentiated "Health First" model helped us to deliver a growth of 30% year-on-year in gross written premium during Q1 of FY26. Excluding the impact of multi-year guidelines, the growth in GWP was 40%.

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

Rakesh Singh:

Thanks Vijay, and good evening, everyone.

The NBFC business grew by 4% quarter-on-quarter and 22% year-on-year taking the AUM to Rs. 1,31,227 Crore in Q1 FY26. Profit delivery was strong, registering a 6% sequential growth in quarter PAT.

In Q1 FY26, we disbursed Rs. 15,851 Crore which was 18% higher Year-on-Year. Of the total disbursements, secured business loans to SME was 38%, personal and consumer segment was 25% and corporate & mid-market was 30%. In the Personal and Consumer Loans segment, we have been on the calibration journey since last few quarters. We reached an inflection point last quarter where de-growth was arrested. I am pleased to share that disbursements in this segment expanded 65% Y-o-Y and 28% Q-o-Q and the AUM grew by 6% sequentially to Rs. 16,446 crore. This was supported by our disciplined approach to customer segment selection, a revamped underwriting policy and proprietary journeys -designed to deliver a superior customer experience and maintain end to end control throughout the lending lifecycle - from underwriting to collections.

While we believe the environment is attaining stability, we will continue to monitor the trends in macro-economic environment. As Vishakha highlighted, there are still some uncertainties in the macro environment in the smaller ticket size unsecured MSME segment, where we continue with our cautious approach towards growth and tighten the underwriting norms for this portfolio. Disbursements in unsecured loans to SMEs declined 8% sequentially. The AUM for secured business loans to SMEs grew 4% sequentially and 27% year-on-year. The growth has been largely driven by scaling direct sourcing efforts through our branch network.

Coming to credit quality, our GS2 and GS3 book declined by 8 bps quarter-on-quarter and 75 bps year-on-year to 3.70%. About 74% of our book is secured and our Stage 3 book is well provided for with a PCR of 41.2%. About 55% of our portfolio comprises of business loans to SMEs. Of this 46% is secured, where the asset quality continues to be robust on the back of strong cash flows and collaterals and is amongst the best in the industry. The unsecured SME business loan portfolio is about 9% of the overall NBFC portfolio. Of this supply chain financing, with underlying trade is 1.6%, business loan is 6.5% and small ticket unsecured loans is 1.3%. The credit quality of the supply chain and business loans continues to be resilient in terms of bounce rates, forward flow rates and delinquencies. As we have highlighted in our previous calls, we have taken several proactive interventions in the unsecured loan segments, that is personal and consumer loans and business loans to SMEs, over the last few quarters, which Vishakha also highlighted in the opening remarks. We have been pre-emptive in making these interventions and will continue to have a cautious approach in the small ticket unsecured business loan segment, which we would like to reiterate, is less than 1.5% of the total portfolio. The gross stage 3 loans in the unsecured business loan segment were 5.4% and the provision coverage is 35.7%. Further, about 53% of our stage 3 loans in this segment are covered by the central government's guarantee schemes. As a result, we believe Stage 3 loans in this segment are adequately provided for.

In the personal and consumer loan segment, we have largely run down our legacy portfolio sourced from digital partners. The credit quality indicators such as bounce rates, forward flow rates and delinquency rates in the portfolio are now stacking up well. Gross Stage 3 for PL and CL segment has improved by 30 bps sequentially and 70 bps year on year to 2.5% as of June 2025.

The credit cost has reduced by 13 bps year-on-year to 1.30% and we believe that credit cost for FY26 will be in a similar range.

Moving to profitability, our net interest income has increased by 9% year on year and 4% sequentially to Rs. 1,859 Crore. Net interest margin including fee, was 5.97% in the current quarter. Our Opex to AUM ratio improved 18 bps sequentially and 23 bps year-on-year to 1.74% and this has largely been driven by operating leverage as we continue to sweat new branches opened in last 12-18 months. In Quarter 1, we delivered Profit After Tax of Rs 689 Crore, registering a growth of 6% quarter-on-quarter and 11% year-on-year. The ROA for the quarter was 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.

I am pleased to share that Q1Y26 is yet again a strong quarter in terms of disbursements, book growth and asset quality.

Key Highlights for Q1FY26 are:

- Disbursements for the quarter stood at ₹5,404 crore, a 76% YoY increase versus ₹3,068 crore

in Q1 FY25. Now we are amongst top 3 private HFCs in terms of disbursements

- The ABG ecosystem accounted for 15.4% of retail disbursements in Q1FY26
- AUM as of June 2025 reached ₹34,605 crore, reflecting robust growth of 70% YoY and 11% QoQ
- Profit before tax at ₹154 crore, up 82% YoY and 27% QoQ
- Stage 2 & 3 assets reduced to 1.34%, improving 129 bps YoY and 5 bps QoQ
- ROA stood at 1.59%, and ROE at 12.27% for the quarter

As communicated earlier, last year was a year of strategic investments for us and we are now beginning to see the operating leverage play out. This is reflected in a 32bps sequential improvement in operating expenses as a percentage of average loan book. Our cost-to-income ratio reduced by 530 bps QoQ and ROA improved by 15 bps QoQ. With this we remain well on track to achieve a ROA of 2 to 2.2% over the next eight quarters in line with our guidance.

For more detailed financials, please refer to Slide 30.

Let me now provide a quick update on a few key aspects of our growth:

During the quarter, AUM growth is at ₹3,553 crore, versus ₹1,979 crore in Q1FY25. This growth has been well-balanced across both the prime and affordable segments. Our portfolio remains well-diversified with retail home loans at 55%, loan against property at 30%, and construction finance at 15%. We expect to maintain the construction finance book within this range. Our average retail ticket size stands at ₹30 lakh, reflecting the granularity of the portfolio. As of today, we have crossed 1 lakh active retail customers.

On Asset Quality, Gross NPAs have improved significantly from 1.60% in June 2024 to 0.62% in June 2025 which is a reduction of 97 bps. Our Stage 3 provision coverage ratio stands at 52.4%. Proactive pre-delinquency management measures, powered by analytics and strengthened by digital collections infrastructure, continue to support improvements in asset quality.

Next moving to liability side, the share of NCDs in our funding mix has increased from 27% in Q1FY25 to 45% in Q1FY26. Term loans correspondingly reduced from 37% in Q1FY25 to 31% in Q1FY26. Our cost of borrowing has improved by 11 bps QoQ and now stands at 7.69%. In line with reduction in cost of borrowing, we have passed on a 15-bps rate cut to our retail customers, effective from July 2025.

On the digital front, we continued to see higher adoption of our digital platforms by employees, customers, and Channel partners. We are also seeing early traction in the adoption of AI co-pilots for employees, resulting in higher productivity.

In summary, we have delivered strong, consistent performance across all business segments — supported by growth in AUM, improving asset quality, advancing digital capabilities, and increased profitability.

Thank you for your attention. With that, I will now hand over to Bala, MD and CEO of our Asset Management Company.

A. Balasubramanian:

Thank you and good evening to everyone attending. I would like to share some highlights of ABSLAMC Q1 FY26.

At ABSLAMC, we have witnessed healthy business momentum in Q1 FY26 with the Net sales for the first quarter exceeding the total net sales for FY25 driven by improved fund performance across categories and various ongoing initiatives to increase engagement. We have also maintained our overall market share over the last two quarters.

- We have achieved a significant milestone by crossing Rs. 4 lakh crores in Mutual fund AuM during the quarter, with our Quarterly Average AuM reaching Rs. 4.03 lakh crores – a robust 14% year-on-year growth that demonstrates our unwavering commitment to sustained growth.

- Our Overall Average AUM including alternate assets, stood at Rs. 4.43 lakh crores, growing by 21% on a year-on-year basis.

- The quarterly Equity average AuM stood at Rs. 1.80 lakh crores, growing by 11% year-on-year.

- Our SIP contribution for June'25 is at Rs. 1,140 crores with 38.6 lakh accounts. Our SIP AUM contributes around 45% of our total AUM, reflecting the stickiness of the assets.

- The total number of investor folios for June 2025 stood at 1.06 crore, witnessing 14% year-on-year growth.

- On the Equity Investment front, we are witnessing consistent improvement with strong returns delivered across multiple categories, while Fixed Income performance continues to be robust across categories. We continue to focus on expanding our product offerings, to meet the investment needs of our diverse and growing investor base.

- On the alternative side, we are continuously enhancing our PMS and AIF offerings across equity and fixed income segments to serve HNIs and family offices. Strong interest in our AIF product offerings at Growth Summit events signals significant scaling opportunities ahead.

- Following the receipt of the ESIC mandate, we commenced managing the debt portfolio, and its AUM stood at Rs. 24,260 crores for the quarter ended June 30, 2025.

- Consequently, our PMS/AIF assets witnessed an impressive 8x growth, rising from Rs. 3,368 crores in Q1 FY25 to Rs. 28,657 crores in Q1 FY26.

- As we present, we have completed the first close of ABSL Structured Opportunities Fund Series II (Fixed Income – Credit) and are preparing to launch the ABSL India Equity Innovation Fund, building a comprehensive product portfolio that addresses evolving client needs and accelerates our PMS/AIF business growth.

- Our Offshore assets stood at Rs. 10,588 crores for Q1 FY26. Under the GIFT City platform, we have fundraising underway for the India ESG Engagement, ABSL Flexi Cap and ABSL Global Blue - Chip fund.

- On the Passives front, we have reached Rs. 36,400 crores in AuM as of June 2025 - a 22% year-on-year growth with 12.30 lakh folios across 52 distinct products. We continue building scale through innovative ETF, Index funds, and Fund-of-Fund launches while driving acquisition via digital platforms and distributors.

Moving on to the financials,

- Q1 FY26 Revenue from Operations is at Rs. 447 crores; up 16% Y-o-Y.
- Q1 FY26 Operating Profit is at Rs. 254 crores; up 21% Y-o-Y.
- Q1 FY26 Profit Before Tax is at Rs. 372 crores up by 22% Y-o-Y.
- Q1 FY26 Profit After Tax is at Rs. 277 crores; up 18% Y-o-Y.

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

Kamlesh Rao:

Thank you, Bala, and good evening to all of you. The overall Life Insurance Industry delivered a modest growth rate of 4% in Q1 FY'26. Individual first year premium for the overall industry grew by 5% and for the private players by 8%. ABSLI clocked the highest Individual premium growth of 23.4% in Q1 FY'26 amongst top 10 private players

Growth for the first quarter was across channels with the proprietary channels showing a growth of 9% for the quarter whilst the partnership business grew at 34% with robust growth across all our existing partners as well as the new partnerships in BOM, IDFC Bank and Axis Bank where we have increased our mindshare in the current quarter.

Agency business had a slow start in Apr'25 and then gradually caught up with double digit growth in the next 2 months, our growth was slightly better as compared to Agency performance for the entire industry for Q1 which remained largely flat during this period.

During the quarter, we have added 17 branches continuing our focus on expanding the Proprietary business, on the partnership side we now have 12 banca tie-ups and the most recent one, Equitas Small Finance Bank started business with us from Jun'25 onwards

In the product mix of the individual business, traditional business including protection contributed 69% and ULIP was 31%. We launched 2 new products during the quarter, one in the Par Portfolio named Akshaya Plan and second in the protection segment named Super Term Plan. Akshaya PAR plan contributed 20% mix in the Individual business portfolio whilst the Super Term Plan launched in June took our Protection mix to 4%, we have bundled all desirable features in one term plan including health management services and have launched our digital campaign for this product under the tagline of "YehAkelaHiKaafiHai"

We will continue recalibrating our product mix in line with customer demand and our extensive product suite will ensure that the demands of the customer are catered to.

In the Group Life Insurance segment, while both the private sector and overall industry saw modest growth of 3%, ABSLI reported a 51% decline. This was largely strategic for the traditional fund business wherein we have decided to slow down the momentum on account of the reducing interest rate scenario as large acquisitions now would bring down the YTM of the portfolio, the Group Fund business across the industry remained largely flat during this period.

We continue to be at rank 2 in ULIP AUM in the industry with an AUM size of 13,500+ Crores. Credit Life business had a growth of 20% with attachment ratios going up in all counters. On GTL business, we continue to remain focused on expanding the margins and have done well this quarter. Group AUM contributes 27% of the overall AUM at ABSLI

Renewal Premium grew by 18% with growth across Individual and Group segment. Our total premium for the quarter stands at Rs. 3,594 Crore, down 10% from last year, again on account of lower Group Trad Fund business as planned and mentioned earlier

Our digital collections now account for 81% of our renewal premium. We continue to work on Customer Lifetime value, which is reflected in our upsell ratio of 30%

On quality parameters, our overall customer NPS now stands at 62 (compared with 55 LYSP). While the 13th and 61st month cohorts have seen a marginal dip, all other cohorts of persistency of 25^{th}, 37^{th} and 49^{th} have gone up, we continue being in the top tier in terms of overall persistency for the quarter Our Opex to Premium ratio stands at 27.6% which is higher than last year due to the lower Group Trad fund business as planned.

ABSLI crossed AUM of 1 Lakh Crore in Apr'25 and now stands Rs. 103,817 crores, with a YoY growth of 14%. 25% of this AUM is in equity and the balance 75% in debt. We continue to outperform in our investment performance in respective benchmarks across all three categories of Equity, Debt, or even Balanced funds, either from a 1-year or 5-year perspective.

Our digital adoption across various areas is demonstrated in Investor Deck in slide 46. 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%. As we move ahead, we will continue to be best-in-class in our digital infrastructure, across prospecting and onboarding in sales, underwriting, and customer service as well as claims

During the quarter, we raised Rs 200 crores via listed subordinate debt with Ind AAA/Stable rating to fund our business growth. Our solvency continues to remain healthy at 192%.
Our net margins are now at 7.5%, 109 bps higher than LYSP. We observed margin expansion due to a controlled ULIP mix, value accretive growth in Partnership business and rider attachments.
We maintain our guidance to expand our Net VNB margins through the year to achieve 18% plus for the year, we also maintain our guidance to grow Individual FYP at a CAGR of 20%+ for the next 3 years and in absolute numbers double the value of our Net VNB in the same time period.

With this, I'll hand over to Mayank, MD and CEO of our health insurance

Mayank Bathwal:

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

We had a very strong start to FY 25-26 in Q1, maintaining our track record of consistently outpacing the market growth while sustaining the momentum of improved profitability. In Q1 FY26, without the multiyear accounting norms we achieved a gross premium of Rs. 1,461 crores, delivering a strong 40% YoY growth. On a 1/n basis our gross premium stood at 1357 crores with 30% growth. Thus, our market share amongst SAHI cos has increased from 12.5% to 14.2% basis, a YoY increase by 170 bps.

Excluding the impact of multi-year accounting norms, we achieved the highest market accretion (as shown in slide 53 amongst all SAHI players in Q1 FY26, highlighting our underlying growth momentum.

We registered a strong growth momentum across both retail and group businesses. The retail business registered an impressive growth of 39% in Q1 FY26. The growth in retail is driven across all our retail channels. The proprietary channel with an advisor count of over 1.5 lacs agents experienced a 26% YoY growth. All our major banks and digital alliance partnerships have also experienced strong growth of 50%. To further expand our PSU bank distribution, we have successfully onboarded Bank of India in Q1.

Our Corporate business delivered a strong 42% YoY growth in Q1, driven by our focused and disciplined strategy in this segment. At times we are asked about our relatively higher proportion of group business to which I will like to reiterate that our strategic choices in this segment are to create a very sustainable business. We are as we understand amongst very few players to have a profitable Group business in the industry. We do this by playing in very specific corporate segments like mid corporate and SME and specific industries more in the services sector. As we now take our differentiated health first insurance model to corporates also, we will further improve our competitive strength here.

We are also pleased to report that our net loss for Q1 FY26 stands at Rs. 36 crores as per new accounting regulations (1/n). As per the old accounting regulations (without 1/n), the net loss for Q1 stands at Rs. 24 crores which is 50% lower than same period loss of Rs 51 crores last year. Our Combined Ratio for Q1 FY26 as per old accounting regulations is at 107% vs 112% on a comparable basis in the previous year. These improvements underscore our continued focus on unit economics and thus overall profitability ahead of market as we demonstrated last year by one of the fastest breakeven given the scale we are operating at.

We strongly believe our robust growth and superior unit economics are driven by our digitally enabled and differentiated health first business model, which our customers experience through our flagship product Activ One. This model gives us a selection advantage with larger share of the more health-conscious customers and then based on very hyper-personalized but scale health engagement access to a deeper understanding of the health profile of our inforce base. In Q1 FY26, 9.1% of eligible customers earned good health-based incentives - HealthReturns, up from 6.6% last year, reflecting deeper engagement with our wellness ecosystem. These customers continue to exhibit 4% lower loss ratios and 10% better persistency. This is shown in slides 56 and 57. Similarly when we invest in managing our customers with high health risk their loss ratios improve by more than 4.9%. Overall, this has kept our retail loss ratio well in control.

In our bid to expand the scale of impact of the model we continue to innovate. For example, in our recent collaboration with a leading wearable brand in India, we now have customers who get access to wearables as part of our product offering and this is further helping us in getting access to a larger pool of customer health data.

The hyper-personalized scale health engagement with customers is mainly enabled by our industry leading customer app Activ Health. The App now provides opportunity for non-policy holders to also experience our comprehensive health and wellness ecosystem.

Given our large data focus we have been investing consistently in our data and analytics play to consistently create efficiencies across the entire business lifecycle. We have given some examples of the key use cases across sales, customer engagement and claims processing in slide 60.

Looking ahead, we remain optimistic about the long-term growth prospects of the health insurance sector, which continues to have large tailwinds. Our differentiated business model will help us grow well ahead of market health insurer. As we guided earlier, we will continue to strive for 100% COR as per the old accounting regulations in the current year itself.

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

Vishakha Mulye:

Thank you, Mayank. This concludes our remarks on the Q1 FY26 performance and we will be happy to take any questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mr. Chintan Shah from ICICI Securities.

Chintan Shah:

Yes. Firstly, congratulations on the good set of numbers. On this unsecured MSME piece where we have told that there are some uncertainties in the portfolio and we are seeing some kind of stress and adopting a cautious approach. So just wanted to understand, what is the customer profile here? Typically, how much would be the unsecured self-employed mix in the total pool?

And secondly, on the guarantee scheme, which we are highlighting, 53% of the portfolio is covered in the guarantee. So how does this guarantee actually work? And what is the typical timeline to get the money? And what is the final cost, which you have to bear in case of this guarantee? Yes, that's the first question.

Rakesh Singh:

So, your first question on the unsecured SME. If you look at our total book is about 12,000 crores. Out of that the total portfolio, 1.6% is supply chain, which is short term with our underlying treat, our invoices, so very low risk. Then we have 6.5%, which is business loans, where the portfolio performance is very, very good in terms of bounce rate of forward flows or delinquencies are looking pretty good.

The small ticket unsecured loan, we call it STUL, that is around 1.3% of our overall loan book. We had started taking actions from two, three quarters prior, and we have tightened our underwriting, collections, score cards. So, all of that, we took proactive action on this portfolio. So that's the only portfolio where we are slightly cautious at this point in time.

In terms of your second question, how much is the guaranteed portfolio? So, if you look at the Stage 3 portfolio in unsecured business, close to 53% of the Stage 3 is guaranteed by the CGTSME or the government guarantees, which we spoke about. How much of that gets covered? 75% of the principal gets covered by the guarantee. It takes between 12 to 18 months in terms of getting the refund and all at times. Our track record has been pretty good on this, and we have been getting the refund and the claims from the CGTSME.

Chintan Shah:

Sure. And so, on this portfolio, when can we see normalization of disbursement? So where do you see the kind of picking out of normalcy kicking in for this portfolio?

Rakesh Singh:

So, if you look at our business loans, we will continue to grow our business loan portfolio in that segment. That's holding up very well, and it's performing. And that's quite our old portfolio. We have been doing that business for the last 8 years or so. That's holding up quite well from bounce rates, forward flows and delinquency.

So, we will continue to grow that business loan portfolio. We will continue to grow the short-term unsecured business. What we are tightening is the small ticket unsecured loan, and we will continue to watch that and see how it performs.

Chintan Shah:

Sure. So, in the small ticket lap, how much of the total unsecured MSME?

Rakesh Singh:

So that's close to INR 1,700 odd crores, which is there on the total portfolio. And it's not that the performance is, we are watching it. We have taken all the corrective actions in terms of tightening, and we have slowed down the sourcing in that segment.

Chintan Shah:

So basically, the risk is only on the INR 1,700 crores portfolio where we envisage some uncertainties or where we are cautious, right?

Rakesh Singh:

Yes. From a sourcing point of view, yes, in terms of portfolio, this is a rich portfolio, this would have been underwritten 12, 18 months back or 24 months back. So yes, we are watching it very closely.

Chintan Shah:

Yes. And the tenure would be 3 years typically, right?

Rakesh Singh:

Yes.

Chintan Shah:

Sure. And so just now on the housing part, just one last question. Actually, exceptional performance on the housing portfolio, and the growth has been quite robust. But now given the repo rate cut and probably some players have also highlighted, there are higher instances of BT out, particularly in the prime portfolio. So how are we seeing the competition panning out?
And I think more growth for us is also led by the developer pool rather than the prime pool. So yes,

any thoughts on whether that could grow or slow down over the remaining part of the year? And what kind of growth trajectory could we be looking at for housing portfolio?

Pankaj Gadgil:

Chintan, for us, the growth is coming in all the three segments, affordable, prime and developer. Yes, you're right, with the repo rates going down, we saw naturally some elevation in the foreclosures that we saw in the prime segment. And those ratios overall on the prime are in the range of about 14% of the opening book.

But since we are a full stack player, the balancing act also happens in the affordable and informal. Therefore, we don't see a very significant change as far as the foreclosures are concerned, also BT outs are concerned. In fact, till the BT in that we track versus BT out ratio, the ratio remains quite similar to where we were in the month of quarter 3.

So, coming to your next question, which is how do you see growth panning out? I think what we have been articulating earlier in the last 8 quarters, I think what we have done is build capacity. And with the advent of 6 digital platforms that we have across the customer life cycle, we are seeing, in combination of the capacity that we have built, productivity is significantly coming up.

And as you would have noticed, 15.5% of our business that we do disbursements that are coming in are also from the ABCL and ABG ecosystem. So, I think we are very well placed to take advantage here. Clearly, the market share gain is what we are getting. So riding on the 14%, 15% growth, which is there in industry.

And with the capacity and productivity moving up for us, combined with the ABC ecosystem and with the right eye on portfolio quality, I think we can see the growth momentum remaining quite consistent for us.

Moderator:

The next question is from the line of Avinash Singh from Emkay Global.

Avinash Singh:

Yes. A few questions. The first one is on NIM. I mean, in the lending business, the NIM is still falling. So now, based on what is happening sort of on the borrowing side and how business mix is changing, can you provide some kind of a guidance that if this NIM has bottomed out and what sort of trajectory do we expect, I mean, as we exit this financial year?

And in that context, one question is that now you have tried to increase or rather that your disbursement in consumer finance and PL bottomed out, you are starting to increase, but there remains some bit of a debate among various lenders that the consumer leverage is still higher. So how do you see, I mean, our path going forward in this consumer and PL?

And the second question is your current capital adequacy is, I mean, near 18%, so Tier 1 will be slightly lower. What kind of growth are you envisaging? And at what juncture will you be looking to raise capital?

Rakesh Singh:

So, thanks, Avinash. Your first question was on the NIM. So, if you look at NIM is an outcome of the product mix which we have. The mix of higher-yielding unsecured loan, that is personal and consumer loans and business loans to SME, was at 22% as of June '25 and this was at a similar level compared to March '25.

The personal and consumer business, as we just mentioned, has grown well in terms of in quarter 1. And the disbursements in the personal loan segment grew at 28% sequentially, and the portfolio has grown by 6%. So, we expect that as this portfolio grows and our unsecured business, which is business loans, grows, our margins should start improving. So, in the next few quarters, you will see margins improving from here on.

Your second question was on personal loans and consumer loans and leverage at a client level is still high. So, I think Avinash, we were ahead of the curve in terms of tightening, recognizing that there is a leverage, which is going up. We build the leverage in our underwriting and all our metrics in terms of tracking and unsecured enquiries. All of that, we have built it over the last four, five quarters, and we track customers leverage very, very closely.

And in this segment, if you look at it, we have largely run down our legacy portfolio source from the digital partners. We have tightened our underwriting norms, as I mentioned, and reduced the exposure to small ticket size segment in this portfolio. Given that the environment in this segment is stabilizing and we are seeing that the credit quality indicators, which I had mentioned in my opening remarks, that bounce rate, forward flows and delinquency rates are stacking up quite well. We track in terms of FEMI, which is first EMI default, second, third. So, we really track this portfolio very, very closely, and we will continue to watch this portfolio as we grow our business.

Vijay Deshwal:

Avinash, Vijay here. On the capital question, yes, our Tier 1 ratio is 15.62% and total cap add is at about 18.11%. During the quarter, we infused INR250 crores in our HFC subsidiary, which is the only company which in a way, needs capital infusion because the asset management company returns dividend. In our insurance companies, we have JV partners and if at all, there will be very minimal capital requirement. So, I would say that looking at the overall capital plan for us, we are sufficiently funded for our growth requirements for the next 9 to 12 months, and we will look at any capital situation post that.

Moderator:

The next question is from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal:

Congratulations on a good quarter. Sir, the first thing is a clarification where you said that there are three products that we are doing in unsecured MSME, which is your supply chain finance, then we do business loans and then we called out small ticket unsecured loans. So, I'm just trying to understand, it is only in this small ticket unsecured loans, where we are seeing some stress building up. Otherwise, in business loans that we do in unsecured MSME, we are not seeing any stress building up is it, which you called out is about 6.5% of the portfolio?

Rakesh Singh:

Yes, Abhijit, you are right. We are not seeing any stress in any other portfolio.

Vijay Deshwal:

And then in this portfolio also, what Rakesh mentioned, is that whatever it is, it's anticipated. There is nothing which is out of the way and the portfolio is well within our control, adequately provided. So we don't see any undue worry here, it's in control. We are being cautious.

Abhijit Tibrewal:

Got it. And then, I mean, I think on one of the slides and also in your opening remarks, you spelled out that close to 52% of your Stage 3 in unsecured MSMEs covered in the government schemes. So, at the overall portfolio level, what is covered under these government schemes?

Rakesh Singh:

It's similar, upwards of 50% is covered in the overall portfolio on the business and STUL.

Abhijit Tibrewal:

Got it. And then one last question. That is that if I look at your secured businesses, close to 60% of your secured business has LAP. So, I was just trying to understand what are we seeing in the LAP portfolio today? Because given how things have moved, right, in the last 12, 18 months from credit cards to PL to MFI to micro-LAP to unsecured MSME.

Just trying to understand, is there anything that you are seeing today in the LAP segment? And sir, why I ask this is LAP as a segment over the last 12, 18 months has seen very, very strong growth across the industry. So that is one. And the related question, in our HFC business, are we doing micro-LAP or in the NBFC, are we doing micro-LAP? And if yes, how big is that portfolio, micro-LAP?

Rakesh Singh:

So, Abhijit, first, your question on LAP, if you look at, touch wood, I think the performance is very, very strong, in terms of overall performance. And this is our oldest portfolio. So it is a very vintage portfolio and this portfolio has seen difficult cycles, whether it was demonetization or the NBFC crisis or COVID, and it has stood the test of the time and is very, very strong in terms of the performance.

Even if you see the time period which you just mentioned, both our Stage 2 and Stage 3 has come down significantly. So very, very good. This is backed by the cash flows of the customer and the collaterals of the customer. So very good performance and has been stacking up very, very well.

Pankaj Gadgil:

So, on the HFC question, LAP, as I mentioned, the ticket size for LAP is about INR 54 lakhs. So it is a very small proportion of that is the micro-LAP. And if you see the slide, which is there, which depicts the composition of LAP that we've got, you would see that in the affordable segment, LAP is about 9.6%. So, a very small subset of the 9.6% will be micro-LAP.

And to also speak on how we are seeing this, of course, the growth has been strong, but we monitor the portfolio both on on-boarding. In fact, we have created our own proprietary score, which ensures that right quality of customers are voted in.

And then, of course, back that up with a very strong off-us analysis, not only for our own portfolio, but also look at what portfolio we have created as to how the customers are behaving outside. And I also spoke about pre-delinquency management and also the utilization also on post-delinquency management, which is overall helping in managing the portfolio. So, we are not seeing any different trends in the LAP portfolio of ours in the housing segment.

Abhijit Tibrewal:

Got it. And sir, then if I can just squeeze in one last question. If you could also share what is the write-offs that we did in the quarter in NBFC and HFC? And if you could just answer that, and I had a follow-up question on this?

Vijay Deshwal:

We do not disclose write-offs as of now. So, I think we will stay with that.

Abhijit Tibrewal:

Sure. And then lastly, I mean, how much have we recovered in CGTSME scheme so far? In other words, how much have we claimed so far? And how much has been the recovery?

Rakesh Singh:

I think this is ongoing, in terms of depending on every quarter, whatever claim which we put up, it goes through its own verification and everything, so I think we see it over the period of full year and full cycle. We can share that later with you some time.

Abhijit Tibrewal:

Sure. And like you suggested, it typically takes between 12 to 18 months, right?

Rakesh Singh:

Yes. Yes.

Moderator:

The next question is from the line of Kushan Parikh from Morgan Stanley.

Kushan Parikh:

Just a data question. If you could share the slippages during the quarter for the NBFC as well as the total Stage 1, 2 and 3 ECL? That would be helpful.

Rakesh Singh:

Stage 1, 2 and 3 segment-wise, we provide that, and we have provided this time as well.

Kushan Parikh:

Sorry, I'm talking about the provisioning against Stage 1, 2 and 3?

Vijay Deshwal:

That we do not disclose. As of now, we don't publish that. But I think what we have given, for sure is the stage wise, whatever are the Stage 1, Stage 2, Stage 3 across various segments and also the provision cover that we carry for stage 3 in these segments.

Moderator:

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

Punit Bahlani:

Yes. Just firstly, on the NBFC bit. The unsecured business, the NPAs have increased and the PCR at 35% appears to be low. I know like over 50% is government guarantee, but my understanding is it might require some level of provisioning, right, even if it's government guaranteed. So, 35% for the unsecured appears to be a bit low.

And over time, like if I look at FY '24, like it was at 2.9%, the NPAs, it has gone up to 5.4% now. And so what is the tenor of receiving these claims so that when we can remove this from our NPA pool as in does it take 12 to 18 months or more than that, if you could give any comment on that?

And thirdly on the housing finance bit, there has been a big improvement in opex this quarter. Is it primarily driven by operating leverage or is there any component that is like we have saved on some opex component? If anything, you could highlight on that. That's all.

Rakesh Singh:

Punit, your first question was about the provision coverage on the unsecured business. As I mentioned, 75% of the principal is guaranteed, so we believe that 35.7% or 36% PCR is quite sufficient in this. But at some point in time, if we believe that the claim is delayed or claim is not coming in and we will have to evaluate, we will do that. But at this point in time, because 75% of the principal is guaranteed, I think this provision coverage is sufficient.

Punit Bahlani:

So how much time does it take for the claim to come in?

Rakesh Singh:

As I mentioned, it's anywhere between 12 to 18 months.

Punit Bahlani:

Okay. Got it.

Pankaj Gadgil:

On the question on housing finance, as you rightly said, if you look at the operating expenditure for quarter 4 and quarter 1, in absolute amounts, it is INR 194 crores and INR 190 crores. So INR 4 crores additional. And as you will know that in the last year, when the book grew from INR 18,400 crores to about INR 31,000 crores.

The expenditure for generating the business, most of it gets booked in the year in which the disbursements happen. And as you will see, the proportion of new disbursements to the overall book as because the book is also increasing, as the proportion keeps reducing, you will start seeing operating leverage kicking in even more.

That is the reason why earlier as well when we've been speaking about how the ROAs will stack up, we've been speaking about this 2.91%, which was the earlier opex on average loan book in quarter 4, how that we foresee will come down to 1.6% in the next eight quarters which is 130 basis points of reduction. And we've already seen a shift in one quarter itself to about 31-32 basis points. And that is how it will stack up.

Moderator:

Thank you. Due to time constraints, we will take this as the last question. I now hand over the conference to Ms. Vishakha for closing comments.

Vishakha Mulye:

Thank you so much for joining us. And if there are any other questions, all of us are available. Please reach out to 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.