

# FINANCIAL RESULTS Q1 FY18-19

MUMBAI

10<sup>th</sup> August 2018



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CAPITAL**

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**A leading Financial Services Conglomerate**

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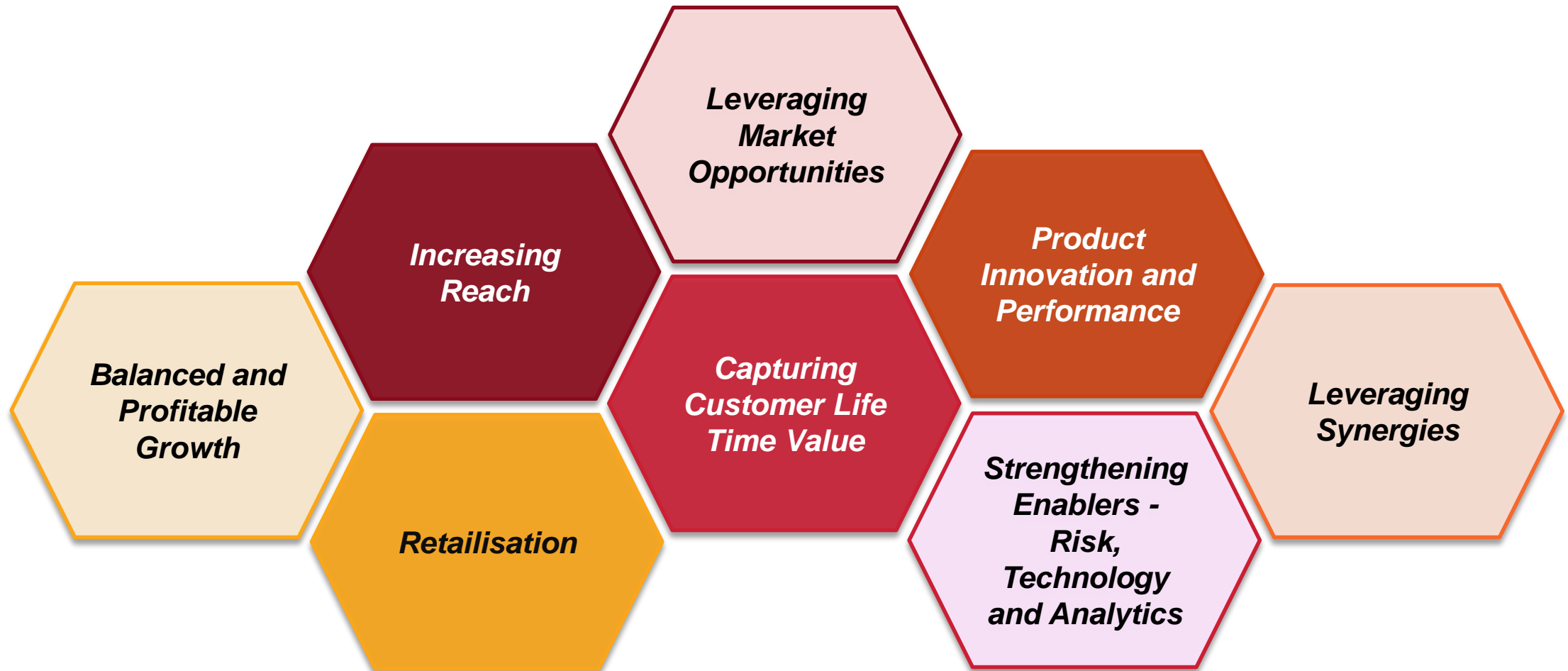
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NOTE 1: The financials of Aditya Birla Capital Ltd are consolidated financials prepared based on Ind AS unless otherwise specified

NOTE 2: The financial figures in this presentation have been rounded off to the nearest Rs 1 Crore

# Our approach



# Q1FY19: Key highlights



**40% Individual FYP growth in Life Insurance, significantly higher than Industry growth at 6%<sup>1</sup>**



**Highest Gross VNB Margin<sup>2</sup> at 37.2% in our Life Insurance Business**



**NBFC RoE expands by 100 bps, reaching 15.2% p.a. on a diversified book**



**Ranked No.3<sup>3</sup> Mutual Fund in Equity and Overall Asset under Management**



**Equity AAUM reaches Rs 1,00,000 Crore in our AMC (grew 2.4x in 2 years)**



**10x Growth in retail business in Health Insurance**

<sup>1</sup> Amongst players (Excl. LIC) in Q1FY19 (Source: IRDAI)

<sup>2</sup> For Individual Business, based on Management Review

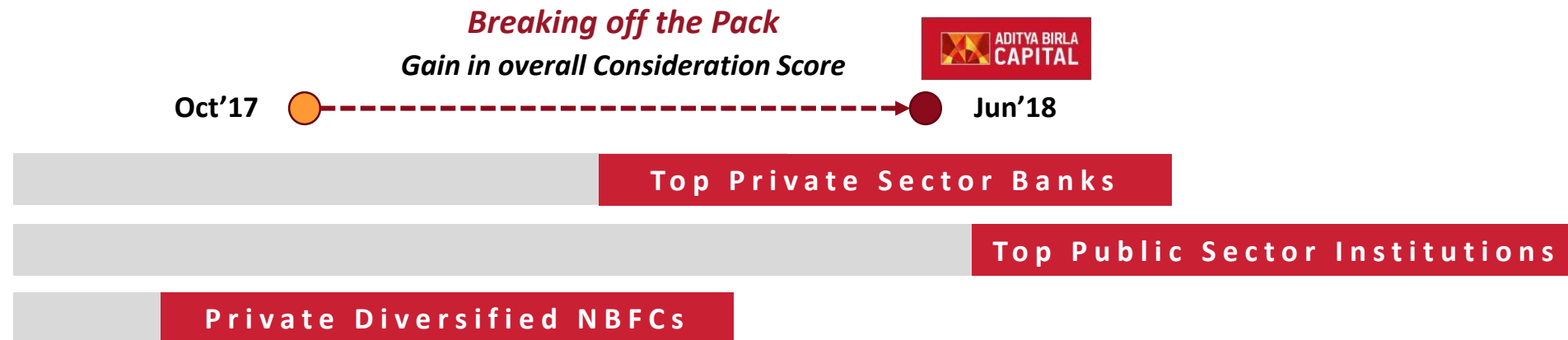
<sup>3</sup> Based on Domestic AAUM for Q1FY19 (Source: AMFI)

# Power of coming together as “ONE BRAND”



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Our Consideration Score<sup>1</sup> since launch of ABCL Brand in November 2017



<sup>1</sup>Consideration Score representative of willingness of customers to trust a brand with all their money needs across insurance products, mutual funds and investing products, loan products and investment advisory services

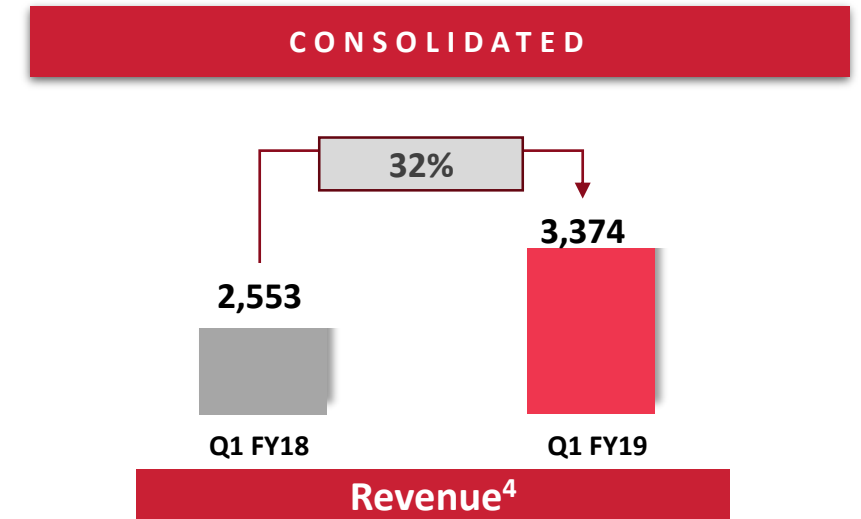
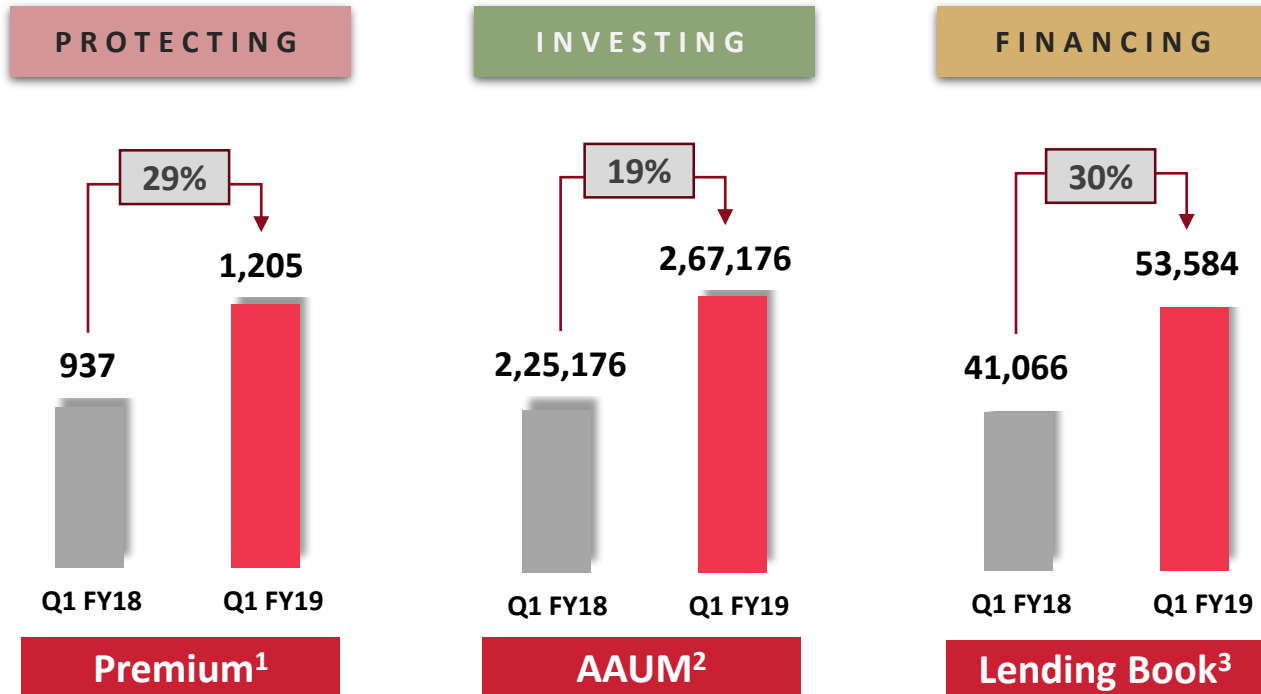
Based on Survey conducted by KANTAR MILLWARD BROWN, June 2018

## ABCL consideration score across all category offerings (Oct'17 – Jun'18)

PROTECTING	INVESTING	FINANCING	ADVISING
Consideration Score + 30	Consideration Score + 33	Consideration Score + 32	Consideration Score + 38
Category Score + 10	Category Score + 8	Category Score + 9	Category Score + 17

# Delivering strong financial performance

Figures in Rs Crore



<u>Profit After Tax</u> (After Minority Interest)	<u>Q1 FY18</u>	<u>Q1 FY19</u>	<u>Growth</u>
<b>Established Businesses<sup>5</sup></b>	212	288	<b>36%</b>
<b>Consolidated</b>	172	216	<b>26%</b>

<sup>1</sup> Includes Life Insurance and Health Insurance gross total premium

<sup>2</sup> Includes AAUM of Asset Management Business, and does not include Life Insurance, Health Insurance and Private Equity

<sup>3</sup> Includes lending book of NBFC and Housing Finance Businesses

<sup>4</sup> Asset Management and Wellness businesses consolidated based on equity accounting under Ind AS, however included in revenue to show holistic financial performance

<sup>5</sup> Includes EBT of NBFC, Asset Management and Life Insurance businesses

# Net Profit Reconciliation- IGAAP vs. Ind AS



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Figures in Rs Crore	Q1 FY18	Q1 FY19
<b>Net Profit after Minority Interest (As per IGAAP)</b>	<b>173.1</b>	<b>227.1</b>
Impact of EIR on assets and liabilities	-3.4	15.4
Impact of ECL methodology adoption	-11.5	2.7
Impact of MTM/ Fair Valuation	5.6	-6.7
Impact of share of non-controlling interest adjustments on above	11.2	2.2
Impact of Group share on account on Ind AS on JV Companies	5.7	-2.0
Others (includes impact of Deferred Tax) <sup>1</sup>	-8.7	-22.9
<b>Net Profit after Minority Interest (As per Ind AS)</b>	<b>171.9</b>	<b>215.9</b>
<b>% Delta (Ind AS PAT vs. IGAAP PAT)</b>	<b>-1%</b>	<b>-5%</b>

**Negligible impact due to change in accounting standards on profitability**

<sup>1</sup> Others includes Deferred Tax on undistributed earnings and transition adjustments; It also includes dividend distribution tax on dividend by subsidiaries

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# Diversified portfolio with value accretive growth



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Figures in Rs Crore

## Targeting balanced loan book growth

SME + Retail + HNI mix grew by 43% Y-o-Y, increasing to 48% of overall portfolio

## 4x Growth in Emerging Segments

Unsecured Retail Lending Grew by 3x y-o-y  
Digital Lending Grew by 6x y-o-y

## EBT Growth of 33% Y-o-Y

Previous Year: Rs 253 Crore

## Healthy returns despite challenging interest rate scenario

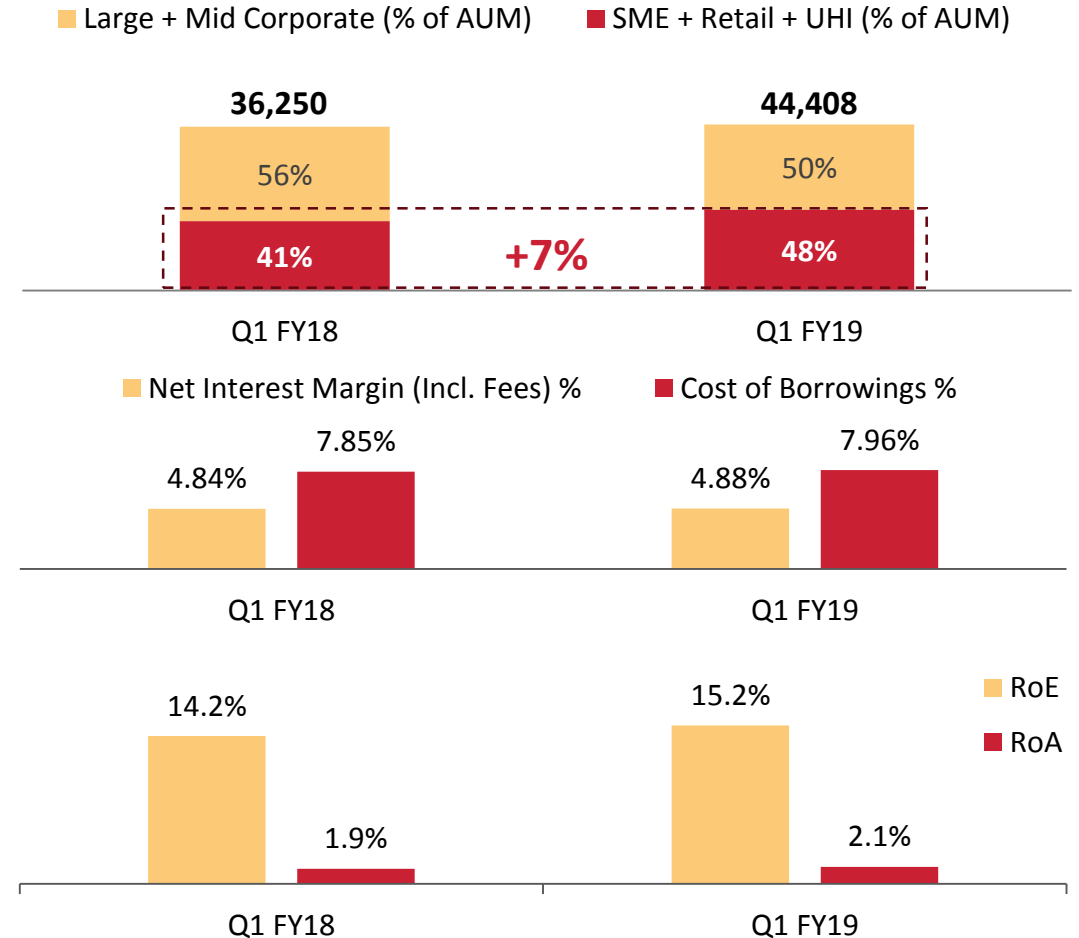
RoE and RoA over 15% & 2% p.a. respectively<sup>1</sup>

<sup>1</sup> RoE and RoA are based on compounded monthly average

Targeting  
Balanced  
Loan Book  
Growth

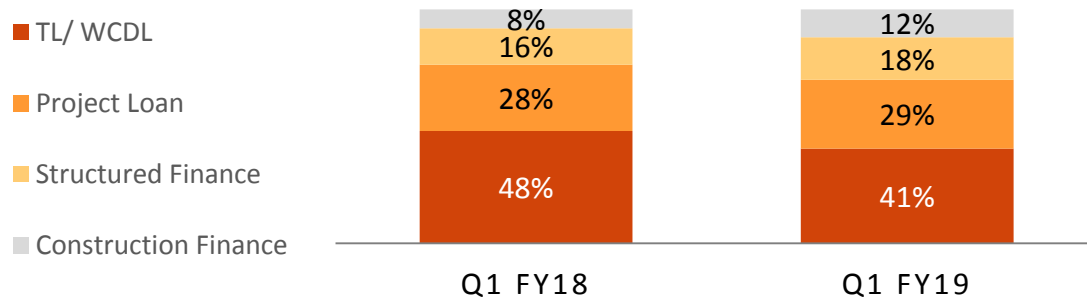
Maintained  
NIM and  
Cost of  
Borrowing

Generating  
Healthier  
Returns

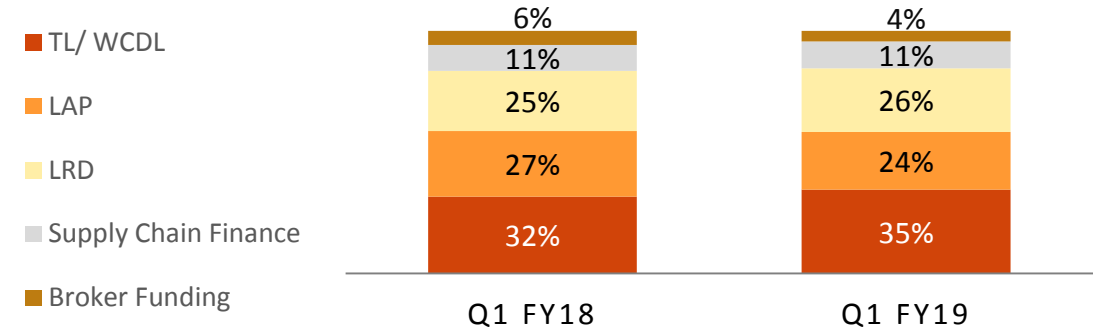


# Multi-product portfolio catering to a range of customer needs

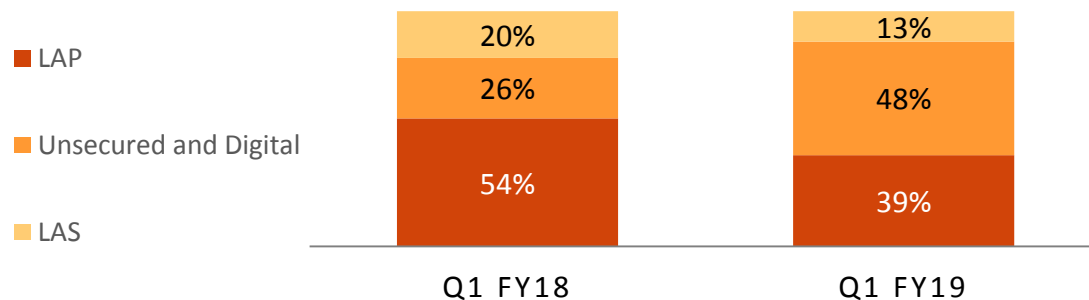
## Large & Mid Corporate (50% of Loan Book)



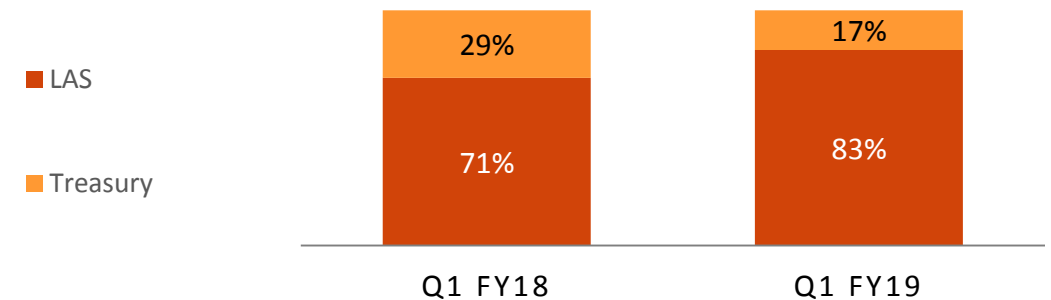
## SME (25% of Loan Book)



## Retail (12% of Loan Book)



## HNI + Others (12% of Loan Book)



# Diversified and competitive cost of borrowing

## Marginal increase in cost of borrowings

Active treasury management and dynamic changes in borrowing mix, optimising cost of funds

## Resulting in steady margins in a challenging interest rate scenario

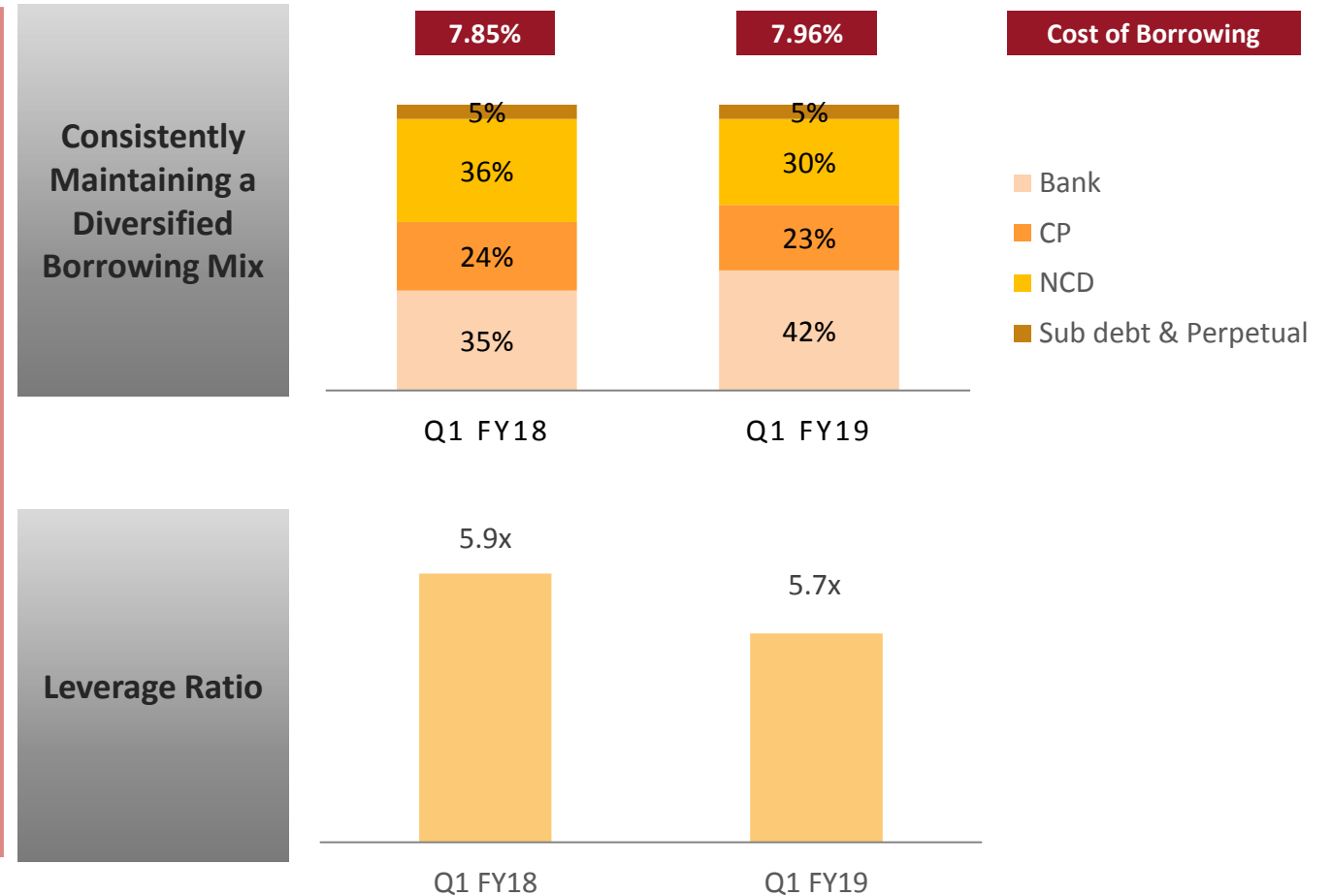
Repricing loan book based on increase in cost of funds

## Maintaining adequate liquidity cover

CRAR at 17.66% and leverage at 5.7x

## AAA rated by India Rating and Research

Strong parentage of Aditya Birla Group



# Negligible impact on asset quality from ECL transition



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Figures in Rs Crore

Asset Quality	Jun'17	Jun'18
Total Loan Book	36,250	44,408
Gross NPA (Stage 3)	172	417
Less: ECL Provision	98	234
<b>Net NPA (Net Stage 3)</b>	<b>74</b>	<b>183</b>
Gross NPA %	0.50%	0.95%
Net NPA %	0.22%	0.42%
Provision Coverage Ratio	56.8%	56.2%

Transitioned to ECL methodology provisioning w.e.f. 1st April 2017

Rs 27 Crore incremental provision for stage 3 in Q1 FY19

GNPA at 0.91% as on Mar'18 as per Ind AS

# Key Financials – Aditya Birla Finance Limited



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Figures in Rs Crore

Key Performance Parameters	Quarter 1		
	FY 17-18 (PY)	FY 18-19 (CY)	
<b>Lending book</b>	<b>36,250</b>	<b>44,408</b>	23%
Average yield	11.55%	11.74%	
Interest cost / Avg. Loan book	6.71%	6.85%	
Net Interest Income (Incl. Fee Income)	4.84%	4.88%	
Opex	123	171	
<b>Cost Income Ratio (%)</b>	<b>28%</b>	<b>32%</b>	
Credit Provisioning	66	34	
<b>Profit before tax</b>	<b>253</b>	<b>335</b>	33%
<b>Profit after tax</b>	<b>166</b>	<b>224</b>	35%
<b>Net worth</b>	<b>5,090</b>	<b>6,453</b>	

Aditya Birla Housing Finance Limited



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# Strong growth in lending book

Figures in Rs Crore

## Lending Book grew ~2x y-o-y

Previous Year Lending Book: Rs 4,816 Crore

## Affordable Loan book at ~Rs 650 Crore

1.7x growth over previous quarter

## Focus on building retail granularity

Average HL Ticket Size reduced to Rs 28 Lakhs  
Investing to grow affordable housing reach

## Margins to normalise with phased portfolio repricing undertaken

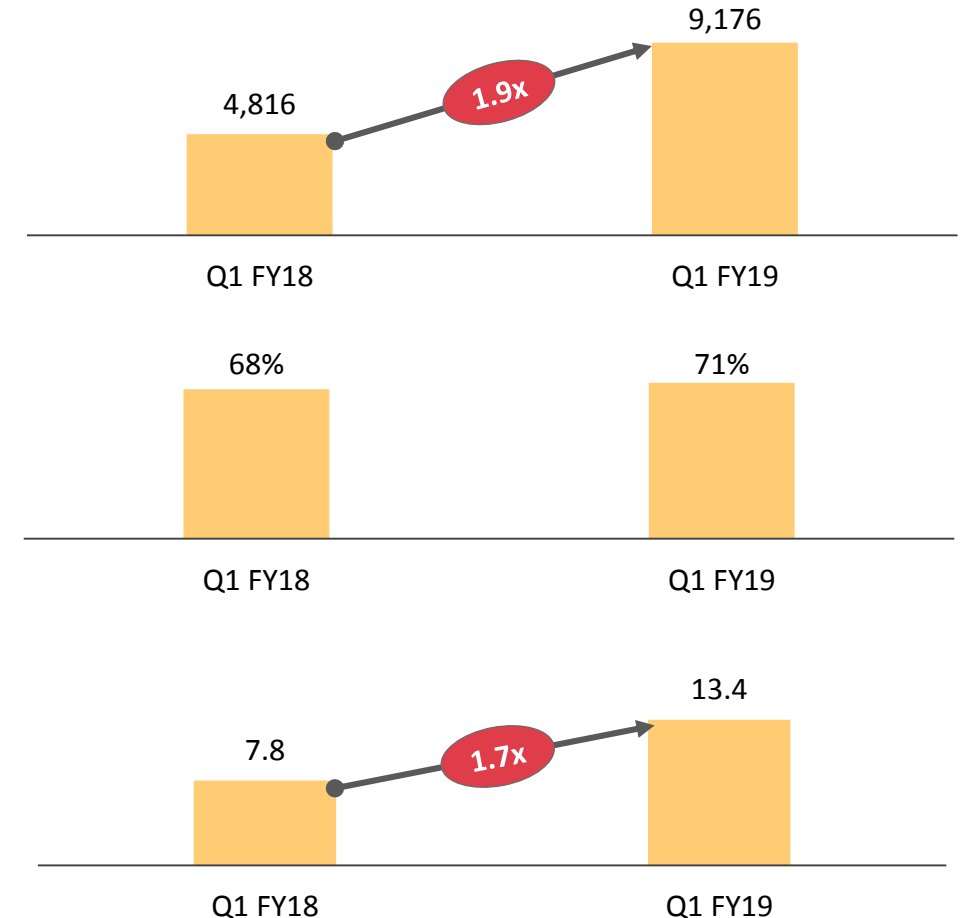
## Building profitable scale

Q1 FY19 EBT Rs 13.4 Crore (PY: Rs 7.8 Crore)

Loan Book

Cost Income Ratio

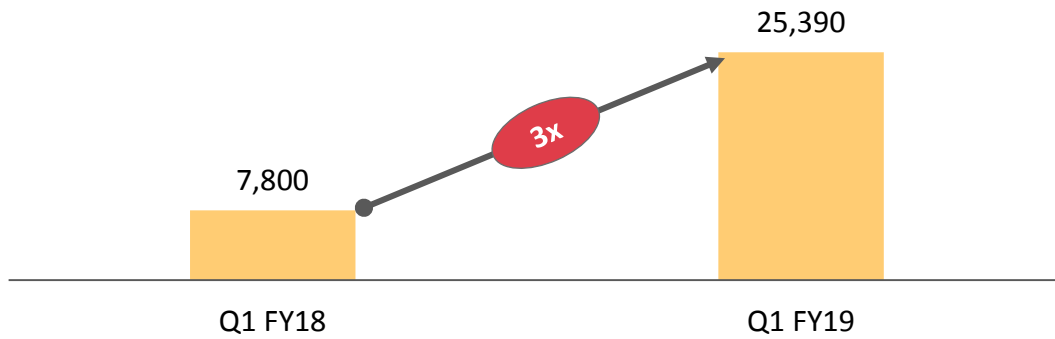
Earnings Before Tax



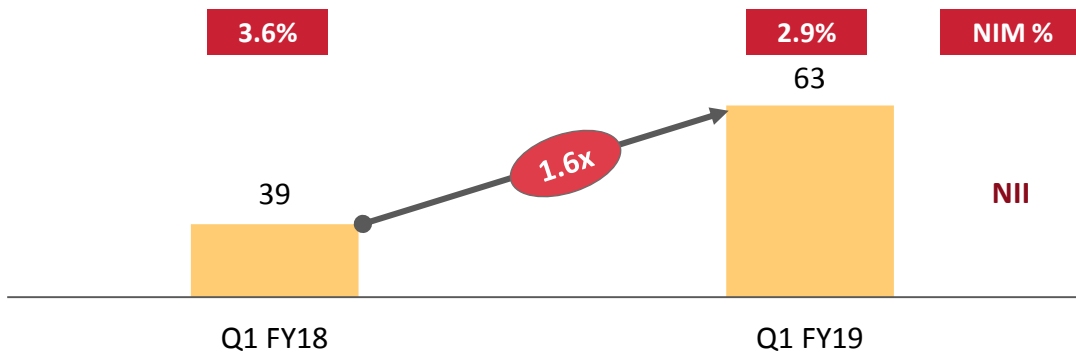
# Building profitable scale

Figures in Rs Crore

## Number of Customers



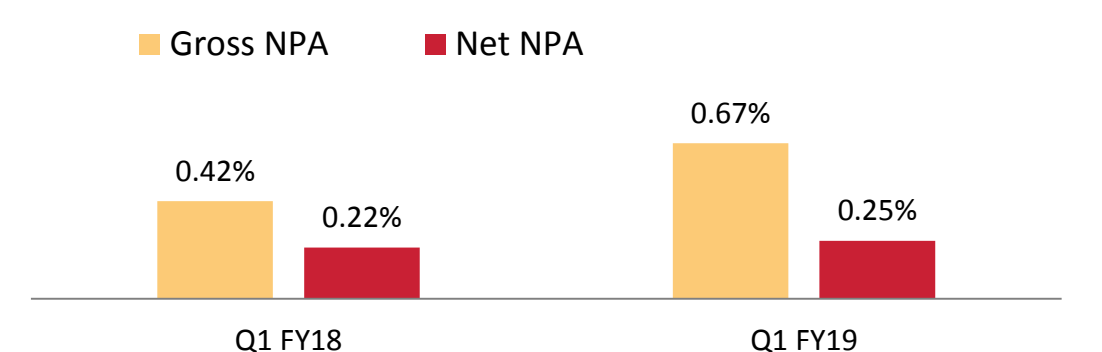
## Net Interest Income & NIM % (incl. Fee Income)



## Average Ticket Size (in Lakhs)



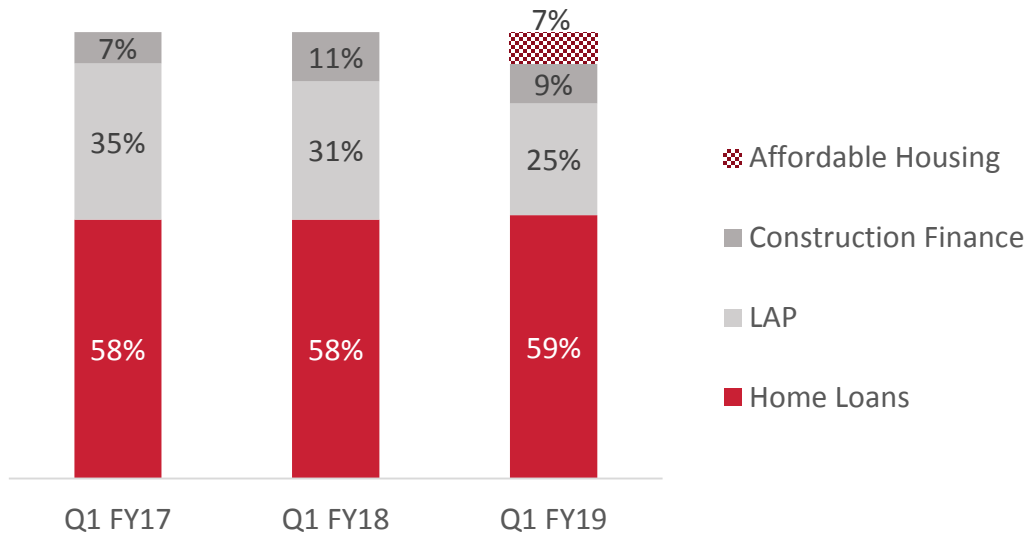
## Stage 3 - GNPA & NNPA %





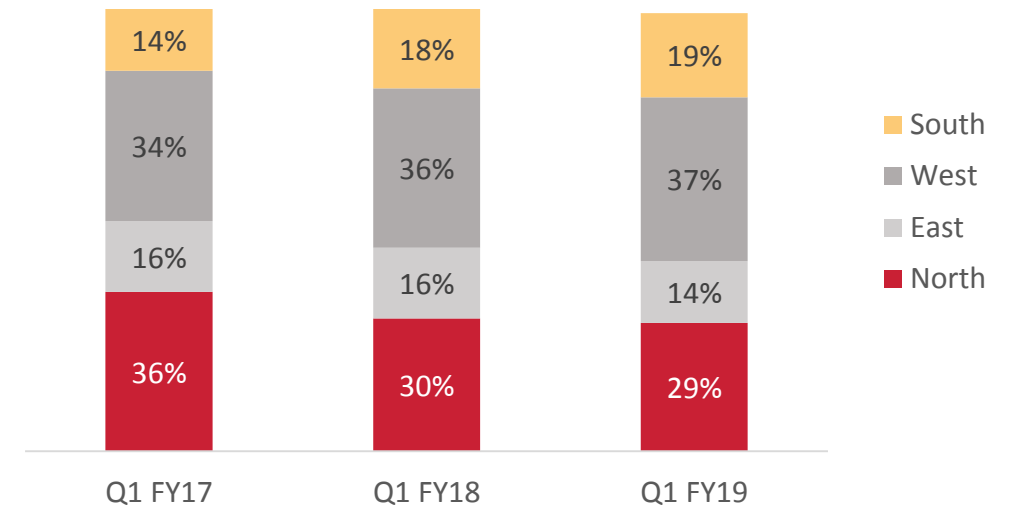
# Diversification across products & geographies

Portfolio Mix (%)



*Scaling up of affordable housing to tap growth in Tier 2-4 cities.  
Started in June 2017*

Geographic Mix (%)



- *51 branches currently operational pan-India; Added 10 branches over last year*
- *3100+ channel partners*

# Key Financials – Aditya Birla Housing Finance Limited



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Figures in Rs Crore	Quarter 1		Δ LY%
	FY 17-18 (PY)	FY 18-19 (CY)	
<b>Key Performance Parameters</b>			
<b>Lending book</b>	4,816	<b>9,176</b>	↑ 1.9x
Average yield	10.57%	10.04%	
Interest cost / Avg. Loan book	7.00%	7.15%	
Net Interest Income (incl. Fee Income)	3.57%	2.89%	
Revenue	116	225	↑ 1.9x
<b>Cost Income Ratio (%)</b>	68%	71%	
Credit Provisioning	4	5	
<b>Earnings before tax</b>	8	13	↑ 1.7x
<b>Net worth</b>	435	<b>924</b>	

Aditya Birla Sun Life AMC Limited



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# Balanced growth in assets and profitability

## Overall market leadership with No.3 Rank

Domestic AAUM market Share of 10.7%

## Equity AAUM grew by 49% y-o-y

Equity Mix at 36% (Grew by 12% over last 2 years)

Equity AUM (incl. Alternate and Offshore Equity) at ~Rs 1,00,000 Crore

## Domestic AAUM grew 21% y-o-y

Previous Year domestic AUM: Rs 2,05,715 Crore

## Operating EBT increased by 47%<sup>1</sup>

% of Domestic AAUM at 25 bps (PY 20 bps)<sup>2</sup>

Led by growth in high margin products

<sup>1</sup> EBT (ex-MTM impact on investments)

<sup>2</sup> Annualized Q1 FY19 earnings

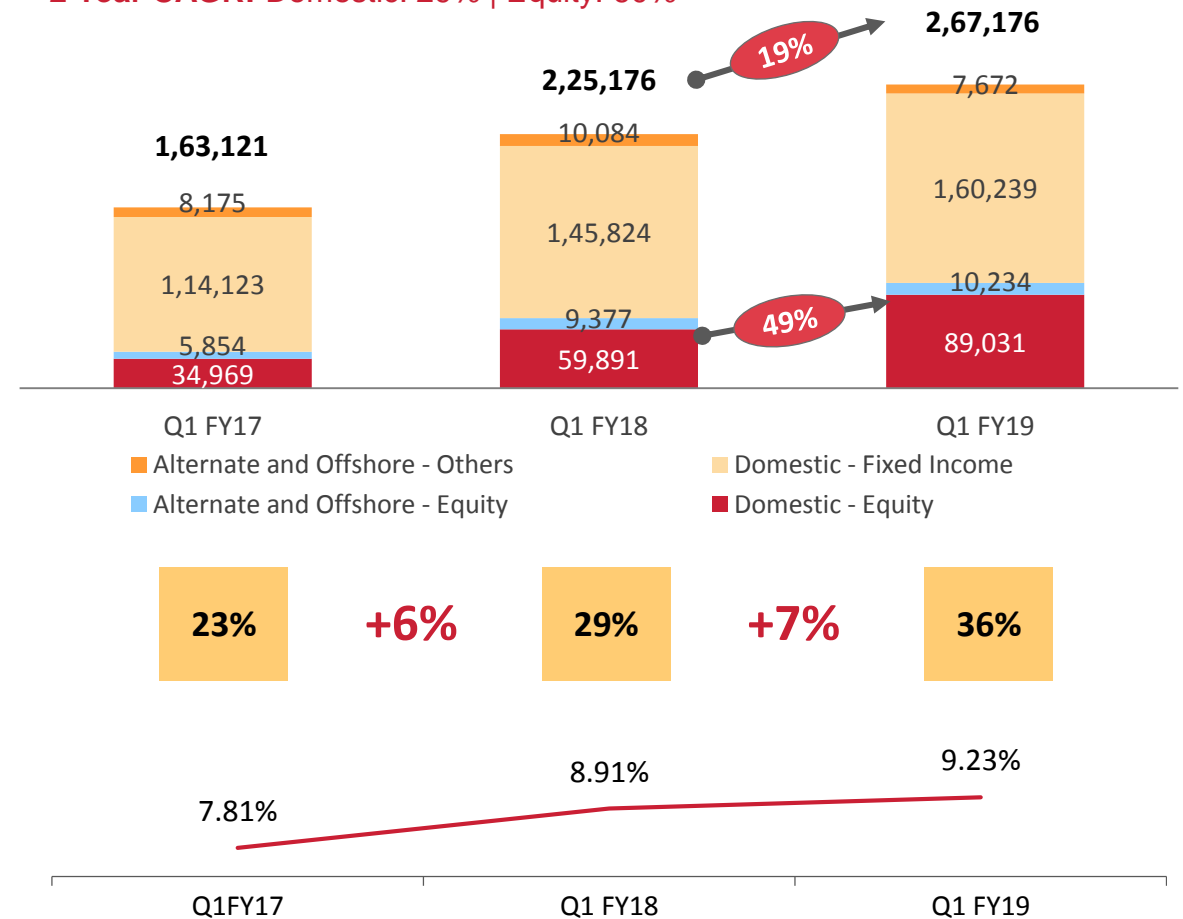
Growth in Overall AAUM

Equity % of Domestic AAUM

Gaining Equity Market Share

2 Year CAGR: Domestic: 29% | Equity: 60%

Figures in Rs Crore



# Continued focus on retail expansion

## Retail + HNI AUM<sup>1</sup> at Rs 1,20,000+ Crore

Retail AUM grew significantly higher than peers  
 ABSLAMC: **43%** | Industry: **33%** | Top 5: **28%**

## Investor folios up 2x in 2 years

## Monthly SIP book<sup>2</sup> over Rs. 1,000 Crore

Grew 3x over 2 years | SIP Market Share 12.1%<sup>3</sup>

## Pan India Presence Across 247 Locations

And target to reach 290 locations by FY19

## Broad based retail penetration in B-30 Cities with AUM at ~ Rs 30,000 Crore

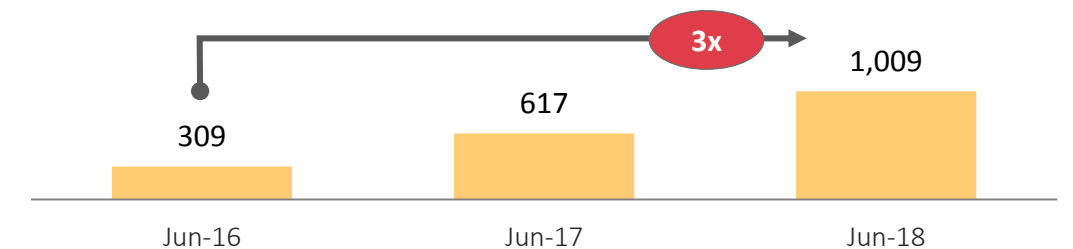
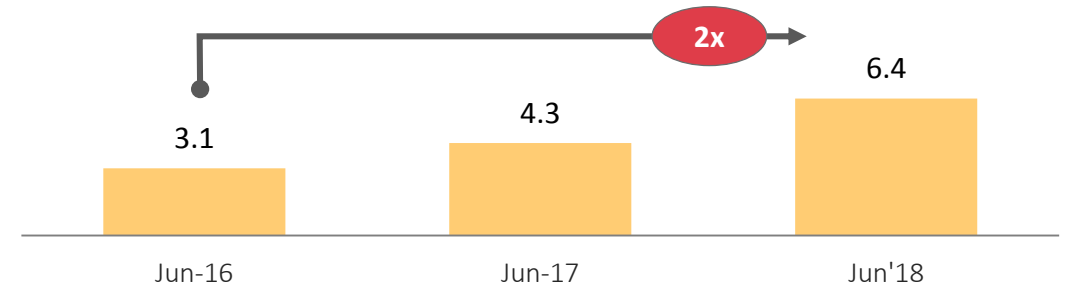
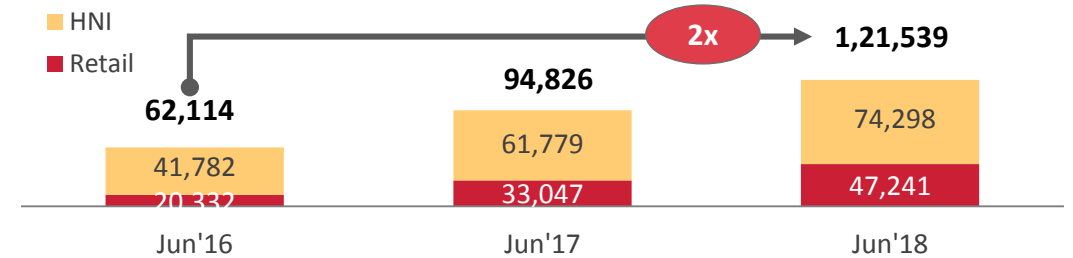
12% of total domestic AAUM

Increasing  
Retail  
Penetration

Significant  
Growth in  
Investor  
Folio  
(Million)

Growth in  
Monthly  
SIP book<sup>2</sup>

Figures in Rs Crore



<sup>1</sup> Source: AMFI   <sup>2</sup> Including STP   <sup>3</sup> Excluding STP

# Key Financials – Aditya Birla Sun Life AMC Limited



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Figures in Rs Crores	Quarter 1		Δ LY%
	FY 17-18 (PY)	FY 18-19 (CY)	
<b>Key Performance Parameters</b>			
<b>Domestic AAUM<sup>1</sup></b>	<b>2,05,715</b>	<b>2,49,270</b>	<b>↑ 21%</b>
Domestic Equity AAUM <sup>1</sup>	59,891	89,031	<b>↑ 49%</b>
Alternate and Offshore Equity AAUM	9,377	10,235	
<b>Total Equity</b>	<b>69,268</b>	<b>99,266</b>	
Revenue from Operations	270	352	<b>↑ 30%</b>
Other Income	24	10	
<b>Total Income</b>	<b>294</b>	<b>362</b>	
Costs	175	216	
<b>Earnings before tax</b>	<b>119</b>	<b>146</b>	
Earnings after tax	80	102	
<b>Earnings before tax (Excl. MTM)</b>	<b>104</b>	<b>153</b>	<b>↑ 47%</b>
<b>Earnings before tax (Excl. MTM) - % of Domestic AAUM<sup>2</sup></b>	<b>20 bps</b>	<b>25 bps</b>	<b>↑ +5 bps</b>

<sup>1</sup> Quarterly Average Assets Under Management (AAUM)

<sup>2</sup> Annualised Q1 FY19 earnings

Aditya Birla Sun Life Insurance Limited



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# Strong value creating growth

Figures in Rs Crore

## Individual FYP grew by 40% y-o-y

Significantly higher than peer-group y-o-y growth<sup>1</sup>

Industry: **6%** | Private: **5%** | Top 4 Private: **2%**

## Improved individual rank by 2 spots to No.7<sup>1</sup>

## Highest Gross VNB Margin<sup>2</sup> at 37.2%

Gross VNB grew by 85% Y-o-Y

## Improvement in Product Mix

Increase in protection mix from 5% to 9%

## Growing HDFC Distribution Partnership

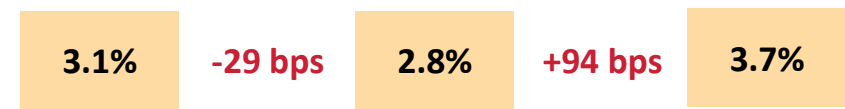
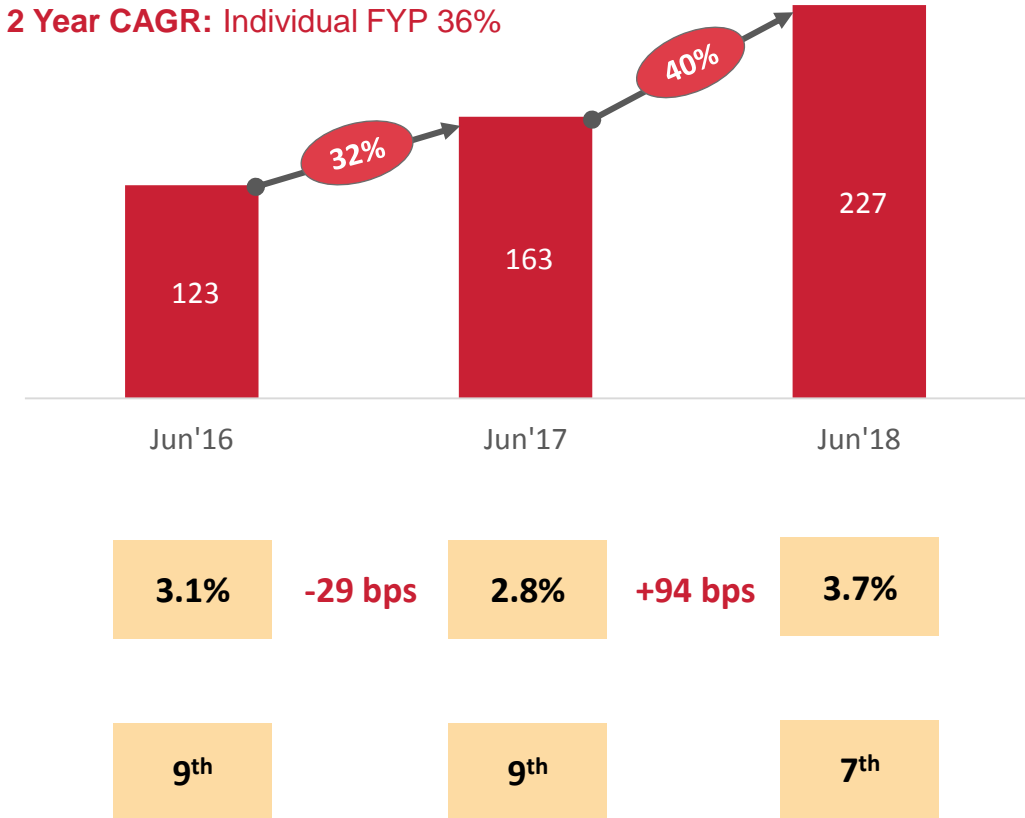
Aiding strong growth in market share

Individual FYP  
Growth<sup>1</sup>

Individual FYP  
Market Share<sup>1</sup>

Individual FYP  
Rank<sup>1</sup>

2 Year CAGR: Individual FYP 36%



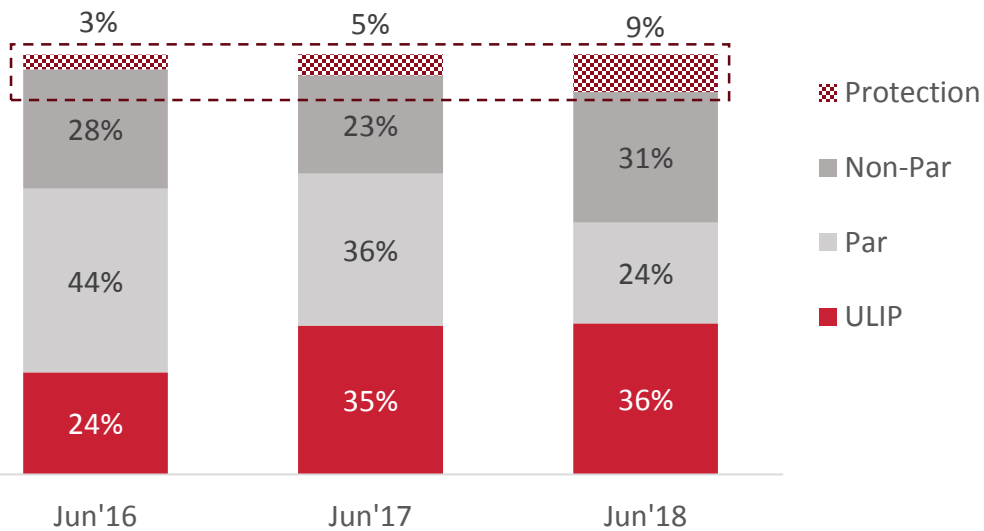
<sup>1</sup> Rank and Market Share amongst players (Excl. LIC) based on Individual FYP: Source IRDAI

<sup>2</sup> Based on Individual Business basis Management Review



# Focus on balanced product and channel mix

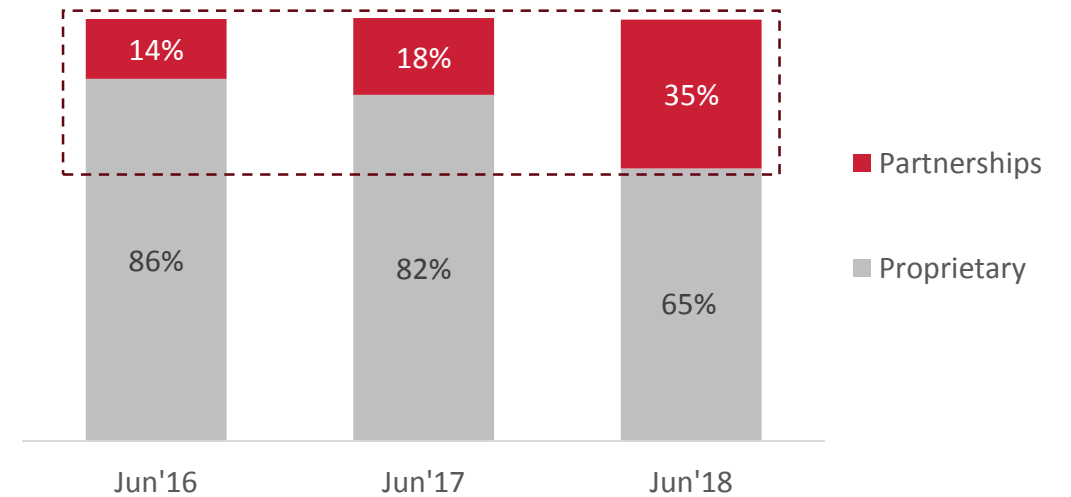
## Increasing Share of Individual Protection in Product Mix



**Protection Mix Grew by 3x over 2 years**

*Maintaining Balanced Product Mix*

## Balanced Sourcing Strategy led by growth in Partnerships



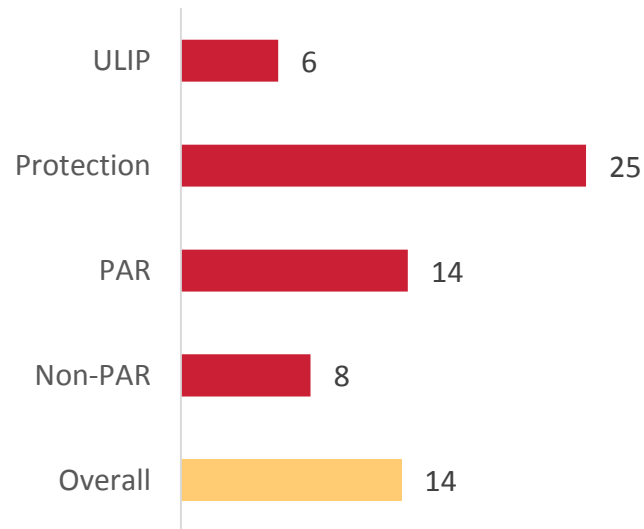
**Consistent Increase in Non - Agency contribution**

*Driven by Increase in Share of Banca*

*Scaling up HDFC Bank partnership; Access to Pan-India HDFC branches effective 1<sup>st</sup> April 2018*

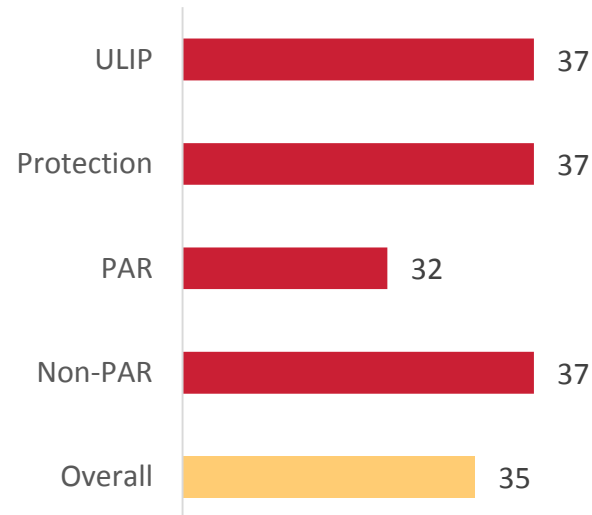
# Focus on quality of business

## Average Policy Term<sup>1</sup>



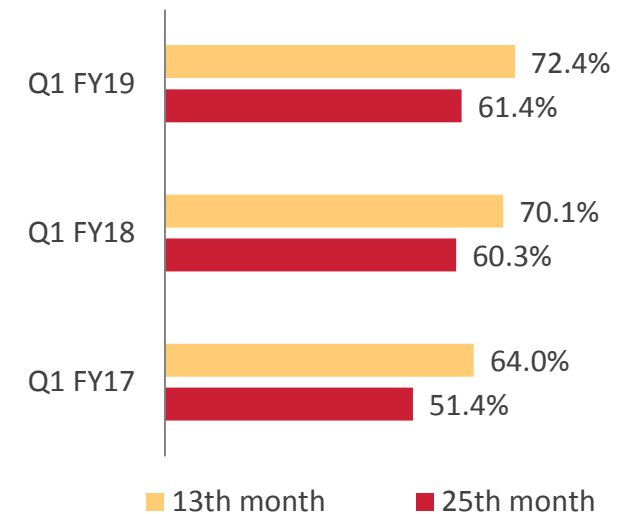
**Average Premium Paying Term at  
14 Years**

## Average Customer Age<sup>1</sup>



**Average Customer Age has  
Reduced to 35 Years**

## Persistency Ratios<sup>1</sup>



**Consistent Increase in 13<sup>th</sup>  
Month and 25<sup>th</sup> Month  
Persistency Ratios**

<sup>1</sup> Parameters are pertaining to Individual Business

# Key Financials – Aditya Birla Sun Life Insurance Limited



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Figures in Rs Crore	Quarter 1		Δ LY%
	FY 17-18 (PY)	FY 18-19 (CY)	
<b>Key Performance Parameters</b>			
<b>Individual First year Premium</b>	168	<b>237</b>	41%
Group First year Premium	117	284	
Renewal Premium	590	607	
<b>Total Gross Premium</b>	<b>875</b>	<b>1,129</b>	29%
Revenue	990	1,287	
Opex to Premium <sup>1</sup> (Excl. Commission)	21.0%	19.8%	
<i>Opex to Premium<sup>1</sup> (Incl. Commission)</i>	25.3%	24.4%	
<b>Earnings before tax</b>	<b>11</b>	<b>29</b>	3X
<b>Earnings before tax (Excl. – MTM/Fair Valuation Impact)</b>	<b>26</b>	<b>25</b>	
Earnings after tax	11	24	
Assets Under Management	<b>35,728</b>	<b>37,809</b>	

<sup>1</sup> Based on IRDAI reporting

Aditya Birla Health Insurance Limited



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# Strong momentum driven by retail growth

Figures in Rs Crore

## GWP at Rs 76 Crore

Retail contribution at 52% as against 6% LY  
Covering more than 1 mn lives

## Significantly scaled distribution channel

## Building profitable growth

Improved claims ratio by partnering with customers through their health journey

Retail: 46% | Group: 99%

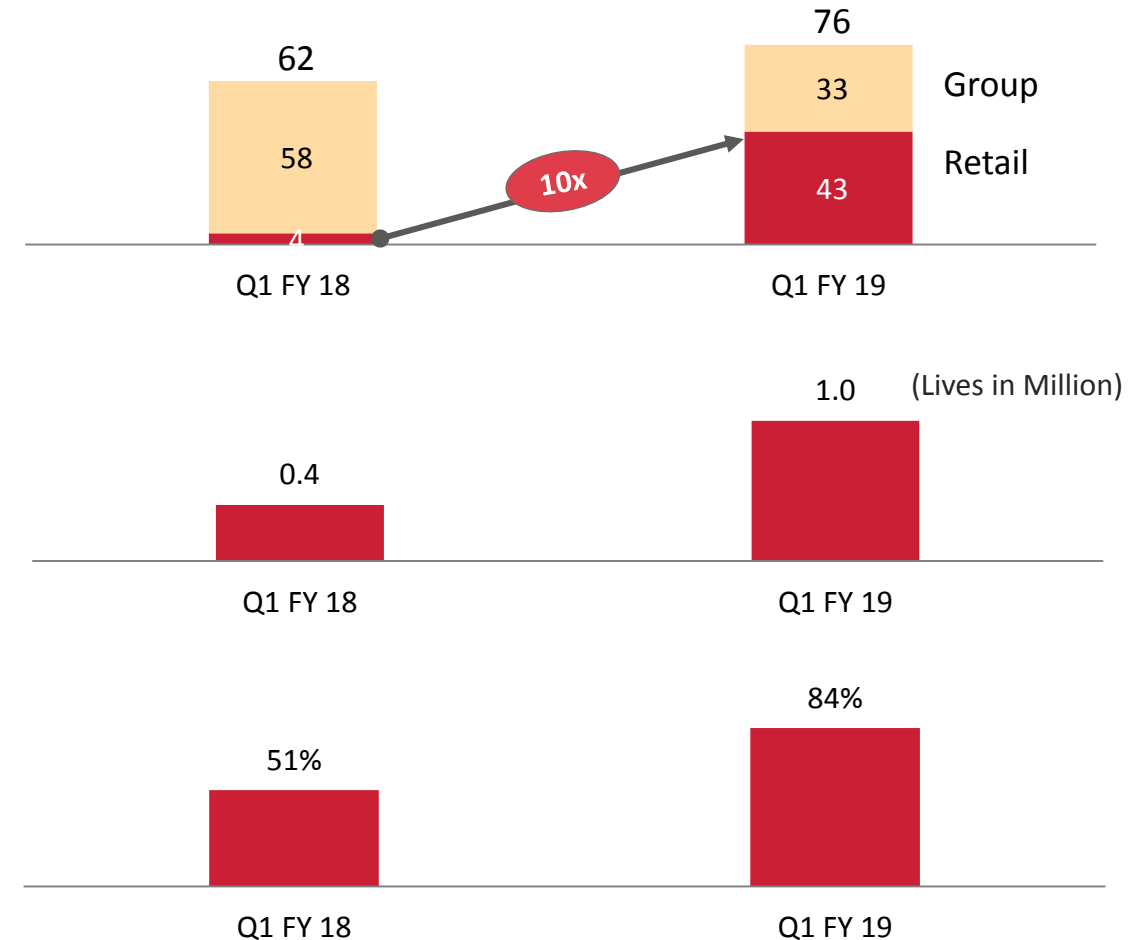
## Digitisation of customer journey

84% of policies issued digitally

Strong  
GWP  
Growth led  
by Retail  
GWP  
Growth

Inforce  
lives of  
more than  
1 Million

Focus on  
driving  
digital



# Building multi-channel leadership capacity for future growth

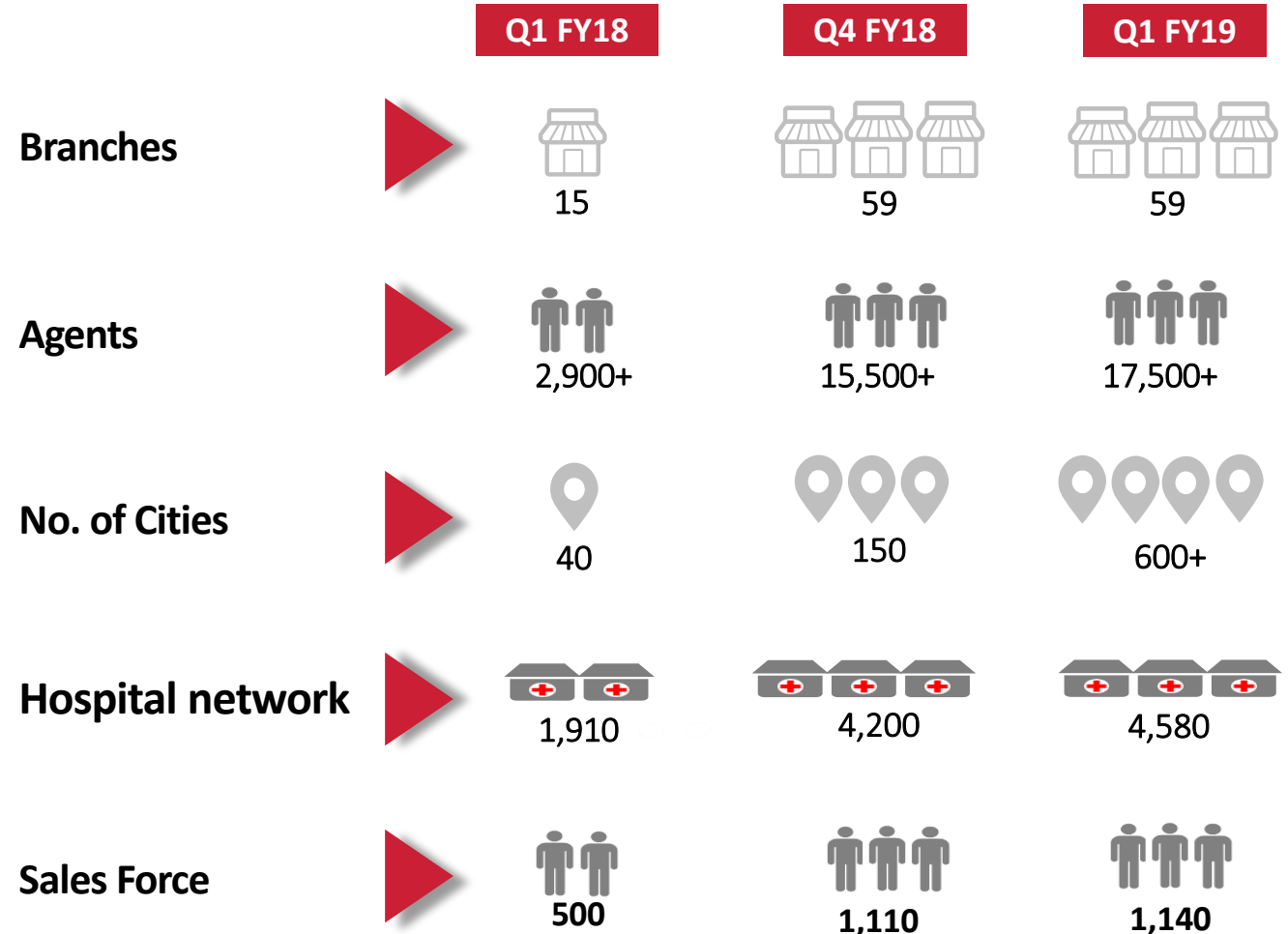
## Significant momentum in distribution creation across all channels

### 7 Banca tie-ups:

- HDFC, DCB, RBL, Deutsche Bank , ABPB & AU Bank.
- KVB signed up in Q1 FY19

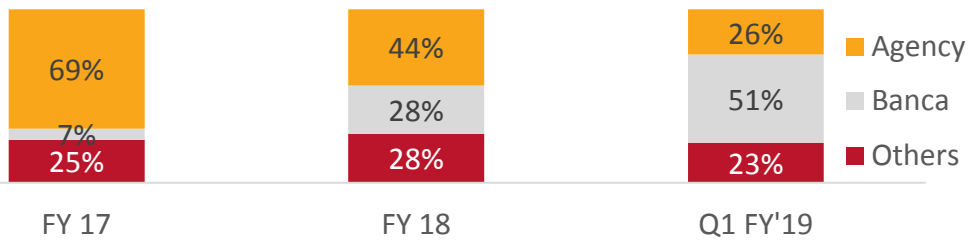
## Increased Access to New Verticals With Banca Partners

### Scaling up HDFC Bank partnership



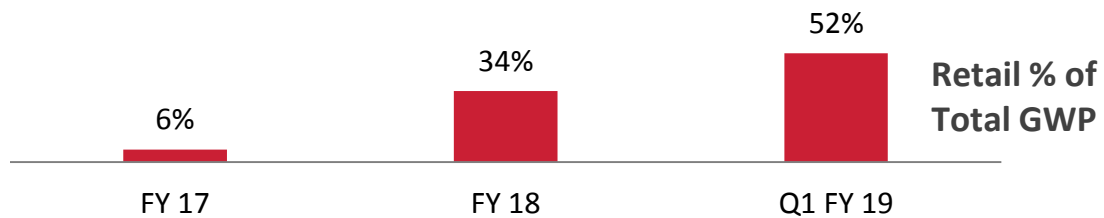
# Driving value through diversification

## Channel mix - Increasing contribution from Banca



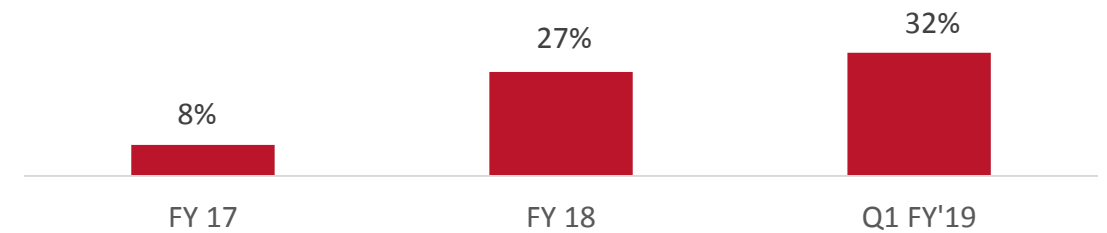
Increasing contribution from bancassurance

## Increasing contribution of Retail GWP



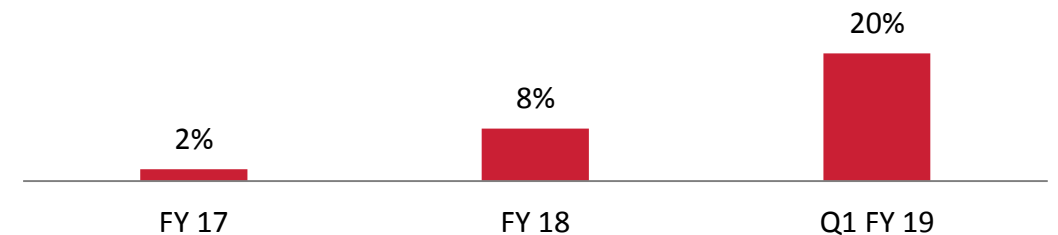
Improving margins by Increasing retail mix

## Geographical diversification (% contribution of Non-Metro)



Presence across 36 cities through 59 branches and 600+ locations through third party partners

## Increasing mix of Fixed benefit product (Fixed benefit % total GWP)



Driving higher fixed benefit products for improving margins


## Other Financial Services businesses

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# Other Financial Services Businesses

Figures in Rs Crore

Key Performance Parameters For Other Financial Services Businesses <sup>1</sup>	Quarter 1		Δ LY%
	FY 17-18 (PY)	FY 18-19 (CY)	
Aggregate Revenue	88	162	 1.8x
Aggregate Earnings before tax	9	4	Profitable

## General Insurance Broking

- Premium placement grew y-o-y by 69% to Rs 998 Crore
  - General insurance industry's premium grew by 18%
- Market share in premium placement grew to 2.67% (PY: 1.77%)
- Revenue increased to Rs 116 Crore (PY: Rs 47 Crore) on account of regulatory changes in MISIP guidelines impacting commission structure to brokers
- EBT at Rs 15 Crore (PY Rs 19 Crore) due to margin compression led by regulatory changes

## Stock and Securities Broking

- Revenue at Rs 42 Crore (increased 17% y-o-y)
- Focus on increasing business from digital channels

## **Annexure**

## **Consolidated Financials**

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# Segmental Financials – Q1 FY19

Figures in Rs Crore

Revenue		Businesses	EBT		
FY 17-18 (PY)	FY 18-19 (CY)		FY 17-18 (PY)	FY 18-19 (CY)	
1,027	1,272	NBFC	253	335	
271	352	Asset Management <sup>1</sup>	119	146	
990	1,287	Life Insurance	11	29	
<b>2,288</b>	<b>2,910</b>	<b>Established Businesses</b>	<b>383</b>	<b>510</b>	<b>↑ 33%</b>
116	225	Housing	8	13	
64	76	Health Insurance <sup>2</sup>	(34)	(65)	
47	116	General Insurance Broking	19	15	
36	42	Stock & Securities Broking	1	3	
18	9	Other Financial Services	(11)	(43)	
(15)	(5)	Inter Segment Elimination	(15)	(5)	
<b>2,553</b>	<b>3,374</b>	<b>Consolidated<sup>1,2</sup></b>	<b>365</b>	<b>434</b>	<b>↑ 19%</b>

<sup>1</sup>Aditya Birla Sun Life AMC Ltd consolidated based on equity accounting under Ind AS, however considered as a part of segmental performance to show holistic financial performance

<sup>1</sup>Aditya Birla Wellness Pvt Ltd consolidated based on equity accounting under Ind AS, however considered as a part of segmental performance to show holistic financial performance

# Consolidated Profit & Loss



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Figures in Rs Crore

Consolidated Profit & Loss	Quarter 1		
	FY 17-18 (PY)	FY 18-19 (CY)	
<b>Revenue</b>	<b>2,253</b>	<b>2,978</b>	32%
EBITDA	939	1,217	
Less: Interest Expenses for lending businesses	660	885	
Less: Other Interest Expenses	11	21	
<b>EBDT</b>	<b>267</b>	<b>311</b>	
Less: Depreciation	20	21	
<b>Earnings Before Tax</b> (before share of profit/(loss) of Joint ventures	<b>248</b>	<b>290</b>	
Add: Share of Profit/(loss) of associate and Joint ventures	40	51	
<b>Earnings Before Tax</b>	<b>287</b>	<b>341</b>	
Less: Provision for taxation	105	139	
Less: Minority Interest	11	(15)	
<b>Net Profit (after minority interest)</b>	<b>172</b>	<b>216</b>	26%

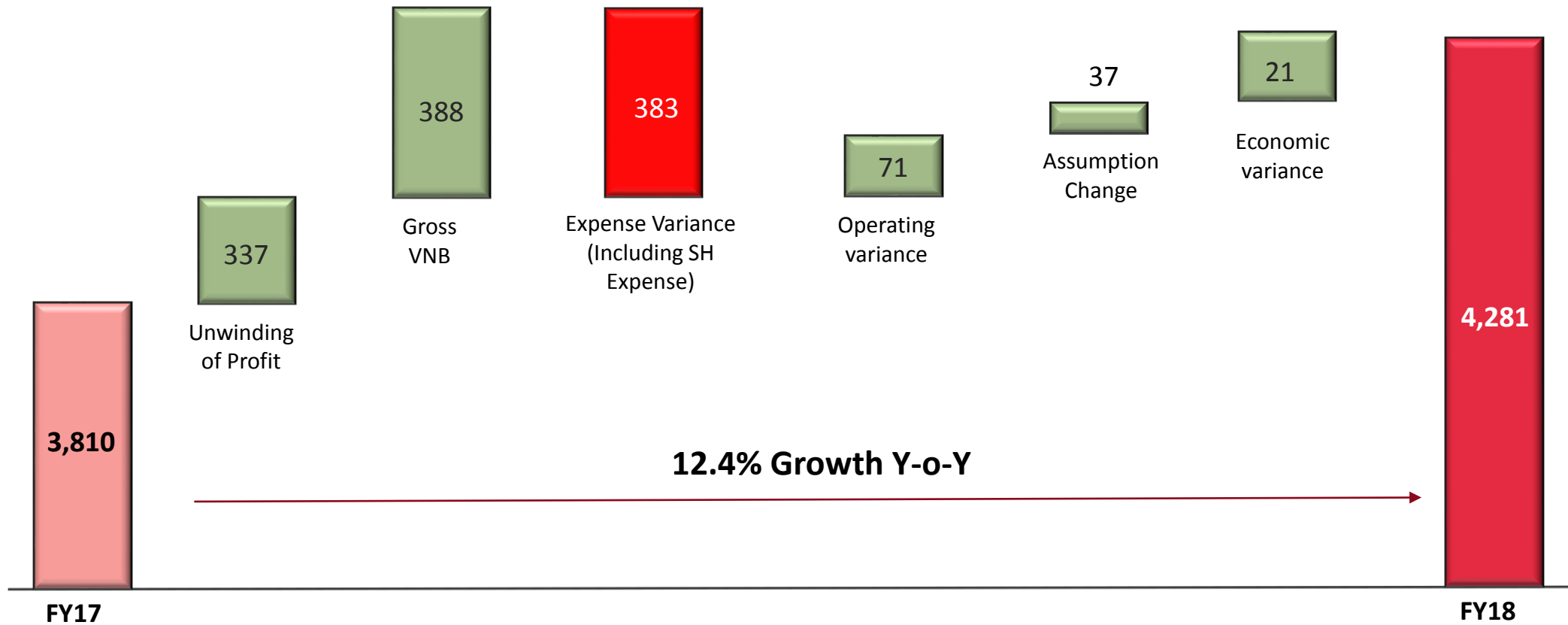
## **Annexure**

# **Market Consistent Embedded Value (MCEV) – Life Insurance**

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# MCEV Bridge

Figures in Rs Crore



# Sensitivity Analysis

Scenarios	% Change in IEV	% change in Gross VNB
<b>Reference Rates and Assets</b>		
Increase of 100 bps in the reference rates	4.0%	14.9%
Decrease of 100 bps in the reference rates	(5.2%)	(18.6%)
Equity Values decrease by 10%	(0.7%)	(1.4%)
<b>Policy/premium discontinuance rates (proportionate)</b>		
10% increase (multiplicative)	(0.7%)	(4.5%)
10% decrease (multiplicative)	0.6%	5.2%
<b>Insurance risks (Mortality and Morbidity)</b>		
An increase of 5% (multiplicative)	(0.8%)	(2.8%)
A decrease of 5% (multiplicative)	0.8%	2.8%

Scenarios	% Change in IEV	% change in Gross VNB
<b>Maintenance Expenses</b>		
10% increase	(2.1%)	(1.9%)
10% decrease	2.1%	1.9%
<b>Acquisition Expenses</b>		
10% increase	N.A	0.0%
10% decrease	N.A.	0.0%
<b>Taxation</b>		
Assumed tax rate increase to 25% (21.46% plus surcharge & cess)	(8.8%)	(16.4%)
Assumed tax rate increased to 34.94% (30% plus surcharge & cess)	(17.5%)	(31.9%)



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PROTECTING INVESTING FINANCING ADVISING

# Aditya Birla Capital Limited

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- CY – Current Year
- FY – Financial Year (April-March)
- PY – Corresponding period in Previous Year
- PQ – Previous Quarter
- Q1– April-June
- Q2 – July-September
- Q3 – October - December
- Q4 – January - March
- YTD – Year to date
- NII – Net Interest Income
- NIM – Net Interest Margin
- DPD – Days past due
- CAB – Corporate Agents and Brokers
- AAUM – Quarterly Average Assets under Management
- FYP – First Year Premium Income
- Banca - Bancassurance
- VNB – Value of New business
- GWP – Gross Written Premium
- ECL – Expected Credit Loss
- EIR – Effective Interest Rate