Aditya Birla Capital Ltd. (ABCL)

Q4 FY24 Earnings Conference Call Transcript

May 13, 2024

Moderator:

Ladies and gentlemen, good day and welcome to the Q4 FY24 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Vishakha Mulye, CEO, Aditya Birla Capital Limited. Thank you, and over to you.

Vishakha Mulye:

Good evening, everyone and welcome to the earnings call of Aditya Birla Capital for Q4 of FY2024.

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

The Indian economy continues to remain resilient even as overall global outlook is challenged by continuing geopolitical conflicts, disruptions in trade routes and high public debt burden. The real GDP growth rate of 8.4% in Q3 FY24 exceeded all forecasts leading to an upward revision in growth estimates for FY25. GST collections crossed 2 lakh crore Rupees in April. Inflation is moving closer to targets.

At Aditya Birla Capital, we continue to focus on driving quality and profitable growth by leveraging data, digital and technology. Customer-centricity is a key element underpinning our strategy to grow our business. We had mentioned in our previous earnings call that we would build on the growth momentum across our businesses with emphasis on prudent risk management and return of capital and follow an omnichannel architecture for distribution. I am happy to share our progress during the year against these targets.

- Growth momentum
  Consolidated profit after tax, excluding exceptional items, grew by 41% year-on-year to 2,902 crore Rupees in FY24. The total consolidated revenue grew by 30% year-on-year to 39,050 crore Rupees in FY24. Our NBFC portfolio grew by 31% year-on-year and 7% sequentially and crossed the 1 lakh crore milestone during Q4 FY24. Our HFC portfolio grew by 33% year-on-year to about 18,400 Crore Rupees. Our mutual fund quarterly average AUM grew by 21% to 3.3 trillion Rupees in Q4 FY24. Total premium in the Life and Health Insurance business grew by 18% year-on-year.

- Prudent risk management with focus on return of capital
  Prudent risk management practices form the bedrock of our approach which enables us to pursue growth while protecting capital. Over the past few quarters, we have made several proactive interventions and tightened our underwriting norms to improve our customer selection. We believe that these practices have held us in good stead in this environment. The gross stage 2 and stage 3 ratio of the NBFC portfolio declined by 135 basis points year-on-year and 36 basis points sequentially to 4.49%. Our total credit cost in the NBFC business was 1.43% in Q4 FY24, which is within our guidance of 1.5%. The credit quality in our HFC business remains robust with gross stage 2 and 3 ratios declining 208 basis points year-on-year and 63 basis points sequentially to 2.91% as of Mar end.

- Omnichannel architecture for distribution
  We follow an omni channel architecture for distribution and provide complete flexibility to our customers to choose the channel through which they wish to interact with us. We continue to expand our branch network to capture white spaces across customer segments. Our overall branch count increased by 179 in FY24, and we had 1,474 branches across all businesses as of March-end. In line with our One ABC approach, we continue to expand our co-located branches, which increased by 212 during the year to 796 branches across 220 locations as of March-end.

  While we increase our physical footprint, we are also strengthening our digital propositions and launching new platforms and channels. Our ABCD app, which has been built in a record time of 12 months, went live about a month ago and is available for download on App Store and Play Store. It offers a comprehensive portfolio of more than 20 products and services such as payments, loans, insurance, and investments along with comprehensive personal finance tracking such as 'My Track'. We have witnessed a robust response for ABCD with more than 1 lakh registrations till date.

  Our comprehensive B2B platform for MSME ecosystem, Udyog Plus has scaled up quite well with more than 8 lakh registrations within nine months of its launch. It has clocked disbursements of about 500 Crore Rupees till date with ABG ecosystem contributing about two-thirds of the business. The total portfolio of Udyog Plus has reached about 250 crore Rupees till date. We are scaling up the business in ABG ecosystem as we expand our market footprint in the MSME segment.

  Our omni channel collections platform for merchants, Payments lounge, has crossed 2,000 crore Rupees GMV till March. We have started integrating the Payments Lounge with ABG ecosystem enabling their merchants to make collections seamlessly.

- Data, digital and technology
  We leverage data, digital and technology to build deep understanding of customer profiles, provide simplified and holistic financial solutions, superior underwriting, and drive cross sell and upsell. This has helped us to increase our sourcing from the ABG and ABC ecosystem, enhance customer engagement and drive quality and profitable growth across businesses. Our business CEOs will cover some of the initiatives and outcomes in detail later during the call.

During Q4 FY24, Aditya Birla Capital and Sunlife sold about 5% and 6.5% stake in ABSLAMC respectively through an offer for sale with the objective of meeting the minimum public shareholding requirement by October 2024, as required by SEBI regulation. The sale received an overwhelming response from investors across domestic and foreign funds. It helped us to strengthen our balance sheet by enhancing the capital base by about 570 crore Rupees.

Our Board of Directors had approved a proposed amalgamation of Aditya Birla Finance with Aditya Birla Capital in March. We have submitted our application to RBI and the stock exchanges for their consideration and are awaiting their approval.

Going forward, we will continue with our approach of driving quality and profitable growth and sustain the momentum of the past two years.

Now I request Vijay to briefly cover the financial performance of our key subsidiaries for the quarter and our approach going forward, over to you Vijay.

Vijay Deshwal:

Thank you Vishakha and good evening to all of you.

The total consolidated revenue grew by 30% year-on-year to 39,050 crore Rupees in FY24. Consolidated profit after tax, excluding one-off items, grew by 33% year-on-year and 10% sequentially to 812 crore rupees in Q4 FY24 and by 41% year-on-year to 2,902 crore Rupees in FY24.

In our NBFC business, disbursements grew by 16% year-on-year to 18,123 Crore Rupees in Q4 of FY24. The loan portfolio grew by 31% year-on-year and 7% sequentially to 1,05,639 Crore Rupees as of March-end. The NBFC business had a RoA of 2.46% and RoE of 17.1% in FY24.

Our Housing Finance Business continues to see strong momentum with disbursements increasing by 64% year-on-year and 45% sequentially to 2,933 crore Rupees during Q4 of FY24. The loan portfolio grew by 33% year-on-year and 11% sequentially to 18,420 Crore Rupees as of March-end. RoA was 1.92% and RoE was 13.9% in FY24.

Coming to our AMC business, the mutual fund quarterly average AUM increased by 6.5% sequentially and 20.5% year-on-year to 3,31,709 crore Rupees, of which equity AUM was approximately 46% in Q4 FY24.

In the Life Insurance business, our total premium grew by 15% year-on-year. Net VNB margin was 20.2% in FY24.

In our Health Insurance business, our unique and differentiated “Health First” model helped us to deliver a growth of 36% year-on-year in FY24. The combined ratio was 110% in FY24.

Going forward, we will continue to make investments in technology to strengthen our digital offerings and platforms and expand our branch network. Risk management as Vishakha mentioned will remain the cornerstone across businesses.

- In the NBFC business, we will leverage our digital platforms ABCD and Udyog plus, the extended ABG and ABC ecosystem and our pan-India based branch network to grow our loan portfolio. We will also look to grow the corporate and mid-market portfolios based on opportunities. As we have stated earlier, we remain confident of doubling the March 2023 portfolio by March 2026 and containing the credit cost within 1.5%.

- In the HFC business, we will leverage the extended ABG and ABC ecosystems to accelerate growth in prime and affordable segments. We have made significant investments in hiring people and in improving our digital capabilities to enhance customer transacting experience and reduce turnaround time. We will build on these capabilities to further accelerate the growth in the portfolio going forward.

- In AMC business, we hired a co-CIO equity to strengthen our investment team and a retail sales head to build on our strong presence in the distribution network. We have also strengthened our alternative assets team. We have seen strong momentum in Q4 on the back of an uptick in equity performance coupled with a well-established fixed income franchise and a robust sales engine. Going forward, we will scale up retail franchise, leverage digital platforms for seamless delivery and grow alternative assets including AIF, PMS and real estate.

- In Life Insurance business, we will grow the traditional products in retail segment and grow credit life in group segment. We will continue to make investments in direct channels and diversify our distribution mix and increase our productivity. Our endeavour would to be grow the topline at a CAGR of more than 20% over the next three years and sustain VNB margin in the range of 18% to 20%.

- In Health Insurance business, we will follow our differentiated health first and data driven approach to for better risk selection and risk pool management and diversify distribution with focus on proprietary channels. Our endeavour is to achieve a combined ratio of 100% by FY26.

I now hand over call to Rakesh Singh MD and CEO of ABFL to discuss the ABFL performance.

Rakesh Singh:

Thanks Vijay, and good evening, everyone.

In our NBFC business, we saw a 7% quarter-on-quarter and 31% year-on-year growth in our AUM, taking it to Rs 1,05,639 Crore in Q4 FY24. Our Retail and SME segment AUM grew by 31% year-on-year and now stands at Rs. 70,547 Crore contributing to 67% of the overall AUM Mix.

We continue to focus on growing business loans to MSME customers and the AUM for this segment has grown at a healthy 13% quarter-on-quarter and 39% year-on-year and comprises 53% of overall portfolio. A large share of this growth has come from secured products and primarily through our direct sourcing channels. Secured loans to MSME customers grew 14% quarter-on-quarter and 42% year-on-year.

In Q4 FY24, we disbursed Rs. 18,123 Cr, which is 16% higher than the previous quarter. For the full year, we disbursed Rs. 64,387 Cr, which grew at a healthy 31% year-on-year despite the calibrations initiated in personal and consumer loan segment in Q3. Disbursements grew by 38% year-on-year in the business loans segment and by 19% year-on-year in personal and consumer loans segment.

We continue to focus on direct sourcing. Nearly 50% of the disbursements in overall Business loans segment in FY24 was done directly and we expect this to continue to inch upward as we scale-up of our B2B platform for MSMEs - “Udyog Plus”. We launched Udyog Plus last year and as of date, we have nearly 8 lakh MSMEs registered on the platform, and we have disbursed more than Rs. 500 Cr in the last nine months on this platform.

Our Net Interest Margin was 6.90% for FY24, which has grown by 6 bps year-on-year despite an increase in cost of funds of 88 bps in FY24. Last quarter, we passed on 20 bps in our new disbursement yields across all product segments to accommodate the increase in our cost of funds.

Our Opex to AUM ratio is at healthy 2.17% for the year and has decreased by 7 bps year-on-year despite our continued investment in branches to scale up direct sourcing in emerging markets. We added 89 branches in the year taking our total branch count to 412 as of March 2024. Our Cost to Income ratio for the year stands at 31.08%, which has improved by 104 bps year-on-year.

Our Profits After Tax for the year was Rs. 2,221 Crore, growing by 43% year-on-year. The Return on Equity for the year expanded by 233 bps year-on-year to 17.10%. The ROA for the year was sustained at 2.46%.

We infused capital of Rs.1,600 Cr in FY24. Our Tier 1 capital adequacy ratio stands at 14.13% and has improved by 21 bps year-on-year despite increased risk weights on personal and consumer loans segments in November last year.

Our asset quality has also shown consistent improvement with our Stage 2 and Stage 3 book reducing by 135 bps year-on-year and 36 bps quarter-on-quarter to 4.49%. The Gross Stage 3 book stood at 2.51% in Mar’24 compared to 3.12% in Mar’23. We have maintained our Stage 3 PCR at nearly 50.0%, which is higher by 374 bps over Mar’23. Credit cost for FY24 was at 1.50% and it has been on a steady decline over the last 2 quarters.

Going forward, we will continue to build a granular portfolio and enhance our Retail and SME Segment Mix with scaling up of Udyog Plus B2B platform and investing in our distribution presence in emerging geographies to fuel growth. Our growth strategy in personal and consumer loans segment will pivot to a platform-based customer acquisition approach through our branches, ABG ecosystem and our newly launched ABCD App. All our digital sourcing journeys on the App and on Udyog Plus are designed for end-to-end control from underwriting to collections giving us complete ownership of customers. As we build scale, enhance capacity and invest in technology, we remain committed to delivering sustainable returns for the forthcoming quarters.

With that, I will now hand it over to Mr. Pankaj Gadgil, MD and CEO of Housing Finance Business.

Pankaj Gadgil:

Thank you, Rakesh, and good evening, everyone. I'm happy to share that we have made consistent progress across key aspects of book growth, asset quality, and profitability.

Key highlights for FY24 are as follows:

- We witnessed accelerated growth in disbursements across product segments. In FY24, we disbursed ₹ 8,450 Cr., marking a significant 59% increase YoY
- Our AUM as of Mar'24 stands at ₹18,420 Cr., an increase of 33% YoY
- The customer base is now at 64,900 and has grown by 19% YoY. We continue to focus on granularity with ticket size of about ₹ 28 lakhs
- Profit Before Tax for the year is ₹376 Cr., an increase of 22% YoY
- Average cost of borrowing for the year is at 7.66% and we are consistently rated AAA for seventh consecutive year by ICRA and India Ratings
- Asset quality has improved with stage 3 reducing to 1.82% which is 141 bps reduction YoY
- The ROA for FY24 is 1.92% and ROE is at 13.87%

For more detailed financial information, please refer to slide 28 of the presentation.

Now, let me provide you with an update on our organizational roadmap. You can find the details of the same on slide 29.

In terms of disbursements, we've witnessed impressive growth across segments with a 64% YoY increase in disbursements in Q4FY24. Also, I'm happy to share 9.8% of the retail disbursals are generated from the ABG ecosystem in FY24.

Moving on to digital reinvention, as you can see on slide 26, we've launched four significant platforms during FY24. Our flagship platform, "Finverse", an end-to-end unified digital lending platform, which had gone live in record nine months, achieved 100% adoption within three months of its launch. With over 1,800 design hours invested, Finverse further enhances our predictability throughout the customer life cycle. Our second platform, "Sales CRM" has also shown promising results, with a 24% increase in productivity and 2.1 times increase in our channel partner base to 12,000+ today. Our third platform, "ABHFL Finserve", aids in our efforts to be the most preferred choice for customers by ensuring service guarantee within hours, which resulted in a significant rise in our Net Promoter Score to 69 in Mar'24. The fourth platform, ABHFL FinCollect, is an end-to-end debt management platform offering mobility-led solutions for field staff, including system-generated payment links and instant receipting. With a robust debt service framework and pre-delinquency management the collection efficiency is consistent at 99%+ in FY24.

On data and analytics, we've successfully deployed 9 data marts and 16 models during FY24, spanning across the customer journey from demand generation to collections. For example, our pre-delinquency model, and flow prediction model, has played an important role in improving portfolio quality, resulting in a 208-bps yoy reduction in stage 2 + 3 as compared to FY23. For further details on data & analytics, please see slide 27.

As you can witness, we have demonstrated 7 quarters of consistent growth across segments with improved portfolio quality and customer advocacy. With these building blocks now in place, we would be focusing on increasing our scale of operations by accelerating investments in digital, technology, analytics and manpower, while simultaneously improving productivity in FY25.

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

A. Balasubramanian:

Thank you, Pankaj. In AMC business our focus has been to strengthen our main levers of growth in the organization by bringing in the right talent and making strategic changes in certain leadership roles.

In fact, our momentum in the last quarter is on the back of:

- Uptick in equity performance coupled with a well-established fixed income franchise,
- a robust sales engine and close-to-the-ground connection,
- tech-enabled services and a growing digital business network.

Building on this synergy and energy, the business is on a meaningful momentum and our team is geared to make the most of it.

In Q4FY24, our total quarterly average assets under management, encompassing alternate assets, reached Rs. 3.46 lakh crores, reflecting a 21% year-on-year growth. Notably, our Mutual Fund quarterly average AuM reached Rs. 3.32 lakh crores, with Equity quarterly average AuM standing at Rs. 1.52 lakh crores.

I am happy to say that our SIP Numbers during the quarter has witnessed a good uptick moving from Rs. 1,005 crores in the month of December 2023 to Rs. 1,252 crores in March 2024, marking a 25% quarter-on-quarter increase. We have added around 6 lakh new SIPs, which is approximately a 2.5x increase compared to the previous quarter. Individual investors, with an average AUM of Rs. 1.73 lakh crore, now constitute 52% of our assets. Additionally, the contribution from B30 cities stands at about 17.5% as of March 2024.

On the alternative business front, our good investment performance experience in PMS helped us in getting our products being sold in some of the organized channels through the launch of ABSL India Special Opportunities Fund (CAT III AIF). Our passive assets stand at around Rs. 28,900 crores and have built a strong customer base of around 6.85 lakh folios to our passive offerings.

Moving on to the financials, we at ABSLAMC are happy to inform you that we have achieved our highest ever profitability in FY24.

- Profit before Tax is at Rs 1008 Cr; up 27% Y-o-Y and Profit after Tax is at Rs 780 Cr; up 31% Y-o-Y
- For FY24, Total Revenue is Rs. 1641 Cr; up 21% Y-o-Y
- In Q4 FY24, Total Revenue is Rs.440 Cr; up 34% Y-o-Y
- Q4 FY24, Profit before Tax is at Rs 268 Cr.; up 48% Y-o-Y and Profit after Tax is at Rs 208 Cr.; up 54% Y-o-Y

We are pleased to announce that the board has proposed Dividend Rs. 13.5 per share for FY24. With this I will now handover to Kamlesh Rao, MD and CEO of ABSLI.

Kamlesh Rao:

Thank You Bala and good evening to all of you. The premium growth for the Life Insurance industry was muted in FY24 as compared to the previous year. Individual first year premium growth for the overall industry was 5% and private industry was 8%. Individual FYP growth of ABSLI was 2%. The growth in the policy count was 17% as compared to last year, which was part of our strategy to manage the reduction of greater than 5 lacs business in our portfolio post regulatory changes. Over a 2-year period, ABSLI has clocked a CAGR of 18% in individual business compared to 16% CAGR in private industry and 12% in overall industry.

In the Group Life Insurance segment, the private industry saw a growth of 20% in FY24, while Industry saw a growth of 1% in FY24 and ABSLI registered a growth rate of 9%. We continue to remain No.1 in ULIP AUM in the industry at an AUM size of close to Rs. 12000 Crs.

Our total premium of Rs. 17,260 crores has registered a growth rate of 15% over last year's same period, with a 2-year CAGR of 19%, demonstrating our increasing business growth. This growth came from new business growth as well as renewal premium growing at 24% in FY24. Our digital collections now account for 80% of our renewal premium. We continue to work on Customer Lifetime value, which is reflected in our upsell ratio which touched 29% and helped productivity growth in both proprietary and partnership channels.

In the product mix of the individual business, traditional business contributed 73% and ULIP was 24%. The robust performance of the equity markets saw an uptick in the sales of ULIP products across the industry. At ABSLI we also witnessed a similar trend. The proportion of ULIP after remaining at about 21% in the first nine months of the year increased to 24 % for the full year.

I had mentioned in an earlier quarter earnings call that there we had seen some slowdown of business sourced through our biggest Banca Partner in Q2, which slowed down our overall growth for last year. As the year has ended, the business has settled in this counter. We continue to invest in higher capacity in our Proprietary channels and other Banca partners. Axis bank will begin sourcing the business for us from May 2024 onwards. Bank of Maharashtra and IDFC First Bank are already live from Q3FY24, and we are in the process of scaling them up.

The decrease in G Sec rates in Q4 along with a higher proportion of ULIPs led to a decline in net VNB Margins to 20.2% in FY24 from 23% in FY23. On the back of strong quality of inforce book, EV increased by 28% year-on-year to Rs 11,539 Cr as of March 31, 2024. The RoEV was 18.8% in FY24.

Persistency across all buckets did well with the 13th month now at 88% and the 61st at 65%.

Our Asset under management now stands at close to Rs. 86,161 crores, with a YoY growth of 23%. 26% of this AUM is in equity and the balance 74% in debt. Our investment performance has been better than 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 Slide 47. 100% of new business customers are onboarded digitally, 83% of all our services are now available digitally, covering 67% of our customer transactions, and our customer self-service ratio now stands at 91%.

Going forward, we will drive our premium growth from a diversified mix of both proprietary and partnership channels backed by productivity and capacity. We will continue to invest in proprietary channels. Further, we expect the three new banca partners - Axis bank, Bank of Maharashtra and IDFC First Bank, to contribute 10%-15% of our topline in FY25. We expect continued improvement in the quality of the book. Our endeavor is to grow the business at a CAGR of more than 20%, helping us to get close to doubling our size from where we are present today over the next 3 years. We believe that VNB margins will settle at around 18%-20% based on our expectations of G-sec rates and product mix. Our absolute net VNB growth will also be close to double, in line with our new business growth expectation. 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. With this I handover to Mayank Bathwal, CEO of Health Insurance business.

Mayank Bathwal:

Thanks, Kamlesh. In our Health Insurance business, the growth and momentum which we witnessed in Q3 continued in Q4 as well, and we clocked an impressive 52% YoY growth, solidifying our position as the fastest-growing SAHI player during the quarter. For FY24, we achieved a gross premium of Rs. 3,701 crores, experiencing a strong 36% year-over-year growth. So, over a 3-year period now our sales CAGR stands at 42%.

As I had guided at the beginning of the year that we will make some model changes/structural adjustments post introduction of new Expense of Management and commission guidelines. So, after a slightly muted H1 with a 23% year-on-year growth rate by our own standards, ABHI registered consistent high year-on-year growth of 43% in Q3 and 52% in Q4 with an overall year-on-year growth of 48% in H2. We were the fastest growing insurer in both Q3 and Q4 FY24.

Our market share in SAHI in FY24 rose from 10.4% to 11.2% an increase in market share by 82 bps for the year.

The high growth in H2 is driven by strong growth in the retail business, registering an impressive year-on-year growth of 34% in Q3 and 43% in Q4 with an overall H2 year-on-year growth of 39%. The growth in retail is driven by our larger retail channels, especially the proprietary channel, which saw a 43% YoY increase in FY24. Our proprietary channel share increased to nearly 31%, compared to 27% in FY23. In addition, all our large bank and digital alliance partnerships have experienced good growth. In FY24 we have also activated large new relationships of India Post Payment Bank (IPPB) and Yes Bank.

Our focus on diversifying product portfolio saw the launch of Activ One, the most comprehensive indemnity product in the industry with seven variants targeting various customer segments. Positioned on a theme of 100% Health and 100% Health Insurance. The product has been well received by the market and has within a short period of 5 months gained significant traction reflected in our market share increase. The early success of the product gives us confidence of growth in coming year as well.

With an emphasis on product mix our Fixed benefit products contribution increased to 17% as compared to 13% in FY23 and this will contribute positively to our profitability in the upcoming quarters.

Our Corporate business experienced 49% YoY growth, driven by a sharp focus on profitability through careful customer segmentation, cross-sell/upsell strategies, corporate wellness initiatives, and our industry-leading OPD business. We are strategically concentrating on Mid Corporate and SME segments to build a sustainable and profitable corporate and affinity business. We believe we have set up one of the very few profitable corporate businesses in the industry.

Balancing growth and profitability, our net loss saw an improvement with a loss of Rs 182 Crs in FY24 from Rs 220 Crs in the same period last year, in fact in Q4 FY24 we have a profit of Rs 88 Crs. The limited movement in CoR is on account of seasonality and business mix. Claims and Expense Ratios at the Company level have trended well, and we anticipate the CoR to continue improve in the coming year and we expect a COR of 100% by Mar’26.

Our Health First model continues to show signs of maturity. The improved outcomes for some of the intervened cohorts are now visible. Customers participating in Activ Dayz exhibit lower. loss ratios, ranging from 10% to 35% or more. Likewise, customers earning Health Returns experience loss ratios up to 35% lower than the baseline case. Persistency trends for the intervened cohorts continue to be encouraging with persistency improvements upto 800 basis points as compared to baselines cohorts. This is shown in slide 56. Overall, this has kept our loss ratio well in control and our endeavour is to increase the effort over a larger cohort of our customers.

We are sharing some more insights this time on our health first model on Slide 57. We have invested in building deep capabilities in managing customers with high health risk through a combination of first of its kind product offerings and human/digital capacities to manage the disease burden for these set of consumers. Through a combination of our inhouse health coaches and our partners, we have intervened in nearly 100K high risk lives to improve their health vitals along with claims ratios.

Our industry-leading claims settlement ratio of 96% reflects our commitment to prioritizing customer experience. To enhance customer experience and more importantly to manage claims cost better, we have invested in a state-of-the-art AI/ML driven claims auto adjudication engine which went live in March’24.

As a tech-driven, digital-enabled, data-centric health-first business, we are committed to continuous investment in our tech and digital capabilities. Our consumer facing app downloads have increased by 41% YoY and MAU have also grown by 102% YoY. Our digital self-service transactions stand at an all-time high of 86% compared to 76% LY.

Leveraging high end analytics tools, we make informed decisions that positively impact our customers' lives through personalized product offerings, targeted health and wellness interventions, and a personalized service approach resulting in a better customer experience. Investments in data augmentation and analytics are enhancing cross-sell, retention, and fraud management as is shown in slide 60.

There are many changes being proposed by the regulator for health insurance sector which are pro-consumer and will help in increasing penetration for the sector. However, some of them may lead to some adjustments in the short term. We continue to be very positive on the growth outlook for the industry and more so given our differentiated and resilient business model. Our vision is to aggressively expand our franchise but will continue to hold our best-in-class unit economics.

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 Q4 FY24 performance and we will be now happy to take your questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We'll take a question from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe:

Hi. First question, we kind of moved on to the finance business to around 17% of the ROE for this year and now with the merger, again your ROE will come down. So, what kind of ROE guidance would you give us for the next three years?

Vijay Deshwal:

See Nischint right now, we are not making any ROE guidance. What we are focused on is that each one of the businesses is we continue to improve our operating performance. As we mentioned earlier also, Rakesh has been saying that the ROA that we have in the NBFC at 2.5% broadly right now, our endeavor is to expand it to about 3% over the next three years. So that's what we'll be focused on. ROE will be a resultant of the overall capital structure and I think that we will have to wait for how it will emerge.

Nischint Chawathe:

I know. But if you really go back 3-4 years in time there was a very strong concerted effort to improve profitability, take the ROE to sort of 17-18% levels and we have actually achieved that. And now you know with this capital coming in probably we will probably take a couple of more years to get back to these levels. And that's where I think the question was.

Vijay Deshwal:

So, Nischint it's very natural that when you augment your capital and there is an augmentation in capital base, in the interim, the ROE may look in the mid-teens, but eventually it will directionally move towards high teens as the leverage keeps on going up.

Nischint Chawathe:

Just a second small question was essentially in the GS2 and GS3 in the consumer unsecured business we are seeing a fairly sharp rise on sequential and a year-on-year basis. So, any color or any commentary on this?

Rakesh Singh:

Nischint your question is on personal and consumer the Stage-2 and Stage-3 increase?

Nischint Chawathe:

Yes.

Rakesh Singh:

See if you look at that has gone from 2.2% to 2.9% in GS-2 and 2.2% to 2.8%in GS-3. But that's primarily on the reduction in the book. So, if you see in Q3, our personal and consumer book was Rs. 19,600 crore and it came down to about Rs. 17,000 crore. So, that is a denominator effect, and we haven't seen any increase in delinquency in personal and consumer.

Nischint Chawathe:

So, if I look at the numbers, your loan book in this segment is down 11% quarter-on-quarter, but your GS2 is up 17% quarter-on-quarter and GS3 is up 13% quarter-on-quarter. So, the point essentially is that, do you see these ratios going up when you're really looking at the static pools probably that you have access to?

Rakesh Singh:

So, it's primarily a denominator effect and as we had mentioned earlier that we looked at the small ticket unsecured loan and we calibrated below Rs.50,000 ticket size and that's what we had really and we continue to grow our personal loans through our branches, through our ecosystem and now the ABCD App which we have launched, we will continue to grow this.

Nischint Chawathe:

So, is this like the bottom end or do you expect it to sort of run down a little bit more before the book starts growing and the ratio starts improving?

Rakesh Singh:

So, Rs. 50,000 and above, there is nothing which is left now. So, if you look at our BNPL book is less than 1%, say 0.7% of personal and consumer loans. So Rs.129-odd crores is left and that also by April it would have gone off. So, there is nothing, it's not there in the portfolio now, the small ticket less than Rs.50,000 loan.

Nischint Chawathe:

And the final one on the life insurance side if I can see them and the margin compression that we've seen this year, is it purely because of the increase in share of ULIPs or would you also kind of say that payouts to distributors have gone up which is one of the things that some of the other peers in the industry have been talking about?

Kamlesh Rao:

It has no bearing because of any payout to the distributor that has gone up. That's not the trend that we are seeing, largely on two factors, one is that ULIP for the year went to 24%, which obviously means for the last quarter it would have touched about 30%. So larger ULIP share in the last quarter and the fact that in Q4 the G-sec was lesser than where it is even standing today. Some impact of that on gross margins and product mix on account of ULIP is where the VNB is now at 20.2%.

Nischint Chawathe:

Perfect. Thank You so much and all the best.

Moderator:

Thank You. We'll take our next question from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh:

Hi. The first question is on your acquired portfolio. If I see you have almost acquired like 4.5 thousand odd crores consisting of 1.5 lakh accounts over the last one year. If you can just help us understand about some sort of what kind of a loan from, what kind of lenders you have acquired this portfolio so that's the question one? The second question would be if you were to look in the housing finance business I mean, of course the AUM is growing but you are still sort of investing in branch and people so that cost ratio also is right. Right now, of course the negative credit cost has kind of driven the ROA comparable to where it was last year. So, if you can provide clarity or color on how these cost-opex ratios are going to behave over FY'25?

Vijay Deshwal:

We understood your second question well. If you can reframe your first one, it will be helpful.

Avinash Singh:

So first one, I mean, if I look at our NBFC disclosures you have acquired nearly 4.5 thousand odd crores of loan in the last one year consisting of some 1.5-1.6 lakh number of loan accounts. So just wanted to know what kind of product, customer you are acquiring in these sorts of loan and what kind of lender / originator from which you are acquiring?

Vijay Deshwal:

Okay Thanks. Rakesh.

Rakesh Singh:

So, these are small ticket loan against property primarily that's the nature of the loans which we would have acquired. These would be seasoned, where we do 100% sampling and we cherry pick the portfolio. So that's how we really look at it and this can be done across different institutions.

Avinash Singh:

But the average ticket size if I look at 1.5 lakh loans acquired, the average ticket size, works out to be close to 3 odd lakhs and also if I look at the disclosure in terms of the security cover, it suggests less than 100%, that means there's reasonable size of unsecured also, that is where my question was that I mean if some mix of unsecured and secured then what kind of unsecured book you're acquiring?

Rakesh Singh:

So unsecured, if you look at, out of this, is a small portfolio of unsecured which is I can get back to you with the exact, but there's a small portfolio, Rs. 798 crores out of this is unsecured, remaining is secured.

Avinash Singh:

Okay. And my question on housing finance opex?

Pankaj Gadgil:

So, I think the question that you asked was about the ROA and how we've managed the credit cost and how is it going to be like.

Avinash Singh:

No operating costs despite performance.

Pankaj Gadgil:

Yeah, I will come to opex also. As I have observed, I think the growth trajectory is clearly back at ABHFL and last year (FY23) we grew by 14%, this year (FY24) we have grown by 33%. So, while that is clearly happening, you would have also seen that the NII for us versus 5.30% of last year, we have actually grown it to 5.39% this year, which is of course a combination of how we have been able to price our loan products, and also the other income that you know we are kind of capturing through what we are sourcing. So, the way I think we've been articulating earlier as well, I think the strategy for us has been to focus on opportunities across the spectrum. So, across the segments, prime, affordable, informal and CF, I think we are looking at maximizing the opportunity. And when we do that, I think we are very conscious about a) working on our existing portfolio and therefore you would have seen that the credit quality has significantly improved in the last almost six quarters both sequentially as well as on a YoY basis. That gives us of course room as far as credit cost is concerned. So, the strategy for us really was to get the growth momentum back which is a double tick that we have kind of got. Got a very, very clear hold as far as the credit cost is concerned both on portfolio and also on origination and if you would know each time, we've been talking about what percentage of customers do we originate at 700-plus in NTC and clearly that is significantly better as compared to the market.

So, while we have established both the origination as well as portfolio quality that we are talking here, the idea is you know as the book grows further, of course, the fixed cost will get apportioned towards the larger book, we will get an operating leverage in times to come and of course then the ROA will stabilize further. So that's kind of the guidance. Of course, in the short term, it may slightly come down as we have seen in Q4. If you look at the ROA, it's at 1.76% in Q4 versus 1.92% in FY24. So, we are seeing some NIM compressions, but as the book grows with the right portfolio quality, I think there are lots of reasons for us to come to the conclusion and we're really, really focusing towards getting ROA back to the trajectory of 2 - 2.1% in the next 24-36 months.

Avinash Singh:

Okay. So just one follow up on life insurance. So, if you can just help sort of a breakdown of your operating and economic variances which are also changing, and also, I mean your rate of unwinding at 9% plus is relatively higher to your peers. So, if you can shed some color on that?

Kamlesh Rao:

So, 18.8% roughly is unwind, obviously our operating variance has been positive of about contributing 1.5% and it has been positive for the last three years consecutively. The remaining part is the net VNB contribution of about absolute 700 crores. So, 18.8% is RoEV which has roughly 9.5% of unwind profit, about 8% is from net VNB contribution and 1.5% is from the operating variance. The reason the unwind on the book is a little higher because we carry a reasonable book on non-PAR and if the non-PAR book for a portfolio was slightly higher, then obviously the rate of unwind in that you will see slightly about 100 to 150 basis points higher than some of the peers. That's the rough break up in the ROEV of 18.8%.

Avinash Singh:

Yes, and in operating variance, if you can sort of provide some breakup like how much is coming from cost, persistency and mortality, because it is reasonably a big number?

Kamlesh Rao:

So, our mortality assumption is positive, but the bulk of the upside actually is coming from all our variances, which are better in terms of lower lapses, better persistency. So, bulk of the operating variance is coming from our assumptions, experience being better than what we would have planned for, and mortality is not giving any negative thing in the operating variance.

Avinash Singh:

Okay. Thanks.

Moderator:

Thank You. We'll take our next question from the line of Manoj Bahety from Carnelian Asset Management. Please go ahead.

Manoj Bahety:

Hi Vishakha. First of all, congratulations on a good set of numbers and as well as good asset quality. So, I have two questions. First is if I see like the last four-five quarters, the kind of acceleration which we have seen in our overall loan growth and especially a large portion of the loan growth is coming from retail, personal, SMEs as well as the unsecured portion. So just wanted to get some understanding, like with this phase of growth, obviously you need to introduce new risk controls, whether it may be technology-driven, whether it may be like some other measures of control. So, if you can help us understand what kind of additional risk controls at a corporate level you have introduced which will tackle your balance sheet, which will be like 3x of its size in the next few years?

Rakesh Singh:

So, if you look at the growth in fact and that's what I have mentioned it in my opening remark on the personal and consumer segment, especially the unsecured small ticket segment, we have really dialed down. And if you look at December'23, our book was Rs. 19,606 crore which we have brought it down, we tightened our underwriting, we tightened our scorecards and sourcing and we have brought it down to Rs. 17,434 crores. So, it's almost 11% decline QoQ. And if you look at, we were growing quite strongly in Q1, Q2 and the trajectory has moderated because of this dialing down of the small ticket unsecured credit. So, we are very mindful of the credit quality. We will continue to grow within our risk appetite and in terms of managing our portfolios through the cycle. So, tightening of underwriting, tightening of our scorecards also, the collections infrastructure and the capacity building which we have done in collections, so we have taken all the right calls in terms of building a very strong and robust underwriting process for our retail and MSME business.

Vishakha Mulye:

Manoj, now of course at the platform level that is our approach. Clearly, we had said that return on capital is important, but return of capital is going to be the cornerstone of our strategy. So, a couple of things. One is controlling the origination as Rakesh said. So, we are very focused on to say that which class of asset we originate. So, if you see we on our own before even the whole thing started on the small ticket side unsecured loan, we had started bringing down that portfolio for us in the last four quarters. We had also brought it out in our September call to say that most of these loans are less than 30 to 60 days and we would be able to wind down that portfolio. As Rakesh said, today that portfolio is virtually nil in our book. So, one is identifying the allocation of capital to which class of asset is very critical and taking those swift decisions. Second is actually controlling your underwriting models and we continuously look at our underwriting model, look at our experience and really try to fine tune them as we go forward.

So that is the second thing that we keep doing. The third important thing is monitoring of the portfolio. So, we have a separate team, whether it is on the retail side or an SME side or on the corporate side who continuously monitors our portfolio to say if we need to intervene and take certain decisions. And the fourth, as Rakesh said, is now we have virtually in-housed our entire collection. We have something called pre-delinquency management. That is by using the data, digital, we try to identify the customers whom we believe will have the propensity to default and start actually allocating those customers even before the due date. So, we start our engagement with the customer almost 30 days before even the payments fall due. And of course, there are various other initiatives that we have taken on the digital and analytics side to identify the customer. We also have in case of many customers; we do the scrubs much more frequently. We look at the total liability that the customer has at their level. We look at what are the loans that they have, of us and on us. So, these kinds of measures that we have taken. I think will go a long way in managing our portfolio and I am very happy to say that it has already reflected in our asset quality, but I think these are the four steps that we will continue to follow as we go forward.

Manoj Bahety:

Great that is very insightful Vishakha and Rakesh. I have two more questions. The first one is a quick one for our health insurance. What is the path to profitability? Already I think we are at almost Rs. 3600-3700 crore kind of GWP. So, when can we expect this to start contributing on a bottom-line basis?

Mayank Bathwal:

Yes, so as I have mentioned earlier and even Vijay mentioned that we're looking at 100% CoR by FY26, the next 24 months. The fact that like in the last quarter of FY23, we had a marginal loss, in the last quarter FY24 we had a profit of Rs. 88 crores, clearly showing that our unit economics are working very well, which should put us well on course for this guidance that I've just given.

Manoj Bahety:

So, in the next 24 months, we can expect this entity to start generating profits, right?

Mayank Bathwal:

Yes.

Manoj Bahety:

Okay. And the last question is on our distribution strategy, especially personal loans for BNPL or SMEs. So earlier I think everybody in the system was aggressively using fintech partners. With RBI tightening norms on fintech partners, is there a significant change in our strategy and how we are dealing with the situation, if you can help me some insights into this?

Rakesh Singh:

So, our distribution for personal loans, if you look at, as I mentioned in my opening remarks, we are looking at our branches, the branch distribution which we have, the direct sales team which we have, the entire ecosystem platforms which we have created, now ABCD which has gone live, it will have the entire loan journey end-to-end on this platform for personal loans and for business loans. So clearly, we are looking at in-house distribution for building our personal and consumer business. We will still leverage some ecosystems where we have comfort and where we have 100% ownership of the customers and 100% ownership of the processes, we will still look at those. But as we have mentioned clearly, post the DLG guidelines and all, we looked at all our partnerships and BNPL you can see the numbers that's come down significantly, it's almost negligible at this point in time. So, we don't have these small ticket sizes. So just to answer, we will look at our internal ecosystems, branches, ABCD app, Udyog Plus, all of these platforms on which we will really to source business.

Manoj Bahety:

Great. Thank you so much for taking my questions.

Moderator:

Thank You. We'll take our next question from the line of Anuj Singla from Bank of America. Please go ahead.

Anuj Singla:

Thank You. Good evening, everyone. So, I think a couple of questions on the lending business first. So, I don't recall if I missed the growth target for NBFC and HFC side for the next year. Have you articulated any numbers there?

Rakesh Singh:

On the loan book growth?

Anuj Singla:

Yes, AUM growth for FY25.

Rakesh Singh:

We have given a guidance that we will double our loan book in three years from March'23 to March'26.

Anuj Singla:

Okay got it and Rakesh, the second question on the personal and consumer loan, obviously you have managed the book well on the small ticket size loans and these now constitute 17%. How should we look at the growth trajectory from here, should the proportion stabilize here in terms of the percentage of the AUM? And secondly, what does that imply for NIMs because this is obviously the higher lending book and we also have seen some cost of funding pressure, so how should we see the NIM trajectory maybe for FY25?

Rakesh Singh:

So, we are quite positive on the loan book growth, and we will continue to focus on MSME and retail and consumer segment. Yes, the small ticket unsecured loans comes at a higher margin, so higher yield, so you have a better margin on that. But I think the credit cost also is associated in similar proportion. So, if we slowdown that and we will dial down on that business. The other business which we will onboard have similar kind of margins, not high unsecured margins or yield, but our B2B and MSME unsecured business which we are growing now and if you look at the B2B platform which we have built and we are really looking at growing our small business loans on that platform, that also comes at a very attractive rate and the credit cost also is quite well within control. So, we don't see any challenge on both growth and the margins. We should be able to manage both growth and margins.

Anuj Singla:

Okay got it. Secondly, on the health side, so just one question. You have guided for 100% combined ratio by FY26. Can you also give some more details, is there some kind of price hikes we are building in this guidance or this is more driven by gaining sale and operating leverage?

Mayank Bathwal:

No, I mean our growth has been consistent; as I said we've had a growth of about 42% CAGR in the last three years, that growth will continue given the opportunity. Price hike is the subject of regular action that insurance companies take and like all other health insurance companies, if the medical inflation does demand, the claims ratios are going up and we need to reprice, which has always been in line with market. We will do that. So, it's not something unusual. All insurance companies do. In fact, our price hikes have been generally slightly below what you see in the industry, which means that we have managed our portfolio and the quality of it and the related loss ratios reasonably well. In fact, this year also our retail claims ratio has trended very well because of all the actions that we have taken.

Anuj Singla:

Yes Mayank, the context here is that one of the largest SAHI companies has taken a 25% price hike in one of the major products. They're talking about more price hikes in the coming quarter. So, I thought that given that the industry price levels are going there, you might also be contemplating. So just to understand is that one of the key drivers towards moving that 100% combined ratio?

Mayank Bathwal:

No, I will not be able to comment on the other company. I can only say that we have managed our portfolio quality, business mix, and product mix reasonably well for us. In fact, our last price hikes have been in the range of 10% to 12%, which is actually well below the medical inflation that we've seen.

Anuj Singla:

Okay got it. Thank You.

Moderator:

Thank You. We'll take our next question from the line of Bhaskar Basu from Jefferies. Please go ahead.

Bhaskar Basu:

Yes thanks. Good evening. I have three questions. So firstly, just dwelling back on one of the earlier questions essentially around the portfolio acquired. This quarter, it seems you've acquired about Rs. 2,300 crores, works out to average ticket size of about Rs. 6.5 lakhs with an average tenure of about 12 years. So just wanted to understand and this seems to be almost 50% of the sequential growth if I assume this is all secured and coming from SME. So, if you could give a little more texture around these loans, what kind of yields do they generate because at the ABFL level there seems to be a yield compression on a sequential basis? So that is my question one.

Rakesh Singh:

Yes, go ahead.

Bhaskar Basu:

Yes. Secondly, in the same context, what is the product mix or loan mix in the next three years, given that you're dialing down on the personal side? And third was just a housekeeping question on the write-off number for the quarter?

Rakesh Singh:

So, first of all, the buyout portfolio these are in Q4 all secured portfolio which is what we have acquired. And in terms of what yield it will differ. But it will be in the range of what we acquired. So, the customer yield will be 11% to 12% for these portfolios. Your second question was how do we see the product mix? We have guided for 75% of retail and SME product mix in the next two to three years. We continue to stay guided on that. We have dialed down our consumer and personal loan business primarily on the small ticket unsecured business, especially below Rs. 50,000 ticket size. We will continue to do business on the consumer side, especially personal loans, business loans and all. So, we don't see any change in our guidance from 75% of retail and SME business.

Bhaskar Basu:

Okay and just the write-off number, please?

Rakesh Singh:

It's around Rs. 400 crores. It's in line with the earlier quarter, it's Rs. 411 crores.

Bhaskar Basu:

Okay thanks. That’s all from my side.

Moderator:

Thank You. We'll take our next question from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise:

Hi. Thanks for the opportunity and congrats on the good quarter. I just wanted to make sense on the coverage levels at ABFL. How do you see it moving ahead? We've stabilized at around 50% level. So, some direction here would be helpful. And also, if you could share Stage-1 and Stage-2 coverage on an overall basis?

Rakesh Singh:

So, if you look at and we have provided this segment wise provision cover which we have provided in our presentation. And if you look at personal and consumer, we have a provision cover of 83%, unsecured business is 35.3%, but this is we have to take into account that business loans and that also we have mentioned on a slide and where 43% of this book is covered under CGTSME, which is a guaranteed premium which we pay to SIDBI and 75% of the principal is guaranteed. So, if you exclude that then the provision will look quite good in the unsecured business as well. Secured business is 38.8%. This is as per our ECL model and our data which has been there over the last 5-6 years. On the corporate and mid-corporate, it's almost close to 50%. So, since our close to 70% of the portfolio is secured by real estate collateral and listed securities, we believe this is quite an adequate provision cover.

Sameer Bhise:

So fair to assume that 50% is a good threshold to have over the medium-term?

Rakesh Singh:

Yes, it also depends on how things pan out, but at this point in time it looks quite adequate.

Sameer Bhise:

Okay. That's helpful. That's it from my side. Thank You.

Moderator:

Thank You. We'll take our next question from the line of Pranuj Shah from J.P. Morgan. Please go ahead.

Pranuj Shah:

Thank you for the presentation. So, three questions here. The first one is on construction finance. That book has grown very sharply quarter-on-quarter and year-over-year. So, could you give a sense of the average ticket size over here and what kind of vintage of the developers that you look at when you finance? And also, is there any difference in the customer profile between the NBFC construction finance and the housing finance book?

Rakesh Singh:

Yes, I think there will be a difference between the two entities. Construction finance in the NBFC is primarily to Category-A developer and this is primarily in Bangalore, Chennai, Mumbai, Pune. So that's where the segment is. See, this business you might see from a 18%, it might have gone to 20% above, but this is we sanctioned it throughout the year depending upon when the construction and when the pickup demand is, that the customer utilizes. So that's how it is. If you look at overall of our corporate book, this is about 20% and the average ticket size will be around Rs. 60-70 crores in this segment.

Pankaj Gadgil:

For us, Aditya Birla Housing finance portfolio contribution is about 11% of the total book and the ticket size is quite granular here. So, our ticket size on disbursement is about Rs. 24.5 crores and AUM it is Rs. 9 crores. So typically, developers who are doing projects, the cost of construction is about anywhere between Rs. 150 to 200 crores typically for whom the requirement of the CF will be about Rs. 25 to 30 crores are the average profiles that we look at. Of course it's very diversified. So, across all the major centers of the country, starting from Ahmedabad to Bombay, Pune, Bangalore, Hyderabad, Chennai, Delhi, I think we have presence in all these markets. And I think when I was talking about the digital platforms, I think one thing that we have realized is that of course, we have to make sure that monitoring in this portfolio has to be top of the line and therefore we have launched a platform which is FinCF which actually helps us to monitor the platform both on event-based and frequency-based triggers. So, I think that gives us the confidence to keep growing this book, of course with fully keeping in mind return on capital.

Rakesh Singh:

For NBFC this portfolio is around 6% of our overall loan book.

Pranuj Shah:

Is there a vintage of developers that you also look at like they need to have minimum x number of years of development experience and then you sort of lend to them or there's no such criteria?

Pankaj Gadgil:

So, there are two things. One, we've kind of created a proprietary model which has both qualitative as well as quantitative aspects when we look at the developer, and we look at it from both the dimensions, one is the developer profile, which includes the vintage, which includes the number of square feet that they have and have already built in the market, we also look at type of projects that they have also undertaken, the quantum of residential units that they have done, the experience in commercial versus residential that the experience that they have in a particular catchment. I think all of the things that we anyways look at and then we also look at the viability of individual projects. So, it's going to be underwriting, which is two dimensional. One is developer profile and second, it is to do with the project viability. And I think both those dimensions are considered and extensive interactions happen. And the basis of the model that we have created, we actually rate these developers internally and then we appropriately take calls on the developers.

Rakesh Singh:

And similar for NBFC, these developers are all A+, A category developers, primarily the top developers in these markets, which I have mentioned.

Pranuj Shah:

Thanks a lot for that. Second one was on the yields like what the average yields we are at, assuming the RBI guidelines are implemented as it is, as there is no relaxation over here. And if you pass it on 100% to the developers, what could be the rise in yields from there on if there is some sort of a calculation that's already done?

Rakesh Singh:

So, these are still in the draft guidelines and the RBI has asked for input from all the institutions. Since we are on Ind AS and also, we don't see any impact on our books.

Pranuj Shah:

But there would still be a capital requirement if I am not wrong?

Vishakha Mulye:

No, it's a provisioning.

Pankaj Gadgil:

No, it's a provisioning requirement which has to be taken over the next three years, that's the recommended one.

Rakesh Singh:
It's a provisioning requirement.

Pranuj Shah:

Okay I understood. And one last on the unsecured business loans, your disbursals have moderated a bit quarter-on-quarter and year-on-year is also 6%. So, is there a call that you're making at a company level just to stay away from unsecured loans in general be it business or personal?

Rakesh Singh:

No, we are not saying that. And again, I mentioned that if you look at personal and consumer portfolio was growing quite strongly and if you look at Q4 of not last year before that year was, we were growing at 21%, then we brought it down to 15%, then 9%, then 1% and last quarter was negative 11%. And the reason for that was because of the risk weights and the noise around small ticket unsecured loans because we had not seen any performance deterioration on our books, but still looking at the environment, we dialed down, and we tightened our sourcing on this book. But we still continue to be bullish on the unsecured business and we will continue to do that in a much more controlled environment as I mentioned through our branches, through our digital platforms and through our ecosystem.

Pranuj Shah:

I was looking more from an unsecured business loan perspective. Consumer, I think you well explained it even earlier. Just on the unsecured business loans?

Rakesh Singh:

So unsecured business loan, we will continue to grow that business. If you look at its in Rs.10,000 odd crores of portfolio which we have in unsecured business. Out of that if you look at Rs. 2000-2500 crores is supply chain business, which is a very short term 60-90 day loan sourced from the ABG ecosystem also. So remaining if you look at, the business loans which we do almost 80% odd of our business loans is backed by a credit guarantee provided by SIDBI. So, we pay a guaranteed premium for these loans. So, we are quite confident, and we have seen over the last 6-7 years during COVID also we have seen the performance of this portfolio and we have managed it quite well.

Looking at the way the formalization of economy is taking place and the way the GST collection is growing, we have also built a B2B platform Udyog Plus to really onboard small businesses which grow as the economy grows. So, we are quite confident and bullish on this segment.

Pranuj Shah:

Understood. Thank you so much for answering the question. That's it from my side.

Moderator:

Thank You, we will take our next question from Kunal Shah from Carnelian Asset Management. Please go ahead.

Kunal Shah:

No. My questions have been answered.

Moderator:

Thank you, ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand the conference over to Ms. Vishakha Mulye for closing comments. Over to you.

Vishakha Mulye:

Thank you, everybody for joining us today evening, and if any of you have any questions, please feel to reach out to any of us. Thank you.

Moderator:

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

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