

FINANCIAL RESULTS Q1 FY18-19

MUMBAI

10th August 2018



**ADITYA BIRLA
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

A leading Financial Services Conglomerate

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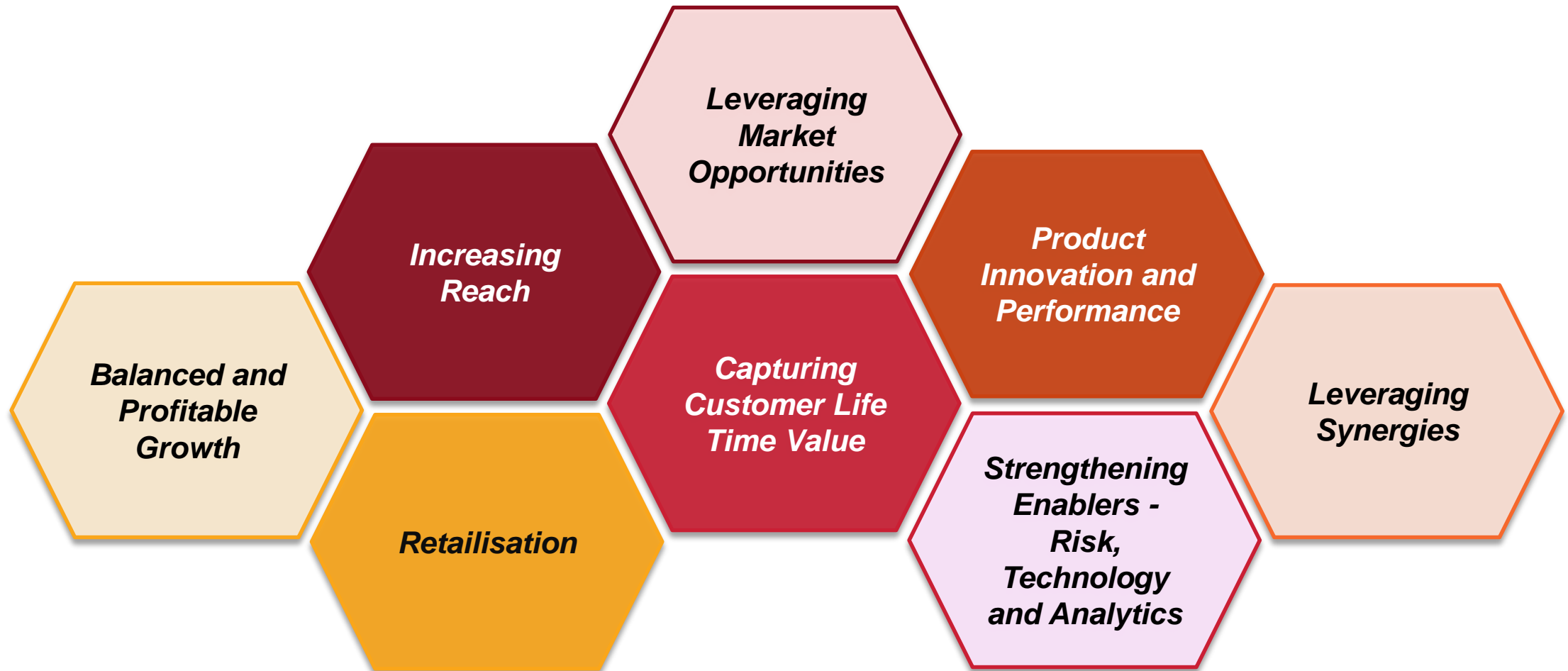
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NOTE 1: The financials of Aditya Birla Capital Ltd are consolidated financials prepared based on Ind AS unless otherwise specified

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%¹



Highest Gross VNB Margin² 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.3³ 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

¹ Amongst players (Excl. LIC) in Q1FY19 (Source: IRDAI)

² For Individual Business, based on Management Review

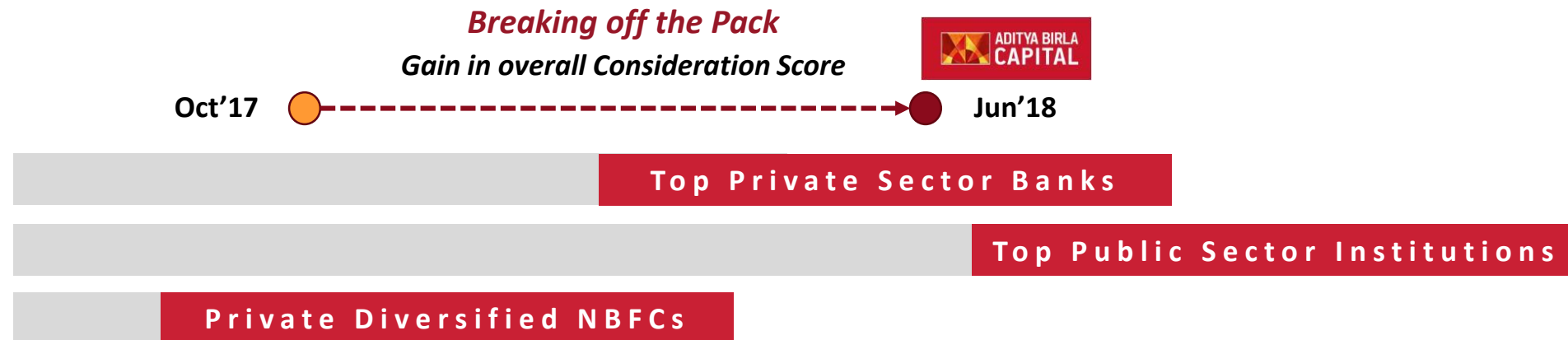
³ Based on Domestic AAUM for Q1FY19 (Source: AMFI)

Power of coming together as “ONE BRAND”



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Our Consideration Score¹ since launch of ABCL Brand in November 2017



¹Consideration 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

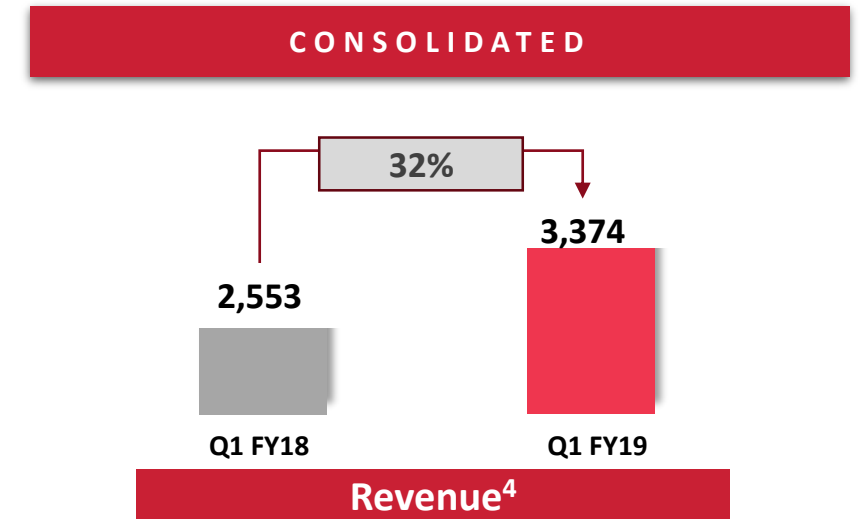
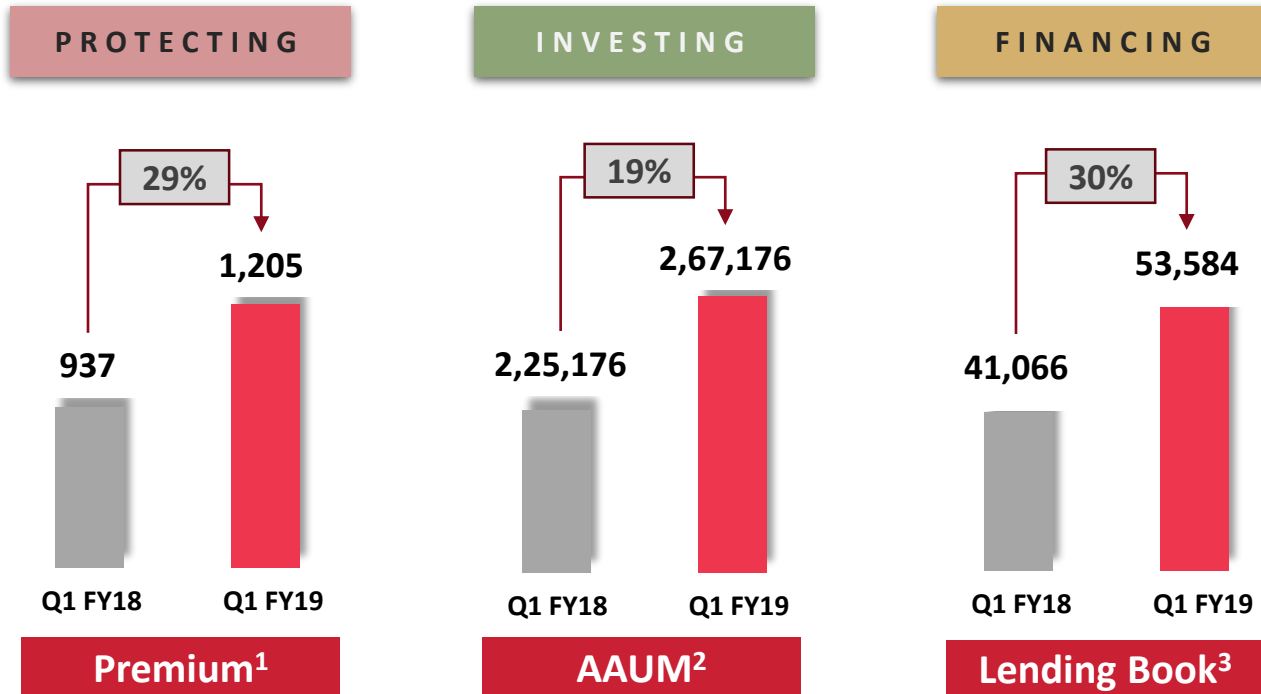
Based on Survey conducted by KANTAR MILLWARD BROWN, June 2018

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>
Established Businesses⁵	212	288	36%
Consolidated	172	216	26%

¹ Includes Life Insurance and Health Insurance gross total premium

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

³ Includes lending book of NBFC and Housing Finance Businesses

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

⁵ Includes EBT of NBFC, Asset Management and Life Insurance businesses

Net Profit Reconciliation- IGAAP vs. Ind AS

Figures in Rs Crore	Q1 FY18	Q1 FY19
Net Profit after Minority Interest (As per IGAAP)	173.1	227.1
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) ¹	-8.7	-22.9
Net Profit after Minority Interest (As per Ind AS)	171.9	215.9
% Delta (Ind AS PAT vs. IGAAP PAT)	-1%	-5%

Negligible impact due to change in accounting standards on profitability

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

Aditya Birla Finance Limited



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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

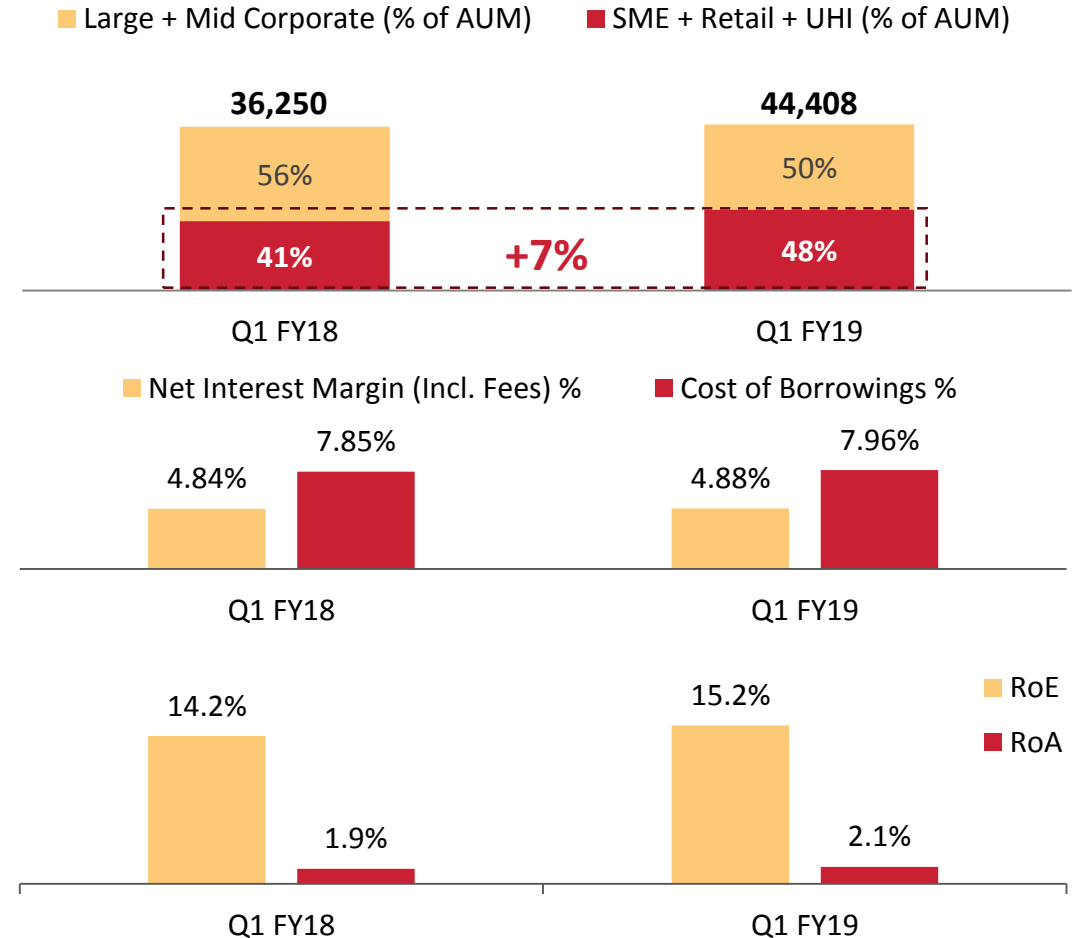
RoE and RoA over 15% & 2% p.a. respectively¹

¹ RoE and RoA are based on compounded monthly average

Targeting
Balanced
Loan Book
Growth

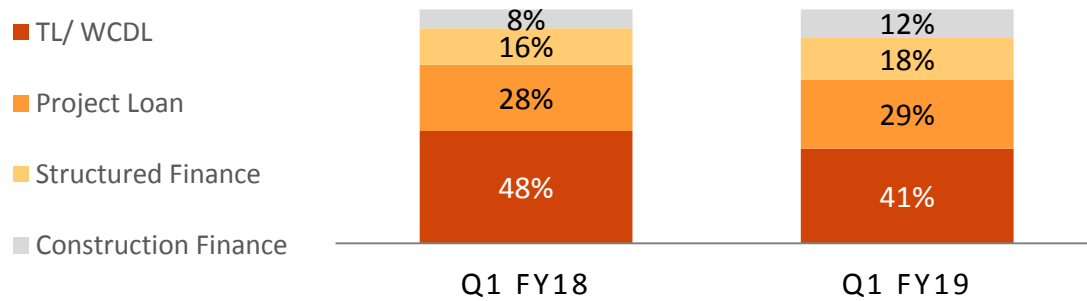
Maintained
NIM and
Cost of
Borrowing

Generating
Healthier
Returns

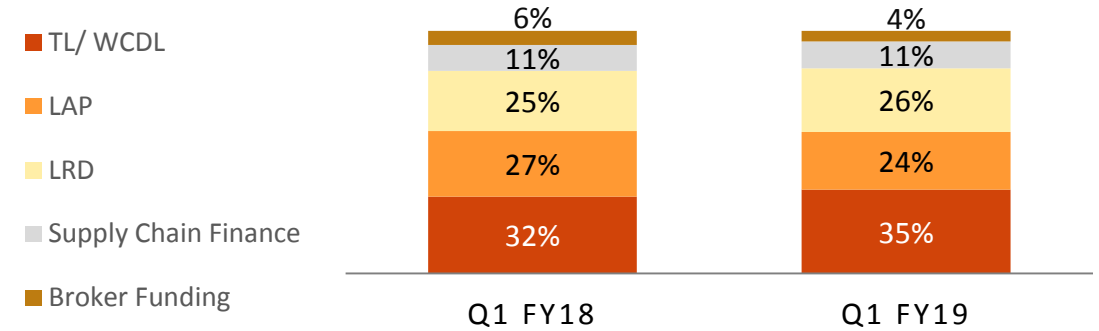


Multi-product portfolio catering to a range of customer needs

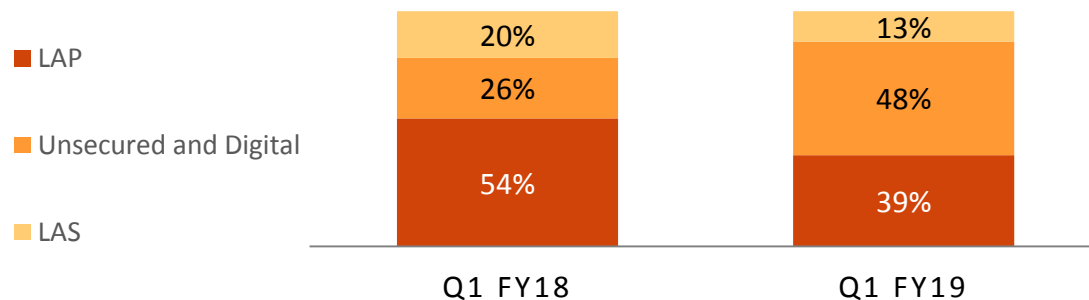
Large & Mid Corporate (50% of Loan Book)



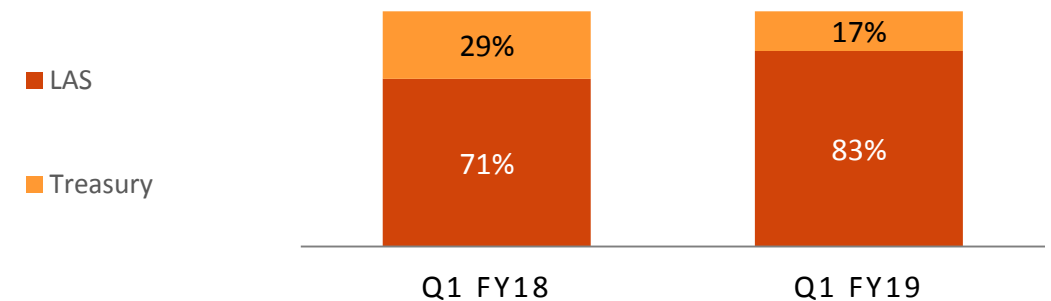
SME (25% of Loan Book)



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

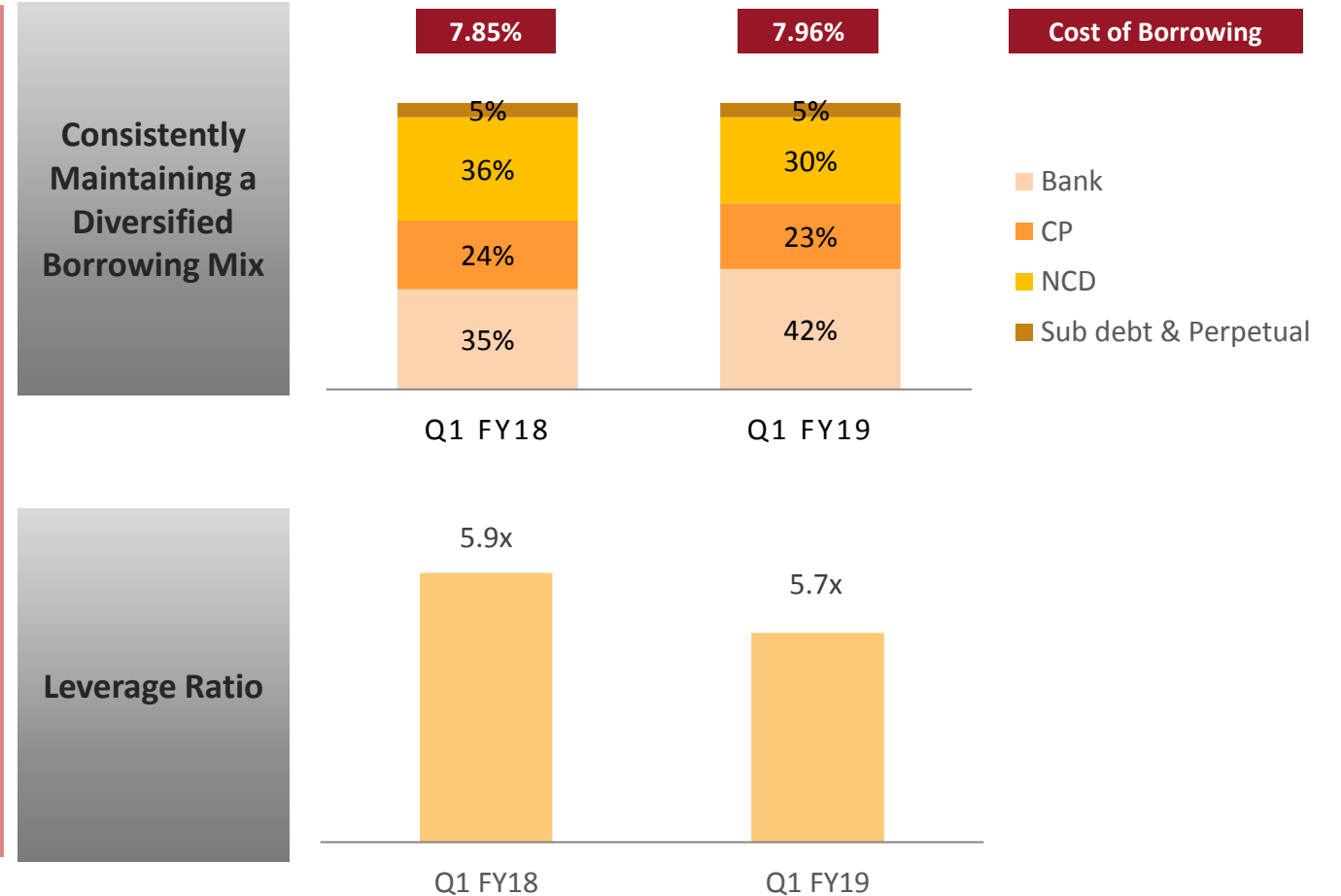
Repricing loan book based on increase in cost of funds

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
Net NPA (Net Stage 3)	74	183
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)	
Lending book	36,250	44,408	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	
Cost Income Ratio (%)	28%	32%	
Credit Provisioning	66	34	
Profit before tax	253	335	33%
Profit after tax	166	224	35%
Net worth	5,090	6,453	

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

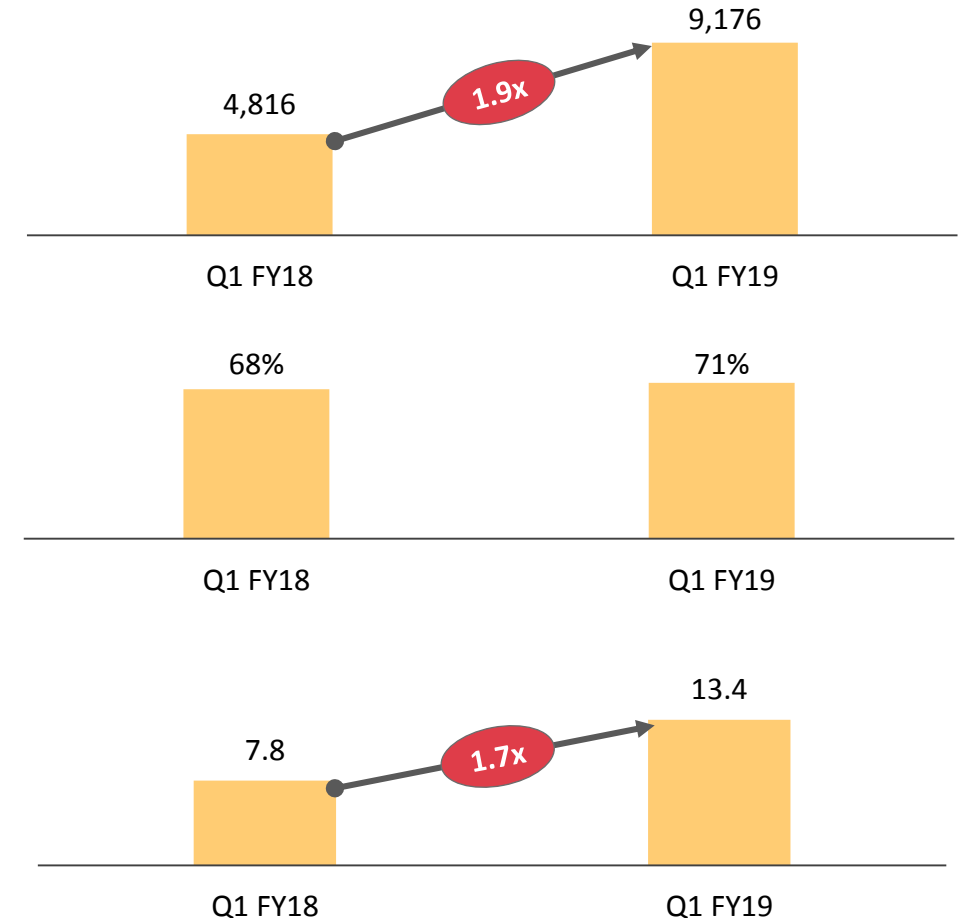
Building profitable scale

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

Loan Book

Cost Income Ratio

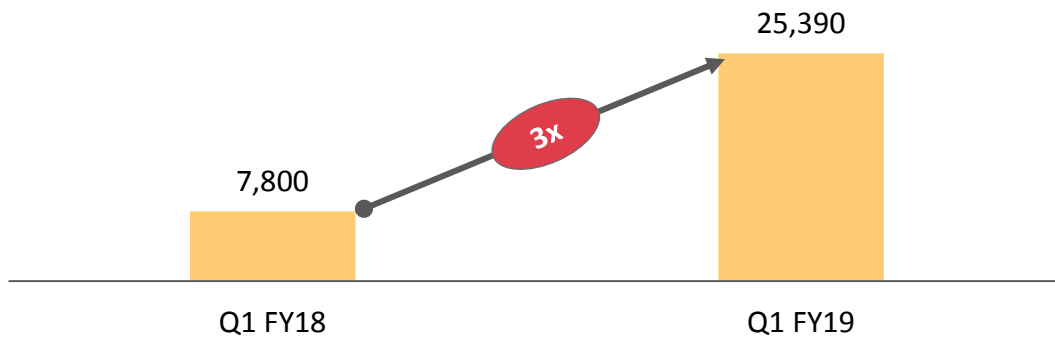
Earnings Before Tax



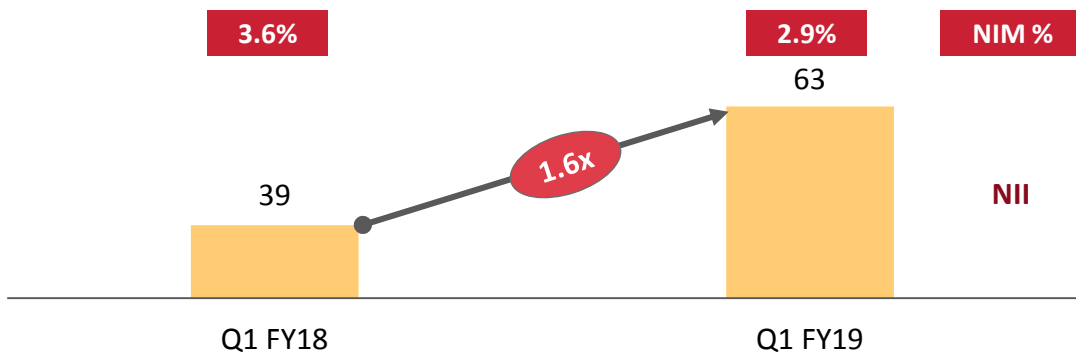
Building profitable scale

Figures in Rs Crore

Number of Customers



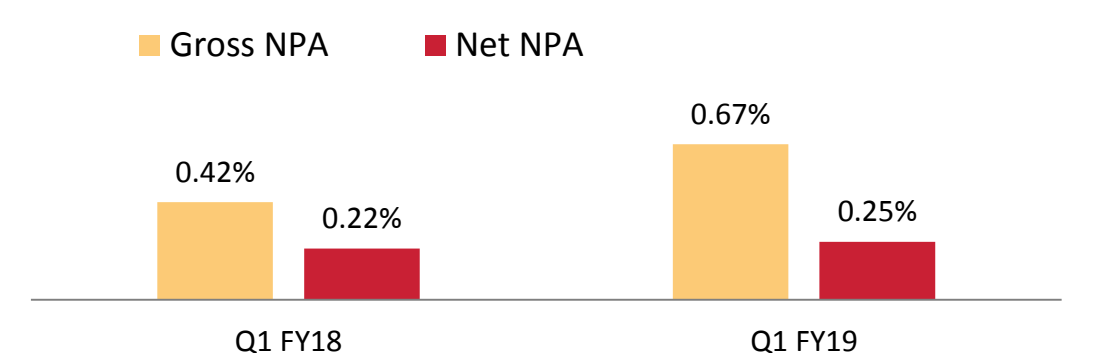
Net Interest Income & NIM % (incl. Fee Income)



Average Ticket Size (in Lakhs)

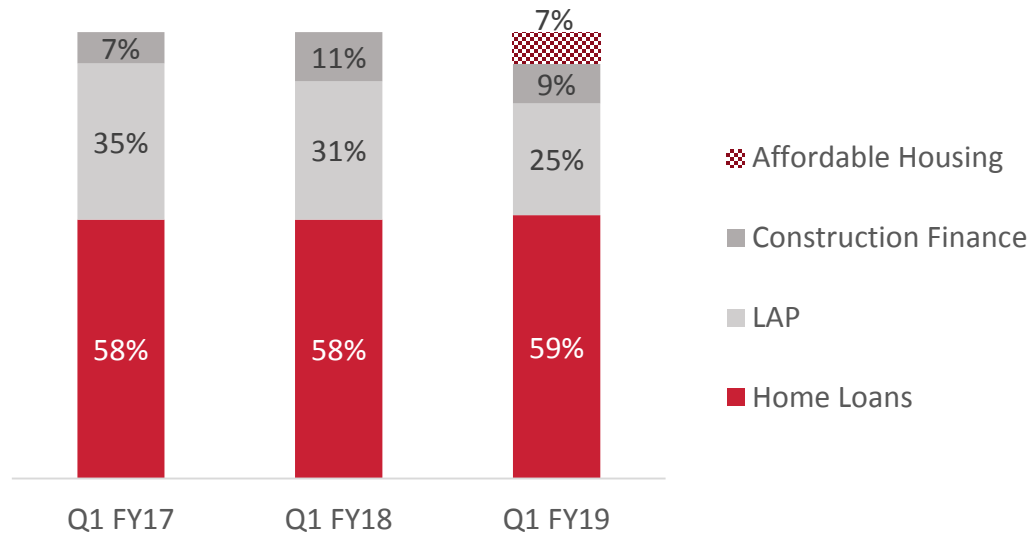


Stage 3 - GNPA & NNPA %



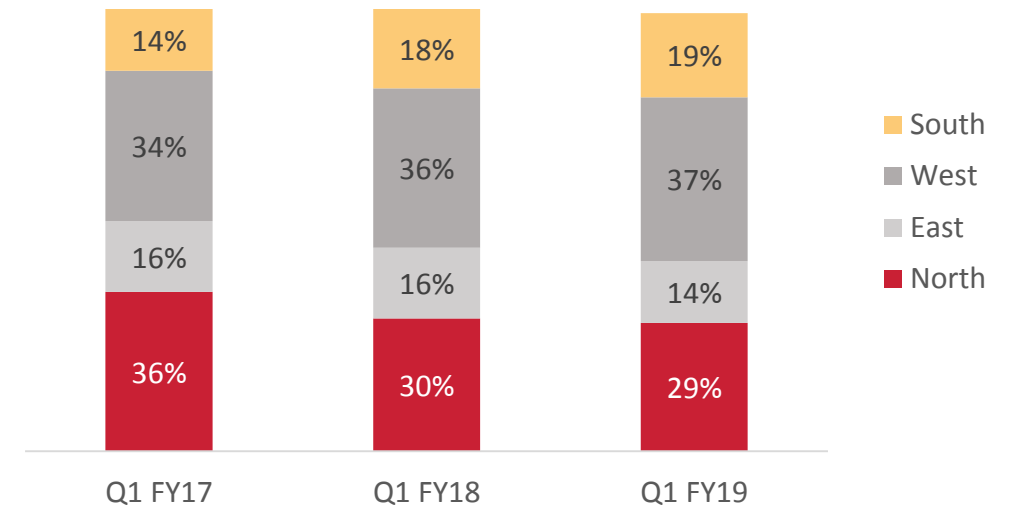
Diversification across products & geographies

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)	
Key Performance Parameters			
Lending book	4,816	9,176	↑ 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
Cost Income Ratio (%)	68%	71%	
Credit Provisioning	4	5	
Earnings before tax	8	13	↑ 1.7x
Net worth	435	924	

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%¹

% of Domestic AAUM at 25 bps (PY 20 bps)²

Led by growth in high margin products

¹ EBT (ex-MTM impact on investments)

² Annualized Q1 FY19 earnings

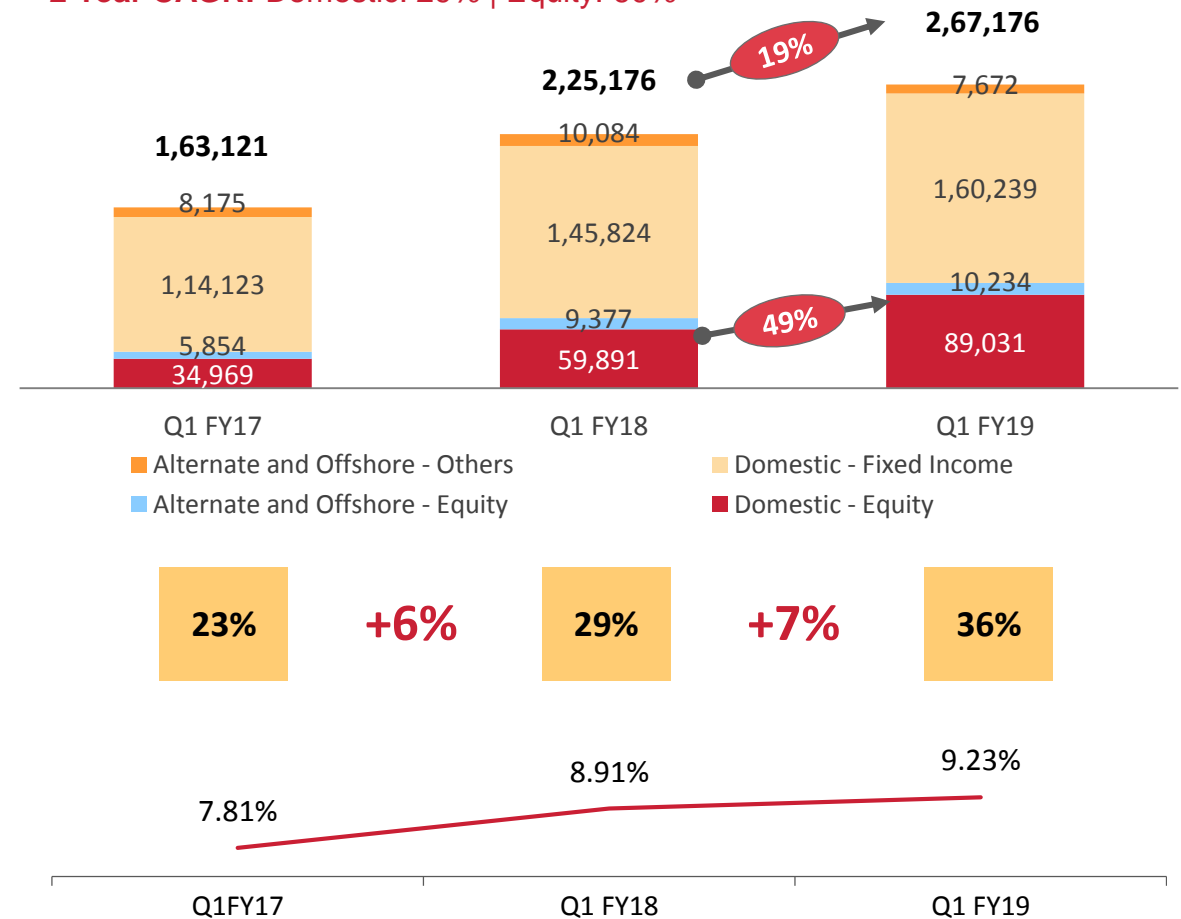
Growth in Overall AAUM

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 AUM¹ 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 book² over Rs. 1,000 Crore

Grew 3x over 2 years | SIP Market Share 12.1%³

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

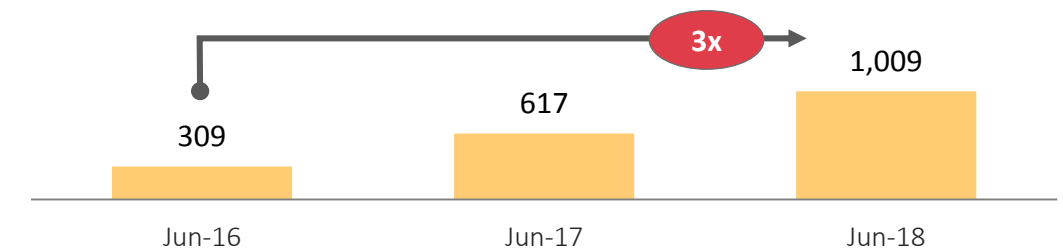
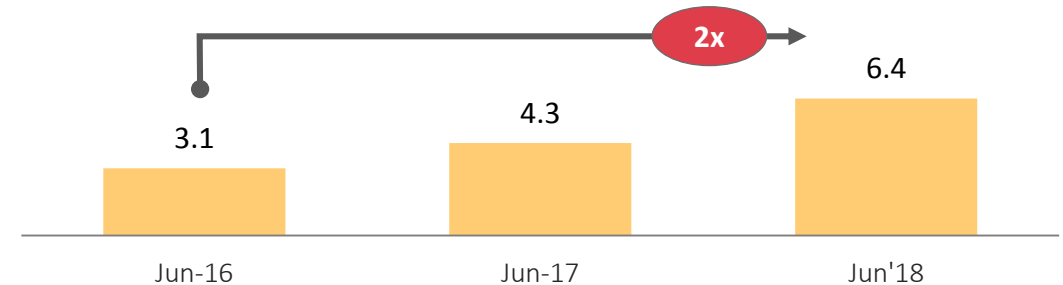
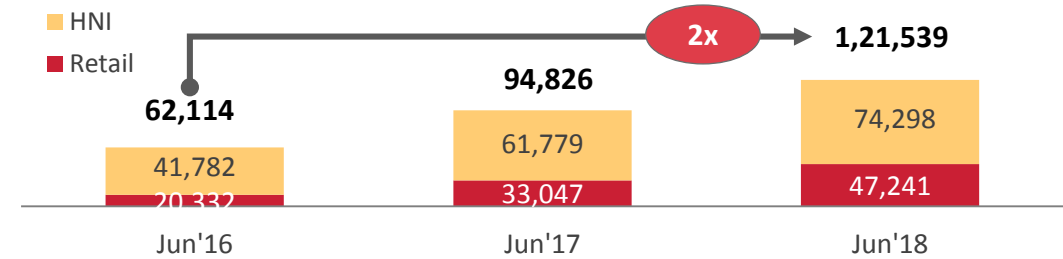
12% of total domestic AAUM

Increasing
Retail
Penetration

Significant
Growth in
Investor
Folio
(Million)

Growth in
Monthly
SIP book²

Figures in Rs Crore



¹ Source: AMFI ² Including STP ³ 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)	
Key Performance Parameters			
Domestic AAUM¹	2,05,715	2,49,270	↑ 21%
Domestic Equity AAUM ¹	59,891	89,031	↑ 49%
Alternate and Offshore Equity AAUM	9,377	10,235	
Total Equity	69,268	99,266	
Revenue from Operations	270	352	↑ 30%
Other Income	24	10	
Total Income	294	362	
Costs	175	216	
Earnings before tax	119	146	
Earnings after tax	80	102	
Earnings before tax (Excl. MTM)	104	153	↑ 47%
Earnings before tax (Excl. MTM) - % of Domestic AAUM²	20 bps	25 bps	↑ +5 bps

¹ Quarterly Average Assets Under Management (AAUM)

² 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 growth¹

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

Improved individual rank by 2 spots to No.7¹

Highest Gross VNB Margin² 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

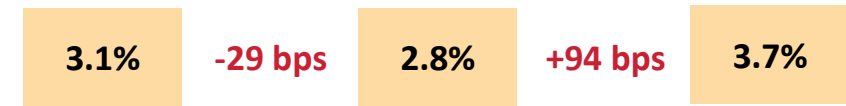
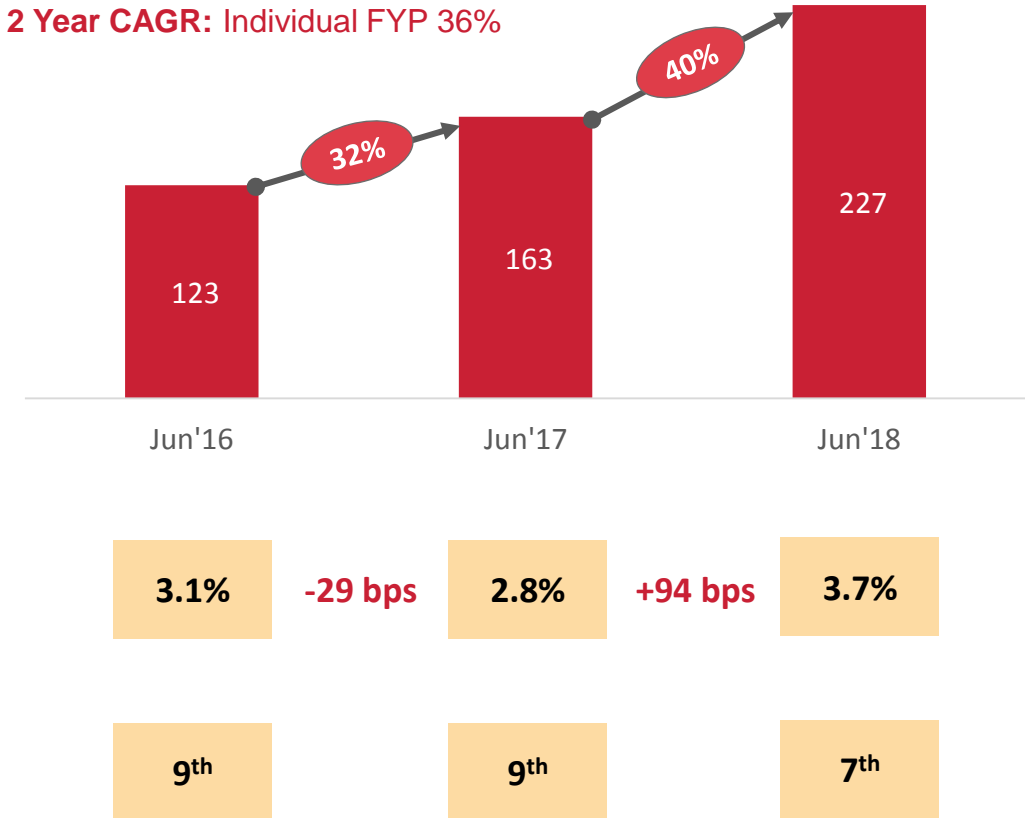
Aiding strong growth in market share

Individual FYP Growth¹

Individual FYP Market Share¹

Individual FYP Rank¹

2 Year CAGR: Individual FYP 36%

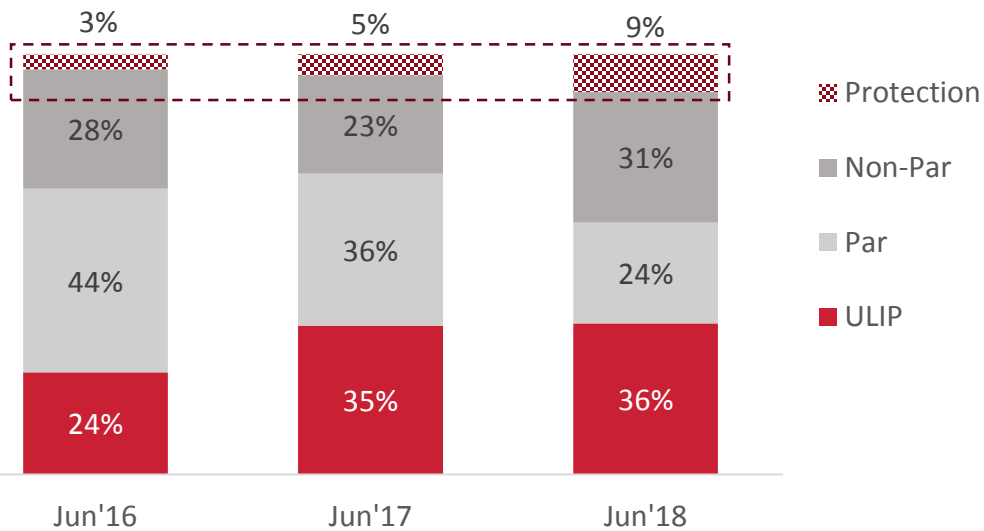


¹ Rank and Market Share amongst players (Excl. LIC) based on Individual FYP: Source IRDAI

² Based on Individual Business basis Management Review

Focus on balanced product and channel mix

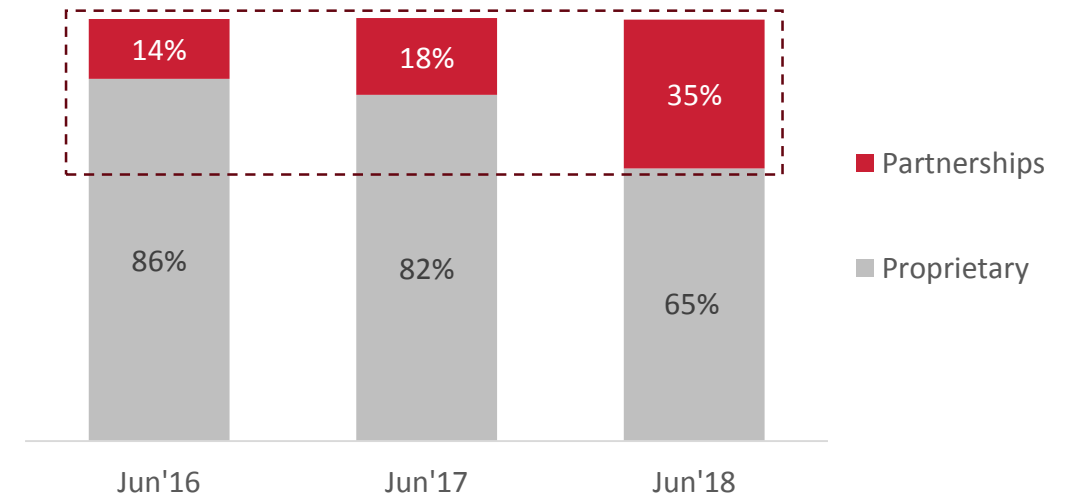
Increasing Share of Individual Protection in Product Mix



Protection Mix Grew by 3x over 2 years

Maintaining Balanced Product Mix

Balanced Sourcing Strategy led by growth in Partnerships



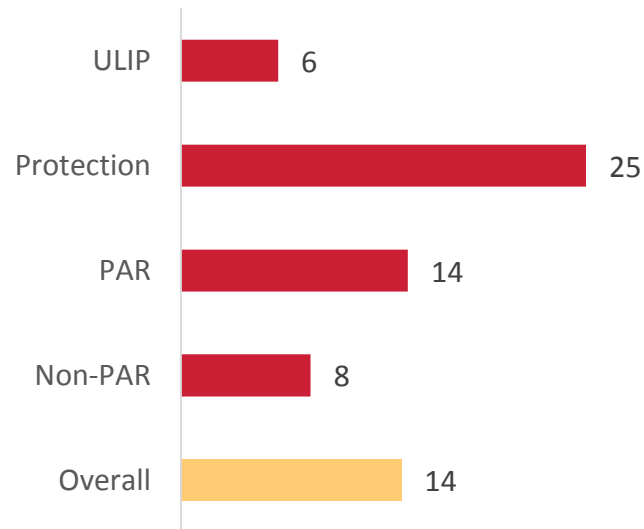
Consistent Increase in Non - Agency contribution

Driven by Increase in Share of Banca

Scaling up HDFC Bank partnership; Access to Pan-India HDFC branches effective 1st April 2018

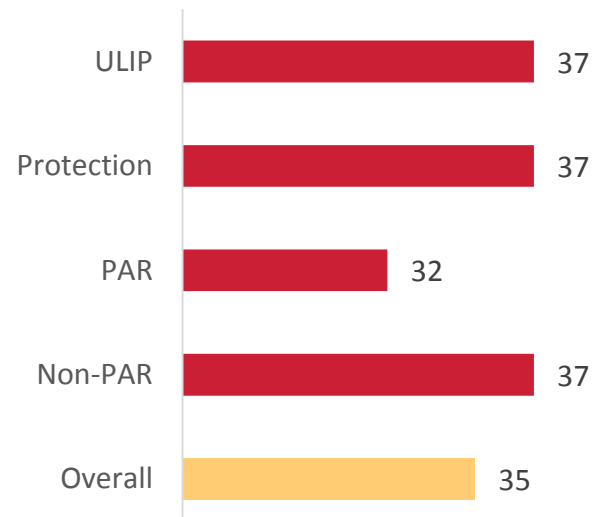
Focus on quality of business

Average Policy Term¹



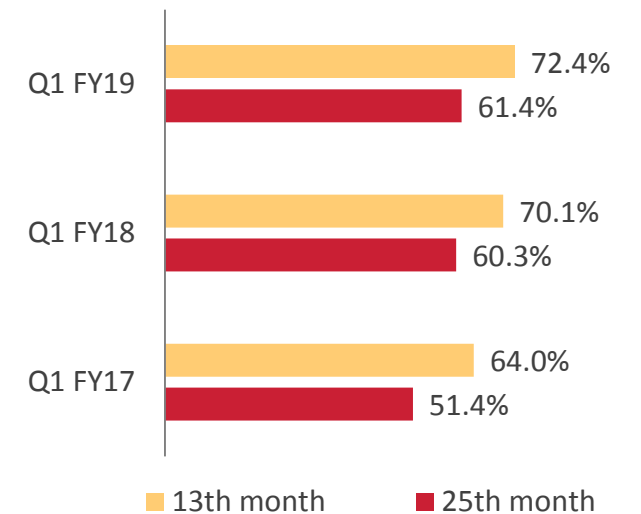
**Average Premium Paying Term at
14 Years**

Average Customer Age¹



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

Persistency Ratios¹



**Consistent Increase in 13th
Month and 25th Month
Persistency Ratios**

¹ 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)	
Key Performance Parameters			
Individual First year Premium	168	237	41%
Group First year Premium	117	284	
Renewal Premium	590	607	
Total Gross Premium	875	1,129	29%
Revenue	990	1,287	
Opex to Premium ¹ (Excl. Commission)	21.0%	19.8%	
<i>Opex to Premium¹ (Incl. Commission)</i>	25.3%	24.4%	
Earnings before tax	11	29	3X
Earnings before tax (Excl. – MTM/Fair Valuation Impact)	26	25	
Earnings after tax	11	24	
Assets Under Management	35,728	37,809	

¹ 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%

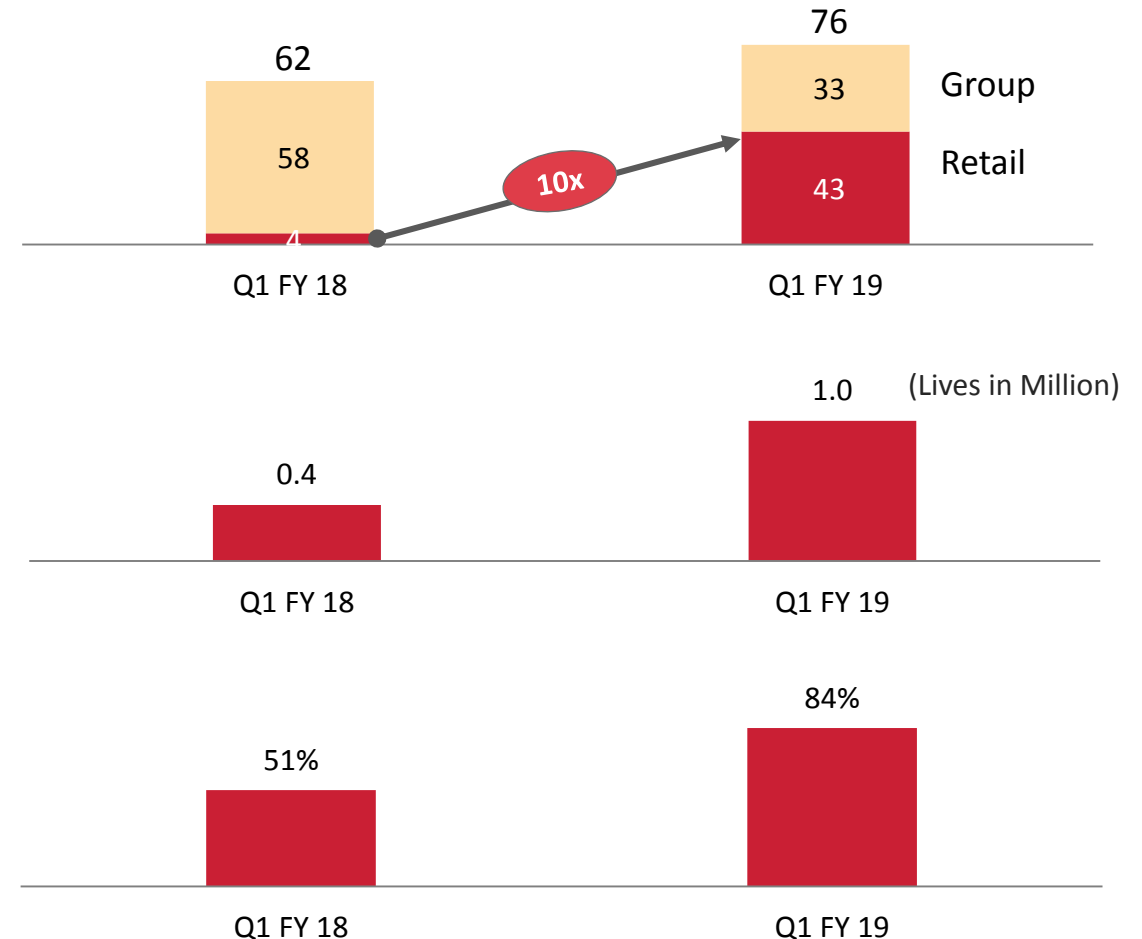
Digitisation of customer journey

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

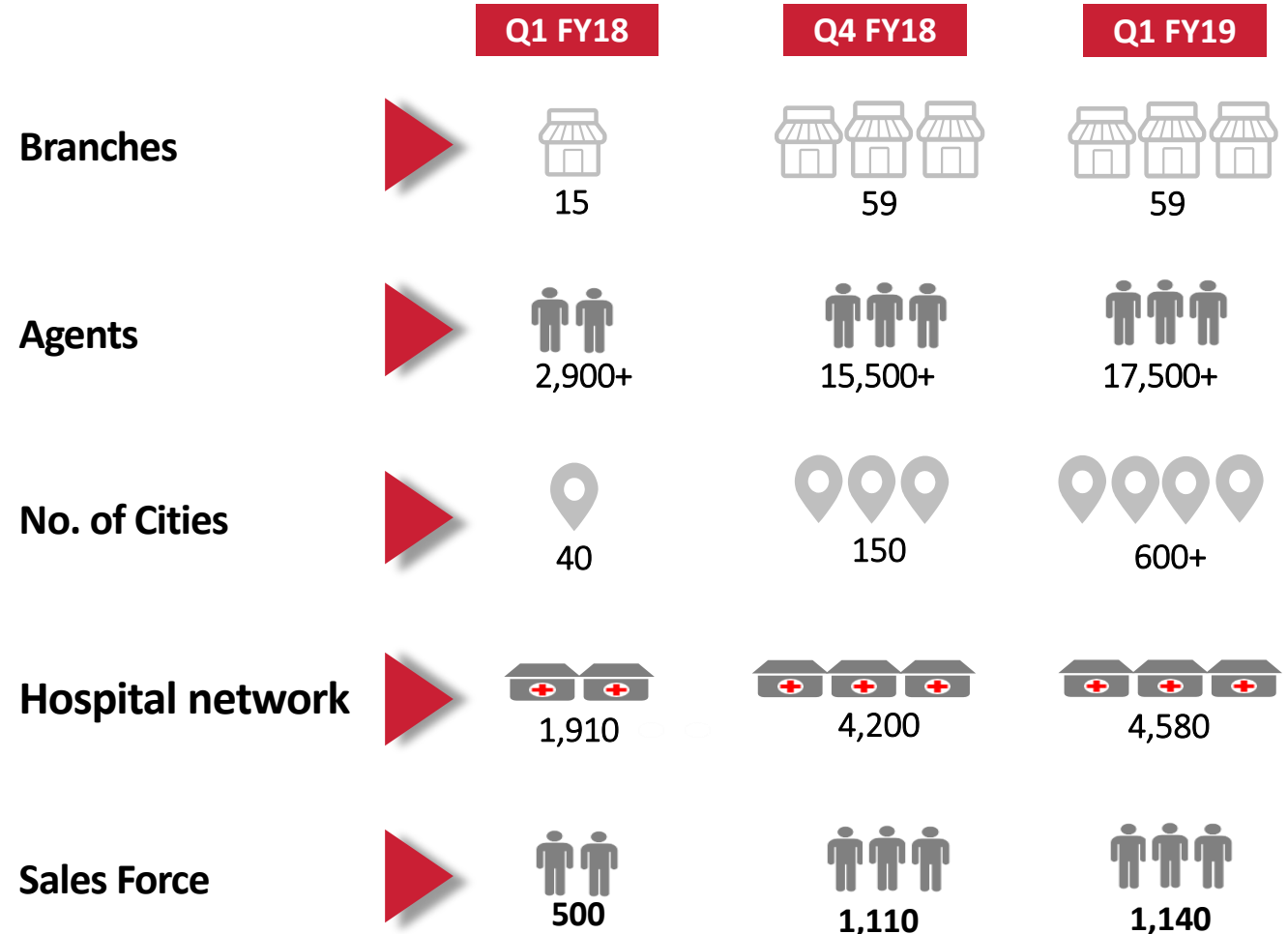
Significant momentum in distribution creation across all channels

7 Banca tie-ups:

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

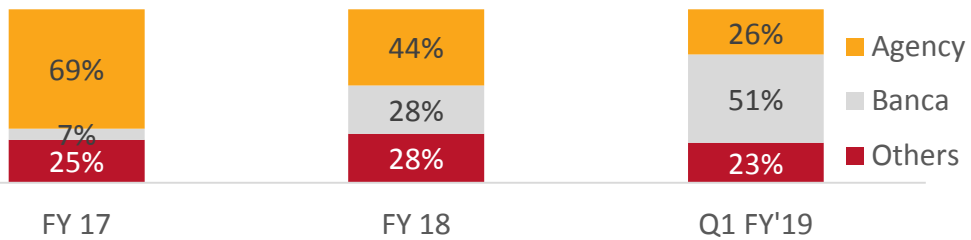
Increased Access to New Verticals With Banca Partners

Scaling up HDFC Bank partnership



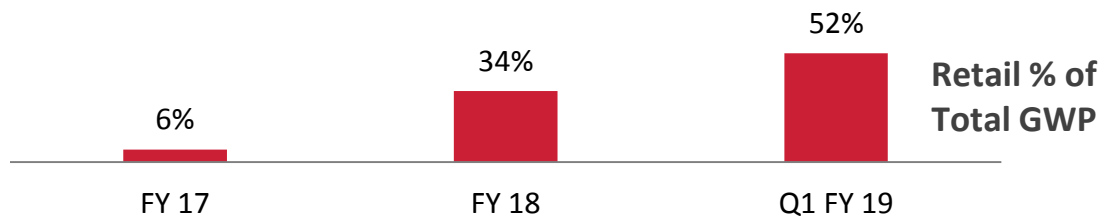
Driving value through diversification

Channel mix - Increasing contribution from Banca



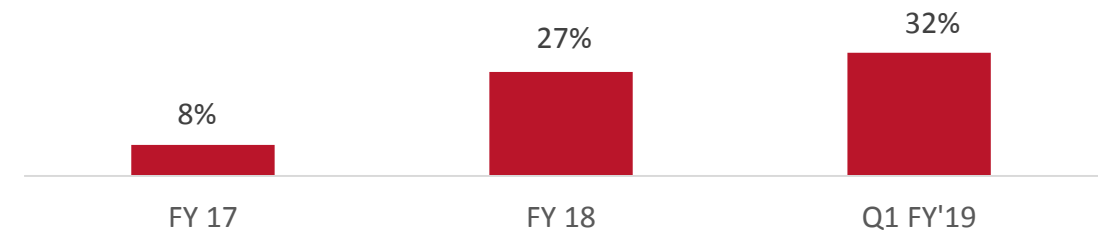
Increasing contribution from bancassurance

Increasing contribution of Retail GWP



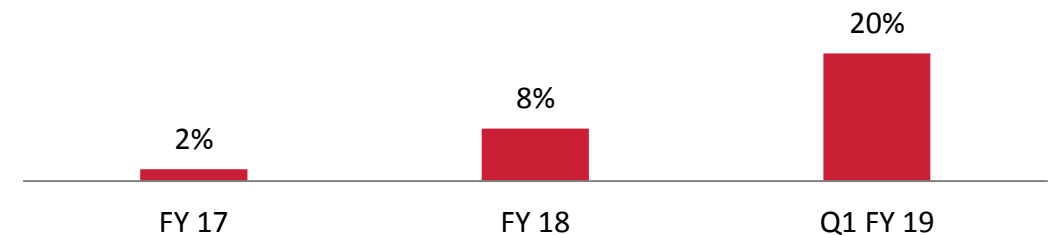
Improving margins by Increasing retail mix

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

Other Financial Services Businesses

Figures in Rs Crore

Key Performance Parameters For Other Financial Services Businesses ¹	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

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 ¹	119	146	
990	1,287	Life Insurance	11	29	
2,288	2,910	Established Businesses	383	510	↑ 33%
116	225	Housing	8	13	
64	76	Health Insurance ²	(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)	
2,553	3,374	Consolidated^{1,2}	365	434	↑ 19%

¹Aditya 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



¹Aditya 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

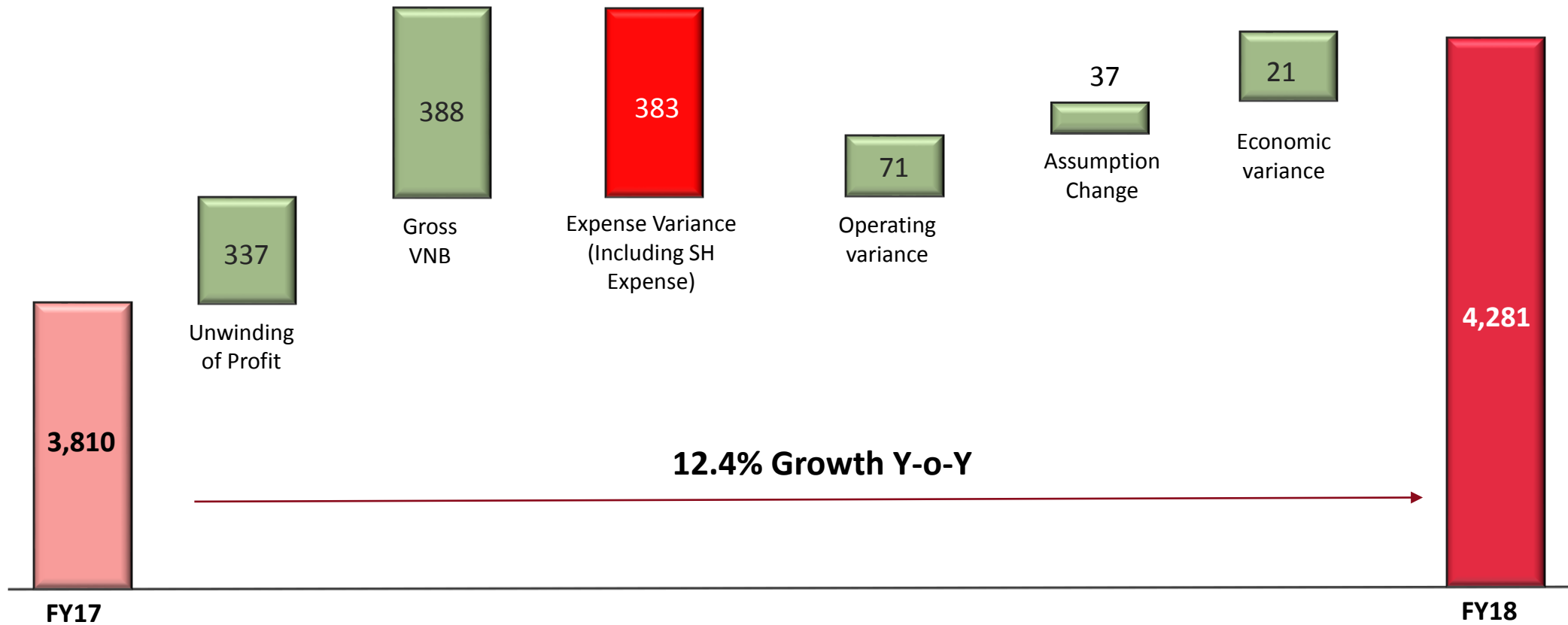
Consolidated Profit & Loss	Quarter 1		
	FY 17-18 (PY)	FY 18-19 (CY)	
Revenue	2,253	2,978	 32%
EBITDA	939	1,217	
Less: Interest Expenses for lending businesses	660	885	
Less: Other Interest Expenses	11	21	
EBDT	267	311	
Less: Depreciation	20	21	
Earnings Before Tax (before share of profit/(loss) of Joint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

Annexure

Market Consistent Embedded Value (MCEV) – Life Insurance

MCEV Bridge

Figures in Rs Crore



Sensitivity Analysis

Scenarios	% Change in IEV	% change in Gross VNB
Reference Rates and Assets		
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%)
Policy/premium discontinuance rates (proportionate)		
10% increase (multiplicative)	(0.7%)	(4.5%)
10% decrease (multiplicative)	0.6%	5.2%
Insurance risks (Mortality and Morbidity)		
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
Maintenance Expenses		
10% increase	(2.1%)	(1.9%)
10% decrease	2.1%	1.9%
Acquisition Expenses		
10% increase	N.A	0.0%
10% decrease	N.A.	0.0%
Taxation		
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

CIN: L67120GJ2007PLC058890

Regd. Office: Indian Rayon Compound, Veraval – 362 266, Gujarat

Corporate Office: One Indiabulls Centre, Tower 1, Jupiter Mills Compound, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013

Website: www.adityabirlacapital.com

- 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