Aditya Birla Capital Ltd. (ABCL)

Q1 FY25 Earnings Conference Call Transcript

Aug 01, 2024

Moderator:

Ladies and gentlemen, good day and welcome to the Q1 FY25 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 any 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, over to you ma'am.

Vishakha Mulye:

Thank you so much. Good evening, everyone and welcome to the earnings call of Aditya Birla Capital for Q1 FY25.

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 business performance and Vijay will cover our key financial highlights followed by a discussion on the performance of our key businesses by our business CEOs.

The Indian economy continues to remain resilient showing strong fundamentals, financial stability and growth momentum even in an unsettled global environment. The real GDP growth rate was 8.2% in FY24 and various factors such as improving productivity, technological development and conducive policy environment provide bright prospects for the Indian economy. In the recent Union Budget, the government has announced various measures towards affordable housing, MSMEs and digital public infrastructure which will give further boost to the economy.

At Aditya Birla Capital, we continue to focus on driving quality and profitable growth by leveraging data, digital and technology. An unwavering commitment to customer-centricity is a key element underpinning our strategy to grow our business. As I have mentioned earlier, prudent risk management practices form the bedrock of our approach which has enabled us to pursue growth, protect capital and deliver risk-calibrated and sustainable returns across our businesses. We continue to strengthen our omnichannel architecture. Coming to the performance highlights for the quarter:

1. **Growth and profitability**
   a. Consolidated profit after tax, excluding one-off items, grew by 15% year-on-year to 745 Crore Rupees in the quarter. The total consolidated revenue grew by 26% year-on-year to 10,258 Crore Rupees

b. Our NBFC portfolio grew by 25% year-on-year. We continue to remain focused on the SME segment and our business loans to SMEs grew by 39% year-on-year and 3% sequentially. As we have highlighted in our previous earnings calls, we have been calibrating our approach towards sourcing personal loans from digital partners over the past few quarters. As a result, we have seen a decline in the personal loan portfolio. However, we are focused on increasing our sourcing from direct channels including the newly launched ABCD app and we expect the growth in personal loans to normalize and pick up in the quarters to come. The profit after tax of the NBFC business grew by 20% year-on-year to 621 Crore Rupees. The RoA and ROE remain stable at 2.41% and 16.13% respectively
c. In our HFC business, we have built significant capacity over the past few quarters by making investments in digital properties, technology, people and distribution. This has resulted in a robust growth of 41% year-on-year in our loan portfolio and an increase in our market share. The demand for housing continues to remain strong in India and the recently announced measures by the government such as expansion in PMAY and investments in affordable urban housing will create ample opportunities in the housing sector. We believe the investments made by us over the last year will enable us to capture these opportunities as we go forward
d. Our mutual fund average AUM grew by 19% year-on-year and crossed a mark of 3.5 Trillion Rupees in Q1 of FY25. Monthly SIP flows increased by 39% year-on-year to 1,367 Crore Rupees in June. We have strengthened our investments and sales teams. During the quarter, we successfully completed our NFO of the Quant fund by raising more than 2,400 Crore Rupees and it is currently the largest scheme in the quant fund category in the industry
e. The individual first year premium in the life insurance business grew by 19% year-on-year which is a shade lower compared to the industry growth mainly due to the muted growth that we have seen with one of our banca partner. However, our premium growth across proprietary channels remains robust at 33% year-on-year. With a new banca relationship going live, we expect the growth in banca channel to increase going forward. This will give a boost to overall premium growth as we go forward. We will continue to make investments in proprietary channels and diversify our distribution mix. We remain in the top quartile in terms of 13th and 61st month persistency among private players. The new surrender guidelines announced by IRDAI is likely to make life insurance products simpler, more transparent and attractive to prospective customers and is expected to have limited impact on insurers with high persistency levels
f. In our health insurance business, we saw a robust growth of 35% year-on-year in gross written premium driven by our health first and data-based approach. The retail premium grew by more than 50% year-on-year. Our market share among SAHIs has increased by about 25 bps sequentially and about 90 bps year-on-year to 12.5% in the current quarter

2. Prudent risk management with focus on return of capital

Our prudent risk management practices have enabled us to pursue growth while protecting capital. Proactive interventions and tightened underwriting norms made over the past few quarters to improve our customer selection have held us in good stead in this environment. The gross stage 2 and stage 3 ratio of the NBFC portfolio improved by about 100 bps year-on-year and 4 bps sequentially to 4.45%. Our total credit cost in the NBFC business was 1.43% in the current quarter, which is well within our stated guidance of 1.5%. The credit quality in our HFC business remains robust with gross stage 2 and stage 3 ratio improving by 214 bps year-on-year and 27 bps sequentially to 2.64%.

3. Omnichannel architecture for distribution

Our omnichannel architecture allows customers to choose the channel of their choice and interact with us seamlessly across digital platforms, branches, VRMs and fostering engagement and loyalty. During the quarter, we commercially launched our D2C platform, ABCD. It offers a comprehensive portfolio of more than 20 products and services such as payments, loans, insurance, and investments. Its unique feature 'My Track' helps users to track their personal finance, credit history and health. It helps customers to fulfill their financial needs and serves as an acquisition engine for us. It has witnessed a strong response with about 8 Lakh registrations till date.

Our comprehensive B2B platform for MSME ecosystem, Udyog Plus, which was launched about a year ago, continues to scale up quite well, we now have 10 Lakh registrations. We are also seeing an increase in adoption from our existing customers as well and as a result the total portfolio of Udyog Plus today crossed around 2,600 Crore Rupees. We are seeing an uptick in cross sell of various products such as life insurance, health insurance and wellness solutions through Udyog Plus platform. We have further enhanced our integration with the ABG ecosystem to provide credit and supply chain financing solutions to their dealers and vendors.

While we continue to strengthen our digital offerings, we are also expanding our branch network to continue to cover the white spaces. Our overall branch count increased by 31 during the quarter and we now have 1,505 branches across businesses as of June end. In line with our One ABC approach, we continue to expand our co-located branches, which increased by 29 during the quarter to 825 branches across 231 locations.

Our Board of Directors had approved an amalgamation of Aditya Birla Finance with Aditya Birla Capital in March, subject to regulatory and other approvals. We are happy to share that the proposed amalgamation has received no adverse observations from BSE and no objections from NSE and we are now awaiting other approvals.

In July, Aditya Birla Capital received an approval from IRDAI for the sale of its stake of 50% in ABIBL. The enterprise value of ABIBL as per the transaction is 455 Crore Rupees and the transaction is expected to be completed in Q2 of FY25.

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

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

Vijay Deshwal:

Thank you Vishakha and good evening to all of you.

The total consolidated revenue grew by 26% year-on-year to 10,258 Crore Rupees during the quarter. Consolidated profit after tax, excluding one-off items, grew by 15% year-on-year to 745 Crore Rupees.

As Vishakha mentioned in our NBFC business, the total loan portfolio grew by 25% year-on-year to 1,07,306 Crore Rupees as of June-end. The NBFC business had a healthy RoA of 2.41% and delivered RoE of 16.13% in Q1 FY25.

Our Housing Finance Business continues to see strong momentum. The loan portfolio grew by more than 40% year-on-year to 20,399 Crore Rupees as of June end. The RoA was 1.44% in Q1 FY25. During Q1 FY25 we infused equity capital amounting to 300 Crore Rupees in our HFC subsidiary to support the growth momentum and maximize our share of opportunities.

Coming to our AMC business, the average AUM increased by 6% sequentially and 19% year-on-year to 3,52,542 Crore Rupees in the current quarter, of which equity AUM expanded to 46%.

In the life insurance business, our first-year premium increased by 19% year-on-year and group new business premium grew by 41% year-on-year in Q1. The year-on-year growth in total premium was 28%.

In our health insurance business, our unique and differentiated "Health First" model helped us to deliver a growth of 35% year-on-year in gross written premium during Q1 of FY25, this was an industry leading growth. The combined ratio improved from 118% in Q1 of last year to 112% in the current quarter.

I now hand over to Rakesh Singh, MD and CEO ABFL to cover the NBFC business performance in detail, over to you Rakesh.

Rakesh Singh:

Thanks Vijay, and good evening, everyone.

In our NBFC business, we saw a 25% year-on-year and 2% sequential growth in our AUM, taking it to 1,07,306 Crore Rupees in Q1 FY25. We continue to focus on the SME segment where business loans to SMEs grew at a market leading rate of 39% year-on-year. This segment now comprises 54% of our overall portfolio. A large share of growth in this segment has come from secured loans which grew by 43% year-on-year. Our disbursements in Q1 FY25 were at 13,443 Crore Rupees with secured business loans to SMEs contributing 41%. More than 60% of our sourcing in business loans is done through direct channels and we foresee this to inch upward with continued scale-up of our B2B platform for MSMEs Udyog Plus. I am happy to share that we now have more than 10 Lakh MSMEs registered on this platform. As we have highlighted in our previous call, we have taken several steps to calibrate sourcing from digital partners in the smaller ticket size segment. We are in the process of scaling up our direct sourcing model and I am confident that the growth in this segment will pick up in the next few quarters.

As Vishakha highlighted, we follow prudent risk management practices with emphasis on protecting our capital. We have tightened our scorecards and credit filters to improve customer selection over the past few quarters. This approach has held us in good stead in the current quarter. For us, credit costs have remained stable at 1.43%, which is well within our stated guidance of 1.5%. Our asset quality has shown consistent improvement with stage 2 + stage 3 book reducing by 101 bps year-on-year and 4 bps sequentially to 4.45%. The gross stage 3 loans also declined by 28 bps year-on-year and remained stable sequentially at 2.54%. We have maintained our stage 3 PCR at nearly 50%, which is higher by about 289 bps over Q1 of last year.

Our PAT registered a strong growth of 20% year-on-year and 6% sequentially to 621 Crore Rupees. The ROA for the quarter was 2.41%. The RoE for the quarter expanded by 28 bps sequentially to 16.13%. Our net interest margin was 6.56% and the cost-to-income ratio stood at 29.74%. Our Tier 1 capital adequacy ratio stood at 14.48% and has improved by 35 bps sequentially.

Moving forward, our focus will be on developing a granular portfolio and increasing the mix of business loans to MSMEs. This will be supported by the scale up of our Udyog Plus B2B platform with new product offerings and increased investment in distribution across emerging regions, aimed at driving growth. In the personal and consumer loans segment, our strategy will shift towards acquiring customers through platform-based approaches via our branches, ABG ecosystem, and the newly launched ABCD App. All digital customer acquisition processes on the App and Udyog Plus are designed for end-to-end control, covering everything from underwriting to collections, ensuring complete customer ownership. As we have mentioned in our previous earnings calls, we remain confident to grow the overall portfolio at a CAGR of 25% over the next two to three years. As we scale up, strengthen our capabilities, and invest in technology, our primary commitment remains to deliver sustainable returns in the upcoming quarters.

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

Pankaj Gadgil:

Thank you, Rakesh, and good evening, everyone. I'll now present ABHFL's performance for Q1 FY25. I'm pleased to report that we've achieved the highest-ever disbursals and book growth in a single quarter since our inception. GNPA has reduced both in absolute and percentage terms, which is now at its lowest level in the past 12 quarters. This underscores our consistent improvement in book growth and asset quality over the past 3 quarters.

Key highlights for Q1 FY25 are as follows

- We recorded highest ever quarterly disbursement of 3,068 Crore Rupees, which is an increase of 89% year-on-year and 5% sequentially
- We have surpassed the 20,000 Crore Rupees mark in AUM, with a total of 20,399 Crore Rupees as of June 2024, an increase of 41% year-on-year and 11% sequentially
- Our customer base now stands at 69,700 and has grown by about 23% year-on-year, with a focus on maintaining granularity, the average ticket size is at 29 Lakh Rupees
- Net interest income to average loan book is 4.98% and our PBT for the quarter is 85 Crore Rupees
- Asset quality has improved with stage 3 reducing to 1.60%, a reduction of 107 bps year-on-year and 22 bps sequentially. We maintained a stage 3 PCR of 34.6%
- ROA for the quarter is 1.44% and ROE is at 11.04%

Going forward we will further continue to focus on accelerating book growth and strengthening asset quality, which will result in better operating leverage with improvement in RoA over the next few quarters. For more detailed financial information, please refer to slide 26 of the presentation.

I would now like to provide a brief update on the pillars of our growth:

Firstly, on portfolio quality, with an emphasis on quality at origination, 95% of our retail disbursements in Q1 FY25 are towards 700+ CIBIL or new to credit. The contribution of 730+ CIBIL to origination is at 78% which is significantly higher than the industry average of ~48%.

On our second pillar distribution, 'Sales CRM' has facilitated last-mile planning within 48 hours of the start of month, yielding promising results with a 26% year-on-year increase in productivity. Also, I'm happy to share that 10.5% of the retail disbursements are generated from the ABG ecosystem in Q1 FY25.

Moving on to the third pillar, digital reinvention, we have achieved 100% adoption of unified digital lending platform, 'Finverse', covering all stages right from prospecting to disbursement. This quarter, we have also introduced a DIY customer onboarding journey for home loans up to 3 Crore Rupees via WhatsApp, making us one of the first HFCs to offer this option.

Lastly on fourth pillar, data and analytics, we've successfully deployed 10 data marts and developed 18 models till date, spanning across the customer journey from demand generation to collections. The adoption of our initial models covering attrition, pre-delinquency management and lead scoring is encouraging and aligns with our overall strategy.

In summary, we remain committed to long-term growth and profitability while maintaining robust portfolio quality and a strong focus on customer centricity.

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. With respect to the quarter ending Q1 FY25 of AMC business, overall average assets under management, including alternate assets, reached 3.68 Lakh Crore Rupees, reflecting a 19% year-on-year growth. Our mutual fund quarterly average AUM reached 3.52 Lakh Crore Rupees, with equity quarterly average AUM at 1.62 Lakh Crore Rupees.

SIP numbers during the quarter crossed the 1,300 Crore Rupees mark, showing a 39% year-on-year increase, from 987 Crore Rupees in June 2023 to 1,367 Crore Rupees in June 2024. We added around 8.39 Lakh new SIPs, nearly a 3x increase from the previous year.

We have witnessed a healthy growth in our investor folios, have added around 9 Lakh new folios during the quarter, bringing our total serviced folios to 94 Lakh. Our quarterly folio growth was 9%, compared to the industry growth of 7%.

In the Alternate segment, PMS and AIF remains a key focus. We have strengthened our team and appointed a Head of Fixed Income Credit and aim to offer a variety of products, including Category II and Category III Alternative Investment Funds. Fundraising is underway for the

ABSL India Special Opportunities Fund, and we also have several products in the pipeline to be launched.

By establishing our presence in GIFT City, we aim to manage and attract overseas investors into India to meet the growing needs of NRI and foreign investors. We are using GIFT City to launch a variety of innovative financial products, including sustainability, index-linked funds and thematic funds. These products are designed to meet the evolving preferences of global investors and tap into niche markets.

We have launched funds like ABSL Global Emerging Market Equity Fund, ABSL Index Linked Fund and ABSL India Opportunities Fund. We are also preparing to launch new funds in GIFT City, including ABSL India ESG Engagement Fund, ABSL Flexi Cap Fund and ABSL Global Blue-chip Fund for inward remittance to India from NRIs front.

On the passive front, as of June 2024, our passive assets total ~ 29,900 Crore Rupees. Our customer base has materially grown to over 7.53 Lakh folios and have a diverse product portfolio ownership of over 44 products.

We are focused on driving growth in the passives segment and have enhanced our core team by bringing in a head of passives from abroad. He has got rich experience in managing passive funds. We are also looking to expand our product offering to capture the opportunities in the thematic segment as well, we are deep on launches.

Moving on to the financials, we at ABSLAMC have achieved our highest ever quarterly profitability in Q1 FY25. This is driven by an improvement in the overall asset mix and a strong focus on cost management. Our total revenue is 481 Crore Rupees vs 389 Crore Rupees in Q1 FY24, grew up 24% year-on-year. Our profit after tax is at 236 Crore Rupees vs 185 Crore Rupees in Q1 FY24, up 28% year-on-year.

With this I will now handover to Kamlesh Rao, MD and CEO of ABSLI company.

Kamlesh Rao:

Thank You Bala and I will spend the next few minutes on the performance of the life insurance business. The overall life insurance industry saw robust growth in Q1 of FY25. Individual first year premium grew for the overall industry by 20% year-on-year and for the private players by 24% year-on-year. As Vishakha mentioned, the individual FYP growth of ABSLI was 19% year-on-year for this quarter.

For ABSLI the proprietary channels saw a robust growth of 33% year-on-year on the back of both increased capacity as well as productivity improvement. Our direct business grew by 100% over last year. The Bancassurance channel registered a growth of 11% year-on-year . Axis Bank has commenced sourcing for us in July and as it scales up along with our other new tie ups of IDFC First Bank and Bank of Maharashtra we expect a higher growth in the bancassurance channel in Q2.

In the group life insurance business, the private industry grew by 7% year-on-year, overall industry grew by 25% year-on-year in Q1 FY25 and ABSLI registered a growth rate of 41% year-on-year. Better growth was contributed by superior performance both in the fund as well as the credit life business. We continue to remain No.1 in ULIP AUM in the industry at an AUM size of more than 12,000 Crore Rupees.

Our total premium for the quarter was 3,986 Crore Rupees, registered a growth rate of 28% over last year's same period, demonstrating our increasing business growth. This growth came from new business growth as well as renewal premium growing at 17% year-on-year. Our digital collections now account for 78% of our renewal premium. We continue to work on customer lifetime value, which is reflected in our upsell ratio which touched 32% and helped productivity growth in both proprietary as well as partnership channels.

In the product mix of the individual business, traditional business including protection contributed 70% and ULIP was 30%. The current quarter in continuation of last year's last quarter has seen an uptick in sales of ULIP business across the industry on account of buoyant equity markets. We expect our ULIP mix to remain on the same lines as this trend continues. We will continue to recalibrate our mix in line with the demand and our extensive product suite to cater to the best interests of our customers.

The reductions in G-Sec rates and higher ULIP mix has led to a net VNB margins of 6.5% in this quarter vs 11.8% last year.

The reforms in the product regulation brought forward about by IRDAI are a welcome step for the life insurance industry and like Vishakha mentioned will make life insurance products simpler and more transparent as well as promote life insurance to new customers.

Based on these regulations, we may see an impact on margins generated in our traditional products. Possible mitigants for this impact include realigning commission structure, relooking at the channel mix and re-evaluating product construct. We will ensure that the measures we undertake will be in the best interests of our customers. We continue to maintain our guidance on net VNB margin for the end of the year to be in the range of 18%-20%.

Our quality parameters now trend better than last year across various areas, persistency across all buckets did well with the 13th month at 88% and the 61st month persistency at 66% which will make us top quartile in the industry, our consistent efforts on bringing cost efficiency into the business has resulted in opex to premium to 19.9% vs 20.9% last year.

Our Asset under management now stands at 90,682 Crore Rupees, with a growth of 22% year-on-year. 25% of this AUM is in equity and the balance 75% is in debt. We continue to outperform in our investment performance in respective benchmarks across all three categories of Equity, Debt, or even Balanced funds, either from a 1-year or 5-year perspective.

Our digital adoption across various areas is demonstrated in Slide 42. 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 93%.

As we move ahead, we will continue to be best-in-class in our digital infrastructure, across prospecting and onboarding in sales, underwriting, and customer service as well as claims.

With this I will hand over to Mayank Bathwal, CEO of Health Insurance business.

Mayank Bathwal:

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

We had a very strong first quarter. We continue to build on the momentum that we saw in H2 FY24. In Q1 of FY25, we achieved a gross premium of 1,041 Crore Rupees, marking a robust 35% year-on-year growth. This performance stands out against SAHI's 25% year-on-year growth and reinforcing our position as the fastest-growing SAHI player consistently over the last many years.

Growth continues to be driven by robust performance in our retail franchise, which experienced a growth of 51% year-on-year. The retail growth continues to be diversified across various retail distribution channels. The Proprietary channel with an agent base of 1.2 Lakh agents registered a 41% year-on-year growth. In addition, all our major bank and digital alliance partnerships also experienced impressive growth as have been given in the presentation. Our market share in SAHI in Q1 rose from 11.6% to 12.5%, an increase of 92 bps year-on-year.

Our strategic focus on diversifying our product portfolio led to the launch of Activ One in FY24, the most comprehensive indemnity product in the industry today. The product positioned under the theme of 100% Health:100% Health Insurance, continues to be exceptionally well received by the market, helping us penetrate the newer customer segments, including the HNI segment and also segment comprising of people with existing chronic conditions.

With an emphasis on product mix, our retail fixed benefit products contribution on an enlarged retail base is now at 20% as compared to 16% in Q1 FY24, this will lead to a positive impact on future profitability.

The Corporate business experienced a strategically controlled 20% year-on-year growth, driven by a sharp focus on profitability through careful customer segmentation, cross-sell/upsell strategies, corporate wellness initiatives, and our industry-leading outpatient (OPD) business. We are strategically concentrating on mid-corporates and SME segments to continue to build one of the very few sustainable and profitable corporate and affinity business in the industry.

By prioritizing both growth and profitability, we are building a resilient franchise. Our net loss improved to 51 Crore Rupees in Q1, compared to 62 Crore Rupees in the same period last year. The combined ratio also improved to 112%, from 118% in the previous year. Given all the efforts that we have taken over the last 24 months, both our claims and expense ratios have trended positively at the company level, and we continue to maintain positive outlook especially in the retail business which is an important part of what will create value in the business. We continue to project strong growth in FY25, coupled with consistent improvement in profitability, towards a combined ratio of 100% in FY26 as we have guided earlier.

Our Health First model continues to show signs of maturity. The outcomes for some of the intervened cohorts are now visible. We are now able to scale up digital health assessment providing us valuable insights into consumer health. The consumers who are engaging with us on their health, are now exhibiting lower loss ratios, ranging from 10%-25% at various cohorts. Likewise, the consumers earning Health Returns experience loss ratios up to 30%

lower than the baseline case. This is shown in slide 52. Our effort now is to increase the engagement with a larger cohort of our customers.

Similarly, 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 of these customers. The customer engagement capabilities and insights are disclosed on Slide 52. Through a combination of our inhouse health coaches and our partners, we have intervened in more than 100K high risk lives to improve their health vitals leading to lower claim ratios.

Our ‘Promise of Insurance’ is centered on providing industry leading experience and by investments in state-of-the-art AI/ML-driven claims auto-adjudication engine, we witnessed encouraging results in both. This will further enhance customer satisfaction and manage claims costs more effectively. We continue to invest in several key projects leveraging data and analytics focused on revenue enhancement, claims management, fraud management and improving customer experience, which are in various stages of implementation and are shown in slide 57.

The industry leading Activ Health App has been relaunched with 15+ freemium services. The App now provides an opportunity for non-policy holders to experience our comprehensive app ecosystem. Our App downloads have increased by 131% year-on-year and monthly average users have also grown by 70% year-on-year.

Overall and as, I look ahead we remain positive about the growth opportunities in the sector also enabled by the multiple regulatory changes made over the last couple of years.

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

Vishakha Mulye:

Thank you everybody for joining us today evening and will be happy to take any questions.

Moderator:

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

Chintan Shah:

Hello. Thank you for the opportunity and congratulations on the quarter. First ma'am, I had a question on the merger. So currently, what approvals are pending? And how much time do we anticipate, I think by March 2025, we expect the merger to be over. So, are we through with the timeline?

And secondly, related to the merger only, we have around 45% stake in AMC and around 46% stake in Health Insurance and 51% in Sun Life Insurance. So, any thoughts on whether the regulator, RBI, would be comfortable with our main NBFC lending arm having almost 50% stake in other subsidiaries. Usually, we have seen in case of some banks wherein RBI restricts the stake in insurance to 20%. So, what are your thoughts on that?

Vishakha Mulye:

Okay. So, first is on the status. As we said, we have already got an in-principle approval from both BSE and NSE, which is the first step. Going forward now, first, we need to get a no objection from RBI. After we get no objection from RBI, our registered office is in Gujarat, so we will have to file the merger proposal in the NCLT of Gujarat, which is at Ahmedabad. And then, of course, as you know that there is a process which the NCLT will go through. My expectation is, since this is the merger of our 100% subsidiary into ABC, typically the time required is shorter than the normal merger.

The second is, both the companies have their registered office in Gujarat. So that makes it a little simpler because both will be applying to the Ahmedabad NCLT. As you rightly said, our endeavor would be to complete the process by March 31, 2025. And we will keep you informed about the progress in every quarter. So that's the status of the merger.

Talking about the specific approval, I don't want to pre-empt and really comment on how RBI will look at it. The only thing I would say is that regulation does not prohibit NBFCs from holding the percentages that we are holding today in the companies that you mentioned. In the case of banks, typically, there is a banking regulation act which prohibits the banks to hold more than 30% in any company. It can either be a subsidiary or what you hold in any company has to be less than 30%. So that's the act.

And therefore, whatever that you spoke about is applicable to the banks and not necessarily to NBFC. In our case, of course, as we had mentioned before, in case of insurance, we are allowed to hold more than 50% with a specific approval from the Reserve Bank of India. There is no prohibition. And in our merger proposal, we have asked for that specific approval. So again, we are very hopeful, and we have no reason to believe that they will have any objection to what we have made an application for. But again, we will keep you informed about the progress on that front as well.

Chintan Shah:

Sure ma’am. That is actually quite helpful. Now a specific on the NBFC business. If you look at the growth in the NBFC business, it was around 2% sequentially and still we are guiding for around 25% year-on-year CAGR over the next 2-3 years? So how do we look at it? What would be the main driver? If we look at the AUM mix, it seems that we are defocusing, or we are growing slowly on the unsecured piece and that is also high yielding. So given that the margins also have given up quite a bit in the current quarter. So, is that due to the unsecured mix change? And will that continue or are we again going to build the unsecured mix?

Rakesh Singh:

So, if you look at it, we have grown 25% year-on-year. Yes, sequentially, it is 2%, but that's a calibrated growth. We had done some calibration in Q3 of last year, that small ticket unsecured loan, where the risk weights had gone up and also RBI had concern on this segment, and that's the reason we had recalibrated growth. And as you see in the last 2-3 quarters, we have dialed this segment down.

But as we have committed, we continue to be very positive in terms of growing 25%+ year-on-year, with a clear focus on SME segment, which we will continue to grow. So, if you look at our secured business has grown by 43% year-on-year and MSME segment if you look at, that's grown 39% year-on-year.

And also with the recalibration, which has already been done in the personal and consumer, and we have really built our direct sourcing channels, as I spoke that in the initial comments that the branches which we are setting up, the direct open market acquisition engines which we have built, the ABCD app which we have launched, all of this will help us to grow our personal and consumer business. So yes, it's a recalibration in the last couple of quarters, but we expect this to grow and with the clear direct acquisition models, which I spoke about.

Also, on the unsecured business, we are very positive in terms of growth on the unsecured business, and that should help us in terms of mitigating the margin compression, which you mentioned. Yes, the margins have compressed because of the change in the product mix. But as we grow our unsecured business and scale up our direct sourcing channel for personal and consumer, we should be able to manage our margin.

Chintan Shah:

Sure. That is quite helpful. So, for FY24 we had a margin of 6.9%. So, do we expect margins to stabilize around similar levels for FY25 or there will be some compression on yield level?

Rakesh Singh:

So, it should be around these levels is what we see this year. Yes, in the next few quarters, it will be in this range itself.

Chintan Shah:

Sure. This is quite helpful and all the best for future quarters.

Rakesh Singh:

Thank you.

Moderator:

Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh:

Hi. Thanks for the opportunity. I have two questions. The first one is again on NBFC. Now you have some sort of recalibrated growth, both in unsecured business and unsecured personal and consumer loans. Now if you can just provide some color, on your strategy changes post recalibration, how the growth in terms of AUM in these two unsecured businesses and unsecured personal is going to look?

And in this kind of recalibration or running down some passbooks, how is this delinquency or GS 3 target going? I mean, is this the number what we are seeing, particularly the GS 3 numbers in these two segments kind of peak or still, as sort of, until the time the growth comes back full throttle, it will kind of inch up further? So that is the first question on NBFC, I will come back with life insurance question later.

Rakesh Singh:

First question was on the growth of these two segments, which is the personal and consumer and unsecured business. In terms of as I mentioned, we continue to be very bullish on both these segments, personal and consumer. We have built direct sourcing channels, and our focus will be completely dependent on acquiring customers directly rather than third party. That's the reason why the recalibration you see, we are seeing in Q1 also, we have seen that our direct sourcing channels have started delivering.

Our branches, which we have invested in over the last couple of years have started delivering results. And, last quarter, we have launched ABCD app. Initial response is pretty good. And we are seeing conversion, especially on the consumer and personal loans, the conversion is pretty good. So, these platforms and these engines will fire up for us in the personal and consumer segment. If you see the unsecured business segment, as we have mentioned, this is our chosen segment, MSME is our chosen segment, and we continue to build investments and platform for this segment.

We have launched last year, B2B platform Udyog Plus. And we have already seen almost 10.5 Lakh MSMEs registered on this platform. The new customers are being onboarded on this platform. And on this platform, there is a complete seamless digital journey, which we have built. Also, our existing customers are adapting to this platform and migrating on this platform. So, unsecured business segment will grow quite smartly for us in the coming quarters.

In Q1, because of supply chain, which is more seasonal in nature, there were some repayments, large repayments. That's the reason you see some degrowth.. But in the coming quarters, we look at very positive growth in this segment. In terms of the quality, stage 3, which you mentioned about personal, consumer and unsecured segment both if you look at, this is primarily because of the de-growth in the denominator. In terms of the normal flow and we track it on a month-on-month basis and quarterly basis the normal flow is quite stable. So, we don't see, but it's only in the percentage terms you see a slightly higher stage 3. But it's quite normal if you see in terms of the quarterly flow.

Avinash Singh:

Okay. So, I mean you're saying that growth sort of sequentially will start from this quarter in both the segments?

Rakesh Singh:

Yes.

Avinash Singh:

Okay. Coming on life insurance now in Q1, if you were to look at the margins, of course, the margins have dipped quite a bit, could be due to product mix changes and due to the growth coming under some pressure in some banca channel. Now still you are guiding like for the full year, a very similar kind of margins. And if we try to look particularly in the backdrop that okay, from H2 FY25 you are going to sell a new variety of the non-linked products with the new surrender norms in place.

So, what gives you the confidence that you will be, by and large, able to come back to the same margin level? Is it that you are hoping for a big shift in the product mix? Or is it that you are expecting growth to come big time providing a better cost absorption. First quarter, there is a big shift, but for the full year, you are looking confident to achieving the flattish or slightly a minor decline in margins?

Kamlesh Rao:

So, the first quarter for us is if you look at even in the last three years, there are quarters in which you could have done 3%, but you still were able to reach 20%+ VNB margins. So, we catch up on our net VNB margins through the year, as you would have seen in the previous few years itself. You have to remember that the G-Sec rates are coming down, we've also passed on the reduction in some of our benefits to customers in our traditional products.

Some bit of it has already been happened. As I speak, in the month of June, which is in line with what the industry has done, plus incremental growth, like I said, we are thinking that the ULIP mix will continue to be where it is at 30%. But in the traditional products, because of the G-Sec rate coming down and whatever benefit we have passed, that's one element.

The absolute value of growth will catch up with the banca channel also in subsequent quarters, Axis has started in the month of July mid, IDFC and Bank of Maharashtra will scale up as well. So, the absolute value of what we will be able to generate in terms of premiums will help us generate those margins. If you look at it, the guidance is still 18%+.

Last year, we were at about 20.2%, so if you're in the 18%-19% range, we are still saying there could be a loss of about 100-250 bps, which we had said even before and we are in line with that trajectory to be able to get there by the end of the year.

Avinash Singh:

Okay. Got it. Thank you.

Moderator:

Thank you. The next question is from the line of Bhaskar Basu from Jefferies. Please go ahead.

Bhaskar Basu:

Good evening. I had a couple of questions. Firstly, on the NBFC side, mainly around NBFC. So, this quarter also, you kind of bought loans of about 2%. Last quarter, there was about

2.2% of portfolio purchase. So, can you help us understand which segment were these loans purchased? And what is the strategy around loan purchases going forward?

Rakesh Singh:

We disbursed close to 13,000-14,000 Crore Rupees in a quarter, and this (the buyout) is if you look at, it's a small part of the overall disbursement numbers. Your second question was which segment. This is primarily secured loans. A very small part would be unsecured, but primarily secured is what we have.

In terms of what is our strategy, these are portfolio interventions. We look at in terms of whether it's assignment of the portfolio or buyout of the portfolio. We look at both as an opportunity and our ability to cherry-pick good quality portfolio, that's what we look at.

Bhaskar Basu:

Yes. I mean, basically, the point was it's almost 2% of the book. I mean, so it's almost like 4% of book purchased in the last two quarters. And especially given that your own channels are building up. What is the driver for this essentially? I mean, I would have probably expected more from the organic channel.

Rakesh Singh:

So, if you look at organic channel, almost 90% of the sourcing or disbursement, is happening through the organic channel. This is supplementary if you look at. And, Bhaskar, if you look at the repayment on this segment because if there is a PTC or DA transaction, the repayment is quite fast. So, disbursement might be slightly higher, but as you said, the net growth is very small for the quarter. So, it's not even 2000 Crore Rupees, almost 50%-60% of that comes back as a repayment.

Vishakha Mulye:

And Bhaskar, another thing from a strategy perspective, see one must keep looking at opportunity in addition the direct channel that we have, and we continue to leverage those channels. But if you look at the opportunity today in the market because of the liquidity position which is there, there are certain franchises which probably have no access to that liquidity. Whereas a franchise like us has access to that liquidity at a reasonable cost. Now naturally, people have started building those channels where they're in a position to actually originate the assets. We look at this as a great opportunity for our franchise who has access to capital, particularly the liability capital at a reasonable cost to leverage this opportunity. So, we'll continue to look for buying and selling of the portfolio in the market as an activity. Today, we believe there is an opportunity to buy. If in the future, if our appetite is completed and we have built such a good franchise, we probably will continue to churn our portfolio as we go forward on both sides.

Bhaskar Basu:

Okay. So just following up on this, essentially the spreads you make on these pools purchased are comparable to less or higher than your organic channel.

Vishakha Mulye:

So, we always do our unit economics, two or three things that we look at very clearly. One, we will never compromise on the quality. So, it has to match our credit underwriting standards that we would have done for our own assets. Second, in terms of unit economics, whether it's a return on asset or return on equity, it has to mark up and make that minimum hurdle that we have for own assets. So, these are the two things that we continue to do. And to be frank, this we will do in both our lending companies, as we go forward.

Bhaskar Basu:

I have two more questions. I mean, one, on the opex side, opex has been obviously lower and is it more seasonal? Is it something to do with more acquisition to purchases? Or do you expect some of it to normalize? So, any guidance on the opex side?

Rakesh Singh:

This is for NBFCs, Bhaskar?

Bhaskar Basu:

Yes, NBFCs.

Rakesh Singh:

So, Bhaskar, if you look at last quarter, we had marketing costs, which were there. We had run a campaign. So, there was a marketing cost in the last quarter. We have always operated in the range of 30%-31% cost-income ratio, and we will continue to operate in that range. Yes, there will be one quarter where some marketing expense comes out or some payout comes out, but it will normalize. So, we will continue to operate in terms of guidance, 30%-31% cost-income ratio is what we have always operated at, and we will continue to operate.

Bhaskar Basu:

Okay. Just my final question, if I may. On the provision coverage, this has come down sequentially. So is there a recalibration of PD/LGD or you expected it through. What would be kind of the steady-state provision coverage you expect from this book? And the related question is also around the write-offs this quarter, please.

Rakesh Singh:

Bhaskar, if you look at our provision cover, it is quite in line. I think last quarter was 49.9%. This quarter is 49.5%. So this is in the same line and it hasn't come down. Because our portfolio is primarily secured, i.e 70% of our portfolio is secured, this is a very good provision coverage for our portfolio. And if you look at a higher risk segment, which is consumer and personal loans, there our provision coverage is almost 86%. So clearly in line with the unsecured business, which you see 35%-36%, there we have a credit guarantee of almost 4300 odd Crore Rupees of portfolio, from SIDBI. So, it's been quite stable, and there's no reduction.

Bhaskar Basu:

Yes, sure. And just the write-off number, please.

Rakesh Singh:

It's not readily available with me, but Bhaskar we will come back.

Bhaskar Basu:

Okay. Thanks. Thanks a lot.

Moderator:

Thank you. The next question is from the line of Suresh Ganpathy from Macquarie Capital. Please go ahead.

Suresh Ganpathy:

Yes, hi. So, I just had a question on your ROA targets in the medium term, right? So, you had earlier guided that in the NBFC business, we wanted ROA to be 2.7%-3%. Now that's on an AUM basis. And as of now, the number is like 2.4% flat for the past couple of quarters. Now you're guiding for stable margin, stable credit cost, are you confident that you can meet this 2.7%-3% range? When will it happen? What would be the drivers? Because really it looks like we are not going to see that kind of a number happening anytime soon. So, any clarity on that would be great.

Rakesh Singh:

Suresh, we had always guided that we will come to 3% ROA in the next two to three years year. That's the period which we had always guided. On that front, we still are confident that we will be able to deliver. Yes, there has been some recalibration in terms of changes in the product mix. And that's on the backdrop of regulatory requirement because the risk weights went up. There was some concern on small ticket unsecured loans. And that's the reason we took that very calibrated call. So, we will continue to follow 3%, and we will deliver that in the time period. And what will be the drivers, if we grow secured business, instead of, let's say, personal and consumer, then my credit cost will offset this difference because my credit cost will be lower in the secured business. So clearly but as I had mentioned earlier that we are looking at growing both personal and consumer and also unsecured business. And if you look at, unsecured business comes primarily at the same yield range as of personal and consumer. So, we still are following that. And yes, for a few quarters we took this recalibration. But we are confident that we will deliver.

Suresh Ganpathy:

Okay. Thank you.

Moderator:

Thank you. The next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh Jain:

Hello. Good evening, everyone. So, first is on NBFC, so do you expect the share of unsecured to remain at 25% from here onwards or do we expect share to reduce?

Rakesh Singh:

So, if you look at personal and consumer. Earlier, we had always guided that our cap on personal and consumer used to be 25%, 50% for MSME and 25% for corporate. But at this point in time, personal and consumer is at 15%, now MSME unsecured and secured is closer to 54%-55% and remaining is corporate. So, we will continue to work in that product mix, Nidhesh. At this point in time, as I said, because the last three quarters, we have calibrated the personal and consumer, which has come down. But as we leverage the platforms which we spoke about, branches, ABCD app and our direct sourcing channels, we will build that up as well, as we go forward.

Nidhesh Jain:

And what is the share of direct sourcing in unsecured today?

Rakesh Singh:

Just give me a minute, I have the number. So, if you look at personal and consumer, we source 53% of our loans through digital, direct is 28% and DSA is 19%. At the company level, if you look at, direct is 69%, almost 70% of our business at a company level, we do it directly. This was 67% last quarter. So, if you look at it, our direct sourcing has been increasing. The personal and consumer also, last quarter, we were at 22%, that's gone to 28%. So that's what we are really focusing on in terms of acquiring customers directly.

Nidhesh Jain:

Sure, next is on life insurance. Can you quantify the impact of surrender value regulation on a gross basis on overall company, on a full year basis of last year's margin. If we move to the new surrender value regime, what would be the impact on our margins?

Kamlesh Rao:

So, like I said, there are two impacts. One, of course, is the impact on the fact that the first year surrender value is available to the customer right now, which was not available before. Industry, obviously, will respond to that differently in terms of looking at what kind of commission structures should be paid, whether it should be brought back for whatever has not persisted. So that impact is not very large.

The second impact comes on account of high surrender value which will happen in the subsequent years, which is typically year 2, year 3, and year 4. If you look at our persistency numbers over the last few years, we typically now are in the top quartile, 13th month is at 88%, even our 61st month now is at 66% and these are overall persistency. Our persistency in the traditional part of our business is even higher than these numbers.

So typically, the impact on a portfolio could range basis our mix that we have of the product of traditional, roughly in the range of 100-200 bps, inclusive of the impact on the first year money to be paid back to the customer, like I said, through multiple approaches, relooking, realigning at structures on distribution, business mix as well as what we want to do on our product offering. We don't think that will have an impact for us on the net VNB margins that we have guided 18%+ for this year.

Nidhesh Jain:

Sure. So, this 100-200 bps impact that you mentioned is on a gross basis without making any changes to the structure?

Kamlesh Rao:

On a product construct basis, it will be a little higher because it impacts only 50%-60% of the mix because it doesn't impact you on ULIP, it doesn't impact you on protection or par. It impacts on you only on the non-par of the business. That will roughly come back to about 150-200 bps.

Nidhesh Jain:

Okay. Thank you. That’s it from my side.

Moderator:

Thank you. The next follow-up question is from Suresh Ganpathy from Macquarie Capital. Please go ahead.

Suresh Ganpathy:

Yes, thanks. Sorry. Forgot to ask one more question which is on capital. You're growing at 25%, your ROE is at 15%-16%. And your capital adequacy is just at 16.5%. So just wanted to understand what your thought process here? Because it is very precipitously close to that 15% mark, right? And I think you need to keep some margin of safety. So, are we looking at any kind of capital raising? What could be the amount? Any clarity on that?

Vijay Deshwal:

Yes, Suresh, Vijay here. Suresh, as you are aware that we had raised our 3,000 Crore Rupees of equity capital, of which we infused 1,600 Crore Rupees in that NBFC in the last one year and about 300 Crore Rupees in the last quarter in HFC. Further, we did the OFS of our AMC, which got us another 600 Crore Rupees. We got the IRDAI approval to monetize the insurance broking firm, which will help us get another 200 odd Crore Rupees. So, we have close to about 1900-2000 Crore Rupees of equity capital right now. I think this will suffice us for the next about 12-18 months of growth. And, as you know that we have announced the amalgamation of ABFL and ABCL. And as we had mentioned in the last call that it helps us release our capital close to about 3000-3500 Crore Rupees. So, I don't see capital in near-term should be an issue, and we'll be able to manage that.

Suresh Ganpathy:

Okay. But the stake in NBFC will go up. Again, you come back to the free float ratio, if that is the case.

Vijay Deshwal:

Sorry, come again.

Suresh Ganpati:

Sir, because you will have to infuse money. The holding company infuses the stake in NBFC further goes up, right?

Vijay Deshwal:

NBFC is a 100% subsidiary, Suresh,.

Suresh Ganpati:

Okay. Yes. Correct. I'm sorry about that. Sure.

Vijay Deshwal:

Thank you.

Moderator:

Thank you. The next question is from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise:

Yes, hi. Thanks for the opportunity. So, the Stage 3 inch up in the personal and consumer loans is quite expected. Can you just elaborate what's causing the unsecured business loan delinquency inch up, and some thought there while it is guaranteed for yourself and should not cause any major credit issues, but I just wanted to understand that?

Rakesh Singh:

If you look at the 3.4%, which you're seeing, if I exclude the guaranteed portfolio, my Stage 3 is 1.5%, 1.5% Stage 3 for our 17%-18% yield loan book is a very good quality. So that's what I just want to share.

Sameer Bhise:

But any specific reason that you are saying, I mean on a gross basis, even if we don't include guarantees?

Rakesh Singh:

What is it, come again?

Sameer Bhise:

Any specific reason you wanted to highlight that why would one see inch up in the delinquencies for the unsecured business loan book?

Rakesh Singh:

So, if you look at it, it's just the denominator effect here as well in Q1, it is very normal in terms of flow, which we are seeing both in personal and consumer and unsecured business. This is the reason why we are waiting for the guarantee money to come from SIDBI when we can net it off and write off whatever accounts have gone bad. So that's where it is. We don't see a 1.5% Stage 3 or gross NPA, whatever you call it, as a problem for an 18% rate yield product.

Vijay Deshwal:

Sameer also this is more or less flattish. So, it has not gone up in absolute terms. Just that the portfolio we have recalibrated and therefore, you are seeing a little bit of a percentage and even at an overall portfolio basis, if you look at GS3, it remained where we were at around 2,700 Crore Rupees.

Sameer Bhise

Yes, overall, it's less. This is helpful. Thank you and all the best.

Moderator:

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

Vishakha Mulye:

Thank you, once again, for joining us today evening. If there are any questions, which are pending, please feel free to reach out to me or Vijay or Pramod or Aashwij. We'll be very happy to take any questions. So, thank you. Look forward to continued interaction.

Moderator:

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

completeness is not guaranteed and has not been independently verified and no express or implied warranty is made thereto. You must make your own assessment of the relevance, accuracy and adequacy of the information contained in this document and must make such independent investigation as you may consider necessary or appropriate for such purpose. Neither the Company nor any of its directors, officers, employees or affiliates nor any other person assume any responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information or opinions contained herein, and none of them accept any liability (in negligence, or otherwise) whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith. Any unauthorised use, disclosure or public dissemination of information contained herein is prohibited. The distribution of this document in certain jurisdictions may be restricted by law. Accordingly, any persons in possession of the aforesaid should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

The statements contained in this document speak only as at the date as of which they are made and it, should be understood that subsequent developments may affect the information contained herein. The Company expressly disclaims any obligation or undertaking to supplement, amend or disseminate any updates or revisions to any statements contained herein to reflect any change in events, conditions or circumstances on which any such statements are based. By preparing this document, neither the Company nor its management undertakes any obligation to provide the recipient with access to any additional information or to update this document or any additional information or to correct any inaccuracies in any such information which may become apparent.

This document is for informational purposes and private circulation only and does not constitute or form part of a prospectus, a statement in lieu of a prospectus, an offering circular, offering memorandum, an advertisement, and should not be construed as an offer to sell or issue or the solicitation of an offer or an offer document to buy or acquire or sell securities of the Company or any of its subsidiaries or affiliates under the Companies Act, 2013, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, each as amended, or any applicable law in India or as an inducement to enter into investment activity. No part of this document should be considered as a recommendation that any investor should subscribe to or purchase securities of the Company or any of its subsidiaries or affiliates and should not form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This document is not financial, legal, tax, investment or other product advice.

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