

Publication: The Times of India

Edition: Ahmedabad, Mumbai

Date: March 12, 2024

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Aditya Birla Fin to merge with listed parent to meet RBI rule

'Upper Layer' NBFC Tag Meant Mandatory IPO By Sept 2025

TIMES NEWS NETWORK

Mumbai: Aditya Birla Capital's board on Monday approved the merger of Aditya Birla Finance with itself to comply with RBI's scale-based regulation for NBFCs where large finance companies must be listed.

Aditya Birla Capital is the holding company for the Aditya Birla Group's financial services business and owns the various operating entities. Aditya Birla Finance is a wholly-owned subsidiary and a non-deposit-taking systematically important NBFC.

To comply with RBI's scale-based regulations, Aditya Birla Finance needed to be mandatorily listed by Sept 30, 2025. As part of the proposed amalgamation, Vishakha Mulye is proposed to assume the role of MD & CEO, and Rakesh Singh as executive director and CEO (NBFC) of the amalgamated company, subject to regulatory approvals.

"Our financial services business has scaled smartly

Rule Requires **Tata Sons, HDB Fin To List**

> **RBI's scale-based regulation** divides NBFCs into layers based on size and activities since Oct 22, 2021

> Aditya Birla Finance figures among the 'upper layer' NBFCs, which **requires the company**



to be listed on stock exchanges

> **Aditya Birla Finance** will merge with parent **Aditya Birla Capital** to comply with the central bank's regulation

> Other large NBFCs that need to get listed include **Tata Sons** and **HDB Financial Services**

to emerge as a core growth engine for the Aditya Birla Group. The proposed amalgamation will create a strong capital base for Aditya Birla Capital to grow its business and participate in India's growth story, successfully fulfilling its commitment to empower the financial aspirations of millions of Indians," said Kumar Mangalam Birla, chairman of Aditya Birla Group.

"The proposed amalgamation will help us to serve our customers better, achieve efficient utilisation of capital, enhance operational efficiencies, and holds the potential to create long-term

value for all our stakeholders," said Vishakha Mulye, CEO, Aditya Birla Capital. She added that the company follows an approach of one P&L and is focused on growth by harnessing data, digital and technology.

RBI's scale-based regulation divides NBFCs into layers based on size and activities since Oct 22, 2021. NBFCs placed in the upper layer must adhere to stricter regulations for five years, regardless of future qualifications.

Aditya Birla Finance figures among the upper layer NBFCs, which requires the company to be listed.

Other large NBFCs that have to be listed include Tata Sons and HDB Financial Services. Last year, in a similar exercise, L&T Finance Holdings merged subsidiaries (L&T Finance, L&T Infra Credit, and L&T Mutual Fund Trustee) with itself to create a single lending entity.

The consolidation and operational synergies resulting from the amalgamation are expected to enhance stakeholder value and drive expansion & long-term sustainable growth. The company said in a statement that the seamless policy implementation will lead to increased operational efficiency and a reduction in the multiplicity of legal and regulatory compliances.

As of Dec 31, 2023, Aditya Birla Capital manages aggregate assets under management of about Rs. 4.1 lakh crore. The total lending AUM is reported at Rs 1.15 lakh crore, and the gross written premium in life and health insurance businesses is at Rs 13,500 crore.

Publication: The Economic Times

Edition: Mumbai

Date: March 12, 2024

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Aditya Birla Capital to Merge Aditya Birla Fin with Itself

Move in line with rules on mandatory listing of 'upper-layer' NBFCs

Our Bureau

Mumbai: Aditya Birla Finance, the lending subsidiary of the cement to telecom group, will be merged with its listed parent Aditya Birla Capital to comply with the Reserve Bank of India's (RBI) scale-based regulations for NBFCs. Central bank norms mandate listing of non-bank lenders that feature in the RBI's so-called 'upper layer'.

Aditya Birla Finance is among 15 NBFCs and housing finance companies classified in the so-called upper layer of the RBI, a list first published on September 30 2022, based on the RBI's scale based regulations (SBR). Under these new regulations, NBFC-ULs were identified based on certain quantitative and qualitative parameters.

The company said the lending arm's amalgamation into its parent will result in compliance with RBI regulations which require mandatory listing of Aditya Birla Finance by September 30, 2025. Both the company boards had approved the amalgamation which is now subject to regulatory and other approvals.

Aditya Birla Capital


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Besides complying with the RBI norms the merger will also rationalise and simplify the group structure, reducing legal entities, the company said. "Post completion of the amalgamation, Aditya Birla Capital will get converted from a holding company to an operating NBFC. This will create a unified large entity with a greater financial strength and flexibility enabling direct access to capital. This will also help the company to

maximise its share of opportunities by efficient utilisation and allocation of capital, Aditya Birla said.

Aditya Birla Group chairman Kumar Mangalam Birla said the proposed amalgamation will create a strong capital base for Aditya Birla Capital to grow its business and participate in India's growth story.

Aditya Birla Capital CEO Vishakha Mulye said the merger will help the company serve customers better, achieve efficient utilisation of capital, enhance operational efficiencies, and create long-term value for all our stakeholders.

Mulye will be the managing director of the merged entity while Aditya Birla Finance CEO Rakesh Singh will assume the role as executive director subject to regulatory approvals, the company said.

At the end of December 2023, Aditya Birla Capital managed total assets under management (AUM) of about ₹4.1 lakh crore out of which the total lending book was ₹1.15 lakh crore.

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Aditya Birla Cap to Merge AB Fin

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Besides the NBFC and housing finance business, the company's financial services ventures includes asset management, life insurance, health insurance, stock and securities broking and asset reconstruction company. "The proposed amalgamation will lead to consolidation of the businesses and operational synergies resulting in the expansion and long-term sustainable growth. (It will also) lead to seamless implementation of policy changes and reduction in the multiplicity of legal and regulatory compliances," the company said.

There are 15 NBFCs listed in the so-called upper layer which classifies these companies based on size, leverage, interconnectedness with the financial system, complexity of business, nature and type of liabilities, group structure and segment penetration.

The latest list released in September features 15 NBFCs including Aditya Birla Finance and Tata Sons Pvt Ltd, the holding company of the Tata Group which is classified as a core investment company. Last week ET reported that the unlisted Tata Sons is working on a plan to restructure itself to become compliant with RBI rules.

Similarly, HDFC Bank also plans an initial public offering of its NBFC subsidiary HDB Financial Services in the last quarter of calendar 2024 or the first quarter of 2025, to comply with RBI listing norms. ET reported on Monday.



Publication: Mint

Edition: Mumbai

Date: March 12, 2024

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Aditya Birla Fin to merge with listed parent firm

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MUMBAI

Aditya Birla Capital on Monday decided to merge Aditya Birla Finance Ltd with itself, sparing the public listing requirement for its unlisted subsidiary.

Aditya Birla Capital is listed, while wholly owned subsidiary Aditya Birla Finance is among the 15 upper-layer NBFCs mandated by the RBI to go public by September 2025. Merging with the listed parent will not require the subsidiary to be separately listed.

Aditya Birla Capital said the proposed merger will simplify the group's structure; transform Aditya Birla Capital into a formidable operating NBFC; consolidate business and operational synergies; and reduce regulatory complexities.

"The proposed amalgamation will create a strong capital base for Aditya Birla Capital to grow its business and participate in India's growth story, successfully fulfilling its commitment to empower the financial aspirations of millions of Indians," Kumar Mangalam Birla, chairman of the Aditya Birla Group, said in a state-

Aditya Birla Fin to merge with parent

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ment. Birla said the financial services sector is the bedrock of India's growth story. "Our financial services business has scaled smartly to emerge as a core growth engine for the Aditya Birla Group," he said.

Aditya Birla Capital said that the amalgamation is subject to regulatory and other approvals. Following the merger, Aditya Birla Finance will be dissolved without being wound up.

The central bank classifies NBFCs into four layers based on the size, activity and perceived risks. The upper layer comprises the likes of Tata Sons, LIC Housing Finance and Shriram Finance. According to an October 2021 circular by the RBI, all upper-layer NBFCs are required to go public within three years of classification, adopting disclosure standards akin to those of listed companies in the interim. Following this guideline, the RBI had released a list of such NBFCs in September 2022.

The mandatory listing



Kumar Mangalam Birla, chairman, Aditya Birla Grp. MINT

requirement has also thrown a curveball at Tata Group. *The Economic Times* reported on 8 March that Tata Sons might be planning an internal restructuring to comply with RBI norms. The report said the rejig could include transferring the holding in financial services company Tata Capital to another entity.

Vishakha Mulye, CEO, Aditya Birla Capital, told analysts on Monday that post completion of the amalgamation, the

Growth story

Financials of Aditya Birla Capital and Aditya Birla Finance (₹ cr)

Post-merger estimates
Borrowings and debt securities

86,228

Equity capital

2,600

1,10,483
Total assets

Total net worth

20,809

Data as on 31 December

Source: Company

assets and liabilities and the entire business of Aditya Birla Finance would be transferred to Aditya Birla Capital. "There will be no issuance of new shares, hence there will be no change in the shareholding of Aditya Birla Capital, which will be the surviving entity and will get converted from a holding company to an operating NBFC with listed equity shares," said Mulye.

The merger may take 9-12 months to take effect.

Mulye added that as per regulation, NBFCs can hold up to 50% in insurance companies. While Aditya Birla Capital holds 46% in Aditya Birla Health Insurance, it owns 51% in Aditya Birla Sun Life Insurance. Therefore, once Aditya Birla Capital becomes an operating NBFC, its stake in the life insurance business would be a percentage point higher than what RBI allows.

"We will request RBI for permission and go by their guidance," said Mulye.

Mulye will lead the combined entity, with Rakesh Singh, current CEO of Aditya Birla Finance, assuming the role of executive director and CEO (NBFC), subject to approvals.

As of 31 December, Aditya Birla Finance had total assets worth ₹1.04 trillion, while Aditya Birla Capital reported assets of ₹13,495.47 crore.

On the BSE, shares of Aditya Birla Capital closed at ₹179.65 on Monday, down 1.32% from their previous close. The merger announcement came after market hours.

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Publication: Business Standard**Edition:** Ahmedabad, Bengaluru, Mumbai**Date:** March 12, 2024**Page:** 4**REGULATORY MOVE**

AB Capital to merge finance arm with itself

ABHIJIT LELE

Mumbai, 11 March

Aditya Birla Finance, a systemically important non-banking financial company (NBFC), is set to merge with its parent Aditya Birla Capital (ABCL) in about a year's time to create a large unified NBFC.

This will increase total capital adequacy by approximately 150 basis points (bps) and reduce leverage to 4.15 per cent for the amalgamated entity on a proforma basis.

The proposed amalgamation will result in compliance with the scale-based regulations of the Reserve Bank of India (RBI), which require mandatory listing of Aditya Birla Finance by September 30, 2025, ABCL said in a statement on Monday. The amalgamation is subject to regulatory and other approvals as may be required.

Kumar Mangalam Birla, chairman of Aditya Birla Group, said that the financial services business has scaled smartly to emerge as a core growth engine for the Aditya Birla Group.

The proposed amalgamation will create a strong capital base for Aditya Birla Capital to grow its business and participate in India's growth story, he added.

This is the second instance of such a merger in the NBFC space. Earlier, Tata Capital Financial Services merged

with its parent entity Tata Capital from January 1, 2024. Tata Capital, which is the holding company, is yet to be listed on the stock exchange.

Upon the scheme becoming effective, Vishakha Mulye will become managing director (MD) & chief executive officer (CEO) while Rakesh Singh will be executive director and CEO (NBFC) of the amalgamated Birla company. Mulye is currently CEO of ABCL and Singh is MD & CEO of Aditya Birla Finance.

Mulye, in an analysts' call, said when the company raised capital of ₹3,000 crore, it had said it would be sufficient for 18-24 months.