Aditya Birla Capital Ltd. (ABCL)

Q4 FY23 Earnings Conference Call Transcript

May 11, 2023

Moderator:

Ladies and gentlemen, good day and welcome to the Q4 FY 23 Earnings Conference Call of Aditya Birla Capital Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Vishakha Mulye, CEO, Aditya Birla Capital Limited. Thank you, and over to you, ma'am.

Vishakha Mulye:

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

The Indian economy continues to remain resilient amidst a volatile global macro-economic environment. The growth momentum is visible in increasing industrial output and capacity utilisation, strong improvement in services and manufacturing PMI and rising GST collections. Indian financial sector remains healthy and stable. Though inflation remains elevated, it has moderated from its peak. We expect these positive trends in industry to continue and Indian economy to perform well in FY2024.

At Aditya Birla Capital, we follow "One ABC One P&L" approach, to focus on quality and profitable growth by leveraging data, digital and technology. The three pillars of our approach are One Customer, One Experience and One Team.

1. We have a strong presence across Protecting, Investing, Financing and Advising that is PIFA offerings. We have adopted a **'One Customer'** approach to build deep understanding of customer profiles and provide them best-in-class solutions across PIFA.
2. Our endeavour is to provide a **"One Experience"** across channels and enhance seamless delivery of products. We follow an omni channel architecture for distribution and provide complete flexibility to our customers to choose the channel through which they wish to interact with us.

3. We focus on working together as **"One Team"** by leveraging synergies to drive cross sell and deliver complete and comprehensive solutions to our customers. We have also aligned the incentive structure of our senior management team to reflect this approach.

This approach has helped us to accelerate our growth trajectory, build scale and increase market share across businesses

We continue to expand our branch network. We added 75 branches during the quarter and our total branch count was 1,295 as of March-end. We have 584 co-located branches across 155 One ABC locations where customers receive assistance to achieve their financial goals. We will continue to increase presence of One ABC locations.

We follow a digital first approach for product innovation, customer selection, seamless onboarding and improving service delivery. In our AMC business, about 75% of customers were onboarded digitally in FY23. In life insurance, 77% of renewals were done digitally in FY23. In our Health Insurance business, 87% business is delivered by auto-underwriting.

We leverage data, digital and technology across our businesses and have taken the following initiatives to further strengthen our propositions.

1. We have recently formed a wholly-owned subsidiary Aditya Birla Capital Digital which will develop an omni-channel D2C platform. This platform will serve existing customers, acquire new customers and act as a one stop-solution to deliver PIFA solutions to all our customers. The virtual engagement channel of the platform has gone live in March.
2. We are collaborating with NPCI to develop and promote digital payments which will enhance customer transacting experience
3. We have recently launched INFINITE, a innovative engagement programme, to partner with start-ups and co-create solutions for enhancing customer journeys and increasing operational efficiency across our businesses
4. Our comprehensive digital platform for MSME ecosystem, Udyog Plus, went live in March. It offers paperless digital journey for business loans and loan disbursement of upto 10 lakh Rupees. Udyog Plus has been integrated with the government and private ecommerce websites to provide credit facilities to sellers on these platforms. We have seen more than 2,500 registrations on Udyog Plus within a month of its launch.

We see favourable prospects for the Indian economy in the near and medium term. We expect India's domestic consumption and investment drivers to continue to support healthy GDP growth. Our strong parentage provides us seamless access to capital both equity and debt and the extended ABG and ABCL ecosystem give us multiple opportunities to accelerate our growth. Going forward, we will follow our One ABC, One P&L approach to continue to grow and build scale in each of our key businesses.

- In our NBFC business, we will focus on building a granular portfolio by growing our personal and consumer loans and secured and unsecured business. We will build differentiated offerings for MSMEs and scale up Udyog Plus to acquire new customers and tap into ABG ecosystem.
- In our HFC business, we will grow both prime and affordable business segments with focus on quality of origination
- We will continue to deliver sustainable growth and RoA in medium term in the lending businesses
- In the AMC business, we will work towards increasing equity market share. We will aim to increase our presence in passive and alternate business.
- In life insurance business, we will grow the traditional segments with focus on diversifying our distribution mix, increasing our productivity and improving persistency across cohorts. We will continue to deliver sustainable growth in embedded value and VNB in the medium term.
- In health insurance business, we will leverage our differentiated 'Health First' model for better risk selection and risk pool management, diversify our distribution mix and utilize our digital capabilities for hyper-personalisation at scale.

We intend to make investments with primary objective of supporting growth in our lending and insurance businesses and to strengthen our digital offerings. Our Board of Directors has approved today raising of funds of an amount upto 3,000 crore Rupees subject to requisite approvals.

Now I request Vijay to cover the financial performance for Q4 and FY23.

Vijay Deshwal:

Thank you Vishakha. We delivered a strong performance with accelerated growth momentum across businesses. The total revenue grew by 31% year-on-year to 9,146 crore Rupees in Q4 and 27% year-on-year to 29,999 crore Rupees in FY23. Consolidated profit after tax grew by 35% year-on-year to 609 crore rupees in Q4 and 33% year-on-year to 2,057 crore rupees in FY23. The consolidated profit after tax in FY23 excludes fair value gain related to investment in Aditya Birla Health Insurance.

In our NBFC business, we continued with a strong momentum of disbursements and granularization of book. Disbursements for the quarter grew by 19% sequentially and 58% year-on-year to 15,598 Crore Rupees in Q4 of FY23. This helped the loan book to grow 46% year-on-year and 10% sequentially to 80,556 Crore Rupees as of March-end. Loans to Retail, MSME, SME and HNI segments now constitute 67% of our portfolio. RoA of the NBFC business was 2.45% and RoE was 14.76% in FY23.

In our Housing Finance Business, disbursements increased by 29% sequentially and 36% year-on-year to 1,790 crore Rupees during Q4 of FY23. The loan portfolio grew by 6% sequentially and 14% year-on-year to 13,808 Crore Rupees as of March-end. RoA was 1.94% and RoE was 13.16% in FY23.

Coming to our AMC business, the average AUM was 2,75,204 crore Rupees, of which equity AUM was about 42% in the current quarter. With our continued focus of growing passive and alternate asset segment, passive AUM was about 28,200 crore Rupees at March-end which is about 2.8 times the passive AUM as of March-end last year.

The growth momentum in our life insurance business continues with 37% year-on-year growth in retail first year premium which was significantly ahead of the industry growth of 19% year-on-year in FY23. Group new business premium grew by 30% year-on-year in FY23. We achieved a net VNB of about 800 crore Rupees in FY23 which was more than two times the net VNB in FY22. Our net VNB margin increased by 801 bps year-on-year to 23% in FY23. Embedded value was 9,014 crore Rupees as of March-end.

In our health insurance business, our unique and differentiated “Health First” model helped us to deliver industry leading growth of over 57% year-on-year in FY23 among standalone health insurers. The market share of ABHI among standalone health insurers increased by 210 basis points to 10.4% in FY23. Combined ratio improved from 127% in FY22 to 110% in FY23

With that, I will now hand the call over to Rakesh to take us through the NBFC business performance in detail.

Rakesh Singh:

In our NBFC business, we saw strong momentum across all segments in Quarter 4, contributing to an 10% quarter on quarter and 46% year on year growth in our AUM taking it to Rs 80,556 Crore. Our Retail and SME segment AUM grew 57% year on year and our active customer base grew to 5.7 million compared to 3.6 million last year.

In Q4, we disbursed Rs 15,598 Crore, which is highest for a quarter so far. Our disbursements for the full year was double of what we did in FY22. Also, ~72% of it was towards Retail and SME Customer Segments. Business Loans comprised nearly 43% of our disbursement mix, and was the highest contributor across product segments, followed by Personal and Consumer loans at 31%. 58% of our personal loans was sourced digitally.

With this momentum and focus on granular product segments, we ended this year with a Retail & SME segment AUM mix of 67%. Also, we were able to deliver a 60 bps year-on-year improvement in NIM taking it to 6.84% for the year.

We also significantly augmented our frontline capacity by doubling our branch footprint this year. We added 164 new branches in FY23 taking our branch footprint to 323, again in line with our target for March'23. Despite this expansion in frontline capacity, we managed to maintain Quarter 4 Cost-Income-Ratio (CIR) at a similar level as last year, and this I attribute to our continued investment in technology to digitize processes to grow sustainably.

We closed FY23 with a Profit Before Tax of Rs 2,090 Crore for the full year, delivering a 41% growth year on year. In fact, Profit Before Tax for the Quarter was at an all-time high of Rs 604 Crore, growing 51% year-on-year and 12% quarter-on-quarter. The ROE for the quarter was 16.55% compared to ~12.40% in Q4 last year, over 4% expansion in a year, which is noteworthy.

I had mentioned in the last quarter earnings call, the next leg of growth will be driven by our enhanced frontline distribution capacity and investment in digital and direct sourcing channels which we will continue to invest in FY24 as well. In business loans vertical, we launched "Udyog Plus" - our unique and differentiated unified platform for MSME customers to enable digital journey for credit as well as value added services for MSMEs to transact seamlessly.

The asset quality has shown a consistent improvement over last year with Stage 2 + Stage 3 coming down from 8.98% in Q4FY22 to 5.84% in Q4FY23.

Gross Stage 3 has reduced to 3.12% (was 3.58% in Q4 last year). We maintain our Stage 3 PCR at a healthy 46.2%, up from 43% last quarter. Credit Cost for the quarter was 1.49% which was 25 bps lower than previous quarter, which you may recall I had mentioned in the last call was elevated owing to the implementation of new ECL policy.

Now to conclude and reiterate the Q4 performance, not only did we have a strong quarter in terms of AUM growth but also in terms of progressively driving increase in retail and SME portfolio mix. As a result, our Q4 NIM expanded to 6.88% over last year and with efficient control on costs despite investment in building scale, we delivered a Q4 PAT growth of 51% and Return on Equity of 16.55%.

With that I will now handover to Mr Pankaj Gadgil, MD and CEO of Housing Finance business

Pankaj Gadgil:

Thank you, Rakesh, and good evening, everyone. I will cover the performance of ABHFL in Q4FY23. We have experienced continued momentum in disbursal and book growth, with a robust financial performance and focus on portfolio quality resulting in consistent improvement across all return metrics.

Some of the key highlights include:

- Disbursements of ₹ 5,300 Cr. in FY23, which is our highest ever, with an increase of 42% YoY
- Loan book as of Mar'23 is ₹ 13,808 Cr., an increase of 14% YoY
- Net interest margin (NIM) is 5.08%, an increase of 75 bps YoY, and our profit before tax (PBT) for FY23 is Rs.309 Cr, an increase of 22% YoY
- Portfolio health has improved, Stage 2 plus stage 3 has reduced by 271 bps QoQ and 377 bps YoY
- Gross stage 3 loans have reduced to 3.23% in Mar'23 from 3.66% in Dec'22

You can see that, we demonstrated consistent improvements across various key performance indicators for a third consecutive quarter, encompassing aspects of book growth, asset quality, and core profitability.

We witnessed accelerated growth in disbursements across product segments. The customer base is about ~54,500 and has grown by 22% yoy, and we continue to focus on granularity with ticket size of ₹ 25-30 lakhs.

ABHFL now has a pan India presence, with 128 branches located across twenty states and UTs, and a well-diversified portfolio. We continue to invest in talent, technology, and analytics to increase capacity and enhance productivity. The cost-to-income ratio for FY23 is 42%, reflecting accelerated investments in technology and franchise.

Now on Portfolio Quality, the moratorium on all the COVID restructured cases has ended in Dec'22. All the numbers which you are seeing on slide 32 of the investor presentation are including the performance of restructured cases and 100% of the cases are being presented for collections.

Our Gross Stage 3 has reduced from 3.66% in Dec'22 to 3.23% in Mar'23. We are maintaining stage 3 PCR of 33% and additionally carrying a management overlay of ₹ 56 Cr.

With robust debt service framework and pre-delinquency management the collection efficiency is consistent at 99%. With focus on quality of origination, 96% of our disbursements in Q4FY23 are with 700+ CIBIL or new to credit. You can see the breakup of the same on slide 31.

Moving to financial performance and liquidity Management. In terms of Asset Liability Management, ABHFL is operating in compliance with the regulations stipulated by NHB and Board. We have maintained positive ALM, ensuring that the Company is well-prepared to meet its liquidity requirements, which can be further referenced on slide 33 of the investor presentation. We are rated consistently AAA for last six years by ICRA and India Ratings. As you can see on slide 34 of the investor presentation, we have been able to maintain healthy spread at 3.79%. We continue to focus on diversified long-term borrowings, the contribution of NHB to total borrowing outstanding has increased from 14% in Mar’22 to 18% in Mar’23. Additionally, when we look at the average total borrowings for the fiscal, we see a marked improvement in NHB contribution increasing from 7% in FY22 to 17% in FY23. Moreover, 24% of our liability book is at fixed rate, which helps us mitigate costs during an increasing rate cycle.

- The PPOP is the highest ever at ₹ 381 Cr. in FY23 with a growth of 16%.
- The PAT for FY23 is ₹241 Cr., an increase of 22%.
- The ROA for FY23 is 1.94% and ROE is at 13.16%.

You can refer to the detailed financials on slide 38 of the investor presentation.

Quickly on slide 35; our organizational roadmap is anchored on growth, service excellence, digital reinvention, and distribution network.

- Firstly, we expect to accelerate growth in both prime and affordable segments through geographically focused micro market penetration strategy, and leveraging the ABG ecosystem.
- Secondly, we are accelerating our digital reinvention efforts across the entire customer journey. We have launched a seamless loan origination system in Ap’23, enabling higher face time with customers
- Lastly, we are actively enhancing our analytics capabilities across areas of data engineering, data science, and decision science

In summary, we are committed to sustain our profitability and maintain a quality portfolio while simultaneously investing in long-term growth.

With that, I now hand over to Bala, MD and CEO of our Asset Management Company.

A. Balasubramanian:

Thank you and good evening to everyone attending.

ABSL AMC's total Average AuM including alternate assets for Q4 FY23 stood at Rs. 2.86 lakh crores. For the quarter ending March 2023, our MF AUM was at Rs 2.75 lakh crores, remained flattish as compared to Q3 FY23 AUM. Our Equity MF AUM was at Rs. 1.16 lakh crores for the quarter ending March-23. The equity mix stood at of 42%.

Throughout the year, we launched several initiatives aimed at increasing the size of our SIP book and these efforts have resulted in our SIP book size surpassing Rs. 1,000 crores for March 2023.

As a part of our strategy for customer acquisition, we added approx. 6.7 lakh new folios which has resulted in the overall folio count increasing above 80 lakh as of March 2023.

On the passives front, our product offerings grew by ~3 times to Rs. 28,223 crores as on Mar-23. Our existing passive bouquet has grown to over 41 products and we have around 7 products in the pipeline. The customer base in this category has grown to ~ 4,96,000 folios.

On the alternate assets front, specially on the PMS and AIF front, we have raised commitment of Rs. 734 Cr in India Equity Services Fund (CAT III AIF) by leveraging our multi-channel distribution footprint which has been established over a period of time.

Our Offshore operations have received in-principle approval from IFSCA for launching "India ESG Engagement Fund" domiciled in GIFT City. Additionally, we are currently in the process of launching two new global funds in GIFT IFSC.

On the real estate front, though we have been trying to build assets, current focus has been creating right experience in credit opportunities fund. That investment is in progress.

Financials for FY23-

- For year ending March 2023, revenue from operations is at Rs. 1,227 Cr. as compared to Rs. 1,293 Cr. in FY22
- Operating Profit before Tax for FY23 is at Rs. 667 Cr. as compared to Rs. 753 Cr. in FY22
- In FY23 Profit before Tax is at Rs 794 Cr. vs Rs 895 Cr. in Q3 FY23

Happy to announce that the board has proposed Rs. 5.25 per share as the final dividend for FY23 with this total dividend declared is Rs. 10.25 per share.

Kamlesh Rao:

Thank you, Bala and good evening, to all of you. The consistent growth journey of ABLSI in both the Individual and Group Life Insurance businesses continued in the Financial Year ended 2023. We out outperformed both the private industry and government industry. Individual LI grew by 37%, compared to the private industry's growth of 24%. This growth was achieved through increased productivity and capacity investments made last year. We also launched an industry-first Immediate Income Guarantee product under the Nischit brand, which sold 5,000 policies in just 17 days.

The success of our new products, combined with a PASA contribution of 25%, were the hallmarks of our business in FY'23. The individual business had a healthy product mix, with traditional business accounting for 81% and ULIP business at an all-time low of 17%. This has resulted in strong gross margins for the firm, and the fact that 25% of our business came from upselling to existing customers helped productivity growth in both proprietary and partnership channels.

In the Group Life Insurance segment, the private industry saw a growth of 17% in FY’23, while ABSLI registered a growth rate of 30%. We continue to focus on Credit Life business, which is growing at more than 100% over last year's base.

Our total premium of 15,070 crore has registered a growth rate of 24% over last year, with a 2-year CAGR of 24%, demonstrating the consistency of our business growth. This growth came from new business growth as well as renewal premium growing at 14%. Like Vishakha mentioned, digital collections now account for 77% of our renewal premium, and this growth is seen across all persistency buckets from the 13th month to the 61st month, with the 13th month now at 87% and the 61st at 54%. We continue to maintain an upward bias in our forward guidance for these persistency numbers.

Our AUM under management now stands at close to 70,051 crore, with a YoY growth of 15%. A 2-year CAGR of 17% is a demonstration of the consistency of our growth. 24% of this AUM is in equity and the balance 74% in debt. Our investment performance has been better than respective benchmarks across all three categories of Equity, Debt, or even Balanced funds, either from a 1-year or 5-year perspective.

Our digital adoption across various areas is demonstrated in Slide "54". 99% of new business customers are onboarded digitally, 83% of all our services are now available digitally, covering 60% of our customer transactions, and our customer self-service ratio now stands at 88%.

We continue to manage the net margins story well, as seen in Slide 55. Last year, we managed VoNB of 15% and we closed financial year FY23 at 23% net margin. We have shown a growth of 800 bps in our net margins compared to last year and absolute value of net VNB moved from 369 crore in FY22 to 800 crore in FY23. RoEV has grown to 22.6% in FY23 from 15.4% in FY22.

We will continue to focus on quality of our book to make it better across the 13th till the 61st month persistency from current levels. Focus on diversified mix of both proprietary and partnership channels will continue

We believe that the new commission guidelines introduced by IRDAI will have a positive impact on the life insurance industry in the long run. These guidelines will ensure life insurance companies directionally improve cost efficiency in business operations and eventually these efficiencies will get passed on to customers in the form of better benefits and products as per the spirit of new guidelines. Thank you, Bala and good evening to all of you. I will cover the life insurance business. The consistent journey of ABSLI growth bettering the private industry continued for the 9 months ending December 2022 in both the Individual as well as the group life insurance business.

With this now, I hand over to Mayank, who will give you details of Health Insurance.

Mayank Bathwal:

Thanks, Kamlesh and I am happy to now present the performance for our health insurance business.

We had a very successful year with an industry leading growth of 57% YoY growth in FY23, making us not only the fastest growing health insurer in the country, but in fact the fastest growing insurer in the country across all lines of GI industry. We are well ahead of industry growth at 21% and SAHI growth at 26% and the growth was powered by our retail franchise expanding at an impressive 33% YoY. In FY23, we have acquired 3 Mn net new customers bringing our total number of customers served to 21 Mn, an 11% YoY growth. As a result of this growth, our market share in SAHI stands at 10.4%, an increase of 210 basis points over last year.

Our Corporate business experienced an outstanding growth rate of 104% in FY23, driven by our strong emphasis on cross-selling and upselling, and the introduction of a new category of Corporate OPD offerings which have collectively accounted for 41% of our business in FY23. Our Corporate business is modelled on Right risk selection, designed to capture market opportunity targeting New Age Companies and has delivered a positive Combined Ratio. We believe we have set up one of the very few profitable corporate businesses in the industry.

In terms of overall profitability, in FY 23 we observed an escalated level of retail claims, which is consistent with the industry trend. The claims are largely driven by factors such as Long COVID linked illnesses and Provider inflationary pressures. To mitigate the impact of these claims, we have implemented various interventions, including underwriting, sourcing, and provider management strategies. Additionally, we have already increased the price of our flagship products already. We have further strengthened our FWA models and we are also collaborating with the industry to help identify and prevent any potential fraudulent activities using data provided by IIB.

But inspite of the above our combined ratio has come down to 110% in FY 23, a reduction from 127% in FY22. The Full year loss stood at 220 crs well below the loss of 311 crs in same period last year. As we progress, achieving a larger scale will enable us to generate greater operating efficiencies.

We believe our superior performance is made possible by the robust foundation we have established through our unique Health First Model over the last 6 years. The power of this proposition lies in its ability to leverage the fundamental principle of prioritizing the health of consumers, which resonates strongly with all stakeholders as was reflected in the success of our brand campaign “Kya Peeche Choda Hai” which was the story of actual customers sharing their story with the masses

In order to build upon our differentiated model, we are continuously introducing new offerings to the market. Our recently launched product, ACTIV FIT which was an industry first comprehensive plan for young consumers is in line with our strategy of innovative and segmented product offerings. An industry first feature of this product - FACE SCAN based Good Health declaration has been well-received by customers.

Our industry-leading claims settlement ratio of 96% is a reflection of our commitment to prioritizing key moments of truth for our customers.

Our digitally enabled distribution mix is the most diversified distribution in the industry with Proprietary channel contributing to 27% of our retail business as of now. We now have 85000 plus advisors across 200 plus branches. We leveraged the One ABC branch strategy to nearly double our branch network at a low cost and are also synergizing with other BUs in areas like common advisors. We now work with 17 banks having added two new public sector banks in the previous quarter. On the digital front our business incl through alliance partners grew 81% YOY becoming a sizeable 15% of our total retail mix.

We continue to invest extensively in our technology and digital capabilities to ensure a superior customer experience and to scale hyper-personalized engagement through our Health First model. We are already in phase 2 of our tech and digital investments to further lead in this space to leverage the emerging new opportunities fueled by the changes in regulations over the past one year.

We are continuously enhancing our data management and analytical models to make our entire customer lifecycle engagement more efficient and hyper personalized. This includes personalized product offerings, targeted health and wellness interventions, and personalized service approach to enhance overall customer experience. Furthermore, our predictive analytics models help us detect fraudulent claims and machine learning algorithms helps analyze customer data to predict future claims and ensure accurate pricing and coverage.

Moving forward, we aim to aggressively expand our franchise while maintaining best-in-class unit economics. We would like to open up chosen white spaces to increase revenue pool and also improve profit pool.

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

Vishakha Mulye:

Thank you, Mayank and this concludes our comments on Q4 FY23 performance and now we will be happy to take any questions.

Moderator

Thank you very much. The first question is from the line of Renish Bhuva from ICICI Securities. Please go ahead.

Renish Bhuva:

Yes, hi. Congratulations on a good set of numbers. Two questions from my side. So one is on this fresh capital raising. So if you can help us through the capital allocation of this likely fund raise we are likely wondering?

Vishakha Mulye:

So as you know that it is expected that the Indian economy will grow at a very healthy pace. I think in the last year one has seen a very robust credit growth in the system at around over 15%. All the other parameters and the drivers of the growth in the economy has really worked in the last 12 to 15 months and one expects that momentum to continue.

We believe that the capital that we plan to raise we intend to make investment with the primary objective of supporting the growth in our lending and insurance businesses and also to strengthen our digital offerings. You know and that is what it is basically for the growth in the franchise across the platform.

Renish Bhuva:

Okay. Any split you would like to highlight like say how much of this would be towards lending business and how much of it would be towards digital and insurance?

Vishakha Mulye:

That will be very difficult to you know articulate. But if one were to look at the growth that we have seen across our businesses, it has been very robust and therefore we believe that taking into consideration the growth that one expects in the Indian economy we will definitely require capital for the growth and therefore you know we will ensure that the capital is available for all our businesses to have the robust growth.

Renish Bhuva:

Got it ma'am. My next question is on the NBFC side so you know as on March ‘23 our book mix is roughly 70% secured 30% unsecured but when we look at the FY ’23 disbursement it is more skewed towards the NBFC perice. So maybe in a medium-term perspective what could be the ideal mix in terms of secured and unsecured for us?

Vishakha Mulye:

Rakesh would you like to take?

Rakesh Singh:

Yes, we will continue to really see and look at the opportunity in terms of the different customer segments the purely personal and consumer space we are looking at opportunity and also on the MSME's business and as Vishakha had mentioned we have launched Udyog Plus. So I think we'll continue to focus on these segments and depending on what the customer needs are and the product segmentation is we continue to build balance of both secured and unsecured.

Renish Bhuva:

So broadly it should remain at 70 30 mix or unsecured should outpace the secured mix

Rakesh Singh:

As I said I think it will depend in the customer segments what are the opportunities and we will continue to really leverage on that opportunity both on the consumer side and on the MSME side. Also a lot of MSME business is secured in nature

Moderator:

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

Avinash Singh:

Yes good evening or good set of numbers. A couple of questions the first one is again broader on your strategy you have articulated. I think I am clear on the strategy, but so far one concern that remains with the overall ABC businesses that in majority of the cases the businesses are still kind of a B2C or B2D where this your bridge to the customer from your entities to the customer are kind of a very powerful. Third-party distributed entities and that is where a question comes around the you know your sustainability of customer franchise or growth.

I mean whether I look at the lending business where you are sort of partnering with a lot of you know fintech, DSAs and eventually reaching out to customers or in insurance, it's like the bank and all. So how I mean of course, you have the plan for D2C in place but how do you see this evolving where your business has a direct connect with the customers. Because that is a big differentiated that many of your peers. So again, some bit of a more color around how it is going to change over say, one, two years, how your approach or reach to customers at the time of reducing the intermediates? That's one.

And second is, on the lending piece. On the NBFC side, that a lot of this growth at this point I mean, is coming in this personal unsecured, the previous question will try to address this. But do you have a segment in mind which you'd like to add because some of the segment where you operate probably the competition would be increasing and also a growth should be already picking up, yes, I can say. So is there a product segment or you have in mind that we augment you would like to augment to enable your future course? The other two questions. Thank you.

Let me just take the question on the NBFC on the growth. If you look at the last 4-5 quarters, the growth has been very strong across consumer, personal loans and MSME segments. We are building our capabilities across the retail and MSME. I also mentioned in my opening remarks, as we are building a portal for B2B, so that we can really reach out to our micro-SMEs and all, that will be another lever of growth which we are looking at in the next 12-18 months, that should play out.

Vishakha Mulye:

Okay. So let me take the first one because it is across the platform. So first of all, if you look at it even the partners, yes, we do work with the partners particularly the digital partners in our NBFC business. We do work in our insurance businesses, with the agents as well as the bank assurance partners. We look at these partnerships as more as a channel to reach our customers when we reach our customers, it is most of the time our people that are involved. The customers get to experience our product directly and our service directly. Therefore, we have a direct contact with the customer. Also, the data of the customer and the customer ownership in most of the channels is with Aditya Birla capital. Therefore, we can leverage these customer data as well as the customer contacts for our other products as well. In few channels of course, there would be a cost implication because we may have to pay some amount to the channel that we would have used initially, but I would say that in all the channels we have a direct contact with the customer and the customers get to experience our products and services directly.

We are creating now a specifically dedicated a digital channel, which we call it as one ABC and we incorporated what we call it as Aditya Birla Capital Digital, which is going to be an omnichannel platform which we will leverage our existing branches. We will have a VRM, we have a web platform, we will also have our app. As I said in my opening remarks, we have already launched VRM and it has gone live in the month of March. We had said in our last conference call that we would be launching our web as well as the app in the in the very near future this year. So with that of course we will look at acquiring customers. We will, of course, look at servicing our existing customer of ABC. We will also look at acquiring the customers digitally through this channel. I hope I have answered that question. Second question I will request Rakesh to answer

Rakesh Singh:

On the first one if I can just add. I just want to clarify that it's not all business and I will talk about the lending business. If you look at 62% of our total business in NBFC is direct. Yes, we depend on the partners but that is only on the consumer side of the business and some bit of personal loans of the business. But beyond that the SME business which we do is a relationship and direct acquisition model which we have and obviously on the corporate side also is a direct acquisition.

Also, on the partners, though the sourcing is done by the partners the entire ownership of the customer is with us. The entire contract is with the customer, the repayment happens from the customer's account. We make disbursement in customer's accounts. So clearly, the ownership is with us. The entire data, the performance of that customer is with us. So clearly, I think yes, we do depend on some part of our business and some segment to acquire through the third party, but I think the ownership of the customer -- and as I said 62% of the customers which we acquire or the total business which we have is through direct.

And the second question was on NBFC, in terms of the new product segments and all. So clearly, we have discussed this. We believe there is a big opportunity in the consumer, the personal space and the MSME space. And that is the reason why we have built this platform, B2B platform, which is the Udyog Plus and clearly, we want to capture the large-scale micro-SMEs who are looking for a small ticket loans and as we build a credit history of these customers we will be able to really do business with them in a long term. I think that's a clear new segment a new acquisition engine which we have built. And we believe there's a big opportunity and we need to really do justice before we really start looking at newer product segments.

Moderator:

Thank you. I would request you to please come back in the queue. The next question is from the line of Abhijit Tibrewal from Motilal Oswal Financial Services Limited. Please go ahead.

Abhijit Tibrewal:

Yes. Thank you for taking the question. Again my questions are on the lending business, just want to understand, if I ask to the NBFC definitely very, very strong momentum that we are seeing across product segments. In the last question you were indeed trying to explain about the digital partners that you work with predominantly in the consumer and the personal loan side of things.

What I wanted to understand here is while the going is very strong now, how are we looking at things moving forward what I'm trying to understand more specifically is, somewhere are you I mean anxious about the growth that is coming in. Particularly, in the unsecured side of things, not just personal and consumer loans but also the unsecured business loans. Why I ask this is, when we engage with a lot of your channel partners or let's say, DSAs what they clearly highlight is while the engagement is very good, at the same time, we are also very aggressive in terms of decisioning.

So while it's a good thing that they appreciate I mean how are you looking at things if you can answer this and then maybe I'll ask my second question.

Rakesh Singh:

Sure. If you look at 70% of our NBFC book is secured. Our unsecured portfolio comprises of personal loans to salaried professionals with a focus on emerging income segment and checkout financing and if you look at that total book of Rs. 15,000 crores out of Rs. 80,000 crores of business. About 87% of our personal and consumer loan portfolio is to customers with a credit bureau score of more than 700. So we clearly, and we have built an underwriting model the scorecards are inbuilt over a period of time with our learning. And it's completely agile in terms of the scorecard, which we use. The credit bureau score and our own performance.

The asset quality as you mentioned in our NBFC business through the cycle has been quite stable. And it continues to remain healthy. Also, if you look at the gross phase 2 and phase 3 that has declined by 315 basis points year-on-year and 114 basis points sequentially to 5.84%. So clearly, we are focused on all these customers which we onboard are acquired through the scorecards which we have built over a period of time. We track the performance not only on monthly basis, but in certain cases, also on a weekly basis. We review the performance in terms of which cohorts are performing and how are they really coming on our benchmark. So we are completely on it and we will continue to be on it.

Abhijit Tibrewal:

Thank you for that. Just a follow-up question if you look at your DuPont ROA tree in the NBFC business can you help us understand what are those levers going to be going forward which will maybe help you achieve a further expansion in ROA? Just one last question for Vishakha so this Aditya Birla Capital Digital that we have incubated now and you also talked about having that app interface, again two sub-questions here. One is I mean, what are our plans going forward is this subsidiary going to house, the so-called let's say super app of Aditya Birla Capital? And going forward in addition to your own offerings what are the other things that you may be planned to provide on this app? Thank you so much

Vishakha Mulye:

So as you know the app will be housed in Aditya Birla Capital Digital. Our endeavor there would be to have a completely customer-centric approach. We will try to be you know position our Aditya Birla Capital Digital as a one-shop solution for all the financial needs of our customer across his life cycle. Therefore, in addition to the products that are manufactured by us across our lending insurance and investment, what we call it as PIFA, there are value added services that we will also give it to our customers in the short to medium term

Abhijit Tibrewal:

Got it, if you can address that question on the ROA in the NBFC business

Rakesh Singh:

Yes. As we have been mentioning, we have been driving the granularity of business in terms of focused on personal, consumer, and MSME. I think that product mix change will drive improvement in margins and that should drive the overall ROA.

Pankaj Gadgil:

This is Pankaj here. In addition to the answer which Vishakha gave on the first question on the services and the products that she spoke, I think we've also shared that in our direct to customer interface, payments is something that we have spoken of and we did this collaboration in NPCI, which was also announced. We will be putting a lot digital solutions on payments, that also is going to be a very important hook in that trying to offer our entire bouquet of solutions. So we always say PIFA so it's protect, invest, finance and advice and also we are adding the pay which is payments that's what we are getting to.

Abhijit Tibrewal:

Thank you so much. Congratulations the team you know very, very good quarter.

Vishakha Mulye:

Thank you

Moderator:

Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah:

Yes. Hi Vishakha and the entire team. So firstly, with respect to, in terms of leveraging the group ecosystem and the kind of business momentum which we are seeing. How is the proportion of incremental lending to the group customer base and what do we see it as a proportion of the incremental lending over a period over the medium-term?

Vishakha Mulye:

We have not put out that number as yet. But just for you to know, I will talk about the various customer segments. What we see is a huge potential to leverage the entire group ecosystem, whether you look at on the individual side we have a large number of employees within the group. As Rakesh said, we have also recently launched our MSME platform, which is Udyog Plus, which will work with the entire ecosystem of the ABG.

We have large industrial companies within our group, which have their own dealers, vendors, also their own partners, who are linked to them. We will work with each one of them to ensure that we provide finance and really meet the needs of these customers, which are the small and medium enterprises. We also as a group have made foray into the consumption and therefore really providing various solutions including the payment solution which Pankaj spoke about.

We would be able to now make those available to the retail franchise that we are building at a group level. So, we look at synergies across the businesses that we have in the group including our own employees at a group level.

Kunal Shah:

Okay but there wouldn't be any specific targets, which would have been internally align?

Vishakha Mulye:

Internally, of course Kunal we have taken very ambitious targets and but as I said we have not yet articulated it in terms of the number. But yes, each of our businesses have taken very ambitious target internally, which we will work through.

Kunal Shah:

Sure, and in terms of the digital lending what would be that as a proportion of the overall disbursements?

Rakesh Singh:

Of overall disbursements the Kunal we have given this if you look at on the personal and consumer segment out of that 19% would be digital

Kunal Shah:

Okay 90 odd percent out of this.

Rakesh Singh:

19%

Kunal Shah:

19%. Okay, got that. And what would be the tenor of unsecured business loans?

Rakesh Singh:

So, these are Kunal 15 to 18 months on the on the consumer side and on B2B side 18 to 24 months.

Kunal Shah:

The only reason to ask the question was when you look at in terms of the repayment it's hardly 2% in this particular quarter and even on a full year it's hardly 20 odd percent. So, when we look at it in terms of the unsecured business disbursements are INR1,300 well whereas there is almost like INR1,200 crores kind of increase in AUM as well. So hardly like 150 bps kind of a rundown and even on a full year basis it seems to be hardly INR1,100 odd crores kind of a rundown? So, is it like a very long because tenor should be one to two years so was not getting that best to buy-buy

Rakesh Singh:

They are different. So in this the short term the checkout financing is even lesser than that I gave you the average of 15 to18 months. But if the checkout financing is there it will be six to nine months. So clearly yes, it's a churn business. So, you're right there.

Kunal Shah:

No, in fact it has to be higher. So here there is hardly 2% repayment, run rate for a quarter which seems to be quite low?

Rakesh Singh:

Let me just I don't know what which numbers you're looking at we will take it offline Kunal on there we will explain this to you.

Kunal Shah:

Sure, and just last thing in terms of the capital distribution can you highlight in between the lending and the non-lending if you have to look at it INR3,000 odd crores how will it get distributed between lending and the non-lending businesses?

Vishakha Mulye:

So, Kunal as I said, we see a robust growth in the segments that we are present today and we see that growth opportunities across our segments. So, depending upon the growth opportunities we will allocate the capital to our respective businesses. But out of all the businesses of course the AMC doesn't require capital, both the lending businesses and the insurance business is what will consume capital

Kunal Shah:

But would it be fair that, largely it would be towards the lending business because insurance still we have 173% solvency?

Vishakha Mulye:

I think looking at the opportunities in the market. I think it would be fair to assume that

Kunal Shah:

Okay. Thank you. Thanks, and all the best.

Moderator:

Thank you. The next question is from the line of Lalitabh Srivastava from Anvil Securities. Please go ahead.

Lalitabh Srivastava:

Thank you. The next question is from the line of Lalitabh Srivastava from Anvil Wealth Management. Please go ahead.

Thank you, ma'am and congratulations, to the whole team for a great performance this quarter. So, most of the questions have been answered. Just wanted to have a sense, on the business growth outlook. We are leveraging our own network as well as your partner channels and digital channels as well. So, if you can just help us understand what will be the repeat business run rate on the unsecured and the retail business, where we really see desirable customer credit behavior? So, what is the repeat business right there? That's my first question.

And secondly, on the asset quality side, across the industry, we are seeing very encouraging terms and especially, also we have seen on both stage 2 and stage 3 very encouraging performance. But if you can give some sense as to first of all, more color on the additional checks, the credit filters that you are employing in addition to the bureau stores-based credit assessment?

And if you take pre-COVID-19 credit filters as a threshold, where do you think we are as of now and going forward what will be our strategy on that? These are the two questions. And third question I would like to add is, what will be the sustainable credit cost outlook that we see for FY '24 and beyond? Yes, thanks.

Rakesh Singh:

So, your first question on repeat customers, 40% plus is our repeat customers in our unsecured business. So clearly the strategy is that we onboard customers on a smaller ticket size, shorter tenor and basis the performance of these customers then we give them a slightly higher ticket size for a slightly longer tenor. So that's 40% plus will be our repeat customers. What was the second question?

Pankaj Gadgil:

In terms of how we are doing underwriting and credit.

Rakesh Singh:

Yes, so credit filters and I think, and Pankaj can add for home loans, but I covered this in my earlier I think in the script as well that 87% of our customers which we onboard on the consumer and personal side, they have credit bureau score of more than 700. And we track their performance in terms of on a monthly basis, in certain cases on a weekly basis and we see, which are the cohorts, which are doing well, which is not doing well and completely on top of this. So clearly, we have built the credit engines. We have the entire alternate data; we use in credit decisioning. So clearly, a lot of work has happened there. And wherever we see anything which is not in line with our thresholds which we have defined, we clearly stop and all control it.

Pankaj Gadgil:

So, I think to add to Rakesh, Pankaj here. I think same goes for housing as well. We have covered this in our slides as well. For us also 88% of our sourcing is to customers who have a bureau score of more than 700. And very interestingly, customers who are new to credit also who are really at the top of the funnel they are as well the contribution of 8%. So, all into the 96% of our sourcing today is 700 and NTC plus.

To your question on pre-COVID, I think, overall, the credit culture of the country, Bureaus, which has come up from 2008 today that has matured. People have become very conscious regarding their own credit history and like, Rakesh mentioned I think, there is a very consistent focus.

In making sure the quality of origination is up to scale and that we're talking about the bureau. And I think on portfolio management, on early warning signals, we also have, I also spoke about the pre-delinquency management, which is using advanced analytics to predict, which are the customers, who are likely to not honor their checks and then working proactively, I think also makes a lot of difference. I think that's consistently being our focus in both the lending businesses.

Lalitabh Srivastava:

Yes, and some sense on what will be the sustainable credit cost you would see for FY '24 if you can share?

Rakesh Singh:

So, I again mentioned this that through the cycle our credit performance has been very-very stable. It's stage 2 and stage 3 has come down by almost 314 basis points and in terms of year-on-year and 114 basis points quarter-on-quarter. So, I think, we are completely focused on it, and we believe that license to grow comes from the quality of the portfolio. And we will continue to vigilant on our portfolio quality.

Lalitabh Srivastava:

Yes. Thank you. Thanks a lot.

Moderator:

Thank you. The next question is from the line of Gaurav Sharma from HSBC Securities. Please go ahead.

Gaurav Sharma:

Thank you for the opportunity. Couple of data points questions. So, I can see that the portion of bank borrowing is 53% in both the lending business. Can you just provide a further break-up of how much this is linked to Repo and MCLR and some other benchmarks? That is one for both the lending business.

And second question is that when you are going for incremental borrowing? So, what are the benchmarks that you are using or focusing on? These two questions.

Pankaj Gadgil:

So yes, thanks for the question. I think as you rightly said the term loans that we take from banks are always externally benchmarked. And of course, the endeavor is at all points of time to make sure that transparency is maintained. And we are optimizing costs at the same time. We are not compromising on any ALM. That's broadly the focus here. Of course, there will be a combination of some banks who lend you at MCLR plus there will be some banks who will be lending you on T-Bills. That is the continuous process from our end and as I had spoken earlier in my transcript, this is about the housing business, the focus clearly is also, leveraging NHB.

Because we are in the affordable segment, and we also spoke about the portfolio and the contribution that is coming in today from the affordable and also in the CF business. So, leveraging NHB for refinance becomes very critical and we have spoken about our mix just gone up from 14% in March’22 in NHB to 18%. So, there's been a significant movement there. So, this is a continuous process at our end to look at ALM on the other side and also reduce costs because that's the raw material essentially for the lending business. That's where we are.

Moderator:

Gaurav, do you have any further questions?

Gaurav Sharma:

On question number one, you said break-up, what was the rate?

Pankaj Gadgil:

We have not explicitly disclosed the breakups but it's always going to be some banks will be on MCLR, some will be on T-Bills. Repo rates normally on that's not what is the indicator typically, when banks are lending to us. It will be these two only.

Moderator:

Thank you. The next question is from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah:

Congratulations on a good set of numbers. Thank you for the opportunity. So, I had one question on the housing finance business. So currently like, we are generating around 2% ROA, but so and like, this is well above our guidance of FY ‘24 so any revised guidance which we are looking at still? If you look now, how affordable housing is roughly 42 percentage of the AUM. And given that the affordable housing players with a listed peers are generating an ROA of more than 3 percentage. So, are we aiming near to that mark?

Pankaj Gadgil:

I think, the way we've been saying that we would want to always sustain the performance. It is not only across the growth. It is also focused on the margins. So, the focus is anyways going to make sure that that triangulation of growth, portfolio quality and also sound and robust financial management that triangulation always works for us. The contribution of affordable like, you rightly said is now affordable plus CF is today at 49%.

So, as we have always spoken, I think, the opportunities in both the prime and affordable, have to be leveraged appropriately. And leveraging maybe ecosystem as well. I think, the focus is going to be along all the three tenets which is portfolio management, robust financial management and growth. So, I think, we'll, our endeavor is going to sustain the numbers on the arrow that you mentioned and look at the opportunities at all points of time.

Chintan Shah:

Sure. So, and one more thing on the stage 2 portfolio and affordable housing. So, kind of does you know quite a sharp decline from 4.5 to 4. So, this is largely on account of our recoveries or less what would be the reason?

Pankaj Gadgil:

So very good question. So, I think, the customers who had served their entire COVID restructuring is actually, we have observed these customers. A large proportion of them are repaying very-very healthily. So, with natural movement they have moved into stage 1. And of course, we have intensified our efforts on entire collection and also the legal framework which also helps us at all points of time to reduce the stage 2 and stage 3 effectively. And you would have seen that now the stage 2 and stage 3 stand at 4.99% in the portfolio.

Chintan Shah:

Okay. And just one last thing on the opex. Overall opex, thing, so given that we are pouring more into the digital space and making initiatives on the digital platform. So how do we expect the opex to go out, means opex to hold in FY '24, means opex to asset would be at around current levels or would that see a slight bump up? Housing as well as lending both?

Pankaj Gadgil:

I think, we would not get very focused on the metrices individually. I think, the key focus is like, I said ensuring growth. Cost of acquisition on its own, doesn't mean that much. I think the functionality of ROA is extremely important. And of course, the robust financial management is very important. But at the same time as, I said, there is an acceleration in investment in technology and digital analytics, that we are doing to ensure that the appropriate growth and ROA and of course financial management are part of the story.

Rakesh Singh:

On the NBFC side also if you see the cost income ratio is quite efficient, in spite of adding 164 branches this year. We have maintained the efficiency. And so, we will continue to I think operate in these levels

Moderator:

Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe:

Thanks for taking my question. So just on the finance business, can you split the average ticket size consumer and personal loans I think that's around 28,000, between consumer and personal loans?

Rakesh Singh:

So, consumer loans is around INR 20,000 and blended personal loans is around INR 3,00,000

Nischint Chawathe:

So, and on the secured side the ticket size is declining, despite the fact that LAS going up what could be the reason for this?

Rakesh Singh:

So clearly, we are focused on building granular business and across all our segments is what we are trying to drive, and we will continue to drive that.

Nischint Chawathe:

And what would be the ticket size in LAP?

Rakesh Singh:

In secured business you are saying?

Nischint Chawathe:

Yes, that's right.

Rakesh Singh:

The secured business is INR1.8 crores is our average ticket size.

Nischint Chawathe:

You know in last the LAP segment of secured business.

Rakesh Singh:

Yes, so if you look at this is an average and I think this will be across the segment, but majority say it should be in the similar line.

Nischint Chawathe:

And just one clarification the Bureau's scores that you put out into the pie chart, this is based on number of customers or is it based on the value of loan book?

Rakesh Singh:

The number of customers. So, it's on value. Sorry just a correction that it is on value.

Nischint Chawathe:

So that includes the corporate book also, is it?

Rakesh Singh:

No, we have mentioned this at the top that it's personal and consumer loans.

Nischint Chawathe:

Got it. Just moving on to health you know if you could kind of you know help us understand how the given guideline affects the health business and any color on past to profitability

Mayank Bathwal:

I think as Kamlesh also mentioned earlier, the situation will be very similar for both Life and Health. And I think it's a very moderative step for both the entire insurance industry. We have to watch out in terms of the pace at which it gets implemented, because I think, ultimately, the objective is to see how some of the benefits of this is passed on to the customers. There are offerings by the industry. It's a more consumer kind of, I would say, it is more friendly for the consumers. But I think it will take some time for the whole framework to get executed by the industry. It's in the medium to long-term is when we start seeing the full impact of this.

Nischint Chawathe:

Are we comfortably placed on this?

Mayank Bathwal:

Yes, we have enough mechanism in the guideline for all category of companies including us

Nischint Chawathe:

Quickly moving on to the life side. On Slide 40, you showed us product mix channel-wise. Is this for the individual business or overall business?

Kamlesh Rao:

The product mix is for individual business only. So, 81% that you say, which is traditional and 17% on the ULIP side is the composition only of the individual life insurance.

Nischint Chawathe:

And you know the unwinding rate for you at 9.6% in the EV box it's probably you know more on the higher side, so you know if you could explain maybe there is a specific reason for why it should be higher this year? Is it something that you are running a larger duration longer duration you know book?

Kamlesh Rao:

Typically, it's a function of within the traditional, what is your composition. So if you have a size of the guarantee commitment that you have to the customer versus the spread you are making on that portfolio if it is slightly better, then the unwinding rate in the non-part business tends to be better in a particular year, and that is why you will see across the listed companies if they are in the range of about 7.5%-8% it would be about 9%. The incremental comes on account of a product mix and also function of the committed guarantee in your guarantee book to the customer versus the spread that you can make on the same portfolio.

Nischint Chawathe:

And one last point how much is non-par in the traditional mix for this year?

Kamlesh Rao:

Actually, we you know monitor the product mix as per the opportunity in the marketplace. At one point of time for our margins we actually had excess of about 10%-11% on protection in the increasing interest rate scenario that we saw last year we thought the opportunity was more in the non-par segment. So in the traditional business about 75%-80% of the business would be in the non-par segment and that's what we keep doing every year depending on the interest rate cycle we will move the product mix accordingly and therefore maybe at this point of time maybe we need to look at the protection business more in this year but last year we did capitalize on the opportunity in the non-par segment within the traditional business.

Nischint Chawathe:

Perfect, thank you very much for patiently answering all my questions. Thank you.

Moderator:

Thank you. The next question is from the line of Deepak Shinde from HDFC Securities. Please go ahead.

Deepak Shinde:

Hello. Hi, my first question is on NBFC. So, the mix of Retail plus SME is already ahead of our guidance at 67% and growing at a rapid pace. So, is there any internal feeing we are looking at where the Retail plus SME is thought to be at 70% or 75% or we will look at what kind of opportunities we have for growth in this sector and similarly for personal and consumer loans?

Rakesh Singh:

So, we will continue to look at the opportunity and maximize the opportunity in terms of their risk calibrated manner and these segments we will have to review it looking at the opportunity.

Deepak Shinde:

And second on the asset quality in a housing business the 3.3% GNPA, so what is the source of these delinquency is it more of construction finance or spread across buying affordable and CF book?

Pankaj Gadgil:

So we have a very small CF book as you know at about 8%. So, it is very well distributed and as we have mentioned it is coming down rapidly. We have already seen from December to March it has come down rapidly and very importantly Stage 2 & 3 which together is now at only 4.9% right. You heard us talking about the quality of Origination earlier as well, so we are very focused on the quality of onboarding. 96% of our onboarding is happening in Cibil band score of 700 plus and also new to credit.

Deepak Shinde:

So, these would be largely prime plus affordable home loans or LAP, these GNPAs?

Pankaj Gadgil:

Yes, it is very well spread across in all the sectors. It is right to assume that.

Deepak Shinde:

Just going back to the NBFC growth. So our personal and consumer book has been going at a very rapid pace. So would we continue to seek opportunities or there's a time where we would like to you know take some pause and evaluate how this entire portfolio has behaved. So what are the guidance for FY ‘24 in terms of growth on the NBFC side.

Rakesh Singh:

So, Deepak your voice was not very clear if you can just repeat that question.

Deepak Shinde:

Yes, so on the NBFC side our personal and consumer book has been growing at a very rapid pace. So is there is any targeting line where we would like to take a pause and look at our entire portfolio that go out as we see as in before. So, any guidance you would like to give for FY 24 on that book?

Rakesh Singh:

We will continue to focus on building a granular portfolio. So clearly on the personal and MSME side. So, we will continue to build that business Deepak.

Deepak Shinde:

Okay so if opportunity we will continue to grow as such high pace of growth on the personal and consumer side?

Rakesh Singh:

Depending on the opportunities which we have.

Moderator:

Thank you. I would now like to hand the conference over to Ms. Vishakha Mulye, CEO Aditya Birla Capital Limited for closing comments

Vishakha Mulye:

So, thank you. I would like to thank all of you to join us today evening and look forward to keep in touch and more interactions in the future. Thank you.

Moderator:

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

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