MANAGEMENT DISCUSSION AND ANALYSIS

FY 20: KEY HIGHLIGHTS

₹2,100 Crore

OF EQUITY CAPITAL RAISED IN SEPTEMBER 2019 THROUGH PREFERENTIAL ALLOTMENT TO PROMOTER/ PROMOTER GROUP AND MARQUEE INVESTOR

~20 Million

TOTAL ACTIVE CUSTOMER BASE

6%

YEAR-ON-YEAR GROWTH IN CONSOLIDATED ABCL FY 20 PAT, CONSISTENT PROFIT DELIVERY FROM DIVERSIFICATION; PAT (EX-COVID PROVISION) GREW BY 15% YEAR-ON-YEAR

5.29%

NBFC NIM[1] EXPANDED YEAR-ON-YEAR BY 38 BPS; LED BY IMPROVING RETAIL AND SME MIX, NOW AT 50%; PRE PROVISIONING OPERATING PROFIT GREW 16% YEAR-ON-YEAR

55%

YEAR-ON-YEAR GROWTH IN HFC PAT (EX-COVID PROVISION) , ROE[2] AT 9.8% (PY: 7.0%); RETAIL MIX AT 95%

₹15,000+ Crore

LT FUNDS RAISED BY LENDING BUSINESSES IN FY 20; AAA RATING REAFFIRMED

10%

YEAR-ON-YEAR GROWTH IN AMC PAT MAINTAINING EQUITY MIX AT 36% WITH PBT TO AAUM[3] AT 26 BPS

₹5,188 Crore

LIFE INSURANCE EMBEDDED VALUE, RETURN ON EMBEDDED VALUE AT 13.2%

76%

YEAR-ON-YEAR GROWTH IN GROSS WRITTEN PREMIUM OF HEALTH INSURANCE TO ~ ₹872 CRORE; RETAIL MIX AT 72%; FASTEST GROWING HEALTH INSURANCE COMPANY

~₹2,800 Crore

AUM FOR ARC WHICH TURNS PROFITABLE IN FIRST YEAR OF OPERATION

1 Including fee income
2 Based on monthly compounding of annualised earnings
3 Includes domestic AAUM of Asset Management Business

OVERVIEW

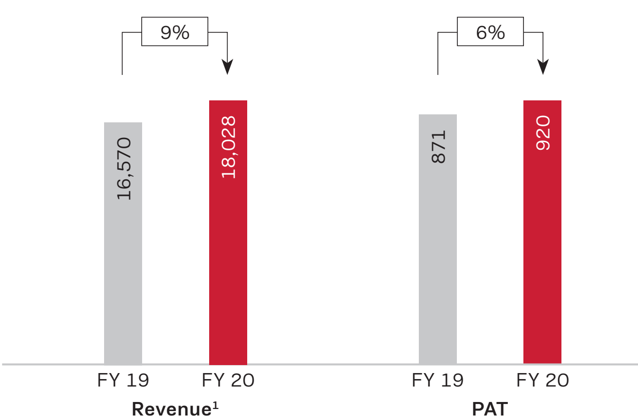
Aditya Birla Capital Limited is the holding company of the financial services businesses of the Aditya Birla Group. Your Company through its subsidiaries has a significant presence spanning multiple sectors, including NBFC, asset management, life insurance, health insurance, housing finance, private equity, general insurance broking, wealth management, broking, ARC and pension fund management.

Your Company's subsidiaries have built significant scale in the sector in which they operate. In addition to scale each business, the subsidiaries work closely together to maximise synergy benefit and cross-sell.

Your Company's diversified portfolio of products and services allows it to capture the broader opportunities in financial services in India.

KEY FINANCIALS – FY 20

CONSOLIDATED



[1] *Consolidated segment revenue; for Ind AS statutory reporting purpose Asset management and wellness business are not consolidated and included under equity accounting*

- Consolidated revenue, grew 9%, year-on-year from ₹16,570 Crore to ₹18,028 Crore
- Net profit (after minority interest) grew by 6% year-on-year to ₹920 Crore from ₹871 Crore
- Overall lending book (NBFC and Housing Finance) stood at ₹59,159 Crore
- Gross premium (including health and life insurance) grew 11% year-on-year to ₹8,882 Crore
- Active customer base grew to ~20 Million
- Raised long-term borrowing of over ₹15,000 Crore for lending business during the year

OUR RESPONSE TO THE LOCKDOWN

We are living in unprecedented times with the global pandemic bringing India to a lockdown for the first time in our known history. All our businesses were fully prepared for the complete shutdown with our Business Continuity Plans, much ahead of the nationwide lockdown.

Back in mid-March 2020, we were one of the early organisations that transitioned to 100% work from home (WFH), after having tested all systems. We moved first and moved fast and that gave us the ability to seamlessly transition to working from home. Keeping the safety of our employees in mind, we started shutting down our offices much before the national lockdown was announced. Our response to lockdown can be categorised into 4 pillars as follows:

- The first pillar was to ensure our employee safety and engagement with them throughout the lockdown. We provided all the necessary medical support to our employees and used the opportunity to drive digital learning aggressively.
- The second one was ensuring business continuity through the lockdown. We were early to move to 100% WFH scenario. That groundwork prepared us to deal with the lockdown seamlessly. We have also been one of the earlier players to restart operations, with almost 90% of our branches opening up as of the first week of June 2020.
- The third was to engage our customers and distributors, along with the launch of our pre-approved products and using our customer connect to drive the service-to-sale model.
- The fourth pillar was our tech readiness because this was the most critical enabler and foundation of our online operations that allowed us to move most of our services to a digital platform and continue to operate and serve customers and distributors through its lockdown.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee health and safety

- Identified Flu Prevention Managers across all regions to monitor and report on employee health
- Branch operating plan with stringent hygiene and safety protocols
- Regular employee communication and engagement to ensure connect
- Big push to employee learning and development during lockdown

24x7 Doctor-on-call + health partner services onboarded

Over 5 Lakh hours covering 64% (Previous year: 16%) employees of digital learning

Business Continuity

- One of the early companies to go 100% WFH a week before lockdown
- All systems were tested for remote working which allowed us to operate fully during lockdown
- Contact centers were also tested to WFH

Complete test for 100% WFH conducted a week before lockdown

85% branches operational as on 30th May, 2020

Customer and distributor engagement

- Hyper-personalised digital engagement with existing customers and warm prospect pool
- Pre-approved digital products and simplified telesales journeys for selling to existing customers
- Driving 'service-to-sale' at service touchpoints using the Next Best Product model
- Continuous reach out to distributors and customers throughout this period

₹7.4 Crore Life Insurance First year premium Pre approved sum assured offers in May 2020

100% advisors for Life Insurance and Mutual Fund business onboarded on digital solutions

Technology readiness

- Enhanced bandwidth and ensured access of all users securely to key systems with controls in place
- Increased coverage of self-serve digital channels (Web portals, Apps, Chatbot & WhatsApp)
- AI-Voice bot calling implemented
- Smooth running of 200+ robots in mid- and back-office processes. No processing backlogs

94% of services offered digitally (61% last year)

WhatsApp channel now has >3 Million customers and 180+ services LIVE

BUSINESS-WISE PERFORMANCE AND OUTLOOK

Aditya Birla Finance Limited (NBFC)

Aditya Birla Finance Limited (ABFL) is among India's leading private and diversified non-banking financial services (NBFC) companies, offering end-to-end financing and wealth management solutions to a wide range of customers across the country. ABFL caters to varied financial requirements of a wide range of customers across retail, High Networth Individual (HNI), ultra HNI, micro enterprises, Small and medium enterprise (SME), large and mid-corporates.

Industry Overview

NBFCs play an important role in the Indian financial system by complementing the banking sector and leveraging on their efficient and nimble operations, to promote their tailor-made products. Their role in promoting financial inclusion and catering to the needs of small businesses and specialised segments give an additional dimension to their importance.

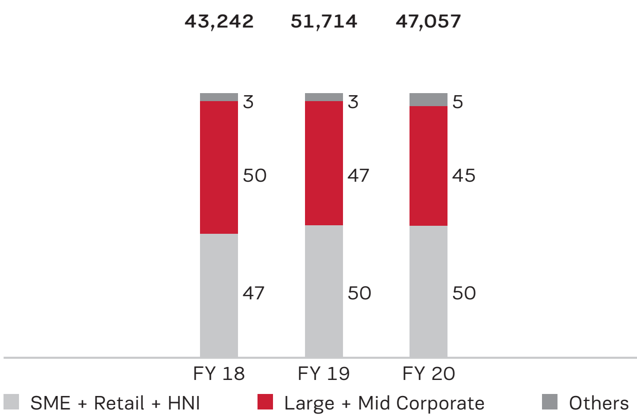
Although the NBFC sector grew by 18% year-on-year in FY 19, the pace of expansion was lower in FY 19, mainly due to credit downgrades and liquidity squeeze within the sector. NBFC growth in H1 FY 20 moderated to 6% due to lower credit demand.

Performance Review

The overall lending book was at ₹47,057 Crore as on 31st March, 2020, due to systematically reduced exposure/disbursement to the large and mid-corporate segment. The Retail, SME and Ultra HNI segments continue to constitute ~50% of the portfolio from 47% in FY 18. ABFL has continued to focus on new disbursement in select growth segments. The retail and SME segments continue to grow, reiterating the successful strategy of diversifying the loan book as well as maintaining its focus on the high-margin retail segment.

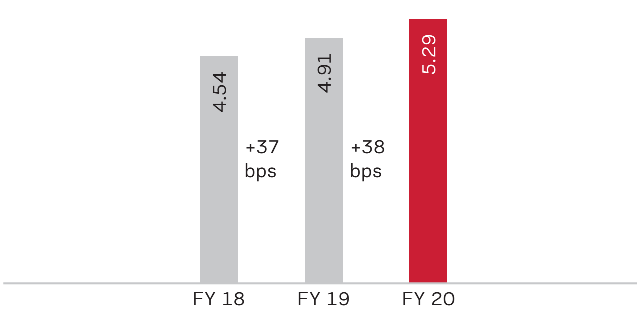
LOAN BOOK MIX

(%)



IMPROVING NIM[1]

(%)



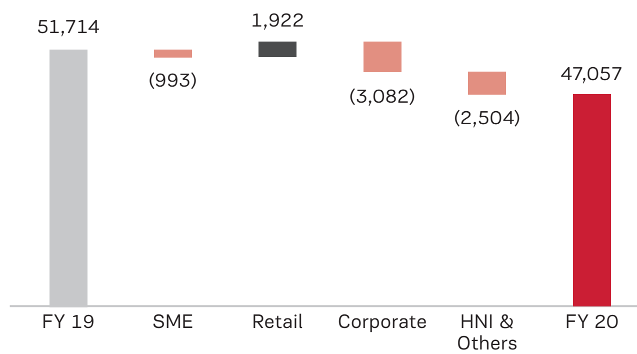
[1] *NIM including fee*

The Net Interest Margin (NIM) expanded by 38 bps to 5.29% in FY 20. This reflects an increased proportion of higher margin segments in the portfolio. Margin improvement is driven by a product mix change and repricing across the portfolio.

ABFL continued to focus on new disbursements in select growth segments. In the SME segment, ABFL continues to focus on secured Term Loan/Working Capital Demand Loan (TL/WCDL) segment, which grew 4% year-on-year, while broker funding de-grew 69% year-on-year and Loan again property and Lease rental discounting de-grew 9% year-on-year. In the Large and mid-corporate segment, strategic repayment/pre-payment consideration led to degrowth in structured finance (54% year-on-year) and construction finance (21% year-on-year).

FOCUSING NEW DISBURSEMENT IN SELECT GROWTH SEGMENTS

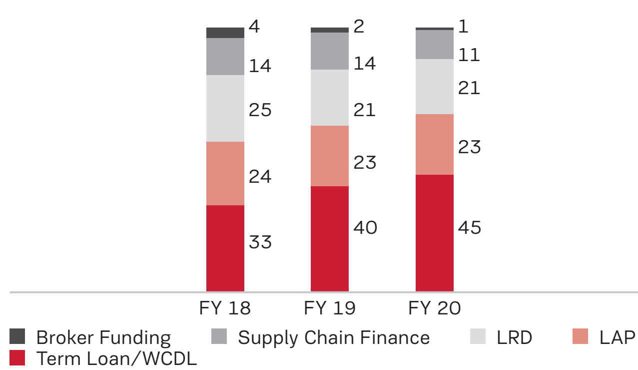
(₹ in Crore)



SME

(%)

Loan Book (₹ Crore)	11,368	13,771	12,778
% Mix	26	27	27
Average Ticket Size (₹ Crore)	7	7	5



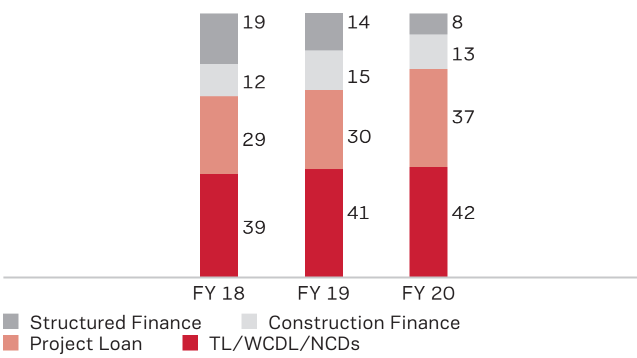
ABFL continues to focus on diversification across customers and product category, with a strong focus on SME and retail lending. Diversification has a significant benefit, as it allows to pick and choose segments that work from a risk-return.

MANAGEMENT DISCUSSION AND ANALYSIS

LARGE/MID CORPORATE

(%)

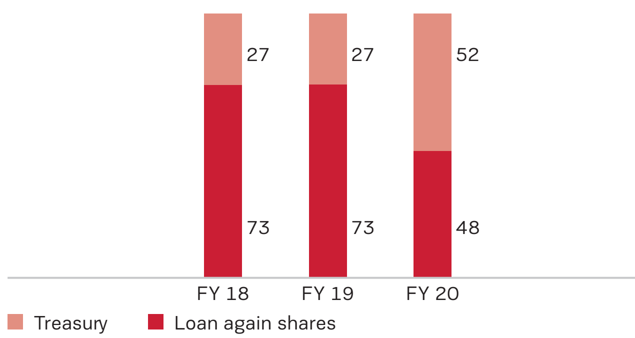
Loan Book (₹ Crore)	21,707	24,426	21,344
% Mix	50	47	45
ATS (₹ Crore)	76	68	59



HNI + OTHERS

(%)

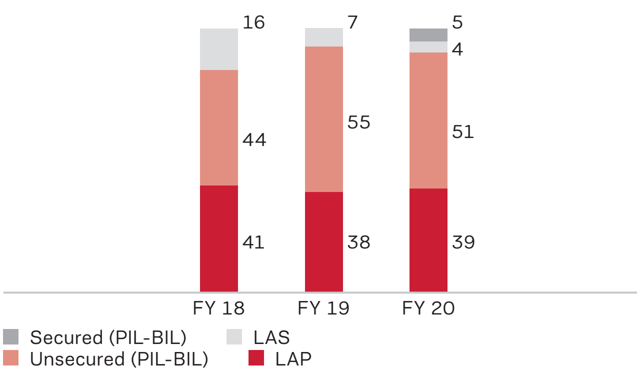
Loan Book (₹ Crore)	5,352	6,602	4,098
% Mix	12	13	9
LAS ATS (₹ Crore)	54	69	35



RETAIL

(%)

Loan Book (₹ Crore)	4,815	6,916	8,838
% Mix	11	13	19
ATS (₹ Crore)	12	6	4



ABFL continues to build granularity across the segment by reducing ticket size across the board. Our overall average ticket size for SME book further reduced to ₹5 Crore from ₹7 Crore in the previous year. In the retail book, our average ticket size reduced to ₹4 Lakh from ₹6 Lakh. In the small ticket retail space, ABFL launched three products – small-ticket secured loans and small-ticket unsecured loans that cater to the lending needs of small traders, shop owners and the self-employed segment, besides EMI Solutions for travel, healthcare and education to salaried and self-employed individuals.

The large and mid-corporate portfolio has reduced to 45% as on 31st March, 2020 from 47% in the previous year. The overall ticket size continues to reduce to ₹59 Crore vis-à-vis ₹68 Crore in the previous year.

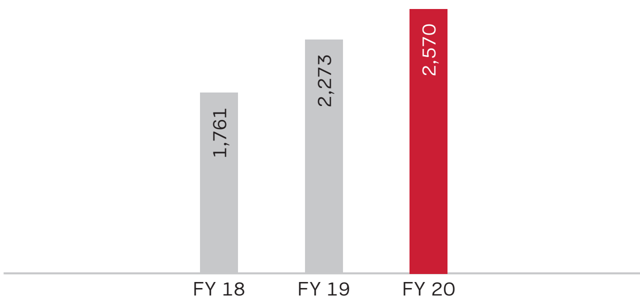
ABFL continues to deliver strong core operating profit in the most difficult period for NBFC as industry. Net Interest Income (NII) grew at 21% CAGR over the last 2 years, along with expansion of NIM by 38 bps to 5.29%. ABFL has also optimised borrowing cost in a volatile interest rate environment, with FY 20 borrowing cost at 8.22% vis-à-vis 8.13% in the previous year. The operating profit growth was also aided by cost optimisation and productivity. The cost income ratio has improved to 32.1% from 34.3% in the previous year. The overall pre-provisioning operating profit grew at 18% CAGR over the last two years. Pre provisioning operating profit grew 16% year-on-year to ₹1,776 Crore from ₹1,535 Crore in the previous year.

NET INTEREST INCOME[1]

(₹ in Crore)

2-year CAGR: 21%

NIM[1] %	4.54	4.91	5.29



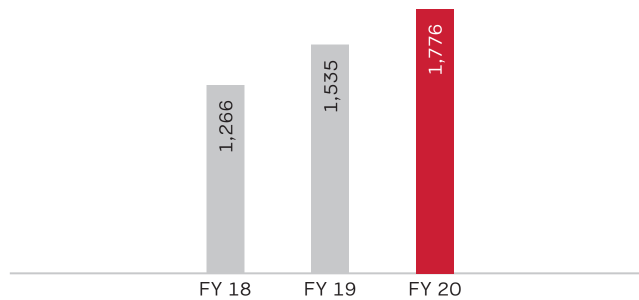
[1] *NIM including fee*

PPOP

(₹ in Crore)

2-year CAGR: 18%

PPOP[2] %	3.29	3.31	3.65



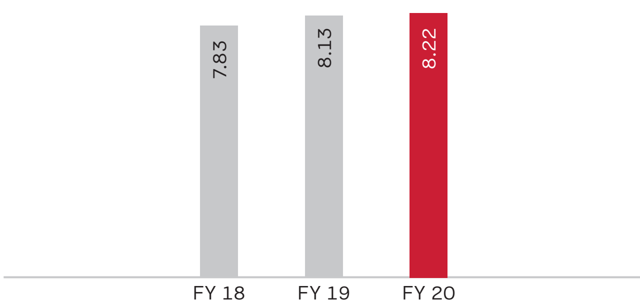
[2] *Calculated basis % of average Loan Book*

COST OF BORROWING (CoB)

(%)

Optimised borrowing cost in a volatile interest rate environment

Q4 CoB%	7.84	8.24	8.14



ABFL continues to be primarily focused on cash flow based underwriting. ABFL believes that diversification is a key method of risk mitigation. Its exposures are diversified across sectors, customer segments and products. The overall loan book has more than 80% secured loans as on 31st March 2020. ABFL had a Gross Stage 3 (excluding IL&FS) at 3.15% as on 31st March, 2020. The largely secured book provides an additional safety layer in such uncertain times.

KEY FINANCIALS

	Q4 FY 20		
Figures in ₹ Crore	Stage 1 & 2	Stage 3	
Loan Book	45,360	1,697	
% of Loan Book (Gross)	96.39	IL&FS	Ex-IL&FS
		0.47	3.15
ECL Provision	316	566	
Provision Coverage (%)	0.70	33.30	
% of Loan Book (Net)		2.40	

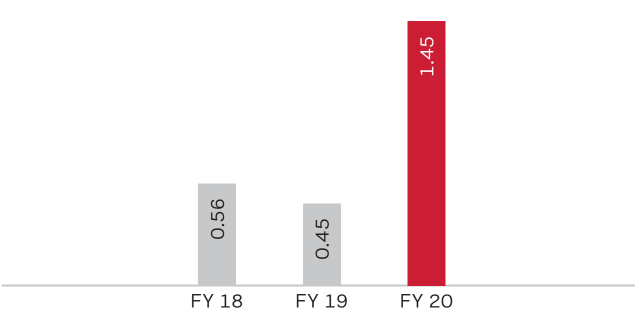
MANAGEMENT DISCUSSION AND ANALYSIS

ABFL has an overall exposure of ₹220 Crore to 4 IL&FS entities categorised as Stage 3. We have already made provision of 28.3% of the total exposure.

The credit cost has increased primarily due to COVID related provisions, coupled with deceleration in domestic economic activity in FY 20. Additional COVID provision of ₹90 Crore (overall 20 bps of loan book considering LGD/PD assumptions based on extensive stress testing) along with Stage 3 enhanced ECL provision of ₹73 Crore, resulted in aggregate COVID provisioning of ₹163 Crore in FY 20.

CREDIT COST PERCENT OF AVERAGE LOAN BOOK

(%)



On the liabilities side, ABFL has a diversified borrowings mix, resulting in a competitive cost of funds. Hence, it was able to optimise borrowing cost in a volatile interest rate environment.

ABFL Asset Liability Management (ALM) is optimised for both liquidity and cost. As on 31st March, 2020, ABFL has accumulated a surplus up to a one-year time frame from the ALM perspective. ABFL have raised over ₹11,700 Crore long-term borrowing during FY 20. Out of this, ABFL raised ₹6,100 Crore through term loan and ₹4,100 Crore from Non-Convertible Debenture (NCD). ABFL actively pursued overseas funding through external commercial borrowing to further diversify borrowing profile. ABFL raised ₹1,500 Crore (US$ 200 Million) through External commercial borrowings (ECB) during FY 20. The number of institutional investors increased from 447 as of March 2019 to 482 as of March 2020.

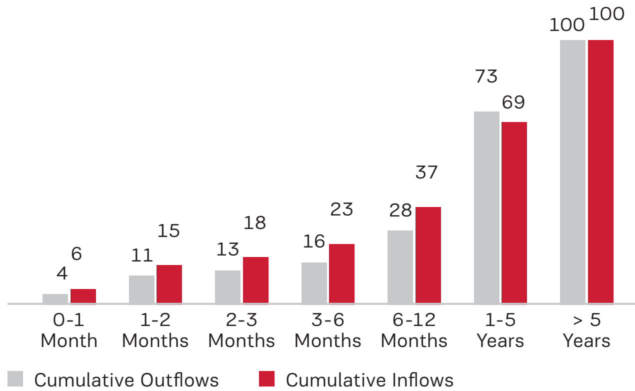
ABFL continues to maintain comfortable Capital Adequacy Ratio (CAR) at 18.9% as on 31st March, 2020 against the 15% as required by RBI norms. The Tier-I capital at 14.96% (previous year 14.33%) and Tier-II capital was 3.89% (previous year 3.13%). ICRA and India Ratings have reaffirmed ABFL's long-term debt rating to AAA.

In terms of liquidity, there is significant liquidity available for meeting obligation for FY 21 under stress test scenarios.

ALM OPTIMISED FOR LIQUIDITY AND COSTS (AS OF APRIL 2020)

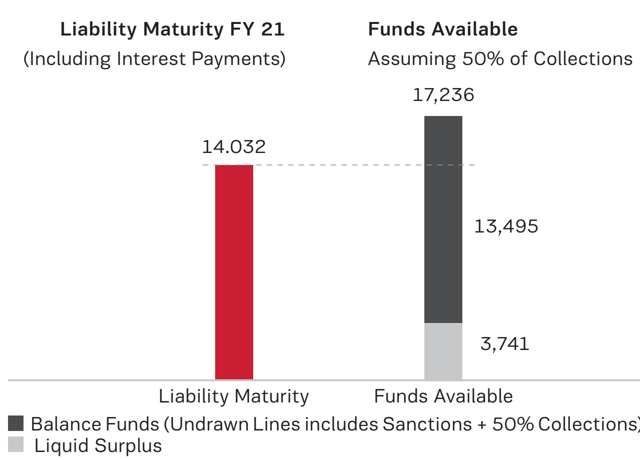
(%)

Cumulative Surplus/(Gap) (%)						
57	41	43	41	32	(5)	0



ADEQUATE LIQUIDITY UNDER STRESS TEST SCENARIO

(₹ in Crore)



During FY 20, ABFL's revenue grew by 11% from ₹5,607 Crore to ₹6,202 Crore. Net Profit After Tax de-grew marginally from ₹869 Crore to ₹821 Crore. Net worth expanded by 9% year-on-year from ₹7,417 Crore to ₹8,078 Crore, led by internal accruals.

OUTLOOK

With the uncertain growth and a slowdown in credit demand, NBFCs are expected to turn cautious, going forward. The sector faced liquidity pressure with higher funding cost and is expected to face headwinds for asset quality. The profitability of NBFCs is expected to be under pressure, with lower credit growth and higher credit cost. Business models of NBFCs will be tested for resilience as the economy gradually recovers from the pandemic. The players with their strong liability profiles and strong risk controls in the assets size, are expected to be better positioned.

ABFL, with its strong parentage and liquidity, is well-equipped to build future growth. ABFL foresees opportunity across the spectrum of its customers, out of which the SME and retail opportunity is estimated to be the largest. Besides the asset quality, effective implementation of technology and cost optimisation would remain the company's key focus areas for achieving profitable and sustainable growth.

KEY FINANCIALS

Figures in ₹ Crore	Full Year	
Key Performance Parameters	FY 18-19 (PY)	**FY 19-20 (CY)**
Lending book	**51,714**	**47,057**
Average yield (Incl. Fee Income) (%)	11.93	**12.42**
Interest cost/Avg. Lending book (%)	7.02	**7.13**
Net Interest Margin (Incl. Fee Income) (%)	4.91	**5.29**
Net Interest Income (Incl. Fee Income)	**2,273**	**2,570**
Opex/Avg. Lending book (%)	1.73	**1.72**
Cost Income Ratio (%)	34.3	**32.1**
Credit Provisioning/Avg. Lending book (%)	0.45	**1.46**
Profit before tax	**1,328**	**1,069**
Profit after tax	**869**	**821**
Net worth	**7,417**	**8,078**

Aditya Birla Housing Finance Limited (Housing Finance)

Aditya Birla Housing Finance Limited (ABHFL) is registered with the National Housing Bank as a housing finance company under the National Housing Bank (NHB) Act, 1987. ABHFL offers a comprehensive range of housing finance solutions such as Home loans, Home Extension Loans, Plot & Home Construction Loans, Home Improvement Loans, Loans Against Property, Construction Financing, Commercial Property Purchase Loan and Property Advisory Services.

Industry Overview

HFCs were undergoing a challenging period on the back of muted demand and emerging asset quality concerns. This was aggravated by the near halt in economic activities following the COVID-19 outbreak. The total housing credit outstanding stood at ₹20.7 Lakh Crore, as on December 31, 2019. The pressure on asset quality is expected to mount due to the lockdown and the consequent impact on borrower cash flows and viability. The overall gross non-performing assets or GNPAs increased to 2.2% as on December 31, 2019 vs. 1.6% as on March 31, 2019 due to a deterioration across HFCs in the wholesale loan construction finance segment, given the tight liquidity faced by some developers with delayed projects and the reduced fund availability for the developers.

Performance Review

ABHFL continues to grow its loan book with an increasing focus on its retail mix. The Company's loan book grew 22% CAGR over the last two years from ₹8,137 Crore in FY 18 to ₹12,102 Crore in FY 20. The affordable housing loan book grew six times over last two years to ~₹2,250 Crore as on March 2020. The retail mix has improved from 89% to 95% over the last two years. Our approach during FY 20 was to increase retailisation, achieve greater granularity and reduce construction finance exposure.

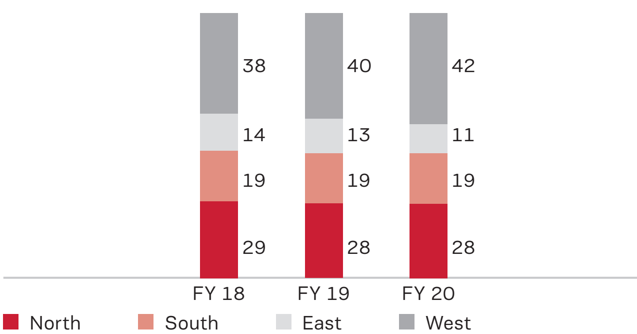
The business continues to focus on a systematic approach to build a healthy portfolio mix. The housing loan (including affordable) segment consists of 70% of the overall exposure, while construction finance comprises only 5%. Hence a large part of the margin expansion has been brought about by the expansion of the home loan segment, especially the affordable home loan segment. In construction finance, our average ticket size on a sanctioned project is ₹18 Crore, while based on outstanding balance, it is ₹9 Crore (Previous year: ₹13 Crore). In the affordable segment, our average ticket size is ₹13 Lakh.

MANAGEMENT DISCUSSION AND ANALYSIS

ABHFL continues to focus on diversification across geographies. With the scaling up of its affordable housing loan book, it will further expand into Tier-II, -III and -IV cities. ABHFL's footprint has expanded to 65 branches as of March 2020. The non-metro loan book mix is at 46% of the overall loan book.

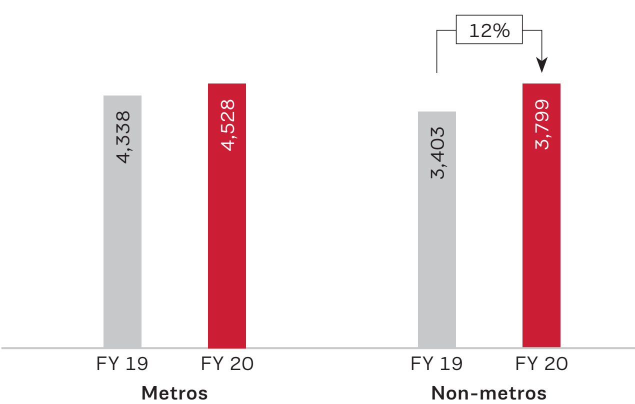
DIVERSIFIED GEOGRAPHIC MIX

(%)



HOME LOAN SOURCING FOCUS ON INCREASING REACH

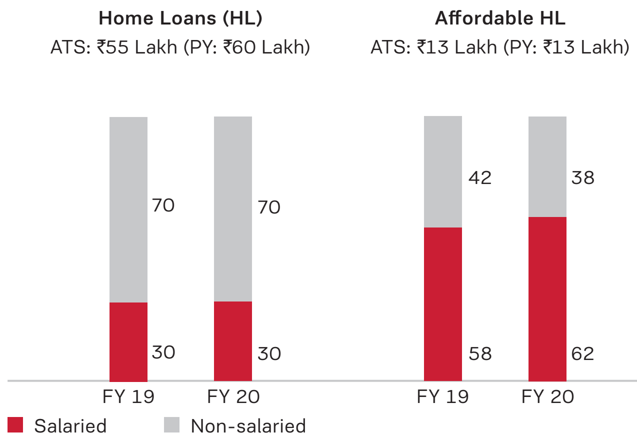
(₹ in Crore)



In terms of the customer mix, prime home loans are largely focused on non-salaried customers, which presents immense opportunity for expansion. In the affordable home loan segment, we have built a loan book of ₹2,250 Crore over the last two years, with a much richer mix of salaried customers. As part of our strategy, ABHFL does not deal with the economically weak sections of society for the affordable segment. Accordingly, the average ticket size for this segment is ₹13 lakhs. Further, 29% of the affordable home loan portfolio is backed by the Indian Mortgage Guarantee Corporation and 49% of the portfolio is eligible for the Pradhan Mantri Awas Yojana (PMAY) subsidy.

CUSTOMER MIX

(%)



ABHFL continues to deliver a strong core operating profit over years. Net Interest Income grew by 31% CAGR over last two years to ₹338 Crore with maintained margins, despite a change in the product mix of reducing construction finance. The cost of borrowing has been optimised at 8.36% in FY 20, despite a volatile interest rate environment. With a scale up of its operations and improvement in its operating efficiency, the cost to income ratio has reduced from 61% in FY 19 to 46% in FY 20. The business has shown significant improvement in profitability with Pre-provisioning Operating Profit growth at 90% CAGR over the last two years. Net Profit After Tax grew 38% year-on-year to touch ₹103 Crore. The business has posted Return on Equity and Return on Assets at 9.8% and 1.0%, respectively.

NET INTEREST INCOME[1]

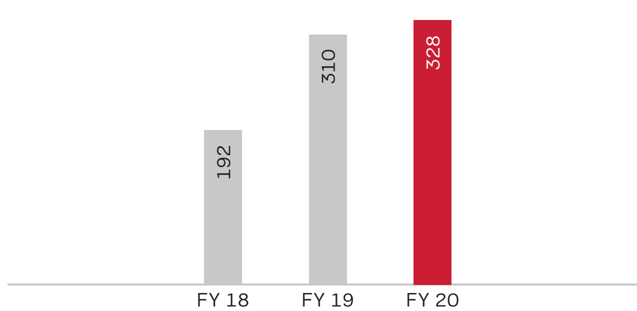
(₹ in Crore)

Maintained margins with change in product mix

Reducing construction finance and increasing affordable home loans mix

2-year CAGR: 31%

NIM[1] %	3.32	3.14	3.04



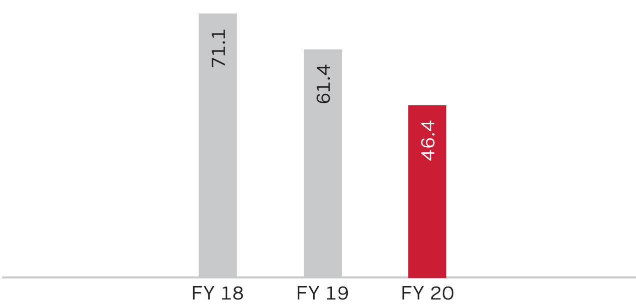
[1] *NIM including fee*

COST INCOME RATIO (CIR)

(%)

CIR improvement aided by scale and operating efficiency

Opex[1] %	2.50	2.02	1.50



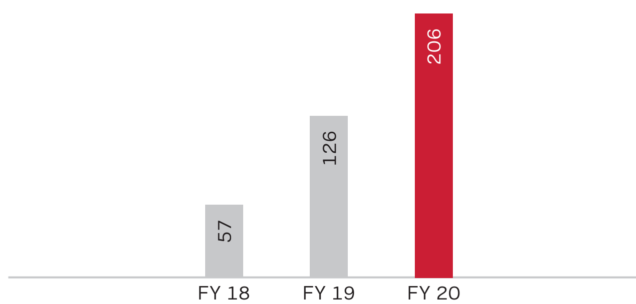
[1] *% computed based on average Loan Book*

PPOP

(₹ in Crore)

2 year CAGR: 90%

PPOP[2] %	0.99	1.27	1.73



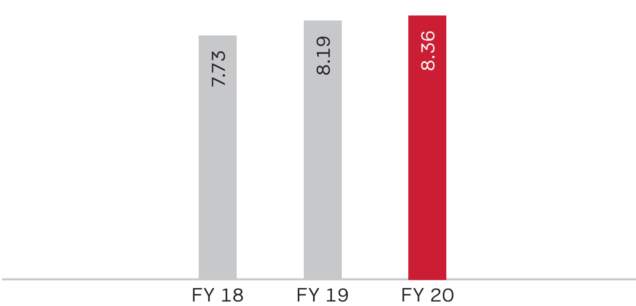
[2] *% computed based on average Loan Book*

COST OF BORROWING

(%)

Optimised borrowing cost in a volatile interest rate environment

Q4 CoB%	7.77	8.41	8.20



ABHFL continues to focus on building a high-quality asset book. Its Gross stage 3 book was at 1.21% and Net stage 3 book at 0.82% as on 31st March, 2020. There was, however, no stage 3 account in construction finance portfolio. ABHFL has provided additional COVID provision of ₹18 Crore (20 bps of total ECL provision pool) in FY 20, which led to higher credit cost at 0.59% of the average book.

KEY FINANCIALS

Figures in ₹ Crore	Q4 FY 20	
Key Performance Parameters	Stage 1 & 2	Stage 3
Loan Book	11,955	147
% of Loan Book (Gross)	98.79	1.21
ECL Provision	56	47
Provision Coverage (%)	0.47	32
% of Loan Book (Net)		0.82

% of Segment Loan Book	GS3 %	PCR %	NS3 %	GS3	Provision	LTV%
Home Loan	1.30	32	0.88	108	34	64
LAP (Retail)	1.77	33	1.19	39	13	48
Construction Finance	-	-	-	-	-	-
Total Loan Book	**1.21**	**32**	**0.82**	**147**	**47**	**59**

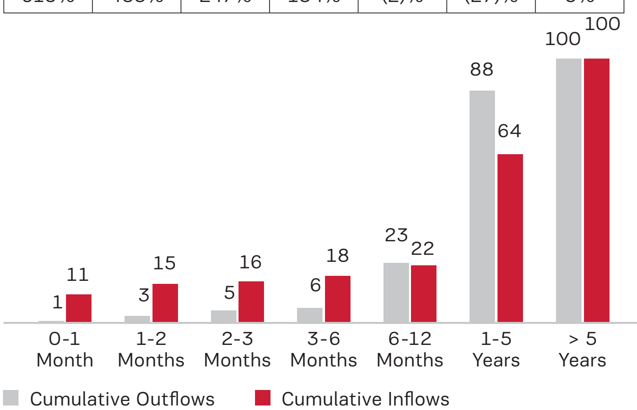
MANAGEMENT DISCUSSION AND ANALYSIS

The Asset Liability Management (ALM) is optimised for both liquidity and cost. As on 30th April, 2020, we have accumulated a surplus up to a one-year time frame from the ALM perspective. We have raised over ₹3,100 Crore long-term borrowing during FY 20. ABHFL also received a refinance of ₹400 Crore from the National Housing Board, with a sanction availability of ₹1,500 Crore. In addition, to further diversify its borrowing profile ABHFL raised overseas funding of ₹354 Crore (sanction of US$ 100 Million) through external commercial borrowing. The number of institutional investors increased to 106 with funding from 21 banks as of March 2020.

ALM OPTIMISED FOR LIQUIDITY AND COSTS (AS ON APRIL 2020)

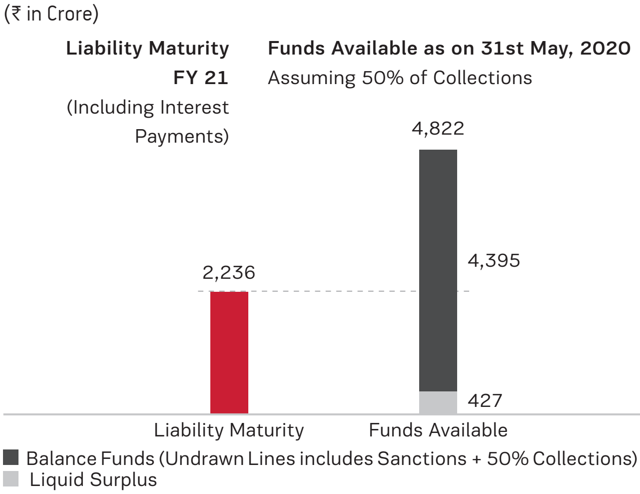
(%)

Cumulative Surplus/(Gap)						
910%	433%	247%	184%	(2)%	(27)%	0%



ADEQUATE LIQUIDITY UNDER STRESS TEST SCENARIO

(₹ in Crore)



ABHFL continues to maintain comfortable Capital Adequacy Ratio at 19% as on 31st March, 2020 against the 13% specified by the regulatory norms.

Revenue grew 27% year-on-year to ₹1,298 Crore, in line with an increase in its book size, while the net interest margin has been maintained at 3.04%. ABHFL reported Earnings Before Tax at ₹136 Crore against ₹107 Crore in FY 19. The net worth has expanded from ₹1,190 Crore in FY 19 to ₹1,383 Crore in FY 20. A sum of ₹100 Crore was infused during the year to fund the loan book growth.

Outlook

Long-term growth outlook for the housing finance sector remains favourable owing to the Government of India's focus on 'Housing for All' initiative, improved affordability and favourable demographics. These factors, coupled with the current low penetration levels, are likely to boost growth in the housing segment.

ABHFL is aiming to build a scalable and profitable book through the optimal product-sourcing-customer mix. The Company's thrust is on building a robust technology platform for customer acquisition, offering quality customer service for better retention and creating operating efficiencies.

KEY FINANCIALS

Figures in ₹ Crore	Full Year	
Key Performance Parameters	FY 18-19 (PY)	**FY 19-20 (CY)**
Lending book	**11,405**	**12,102**
Average yield (%)	10.13	**10.39**
Net Interest cost/Avg. Loan book (%)	7.30	**7.49**
NIM (incl. Fee Income) (%)	3.14	**3.04**
Revenue	**1,025**	**1,298**
Opex/Avg. Loan Book (%)	2.02	**1.50**
Cost Income Ratio (%)	61.4	**46.4**
Credit Provisioning/Avg. Loan Book (%)	0.19	**0.59**
Profit Before Tax	**107**	**136**
Profit After Tax	**74**	**103**
Net worth	**1,190**	**1,383**

Aditya Birla Sun Life AMC Limited (AMC)

Since 1994, Aditya Birla Sun Life AMC Limited (ABSLAMC) has been one of India's leading fund managers. It caters to a diverse customer cross-section through a wide variety of investment solutions focused on regular income, wealth creation and tax savings, among others. ABSLAMC is India's fourth largest mutual fund (excluding ETF), based on domestic Average Assets Under Management (AAUM) as published by Association of Mutual Fund Industry (AMFI) for the quarter ended March 2020.

Industry Overview

India's mutual fund industry comprises 44 asset management companies. The top 5 asset management companies, contribute to 57% of industry's AAUM (Source: Association of Mutual Funds in India, www.amfiindia.com).

In the current year, the industry witnessed 10% growth in annual average AUM (AAUM). AAUM grew from ₹23,92,825 Crore in the year ended March 2019 to ₹26,23,156 Crore in the year ended March 2020.

The Industry's Equity Assets grew by 10% from ₹9,95,132 Crore in the year ended March 2019 to ₹10,97,413 Crore in the year ended March 2020. The share of equity AAUM in total industry AAUM touched 42%. SIP inflows and account addition continued to be encouraging. In March 2020, SIP inflows stood at ₹8,641 Crore against ₹8,055 Crore in March 2019. The number of outstanding SIPs accounts stood at 312 Lakh for March 2020 against 262 Lakh for March 2019.

Performance Review

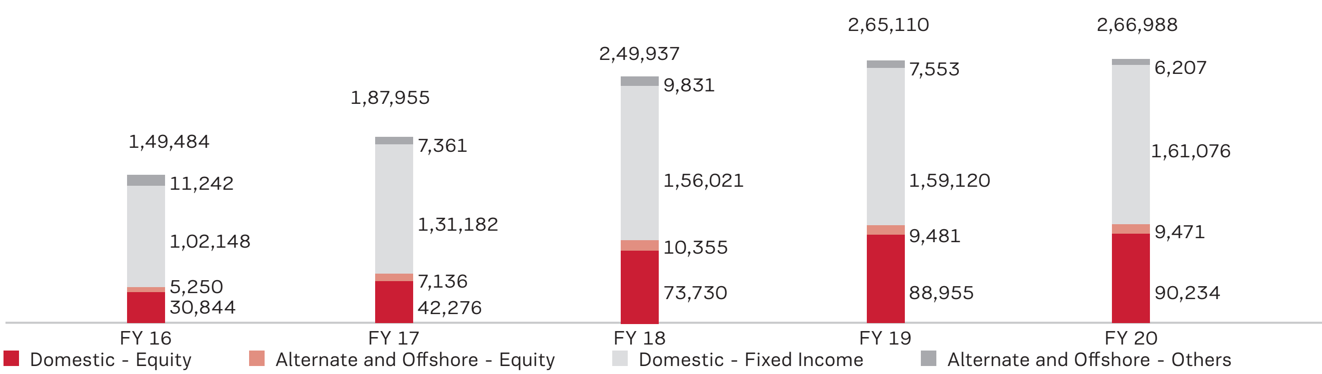
ABSLAMC completed a successful 25 years of investing investor money in Indian capital markets.

The domestic AAUM of ABSLAMC expanded by 19% CAGR over 5 years to ₹2,66,988 Crore in line with industry growth. ABSLAMC has grown faster than the industry in equity AAUM, with a 5-year CAGR at 25% vis-à-vis the 17% for industry. ABSLAMC continued to focus on growing high margin retail assets and Equity AAUM contributed 36% of the total domestic AAUM in FY 20 against its 23% in FY 16.

ASSET UNDER MANAGEMENT

(₹ in Crore)

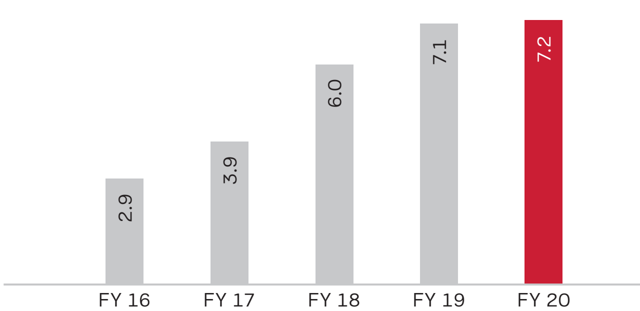
5-year CAGR (Domestic AAUM[1])	ABSLAMC	19%	Industry	19%



[1] *Source for industry and market share figures: AMFI*

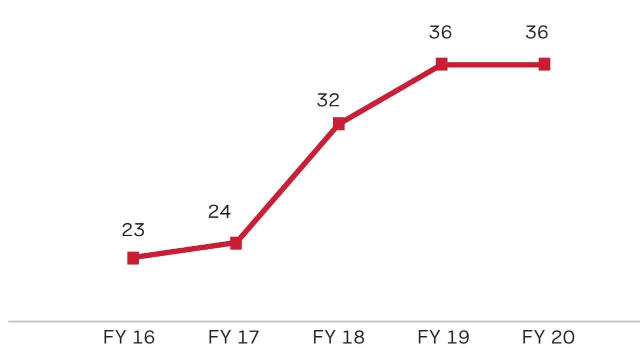
CONSISTENT FOCUS ON GROWING HIGH MARGIN RETAIL ASSETS
OF FOLIOS

5 Year CAGR	ABSLAMC	25%	Industry	17%



EQUITY MIX

(%)



MANAGEMENT DISCUSSION AND ANALYSIS

ABSLAMC has a strong growth across retail vectors in line with stated strategy. The total number of folios has grown at 25% CAGR over 5 years to touch 7.2 Million as on March 2020, much ahead of the industry 5-year CAGR at 17%, and highest amongst top 5 AMCs as on March 2019. The domestic equity AAUM at ₹90,234 Crore, grew at a 5-year CAGR of 35% vis-à-vis the industry's growth at 30%. The growth in equity AAUM over the last 5 years was second highest among the top 5 AMCs in India. The retail penetration is growing with Retail and HNI AUM at ₹1,06,496 Crore. The SIP book size growth was in line with that of the industry at a 3-year CAGR of 24%, contributing to 38% of domestic equity and having a market share of 9.90%. The contribution from beyond top 30 cities (B30 cities) is at ₹33,550 Crore, with a 5-year CAGR of 20% vis-à-vis industry's 15%.

	# of Folios	Domestic Equity	SIP	Retail AAUM	B-30 AAUM
Size	7.2 Million	₹90,234 Crore	Count: 29.2 Lakh	₹1,06,496 Crore	₹33,550 Crore
AAUM Mix[1]		36%	38%[2]	47%	15%
Market Share	8.01%	8.22%	9.90%[3]	8.25%	8.72%
Growth[1] vs Industry	5-year CAGR	5-year CAGR	3-year CAGR	5-year CAGR	5-year CAGR
ABSL AMC	25%	35%	24%	18%	20%
Industry	17%	30%	26%	18%	15%
	Highest amongst Top 5 AMCs[4]	2nd Highest amongst Top 5 AMCs	Growth in line with industry	2nd Highest amongst Top 5 AMCs	2nd Highest amongst Top 5 AMCs

Source for industry and market share figures: AMFI

[1] Domestic Equity AAUM Mix basis annual average. Others basis Monthly Average *[2] SIP share of Domestic Equity*

[3] Market share basis SIP Book Size *[4] As of FY 19, Mar'20 peer numbers not yet disclosed*

ABSLAMC continued to focus on a balanced distribution mix with IFAs having a greater share in the equity sourcing mix. ABSLAMC has strengthened its distribution mix with a presence across 310 locations, with more than 75% of its locations in B-30 cities. To increase its reach, ABSLAMC has a tie up with 88 banks. It has empanelled over 80,000 IFAs and over 230 national distributors, besides growing partnerships with a large digital ecosystem.

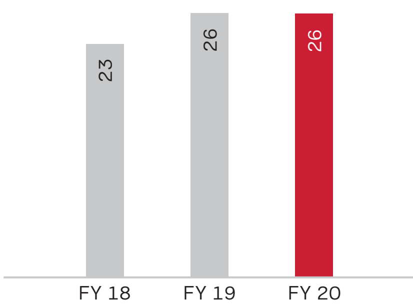
The next big cusp of growth in the industry has come from the digital channel. Leveraging technology and building business would be key for AMCs to grow to the next level. Currently, ABSLAMC has many digital assets, including mobile apps, customer website and Partner Portal among many others. Our digital share of overall transactions increased to 77% in FY 20 against 69% in the previous year.

ABSLAMC continues to improve profitability over time. It reported PBT/AUM at 26 bps in FY 20, which has increased by 9 bps over the last 5 years. The net profit grew with a 2-year CAGR at 19% to touch ₹494 Crore. ABSLAMC delivered Return on Equity at 38.9% in FY 20 against 32.3% in FY 18.

PBT/AAUM (BPS)

Increase of 3 bps over two year

(Δ: +9 bps over FY 15)

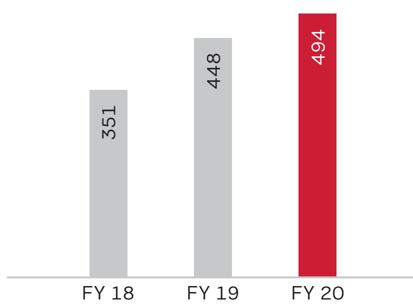


PAT

(₹ in Crore)

2-year CAGR: 19%

(5-year CAGR: 32%)

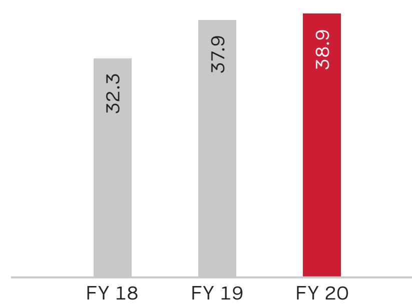


RETURN ON EQUITY

(%)

Increase of 6.6% over two year

(Δ: +15% over FY 15)



ABSLAMC's fund performance remained robust across multiple asset classes. It received awards and recognition during the year, of which the following are noteworthy:

- Thomson Reuters Lipper Awards 2019 – MENA Markets
  - Best Fund over 5 years and 10 years, Bond Indian Rupee
  - Best Fund over 3 years, Equity India
  - Best Fund over 5 years, Equity Sector Financials
- Asia Asset Management 2020 – Best of Best Award for Investor Education
- Outlook Money Awards 2019 – Equity AMC of the Year and Best Fund House for Investor Education

Outlook

An increase in awareness in general, but more particularly, our presence in smaller cities in the country, ensures that retail expansion will continue to be strong. ABSLAMC will continue to focus on increasing higher margin AUM and expanding its investor base. Growing contribution from beyond top 30 markets will remain a focus area, besides strengthening digital presence to help connect better with customers and enhance distribution.

KEY FINANCIALS

Figures in ₹ Crore	Full Year	
Key Performance Parameters	FY 18-19 (PY)	**FY 19-20 (CY)**
Domestic AAUM	2,48,075	**2,51,310**
Domestic Equity AAUM	88,955	**90,234**
Alternate and Offshore Equity AAUM	9,481	**9,471**
Total Equity	**98,436**	**99,705**
Revenue	1,407	**1,235**
Costs	760	**574**
Profit Before Tax	**647**	**661**
Profit Before Tax (bps[1])	**26 bps**	**26 bps**
Profit After Tax	**448**	**494**

[1] *Margin based on annualised earnings as % of domestic AAUM*

MANAGEMENT DISCUSSION AND ANALYSIS

Aditya Birla Sunlife Insurance Limited (Life Insurance)

Aditya Birla Sun Life Insurance Company Limited (ABSLI) is a 51:49 joint venture between the Aditya Birla Group and Sun Life Financial Inc., Canada's leading international financial services organisation. ABSLI has contributed to the growth and development of the Indian life insurance industry, and is currently one of India's leading private life insurance companies.

Industry Overview

The life insurance industry in India has witnessed a sea change over the past two decades. These changes include opening up to the private sector, new product regulations, increase in Foreign Direct Investment (FDI) limits, besides initiation of open architecture for bancassurance and issuance of policies in electronic form. The life insurance industry has evolved considerably, catering to the changing macro-economic landscape, customer needs and technological developments.

The industry has grown at a CAGR of 16% in Individual APE during FY 16 to FY 19, registering a growth of 6% during FY 20 due to the impact of the COVID-19 lockdown in March 2020. The impact of the lockdown is however expected to be transient in nature, and the insurance industry is expected to be back on the growth path, given its criticality to both individuals and the economic development of the country.

During FY 20, the insurance industry grew 18% YTD. February 2020 ended with growth of 6% for FY 20 as the top line was impacted due to the lockdown. Private insurance players witnessed a growth of 5% and LIC registered a growth of 8%. The private players market share in individual new business premium stood at 57% in FY 20.

The industry continues to focus on the quality of business and improving financial performance to drive long-term shareholder value. This can be seen through improved persistency ratios across cohorts, reducing surrender to AUM ratios, better opex management and lower complaints.

The protection segment has emerged as an important category on the back of higher customer awareness, product innovation and emergence of digital modes of distribution. Awareness for protection products may get a tailwind out of the current prevailing situation and change in consumer attitude towards risk.

On the distribution mix, there has been a distinct shift with bancassurance, now emerging as the primary distribution channel with >50% share (21% in FY 10) among private sector insurers. This shift is primarily driven by the captive customer base and leveraging the wide-spread network of bank branches. Companies continue to focus on digital and direct channels, given the tremendous growth potential. There has been an increase in the number of web aggregators in recent years and many insurance companies have been showing increasing interest to get their products listed on aggregator portals and then on websites.

Performance Review

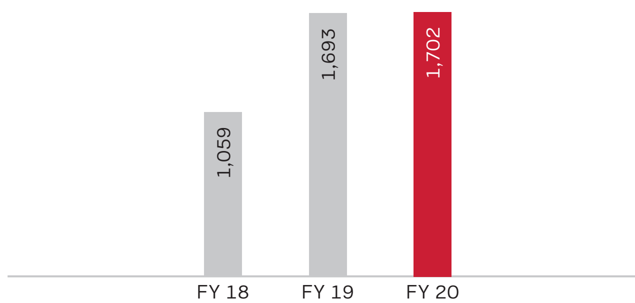
ABSLI recorded individual new business premium growth at 10% in YTD February 2020, while the year ended with a flat growth as sales were impacted in the month of March 2020 due to the COVID-19 shutdown. Given our focus on creating value and driving profitability, the Group business de-grew by 13%. Group business continued to be value accretive In FY 20. ABSLI maintained its market share in Individual new business at 4.0%.

INDIVIDUAL FYP[1]

(₹ in Crore)

Individual FYP growth

2-year CAGR	ABSLI	27%	Industry[2]	11%



[1] *Individual FYP adjusted for 10% of single premium*

[2] *Industry represents players (excluding LIC); Ind. FYP for Industry players: Source IRDAI*

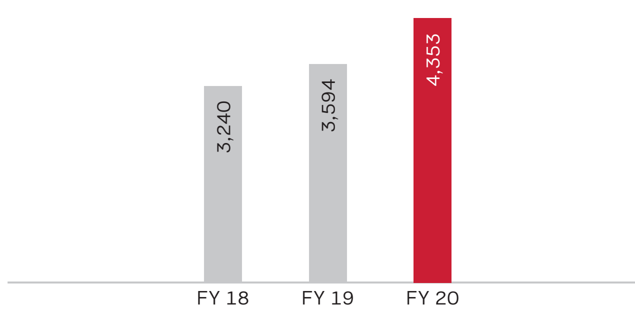
RENEWAL PREMIUM

(₹ in Crore)

Strong growth in Renewal Premium

Renewal Premium (YTD – February 2020) was up 21% year-on-year

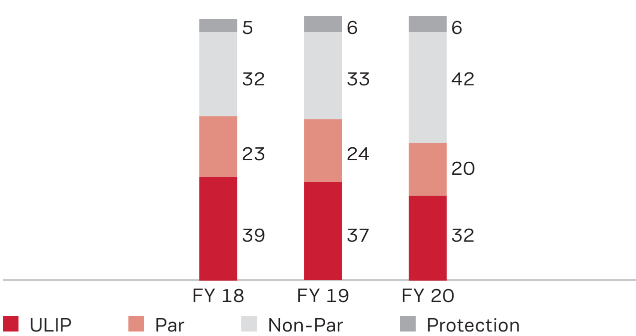
2-year CAGR	ABSLI	16%



Product mix is one of the important levers to drive customer penetration and profitability. During FY 20, ABSLI has reduced ULIP mix, while maintaining its protection mix. Expected maturity benefits of the guaranteed portfolio are entirely hedged.

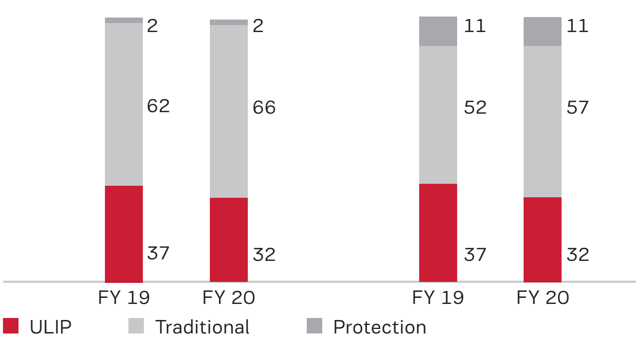
IMPROVEMENT IN PRODUCT MIX

(%)



PRODUCT MIX

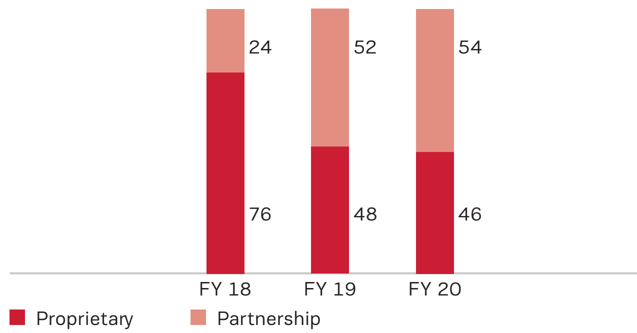
(%)



ABSLI has continued its journey of balanced channel mix with a pan-India presence across 2,750+ cities through 9,500+ bank branches and 395+ own branches, with a base of 82,000+ agents. ABSLI has eight key bancassurance partners (including HDFC Bank, DCB, KVB, Indian Bank etc.) and 460+ direct selling employees. ABSLI continues to drive growth through partnerships and gain operating leverage in proprietary channels. The proprietary channel witnessed an 8% CAGR in productivity over the last two years.

SOURCING MIX

(%)



The value of new business is one of the most important value metrics in the life insurance industry, and measures profitability over the long-term. In FY 20, ABSLI achieved a gross margin of 33.8% (PY: 34.6%), while the net VNB margin was at 6.9% (PY: 9.8%). The gross margins are highly sensitive to interest rates, yet ABSLI has been able to largely maintain the gross margin rates with its improved product mix, despite falling interest rates.

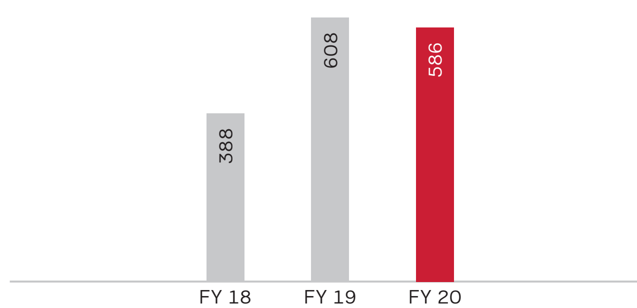
The embedded value increased year-on-year to touch ₹5,187 Crore from ₹4,900 Crore in FY 19. ABSLI has reported a healthy Return on operating Embedded Value (RoEV) at 13.2%.

ABSLI has one of the best gross margins in the industry, owing to a balanced product mix. The Company continues to focus on increasing the value of new business through growth in protection business, improving customer retention and enhancing cost efficiency.

GROSS VALUE OF NEW BUSINESS

(₹ in Crore)

GSec (%)	7.4	7.3	6.1
Margin (%)	32.9	34.6	33.8

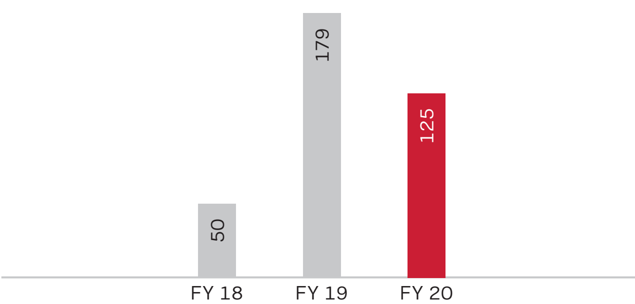


MANAGEMENT DISCUSSION AND ANALYSIS

NET VNB

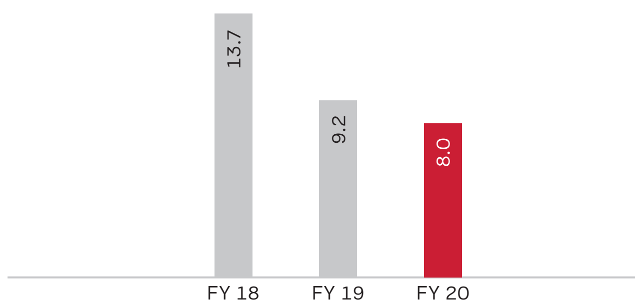
(₹ in Crore)

Margin (%)	4.3	9.8	6.9



SURRENDER % OF AUM[2]

(%)



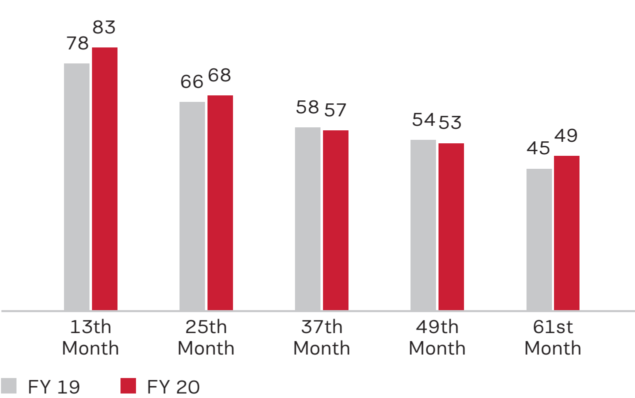
[2] *Parameters relate to Individual Business*

The quality of business remains a key focus area for ABSLI. There is continuous improvement in persistency across cohorts. The 13th month persistency ratio improved by 507 basis points to reach 83.4%, and 61st month persistency ratio improved by 336 basis point to touch 48.6%. The surrender ratio of policy shareholder AUM has reduced to 8.0% from 13.7% in FY 18, led by increasing in-force policies and renewal premiums. ABSLI has achieved the highest ever claim settlement ratio of 97.54%, driven by robust risk scoring models, data analytics and training to field force. The number of complaints has reduced by more than 50% over the last two years.

Assets under management (AUM) grew at 6% CAGR over the last 2 years from ₹36,867 Crore to ₹41,126 Crore led by a healthy in-force book, quality of business and new business growth. ABSLI has posted robust fund performance across categories against internal benchmarks, despite volatile market conditions. ABSLI maintained controlled opex by cost optimisation and productivity, with a stable FY 20 opex ratio at 15.9%, despite lower volumes in March 2020.

PERSISTENCY[1]

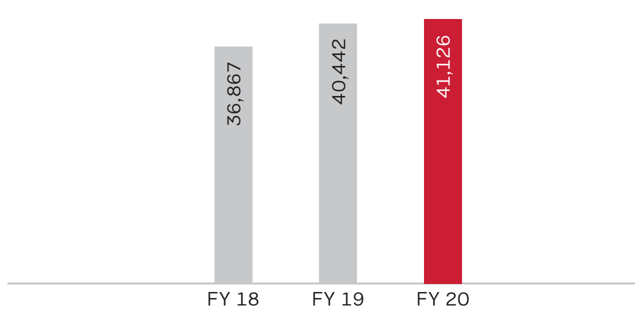
(%)



[1] *Parameters relate to Individual Business*

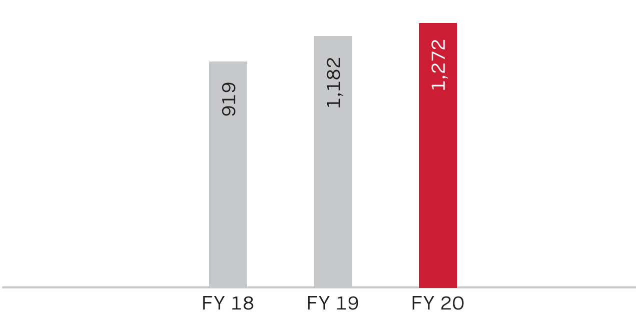
AUM

(₹ in Crore)



CONTROLLED OPEX

(₹ in Crore)



Total gross premium grew 7% year-on-year to ₹8,010 Crore against ₹7,511 Crore in FY 19. Net Profit After Tax at ₹103 Crore. No capital infusion has been required in the preceding ten years, as the business is generating adequate internal accruals to fund its requirements. ABSLI solvency margin is at 1.78 times as on 31st March, 2020, against the regulatory requirement of 1.5 times.

Outlook

While the global pandemic, volatile nature of capital markets and an economic standstill are certain to result in revenue loss in the short to medium term, the industry will make a sharp recovery eventually as structural drivers for growth are in place.

A few factors, which reiterate the healthy growth positioning and recovery for the industry in the next 3-5 years are – resilience by the insurance industry during the pandemic, favourable demographics, increasing investment in the sector and digitisation.

ABSLI is well-positioned to tap into the opportunities of the life insurance industry. It is expected to emerge stronger on the back of its wide distribution franchise, a successful multi-channel strategy, a long history of product innovations and operational efficiency. ABSLI will focus on growing faster than the industry and gaining market share with a balance of channel and product strategy.

KEY FINANCIALS

Figures in ₹ Crore	Full Year	
Key Performance Parameters	FY 18-19 (PY)	**FY 19-20 (CY)**
Individual First year Premium	**1,798**	**1,804**
Group First year Premium	2,119	**1,854**
Renewal Premium	3,594	**4,353**
Total Gross Premium	**7,511**	**8,010**
Opex (Excl. Commission)	1,182	**1,272**
Opex to Premium (Excl. Commission) (%)	15.7	**15.9**
Opex to Premium (Incl. Commission) (%)	21.3	**21.6**
Profit Before Tax	**131**	**137**
Profit After Tax	**107**	**103**

MANAGEMENT DISCUSSION AND ANALYSIS

Aditya Birla Health Insurance Co. Limited (Health Insurance)

Aditya Birla Health Insurance Co. Limited (ABHICL) was incorporated in 2015 by a joint collaboration between Aditya Birla Capital Limited (ABCL) and MMI Strategic Investments (Pty) Ltd. with each holding 51% and 49% shares, respectively. ABHICL commenced its operations in October 2016, and is engaged in the business of health insurance. Its current product portfolio includes unique offerings such as chronic care and incentivised wellness.

Industry Overview

The health insurance segment in India is one of the fastest growing segments in the financial services sector. The health insurance industry registered a premium of ₹56,792 Crore in FY 20, which translates into growth of 12% year-on-year. Standalone Health Insurers (SAHI) have outperformed the industry and grew at 27% in FY 20, with a gain in market share of 3.2% (CY market share 25.5% versus LY 22.3%). SAHI grew at a CAGR of 37% in last 5 years.

Health insurance companies can be broadly divided into three categories viz.

1) Four PSU Insurers with about 46% market share;

2) Private Multi-line Insurers with a market share of 29% and

3) Standalone Health Insurers (SAHI) players with a market share of 25%.

Health insurance has three broad customer segments:

1) Group segment for Corporates with ~41% market dominated by PSU insurers

2) Retail segment, with ~49% market, which has seen relatively higher growth

3) Government segment, which forms ~10% of the industry.

Performance Review

Over the past three years of its business operations, it has created a differentiated 'Health First' business model by moving from the traditional 'buy and forget' to 'buy and engage'. Additionally, its differentiated health and wellness framework also emphasises on its holistic health management approach, focusing on disease prevention and wellness management

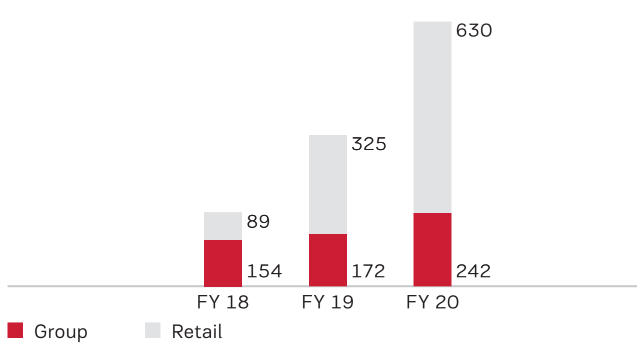
The strength of ABHI's business model, which is 'Health first', was evident from its strong performance across financial and non-financial parameters this year. The Company continues to be the fastest growing Health Insurer, having registered Gross Written Premium (GWP) of ₹872 Crore in FY 20, growing by 76% year-on-year, covering 8.3 Million lives and translating to above 4x year-on-year in lives covered. The retail business grew by 94% and contributed to 72% in FY 20, against 65% in FY 19.

Since its inception, ABHI has followed a multi-channel distribution model across agency, broking, bancassurance, digital and direct marketing channels. It expanded its footprint from 800+ locations in FY 19 to 2,000+ locations in FY 20. The agency network consists of 24,900+ agents across 41 cities, with 76 branches. The bancassurance channel with nine bank partners, has delivered very strong growth in FY 20, contributing to 64% of retail GWP.

REVENUE

(₹ in Crore)

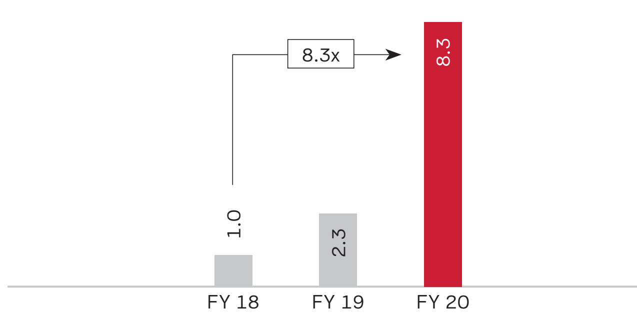
GWP grew 76% year-on-year with 2x retail growth



LIVES COVERED

(Million)

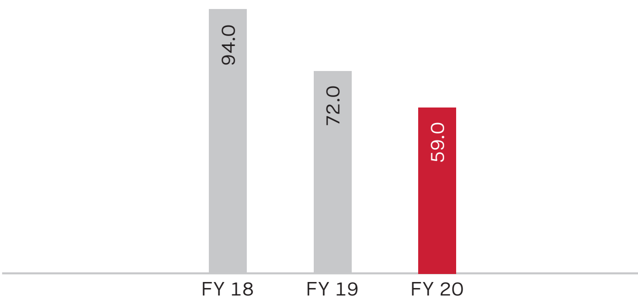
5.2 Million through rural and micro/byte-sized products



CLAIMS RATIO

(%)

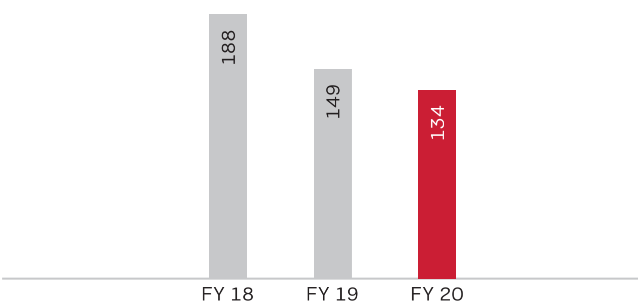
Holistic health risk management
Focus on improving overall Claims Ratio



COMBINED RATIO

(%)

On track for break even by FY 21-22
Combined Ratio trending as per plan



ABHI has broad-based its channel mix with a sizeable Gross written premium (GWP) contribution from all channels, and will continue to create sustainable distribution capacities. A key strategic priority for distribution is to execute a digital transformation of its business model. ABHICL continues to invest in digital technology that provides simple and effective support for agents and partners across sales, servicing, training and recruitment, besides through deeper systems integration with our bancassurance and digital partners.

ABHI aims to deliver a distinctive, personalised, and meaningful experience for our customers. As a health influencer, it actively engages with customers to help them understand the benefits of living well to prevent illness through its health management framework.

ABHI has enhanced its retail product suite with a focus on diversification, to capture market that is currently untapped by the industry. It has a comprehensive product suite, which includes Group Activ Health, Retail Activ Health, Retail Activ Assure, Retail Activ Secure, Group Activ Secure, Group Health Secure and Super Health-Plus Top-Up. It is constantly working towards segmentation and mapping of customers and distributors, with the right product segments.

In terms of its service delivery model, ABHI has built a robust platform and tech-enabled health and wellness ecosystem, for providing a seamless experience throughout the customer journey. It has empanelled 6,500+ hospitals to enable cashless services across 750+ cities.

ABHI continues to take a leadership stance on its ‘Health First’ business model, and has devised the industry’s first incentivised wellness and chronic management programmes embedded in our products. Disease Risk Management is integral to its vision and differentiated 'health first' business model. It conducts proactive health assessments and health check-ups, with 46% of its customers undergoing these check-ups. This is a significant achievement in terms of customer engagement, compared to the trend witnessed in the industry, consequently leading to increased retention and persistency.

MANAGEMENT DISCUSSION AND ANALYSIS

The quality of the book remains healthy. This is demonstrated by the claim and combined loss ratio, which has significantly reduced year-on-year. The overall claim ratio has reduced to 59% in FY 20, against 72% in FY 19, while the combined ratio has reduced to 134% vis-à-vis 149%. ABHI has achieved a combined ratio of 117% in Q4 FY 20 vis-à-vis 129% in Q4 FY 19.

In FY 20, ABHI underwrote a gross premium of ₹872 Crore compared to ₹497 Crore in FY 19. The retail business contributed ~72% of the total GWP in FY 20, of which 93% was issued through the digitally enabled mode. ABHI posted a net ₹ 246 Crore loss in FY 20 in funding new business growth and creating a distribution network.

Outlook

Despite global near-term uncertainty due to COVID-19, the structural demand drivers are expected to continue supporting the long-term and sustainable growth of the industry. Increasing health awareness and growing insurance needs, fuelled by high out-of-pocket expenses, coupled with steep retail healthcare inflation, rising income levels and increasing incidence of chronic diseases, remain the key growth drivers of health insurance.

SAHI players are expected to grow higher than the industry average in the next 3-4 years. ABHI, driven by its 'health first' business model backed by a strong brand, unique Customer Value Proposition (CVP), diversified distribution network, digital ecosystem and capabilities is well ahead of the curve to exploit the growth opportunity. Going forward, the Company will focus on – 1) Customer acquisition and retention at scale; 2) Health Risk Management and 3) Health Management – as the key pillars to drive growth.

KEY PERFORMANCE PARAMETERS

Figures in ₹ Crore	Full Year	
Key Performance Parameters	FY 18-19 (PY)	FY 19-20 (CY)
Retail Premium	**325**	**630**
Group Premium	172	**242**
Gross Written Premium	**497**	**872**
Revenue	500	**803**
Combined Ratio	149%	**134%**
Profit Before Tax	**(257)**	**(246)**

Aditya Birla Insurance Brokers Limited (General Insurance Advisory)

Aditya Birla Insurance Brokers Limited (ABIBL) is a leading composite general insurance intermediary, licensed by the Insurance Regulatory and Development Authority of India (IRDAI). It specialises in providing general insurance broking and risk-management solutions for corporate and individuals alike. ABIBL also offers reinsurance solutions to insurance companies; and has developed enduring relationships with Indian and global insurers operating in India and many others in South Asia, the Middle East and Southeast Asia.

Industry Overview

The total general insurance industry recorded a premium of ~₹1.89 Lakh Crore in FY 20 – a notable ~12% growth over that of FY 19. This growth was largely led by a growth in Fire, Motor TP, Health Insurance (Retail & Group Insurance) and Crop Insurance. For the first time in several years, the Property segment (Fire & Engineering) witnessed hardening of rates in select industries, spurred by the IIB rates released by GIC Re due to sustained underwriting losses in that segment.

Performance Review

Aditya Birla Insurance Broker Ltd. (ABIBL) has been consistently outperforming the general insurance industry and gaining market share. Its non-life direct premium placement grew by 12% year-on-year from ₹3,681 Crore in FY 19 to ₹4,121 Crore in FY 20. Two main contributors for premium placement, the Health Insurance and Motor Insurance segments, grew by 22% and 9%, respectively. Its market share in direct non-life industry premium has shown marginal growth from 2.17% to 2.18%.

ABIBL's overall premium grew by 13%, from ₹3,770 Crore to ₹4,242 Crore, revenue rose by 15% from ₹449 Crore to ₹515 Crore and profitability increased by 54% from ₹27.35 Crore to ₹42.10 Crore in FY 19 and FY 20, respectively.

Outlook

Insurance broking as a channel, represents customers and not insurers. This unique role of the broking channel is recognised by the regulator, insurers and customers. Despite the robust growth over the years, penetration and density have continued to remain low. Based on the industry and business performance mentioned, the broking channel is still evolving and needs to meet risk management requirements of customers comprehensively.

ABIBL will continue to focus on expanding its customer base in a cost-effective manner to grow its business. Various initiatives have been implemented for promotion and growth of the motor insurance business, with an increased focus on targeting renewal and rollover policies, and emphasis is being laid on enhancing corporate business, by targeting large corporate clients through its sector specific approach. Further, ABIBL aims to utilise the post-COVID scenario to capitalise and build on its digital assets, which are used across all the lines of business by several stakeholders.

Aditya Birla Money Limited (Stock & Securities)

Aditya Birla Money Limited (ABML) is a broking and distribution player, offering equity and derivative trading through the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), besides Currency Derivative on (MCX-SX). It is registered as a Depository Participant with both NSDL and CDSL, and provides commodity trading on MCX and NCDEX through its subsidiary. ABML launched India's first end-to-end Aadhar-based paperless e-KYC platform for account opening and onboarding.

Industry Overview

The broking industry had a decent FY 20 in terms of Average Daily Turnover (ADTO) although stock prices witnessed sharp correction across the board. On a structural basis, the shift from physical savings to financial savings continues, wherein the equity market participation, could increase significantly in forthcoming years considering its substantial under-penetration.

Performance Review

Aditya Birla Money Ltd. (ABML) continued to focus on the retail investor segment, cost reduction, technology and client acquisition.

ABML total revenues for FY20 stood at ₹171 Crore, led by higher broking income. Profit Before Tax improved from ₹14 Crore in FY 19 to ₹17 Crore in FY 20.

Outlook

The outlook for the industry is dependent upon key factors such as domestic and global economic growth, buoyancy in primary markets, lack of alternative investment opportunities and technological up-gradation.

A broad-based macro-economic recovery will lead to improved corporate profits, thus supporting higher stock prices and positive equity market sentiments. While FIIs have sold lately, India's structural long-term attractiveness will attract foreign investors.

ABML will continue to focus on technology, drive client acquisition, widen its business partner network, rationalise cost and provide efficient trading tools and value-added research advice to its clients. The overall strategic focus is to create product and service differentiators across all segments.

RISK MANAGEMENT

In a rapidly changing political, economic, regulatory and financial environment, ABCL continued to leverage on its strong risk management capabilities during FY 20. The approach to risk management is to proactively look at emerging risks in the context of the overall economic environment.

Due to varied nature of various businesses under its fold, there is no 'one-size-fits-all' approach towards risk management. Each material subsidiary carries out its own assessment of credit, market and operational risks, which seamlessly combines with the aggregate oversight, control and governance, exercised at a central level, to ensure that the financial conglomerate risk is managed effectively.

Against the backdrop of this credit environment and general macro factors playing out across sectors, we remain confident of our integrated risk and governance approach, which has demonstrated the capability to withstand economic and credit cycles, as well as dynamically adopt new scenarios and learnings into the risk and governance framework. We are well positioned to accelerate our growth across all lines of business, given our strong risk architecture, coupled with our strong management capability, robust capital and liquidity management and high governance standards.

INTERNAL CONTROL SYSTEMS

The Company has in place an adequate internal audit framework to monitor the efficacy of internal controls with the objective of providing to the Audit Committee and the Board of Directors, an independent and reasonable assurance on the adequacy and effectiveness of the organisation's risk management, internal control and governance processes. The framework is commensurate with the nature of the business, size, scale and complexity of its operations.

The internal audit plan is developed based on the risk profile of business activities of the organisation. The audit plan covers process audits of different functions. The audits are carried out by an independent external firm, The audit plan is approved by the Audit Committee, which regularly reviews the compliance to the plan.

CAUTIONARY STATEMENT

Certain statements made in this Management Discussion and Analysis may not be based on historical information or facts and may be 'forward-looking statements' within the meaning of applicable securities laws and regulations, including, but not limited to, those relating to general business plans and strategy of Aditya Birla Capital Limited ('ABCL', 'The Company' or 'Your Company'), future outlook and growth prospects, competition and regulatory environment, and the management's current views and assumptions which may not remain constant due to risks and uncertainties and hence, actual results may differ materially from these forward-looking statements.

This Management Discussion and Analysis does not constitute a prospectus, offering circular or offering memorandum, or an offer to acquire any of the Company's equity shares or any other security, and should not be considered as a recommendation that any investor should subscribe for or purchase any of the Company's shares. The Company, as such, makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to the fairness, accuracy, completeness or correctness of any information or opinions contained herein.

The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments, information or events or otherwise. Unless otherwise stated in this Management Discussion and Analysis, the information contained herein is based on the management information and estimates. The financial figures have been rounded off to the nearest Rupee One Crore. The events and developments up-to 31st March, 2020 have been covered in the Management Discussion and Analysis.