Management Discussion

Vishakha Mulye - Managing Director and Chief Executive Officer, Aditya Birla Capital Limited
Thank you. Good evening, everyone, and welcome to the earnings call of Aditya Birla Capital for Q1 of FY 2027. Joining me today are my senior members of my team, Bala, Rakesh, Pankaj, Kamlesh, Mayank, Pinky, Bijay and Di. India's growth momentum continued to remain strong despite the challenging global backdrop, underpinned by healthy domestic demand, continued investment activity and broad-based credit growth. However, higher input and energy costs makes the growth very uncertain and the future. At Aditya Birla Capital, we continue to focus on driving quality and profitable growth by leveraging data, digital and technology. Now coming to our financial and business performance. For the quarter, we have delivered a consolidated profit after tax increase of 40% to INR1,175 crores in Q1 of FY '27. The total consolidated revenue grew by 29% year-on-year in the first quarter. This performance was supported by the strong growth momentum, improved profitability, along with the healthy quality in our lending and insurance businesses and continued expansion in our asset management franchise. In our previous earnings calls, we have highlighted our approach on pursuing the growth opportunities while maintaining a strong focus on return of capital. This approach, along with our disciplined execution has enabled us to grow our businesses across our platform. Coming to the growth across businesses. Our NBFC portfolio grew by 28% year-on-year, mainly driven by the healthy growth across all segments. Our Q1 FY '27 has been the landmark quarter for our housing finance business. Our housing finance portfolio has grew by 50% year-on-year and crossed a milestone of INR50,000 crores. In insurance business, we remain among the fastest-growing companies and continue to gain the market share. The individual first year premium in our life insurance business grew by 20% year-on-year and around 50% year-on-year in our Health Insurance business. In our AMC business, our quarterly average mutual fund AUM grew by 6% year-on-year. Now talking about our profitability and quality of our portfolio. I'm delighted to share that in NBFC business, our profit after tax grew by 35% year-on-year and ROA expanded by 14 basis points to 2.39%. In our HFC business, the profit after tax almost doubled year-on-year with a continued expansion in ROA. Our asset quality across both lending business remains strong despite the volatile market conditions and uncertainties in the operating environment. In our AMC businesses, the fund performance remains strong with approximately 75% of our equity AUM in the top two quartile. In our life insurance business, and I'm happy to report that our VNB margin almost doubled year-on-year to 15.1% in the first quarter. This was mainly driven by the increase in the share of our non-par business, protection and annuity in our product mix. We continue to see a similar trend in our health insurance business. We implemented IFRS in our health insurance business from this year. We reported a profit during Q1 of FY '27 compared to the losses in Q4 and Q1 of last year. The combined ratio for the quarter was 106%. We continue to leverage data and technology as a core enabler. AI now is becoming a core operating layer for us, and we are scaling up its use across our businesses and functions like underwriting, sales, voice calling, audit, compliance, customer service and operations. This will significantly enhance our customer experience, reduce turnaround time and improve productivity. The initial results have been very encouraging. Our business CEOs will cover and take you through the select use cases in more in detail in their discussion. Moving to the other strategic developments during the quarter. I'm pleased to share that we raised a growth capital of INR4,000 crores by preferential allotment, comprising of INR3,080 crores from our promoter and promoter group and INR920 crores from IFCW, a member of World Bank. Out of the total proceeds, 87.5% proceeds will be used for meeting the growth objective of NBFC business and the balance amount will be used for general corporate purposes,

including the investment in our subsidiaries and joint venture associates. We sincerely thank our promoters and IFC for their trust and confidence in our long-term growth strategy and potential. At Aditya Birla Capital, we remain excited about the long- and medium-term opportunities in the Indian economy despite the near-term uncertainties and volatility. Over the last few years, we have built a diversified and scaled financial service franchise with a leadership position across our businesses. We believe that our strategy, disciplined execution, a strengthened capital base, AI and digital capabilities, we are well positioned for the next phase of our growth. We will continue to deepen our customer engagement and create a long-term value for all our stakeholders. Now I request Rakesh to talk about the performance of NBFC business. Over to you, Rakesh.

Operator
Hello, Rakesh sir, can you hear us?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
Sorry, I guess, we were on mute. Thanks, Vishakha, and good evening, everyone. I'm pleased to report yet another strong quarter for our NBFC business. In quarter 1 FY '27, our AUM has reached INR1,67,456 crores, registering a year-on-year growth of 28% and a sequential growth of 5%. Bottom line delivery remained robust with a profit after tax for the quarter growing 35% year-on-year and 12% sequentially, supporting strong business momentum. In FY '26, we built a strong foundation for a sustainable scale-up, which has based on reengineered end-to-end customer journey, efficient file processing, improved decision-making framework, etc. These initiatives reduced the turnaround times, enhanced branch productivity and improved our sourcing quality. Building on this momentum, our disbursement for the quarter stood at INR21,201 crores, up 34% year-on-year. These disbursements were driven by retail and SME, our chosen segments for growth, where we continue to experience a strong customer demand. Together, these segments accounted for 72% of the total disbursement, up from 68% last quarter and grew 39% year-on-year, reinforcing our strategic focus on granular and diversified growth. In our Personal and Consumer business, our growth trajectory remains robust and disbursements growing up 41% year-on-year to INR5,577 crores in quarter 1. This growth was supported by scale-up of new programs introduced last year, improved turnaround times driven by journey simplification and process automation. With continuous improvement in our rule engines and AI-led process efficiency, we have enhanced customer experience while maintaining a risk segmented approach to growth. The AUM in this segment grew 9% sequentially and 41% year-on-year to INR23,267 crores. The mix in the total AUM improved by 136 basis points to 14% year-on-year in quarter 1. This portfolio continues to benefit from ongoing cohort level calibrations undertaken over the past two years, supported by use of multilingual gen AI calling bots and behavioral analytics, we have been able to achieve higher front-end efficiency, leading to significant improvement in flow rates. As a result, the gross Stage 2 and Stage 3 for the personal and consumer loans portfolio reduced by 430 basis points year-on-year and 20 basis points sequentially. Gross Stage 3 for this segment stands at 1.2% as of June '26. In quarter 1, we disbursed INR9,730 crores to MSMEs, delivering 37% year-on-year growth, supported by deeper geographic penetration, a broader product portfolio and faster customer onboarding. Our turnaround times have improved through the use of AI copilots for credit assessment and AI-enabled decision support capabilities, driving greater operating efficiency. Consequently, our MSME book grew by 31% year-on-year to INR95,099 crores, representing 57% of the overall AUM with a prudent mix of 80% of these MSME loans are secured and 20% is unsecured. We continue to be a category leader in the MSME segment in terms of growth and asset

quality. Our secured MSME AUM grew at 27% year-on-year, which is faster than the industry growth. The asset quality for this segment continues to be healthy and best-in-class on back of strong cash flows of customers and collateral, which we have in this segment. The GS3 for this portfolio stands at 1.1%, down 50 basis points year-on-year. In our unsecured business loan segment, we saw the disbursements grow at a healthy 27% year-on-year to INR1,388 crores in quarter 1. Including the first tranche LOC, line of credit disbursements, the quarter 1 disbursement in this segment stands at INR2,445 crores. The momentum in this segment is sustainable on the back of disciplined risk and sourcing calibration we have been executing over the last few quarters. Growth from scale-up of new product launches has been encouraging and now contributes nearly to 25% of quarter 1 disbursements. Our proprietary MSME platform, Udyog Plus further complements this by providing an end-to-end digitally enabled suite of trade credit solutions, establishing a strong position among NBFCs on trends. Growth in this segment is well supported by strong improvement in asset quality with GS2 and GS3 down 30 basis points sequentially. The gross Stage 3 for unsecured business loan portfolio stands at 1.1%, 40% of this Stage 3, 1.1% is covered under government guarantee scheme, excluding which the gross Stage 3 is at 47%. Our corporate segment grew at 4% quarter-on-quarter and 16% year-on-year. This segment now contributes 29% of our overall portfolio, in line with our strategy to focus on retail and MSME businesses. Asset quality in our wholesale business also continues to improve with again, GS2 plus GS3 reduced by 40 basis points year-on-year. Coming to portfolio quality at the entity level, our GS2 plus GS3 stands at 2.4%, improving by 127 basis points over the last year. I further wish to highlight that about 72% of our book is secured. Our overall Stage 3 book is well provided with a provision cover of 48.2%, which has improved by 40 basis points over the last quarter. Backed by the strong asset quality, our credit cost for the quarter reduced by 27 basis points year-on-year to 1.03%. This is clearly an outcome of continued cohort correction carried out in retail and unsecured portfolio since last 1.5 years. Moving to profitability. The ROA for the quarter increased by 14 basis points year-on-year and 8 basis points sequentially to 2.39%. We delivered profit after tax of INR927 crores, registering a growth of 12% quarter-on-quarter and 35% year-on-year. Our net interest income for the quarter has increased 28% year-on-year and 9% sequentially to INR2,377 crores. The net interest margin, including fee was at 6.07% and opex to AUM ratio for the quarter was at 1.95%, down by 5 basis points sequentially. Coming to the customer service, we have made meaningful progress on service responsiveness through AI-led interventions resulting in faster and more effective customer engagement. In quarter 1, 63% of contact center interactions and 71% of service e-mails were processed through STP, which is a straight pass-through. Our conversational analytics module has reached 100% automation, providing us with an actionable insight to improve customer interaction and identify new business opportunities. As we move forward, I'm pleased to announce our foray into gold loan business. Gold loan business will further strengthen our product portfolio by complementing our existing lending offerings with a flexible and collateral-backed credit solution and reinforce our position as a diversified financial solution provider. We are in the final stages of operational readiness with our identified locations, branch infrastructure and execution teams in place. We are going live in quarter 2. We plan to scale to nearly 200 to 300 branches, which will be stand-alone gold loan branches by March '27. We remain confident in the long-term opportunities across the retail and MSME segments, where we have demonstrated our ability to scale substantially and then -- and these segments will continue to pivot our growth strategy. As we continue to enhance our sourcing capabilities, broaden our product suite and leverage our proprietary digital platforms, we believe we are well placed to further consolidate our position as a lender of choice.

Overall, our approach remains consistent, grow responsibly, stay close to our customers and deliver steady long-term value to all our stakeholders. With that, now I will hand over to Pankaj, MD and CEO of our Housing Finance business.

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited

Thank you, Rakesh, and good evening, everyone. I'm pleased to share that Q1 FY '27 has been another strong quarter for ABHFL. During the quarter, we achieved three important milestones. First, we crossed a significant scale milestone with AUM surpassing INR50,000 crores and reaching INR51,833 crores, reflecting 50% year-on-year growth. Second, the quarterly PBT reached INR300 crores, while continuing to maintain one of the strongest asset quality franchises in the industry with Stage 3 at 0.41% and Stage 2 and Stage 3 together at 0.78%. Third, we successfully completed the INR2,750 crores primary capital infusion from Advent International, strengthening our capital base and enhancing our capacity to support the next phase of growth. Now let me briefly take you through the key highlights for Q1 FY '27. Premium, as I mentioned earlier, stands at INR51,833 crores, registering 50% Y-o-Y growth and 9% sequential growth. Disbursements stood at INR7,515 crores, growing 39% Y-o-Y. NII increased by 52% Y-o-Y to INR532 crores. Profit before tax, as I mentioned, grew by 95% Y-o-Y to INR300 crores. ROA stood at 2.12%, while ROE was 11.2% for the quarter. The EBC ecosystem contributed 16.2% of our retail disbursements during the quarter. Now let me provide an update on our strategic priorities. First, distribution. Distribution, as we have earlier mentioned, continues to be one of the most important growth levers for ABHFL now. As part of our branch expansion program, we have launched 50 new branches in this financial year so far across metros, Tier 1 and Tier 2 in two, three markets. What is particularly encouraging is that these branches are delivering productivity levels comparable to mature branch cohorts much earlier than expected. The objective of this program goes far beyond increasing physical presence. It is about deepening penetration into high potential micro markets, expanding sourcing capacity, strengthening customer access and creating a distribution foundation required for the next phase of our growth. Our channel ecosystem has also continued to strengthen meaningfully. During the quarter, our partner franchise expanded further with the overall base crossing 40,000 partners supported by digital onboarding and engagement initiatives. Second, data and analytics. Technology, data and AI continue to be core pillars of our strategy and are increasingly becoming embedded across every stage of the customer life cycle. During the quarter, we continued to make strong progress across our AI road map with 13 AI use cases now going live. These initiatives are focused on driving productivity, improving customer experience, accelerating decision-making and strengthening governance. Let me highlight a few examples. FinTellect. FinTellect has gone live and enables AI-generated insight enriched credit assessment memos called CAM to support faster underwriting decisions. Second, we operationalized our AI-enabled discrepancy check capability, enabling greater process standardization and reducing time lines across workflows. Also in parallel, we launched Partner One, our next-generation partner platform, which will enable a more seamless digital experience for channel partners through intelligent of our journeys, new-led scorecards and enhanced engagement capabilities. Collectively, these initiatives are helping us create a scalable operating model that combines human expertise with AI-led digital support, strengthening both growth and operating efficiency. On asset quality, the Stage 2 and Stage 3 assets, like I mentioned earlier together are at 0.8%, while Stage 3 further reduced to 0.41% with portfolio quality continuing to remain best-in-class. It is the outcome of our disciplined risk framework supported by extensive investments in analytics, digital collections infrastructure and early warning mechanisms. Our

collections ecosystem continues to evolve through the use of multiple analytical models, pre-delinquency interventions, digital collection capabilities and AI-enabled engagement tools. To conclude, Q1 FY '27 has been a quarter of both strong performance and strategic progress. With a certain capital base and expanding distribution footprint, differentiated digital capabilities and unwavering focus on portfolio quality, we believe ABHFL is well positioned for its next phase of growth. Over the next eight quarters to 10 quarters, as we mentioned earlier, we remain focused on building a INR1 lakh crore-plus AUM franchise by delivering 15% ROE and sustained top decile asset quality. Thank you for your attention. With that, I will now hand over the call to Bala, MD and CEO of our Asset Management company.

A. Balasubramanian - Managing Director and Chief Executive Officer, Aditya Birla Sun Life AMC Limited

Thank you, Pankaj. With respect to the average AUM at ABFLMC, including alternate assets, crossed INR6 lakh crores milestone this quarter, now stands at INR6.28 lakh crores, reflecting a robust 14% year-on-year growth. This impact includes the mandate received from both ESIC and EPFO. We are also, of course, happy to say that EPFO's mandate, approximately INR6.08 lakh crore, have been received in our account. With this landmark, our closing of total asset under management as of 30, June 2026, crossed INR10 lakh crore milestones, is assumed to reflect the trust and confidence our clients and partners have placed in us over the years. Our mutual fund industry quarterly average AUM stood at INR4.28 lakh crore, representing a 6% year-on-year increase. Our equity mutual fund quarterly average AUM stood at approximately INR1.9 lakh crore, growing at 10% year-on-year. Our equity mix for the quarter stood at 46.5%. Our SIP contribution for the June 2026 stood at INR1,083 crore, supported by 40 lakh contributing SIP accounts. With only [] full-year 2026, stood at INR1.11 crore. The new SIP received for the quarter is approximately about INR5.5 lakh. Our investment performance continues to demonstrate strong consistency and meaningful improvement across both our equity and hybrid portfolios. Over the past year, we have remained focused on strengthening our investment capability, enhancing our investment team, and refining our portfolio construction and investment framework.These efforts have translated into significant improvement in fund performance. This has also further strengthened the investors' confidence and support for healthy inflows across our flagship fund offerings. Turning to our alternative business, we witnessed good growth during the year, both in our PMS and AIF assets, with an increase from INR2,650 crores, including EPFO now to about INR2 lakh crore in average assets and management.And in real estate business, AUM stood at approximately INR700 crores [], representing a healthy 25% year-on-year growth. And fundraising is currently under way in some of our fund product that we have launched in this current quarter. With the recent grant of our retail license GIFT City, enabling NRIs and global investors to seamlessly access both inbound investments in India and outbound opportunities across global markets. Building on this momentum, fundraising is currently underway for the ABSL-MP FlexiGap fund. We are also on track to launch more retail products via GIFT City in the upcoming quarter. Let me now give you a quick update on passive business, which remains one of our key strategic focus areas. We have strengthened the team recently. We see a significant opportunity in this segment and remain committed to building the leadership position with the new team coming on board this business. Q1 FY27, our passive quarterly average AUM stood at approximately INR49 crores, representing 14% year-on-year growth.Our investment base has also continued to expand, with the total portfolio reaching INR17.4 lakh. With the passive ETF pricing delivered particularly strong momentum, an ETF quarterly average AUM grew by 47% year-on-year, significantly adding up to industry growth of about 29%. With the FX-FIF segment is a new category,

we launched our first product, the FX-FIF Hybrid Long-Short Fund, backed by our central investment team with a specialization in long-short and derivatives-based strategies. Building on this momentum, we are now preparing to launch two more new FIF offerings, such as Equity Long Short Fund and the Equity Top 100 Long-Short Fund. In terms of revenue, our revenue for the Q1 was about INR625 crores as compared to INR563 crores last year. Q1 FY 27 profit before tax was about INR406 crores, as compared to INR372 crores. And the profit after tax was about INR309 crores, as compared to last year's INR277 crores. With this, I'll hand it over to Kamlesh Rao, MD and CEO of Aditya Birla Sun Life Insurance.

Kamlesh Rao - Managing Director and Chief Executive Officer, Aditya Birla Sun Life Insurance Company Limited

Thank you, Bala. The overall life insurance industry registered a growth rate of 16% in Q1 of financial year '27 with the private life insurance industry growing at 15%. During the same period, ABSLI clocked a premium growth rate of 20% in the individual life insurance segment. This growth was across both lines of business with proprietary business growing at 7% and the partnership business growing at 25%. In the proprietary business, the growth was backed with better productivity as well as growth in the retail part of our business. We now have a distribution network of 450-plus branches across the country, and we will add 10% more through the balance part of this year. The partnership growth of 25% came across all our existing 11 partner banks. In the bancassurance space, we have a healthy mix of private as well as public sector banks and have banks that have both the large national presence as well as ones which dominate the regional space. Mindshare in the large banks has grown in this quarter. And in a large part of the regional private sector as well as the public sector banks, we continue to have a dominant mindshare of the total business. The partnership business had a balanced product mix with margins going up through the year for all banks. We will continue to expand our presence further at Axis Bank as well as pursue adding more banks to our distribution network going forward. In the product mix of the individual business, traditional business, including protection increased to 71% and ULIP came down to 29%, helping expand margins for the year. We are seeing a healthy growth in the annuity segment with 16% of our ABL [] business coming from this segment alone. In the group life insurance segment, the overall industry grew by 18%, the private industry by 46%. And during the same period, ABSLI recorded a growth rate of 74%. We continue to be ranked two in ULIP AUM in the industry with the AUM size of INR17,000-plus crores. Credit Life business delivered growth rate of 51% during the first quarter, supported by all partners and now with 33% of our business coming from the captive channels of our own NBFC as well as the housing finance. In the group term life insurance business, we continue doing business at 20%-plus ROE. Group AUM collectively now contributes to 26% of the overall AUM at INR30,000 crores. Our total premium for the first quarter at INR4,743 crores was up by 13%, with 13-month persistency at 83%. Renewal premium grew by 19%, of which the digital collections alone now accounts for 83% of our renewal premium. We continue to work on customer lifetime value, which is reflected in our upsell ratio of 40%. On the quality parameters, our overall customer NPS now stands at 67% as compared to 62% same time last year, and the opex to premium ratio in the first quarter is at 24.8% Total AUM at ABSLI is now at INR1,17,487 crores with a Y-o-Y growth of 13%. 24% of this AUM is in equity and balance in debt. On a YTD basis, more than 86% of our funds continue to outperform compared to their respective benchmarks. Our digital adoption across various areas is demonstrated in the investor deck on Slide 48. 100% of new business customers are onboarded digitally. 83% of all our services are now available digitally, 67% of these services are straight-through processes and our customer self-service ratio now stands at 97%. At Aditya

Birla Sun Life Insurance, we are bringing our AI initiatives together under a focused program called Saras AI, designed to improve how we operate across policy issuance, underwriting and servicing. Through Saras AI, we are reducing manual effort, enabling faster underwriting decisions and making policy issuance and servicing more responsive, especially through AI-led handling of conversations through e-mails, calls and WhatsApp. We are also equipping our advisers with better insights and tools to improve productivity and customer engagement. The focus is clear to use AI to enhance human judgment, not just replace it and drive greater speed, consistency and quality in everything that we do. Our solvency stands at 201%. Our net margins, as Vishakha spoke for Q1 is at 15.1%, 756 basis points higher than last year same time of 7.5%. We observed margin expansion due to a controlled ULIP mix, increase in protection and annuity mix apart from healthy rider attachments. This was also augmented by better productivity across all our channels that got half the growth rate that we got for the first quarter of this year. Our guidance continues to grow individual FIP at a CAGR of 20%-plus for the next three years. And whilst achieving this growth, we intend expanding VNB margins above 20% and in absolute numbers, double the value of our net VNB in three years' time. With this, I now hand over to Mayank, MD and CEO of our Health Insurance company.

Mayank Bathwal - Chief Executive Officer, Aditya Birla Capital Limited
Thanks, Kamlesh. And let me now share an overview of the performance of our health insurance company. We have an interesting quarter for the insurance health insurance sector and the industry continues to build on the growth momentum that we experienced in the previous financial year. At Aditya Birla Health Insurance, we had a very strong start to the first quarter, achieving a gross premium on a sales basis of INR2,196 crores, delivering a strong growth of more than 50% Y-o-Y. Our market share among SAHI have increased to 16.2% from 14.2%, an increase of 200 basis points for the year. We continue to build on the momentum that we have achieved in the past to continue as the fastest-growing SAHI player in this year as well. We grew strongly across both retail and group businesses. The retail franchise experienced a large 47% growth, and it continues to be diversified across retail distribution channels. The proprietary channel with an agent base of close to 2 lakh agents registered a 56% growth Y-o-Y. In addition, all our major bank and digital alliance partners also experienced impressive growth. During the quarter, we launched a first of its kind digital-first Activ Yuva product for the large and underpenetrated young India. The product combines comprehensive health insurance coverage with wellness-led engagement, rewarding consumers for health-conscious behaviors through our enhanced incentivized wellness program, hence returns. Built around the Eat, Move, and Heal philosophy, this product strengthens our differentiated product portfolio and deepens our ability to engage a large and important underpenetrated customer segment. Separately, our corporate business delivered a strong 55% growth in the first quarter, driven by our focus and disciplined strategy to create a sustainable franchise in the segment. We've now taken our differentiated health first model to corporates also, and we have started seeing good scale up in this model. The company is at the forefront of its transition to IFRS financial statements. The financial statements for the quarter ended Q1 FY '27 have been prepared in accordance with the IFRS principles. The profit for first quarter stands at INR18 crores versus loss of 28 quarters for the same period previous year on a comparative basis. Our combined ratio for Q1 as per IFRS is 106% versus 107% for the same period of the previous quarter and the combined insurance service coverage ratio at 104% versus 108% for the same period last year. Our overall claim ratio being better than last year, we continue to endeavor to achieve 100% on an IFRS basis in this financial year. We strongly believe our robust growth and superior unit economics are driven by our digitally enabled and differentiated health first model has

now scaled up significantly over the last 10 years that we have introducing. Our health first model is resonating with our consumers with more than 50% of our eligible retail consumers engaging with us for their health, where we use an AI-driven consumer engagement engine that now 12% of our eligible consumers earn good health-based incentives, up from 9% last year, reflecting a very deep engagement ecosystem. And as in the past, these consumers continue to exhibit much lower loss ratios about 6% to 7% and 11% better persistency, shown in Slides 59 and Slides 60. Similarly, our investments in managing consumers with high health through intervention with more than 20,000 lives have led to an improvement in the loss ratio by more than 30%. These initiatives overall help us keep our retail loss ratio well under control. We believe that this business model is where industry should move, but we are positioned very well with a competitive advantage to stay ahead of the market. Our promise of insurance is centered on providing industry-leading experience. Continued investments in state-of-the-art AI/ML-driven claims and auto education engine continues to enhance consumer satisfaction and enable efficient claims management by reducing leakages. We now process nearly 74% of our cashless claims using this AI engine and more than 35% of pre requests are processed straight through. We are investing in data analytics capabilities to create efficiencies across the business life cycle from sales to underwriting, claims engagement, further reduce expense and claims. Our app has now got an MAU of more than 6.7 lakh consumers, but more importantly, each of them spend nearly 72 minutes on the app, making it a place to go for their health needs. As we look ahead, we will continue to invest more in our proprietary distribution franchise, scale our differentiated health first model and even more deeply embed AI and emerging tech in our business. And we believe these will make us well positioned to outperform the market and deliver sustainable value. Thank you. And now I'll hand back to Vishakha for closing remarks.

Vishakha Mulye - Managing Director and Chief Executive Officer, Aditya Birla Capital Limited
Thank you, Mayank. And this concludes our remarks on Q1 of FY '27 performance, and we'll be very happy to take if there are any questions.

Questions & Answers

Operator
Thank you, ma'am. We will now begin the question-and-answer session. [Operator Instructions]. Our first question comes from the line of Raghav Garg with AMBIT Capital. Please go ahead.

Raghav Garg - Analyst, AMBIT Capital
Hi, good evening and thanks for the opportunity. I have a few questions. First one is more of a clarification. So based on my calculation, there seems to be some drop in loan spreads. And the way that I'm looking at loan spreads is yield minus cost of borrowing. It's not the NIM calculation. This is even after adjusting for some bit of, say, higher balance sheet liquidity. Can you confirm if this is actually the trend or not because the calculations on quarter averages can vary versus the actual trends? That's my first question.

Kamlesh Rao - Managing Director and Chief Executive Officer, Aditya Birla Sun Life Insurance Company Limited
Raghav, I don't know -- I got your question. But if you look at our yields have been stable quarter-on-quarter. Margins -- fee income was slightly lower by 6 basis points and cost of funds was better by 5 basis points. So that's how the margin NIM is at 6.7% this quarter compared to 6.8% last quarter.

Raghav Garg - Analyst, AMBIT Capital
Sorry, your voice was breaking, but I think what you said is that the margins are stable.

Kamlesh Rao - Managing Director and Chief Executive Officer, Aditya Birla Sun Life Insurance Company Limited
I said yields are stable. If you look at quarter-on-quarter, the yields were stable. They were lower fee income by 6 basis points and cost of funds benefit of 5 basis points. So if you look at the margins were stable at 6.07%.

Raghav Garg - Analyst, AMBIT Capital
Understood. The second question is in the HFC business, despite the branch expansion, the opex ratios look stable at around 2% opex to AUM. Is it that expansion was back ended during the quarter and the full expenses will likely come through in the P&L in the second quarter?

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
Yes. So -- hi, this is Pankaj here. I think the branch opening has been right through the quarter. In fact the first set of branches we inaugurated on the 10th of April. So it's been right throughout the quarter. Opex, you right. You seen that the opex loan book is at 2.21. So it's almost a 10 basis point reduction from where we were. In my assessment, as we ramp up the number of people because we have also given the guidance on increasing the branches in the year by anywhere between 80 to 100 branches further. As the manpower kind of goes up, the opex will be range bound. And for the year, it will be closer to about 2 point -- between 2.15 to 2.19. So it will be very range bound. While we are doing this, Raghav, I spoke about all the initiatives on the AI and also on our digital platforms. That is fueling the productivity. And the productivity also is happening, the increase is happening with the new colleagues that are joining us for the branches and also for the older colleagues. So that is really helping us. And of course, the digital platform also we seamless which also has an impact on partners giving a higher business because it is more credible, more seamless, and that is also giving you higher business. That is in a sense answer to your question.

Raghav Garg - Analyst, AMBIT Capital
My last question, the fee income for the NBFC business, that's up 50% Y-o-Y. And even when I look at fee income as a percentage of disbursements, that ratio has also gone up. So I just wanted some color as to what's happening there.

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
Raghav, it's primarily the processing fees and the insurance attachment that is driving it, and we will continue to -- yes -- so we will continue to be in the same range and keep improving, in fact, in terms of penetration further.

Raghav Garg - Analyst, AMBIT Capital
Quarter-on-quarter yields are stable and the cost of funds is down 5 bps, correct?

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
Yes.

Raghav Garg - Analyst, AMBIT Capital
Okay, wonderful. Thanks a lot.

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
Yes.

Raghav Garg - Analyst, AMBIT Capital
Okay. Understood. Thanks a lot.

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
Thanks. Thanks, Raghav.

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

Chintan Shah - Analyst, ICICI Securities
Yes, thank you for the opportunity and congratulations on the quarter. So yes, just again, happening on the yield front, basically on the margin front for the NBFC business. So I think we were of the view, once the personal consumer mix increases, the yields could see some inch up and the margins could also benefit. But like now the personal consumer share has increased from 12.5% to 14 percentage over the last year and the growth also has been 41% wherein the yields in the same period, they have declined kind of 13 bps. So yes, how should we read into that? Is it just fee income and excluding the fee income yields have been stable? So yes, some color on that would be helpful. Also, if you could just help us understand what will be the portfolio yield on personal and consumer portfolio and the portfolio yield ed-personal and consumer portfolio. So that will help to understand the benefit on yield for the incremental share. Yes.

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
So Chetan, if you look at the last quarter also, our personal and consumer was 13% and this quarter, it's 14%, close to 14% and unsecured business was at 11% last quarter and this quarter, it's 11%. So almost 24%, 25% of our overall loan book is unsecured business. It will take some time, a few more quarters in terms of its -- once it changes, composition changes from 24% to, let's say, 27%, 28%, closer to 30%. So it will take a few more quarters in terms of the yield expansion. If we look at the last three quarters, four quarters, I think we have -- and the way we look at unsecured business together, unsecured business and personal and consumer, that was 23% in quarter 2, which has gone to 25%. So I think the yield will keep -- will improve in the next -- I think it will take a few quarters -- but overall, the way we look at it is we look at risk-adjusted return. And if you look at the risk-adjusted return across at the entity level, that the credit cost has come down by almost 27 basis points year-on-year, and that's flowing into our ROEs as well. And to answer your question in terms of what is our yield on personal and consumer, it's around 16.2% is our CIR on that portfolio.

Chintan Shah - Analyst, ICICI Securities
Okay. So got it. So probably we should look at, as you mentioned, credit risk-adjusted yield. So -- but on the risk front, we won't be like just to increase the yield, we won't be taking any additional risk or loosening the underwriting filters, right?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
Yes. We don't -- we are very focused in terms of -- as Vishakha had mentioned in her opening remarks also, I think return of capital is very, very important for us. So we will not take anything which is undue risk, and we have been calibrating over the last almost 18 months to 24 months and anything which is high-risk segments, we have been completely even in our personal and consumer in our unsecured business, we have been removing it from our through the door. So that's how we look at risk-adjusted return.

Chintan Shah - Analyst, ICICI Securities
Sure. Thanks. And on the HFC piece, just one thing for Pankaj, sir. So now given that we have done the capital ration because of that, there is a hit on the ROE. So how much quarters do we expect the ROE to again scale back to the 15 percentage mark?

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
Hi, Chintan. You rightly identified that the ROE currently is 1.29%, the ROA is 2.12%. As I mentioned earlier, also in my commentary, we are looking at moving the AUM close to INR1 lakh crores in the next six quarters to eight quarters. And that is the time that the ROE also will come closer to the 15% mark. So the growth that you have to track us for is it may not be -- the operating that we displayed last year was 2.93%. It came down to 2.4% opex to loan book. And this year, we already at 2.21%. So the ROAs will be range bound. But I think what will increase in the year -- during the year is almost 150 basis points increase in the ROE in the next two quarters or three quarters that you will see. So the ROE will be close to 13% as we enter -- as we exit the year, maybe Q4 of this year. And then it will inch up towards the 15% mark at the end of -- between six quarters to eight quarters from now.

Chintan Shah - Analyst, ICICI Securities
Sure. And so this HFC being a capital guzzler, so do we anticipate any -- so for that target of INR1 trillion, the current capital would be enough, right? Or do we anticipate any further raise before reaching that target?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
I think for reaching INR1 lakh crores, we should be enough with the way the calculations have been done.

Chintan Shah - Analyst, ICICI Securities
Sure. On that's it from my side. I'll turn back in the queue. Thank you and all the best.

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
Thank you.

Operator
The next question comes from the line of Avinash Singh with Emkay Global Financial Services. Please go ahead.

Avinash Singh - Analyst, Emkay Global Financial Services
Hi. Good evening. A couple of questions. The first one is in lending on the consumer side. Currently,

this is largely, I mean, personal loans. In terms of venturing into new product area that could help probably increase your share of retail as well as help your margin. Is there something that you are kind of thinking to venture into, say, over coming six months to 12 months? Or I mean, you are happy with the kind of a product offering you have. So that's one. And second, that insurance attachment cross-sell led fee income is now showing a reason kind of yield with whatever is kind of being talked around and whatever we are reading in media around credit life attachment, do you see some kind of a risk coming to your fee yield from that if the regulator were to curtail kind of the payouts in case of credit life product? Thank you.

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
Avinash, first, your question in terms of scaling up the personal loan segment, you are right. This is primarily a personal loan product. But within that, we have different product categories, which we have developed for our customer segment. And also, I mentioned initially that we are foraying into gold loans. So that will also help us in terms of getting into retail business that will be secured and decent yields. So that's how we are looking at in terms of expanding into the retail segment. And your second question in terms of insurance, if there is something comes up, I think a lot of it which we do within the group ecosystem. But if something comes, we will try and see how we can mitigate, and in terms of -- and that will be an industry level, I think.

Avinash Singh - Analyst, Emkay Global Financial Services
And -- so on -- hello?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
Yes.

Avinash Singh - Analyst, Emkay Global Financial Services
So on gold, what are your sort of plan to -- in terms of number of branches you kind of plan to open in next one year, two years? And will that have any sort of impact on your opex?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
So we have already budgeted that in our plans in terms of opening the gold loan branches. This year, we are looking at anywhere between 200 to 300. We will see the first 200 branches and then look at scaling up to 200, 300 in the last quarter. Over the next three years, we are looking at opening close to 1,000-odd branches and which has been captured into our plan, our budgets, and we are working on those plans.

Avinash Singh - Analyst, Emkay Global Financial Services
Okay, thank you.

Operator
Thank you. The next question comes from the line of Abhijit Tibrewal with Motilal Oswal. Please go ahead.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Yes, good evening. Thank you for taking my questions. Sir, firstly, again, just coming back to margins, you would have seen, right? A lot of us just trying to understand when the margins pick up, we've been saying it will take a few more quarters. So that -- I mean all I'm just trying to understand is you mentioned that this P&C book that is being built, it is at yields of around 16.5%. So I mean,

what was the yields earlier when we used to do because that point is well taken that we are looking at risk-adjusted yields for the P&C business that you are doing now. I'm guessing is obviously lower credit cost business, which is where maybe the risk-adjusted returns, the risk-adjusted yields are higher. But if you could just help us understand that what is the rate at which we used to do this business earlier versus what we are doing right now?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
Four quarters back, it was 16.5%, which is now at 16.2%. But as we scale, I think -- see, the problem is it's only a percentage point difference which you are seeing. I think the business has to scale up in terms of at least 4%, 5% from here on. As I mentioned, we are at around 14%. We used to be at 19%. We used to be at 19%, and we have come down to 14%, Abhijit, which is -- I think if it goes back to 18%, 19%, you will see the margin expansion.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Got it. Make sense.

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
And if you have been very strong in that segment and growth is also pretty good. So in the next few quarters, you will...

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Sir, am i audible?

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
Yes, Abhijit, you are audible. please go ahead.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Right. So that was the first question. And the second is, again, just a little bit on gold loans. Just trying to understand, I mean, the foray that we are doing into gold loans and all these branches that are factored into your AOP, these are all going to be organic scale up or like some of your peers have done there some thought around a small acquisition in gold finance and then scale up from there?

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
So Abhijit, we -- as Rakesh explained that we already have an organic plan to grow. But if on the way, there is any opportunity acquire a small business on which we can scale up and where there is an opportunity to really learn and make a meaningful part of our business, we'll evaluate that. We -- as of now, as a base plan, we have our own organic plan to grow.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Got it. And then the last question, just a more structural question here. What we have seen this quarter, at least in the NBFCs that we have reported until now, this quarter, both in terms of credit growth and the risk markers, I think, have behaved far better than what we had expected. I mean even if you look at our GS2, GS3 largely stable, even though this is like the first quarter of the fiscal year where we are in the past used to seeing some weakness and some seasonal weakness. Are there any segments given that you have a multiple product suite, any risk markers that you are

seeing anything worth highlighting?

Pankaj Gadgil - Managing Director and Chief Executive Officer, Aditya Birla Housing Finance Limited
So Abhijit, the way we look at business within each one of our business, we look at cohorts and through the door, which comes in on a monthly basis. And wherever we see risk, which is not within our risk appetite, we keep eliminating that cohort in a segment on an ongoing basis. So we don't let it really flow into the portfolio and take a call which is much later. So we have been very, very proactive. As I mentioned, over the last 18 months to 24 months, we have been taking those calls on a monthly basis. We have built cohorts and performance of each cohort. And wherever it does not fit into our risk appetite, we eliminate and we stop sourcing from those segments.

Abhijit Tibrewal - Analyst, Motilal Oswal Financial Services Limited
Got it. Great. That's all I had. Thank you so much for answering all my questions.

Operator
Thank you. The next question comes from the line of Nischint with Kotak. Please go ahead.

Nischint Chawathe - Analyst, Kotak Institutional Equities
Hi, thanks for taking my questions. The first one is on capital allocation strategy. If you could give us some breakup in terms of how this INR4,000 crores of capital will be utilized across the businesses? And are there any plans to raise capital over the next 12 months for any of the businesses?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
Nischint that we raised INR4,000 crores via pref issuance, of which INR3,080 crores has been contributed by the promoters, and we raised INR920 crores from IFC Washington. Majority -- a very large majority of this will go towards the growth objectives of the NBFC business in ABCL. And we have mentioned that in our disclosures, about 87.5% will be that number. The balance 12.5% will be allocated towards the rest of the businesses, which includes the growth plans for our insurance companies and any other general corporate. And on your second question, whether we have plans to raise capital in the next 12 months, if you see, we have provided for capital in the housing finance business, which is the large consumer of capital. We raised capital in ABCL for the needs of growth of NBFC for the next three years. So we don't envisage any capital raise at ABCL or at HFC or any other entity in the near future.

Nischint Chawathe - Analyst, Kotak Institutional Equities
Okay. Even the insurance should be fine is what you are suggesting?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
We have provided for the growth capital of insurance also for the next three years.

Nischint Chawathe - Analyst, Kotak Institutional Equities
Got it. Just really moving on yes, sorry. Just really moving on to the insurance business, if you could -- life insurance business, if you could give some color in terms of what are the drivers for such large margin expansion? And just one more question on life insurance is that while partnership business keeps on going well and I guess, with Axis Bank and all we're probably doing quite well, the proprietary business is down a bit. So maybe if you could comment on that as well.

Kamlesh Rao - Managing Director and Chief Executive Officer, Aditya Birla Sun Life Insurance Company Limited
Nishchint, I'll take your second question first. So like I said, if you look at the private industry, I think the growth that is happening on the partnership, specifically Banca is significantly higher than proprietary in general. Within proprietary, if you look at the breakup, I'm saying the direct business is doing pretty well for us. We are now planning and investing, like I said, in the agency business, whatever presence we have, we are making sure that we're adding more branches to be able to take care of that growth. Even in Banca, like the suite of banks that we have, we are able to push a little higher growth because it comes value accretive for us because there are a large number of small banks that we have, which have become reasonable in size and they help us grow volume as well as the margins at the same point of time. So when we look at overall growth, we're looking at growth, which basically will ensure we are able to grow along with expansion of margins. And within that, if that changes the composition between proprietary and banca, that's not something that we are hard quoted on. And that's the answer for the second question that you asked. On Margin expansion, the question that you said, doing something as basic as, say, riders, just addition of riders alone has contributed to about 1.5% to 2% uptick in the margins that we have done and which we do across both proprietary as well as our partnership channels. ULIP has been under control. And like Vishakha mentioned, the increase in the business on non-par largely contributed to the growing annuity segment where we see an opportunity. And there, we've been able to launch a new product where customers can have the participation of both guarantee as well as markets, which is a variable annuity product that we were the first guys to launch in March has seen a reasonable uptake, which is like 60-40 as per the regulation. So that and the fact that of the growth that we have got close to half of that has been coming out of productivity, so which means there's no cost attached to that. So if you look at a combination of factors of that, and of course, the scale has gone up what we do in the first quarter as compared to previous years is what has helped us get to a margin of about 15.1% for this quarter.

Nischint Chawathe - Analyst, Kotak Institutional Equities
And annuity business margin is way ahead of the company level margin. I think that's a fair expectation, right?

Kamlesh Rao - Managing Director and Chief Executive Officer, Aditya Birla Sun Life Insurance Company Limited
Typically, an annuity margin would be comparable to guaranteed business that is non-par business margins. But that segment is growing, which if you know for the industry also is at about 8%, 10% right now, but we are growing a little better than the industry as we speak.

Nischint Chawathe - Analyst, Kotak Institutional Equities
Got it. And just one last one, if I can squeeze on the health side. How are you complied on the AUM guidelines?

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
Yes. As I mentioned, like last time, we are well within the limits, as per our initial guidance.

Nischint Chawathe - Analyst, Kotak Institutional Equities
Okay, great. Thank you very much. Thanks for taking my questions and all the best.

Operator
Thank you. The next question comes from the line of Ayush Dilodre with Nomura. Please go ahead.

Ayush Dilodre - Analyst, Nomura
Good evening, team. And thanks for the opportunity. My first question is for the NBFC segment. Sir, as we are planning to open new gold loan branches, can you guide like which geographies and states are we trying to -- are we planning to focus on? That was my first question.

Rakesh Singh - Executive Director and Chief Executive Officer, Aditya Birla Capital Limited
Yes. So we are a pan-India player, and we will continue in our gold loan business also, we will continue to be a gold loan -- pan-India player. We will open branches across the country, depending on which state the branches get ready and all the launch is getting planned, but we will continue to be a pan-India player.

Ayush Dilodre - Analyst, Nomura
Sure, sir. Thank you. My second question is on the health insurance business on the health returns initiative. We report that customers show 6% lower loss ratios and 11% better persistency. So does these better loss ratios and persistency benefits fully offset the premium given back as rewards? Or this is actually portfolio level value accretive or just like acquisition strategy still?

Kamlesh Rao - Managing Director and Chief Executive Officer, Aditya Birla Sun Life Insurance Company Limited
So at an overall level, both the lower loss ratios and profitability make this cohort at a core level much better than the non-health -- health return portfolio.

Ayush Dilodre - Analyst, Nomura
Okay. Thank you. Thnak you for taking my question.

Operator
Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Ms. Vishakha for closing comments.

Vishakha Mulye - Managing Director and Chief Executive Officer, Aditya Birla Capital Limited
Thank you so much for joining us this evening. And if there are any more questions, please feel free to reach out to any of us. Thank you.

Operator
[Operator Closing Remarks].