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Ladies and gentlemen, good day, and welcome to the Aditya Birla Capital Limited Q2 FY '19 Earnings Conference Call. (Operator Instructions) Please note this conference is being recorded.

I now hand the conference over to Mr. Ajay Srinivasan, Chief Executive of Aditya Birla Capital. Thank you, and over to you, sir.

Thank you. And good evening, everyone, and thank you for joining us this evening for our Q2 results. Happy Diwali to all of you before we start this conference call. I'm joined on this call by my senior team, both chief executives and CFOs of our various businesses. We'll be happy to take any questions that you might have at the end of the presentation. The presentation, we've put on the website. So I'm assuming you all have access to it because I'll refer to the page numbers and the slides on the presentation we put up on the website.

We'll start with Slide #3, which gives you an overall view of some of the highlights of the last quarter. So if you look at the top left of the slide, you'd see a premium from our protecting business, both our life and health insurance business. Our premium has grown 39% year-on-year, so Q2 FY '18 to Q2 FY '19. If I break that down, we've seen a 77% growth in our individual APE in our life insurance business, significantly higher than the industry growth, which was about 13% for the same period. Life insurance business has seen a very strong growth in gross VNB margin, which was 36.4% for Q2 of FY '19. I believe September to September, the September '18 to -- September '17 to September '18 has grown by 10% year-on-year. In our health insurance business, we've crossed INR 100 crores of GWP in Q2, with 61% of that business coming from the retail segment.

Let's move on to the middle part of this slide, which shows you our investing business, which is largely a mutual fund business. AAUM has grown by about 11% last year to this year. Our equity AAUM has crossed INR 100,000 crores and has grown 29% year-on-year. SIP, which has been a focus for the industry and of course for us, the share of SIP in our domestic equity AUM is now about 29%. And our operating EBT in this business increased by 32% year-on-year.

So move on to the last segment on the right-hand side of the slide is our financing segment, which includes our NBFC and our housing finance business. Our overall book has grown by 30% to just under INR 58,000 crores at the end of September 2018. Our NBFC PBT has grown 26% with an ROE expansion of 36 basis points on a diversified book on a year-to-date business. Housing finance book has grown twice over the same period last year, with the NIM improving to 3.3% compared to where we were in Q1 of this year. And as you know, we've only announced that we own a JV with Värde Partners to grow our ARC business.

I'll now deep dive into our individual business. And I'll start with our lending business, Aditya Birla Finance, our NBFC. I'll refer to Slide #5. Slide #5 will show you that basically we've always talked about our focus being on the higher-margin segments within our overall book, which is a diversified book. So SME plus retail plus NHI, which is really the focus for us in terms of growth, grew by 44% year-on-year compared to Q2 FY '18 over Q2 FY '19. And therefore now in FY '19, it accounts for 49% of our total book, 49% in large and mid-corporates and 2% in others. So really the direction we've been signaling for a while is on the numbers that you see.

We think there's been an improvement in margins led by both change in product mix as well as the ability to pass on increases in interest costs that we've experienced to our borrowers. That is visible from the fact that our NIMs have more or less remained constant from Q2 FY '18 to Q2 FY '19.

Our asset quality remains very good. Our gross NPAs are 0.93%. Net NPAs, 0.40%. We think these months have better asset quality than the industry.

EBT growth was 26% year-on-year. Q2 EBT, per se, was about INR 317 crores. And as you can see at the bottom of the slide, on Slide 5, our ROE has expanded by 36 bps in the half year this year compared to the half year last year, with ROA at 1.9%.

Slide #6 is really a story of diversification. We walked you through this slide before. We showed the same slides in the -- in Q1 as well. Basically, we created a number of segments. And for each segment, we have a number of products that allow us to cater to the segments. This has two benefits for us. One, it allows us to cater to a much larger number of customers, and therefore allows us a much broader range of products to reach different customer segments that we're catering to. But also, it has a significant impact in terms of our risk because it allows us to be able to diversify across product segments, across geographies and definitely across products. So this gives us the ability to really diversify and reduce the risk in our book, which I think is a factor that you would see in the -- with the loan, GNPA and NPA number that I referred to earlier.

So I refer now to Slide #7. Slide #7 will talk to you about the quality of our book. Over the last 4 years, so FY '15 through the half year of FY '19, we've seen a CAGR of 33% in our loan book growth, 33% per annum, so pretty strong growth in our overall book. And this is being matched by a very strong asset quality, which is reflecting on the bottom of the slide, on the left-hand side. So if you see, we experienced -- our GNPA is more or less remaining the same, and our net NPAs also remain more or less the same. And mind you, this is a time period when the asset recognition rules have tightened from 180 DPD to 90 DPD. So not only have we seen a strong growth in the book, we've also seen a tightening of the income -- NPA recognition. And over this period, our NPA numbers have remained constant. So I think that is a very good testament of the quality of the book that we've built.

We wanted to give a little bit more color on some of the segments we deal with and what these segments look like. So I'll start first with slide on the -- in the middle of the page. So we have a diversified loan book. If you look at the average ticket size of our book as a whole, it's about INR 40 lakhs. If you look at our corporate book alone, we think we have a very high-quality corporate book because we basically, internally rate any corporate loan that comes to us more than INR 70 crores. We've developed an internal rating system along with a leading rating agency. And that's the rating that we use for evaluating all these proposals that come up or improving within the system. So our median internal rating is A, and we have 60% of our exposure to borrowers with credit rating A and above, so really a very high quality book on the corporate side.

In construction finance, our exposure is largely to Cat A and Cat B developers. We have an average ticket size of just under INR 50 crores and a very good quality book in this space. Since it's an area of recent discussion, we thought we specifically call our construction finance exposure an experience.

LAP, again, I think there's a lot of recent chatter about LAP. We have an LTV on our LAP book of 50%. Again, very good quality book. We have no reason to worry about the quality of the book that we built. And overall, if you look at our book, we have -- more than 80% of our book is secured. So we can still remain a largely secured lender, very focused on cash flow-based underwriting in terms of the way we look at proposals, the proposals that come to us.

Moving on to Slide #8. Slide #8 is really a slide that talks about how margins have been over different interest rate cycles. And what we've captured here from Q2 of FY '17 to Q2 in FY '19 is there are 3 phrases of interest rate movements. In the first 4 quarters, you've seen interest rate fall from 8.76%. Our cost of borrowing fell from 8.76% to 7.85%. They have remained more or less steady at about 7.85% for 4 quarters. And over the last 2 or 3 quarters, we've seen rates going up again. So that's the chart on the top line, which shows you how we've -- maybe seen increases event in the last 8 quarters.

And the slide at the bottom will show you that through the interest rates cycles, with interest rates moving down, steady or up, basically we've been able to maintain our NIM in the range that you see below. And that is really a testimony to the fact that we've not just been able to manage the product mix, but also been able to pass on the interest rate hikes that we experienced to our borrowers. And that's really something that the business has been able to do on a regular basis, as you can see from this slide.

Moving on to Slide #9. We want to talk about ALM, again, a very topical issue. So we want to talk about where we stand on the ALM side. So if we look at our ALM, we think our ALM is optimized for both liquidity as well as for cost optimization. The top left chart will show you our cumulative outflow and inflow. And you'll see, we have some left in 0-to-3 months' bucket. We have some left in the 3-to-6 month bucket. They're pretty balanced in the 6-to-12 month bucket. And then of course, as you go longer term, as the cycle is matched, we'll get money -- we'd get matched with the surplus further on.

In fact in the last 2 months, we've been very active raising long-term money. We raised almost INR 5,000 crores in the last 2 months. We raised INR 1,000 crores on IFC Washington, a 7-year green loan. We raised about INR 2,550 crores in terms of term loans and about NCDs of INR 1,750 crores. So even in the markets that we've been seeing over the last 2 months, we've been quite active in being able to get long-term money for ourselves.

We believe that today we have adequate liquidity pipeline to meet our growth requirements over the next 6 months. And I think that positions us well to be able to capitalize on opportunities that might come our way.

On the right-hand side of the slide, we show our diversification across both instruments and investors. And you'll see our borrowing mix covers a variety of insurance across a variety of tenors. And on the right-hand side on the same slide, you'll see our sourcing mix. So banks are the largest lenders to us, where almost 51% of our borrowing comes from banks. We continue to broad base our investor profile. We have 351 investors compared to about 298 investors in Q2 of FY '18. And we continue to maintain a very comfortable capital adequacy at 17.2%.

Moving on to Slide 10, which talks about our risk management approach and our exposure to IL&FS. So if I start on the left-hand side, there are really 4 elements of our risk management approach when we look at NBFC. The first one's only the sourcing and the underwriting about how we onboard the new customers that we bring on board. Our underwriting is committee based. It has a rigorous credit appraisal process, really focused very significantly on cash flows that we see from the -- in the borrowing profile. That is very well defined, the underwriting process and approach. We're also able to structure transactions, we think, in a very effective way. Because this allows us both to capture cash flows in an ecosystem as well as to look at the between the same types of security that we can capture that secure our loan.

We then follow our sourcing and underwriting with continuous monitoring to make sure that we are -- our core asset quality remains good. So we have a separate focus on monitoring our significant exposures. We have a lifestyle -- life cycle monitoring of exposure, which includes automation of identified triggers for especially our key exposures. So if something happens that signals our attention, then it automatically gets to go to our risk management team. We also have early warning triggers that are alert mechanisms based on multiple input sources, which could be financial, it could be news report, it could be something in social media, that really identifies signs of incipient stress that then get our attention and get us to act.

We have a very focused approach on exposure management. We're always looking to see what are signals for an emergency, not based on what the regulatory limits are based on our risk appetite. We set limit for a borrower and for a group, and these are then monitored continuously.

And then of course on a regular basis, we are also doing an event-based and regular stress testing. We can look at, for instance, what will happen if interest rates went down by 2%, or what happens if the rupee went beyond a particular range, which one of our borrowers would face some issues? And therefore, how do we be deal with those issues as they came along?

So that's -- yes, our risk management approach. I think it's something that held us in very good stead, as you can see from the NPA numbers I shared earlier.

Talking about our IL&FS exposure. We have a total exposure of about INR 388 crores, which is about 0.8% of our total lending book to various IL &FS entities. Of the above, I must clarify, that an exposure of about 0.36% is actually to a solar power plant that was built by an IL&FS [foreign], where actually the tenants of the SEZ are paying for the power, and that amount of payment is escrowed to us. So technically, we don't think it's actually an exposure on IL&FS because these are the repayment not the exposure is to IL&FS directly, but because it's an IL&FS company, we have excluded it in this number.

Bulk of our balance exposure is actually in 3 operating road and power SPVs, which have adequate cash flows for debt servicing. And we could -- we think we continue to have value because these are monthly projects, and I think they continue to have adequate cash flows for debt. We have very small exposure of about INR 15 crores to energy holdco of IL&FS. But as you can see, a bulk of our exposure is to -- what we think are very high-quality, operating SPVs within the IL&FS portfolio.

Moving on to Slide #11, which is the last slide in the NBFC section, which has the financials of the NBFC. As you see on this slide, our lending book has grown 24% year-on-year. Our net interest margins and net interest income has remained more or less steady, as you can see from Q2 of last year to Q2 of this year. Profits before tax has grown 29% on the half year, 26% quarter-over-quarter. And our net worth at the end of FY -- September '18 is INR 6,903 crores.

So that's very much the update on the NBFC. I'd now like to move on to the housing finance company. So our housing finance company has had a very strong quarter and a quarter of value-accretive growth in many ways. So our lending book has grown 2x between Q2 FY '18 to Q2 FY '19. This includes affordable housing, which crossed the INR 1,000 crores mark within a year of operation, so really a very strong performance from a huge segment within our housing finance business.

We've always talked about building retail granularity. I think that's borne of the fact that our average home loan ticket size is now reduced to INR 25 lakhs, which are pretty much in line with the bulk of the industry.

We've seen a strong improvement in our cost income ratio, as you see on the middle of the slide, between Q2 of last year and Q2 of this year. Again this book, like in NBFC, we have a very high-quality asset book. Our GNPA is 0.71%, and our net NPA is 0.31%.

At the bottom of the chart, you will see the significant benefit we're getting building from a profitability standpoint as a result of the scale we've built. So our Q2 EBT is INR 21 crores. Our prior year was INR 3 crores, so really a significant jump in activity between Q2 of last year and Q2 of this year.

I move on now to Slide #14, which again pretty much builds on the theme of diversification that I've spoken to you about including in the NBFC. On the left-hand side, we show you the diversification by type of product. So we have affordable housing. We have construction finance is 8% of our book, 25% of our book is LAP, and 58% of our book is what we call prime housing. Our large portfolio in the housing finance business, again, an LTV of 50%. It's a good quality book, no reason for us any concerns. And our construction finance book here has an average ticket size of only INR 16 crores. So you can see it's a very small ticket, and they are fairly diversified. The book gives us good ability to be able to manage risk in this segment.

On the right-hand side of this chart, you will see our geographic mix, which we think is very balanced. In fact, we are a fairly large coming from the east of India. Many other people are talking about smaller amounts coming from East India. The brand works well there. And I think what -- that's one reason we have very good result in East India.

We have a balanced distribution strategy. And our direct sourcing has ramped up to 47% compared to 42% which it was than the same period last year.

Moving on to Slide 15. Slide 15 will give you a sense of our home loan book and the granularity that you're building in a -- within our housing finance business. So of our INR 6,464 crores of home loans, about 70% is self-employed, which we think is an underserved and a large segment in the market. About 30% is salaried. A home loan ticket size, as I mentioned earlier, is INR 25 lakhs, down from INR 42 lakhs in the same period last year. We've gotten a significant number of customers over the course of the last year. Our customer base has basically tripled from Q2 of FY '18 to Q2 of FY '19, backed from the fact that we have 70 branches and 3,500 channel partners that work for us in this business.

Moving on to Slide 16, a similar story to our NBFC. Again, here, we've see our cost of borrowing from Q2 FY '18 to Q2 FY '19, has gone up by about 20 basis points. And if you look at the bottom of the chart, you'll see our NIM has remained at 3.3% between Q2 FY '18 to Q2 FY '19. So again, really commentary on the fact that when we see increases in the cost in our book, we have the ability to pass it on to our borrowers.

Moving on to Slide 17, which talks about the ALM for our housing finance business. A similar chart to what we've shown in the NBFC and pretty much similar conclusion. We have surplus 0 to 3, surplus 3 to 6. We're matched on the 6-to-12 month basis. And a marginal reduction matched by longer-term flows in the over-5-year bucket. Again here, we have adequate long-term bank lines available to meet our growth requirements for this business.

And similar to the NBFC, we have a diversified source of borrowing and investor profile. So this is much more skewed towards banks. You'll see 85% of our borrowing comes from banks. And 79% of our total borrowing is term loans, which is in keeping to the fact that the ALM that we see on the left-hand side really shows you that we have longer-term assets that for term loans is what allows us to balance the ALM. We continue to broad base OUR investor profile. we've grown investor base quite significantly. And again here, we have very comfortable capital adequacy ratio, like we have in the NBFC.

Slide #18, we'll give you the financials for our housing finance company. Our book has gone -- has doubled between September of last year and September of this year. Our revenue has more than doubled over the same period, keeping in line with the growth of the book. And our earnings before tax for the half year has grown 3x; for the quarter, it grew almost 7x. So that's really the financial highlights of our housing finance business.

I'll now move on to the third business that we want to cover today, which is our asset management business. Let me start with Slide #20. So we have our asset management business, as you know, this is the business that's been doing very well over the last many years. Good growth in terms of top line as well growth in terms of profitability. Domestic equity AUM in this business grew by 33% year-on-year. Overall equity AUM for now -- for us now is over INR 1 crores. Additional one -- and our equity AUM is now about 33% of our domestic AUM. It grew around 5% year-on-year as a percentage of the total AUM. We maintained our equity market share of about 9.04% in what has been a very challenging market condition over the last year.

Our operating EBT has increased by 32%. And our reported PBT is 23 basis points in AAUM compared to 21 basis points of AAUM, which is what it was last year.

Most of discussion that's been happening around recent SEBI circular on cutting and introduction of PRs, we think the impact of this circular is really going to depend on how industry dynamics play out. And therefore, it's a little early to call out what the impact on this might be. We think this is going to take some time for the industry to figure out. And therefore, a host of things would have to happen before we can kind of quantify what these factors are likely to be on any asset management company.

Slide #21 talks about our continued focus on retail expansion. Our retail plus HNI AUM is at INR 1,25,000 crores. It's grown by 22%, which as you can make out is greater than the growth in our total AUM. So it's growing very much faster than our aggregate AUM. Our investor folios have doubled in the last 2 years. We've, in fact, about 1 million folios in the first half of FY '19. We've added almost 3 million folios in the 2 years, September '16 to September '18. Our monthly SIP book, which has been a strong feature of our growth, is now over INR 1,000 crores on September '18. It's grown 3x over the last 2 years. And our SIP market share is about 11.7%, so we have very strong performance on the SIP side. SIP book contributes about 29% of our total domestic equity AUM. You can see that this is what we think is a much more stable source of AUM within the overall equity AUM. And our SIP tenure, there we have SIPs more than 10 years is about 68% of our total SIPs. So again, we have some pretty long-term SIPs within the overall number that I just discussed about. Along with all of the other things, what we're doing is also broadening our penetration in the B-30 cities. B-30, as you know, is growing faster as a segment compared to any other segment. Our AUM there is INR 31,200 crores, and B-30 contributes about 33% of our retail AUM.

Slide #22 will talk about our distribution network. And really nothing much to call out here, other than 2 or 3 main points, which is we have a very balanced sourcing mix across different channels. The IFA is a large share in our equity sourcing. We have -- we work very well with IFAs. The IFAs work well with us. And therefore, we have a large share of our equity income that comes from IFAs. And I think that's borne out by the fact that when you look at Wealth Forum, which is an independent body that ranks IFA's response to different fund houses, we've been ranked as the #1 fund house in terms of good investor education as well as distributor training. And I guess that matters to a lot of the IFAs we deal with, which is why we have such a large component of our equity coming from IFAs.

Slide #23 just talks about the building blocks we're building for retail expansion. On the left-hand side is the retail brick-and-mortar distribution that we're building. So we have 249 locations at the moment. We're looking to expand our presence to 275 locations by the end of this fiscal year. We're already in tie-ups with 88 banks, so there's an increased focus on building presence with PSU banks as well as cooperative banks. We have over 73,000 IFAs that we work with, and obviously we would look to expand this base as we can. And along with the national distributors, there's a newer breed of online platforms that are coming up. And clearly, our aim is to find ways -- in terms of growing both national distributors per se as well as some of the new online platforms have come up.

On the right-hand side of this chart is our digital assets. As you can see, we have several digital assets that are on the right-hand side of the slide, including robo advisory for our SIP, including access to a host of transactions and services for our customers or our distributors. And then a mobile app that allows easy access to our liquid funds. So anybody who has a bank account could move money from a bank account to a liquid fund and vice versa.

I think the benefit of this, you're seeing in the number of transactions we're doing digitally. So if you look year-on-year, our digital transaction as a percentage of our total book has moved from 55% to 63%. So a significant amount of our total transactions in our book are own digital as well as third-party digital platforms. The digital transactions are really becoming a significant part of the business that we're seeing.

Slide #24 will talk about the financials of our asset management business. Domestic AAUM has grown by 13% year-on-year. Domestic equity AAUM has grown by 33% year-on-year. And if you look at our earnings before tax excluding other income, so just the core earnings from business, it's grown by 37% for the half year and 32% on quarter-on-quarter.

Let me now move on to our life insurance business. A little bit on life insurance, and talk about Slide #26 first. A little bit on Sun Life Insurance, actually is a very fast-growing franchise and with significant value creation already, and I think significant value creation opportunity as we go forward. Our individual APE in this business grew by 60% year-on-year. When we look at our half year, earlier remember, I talked about 71% growth for the quarter. For the half year, the 60% growth is significantly ahead than both the private sector as well as the top 4 players, which obviously means we've added market share. Along with our individual business, our group business has also done very well. In fact, it's grown by 42% year-on-year. And our group business is value accretive. So this is a business that we're very selective of. We will only took on business if it makes sense to us from a value perspective.

As a result of this growth, our rank has jumped 2 spots. So we've jumped from #9, than we were half year last of year, #7 in the half year of this year. And our market share has grown by 113 basis points. Along with this growth and top line growth, because of the product mixing the -- because of the change in product mix, our gross VNB has actually doubled year-on-year. So our APE has grown by 60%, but our gross VNB has doubled year-on-year with a gross VNB margin of 36.4% for the quarter.

Our embedded value has grown by 10% year-on-year. So EV as of September 2018, was just under INR 4,400 crores, which is about 10% more than what it was in September 2017. So we've had very strong growth happening -- really strong growth in terms of gross VNB margins on this slide.

If I look at Slide #27, you'll see some of the drivers of the value accretive business that we're building. On the left-hand side, the biggest driver has been the change in product mix. Protection has doubled year-on-year from just under 5% last year to 8% in the half year of FY '19. So that has been a big driver of our total gross margin as well as our net margin. On the right-hand side of this chart, we're showing you our margins, both gross and net. if you look the top of the chart, you'll see our gross margin, gross VNB margin has moved from 28.2% in half year 2018 to 36.4% in half year '19. The absolute amount has doubled from INR 105 crores in FY '18 to INR 218 crores in half year of '19, so a very strong growth in gross VNB numbers.

On the bottom of the chart, you'll see that's reflecting the bottom, significant reductions in our net VNB -- improvement in our net VNB number. So net VNB, which was minus 22% for the half year of last year at minus INR 82 crores have moved to minus INR 14 crores for the half year of FY '19, which is minus 2.3 crores (sic) [2.3%]. If I give you the reasons for this movement of net VNB, there are really 3 broad reasons. There's been a very strong, positive impact due to the higher protection mix as well as the productivity growth in our propriety channels. That's adding a large amount of agenda. We've also seen a positive impact from the volume growth and the control expenses in our partnership channel. Again, that has contributed to the net VNB reduction. And we've seen some negative impact from the new business stream as a result of scaling up HDFC bank partnership, which in a sense has been one of the reasons for the strong growth in the top line that I've just discussed with you before.

But if you look at our net VNB margin on Q2 of this year, it's at 2.5%. The same period last year, so Q2 of FY '18, the net VNB margin was minus 16.7%. So as we've guided earlier, we're very much on track for our double-digit net VNB margin for the full year. And I think as you can see from this, we're well and truly on track for that guidance we've given earlier.

Moving on to Slide #28. I think this slide will show you both the drivers in terms of channel and product. We've seen a consistent increase in the contribution of our partnership channels, which has grown almost 3.7x over half year '18 over half year 19. Our proprietary channel has grown about 8%. HDFC bank has really been a -- has been a big driver of growth in the partnership channel. But even today, our average branch activation at HDFC is at 30%. So we see some upside moving forward from the increase and after valuation in the HDFC banking position. Proprietary channel actually has also contributed significantly to our margin improvement, both in terms of productivity as well as you can see on the bottom right-hand chart, the protection is growing to 13%. Proprietary channel now is adding a significant value in the franchise.

Moving on to Slide #29. I want to talk about the quality of the business in our life insurance business. Several things that we've done to drive and improve the quality of this business. On the left-hand side, you see our fund performance versus internal benchmarks. Again, very strong fund performance over 1 year and 5 years in what have been very volatile market conditions, so really strong numbers there.

On the right-hand side, you'll see our persistency ratio of 13th month, 25th month and 37th month. And you'll see in all of these 3 buckets over the last 3.5 years, a significant improvement in persistency. And I think this improvement in persistency obviously adds significant value in the life insurance business and will continue to add value to us going forward.

So if you look at Slide #30 which is the financials of the Aditya Birla Sun Life Insurance, you'll notice that individual first year premium has grown 78% Q-on-Q, 61% H1 over H1. Group first year premium has grown 71% Q-on-Q, 2x year-on-year on a half year basis. renewal premium has again been very strong. On Q-on-Q basis, it has grown by 8%. on a half year basis, it's up by 6%.

Earnings before tax in the business have been impacted largely by 2 things, but partly by the expense exchange from HDFC and partly as a result of the move to (inaudible) on the accounting for fair value changes, which impacted that -- had an adverse impact on us in this quarter and in this half year. And that in fact has slowed to overall (inaudible) effort as well as I will cover subsequently.

Let me now move on to the last business I want to talk to you about today, which is our life insurance business, the newest business on the block for Aditya Birla Capital. There's been a very strong growth in this business led by retail. GWP here grew 2x with -- we now cover about 1.2 million lives. Retail is about 61% of our mix at the half year. We think this number will probably increase as we go through the second half of the year. And retention ends up between 65% to 70% of our total mix by the end of this year.

One of the things we've done in this business is really build distribution capacity ahead of anyone else who has in same stage of development in the industry. So we have a multichannel mix with Banca, about 54%. But we believe that our capacity today, not 2 years into our journey, is probably higher than any peer at the same time of their development in the health insurance industry. And therefore, that gives us a platform to be able to get significantly higher growth as we go forward.

There's been a big focus on improving our claims experience. And you can see on the right-hand side, you'll see our group loss ratio has come down significantly from 106% to 96% of half year '19. As you can see from a retail combined ratio perspective, a significant drop from 285% to 186%. So clearly, making sure that our model works. Our model delivered where it has to, will result in a reduction in the claims experience that you've seen over here.

We're looking to build profitable growth in this business. We declared a loss, a quarterly loss in this business in Q2 at INR 73 crores. We believe this is a peak quarterly loss in the business. And henceforward, all quarterly losses will be lower than the INR 73 crores number that we've seen in this quarter. this business is on track to break in about 3 years' time, when we think we will hit GWP levels of about INR 1,700 crores to INR 2,000 crores. In that range of GWP, this business should breakeven, and we think that journey is about 3 years from where we stand today.

Moving on to Slide 33, which talks about the distribution and provider network, something I referred to earlier. I think it's really been a significant platform both in terms of distribution capacity as well as in terms of provider network. We have 8 Banca tie-ups within 18 months of operation, including HDFC Bank, DCB, Ratnakar Bank, Deutsche Bank, AU Bank, KV Bank, Birla Payment Bank. We've recently signed up with Shamrao Vithal Cooperative Bank. We think from our own estimates. This is our own estimate that we think monthly utilization of the available capacity is about 25% of the capacity that we have today. And therefore, that gives us a sense that there's significant upside potential. And therefore, the journey is really to hereon is really on capitalizing and increasing capacity utilization and rather than adding new capacity. Equally, we think that there are more verticals that we have added by the partner banks. And this will also add further to the capacity that we have from the slide.

We also have one of the largest provider networks in the business with a tie-up with over 5,000 hospitals across 650 cities that we're present in, thanks to the presence that we have with banks like HDFC Bank. We give you this slide to give you a sense of the phenomenal platform that we built in the health insurance business, both from a distribution as well as from a provider network perspective.

The last slide on the health insurance business, Slide #34, the 4 drivers of value for us in this business are set out on this page. Retail is more profitable and grew -- retail is now 61% of our total GWP compared to 34% last year. Nonmetros tend to be more profitable than metros. Nonmetros in half year of '19 at 34% of our book compared to -- of our sales, compared to 27% of our sales in FY '18. Fixed benefit products tend to be more profitable than indemnity products. That's 21% of our book compared to 8% last year. And balanced channel mix really gives us the ability to drive scale and therefore, drive economies of scale as a result of having multiple channels, including large channels like Banca. So each of these initiatives allow us to create value and unlock value in the business that we're in. And we think that this will create value for us in the health insurance business as we go forward.

Slide #35 has the highlights of 2 of our smaller businesses -- that's Slide #36. General insurance broking business, which did have some impact as a result of the regulatory changes, especially in the MISP guidelines on the motor insurance side. So EBT is about INR 8 crores compared to INR 11 crores last year. And our securities broking business, which has actually grown compared to last year, increasingly focusing on the digital channels here compared to the physical channels.

So let me now move on finally to the aggregate financials of Aditya Birla Capital. I'm talking about Slide #38. On the left-hand side of the chart, you will see our consolidated revenue. Our consolidated revenue that's up 32% year-on-year, quarter-on-quarter. INR 3,008 crores Q2 of FY '18, just under INR 4,000 crores in Q2 of FY '19. Our established businesses, that excludes fair value changes, has grown by 23% Q2 '18 to Q2 '19, so this is a significantly strong growth by our established businesses. And then on consolidated basis, our PAT after minority interest in the half year has grown from INR 397 crores in half year '18 to INR 411 crores, half year '19. So about a 4% growth in half year profitability, half year to half year.

I'm not going to walk through the slide of the right-hand side, which is a reconciliation of IGAAP to Ind AS. But if you have any questions on that, we'd be happy to [take]. We just basically reconciled Q2 FY '19 GAAP versus Ind AS. Ind AS number is INR 195 crores. GAAP number would have been INR 227 crores. And because their difference, as you can see, is really mark to market and fair valuation changes that come through in the Ind AS like (inaudible).

Let me finally just refer to Slide #39, which is a walk-through of our profitability and changes from Q2 of FY '18 to Q2 of FY '19. Because we have so many moving parts and India has a new level of complexity, we just thought it would be useful to explain to you what the various drivers of the move are from FY '18 to FY '19.

So last year, Q2 FY '18, we had a INR 225 crores PAT on Ind AS basis. In addition to that, our 3 established businesses, our lending business, our asset management business and our insurance business, asset value you can see, NBFC (sic) [ABFL] at about INR 48 crores. Our AMC -- the large share of AMC profitability delta was INR 11 crores. BSLI (sic) [ABSLI] has added INR 11 crores, negative over here, largely as I said because of the HDFC Banca scale-up that we've done during the course of this year. Housing finance has delivered a positive INR 10 crores profit compared to last quarter, same time. Health insurance business has a bigger loss, so that's the minus INR 12 crores you see on the health insurance. And then we have 2 other items that are peculiar to us, and some of it peculiar to Ind AS. We have about INR 34 crores of expense, which is partly brand and partly interest expense at the holding company level because we have some modeling that we will fund the growth of our businesses. And then you have a big delta on the fair value changes, which is the INR 42 crores negative that you see on the slide here, which is really the fair value changes that we've seen under Ind AS that's -- various businesses of our team, largely in our life insurance business. But as you can see here, the core businesses continued to perform very strongly. And as markets rebound, we think some of these numbers, again, will look very different. But on a reported basis, our Q2 FY '19 number will be INR 195 crores versus INR 225 crores in Q2 of FY '18.

That leads me to the end of my presentation. I'm happy to stop here and take any questions that you may have for me.

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Questions and Answers

Operator [1]

(Operator Instructions) We have our first question from the line of Amit Rane from Quantum Securities.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [2]

So my question is on the NBFC cost of funds. So basically our cost of funds in Q2 was around 8.04%. I want to know what is the incremental cost of funds during Q3.

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [3]

I think we got 20, 25 basis point increase in Q3.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [4]

Okay. And sir, in terms of passing on this cost of funds to our borrower, so how much increase you have taken in the yield?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [5]

When you say increase in yield, as I've shown you before, I think whenever we see an increase cost coming to us, we are passing it on to our customers so that our margins remain more or less constant. So I'm not sure what your question is.

Unidentified Company Representative, [6]

(inaudible) increase in cost of funds with regard to the transfer to the customer.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [7]

Sir, in Q1, our NIM was 4.9%. and in Q2, it did not -- was at 4.6%. So there's been a 30 basis points decline in our NIM in Q2. And...

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [8]

There's a timing -- so you know there's a timing difference between the -- when we face an increase ourselves and when we can pass it on to our customers. So this is really the time like that. So I showed a longer-term chart, which is you need to make a more normalized view of margin because over a period of time, we're demonstrating that the margins remain more or less at the same level.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [9]

Right. So you mean to say with a line of, say, 2 or -- 1 or 2 quarters, you can see that margins in (inaudible), right?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [10]

Yes. Though it might be slightly less than that.

Unidentified Company Representative, [11]

Yes. But what we showed here is like in the last terms -- 8 quarters or so, if you look at our margins, it's in the range of 4.7, 4.6. It will continue to be in that range. Quarter 1, I -- our margin was slightly high. It will be closer to that. But I think here, it will be just be around 4.7 or so.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [12]

Okay, okay. And can you share your outlook on margins in HDFC as well, in the second half of the year?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [13]

So again, there, the margins right now is 3.3. I think we will be able to maintain this margin in quarter 3. If there's an increase in cost of funds, we will be able to pass this on to the customer. So we should be able to manage in this range around 3.2 to 3.3.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [14]

Okay. And sir, what similar exposure to (inaudible) it was at a group level, so in terms of investment exposure again?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [15]

At group level meaning at high-level group?

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [16]

No. At Aditya Birla group level, Aditya Birla Capital.

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [17]

Yes, I know. So we are at NBFC are -- we do have some exposure, but that's on -- in the various disclosures you'll find in the mutual fund fact sheets. We don't have exposure anywhere else.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [18]

Okay, okay. And sir, one last question on the INR 388 crore exposure that we have in the NBFC, do we plan to have some provisions upfront that's to be on the conservative side in the near term?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [19]

Yes, I think we've -- obviously, we've discussed this, both with our audit committee and then with our auditors. And we made provisions as we think necessary.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [20]

So as of now, do we have any provision on this?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [21]

Yes, of course. We do have provision.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [22]

So how much is the provision on IL&FS?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [23]

So we don't discuss individual provisions on individual accounts. But all I can tell you is that the provision is in line with what we think we need to provide based on the quality of the assets that we have.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [24]

Okay. And sir, on the NBFC in construction finance, we have 12% exposure...

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [25]

Can I request you to let somebody else ask a question? I think you can come back later, if you want, and we can take more questions.

Amit N. Rane, Quantum Securities Private Limited, Research Division - Research Analyst [26]

Sure, sir. I'll come back.

Operator [27]

(Operator Instructions) We have a next question from the line of Abhishek Saraf from Deutsche Bank.

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [28]

Sir, on the NBFC books, so I just wanted to understand, like growth -- you have been guiding for around 25% to 30% growth. But in the first quarter, we grew at 24%. Now the -- for the first half year, are at 23%. And given that currently for the overall NBFC sector also, some kind of new (inaudible). So how do you see growth outlook from here? And would you maintain it at around 25%, 30%? Or would it be now at the current level of 23%, 24%?

Unidentified Company Representative, [29]

There are a lot in 2, 3 quarters. Our growth has been, as we likely mentioned, around 23% to 25%. And we believe that we should be able to continue with that kind of growth.

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [30]

Okay, okay. And it will be largely driven by our focus again on the retail HNI and the SME segment, right?

Unidentified Company Representative, [31]

Yes, though it would be across, but we are primarily driven by this segment which we have been focusing on.

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [32]

And if you look at our story, we've always said that we see opportunity across the spectrum. The fact that we're present across different segments allows us to choose the segments that look more attractive compared to others. SME retail has been a more attractive segment for us. And in fact, continues to be (inaudible) here to grow in that segment faster than otherwise.

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [33]

Okay, okay. And sir, this asset quality, so GNPA ratio has been maintained at 0.93%. But I think around 20 basis points is on account of our -- the Feb. 12 circular of RBI. So those assets are largely standard for us, but we have to reclassify it as GNPA because, I think, that it was reclassified then in other lenders. So are these assets standard to us now as well?

Unidentified Company Representative, [34]

We're still (inaudible) the dilution is still underway.

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [35]

Okay, okay. And so on the -- in just a few questions on the insurance part. So DC Bank, when do we expect this NBS stream -- a new business stream that we are seeing, witnessing right now? So you -- what are you building in terms of -- when does this NBS kind of taper out? During what period?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [36]

Okay. There are 2 streams, right? One is the [stat] profit stream, which is a result of hiring of people on the ground, which is pretty much done. We may have a little bit more hiring to do as we increase optimization. But the bulk of that stream is only been taken. As far as the expense gap stream is concerned, I think you'll -- given the ability of growth, you will see some expense stream for a while, but it would still be net VNB positive for us. So I think that's the way we're looking at this channel. So a modest stream for a while, but it will be net VNB to us as we grow.

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [37]

Okay. And then on VNB margins, we -- are we expecting this -- you said that to you -- we expect around double-digit VNB margin by the year-end. So right now, we are clocking at 2.3%. So is it going to mean like exit rate will be like 10%? Or full -- for the full year, you should be able to see 10%?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [38]

For the full year. So last year was a full year, we were 4.3% positive. So we have -- that's the number I'm saying will be double-digit this year. That's just for the full year.

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [39]

Okay. One last bit on insurance, so if you allow me. So on the protection side, so is it largely of individual term? Or we are also doing group term on that? Or -- and on the group side, the group has been high. So is it largely on create protect? Or is it a means of the savings business that we are writing there?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [40]

So the protection against (inaudible) is on the individual term. I'll request Rakesh to ask -- to answer the question on the group side.

Rakesh Kumar Singh, Aditya Birla Capital Limited - CEO of Aditya Birla Finance Limited [41]

So group (inaudible) both as -- both in the accredited (inaudible). Our focus depends both on the creditor and term -- and creditor has gone about close to 82% over last year. And we have seen a term business growth of almost 13%. And this was coming in to level our forecast for the forthcoming quarters.

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [42]

But that is not included in the protection number you're showing. That is on the individual.

Rakesh Kumar Singh, Aditya Birla Capital Limited - CEO of Aditya Birla Finance Limited [43]

So prediction number, as I've said, which I've been shown the numbers, purely in (inaudible) business.

Operator [44]

We have our next question from the line of Piran Engineer from Motilal Oswal Financial Services.

Piran Engineer, Motilal Oswal Securities Limited, Research Division - Research Analyst [45]

I'd like to discuss a bit of your loan against shares book. So what is the average ticket size in that book? And do we also have a ticket size cap? Like for banks, I believe it's 15 lakhs or 20 lakhs? So do NBFCs also have such a cap?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [46]

No. Regulatorily, there's no cap for an NBFC in loan against shares. Obviously, when we do our business, we look at the value of the underlying share in terms of what the quality of the share is, its liquidity, the ability for us to compose a share if required. All of those determine how much exposure we take to any individual -- in any individual exposure. I don't have the average ticket size available offhand, so I'm sorry, I can't give that to you right now.

Piran Engineer, Motilal Oswal Securities Limited, Research Division - Research Analyst [47]

Okay, that's fine. And in the large corporate book, in the structured finance part of it, how much is promotor funding against shares?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [48]

Nothing. The structured book would have -- it may have length of shares, but it always has an underlying business to back it. So the promotor finance, promotor funding is captured on the loan against shares. It's not captured in the structured finance.

Piran Engineer, Motilal Oswal Securities Limited, Research Division - Research Analyst [49]

Okay. But loan against share are largely retail and HNI only, it wouldn't come under the corporate part there.

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [50]

No, will become promotor [directly].

Piran Engineer, Motilal Oswal Securities Limited, Research Division - Research Analyst [51]

Okay, okay, understood. And secondly on the construction finance bit, and this is both for the NBFC and the HFC thing because it kind of -- do you have any exposure to SuperTech or any of the other names that are out there? And if not, what are our largest clients also, if you could just go to some more detail?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [52]

We can't disclose names of clients, but we don't have any exposure to SuperTech.

Piran Engineer, Motilal Oswal Securities Limited, Research Division - Research Analyst [53]

Okay. I -- but -- like, what's the average...

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [54]

We largely got the category A, developers as our clients. And I think (inaudible) on both -- in the presentation. We did about 49 crores in R&D, about INR 16 crores in our HFC.

Unidentified Company Representative, [55]

I know. So if you peek the -- it's only 6% of our overall lending book in NBFC and 8% in our -- so well-contained real estate exposure which we have on developers.

Piran Engineer, Motilal Oswal Securities Limited, Research Division - Research Analyst [56]

Okay, okay. But how -- what is the largest ticket size, if you could say? Like how big can you all go in this segment? Or do you all go rather?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [57]

We don't go very big.

Piran Engineer, Motilal Oswal Securities Limited, Research Division - Research Analyst [58]

Okay. Just one last thing and probably a suggestion. Your PPT is very good, very detailed. But we analysts don't get much time to read it before the con call. So you could give a gap of a few hours between the results and the con call, or maybe keep the con call the next day, that would be really helpful because there's a lot of data to digest in half an hour before the conference.

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [59]

You were very smart then, you were able to get this out in half an hour.

Piran Engineer, Motilal Oswal Securities Limited, Research Division - Research Analyst [60]

Okay. Any of that -- it was just a suggestion.

Operator [61]

(Operator Instructions) We have our next question from the line of [Vebab Katrulya] from VK Capital.

Unidentified Analyst, [62]

You mentioned that we have these early warning systems for the loan book thing. So anything that is showing up in October, November on the construction finance side?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [63]

Yes, I think we see that movement in high ticket residential is obviously moving much slower than anything else. If we look at individual cities, there are obviously some cities where we see movement of inventory much slower than others. That is something that we will take into account when we look at funding construction finance or anything else that's related to real estate. So this is something that we do on a regular basis.

Unidentified Company Representative, [64]

And we look at the micro market, how do stuff buy in and how the inventory is moving. And accordingly, we take out those in terms of underwriting those projects or moving those projects.

Unidentified Analyst, [65]

Okay. So this is for new loans which we are giving now. What about the existing loan book? Have you seen any sales slowdown of those builders to be able to -- given loans? Or is it business as usual?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [66]

As I mentioned, it's -- ours is a range. I think our exposure to real estate then the positive rates modeling exposure. And we have chosen the best category developers in this segment. So far yet, there is a slowdown in terms of -- but we haven't gone to high premium residential segment that we have funded the inventory or something like that. So at this point in time, the smaller ticket size inventory that's selling yet to be -- whenever we have the income slowdown, we get back to the developer and we -- sit with them and us. Nothing unusual at this point in time. I do see what we have mentioned in the last 7 years, we don't have any delinquencies in this segment at all.

Unidentified Analyst, [67]

Okay, great. Very helpful. And I have one question on the life insurance tie-up with HDFC. So are we paying any upfront fee for this?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [68]

No.

Unidentified Analyst, [69]

We don't. Like what [Max] pays to access bank and all that?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [70]

Yes -- no, we don't have an upfront payment.

Operator [71]

We have our next question from -- (Operator Instructions) We have our next question from the line of Abhishek Saraf from Deutsche Bank.

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [72]

So on the AMC side, so just my question is simple. So our market share has kind of come down slightly over the last 2 quarters, from 13% to now around 11.10%. So just wanted to know your thoughts on how you are seeing in the -- given the market has gone through a bit of turmoil in last 3 months. So what has been -- at least, how are you seeing it? Has it -- I mean, the -- all the SIPs have continued but the base of newer sign-offs have slowed down? Or at least -- well, how do you see the outlook on that portion of your AMC book?

Unidentified Company Representative, [73]

Yes. I mean, if (inaudible) was the #1 we use to give, they told me the city numbers. That number (inaudible) our SIP. That market share comes about find -- the 5%. So to combine the (inaudible) is incremental that comes to us every month on a month-to-month basis. At first, they had paid (inaudible) as we have seen the marginal slowdown in terms of [favor restrictions] compared to the last year. But (inaudible), we'll have to look at these numbers as how much the increment [level is getting added] (inaudible) incremental assets coming in terms of AUM as well as in terms of asset base. That continues to be the range of (inaudible) [lakh to crone number that comes, everything on the phone is sufficient as again 2 lakh] (inaudible) [lakh 40 to -- 40 for the development numbers]. That remains the margin. Moving forward that industry (inaudible) I think we have been a big mover of (inaudible) as we have here in the slide, (inaudible) asset on the management (inaudible) SIP. There's been a high focus area for it in terms (inaudible).

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [74]

Okay, okay. And sir, in the back book, so are we seeing any kind of means that they are persisting with us? Or we are witnessing some kind of cancellations there in terms of investing SIP book?

Unidentified Company Representative, [75]

No, the -- again, we generally look at the (inaudible) the cancellation issue. The cancellation issue, the -- it used to be normally about (inaudible) not big of a percent. Cancellation, more or less, remains the same actually. We don't see the (inaudible) cancellation. We probably see it (inaudible) and correct it. Yes, yes.

Abhishek Saraf, Deutsche Bank AG, Research Division - Research Analyst [76]

Okay, okay. That's very reassuring to hear that, sir. And one last thing on our AUM growth guidance. So AUM overall has actually come down a bit. AUM growth to 11%. So where do you think we'll clock in? Let me say, what are you budgeting then for the -- your -- well, equity is definitely going well, but it seems like (inaudible) then come has seen some kind of slow down.

Unidentified Company Representative, [77]

I think broadly to see at this quarter the AUM as more or less neutral growth. And second, the AUM has come and gone because of the market action. The third, it would be fixed income. We have seen marginal direction on the debt (inaudible) what we have (inaudible) upon those. We have to be the number one. We are number one (inaudible) in the development fee income. And we enjoy high market share. We have seen a marginal direction (inaudible) that our objective again a function of markets and demand (inaudible). But the way we see it, I think these lines or focus area that we have and will continue to grow. And as the market generally improves, we will probably see more interest coming in as we move forward. Even the [these numbers], the industry did not see much reduction in the flows, develop volatility, which essentially makes us believe those would come back in time.

Operator [78]

Your next question from the line [Mischan Chawatli] from Kotak Securities.

Unidentified Analyst, [79]

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2 questions from my side. One was -- sorry, one is on the asset management side. What portion of the our business is currently on (inaudible) model?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [80]

It's roughly about 50% of the (inaudible) margin.

Unidentified Analyst, [81]

Sorry, 15 as in 1-5?

Unidentified Company Representative, [82]

5-0, 5-0.

Unidentified Analyst, [83]

This is (inaudible) in the model?

Unidentified Company Representative, [84]

Yes, that's it. I think it was (inaudible) last 2, 3 years since the time the fund commission or the bank. A lot of people agree both of the (inaudible) model. And that number is -- number close to 14% to 15%. And the people running on upfront model [indiscernible] model.

Unidentified Analyst, [85]

Sure. Just on the IL&FS exposure and the mutual fund, is there any hit that the shareholders of the asset management company is in (inaudible) or shareholders? Or will it be at the fund level?

Unidentified Company Representative, [86]

Yes, there's no impact to shareholders. It's all at fund level. Fund level, team level. And we apply, of course, the evaluation that was given by the account rating agencies which is what industry follows. We follow the same thing. And while we're -- the other -- the extra market month down in terms of valuation (inaudible), of course, we have (inaudible) and they're making a prevaluation impact on the portfolio (inaudible).

Unidentified Analyst, [87]

But anyway, nothing comes to the fund?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [88]

(inaudible) that the exposure and the mutual fund current. In fact, we continue to remain (inaudible). During the last few weeks, we've been receiving money from these operating projects with adequate cash at (inaudible) significantly more than that. So from all of that perspective, we think (inaudible).

Unidentified Analyst, [89]

Sure. And just finally on the housing finance side, is there any guidance that you could give on the steady set NPLs out there? Because obviously, the portfolio is gradually getting steeper and the ratio is going up. But are we kind of up there at 0.7%? Or what -- were does this necessarily -- this go head to?

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [90]

I think it should be in the same range. We don't see it worsening from here on. We would see it stabilizing.

Operator [91]

(Operator Instructions) Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Sir, over to you.

Ajay Srinivasan, Aditya Birla Capital Limited - CEO [92]

So thank you very much for joining us on this Diwali evening for our Q2 results. If you have any further questions, please don't hesitate to reach out to us. Sorry, we can't give you -- have any enough time to read the data. But if you have any further questions after reading the data, please do get back in touch with us. Thank you very much.

Operator [93]

Thank you very much, sir. Ladies and gentlemen, for any further queries, you may contact Mr. Pramod Bohra, Investor Relations Team. On behalf of Aditya Birla Capital, we conclude today's conference call. Thank you for joining with us. You may now disconnect your lines.