



## Key FAQs pertaining to recent announcement

## Sun Life Financial to increase its stake in Birla Sun Life Insurance from 26% to 49%

Aditya Birla Nuvo Limited (“ABNL” or “the Company”), had, on 2<sup>nd</sup> December 2015, announced that Sun Life Financial (“Sun Life”) will increase its stake in the life insurance joint venture, Birla Sun Life Insurance (“BSLI”) from 26% to 49% at an investment of Rs. 1,664 Crore, subject to the requisite approvals. ABNL will continue to hold the controlling stake in BSLI at 51%. The 23% stake sale will fetch ABNL Rs. 1,664 Crore, valuing BSLI at Rs. 7,235 Crore.

**To clarify queries pertaining to this transaction, responses to the frequently asked questions are enumerated below:**

**Q1. Was this right time for ABNL to sell 23% stake in BSLI when the individual new business is not showing strong growth as earlier for the industry as well as for BSLI?**

- As per the Joint Venture (“JV”) agreement between ABNL and Sun Life, Sun Life had an option to raise its stake up to 49% in BSLI once the FDI is relaxed by the Indian Government.
- With the relaxation of FDI, Sun Life has exercised that option. This was a natural step for Sun Life considering that life insurance in India is a hugely under-penetrated market and growing its Asia business is important for Sun Life’s growth strategy.
- Both ABNL and Sun Life have closely partnered over past 15 years in building the life insurance business to its current scale, investing heavily in both capital and resources. We believe this move will only strengthen our long standing partnership.

**Q2. How the life insurance valuation was arrived at? What were the methodologies considered?**

- There was a detailed valuation process and close dialogue between both the JV partners to establish the fair value of the business.
- The value reflects the long term growth prospects of the life insurance business and the value that both the JV partners bring together to the business.
- Similar to the prevailing industry practice, valuation of BSLI has been arrived at after considering various valuation methods viz., the multiple of Embedded Value, Discounted Cash Flows and New business growth multiple etc.
- There was no control premium since ABNL continues to hold the controlling stake and both ABNL and Sun Life have closely partnered over past 15 years in building this business to its current scale, investing heavily in both capital and resources.

**Q3. Who were the valuers?**

- No external valuers were engaged. The Valuation has been mutually agreed upon by both the JV partners – ABNL and Sun Life.

**Q4. Will there be any change in the Board / Management to reflect the revised shareholding?**

- There are no changes related to the governance and management of BSLI. BSLI will continue to be managed by its current team. There is no change in the Board of Directors as well.



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**Q5. When do you expect to complete the transaction? What all regulatory approvals are required for the same?**

- The transaction is subject to the regulatory approvals from Insurance Regulatory and Development Authority of India (“IRDAI”), Foreign Investment Promotion Board (“FIPB”) and Competition Commission of India (“CCI”).
- Sun Life seeks approval from the Office of the Superintendent of Financial Institutions (OSFI) in Canada, Sun Life’s principal regulator.
- We expect the transaction to get completed by the end of FY2015-16.

**Q6. What makes the shareholders so confident about the prospects of the business?**

- BSLI continues to show year-on-year growth in the total new business premium backed by Institutional Sales. There has been some de-growth in the retail sales due to loss of Citi bank, a key Banca partner. Besides, in our endeavour to drive Customer trust, we have consciously cut down our Tele Sales Business to ensure right selling, which has also constrained the retail sales. If we compare on like-to-like basis, BSLI has reported growth in retail sales during the first half this year after excluding sales from Citi bank and Telesales vertical.
- In the last 4-6 quarters, the organization has taken off on the journey to redefine the Business Model keeping Customer Trust at the core. The changes are evident with significant improvement in all the parameters related to the quality of the business viz., lapsation, surrenders and termination during free look period.
- We are confident that the new distribution model will bring sustainable growth in the coming quarters.

**Q7. Any progress on getting into any new Banca partnership/tie up?**

- We do believe that bancassurance remains an effective channel to deepen insurance penetration in the country by accessing the large and diversified consumer base.
- We continue to look at strengthening our distribution reach across channels incl. Banca.

**Q8. Why was primary issuance not considered through capital infusion in BSLI?**

- With over 2 times solvency margin and as per current growth plan and product mix, BSLI is well capitalised and will be able to fund its solvency and growth requirements through internal accruals itself in the foreseeable future.
- Having said that, ABNL and Sun Life are very much committed to fund any future growth capital requirement of the business, as and when required.



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### Q9. How will ABNL utilise the proceeds of Rs. 1,664 Crore from sale of 23% stake in BSLI?

- At ABNL, our endeavour is to create long term value for all the stakeholders by investing the promising sectors. At the same time, thrust has always been to keep the standalone balance sheet strong, which has been the growth engine for ABNL.
- In the past few years, ABNL has made substantial investments in the NBFC business which has now become a large player and a valuable franchisee. The Company has recently commenced Housing Finance business in October 2014. Both the businesses are growing at a good pace and require capital support. ABNL has capital commitment to the tune of Rs. 600 Crore for 2015-16 towards NBFC and Housing Finance businesses.
- Besides, ABNL has identified promising investment opportunities in the Health Insurance, Payment Banks and Solar Power sectors which will need funding support equivalent to ABNL's 51% stake, balance being funded by the respective joint venture partners.
- Proceeds from the stake sale in BSLI will reduce the Net Debt of ABNL substantially. Coupled with the free cash flow generation from Divisions, the standalone balance sheet of ABNL will stand strengthened to support its growth plans.

### Q10. In case of listing of BSLI in future, what is the understanding between the JV partners?

- ABNL & Sun Life would like to hold maximum permissible ownership, that is, 51% and 49%.
- However, if in future the regulations require us to list BSLI, we will evaluate appropriate ownership structure at that point of time.

### Q11. What benefits do you envisage for the financial services businesses, from the Payments Bank joint venture of ABNL?

- The Payments Bank JV between ABNL & Idea Cellular will capitalise on Idea's nationwide presence through 2 million+ retail distribution channel across 375,000 towns and villages to reach out to millions of potential customers. This provides an exciting ready-made platform for our financial services businesses to reach out to mass India cost-effectively.

For more information contact: Mr. Romi Talwar, Corporate Finance & Investor Relations, Aditya Birla Nuvo Ltd., at +91-22-2499-5573 or [romi.talwar@adityabirla.com](mailto:romi.talwar@adityabirla.com)

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**Aditya Birla Nuvo Limited**

Corporate Identity Number L17199GJ1956PLC001107

Regd. Office: Indian Rayon Compound, Veraval 362 266 (Gujarat)

Corporate Office: 4<sup>th</sup> Floor 'A' Wing, Aditya Birla Centre, S.K. Ahire Marg, Worli, Mumbai-400 030

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