

India

**ADD** (no change)

Consensus ratings*:	Buy 7	Hold 4	Sell 1
Current price:	Rs438		
Target price:	Rs520 ▲		
Previous target:	Rs470		
Up/downside:	18.7%		
InCred Research / Consensus:	17.5%		
Reuters:			
Bloomberg:	ABSLAMC IN		
Market cap:	US\$1,739m		
	Rs126,305m		
Average daily turnover:	US\$0.6m		
	Rs40.1m		
Current shares o/s:	288.0m		
Free float:	46.0%		

\*Source: Bloomberg

**Key changes in this note**

- We expect the overall revenue yield to remain under pressure due to intense competition, unless the company manages the market share loss.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	3.6	7.7	1.1
Relative (%)	6.9	11.8	(5.0)

<b>Major shareholders</b>	% held
Aditya Birla Capital	50.0
SnI life	37.0
Public	13.0

**Analyst(s)**



**Jignesh SHIAL**  
T (91) 22 4161 1547  
E jignesh.shial@incredcapital.com  
**Mayank AGARWAL**  
T (91) 22 4161 0000  
E mayank.agarwal@incredcapital.com

# Aditya Birla Sunlife AMC

## Market share loss needs to be addressed

- Aditya Birla Sunlife AMC posted a healthy 2Q PAT of Rs1.76bn, despite lower treasury income, as a sequential rise in equity AUM supported revenue yields.
- ABSL AMC lost overall market share sequentially from ~7.7% to ~7.4% whereas its equity AUM share dipped to ~5.2% from ~5.4% last quarter.
- We like ABSL AMC for its diversified product portfolio, superior return ratios and favourable risk-reward. Retain ADD rating on it with a higher TP of Rs520.

### AUM improves sequentially; market share loss raises concern

ABSL AMC reported 2QFY24 QAAUM growth of +10.1% yoy/+4.9% qoq to Rs3.24tr led by the spike in capital markets reflecting improved traction in equity assets under management or AUM (+9.3% yoy/+9.8% qoq) as well as continued momentum in debt fund inflow (+15.9% yoy/+2.6% qoq). However, the continuous loss of market share remains a cause of concern. ABSL AMC lost overall market share qoq from ~7.7% in 1QFY24 to ~7.4% in 2QFY24. A similar trend was also visible in equity AUM market share, which dipped to ~5.2% from ~5.4% last quarter. Management remains firm over the company's consistent efforts towards outperformance as well as improving the market share.

### Focus on granularity of inflow; SIP inflow trend steady

ABSL AMC is investing in digital infrastructure to smoothen the customer onboarding process and deepen penetration in B-30 cities (beyond Top-30 cities). Systematic investment plan or SIP inflow remained stagnant sequentially, with a monthly inflow of Rs9.87bn and live outstanding SIP folios at 3.23m as of end-Sep 2023. We are confident of the measures achieving success and expect a surge in equity AUM (including that of exchange traded funds or ETFs) in the coming quarters.

### Steady revenue yields support overall profitability

With a sequential rise in equity AUM, the company managed to hold its overall revenue yield at ~42bp on a sequential basis. This, coupled with well-managed operating expenses, resulted in decent profitability for the company at Rs1.76bn, despite lower treasury income during the quarter. We expect the overall revenue yield to remain under pressure due to intense competition but if the company manages its market share loss, then the trend of healthy profitability can be maintained in the coming quarters.

### Outlook and valuation

We now believe that the market regulator's new total expense ratio or TER norms will be applicable only from FY25F and thus we are increasing FY24F EPS by ~45%. We like ABSL AMC considering its diversified product portfolio, superior return ratios and favourable risk-reward. However, sustainability of market share along with stable revenue yields are mandatory for better returns. We maintain our ADD rating on the stock with a higher target price of Rs520, or ~23x FY25F EPS, from Rs470 earlier. Key downside risks: Low traction in new funds, branding risk and industry-related risks.

<b>Financial Summary</b>	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	13,790	13,199	15,449	14,979	17,038
Operating Revenue (Rsm)	13,790	13,199	15,449	14,979	17,038
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	6,604	5,793	7,246	6,564	7,711
Core EPS (Rs)	22.93	20.11	25.16	22.79	26.78
Core EPS Growth	28%	(12%)	25%	(9%)	17%
FD Core P/E (x)	19.12	21.80	17.43	19.24	16.37
DPS (Rs)	8.05	10.25	19.00	17.00	20.00
Dividend Yield	1.84%	2.34%	4.33%	3.88%	4.56%
BVPS (Rs)	76.4	87.4	93.6	93.6	93.6
P/BV (x)	5.74	5.02	4.69	4.69	4.69
ROE	33.8%	24.6%	27.8%	24.4%	28.6%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly results summary**

Rs m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
<b>Revenue from operations</b>	<b>2,990</b>	<b>3,056</b>	<b>3,087</b>	<b>2,919</b>	<b>3,057</b>	<b>3,292</b>	<b>7.7%</b>	<b>7.7%</b>
Other income	-308	764	489	319	775	554	-27.5%	-28.5%
<b>Total revenue (Rs m)</b>	<b>2,682</b>	<b>3,820</b>	<b>3,576</b>	<b>3,238</b>	<b>3,831</b>	<b>3,845</b>	<b>0.7%</b>	<b>0.4%</b>
Total expenditure	1,287	1,343	1,362	1,440	1,448	1,494	11.2%	3.2%
<i>Cost-to-income (%)</i>	<i>48.0%</i>	<i>35.1%</i>	<i>38.1%</i>	<i>44.5%</i>	<i>37.8%</i>	<i>38.8%</i>		
<b>Profit before tax</b>	<b>1,395</b>	<b>2,477</b>	<b>2,214</b>	<b>1,798</b>	<b>2,383</b>	<b>2,352</b>	<b>-5.1%</b>	<b>-1.3%</b>
Tax	380	577	564	454	557	587	1.7%	5.3%
<i>Tax rate (%)</i>	<i>27.2%</i>	<i>23.3%</i>	<i>25.5%</i>	<i>25.2%</i>	<i>23.4%</i>	<i>25.0%</i>		
<b>Profit after tax</b>	<b>1,015</b>	<b>1,900</b>	<b>1,650</b>	<b>1,344</b>	<b>1,826</b>	<b>1,765</b>	<b>-7.1%</b>	<b>-3.3%</b>
<b>QAAUM (Rs tr)</b>	<b>2.93</b>	<b>2.94</b>	<b>2.93</b>	<b>2.86</b>	<b>3.09</b>	<b>3.24</b>	<b>10.1%</b>	<b>4.9%</b>

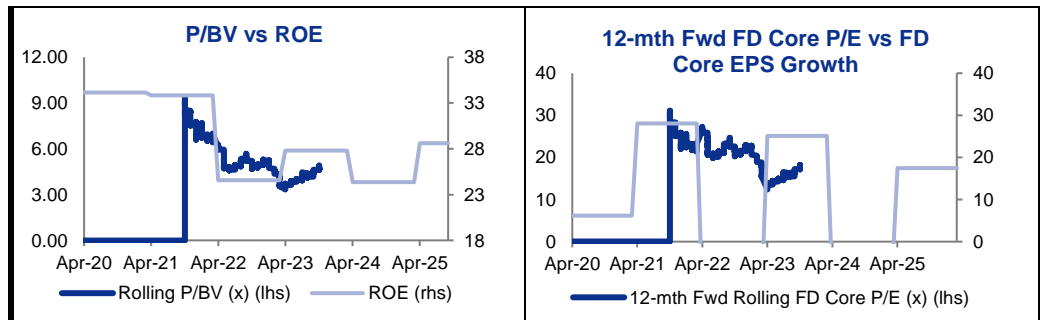
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

Y/E Mar (Rs m)	FY24F			FY25F			FY26F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue	10,067.1	12,921.9	28.4%	11,679.8	12,325.9	5.5%	13,582.1	14,252.3	4.9%
PAT	4,915.2	7,245.9	47.4%	5,880.7	6,564.2	11.6%	6,999.8	7,711.4	10.2%
EPS (Rs)	17.0	25.1	47.4%	20.4	22.7	11.6%	24.2	26.7	10.2%
Dividend payout (%)	75.0	75.0	0.0%	75.0	75.0	0.0%	75.0	75.0	0.0%
QAAUM (Rs tr)	3.1	3.3	4.5%	3.5	3.8	6.4%	4.0	4.3	6.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income					
<b>Total Non-Interest Income</b>	<b>13,790</b>	<b>13,199</b>	<b>15,449</b>	<b>14,979</b>	<b>17,038</b>
Operating Revenue	13,790	13,199	15,449	14,979	17,038
<b>Total Non-Interest Expenses</b>	<b>(4,622)</b>	<b>(5,099)</b>	<b>(5,445)</b>	<b>(5,867)</b>	<b>(6,379)</b>
Pre-provision Operating Profit	8,823	7,767	9,661	8,752	10,282
<b>Total Provision Charges</b>					
Operating Profit After Provisions	8,823	7,767	9,661	8,752	10,282
<b>Pretax Income/(Loss) from Assoc.</b>					
Operating EBIT (incl Associates)	8,823	7,767	9,661	8,752	10,282
<b>Non-Operating Income/(Expense)</b>					
Profit Before Tax (pre-EI)	8,823	7,767	9,661	8,752	10,282
<b>Exceptional Items</b>					
Pre-tax Profit	8,823	7,767	9,661	8,752	10,282
Taxation	(2,219)	(1,975)	(2,415)	(2,188)	(2,570)
Consolidation Adjustments & Others					
<b>Exceptional Income - post-tax</b>					
Profit After Tax	6,604	5,793	7,246	6,564	7,711
Minority Interests					
Pref. & Special Div					
<b>FX And Other Adj.</b>					
Net Profit	6,604	5,793	7,246	6,564	7,711
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	2.2%	1.8%	3.7%	4.2%	2.9%
<b>Avg Liquid Assets/Avg IEAs</b>					
Net Cust Loans/Assets					
<b>Net Cust Loans/Broad Deposits</b>					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
<b>Provision Charge/Avg Cust Loans</b>					
<b>Provision Charge/Avg Assets</b>					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rsm)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
<b>Total Gross Loans</b>					
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets					
<b>Total Provisions/Loan Loss Reserve</b>					
Total Net Interest Earning Assets					
Intangible Assets					
<b>Other Non-Interest Earning Assets</b>	<b>23,951</b>	<b>27,325</b>	<b>28,473</b>	<b>29,690</b>	<b>30,682</b>
<b>Total Non-Interest Earning Assets</b>	<b>23,951</b>	<b>27,325</b>	<b>28,473</b>	<b>29,690</b>	<b>30,682</b>
Cash And Marketable Securities	392	556	1,577	976	821
<b>Long-term Investments</b>					
Total Assets	24,343	27,881	30,050	30,665	31,503
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others	1,468	1,468	1,615	1,857	2,136
Total Interest-Bearing Liabilities	1,468	1,468	1,615	1,857	2,136
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	869	1,243	1,492	1,865	2,424
Total Liabilities	2,337	2,711	3,106	3,722	4,559
Shareholders Equity	22,006	25,170	26,944	26,944	26,944
<b>Minority Interests</b>					
Total Equity	22,006	25,170	26,944	26,944	26,944

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Income Growth					
Operating Profit Growth	27.1%	(11.7%)	23.5%	(8.9%)	17.0%
Pretax Profit Growth	29%	(12%)	24%	(9%)	17%
Net Interest To Total Income					
Cost Of Funds					
Return On Interest Earning Assets					
Net Interest Spread					
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit					
Interest Return On Average Assets					
Effective Tax Rate	25.2%	25.4%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Return On Average Assets	29.89%	22.18%	25.02%	21.62%	24.81%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

---

## DISCLAIMER

---

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

#### Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.