



India

ADD (no change)

Consensus ratings*: Buy 7 Hold 4 Sell 1

Current price:	Rs555
Target price: ▲	Rs700
Previous target:	Rs550
Up/downside:	26.1%
InCred Research / Consensus:	33.3%
Reuters:	
Bloomberg:	ABSLAMC IN
Market cap:	US\$1,918m Rs159,879m
Average daily turnover:	US\$1.1m Rs95.2m
Current shares o/s:	288.0m
Free float:	46.0%

*Source: Bloomberg

Key changes in this note

- The recent reshuffle of its investment team is a key trigger to watch out for as it could bring in scheme-level outperformance and address market share losses.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	21.8	18.8	64.4
Relative (%)	21.7	15.9	36.3

Major shareholders	% held
Aditya Birla Capital	50.0
SnI life	37.0
Public	13.0

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Aditya Birla Sunlife AMC

Turnaround likely to drive valuation premium

- Aditya Birla Sunlife AMC posted a healthy 4QFY24 PAT of Rs2.1bn, backed by improved revenue yield amid a relatively superior equity fund inflow.
- The recent reshuffle of its investment team is a key trigger to watch out for as this can bring in scheme-level outperformance & address market share loss.
- ABSL AMC can be a turnaround story with an attractive risk-reward ratio. Upgrade the stock's rating to a high-conviction ADD with a higher TP of Rs700.

AUM witnesses sizable improvement; market share loss declines

ABSL AMC reported 4QFY24 QAAUM at Rs3.3tr (+20.8% yoy/+6.5% qoq), which is healthy compared to the company's recent track record. The growth was mainly attributable to equity fund AUM's outperformance, but other segments also witnessed a healthy quarterly momentum. The company witnessed a qoq dip in market share, but the market share loss has been lower compared to previous quarters. ABSL AMC lost overall market share qoq to ~6.9% in Mar 2024 from ~7.1% in 3QFY24. A similar trend was also visible in equity fund AUM market share, which dipped to ~4.9% from ~5% in the previous quarter.

Steady revenue yield supports overall profitability

With a sequential rise in equity fund AUM, the company managed to improve revenue yield by ~2bp sequentially to ~43bp, mainly backed by improved equity inflow. This, coupled with well-managed operating expenses, resulted in decent profitability.

Focus on granularity of inflow; SIP inflow trend steady

Systematic investment plan or SIP inflow remained stagnant sequentially, with a monthly inflow of Rs12.5bn and live outstanding SIP folios stood at 3.58m as of end-Mar 2024. We are confident of the measures achieving success and expect a surge in equity fund AUM (including that of exchange traded funds or ETFs) in the coming quarters.

Change in investment team may aid market share gain

ABSL AMC has made changes to its investment team during the last few quarters which, we believe, remains a key trigger to watch out for in the near term. Historically, Nippon Life India AMC and HDFC AMC have witnessed a significant improvement in market share momentum after the change in the investment team, which may get reflected for ABSL AMC as well. If the team reshuffle brings up scheme-level outperformance, the AMC will be able to address market share loss issue in the coming quarters, which will provide valuation comfort.

Outlook and valuation

We retain our high-conviction ADD rating on ABSL AMC with a higher target price of Rs700, or ~18x FY26F EPS, from Rs550 earlier. We like ABSL AMC considering its diversified product portfolio, superior return ratios & favourable risk-reward ratio. However, the recent change in its investment team driving market share gains is the key thing to watch out for. Downside risks: Low traction in new funds and higher employee attrition.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Non-Interest Income (Rsm)	13,199	16,161	18,833	22,142	26,278
Operating Revenue (Rsm)	13,199	16,161	18,833	22,142	26,278
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	5,793	7,742	9,283	11,178	13,573
Core EPS (Rs)	20.11	26.88	32.23	38.81	47.13
Core EPS Growth	(12%)	34%	20%	20%	21%
FD Core P/E (x)	27.59	20.64	17.22	14.30	11.78
DPS (Rs)	10.25	13.50	19.00	23.00	28.00
Dividend Yield	1.85%	2.43%	3.42%	4.14%	5.05%
BVPS (Rs)	87.4	110.0	123.3	139.1	158.2
P/BV (x)	6.35	5.04	4.50	3.99	3.51
ROE	24.6%	27.2%	27.6%	29.6%	31.7%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary (Rs m)

Rs m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)
Revenue from operations	2,990	3,056	3,087	2,919	3,057	3,292	3,358	3,595	23.2%	7.1%
Other income	-308	764	489	319	775	554	791	740	132.1%	-6.4%
Total revenue (Rs m)	2,682	3,820	3,576	3,238	3,831	3,845	4,149	4,336	33.9%	4.5%
Total expenditure	1,287	1,343	1,362	1,440	1,448	1,494	1,522	1,677	16.5%	10.2%
<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>	<i>36.7%</i>	<i>38.7%</i>		
Profit before tax	1,395	2,477	2,214	1,798	2,383	2,352	2,627	2,659	47.9%	1.2%
Tax	380	577	564	454	557	587	542	592	30.4%	9.3%
<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>	<i>20.6%</i>	<i>22.3%</i>		
Profit after tax	1,015	1,900	1,650	1,344	1,826	1,765	2,085	2,067	53.7%	-0.9%
QAAUM (Rs tr)	2.93	2.94	2.93	2.86	3.09	3.24	3.25	3.46	20.8%	6.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

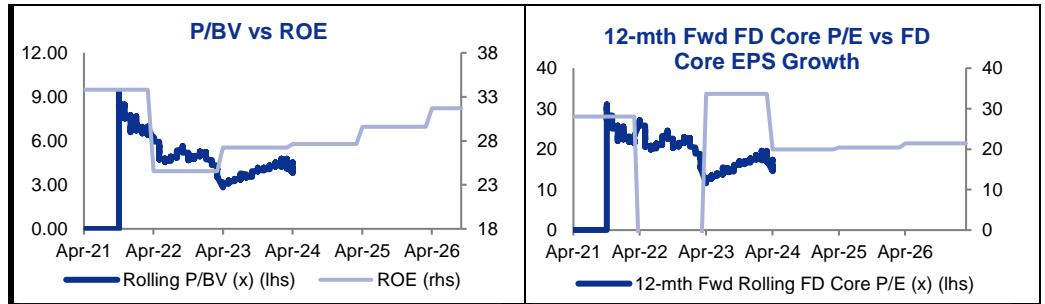
Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	14,086.8	15,830.7	12.4%	15,398.5	18,989.3	23.3%	NA	22,967.6	NA
PAT	8,228.8	9,282.7	12.8%	8,927.4	11,178.2	25.2%	NA	13,572.9	NA
EPS (Rs)	28.5	32.1	12.8%	30.9	38.7	25.3%	NA	47.0	NA
Dividend payout (%)	75.0	60.0	-20.0%	75.0	60.0	-20.0%	NA	60.0	NA
QAAUM (Rs tr)	3.8	4.1	8.8%	4.4	4.9	11.6%	NA	5.8	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4Q earnings conference call - key highlights

- The company had a renewed focus on SIP and added 596,000 new SIPs, which was also led by a good performance across schemes. Inflows have come from Flexi Cap Fund, BSE Equity Fund, Digital India Fund and Small-Mid Cap Fund through online as well as offline channels.
- The SIP AUM is at Rs692bn for the year ended Mar 2024.
- In the offline space, we have seen significant improvement with monthly registrations at 220,000 vs. a previous run-rate of 75-80,000.
- Launch of NFO post general elections, which will be a Quant fund.
- Revenue growth is in line with AUM growth and the AUM mix had a better-yield equity portion.
- The yield on equity AUM is at 68bp, debt fund AUM at 23-25bp and liquid fund AUM at 10-13bp.
- The alternative business revenue is at Rs1bn, which comprises AIF, PMS and offshore funds.
- Other costs were higher for the quarter due to an event conducted by the company to connect with its distributors. The event will be conducted every year in the fourth quarter.
- Employee costs are slightly higher due to bonus expenses and ESOP costs of around Rs230-240m.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income					
Total Non-Interest Income	13,199	16,161	18,833	22,142	26,278
Operating Revenue	13,199	16,161	18,833	22,142	26,278
Total Non-Interest Expenses	(5,099)	(5,806)	(6,503)	(7,348)	(8,376)
Pre-provision Operating Profit	7,767	10,020	11,978	14,424	17,513
Total Provision Charges					
Operating Profit After Provisions	7,767	10,020	11,978	14,424	17,513
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	7,767	10,020	11,978	14,424	17,513
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	7,767	10,020	11,978	14,424	17,513
Exceptional Items					
Pre-tax Profit	7,767	10,020	11,978	14,424	17,513
Taxation	(1,975)	(2,278)	(2,695)	(3,245)	(3,941)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,793	7,742	9,283	11,178	13,573
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	5,793	7,742	9,283	11,178	13,573
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	1.8%	2.2%	3.0%	3.6%	3.2%
Avg Liquid Assets/Avg IEAs					
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans					
Provision Charge/Avg Assets					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Gross Loans					
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets					
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets					
Intangible Assets					
Other Non-Interest Earning Assets	27,325	34,170	37,635	42,205	48,145
Total Non-Interest Earning Assets	27,325	34,170	37,635	42,205	48,145
Cash And Marketable Securities	556	848	1,400	1,603	1,405
Long-term Investments					
Total Assets	27,881	35,019	39,035	43,808	49,550
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others	1,468	2,035	2,137	2,244	2,356
Total Interest-Bearing Liabilities	1,468	2,035	2,137	2,244	2,356
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,243	1,296	1,400	1,512	1,633
Total Liabilities	2,711	3,331	3,536	3,755	3,988
Shareholders Equity	25,170	31,688	35,499	40,053	45,562
Minority Interests					
Total Equity	25,170	31,688	35,499	40,053	45,562

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	(11.7%)	27.8%	19.1%	20.0%	21.0%
Pretax Profit Growth	(12%)	29%	20%	20%	21%
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	25.4%	22.7%	22.5%	22.5%	22.5%
Net Dividend Payout Ratio					
Return On Average Assets	22.18%	24.62%	25.07%	26.99%	29.08%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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