

India

ADD (no change)

Consensus ratings*: Buy 11 Hold 4 Sell 1

Current price: Rs876
 Target price: ▲ Rs1,000
 Previous target: Rs900
 Up/downside: 14.2%
 InCred Research / Consensus: 19.0%

Reuters:
 Bloomberg: ABSLAMC IN
 Market cap: US\$2,925m
 Rs252,707m
 Average daily turnover: US\$3.1m
 Rs271.2m
 Current shares o/s: 288.0m
 Free float: 25.1%

*Source: Bloomberg

Key changes in this note

- Raise QAAUM estimates to incorporate strong AUM growth.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.2	33.8	24.5
Relative (%)	15.0	29.0	21.3

Major shareholders	% held
Aditya Birla Capital	44.9
Sun Life	30.0
Nippon Life	3.2

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Aditya Birla Sunlife AMC

Stable performance; market share stabilizes

- ABSL AMC posted in-line 1QFY26 core operating profit and higher-than-expected treasury gains, which led to a PAT beat at Rs2.8bn.
- The gradual improvement in performance is visible with flattish net sales growth yoy and sequentially stable market share movement.
- ABSL AMC can be a turnaround story, with early signs of an improvement cropping up, but we await consistency. Retain ADD with a new TP of Rs1,000.

Stable yields, healthy AUM growth & strong other gains boost PAT

Aditya Birla Sun Life AMC (ABSL AMC) reported a broadly in-line operating performance in 1QFY26, with strong treasury gains leading to a PAT of Rs2.8bn, up 19% yoy and 22% qoq. Yields remained sequentially stable at ~42bp (excluding the ESIC mandate) led by a largely stable mix qoq. Strong capital markets led to better treasury income, up 64% qoq/25% yoy. Employee costs were down by 6% qoq due to lower variable pay; however, the company gave guidance that it will increase going ahead.

Gradual improvement in fund performance; market share loss visible

QAAUM, including alternate assets, grew by ~21% yoy and 9% qoq to Rs4.4tr, led by the ESIC mandate of Rs235bn, strong pick-up in equity funds (up 7% qoq) and healthy traction in debt funds (up ~5% qoq). The improving fund performance and investment in distribution channels is reaping initial results, with the market share loss easing. Overall market share loss eased to ~7bp qoq vs. a run rate of 15-20bp earlier, led by improving market share in liquid fund and ETF segments. New systematic investment plan or SIP registrations saw a marginal growth sequentially of 7.7% to 0.6m; however, the same was down 31% yoy. Contributing SIP accounts were largely flat during the quarter at 3.86m.

Transition is in progress, addition to investment team likely

ABSL AMC has made changes in 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 their investment teams, which may get reflected for ABSL AMC as well. ABSL AMC is working for expansion of its product line to fulfil the diverse needs of its customers and gain market share. The company is also tapping different avenues to spread its presence across the market and strengthen its position.

Maintain ADD rating with a higher target price of Rs1,000

We believe the company is pushing the right buttons for improving its market share. We maintain our ADD rating on the stock with an unchanged target price of Rs1,000, or ~22x FY27F EPS from Rs900 earlier. Key downside risks: Low traction in new funds and a higher employee attrition rate.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	16,161	19,586	23,201	26,788	31,686
Operating Revenue (Rsm)	16,161	19,586	23,201	26,788	31,686
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	7,742	9,247	11,324	13,255	16,042
Core EPS (Rs)	26.88	32.11	39.32	46.02	55.70
Core EPS Growth	31%	19%	22%	17%	21%
FD Core P/E (x)	32.57	27.27	22.27	19.02	15.72
DPS (Rs)	13.50	24.00	25.00	29.00	35.00
Dividend Yield	1.54%	2.74%	2.86%	3.31%	4.00%
BVPS (Rs)	109.5	128.6	143.4	160.6	181.5
P/BV (x)	7.99	6.81	6.11	5.45	4.82
ROE	27.3%	27.0%	28.9%	30.3%	32.6%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	yoy %	qoq %
Revenue from operations	3,805	4,176	4,384	4,226	4,419	16.2%	4.6%
Other income	944	954	380	716	1,176	24.5%	64.1%
Total revenue	4,749	5,131	4,765	4,942	5,595	17.8%	13.2%
Total expenditure	1,724	1,790	1,787	1,899	1,874	8.7%	-1.3%
<i>Cost-to-income (%)</i>	36.3%	34.9%	37.5%	38.4%	33.5%		
Profit before tax	3,025	3,341	2,978	3,043	3,721	23.0%	22.3%
Tax	688	928	754	770	952	38.3%	23.7%
<i>Tax rate (%)</i>	22.7%	27.8%	25.3%	25.3%	25.6%		
Profit after tax	2,337	2,413	2,224	2,273	2,769	18.5%	21.8%
QAAUM (Rs tr)	3.68	4.00	4.01	4.06	4.43	20.6%	9.3%
Equity domestic	16,21,000	18,06,000	17,95,000	16,91,000	18,02,000	11.2%	6.6%
% of mutual funds' QAUM	44.1%	45.1%	44.8%	41.7%	40.6%		
Debt domestic	13,58,000	14,06,000	14,63,000	15,15,000	15,97,000	17.6%	5.4%
% of mutual funds' QAUM	36.9%	35.1%	36.5%	37.4%	36.0%		
Liquid schemes	5,46,000	6,21,000	5,81,000	6,11,000	6,36,000	16.5%	4.1%
% of mutual funds' AAAUM	14.9%	15.5%	14.5%	15.1%	14.3%		
Alternate & offshore	1,51,000	1,71,000	1,70,000	2,39,000	3,98,000	163.6%	66.5%
% of mutual funds' AAAUM	4.1%	4.3%	4.2%	5.9%	9.0%		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our earnings revision summary

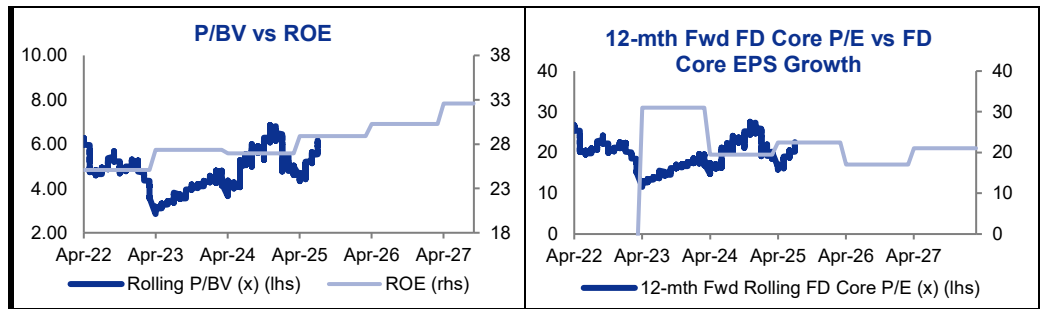
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	18,601.3	19,139.5	2.9%	22,373.5	22,557.4	0.8%	27,713.1	27,325.5	-1.4%
PAT	10,133.3	11,324.0	11.8%	12,144.5	13,255.1	9.1%	14,857.6	16,042.4	8.0%
EPS (Rs)	35.1	39.2	11.8%	42.1	45.9	9.1%	51.4	55.5	8.0%
Dividend payout (%)	62.5	62.5	0.0%	62.5	62.5	0.0%	62.5	62.5	0.0%
QAAUM (Rs tr)	4.8	5.1	5.2%	6.1	6.1	0.4%	7.6	7.3	-3.9%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

1QFY26 earnings-call highlights ►

- Investor folios rose to 1.6m, up 14% YoY.
- The company saw traction in frontline, balanced, multi-cap, and thematic funds.
- The company is enhancing its product portfolio with new offerings in ETFs, index funds, and fund of funds, and is preparing to launch ABSL India Equity Innovation Fund. Also, it is planning to launch a new fund, SIF (Apex); a press release in this connection is expected soon.
- The company is planning to host regional growth summits to boost engagement with distributors and strengthen its market presence.
- PMS and AIF assets grew by 8x from Rs34bn to Rs286bn, driven by the Employees State Insurance Corporation or ESIC mandate.
- Some withdrawals were seen in the overseas portfolio on account of portfolio restructuring and global macroeconomic uncertainty.
- The HNI team to be strengthened by taking its strength to 100 members, up from 95 members currently.
- The company currently caters to 9,000 corporate accounts; the target is to reach 12,000 accounts by expanding into T-30 cities.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
Total Non-Interest Income	16,161	19,586	23,201	26,788	31,686
Operating Revenue	16,161	19,586	23,201	26,788	31,686
Total Non-Interest Expenses	(5,806)	(6,812)	(7,550)	(8,437)	(9,458)
Pre-provision Operating Profit	10,020	12,387	15,216	17,811	21,556
Total Provision Charges					
Operating Profit After Provisions	10,020	12,387	15,216	17,811	21,556
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	10,020	12,387	15,216	17,811	21,556
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	10,020	12,387	15,216	17,811	21,556
Exceptional Items					
Pre-tax Profit	10,020	12,387	15,216	17,811	21,556
Taxation	(2,278)	(3,139)	(3,892)	(4,556)	(5,514)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	7,742	9,247	11,324	13,255	16,042
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	7,742	9,247	11,324	13,255	16,042
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	10.4%	4.8%	9.6%	21.3%	20.0%
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					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
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	2,808	3,046	759	854	961
Total Non-Interest Earning Assets	2,808	3,046	759	854	961
Cash And Marketable Securities	108	188	214	222	231
Long-term Investments					
Total Assets	2,916	3,235	972	1,076	1,192
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others	1,994	2,195	5,130	9,350	14,961
Total Interest-Bearing Liabilities	1,994	2,195	5,130	9,350	14,961
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,289	1,607	1,739	1,883	2,038
Total Liabilities	3,283	3,802	6,870	11,233	16,999
Shareholders Equity	31,545	37,040	41,287	46,257	52,273
Minority Interests					
Total Equity	31,545	37,040	41,287	46,257	52,273

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	26.0%	23.4%	22.5%	17.3%	21.1%
Pretax Profit Growth	27%	24%	23%	17%	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	22.7%	25.3%	25.6%	25.6%	25.6%
Net Dividend Payout Ratio					
Return On Average Assets	241.94%	300.71%	538.38%	1,294.23%	1,414.41%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.