



India

ADD (no change)

Consensus ratings*: Buy 7 Hold 2 Sell 1

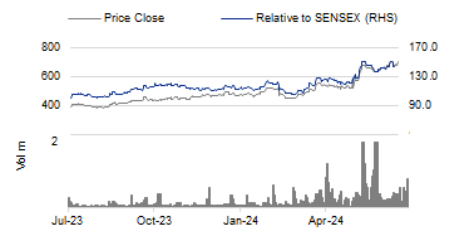
Current price:	Rs703
Target price: ▲	Rs950
Previous target:	Rs700
Up/downside:	35.1%
InCred Research / Consensus:	42.0%

Reuters:	
Bloomberg:	ABSLAMC IN
Market cap:	US\$2,789m Rs202,534m
Average daily turnover:	US\$3.1m Rs222.5m
Current shares o/s:	288.0m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

- The recent reshuffle of the investment team is the key trigger to watch out for, as that could bring in scheme-level outperformance & improve market share.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.3	27.6	75.4
Relative (%)	4.5	18.4	45.3

Major shareholders	% held
Aditya Birla Capital	45.0
Sun Life	30.0
LIC	3.7

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Aditya Birla Sunlife AMC

Market share gains to aid valuation premium

- Aditya Birla Sunlife AMC posted an in-line 1QFY25 PAT of Rs2.3bn backed by steady revenue yields, elevated other income and well-managed costs.
- The recent reshuffle of its investment team is the key trigger to watch out for, as that could bring in scheme-level outperformance & improve market share.
- ABSL AMC can be a turnaround story with an attractive risk-reward ratio. We retain our high-conviction ADD rating on it with a higher TP of Rs950.

AUM witnesses sizable improvement; market share loss reduces

ABSL AMC reported 1QFY25 QAAUM of Rs3.7tr (+19.2% yoy/+6.3% qoq), which is healthy compared to the AMC's previous quarter track record. The growth was mainly attributable to equity funds' AUM outperformance, however other segments also witnessed a healthy momentum. The company witnessed a sequential dip in its market share, but quantum market share has been lower compared to the previous quarters. ABSL AMC lost overall market share qoq to ~6.7% in Jun 2024 vs ~6.9% in Mar 2024. A similar trend was seen in equity funds' AUM market share, which dipped to ~4.7% from ~4.9% last quarter.

Steady revenue yields support overall profitability

With a sequential rise in equity AUM, the company managed revenue yields at~43bp sequentially, mainly backed by improved equity fund inflow. This, coupled with elevated other income due to superior capital market momentum as well as 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 Rs13.7bn and live outstanding SIP folios at 4.1m as of end-Jun 2024. We are confident of these measures achieving success and expect a surge in equity funds' AUM (including that of exchange traded funds or ETFs) in the coming quarters.

Change in investment team may aid market share gains

ABSL AMC has made changes in its investment team during the last few quarters which, we believe remain a key trigger to watch out for in the near term. Historically, Nippon Life India AMC & HDFC AMC have witnessed a significant improvement in market share momentum post 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, thus providing valuation comfort.

Outlook and valuation

We had upgraded ABSL AMC to our high-conviction ADD-rated stocks list last quarter and have achieved our previous target price (+30% returns). We remain confident of a turnaround and maintain our high-conviction ADD rating on it with a higher target price of Rs950 (Rs700 earlier), or ~22x FY26F EPS. Key downside risks: Low traction in new funds and higher employee attrition.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	13,199	16,161	20,244	24,208	28,755
Operating Revenue (Rsm)	13,199	16,161	20,244	24,208	28,755
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	5,793	7,742	10,178	12,450	15,051
Core EPS (Rs)	20.11	26.88	35.34	43.23	52.26
Core EPS Growth	(12%)	34%	31%	22%	21%
FD Core P/E (x)	34.95	26.15	19.89	16.26	13.45
DPS (Rs)	10.25	13.50	19.00	26.00	31.00
Dividend Yield	1.46%	1.92%	2.70%	3.70%	4.41%
BVPS (Rs)	87.4	110.0	126.4	143.6	164.9
P/BV (x)	8.04	6.39	5.56	4.90	4.26
ROE	24.6%	27.2%	29.9%	32.0%	33.9%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Rs m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue from operations	2,990	3,056	3,087	2,919	3,057	3,292	3,358	3,595	3,805	24.5%	5.8%
Other income	-308	764	489	319	775	554	791	740	944	21.9%	27.5%
Total revenue (Rs m)	2,682	3,820	3,576	3,238	3,831	3,845	4,149	4,336	4,749	24.0%	9.5%
Total expenditure	1,287	1,343	1,362	1,440	1,448	1,494	1,522	1,677	1,724	19.1%	2.8%
Cost-to-income (%)	48.0%	35.1%	38.1%	44.5%	37.8%	38.8%	36.7%	38.7%	36.3%		
Profit before tax	1,395	2,477	2,214	1,798	2,383	2,352	2,627	2,659	3,025	26.9%	13.8%
Tax	380	577	564	454	557	587	542	592	688	23.5%	16.2%
Tax rate (%)	27.2%	23.3%	25.5%	25.2%	23.4%	25.0%	20.6%	22.3%	22.7%		
Profit after tax	1,015	1,900	1,650	1,344	1,826	1,765	2,085	2,067	2,337	28.0%	13.1%
QAAUM (Rs tr)	2.93	2.94	2.93	2.86	3.09	3.24	3.25	3.46	3.68	19.2%	6.3%

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	15,830.7	16,812.8	6.2%	18,989.3	20,159.4	6.2%	22,967.6	24,099.2	4.9%
PAT	9,282.7	10,177.8	9.6%	11,178.2	12,449.9	11.4%	13,572.9	15,050.6	10.9%
EPS (Rs)	32.1	35.2	9.8%	38.7	43.1	11.4%	47.0	52.1	10.9%
Dividend payout (%)	60.0	55.0	-8.3%	60.0	60.0	0.0%	60.0	60.0	0.0%
QAAUM (Rs tr)	4.1	4.2	2.1%	4.9	5.0	1.6%	5.8	6.0	3.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

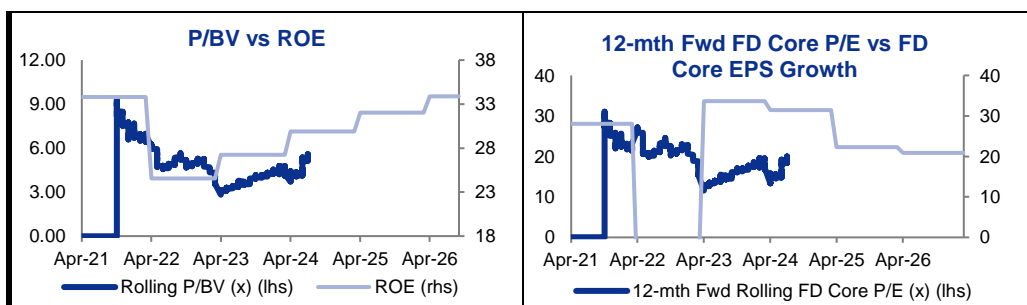
Figure 3: InCred BFSI Coverage

Banks	Rating	CMP(Rs)	TP(Rs)	P/B(X) (at TP)			ROA(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
SBI **	ADD	864	1,000	2.1	1.8	1.6	1.0%	1.1%	1.1%	16.3%	17.2%	17.6%
HDFC Bank **	ADD	1,618	2,000	3.1	2.8	2.6	1.9%	2.0%	2.0%	15.4%	16.3%	16.9%
ICICI Bank	ADD	1,227	1,300	3.5	3.0	2.6	2.3%	2.2%	2.3%	17.7%	17.3%	17.7%
Axis Bank	HOLD	1,263	1,300	2.3	2.0	1.7	1.7%	1.7%	1.7%	16.8%	16.0%	16.3%
IndusInd	HOLD	1,413	1,650	1.8	1.6	1.4	1.7%	1.7%	1.7%	14.1%	14.4%	14.8%
NBFCs	Rating	CMP(Rs)	TP(Rs)	P/B(X) (at TP)			ROA(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Bajaj Finance	ADD	6,727	9,000	6.0	5.1	4.2	4.2%	4.4%	4.5%	21.0%	23.5%	25.4%
Cholamandalam	ADD	1,395	1,400	5.0	4.1	3.4	2.5%	2.5%	2.5%	21.0%	21.8%	22.5%
MMFS **	ADD	296	370	2.4	2.2	2.0	1.8%	1.9%	2.0%	12.3%	14.0%	15.7%
Shriram Finance **	ADD	2,739	2,950	2.0	1.7	1.4	3.4%	3.5%	3.5%	16.9%	17.3%	17.9%
SBI Cards **	Reduce	730	500	3.4	2.9	2.5	3.6%	3.2%	3.0%	17.8%	16.6%	16.3%
Aavas	ADD	1,777	2,000	3.5	3.0	2.6	3.3%	2.9%	2.9%	14.7%	14.1%	14.9%
Home First	ADD	1,063	1,100	4.2	3.7	3.2	3.4%	3.4%	3.4%	16.2%	17.7%	19.3%
Spandana Spoorty	ADD	699	1,300	2.1	1.8	1.5	4.4%	4.6%	4.6%	16.7%	17.9%	18.2%
Fusion Micro Finance	HOLD	429	580	1.7	1.4	1.1	4.7%	4.7%	4.7%	19.4%	19.6%	19.7%
AMCs	Rating	CMP(Rs)	TP(Rs)	P/E(X) (at TP)			ROAUM(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Nippon AMC	ADD	628	800	35.7	29.5	23.7	0.28%	0.26%	0.25%	35.2%	41.8%	50.7%
HDFC AMC	HOLD	3,957	4,250	33.5	29.9	25.3	0.37%	0.35%	0.35%	32.8%	34.2%	37.3%
UTI AMC	ADD	970	1,100	16.0	13.0	11.1	0.29%	0.29%	0.28%	18.8%	20.6%	21.4%
ABSL AMC**	ADD	703	950	26.9	22.0	18.2	0.27%	0.27%	0.27%	29.9%	32.0%	33.9%
Insurance	Rating	CMP(Rs)	TP(Rs)	P/EV (X) (at TP)			Return on EV (%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
SBI Life Insurance	HOLD	1595	1750	2.5	2.2	1.8	18.9%	18.5%	18.1%	15.4%	16.6%	16.2%

NOTE: ** HIGH CONVICTION

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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	20,244	24,208	28,755
Operating Revenue	13,199	16,161	20,244	24,208	28,755
Total Non-Interest Expenses	(5,099)	(5,806)	(6,729)	(7,738)	(8,910)
Pre-provision Operating Profit	7,767	10,020	13,133	16,064	19,420
Total Provision Charges					
Operating Profit After Provisions	7,767	10,020	13,133	16,064	19,420
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	7,767	10,020	13,133	16,064	19,420
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	7,767	10,020	13,133	16,064	19,420
Exceptional Items					
Pre-tax Profit	7,767	10,020	13,133	16,064	19,420
Taxation	(1,975)	(2,278)	(2,955)	(3,614)	(4,370)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,793	7,742	10,178	12,450	15,051
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	5,793	7,742	10,178	12,450	15,051
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%	2.5%	2.1%	1.7%
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	38,906	44,353	50,593
Total Non-Interest Earning Assets	27,325	34,170	38,906	44,353	50,593
Cash And Marketable Securities	556	848	1,024	758	874
Long-term Investments					
Total Assets	27,881	35,019	39,930	45,111	51,467
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	36,394	41,356	47,478
Minority Interests					
Total Equity	25,170	31,688	36,394	41,356	47,478

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	(11.7%)	27.8%	30.5%	21.9%	20.5%
Pretax Profit Growth	(12%)	29%	31%	22%	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%	27.16%	29.28%	31.17%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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