



India

ADD (no change)

Consensus ratings*:	Buy 8	Hold 3	Sell 2
Current price:	Rs758		
Target price:	Rs1,000 ▲		
Previous target:	Rs950		
Up/downside:	31.9%		
InCred Research / Consensus:	27.7%		
Reuters:			
Bloomberg:	ABSLAMC IN		
Market cap:	US\$3,011m	Rs218,630m	
Average daily turnover:	US\$5.4m	Rs389.7m	
Current shares o/s:	288.0m		
Free float:	25.1%		

*Source: Bloomberg

Aditya Birla Sunlife AMC

The turnaround story remains intact

- ABSL AMC posted an in-line 2QFY25 PAT of Rs2.4bn, backed by improved revenue yields, elevated other income and well-managed costs.
- Revenue yield inched up to ~44bp sequentially as the share of better-yield assets like equity and alternatives was ~49.4% against ~48.2% in Jun 2024.
- ABSL AMC can be a turnaround story with an attractive risk-reward ratio. Maintain high-conviction ADD with a new TP of Rs1,000 or ~22.6x FY26F EPS.

AUM posts sizable improvement; market share loss is declining

Aditya Birla Sunlife AMC or ABSL AMC reported 2QFY25 QAAUM at Rs4tr (+23.8% yoy/+8.9% qoq), which is healthy compared to the AMC's previous quarter track record. The growth was mainly attributable to equity AUM's outperformance, but growth in offshore & alternate funds also remained healthy (+35.7% yoy/4.3% qoq). ABSL AMC lost overall market share qoq at ~6.47% in Jun 2024 vs. ~6.7% in Jun 2024. However, the quantum of market share loss in case of equity AUM eased to ~4.55% from ~4.7% last quarter.

Improvement in revenue yield amid a rise in better-yield assets

Revenue yield inched up to ~44bp against ~43bp sequentially as the share of better-yield assets like equity and alternatives rose to ~49.4% against ~48.2% in Jun 2024. This, coupled with elevated other income due to superior capital market momentum as well as well-managed operating expenses, resulted in a stable PAT yield of ~25bp despite the spike in tax expenses due to the change in indexation norms for long-term capital gains.

Focus on granularity of inflow; SIP inflow trend steady

Systematic investment plan or SIP inflow improved sequentially, with a monthly inflow of Rs14.3bn and live outstanding SIP folios at 4.6m as of end-Sep 2024. We are confident of the measures achieving success and expect a surge in equity AUM (including that of exchange traded funds or ETFs) in coming quarters.

The change in investment team may aid market share gains

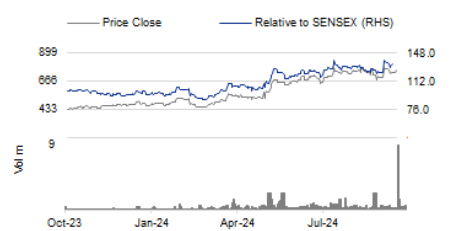
ABSL AMC has made changes in its investment team during the last few quarters which, we believe, remains a key trigger to watch out for in the near term. Historically, Nippon Life India AMC and HDFC AMC have witnessed a significant improvement in market share momentum post change in their investment teams, 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 the market share loss problem in coming quarters, which will provide valuation comfort.

Outlook and valuation

We remain confident of a turnaround of the company and maintain our high-conviction ADD rating on it with a higher target price of Rs1,000 (Rs950 earlier), or ~22.6x FY26F EPS. Key downside risks: Low traction in new funds and higher employee attrition.

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 improve market share.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.1	7.4	73.0
Relative (%)	10.3	9.3	37.9

Major shareholders	% held
Aditya Birla Capital	45.0
Snl life	30.0
LIC	3.7

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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)	14,388	18,780	20,472	24,708	29,353
Operating Revenue (Rsm)	14,388	18,780	20,472	24,708	29,353
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	6,981	10,361	10,061	12,728	15,387
Core EPS (Rs)	24.24	35.98	34.93	44.19	53.43
Core EPS Growth	6%	48%	(3%)	27%	21%
FD Core P/E (x)	31.28	21.08	21.71	17.16	14.19
DPS (Rs)	10.25	13.50	19.00	27.00	32.00
Dividend Yield	1.35%	1.78%	2.51%	3.56%	4.22%
BVPS (Rs)	87.1	109.5	125.5	142.7	164.1
P/BV (x)	8.71	6.92	6.04	5.32	4.62
ROE	29.6%	36.6%	29.7%	33.0%	34.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Rs m	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
Revenue from operations	3,057	3,292	3,358	3,595	3,805	4,176	26.9%	9.8%
Other income	775	554	791	740	944	954	72.4%	1.1%
Total revenue (Rs m)	3,831	3,845	4,149	4,336	4,749	5,131	33.4%	8.0%
Total expenditure	1,448	1,494	1,522	1,677	1,724	1,790	19.8%	3.8%
<i>Cost-to-income (%)</i>	<i>37.8%</i>	<i>38.8%</i>	<i>36.7%</i>	<i>38.7%</i>	<i>36.3%</i>	<i>34.9%</i>		
Profit before tax	2,383	2,352	2,627	2,659	3,025	3,341	42.1%	10.5%
Tax	557	587	542	592	688	928	58.0%	34.8%
<i>Tax rate (%)</i>	<i>23.4%</i>	<i>25.0%</i>	<i>20.6%</i>	<i>22.3%</i>	<i>22.7%</i>	<i>27.8%</i>		
Profit after tax	1,826	1,765	2,085	2,067	2,337	2,413	36.8%	3.3%
QAAUM (Rs tr)	3.09	3.24	3.25	3.46	3.68	4.00	23.8%	8.9%

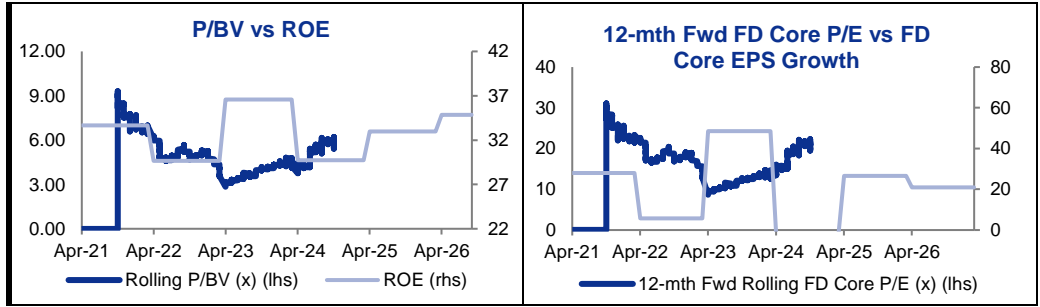
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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	16,888.9	17,041.0	0.9%	20,326.0	20,659.2	1.6%	24,298.4	24,696.7	1.6%
PAT	9,840.5	10,061.1	2.2%	12,579.1	12,728.0	1.2%	15,204.9	15,386.8	1.2%
EPS (Rs)	34.1	34.8	2.2%	43.6	44.1	1.2%	52.6	53.3	1.2%
Dividend payout (%)	55.0	55.0	0.0%	60.0	60.0	0.0%	60.0	60.0	0.0%
QAAUM (Rs tr)	4.2	4.3	1.6%	5.0	5.1	1.6%	6.0	6.1	1.6%

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	14,388	18,780	20,472	24,708	29,353
Operating Revenue	14,388	18,780	20,472	24,708	29,353
Total Non-Interest Expenses	(5,099)	(5,806)	(6,852)	(7,880)	(9,073)
Pre-provision Operating Profit	8,956	12,639	13,238	16,423	19,854
Total Provision Charges					
Operating Profit After Provisions	8,956	12,639	13,238	16,423	19,854
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	8,956	12,639	13,238	16,423	19,854
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	8,956	12,639	13,238	16,423	19,854
Exceptional Items					
Pre-tax Profit	8,956	12,639	13,238	16,423	19,854
Taxation	(1,975)	(2,278)	(3,177)	(3,695)	(4,467)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	6,981	10,361	10,061	12,728	15,387
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	6,981	10,361	10,061	12,728	15,387
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%	1.1%	0.4%	0.7%	1.6%
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	27,210	34,724	39,539	44,653	50,428
Total Non-Interest Earning Assets	27,210	34,724	39,539	44,653	50,428
Cash And Marketable Securities	557	104	192	376	1,151
Long-term Investments					
Total Assets	27,766	34,828	39,731	45,029	51,580
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others	1,440	1,994	2,153	2,326	2,512
Total Interest-Bearing Liabilities	1,440	1,994	2,153	2,326	2,512
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,237	1,289	1,444	1,617	1,811
Total Liabilities	2,677	3,283	3,597	3,943	4,323
Shareholders Equity	25,090	31,545	36,134	41,086	47,257
Minority Interests					
Total Equity	25,090	31,545	36,134	41,086	47,257

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	1.3%	39.7%	5.0%	23.6%	20.5%
Pretax Profit Growth	2%	41%	5%	24%	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	22.1%	18.0%	24.0%	22.5%	22.5%
Net Dividend Payout Ratio					
Return On Average Assets	26.79%	33.10%	26.99%	30.03%	31.85%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- 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.

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Definition:

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- 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.

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- 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.