



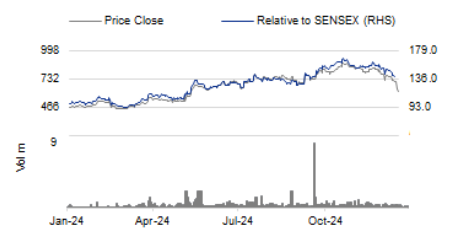
India

ADD (no change)

Consensus ratings*:	Buy 9	Hold 4	Sell 2
Current price:	Rs612		
Target price:	Rs850		
Previous target:	Rs1,000		
Up/downside:	38.9%		
InCred Research / Consensus:	-1.5%		
Reuters:	ADIE.NS		
Bloomberg:	ABSLAMC IN		
Market cap:	US\$2,040m		
	Rs176,482m		
Average daily turnover:	US\$4.7m		
	Rs404.3m		
Current shares o/s:	288.0m		
Free float:	25.1%		
*Source: Bloomberg			

Key changes in this note

- Stable yields, strong debts flows supporting AUM growth. Volatile markets lowered other income and slowed equity and SIP inflow.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(25.1)	(22.3)	28.2
Relative (%)	(22.3)	(17.8)	21.5

Major shareholders	% held
Aditya Birla Capital	44.9
Sun Life	30.0
LIC	3.6

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Aditya Birla Sunlife AMC

Stumbles in choppy markets

- ABSL AMC posts in-line 3Q PAT of Rs2.2bn amid steady core performance, but concerns over market share loss in equities & volatile SIP flow/registration.
- Live SIP count showed a net decline of ~0.24m in 3QFY25 to ~4.35m whereas fresh SIP registrations fell to ~0.67m against ~1.16m in the previous quarter.
- ABSL AMC can be a turnaround story; however, retail market share loss needs to be addressed, & we await execution. Retain ADD with a lower TP of Rs850.

Stable yields, heathy topline; volatile capital markets

Aditya Birla Sun Life AMC reported a broad in-line operating performance in 3QFY25, with PAT at Rs2.2bn, weighed down by lower other income. Yields remained sequentially stable at ~44bp led by a rise in debt fund TER, and also higher TER in equity funds on account of lower AUM due to market volatility, and lower marketing and selling expenses. Volatile capital markets led to ~60% lower other income qoq, given the mandatory exposure to equity-linked schemes.

Healthy inflow in debt funds, equity funds and SIPs show slowdown

QAAUM, including alternate assets, grew by ~23.5% yoy and was flat qoq at Rs4tr, led by higher traction in debt funds (up ~6% qoq) as equity fund AUM was flat qoq amid volatile equity markets. However, the market share loss in equity fund AUM continued, with ~19bp sequential loss at ~-4.26% as of Dec 2024-end whereas the overall market share loss was ~23bp at ~-6.24%. Market volatility also impacted systematic investment plan or SIP and systematic transfer plan or STP inflow, which declined by ~3% while SIP AUM fell by ~7% qoq. Live SIP count witnessed a net decline of ~0.24m in 3QFY25 to ~4.35m whereas fresh SIP registrations declined to ~0.67m against ~1.16m in the previous quarter. These were largely retail-driven and relatively more sensitive to volatile markets.

Historically, management shuffle leads to 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 after a change in their investment teams, which may get reflected for ABSL AMC as well. There are initial signs of slowing market share loss; however, the market share loss is still in the range of ~15-20bp per quarter.

Outlook and valuation

We believe the company is pushing the right buttons for improving market share; however, we see the competition is intensifying, along with volatile capital markets, which seem to be weighing down on equity market share movement and SIP inflow. We maintain our ADD rating on the stock with a lower target price of Rs850 (Rs1,000 earlier), or ~21.8x FY26F EPS, although we have removed it from our high-conviction stocks list as we await more stabilization in retail market share movement. Key downside risks: Low traction in new funds and a higher employee attrition rate.

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	19,497	23,316	27,753
Operating Revenue (Rsm)	14,388	18,780	19,497	23,316	27,753
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	6,981	10,361	9,256	11,220	13,398
Core EPS (Rs)	24.24	35.98	32.14	38.96	46.52
Core EPS Growth	6%	48%	(11%)	21%	19%
FD Core P/E (x)	25.24	17.01	19.04	15.70	13.15
DPS (Rs)	10.25	13.50	18.00	23.00	28.00
Dividend Yield	1.68%	2.21%	2.94%	3.76%	4.58%
BVPS (Rs)	87.1	109.5	123.7	139.6	158.2
P/BV (x)	7.02	5.59	4.95	4.38	3.87
ROE	29.6%	36.6%	27.6%	29.6%	31.2%
% 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	3QFY25	YoY (%)	QoQ (%)
Revenue from operations	3,057	3,292	3,358	3,595	3,805	4,176	4,384	30.6%	5.0%
Other income	775	554	791	740	944	954	380	-51.9%	-60.1%
Total revenue (Rs m)	3,831	3,845	4,149	4,336	4,749	5,131	4,765	14.8%	-7.1%
Total expenditure	1,448	1,494	1,522	1,677	1,724	1,790	1,787	17.4%	-0.2%
<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>	<i>37.5%</i>		
Profit before tax	2,383	2,352	2,627	2,659	3,025	3,341	2,978	13.4%	-10.9%
Tax	557	587	542	592	688	928	754	39.2%	-18.7%
<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>	<i>25.3%</i>		
Profit after tax	1,826	1,765	2,085	2,067	2,337	2,413	2,224	6.6%	-7.9%
QAAUM (Rs tr)	3.09	3.24	3.25	3.46	3.68	4.00	4.01	23.5%	0.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

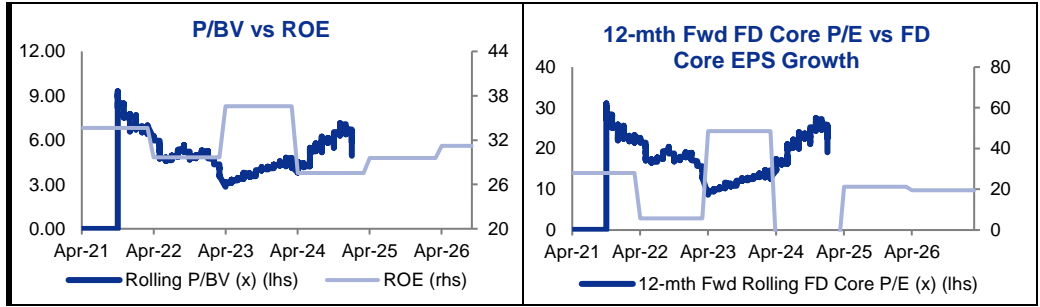
Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	19,945.7	19,148.7	-4.0%	24,133.7	22,898.0	-5.1%	28,625.7	27,267.5	-4.7%
PAT	9,929.1	9,256.3	-6.8%	12,727.7	11,220.4	-11.8%	15,386.9	13,397.9	-12.9%
EPS (Rs)	34.4	32.1	-6.8%	44.1	38.9	-11.8%	53.3	46.4	-12.9%
Dividend payout (%)	55.0	55.0	0.0%	60.0	60.0	0.0%	60.0	60.0	0.0%
QAAUM (Rs tr)	4.3	4.2	-2.0%	5.1	5.0	-2.8%	6.1	5.9	-2.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key takeaways from 3QFY25 earnings call ►

- The yield on equity funds was 70-71bp, on debt funds it was 25bp, on liquid funds it was 13bp and on ETFs it was 78bp.
- However, the yield on equity funds is guided to ease to 67-68 bp after another quarter or once the one-offs smoothen out.
- Yield is guided to be stable in 4QFY25F as well.
- Among the new fund offers or NFOs launched, the Conglomerate Fund garnered ~Rs14bn and the 3–6-month index fund garnered Rs7bn.
- The pipeline includes another thematic - innovation fund, passive fund, ETF, index fund and target maturity fund.
- Additionally, there is one more product for GIFT City.
- The company is investing in alternate investment funds, and it plans to start a second issue worth ~Rs50bn.
- Unlike its peers, the company is not very keen on cutting distribution commission soon on equity products because it wants to push customer acquisition.
- The usual SIP cancellation run rate is 40-50%; however, the same moved up to 50-65% in Dec 2024 due to market volatility.

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	19,497	23,316	27,753
Operating Revenue	14,388	18,780	19,497	23,316	27,753
Total Non-Interest Expenses	(5,099)	(5,806)	(6,753)	(7,912)	(9,413)
Pre-provision Operating Profit	8,956	12,639	12,375	15,001	17,912
Total Provision Charges					
Operating Profit After Provisions	8,956	12,639	12,375	15,001	17,912
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	8,956	12,639	12,375	15,001	17,912
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	8,956	12,639	12,375	15,001	17,912
Exceptional Items					
Pre-tax Profit	8,956	12,639	12,375	15,001	17,912
Taxation	(1,975)	(2,278)	(3,118)	(3,780)	(4,514)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	6,981	10,361	9,256	11,220	13,398
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	6,981	10,361	9,256	11,220	13,398
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%	0.3%	0.5%	0.6%
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	114	288	290
Long-term Investments					
Total Assets	27,766	34,828	39,653	44,941	50,718
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others	1,440	1,994	2,592	3,110	3,359
Total Interest-Bearing Liabilities	1,440	1,994	2,592	3,110	3,359
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	4,036	4,727	5,170
Shareholders Equity	25,090	31,545	35,617	40,214	45,548
Minority Interests					
Total Equity	25,090	31,545	35,617	40,214	45,548

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	1.3%	39.7%	(1.8%)	20.9%	19.1%
Pretax Profit Growth	2%	41%	(2%)	21%	19%
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%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio					
Return On Average Assets	26.79%	33.10%	24.86%	26.53%	28.01%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.

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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.

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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.