

India

ADD (no change)

Consensus ratings*: Buy 10 Hold 4 Sell 1

Current price: Rs674
 Target price:  Rs800
 Previous target: Rs800
 Up/downside: 18.7%
 InCred Research / Consensus: 10.0%

Reuters:
 Bloomberg: ABSLAMC IN
 Market cap: US\$2,280m
 Rs194,355m
 Average daily turnover: US\$3.4m
 Rs288.4m
 Current shares o/s: 288.0m
 Free float: 25.1%

*Source: Bloomberg

Key changes in this note

- Rising pressure on yields due to a fall in equity AUM, although debt fund AUM gets stronger. Overall market share (excl.ETFs) improves by ~6bp qoq.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.8	(1.4)	24.1
Relative (%)	2.0	(4.8)	15.1

Major shareholders	% held
Aditya Birla Capital	44.9
SnI life	30.0
LIC	3.4

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Aditya Birla Sunlife AMC

Debt funds boost AUM

- ABSL AMC posted in-line 4Q PAT of Rs2.3bn amid rising yield pressure along with a fall in equity fund AUM, which was offset by higher other income.
- The initial signs of pruning the market share loss were encouraging, with a rise of ~6bp qoq in the overall market share (excl. ETFs) to 6.3%.
- ABSL AMC can be a turnaround story; however, retail market share loss needs to be addressed, & we await execution. Retain ADD with a stable TP of Rs800.

Rising pressure on yields amid a drop in equity fund AUM

Aditya Birla Sun Life AMC or ABSL AMC reported a broad in-line operating performance in 4QFY25, with PAT at Rs2.3bn, despite a fall in yields and higher opex, which was offset by higher other income. Yields dipped by ~2bp qoq to ~45bp led by the drop in equity funds on account of lower AUM due to market volatility. However, the same was offset by higher other income, up by ~88% qoq, on the back of healthy treasury gains. Employee expenses also sharply increased by ~13% qoq due to the provision for year-end bonuses.

Debt funds and debt advisory mandate drive AUM growth

QAAUM, including alternate assets, grew by ~17% yoy and ~1% qoq to Rs4tr, led by debt funds (up ~6% qoq), liquid funds (up ~5% qoq) and a jump in alternate assets which touched Rs86bn led by the addition of a debt advisory mandate for Employees' State Insurance Corporation or ESIC. Equity fund AUM declined by ~6% qoq amid volatile equity markets. However, the fall in equity fund market share reduced to ~12bp qoq, from ~19bp in the previous quarter, whereas the company gained overall market (excl. ETFs) by ~6bp qoq to ~6.30%. Market volatility also impacted the systematic investment plan or SIP and systematic transfer plan or STP inflow, which declined by ~5%.

Transition in process, addition to direct team is in the pipeline

ABSL AMC has made changes in its investment and marketing teams during the last few quarters, which, we believe, remains a key trigger to watch out for in the near term. The company is in the process of building its direct team of 30-40 additional people. The initial signs of slowing market share loss are encouraging.

Outlook and valuation

We believe the company is taking the right steps for improving market share; however, we see the competition is intensifying, along with volatile capital markets, which seem to be weighing down on equity fund market share movement and SIP inflow. We maintain our ADD rating on the stock with a stable target price of Rs800, or ~18x FY27F 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-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	18,780	19,586	22,849	26,691	31,616
Operating Revenue (Rsm)	18,780	19,586	22,849	26,691	31,616
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	10,361	9,247	10,906	12,684	15,075
Core EPS (Rs)	35.98	32.11	37.87	44.04	52.34
Core EPS Growth	48%	(11%)	18%	16%	19%
FD Core P/E (x)	18.73	20.98	17.79	15.30	12.87
DPS (Rs)	13.50	24.00	28.00	33.00	39.00
Dividend Yield	2.00%	3.56%	4.16%	4.90%	5.79%
BVPS (Rs)	109.5	128.6	138.4	149.4	162.7
P/BV (x)	6.15	5.24	4.87	4.51	4.14
ROE	36.6%	27.0%	28.4%	30.6%	33.5%
% 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	4QFY25	YoY (%)	QoQ (%)
Revenue from operations	3,057	3,292	3,358	3,595	3,805	4,176	4,384	4,226	17.5%	-3.6%
Other income	775	554	791	740	944	954	380	716	-3.3%	88.3%
Total revenue (Rs m)	3,831	3,845	4,149	4,336	4,749	5,131	4,765	4,942	14.0%	3.7%
Total expenditure	1,448	1,494	1,522	1,677	1,724	1,790	1,787	1,899	13.2%	6.3%
Cost-to-income (%)	37.8%	38.8%	36.7%	38.7%	36.3%	34.9%	37.5%	38.4%		
Profit before tax	2,383	2,352	2,627	2,659	3,025	3,341	2,978	3,043	14.5%	2.2%
Tax	557	587	542	592	688	928	754	770	30.0%	2.0%
Tax rate (%)	23.4%	25.0%	20.6%	22.3%	22.7%	27.8%	25.3%	25.3%		
Profit after tax	1,826	1,765	2,085	2,067	2,337	2,413	2,224	2,273	10.0%	2.2%
QAAUM (Rs tr)	3.09	3.24	3.25	3.46	3.68	4.00	4.01	4.06	17.3%	1.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

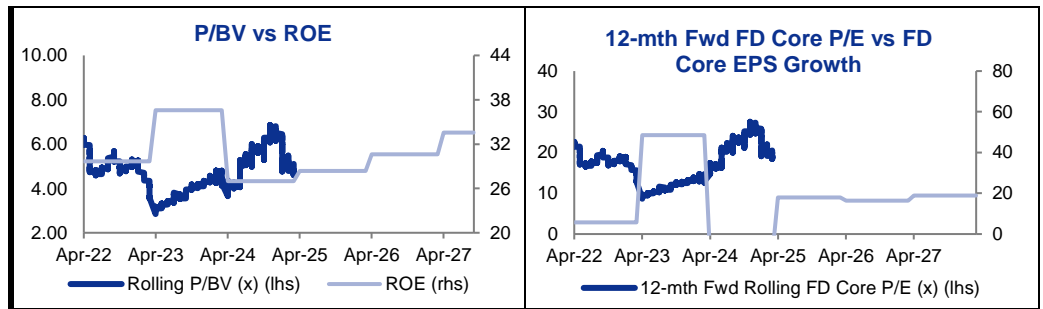
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	22,115.3	22,547.3	2.0%	26,278.2	26,323.4	0.2%	-	31,167.4	-
PAT	10,646.4	10,905.8	2.4%	12,727.2	12,683.9	-0.3%	-	15,074.6	-
EPS (Rs)	36.9	37.8	2.4%	44.1	43.9	-0.3%	-	52.2	-
Dividend payout (%)	60.0	74.9	24.8%	60.0	74.9	24.8%	-	74.9	-
QAAUM (Rs tr)	4.7	4.8	1.2%	5.7	5.7	1.2%	-	7.0	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QFY25 earnings-call highlights ►

- Equity fund yield is in the range of 68-69bp, debt fund yield is in the range of 24-25bp, and liquid fund yield is in the 12-13bp range.
- Following the receipt of ESIC's debt advisory mandate, the AUM stood at about Rs75bn. It is expected to reach Rs440-450bn on the basis of sharing formula.
- The yield in such mandates is usually very competitive; however, the company took it up to provide advisory services to both government and private institutions.
- The product pipeline includes ABSL Equity Innovation Fund under the PMS category.
- Proposed a dividend at Rs24/share. which is ~78% up yoy.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
Total Non-Interest Income	18,780	19,586	22,849	26,691	31,616
Operating Revenue	18,780	19,586	22,849	26,691	31,616
Total Non-Interest Expenses	(5,806)	(6,812)	(7,980)	(9,442)	(11,174)
Pre-provision Operating Profit	12,639	12,387	14,445	16,800	19,966
Total Provision Charges					
Operating Profit After Provisions	12,639	12,387	14,445	16,800	19,966
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	12,639	12,387	14,445	16,800	19,966
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	12,639	12,387	14,445	16,800	19,966
Exceptional Items					
Pre-tax Profit	12,639	12,387	14,445	16,800	19,966
Taxation	(2,278)	(3,139)	(3,539)	(4,116)	(4,892)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	10,361	9,247	10,906	12,684	15,075
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	10,361	9,247	10,906	12,684	15,075
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	1.1%	0.2%	0.6%	0.6%	0.2%
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-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	34,724	40,768	43,958	48,229	52,922
Total Non-Interest Earning Assets	34,724	40,768	43,958	48,229	52,922
Cash And Marketable Securities	104	74	428	82	74
Long-term Investments					
Total Assets	34,828	40,842	44,386	48,312	52,996
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others	1,994	2,195	2,590	3,004	3,455
Total Interest-Bearing Liabilities	1,994	2,195	2,590	3,004	3,455
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,289	1,607	1,928	2,275	2,685
Total Liabilities	3,283	3,802	4,518	5,280	6,140
Shareholders Equity	31,545	37,040	39,868	43,032	46,856
Minority Interests					
Total Equity	31,545	37,040	39,868	43,032	46,856

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	39.7%	(1.5%)	16.4%	16.0%	18.5%
Pretax Profit Growth	41%	(2%)	17%	16%	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	18.0%	25.3%	24.5%	24.5%	24.5%
Net Dividend Payout Ratio					
Return On Average Assets	33.10%	24.44%	25.59%	27.37%	29.76%

SOURCE: 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.