

**HOLD**  
 TP: Rs 500 | ▲ 4%

**ADITYA BIRLA SUN LIFE  
 AMC**

| NBFC

| 31 January 2024

**Double-digit growth but market share bleed continues**

- QAAUM grew 11% YoY to Rs 3.1tn in Q3 with equity assets rising even faster at 13%; however, market share inched down
- SIP book, though sticky, saw another muted quarter whereas industry’s robust show continues
- TP revised marginally to Rs 500 (vs. Rs 497) on unchanged 17x FY26E P/E; maintain HOLD

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**Double-digit growth, yet market share loss continues:** ABSL AMC’s QAAUM grew 11% YoY to Rs 3.1tn at end-Q3FY24 and equity QAAUM increased even faster at 13% YoY (the best annual growth since Q1FY23) to Rs 1.4tn, making up 44% of the total. However, the company’s overall MAAUM market share slipped 50bps from FY23 levels to 6.2% and equity share fell 60bps to 4.9%. Although ABSL AMC’s industry ranking has held at #6, management’s efforts to protect market share remain a key aspect to watch. In this context, we note that the company is beefing up the PMS and AIF businesses through senior hires.

**Healthy revenue from operations:** Revenue from operations grew 9% YoY to Rs 3.4bn and other income soared 62% YoY on MTM gains, leading to a 16% rise in total income to Rs 4.2bn. Operating expenses increased 12% YoY and net profit rose 26% to Rs 2.1bn, with core PAT (ex-MTM gains) up 13%.

**Passive funds gaining traction:** The company’s passive AUM surged 36% YoY to Rs 293bn from Rs 216bn in the year-ago quarter, with a 43-product suite. It now services ~600,000 investor folios for ETFs, FOFs and index funds.

**Growth in SIP book muted:** ABSL AMC’s monthly SIP book advanced 7% YoY to Rs 10.1bn (vs. industry growth of 29%), closing Q3 with a total of 3.2mn SIP accounts and AUM of Rs 667bn. The company added 235,000 new SIP registrations during the quarter and indicated that 92% of the systematic investments have a tenure of over five years, with 84% running for over ten years, pointing to long-tenured inflows.

**Maintain HOLD:** Strong growth in PAT leads us to increase our FY24/FY25 estimates by 5%/2%. Double-digit growth in equity is also a positive. However, lower growth in the SIP book and market share losses remain key concerns. Our forecast changes yield a minor revision in TP to Rs 500 (vs. Rs 497), which is based on an unchanged target P/E multiple of 17x on FY26E EPS – a 12% discount to the stock’s long-term mean. We maintain HOLD as we await sustainable equity QAAUM growth and consistent market share gains before revisiting our estimates.

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	ABSLAMC IN/Rs 482
Market cap	US\$ 1.7bn
Free float	7%
3M ADV	US\$ 0.7mn
52wk high/low	Rs 512/Rs 307
Promoter/FPI/DII	87%/2%/5%

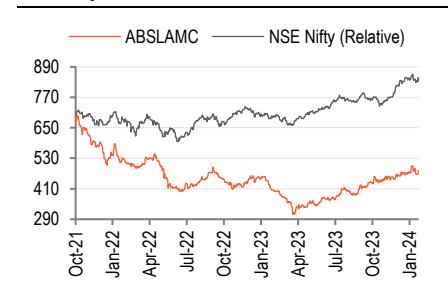
Source: NSE | Price as of 30 Jan 2024

**Key financials**

Y/E 31 Mar	FY23A	FY24E	FY25E
Core PBT (Rs mn)	6,668	7,113	7,805
Core PBT (YoY)	(14.4)	6.7	9.7
Adj. net profit (Rs mn)	5,964	7,411	7,654
EPS (Rs)	20.7	25.7	26.5
Consensus EPS (Rs)	20.7	24.4	25.5
MCap/AAAUM (%)	5.1	4.5	4.1
ROAAAUM (bps)	21.7	23.8	22.6
ROE (%)	25.3	27.8	25.8
P/E (x)	23.3	18.8	18.2

Source: Company, Bloomberg, BOBCAPS Research

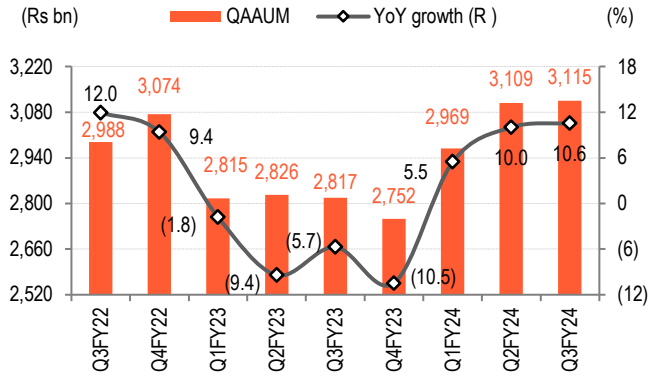
**Stock performance**



Source: NSE

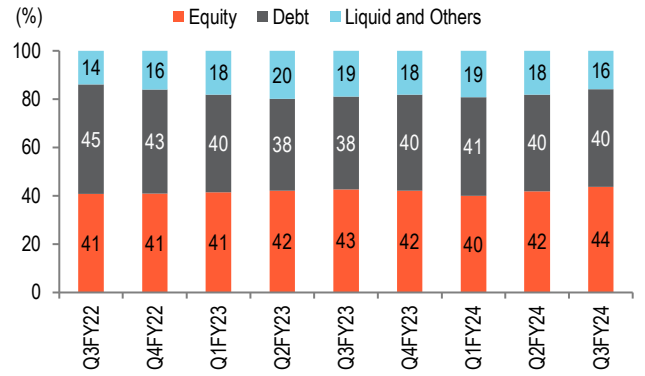


**Fig 1 – QAAUM growth in double digits**



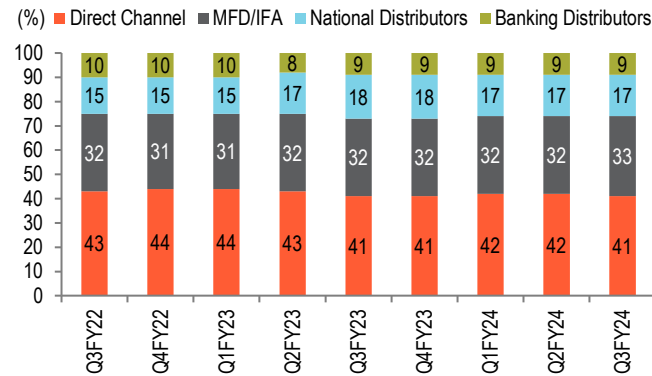
Source: Company, BOBCAPS Research

**Fig 2 – Equity component rises QoQ to 44% at end-Q3**



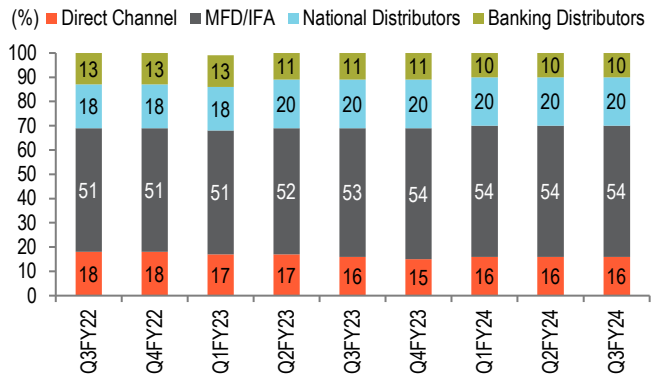
Source: Company, BOBCAPS Research

**Fig 3 – Direct channel forms bulk of QAAUM distribution mix**



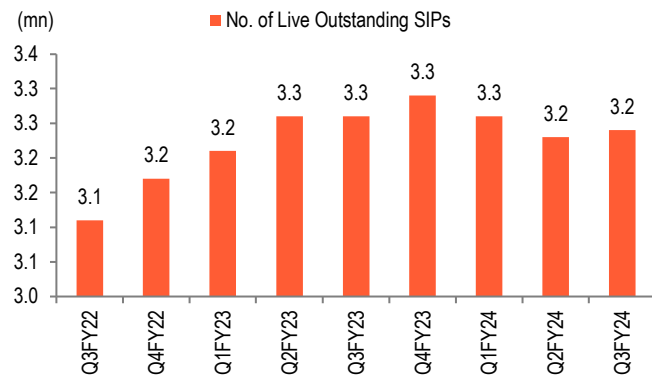
Source: Company, BOBCAPS Research

**Fig 4 – Equity QAAUM largely dependent on MFDs**



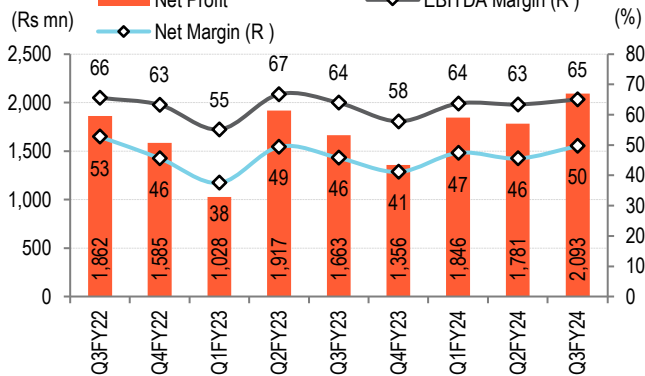
Source: Company, BOBCAPS Research

**Fig 5 – Number of live outstanding SIPs broadly stable**



Source: Company, BOBCAPS Research

**Fig 6 – Profitability has increased along with margins**



Source: Company, BOBCAPS Research

**Fig 7 – P&L account**

Particulars (Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Asset Management Services	3,415	3,140	8.7	3,350	1.9	9,876	9,296	6.2
Other Income	795	491	61.8	557	42.7	2,130	949	124.4
<b>Total Income</b>	<b>4,210</b>	<b>3,632</b>	<b>15.9</b>	<b>3,907</b>	<b>7.7</b>	<b>12,006</b>	<b>10,245</b>	<b>17.2</b>
<b>Expenses</b>								
Fees and Commission Expenses	87	67	30.3	82	6.1	251	154	62.9
Employee Benefits Expenses	794	719	10.4	798	(0.6)	2,366	2,078	13.8
Other Expenses	591	523	13.0	550	7.4	1,698	1,594	6.5
Total Operating Expenses	1,472	1,309	12.4	1,431	2.9	4,315	3,827	12.8
<b>EBITDA</b>	<b>2,738</b>	<b>2,323</b>	<b>17.9</b>	<b>2,476</b>	<b>10.6</b>	<b>7,691</b>	<b>6,419</b>	<b>19.8</b>
Depreciation, Amortisation and Impairment	88	86	1.7	92	(3.9)	246	259	(5.3)
Finance Costs	15	9	55.5	17	(12.5)	39	31	28.9
<b>Profit Before Tax</b>	<b>2,635</b>	<b>2,227</b>	<b>18.3</b>	<b>2,368</b>	<b>11.3</b>	<b>7,406</b>	<b>6,129</b>	<b>20.8</b>
Total Tax Expense	542	564	(3.9)	587	(7.7)	1,686	1,521	20.8
<b>Profit After Tax</b>	<b>2,093</b>	<b>1,663</b>	<b>25.9</b>	<b>1,781</b>	<b>17.5</b>	<b>5,720</b>	<b>4,608</b>	<b>24.1</b>

Source: Company, BOBCAPS Research

**Fig 8 – QAAUM mix**

Particulars	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
<b>MF QAAUM (Rs bn)</b>	<b>3,115</b>	<b>2,817</b>	<b>10.6</b>	<b>3,109</b>	<b>0.2</b>	<b>3,115</b>	<b>2,817</b>	<b>10.6</b>
Equity	1,360	1,201	13.2	1,302	4.5	1,360	1,201	13.2
Debt *	1,258	1,082	16.3	1,244	1.1	1,258	1,082	16.3
Liquid	497	535	(7.1)	563	(11.7)	497	535	(7.1)
<b>MF QAAUM mix (%)</b>								
Equity	43.7	42.6	103bps	41.9	178bps	43.7	42.6	103bps
Debt*	40.4	38.4	198bps	40.0	37bps	40.4	38.4	198bps
Liquid	16.0	19.0	(304bps)	18.1	(215bps)	16.0	19.0	(304bps)

Source: Company, BOBCAPS Research | \*Debt includes ETF

**Fig 9 – Sourcing mix**

Particulars (%)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Direct Channel	41	41	0bps	42	(100bps)	41	41	0bps
MFD/IFA	33	32	100bps	32	100bps	33	32	100bps
National Distributors	17	18	(100bps)	17	0bps	17	18	(100bps)
Banking Distributors	9	9	0bps	9	0bps	9	9	0bps

Source: Company, BOBCAPS Research | Note: The above data excludes ETF

**Fig 10 – Other key metrics**

Particulars	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Individual MAAUM (Rs bn)	1,663	1,458	14.1	1,591	4.5	1,663	1,458	14.1
Systematic Transactions (Rs mn)	10,050	9,420	6.7	9,680	3.8	10,050	9,420	6.7
No. of Live Outstanding SIPs (mn)	3.2	3.3	(0.6)	3.2	0.3	3.2	3.3	(0.6)
B-30 MAAUM (Rs bn)	555	485	14.4	531	4.5	555	485	14.4

Source: Company, BOBCAPS Research

**Fig 11 – Margin indicators**

Parameter	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
EBITDA margin (%)	65.0	64.0	108bps	63.4	165bps	64.1	62.7	141bps
Net margin (%)	49.7	45.8	394bps	45.6	415bps	47.6	45.0	267bps
Revenue yield (bps)	43.8	44.6	(1bps)	43.1	1bps	63.4	66.0	(3bps)

Source: Company, BOBCAPS Research

## Earnings call highlights

- ABSL AMC's QAAUM grew 11% YoY to Rs 3.1tn at end-Q3FY24. Of this, the equity component increased 13% YoY to Rs 1.4tn, constituting 44% of the total (43% in Q3FY23).
- The company registered inflows in the small-cap, mid-cap and Digital India funds, but saw outflows in the ELSS (equity linked savings scheme) segment. Although the company does not disclose its net sales number, management confirmed positive net sales for the months of November and December.
- In Q3, the company received flows of Rs 8bn from an NFO. Management pointed to healthy demand in January, with inflows coming from both online and offline platforms.
- Yield on the equity segment was at 69-70bps and on fresh flows was at 60-65bps for Q3. The yield on debt was stable at 24-25bps and liquid flattish at ~13bps.
- The company added 0.5mn folios during 9MFY24 for a total of 8mn.
- Monthly systematic flows (including STP) for Dec'23 stood at Rs 10.1bn, taking the total number of SIP accounts to 3.24mn. During Q3, new SIP accounts (including STP) grew by 0.2mn and SIP AUM increased 26% YoY to Rs 667bn.
- Passive AUM surged 36% YoY to Rs 293bn.
- Total income increased 16% YoY to Rs 4.2bn, of which revenue from operations grew 9% to Rs 3.4bn and other income grew 62% to Rs 795mn. PAT clocked a 26% YoY rise to Rs 2.1bn.
- Operating expenses rose 12% YoY to Rs 1.5bn, of which employee expense grew 10% to Rs 794mn whereas fee and commission expense surged 30% to Rs 87mn.
- The distribution mix was stable with the direct channel accounting for 41% share, MFDs 33% and the banking channel 9%.
- In terms of equity asset distribution, MFDs maintained a lion's share at 54% (stable YoY), followed by national distributors at 20%. The direct channel constituted 16%.
- We note some structural changes in the PMS and AIF businesses in terms of beefing up hires (including a new Head of Credit). Moreover, the company has recruited a senior person to lead retail sales.

## Valuation methodology

ABSL AMC is one of the largest non-bank-backed players in the AMC industry and has maintained its #6 ranking by AUM at end-Q3FY24. Its AUM grew 11% YoY in Q3, with the equity component increasing 13%, but was slightly short of our estimate by 1%. This leads us to pare our FY24/FY25/FY26 AUM expectations by 1%/2%/2%. At the same time, the PAT beat due to strong growth in other income translates to a 5%/2% rise in our FY24/FY25 earnings estimates with FY26 broadly unchanged.

Slower growth in the SIP book and market share loss remain key concerns. ABSL AMC's monthly SIP book advanced only 7% YoY to Rs 10.1bn in Q3 vs. industry growth of 29%. This apart, MAAUM market share has slipped 50bps from FY23 levels and equity share came in 60bps lower at 4.9%. Management's initiatives to arrest this decline will be a key monitorable.

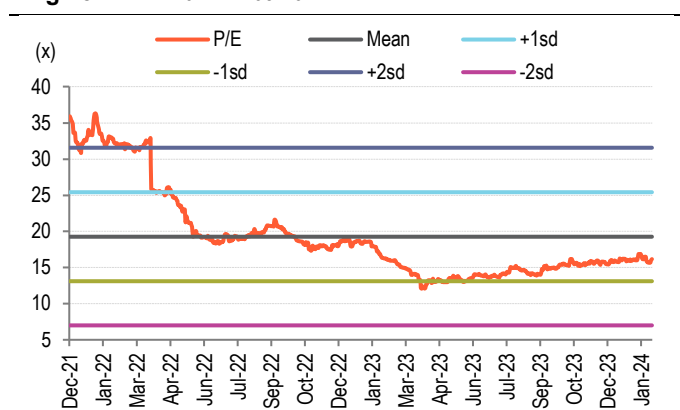
Our forecast changes yield a minor revision in TP to Rs 500 (vs. Rs 497), which is based on an unchanged target P/E multiple of 17x on FY26E EPS – a 12% discount to the stock's long-term mean. We maintain HOLD as we await sustainable equity QAAUM growth and consistent market share gains before revisiting our estimates.

**Fig 12 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Total Income	15,881	16,704	18,272	15,779	16,654	18,504	0.6	0.3	(1.3)
EBITDA	10,016	10,501	11,629	9,822	10,424	11,770	2.0	0.7	(1.2)
Profit After Tax (PAT)	7,411	7,654	8,479	7,054	7,477	8,451	5.1	2.4	0.3
AUM (Rs bn)	3,113	3,391	3,726	3,129	3,448	3,814	(0.5)	(1.7)	(2.3)
EBITDA Margin (%)	63.1	62.9	63.6	62.2	62.6	63.6	82bps	27bps	4bps
Net Margin (%)	46.7	45.8	46.4	44.7	44.9	45.7	196bps	93bps	74bps

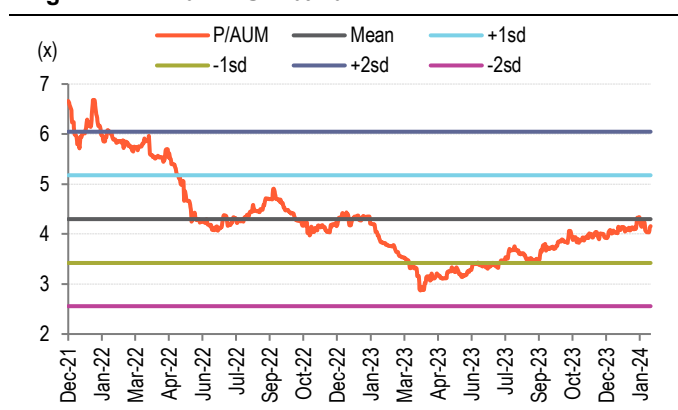
Source: BOBCAPS Research

**Fig 13 – 1Y fwd P/E band**



Source: Bloomberg, BOBCAPS Research

**Fig 14 – 1Y fwd P/AUM band**



Source: Bloomberg, BOBCAPS Research

## Key risks

### Upside risks

- **Substantial increase in equity AUM:** Above-expected equity AUM growth could take revenue and profitability ahead of our expectations, besides arresting the company's market share decline.

### Downside risks

- **Decline in AUM growth due to increased competition:** ABSL AMC has witnessed intense competitive pressure that has eroded market share over the past few years. Higher competition coupled with new entrants could dampen AUM growth and hurt revenue.
- **Prolonged weakness in equity markets:** Equity assets constitute a significant portion of the company's AUM. Thus, a decline in Indian equity markets would cause AUM to decline directly as the value of the underlying securities falls, and indirectly as securities investments become less attractive to investors, resulting in net outflows or redemptions. Any decrease in AUM will impact fees and hence net profit.
- **Regulatory risks:** AMCs are regulated by SEBI and could be adversely impacted in the event of unfavourable policy changes. For instance, should the regulator mandate a further decline in total expense ratio, yields could weaken even more.
- **Covid-like disruptions:** While Covid-related lockdowns are unlikely to be unduly harsh in future, we believe that any such lockdowns/disruptions due to any pandemic/virus mutations would be a risk to retail customer acquisition and could also result in higher redemptions.
- **Scheme underperformance:** Fund returns are an important determinant of inflows and outflows into a scheme. Underperformance of the company's schemes could lead to a fall in AUM.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Aditya Birla Sun Life AMC	ABSLAMC IN	1.7	482	500	HOLD
HDFC AMC	HDFCAMC IN	9.1	3,510	3,425	HOLD
Nippon Life India AMC	NAM IN	4.0	521	580	HOLD
UTI AMC	UTIAM IN	1.4	896	909	HOLD

Source: BOBCAPS Research, NSE | Price as of 30 Jan 2024

## Glossary

Glossary			
<b>AUM</b>	Assets Under Management	<b>MF</b>	Mutual Fund
<b>AAAUM</b>	Average Annual Assets Under Management	<b>MFD</b>	Mutual Fund Distributor
<b>AIF</b>	Alternate Investment Fund	<b>NFO</b>	New Fund Offer
<b>B30</b>	Beyond the Top 30 cities	<b>PMS</b>	Portfolio Management Services
<b>eKYC</b>	Electronic Know Your Customer	<b>QAAUM</b>	Quarterly Average Assets Under Management
<b>ETF</b>	Exchange Traded Funds	<b>SIP</b>	Systematic Investment Plan
<b>FOF</b>	Fund of Funds	<b>STP</b>	Systematic Transfer Plan
<b>IFA</b>	Independent Financial Advisor	<b>T30</b>	Top 30 cities
<b>MAAUM</b>	Monthly Average Assets Under Management	<b>TER</b>	Total Expense Ratio

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Investment mgmt. fees</b>	<b>12,930</b>	<b>12,266</b>	<b>13,370</b>	<b>14,438</b>	<b>15,887</b>
YoY (%)	21.1	(5.1)	9.0	8.0	10.0
Operating expenses	4,733	5,216	5,865	6,204	6,643
Core operating profits	8,196	7,050	7,505	8,234	9,244
Core operating profits growth (%)	36.4	(14.0)	6.4	9.7	12.3
Depreciation and Interest	405	382	391	429	472
Core PBT	7,791	6,668	7,113	7,805	8,772
Core PBT growth (%)	39.6	(14.4)	6.7	9.7	12.4
Other income	1,156	1,271	2,511	2,266	2,385
PBT	8,947	7,939	9,624	10,071	11,157
PBT growth (%)	28.6	(11.3)	21.2	4.6	10.8
Tax	2,219	1,975	2,214	2,417	2,678
Tax rate (%)	24.8	24.9	23.0	24.0	24.0
<b>Reported PAT</b>	<b>6,728</b>	<b>5,964</b>	<b>7,411</b>	<b>7,654</b>	<b>8,479</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity capital	1,440	1,440	1,440	1,440	1,440
Reserves & surplus	20,525	23,730	26,694	29,756	32,724
Net worth	21,965	25,170	28,134	31,196	34,164
Borrowings	0	0	0	0	0
Other liab. & provisions	2,383	2,711	4,030	4,502	4,687
<b>Total liab. &amp; equities</b>	<b>24,347</b>	<b>27,881</b>	<b>32,164</b>	<b>35,698</b>	<b>38,851</b>
Cash & bank balance	22,189	24,858	29,459	33,034	36,157
Fixed & Other assets	1,853	2,603	2,705	2,664	2,693
<b>Total assets</b>	<b>24,347</b>	<b>27,881</b>	<b>32,164</b>	<b>35,698</b>	<b>38,851</b>

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	23.3	20.7	25.7	26.5	29.4
Dividend per share	11.5	10.3	15.4	15.9	19.1
Book value per share	76.0	87.2	97.4	108.0	118.3

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
P/E	20.7	23.3	18.8	18.2	16.4
P/BV	6.3	5.5	4.9	4.5	4.1
Dividend yield (%)	2.4	2.1	3.2	3.3	4.0

### DuPont Analysis

Y/E 31 Mar (bps of AAAUM)	FY22A	FY23A	FY24E	FY25E	FY26E
Operating income	43.7	44.6	42.9	42.6	42.6
Operating expenses	16.0	19.0	18.8	18.3	17.8
EBITDA	31.6	30.2	32.2	31.0	31.2
Depreciation and Others	1.4	1.4	1.3	1.3	1.3
Core PBT	26.3	24.2	22.9	23.0	23.5
Other income	3.9	4.6	8.1	6.7	6.4
PBT	30.2	28.8	30.9	29.7	29.9
Tax	7.5	7.2	7.1	7.1	7.2
<b>ROAAAUM</b>	<b>22.7</b>	<b>21.7</b>	<b>23.8</b>	<b>22.6</b>	<b>22.8</b>

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
<b>YoY growth (%)</b>					
Investment mgmt. fees	21.1	(5.1)	9.0	8.0	10.0
Core operating profit	36.4	(14.0)	6.4	9.7	12.3
EPS	27.5	(11.3)	24.3	3.3	10.8
<b>Profitability &amp; Return ratios (%)</b>					
Operating income to Total inc.	91.8	90.6	84.2	86.4	86.9
Cost to Core income ratio	36.6	42.5	43.9	43.0	41.8
EBITDA margin	66.4	61.5	63.1	62.9	63.6
Core PBT margin	55.3	49.3	44.8	46.7	48.0
PBT margin (on total inc.)	63.5	58.6	60.6	60.3	61.1
ROE	34.5	25.3	27.8	25.8	25.9
<b>Dividend payout ratio</b>	<b>49.2</b>	<b>49.6</b>	<b>60.0</b>	<b>60.0</b>	<b>65.0</b>

### Annual Average AUM

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
AAAUM (Rs bn)	2,958	2,752	3,113	3,391	3,726
YoY Growth (%)	9.9	(7.0)	13.1	8.9	9.9
<b>% of AAAUM</b>					
Equity	41	42	42	43	43
Debt	43	38	40	40	40
Liquid	16	18	16	15	14
Others	0	1	2	2	2

Source: Company, BOBCAPS Research



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## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

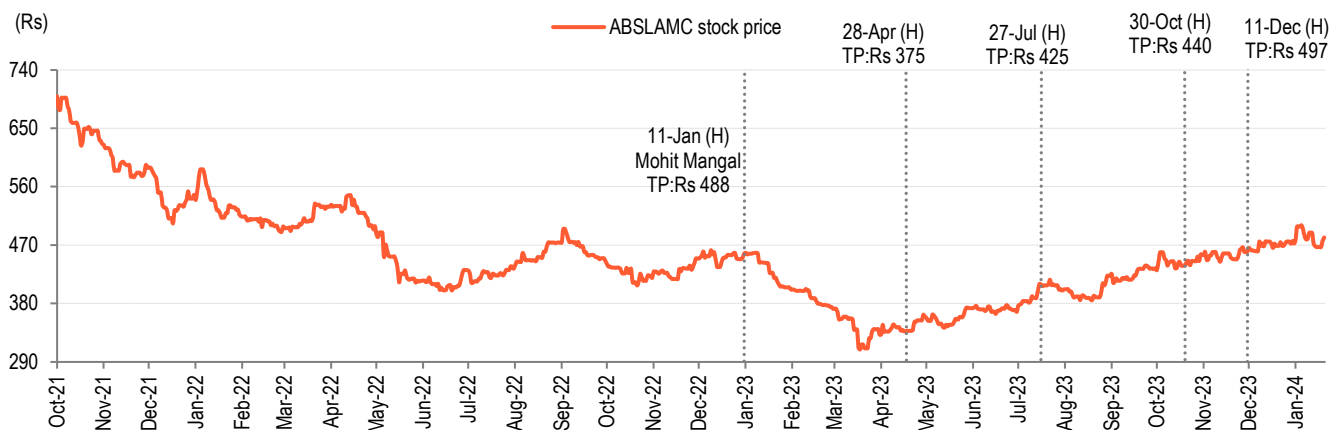
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

**Ratings and Target Price (3-year history): ADITYA BIRLA SUN LIFE AMC (ABSLAMC IN)**



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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