

January 30, 2024

RESULT REPORT Q3 FY24 | Sector: Asset Managers

Aditya Birla Sun Life AMC

Net equity inflows start to improve somewhat

Our view – Sequential yield improvement may be transient

Net equity inflows start to improve on the back of improved fund performance: Net Sales have been positive in November and December and for the quarter as a whole. Sales for the quarter includes Rs 8.9bn raised for the Transport and Logistics Fund. Relatively speaking, Sales in December was lower (weaker) than the industry but there has been some pickup in January. The flows are backed by improved performance and the trend is expected to continue.

Calculated overall revenue yield has inched up 1 bp QoQ but management continues to flag the usual expected erosion: Blended revenue yield will continue to decline going forward on the back of AUM rise (telescopic pricing formula) and replacement of old assets with new. The blended yield will decline about a couple of bps every year for the next 3 years.

We maintain 'NEUTRAL' rating on ABSL with a revised price target of Rs 525: We value ABSL at 19.8x FY25 P/E, at which the stock would trade at an FY25 P/B of 4.5x.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Result Highlights (See "Our View" above for elaboration and insight)

- **Revenue:** Revenue from operations at Rs 3,415mn was up 1.9%/8.7% QoQ/YoY, leading/lagging QAAUM growth of 0.2%/10.6% QoQ/YoY.
- **Share of Equity in AUM:** Share of Equity in AUM (including Hybrid funds) at 43.7% was up 178 bps QoQ and 103 bps YoY (calculated on rounded off figures)
- **Share of B-30 in AUM:** Share of B-30 in AUM at 17.5% was up 20bps QoQ and 50bps YoY
- **Channel mix:** Share of MFDs, Banks, NDs and Direct was 33%, 9%, 17% and 41%, respectively in overall AUM (Ex-ETF)
- **Operating profit margin:** Operating profit margin for the quarter, at 56.9%, was down -40 bps QoQ and -142 bps YoY

Exhibit 1: Result table

Rs mn	Q3FY24	Q3FY23	YoY	Q2FY24	QoQ
Revenue from operation	3,415	3,140	8.7%	3,350	1.9%
As % of QAUM^	0.44%	0.45%	-1bps	0.43%	1bps
Fees and Commission Expenses	87	67	30.3%	82	6.1%
As % of revenue	2.6%	2.1%	42bps	2.5%	10bps
Employee Benefit Expenses	794	702	13.1%	798	-0.6%
As % of revenue	23.2%	22.3%	90bps	23.8%	-58bps
Other Expenses	591	540	9.4%	550	7.4%
As % of revenue	17.3%	17.2%	10bps	16.4%	88bps
Total Expense	1,472	1,309	12.4%	1,431	2.9%
Operating Profit	1,943	1,831	6.1%	1,919	1.2%
As % of QAUM^	0.2%	0.3%	-1bps	0.2%	0bps
As % of revenue	56.9%	58.3%	-142bps	57.3%	-40bps
Other Income	795	491	61.8%	557	42.7%
Finance cost	15	9	55.5%	17	-12.5%
Depreciation	88	86	1.7%	92	-3.9%
Profit before Tax	2,635	2,227	18.3%	2,368	11.3%
Tax Expense	542	564	-3.9%	587	-7.7%
Profit After Tax	2,093	1,663	25.9%	1,781	17.5%
As % of QAUM^	0.3%	0.2%	3bps	0.2%	4bps
As % of revenue	61.3%	52.9%	836bps	53.2%	814bps

Source: Company, YES Sec-Research, ^ Annualised

Recommendation	: NEUTRAL
Current Price	: Rs 482
Target Price	: Rs 525
Potential Return	: +9%

Stock data (as on January 30, 2024)

Nifty	21,522
52 Week h/l (Rs)	512 / 307
Market cap (Rs/USD mn)	137461 / 1654
Outstanding Shares (mn)	288
6m Avg t/o (Rs mn):	43
Div yield (%):	2.1
Bloomberg code:	ABSLAMC IN
NSE code:	ABSLAMC

Stock performance



Shareholding pattern (As of Dec'23 end)

Promoter	86.5%
FII+DII	7.0%
Others	6.6%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	525	500

Financial Summary

Rs mn	FY24E	FY25E	FY26E
Net Revenue	13,325	14,931	16,809
YoY Growth	8.6%	12.0%	12.6%
EBIDTA Margin	56.1%	56.8%	57.7%
PAT	6,693	7,644	8,785
YoY Growth	12.2%	14.2%	14.9%
ROE	24.6%	24.3%	24.1%
EPS (Rs)	23.2	26.5	30.5
P/E (x)	20.7	18.2	15.8
BV (Rs)	101.3	117.3	135.6
P/BV (x)	4.8	4.1	3.6

Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	23.2	26.5	30.5
EPS (Old)	22.8	25.6	28.9
% change	1.9%	3.8%	5.6%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Colour on Equity business

- **Net equity flows**
 - **Recent trends**
 - Net Sales have been positive in November and December and for the quarter as a whole.
 - Sales for the quarter includes Rs 8.9bn raised for the Transport and Logistics Fund.
 - Relatively speaking, Sales in December was lower (weaker) than the industry but there has been some pickup in January.
 - The flows are backed by improved performance and the trend is expected to continue.
 - **Scheme-wise colour**
 - There have been flows in the Smallcap, Midcap, Digital India Fund and Pure Value Fund.
 - In general, redemption pressure has been higher than the industry but this pressure has reduced, except in the case of ELSS, where there have been outflows.
 - Funds which are in the top quartile in terms of performance are seeing flows on both online and offline channels viz. PSU Fund, Digital India Fund and Pure Value Fund.
 - **More on mid and smallcap**
 - The company's market share in the mid and smallcap funds is on the lower side at about 5% of industry flows.
 - The company will be hiring someone for the midcap fund.
- **Gross flows**
 - Gross sales have been 5.5-6% (presumably of opening book) and the AMC aims to improve this on the back of improved productivity.

Colour on Revenue Yield

- **Segmental stock yield**
 - Equity – 69-70 bps
 - Debt – 24-25 bps
 - Liquid – Flattish at 13 bps
- **Guidance on yield**
 - Blended revenue yield will continue to decline going forward on the back of AUM rise (telescopic pricing formula) and replacement of old assets with new.
 - The blended yield will decline about a couple of bps every year for the next 3 years.
- **Incremental equity yield**
 - The share of yield paid out on fresh flows is 65%, which implies that incremental equity yield is lower than stock yield.
 - The incremental equity yield would be in the range of 55-60 bps.

Other income

- Growth in other income was driven by stock markets and better yield on fixed income.
- The proportion of equity in the investment portfolio is about 13% including seed capital as per SEBI requirement.

(Con call takeaways continue on the next page)

Colour on distribution

- **Direct channel**
 - The company has built a 30-member team for the direct channel, which should bring in volumes.
- **Mutual fund distributors**
 - About 10,000 mutual fund distributors have been added.
 - The focus on this traditional channel remains and the company will focus on activation.
- **Online channel**
 - 3-4 funds are now figuring in the list of online channels, which is leading to improvement.
 - The company's market share in the online channel is 7.5% on outstanding basis.
- **Channel mix**
 - MFD – 54%
 - ND – 14%
 - Banks – 12%
 - Direct – 16% including RIAs

Product pipeline

- The company has filed for a Quant Fund product.
- There will be product launches in the PMS, passive and GIFT City businesses.

Expenses

- Expense growth is mainly linked to hiring and will be growing at inflation plus something.
- There will be a credit opportunities fund targeted at HNIs for which recruitment will be carried out.
- Admin expenses will be largely growing along the inflation range.

Key AUM aspects

- **Total company AUM**
 - The total company level average AUM was Rs. 3,247bn, up 11% YoY
- **Total mutual fund AUM**
 - The mutual fund quarterly average AUM was Rs. 3,115bn, up 11% YoY.
- **Equity mutual fund AUM**
 - The equity mutual funds average AUM was Rs. 1,360bn for the quarter, comprising 43.7% of total mutual fund AUM.
- **Folios serviced**
 - The outstanding folio count serviced amounts to 7.98mn.
 - ABSL AMC has added 0.46mn folios in 9MFY24
- **SIP business**
 - Monthly SIP inflow were at Rs. 10.05bn.
 - Currently, 3.24mn live SIP accounts are being serviced.
 - The total SIP AUM is about Rs. 667.41bn.

(Con call takeaways continue on the next page)

- **B-30 AUM**
 - The share of B-30 AUM has risen to 17.5% of total mutual fund AUM.
- **Individual MAAUM**
 - The individual MAAUM was at Rs 1,663 bn and contributed 52.4% to the total AUM

Passive Fund business

- **AUM**
 - The total passive fund AUM was at Rs 293 bn as of December 2023, up 36% YoY.
- **Products offered**
 - ABSL AMC now has total of 43 products in the passive segment.
- **Folios**
 - Number of folios served are 0.6mn.

Alternative assets

- **PMS / AIF**
 - The total QAAUM in the PMS and AIF segment was Rs.26.71 bn.
 - **New Launches**
 - Fund raising is currently underway ABSL India Special Opportunities Fund (CAT III AIF)
 - **AIF pipeline**
 - ABSL Structured Opportunities Fund (CAT II AIF) to be launched in 4QFY24
- **Offshore**
 - The total QAAUM in the Offshore segment was Rs.98.94 bn.
 - **New Launches**
 - Fund raising is currently underway for ABSL Global Emerging Market Equity Fund (IFSC)

Profitability aspects

- **Operating Profit**
 - Operating profit for 3QFY24 was Rs. 1.84bn, up 6% YoY
- **Profit After Tax**
 - PAT for 3QFY24 was Rs. 2.09 bn, up 26% YoY

Leadership hirings

- Recently (in October 2023) appointed Co-CIO Mr. Harish Krishnan.
- Ms. Kamayani Aniruddh Nagar has been appointed as Head - Retail Sales of the Company, with effect from January 30, 2024.

Exhibit 2: Other Business Parameters

Rs mn	Q3FY24	Q3FY23	YoY	Q2FY24	QoQ
MF QAAUM	3,115,093	2,817,171	10.6%	3,108,991	0.2%
Individual share	53%	52%	163bps	51%	221bps
Monthly SIP Book	10,050	9,420	7%	9,680	4%
AAUM Mix					
Alternate and Offshore - Others	10,000	10,000	0%	9,000	11%
Domestic - Liquid	497,000	535,000	-7%	563,000	-12%
Domestic - Fixed Income	1,258,000	1,082,000	16%	1,244,000	1%
Alternate and Offshore - Equity	122,000	103,000	18%	117,000	4%
Domestic - Equity	1,360,000	1,201,000	13%	1,302,000	4%
QAAUM Mix (% proportion)					
Alternate and Offshore - Others	0.3%	0.3%	-3bps	0.3%	3bps
Domestic - Liquid	15.3%	18.3%	-295bps	17.4%	-210bps
Domestic - Fixed Income	38.7%	36.9%	183bps	38.5%	29bps
Alternate and Offshore - Equity	3.8%	3.5%	24bps	3.6%	14bps
Domestic - Equity	41.9%	41.0%	91bps	40.2%	164bps
Channel Mix - Ex-ETF (% proportion)					
Bank	9%	9%	0bps	9%	0bps
National Distributor	17%	18%	-100bps	17%	0bps
MFDs	33%	32%	100bps	32%	100bps
Direct	41%	41%	0bps	42%	-100bps
Geographical Spread					
T-30	83%	83%	-50bps	83%	-20bps
B-30	18%	17%	50bps	17%	20bps

Source: Company, YES Sec - Research

Exhibit 3: Quarterly Actuals Vs Estimates

Q3FY24 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	3,415	3,420	(0.2)
EBITDA	1,943	1,963	(1.0)
PAT	2,093	1,939	8.0

Source: Company, YES Sec - Research

ANNUAL CONSOLIDATED FINANCIALS

Exhibit 4: Balance sheet statement

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	1,440	1,440	1,440	1,440	1,440
Share Warrants & Outstanding	0	0	0	0	0
Total Reserves	20,525	23,730	27,746	32,333	37,603
Shareholder's Funds	21,965	25,170	29,186	33,773	39,043
Minority Interest	0	0	0	0	0
Trade Payables	304	482	506	531	558
Lease liabilities	544	480	564	637	699
Other financial liabilities	659	506	531	558	586
Total Financial Liabilities	1,507	1,468	1,601	1,726	1,842
Current tax liabilities	0	107	112	118	124
Provisions	375	412	433	454	477
Deferred Tax Liabilities (net)	252	348	365	383	402
Other non-financial liabilities	249	377	396	416	436
Total Non-Financial Liabilities	876	1,243	1,305	1,371	1,439
TOTAL LIABILITIES	24,347	27,881	32,093	36,869	42,325
Cash and Bank	979	1,266	1,723	2,227	2,812
Trade receivables	262	245	258	270	284
Loans	0	0	0	0	0
Investments	21,210	23,592	27,130	31,200	35,880
Other Financial assets	183	598	628	659	692
Total Financial Assets	22,634	25,701	29,739	34,356	39,668
Current tax assets (net)	305	420	441	463	486
Property, plant and equipment	137	187	205	220	230
Right of use assets	485	427	511	584	645
Capital Work in Progress	15	10	11	12	12
Intangible assets under development	14	10	11	11	12
Other intangible assets	98	88	86	80	70
Other non-financial assets	659	1,038	1,089	1,144	1,201
Total Non-Financial Assets	1,714	2,180	2,354	2,513	2,657
TOTAL ASSETS	24,347	27,881	32,093	36,869	42,325

Source: Company, YES Sec - Research

Exhibit 5: Profit & Loss statement

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue excl. treasury income	12,930	12,266	13,325	14,931	16,809
Operating Expense					
Fees and Commission	198	229	366	412	465
Employee Expense	2,532	2,772	3,049	3,354	3,690
Other Expenses	2,003	2,215	2,437	2,681	2,949
Total Expenses	4,733	5,216	5,852	6,447	7,103
Operating Profit	8,196	7,050	7,473	8,484	9,706
Other Income	1,156	1,271	1,852	2,130	2,450
Depreciation	356	343	360	378	397
Finance Cost	49	39	41	43	45
Profit before Tax	8,947	7,939	8,924	10,192	11,713
Tax	2,219	1,975	2,231	2,548	2,928
Net Profit	6,728	5,964	6,693	7,644	8,785

Source: Company, YES Sec - Research

Exhibit 6: Cash flow statement

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	8,947	7,939	8,924	10,192	11,713
Depreciation	356	343	144	151	159
Change in working cap	(738)	(1,293)	12	12	13
Tax paid	(2,337)	(1,795)	(2,231)	(2,548)	(2,928)
Others	(596)	(820)	(1,811)	(2,087)	(2,405)
Cash flow from operations	5,632	4,373	5,038	5,721	6,552
Capex	(160)	(186)	(161)	(161)	(161)
Change in investments	(2,940)	(1,292)	(3,539)	(4,070)	(4,680)
Others	115	135	(103)	(108)	(113)
Cash flow from investments	(2,985)	(1,343)	(3,803)	(4,339)	(4,954)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Dividend (incl tax)	(2,318)	(3,125)	(2,677)	(3,058)	(3,514)
Others	(241)	(222)	1,899	2,179	2,501
Cash flow from financing	(2,560)	(3,347)	(778)	(879)	(1,013)
Net change in cash	87	(316)	457	504	585

Source: Company, YES Sec – Research

Exhibit 7: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	13,325	14,931	16,809	13,161	14,560	16,185	1.2	2.5	3.9
Operating Profit	7,473	8,484	9,706	7,304	8,111	9,082	2.3	4.6	6.9
Profit After Tax	6,693	7,644	8,785	6,566	7,365	8,317	1.9	3.8	5.6

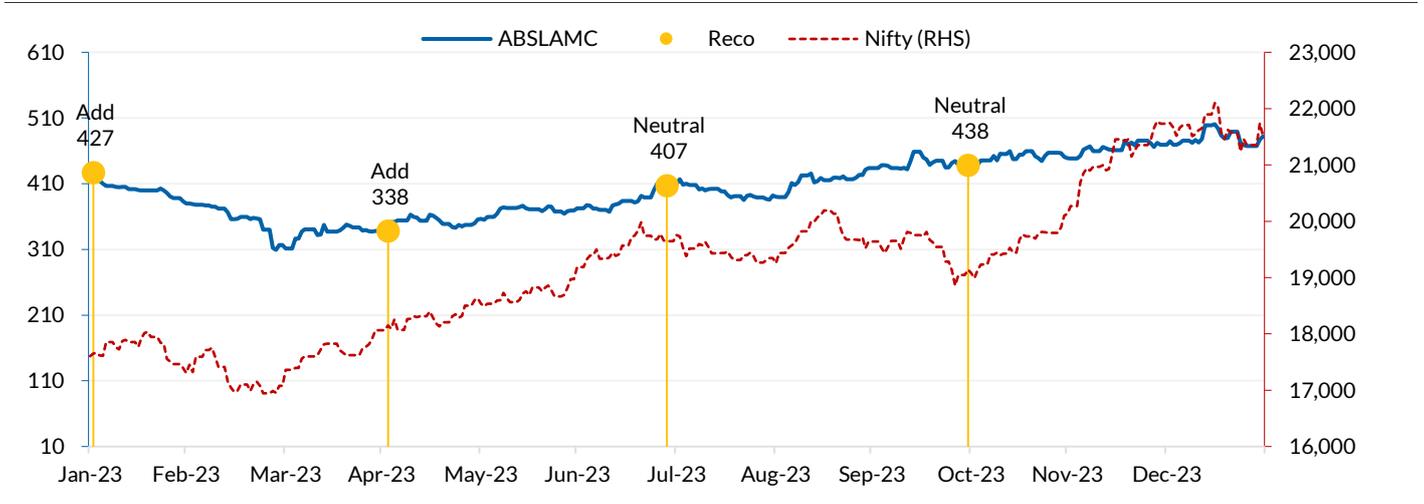
Source: Company, YES Sec – Research

Exhibit 8: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth ratios (%)					
AAUM	5.2%	-10.3%	8.7%	12.8%	12.8%
Revenue excl. investment income	21.1%	-5.1%	8.6%	12.0%	12.6%
Total Expenses	1.4%	10.2%	12.2%	10.2%	10.2%
Operating Profit	36.4%	-14.0%	6.0%	13.5%	14.4%
Profit Before Tax	28.6%	-11.3%	12.4%	14.2%	14.9%
Net profit	27.8%	-11.4%	12.2%	14.2%	14.9%
As a % of Avg AUM					
Revenue excl. investment income	0.41%	0.44%	0.44%	0.43%	0.43%
Operating Expense	0.15%	0.19%	0.19%	0.19%	0.18%
Operating Profit	0.26%	0.25%	0.25%	0.25%	0.25%
PBT	0.29%	0.28%	0.29%	0.30%	0.30%
Net profit	0.22%	0.21%	0.22%	0.22%	0.23%
Operating Ratios					
Operating Profit Margin	63.4%	57.5%	56.1%	56.8%	57.7%
PBT Margin	69.2%	64.7%	67.0%	68.3%	69.7%
PAT Margin	52.0%	48.6%	50.2%	51.2%	52.3%
ROE	34.5%	25.3%	24.6%	24.3%	24.1%
Dividend Payout Ratio	49.0%	49.5%	40.0%	40.0%	40.0%
Per share					
EPS, Rs.	23.4	20.7	23.2	26.5	30.5
Book Value, Rs.	76.3	87.4	101.3	117.3	135.6
Valuation Ratios					
P/E, x	20.6	23.3	20.7	18.2	15.8
P/BV, x	6.3	5.5	4.8	4.1	3.6
Mcap to AUM, %	4.4%	5.0%	4.6%	4.0%	3.6%
Dividend Yield, %	2.4%	2.1%	1.9%	2.2%	2.5%

Source: Company, YES Sec – Research

Recommendation Tracker



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2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

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Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

Analyst Signature

Analyst Signature

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

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