

Aditya Birla Capital | BUY

Analyst Day 2024 – Rapid Digital Strides

Aditya Birla Capital (ABCL), on its Analyst Day, exuded its tech advances over FY24 and presented its various digital platforms to mark its trajectory to double its loan book over next 3 years. ABCL's approach towards One ABC-One P&L to offer holistic financial solutions under one umbrella is turning into reality as they launch D2C app (official launch in Mar'23). The app is designed to offer all the financial solutions viz. Insurance, loans, investments, payments, cards under a single platform. The company plans to launch new features in payments and cards during FY25. The company is also planning to launch B2D platform for distributor and channel partners to on-board connectors seamlessly and hassle-free. We believe the launch of this app would aid in scale up of businesses across all the subsidiaries and with integration of ABG (Aditya Birla Group) customers to the platform, upselling and cross-selling products would further strengthen the book going forward. We believe that the current technology upgrades would lead to a healthy run-up in the businesses from FY25 onwards and the operational efficiencies from Salesforce implementation would further kick in from FY26. We value the stock at INR 220 based on SOTP based valuation.

- One ABC – D2C app launch in Mar'23:** ABCL has merged together its diversified financial franchise into a single-stop shop locations called "One ABC" which offers products across the entities i.e. loans, insurance and mutual funds all at one place. There are currently 218 One ABC locations (as of 3QFY24) and the company is inclined to aggressively expand such branches across other locations which would offer them a healthy growth momentum. ABCL is moving towards "One ABC, One P&L" approach which focuses on a business strategy that revolves around three levers: One Customer, One Experience and One Team. The company launched ABCD-D2C platform in order to offer all the financial assistance to the customer in a single app and it is about to go live in Mar'23. In addition, company is also planning to add payments and cards solutions to the app which would go live in FY25. The approach to move all the financial products under a single umbrella seems appealing as it would open up opportunities to up-sell/cross-sell products to the existing customers. Further, the app also provides an integrated platform to analyse one's financial health which would help them take informed decisions on investments and insurance. The launch of its B2D platform which will be applicable to distributors and channel partners would further aid in sourcing new customers. We believe these tech solutions would be beneficial to all the companies under ABCL holdings to aid in sustainable and quality growth.
- Udyog Plus - B2B platform for MSME ecosystem:** During FY23, ABCL launched a unified B2B platform 'Udyog Plus' to offer lending solutions, using traditional and alternate data sources along with value added services for the MSME ecosystem. These lending solutions include a paperless end-to-end digital journey for business loans of up to INR 1mn with loan sanction TAT of less than 2 mins. Udyog Plus has been integrated with the government and private e-commerce websites to provide credit facilities to sellers on these platforms. Recently, it got integrated with Ultratech app and Aditya Birla Group

Aditya Birla Capital SOTP	Holding (%)	Valuation Methodology	Holding Company Discount	Value Per Share	Contribution to TP (%)
Aditya Birla Finance	100.0%	2.0x FY25E P/B	15%	122	56%
Aditya Birla Housing Finance	100.0%	2.0x FY25E P/B		24	11%
Aditya Birla SunLife Insurance	51.0%	1.8x FY25E P/EV	15%	37	17%
Aditya Birla SunLife AMC (listed)	50.0%	25x FY25E P/E	15%	30	14%
Aditya Birla Money (listed)	73.6%	Current Market Cap	15%	2	1%
Others (Health Insr, PE, Insurance Brokers)			15%	4	2%
Total (rounded off)				220	100%

Source: Company, JM Financial



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	220
Upside/(Downside)	17.7%
Previous Price Target	135
Change	63.0%

Key Data – ABCAP IN

Current Market Price	INR187
Market cap (bn)	INR486.0/US\$5.9
Free Float	29%
Shares in issue (mn)	776.4
Diluted share (mn)	
3-mon avg daily val (mn)	INR1,092.7/US\$13.2
52-week range	199/137
Sensex/Nifty	71,428/21,718
INR/US\$	83.0

Price Performance

%	1M	6M	12M
Absolute	6.6	0.7	26.0
Relative*	6.5	-7.2	7.0

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

(ABG) platform. It has 500k+ registrations so far and a monthly disbursements run rate of INR 500mn coming in from ABG ecosystem. The platform provides additional value propositions like current account with Yes bank, discount to manage accounts via Zoho, corporate travel solutions via Yatra and taxation advisory via India Filings. The platform also helps MSMEs to discover online digital stores (via Seller app) and provides customized basic and advanced business courses in partnership with MSMEEx.

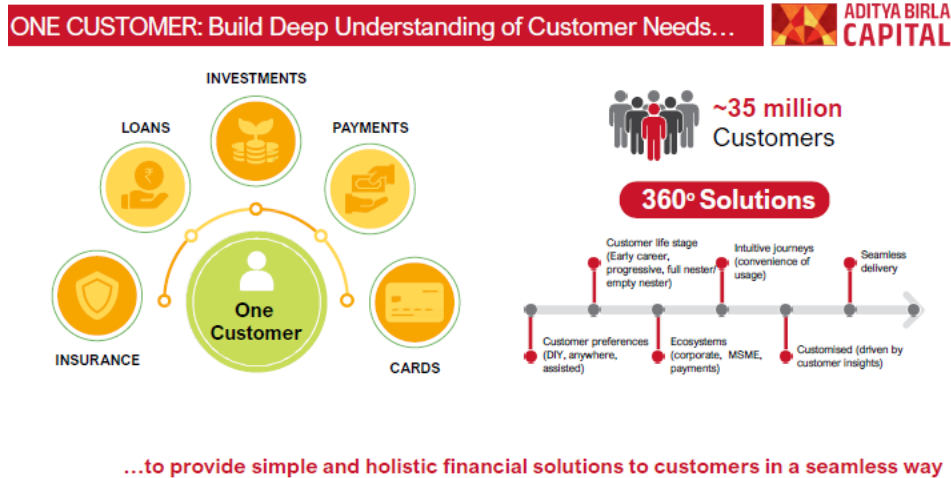
- **Payment Lounge – off to a robust start:** ABCL signed an MOU with the National Payments Corporation of India ("NPCI") in Jun'23 to develop and promote a complete stack of digital payment methods through subsidiaries to its customers. The payments handle enables new customer acquisition and would increase brand recall. The test results of the payments app since 6 months have been successful with a monthly GMV runrate of INR 5bn+ and 99.58% transaction success rate. The unique features of the payments suite include : multi-account payment (single payment from multiple accounts), multi mode receipt (QR, Link and Notification), pre-verified bank transfer, UPI international and Rupay on UPI. The payments app will continue to evolve in FY25 with new features to be added in FY25 like: merchant acquisition, PPI wallet and transit & forex.
- **AI led sourcing, servicing, renewal to offer lower operating costs into insurance business:** The AI led integrated lead management system and sales journey enable the company to prompt users to buy insurance. The prompts are made through digital partner apps which include Phonepe, OLA, VI, MMT, etc. The AI led digital servicing through app/ website/ whatsapp/ voice bot saves a hefty employee expenses who had to manually generate leads. During Q2FY24, 8.8% of the claims were made digitally which increased to 23.1% in Q3FY24 and 83% of renewals during Dec'23 were made digitally. Thus we believe that the system is largely in place and the only way to look forward is scalability which would drive operations.
- **Maintain BUY with SOTP based TP of INR 220:** ABCL is evolving to be a tech savvy enterprise with Phygital presence across India. With continued development in analytics and its approach to further increase its analytics headcount to 350+ by FY25 (currently at 204) shows encouraging signs of development across the company. We assign INR 122 per share for AB Finance, INR 24 per share for AB Housing Finance, INR 30 per share for 50% stake in the AMC business, INR 37 per share for 51% stake in life insurance, INR 2 for AB Money and INR 4 per share for other businesses - Aditya Birla Health Insurance, PE Advisors and insurance brokers. This entails a total valuation of INR 220 for ABCAP.

Exhibit 1. ABCL One ABC One P&L Approach



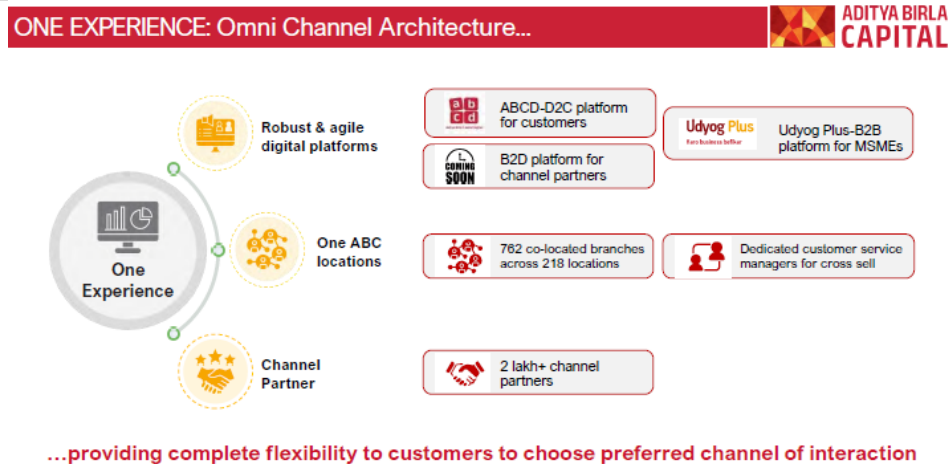
Source: Company, JM Financial

Exhibit 2. Understanding Customer Needs



Source: Company, JM Financial

Exhibit 3. Developing Omni-channel Architecture



Source: Company, JM Financial

Exhibit 4. Building a winning team



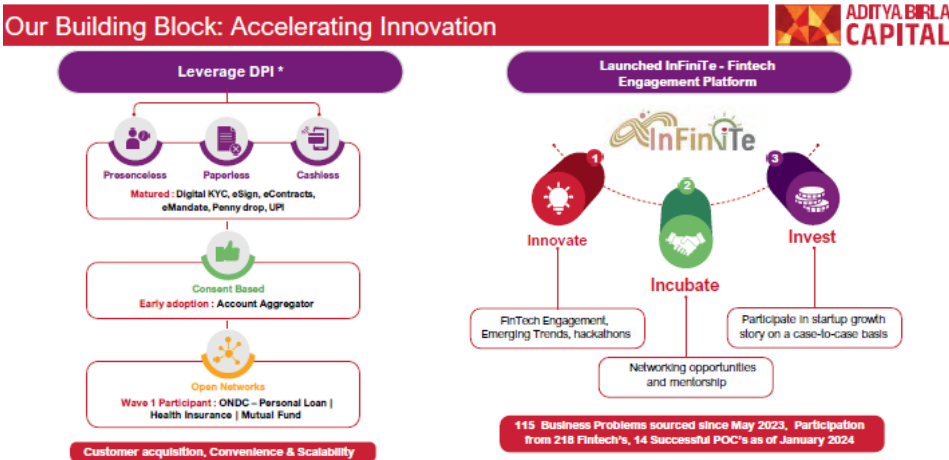
Source: Company, JM Financial

Exhibit 5. Building Blocks of ABCL – One ABC



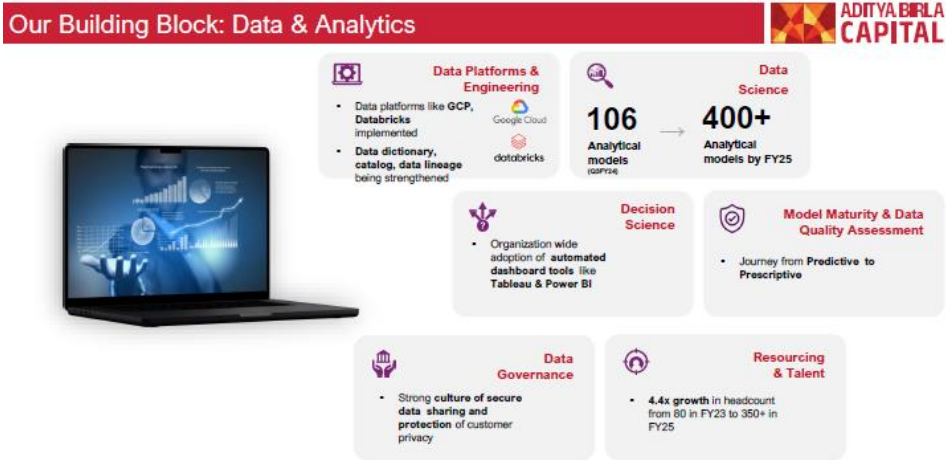
Source: Company, JM Financial

Exhibit 6. Launching cashless and paperless end-to-end process



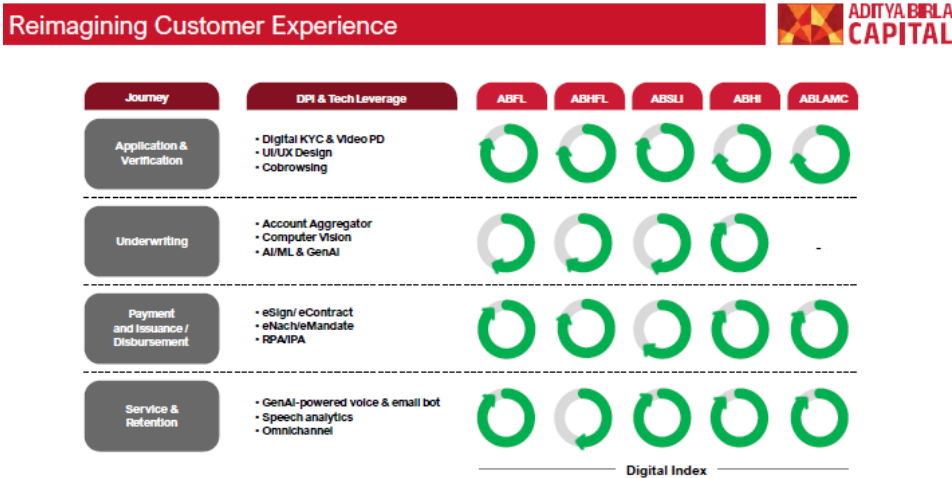
Source: Company, JM Financial

Exhibit 7. Heavy usage of data analytics for stringent customer assessment



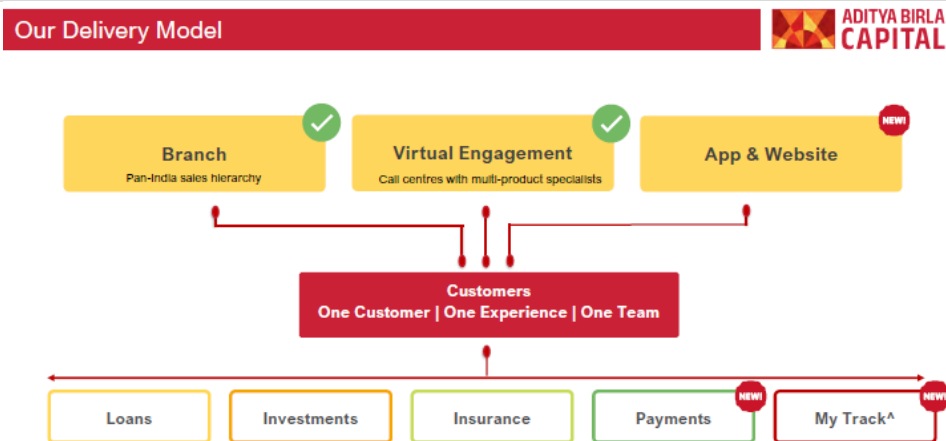
Source: Company, JM Financial

Exhibit 8. More than 80% of the digitization accomplished



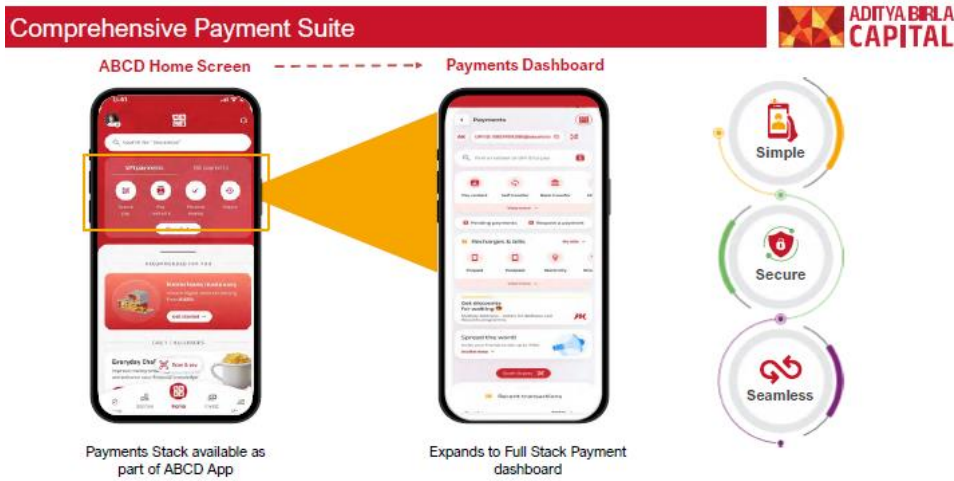
Source: Company, JM Financial

Exhibit 9. ABCL – D2C broad structure



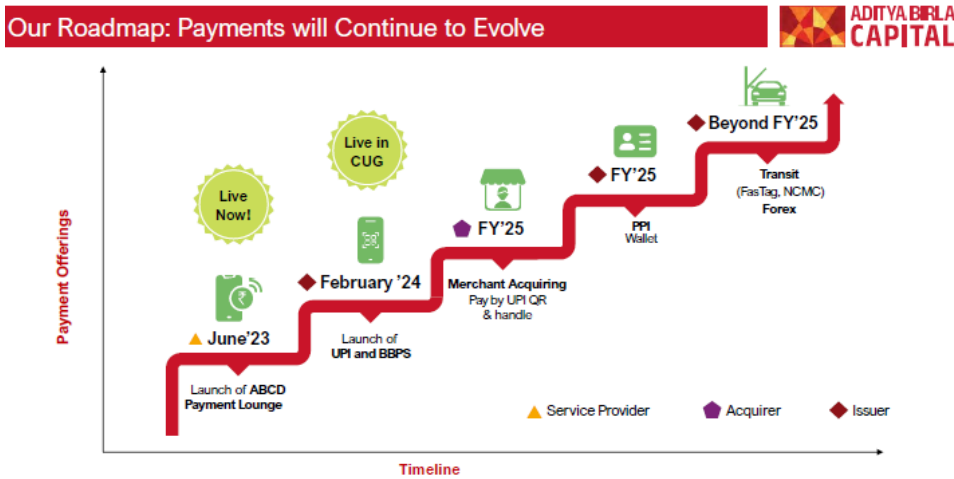
Source: Company, JM Financial , ^ My Track: Value Added Services like Credit Score, Spend & Budget Analyzer, Financial Portfolio, Digital Health Assessment, Rewards & Loyalty and more

Exhibit 10. Comprehensive Payments Suite



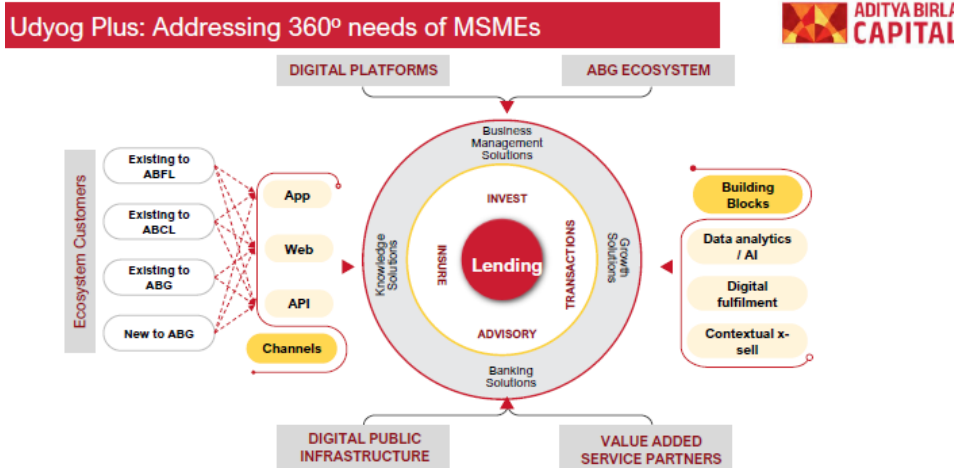
Source: Company, JM Financial

Exhibit 11. Roadmap of Payments Lounge



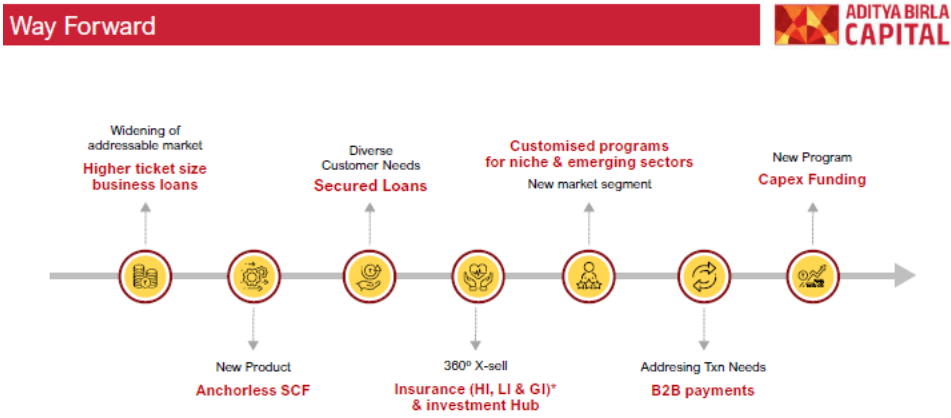
Source: Company, JM Financial

Exhibit 12. Udyog Plus – Addressing total needs of MSMEs



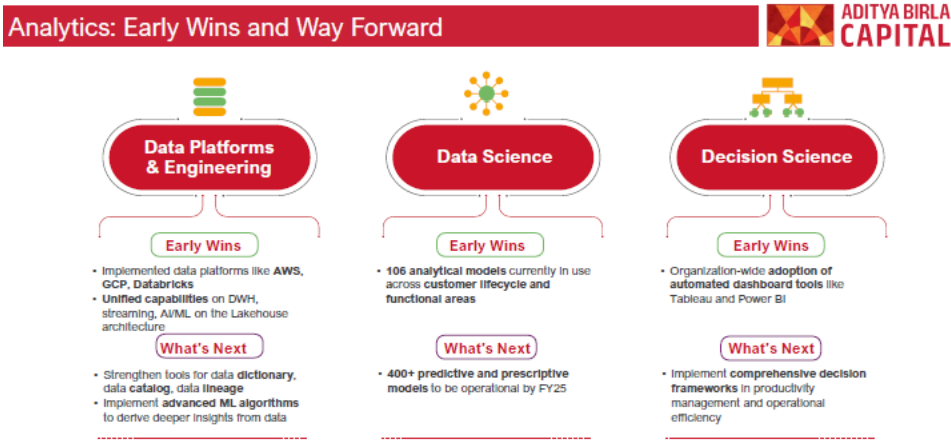
Source: Company, JM Financial

Exhibit 13. Udyog Plus – Way forward



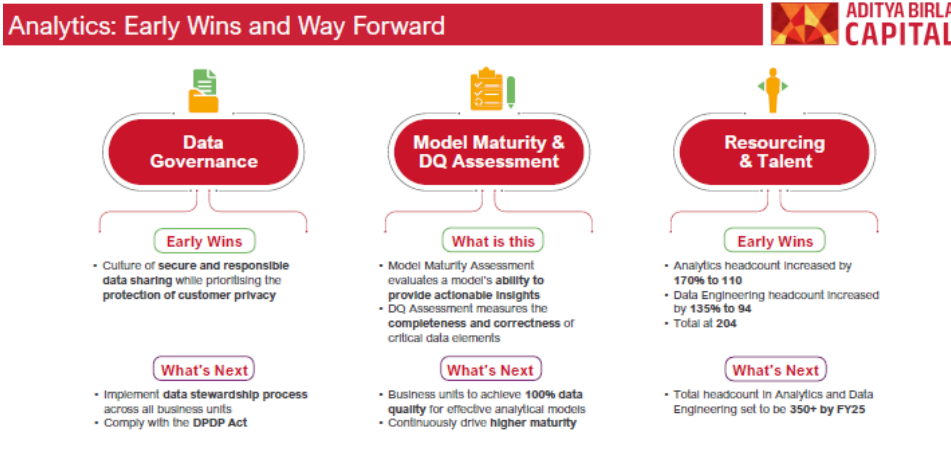
Source: Company, JM Financial

Exhibit 14. Continued investment towards Analytics



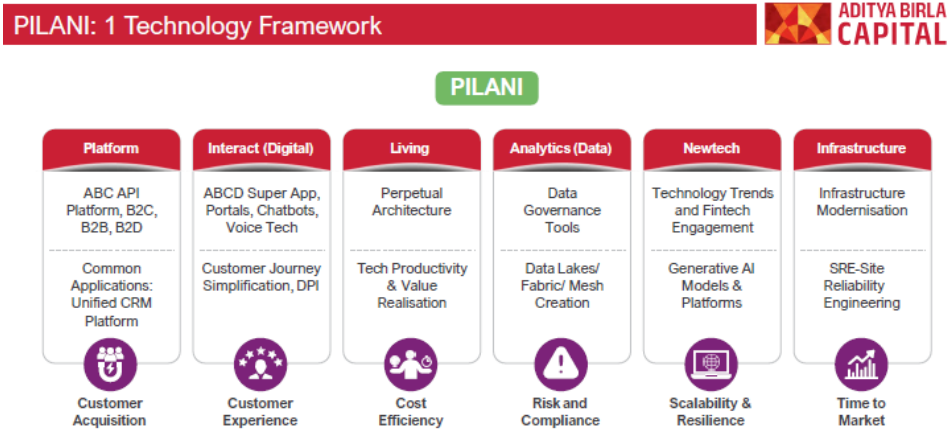
Source: Company, JM Financial

Exhibit 15. Continued investment towards Analytics



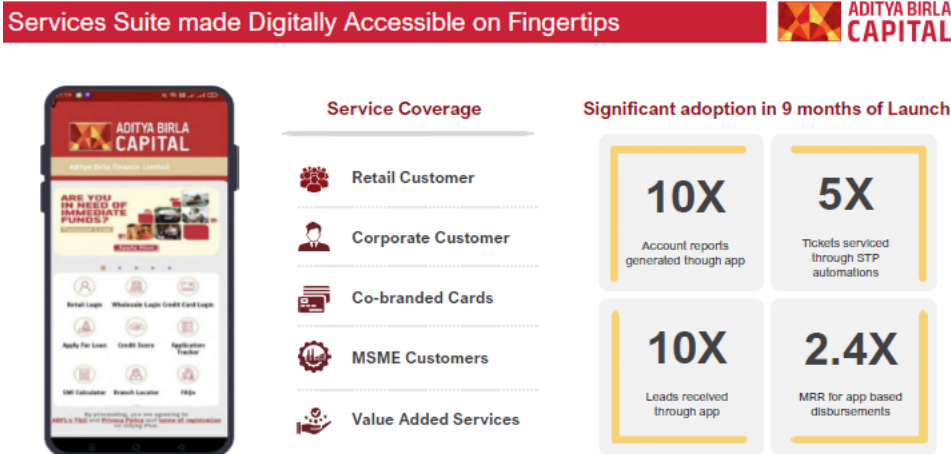
Source: Company, JM Financial

Exhibit 16. PILANI Framework



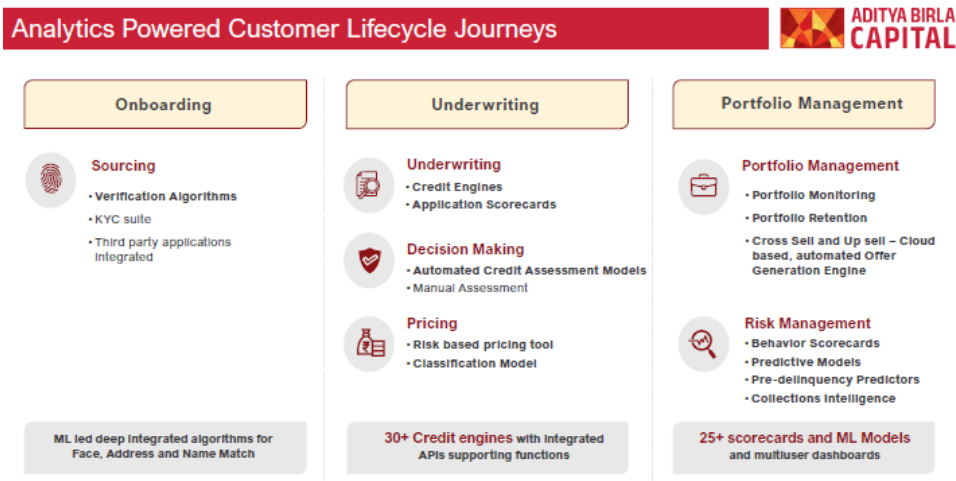
Source: Company, JM Financial

Exhibit 17. Udyog Plus – Loan at fingertips



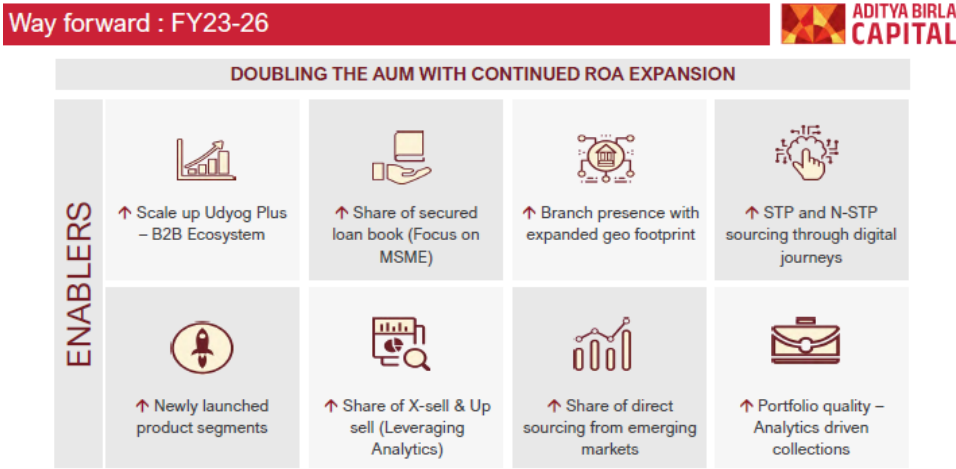
Source: Company, JM Financial

Exhibit 18. Machine Learning aided customer life-cycle



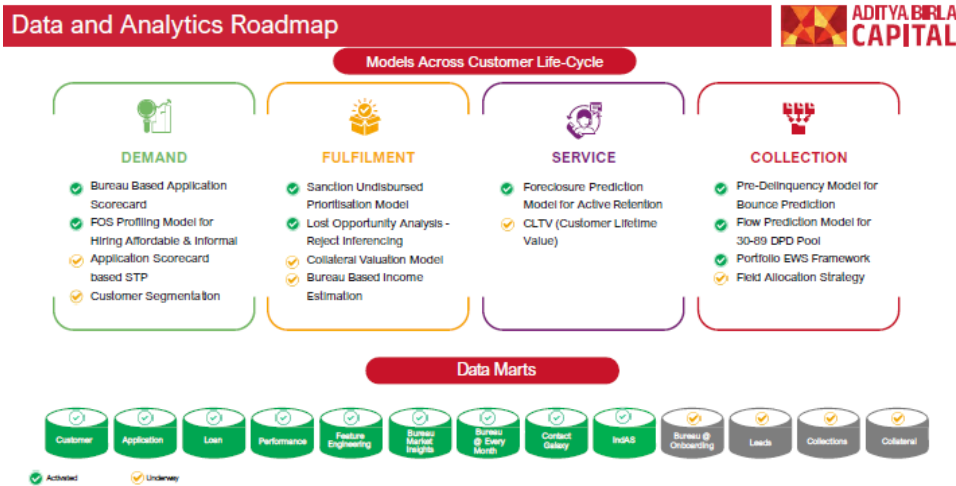
Source: Company, JM Financial

Exhibit 19. ABFL – Way forward



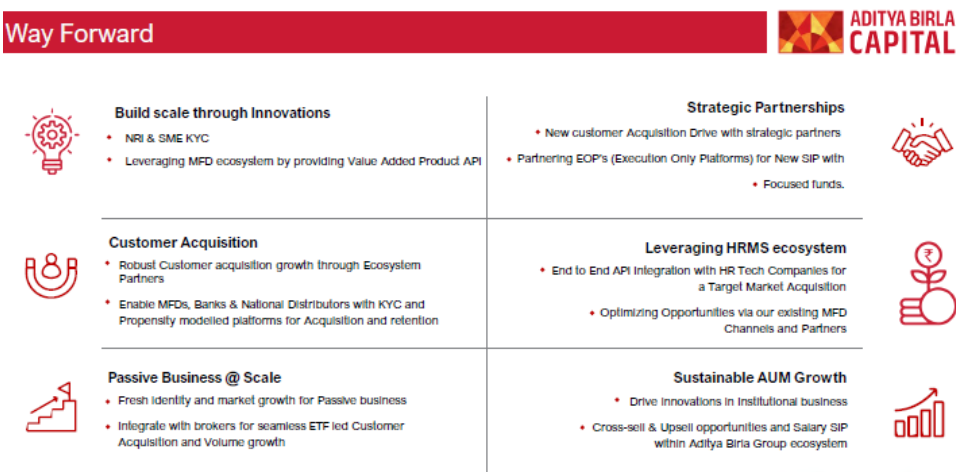
Source: Company, JM Financial

Exhibit 20. ABHFL – Data and Analytics Roadmap



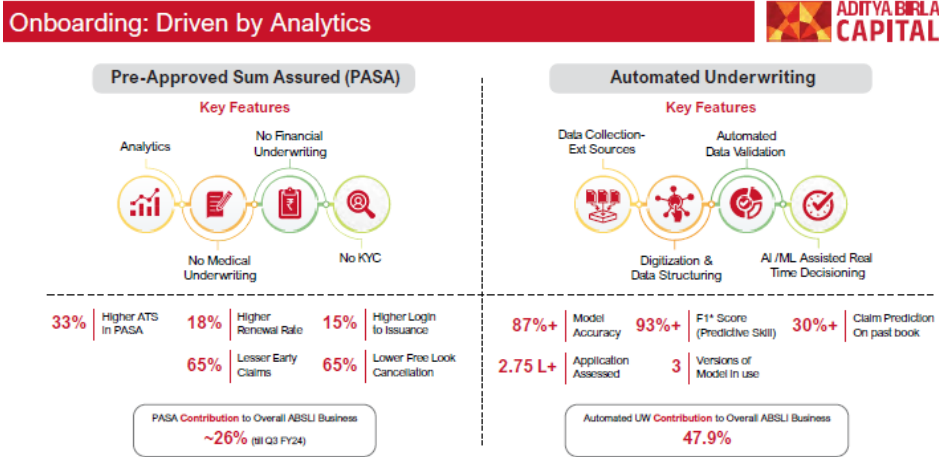
Source: Company, JM Financial

Exhibit 21. ABSLI AMC – Way forward



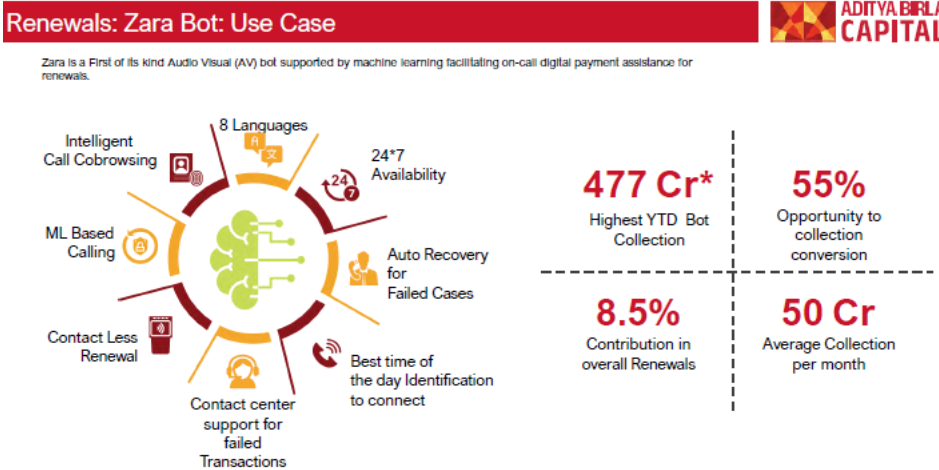
Source: Company, JM Financial

Exhibit 22. ABSLI – Onboarding with Analytics



Source: Company, JM Financial

Exhibit 23. ABSLI – Renewal with Analytics



Source: Company, JM Financial

Exhibit 24. ABHI: A strategically designed healthcare app to provide health insights



Source: Company, JM Financial

Exhibit 25. ABHI: AI led digital Servicing

ADITYA BIRLA CAPITAL

Activ Health App

- A Holistic Health & Wellness Ecosystem
- Fastest growing servicing channel for ABHI

Website

- Real-time Updates
- Multilingual Chatbot

WhatsApp / Chatbot

- AI/ ML based NLP bot with intent recognition rate of >90%
- Supports – English, Hindi and Hinglish

AI Voice Bot

- AI led, intent recognition based servicing
- Instant Fulfillment

Source: Company, JM Financial

Exhibit 26. ABHI: AI led digital claims

ADITYA BIRLA CAPITAL

First SAHI player to give end-to-end claims journey on WhatsApp

Digital claims adoption (%)

Period	Adoption %
Q2 exit	8.8
Q3 exit	23.1

Source: Company, JM Financial

Exhibit 27. ABHI: Way forward

ADITYA BIRLA CAPITAL

Way Forward

Scale Health offerings, add insurance on demand

Expand Digital Health Ecosystem with relevant & contextual services

Transform into a Health and Data platform

Source: Company, JM Financial

Financial Tables (Standalone) – ABFL

Income Statement					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Interest Income (NII)	28,213	39,463	60,784	77,783	1,02,033
Non Interest Income	2,656	4,616	2,578	3,237	4,074
Total Income	30,869	44,080	63,362	81,020	1,06,107
Operating Expenses	9,463	14,143	19,747	25,164	32,052
Pre-provisioning Profits	21,406	29,937	43,615	55,856	74,055
Loan-Loss Provisions	545	5,289	13,720	15,188	19,150
Others Provisions	5,990	3,746	0	0	0
Total Provisions	6,535	9,035	13,720	15,188	19,150
PBT	14,871	20,902	29,895	40,668	54,905
Tax	3,788	5,364	7,474	10,167	13,726
PAT (Pre-Extra ordinaries)	11,083	15,538	22,421	30,501	41,179
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	11,083	15,538	22,421	30,501	41,179
Dividend	0	0	0	0	0
Retained Profits	11,083	15,538	22,421	30,501	41,179

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Equity Capital	6,621	6,621	7,764	7,764	7,764
Reserves & Surplus	91,983	1,07,641	1,48,919	1,79,420	2,20,599
Stock option outstanding	4,701	6,892	7,581	8,339	9,173
Borrowed Funds	4,59,857	7,07,707	9,09,404	11,91,319	15,54,671
Deferred tax liabilities	0	0	0	0	0
Preference Shares	6,529	12,367	16,019	20,692	26,740
Current Liabilities & Provisions	0	0	0	0	0
Total Liabilities	5,69,692	8,41,228	10,89,687	14,07,535	18,18,948
Net Advances	5,36,075	7,88,495	10,20,964	13,22,660	17,09,554
Investments	16,940	37,027	49,006	63,488	82,059
Cash & Bank Balances	6,925	3,876	5,105	6,613	8,548
Loans and Advances	0	0	0	0	0
Other Current Assets	4,086	3,402	4,005	1,391	1,831
Fixed Assets	2,217	3,101	4,017	5,189	6,706
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	2,595	4,065	5,266	6,802	8,790
Total Assets	5,69,692	8,41,228	10,89,687	14,07,535	18,18,948

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY) (%)					
Borrowed funds	11.6%	53.9%	28.5%	31.0%	30.5%
Advances	12.6%	47.1%	29.5%	29.6%	29.3%
Total Assets	12.2%	47.7%	29.5%	29.2%	29.2%
NII	24.4%	39.9%	54.0%	28.0%	31.2%
Non-interest Income	11.5%	73.8%	-44.2%	25.6%	25.9%
Operating Expenses	19.3%	49.5%	39.6%	27.4%	27.4%
Operating Profits	24.9%	39.9%	45.7%	28.1%	32.6%
Core Operating profit	30.4%	39.2%	45.9%	28.1%	32.7%
Provisions	-4.2%	38.3%	51.9%	10.7%	26.1%
Reported PAT	44.2%	40.2%	44.3%	36.0%	35.0%
Yields / Margins (%)					
Interest Spread	4.23%	4.63%	5.23%	5.14%	5.33%
NIM	5.33%	5.68%	6.38%	6.30%	6.39%
Profitability (%)					
ROA	2.06%	2.20%	2.32%	2.44%	2.55%
ROE	11.9%	14.6%	16.6%	17.7%	19.8%
Cost to Income	30.7%	32.1%	31.2%	31.1%	30.2%
Asset quality (%)					
Gross NPA	3.60%	3.13%	2.47%	2.27%	2.22%
LLP	1.59%	1.28%	1.62%	1.40%	1.37%
Capital Adequacy (%)					
Tier I	18.07%	13.92%	14.85%	13.78%	13.05%
CAR	21.77%	16.38%	17.32%	16.26%	15.55%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
NII / Assets	5.24%	5.59%	6.30%	6.23%	6.32%
Other Income / Assets	0.49%	0.65%	0.27%	0.26%	0.25%
Total Income / Assets	5.73%	6.25%	6.56%	6.49%	6.58%
Cost / Assets	1.76%	2.00%	2.05%	2.02%	1.99%
PPP / Assets	3.97%	4.24%	4.52%	4.47%	4.59%
Provisions / Assets	1.21%	1.28%	1.42%	1.22%	1.19%
PBT / Assets	2.76%	2.96%	3.10%	3.26%	3.40%
Tax rate	25.5%	25.7%	25.0%	25.0%	25.0%
ROA	2.06%	2.20%	2.32%	2.44%	2.55%
Leverage	5.8	7.4	7.0	7.5	8.0
ROE	11.9%	14.6%	16.6%	17.7%	19.8%

Source: Company, JM Financial

Valuations					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shares in Issue	662.1	662.1	776.4	776.4	776.4
EPS (INR)	16.7	23.5	28.9	39.3	53.0
EPS (YoY) (%)	44.2%	40.2%	23.1%	36.0%	35.0%
P/E (x)	11.2	8.0	6.5	4.8	3.5
BV (INR)	149	173	202	241	294
BV (YoY) (%)	11.6%	15.9%	16.9%	19.5%	22.0%
P/BV (x)	1.26	1.08	0.93	0.78	0.64
DPS (INR)	0.0	0.0	0.0	0.0	0.0
Div. yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, JM Financial

Financial Tables (Standalone) – ABHFL

Income Statement						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Interest Income (NII)	4,907	6,156	7,882	9,688	11,846	
Non Interest Income	203	250	370	518	676	
Total Income	5,111	6,406	8,252	10,205	12,522	
Operating Expenses	1,934	2,782	4,321	5,528	6,624	
Pre-provisioning Profits	3,177	3,625	3,930	4,678	5,898	
Loan-Loss Provisions	645	539	88	337	613	
Others Provisions	0	0	0	0	0	
Total Provisions	645	539	88	337	613	
PBT	2,533	3,085	3,842	4,341	5,285	
Tax	560	676	845	955	1,163	
PAT (Pre-Extra ordinaries)	1,973	2,409	2,997	3,386	4,122	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	1,973	2,409	2,997	3,386	4,122	
Dividend	0	0	0	0	0	
Retained Profits	1,973	2,409	2,997	3,386	4,122	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY) (%)					
Borrowed funds	0.3%	11.4%	20.0%	27.0%	27.0%
Advances	0.8%	14.0%	24.8%	25.0%	25.0%
Total Assets	1.7%	11.8%	24.6%	24.6%	25.0%
NII	27.4%	25.4%	28.0%	22.9%	22.3%
Non-interest Income	-59.6%	23.1%	47.8%	39.9%	30.6%
Operating Expenses	12.5%	43.9%	55.3%	27.9%	19.8%
Operating Profits	20.4%	14.1%	8.4%	19.0%	26.1%
Core Operating profit	23.3%	13.8%	8.4%	19.1%	26.2%
Provisions	-26.2%	-16.4%	-83.7%	282.6%	82.1%
Reported PAT	43.8%	22.1%	24.4%	13.0%	21.7%
Yields / Margins (%)					
Interest Spread	3.13%	3.79%	3.98%	3.84%	3.85%
NIM	3.98%	4.69%	5.09%	5.01%	4.90%
Profitability (%)					
ROA	1.58%	1.81%	1.90%	1.72%	1.68%
ROE	12.18%	13.06%	12.66%	11.53%	12.45%
Cost to Income	37.8%	43.4%	52.4%	54.2%	52.9%
Asset quality (%)					
Gross NPA	3.53%	3.25%	1.93%	1.56%	1.39%
LLP	0.82%	0.48%	0.10%	0.24%	0.32%
Capital Adequacy (%)					
Tier I	19.4%	18.0%	21.5%	19.6%	18.0%
CAR	23.9%	21.6%	24.8%	22.7%	20.8%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Equity Capital	5,012	5,012	7,012	7,012	7,012	
Reserves & Surplus	12,198	14,668	20,665	24,051	28,173	
Borrowed Funds	107,152	119,372	143,247	181,923	231,043	
Current Liabilities & Provisions	1,545	1,669	4,383	5,461	6,826	
Total Liabilities	125,907	140,721	175,306	218,447	273,054	
Net Advances	118,955	135,570	169,160	211,427	264,268	
Investments	0	0	0	0	0	
Cash & Bank Balances	5,570	2,047	2,537	3,171	3,964	
Loans and Advances	128	50	62	78	97	
Other Current Assets	380	1,758	1,932	1,759	2,210	
Fixed Assets	337	721	898	1,119	1,399	
Deferred Tax Assets	537	575	716	893	1,116	
Total Assets	125,907	140,721	175,306	218,447	273,054	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
NII / Assets	3.93%	4.62%	4.99%	4.92%	4.82%
Other Income / Assets	0.16%	0.19%	0.23%	0.26%	0.28%
Total Income / Assets	4.09%	4.81%	5.22%	5.18%	5.10%
Cost / Assets	1.55%	2.09%	2.73%	2.81%	2.70%
PPP / Assets	2.55%	2.72%	2.49%	2.38%	2.40%
Provisions / Assets	0.52%	0.40%	0.06%	0.17%	0.25%
PBT / Assets	2.03%	2.31%	2.43%	2.20%	2.15%
Tax rate	22.1%	21.9%	22.0%	22.0%	22.0%
ROA	1.58%	1.81%	1.90%	1.72%	1.68%
Leverage	7.7	7.2	6.7	6.7	7.4
ROE	12.2%	13.1%	12.7%	11.5%	12.4%

Source: Company, JM Financial

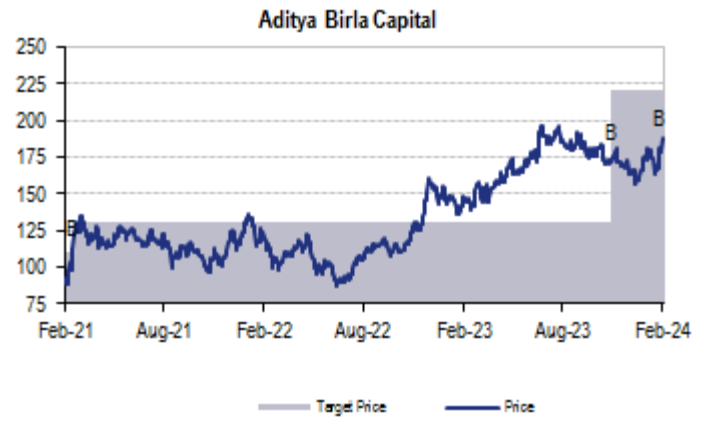
Valuations					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shares in Issue	501.2	501.2	701.2	701.2	701.2
EPS (INR)	3.9	4.8	4.3	4.8	5.9
EPS (YoY) (%)	43.8%	22.1%	-11.1%	13.0%	21.7%
BV (INR)	12.7	10.4	11.7	10.4	8.5
BV (YoY) (%)	34	39	39	44	50

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
5-Feb-20	Buy	110	
7-Nov-20	Buy	110	0.0
22-Feb-21	Buy	130	18.2
6-Nov-23	Buy	220	69.2
2-Feb-24	Buy	220	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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