

October 29, 2024

**RESULT REPORT Q2 FY25** | Sector: Asset Managers

# Aditya Birla Sun Life AMC

## Equity flows improve, while yield remains stable

### Our view – Higher share of equity in AUM helps maintain revenue yield

**Revenue Yield** – Equity segment yield sequentially down but overall revenue yield has remained stable: The equity segment yield has come down QoQ from 68bps in 1Q to 67bps in 2Q. However, the total revenue yield has remained stable since negative factors have been offset by the rise in share of equity. The company has not undertaken any exercise yet like its peers for revision of commission rates for distributors, but they have stated that they will take suitable steps when appropriate.

**Equity business** - Equity business continues to improve with revival of flows in certain funds: The equity mutual funds average AUM was Rs. 1,806bn for 2Q up 39% YoY. The SIP flows for the quarter were Rs 42bn while the SIP AUM stood at Rs 839bn, up 38% YoY. Some of the equity schemes leading the revival of flows for the company are Frontline Equity, Flexicap and Multi Asset Allocation Fund.

**We maintain 'ADD' rating on ABSL with a revised price target of Rs 900:** We value ABSL at 26x FY26 P/E, at which the stock would trade at an FY26 P/B of 6.1x.

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

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

- **Revenue:** Revenue from operations at Rs 4,242mn was up 9.7%/26.6% QoQ/YoY, leading/lagging QAUM growth of 8.7%/23.3% QoQ/YoY.
- **Share of Equity in AUM:** Share of Equity in AUM (including Hybrid funds) at 47.1% was up 113bps QoQ and 524bps YoY (calculated on rounded off figures)
- **Share of B-30 in AUM:** Share of B-30 in AUM at 18.4% was up 70bps QoQ and 110bps YoY
- **Channel mix:** Share of MFDs, Banks, NDs and Direct was 33%, 8%, 17% and 42%, respectively in overall AUM (Ex-ETF)
- **Operating profit margin:** Operating profit margin for the quarter, at 59.0%, was up 207bps QoQ and 175bps YoY

### Exhibit 1: Result table

Rs mn	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
Revenue from operation	4,242	3,350	26.6%	3,866	9.7%
As % of QAUM <sup>^</sup>	0.44%	0.43%	1bps	0.44%	0bps
Fees and Commission Expenses	121	82	46.4%	105	15.2%
As % of revenue	2.8%	2.5%	38bps	2.7%	14bps
Employee Benefit Expenses	894	798	12.0%	892	0.2%
As % of revenue	21.1%	23.8%	-275bps	23.1%	-200bps
Other Expenses	723	550	31.4%	667	8.4%
As % of revenue	17.0%	16.4%	62bps	17.2%	-20bps
<b>Total Expense</b>	<b>1,738</b>	<b>1,431</b>	<b>21.5%</b>	<b>1,664</b>	<b>4.5%</b>
<b>Operating Profit</b>	<b>2,504</b>	<b>1,919</b>	<b>30.5%</b>	<b>2,203</b>	<b>13.7%</b>
As % of QAUM <sup>^</sup>	0.3%	0.2%	1bps	0.2%	1bps
As % of revenue	59.0%	57.3%	175bps	57.0%	207bps
Other Income	958	557	72.1%	948	1.1%
Finance cost	14	17	-16.7%	14	-2.1%
Depreciation	98	92	7.0%	91	7.2%
<b>Profit before Tax</b>	<b>3,351</b>	<b>2,368</b>	<b>41.5%</b>	<b>3,045</b>	<b>10.0%</b>
Tax Expense	928	587	58.0%	688	34.8%
<b>Profit After Tax</b>	<b>2,423</b>	<b>1,781</b>	<b>36.1%</b>	<b>2,357</b>	<b>2.8%</b>
As % of QAUM <sup>^</sup>	0.3%	0.2%	2bps	0.3%	-1bps
As % of revenue	57.1%	53.2%	396bps	61.0%	-384bps

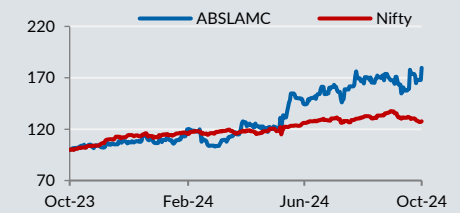
Source: Company, YES Sec-Research, <sup>^</sup>Annualised

Recommendation	: ADD
Current Price	: Rs 788
Target Price	: Rs 900
Potential Return	: +14%

### Stock data (as on October 29, 2024)

Nifty	24,467
52 Week h/l (Rs)	804 / 435
Market cap (Rs/USD mn)	218674 / 2603
Outstanding Shares (mn)	288
6m Avg t/o (Rs mn):	292
Div yield (%):	1.9
Bloomberg code:	ABSLAMC IN
NSE code:	ABSLAMC

### Stock performance



	1M	3M	1Y
Absolute return	7.2%	10.2%	79.7%

### Shareholding pattern (As of Sep'24 end)

Promoter	75.0%
FII+DII	16.9%
Others	8.1%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	900	815

### Financial Summary

Rs mn	FY25E	FY26E	FY27E
Net Revenue	15,859	18,010	20,453
YoY Growth	17.2%	13.6%	13.6%
EBIDTA Margin	58.6%	59.8%	60.9%
PAT	8,487	9,853	11,425
YoY Growth	8.8%	16.1%	16.0%
ROE	24.8%	24.8%	24.8%
EPS (Rs)	29.5	34.2	39.7
P/E (x)	26.7	23.0	19.9
BV (Rs)	127.7	148.2	172.0
P/BV (x)	6.2	5.3	4.6

### Δ in earnings estimates

Rs.	FY25E	FY26E	FY27E
EPS (New)	29.5	34.2	39.7
EPS (Old)	28.7	33.4	39.3
% change	2.5%	0.9%	0.9%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Yield aspects

- The yield has remained stable since negative factors have been offset by the rise in share of equity.
- **Segmental yield**
  - Equity – 67 bps
  - Debt – 24-25 bps
  - Liquid – 12-13 bps

### Equity business

- **Schemes attracting flows**
  - Some of the equity schemes leading the revival are Frontline Equity, Flexicap, Multi Asset Allocation Fund.
  - There have also been flows in the thematic fund launched relatively recently, the quant fund and the transport and logistics fund launched about a year ago.

### Fund launches

- NFOs have been planned for a thematic equity scheme and for passive funds.
- On the fixed income side, a target maturity fund has been planned.

### Key AUM aspects

- **Total company AUM**
  - The total company level average AUM was Rs. 4,004bn, up 24% YoY
- **Total mutual fund AUM**
  - The mutual fund quarterly average AUM was Rs. 3,833bn, up 23% YoY.
- **Equity mutual fund AUM**
  - The equity mutual funds average AUM was Rs. 1,806bn for the quarter, comprising 47.1% of total mutual fund AUM.
- **Debt mutual fund AUM**
  - The fixed income AUM was at Rs 2,027 bn, up by 12% YoY.
  - **New launches**
    - The company will launch target maturity funds.
    - The company will also promote Duration funds as the management expects better demand due to rate cut cycle.
- **Folios serviced**
  - The outstanding folio count serviced amounts to 10.2mn.
  - ABSL AMC has added 0.8mn folios in 2QFY25.
- **SIP business**
  - Monthly SIP inflow was at Rs. 14.25bn.
  - The SIP inflows amounted to Rs 41.71bn for the quarter.
  - Currently, 4.59mn live SIP accounts are being serviced.
  - The total SIP AUM is about Rs. 839bn.
  - The share of digital sourcing is 45-50%.

(Con call takeaways continue on the next page)

- **B-30 AUM**
  - The share of B-30 AUM has risen to 18.4% of total mutual fund AUM.
- **Individual MAAUM**
  - The individual MAAUM was at Rs 2,034 bn and contributed 53.1% to the total AUM
- **New Mandate**
  - The company has won ASIC mandate under advisory route in 2Q.

## Passive business

- **AUM**
  - The total passive fund AUM was at Rs 301 bn as of September 2024, up 6% YoY.
- **Products offered**
  - ABSL AMC now has total of 47 products in the passive segment.
- **Folios**
  - Number of folios served are 0.96mn.

## Alternate assets

- **PMS / AIF**
  - The total QAAUM in the PMS and AIF segment was Rs. 39 bn, up 66% YoY.
  - Fund raising is currently underway in ABSL India Special Opportunities Fund and ABSL Structured Opportunities Fund II
  - **AIF pipeline**
    - India Yield Advantage Fund
    - ABSL Money Manager Fund
- **Offshore business**
  - The total QAAUM in the Offshore segment was Rs. 127 bn, up 31% YoY.
  - Fund raising is currently underway for ABSL Global Emerging Market Equity Fund (IFSC) and the collection has reached USD 50mn.
  - Other schemes where fund raising is currently underway are ABSL India ESG Engagement Fund (IFSC) and ABSL India Opportunities Fund
  - **Product pipeline**
    - ABSL Flexi Cap Fund (IFSC)
    - ABSL Global Bluechip Fund (IFSC)
- **Income**
  - The income from alternate assets business amounted to Rs 0.34bn for the quarter compared with Rs 0.21bn in the same quarter last year.

## Opex aspects

- **Employee Expense**
  - Employee expense was at Rs 894mn, up by 12% YoY and 0.2% QoQ
  - The Company has expanded its fund management team.
  - The company has added new Head of Digital and Data analytics and Head of Marketing.
  - The employee count stood at 1552 as of quarter end.
- **Other Operating Expense**
  - The other opex was at Rs Rs 844mn up by 33% YoY and 9% QoQ.
  - Non-employee expenses during the quarter were driven by software expenses, database spends, CSR and travel cost.

(Con call takeaways continue on the next page)

## Profitability aspects

- **Operating Profit**
  - Operating profit for 2QFY25 was Rs. 2.39bn, up 32% YoY
- **Profit After Tax**
  - PAT for 2QFY25 was Rs. 2.42 bn, up 36% YoY.

## Exhibit 2: Other Business Parameters

Rs mn	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
MF QAAUM	3,833,086	3,108,991	23.3%	3,525,000	8.7%
Individual share	53%	51%	189bps	53%	38bps
Monthly SIP Book	14,250	9,680	47%	13,670	4%
<b>AAUM Mix</b>					
Alternate and Offshore - Others	1,000	9,000	-89%	9,000	-89%
Domestic - Liquid	621,000	563,000	10%	546,000	14%
Domestic - Fixed Income	1,406,000	1,244,000	13%	1,358,000	4%
Alternate and Offshore - Equity	161,000	117,000	38%	142,000	13%
Domestic - Equity	1,806,000	1,302,000	39%	1,621,000	11%
<b>QAAUM Mix (% proportion)</b>					
Alternate and Offshore - Others	0.2%	0.3%	-3bps	0.2%	0bps
Domestic - Liquid	15.5%	17.4%	-189bps	14.9%	66bps
Domestic - Fixed Income	35.1%	38.5%	-334bps	36.9%	-183bps
Alternate and Offshore - Equity	4.0%	3.6%	40bps	3.9%	16bps
Domestic - Equity	45.1%	40.2%	486bps	44.1%	101bps
<b>Channel Mix - Ex-ETF (% proportion)</b>					
Bank	8%	9%	-100bps	8%	0bps
National Distributor	17%	17%	0bps	16%	100bps
MFDs	33%	32%	100bps	33%	0bps
Direct	42%	42%	0bps	43%	-100bps
<b>Geographical Spread</b>					
T-30	82%	83%	-110bps	82%	-70bps
B-30	18%	17%	110bps	18%	70bps

Source: Company, YES Sec - Research

## Exhibit 3: Quarterly Actuals Vs Estimates

Q2FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	4,242	4,218	0.6
EBITDA	2,504	2,446	2.4
PAT	2,423	2,322	4.3

Source: Company, YES Sec - Research

## ANNUAL CONSOLIDATED FINANCIALS

### Exhibit 4: Balance sheet statement

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	1,440	1,441	1,441	1,441	1,441
Share Warrants & Outstanding	0	0	0	0	0
Total Reserves	23,730	30,248	35,340	41,252	48,107
<b>Shareholder's Funds</b>	<b>25,170</b>	<b>31,689</b>	<b>36,781</b>	<b>42,692</b>	<b>49,547</b>
Minority Interest	0	0	0	0	0
Trade Payables	482	576	605	635	667
Lease liabilities	480	791	873	944	1,004
Other financial liabilities	506	667	700	735	772
Total Financial Liabilities	1,468	2,034	2,178	2,315	2,443
Current tax liabilities	107	35	36	38	40
Provisions	412	442	464	487	511
Deferred Tax Liabilities (net)	348	614	644	677	710
Other non-financial liabilities	377	206	216	227	238
Total Non-Financial Liabilities	1,243	1,296	1,360	1,428	1,500
<b>TOTAL LIABILITIES</b>	<b>27,881</b>	<b>35,019</b>	<b>40,320</b>	<b>46,435</b>	<b>53,490</b>
Cash and Bank	1,266	848	1,277	1,832	2,532
Trade receivables	245	407	428	449	472
Loans	0	0	0	0	0
Investments	23,592	31,222	35,905	41,291	47,484
Other Financial assets	598	140	147	155	162
Total Financial Assets	25,701	32,617	37,757	43,727	50,651
Current tax assets (net)	420	177	186	195	205
Property, plant and equipment	187	299	316	330	340
Right of use assets	427	701	783	854	914
Capital Work in Progress	10	6	7	7	7
Intangible assets under development	10	13	14	15	15
Other intangible assets	88	109	106	100	90
Other non-financial assets	1,038	1,097	1,151	1,209	1,269
Total Non-Financial Assets	2,180	2,401	2,562	2,709	2,840
<b>TOTAL ASSETS</b>	<b>27,881</b>	<b>35,019</b>	<b>40,320</b>	<b>46,435</b>	<b>53,490</b>

Source: Company, YES Sec – Research

### Exhibit 5: Profit & Loss statement

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue excl. treasury income	12,266	13,532	15,859	18,010	20,453
Operating Expense					
Fees and Commission	229	351	444	508	580
Employee Expense	2,772	3,208	3,528	3,881	4,269
Other Expenses	2,215	2,364	2,600	2,860	3,146
<b>Total Expenses</b>	<b>5,216</b>	<b>5,922</b>	<b>6,573</b>	<b>7,249</b>	<b>7,996</b>
<b>Operating Profit</b>	<b>7,050</b>	<b>7,610</b>	<b>9,286</b>	<b>10,761</b>	<b>12,457</b>
Other Income	1,271	2,874	2,452	2,819	3,242
Depreciation	343	346	363	381	401
Finance Cost	39	56	59	62	65
<b>Profit before Tax</b>	<b>7,939</b>	<b>10,082</b>	<b>11,316</b>	<b>13,137</b>	<b>15,233</b>
Tax	1,975	2,278	2,829	3,284	3,808
<b>Net Profit</b>	<b>5,964</b>	<b>7,804</b>	<b>8,487</b>	<b>9,853</b>	<b>11,425</b>

Source: Company, YES Sec – Research

## Exhibit 6: Cash flow statement

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	7,939	10,082	11,316	13,137	15,233
Depreciation	343	346	145	153	160
Change in working cap	(1,293)	812	8	9	9
Tax paid	(1,795)	(1,839)	(2,829)	(3,284)	(3,808)
Others	(820)	(2,552)	(2,392)	(2,757)	(3,177)
<b>Cash flow from operations</b>	<b>4,373</b>	<b>6,848</b>	<b>6,248</b>	<b>7,257</b>	<b>8,418</b>
Capex	(186)	(301)	(161)	(161)	(161)
Change in investments	(1,292)	(4,976)	(4,683)	(5,386)	(6,194)
Others	135	169	(71)	(74)	(78)
<b>Cash flow from investments</b>	<b>(1,343)</b>	<b>(5,107)</b>	<b>(4,915)</b>	<b>(5,621)</b>	<b>(6,433)</b>
Equity raised/(repaid)	0	1	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Dividend (incl tax)	(3,125)	(1,512)	(3,395)	(3,941)	(4,570)
Others	(222)	(174)	2,491	2,860	3,285
<b>Cash flow from financing</b>	<b>(3,347)</b>	<b>(1,686)</b>	<b>(904)</b>	<b>(1,081)</b>	<b>(1,285)</b>
<b>Net change in cash</b>	<b>(316)</b>	<b>55</b>	<b>429</b>	<b>555</b>	<b>700</b>

Source: Company, YES Sec – Research

## Exhibit 7: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	15,859	18,010	20,453	15,570	17,685	20,301	1.9	1.8	0.7
Operating Profit	9,286	10,761	12,457	9,005	10,445	12,316	3.1	3.0	1.1
Profit After Tax	8,487	9,853	11,425	8,276	9,616	11,320	2.5	2.5	0.9

Source: Company, YES Sec – Research

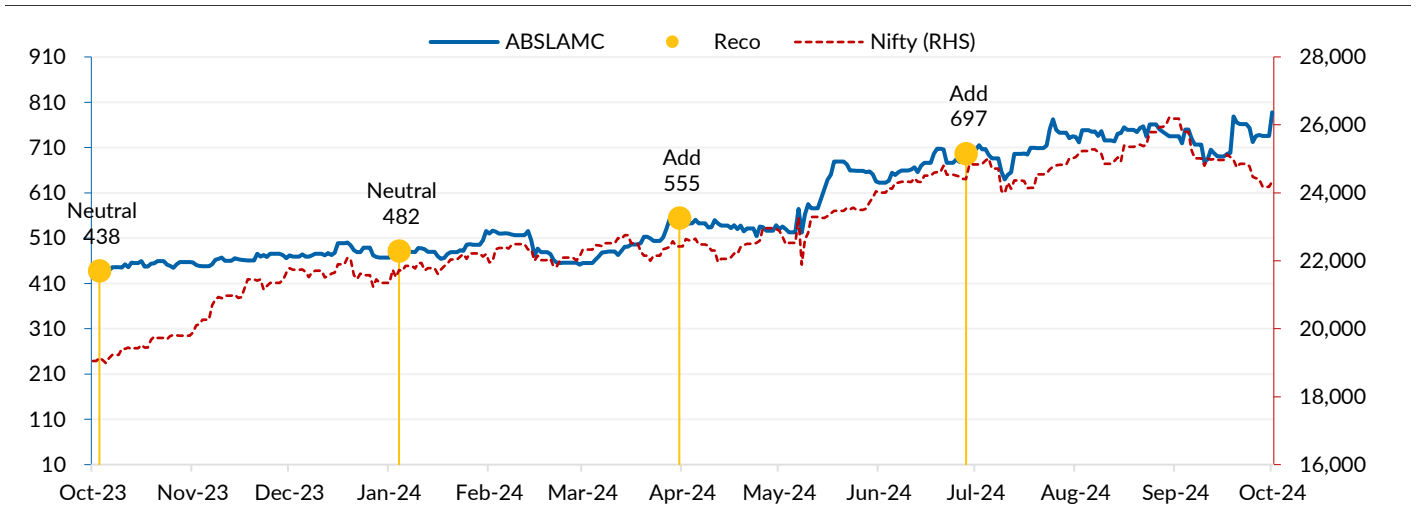
## Exhibit 8: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth ratios (%)</b>					
AAUM	-10.3%	11.6%	18.4%	14.2%	14.3%
Revenue excl. investment income	-5.1%	10.3%	17.2%	13.6%	13.6%
Total Expenses	10.2%	13.5%	11.0%	10.3%	10.3%
Operating Profit	-14.0%	7.9%	22.0%	15.9%	15.8%
Profit Before Tax	-11.3%	27.0%	12.2%	16.1%	16.0%
Net profit	-11.4%	30.8%	8.8%	16.1%	16.0%
<b>As a % of Avg AUM</b>					
Revenue excl. investment income	0.44%	0.43%	0.43%	0.43%	0.42%
Operating Expense	0.19%	0.19%	0.18%	0.17%	0.17%
Operating Profit	0.25%	0.24%	0.25%	0.25%	0.26%
PBT	0.28%	0.32%	0.31%	0.31%	0.32%
Net profit	0.21%	0.25%	0.23%	0.23%	0.24%
<b>Operating Ratios</b>					
Operating Profit Margin	57.5%	56.2%	58.6%	59.8%	60.9%
PBT Margin	64.7%	74.5%	71.3%	72.9%	74.5%
PAT Margin	48.6%	57.7%	53.5%	54.7%	55.9%
ROE	25.3%	27.4%	24.8%	24.8%	24.8%
Dividend Payout Ratio	49.5%	49.8%	40.0%	40.0%	40.0%
<b>Per share</b>					
EPS, Rs.	20.7	27.1	29.5	34.2	39.7
Book Value, Rs.	87.4	110.0	127.7	148.2	172.0
<b>Valuation Ratios</b>					
P/E, x	38.0	29.1	26.7	23.0	19.9
P/BV, x	9.0	7.2	6.2	5.3	4.6
Mcap to AUM, %	8.1%	7.3%	6.1%	5.4%	4.7%
Dividend Yield, %	1.3%	1.7%	1.5%	1.7%	2.0%

Source: Company, YES Sec – Research



## Recommendation Tracker



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Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit, Suraj Singhania

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