

January 28, 2025

RESULT REPORT Q3 FY25 | Sector: Asset Managers

Aditya Birla Sun Life AMC

Equity net flows and revenue yield improve

Our view – With improved net flows, pace of market share loss declines

Revenue Yield – Overall revenue yield has improved but has an element of one-off benefit also: The calculated revenue yield for 3Q was at 46bps, up by 2bps QoQ and 3bps YoY. The key reason for the improvement in yield were 1) Increase in TER for certain debt schemes 2) Fall in AUM due to MTM impact, leading to higher TER 3) Realignment of marketing and distribution expenses. The Equity segment yield will normalize from the current 70-71bps to 67-68bps in 2 quarters (presumably 1QFY26) as the one-off benefit from realignment of marketing and distr. expense gets nullified.

Equity business - Equity net flows witnessed an improvement: ABSLAMC has witnessed an improvement in net flows in certain large-cap funds, multi asset allocation fund, thematic fund, etc. Overall, the company saw an improvement in net flows excluding NFOs and the pace of decline in market share has slowed down.

We maintain 'ADD' rating on ABSL with a revised price target of Rs 730: We value ABSL at 22x FY26 P/E, at which the stock would trade at an FY26 P/B of 4.9x.

(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 4,451mn was up 4.9%/30.4% QoQ/YoY, leading QAAUM growth of 0.2%/23.2% QoQ/YoY.
- **Share of Equity in AUM:** Share of Equity in AUM (including Hybrid funds) at 46.8% was down -36bps QoQ but up 310bps YoY (calculated on rounded off figures)
- **Share of B-30 in AUM:** Share of B-30 in AUM at 18.5% was up 10bps QoQ and 100bps 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 61.6%, was up 260bps QoQ and 474bps YoY.

Exhibit 1: Result table

Rs mn	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ
Revenue from operation	4,451	3,415	30.4%	4,242	4.9%
As % of QAUM [^]	0.46%	0.44%	3bps	0.44%	2bps
Fees and Commission Expenses	124	87	41.9%	121	2.8%
As % of revenue	2.8%	2.6%	23bps	2.8%	-6bps
Employee Benefit Expenses	877	794	10.5%	894	-1.9%
As % of revenue	19.7%	23.2%	-354bps	21.1%	-137bps
Other Expenses	707	591	19.6%	723	-2.3%
As % of revenue	15.9%	17.3%	-143bps	17.0%	-117bps
Total Expense	1,708	1,472	16.0%	1,738	-1.7%
Operating Profit	2,743	1,943	41.2%	2,504	9.5%
As % of QAUM [^]	0.3%	0.2%	4bps	0.3%	2bps
As % of revenue	61.6%	56.9%	474bps	59.0%	260bps
Other Income	384	795	-51.7%	958	-59.9%
Finance cost	17	15	17.0%	14	22.9%
Depreciation	111	88	26.7%	98	13.8%
Profit before Tax	2,999	2,635	13.8%	3,351	-10.5%
Tax Expense	754	542	39.2%	928	-18.7%
Profit After Tax	2,245	2,093	7.2%	2,423	-7.4%
As % of QAUM [^]	0.2%	0.3%	-3bps	0.3%	-2bps
As % of revenue	50.4%	61.3%	-1088bps	57.1%	-670bps

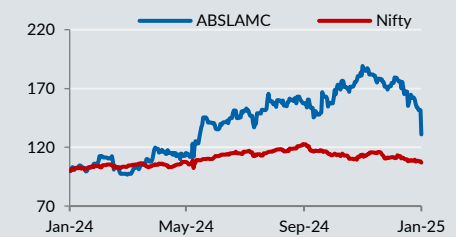
Source: Company, YES Sec-Research, [^]Annualised

Recommendation	: ADD
Current Price	: Rs 612
Target Price	: Rs 730
Potential Return	: +19%

Stock data (as on January 28, 2025)

Nifty	22,957
52 Week h/l (Rs)	912 / 450
Market cap (Rs/USD mn)	185617 / 2146
Outstanding Shares (mn)	288
6m Avg t/o (Rs mn)	357
Div yield (%)	1.9
Bloomberg code:	ABSLAMC IN
NSE code:	ABSLAMC

Stock performance



	1M	3M	1Y
Absolute return	-25.1%	-19.3%	31.0%

Shareholding pattern (As of Dec'24 end)

Promoter	74.9%
FII+DII	16.6%
Others	8.5%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	730	975

Financial Summary

Rs mn	FY25E	FY26E	FY27E
Net Revenue	17,028	18,614	21,104
YoY Growth	25.8%	9.3%	13.4%
EBIDTA Margin	60.0%	59.5%	59.7%
PAT	9,289	9,367	10,681
YoY Growth	19.0%	0.8%	14.0%
ROE	26.9%	23.4%	23.2%
EPS (Rs)	32.2	32.5	37.1
P/E (x)	19.0	18.8	16.5
BV (Rs)	129.3	148.8	171.1
P/BV (x)	4.7	4.1	3.6

Δ in earnings estimates

Rs.	FY25E	FY26E	FY27E
EPS (New)	32.2	32.5	37.1
EPS (Old)	30.8	34.2	39.7
% change	4.7%	-5.0%	-6.6%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Revenue yield aspects

- **Overall revenue yield**
 - Overall revenue yield has improved sequentially.
 - **Reason for improvement in yield**
 - The company has increased TER in certain debt schemes.
 - Due to MTM impact, there is a fall in AUM which has led to higher TER on account of telescopic pricing mechanism.
 - The company has realigned its marketing and distribution expenses.
 - **More on realignment of marketing and distribution expense**
 - The company had projected some marketing and distribution expenses which it has realigned now.
 - Some benefits due to the realignment will flow in Q4 also.
- **Segmental yield**
 - Equity – 70-71bps
 - Debt – 25 bps
 - Liquid – 13 bps
 - ETF – 7-8 bps
- **Equity yield**
 - The equity yield will normalize back to around 67-68bps range in 2 quarters (presumably 1QFY26) as the one-off benefit from realignment of marketing and distribution expense gets nullified.
- **Debt yield**
 - The Debt yield is expected to improve going forward, as interest rates stabilize and come down, providing room for growth in duration funds, where the expense is generally lower than liquid funds.

Equity business

- **Net Flows**
 - The net sales have improved in certain large-cap funds, multi asset allocation fund, thematic fund, etc.
 - In 3Q, the company has witnessed an improvement in net flows excluding NFOs.
- **Lump sum**
 - During market volatility the lump-sum flows generally get impacted.
- **Market share**
 - The pace of the decline in market share is slowing for the company.

Operating expenses

- **Employee cost**
 - Employee expense was Rs 877mn, down -1.9% QoQ but up 10.5% YoY
 - The ESOP expense for Q3 was Rs 2.8mn.
 - The total headcount stands at 1627 which is up sequentially from mid 1500 level.
 - **Reason for increase in head count**
 - The head count is up sequentially as the company is building teams across passive, direct and emerging markets.
 - There was no significant addition at the top level.

(Con call takeaways continue on the next page)

- **Guidance**
 - The company does not expect a meaningful increase in headcount in FY26.
 - The company is looking for 1 senior resource to head the entire AIF vertical.
- **Non-employee cost**
 - Other operating expense was Rs. 831mn down by -1.6% QoQ but up 22.5% YoY.

SIP business

- **SIP AUM**
 - The SIP AUM stood at Rs 780bn.
- **SIP registrations**
 - The SIP registrations for the quarter were 0.67mn, up 185% YoY.
 - The number of outstanding live SIPs were 4.35mn as of December 2024.
- **Monthly flows**
 - The monthly SIP book was Rs. 13.82bn, up by 38% YoY.
 - The total flow for the quarter amounted to Rs 34.29bn.
- **SIP Cancellation**
 - During market volatility, the SIP cancellation increases from general level of 50-55% to 60-65%.
 - In December 2024, the cancellation moved from 55% to 60%.
 - As per the trends seen in January 2025, the management don't see a meaningful deviation in SIP cancellation.

Fund launch pipeline

- **Active Fund**
 - The company has approval for Innovation fund and will launch the same in Q4FY25 or Q1FY26.
- **Passive Fund**
 - The company has a pipeline of products both in Equity ETF and Index fund.
 - The company has planned a target maturity fund in the fixed income category.

Channel growth and mix

- **Direct Channel**
 - The company is working on a Virtual Relationship Manager (VRM) Model.
 - VRM channel contributed around Rs 700-800mn to the NFO of Conglomerate Fund.
- **Funds in Recommendation list**
 - The company's funds such as the Frontline Fund and Flexi-cap fund, Balance Advantage Fund and Multi Asset Allocation Fund are now coming in the recommendation list of the organized channel.
 - In the online channel, a few funds came into the recommendation list in 2Q.
- **Targeted engagement**
 - The team has identified 25 locations in the country which accounts for around 80% of overall sales volume for the industry, where the company will increase its engagement.

(Con call takeaways continue on the next page)

- **Net sales pecking order**
 - On net sales, the channel contribution is in the order of MFDs, NDs, Direct, Banks and then online channels.

Key AUM aspects

- **Total company AUM**
 - The total company level average AUM was Rs. 4,009bn, up 23.5% YoY
- **Total mutual fund AUM**
 - The mutual fund quarterly average AUM was Rs. 3,839bn, up 23% YoY.
- **Equity mutual fund AUM**
 - The equity mutual funds average AUM was Rs. 1,795bn for the quarter, comprising 46.8% of total mutual fund AUM.
- **Folios serviced**
 - The outstanding folio count serviced amounts to 10.5mn.
 - ABSL AMC has added 0.3mn folios in 3QFY25.
 - The unique customer base is 7.5mn
- **B-30 AUM**
 - The share of B-30 AUM has risen to 18.5% of total mutual fund AUM.
- **Individual MAAUM**
 - The individual MAAUM was at Rs 1,973 bn and contributed 51.4% to the total AUM.

Passive Business

- **AUM**
 - The total passive fund AUM was at Rs 316 bn as of December 2024, up 7.8% YoY.
- **Products offered**
 - ABSL AMC now has total of 52 products in the passive segment.
- **Folios**
 - Number of folios served are 1.07mn.
- **Guidance**
 - The company targets to achieve an AUM of Rs 1,000bn in next 3 years.

Alternative Assets

- **PMS / AIF**
 - The total QAAUM in the PMS and AIF segment was Rs.38.0 bn.
 - Fund raising is currently underway in ABSL India Special Opportunities Fund and ABSL Structured Opportunities Fund II
 - **AIF pipeline**
 - ABSL Money Manager Fund
 - **Guidance**
 - On the PMS and AIF equity side the company would have an AUM of around Rs 250bn over a period of time.

(Con call takeaways continue on the next page)

- **Offshore**
 - The total QAAUM in the Offshore segment was Rs.127 bn, up 28% YoY.
 - Fund raising is currently underway for ABSL Global Emerging Market Equity Fund (IFSC), ABSL India ESG Engagement Fund, ABSL Flexi Cap Fund and ABSL Global Bluechip Fund
- **Revenue of the Alternates business**
 - The non-mutual fund revenue in Q3 was around Rs 340-350mn.
 - **Guidance**
 - The alternate business is currently contributing 7-8% of revenue as against earlier contribution of 14-15%.
 - The company targets to bring the alternate business back to its earlier contribution level.
- **Profitability**
 - All alternate businesses are profitable on individual level.
- **Guidance**
 - The company expects for the next 5 years the rate of growth in the alternate business to be faster than the mutual fund business.

Profitability aspects

- **Operating Profit**
 - Operating profit for 3QFY25 was Rs. 2.61bn, up 42% YoY.
- **Profit After Tax**
 - PAT for 3QFY25 was Rs. 2.25 bn, up 7% YoY.

Exhibit 2: Other Business Parameters

Rs mn	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ
MF QAAUM	3,839,111	3,115,093	23.2%	3,833,086	0.2%
Individual share	51%	53%	-199bps	53%	-167bps
Monthly SIP Book	13,820	10,050	38%	14,250	-3%
Equity QAAUM Market Share	4.4%	5.0%	-65bps	4.6%	-20bps
AAUM Mix					
Alternate and Offshore - Others	8,000	10,000	-20%	10,000	-20%
Domestic - Liquid	581,000	497,000	17%	621,000	-6%
Domestic - Fixed Income	1,463,000	1,258,000	16%	1,406,000	4%
Alternate and Offshore - Equity	162,000	122,000	33%	161,000	1%
Domestic - Equity	1,795,000	1,360,000	32%	1,806,000	-1%
QAAUM Mix (% proportion)					
Alternate and Offshore - Others	0.2%	0.3%	-11bps	0.2%	-5bps
Domestic - Liquid	14.5%	15.3%	-81bps	15.5%	-102bps
Domestic - Fixed Income	36.5%	38.7%	-225bps	35.1%	138bps
Alternate and Offshore - Equity	4.0%	3.8%	28bps	4.0%	2bps
Domestic - Equity	44.8%	41.9%	289bps	45.1%	-33bps
Channel Mix - Ex-ETF (% proportion)					
Bank	8%	9%	-100bps	8%	0bps
National Distributor	17%	17%	0bps	17%	0bps
MFDs	33%	33%	0bps	33%	0bps
Direct	42%	41%	100bps	42%	0bps
Geographical Spread					
T-30	82%	83%	-100bps	82%	-10bps
B-30	19%	18%	100bps	18%	10bps

Source: Company, YES Sec - Research

Exhibit 3: Quarterly Actuals Vs Estimates

Q3FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	4,451	4,234	5.1
EBITDA	2,743	2,477	10.8
PAT	2,245	2,059	9.0

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	35,822	41,442	47,851
Shareholder's Funds	25,170	31,689	37,262	42,882	49,291
Minority Interest	0	0	0	0	0
Trade Payables	482	576	605	635	667
Lease liabilities	480	791	842	868	866
Other financial liabilities	506	667	700	735	772
Total Financial Liabilities	1,468	2,034	2,147	2,238	2,305
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
TOTAL LIABILITIES	27,881	35,019	40,770	46,549	53,096
Cash and Bank	1,266	848	1,780	2,073	2,368
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	38,259	43,967	50,486
Current tax assets (net)	420	177	186	195	205
Property, plant and equipment	187	299	306	304	294
Right of use assets	427	701	752	778	776
Capital Work in Progress	10	6	7	7	7
Intangible assets under development	10	13	14	15	15
Other intangible assets	88	109	96	74	44
Other non-financial assets	1,038	1,097	1,151	1,209	1,269
Total Non-Financial Assets	2,180	2,401	2,511	2,582	2,611
TOTAL ASSETS	27,881	35,019	40,770	46,549	53,096

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	17,028	18,614	21,104
Operating Expense					
Fees and Commission	229	351	469	499	567
Employee Expense	2,772	3,208	3,528	3,916	4,426
Other Expenses	2,215	2,364	2,821	3,119	3,521
Total Expenses	5,216	5,922	6,819	7,535	8,514
Operating Profit	7,050	7,610	10,209	11,078	12,591
Other Income	1,271	2,874	2,685	1,930	2,219
Depreciation	343	346	415	457	502
Finance Cost	39	56	60	63	66
Profit before Tax	7,939	10,082	12,419	12,489	14,242
Tax	1,975	2,278	3,130	3,122	3,560
Net Profit	5,964	7,804	9,289	9,367	10,681

Source: Company, YES Sec – Research

Exhibit 6: Cash flow statement

(Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	7,939	10,082	12,419	12,489	14,242
Depreciation	343	346	166	183	201
Change in working cap	(1,293)	812	8	9	9
Tax paid	(1,795)	(1,839)	(3,130)	(3,122)	(3,560)
Others	(820)	(2,552)	(2,625)	(1,867)	(2,154)
Cash flow from operations	4,373	6,848	6,838	7,691	8,738
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)
Cash flow from investments	(1,343)	(5,107)	(4,915)	(5,621)	(6,433)
Equity raised/(repaid)	0	1	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Dividend (incl tax)	(3,125)	(1,512)	(3,716)	(3,747)	(4,273)
Others	(222)	(174)	2,724	1,970	2,262
Cash flow from financing	(3,347)	(1,686)	(992)	(1,776)	(2,011)
Net change in cash	(316)	55	931	294	295

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	17,028	18,614	21,104	16,040	18,214	20,684	6.2	2.2	2.0
Operating Profit	10,209	11,078	12,591	9,291	10,771	12,475	9.9	2.8	0.9
Profit After Tax	9,289	9,367	10,681	8,872	9,860	11,439	4.7	(5.0)	(6.6)

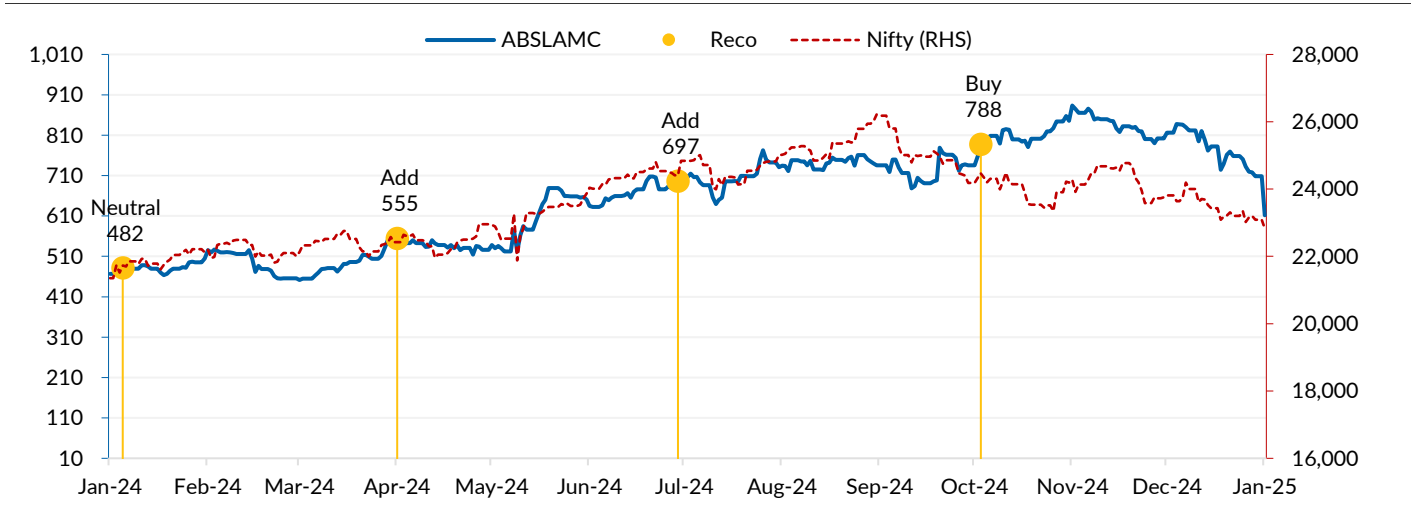
Source: Company, YES Sec – Research

Exhibit 8: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth ratios (%)					
AAUM	-10.3%	11.6%	20.1%	10.8%	13.6%
Revenue excl. investment income	-5.1%	10.3%	25.8%	9.3%	13.4%
Total Expenses	10.2%	13.5%	15.1%	10.5%	13.0%
Operating Profit	-14.0%	7.9%	34.1%	8.5%	13.6%
Profit Before Tax	-11.3%	27.0%	23.2%	0.6%	14.0%
Net profit	-11.4%	30.8%	19.0%	0.8%	14.0%
As a % of Avg AUM					
Revenue excl. investment income	0.44%	0.43%	0.45%	0.45%	0.45%
Operating Expense	0.19%	0.19%	0.18%	0.18%	0.18%
Operating Profit	0.25%	0.24%	0.27%	0.27%	0.27%
PBT	0.28%	0.32%	0.33%	0.30%	0.30%
Net profit	0.21%	0.25%	0.25%	0.23%	0.23%
Operating Ratios					
Operating Profit Margin	57.5%	56.2%	60.0%	59.5%	59.7%
PBT Margin	64.7%	74.5%	72.9%	67.1%	67.5%
PAT Margin	48.6%	57.7%	54.6%	50.3%	50.6%
ROE	25.3%	27.4%	26.9%	23.4%	23.2%
Dividend Payout Ratio	49.5%	49.8%	40.0%	40.0%	40.0%
Per share					
EPS, Rs.	20.7	27.1	32.2	32.5	37.1
Book Value, Rs.	87.4	110.0	129.3	148.8	171.1
Valuation Ratios					
P/E, x	29.5	22.6	19.0	18.8	16.5
P/BV, x	7.0	5.6	4.7	4.1	3.6
Mcap to AUM, %	6.3%	5.6%	4.7%	4.2%	3.7%
Dividend Yield, %	1.7%	2.2%	2.1%	2.1%	2.4%

Source: Company, YES Sec – Research

Recommendation Tracker



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