

Retain BUY !!!

ABSL AMC posted decent numbers - PAT grew by 36.8% yoy & 3.3% qoq to INR 241 cr largely led by strong AUM growth. QAAUM showed strong growth of 24% yoy & 8.9% qoq to INR 4 trillion. Within this, equity AUM recorded robust growth of 38.7% yoy (11.4% qoq) to INR 1.86 trillion. Q2FY25 growth is picking up as compared to under-performance seen in the previous years - 36% seen in FY24 and -5.5% in FY23. Also, relative share of equity has improved has improved from 42% to 47% yoy. On the debt side, debt AUM grew by 13% yoy / 3.5% qoq to INR 1.4 trillion (35.1% share). Management is expecting debt flows to gain traction in backdrop of declining interest rate scenario. Going forward, the company is likely to do NFO on debt & equity fund side in the coming next 2 quarters. Traction on the SIP flows is gaining momentum as compared to 6-8 quarters back - SIP flows recorded strong growth of 47.2% to INR 1425 cr for the month of Sep'24 vs. 53% yoy recorded by industry for the same period. Affirm BUY.

Valuations

Currently the company is trading at attractive valuations of 28x/24x/20.5x for FY24/FY25e/FY26e period on ROE of 27-28%. Approximately 60-65% of its schemes rank in the top two quartiles, and several top equity schemes have outperformed benchmarks over the past 6 months and 1 year. The company has also seen a substantial 47% growth in SIP inflows in Q2, reversing previous single-digit trends, and plans to launch multiple new funds across equity, debt, and alternative investments to boost assets under management (AUM). Research team has been strengthened with senior level hirings and which are likely to continue. All these factors in our view, is likely to bridge the gap between ABSL AMC and its peers.

The stock is nearly 50-60% discount to its peers. We expect stock to get re-rated - we assign BUY rating with TP of INR 935, upside of 22% from current levels (discounting its FY26e EPS by 25x).

Financial Summary

(Rs.cr)	FY23	FY24	FY25e	FY26e
PAT	596	780	922	1,077
PAT growth (yoy %)	-11.4	30.9	18.2	16.8
ROE (%)	25.3	27.4	27.1	27.6
ROA (%)	22.8	24.8	24.5	24.9
Operating Profit Margin (%)	59.6	59.1	63.5	65.4
Net Profit Margin (%)	48.6	57.7	56.0	56.2
P/E	37.0	28.3	24.0	20.5

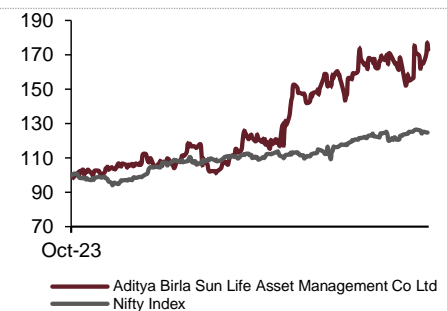
Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
BUY	935	21

Market Data

Current price	Rs	771
Market Cap (Rs.Bn)	(Rs Bn)	222
Market Cap (US\$ Mn)	(US\$ Mn)	2,644
Face Value	Rs	5
52 Weeks High/Low	Rs	804 / 434.95
Average Daily Volume	('000)	1,046
BSE Code		543374
Bloomberg		ABSLAMC.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	75	75
Public	25	25
Total	100	100

Source: Bloomberg

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Concall & Financial Highlights

- PAT grew by 36.8% yoy & 3.3% qoq to INR 241 cr largely led by strong AUM growth
- QAAUM showed strong growth of 24% yoy & 8.9% qoq to INR 4 trillion. Within this, equity AUM recorded robust growth of 38.7% yoy (11.4% qoq) to INR 1.86 trillion. Q2FY25 growth is picking up as compared to under-performance seen in the previous years - 36% seen in FY24 and -5.5% in FY23. Also, relative share of equity has improved from 42% in Q1 to 47% yoy in Q2.
- Management highlighted that its equity fund performance has beaten the benchmark and the peer for the shorter periods i.e. 3 months, 6 months and 1 year period.
- But despite this, market share in the equity AUM has fallen to 4.5% in Q2 vs. 4.7% in Q1FY25 and 5.2% in Q2FY24 - which could be because of the MTM gain on equity AUMs of relative peers or higher NFOs launches by others than ABSL AMC
- On the equity side, ABSL AMC is likely to be Net Fund Offerings for the next 2 quarters includes funds like Diversified Equity Fund and Index Thematic Fund.
- On the debt side, debt AUM grew by 13% yoy / 3.5% qoq to INR 1.4 trillion (35.1% share). ABSL AMC market share was marginally down to 11.6% in Q2FY25 vs. 11.8% in Q2FY24 and 12.1% in Q1FY25. Management is expecting debt flows to gain traction in backdrop of declining interest rate scenario. Going forward, the company is likely to do NFO on debt index fund side in the coming next 2 quarters.
- Liquid AUMs increased by 10.3% yoy / 13.7% qoq to INR 62100 cr (15.5% share)
- Alternates are growing at rapid pace - registered growth of 42.5% yoy (13.2% qoq) to INR 17100 cr. And its share in the overall AUM improved to 4.3% in Q2 vs. 4.1% in Q1
- On the AIF side, it is likely to witness series of fund launches while there are many in the pipeline currently. On the PMS/AIF side, fund raising is underway for ABSL India Special Opportunities Fund, ABSL Structured Opportunities Fund II and on offshore side, ABSL Global EM Equity Fund (IFSC), ABSL India ESG Engagement Fund (IFSC), ABSL India Opportunities Fund. While product pipeline on PMS/AIF side includes India Yield Advantage Fund, ABSL Money Manager Fund and on offshore side, ABSL Flexi Cap Fund (IFSC), ABSL Global Bluechip Fund (IFSC).

- Traction on the SIP flows is gaining momentum as compared to 6-8 quarters back – SIP flows recorded strong growth of 47.2% amounting to INR 1425 cr for the month of Sep'24 vs. 53% yoy recorded by industry for the same period (industry AUM at INR 24510 cr). Outstanding SIP AUM stands at INR 83900 cr i.e. 22% share on company MF AUMs and 46.5% share in the equity AUMs
- New SIP registrations were at ~11,54,000 in Q2, up by 443%. Total number of outstanding SIPs registrations now stands at 4.59 mn, growth of 42% yoy.
- Management said during the call that it is likely to expand the fund management team further with the senior level hirings
- Retention yields for Q2FY25 – equity AUMs 67 bps, debt AUMs 24-25 bps and liquid AUMs 12-13 bps
- Other operating expenses growth during the quarter was at higher end at 30.9% yoy / 6.5% qoq which was mainly due to increase in the software expenses, CSR expenses and increase in travelling costs

Valuations

Currently the company is trading at attractive valuations of 28x/24x/20.5x for FY24/FY25e/FY26e period on ROE of 27-28%. Approximately **60-65%** of its schemes rank in the top two quartiles, and several top equity schemes have outperformed benchmarks over the past **6 months** and **1 year**. The company has also seen a substantial **47% growth** in SIP inflows in Q2, reversing previous single-digit trends, and plans to launch multiple new funds across equity, debt, and alternative investments to boost assets under management (AUM). Research team has been strengthened with senior level hirings and which are likely to continue. All these factors in our view, is likely to bridge the gap between ABSL AMC and its peers.

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Quarterly Financials (Q2FY25)

(Rs.cr)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Total Revenue	417.6	329.2	26.9	380.5	9.8
Operating Expenses	168.1	138.8	21.1	162.1	3.7
-Employee Expenses	85.2	76.5	11.4	85.1	0.0
-Other Expenses	70.8	54.1	30.9	66.5	6.5
-Fees & Comm Expenses	12.1	8.2	46.4	10.5	15.2
Core Operating Profits	249.6	190.4	31.1	218.3	14.3
-Finance Cost	1.39	1.67	-16.8	1.4	-0.7
-Depreciation & amortisation exp	9.51	8.89	7.0	8.88	7.1
Core PBT	238.7	179.8	32.7	208.1	14.7
Other Income	95.42	55.35	72.4	94.4	1.1
PBT	334.1	235.2	42.1	302.5	10.5
Tax	92.76	58.7	58.0	68.8	34.8
PAT	241.3	176.5	36.8	233.7	3.3
Operating Profit Margin (%)	59.8	57.8		57.4	
Net profit margin (%)	57.8	53.6		61.4	
AUM Details					
Quarterly Avg. AUM	400,400	322,903	24.0	367,600	8.9
Alternates	17,100	12,003	42.5	15,100	13.2
Mutual Fund AUM	383,300	310,900	23.3	352,500	8.7
Equity AUM	180,600	130,200	38.7	162,100	11.4
Debt AUM	140,600	124,400	13.0	135,800	3.5
Liquid AUM	62,100	56,300	10.3	54,600	13.7
Share (%)					
Quarterly Avg. AUM	100	100		100	
Alternates	4.3	3.7		4.1	
Mutual Fund AUM	95.7	96.3		95.9	
Equity AUM	45.1	40.3		44.1	
Debt AUM	35.1	38.5		36.9	
Liquid AUM	15.5	17.4		14.9	
SIP Details					
SIP Flows	1425	968	47.2	1367	4.2
New SIP Registrations ('000)	1155	213	442.3	839	37.7
No of live accounts (cr)	0.459	0.323	42.1	0.405	13.3

Source: Company, Dalal & Broacha Research

Financials

Profit and Loss Account

(Rs.cr)	FY22	FY23	FY24	FY25e	FY26e
Total Revenue	1,293	1,227	1,353	1,648	1,914
Operating Expenses	473	522	592	660	749
-Employee Expenses	253	277	321	357	410
-Other Expenses	200	222	236	265	297
-Fees & Comm Expenses	20	23	35	39	42
Core Operating Profits	820	705	761	988	1,165
Core PBT	779	667	721	947	1,125
Other Income	116	127	287	279	307
PBT	895	794	1,008	1,226	1,432
Tax	222	197	228	304	355
PAT	673	596	780	922	1,077

Balance Sheet

(Rs.cr)	FY22	FY23	FY24	FY25e	FY26e
Share Capital	144	144	144	144	144
Reserves & Surplus	2,052	2,373	3,025	3,486	4,024
Shareholders Funds	2,196	2,517	3,169	3,630	4,168
Trade Payables	30	48	58	67	77
Other Financial Liabilities	120	99	146	183	230
Non-Financial Liabilities	88	124	130	143	157
TOTAL LIABILITIES	2,435	2,788	3,502	4,022	4,632
Cash Balance	98	127	85	99	129
Investments	2,121	2,359	3,122	3,597	4,138
Current Assets	-	-	-	-	-
Fixed Assets & Other non-financ	171	218	240	269	304
Other Financial Assets	44	84	55	58	61
TOTAL ASSETS	2,435	2,788	3,502	4,022	4,632

Ratios

(Rs.cr)	FY22	FY23	FY24	FY25e	FY26e
Per Share Data					
FV (Rs)	5.0	5.0	5.0	5.0	5.0
No. of shares	28.8	28.8	28.8	28.8	28.8
EPS (Rs)	23.4	20.7	27.1	32.0	37.4
BV (Rs)	76.3	87.4	110.0	126.0	144.7
DPS (Rs)	11.45	10.25	13.5	16.0	18.7
Dividend Payout Ratio (%)	49.0	49.5	49.8	50.0	50.0
Price	767.0	767.0	767.0	767.0	767.0
P/E	32.8	37.0	28.3	24.0	20.5
P/BV	10.1	8.8	7.0	6.1	5.3
Dividend Yield (%)	1.5	1.3	1.8	2.1	2.4
(Rs.cr)	FY22	FY23	FY24	FY25e	FY26e
Quarterly AAUM mix					
Mutual Fund - Equity	121,000	115,800	152,000	179,360	208,058
Mutual Fund - Debt	127,200	109,300	130,000	149,500	171,925
Mutual Fund - Liquid	47,600	50,100	49,700	50,694	51,708
Alternate Assets - Equity	10,700	10,000	13,200	19,800	27,720
Alternate Assets - Others	900	1,000	900	1,080	1,296
Total	307,400	286,200	345,800	400,434	460,706
Growth (yoy %)	FY22	FY23	FY24	FY25e	FY26e
Mutual Fund - Equity	24.9	-4.3	31.3	18.0	16.0
Mutual Fund - Debt	-1.6	-14.1	18.9	15.0	15.0
Mutual Fund - Liquid	10.4	5.3	-0.8	2.0	2.0
Alternate Assets - Equity	12.6	-6.5	32.0	50.0	40.0
Share (yoy %)	FY22	FY23	FY24	FY25e	FY26e
Mutual Fund - Equity	39.4	40.5	44.0	44.8	45.2
Mutual Fund - Debt	41.4	38.2	37.6	37.3	37.3
Mutual Fund - Liquid	15.5	17.5	14.4	12.7	11.2
Alternate Assets - Equity	3.5	3.5	3.8	4.9	6.0
Alternate Assets - Others	0.3	0.3	0.3	0.3	0.3
Total	100.0	100.0	100.0	100.0	100.0
Dupoint Analysis (bps of AAUM)	FY22	FY23	FY24	FY25e	FY26e
Operating Income	42	43	39	41	42
Operating Expenses	15	18	17	16	16
EBITDA	27	25	22	25	25
Depreciation & Interest	1	1	1	1	1
Core PBT	25	23	21	24	24
Other Income	4	4	8	7	7
PBT	29	28	29	31	31
Tax	7	7	7	8	8
Return on AAUM	22	21	23	23	23
Profitability & Return Ratios	FY22	FY23	FY24	FY25e	FY26e
ROE (%)		25.3	27.4	27.1	27.6
ROA (%)		22.8	24.8	24.5	24.9
Operating Profit Margin (%)	65.6	59.6	59.1	63.5	65.4
Net Profit Margin (%)	52.0	48.6	57.7	56.0	56.2

Source: Dalal & Broacha Research, Company

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