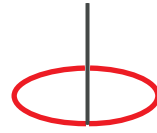
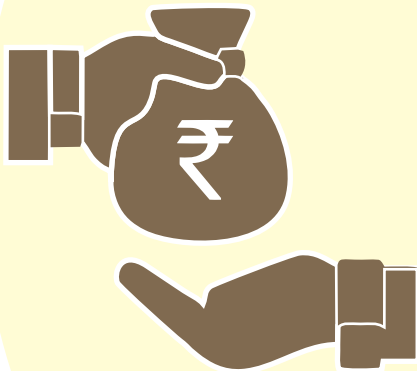


Initiating Coverage
16th December, 2024



DALAL & BROACHA
STOCK BROKING PVT. LTD.

**ADITYA BIRLA
CAPITAL**



Flying high with strong wings !!!



**DALAL & BROACHA
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Flying high with strong wings !!!

16th December 2024

Aditya Birla Capital, led by CEO Vishakha Mulye, has transformed into a financial powerhouse by leveraging technology platforms to drive significant business growth across its various verticals. Supported by strong parentage, it enjoys excellent access to capital, a critical advantage for lending businesses. The NBFC boasts a rare AAA rating (which very few NBFC enjoy), enabling it to build higher-rated assets without comprising on margins and return ratios. With robust asset quality and a clear path for strong growth across verticals, AB Capital presents a compelling long-term investment opportunity.

AB Capital merger with its wholly owned subsidiary AB Finance, (likely to get completed by Mar'25) will remove the holdco discount given to latter which contributes nearly 55% to the SOTP of AB Capital. We expect strong asset growth in lending businesses – NBFC AUM to grow at 23% CAGR for FY24-27e period and HFC's AUM by 46% CAGR for the same period. AMC businesses has turned around with strong growth in equity AUMs, revival in SIP AUMs, improvement in fund performance. We briefly discuss important subsidiaries below.

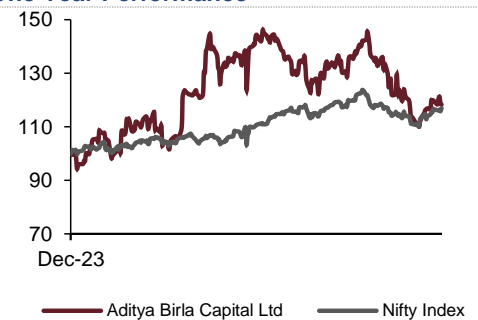
Aditya Birla Finance - A AAA rated NBFC, with AUM of INR 1.14 trillion (Q2FY25) has completely transformed its performance over the last 2 yrs. Asset quality is cleaned-up (stage 2+3 NPLs have come down from peak of 8.9% in Jun'22 to 4.2% in Sep'24) with revival in AUM growth. We expect AUM of NBFC to grow by 23% CAGR over FY24-27e period to reach size of INR 1.95 trillion and with rising share of secured loans to 51% by FY27e (from 43% in FY24). PAT too will grow at healthy pace of 27% CAGR in FY24-27e period. It is likely to deliver top-quartile return ratios – ROA/ROE of 2.3-2.4%/17-18% for FY25-FY27e period.

Rating	TP (Rs)	Up/Dn (%)
BUY	278	41

Market data

Current price	Rs	197
Market Cap (Rs.Bn)	(Rs Bn)	513
Market Cap (US\$ Mn)	(US\$ Mn)	6,039
Face Value	Rs	10
52 Weeks High/Low	Rs	246 / 155
Average Daily Volume	('000)	3,555
BSE Code		540691
Bloomberg		ABCAP.IN
Source: Bloomberg		

One Year Performance



% Shareholding	Sep-24	Jun-24
Promoters	69	69
Public	31	31
Others		
Total	100	100

Source: Bloomberg

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Aditya Birla Housing Finance - Under new leadership of CEO Pankaj Gadgil (ex-ICICI banker) asset quality performance improved and there was renewed focus on the growth over the last 2 years. Additionally, there is complete technology transformation, rampant branch expansion – in nutshell, this segment is clearly in the period of expansion. We expect AUM/PAT growth of 46%/43% during FY24-27e period (with improving ROA profile from 1.5% in FY25e to 1.8% in FY27e)

Aditya Birla Sun Life AMC - Over the past year, the company has made significant strides in its recovery and growth in its AUM trajectory. Approximately 60-65% of its schemes rank in the top two quartiles, and several top equity schemes have outperformed benchmarks over the past 6 mnth - 1 year time frame . 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 strengthen with senior level hirings and which are likely to continue. We expect earnings to grow by 17% CAGR over FY24-27e period.

Valuations – We initiate a coverage on AB Capital with target price of INR 278 per share with BUY rating giving us upside of 41% from current levels. (i.e. valuing NBFC at INR 146, HFC INR 28, AMC at INR 40, life insurance at INR 48 per share after holdco discount of 15% (we haven't assigned any holdco discount to NBFC subsidiary as it is likely to get merged with parent).

AB Capital's SOTP

Subsidiaries Details	Holding (%)	Valuation Methodology	Holdco Discount	Enterprise Value	Value Per	Value Per share	Contribution to TP (%)
					Share of AB Capital	post holdco discount	
Aditya Birla Finance (NBFC)	100%	1.8x FY26 ABV		38005	146	146	53
Aditya Birla Housing Finance (HFC)	100%	1.8x FY26e ABV	15%	8,638	33	28	10
Aditya Birla Sun Life AMC	45%	25x FY26 P/E	15%	26,919	47	40	14
Aditya Birla Sun Life Insurance	51%	1.8x FY26e P/EV	15%	28,920	57	48	17
Aditya Birla Money	74%	At CMP	15%	1,286	4	3	1
ARC	100%		15%	3,884	15	13	5
Target Price						278	
CMP						197	
Upside						41.1	

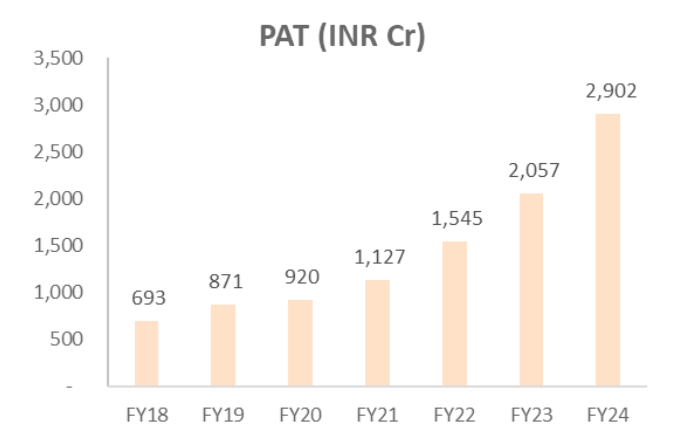
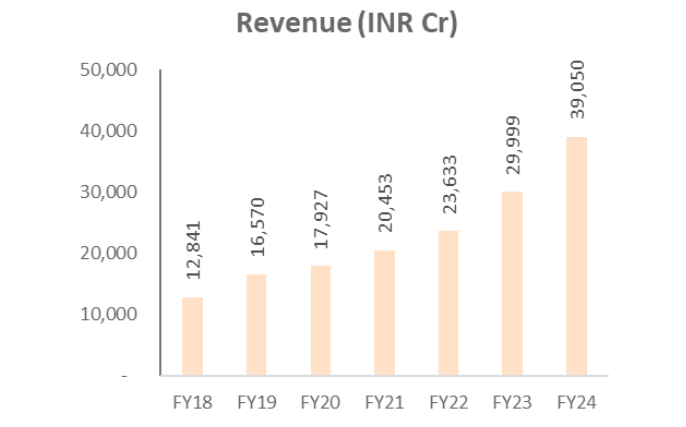
Source: Company, D&B Research

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Pace of growth has accelerated over the last 2 years; consol revenue has grown by 28.5% CAGR during FY22-24 vs. 16.5% CAGR over FY18-22 period

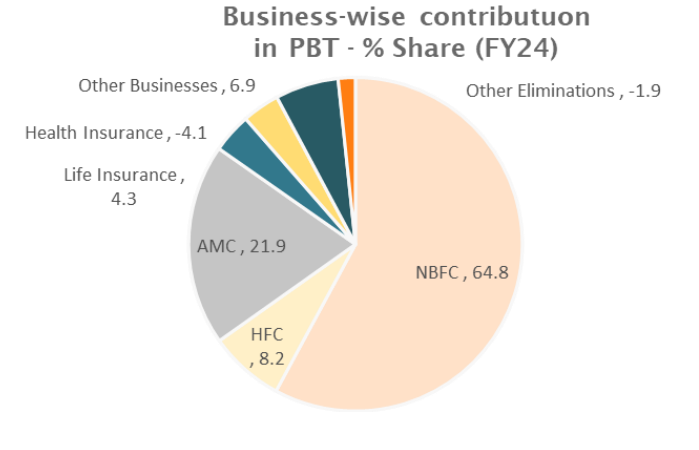
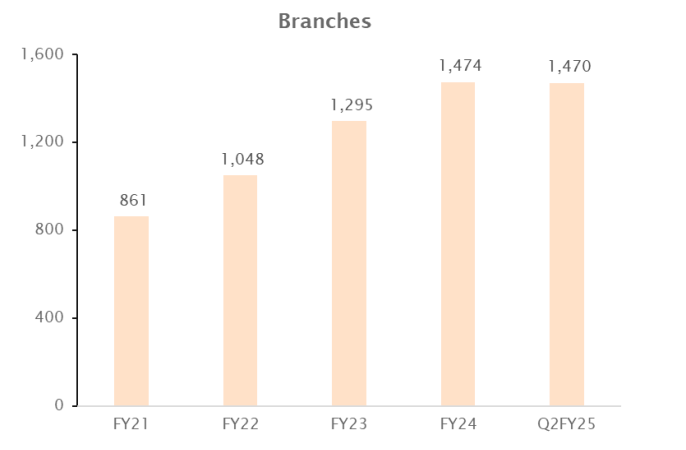
In line with strong revenues ..consol PAT too has shown robust growth of 27% CAGR (FY22-24 period)



Source: Company, Dalal & Broacha Research

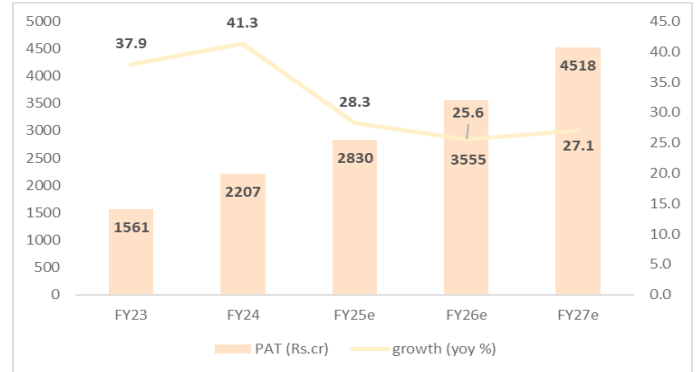
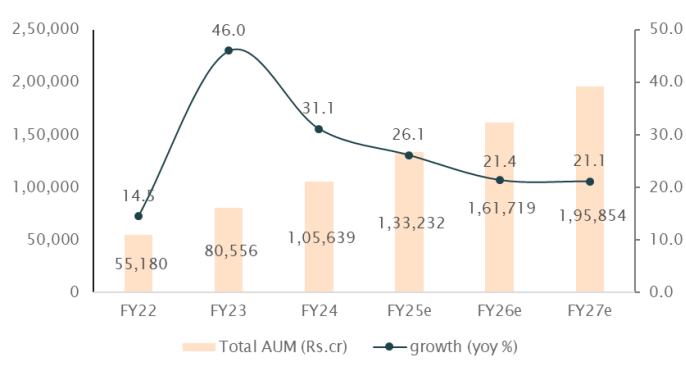
There is sizeable increase in the branch network of AB Capital over the last 2 yrs

Nearly 95% contribution in consol PBT is done by NBFC + HFC + AMC (FY24 period)



AB Finance - AUM is likely to grow by 23% CAGR over FY24-27e period

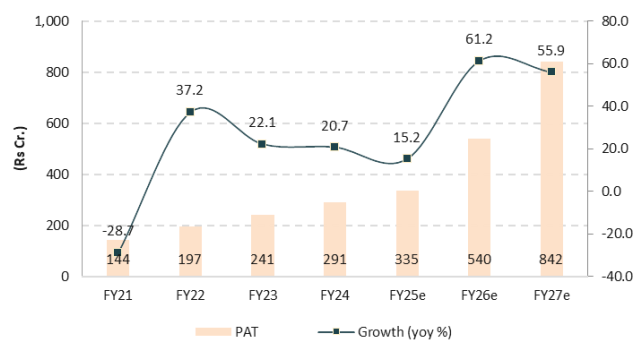
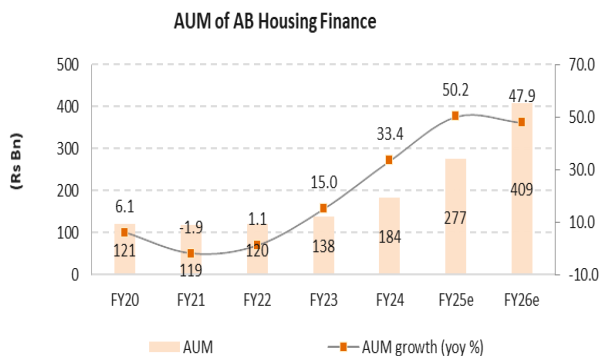
....resulting in strong PAT too - which will grow 27% CAGR over FY24-27e period



Source: Company, Dalal & Broacha Research

AB Housing Finance AUM will grow at robust pace of 46% CAGR over FY24-27e period

....leading to PAT growth of 43% CAGR for the same period



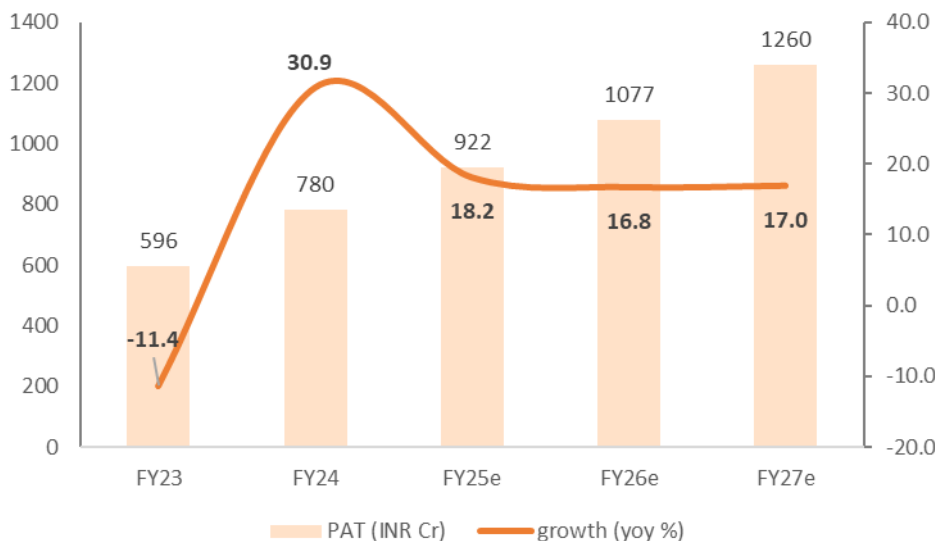
Source: Company, Dalal & Broacha Research

ABSL AMC - Growth in SIP flows which was stagnated at single digit 2 years back is reverting to industry avg. growth of 45%+

(Rs.cr)	Jun'22	Sep'22	Dec'22	Mar'23	Jun'23	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24
Industry SIP Flows	12,300	13,000	13,600	14,300	14,700	16,000	17,600	19,300	21,300	24,510
<i>Growth (yoy %)</i>	<i>46.4</i>	<i>25.0</i>	<i>20.4</i>	<i>16.3</i>	<i>19.5</i>	<i>23.1</i>	<i>29.4</i>	<i>35.0</i>	<i>44.9</i>	<i>53.2</i>
ABSL AMC - SIP Flows	898	931	942	1003	987	968	1005	1252	1367	1425
<i>Growth (yoy %)</i>	-	-	<i>5.6</i>	<i>12.1</i>	<i>9.9</i>	<i>4.0</i>	<i>6.7</i>	<i>24.8</i>	<i>38.5</i>	<i>47.2</i>
Market Share of ABSL AMC in Industry SIP Flows	7.3	7.2	6.9	7.0	6.7	6.1	5.7	6.5	6.4	5.8

Source: Company, Dalal & Broacha Research

ABSL AMC's PAT to grow by 17% CAGR over FY24-27e period



Source: Company, Dalal & Broacha Research

ADITYA BIRLA CAPITAL – COMPANY OVERVIEW

Promoted by Aditya Birla Group, Aditya Birla Capital (AB Capital) is Non-Banking Financial conglomerate having exhaustive range of the financial products across loans, investments, insurance, payments that fulfill the aspirations of the customers across their life cycle. AB Capital is the listed holding company wherein promoter put together holds 69% share (Grasim Industries holds 52.6% and promoter & promoter group 16.4%).

For FY24 period, it has consol revenue of INR 39050 cr (30% yoy), consol PAT of INR 2902 cr (41% yoy). And as on Q2FY25 period, consol lending portfolio stood at INR 1,37,946 cr (incl NBFC INR 1,14,710 cr + HFC INR 23,236 cr), total AUM of INR 501152 cr (AMC AUM INR 3,83,309 cr, Life & non-life AUM INR 1,17,843 cr and total gross premium of INR 10828 cr. Below we list its important subsidiaries and their financials in brief

Aditya Birla Finance (100% subsidiary) -

It is non-deposit taking non-listed NBFC subsidiary of AB Capital (headed by Mr.Rakesh Singh) with an AUM of INR 1,14,710 cr and branch network of 432 as on Q2FY25. Loan book consists of SME & MSME loans, corporate & mid-corporate sector loans and personal & consumer loans. Annualized ROA / ROE (reported) of this business stood at 2.34% / 15.6% for Q2FY25 period. This subsidiary is likely to get merged with the holding company AB Capital tentatively by Mar'25. So far, it has received, RBI, stock exchanges and NCLT approvals. While creditors & shareholders approval is pending (for which meeting in convened on 7 Jan, 2025). The key positive of the merger is holdco discount given to this NBFC subsidiary will go away which nearly contributes 53% in the SOTP pricing of AB Capital.

We expect healthy AUM growth of 23% CAGR over FY24-27e period and PAT to grow by 27% CAGR for the same period. At the same time, ROE/ROA to improve to 17.8%/2.4% by FY27e from 16.5%/2.3% in FY24 period.

Aditya Birla Housing Finance (100% subsidiary)

Aditya Birla Housing Finance (ABHFL) is 100% subsidiary of Aditya Birla Capital which is registered with NHB as non-deposit accepting housing finance company with AUM of INR 23236 cr with branch network of 150 branches across 19 States & Union Territories headed by CEO Mr. Pankaj Gadgil. This segment is poised for strong growth, overall AUM/PAT is likely to grow by 46%/43% CAGR over FY24-27e period with ROA improving from 1.5% in FY25e to 1.8% in FY27e period (ROE of 13-14% in FY26-27e period).

Aditya Birla Sun Life AMC (45% share, associate company)

Promoters Aditya Birla Capital holds 45% share, foreign partner Sun Life holds 30% stake in the company. As on Q2FY25, AMC has nearly 6% stake in the overall industry QAAUM, 4.8% share in industry equity AUM, 12.2% share in the industry debt AUM and 10% share in the industry liquid AUMs.

Recently, in Mar'24, AB Capital sold 5% stake in the company (at price of INR 450 to various institutional investors) via OFS amounting to INR 570 cr. It has total QAUM of INR 3.8 trillion (equity QAAUM of INR 1.8 trillion) as on Q2FY25. FY24 PAT stood INR 780 cr (31% yoy) & it makes ROE of ~27%. It has pan-India distribution network which includes presence across 300+ locations, tie-up with 86000+ MFDs, 90+ banks, 340+ national distributors and 130+ digital partners.

Over the past year, the company has made significant strides in its recovery and growth in its AUM trajectory. 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. Going forward, we expect AUM overall AUM to grow by 15% CAGR during FY24-26e period and PAT by 17% CAGR for the same period and deliver ROE of 27% for FY25/FY26e period.

Aditya Birla Sun Life Insurance (51% Share)

This subsidiary is into life insurance business wherein the AB Capital holds 51% and Sun Life Financials (India) Insurance Investments holds balance 49% stake. With total AUM of INR 95553 cr (up by 24% yoy in Q2FY25), its market share has improved among private players has improved to 4.4% in H1FY25 vs. 4.1% in H1FY24.

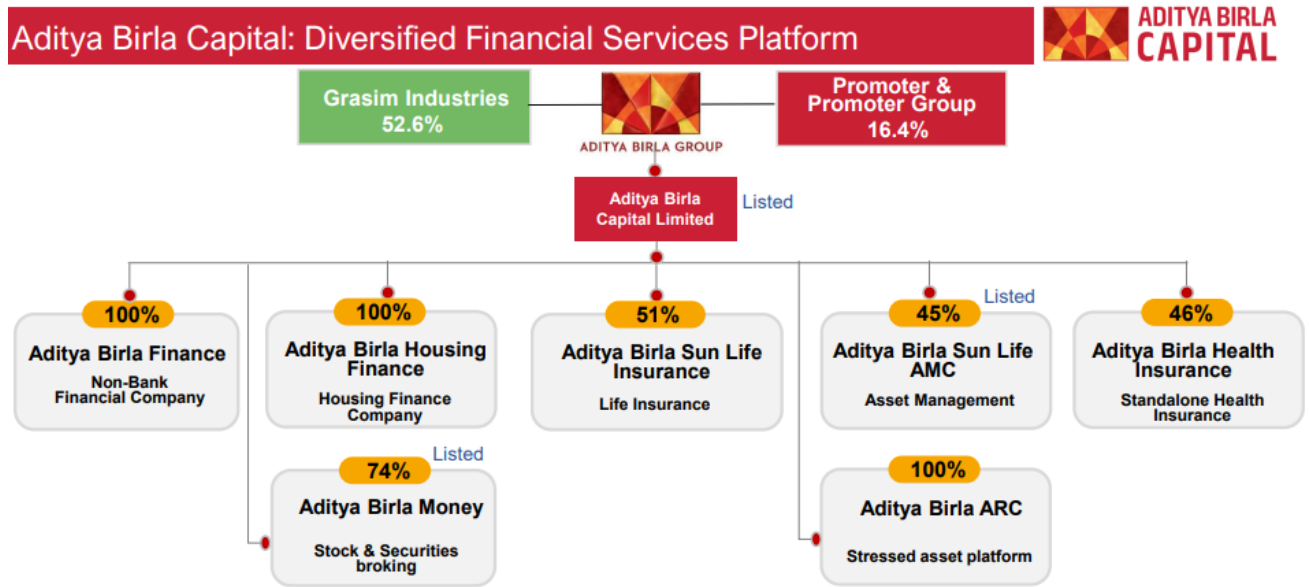
Going forward, management aims to grow first year premiums at 20% CAGR over the next 3 years time and endeavour to keep VNB margin at 17-18% levels. Embedded value (which assesses the value of insurance company's future profits) rose sharply by 28% / 21% in FY24 / H1FY25 to INR 11539 cr / INR 12368 cr. Overall, we are quite positive about this business segment – we expect embedded value to grow by 16-18% levels in FY25e/FY26e each year.

Aditya Birla Health Insurance (46% share associate company)

A JV which is into health insurance business wherein ABCL, MMI Strategic Investments and Abu Dhabi Investment Authority hold 45.89%, 44.08% and 10.01% stake in ABHI, respectively. ABHI is one of the fastest standalone health insurance company with the market share of 11.9% with total gross written premiums of INR 3701 cr (FY24). Total gross written premiums (GWP) have grown at strong pace of 43.5% CAGR during FY20-24 period from INR 872 cr in FY20 to reaching a size of INR 3701 cr by FY24 (H1FY25 period witnessed growth of 39% yoy to INR 2171 cr). Over the last 2 years, there is sizeable increase in the distribution network & reach – ABHI branch network / agents / bank partners / sales force increased from 200 / 85000 / 17 / 4000 in FY23 to 225 / 128000 / 19 / 6000 by Q2FY25 period spreading across 5000 cities and 11000 network hospitals.

However, given its combined ratio >100%; this segment is currently loss-making. Combined ratio over the last 2-4 years has come down from 127% in FY22 to 110% in FY24 (113% in H1FY25) resulting in loss at PBT level of INR 182 cr / 115 cr in FY24 / H1FY25 period respectively.

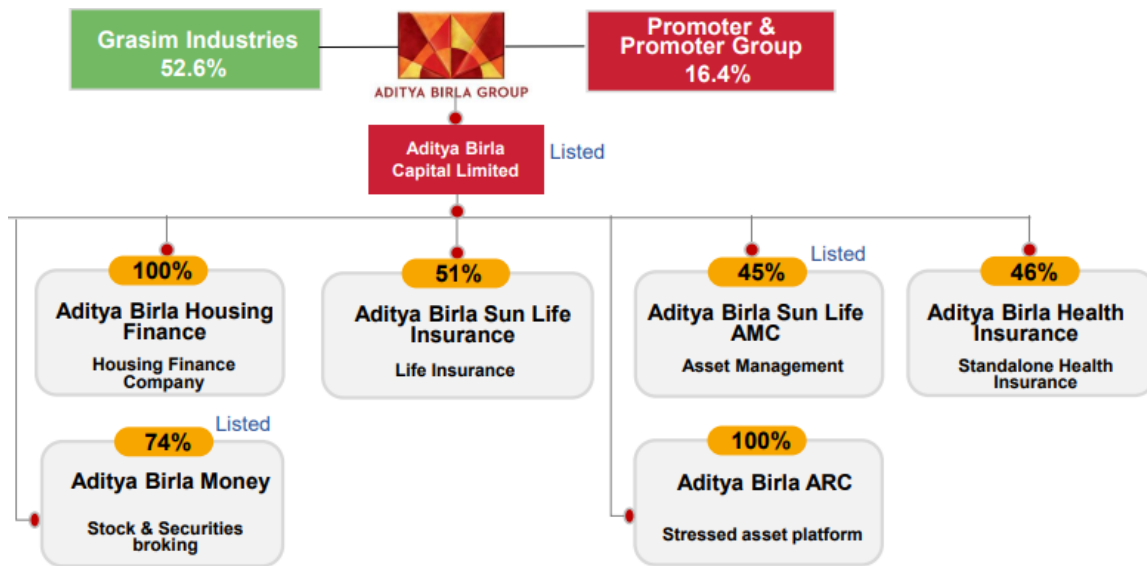
ABCL - Corporate Structure of financial conglomerate (pre-merger)



Above is not intended to show the complete organizational structure and entities therein. It is intended to describe the key businesses of Aditya Birla Capital.

Source: Company, Dalal & Broacha Research

Aditya Birla Capital structure (post-merger)



Source: Company, D&B Research

Details of AB Capital & its subsidiaries

	AB Capital	AB Finance	ABHFL	ABSL AMC	ABSL Life	AB Health Insurance
Subsidiary / Associate Co.		(Wholly Owned Subsidiary)	(Wholly Owned Subsidiary)	(Associate company)	(Subsidiary)	(Associate company)
AB Capital Stake		100%	100%	45%	51%	46%
Business / Entity	Holding non-operative NBFC	Upper Layer non-deposit taking NBFC	HFC company	AMC	Life Insurance company	Health Insurance company
CEO	Vishakha Mulye	Rakesh Singh	Pankaj Gadgil	A. Balasubramanian	Kamlesh Rao	Mayank Bathwal
CFO	Pinky Mehta	Pradeep Agarwal	Ashish Damani	Pradeep Sharma	Sandesh Joshi	Sandeep Kedia
Compensation of CEO (INR cr) (FY24)	8.8	7.5	6.5	8.2	6.9	5.8
Revenue (FY24)	Standalone - INR 860 cr	INR 12044 cr	INR 1718 cr	INR 1353	INR 17260 cr	INR 3450 cr
	Consol - INR 33454 cr					
PAT (FY24)	Standalone - INR 714 cr	INR 2207 cr	INR 291 cr	INR 780 cr	INR 280 cr	INR - 183 cr
	Consol - INR 3335 cr					
Branch Network (Q2FY25)	Consol Branch Network - 1470	432	150	300+ locations	380	225
	Co-located Branches - 866					
Auditor	MM NISSIM Previously (BSR & CO. LLP)	MSKA & Associates	B K Khare Sarda & Pareek Previously (KKC & Associates LLP)	S.R. Batliboi & Co. LLP	S.B. Billimoria & Co. LLP	V. Sankar Aiyar & Co.
		MPKS & Associates			MM NISSIM	MM NISSIM
Shareholding Details	Promoter - 68.9%	Promoter AB Capital owns 100% equity	Promoter AB Capital owns 100% equity	AB Capital - 45%	AB Capital - 51%	AB Capital - 45.9%
	-Grasim Industries - 52.6%			Sun Lfie - 30%	Sun Life Financials (India) Insurance Investments - 49%	Foreign Promoter MMI Holdings - 44.1%
	-Promoter & Promoter Group - 16.4%			Others - 25%		Abu Dhabi Investment Authority - 10%
	Others - 31.1%					

Source: Company, Dalal & Broacha Research

Leadership change bringing the desired positive results

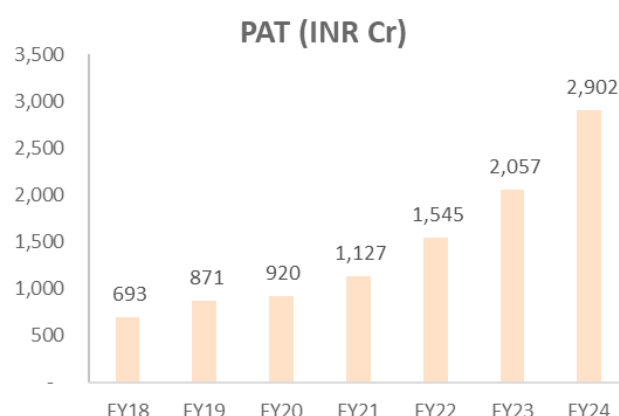
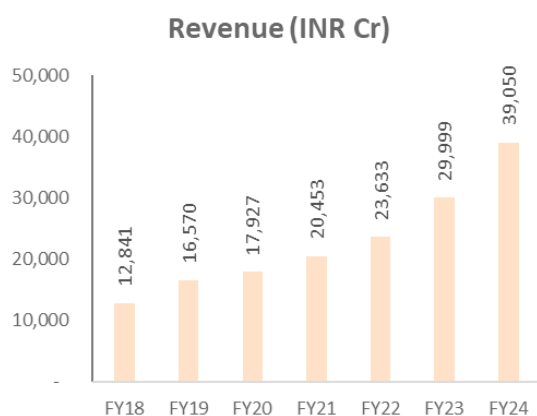
Ms. Vishakha Mulye, who joined the company as CEO in Jun'22, has rewired the company on new growth path emphasizing more on digital-led technology advancements. The company has developed key platforms such as the D2C app 'ABCD' and 'Udyog Plus over the last 2 years time. Her career at ICICI spans over three decades, during where she has held various leadership positions, including managing the merger of ICICI Bank and ICICI in 2002, and leading ICICI Lombard and ICICI Venture. Additionally, as Executive Director with ICICI Bank, Mulye focused on enhancing the quality of growth in the bank's wholesale banking segment by engaging with better-rated clients and expanding non-credit income through advisory services and technology integration.

At AB Capital, she introduced 'One ABC One P&L' approach, which centers on three core levers: **One Customer**, ensuring a unified and seamless customer experience; **One Experience**, delivering consistent service excellence; and **One Team**, fostering collaboration across all business verticals to drive holistic growth.

All business segments—NBFC, HFC, AMC, and life and non-life insurance—are experiencing renewed growth, driven by technological advancements and strategic initiatives aimed at building a foundation for large-scale volume expansion.

Pace of growth has accelerated over the last 2 years; consol revenue has grown by 28.5% CAGR during FY22-24 vs. 16.5% CAGR over FY18-22 period

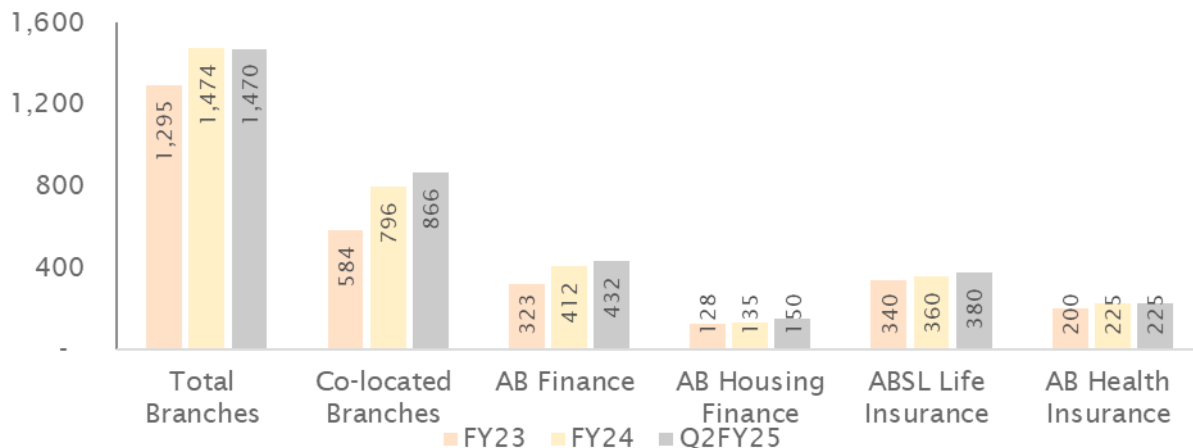
In line with strong revenues ..PAT too has shown robust growth of 27% CAGR (FY22-24 period)



Source: Company, Dalal & Broacha Research

Branch Network of AB Group ...across all subsidiaries there is visible growth in network expansion

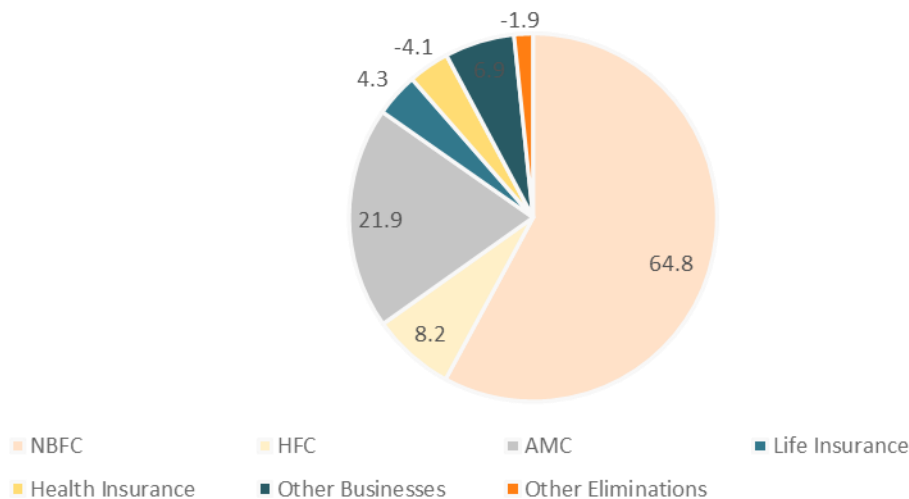
Branch Network of AB Group



Source: Company, Dalal & Broacha Research

Business contribution of different segments in consol PBT of AB Capital - NBFC + HFC + AMC put together contribute nearly 95% in consol PBT

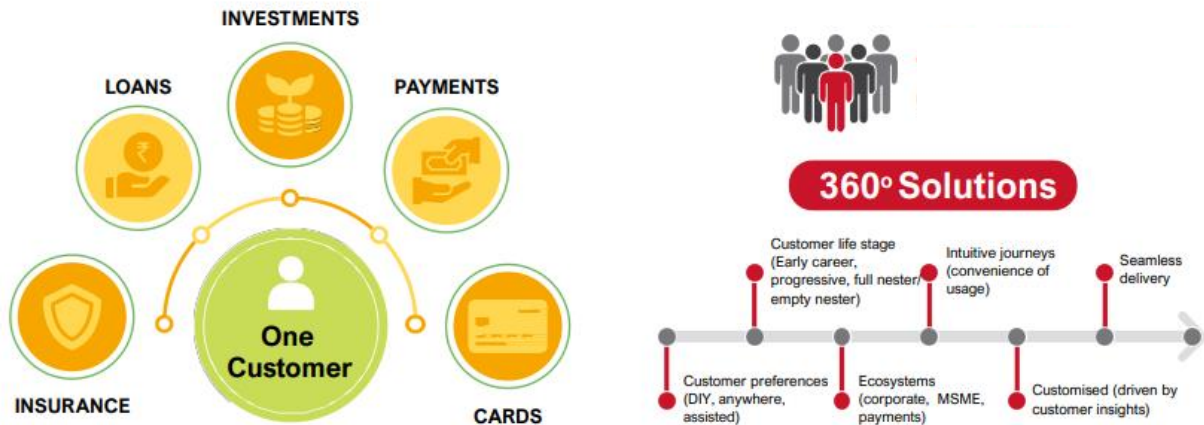
Business-wise contribution in PBT - % Share (FY24)



Source: Company, Dalal & Broacha Research

One Customer – ensuring a unified and seamless customer experience

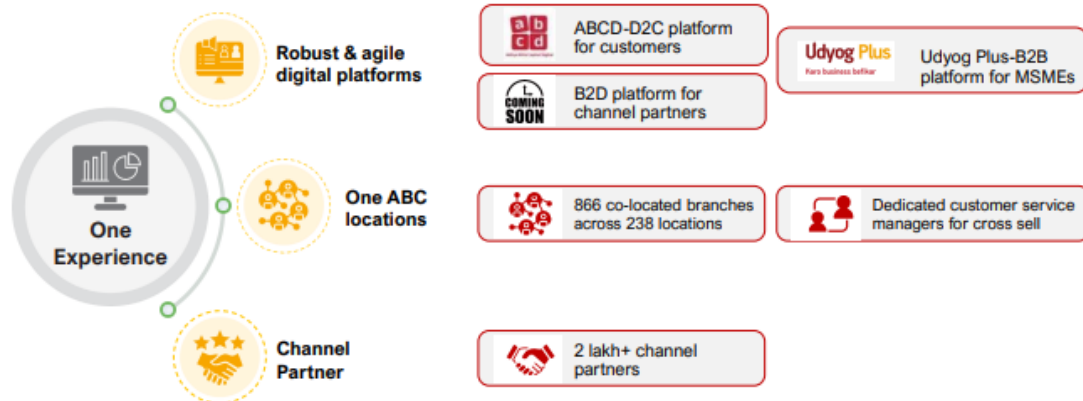
ONE CUSTOMER: Build Deep Understanding of Customer Needs... 



Source: Company, Dalal & Broacha Research

One experience - delivering consistent service excellence

Omni Channel Architecture... 



1,470 branches across businesses

Source: Company, Dalal & Broacha Research

One Team - fostering collaboration across all business verticals to drive holistic growth



Source: Company, Dalal & Broacha Research

Leveraging digital technologies to drive growth – by building host of digital platforms

1. Direct to Customer platform (D2C)

Features	Details
Launch Date	April 16, 2024
Target Customer Base	Aims to reach 30 million customers within three years
Current Reach	Built a customer base of 2.5 million in six months
Product Offering	22+ product categories, including:
	- Loans
	- Insurance
	- Investments
	- Payment solutions (e.g., UPI, bill payments)
	- Personal finance tools (e.g., spend analyzers, health assessments)
Key Features	- Omnichannel accessibility
	- User-friendly interface
	- Integrated financial services
	- Technological backbone with over 1,000 APIs
Strategic Goals	- Customer acquisition through digital channels
	- Providing holistic financial solutions

Omnichannel D2C platform (which caters to all the financial needs of retail customers) has acquired 2.5 mn customer base within 6 months time period

ABCD – Omnichannel D2C Platform

2.5Mn+


App Customers¹

1.2Mn+

VPAs¹

22+

Product Categories



Omnichannel D2C Platform

Payments
Bill payments
UPI payments & collections
RuPay on UPI
UPI International

Invest
Stocks
Mutual Funds
Gold
Deposits
NPS

Insure
Life Insurance
Health Insurance
Motor Insurance
Pocket Insurance

Support
Omnichannel from Day²
Gen AI enabled chatbot
Intelligent Search

My Track³
Credit Track
Portfolio Track
Health Track
Spend Track
Rewards

Loans
Home Loan
Personal Loan
Credit Cards
Business Loan
Gold Loans

Portfolio Tracker – Unified view of bank accounts, deposits, mutual funds & stocks

Health Track – Instant health check across 24 key vitals with just a selfie (added feature - family health scan)

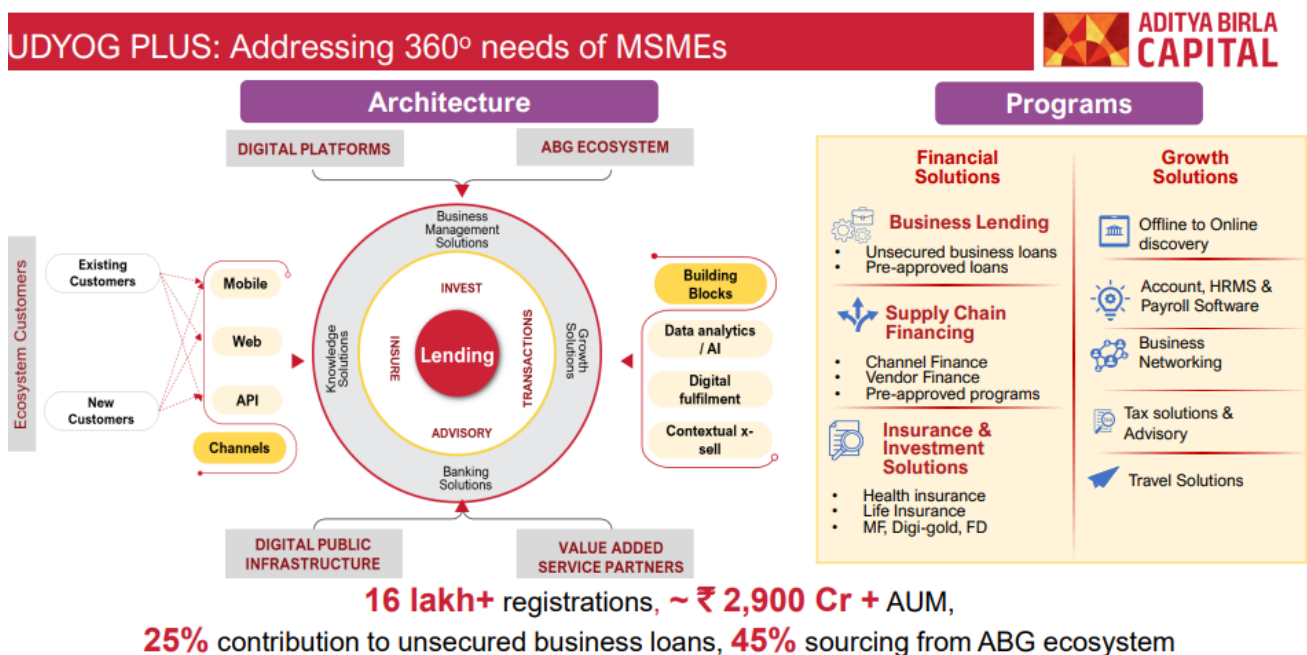
Credit Track – Understand factors affecting your credit score

Spend Track – Automatically track

2. Udyog Plus platform

Features	Details
Platform Name	Udyog Plus
Target Audience	MSME ecosystem
Key Offerings	- Business loans - Supply chain financing - Insurance - Investment solutions
Integration	Integrated with the Aditya Birla Group (ABG) ecosystem
Registrations	Over 1.6 million registrations
Assets Under Management (AUM)	INR 2,900 crore as of Q2 FY25
Unsecured Business Loans Contrib	25% of unsecured business loans sourced from Udyog Plus
Sourcing from ABG Ecosystem	Nearly 45% of sourcing happens from the ABG ecosystem
Average Ticket Size (ATS)	- Business loans: INR 5 lakhs - Supply chain financing: INR 14 lakhs
Loan Processing Time	Access to finance in approximately 2 minutes
Digital Journey	Offers a completely paperless digital process for business loans up to INR 10 lakhs
Value-Added Services	- Business networking platforms - Digital commerce solutions (e.g., ONDC seller network registration) - Accounting, payroll, and tax filing tools

Launched in May'2023, Udyog Plus platform has seen 16+ lakh registrations, build AUM of INR 2900 cr. It does upsell & cross-sell to AB Group eco-system via supply chain financing.



Key features of UDYOG PLUS

Udyog Plus > Cash flow backed lending by using traditional and alternate data sources along with value-added services for MSME ecosystem to manage and grow their business

KEY OFFERINGS

Finance

Loan

- Paperless digital journey for loan sanction in 24 hours
- Secured Business Loans
- Personal Loan

Eco-system based Loan

- Loan for merchants and resellers on government and private ecommerce websites

Business Solutions

E-commerce	Banking
<ul style="list-style-type: none"> ● Offline to Online Discovery 	<ul style="list-style-type: none"> ● Current account
Networking	Accounting
<ul style="list-style-type: none"> ● Explore new connects ● Industry Forums 	<ul style="list-style-type: none"> ● Accounting tool ● Payroll mgmt
Content	Business Solutions
<ul style="list-style-type: none"> ● Knowledge forums 	<ul style="list-style-type: none"> ● Tax filings GST ● Business travel

Opportunities in ABG ecosystem

- **Channel financing for dealers:** Digital journeys for dealer onboarding, limit drawdown ad repayments

- **Secured lending for dealers:** Loan against property

Source: Company, Dalal & Broacha Research

3. ABCL is likely to launch B2D (Business-to-Distributor) app aimed at enhancing the operational efficiency of its distributors & channel partners.

Amalgamation of ABCL holding company with its wholly-owned subsidiary ABFL (Aditya Birla Finance)






- The key positive of this merger is Holdco discount of Aditya Birla Finance will go away wherein the same contributes nearly 53% in the SOTP valuation of AB Capital.
- In Mar'24, the board approved amalgamation of ABCL holding company with its wholly-owned subsidiary Aditya Birla Finance (ABFL) which is expected to get completed by Mar'25. The proposed amalgamation will result in scale based regulations of RBI which requires mandatory listing of ABFL by Sep 30, 2025.
- **Received approval from RBI, stock exchanges & NCLT** - So far, it has received no objection from RBI, stock exchanges & NCLT as well. NCLT has given dispensation to company to keep creditors meeting. **And ABCL has convened the shareholders meeting as well on 7 Jan, 2025.**
- **Rationale of the merger** - 1) Simplification of structure by reducing number of legal entities 2) Creation of a unified large operating NBFC with greater financial strength and direct access to capital 3) will eliminate holdco discount 4) increased operational efficiencies & synergy benefits
- **Financial impact** - Proforma merged entity networth will be at ~INR 22034 cr, 58% higher than current AB Capital networth on FY24 numbers. Also, operating structure will continue to remain the same i.e. NBFC operating company will have ownership in life, health, housing finance, AMC and others. Also, debt/equity of pro-forma merged entity will reduce from current 6.25x to 4.12x.
- After completing the amalgamation, the assets, liabilities, and the entire business of Aditya Birla Finance will be transferred and vested with Aditya Birla Capital. The equity investment of Aditya Birla Capital in Aditya Birla Finance will be cancelled. There will be no issuance of new shares. Hence, there will be no change in the shareholding of Aditya Birla Capital. Aditya Birla Capital will be the surviving entity and will be converted from a holding company to an operating NBFC ICC with listed equity shares. The proposed amalgamation will be tax-neutral.

ADITYA BIRLA FINANCE (ABFL) – NBFC

About the company

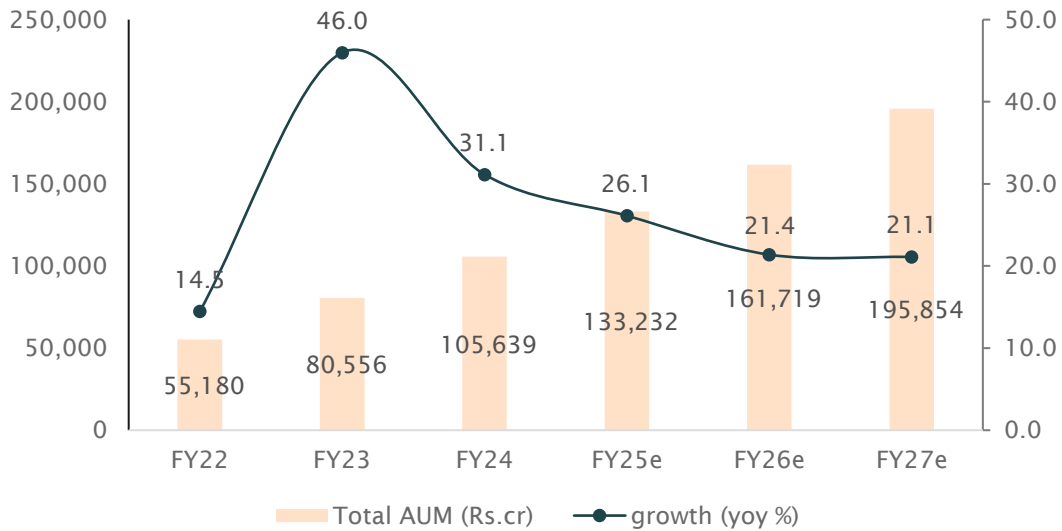
- ABFL, classified as “Upper Layer” NBFC, is among the top 5 well-diversified NBFCs with AAA rating and AUM size of INR 1.14 trillion (Q2FY25). It provides loans which include working capital and term loans, developer financing, loan against property, loan against shares, business loans, supply chain financing, business overdraft, personal loans and check out financing.
- Based on product-wise break-up, unsecured business loans occupy 10% share, secured business loans 45%, personal & consumer loans 14% and corporate / mid-market loans 31%. The company operates through a pan-India network of 432 branches, with nearly >75% of network in the Tier III & IV cities.
- The key positive of this subsidiary is its lowest cost of funds (7.9% for FY24), second only to Bajaj Finance. This enables the company to garner good quality assets on its books without comprising on the margins or profitability. Importantly, AB Finance’s MSME lending or corporate or mid-corporate lending is similar to large private or PSU banks lending book; there are very few NBFCs in this ticket size competing with banks.
- Nearly 74% of the loan book is secured. And nearly >93% of the personal & consumer loans have credit score of 700+ (56% with a score of 750+, 37% with 700-750 score, 5% <700 score and 2% NTC customers).
- This NBFC subsidiary is likely to get merged with the holding parent company tentatively by Mar’25.

Product details of Aditya Birla Finance

Well Diversified Product Portfolio				 ADITYA BIRLA CAPITAL
Segment	Personal & Consumer	Unsecured Business	Secured Business	Corporate / Mid-Market
Presence	Semi-urban	Semi-urban	Semi-urban / SME Clusters	Top 6-7 Cities
Sourcing	DSA + Direct + Ecosystems	DSA + Ecosystems	DSA + Direct	Relationship (Direct)
ATS ¹	PL: ~ 1.8 Lac ; CL:~0.5 Lac	~ ₹ 9.9 Lac	~ ₹ 1.5 Crs	~ ₹ 67.7 Crs
Products	<p>Salaried Professionals with focus on emerging income segment</p>  <ul style="list-style-type: none"> Personal Loans Consumer Loans Check-out Financing Co-branded Credit Card 	<p>Business owners & Self-employed professionals engaged in small/mid-sized businesses</p>  <ul style="list-style-type: none"> Business Loans Supply Chain Finance B2B Digital Platform Business Overdraft 	<p>Business owners & Self-employed professionals engaged in small/mid-sized businesses</p>  <ul style="list-style-type: none"> Retail & SME LAP, LRD Small Ticket Secured & Micro LAP Working Capital Loans Loan Against Securities 	<p>Pedigreed Group Corporates / Mid-market Cos in focus sectors / Cat A / A+ developers</p>  <ul style="list-style-type: none"> Capex/ WC Funding Structured Finance Developer Financing Project Finance
Cross-Sell	Personal Loan Top Ups & Cross Sell, Insurance & Wealth Solutions to ABFL & ABC customer ecosystem			
Security	74% of loan book is Secured			

Source: Company, D&B Research

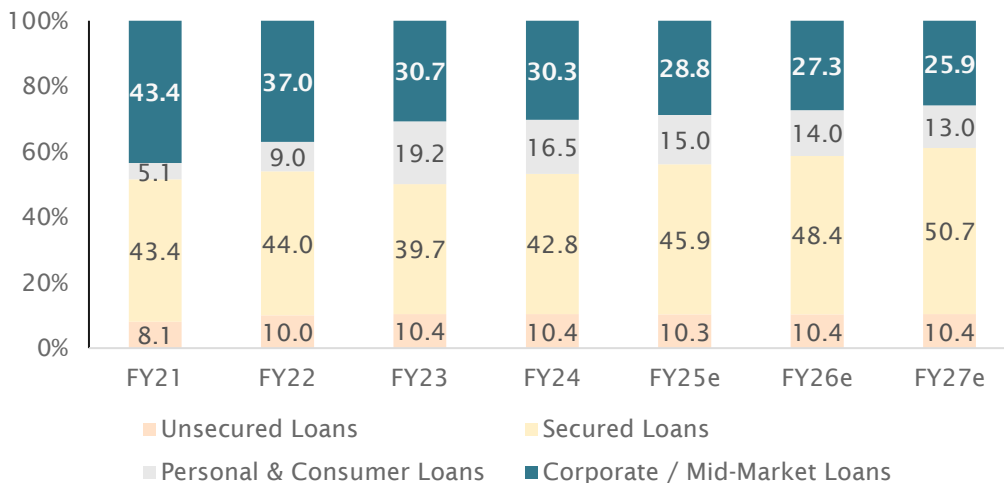
We expect strong AUM growth of 23% CAGR over FY24-27e



Source: Company, D&B Research

Nearly 90% of the loans are MSME / Corporate-Mid market loans and balance 10.4% are personal & consumer loans (FY24). Also, secured loans share is likely to increase from 43% in FY24 to ~51% by FY27e

Break-up of AUM



Source: Company, D&B Research

We expect the AUM to grow at healthy pace of 23% CAGR over FY24-27e

AUM (Rs.cr)	FY22	FY23	FY24	FY25e	FY26e	FY27e	FY21-24 CAGR growth (%)	FY24-27e CAGR growth (%)
-Unsecured Business Loans	5518	8409	10979	13724	16743	20426	41%	23%
-Secured Business Loans	24279	31944	45256	61096	78202	99317	29%	30%
Total Business Loans	29797	40353	56235	74819	94945	119743	31%	29%
Personal & Consumer Loans	4966	15442	17434	20049	22655	25374	93%	13%
Corporate / Mid-Market Loans	20417	24761	31970	38364	44119	50736	15%	17%
Total AUM	55180	80556	105639	133232	161719	195854	30%	23%

AUM growth (yoy %)	FY22	FY23	FY24	FY25e	FY26e	FY27e
-Unsecured Business Loans	41.7	52.4	30.6	25.0	22.0	22.0
-Secured Business Loans	16.0	31.6	41.7	35.0	28.0	27.0
Total Business Loans	20.0	35.4	39.4	33.0	26.9	26.1
Personal & Consumer Loans	104.0	210.9	12.9	15.0	13.0	12.0
Corporate / Mid-Market Loans	-2.5	21.3	29.1	20.0	15.0	15.0
Total AUM	14.5	46.0	31.1	26.1	21.4	21.1

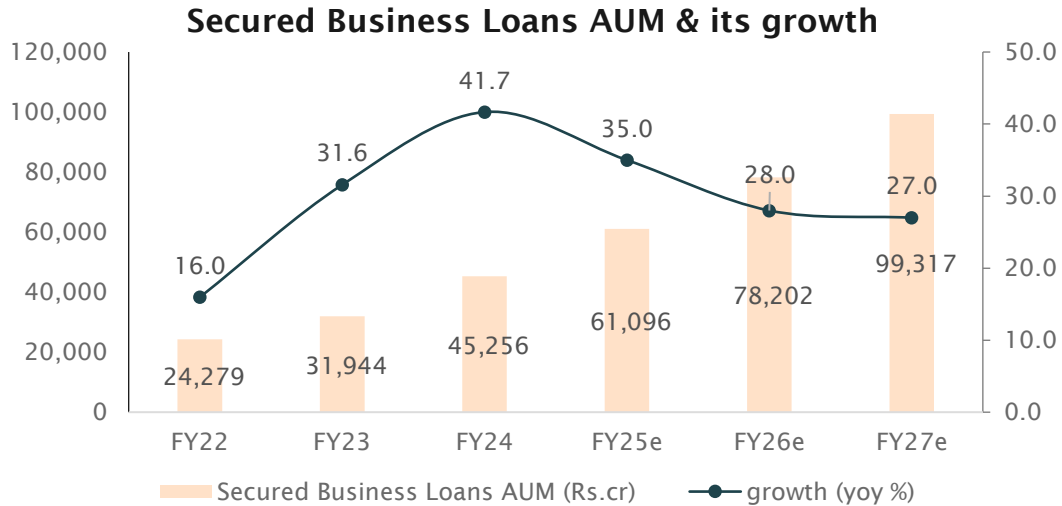
AUM Share (%)	FY22	FY23	FY24	FY25e	FY26e	FY27e
-Unsecured Business Loans	10.0	10.4	10.4	10.3	10.4	10.4
-Secured Business Loans	44.0	39.7	42.8	45.9	48.4	50.7
Total Business Loans	54.0	50.1	53.2	56.2	58.7	61.1
Personal & Consumer Loans	9.0	19.2	16.5	15.0	14.0	13.0
Corporate / Mid-Market Loans	37.0	30.7	30.3	28.8	27.3	25.9
Total AUM	100	100	100	100	100	100

Source: Company, D&B Research

Secured business loans

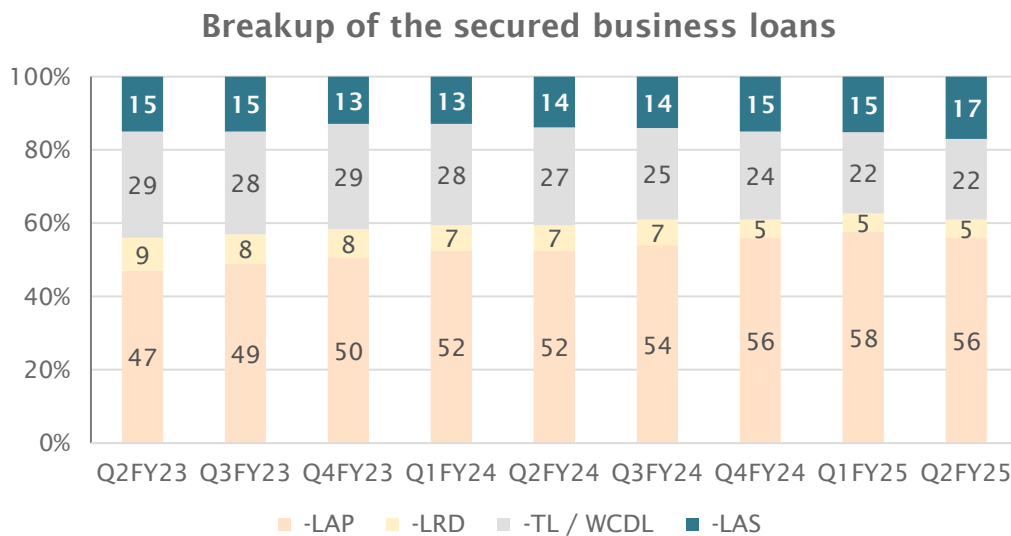
- Secured business loans AUM is at INR 52207 cr i.e. 45% of its total AUM (Q2FY25) which is spread across semi-urban / SME clusters. The average ATS in this segment is INR 1.6 cr and avg. yield is ~11-12%. Different products in this segment are Loan Against Property (LAP), Lease Rental Discounting (LRD), working capital loans, loan against securities (LAS), micro-LAP and other secured term loans which are given to business owners & self-employed professionals engaged in small/mid-sized businesses. LRD product enables clients to finance business expansion and asset creation by monetising and unlocking value of their property. Nearly, 70% of the loans are sourced directly and 30% via DSAs.
- ABFL stands out in the competitive landscape by leveraging its lower funding costs directly competing with banks; unlike other NBFCs who have relative higher cost of funds.
- Going forward, we expect total secured business loans to grow at strong rate of 30% CAGR during FY24-27e period vs. 29% CAGR growth seen over FY21-24 period as overall demand environment is strong. And share of secured loans is likely to improve from 42.8% in FY24 to 50.7% by FY27e period.

Secured business loans to grow by 30% CAGR over FY24-27e period



Source: Company, D&B Research

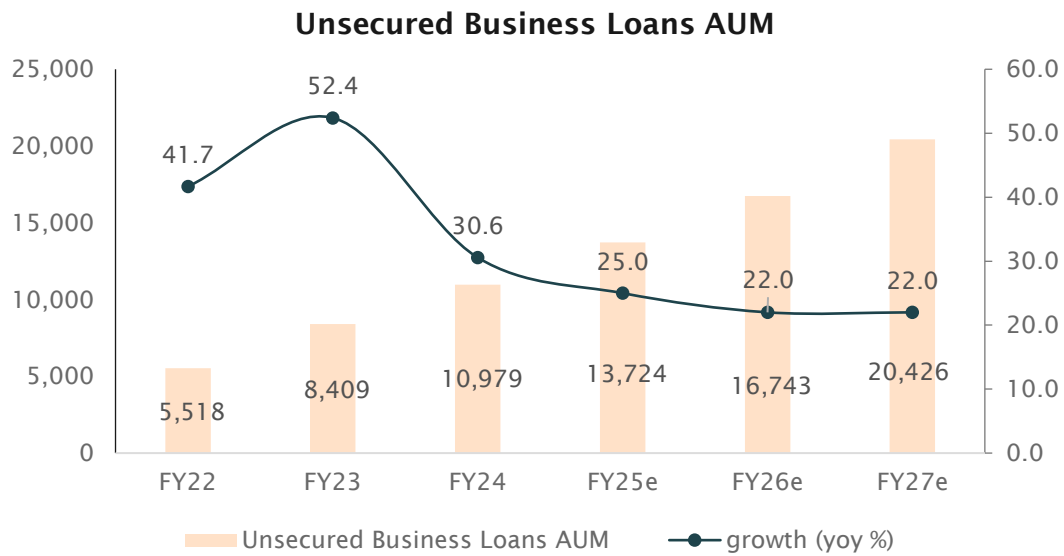
Break-up of the secured business loans



Source: Company, Dalal & Broacha Research

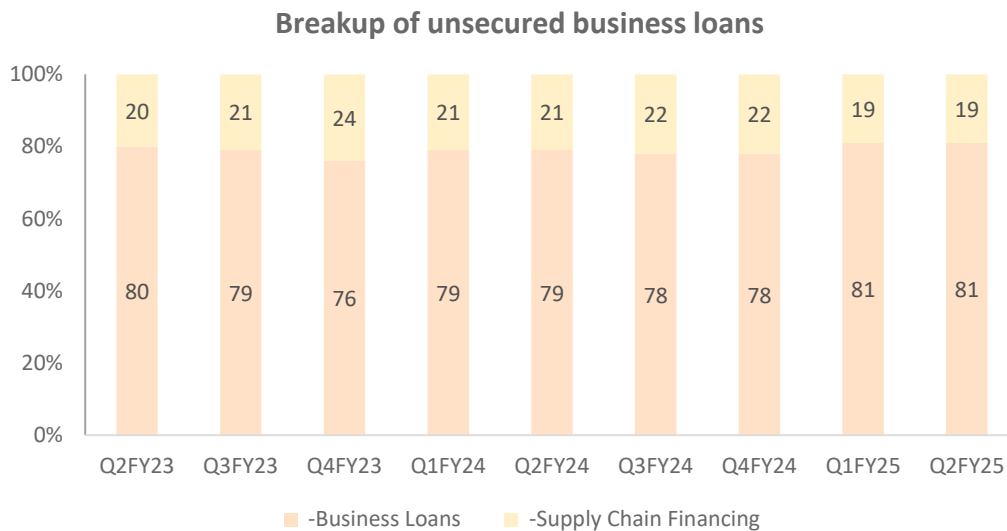
In unsecured business loans, avg. ATS is ~INR 10.4 lacs, avg. yield is ~17-18% and nearly 60% of the loans are sourced via DSA and 40% are sourced directly via internal channels. Size of these loans is INR 11020 cr (Q2FY25) contributing 9.6% of overall AUMs. It largely includes supply chain financing, B2B digital platform, business overdraft. Udyog Plus platform also contributes considerably in the unsecured loans - which has build AUM of ~INR 2900 cr i.e. 25% of the total unsecured business loans is generated from this platform & it has seen 16+ lakh registrations over the last 1.5 years. Importantly, nearly 41% of unsecured book is covered under CGTMSE (Credit Guarantee Fund for Micro & Small Enterprises) scheme. These loans are estimated to grow by 23% CAGR over FY24-27e period (vs. 41% CAGR growth seen during FY21-24 period) while its share in overall loan book will continue to remain at 10%+ levels.

Unsecured business loans are likely to witness 23% CAGR growth over FY24-27e period



Source: Company, Dalal & Broacha Research

Nearly 25% of the unsecured business loans is generated from Udyog Plus platform and nearly 45% of the sourcing comes from ABG ecosystem



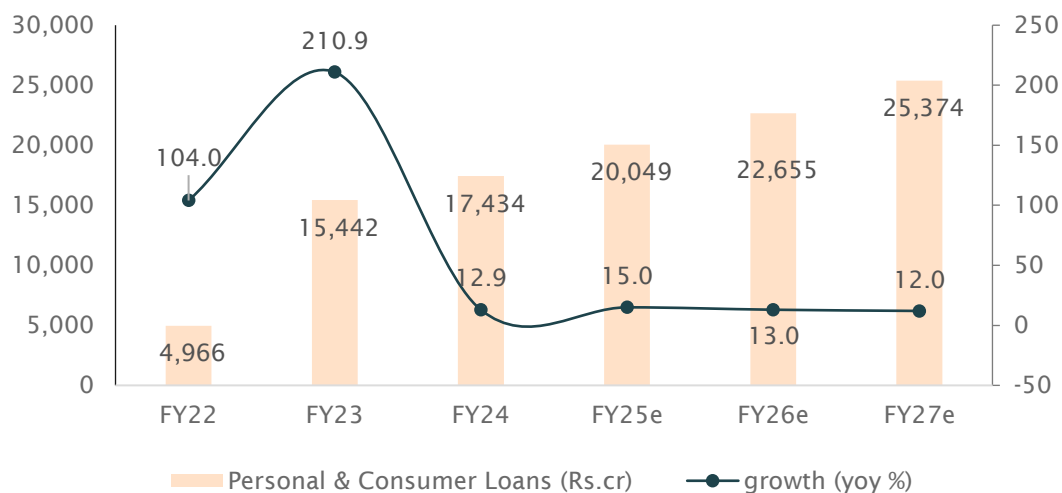
Source: Company, Dalal & Broacha Research

Personal & Consumer Loans

- AUM size of personal & consumer loans is currently at INR 15,793 cr contributing nearly 13.8% in the total AUM (Q2FY25). FY23/FY24 period saw a very strong growth of 104%/211% yoy resp. largely driven by fintech partnerships. However, this growth slowed down to 12.9%/14% yoy in FY24/Q2FY25 period. Incrementally, more focus is given to drive the growth from the branches, DSAs and internal platforms like ABCD app.
- Products included in this segment are basically personal loans, consumer loans (98% share), check-out financing and co-branded credit cards largely given to the salaried professionals. Avg. yield on the loans is ~20% and avg. duration of the loans is 3 yrs. And avg. ATS on personal loans is ~INR 1.6 lacs & consumer loans is ~INR 0.7 lac. Also, nearly 90% of these loans are sourced via DSAs and 10% is directly sourced.
- Given in the current context of rising NPLs in personal loans at industry level, calibrated growth is the apt strategy – we estimate this segment is likely to grow at 14% CAGR over FY24-27e period vs. 93% growth seen in FY21-24 period.

In the current context of rising NPLs in personal loans at industry level, this segment of AB Finance is likely to grow at slower pace of 13.3% CAGR over FY24-27e period vs. 93% growth seen between FY21-24 period

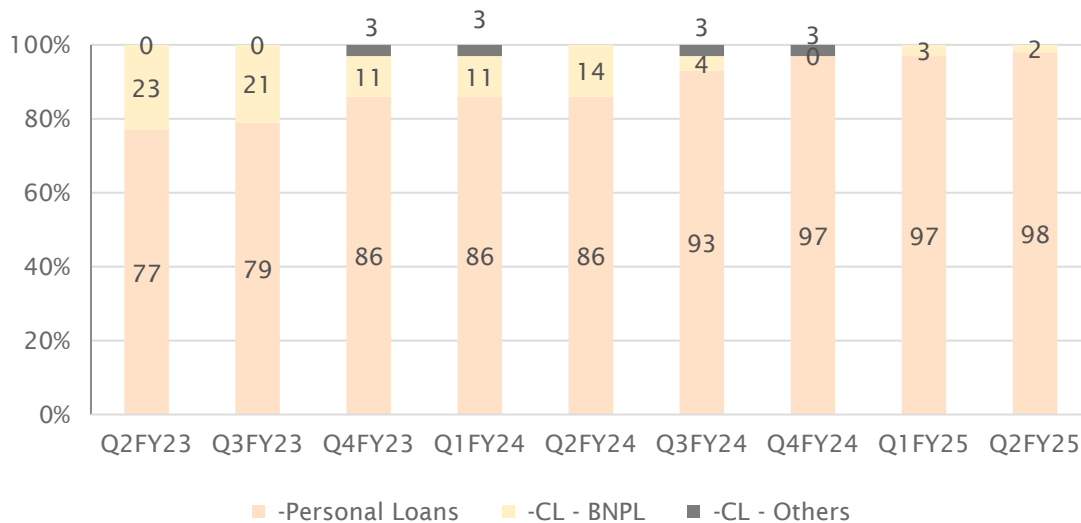
Personal & Consumer Loans AUM & its growth



Source: Company, Dalal & Broacha Research

Personal loan consists of 98% of loans in this segment

Breakup of the Personal & Consumer Loans

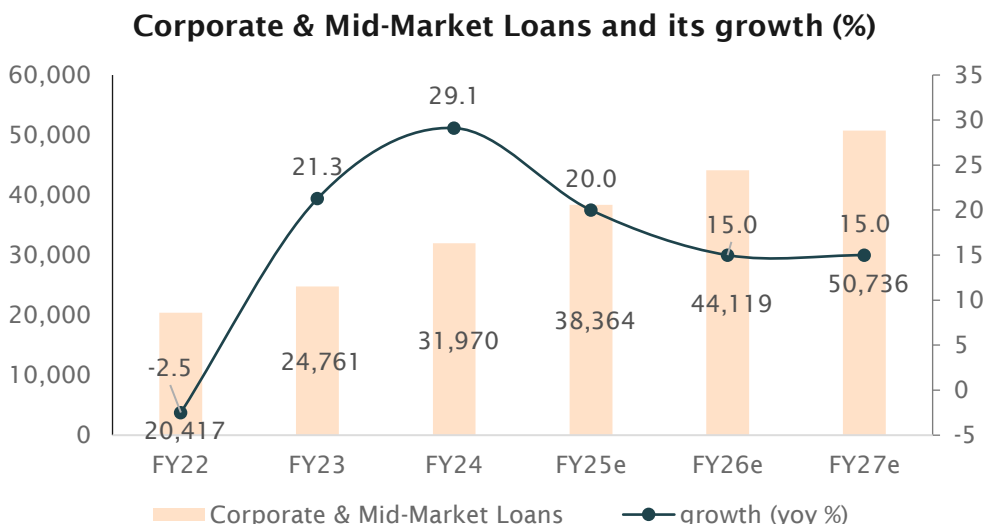


Source: Company, Dalal & Broacha Research

Corporate / Mid-Market Loans

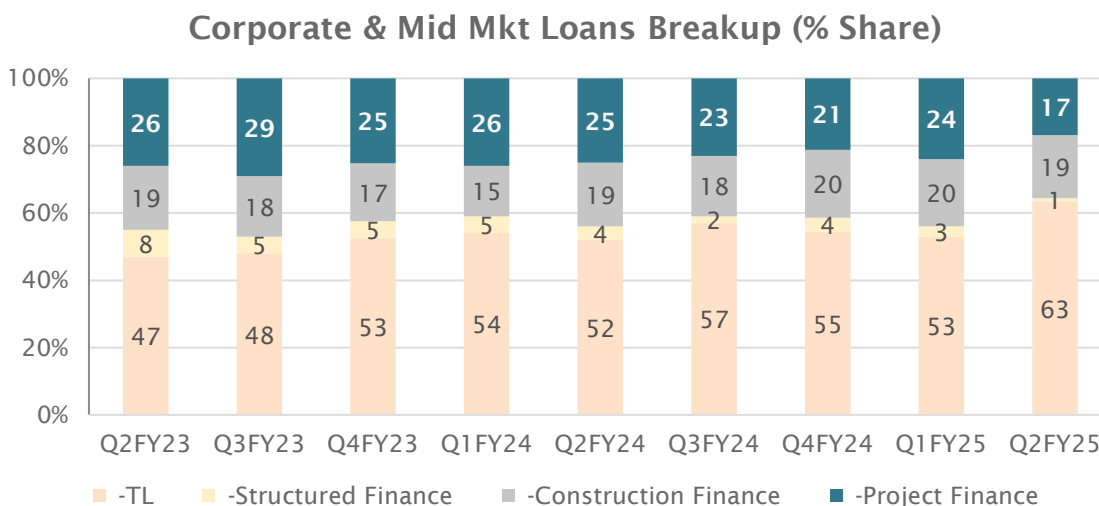
- Corporate loans, having AUM which is at INR 35690 cr with 31% of the total AUMs, is largely given to pedigree group of corporates / mid-market companies concentrated in top 6-7 cities. And largely these loans are directly sourced. The avg. ATS is ~INR 63.3 cr and avg. yield in this segment is ~10.5%. Loan products include – term loans, capex / working capital financing (64% share), structured financing (1% share), developer financing / construction financing (19% share) and project finance (17% share). Here, it directly competes with banks and its competitive edge lies in the lower cost of funds which gets utilized in building the book.
- Corporate loans have grown at 15% CAGR over FY21-24 period relatively slower than the avg. AUM growth resulting in its overall share declining from 43.4% in FY21 to 30.3% in FY24. Going forward, we expect healthy growth of 16.6% during FY24-27e period.

Corporate loans to grow at 18.6% CAGR over FY24-27e period



Source: Company, Dalal & Broacha Research

Corporate & Mid Mkt Loans break-up ...term loans comprise of major share of 63% of the total corporate loans

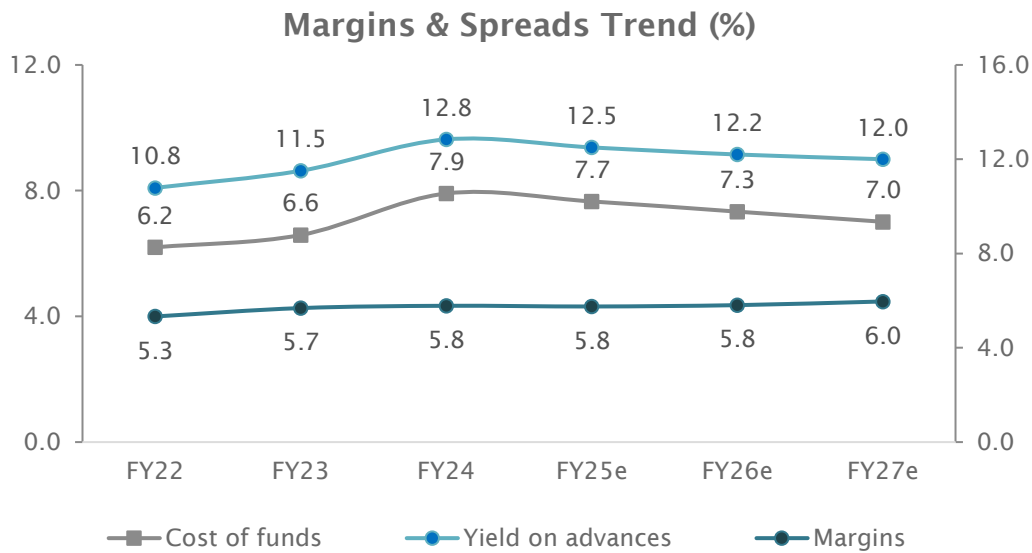


Source: Company, Dalal & Broacha Research

Margins are likely to remain stable at current levels

Due to the strong parentage, Aditya Birla Group enjoys AAA credit rating which result in competitive cost of funds enabling the company to add better rated corporates without sacrificing on margins side. Long-term funding facilities are rated AAA and short term funding facilities rated A1+ by CRISIL/ICRA/India Ratings/CARE. Over the last 2 years, with the increase in the repo rate, cost of funds have increased by 180 bps to 7.9% in FY24 from 6.2% seen in FY22. On the assets side, 70% of the loans are floating and 30% are fixed rated ones. Going forward, we expect margins to remain stable at 5.8% levels in FY25e/FY26e similar to FY24 levels period as lower cost of funds will be largely passed onto the borrowers.

Margins are likely to remain stable at current levels of 5.8% levels going forward as well



Source: Company, Dalal & Broacha Research

Capital position

Total inflows of capital received by AB Capital over the last 1.5 years is ~INR 3770 cr – a) It raised INR 3000 cr of capital in Jun’23 b) stake sale of 5% in ABSL AMC amounting to INR 570 cr c) selling the entire stake in the subsidiary Aditya Birla Insurance & Brokers Ltd amounting to INR 167 cr. And this total amount is invested in subsidiaries viz. – a) capital invested in NBFC is ~INR 2100 cr (INR 750 cr in Q2FY24, INR 850 cr in Q3FY24, INR 500 cr in Q2FY25) b) capital invested in the HFC is ~INR 900 cr (invested INR 300 cr each quarter of Q1FY25, Q2FY25, Q3FY25) c) ABCD (digital arm of the AB Capital) is ~INR 200 cr. It still currently holds cash of >INR 500 cr which can be deployed in time to come. However, post merger, Debt/Equity of the NBFC will come down from >6.25x to 4.12x and it will not ideally require capital for 1 year time.

NBFC has received INR 1600 cr of capital infusion in FY24, INR 500 cr in H1FY25 (another INR 500 cr we have assumed in H2FY25, taking total to INR 1000 cr for full year FY25). We have baked in INR 1000 cr of capital infusion for FY27e period (while no capital will be required in FY26 period) in order to take debt/equity to ~6x.

Total CAR of NBFC is currently at ~16.5% levels (Tier I capital at 14.5%) as on Q2FY25.

Sound asset quality to continue

Over the last 2-3 years, asset quality of NBFC has improved significantly – Stage 2 +3 assets from the peak of 8.9% in Q1FY23 has come down to 4.2% by Q2FY25 period. And there is improvement is seen across all segments including unsecured and secured business loans and corporate business loans.

Going forward as well, we estimate sound asset quality to continue – credit cost is expected to be at ~1.4% each in FY25e/FY26e period vs. 1.5% in FY24.

Asset quality details

Particulars	Q1FY23		Q2FY25	
	(%)	INR Cr	(%)	INR Cr
Stage 1	91.1%	52524	95.8%	109365
Stage 2	5.2%	3007	1.7%	1989
Stage 3	3.7%	2134	2.5%	2851
Stage 2+3	8.9%	5141	4.2%	4840
Total Loan Book	100%	57665	100%	114205
Stage 3 PCR	42.2%		46%	

Source: Company, Dalal & Broacha Research

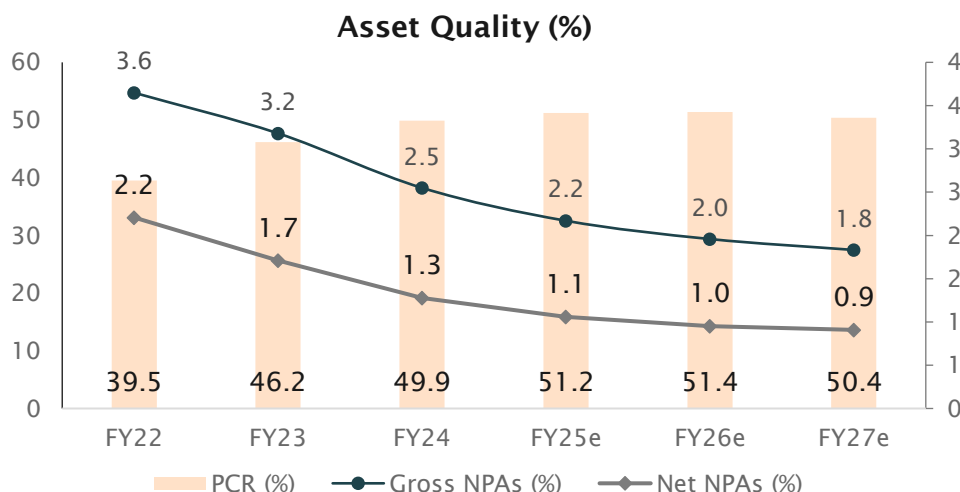
Segment-wise asset quality details

Particulars	Q1FY23			Q2FY25		
	GS 2 (%)	GS 3 (%)	PCR (%)	GS 2 (%)	GS 3 (%)	PCR (%)
Personal & Consumer Loans	3.0	1.8	69.1	2.6	2.9	83.4
Unsecured Business Loans	3.1	5.1	24.9	1.9	3.8	36.1
Secured Business Loans	7.5	2.8	40	2.5	2	31.1
Corporate / Mid-Market Loans	3.9	5.3	45.1	0.3	2.6	49.1
Total	5.2	3.7	42.2	1.7	2.5	46.0

Note: Unsecured business – 57% Stage 3 book is secured under Govt. Guarantee Schemes, excluding which GS 3 is 1.6%.

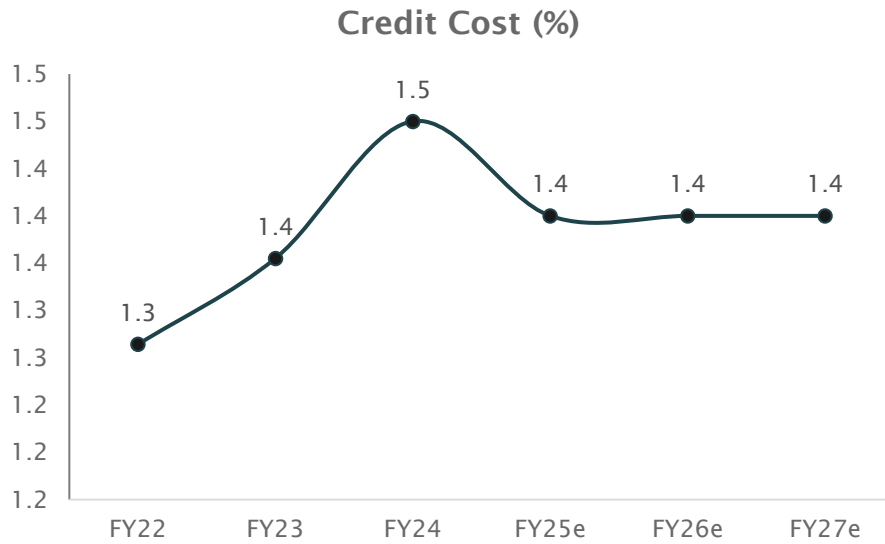
Source: Company, Dalal & Broacha Research

Outlook on the asset quality is stable



Source: Company, Dalal & Broacha Research

We expect credit cost to be ~1.4% each over FY25e & FY26e period



Source: Company, Dalal & Broacha Research

Aditya Birla Finance (ABFL) – Financials

P&L (Rs cr)	FY23	FY24	FY25e	FY26e	FY27e
Interest income	7,806	12,044	15,060	18,097	21,556
Interest expense	3,857	6,468	7,939	9,264	10,594
NII	3,949	5,576	7,122	8,834	10,962
Non-interest income	462	720	794	954	1,192
Total Income	4,410	6,296	7,915	9,788	12,154
Operating expenses	1,417	1,957	2,466	2,978	3,619
PPOP	2,994	4,340	5,449	6,810	8,535
Provisions	903	1,352	1,645	2,032	2,463
PBT	2,090	2,987	3,804	4,778	6,072
Tax	536	766	974	1,223	1,554
PAT	1554	2221	2830	3555	4518
<i>growth (%)</i>	<i>40.2</i>	<i>42.9</i>	<i>27.4</i>	<i>25.6</i>	<i>27.1</i>
Consol PAT (post NCI & C	1561	2207	2830	3555	4518
<i>growth (%)</i>	<i>37.9</i>	<i>41.3</i>	<i>28.3</i>	<i>25.6</i>	<i>27.1</i>

Balance sheet (Rs. Cr)	FY23	FY24	FY25e	FY26e	FY27e
Share capital	662	689	707	707	723
Reserves & surplus	10,764	14,554	18,367	21,922	27,424
Net worth	11,426	15,244	19,074	22,629	28,147
Borrowings	70,967	92,583	1,14,796	1,37,886	1,64,391
Other Financial Liabilities	1,400	2,938	4,701	7,051	9,871
Non Financial Liabilities	329	447	581	727	908
Total liabilities	84,123	1,11,212	1,39,152	1,68,292	2,03,317
Cash & Bank Bal.	388	191	256	296	404
Investments	3,703	5,862	6,288	7,049	7,945
Loans	78,850	1,03,905	1,31,101	1,59,132	1,92,720
Fixed assets	310	421	519	643	855
Receivables	40	29	32	35	38
Other assets	833	803	956	1,138	1,354
Total assets	84,123	1,11,212	1,39,152	1,68,292	2,03,317

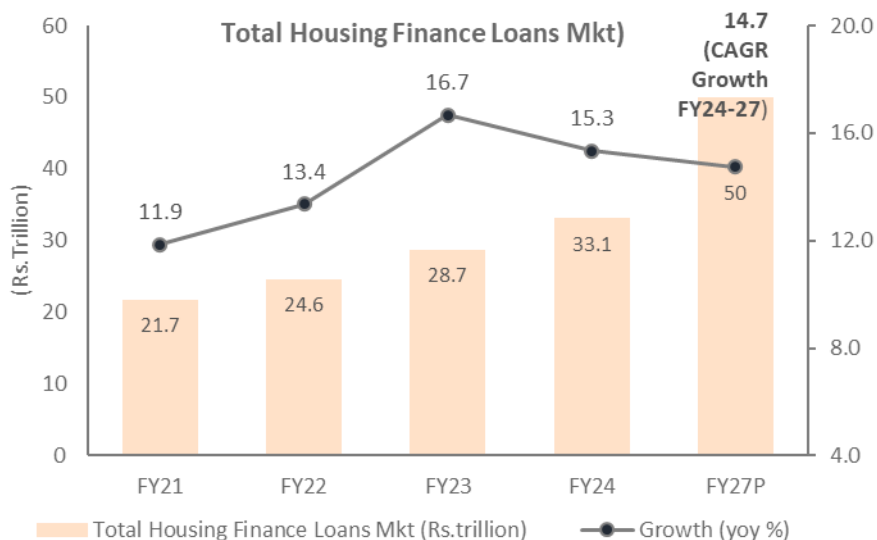
Ratios	FY23	FY24	FY25e	FY26e	FY27e
Growth (%)					
NII	39.9	41.2	27.7	24.0	12.8
PPOP	39.8	45.0	25.6	25.0	31.1
Consol PAT (post OCI)	37.9	41.3	28.3	25.6	11.6
Loans growth (%)	47.1	31.8	26.2	21.4	21.1
AUMs (Rs.cr)	80556	105639	133232	161719	195854
AUM growth (%)	46.0	31.1	26.1	21.4	21.1
Other Ratios (%)					
Cost/Income ratio (%)	32.1	31.1	31.2	30.4	29.8
Branches	323	412	512	600	650
Spread (%)					
Yield on funds	11.2	12.5	12.2	11.9	11.7
Cost of funds	6.6	7.9	7.7	7.3	7.0
Spreads	4.9	4.9	4.8	4.9	5.0
Margins	5.7	5.8	5.8	5.8	6.0
Asset quality (%)					
Gross NPAs (Rs.cr)	2507	2649	2844	3116	3531
Net NPAs (Rs.cr)	1349	1327	1387	1515	1751
Gross NPAs (%)	3.2	2.5	2.2	2.0	1.8
Net NPAs (%)	1.7	1.3	1.1	1.0	0.9
PCR (%)	46.2	49.9	51.2	51.4	50.4
Slippages (%)	2.2	1.4	1.1	1.0	1.0
Credit Cost (%)	1.4	1.5	1.4	1.4	1.4
Return ratios (%)					
RoE	14.7	16.5	16.5	17.0	17.8
RoA	2.2	2.3	2.3	2.3	2.4
Per share (Rs)					
FV	10	10	10	10	10
No. of shares	66.2	68.9	70.7	70.7	72.3
EPS	23.6	32.0	40.1	50.3	62.5
BV	172.6	221.1	270.0	320.3	389.2
ABV	152.2	201.9	250.3	298.8	365.0
Other Ratios					
C/I Ratio	32.1	31.1	31.2	30.4	29.8
Opex to AuM	1.8	1.9	1.9	1.8	1.8
Opex to Avg. AUM (%)	2.1	2.1	2.1	2.0	2.0
ROA Tree (%)					
Interest income	11.1	12.3	12.0	11.8	11.6
Interest expense	5.5	6.6	6.3	6.0	5.7
NII	5.6	5.7	5.7	5.7	5.9
Non-interest income	0.7	0.7	0.6	0.6	0.6
Total Income	6.3	6.4	6.3	6.4	6.5
Operating expenses	2.0	2.0	2.0	1.9	1.9
PPOP	4.2	4.4	4.4	4.4	4.6
Provisions	1.3	1.4	1.3	1.3	1.3
PBT	3.0	3.1	3.0	3.1	3.3
Tax	0.8	0.8	0.8	0.8	0.8
PAT	2.2	2.3	2.3	2.3	2.4

Source: Company, Dalal & Broacha Research

Aditya Birla Housing Finance (HFC)

HOUSING FINANCE INDUSTRY - is expected to reach size of INR 100 trillion by 2030 end from INR 33 trillion in FY24 ...

Total housing loan market which is currently at INR 33 trillion in FY24 is likely to grow to INR 50 trillion by FY27 (CAGR growth of 14.7% FY24-27) and to INR 100 trillion by FY2030 period ...



Source: Company, D&B Research, CRISIL, Bajaj Housing Finance RHP

Note: Total housing loan market includes market share of banks, NBFCs and HFCs put together

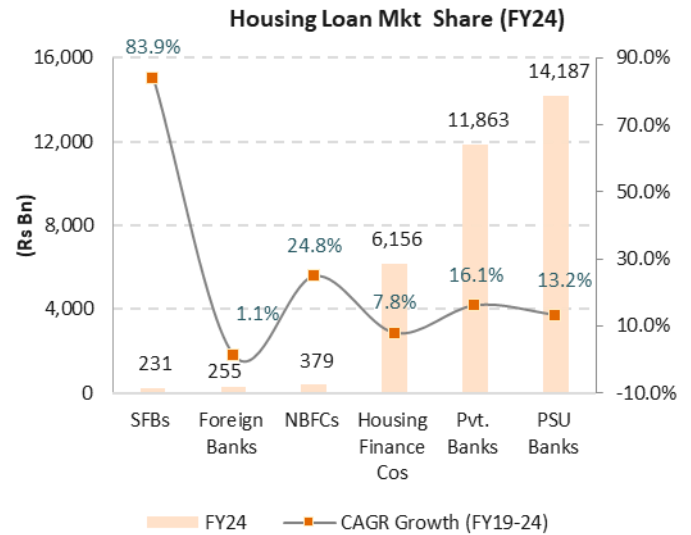
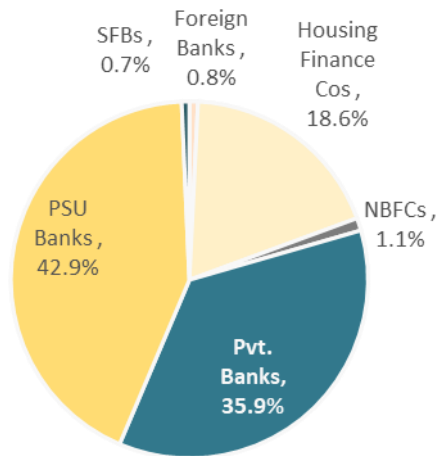
Affordable loans, mass market housing loans & prime loans segments each occupy nearly 33% share

(Rs.Trillion)	FY19	FY20	FY21	FY22	FY23	FY24	CAGR (FY19-24)	% Share (FY24)
Affordable Housing (<INR2.5 mn)	8.2	8.6	9.1	9.6	10.2	10.9	5.9%	33.0
Mass Mkt Housing Loans (INR2.5-5 mn)	5.1	5.7	6.6	7.7	9.2	10.6	15.8%	32.1
Prime Housing (INR >5 mn)	4.6	5.1	6	7.3	9.3	11.5	20.1%	34.8
Total Housing Loans	17.9	19.4	21.7	24.6	28.7	33.0	13.0%	100.0

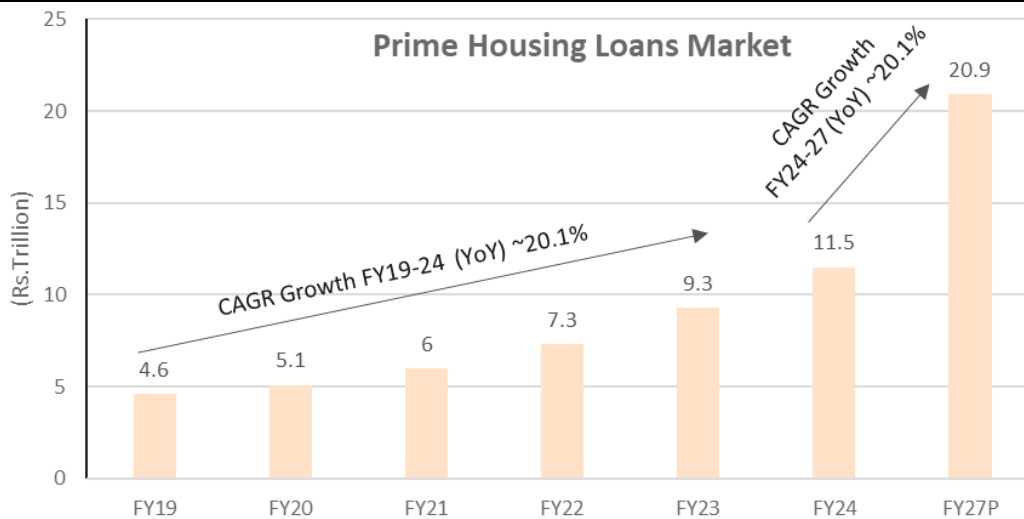
Source: Company, D&B Research, CRISIL, Bajaj Housing Finance RHP

Dominant share of housing loan market is with PSU & private banks while HFCs have 18.6% share (FY24) ...while HFCs have nearly 1/5th share in the overall pie ...

HFCs loan grew by 7.8% during FY19-24 period which looks sub-due due to LIC HF & PNB HF de-growth in the loan book as they faced rising NPL levels ...



Total prime housing loans (with ATS of INR >50 lacs, comprising of 35% share in overall housing loan pie) are likely to grow at healthy pace of ~20.1% CAGR over FY24-27 period



Source: Company, D&B Research, CRISIL, Bajaj Housing Finance RHP

Improving profitability trend of HFCs in the Prime Housing Finance Segment --- overall ROA from low of 1.1% in FY20 has improved to 1.8% by FY24 led by decline in funding costs, controlled opex and lower credit costs ...

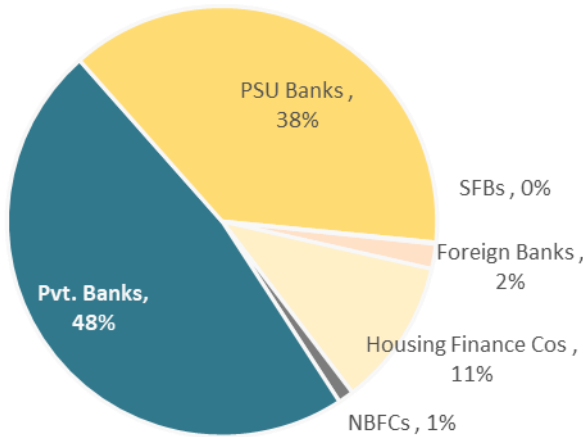
(%)	FY19	FY20	FY21	FY22	FY23	FY24
Yield on Advances	8.8	9.7	9.3	8.2	8.6	9.4
Cost of Funds	7.4	7.8	7.2	6.2	6.5	7.1
NIMs	2.0	2.3	2.4	2.3	2.6	2.9
Operating Expenses	0.5	0.5	0.5	0.6	0.6	0.7
Credit Cost	0.3	0.8	0.7	0.7	0.6	0.3
ROA	1.1	1.1	1.3	1.1	1.4	1.8

Source: Company, D&B Research, CRISIL, Bajaj Housing Finance RHP

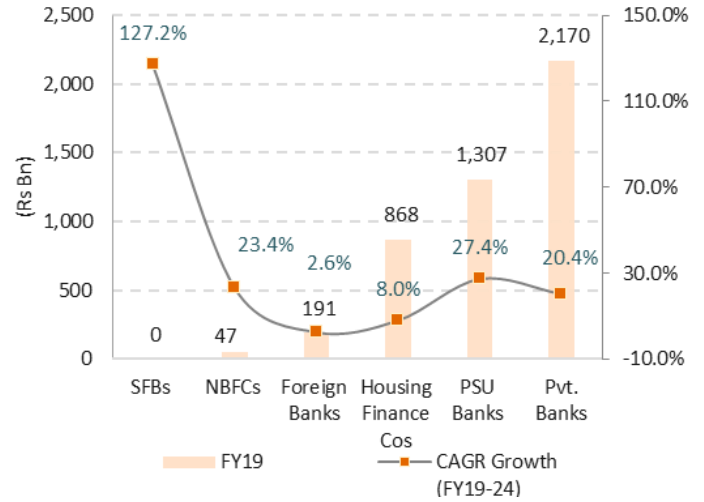
In prime loans, HFCs have relative less market share of ~11%

HFCs loans in the prime segment has grown at lower rate of 8% CAGR (FY19-24) vs. others

Prime Housing Loan Mkt Share (FY24)



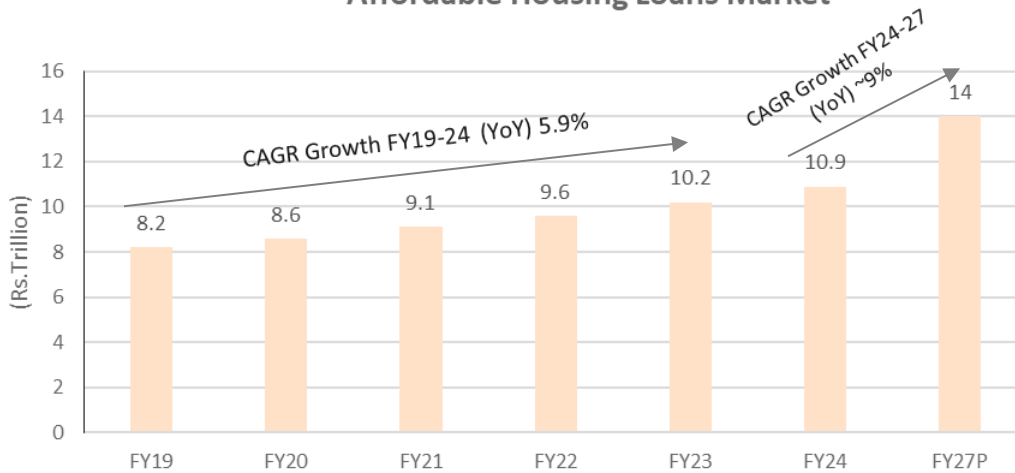
Prime Housing Loan Mkt



Total affordable loans are likely to touch INR 14 trillion by FY27 from INR 10.9 trillion in FY24 i.e. CAGR growth of ~9%. While we expect Aditya Birla Housing Finance will witness strongest CAGR growth of 45.7% over FY24-27e period

Affordable loans, which currently stands at 10.2 trillion mkt, is likely to grow by 9% CAGR over FY24-27e period vs. ~6% CAGR growth seen in FY19-24 period.

Affordable Housing Loans Market



Source: Company, D&B Research, CRISIL, Bajaj Housing Finance RHP

Affordable housing finance players have higher ROAs than prime loan financiers - ROA of the former is ~2.7-2.8% vs. 1.8% the latter due to relative better margins

...

(%)	FY19	FY20	FY21	FY22	FY23	FY24
NIMs	3.5	3.5	3.8	4.6	5.0	4.9
Credit Cost	0.7	0.9	0.8	0.7	0.4	0.4
ROA	1.1	1.3	1.7	2.3	2.8	2.7

Source: Company, D&B Research, CRISIL, Bajaj Housing Finance RHP

ROA tree of housing finance companies (FY24)

	PAT (Rs.bn)	Yield on advances	NII	PPoP	Cost of funds	Opex	Credit Cost	ROA	ROE	Leverage
Bajaj Housing Finance	17.3	10.0%	3.4%	3.0%	7.7%	1.0%	0.1%	2.4%	15.2%	6.7
Can Fin Homes	7.5	10.2%	3.6%	3.0%	7.3%	0.7%	0.2%	2.2%	18.8%	8.4
LIC Housing	47.7	9.7%	3.0%	2.7%	7.4%	0.4%	0.6%	1.7%	16.3%	9.3
PNB Housing	15.3	10.2%	3.5%	3.1%	7.8%	0.9%	0.2%	2.2%	11.8%	4.8
Aadhar Housing	7.5	14.8%	7.2%	5.6%	7.6%	3.0%	0.2%	4.2%	18.4%	4.3
Aavas Financiers	4.9	12.5%	6.1%	4.3%	7.5%	3.6%	0.2%	3.3%	13.9%	4.4
Aptus Value Housing	4.8	16.1%	10.4%	9.1%	8.7%	2.3%	0.3%	6.8%	14.7%	2.2
Home First	3.1	13.7%	6.5%	5.2%	8.3%	2.8%	0.3%	3.8%	15.5%	4.5

Source: Company, D&B Research, CRISIL, Bajaj Housing Finance RHP

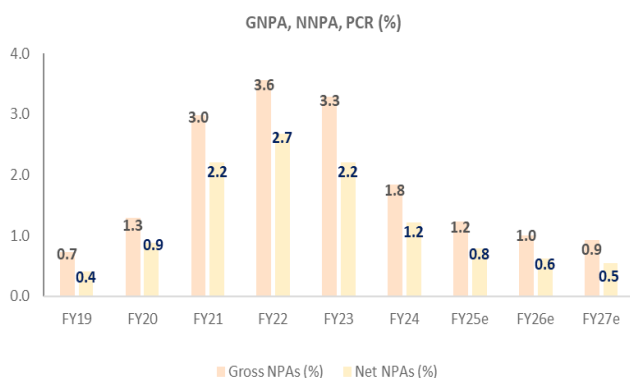
Aditya Birla Housing Finance (ABHFL) – Company Overview

Aditya Birla Housing Finance (ABHFL) is 100% subsidiary of Aditya Birla Capital which is registered with NHB as non-deposit accepting housing finance company with AUM of INR 23236 cr with branch network of 150 branches (Q2FY25) across 19 States & Union Territories headed by CEO Mr. Pankaj Gadgil.

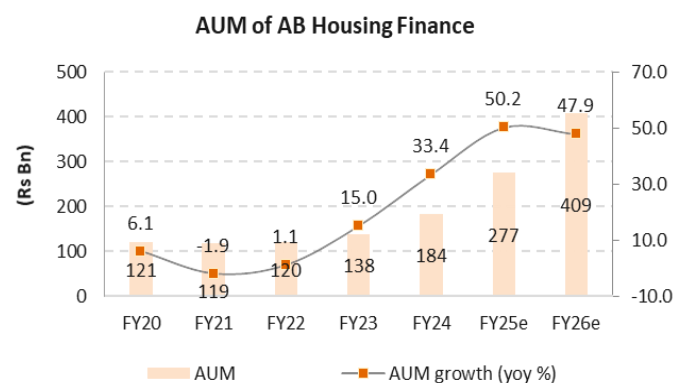
It faced high NPL issues post COVID in FY21 & FY22 period (GNPA of 3% / 3.6% resp) which also resulted in slowdown in business growth momentum. However, scenario turned-around after Ms.Vishakha Mulye joined in Jun 2022 from ICICI Bank alongwith ABHFL CEO Mr.Pankaj Gadgil. Under new leadership, asset quality performance improved and there was renewed focus on the growth. Additionally, over the last 2 years there is complete technology transformation, rampant branch expansion – in nutshell, this segment is clearly in the period of expansion (discussed in detail below)

Post CoVID, there was sharp increase in the GNPL to 3% & 3.6% in FY21 & FY22 period from 1.3% seen in FY20 period

At the same time ..growth was also sanguine due to deterioration in the asset qualityhowever, we expect growth to pick up going forward

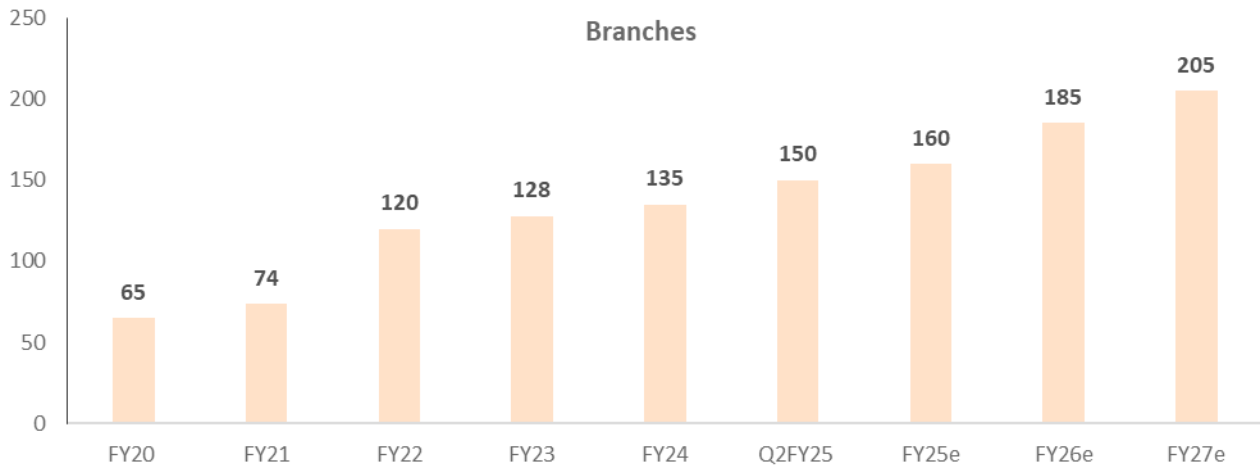


Source: D&B Research, Company



Source: D&B Research, Company

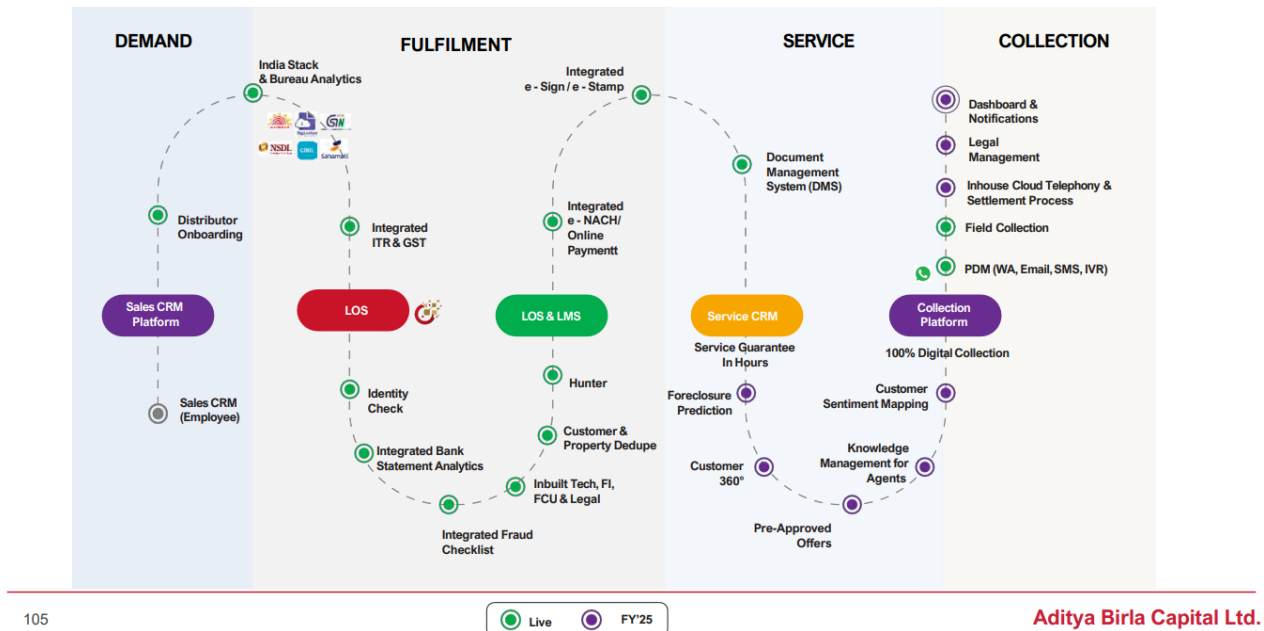
Branch network has almost doubled in last 4 years time covering 19 states & union territories servicing 8143 pincodes targetting ~85% of total addressable market.



Source: D&B Research, Company

Embarked on the digital transformational journey – ABHL has created end-to-end digital platforms to cover entire journey of the customer life cycle

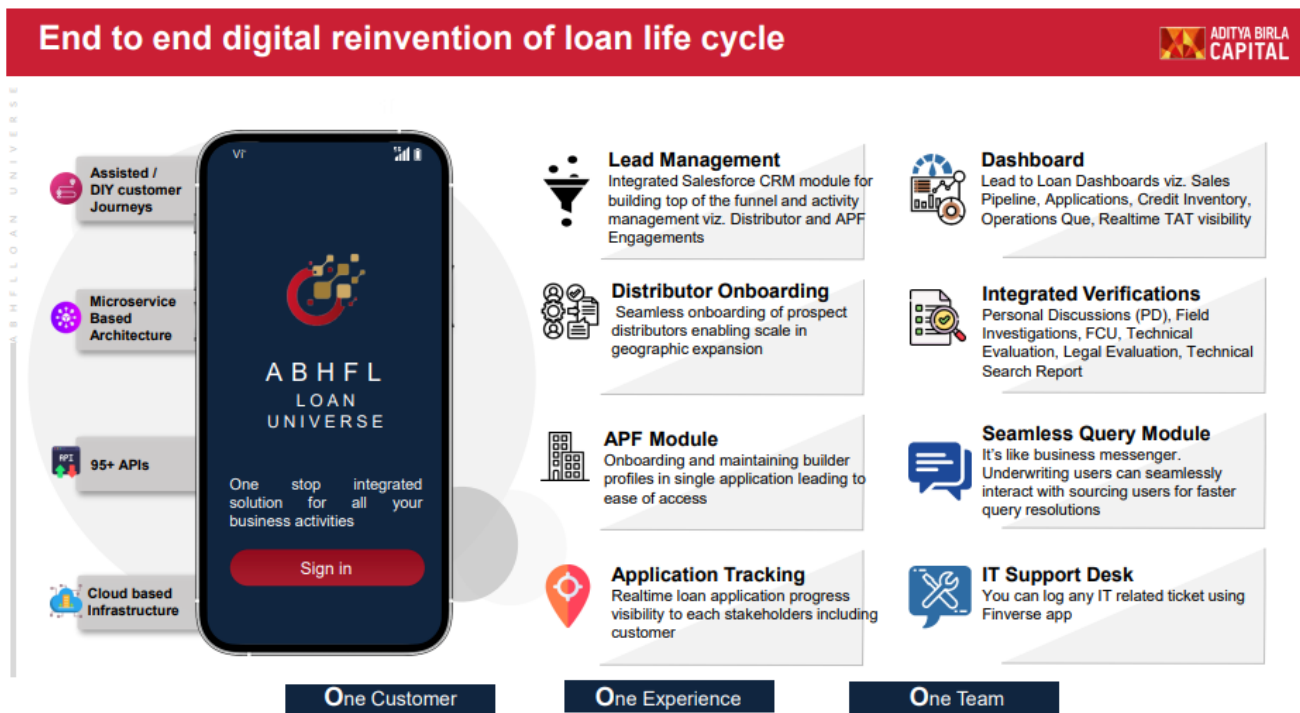
BluePrint of Digital Platforms Across Customer Life-Cycle



105

Aditya Birla Capital Ltd.

End to end digital reinvention of the loan life cycle



Diversified loan book ranging from prime loans to affordable ones

ABHFL is a digital & analytics backed retail housing franchise catering to the housing needs of salaried, self-employed and professionals who are running a micro businesses across Tier I suburbs, Tier II and Tier III cities.

Loan book of the company caters to all the segments including prime housing loans (29% share), affordable housing loans (30% share), prime LAP loans (19.2%), affordable LAP loans (9.3%) and construction finance loans (12.6% share) as on Q2FY25. The average ticket size (ATS) of the prime housing loans is ~INR 50 lacs, prime LAP loans is ~INR 40-50 lacs while affordable housing + LAP ATS is INR 20-25 lacs. And the construction finance loans is ~INR 40 cr.

Over the last 3-4 years, share of prime housing and LAP loans has come down from 68% in FY21 to ~48% as on Q2FY25 as pace of growth was relatively slow as compared to affordable segment. Prime housing loans grew by 7% CAGR and prime LAP loans by 13.3% CAGR during FY21-Q2FY25 period. For the same period, affordable housing + LAP loans share increased from 27% in FY21 to ~39% in Q2FY25 as both these segments witnessed 30.2% & 53.7% CAGR growth respectively. Going forward, focus will be on both the segments including prime and affordable loans. However, we expect affordable housing + LAP loans share in the overall AUM mix to increase from 40% in FY24 to 46% by FY26e end.

Detailed description of the different segments of the loan book

Loan Details	CAGR growth % (FY21-24)	% Share			ATS (Rs)	Avg. yield (%)
		FY21	FY24	FY26e		
Total AUMs	15.8%					
Prime - Housing Loan	2.7%	44.4	31.0	28.1	>50 lacs	9-9.25%
Prime - LAP	4.6%	24.4	18.0	15.9	>40-50 lacs	9-9.25%
Affordable - Housing	29.2%	23.0	32.0	36.0	20-25 lacs	9.5-10%
Affordable - LAP	45.9%	4.0	8.0	8.9	20-25 lacs	9.5-10%
Construction Finance	59.6%	4.2	11.0	11.1	40 cr	13%

Source: Company, D&B Research

Description of loan segments

Prime Housing Loans - These are typical housing loans with Avg. ATS is >50 lacs where it faces competition from banks & other NBFCs. Avg. However, relative CAGR growth in this segment has been muted at ~3% during FY21-24 period.

Prime LAP loans - These loans which have avg. ATS of INR 40-50 lacs is largely against residential properties. Relative growth also in this segment is at lower end at 5.2% FY21-24 period

Affordable Housing Loans - Avg. ATS ~25 lacs, but these loans are not income assessed loans like Home First does.

Affordable LAP Loans - LAP loans given against affordable loans with avg. ATS of ~INR 25 lacs.

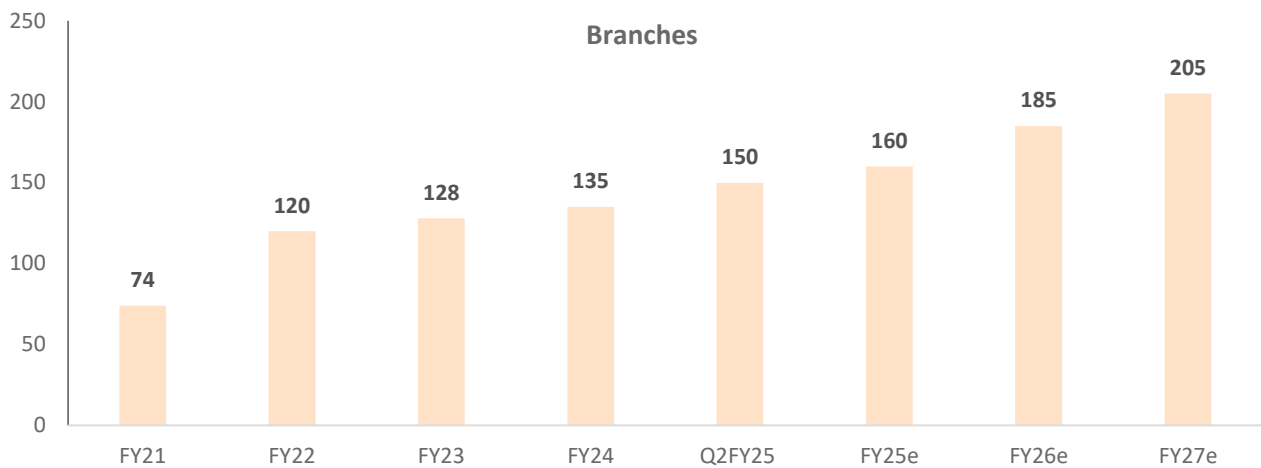
Construction Finance - Avg. ATS is INR 40 cr, largely in Tier II & III cities where the company is the sole lender for e.g. in cities like Akola

Increasing Distribution Reach

As on Sep'25, it has a network of 150 branches (which has almost doubled from 74 branches in FY21) across 19 states & union territories & 117 cities servicing 8143 pincodes covering ~85% of total addressable market. This has also got reflected in AUM growth which has picked up over the last 2 years time vs. flat to negative growth seen during the period FY20-22 period). Additionally, the analytics driven micro-market penetration strategy has helped the HFC to scale business in top 10 cities by 65% for the period FY24.

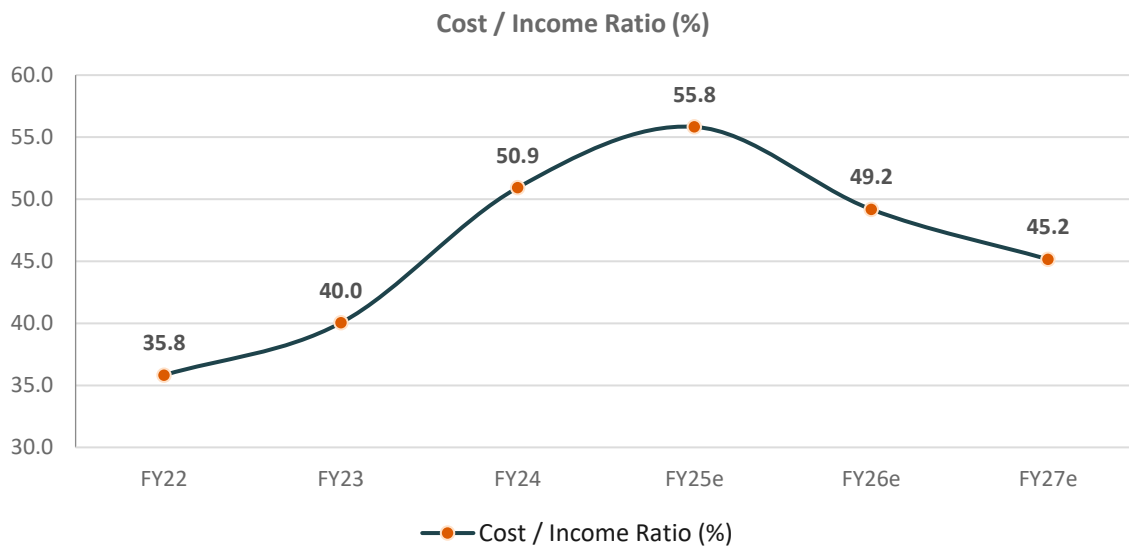
The sourcing mix is also getting diversified. Currently, 10% of the incremental disbursements comes from the ABG ecosystem, 50% from DSA channel and 40% comes from their own branch network.

We expect branch network to increase from current 150 to >200 by FY27e in-line with the management strategy ...



Source: D&B Research, Company

Operating efficiencies likely to kick in - cost/income ratio to come down from peak of 56% in FY25e to 45% in FY27e as AUM growth will be higher than the opex growth ...



Source: D&B Research, Company

We expect loan book to double in next 2 years time

ABFHL is one of the fastest growing HFC with AUM of INR 23236 cr reflected in its market share improving (among HFCs) over the last 2-3 years from 2.6% in FY23 to 3.5% by Q2FY25 end.

During the period of FY20-22, loan growth was sanguine (growth was flat to negative) as it faced high NPL issue where the loan book got stagnated at INR 12000 cr odd levels. However, with the cleaning of the book, change in the management, entire revamping of the digital stack of platforms which reengineered the entire loan process journey from generating lead to under-writing to collection from customers – resulted in reviving of loan book growth from 15% in FY23 to 33% growth in FY24 to reaching high of 50.5% growth in Q2FY25 period.

We expect housing demand will likely to continue to remain strong going forward due to combination of the demographic & structural factors. Strong demand drivers include a growing middle class (which is becoming the largest consumer category), rising income levels resulting in improving affordability, nuclearization, urbanisation, preference of home ownership post COVID-19, demand led by PMAY scheme benefits. Also, the revival of housing demand since the pandemic has been anchored on increased preference for home ownership as well as significant upscaling among homebuyers with a preference for bigger houses and better-rated developers. This trend is reflected in the increasing contribution of higher ticket sizes of loans.

In nutshell, we expect AUM of the housing finance subsidiary to grow at 45.7% CAGR over FY24-FY27e period from INR 18420 cr in FY24 to reach size of INR 56969 cr by FY27e end led by all the above mentioned demand factors.

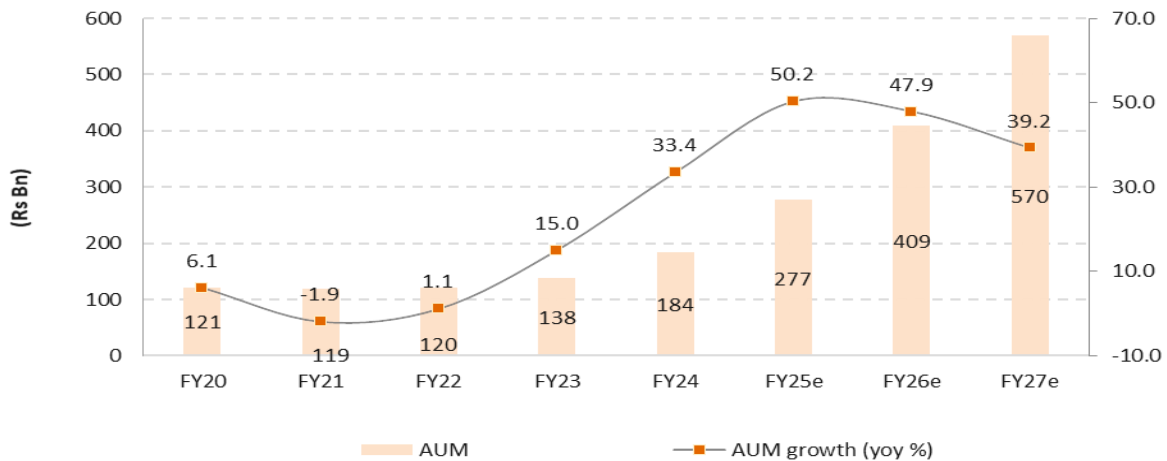
Overall AUM is likely to grow by 46% CAGR over FY24-27e period. While affordable housing loans to grow at higher rate of 52% CAGR for same period which will result in their overall share increasing further from 32% in FY24 to 37% by FY27e

(Rs.cr)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Total AUM	12,005	13,808	18,420	27,669	40,914	56,969
-Prime - HL	4,322	4,695	5,710	8,166	11,513	16,119
-Prime - LAP	2,401	2,347	3,316	4,675	6,498	9,098
-Affordable - HL	3,722	4,695	5,894	9,431	14,712	20,597
-Affordable - LAP	840	967	1,474	2,358	3,631	5,229
-Construction Finance	720	1,105	2,026	3,039	4,559	5,927
Growth (yoy %)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Total AUM	1.1	15.0	33.4	50.2	47.9	39.2
Share (%)	FY22	FY23	FY24	FY25e	FY26e	FY27e
-Prime - HL	36.0	34.0	31.0	29.5	28.1	28.3
-Prime - LAP	20.0	17.0	18.0	16.9	15.9	16.0
-Affordable - HL	31.0	34.0	32.0	34.1	36.0	36.2
-Affordable - LAP	7.0	7.0	8.0	8.5	8.9	9.2
-Construction Finance	6.0	8.0	11.0	11.0	11.1	10.4

Source: D&B Research, Company

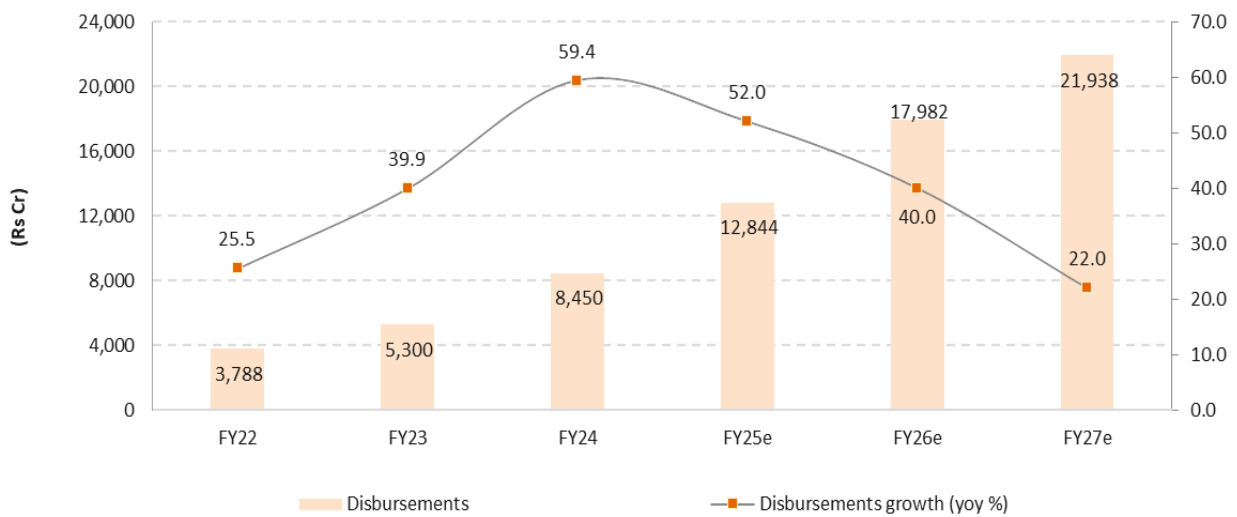
Strong AUM growth to continue going forward as well ...

ABHL's AUM and its growth (%)



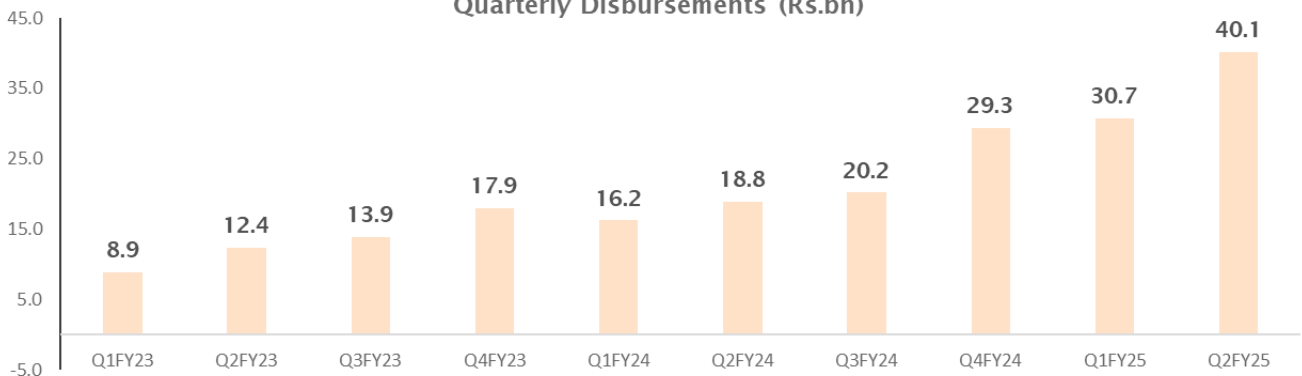
...led by healthy disbursements growth (37% CAGR over FY24-27e period) ...

Disbursements & its growth trends



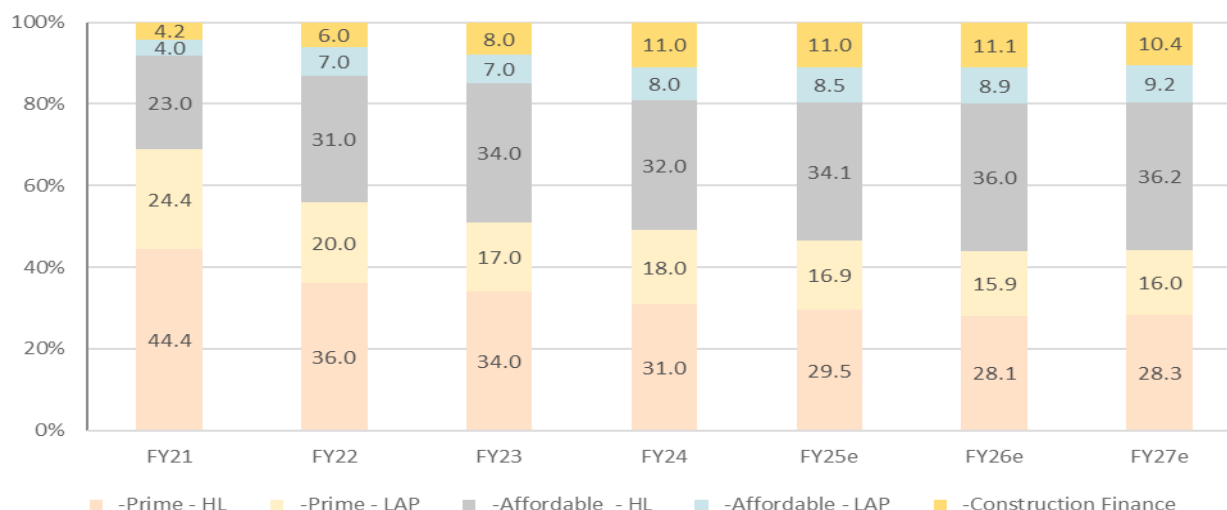
Quarterly trends of disbursements is only improving ...

Quarterly Disbursements (Rs.bn)



Source: D&B Research, Company

We expect affordable housing + LAP loans share in the overall AUM mix to increase from 40% in FY24 to 45% by FY27e end. While share of prime housing + LAP loans to come off from 50% to 44% for the same period.



Source: D&B Research, Company

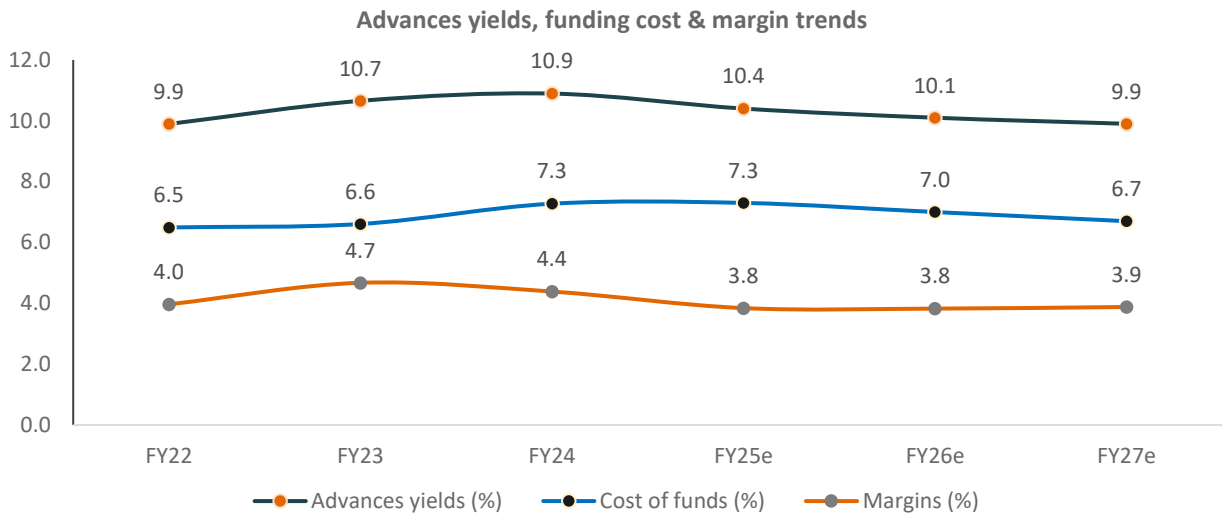
Margins are likely to moderate

ABFHL enjoys a strong parentage and therefore a higher AAA rating (Crisil, ICRA, India Ratings) which enables the company to have lower cost of funds. Reported average cost of funds is ~7.74% for FY24 (cal. 7.3%). Its draws nearly 17% of the borrowings from NHB which helps reduce costs further. As on Q2FY25, borrowings mix includes – term loans 35%, NHB 17%, NCD 33% and others 14%. Borrowings mix has undergone a change in last few years – share of term loans in overall pie has come down from 61% in FY22 to 35% by Q2FY25 end, NHB share has increased from ~14% to ~17-20%, NCD also increased from 22% to 33% for the same period respectively.

Prime housing + LAP loans have avg. yield of 9-9.25% levels and affordable housing + LAP loans ~9.5-10% and construction finance loans is ~13%.

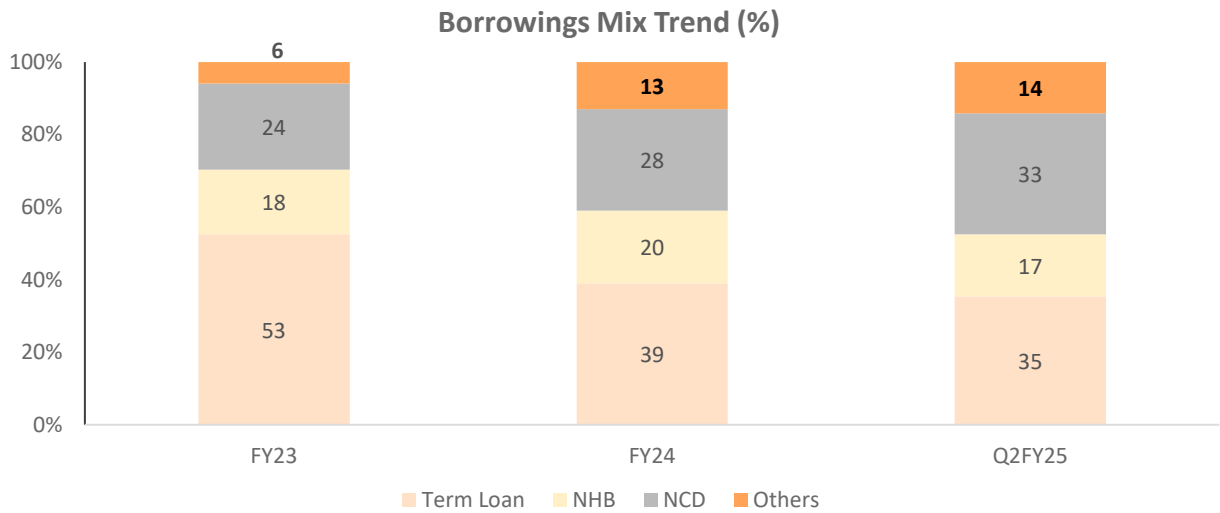
With the expected declining interest rate scenario, margins are likely to get compress to 3.8% in FY25e/FY26e from 4.4% seen in FY24 due to faster repricing of the loans than liabilities. It will get some cushion from improving mix of high-yielding affordable loans (HF + LAP) in overall loan pie to from 40% in FY24 to 45% by FY27e.

We expect margins to compress to 3.8% levels in FY25e/FY26e period from 4.4% seen in FY24 ...



Source: Company, D&B Research

Borrowings mix trend

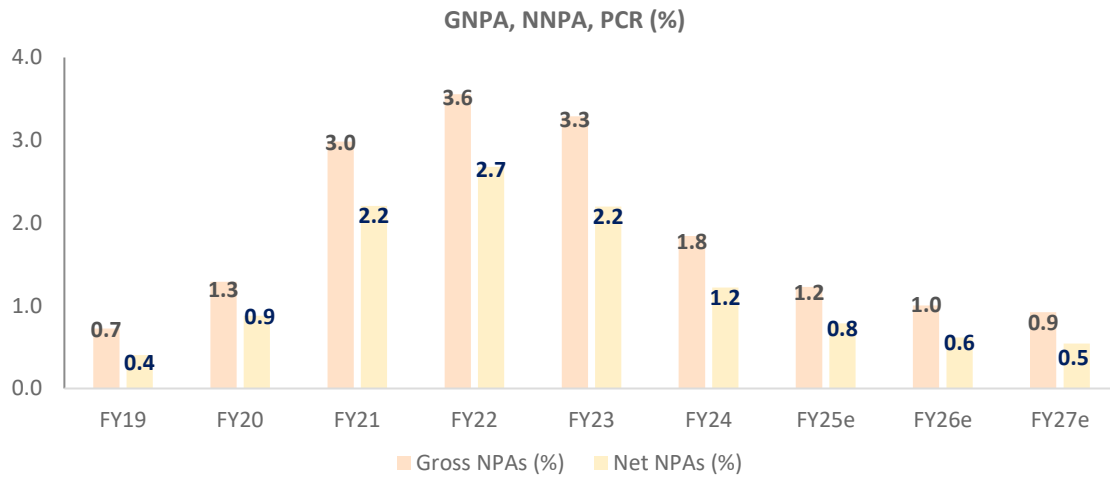


Source: Company, D&B Research

Pristine asset quality

Asset quality which deteriorated post COVID has improved considerably – GNPL which surged from 1.3% in FY20 / 3.6% in FY22 receded to 1.3% levels by Q2FY25 end. Stage 2 + 3 assets declined from 8.75% in FY22 to 2.2% in Q2FY25 period. Over these years, it has improvised on under-writing processes, cleaned-up the book, added better rated customers – resulting in GNPL coming down to 1.3% by Q2FY25 as compared to peak of 3.6% seen in FY22. Additionally, reported PCR has improved from 31% in FY22 to 40.9% reported in Q2FY25 period. Going forward, outlook on the asset quality is stable – GNPL is likely to be 1.2% / 1% in FY25e/FY26e period. Also, we estimate avg. credit cost of 20 bps/30 bps in FY25e/FY26e period vs. 85 bps/32bps seen in FY23/FY24 period.

Outlook on the asset quality is stable



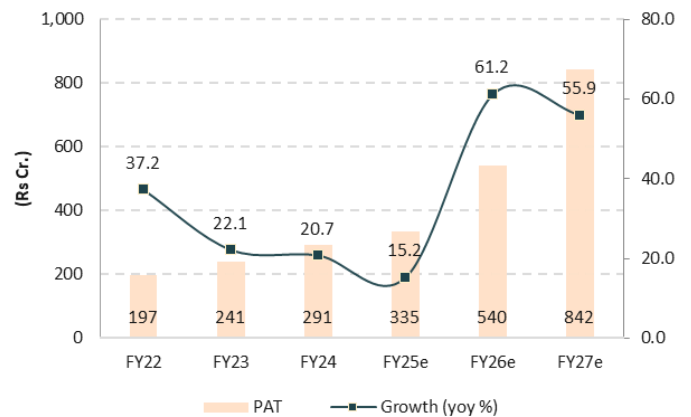
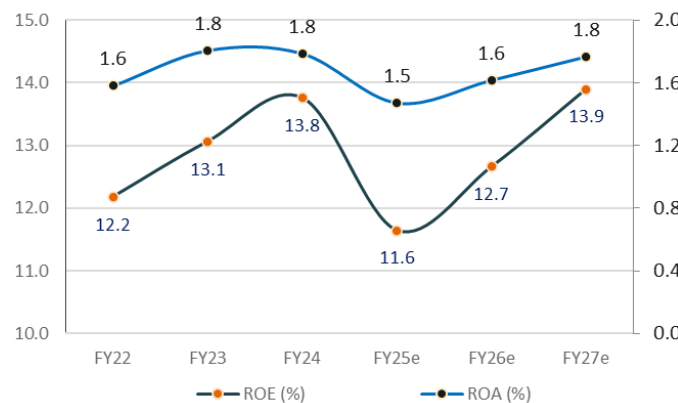
Source: Company, D&B Research

We expect profits to grow at strong pace of 43% CAGR over FY24-27e period

Strong asset growth is likely to compensate for slight moderation in the margins - we expect NII to grow by 37.6% CAGR during FY24-27e period. Also, operating leverage benefits will also kick in - opex/AUM is likely to come down from peak of 2.4% in FY24 to ~1.8% levels by FY27e period. In nutshell, we expect ROA to improve from 1.5% in FY25e to 1.8% by FY27e. PAT is estimated to grow at 43% CAGR over from INR 291 cr in FY24 to INR 742 cr in FY27e largely led by strong AUM growth.

HFC has received INR 900 cr of capital infusion from the parent AB Capital in 9MFY25 for growth and to maintain sufficient capital buffers (total CAR 17.3%, Tier I capital is at 15.1% as on Q2FY25). In order to maintain debt/equity levels of 7x, we have baked in further capital infusion of INR 1000 cr in FY26e and INR 1200 cr in FY27e period.

ROA will see slight moderation from 1.8% in FY24 to 1.6% in FY25e/FY26e period PAT to grow at 37% CAGR over FY24-27e period ...



Source: Company, D&B Research

Operating leverage benefits to drive ROA from 1.5% in FY25e to 1.8% by FY27e

ROA Tree (%)	FY23	FY24	FY25e	FY26e	FY27e
Interest income	10.2	10.6	10.1	9.8	9.6
Interest expense	5.6	6.2	6.3	6.0	5.8
NII	4.6	4.3	3.8	3.8	3.9
Non-interest income	0.6	1.0	1.0	0.9	0.9
Total Income	5.2	5.3	4.8	4.7	4.7
Operating expenses	2.1	2.7	2.7	2.3	2.1
PPOP	3.1	2.6	2.1	2.4	2.6
Provisions	0.8	0.3	0.2	0.3	0.3
PBT	2.3	2.3	1.9	2.1	2.3
Tax	0.5	0.5	0.4	0.5	0.5
PAT	1.8	1.8	1.5	1.6	1.8

Source: Company, D&B Research

Aditya Birla Housing Finance - Financials

Profit & Loss Statement

(Rs Cr)	FY23	FY24	FY25e	FY26e	FY27e
Interest income	1,364	1,718	2,293	3,275	4,581
Interest expense	748	1,014	1,429	2,009	2,748
NII	616	704	864	1,266	1,833
Non-interest income	79	165	217	301	406
Total Income	695	869	1,081	1,566	2,239
Operating expenses	278	443	604	770	1,011
PPOP	417	427	478	796	1,228
Provisions	108	50	44	96	138
PBT	309	377	434	699	1,090
Tax	68	86	99	159	249
PAT	241	291	335	540	842
growth (%)	22.1	20.7	15.2	61.2	55.9
Other Comprehensive Income	5	0	0	0	0
Total Comprehensive Income	246	291	335	540	842
growth (%)	22.1	18.1	15.2	61.2	55.9

Balance Sheet

(Rs.Cr)	FY23	FY24	FY25e	FY26e	FY27e
Share capital	501	501	580	655	722
Reserves & surplus	1,467	1,759	2,915	4,380	6,354
Net worth	1,968	2,260	3,495	5,035	7,076
Borrowings	11,937	15,947	23,192	34,210	47,810
Other Financial Liabilities	149	226	317	412	535
Non-financial liabilities	18	29	40	56	78
Total liabilities	14,072	18,461	27,044	39,713	55,500
Cash	205	280	390	554	906
Investments	125	266	399	518	674
Loans	13,557	17,678	25,976	38,316	53,547
Fixed assets	72	88	104	120	133
Other assets	113	150	175	205	240
Total assets	14,072	18,461	27,044	39,713	55,500

Source: Company, D&B Research

Ratios	FY23	FY24	FY25e	FY26e	FY27e
Growth (%)					
NII	25	14	23	46	45
PPOP	20	2	12	67	54
PAT	22	18	15	61	56
Advances	14	30	47	48	40
AUM	15.0	33.4	46.9	47.5	39.8
Spread (%)	FY23	FY24	FY25e	FY26e	FY27e
Advances yields (%)	10.7	10.9	10.4	10.1	9.9
Investment yields (%)	1.7	4.3	4.0	3.8	3.7
Interest earnings yields (%)	10.4	10.7	10.2	9.9	9.7
Cost of funds (%)	6.6	7.3	7.3	7.0	6.7
Margins (%)	4.7	4.4	3.8	3.8	3.9
Asset quality (%)	FY23	FY24	FY25e	FY26e	FY27e
Gross NPAs (Rs)	446	325	319	384	494
Net NPAs (Rs)	298	216	205	236	291
<i>Gross NPAs (%)</i>	<i>3.3</i>	<i>1.8</i>	<i>1.2</i>	<i>1.0</i>	<i>0.9</i>
Net NPAs (%)	2.2	1.2	0.8	0.6	0.5
PCR (%)	33	34	36	39	41
Credit Cost (%)	0.85	0.32	0.20	0.30	0.30
Return ratios (%)	FY23	FY24	FY25e	FY26e	FY27e
RoE	13.1	13.8	11.6	12.7	13.9
RoA	1.8	1.8	1.5	1.6	1.8
Per share (Rs)	FY23	FY24	FY25e	FY26e	FY27e
FV	10	10	10	10	10
No. of shares	50.1	50.1	58.0	65.5	72.2
EPS	4.8	5.8	5.8	8.2	11.7
BV	39	45	60	77	98
ABV	33	41	57	73	94
Other Ratios	FY23	FY24	FY25e	FY26e	FY27e
C/I Ratio	40.0	50.9	55.8	49.2	45.2
C/I ratio (incl. other income)	40.0	50.9	55.8	49.2	45.2
Opex / AUM (%)	2.0	2.4	2.2	1.9	1.8
ROA Tree (%)	FY23	FY24	FY25e	FY26e	FY27e
Interest income	10.2	10.6	10.1	9.8	9.6
Interest expense	5.6	6.2	6.3	6.0	5.8
NII	4.6	4.3	3.8	3.8	3.9
Non-interest income	0.6	1.0	1.0	0.9	0.9
Total Income	5.2	5.3	4.8	4.7	4.7
Operating expenses	2.1	2.7	2.7	2.3	2.1
PPOP	3.1	2.6	2.1	2.4	2.6
Provisions	0.8	0.3	0.2	0.3	0.3
PBT	2.3	2.3	1.9	2.1	2.3
Tax	0.5	0.5	0.4	0.5	0.5
PAT	1.8	1.8	1.5	1.6	1.8

Source: Company, D&B Research

Aditya Birla Sun Life Asset Management Company (ABSL AMC)

About the company – Listed associate company of Aditya Birla Capital (wherein promoters AB Capital owns 45% share & Sun Life India AMC Investments holds 30.2% stake in the company), ABSL AMC has total AUM of INR 4 trillion as on Q2FY25. Share of equity AUMs is 45%, debt 35% and liquid 15.5% and balance share is of alternates 4.3%. Headed by CEO A Balasubramanian and CIO Mr.Harish Krishnan & Mr.Mahesh Patil. Below are other key highlights of the company

- Over the 1.5 years, the company has made significant strides in its recovery and growth in its AUM trajectory – QAAUM has seen strong growth of 21% yoy / 24% yoy in FY24 / Q2FY25 vs. underperformance of -7% yoy growth seen in FY23.
- For Q2FY25, QAAUM showed strong growth of 24% yoy & 8.9% qoq to touch INR 4 trillion. The appointment of Mr. Harish Krishnan as Co-CIO has led to a revitalized investment strategy, including the formation of a research team and a renewed focus on mid-small cap stocks. Additionally, the company is expanding its distribution channels both geographically and digitally.
- Approximately 60-65% of its schemes rank in the top two quartiles in Q2FY25, 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.
- We are quite positive on the future profit growth trajectory of the company – we estimate consol PAT to grow by 17% CAGR during FY24-26e period from INR 780 in FY24 to INR 922 cr / INR 1077 cr in FY25e / FY26e period & ROE of ~27% for the same period.

ABSL AUM is likely to witness healthy growth

- Over the last 1.5 years, the company has made significant strides in its recovery and growth in its AUM trajectory – QAAUM has seen strong growth of 21% yoy / 24% yoy in FY24 / Q2FY25 vs. underperformance of -7% yoy growth seen in FY23. This outperformance was largely led by equity AUM – 31% yoy / 38.7% yoy in FY24 / Q2FY25 period vs. -4.3% yoy growth seen in FY23 period.
- We expect AUMs of the company to grow at 16% CAGR over FY24-26e period to reach size of INR 4.6 trillion in FY26e from current FY24 base of INR 3.45 trillion largely led by MTM gains on the equity AUMs, stronger growth on the alternates AUMs and to some extent led by new fund flows.
- We expect equity AUM to grow at ~17% CAGR over FY24-26e period vs. negative growth of 4.3% in FY23 and 31.3% growth seen in FY24. It is likely to do new fund offerings in next 2 quarters which include funds like Diversified Equity Fund and Index Thematic Fund. Currently, it has launched NFO of Aditya Birla Sun Life Conglomerate Fund which will invest in the top-notch groups/ companies of India including Tata Group, Reliance Industries, Adani Enterprises, and the Birla Group (The NFO opened on **December 5, 2024**, and will close on **December 19, 2024**).
- 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. We estimated debt AUM to grow by 15% CAGR vs. -14.1%/18.9% growth rates seen in FY23 / FY24
- Additionally, alternates AUM of the company to double in next 2 years time to touch INR 29016 cr by FY26e end vs. INR 14100 cr in FY24 (43.4% CAGR returns for the period FY24-26e) led by new fund flows in this space.
- Within this, equity AUM will continue to occupy dominant share of 45% (vs. 40.5%/44% in FY23/FY24) and debt 37-38% share similar to last years. While alternates AUM share will increase from 4.1% in FY24 to 6.3% in FY26e as its AUM will double in next 2 years time
- We estimate overall revenues to grow by 18.9% during FY24-26 period from INR 1353 cr to touch INR 1915 cr in FY26e largely led by stable retention yields and healthy AUM growth across equity, debt & alternates.

Quarterly AAUM mix of ABSL AMC – We expect total AUM to grow at 15.4% CAGR over FY24-26e period

(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 %)					
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
Total	9.4	-6.9	20.8	15.8	15.1
Share (yoy %)					
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

Source: Company, D&B Research

Retention yields are likely to remain at the current levels of 43-44 bps going ahead well ...

Retention yields (%)	FY22	FY23	FY24	FY25	FY26
Mutual Fund - Equity	0.70	0.68	0.68	0.68	0.67
Mutual Fund - Debt	0.33	0.27	0.26	0.26	0.26
Mutual Fund - Liquid	0.15	0.12	0.13	0.13	0.13
Alternates	0.43	0.44	0.57	0.56	0.56
Total Retention yields (incl. alternates)	0.44	0.41	0.43	0.44	0.44
Total Retention yields (excl. alternates)	0.41	0.38	0.39	0.41	0.41

Source: Company, D&B Research

Growth in SIP flows which was stagnated at single digit 2 years back is reverting to industry avg. growth of 45%+

(Rs.cr)	Jun'22	Sep'22	Dec'22	Mar'23	Jun'23	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24
Industry SIP Flows	12,300	13,000	13,600	14,300	14,700	16,000	17,600	19,300	21,300	24,510
<i>Growth (yoy %)</i>	<i>46.4</i>	<i>25.0</i>	<i>20.4</i>	<i>16.3</i>	<i>19.5</i>	<i>23.1</i>	<i>29.4</i>	<i>35.0</i>	<i>44.9</i>	<i>53.2</i>
ABSL AMC - SIP Flows	898	931	942	1003	987	968	1005	1252	1367	1425
<i>Growth (yoy %)</i>	<i>-</i>	<i>-</i>	<i>5.6</i>	<i>12.1</i>	<i>9.9</i>	<i>4.0</i>	<i>6.7</i>	<i>24.8</i>	<i>38.5</i>	<i>47.2</i>
Market Share of ABSL AMC in Industry SIP Flows	7.3	7.2	6.9	7.0	6.7	6.1	5.7	6.5	6.4	5.8

Source: Company, D&B Research

Recent fund launches to augment overall AUM growth

Aditya Birla Sun Life Mutual Fund has recently launched several new funds – all these new fund launches will augment the overall AUM growth going forward. Below is the list of the recently concluded fund launches & are in future pipeline

- **Aditya Birla Sun Life Quant Fund** (open-ended equity fund following a quant-based investment theme successfully closed its NFO in June 2024, which garnered INR 2,400 crore, the largest in its category)
- **Aditya Birla Sun Life Nifty India Defence Index Fund** (NFO offering exposure to defence sector, garnered INR 3.3 bn)
- Currently, it has launched NFO of Aditya Birla Sun Life Conglomerate Fund which will invest in the top-notch groups/ companies of India including Tata Group, Reliance Industries, Adani Enterprises, and the Birla Group (The NFO opened on **December 5, 2024**, and will close on **December 19, 2024**).
- 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).

Alternates AUM to double in next 2 years time

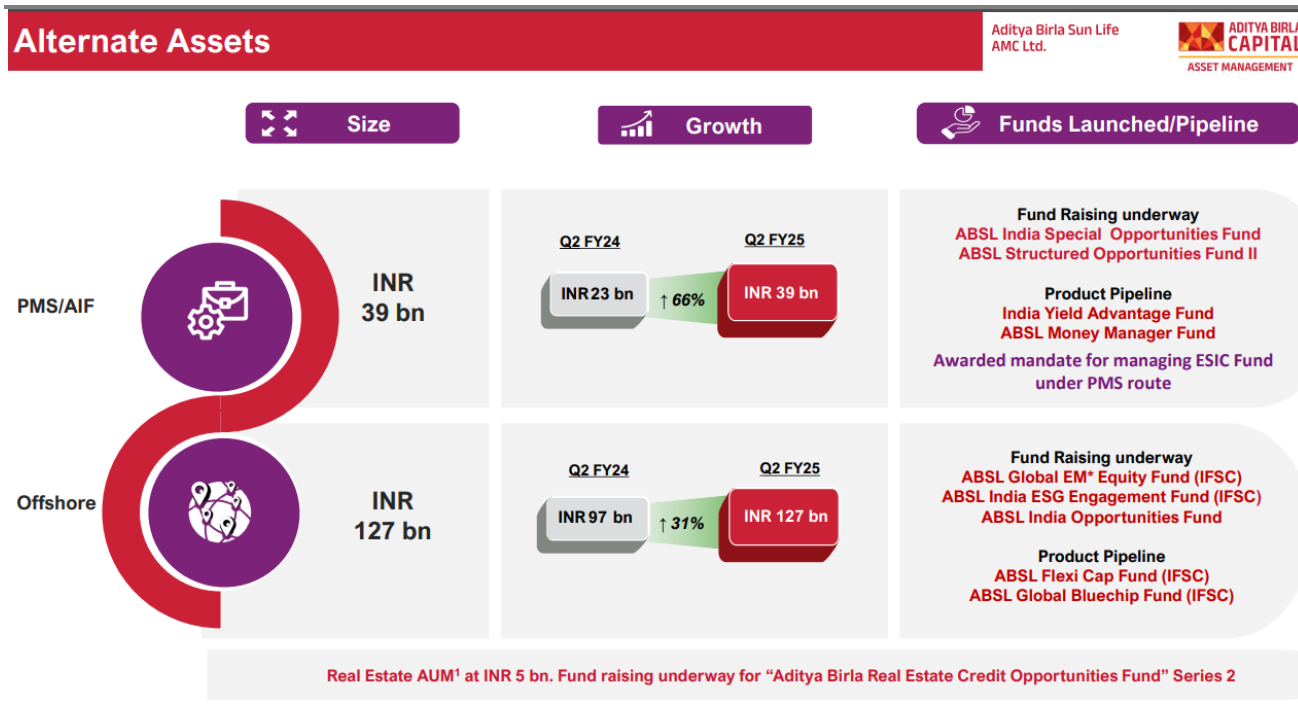
The company is planning to build sizeable scale in the alternates space which is expected to double in next 2 years time. Strategy in this segment is not have to have much product over-lap, target portfolio beta of <1.

Current alternates AUM stands at INR 151 bn (Q1FY25) which includes offshore AUM INR 112 bn (74.2% share), PMS /AIF INR AUM 34 bn (22.5% share) and real estate AUM INR 5 bn (3.3% share). Management expects alternates AUM to double in next 2 years time and at the same time. 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).

In the last 10 years, AIF industry has grown at stupendous space – reaching a mammoth size of INR 11.34 trillion i.e. growing at CAGR of 54% during FY17-24 period (commitment raised). Within this, CAT I funds have 6.8% share, CAT II 80.4% share and CAT III funds 12.8% share. While funds raised AIF AUM stood at INR 4.5 trillion (growing at 40.9% CAGR during FY17-24 period).

As per our estimate, total AIF of ABSL AMC to touch INR 29016 cr by FY26e end vs. INR 14100 cr in FY24 (43.4% CAGR returns for the period FY24-26e).

Alternates AUM details



Source: Company

Total AIF industry from the nascent size of INR 0.3 trillion in FY16 has touched INR 11.3 trillion in FY24 (CAGR growth of 52.5% in the last 8 years time)

Commitments Raised

(Rs.cr)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	CAGR FY17-24
CAT 1	10,568	20,601	28,036	33,534	38,745	44,560	53,374	58,929	76,865	28.1%
CAT 2	24,061	51,734	105,799	205,360	282,013	356,627	519,189	693,945	912,903	57.5%
CAT 3	4,249	11,968	31,261	43,255	49,230	50,030	68,796	80,900	145,132	55.5%
Total	38,878	84,303	165,095	282,148	369,988	451,216	641,359	833,774	1,134,900	52.5%
Growth (yoy %)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	
CAT 1		94.9	36.1	19.6	15.5	15.0	19.8	10.4	30.4	
CAT 2		115.0	104.5	94.1	37.3	26.5	45.6	33.7	31.6	
CAT 3		181.7	161.2	38.4	13.8	1.6	37.5	17.6	79.4	
Total		116.8	95.8	70.9	31.1	22.0	42.1	30.0	36.1	
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	
CAT 1	27.2	24.4	17.0	11.9	10.5	9.9	8.3	7.1	6.8	
CAT 2	61.9	61.4	64.1	72.8	76.2	79.0	81.0	83.2	80.4	
CAT 3	10.9	14.2	18.9	15.3	13.3	11.1	10.7	9.7	12.8	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Source: SEBI

Building Core Team

Over the past year, ABSL AMC has made significant senior-level hires to enhance its core team. Key appointments include:

- **Mr. Harish Krishnan** as Co-CIO & Head Equity, who joined in September 2023. Prior to this, he was associated with Kotak Mutual Fund for more than 10 years as Senior Fund Manager - Equity. He has also worked at Kotak Mahindra (UK) Limited where he managed offshore funds based out of Singapore and Dubai.
- **Ms. Kamyani Nagar** as Head of Retail Sales.
- **Mr. Amit Kansal** focusing on Alternate Assets Fixed Income.
- **Mr. Deepak Yadav** as Head of Passive Business.

Additionally, the company is strengthening its research team, which is vital for asset management, by hiring senior fund managers for the small and mid-cap sectors and adding bespoke analysts for on-ground research. These strategic moves aim to address existing gaps and align the company with its peers to achieve top-quartile fund performance.

Changes in Investment Strategy under New CIO

Since the appointment of Mr. Harish Krishnan as the new Co-Chief Investment Officer (CIO) in September 2023, the company has made significant changes to its investment strategy which includes –

- Focus on Scalable, Sustainable, and High-Growth Businesses
- The fund house is now focusing on investing in businesses that are -
 - Scalable and sustainable
 - Growing faster than the industry average
 - Generating strong returns on equity (ROE)
 - Producing good cash flows
 - Led by capable management teams
- Bolder and Bigger Bets

The fund house aims to make higher conviction bets in two ways

1. Building a core portfolio of stocks that have the potential to double in value over the next 3-6 years from a medium-term perspective
2. Applying a counter-cyclical strategy to selectively add stocks to the portfolio

Increased Focus on Small and Mid-Cap Stocks

- The fund house is incrementally building exposure to small and mid-cap companies, which have seen significant market rallies in recent times. The goal is to have a larger share of the top 75 companies in India.

Optimizing Analyst Coverage

- The fund house aims to optimize its stock coverage, with each analyst covering no more than 30 stocks, down from the current level of 50+. The total coverage list currently stands at 510 stocks

Also, it has currently having 510 stocks in its coverage list – wherein target per analyst should be to cover stocks not more than 30 which is currently at 50+. Also, it plans to increase the weightage of top 75 stocks which currently top 75 which currently occupy 80% of the AUMs.

Rising reach - The company is planning to add 30+ branches in FY25 while nearly 50+ digital partners were added in FY24.

Particulars	FY22	FY23	FY24	Q2FY25
Locations	280	290	290	300+
Banks	110	80	80	90+
Emerging Market Locations	90	85	85	95+
National Distributors	240	270	305	340+
MFDs	72000	72000	81000	86000+
Digital Patners	80	75	125	130+

Source: Company, D&B Research

Peer comparison of AMC companies

Industry QAAUM						
(INR Cr)	Q2FY24	Q1FY25	Q2FY25	yoy (%)	qoq (%)	% Share
Mutual Fund - Equity	2,380,000	3,280,000	3,780,000	58.8	15.2	57.1
Mutual Fund - Debt	1,030,000	1,070,000	1,150,000	11.7	7.5	17.4
Mutual Fund - Liquid	580,000	590,000	620,000	6.9	5.1	9.4
Others incl ETFs & alternates,	710,000	960,000	1,070,000	50.7	11.5	16.2
Total QAAUM	4,700,000	5,900,000	6,620,000	40.9	12.2	100.0
HDFC AMC						
(INR Cr)	Q2FY24	Q1FY25	Q2FY25	yoy (%)	qoq (%)	% Share
Mutual Fund - Equity	286,100	407,200	467,600	63.4	14.8	61.6
Mutual Fund - Debt	136,900	147,200	154,900	13.1	5.2	20.4
Mutual Fund - Liquid	68,600	71,500	75,400	9.9	5.5	9.9
Others incl ETFs & alternates,	33,100	45,700	60,900	84.0	33.3	8.0
Total QAAUM	524,700	671,600	758,800	44.6	13.0	100.0
UTI AMC						
(INR Cr)	Q2FY24	Q1FY25	Q2FY25	yoy (%)	qoq (%)	% Share
Mutual Fund - Equity	78,291	88,606	98,638	26.0	11.3	28.8
Mutual Fund - Debt	49,919	57,121	61,715	23.6	8.0	18.0
Others incl ETFs & alternates,	138,602	164,971	182,196	31.5	10.4	53.2
-Index & ETFs	98,421	127,227	145,135	47.5	14.1	42.4
-Cash & Arbitrage	40,181	37,744	37,061	-7.8	-1.8	10.8
Total QAAUM	266,812	310,698	342,549	28.4	10.3	100.0
Nippon AMC						
(INR Cr)	Q2FY24	Q1FY25	Q2FY25	yoy (%)	qoq (%)	% Share
Mutual Fund - Equity	164,081	240,932	280,641	71.0	16.5	51.1
Mutual Fund - Debt	67,315	72,086	77,986	15.9	8.2	14.2
Mutual Fund - Liquid	38,566	41,123	42,288	9.7	2.8	7.7
Others incl ETFs & alternates,	80,638	129,658	148,284	83.9	14.4	27.0
Total QAAUM	350,600	483,800	549,200	56.6	13.5	100.0
Aditya Birla Sun Life AMC						
(INR Cr)	Q2FY24	Q1FY25	Q2FY25	yoy (%)	qoq (%)	% Share
Mutual Fund - Equity	130,200	162,100	180,600	38.7	11.4	45.1
Mutual Fund - Debt	124,400	135,800	140,600	13.0	3.5	35.1
Mutual Fund - Liquid	56,300	54,600	62,100	10.3	13.7	15.5
Others incl ETFs & alternates,	12,003	15,100	17,100	42.5	13.2	4.3
Total QAAUM	322,903	367,600	400,400	24.0	8.9	100.0

Source: Company, D&B Research

Market Share gains / loss of players across equity, debt & liquid funds

Market Share - Total QAAUM (%)	Q2FY24	Q1FY25	Q2FY25
HDFC AMC	11.2	11.4	11.5
UTI AMC	5.7	5.3	5.2
Nippon AMC	7.5	8.2	8.3
Aditya Birla Sun Life AMC	6.9	6.2	6.0

Market Share - Equity (%)	Q2FY24	Q1FY25	Q2FY25
HDFC AMC	12.0	12.4	12.4
UTI AMC	3.3	2.7	2.6
Nippon AMC	6.9	7.3	7.4
Aditya Birla Sun Life AMC	5.5	4.9	4.8

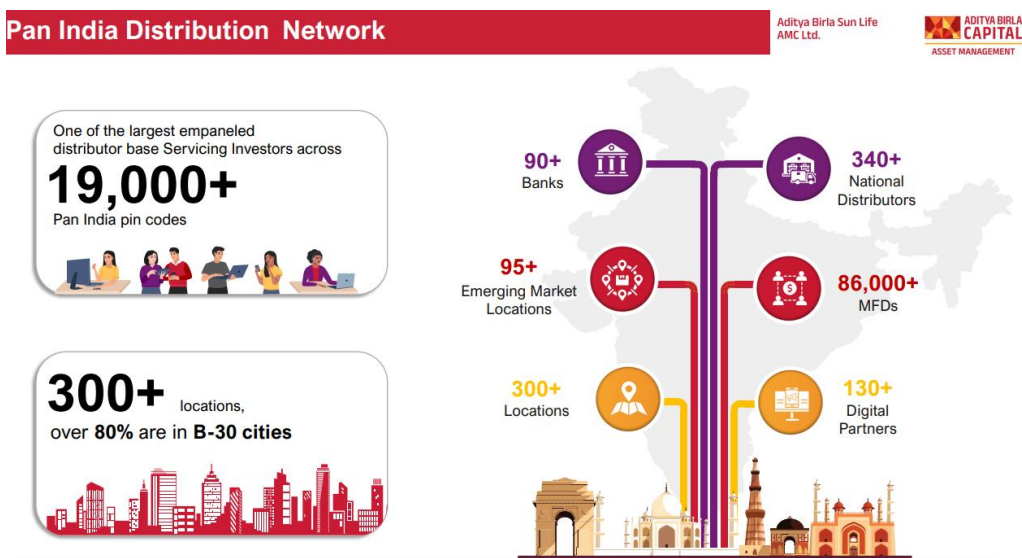
Market Share - Debt (%)	Q2FY24	Q1FY25	Q2FY25
HDFC AMC	13.3	13.8	13.5
Nippon AMC	6.5	6.7	6.8
Aditya Birla Sun Life AMC	12.1	12.7	12.2

Market Share - Liquid (%)	Q2FY24	Q1FY25	Q2FY25
HDFC AMC	11.8	12.1	12.2
UTI AMC			
Nippon AMC	6.6	7.0	6.8
Aditya Birla Sun Life AMC	9.7	9.3	10.0

Market Share - Others (%)	Q2FY24	Q1FY25	Q2FY25
HDFC AMC	4.7	4.8	5.7
UTI AMC	19.5	17.2	17.0
Nippon AMC	11.4	13.5	13.9
Aditya Birla Sun Life AMC	1.7	1.6	1.6

Source: Company, D&B Research

Distribution network of Aditya Birla Sun Life AMC



Financials - Aditya Birla Sun Life AMC

Profit & Loss Statement

(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

Source: Company, D&B Research

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)	11.5	10.3	13.5	16.0	18.7
P/E	35.6	40.2	30.7	26.0	22.3
P/BV	10.9	9.5	7.6	6.6	5.8
Dividend Yield (%)	1.4	1.2	1.6	1.9	2.2
(Rs.cr)	FY22	FY23	FY24	FY25e	FY26e
Quarterly AAUM mix					
Mutual Fund - Equity	1,21,000	1,15,800	1,52,000	1,79,360	2,08,058
Mutual Fund - Debt	1,27,200	1,09,300	1,30,000	1,49,500	1,71,925
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 AUM	3,07,400	2,86,200	3,45,800	4,00,434	4,60,706
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
Total AUM		-6.9	20.8	15.8	15.1
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: Company, D&B Research

Aditya Birla Sun Life Insurance (ABSLI)

- Historically, total gross premiums have grown by healthy pace of 20.9% CAGR during FY21-24 from size of INR 9775 cr in FY21 to INR 17260 cr in FY24. For the same period, individual first year premiums grew by 19.5% CAGR (20.5% share), group premiums grew at higher pace of 22.3% CAGR (26.4% share) and lastly renewal premiums growth at 20.7% CAGR (53.1% share).
- While for H1FY25, growth rates have improved quite strongly with individual, group and renewal premiums growing at 33% / 45% / 27% yoy respectively. Total AUM of the company now stands at 95553 cr (24% yoy) for H1FY25. Resultant, ABSLI market share among private players has seen improvement to 4.4% in H1FY25 vs. 4.1% in H1FY24 in individual first year premiums. Also, group new business premiums market share increased to 9.8% in H1FY25 vs. 6.9% for the same period last year.
- Over the years, share of non-par high margin products share has increased; share of traditional plans constitute major share of 73%/61% in FY24/Q2FY25 vs. 57% seen in FY19. While share of ULIPs stood at 24%/36% in FY24/Q2FY25 vs. 24% in FY19.
- There is **visible improvement in persistency ratio across cohorts** over the longer time-frame which is reflective of enhanced customer retention resulting in higher value of new business business (VNB) margins. 13th / 25th / 37th / 61th persistency ratio has improved to 88% / 75% / 68% / 67% in H1FY25 vs. 82% / 72% / 59% / 51% seen in FY19.
- **Sizeable increase in the distribution reach over the last 2 years** - Banca partners have improved from 8 in FY23 to 11 by Q2FY25 resulting in increasing reach & distribution to bank branches of 26300 (vs. 15500 earlier) covered across cities 4700 (vs. 3500 earlier). New banca partners include Bank of Maharashtra, IDFC First Bank and Axis Bank. ABSLI own branch count has also grown from 340 in FY23 to 380 by Q2FY25.
- **Leveraging technology to boost business** - It has effectively harnessed digital channels throughout the customer journey, resulting in significant business momentum, exemplified by the fact that 100% of new business is processed digitally and 94% of customer interactions are self-serviced. Also, it is leveraging AB Group network to cross-sell via analytics.
- Going forward, management aims to grow first year premiums at 20% CAGR over the next 3 years time and endeavour to keep VNB margin at 17-18% levels. In nutshell, embedded value (assesses the value of insurance company's future profits) rose sharply by 28% / 21% in FY24 / H1FY25 to INR 11539 cr / INR 12368 cr. Overall, we are quite positive about this business segment - we expect embedded value to grow by 16-18% levels in FY25e/FY26e each year.

Aditya Birla Health Insurance (ABHI)

- ABHI is one of the fastest standalone health insurance company with the market share of 11.9% with total gross written premiums of INR 3701 cr (FY24). It is driven by its 'Health First' business model, backed by a strong brand and differentiated product offerings is well placed to capitalise on the growth opportunity in the health insurance space. ABCL, MMI Strategic Investments and Abu Dhabi Investment Authority hold 45.89%, 44.08% and 10.01% stake in ABHI, respectively.
- Total gross written premiums (GWP) have grown at strong pace of 43.5% CAGR during FY20-24 period from INR 872 cr in FY20 to reaching a size of INR 3701 cr by FY24 (H1FY25 period witnessed growth of 39% yoy to INR 2171 cr). Within this, group GWP has grown at faster pace of 64.6% CAGR vs. retail GWP growth of 32.2% CAGR for the same period. Resulting, group health premiums share has improved from 27.8% in FY20 to 48% in FY24 while retail health insurance premiums declining from 72.2% to 52% for the same period.
- Over the last 2 years, there is sizeable increase in the distribution network & reach – ABHI branch network / agents / bank partners / sales force increased from 200 / 85000 / 17 / 4000 in FY23 to 225 / 128000 / 19 / 6000 by Q2FY25 period spreading across 5000 cities and 11000 network hospitals.
- **It has omnichannel distribution strategy**, allowing customers to interact seamlessly across various platforms, including digital channels and physical branches. The launch of the ABCD platform has been pivotal for customer acquisition, with around **2.5 million customers** onboarded since its inception. This platform offers a comprehensive suite of financial products and services, catering to diverse customer needs.
- **However, given its combined ratio >100%; this segment is currently loss-making. Combined ratio over the last 2-4 years has come down from 127% in FY22 to 110% in FY24 (113% in H1FY25) resulting in loss at PBT level of INR 182 cr / 115 cr in FY24 / H1FY25 period respectively.**

Other Subsidiaries

ADITYA BIRLA MONEY LIMITED (STOCKS & SECURITIES)

Aditya Birla Money Limited (ABML) is a one-stop shop for customers for their entire investment and trading needs. ABML offer a full range of services relating to investment in stocks, mutual funds, IPOs, SGBs, PMS, among others and trading in equity, commodity and currency derivatives. It has active customer base of 1 lac, revenue of INR 394 cr & PBT of 69 cr for FY24 period.

ADITYA BIRLA ARC

Aditya Birla Asset Reconstruction Company (ABARC) has AUM of ~INR 1725 cr which has been actively acquiring distressed assets from banks & financial institutions with a strategic approach aimed at restructuring these assets to enhance recovery rates. The AUM largely consists of the debt of KSK Mahanadi. This debt was acquired in partnership with Varde Partners from multiple banks. Revenues is growing leaps & bounds in this segment – the same grew by 98% yoy / 3.4x in FY24 / Q2FY25 and PBT by 102% / 4.2x for the same period.

Valuations

Under the strong leadership of CEO Ms. Vishakha Mulye, Aditya Birla Capital has transformed into a financial powerhouse by leveraging technology platforms to drive significant business growth across its various verticals. Supported by strong parentage, it enjoys excellent access to capital, a critical advantage for lending businesses. The NBFC boasts a rare AAA rating (which very few NBFC enjoy), enabling it to build higher-rated assets without comprising on margins and return ratios. With robust asset quality and a clear path for strong growth across verticals, AB Capital presents a compelling long-term investment opportunity.

AB Capital merger with its wholly owned subsidiary AB Finance, (likely to get completed by Mar'25) will remove the holdco discount given to latter which contributes nearly 53% to the SOTP of AB Capital. We expect strong asset growth in lending businesses – NBFC AUM to grow at 23% CAGR for FY24-27e period and HFC's AUM by 46% CAGR for the same period. AMC businesses has turned around with strong growth in equity AUMs, revival in SIP AUMs, improvement in fund performance.

We initiate a coverage on AB Capital with target price of INR 278 per share with BUY rating giving us upside of 41% from current levels. (i.e. valuing NBFC at INR 146, HFC INR 28, AMC at INR 40, life insurance at INR 48 per share after holdco discount of 15% (we haven't assigned any holdco discount to NBFC subsidiary as it is likely to get merged with parent).

SOTP of AB Capital

Subsidiaries Details	Holding (%)	Valuation Methodology	Holdco Discount	Enterprise Value	Value Per	Value Per share	Contribution to TP (%)
					Share of AB Capital	post holdco discount	
Aditya Birla Finance (NBFC)	100%	1.8x FY26 ABV		38005	146	146	53
Aditya Birla Housing Finance (HFC)	100%	1.8x FY26e ABV	15%	8,638	33	28	10
Aditya Birla Sun Life AMC	45%	25x FY26 P/E	15%	26,919	47	40	14
Aditya Birla Sun Life Insurance	51%	1.8x FY26e P/EV	15%	28,920	57	48	17
Aditya Birla Money	74%	At CMP	15%	1,286	4	3	1
ARC	100%		15%	3,884	15	13	5
Target Price						278	
CMP						197	
Upside						41.1	

Source: Company, D&B Research

Peer comparison

Company	CMP	Mkt Cap	Revenue (INR cr)			EPS (RS)			ABV		
			FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e
Aditya Birla Finance			7061	8857	11141	40	50	65	233	272	318
Bajaj Finance	7175	444000	45051	56176	69334	271	344	428	1495	1792	2170
L&T Finance	147	36568	10069	12157	14674	11	14	17	103	114	128
Chola Investment & Finance Co. (standalone)	1307	110000	13248	16669	20344	52	67	83	276	342	425
M&M Finance (standalone)	275	33946	8362	10347	11984	18	23	27	159	175	195
Shriram Finance (parent)	3163	118908	23755	27840	32532	233	272	318	1468	1689	1949
IIFL Finance	436	18503	6516	7492	9108	30	45	57	305	345	393
AB Housing Finance			897	1260	1729	6	9	12	54	62	74
LIC Housing Finance (standalone)	624	34343	8517	9291	10000	93	97	104	652	737	825
PNB Housing Finance (consol)	934	24272	3192	3866	4787	72	83	101	644	730	822
Can Fin Homes	803	10697	1463	1736	2087	65	77	94	374	441	519
Home First	1045	9393	735	944	1220	44	55	71	270	323	389
Aditya Birla Sun Life AMC	832	24001	1648	1914	2220	32	37	44	126	145	167
HDFC AMC(consol)	4539	96957	3496	4130	4708	113	133	151	364	399	439
Nippon AMC(consol)	773	48952	2422	2813	3236	21	24	28	66	70	73
UTI AMC (consol)	1361	17351	1761	1897	2137	69	71	71	387	419	456

Company	CMP	P/E			P/ABV			ROE (%)			ROA (%)		
		FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e
Aditya Birla Finance								17.0	18.4	20.3	2.2	2.2	2.3
Bajaj Finance	7175	26.5	20.9	16.8	4.8	4.0	3.3	19.6	20.7	21.7	4.2	4.2	4.5
L&T Finance	147	13.2	10.6	8.5	1.4	1.3	1.1	11.4	12.8	14.1	2.5	2.6	2.8
Chola Investment & Finance Co. (standalone)	1307	25.4	19.5	15.8	4.7	3.8	3.1	19.9	20.8	20.9	2.4	2.5	2.5
M&M Finance (standalone)	275	15.0	11.8	10.3	1.7	1.6	1.4	12.1	14.0	14.7	1.8	2.0	2.1
Shriram Finance (parent)	3163	13.6	11.6	10.0	2.2	1.9	1.6	16.5	16.9	17.1	3.3	3.3	3.4
IIFL Finance	436	14.7	9.7	7.6	1.4	1.3	1.1	10.5	15.5	16.3	2.2	3.0	3.3
AB Housing Finance								12.3	13.8	17.1	1.6	1.6	1.6
LIC Housing Finance (standalone)	624	6.7	6.4	6.0	1.0	0.8	0.8	15.2	13.9	13.5	1.7	1.6	1.6
PNB Housing Finance (consol)	934	13.0	11.2	9.3	1.4	1.3	1.1	11.7	12.2	13.0	2.4	2.4	2.4
Can Fin Homes	803	12.3	10.4	8.6	2.1	1.8	1.5	18.2	18.2	18.5	2.2	2.2	2.3
Home First	1045	23.8	18.9	14.8	3.9	3.2	2.7	16.8	17.8	18.9	3.7	3.8	3.8
Aditya Birla Sun Life AMC	832	26.0	22.3	19.0	6.6	5.8	5.0	27.1	27.6	28.1	24.5	24.9	25.2
HDFC AMC(consol)	4539	40.3	34.2	30.0	12.5	11.4	10.3	32.6	35.2	36.7	30.7	33.2	34.1
Nippon AMC(consol)	773	36.6	31.7	27.6	11.6	11.0	10.6	33.7	37.5	39.6	28.5	31.3	34.1
UTI AMC (consol)	1361	19.8	19.2	19.1	3.5	3.2	3.0	17.7	17.0	17.1	15.8	14.5	15.5

Source: Bloomberg, D&B Research

Key Risks

- Slowdown in the economy
- Deteriorating asset quality scenario at macro level
- Continuous weakness in the stock market which might impact MF flows

About The Company

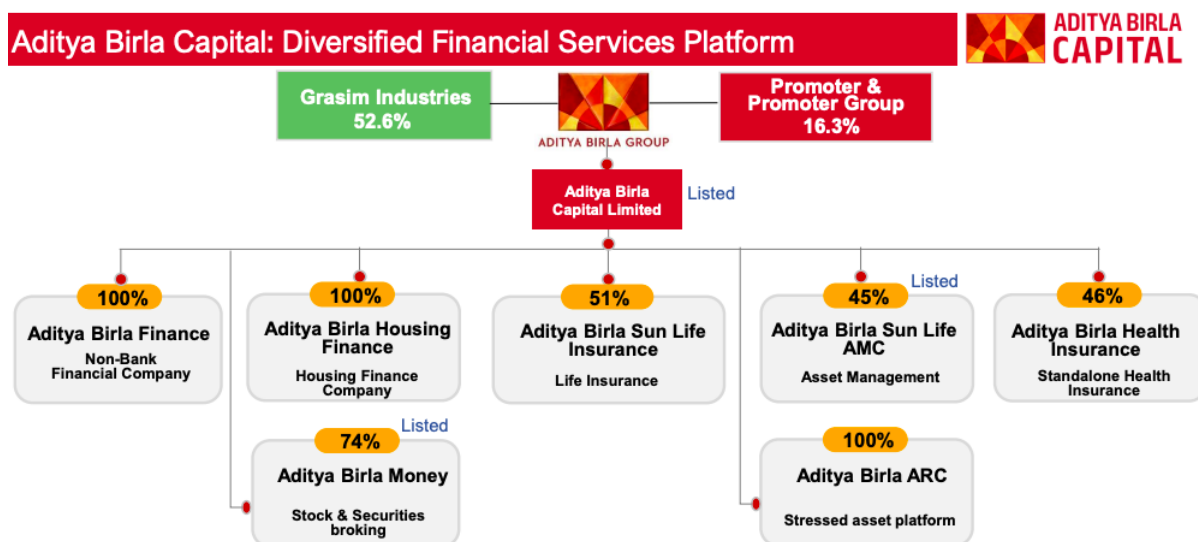
Aditya Birla Capital is a full-stack financial services company under the Aditya Birla Group (\$65 billion conglomerate spanning industries from cement to clothing). The company began its operations in 2009 as a non-deposit taking NBFC (Non-Banking Financial Company) and was originally housed under Aditya Birla Nuvo, which at the time served as the holding company for multiple Aditya Birla Group entities, including Idea Cellular Ltd; the group's telecom division.

In 2016, the Aditya Birla Group underwent a major corporate restructuring. This involved merging Aditya Birla Nuvo with Grasim Industries, the flagship company of the group and the holding entity for Ultratech Cement Ltd. The primary goals of the restructuring were to consolidate the holdings of all group companies under a single entity.

As part of the scheme, Aditya Birla Nuvo was merged into Grasim Industries, with shareholders of Aditya Birla Nuvo receiving 3 shares of Grasim Industries for every 10 shares held in Aditya Birla Nuvo. Additionally, the restructuring included the demerger of the financial services vertical into a separate listed entity. Following the merger, shareholders of Grasim Industries received 7 shares of Aditya Birla Capital for every 5 shares held in Grasim Industries, while Grasim Industries retained a majority stake in the newly listed financial services company.

Aditya Birla Capital currently operates under a holding company structure, with its subsidiaries and joint ventures managing a diverse range of financial services products. These subsidiaries and joint ventures operate independently, each with its own management team, while benefiting from synergies provided by their shared parent company. Below is the operating structure of Aditya Birla Capital

Corporate Structure



Above is not intended to show the complete organizational structure and entities therein. It is intended to describe the key businesses of Aditya Birla Capital.

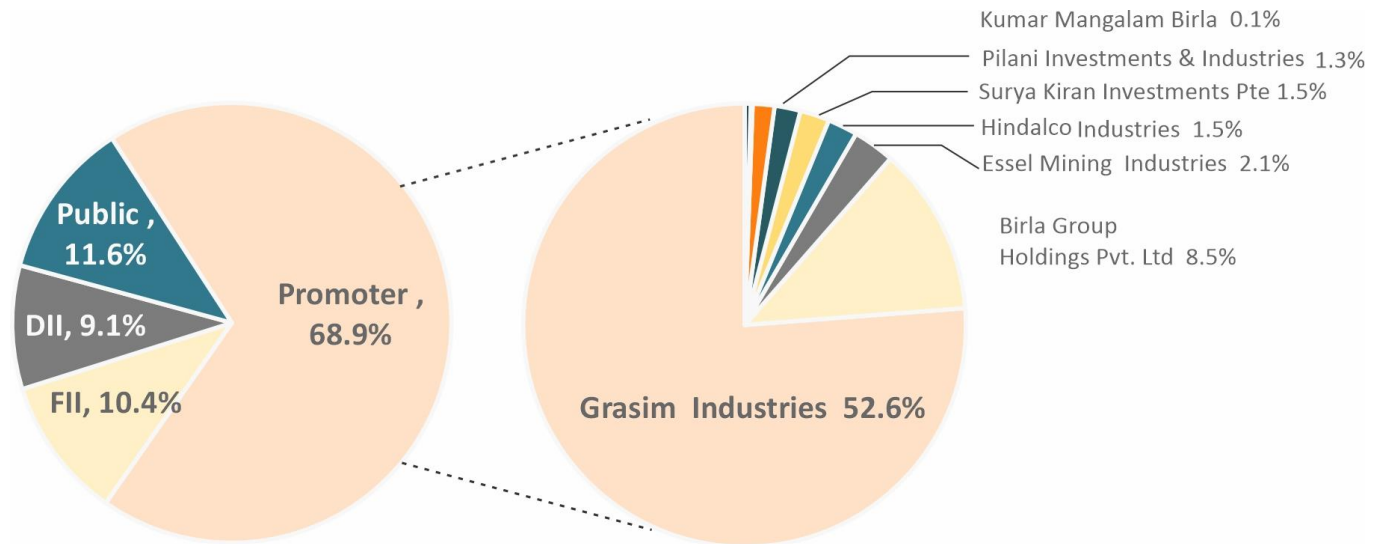
05 Shareholding at Sep 13, 2024

Aditya Birla Capital Ltd.

Shareholding Pattern

(%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Promoter	71.0	69.1	69.0	69.0	69.0	69.0	68.9
FII	7.3	10.5	10.5	9.8	10.9	10.1	10.4
DII	8.7	8.6	9.1	9.2	8.4	9.0	9.1
Public	12.9	11.8	11.5	12.0	11.7	11.9	11.6

Shareholding pattern – AB Capital (Q2FY25)



Details of key management personnel of AB Capital

Designation	Name
Chairman and Non-Executive Director	Mr. Kumar Mangalam Birla
Non-Executive Director	Mr. Sushil Agarwal
Independent Director	Arun Adhikari
Independent Director	P. H. Ravikumar
Independent Director	VijayLakshmi Iyer
Independent Director	S. C. Bhargava
Non-Executive Director	Mr. Romesh Sobti

Source: D&B Research

Management details of CEOs of AB Capital & its subsidiaries

<p>Vishakha Mulye (CEO – Aditya Birla Capital)</p>	<p>A qualified CA with >30 years of work experience joined Aditya Birla Capital (ABCL) in Jun'2022. Her leadership led to the development of key platforms such as the D2C app 'ABCD' and 'Udyog Plus,' designed specifically for Micro, Small, and Medium Enterprises (MSMEs). Prior to joining ABCL, Vishakha served as an Executive Director at ICICI Bank, where she managed wholesale banking operations and played a crucial role in major strategic initiatives, including mergers and capital raising efforts.</p>
<p>Kamlesh Rao (MD & CEO – Aditya Birla Sun Life Insurance)</p>	<p>25 years of work experience joined Aditya Birla Sun Life Insurance in Aug 2019 as MD. He is currently focusing on scaling the digital business, enhancing customer lifetime value, and positioning the company as a leader in the private life insurance space. He has a strong track record of entering new markets and turning businesses around. Prior to ABSLI, he held leadership roles at Kotak Securities and Kotak Mahindra Bank, where he led initiatives across retail lending, SME lending, and investment products and also served on several advisory committees for NSE & BSE</p>
<p>Rakesh Singh (MD & CEO – Aditya Birla Finance)</p>	<p>Holds a post-graduate degree in International Relations, having attended advanced management programs at Harvard and IIM Kolkata. With over 27 years of experience in financial service industry and joined Aditya Birla Finance in 2011. His responsibilities encompass overseeing a wide range of financial products and services, including retail loans, corporate financing, and structured finance solutions.</p> <p>Previously, he spent 16 years at Standard Chartered Bank in leadership roles focusing on retail banking and wealth management</p>
<p>Pankaj Gadgil (MD & CEO of Aditya Birla Housing Finance & Head of Digital Platforms and Payments Strategy – Aditya Birla Capital)</p>	<p>MBA by profession with 25 years of vast experience, joined as MD&CEO of Aditya Birla Housing Finance in Jun 2022. He has played a pivotal role in building group's digital payment solutions, including the omnichannel D2C platform & ABCD platform. Before joining ABHFL, Pankaj spent 19 years at ICICI Bank, where he played a key role in various areas including retail assets, business banking, and payment solutions. Additionally, he has also served on the boards of several organizations, including the National Payments Corporation of India (NPCI),</p>
<p>A. Balasubramanian (MD & CEO – Aditya Birla Sun Life AMC)</p>	<p>>30 years of experience, joined ABSL AMC in 1994. He holds a BSc in Mathematics, an MBA, and has completed the Advanced Management Programme at Harvard and IIM Bangalore. A. Balasubramanian has been associated with the Aditya Birla AMC since 1994. With over 26 years of experience in the mutual fund industry, he became CEO in 2009 after serving as Chief Investment Officer. Under his leadership, the company manages nearly US\$ 36 billion in AUM and oversees global mandates through subsidiaries in Singapore and Dubai.</p>
<p>Mayank Bathwal (CEO – Aditya Birla Health Insurance Company)</p>	<p>With 24 years of experience and joined the company in Aug 2015 as CEO. He is a Fellow member of the ICAI, ICWA, and ICSI, and actively participates in several industry committees. He has been instrumental in establishing and expanding ABHICL's presence in the Indian health insurance market. He has implemented a differentiated business model and a multi-channel distribution system.</p>

Q2FY25 Concall Highlights

Growth and Profitability

- Consolidated profit after tax (excluding one-off items) increased by 18% year-on-year and 12% sequentially to INR 834 cr in Q2 FY25.
- Consolidated revenue rose by 34% year-on-year, reaching INR 11,804 cr
- The company's strategic focus on return on capital led to portfolio adjustments, including tightening underwriting norms in specific segments like small-ticket unsecured personal and consumer loans.

NBFC Performance

- The NBFC portfolio expanded by 23% yoy and 7% yoy reaching size of INR 1.15 trillion.
- Business loans (including both secured & unsecured, share of 55%) to SME/MSME witnessed a substantial increase of 39% yoy and 9% qoq to reach INR 63228 cr. The corporate and mid-market portfolio grew by 25% yoy and 8% qoq to INR 35690 cr (31% share).
- While personal loans declined by 18% yoy/2% qoq to INR 15793 cr (14% share). The company anticipates normalization of personal loan growth in the upcoming quarters as they prioritize sourcing from direct channels like branches and their newly launched ABCD app.
- Gross Stage 2 and 3 loans in the NBFC sector decreased by 100 bps yoy and 21 bps qoq, settling at 4.2% as on Q2.
- PAT of this segment is at INR 629 cr, registering growth of 15% on yoy basis
- Return on Assets (RoA) stood at 2.34%, and Return on Equity (RoE) reached 15.6%.

HFC Performance

- Significant investments in digital properties, technology, personnel, and distribution have led to a monthly disbursement run rate of around INR 1,400 cr.
- Consequently, the HFC portfolio exhibited a remarkable 51% yoy growth, reaching INR 23,236 cr as on Q2FY25 end.
- The HFC portfolio maintains robust credit quality, with gross Stage 2 and 3 loans decreasing by 218 bps yoy and 42 bps qoq to 2.22% as on Q2

Asset Management Business

- Mutual fund average Assets Under Management (AUM) surged by 24% yoy and 9% qoq, amounting to roughly INR 4.0 trillion in Q2 FY25. While equity AUM recorded strong growth of 38.7% yoy/11.4% qoq to INR 1.8 trillion (45% share). Debt too is witnessing reviving growth trends – 13% yoy/3.5% qoq growth to touch INR 1.4 trillion AUM (35% share). While liquid AUM grew by 10.3% yoy/13.7% qoq to INR 62100 cr (15.5% share)
- Strategic initiatives to bolster investments, retail sales teams, and investment processes yielded positive results, leading to an uptick in equity fund performance across various categories.
- Monthly Systematic Investment Plan (SIP) flows experienced a notable 47% yoy growth, reaching approximately INR 1,425 crore in this Q2.
- PAT in the asset management business grew by 36.8% yoy /3.3% qoq reaching INR 241 cr

Insurance Businesses

- The life insurance business experienced a strong revival in growth
- Individual first-year premium grew by 33% yoy in H1FY25, surpassing private industry growth
- New surrender guidelines implemented from October 1 are expected to impact the net Value of New Business (VNB) margin. The company has taken steps to mitigate this impact, including realigning the commission structure and introducing changes in product construct and mix.
- ABCL aims to achieve a 20% CAGR in individual first-year premium over the next two to three years while maintaining a VNB margin of around 17%-18%.
- The health insurance business continued its impressive growth, with gross written premium increasing by 39% yoy in H1FY25
- This growth is attributed to ABCL's "Health First" model and data-driven approach to customer acquisition.

Omnichannel Distribution Architecture

- ABCL's omnichannel architecture allows customers to seamlessly interact through various channels, including digital platforms, branches, and Virtual Relationship Managers (VRMs), enhancing customer engagement and loyalty

ABCD Platform

- Launched in April 2024, the D2C platform ABCD offers over 20 products and services
- The platform has garnered significant traction, with ~2.5 million customer acquisitions over the last 6 months time.
- ABCD facilitates customer acquisition and streamlines the customer journey.

Udyog Plus Platform

- Udyog Plus, the comprehensive B2B platform for the MSME ecosystem, demonstrates significant growth with over 1.6 million registrations over the last 1.5 years
- The platform has reached an AUM of INR 2,900 cr
- Integration with the Aditya Birla Group (ABG) ecosystem has enabled Udyog Plus to offer credit and supply chain financing solutions.

Branch Network Expansion

- ABCL has 1,470 branches across all businesses as of Q2FY25 end.
- The company focuses on expanding into tier 3 and 4 towns, capturing white spaces, and targeting new customer segments

Amalgamation of Aditya Birla Finance with Aditya Birla Capital

- In Mar'24, the board approved amalgamation of ABCL holding company with its wholly-owned subsidiary Aditya Birla Finance (ABFL) which is expected to get completed by Mar'25. The proposed amalgamation will result in scale based regulations of RBI which requires mandatory listing of ABFL by Sep 30, 2025.
- **Received approval from RBI, stock exchanges & NCLT** - So far, it has received no objection from RBI, stock exchanges & NCLT as well. NCLT has given dispensation to company to keep creditors meeting. **And ABCL has convened the shareholders meeting as well on 7 Jan, 2025.**

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