

Current Price*	Rs. 204.0
Target Price	Rs. 280.0
Upside	37%

CMP is based on live price as of 31st Oct 2024.

STOCK DATA

Industry Segment	NBFC
BSE Code	540691
NSE Code	ABCAPITAL
Bloomberg Code	ABCAP IN
52 Week High / Low (Rs.)	247.0/155.0
Face Value (Rs.)	10
Diluted Number of Shares (mn.)	260
Market Cap. (Rs mn.)	56,085.0
Avg. Yearly NSE Volume	7,00,677.0

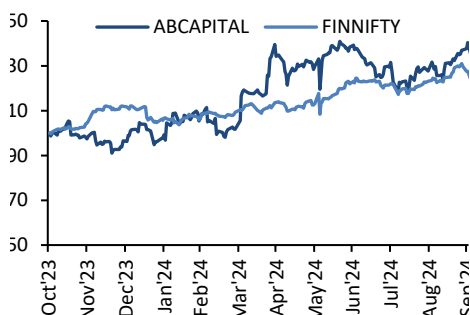
SHAREHOLDING PATTERN (%)

Particulars	Dec-23	Mar-24	Jun-23	Sep-24
Promoters	68.9	68.9	68.9	68.9
FII	9.7	10.9	10.1	10.4
Other Institution	8.4	7.6	8.1	8.5
Public & Others	13.0	12.6	12.9	12.2
Total	100.0	100.0	100.0	100.0

RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
ABCAP	-11.1	1.7	-5.2	26.6
FINNIFTY	-6.7	2.9	10.8	29.5

Stock Performance (1-year)



Key Highlights of the 2QFY25 Result

2QFY25 Result Highlights

Revenue/PAT stood at Rs 12,007 cr/ Rs 1,001 cr growing at 36%/43% on a YoY basis. Lending AUM stood at Rs 1.3 tn with a growth of 27% YoY. Total AUM stood at Rs 5 tn growing at 24% YoY. NBFC/Housing/AMC AUM stood at Rs 1.1 tn/Rs 23,236 cr/Rs 3.8 tn growing at 23%/51%/23% YoY. GS3 of NBFC/Housing stood at 2.50%/1.30% v/s 2.54%/1.60% on a QoQ basis. Life Insurance: Insurance premium stood at Rs 1,578 cr and grew 33% YoY. VNB's margin stood at 7.4%. Embedded value stood at Rs 12,368 cr growing at 21% YoY. Health insurance Gross premiums grew by 39% YoY. The combined ratio stood at 113% while the market share stood at 11.9% up 123 bps YoY

Aditya Birla Finance:

- The company continues emphasizing growth in the SME sector, focusing on secured loans.
- Underwriting standards have been tightened, especially for smaller-ticket personal loans.
- The NBFC business is projected to grow at a CAGR of 25% over the next 2-3 years.
- While margins have been affected by a larger share of secured loans, management expects growth in business loans through the Udyog Plus platform will offset the margin compression going ahead.
- The credit cost in the NBFC segment is forecasted to stay below 1.5%, in line with guidance.

Aditya Birla Housing Finance:

- The company achieved its highest-ever disbursements over the past five quarters.
- The housing finance book is projected to double over the next 18-24 months, signalling robust loan book growth.
- Credit cost is expected to stabilize around the current level (24 bps).

Aditya Birla Sun Life AMC:

- Product pipeline for PMS/AIF: ABSL India Special Opportunities Fund, ABSL Structured Opportunities Fund II, India Yield Advantage Fund ABSL Money Manager Fund, and Awarded mandate for managing ESIC Fund under PMS route.
- Product pipeline for offshore: ABSL Global EM Equity Fund (IFSC), ABSL India ESG Engagement Fund (IFSC), ABSL India Opportunities Fund, ABSL Flexi Cap Fund (IFSC), ABSL Global Bluechip Fund (IFSC)

Aditya Birla Sun Life Insurance:

- The life insurance segment shows a strong recovery, targeting a premium CAGR of 20% over the next 2-3 years and a VNB margin of 17-18%.
- The focus is shifting toward non-ULIP products, aimed at sustainable growth and improved margins.

Reiterate BUY with Price Target Rs 280/-

The company has demonstrated solid performance, achieving strong growth in the loan book while maintaining asset quality. Management has reiterated its guidance on both growth and credit cost fronts. We expect the lending businesses both Aditya Birla Finance Ltd. & Aditya Birla Housing Finance Ltd. to grow at 30% in FY25E & FY26E, for Aditya Birla Sun Life AMC Ltd., we expect 12-15% growth in AUM in FY25E & FY26E and for Life insurance business, we expect top-line growth at 20%+ CAGR over the next 2 years and steady VNB margin at 18%-20% range for the next 2 years. We maintain a buy rating on the company, We value the stock at Rs 280 on a SOTP basis. We have valued the NBFC at 2.0x of its FY26E BV, HFC at 1.8x of its FY26E BV, AMC business at 20x FY26E EPS, ABSLIC at 1.8x of FY24 EV, health insurance is valued based on recent deal value and other companies at 1x current Market cap.

2QFY25 Result**Aditya Birla Finance***Figures in Rs. cr.*

Quarter Ended	2QFY25	1QFY25	Q-O-Q		Y-o-Y		Comments
			% Change	2QFY24	% Change		
Net Interest Income	1711	1709	0.1	1520	12.6		
Operating Expense	531	508	4.5	437	21.5		
PPOP	1180	1201	-1.7	1083	9.0		
Provisioning	336	368	-8.7	347	-3.2		
PBT	844	833	1.3	736	14.7		
Tax	216	212	1.9	188	14.9		
PAT	628	621	1.1	548	14.6		In line with our estimates
AUM	114710	107306	6.9	93522	22.7		
Disbursement	19322	13443	43.7	16477	17.3		
RoA	2.34	2.41		2.51			
RoE	15.56	16.13		18.01			
GS3	2.5	2.5		2.6			
PCR	46.0	49.5		48.3			

Aditya Birla Housing*Figures in Rs. cr.*

Quarter Ended	2QFY25	1QFY25	Q-O-Q		Y-o-Y		Comments
			% Change	2QFY24	% Change		
Net Interest Income	273	227	20.3	205	33.2		
Operating Expense	157	136	15.4	107	46.7		
PPOP	116	91	27.5	98	18.4		
Provisioning	12	6	100.0	1	1,100.0		
PBT	104	85	22.4	97	7.2		
Tax	24	19	26.3	22	9.1		
PAT	80	66	21.2	75	6.7		In line with our estimates
AUM	23236	20399	13.9	15439	50.5		
RoA	1.53	1.44		2.03			
RoE	11.54	11.08		14.5			
GS3	1.3	1.6		2.6			
PCR	40.9	34.6		33.9			

Aditya Birla AMC*Figures in Rs. cr.*

Quarter Ended	2QFY25	1QFY25	Q-O-Q		Y-o-Y		Comments
			% Change	2QFY24	% Change		
Revenue	424	387	9.6	335	26.6		
Costs	185	177	4.5	154	20.1		
Operating Profit	239	210	13.8	181	32.0		
Other Income	96	95	1.1	56	71.4		
PBT	335	305	9.8	237	41.4		
Tax	93	69	34.8	59	57.6		
PAT	242	236	2.5	178	36.0		In line with our estimates
AUM	383309	352542	8.7	310899	23.3		
Equity AUM	180658	162129	11.4	130209	38.7		

Financial Statements

Key Financial Metrics- Aditya Birla Finance Ltd.

P&L (in Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
NII	2,822.2	3,948.9	5,576.3	7,392.9	9,748.8
Growth YoY (%)	24.3	39.9	41.2	32.6	31.9
Other Income	265.6	461.4	719.9	989.5	1,385.3
Total Income	3,087.8	4,410.3	6,296.0	8,382.5	11,134.1
OPEX	947.2	1,417.0	1,956.7	2,556.6	3,362.5
PPOP	2,140.6	2,993.3	4,339.3	5,825.8	7,771.6
Growth YoY (%)	25.0	39.8	45.0	34.3	33.4
Provision	653.5	903.0	1,352.0	1,822.3	2,369.0
PBT	1,487.1	2,090.3	2,987.3	4,003.5	5,402.6
Tax	378.8	536.0	766.0	1,040.9	1,404.7
PAT	1,108.3	1,553.7	2,220.8	2,962.6	3,998.0
Growth YoY (%)	44.2	40.2	42.9	33.4	34.9

Balance Sheet (in Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Liability					
Equity	662.1	662.1	689.4	689.4	689.4
Reserve	9,198.3	10,764.1	14,554.1	17,517.2	21,515.2
Networth	9,860.4	11,426.2	15,244.0	18,206.6	22,204.6
Growth YoY (%)	11.6	15.9	33.4	19.4	22.0
Debt Securities	15,781.3	23,534.9	30,527.1	39,685.2	51,590.8
Borrowings	27,717.2	44,786.0	58,893.0	76,560.9	99,529.2
Growth YoY (%)	23.4	61.6	31.5	30.0	30.0
Sub Liabilities	2,487.3	2,449.9	2,872.0	3,733.6	4,853.7
Other Liabilities	1,123.1	1,925.9	3,675.8	7,057.5	10,638.8
Total Liabilities	56,969.2	84,122.8	1,11,211.8	1,45,243.9	1,88,817.1
Assets			-	-	-
Cash & Bank Balances	692.5	387.6	190.3	209.3	230.3
Loans	53,607.5	78,849.5	1,03,905.3	1,35,076.8	1,75,599.9
Growth YoY (%)	12.6	47.1	31.8	30.0	30.0
Investments	1,694.0	3,702.7	5,862.4	6,078.5	7,902.0
Fixed assets	18.8	51.3	90.8	99.9	109.9
Other Assets	956.4	1,131.7	1,163.0	2,701.5	3,512.0
Total Assets	56,969.2	84,122.8	1,11,211.8	1,45,243.9	1,88,817.1

Ratios	FY22A	FY23A	FY24A	FY25E	FY26E
NIM (%)	5.5	5.8	6.0	6.1	6.2
Credit Cost (%)	1.3	1.3	1.5	1.5	1.5
RoA (%)	2.1	2.2	2.3	2.3	2.4
Leverage (x)	5.8	6.6	7.4	7.7	8.3
RoE (%)	11.9	14.6	16.7	17.7	19.8
GNPA (%)	3.6	3.1	2.5	2.4	2.3
NNPA (%)	2.2	1.7	1.3	1.2	1.2

Key Financial Metrics- Aditya Birla Housing Finance Ltd.

P&L (in Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
NII	490.8	615.6	704.2	930.7	1,209.9
Growth YoY (%)	27.4	25.4	14.4	32.2	30.0
Other Income	30.6	43.5	117.7	149.6	194.5
Total Income	521.4	659.1	821.9	1,080.3	1,404.4
OPEX	193.4	278.2	442.7	540.2	674.1
PPOP	328.0	380.9	379.2	540.2	730.3
Growth YoY (%)	24.3	16.1	-0.5	42.5	35.2
Provision	74.7	72.4	2.8	42.4	68.8
PBT	253.3	308.5	376.4	497.8	661.5
Tax	56.0	67.6	86.0	114.5	152.1
PAT	197.3	240.9	290.4	383.3	509.3
Growth YoY (%)	43.7	22.1	20.5	32.0	32.9

Balance Sheet (in Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Liabilities					
Equity	501.2	501.2	501.2	501.2	501.2
Reserve	1,219.8	1,466.8	1,758.6	2,142.1	2,651.4
Networth	1,721.0	1,968.0	2,260.0	2,643.3	3,152.6
Growth YoY (%)	13.3	14.4	14.8	17.0	19.3
Debt Securities	2,191.1	2,693.6	5,372.0	6,983.6	9,078.6
Borrowings	8,182.2	8,901.6	10,232.2	13,301.9	17,292.4
Growth YoY (%)	-23.4	8.8	14.9	30.0	30.0
Sub Liabilities	341.9	342.1	342.4	445.1	578.7
Other Liabilities	154.5	166.9	254.7	565.0	1,018.2
Total Liabilities	12,590.7	14,072.1	18,461.3	23,938.9	31,120.5
Assets					
Cash & Bank Balances	557.0	204.7	279.8	307.8	338.6
Loans	11,895.5	13,557.0	17,677.9	22,981.3	29,875.7
Growth YoY (%)	0.8	14.0	30.4	30.0	30.0
Investments	-	125.3	265.7	229.8	298.8
Fixed assets	33.7	71.9	88.0	105.6	126.7
Other Assets	104.5	113.2	149.8	183.9	239.0
Total Assets	12,590.7	14,072.1	18,461.3	23,938.9	31,120.5

Ratios	FY22A	FY23A	FY24A	FY25E	FY26E
NIM (%)	4.1	4.7	4.4	4.4	4.4
Credit Cost (%)	0.6	0.6	0.0	0.2	0.3
RoA (%)	1.6	1.8	1.8	1.8	1.9
Leverage (x)	7.7	7.2	7.7	8.6	9.5
RoE (%)	12.2	13.1	13.7	15.6	17.6
GNPA (%)	3.5	3.2	1.8	1.6	1.5
NNPA (%)	2.4	2.2	1.2	1.1	1.0

Source: Company, SSL Research

Key Financial Metrics- Aditya Birla Sun Life AMC Ltd.

P&L (in Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Total Income	921.7	825.5	1,040.9	1,166.7	1,360.0
Growth YoY (%)	26.7	-10.4	26.1	12.1	16.6
Depreciation	34.5	33.2	33.6	17.9	22.4
Finance Cost	4.8	3.9	5.6	5.6	5.6
PBT	882.4	788.4	1,001.8	1,143.2	1,332.0
Tax	221.9	197.5	227.8	285.8	333.0
PAT	660.5	591.0	774.0	857.4	999.0
Growth YoY (%)	28.0	-10.5	31.0	10.8	16.5

Balance Sheet (in Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Liabilities					
Equity	144.0	144.0	144.0	144.0	144.0
Reserve	2,056.6	2,365.0	3,010.5	3,867.8	4,866.8
Net worth	2,200.6	2,509.0	3,154.5	4,011.8	5,010.8
Growth YoY (%)	27.7	14.0	25.7	27.2	24.9
Financial Liabilities	146.7	144.0	199.4	278.4	278.4
Other Liabilities	87.0	123.6	129.0	159.1	159.1
Total Liabilities	2,434.3	2,776.6	3,482.8	4,449.2	5,448.2
Assets					
Investments	2,190.0	2,428.2	3,191.2	3,989.0	4,986.3
Growth YoY (%)	22.0	10.9	31.4	25.0	25.0
Financial Assets	76.9	134.6	57.4	71.8	89.7
Other Assets	167.4	213.8	234.2	388.4	372.2
Total Assets	2,434.3	2,776.6	3,482.8	4,449.2	5,448.2

Ratios	FY22A	FY23A	FY24A	FY25E	FY26E
AAUM (Rs cr)	3,07,400.0	2,86,200.0	3,45,800.0	3,97,670.0	4,45,390.4
Growth YoY (%)	14.1	-6.9	20.8	15.0	12.0
Portfolio mix (%)					
Equity (%)	41.0	39.9	44.0	46.0	48.0
Debt (%)	41.3	38.9	38.0	38.0	38.0
Funds (%)	2.3	3.8	4.0	4.0	4.0
Liquid (%)	15.4	17.4	14.0	12.0	10.0
Revenue Yield (%)	0.4	0.4	0.4	0.4	0.4
C/I ratio (%)	36.2	42.0	43.8	43.0	43.0
PAT Yield (%)	0.2	0.2	0.2	0.2	0.2
RoA (%)	29.8	22.7	24.9	21.6	20.2
RoE (%)	33.7	25.1	27.6	23.9	22.1
EPS (Rs)	22.9	20.5	27.1	29.8	34.7
BVPS (Rs)	76.4	87.1	109.5	139.3	174.0

Source: Company, SSL Research

Valuation on SOTP basis

Company	Particulars (Rs Cr)	Valuation basis	Multiple	Valuation (Rs cr)	Ownership	EV (Rs cr)	Per/Share Value	Comments
ABFL	22,205	FY26 Net worth	2.0	44,187	100%	44,187	170	FY23-FY26E 30% AUM CAGR; Return ratios to improve till FY26E
ABHFL	3,153	FY26 Net worth	1.8	5,675	100%	5,675	21	FY24-FY26E 30% AUM CAGR; RoE likely to improve due to increase in leverage
ABSLAMC	999	FY26 PAT	20.0	19,980	45%	8,991	34	15% CAGR in AUM; Share of high yield Equity AUM likely to increase
Life Insurance	11,539	FY24 EV	1.8	20,193	51%	10,299	40	Share of Protection business likely to increase; VNB margins to sustain at 18-20%. Valued at 1.8x FY24 EV
Health Insurance	6,650	Deal Value	1.0	6,650	46%	3,052	12	Valued at recent Deal multiple
Others	960	Market cap	1.0	960	74%	710	3	Valued Aditya Birla Money at Current Market cap
Fair Value						72,914	280	

We value the stock at Rs 280 on a SOTP basis. We have valued the NBFC at 2.0x of its FY26E BV, HFC at 1.8x of its FY26E BV, AMC business at 20x FY26E EPS, ABSLIC at 1.8x of FY24 EV, health insurance is valued based on recent deal value and other companies at 1x current Market cap.

Our recent Rising Star recommendation and price performance

Sr.No.	Company Name	NSE Symbol	Initiated Date	Initiated Price	CMP	Return (%) since initiated date	Latest rec. Date	Latest Target
1	APL Apollo Tubes Ltd.	APLAPOLLO	25 Apr 23	1,219.0	1,542.0	26.5	20 Aug 24	1,669.0
2	Stylam Industries Ltd.	STYLAMIND	27 Apr 23	1,150.0	2,249.0	95.6	13 Feb 24	1,886.0
3	Star Cement Ltd.	STARCEMENT	05 May 23	123.2	202.0	64.0	14 Aug 24	240.0
4	JK Lakshmi Cement Ltd.	JKLAKSHMI	24 May 23	705.0	828.0	17.4	07 Aug 24	963.0
5	Dhanuka Agritech Ltd.	DHANUKA	29 May 23	711.0	1,554.0	118.6	05 Aug 24	2,223.0
6	Zen Technologies Ltd.	ZENTEC	12 Jul 23	520.0	1,840.0	253.8	30 Jul 24	2,041.0
7	SJS Enterprises Ltd.	SJS	05 Oct 23	680.0	1,232.0	81.2	09 Aug 24	1,269.0
8	KPI Green Energy Ltd.	KPIGREEN	17 Nov 23	389.3	754.0	93.7	14 Aug 24	1,246.0
9	Syrma SGS Technology Ltd.	SYRMA	06 Dec 23	590.0	510.0	-13.6	08 Aug 24	505.0
10	Senco Gold Ltd.	SENCO	11 Dec 23	721.6	1,214.0	68.2	16 Aug 24	1,099.0
11	Hi-Tech Pipes Ltd.	HITECH	31 Jul 24	149.0	180.0	20.8	31 Jul 24	190.0
12	Aditya Birla Capital Ltd.	ABCAPITAL	31 Oct 24	222.2	204.0	-8.6	31 Oct 24	280.0

*CMP is the live price on 31st Oct 2024

SBICAP Securities Limited

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Research Analyst : INH000000602 | IRDA : CA0103 | PFRDA Registration No: POP 26092018

Registered & Corporate Office: Marathon Futurex, Unit No. 1201, B-Wing, 12th Floor, N M Joshi Marg,
Mafatlal Mill Compound, Lower Parel East, Mumbai 400013

For any information contact us: (022) 6854 5555

E-mail: helpdesk@sbicapsec.com | Web: www.sbisecurities.in**DISCLOSURES & DISCLAIMERS:**

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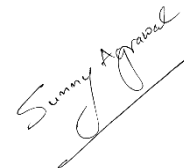
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Name	Qualification	Designation
Sudeep Shah	MMS-Finance	DVP- Technical & Derivative Research
Sunny Agrawal	B.E, MBA (Finance)	DVP - Fundamental Research
Rajesh Gupta	PGDBM (Finance), MA (Bus. Eco)	AVP - Fundamental Research
Monica Chauhan	C.A.	Research Analyst - Equity Fundamentals
Harsh Vasa	C.A.	Research Analyst - Equity Fundamentals
Sumeet Shah	B.E., CFA	Research Analyst - Equity Fundamentals
Sweta Padhi	MBA (Finance)	Research Analyst - Equity Fundamentals
Gautam Updhyaya	MBA (Finance)	Research Analyst - Equity Derivatives
Vinayak Gangule	BE (IT)	Research Analyst - Equity Technicals
Ghanshyam Gupta	MBA (Finance)	Research Analyst - Currency Derivatives
Sagar Peswani	B.Tech (ECE)	Research Associate - Equity Technicals
Uday Chandgothia	B.Tech (Mech), MBA (Finance)	Research Associate - Equity Fundamentals
Kalpesh Mangade	B.Com	MIS Analyst - Retail Research

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