

FINANCIAL MODEL

PLANT VISIT

Rising Stars

2024

IMPORT
SUBSTITUTION

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

EXPORT
OPPORTUNITY

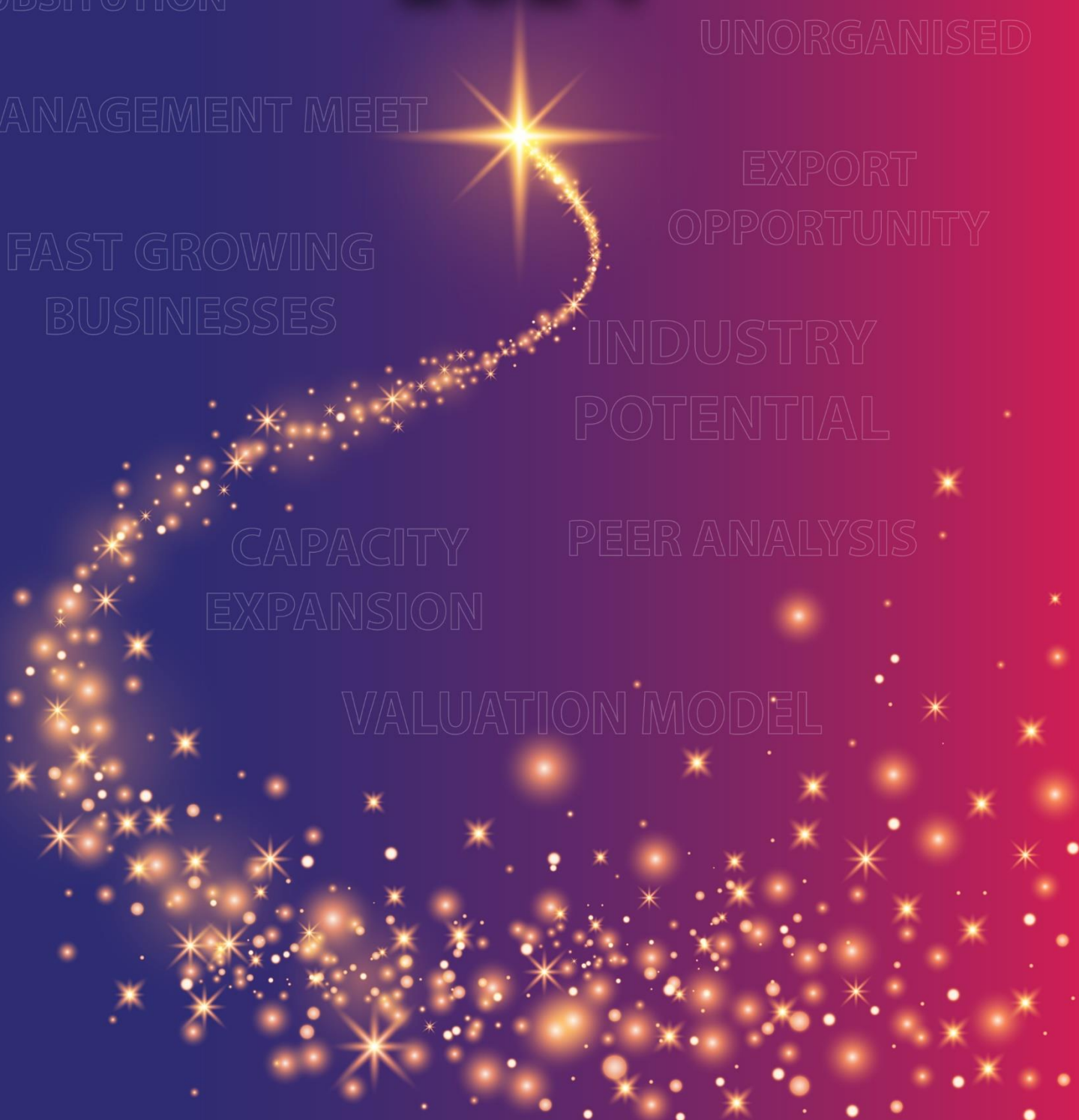
FAST GROWING
BUSINESSES

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Aditya Birla Capital Ltd.

Financial conglomerate well poised for accelerated growth!!!

Retail Research | BUY

22nd Aug 2024

*Current Price	222.2
Target Price	280.0
Upside	26.2%

* Closing price as of 21st Aug 2024

STOCK DATA

Industry Segment	NBFC
BSE Code	540691
NSE Code	ABCAPITAL
Bloomberg Code	ABCAP IN
52 Week High / Low (Rs.)	246.9/155.0
Face Value (Rs.)	10.0
Diluted Number of Shares (Crore)	260
Market Cap. (Rs Crore)	56,934.1
Avg. Yearly NSE Volume	12,52,800.0

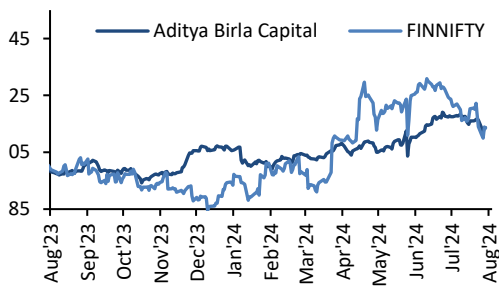
SHAREHOLDING PATTERN (%)

Particulars	Sep-23	Dec-23	Mar-24	Jun-24
Promoters	69.0	69.0	69.0	69.0
FII	10.5	9.8	10.9	10.1
Other Institution	8.2	8.4	7.6	8.1
Public & Others	12.3	12.9	12.6	12.9
Total	100.0	100.0	100.0	100.0

RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
Aditya Birla Capital	-8.7	-3.3	12.7	13.5
FINNIFTY	-2.9	9.0	13.8	14.7

Stock Performance (1-year)



Source: NSE

Aditya Birla Capital Limited (ABCL) is a diversified financial services group that operates in various businesses including non-banking finance, housing finance, life insurance, standalone health insurance, asset management, stock and securities broking, wealth services and asset reconstruction. ABCL has envisioned the 'One ABC One P&L' approach, which focuses on a business strategy that revolves around the three levers i.e **One Customer, One Experience and One Team**. ABCL has been prioritizing creating seamless, technology-driven loan processes by utilizing its group-level ecosystem.

Post management change in Jul'22 with Ms. Vishakha Mulye at the helm as MD & CEO, ABCL has reimagined its business offering and initiated a tech transformation journey to leverage its ~35 mn customer base and ~200k channel partners at the group level. For the lending business, the company has guided a roadmap for doubling FY23 AUM in Aditya Birla Finance and Aditya Birla Housing by FY26E. In FY24, Aditya Birla Finance AUM reached Rs 1,05,639 cr and Aditya Birla Housing Finance AUM is at Rs 18,420 cr. So far, in 1QFY25, Aditya Birla Finance has registered an AUM growth of 25% YoY at Rs 1,07,306 cr and Housing Finance has registered an AUM growth of 33% YoY at Rs 20,399 cr.

Distinct businesses in the Group

NBFC: Aditya Birla Finance Ltd. [ABFL] loan growth strategy focuses primarily on the MSME sector with a steadfast emphasis on secured business. The company is determined to double its FY23 AUM (Rs 80,556 cr) by FY26E while also strengthening its Return on Assets (ROA). The key strategies involve prioritizing secured loans for MSMEs, expanding branch presence, effectively leveraging digital channels for sourcing, introducing innovative new products, utilizing analytics for cross-selling and enhancing portfolio quality through analytics-driven collections.

Housing Finance: Aditya Birla Housing Finance Ltd. [ABHFL] is experiencing strong momentum in disbursements and loan book growth, leading to an increase in market share with a steady enhancement in return metrics. The focus remains unwavering on portfolio quality. ABHFL has built significant capacity over the past few quarters by making investments in digital properties, technology, people and distribution. The demand for housing continues to remain very strong in India and the recently announced measures by the government such as expansion of PMAY and investments in affordable urban housing will create ample opportunities in the housing finance sector. These investments will enable ABHFL to capture opportunities and further enhance its market share. For the Housing Finance company, the AUM is expected to grow at the rate of 30% in FY25E & FY26E.

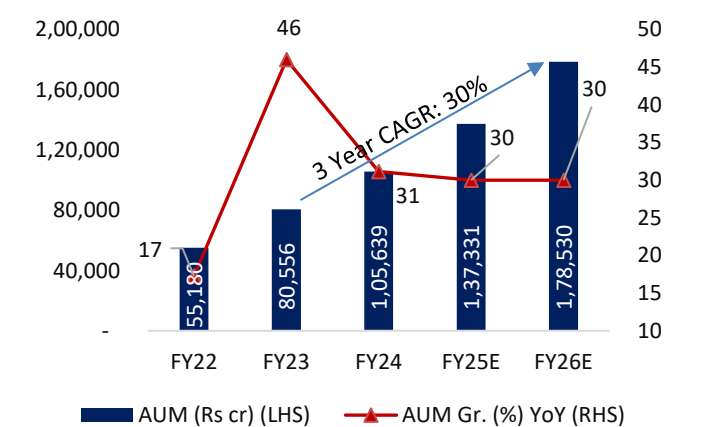
Asset Management Business: Aditya Birla Sun Life AMC Ltd. [ABSLAMC] has strengthened its sales, mutual fund and AIF investment team and has witnessed improvement in fund performance in the last few months. The company has been taking proactive initiatives to increase the traction in SIPs. The focus has been on building a larger SIP book size and ensuring customer loyalty while creating long-term value for investors. The company has registered a 19% YoY growth in the AUM reaching Rs 3,52,542 cr in 1QFY25. The share of equity in the portfolio mix stood at 44%, debt at 37%, Liquid at 15% and Alternate assets at 4%.

Life Insurance: Aditya Birla Life Insurance [ABSLI] is a 51:49 joint venture between the Aditya Birla Group and Sun Life Financial Inc., Canada. It is currently one of India’s leading private life insurance companies. ABSLI offers a range of products across the customer’s lifecycle, including children's future plans, wealth protection plans, retirement and pension solutions, health plans, traditional term plans and unit-linked insurance plans (ULIPs). For 1QFY25, Individual First Year Premium (FYP) grew by 19% YoY to Rs 644 cr. Group new business premium grew by 41% YoY to Rs 1,498 cr and Net VNB (Value of New Business) margin stood at 6.50%.

Health Insurance: Aditya Birla Health Insurance Ltd. [ABHIL] is one of the fastest-growing Standalone Health Insurance (SAHI) players in FY24. It is driven by its ‘Health First’ business model, backed by a strong brand and differentiated product offerings. It is well placed to capitalise on the growth opportunity in the health insurance space. For 1QFY25, Gross Written Premium (GWP) grew by 35% YoY to Rs 1,041 cr, with Retail premium growth at 51% YoY. Market share among standalone health insurers (SAHI) increased by 92 bps YoY to 12.5%. The combined ratio improved to 112% from 118% in 1QFY24.

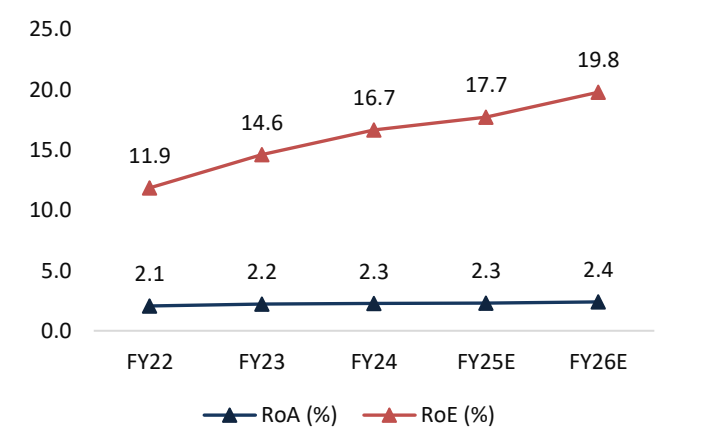
Financial Overview in Charts: Aditya Birla Finance Ltd.

The NBFC business is expected to register AUM growth of 30% in FY25E & FY26E



Source: Company, SSL Research

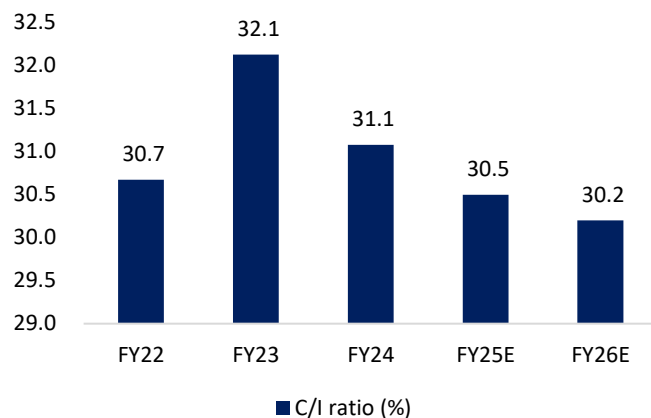
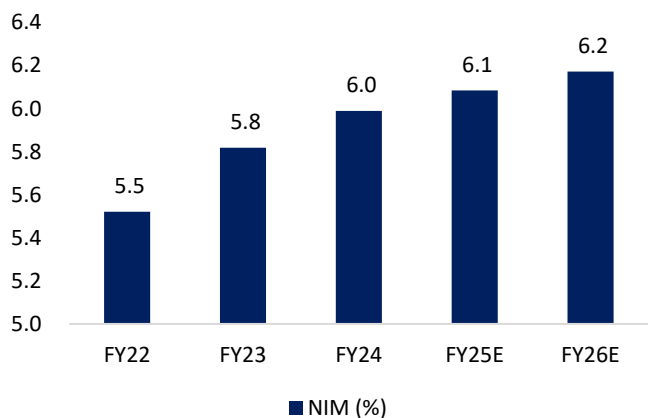
We expect improvement in RoE and RoA to 19.8% and 2.4% in FY26E



Source: Company, SSL Research

With the rise in the share of the retail segment, we expect NIM to improve to 6.2% by FY26E.

The C/I Ratio is expected to remain steady at 30-31% range for the next two fiscals.

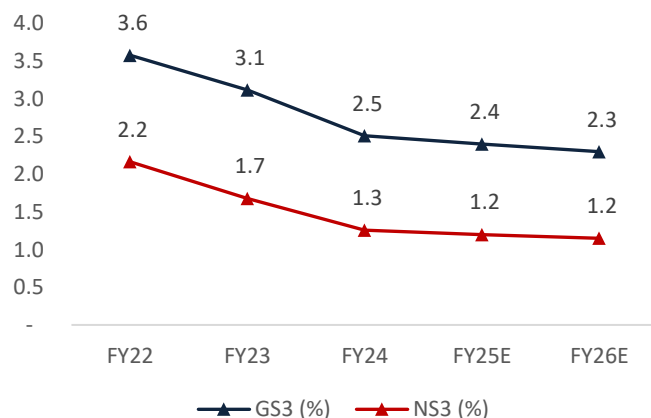
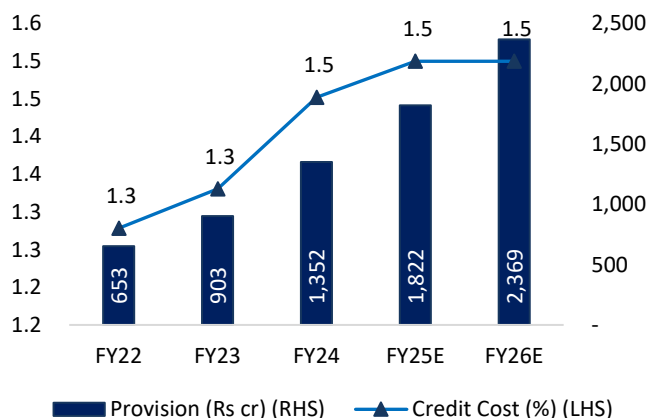


Source: Company, SSL Research

Source: Company, SSL Research

Credit cost is expected to stabilize at around 1.5% level till FY26E.

With strong underwriting, the Gross Stage 3% & Net stage 3 % level is expected to improve to 2.3% and 1.2% respectively.



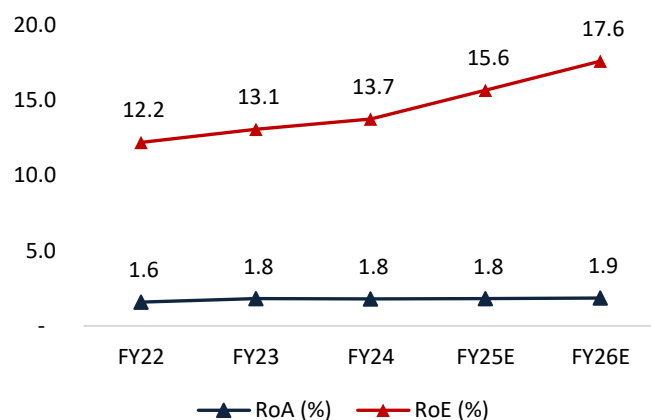
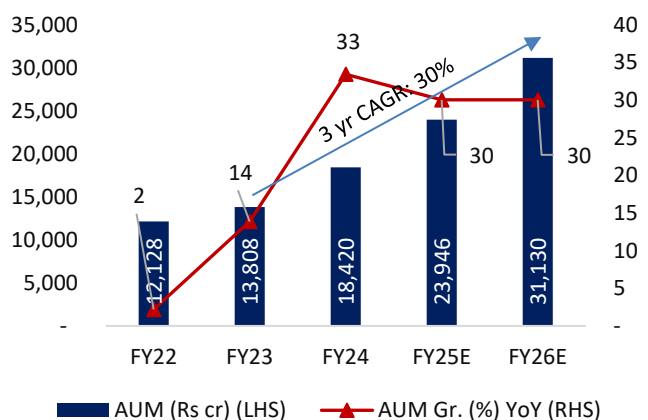
Source: Company, SSL Research

Source: Company, SSL Research

Financial Overview in Charts: Aditya Birla Housing Finance Limited

We expect the Housing finance AUM to grow at a rate of 30% in FY25E and FY26E

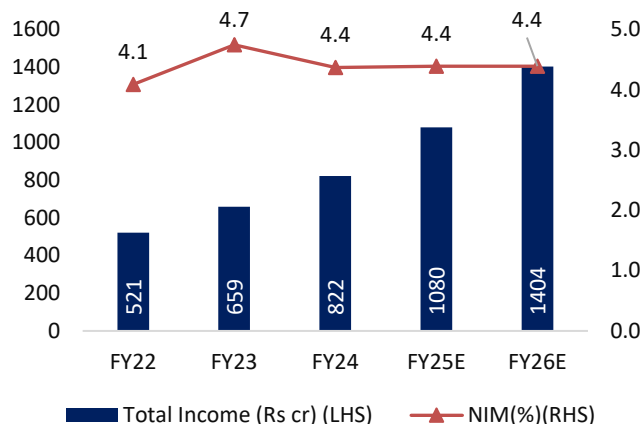
We expect RoA to remain steady at 1.9% and RoE to improve to 17.6% with an increase in leverage.



Source: Company, SSL Research

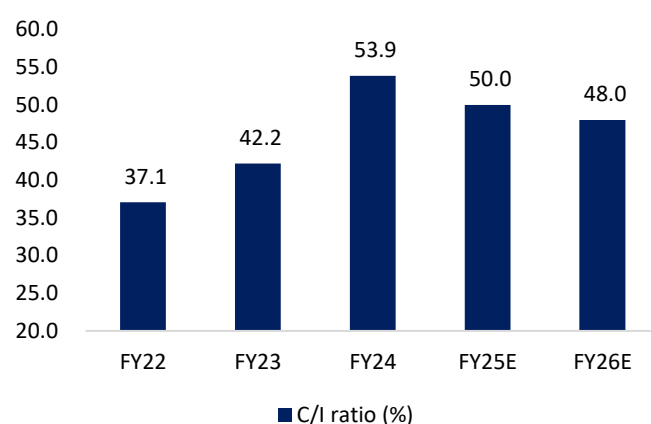
Source: Company, SSL Research

NIM is expected to stabilize around 4.4% till FY26E due to higher cost of funds



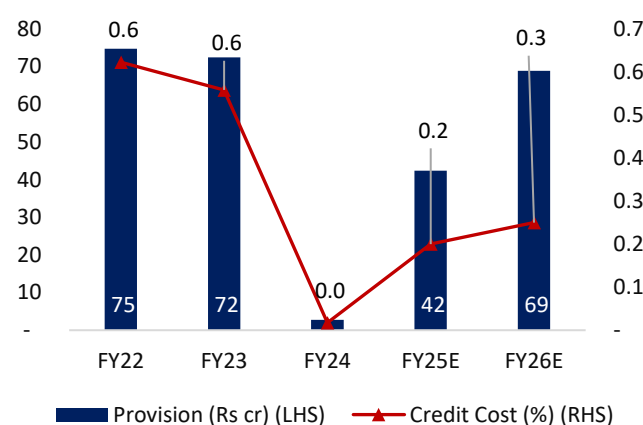
Source: Company, SSL Research

The C/I Ratio is expected to decline to 48% level as the new branches start contributing to the revenue



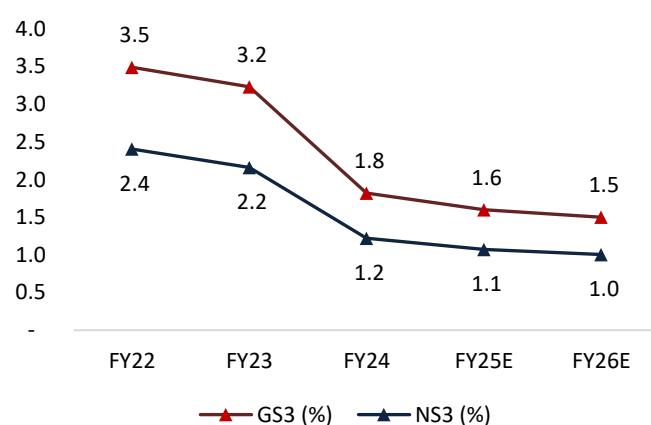
Source: Company, SSL Research

We expect the credit cost to normalize at around 30 bps by FY26E.



Source: Company, SSL Research

Gross Stage 3 % and Net Stage 3 % are expected to further improve to 1.5% and 1.0% respectively.



Source: Company, SSL Research

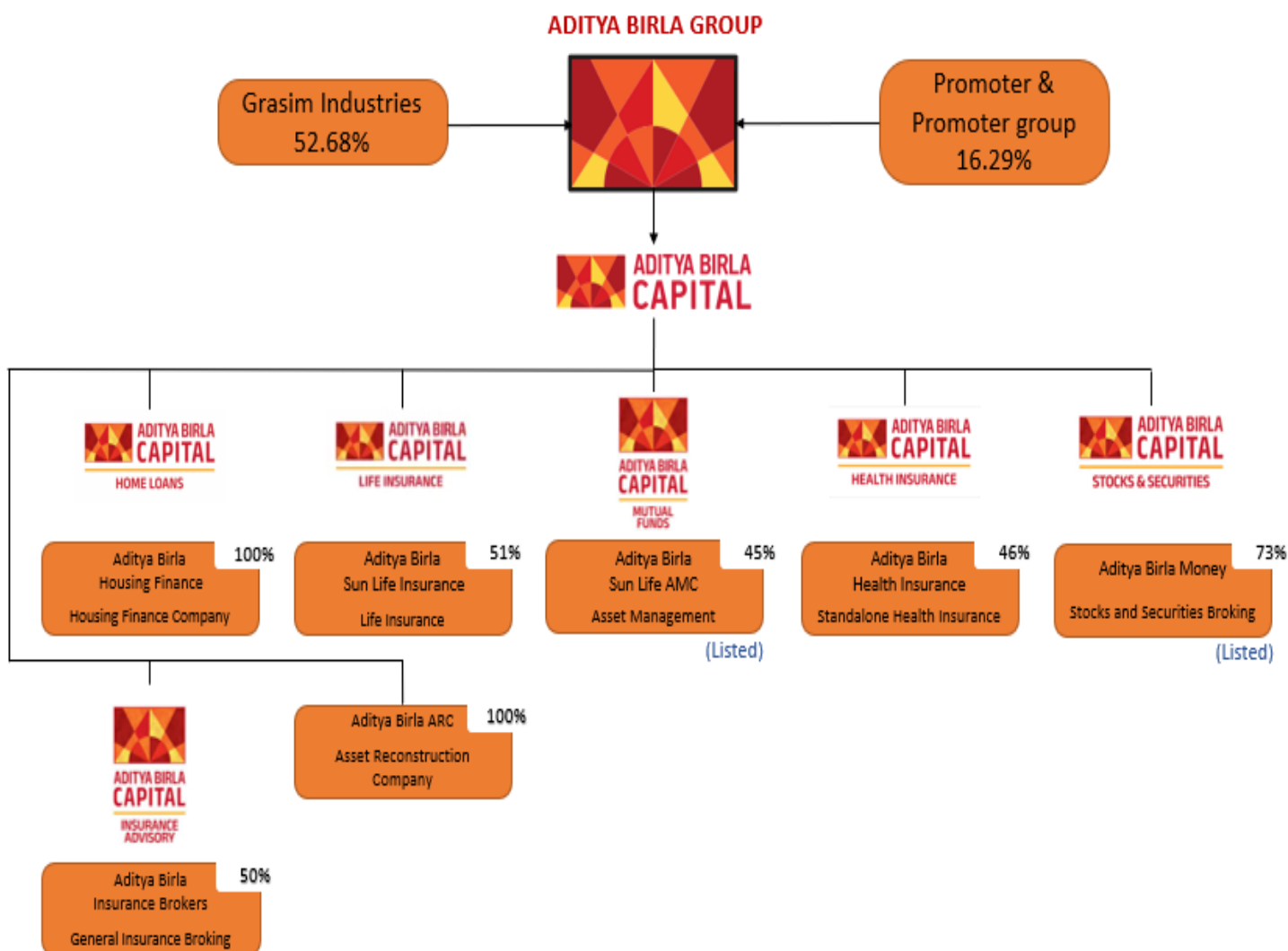
Bolstered by a strong parent company foundation

1. Well-diversified financial services businesses

Aditya Birla Capital Ltd. (ABCL) is a well-diversified financial services group with presence across various segments such as lending, housing finance, life insurance, health insurance, asset management, asset reconstruction and securities broking. The group has a customer franchise of around 35 million customers and management plans to capitalize on this franchise to cross-sell its products and services.

2. Increase in synergy of the group post-merger of Aditya Birla Finance and Aditya Birla Capital

ABFL provides a range of services such as working capital and term loans, developer financing, loans against property, loans against shares, business loans, supply chain financing, business overdrafts, personal loans and check-out financing. RBI has classified ABFL as an "Upper Layer" NBFC under scale-based regulations for NBFCs. It was mandated by the RBI to go public by Sep'25, but to avoid listing the subsidiary, the company has decided to merge with Aditya Birla Capital. Management stated the proposed merger will simplify the group's structure, transform Aditya Birla Capital into an operating non-banking finance company (NBFC) from a holding company, consolidate the business, increase operational synergies and reduce regulatory complexities. The management is presently awaiting the regulatory nod from different authorities (RBI and NCLT) for the aforesaid merger. The merger is expected to be completed by Mar'25. The resulting group structure post-merger is represented below.

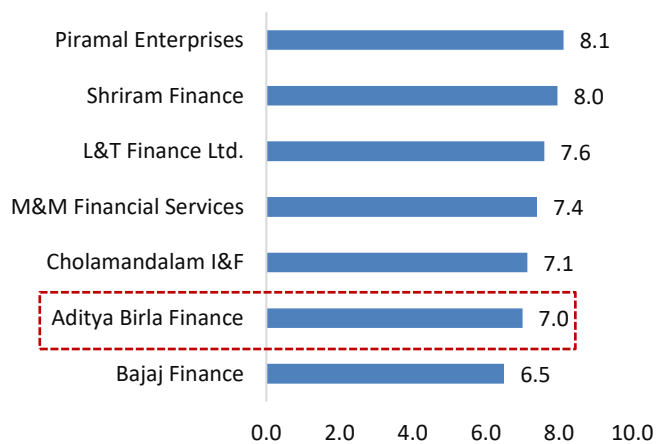


Source: Company, SSL Research

3. Strong parentage and relatively attractive cost of funds have led to robust liability franchise

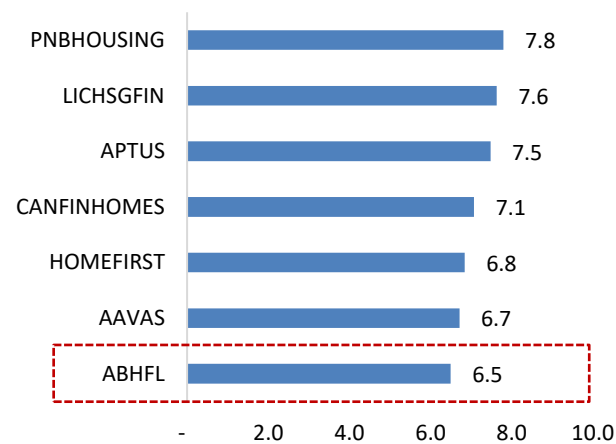
The company enjoys AAA stable and A1+ rating in different debt instruments. ABFL is the frontier lending arm of the highly regarded Aditya Birla Group. The convenient access to cost-effective funds is expected to facilitate ABFL & ABHL further venture into more competitive asset classes. The group has an exceptional liability franchise resulting in a varied borrowing portfolio, top-notch credit ratings, and funding costs at par with leading NBFCs.

Comparison of cost of funds (%) of NBFC Industry (FY24)



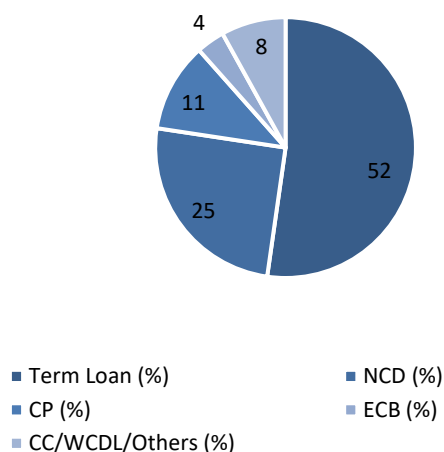
Source: Company, SSL Research

Comparison of cost of funds (%) of Housing Financiers (FY24)



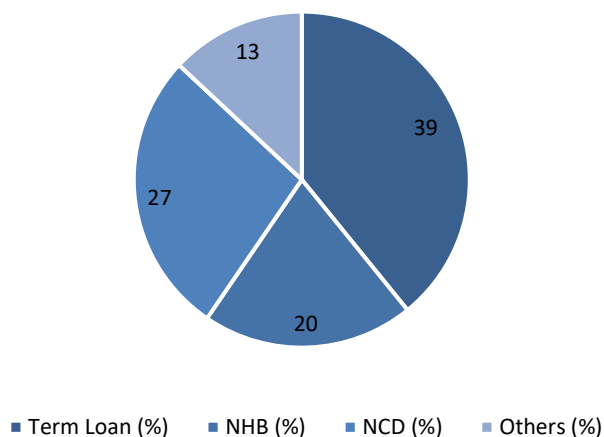
Source: Company, SSL Research

Funding mix (%) of the NBFC [Aditya Birla Finance Limited]-FY24



Source: Company, SSL Research

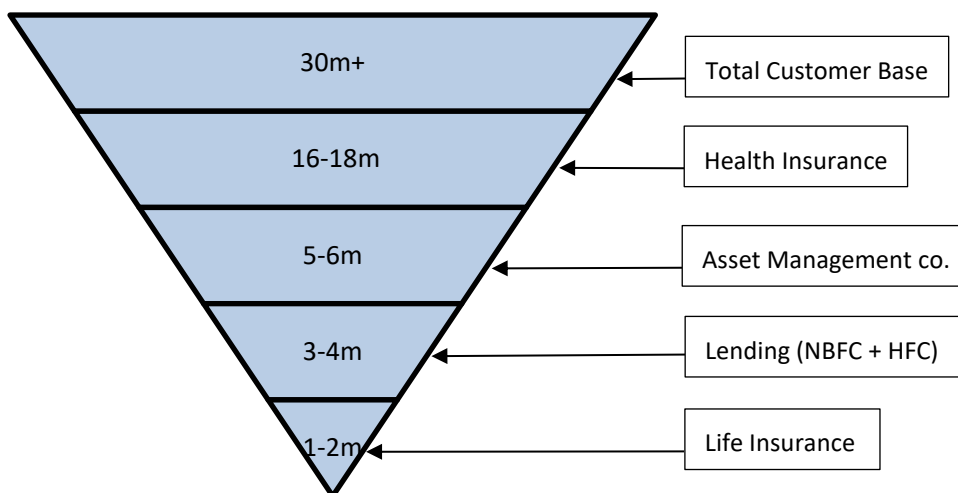
Funding mix (%) of the Housing Finance [Aditya Birla Housing Finance Limited]-FY24



Source: Company, SSL Research

4. Encashing huge customer franchise of Aditya Birla Group

The group has a strong customer franchise of approximately 35 mn. The company's effective use of technology platforms, customer engagements, and cross-selling will drive future growth.

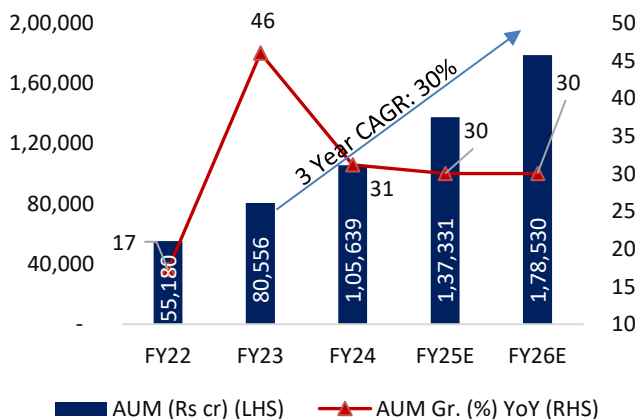


Aditya Birla Finance Ltd: Robust growth led by MSME segment

1. FY23 AUM is expected to double by FY26E

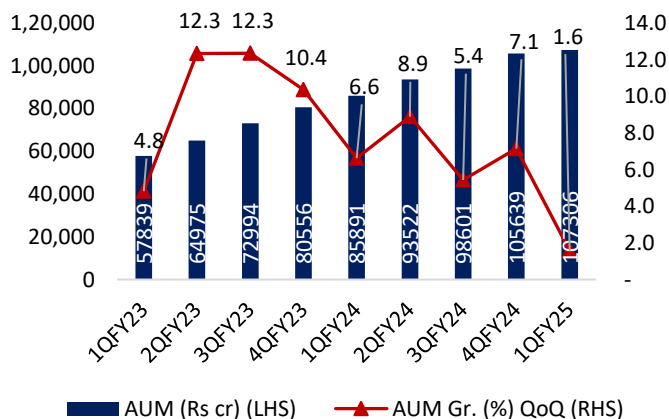
Aditya Birla Finance Limited is one of the top 4 Non-Banking Financial Companies (NBFCs) in India. It has a AAA rating and a granular portfolio of Rs 1,07,306 cr as of Jun'24. The management remains optimistic and has guided to double the FY23 portfolio by FY26E. Going forward, the growth is expected to be driven by secured MSME business along with a rising share of direct sourcing business. It has significantly expanded its branch network, increasing from 65 branches as of Mar'19 to 415 branches as of Jun'24 to scale up its distribution presence in newer geographies. **We expect loan book to grow at 30% in FY25E and FY26E.**

AUM (Rs cr) and AUM Growth YoY (%)



Source: Company, SSL Research

Quarterly AUM (Rs cr) and AUM Growth trend QoQ (%)

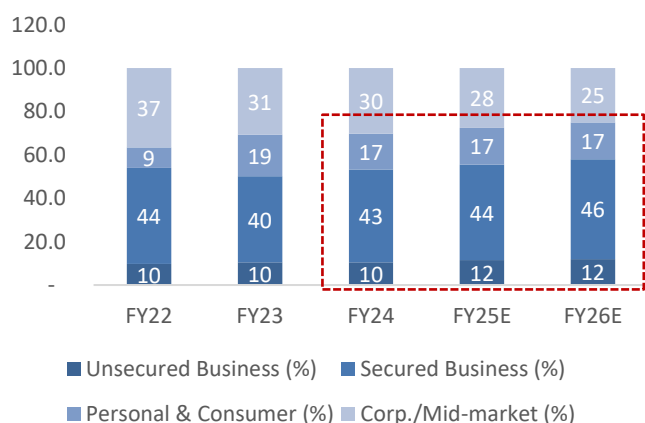


Source: Company, SSL Research

2. Margin expansion is expected to be led by the high-yielding segment

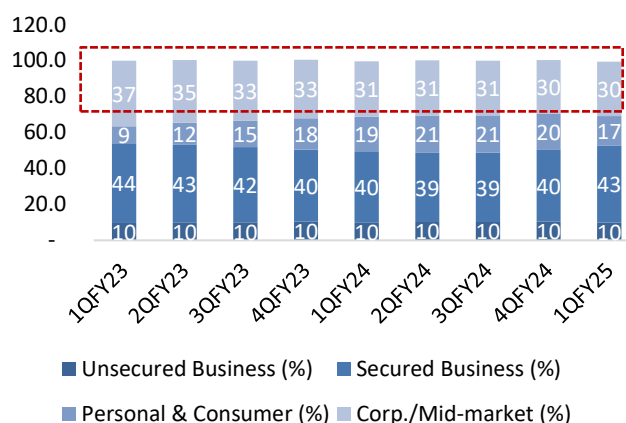
Management has guided that the corporate loan portfolio, which is presently at around 30% of the total loan book, is expected to reduce to around 25% over the next 3 years. Therefore, shifting the loan mix from corporate to the relatively higher-yielding retail & SME segments will help improve margins. The company plans to increase the mix of retail & SME going up to 75% of the overall loan book in the next 2-3 years.

Increasing share of the retail segment & SME segment in the loan book (% of share)



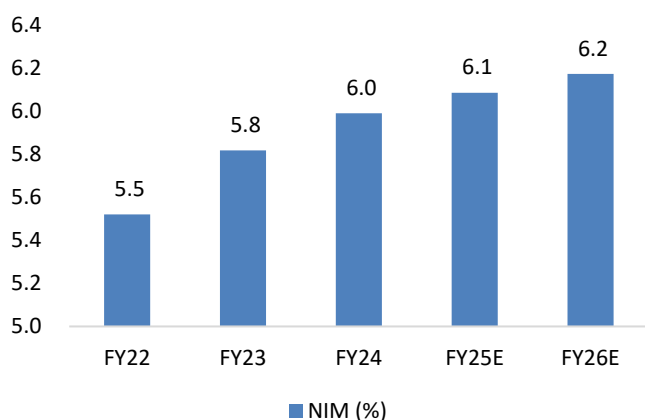
Source: Company, SSL Research

Share of the corporate segment has reduced during the last 9 quarters (% of share)



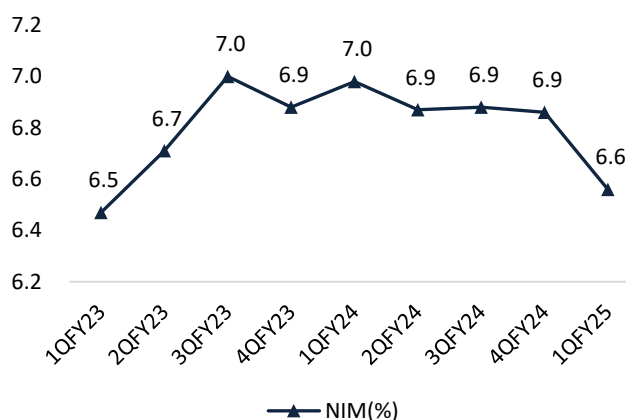
Source: Company, SSL Research

NIM (%) is expected to improve in FY26E with a rising share of the Retail & SME segment



Source: Company, SSL Research

NIM (%) has improved in the last 9 Qtrs while margin was affected in 1QFY25 due to slow down in personal loan segment



Source: Company, SSL Research

Digital Initiatives

ABFL has launched Udyog Plus, a comprehensive digital platform for the MSME ecosystem that offers a paperless digital journey for loan sanction and VAS (value-added services). This new B2B digital platform offers a wide range of solutions for MSMEs including financing, protection, investments, and advisory for managing and growing their businesses.

It offers differentiated features such as digitally assisted assessed income programs, STPs, scorecard journeys for small-ticket loans, and more. The platform aims to enhance fee income opportunities through new products and digital delivery channels. It has also integrated with ONDC (Open Network for Digital Commerce) & OCEN (Open Credit Enablement Network) infrastructure to provide credit facilities to sellers on these platforms.

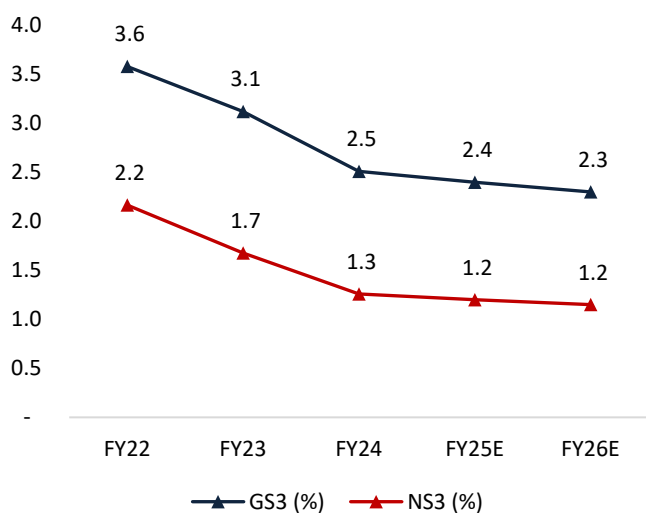
This digital initiative is likely to

- a. Improve TAT for MSME loans
- b. Increase traction in lending by offering value-added services

Stress Assets have substantially declined after joining of Ms. Vishakha Mulye as MD in Jul'22

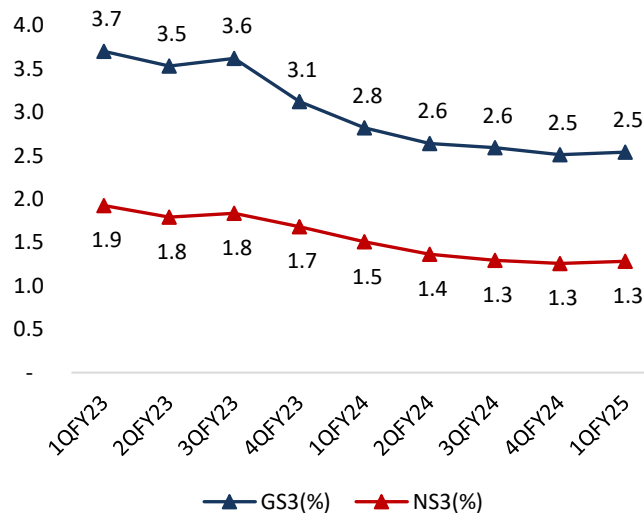
Post management change in Jul'22, the stress assets (Stage-2 + Stage-3) have declined to as low as 4.5% in 1QFY25 v/s 8.4% as of 1QFY23-end. The company's GS3/NS3 has improved to 2.5%/1.3% in 1QFY25 from 2.8%/1.5% on a YoY basis. ABFL's credit costs have remained healthy and stable at around 1.4% in 1QFY25 and the management has guided for a credit cost of 1.5% on a normalized basis.

Gross Stage 3 (%) and Net Stage 3 (%) Trend



Source: Company, SSL Research

Stress assets have significantly reduced in the last 9 quarters

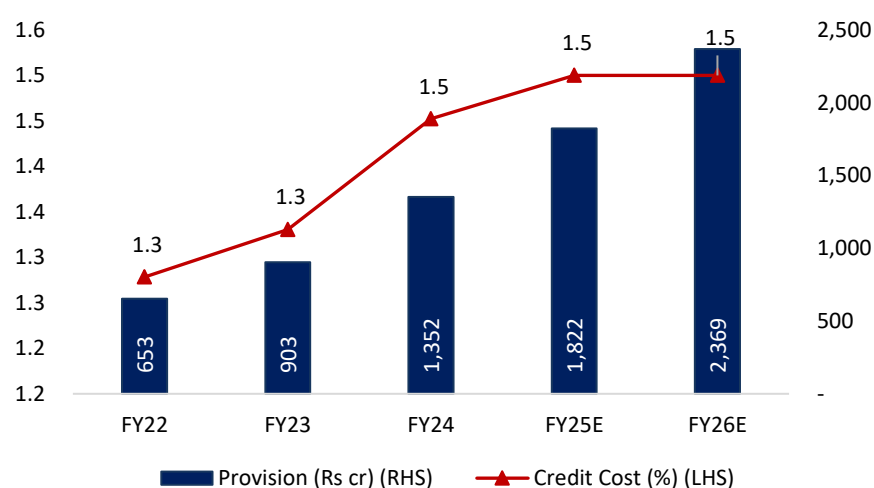


Source: Company, SSL Research

Aditya Birla Capital follows prudent risk management practices emphasizing the return on capital. Management has proactively tightened its scorecards and credit filters to enhance customer selection and calibrated its sourcing from digital partners in the smaller ticket size personal and consumer loans. The GNPA in the personal loan segment stood at 3.2% as of Jul'24 mainly due to base effect.

Of the total unsecured business almost 57% of Stage 3 books are secured under Govt. guarantee schemes, excluding which gross Stage 3 in unsecured stood at 1.5% as of 1QFY25. The credit cost for FY24 stood at 1.5% compared to 1.3% in FY23. Going ahead, we expect credit costs to remain in a similar range of ~1.5% due to favourable credit cycle.

Provision (Rs cr) and Credit cost (%)



Source: Company, SSL Research

Key Financial Metrics- Aditya Birla Finance Ltd.

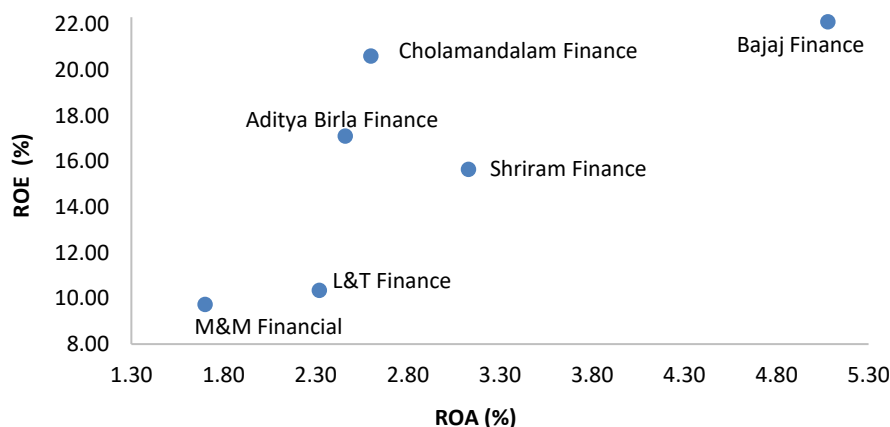
P&L (in Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
NII	2,822.2	3,948.9	5,576.3	7,392.9	9,748.8
Growth YoY (%)	24.3	39.9	41.2	32.6	31.9
Other Income	265.6	461.4	719.9	989.5	1,385.3
Total Income	3,087.8	4,410.3	6,296.0	8,382.5	11,134.1
OPEX	947.2	1,417.0	1,956.7	2,556.6	3,362.5
PPOP	2,140.6	2,993.3	4,339.3	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

Source: Company, SSL Research

Comparison of ABFL's RoA/RoE with its peers. The company performance is better than peers RoA & RoE trajectory (FY24)



Source: Company, SSL Research

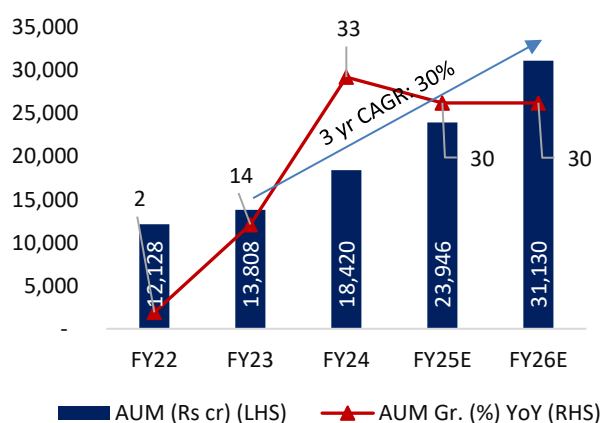
Aditya Birla Housing Finance is well poised for robust growth

1. Healthy portfolio growth

Aditya Birla Housing Finance Limited (ABHFL) is a housing finance company registered with the National Housing Bank. ABHFL provides a wide range of housing finance solutions, including Home loans, Home Extension Loans, Plot and Home Construction Loans, Home Improvement Loans, Loans Against Property, Construction Financing, and Commercial Property Purchase loans. It operates through 130 branches across 19 states. ABG ecosystem contributes up to 10.5% to disbursements.

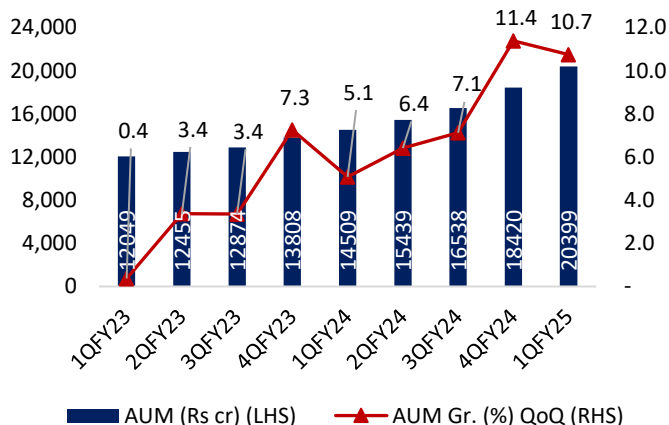
Post joining of Mr. Pankaj Gadgil as MD & CEO, the company has witnessed healthy traction in the loan book growth. It has witnessed strong momentum on disbursement registering a growth of 89% YoY and 5% QoQ to Rs 3,068 cr. ABHFL has an AUM of Rs 20,399 cr as of 1QFY25 and is witnessing a growth of 41% YoY. Management remains optimistic about the rising opportunity in the segment and has guided to double its FY23 assets under management (AUM) by FY26E. **We expect a 30% AUM growth rate in FY25E & FY26E.**

AUM (Rs cr) and AUM Growth YoY (%)



Source: Company, SSL Research

Quarterly AUM (Rs cr) and AUM Growth QoQ (%)

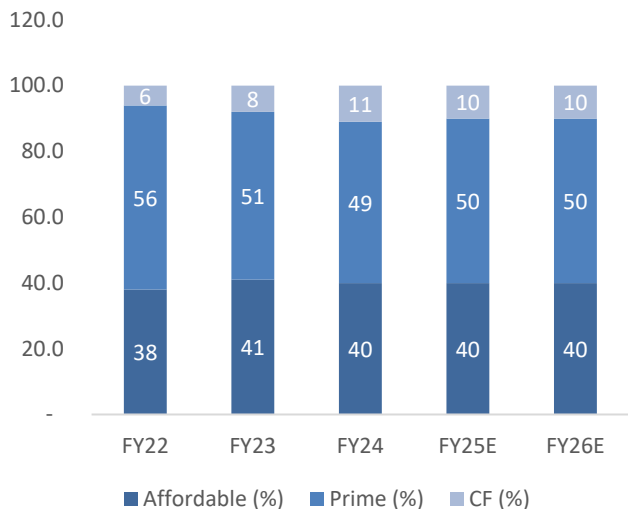


Source: Company, SSL Research

2. Focus on prime and affordable housing

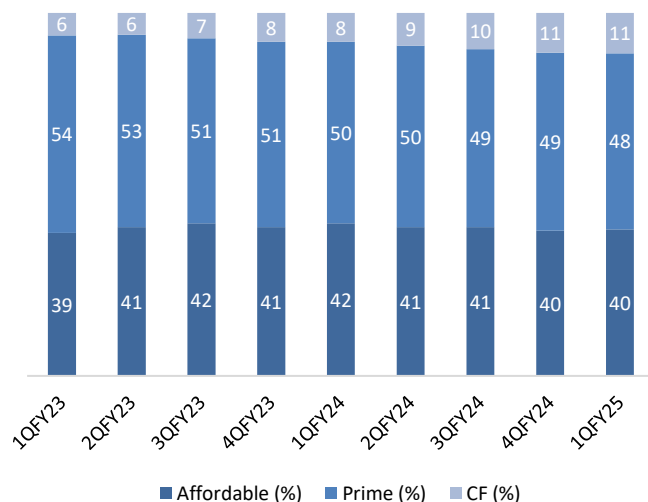
The company aims to expand its business in prime and affordable housing segments with an average ticket size of Rs 20-30 lakhs. Management has been experiencing strong demand across the segments and has witnessed market share gains. The share of construction finance has increased from 8% to 11% as of 1QFY25. Further, ABHFL plans to utilize data analytics and digital capabilities to offer customers a seamless onboarding and servicing experience.

Portfolio Mix (% of share)



Source: Company, SSL Research

Quarterly Portfolio Mix (% of share)

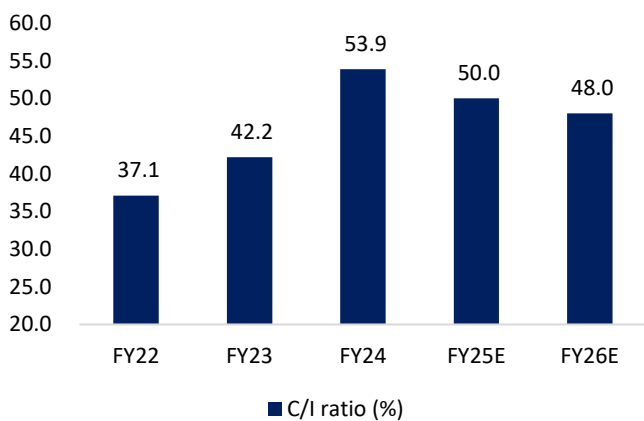


Source: Company, SSL Research

3. The operating cost has remained in a higher range

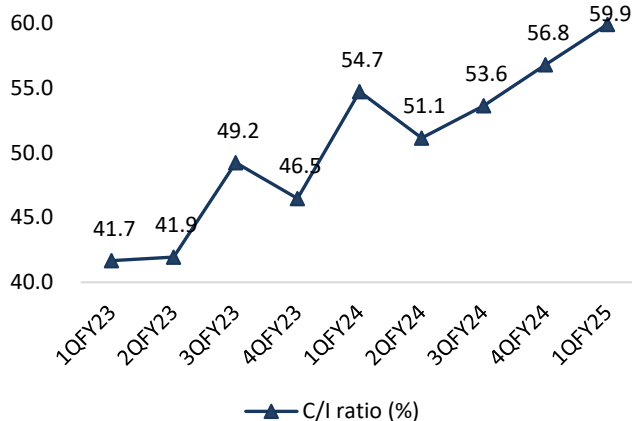
The company is leveraging the extended ABG and ABC ecosystems to accelerate growth in prime and affordable housing segments. The company has significantly invested in hiring people and improving digital capabilities to enhance customer transaction experience and reduce turnaround time. It has also rapidly scaled up its branches from 74 in FY21 to 138 in 1QFY25 and has a presence in over 20 states covering 85% of the TAM (Total Addressable Market).

Cost to Income Ratio (%)



Source: Company, SSL Research

Quarterly Cost to Income Ratio (%)

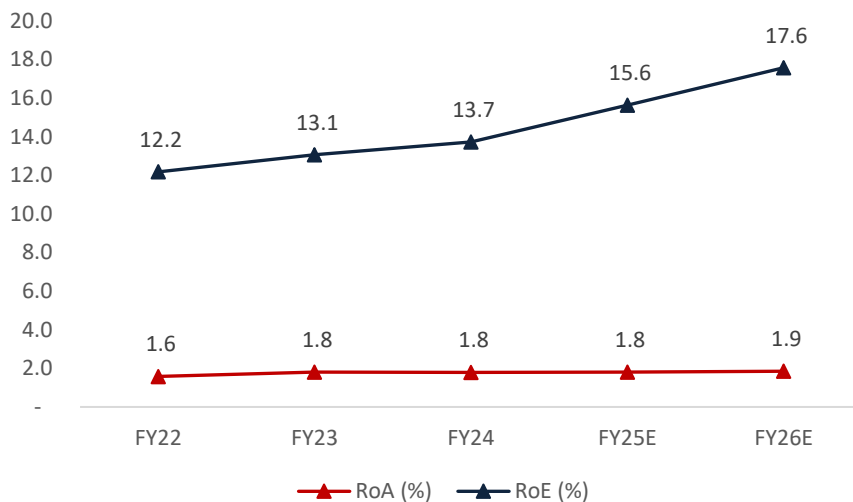


Source: Company, SSL Research

4. RoA is expected to remain steady in FY25E & FY26E

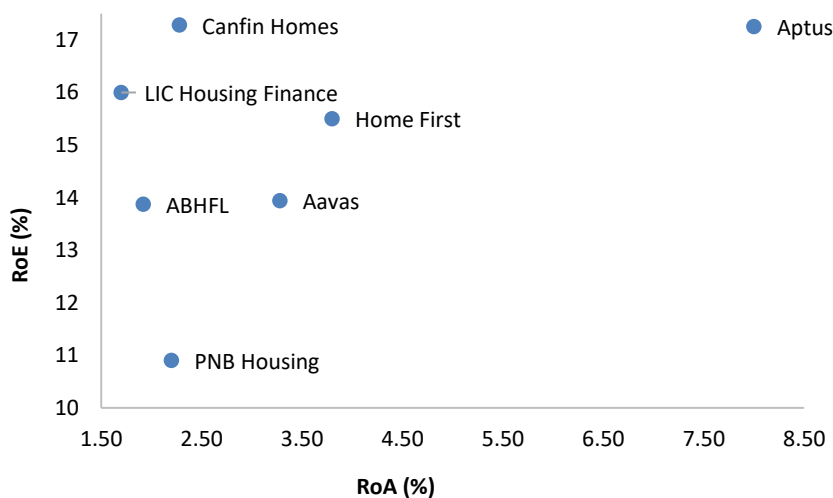
Net interest margin including fee income stood at 4.4% in FY24. Going ahead, we anticipate a slight margin contraction of 5-10 bps due to increased pressure on funding costs without corresponding gains on the yield side. However, we expect improving operational efficiencies to mitigate this NIM pressure, resulting in an overall return on assets (RoA) of approximately 1.7-1.8% for FY25E and FY26E.

RoA & RoE is expected to improve to 1.9%/17.6% by FY26E



Source: Company, SSL Research

Comparison of Housing Finance RoA (%) & RoE (%) with its Peers



Source: Company, SSL Research

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

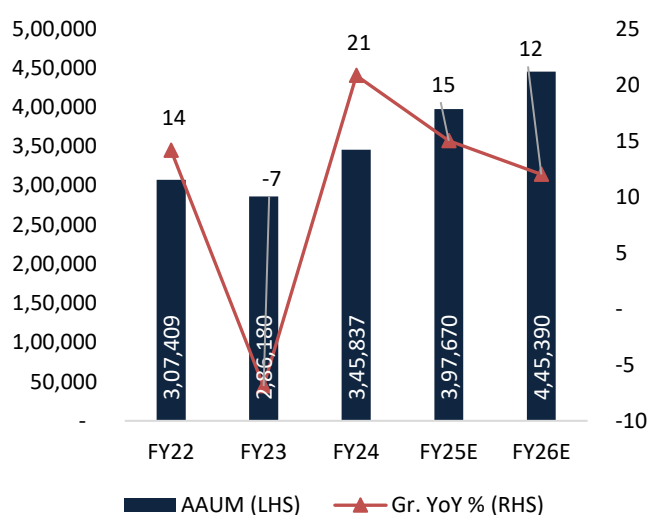
Aditya Birla Sunlife AMC is strategizing to revamp the business

1. Rise in the share of equity AUM

The proportion of equity assets under management (AUM) in the total AUM has been consistently increasing due to better fund performance. In Jul'24, the Quarterly Average Assets Under Management (QAAUM) of the Equity Mutual Fund saw a 37% YoY increase to Rs 1.6 trillion. The equity AUM share stood at 44.0% as of Jul'24 v/s 39.9% as of Mar'23. Looking ahead, the management plans to make structural changes in the alternative assets sector to capitalize on this momentum and establish strong franchises in the AIF, PMS, and passive business segments.

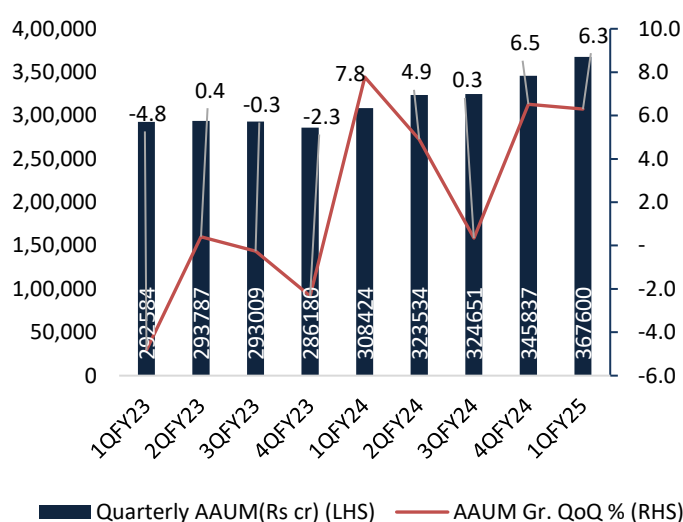
We expect 12-15% growth in AUM in FY25E & FY26E.

AAUM Growth (Rs cr) and AUM Growth (%)



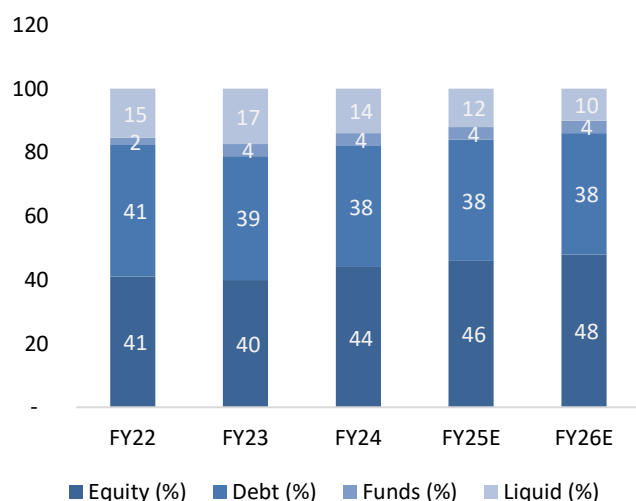
Source: Company, SSL Research

Quarterly AUM (Rs cr) and AUM growth QoQ (%)



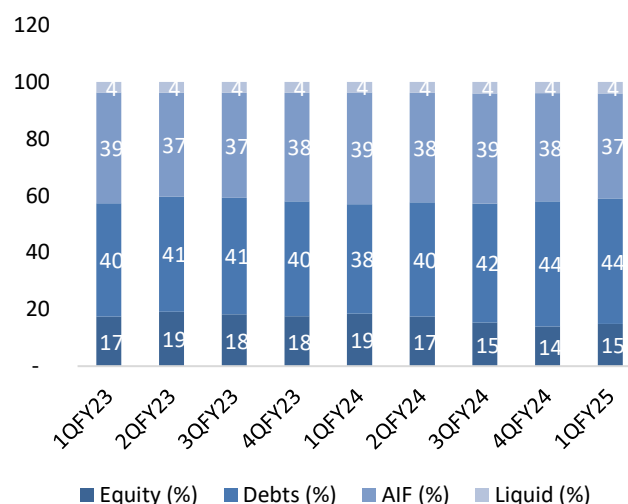
Source: Company, SSL Research

AAUM Portfolio mix (% of share)



Source: Company, SSL Research

Quarterly AAUM Portfolio mix (% of share)



Source: Company, SSL Research

2. Fund performance and Equity scheme ranking:

In the past year, the company has been revamping its leadership roles and making changes in its strategy. It has strengthened its sales ecosystem and distribution network by bringing together the key levers like Virtual Relationship Manager, Service to Sales, Direct HNI Channel and Digital Distribution.

Over the last year, the percentage of equity assets under management (AUM) outperforms its benchmark along with consistently increased returns for ABSL (Aditya Birla Sun Life AMC). Going forward, the company plans to scale up its retail franchise, leverage digital platforms for seamless delivery and grow alternative assets including AIF, PMS and real estate. It has seen improvements in equity performance coupled with a well-established fixed-income franchise. We expect this trend to help in improving the equity market share and SIP flow going ahead.

Rank Based on 1-year return										
Equity Performance	No. of Funds	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24
Aditya Birla Sun Life Focused Fund	26	23	19	18	14	16	16	15	16	16
Aditya Birla Sun Life Flexi Cap Fund	34	26	21	21	19	20	21	23	20	23
Aditya Birla Sun Life Mid Cap Fund	29	17	11	16	20	19	15	23	22	21
Aditya Birla Sun Life Equity Advantage Fund	26	20	19	20	22	22	22	22	24	20
Aditya Birla Sun Life ELSS Tax Saver Fund	35	34	35	34	31	31	18	21	22	28
Aditya Birla Sun Life Multi-Cap Fund	19	12	14	15	16	17	17	17	17	17
Aditya Birla Sun Life Frontline Equity Fund	30	15	16	19	19	20	20	21	18	20
Aditya Birla Sun Life Pure Value Fund	20	2	2	3	3	4	5	8	8	8
Aditya Birla PSU Equity Fund	126	3	1	1	1	1	1	3	4	5

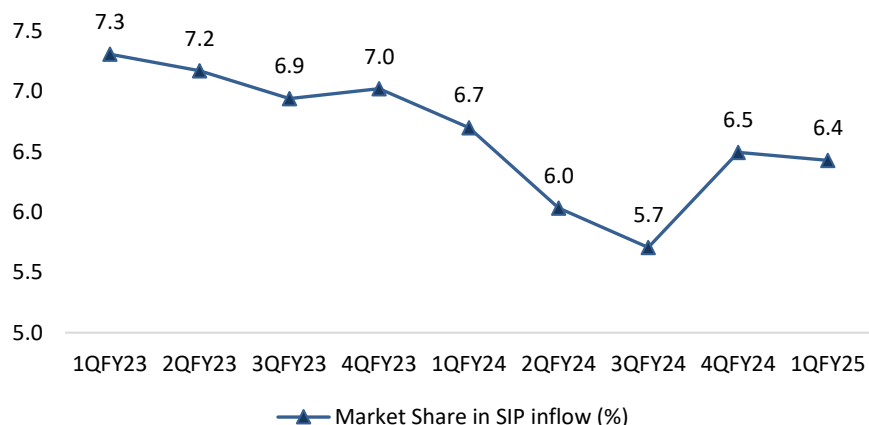
Source: Company, SSL Research

3. Rejig in the management team:

ABSL has strengthened its fund management team to fuel the growth in SIP AUM and fund performance. Harish Krishnan, has joined as Co-CIO and Head of Equity and has more than 10 years of experience with Kotak Mutual Fund as a Senior Fund Manager - Equity. Kamayani Nagar has joined as Head of Retail Sales, she has over 20 years of experience in the BFSI and Communication industry. Amit Kansal has recently moved to ABSLMF as Head of Alternate Investments – Fixed Income. He has 18+ years of experience in project & structured finance, corporate finance, investment/portfolio management, valuation and credit appraisal. In the last few quarters, the company has been witnessing improvement in fund performance along with a rising share of SIP inflow. Going forward, management remains confident of gaining market share in SIPs and equity with improving fund performance.

4. The company is aiming for a higher share in the SIP inflow business:

The monthly SIP flows AUM stood at Rs 1,367 cr up 39% on a YoY basis and New SIP registrations stood at ~8,39,000; up by 310% YoY in 1QFY25. The market share of inflows has improved from 5.7% in Dec'23 to 6.4% in Jun'24. Further, the company aims for 8-9% market share in SIP going forward.



Source: Company, SSL Research

5. **Strong disbursement franchise:** Presently, it has a strong distribution network consisting of 81,000+ mutual fund distributors (MFDs), 305+ national distributors, 85+ banks and 125+ digital partners. Of its 290+ branches, almost 80% are in B-30 cities as it aims to tap into potential rural and emerging markets at an early stage. The leadership team has new hires specifically tasked with driving retail sales, building on a strong presence and distributor network to gain further traction.

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

Aditya Birla Sun Life Insurance is expected to report a Topline 20%+ CAGR during FY24-26E

ABSLI was incorporated on 4th Aug 2000 and commenced operations on 17th Jan 2001. ABSLI is a 51:49 joint venture between the Aditya Birla Group and Sun Life Financial Inc., an international financial services organization in Canada. The total AUM of ABSLI stood at Rs 90,682 cr as of 1QFY25 registering a 22% 2-year CAGR growth. ABSLI recorded a total premium income of Rs 3,986 cr in 1QFY25 registering a YoY growth of 28%. The net VNB (Value of New Business) margin for FY24 stood at 20.2% and 6.5% in 1QFY25. ABSLI has a nationwide distribution presence through 380+ branches, 11 bancassurance partners, over 60,000+ direct selling agents, other Corporate Agents, Brokers and through its website. **We expect top-line growth at 20%+ CAGR over the next 2 years and VNB margin in 18%-20% range for the next 2 years.**

APE (Annualised Premium Equivalent) growth will be led by strong distribution franchise

The company has strong cross-selling opportunities for this customer franchise. Going forward, the company will drive premium growth from a diversified mix of both proprietary and partnership channels backed by productivity and capacity, with continued investment in proprietary channels. Further, the company expects three new Banca partners - Axis Bank, Bank of Maharashtra and IDFC First Bank to contribute 10-15% of the topline in FY25E. Axis Bank has commenced sourcing in Jul'24.

Product mix will drive margin improvement

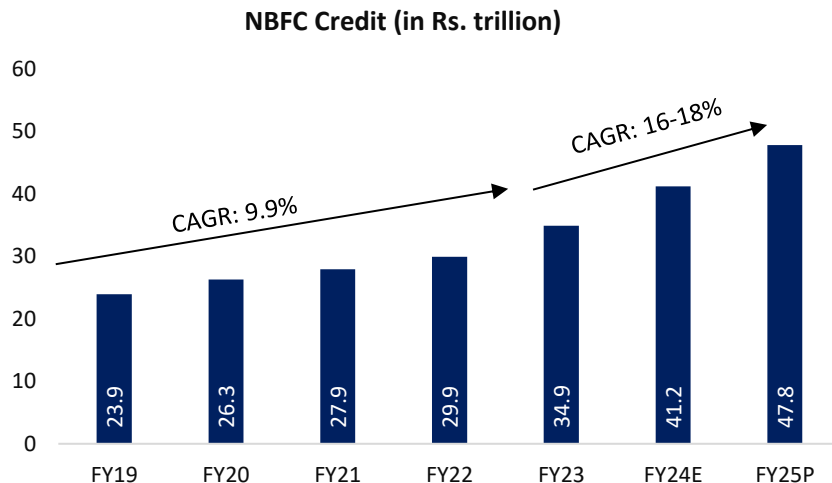
The share of traditional business has declined to 67% in 1QFY25 from 71% in 1QFY23, the share of ULIP stood at 30% in 1QFY25 v/s 26% in 1QFY23 and the share of Protection business stood at 3% as of 1QFY25 v/s 3% as of 1QFY23. The share of ULIP is expected to remain at the 30% level. Going ahead, the company remains confident in growing its protection business which is expected to positively contribute to the margin of the business.

New products planned in FY25E

The products that are to be launched in FY25E are salaried term plan protection and Platinum Gain Plan- ULIP. The company has received higher contributions since its launch in both the protection & ULIP segments in its Agency and Direct channels.

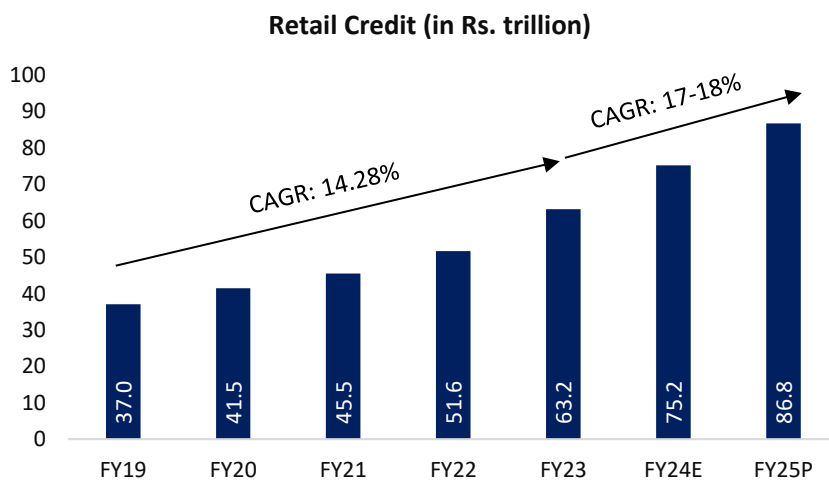
Industry Overview

NBFC credit growth has remained muted between FY19 and FY23, growing at a 9.9% CAGR. This can be attributed to two primary factors, the COVID-19 pandemic and the NBFC liquidity crisis. Despite such headwinds, the AUM of the NBFC sector stood at Rs 34.9 trillion in FY23 growing 16.7% YoY. Going forward, the market size is projected to reach Rs 47.8 trillion growing at a CAGR of 16-18% between FY23-FY25E.



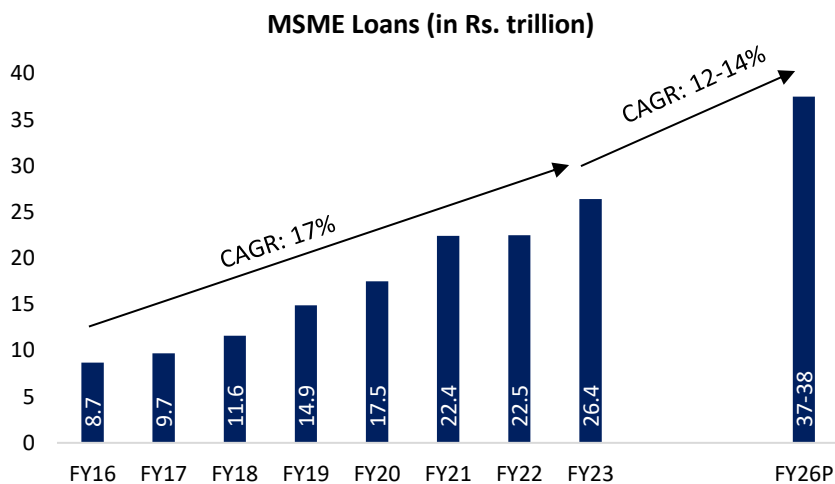
Source: CRISIL, SSL Research

Retail credit in India sustained healthy growth between FY19 and FY23, registering a 14.28% CAGR with retail credit standing at Rs 63.15 trillion as of FY23. The COVID-19-induced pandemic led to a slowdown in retail credit growth with FY21 registering a YoY growth of 9.6% but this growth bounced back to healthier numbers post-pandemic and FY23 registered a 22.3% YoY growth. The projected growth rate is expected at 17-18% CAGR for the next two fiscals. We expect the market size to increase to Rs 87 trillion by FY25E.



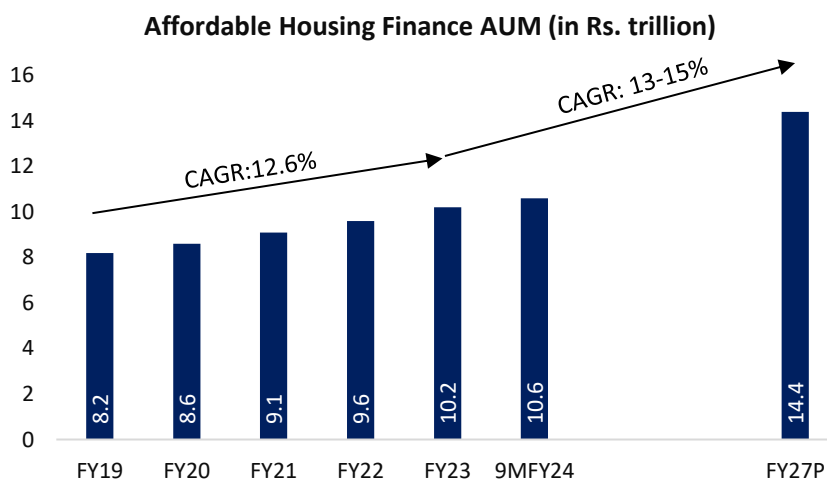
Source: CRISIL, SSL Research

The MSME space has registered a CAGR growth of 17% over FY16-FY23. The MSME segment is expected to register a CAGR of 12-14% between FY23-26E led by increasing penetration, enhanced availability of data making it easier to underwrite such loans, enhanced use of technology, newer players entering the segment and continued government support.



Source: CRISIL, SSL Research

After sustaining a 12.6% CAGR between FY19 and FY23, India’s housing finance market (measured through credit outstanding) is projected to grow at a CAGR of 13-15% between FY23-FY27E.



Source: CRISIL, SSL Research

Peer Comparison: Financial Overview and Valuations

Company	PAT (Rs Bn)			RoA (%)			RoE (%)			P/E (x)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
AB CAPITAL*	33.4	34.4	43.1	1.6	2.0	2.0	14.2	11.8	13.1	18.6	18.0	14.3
PEL	-16.8	10.1	14.5	-2.0	1.1	1.4	-5.8	3.9	5.4	-	19.2	13.4
BAJFINANCE	144.5	177.6	225.2	4.4	4.3	4.4	22.1	20.8	22.0	30.2	24.6	19.7
CHOLAFIN	34.2	43.9	56.4	2.5	2.5	2.6	20.2	20.3	20.8	34.1	26.8	21.2
SHRIRAMFIN	73.9	83.5	96.2	3.2	3.2	3.3	15.9	16.3	16.5	14.4	12.3	10.6
M&MFIN	17.6	25.3	31.2	1.7	2.0	2.1	10	13.3	14.9	21.5	15.0	12.1
LTF	23.2	28.9	36.1	2.2	2.6	2.8	10.3	11.8	13.3	19.6	15.7	12.6
LICHSGFIN	47.6	49.1	51.0	1.7	1.6	1.6	16.2	14.7	13.4	8.5	8.1	7.7
CANFINHOME	7.5	8.6	9.9	2.2	2.1	2.1	18.8	17.9	17.6	15.3	13.4	11.5
PNBHOUSING	15.1	17.4	20.2	2.2	2.3	2.3	11.6	11.2	11.7	13.5	11.4	10.1
AAVAS	4.9	6.0	7.4	3.3	3.1	3.2	13.9	14.8	15.7	30.9	25.4	20.6
HOMEFIRST	3.1	3.7	4.6	3.8	3.4	3.3	15.5	16.2	17.3	30.8	24.7	19.8
APTUS	6.1	7.5	9.3	7.6	7.3	7.0	17.2	18.5	19.6	27.7	22.4	18.1

Company	P/B (x)			Book Value Per Share (in Rs.)			EPS (in Rs.)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
AB CAPITAL*	2.3	2.1	1.8	11.3	13.4	16.9	100.2	116.5	133.3
PEL	0.8	0.8	0.7	1236.0	1185.5	1229.7	60.7	46.2	66.0
BAJFINANCE	5.8	4.8	4.0	1224.4	1478.7	1790.3	234.2	289.6	362.4
CHOLAFIN	6.0	5.0	4.0	229.0	281.2	350.0	39.5	52.3	66.1
SHRIRAMFIN	2.2	1.9	1.6	1307.3	1491.6	1716.2	194.5	230.1	267.4
M&MFIN	2.1	1.9	1.7	161.1	176.6	195.5	15.6	21.0	25.2
LTF	2.0	1.8	1.6	94.2	103.3	114.8	9.5	11.7	14.6
LICHSGFIN	1.3	1.1	1.0	572.2	563.7	623.1	86.6	88.2	89.6
CANFINHOME	2.6	2.2	1.9	55.6	63.4	72.3	56.4	63.4	72.4
PNBHOUSING	1.4	1.2	1.1	565.0	638.2	712.4	55.1	68.0	77.6
AAVAS	4.0	3.5	3.0	470.6	551.5	645.9	59.7	76.3	94.4
HOMEFIRST	4.3	3.8	3.2	238.4	277.8	325.5	34.5	42.5	52.6
APTUS	4.5	3.9	3.4	76.2	86.8	100.3	12.2	15.1	18.6

*AB Capital numbers are on a consol basis so it is not comparable with pure-play NBFC peers

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.

Key Risk

1. Moderation in the loan book growth of the NBFC companies
2. Rise in delinquency in the personal & consumer loan segment
3. Higher C/I ratio in the Housing finance segment
4. Increase in the credit cost of the housing finance segment
5. A slowdown in the equity market may reduce MTM (Mark to Market) gain in the AUM growth of the AMC business
6. A rise in the share of the ULIPS segment may affect the VNB margin.

Company Overview

Aditya Birla Capital Limited (ABCL) is a non-deposit-taking systemically important core investment company (CIC-ND-SI) registered with the Reserve Bank of India (RBI). It is the holding company of the financial services businesses of the Aditya Birla Group. Pursuant to the merger of Aditya Birla Nuvo Limited (ABNL) and Grasim Industries Limited, ABCL was listed on the Bombay Stock Exchange and the National Stock Exchange in Sep'17. As of Jun'24, the promoter group holds a 68.90% stake (of which Grasim holds 52.64%) in ABCL. Aditya Birla Capital serves millions of Indians in more than 400 cities through 1,505 points of presence and one ABC approach. The number of colocation branches stood at 835 across 231 locations as of Jun'24. The company's branch expansion is targeted at driving penetration into Tier III/ IV towns and new customer segments.

The company has built the ABCD app, which has been built in a record time of 12 months. It offers a comprehensive portfolio of more than 20 products and services such as payments, loans, insurance, and investments along with comprehensive personal finance tracking. A B2B platform for the MSME ecosystem, Udyog Plus has scaled up quite well with more than 8 lakh registrations within nine months of its launch. It has clocked disbursements of about Rs 500 cr to date with ABG ecosystem contributing about two-thirds of the business. The total portfolio of Udyog Plus has reached about Rs 250 crore. The company is scaling up its business in the ABG ecosystem as it expands its market footprint in the MSME segment.

Key Management Personnel

1. **Mrs. Vishakha Mulye (CEO, ABCL)** is on the board of ABCL's operating companies. A chartered accountant and career banker with over 3 decades of experience in driving large-scale, long-term profitable businesses, Vishakha was the Executive Director at ICICI Bank, overseeing domestic and international Wholesale Banking, Proprietary Trading, Markets and Transaction Banking Group. She also served as the Group CFO of the ICICI Bank and board member of ICICI Lombard General Insurance Company, served as the MD and CEO of ICICI Venture Funds Management Company, and chaired the Board of ICICI Bank, Canada.
2. **Mr. Rakesh Singh (MD & CEO, ABFL)** has been part of the Aditya Birla Group since 2011 and has played a crucial role in driving the growth trajectory of both NBFC and Housing Finance businesses. He has more than 27 years of experience in the financial services industry across Banking and Non-Banking financial institutions.
3. **Mr. A. Balasubramaniam (MD & CEO, ABSLAMC)** brings with him over 26 years of experience in the Mutual Fund industry as a Portfolio Manager both in Fixed Income and Equity. He is closely associated with key Industry bodies, serving on the board of NISM, the committee of Corporate Bond Market Development of SEBI, and the board of directors at AMFI.
4. **Mr. Kamlesh Rao (MD & CEO, ABSLI)** is responsible for providing ABSLI with strategic direction and leading the team towards achieving rapid growth and profitability. His expertise focuses on various niches in business management. Kamlesh has a successful track record of entering new markets & businesses and turning them around by placing them on a high growth trajectory.
5. **Mr. Pankaj Gadgil (MD & CEO, ABHFL)** and Head of Digital Platforms and Payments Strategy at Aditya Birla Capital has joined the group in 2022. Pankaj has since been responsible for providing strategic direction to the housing finance company and building it as a material player in the industry. He has over 25 years of experience in managing diverse portfolios across banking and finance. Pankaj has also served as the Bank's nominee member on the Board of National Payments Corporation of India (NPCI), NPCI International, ICICI Merchant Services Ltd., and ICICI Securities Ltd.
6. **Mrs. Pinky Mehta (CFO, ABCL)** is a chartered accountant with 27 years of diversified experience, and has been a part of the Aditya Birla Group since 1991. She has played a significant role in the area of demergers, mergers and acquisitions for the Aditya Birla Group and was actively involved in the demerger of the cement business, the joint venture with the Sun Life Group for the life insurance business and a host of key acquisitions. She is also the recipient of the coveted Institute of

Chartered Accountants of India CA CFO – Woman Award, which was awarded to her in 2016.

7. **Mr. Subhro Bhaduri (CHRO, ABCL)** has held leadership positions in various segments such as Life Insurance, Asset Management, NBFC etc. He has also launched various new lines of business such as Health Insurance, Retail Lending, Housing Finance, Digital Lending, Asset Reconstruction, etc. Subhro in his earlier role was the HR Head at Kotak Mahindra Bank.
8. **Vijay Deshwal (Chief Strategy Officer and Head of Investor Relations, ABCL)** is in charge of formulating and facilitating the execution and communication of Aditya Birla Capital's strategic initiatives and the group's positioning across all stakeholders. In addition, he is driving the potential M&A opportunities and partnerships, synergistic with Aditya Birla Capital's growth vision.
9. **Ramesh Narayanaswamy (CTO, ABCL)** is in charge of all technology initiatives across the Aditya Birla group of companies. Ramesh spearheads the building of One Technology Team with engineering and innovation expertise at scale to solve business problems. Ramesh is a career technologist with more than 25 years of experience in architecting and building large-scale systems across banking, e-commerce & logistics, financial services and technology product companies worldwide.
10. **Mr. Tushar Shah (CEO – Infrastructure and Structured Finance, ABFL)** Aside from handling the Project and Structured Finance business, Mr. Shah also serves as a Director of Aditya Birla ARC Ltd and Aditya Birla Money Ltd. He has over 25 years of relevant experience in financial services and joined ABFL in 2011. Before joining Aditya Birla Finance, Tushar was the Chief Operating Officer of IL&FS Financial Services Ltd.
11. **Mr. Mayank Bathwal (CEO & Whole time Director, ABHIL)** has been responsible for setting up the latest venture of Aditya Birla Capital Limited in the health insurance space. Mayank has a rich experience of nearly 24 years in the industry. He joined the Aditya Birla Group in early 1994 and has worked closely in various units and projects of the group including fertilizer and copper smelting units, financial services business and power projects.
12. **Mr. Karam Chopra (CEO & Principal Officer, Aditya Birla Insurance Brokers Ltd. [ABIBL])** has more than 2 decades of insurance industry experience, including 15 years at CEO/CXO level. He has a strong track record of building profitable businesses in India and Thailand. Prior to joining ABIBL, Karan held Chief Executive Officer positions at Hero Insurance Broking India Private Limited and Thaisri Insurance Public Company Limited.

Our recent Rising Star recommendations and price performance

Sr.No.	Company Name	NSE Symbol	Initiated Date	Initiated Price	*CMP	Return (%) since initiated date	Latest rec. Date	Latest Target	High price since initiation	Return (%) based on High price since initiation
1	APL Apollo Tubes Ltd.	APLAPOLLO	25 Apr 23	1,219.0	1,357.2	11.3	20 Aug 24	1,669.0	1,806.2	48.2
2	Stylam Industries Ltd.	STYLAMIND	27 Apr 23	1,150.0	1,938.5	68.6	13 Feb 24	1,886.0	2,100.0	82.6
3	Star Cement Ltd.	STARCEMENT	05 May 23	123.2	224.3	82.1	14 Aug 24	240.0	256.0	107.8
4	JK Lakshmi Cement Ltd.	JKLAKSHMI	24 May 23	705.0	792.5	12.4	07 Aug 24	963.0	998.4	41.6
5	Dhanuka Agritech Ltd.	DHANUKA	29 May 23	711.0	1,795.8	152.6	05 Aug 24	2,223.0	1,926.4	170.9
6	Zen Technologies Ltd.	ZENTEC	12 Jul 23	520.0	1,783.0	242.9	30 Jul 24	2,041.0	1,784.0	243.1
7	SJS Enterprises Ltd.	SJS	05 Oct 23	680.0	1,041.0	53.1	09 Aug 24	1,269.0	1,095.6	61.1
8	KPI Green Energy Ltd.	KPIGREEN	17 Nov 23	389.3	937.8	140.9	14 Aug 24	1,246.0	1,116.0	186.7
9	Syrma SGS Technology Ltd.	SYRMA	06 Dec 23	590.0	440.0	-25.4	08 Aug 24	505.0	705.0	19.5
10	Senco Gold Ltd.	SENCO	11 Dec 23	721.6	1,090.2	51.1	27 May 24	1,025.0	1,176.8	63.1
11	Satin Creditcare Network Ltd.	SATIN	10 Jan 24	259.0	209.7	-19.0	02 May 24	324.0	283.7	9.5
12	Hi-Tech Pipes Ltd.	HITECH	31 Jul 24	149.0	187.75	26.0	31 Jul 24	190.0	192.8	29.4

*CMP is the closing price of 21st Aug 2024

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