

April 27, 2022

**RESULT REPORT Q4 FY22** | Sector: Asset Managers

# Aditya Birla Sun Life AMC

Management alludes to better days for equity business

## Result Highlights

- ✓ **Revenue:** Revenue from operations at Rs 3,235mn was down/up -3.2%/2.6% QoQ/YoY, lagging the QAAUM degrowth/growth of -1%/10% QoQ/YoY
- ✓ **Share of Equity in AUM:** Share of Equity in AUM (including Hybrid funds) at 41% was up 18 bps QoQ and 493 bps YoY (calculated on rounded off figures)
- ✓ **Share of B-30 in AUM:** Share of B-30 in AUM at 16% was down -15 bps QoQ and -70 bps YoY
- ✓ **Channel mix:** Share of MFDs, Banks, NDs and Direct was 31%, 10%, 15% and 44%, respectively in overall AUM (Ex-ETF)
- ✓ **Operating profit margin:** Operating profit margin for the quarter, at 60.6%, was down -1131 bps QoQ and -327 bps YoY

## Our view - Management alludes to better days for equity business

Calculated operating revenue to AUM (yield) inched lower 1bp from 45 bps to 44 bps on sequential basis: The key reasons for pressure on yield is size issues and new money coming in at higher expenses. As per management, there would continue to be a slight drop in TER going forward.

**Management commentary alluded to potentially improved market share in the equity segment going forward:** The pace of decline in Equity segment market share has reduced in 2HFY22. There has been an improvement in contribution from the banking channel. Furthermore, in FY23, the industry focus on NFOs would be reduced in comparison to FY22, which would help the company. Also, there is an acute focus on SIP business at the company and the target is to do a business of Rs 10bn on a monthly run rate basis. Fund performance has also improved in certain key funds.

**We maintain 'BUY' rating on ABSL AMC (ABSL) with a revised price target of Rs 692:** We value ABSL at 25.5x FY23 P/E for an FY21-24E EPS CAGR of 20.6%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

## Exhibit 1: Result table

Rs mn	Q4FY22	Q4FY21	YoY	Q3FY22	QoQ
Revenue from operation	3,235	3,153	2.6%	3,343	-3.2%
As % of QAUM <sup>^</sup>	0.4%	0.5%	-3bps	0.4%	-1bps
Fees and Commission Expenses	41	58	-29.5%	50	-18.2%
As % of revenue	1.3%	1.8%	-57bps	1.5%	-23bps
Employee Benefit Expenses	669	628	6.5%	416	60.7%
As % of revenue	20.7%	19.9%	76bps	12.4%	822bps
Other Expenses	567	455	24.6%	475	19.4%
As % of revenue	17.5%	14.4%	309bps	14.2%	331bps
<b>Total Expense</b>	<b>1,276</b>	<b>1,141</b>	<b>11.9%</b>	<b>941</b>	<b>35.7%</b>
<b>Operating Profit</b>	<b>1,959</b>	<b>2,013</b>	<b>-2.7%</b>	<b>2,402</b>	<b>-18.4%</b>
As % of QAUM <sup>^</sup>	0.3%	0.3%	-3bps	0.3%	-6bps
As % of revenue	60.6%	63.8%	-327bps	71.9%	-1131bps
Other Income	235	169	39.3%	187	25.5%
Finance cost	12	12	-7.5%	12	-0.1%
Depreciation	90	92	-2.3%	88	1.4%
<b>Profit before Tax</b>	<b>2,093</b>	<b>2,077</b>	<b>0.8%</b>	<b>2,490</b>	<b>-15.9%</b>
Tax Expense	508	510	-0.4%	627	-19.0%
<b>Profit After Tax</b>	<b>1,585</b>	<b>1,567</b>	<b>1.1%</b>	<b>1,862</b>	<b>-14.9%</b>
As % of QAUM <sup>^</sup>	0.2%	0.2%	-2bps	0.2%	-3bps
As % of revenue	49.0%	49.7%	-71bps	55.7%	-671bps

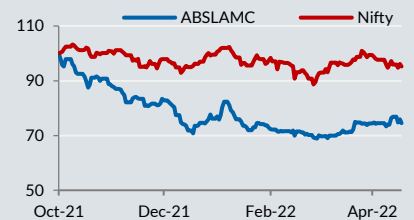
Source: Company, YES Sec-Research, <sup>^</sup>Annualised

Reco	: BUY
CMP	: Rs 530
Target Price	: Rs 692
Potential Return	: 30%

## Stock data (as on April 27, 2022)

Nifty	17,038
52 Week h/l (Rs)	723 / 483
Market cap (Rs/USD mn)	152683 / 1995
Outstanding Shares (mn)	288
6m Avg t/o (Rs mn):	166
Div yield (%):	1.1
Bloomberg code:	ABSLAMC IN
NSE code:	ABSLAMC

## Stock performance



	1M	3M	1Y
Absolute return	4.7%	1.9%	NA

## Shareholding pattern (As of Mar'22 end)

Promoter	86.5%
FII+DII	6.6%
Others	6.9%

## Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	692	700

## Financial Summary

Rs mn	FY22	FY23E	FY24E
Net Revenue	12,930	15,249	17,562
YoY Growth	21.1%	17.9%	15.2%
EBIDTA Margin	63.4%	60.4%	61.7%
PAT	6,728	7,813	9,229
YoY Growth	27.8%	16.1%	18.1%
ROE	34.5%	32.1%	31.4%
EPS (Rs)	23.4	27.1	32.0
P/E (x)	22.7	19.5	16.5
BV (Rs)	76.3	92.5	111.8
P/BV (x)	7.0	5.7	4.7

## Δ in earnings estimates

Rs.	FY22E	FY23E	FY24E
EPS (New)	NA	27.1	32.0
EPS (Old)	NA	28.0	33.0
% change	NA	-2.9%	-3.0%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### AUM aspects

- ✓ **Total MF AUM**
  - Total MF AUM rose 10% YoY to Rs 2958bn as of FY22.
- ✓ **Equity AUM**
  - Equity AUM rose 25% YoY to Rs 1210bn as of FY22.
  - Share of Equity AUM in Total MF AUM rose from 36% to 41% YoY.
  - **Market share in Equity segment**
    - The pace of decline in Equity segment market share has reduced in 2HFY22.
    - There has been an improvement in contribution from the banking channel.
    - In FY23, the industry focus on NFOs would be reduced in comparison to FY22, which would help the company.
    - There is an acute focus on SIP business at the company and the target is to do a business of Rs 10bn on a monthly run rate basis.
  - **SIP business**
    - The outstanding SIP accounts for the company are 3.17mn, which accounts for a market share of 2.5%.
    - The incremental SIP accounts have been 324,000, which account for a market share of 4.5%, pointing to an improvement.
- ✓ **Passive AUM**
  - Passive AUM has crossed Rs 9bn in March 2022.
  - Passive business is currently a small proportion of overall business but its share would continue to inch up.
  - As such, the company does not see passive business impacting overall margin meaningfully (in a negative way) for the next 3-4 years.
  - The company has 14 passive funds in the launch pipeline including a Smart Beta Fund, which would be a higher margin product.
- ✓ **B-30 AUM**
  - Total B-30 AUM is Rs 460bn.
  - 75% of this AUM is in the equity segment.
- ✓ **Debt AUM**
  - The fixed income average AUM stood at Rs 1272bn.
  - Management stated that fixed income business would remain muted for 6-12 months after which, there would be a recovery as investors would then find the yield attractive.
- ✓ **Folios**
  - The company has added around 1.29mn folios in FY22.
  - Serviced 7.9mn folios as of FY22.

### Yield aspects

- ✓ **Overall yield**
  - Overall yield would be about 41 bps.
  - The key reasons for pressure on yield is size issues and new money coming in at higher expenses.
  - The sharing proportion with the distributor would remain at about 60%.
  - There would continue to be a slight drop in TER going forward.

(Con call takeaways continue on the next page)

# Aditya Birla Sun Life AMC

✓ **Passive business**

- The yield on the Smart Beta Fund would be 60-80 bps on gross basis and 35-40 bps on a net basis.
- This is higher in a comparison to the existing overall passive fund yield of 10-12 bps.

**Operating expenses**

✓ **Other operating expenses**

- The quarterly run rate for other expenses has generally been about Rs 0.55bn and would remain so, with some inflation.
- Other expenses have increased somewhat due to marketing and opening up post-Covid.

✓ **Staff expenses**

- There has been a slight drop in bonus provision in 4QFY22.
- Variable pay is generally 20-25% of the broad salary kitty.

**Dividend policy**

- ✓ 50% of PAT will be set aside for dividend.
- ✓ As cash balance improves, this could change.

## Exhibit 2: Other Business Parameters

Rs mn	Q4FY22	Q4FY21	YoY	Q3FY22	QoQ
MF QAAUM	2,958,049	2,692,780	10%	2,987,628	-1.0%
Individual share	47%	47%	-50bps	47%	-68bps
SIP AUM	520,000	418,410	24%	501,000	4%
<b>AAUM Mix</b>					
Alternate and Offshore - Others	9,000	22,350	-60%	10,000	-10%
Domestic - Liquid	476,000	430,570	11%	417,000	14%
Domestic - Fixed Income	1,272,000	1,292,870	-2%	1,351,000	-6%
Alternate and Offshore - Equity	107,000	95,220	12%	111,000	-4%
Domestic - Equity	1,210,000	969,340	25%	1,220,000	-1%
<b>QAAUM Mix (% proportion)</b>					
Alternate and Offshore - Others	0.3%	0.8%	-50bps	0.3%	-3bps
Domestic - Liquid	15.5%	15.3%	16bps	13.4%	207bps
Domestic - Fixed Income	41.4%	46.0%	-462bps	43.5%	-208bps
Alternate and Offshore - Equity	3.5%	3.4%	9bps	3.6%	-9bps
Domestic - Equity	39.4%	34.5%	487bps	39.2%	12bps
<b>Channel Mix (% proportion)</b>					
Bank	10%	9%	100bps	10%	0bps
National Distributor	15%	15%	0bps	15%	0bps
MFDs	31%	31%	0bps	32%	-100bps
Direct	44%	45%	-100bps	43%	100bps
<b>Geographical Spread</b>					
T-30	84%	84%	70bps	84%	15bps
B-30	16%	16%	-70bps	16%	-15bps

Source: Company, YES Sec - Research

## Exhibit 3: Quarterly Actuals Vs Estimates

Q4FY22 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	3,235	3,396	(4.7)
EBITDA	1,959	2,440	(19.7)
PAT	1,585	1,889	(16.1)

Source: Company, YES Sec - Research

## ANNUAL CONSOLIDATED FINANCIALS

### Exhibit 4: Balance sheet statement

(Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Share Capital	180	180	1,440	1,440	1,440
Share Warrants & Outstanding	0	0	0	0	0
Total Reserves	12,989	16,866	20,525	25,212	30,750
<b>Shareholder's Funds</b>	<b>13,169</b>	<b>17,046</b>	<b>21,965</b>	<b>26,652</b>	<b>32,190</b>
Minority Interest	0	0	0	0	0
Trade Payables	474	374	304	319	335
Lease liabilities	621	593	544	619	684
Other financial liabilities	469	466	659	692	727
Total Financial Liabilities	1,564	1,433	1,507	1,631	1,746
Current tax liabilities	0	94	0	0	0
Provisions	705	945	375	393	413
Deferred Tax Liabilities (net)	146	137	252	265	278
Other non-financial liabilities	135	189	249	262	275
Total Non-Financial Liabilities	987	1,366	876	919	965
<b>TOTAL LIABILITIES</b>	<b>15,720</b>	<b>19,846</b>	<b>24,347</b>	<b>29,203</b>	<b>34,901</b>
Cash and Bank	469	568	979	1,455	3,193
Trade receivables	405	310	262	275	288
Loans	1	0	0	0	0
Investments	12,634	17,263	21,210	25,452	29,270
Other Financial assets	129	192	183	192	201
Total Financial Assets	13,638	18,333	22,634	27,373	32,952
Current tax assets (net)	274	169	305	321	337
Property, plant and equipment	191	122	137	152	164
Right of use assets	547	516	485	561	625
Capital Work in Progress	2	1	15	16	17
Intangible assets under development	8	10	14	15	15
Other intangible assets	124	133	98	73	65
Other non-financial assets	936	562	659	692	726
Total Non-Financial Assets	2,082	1,513	1,714	1,830	1,949
<b>TOTAL ASSETS</b>	<b>15,720</b>	<b>19,846</b>	<b>24,347</b>	<b>29,203</b>	<b>34,901</b>

Source: Company, YES Sec - Research

### Exhibit 5: Profit & Loss statement

(Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue excl. treasury income	11,597	10,679	12,930	15,249	17,562
Operating Expense					
Fees and Commission	751	471	198	537	609
Employee Expense	2,420	2,407	2,532	3,254	3,645
Other Expenses	2,150	1,792	2,003	2,248	2,473
<b>Total Expenses</b>	<b>5,321</b>	<b>4,670</b>	<b>4,733</b>	<b>6,040</b>	<b>6,726</b>
<b>Operating Profit</b>	<b>6,276</b>	<b>6,010</b>	<b>8,196</b>	<b>9,209</b>	<b>10,836</b>
Other Income	751	1,379	1,156	1,633	1,915
Depreciation	365	374	356	374	393
Finance Cost	54	56	49	51	54
<b>Profit before Tax</b>	<b>6,607</b>	<b>6,959</b>	<b>8,947</b>	<b>10,417</b>	<b>12,305</b>
Tax	1,663	1,696	2,219	2,604	3,076
<b>Net Profit</b>	<b>4,944</b>	<b>5,263</b>	<b>6,728</b>	<b>7,813</b>	<b>9,229</b>

Source: Company, YES Sec - Research

## Exhibit 6: Cash flow statement

(Rs mn)	FY20	FY21	FY22	FY23E	FY24E
PBT	6,607	6,959	8,947	10,417	12,305
Depreciation	146	150	160	150	157
Change in working cap	(429)	(5)	(22)	2	2
Tax paid	(1,663)	(1,696)	(2,219)	(2,604)	(3,076)
Others	(697)	(1,324)	(1,107)	(1,582)	(1,862)
<b>Cash flow from operations</b>	<b>3,964</b>	<b>4,084</b>	<b>5,759</b>	<b>6,383</b>	<b>7,527</b>
Capex	97	90	2	(141)	(162)
Change in investments	(1,253)	(4,629)	(3,947)	(4,242)	(3,818)
Others	652	417	(223)	(57)	(60)
<b>Cash flow from investments</b>	<b>(503)</b>	<b>(4,122)</b>	<b>(4,169)</b>	<b>(4,441)</b>	<b>(4,040)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Dividend (incl tax)	(3,300)	(2,106)	(3,298)	(3,125)	(3,692)
Others	750	1,672	810	1,659	1,942
<b>Cash flow from financing</b>	<b>(2,550)</b>	<b>(434)</b>	<b>(2,488)</b>	<b>(1,466)</b>	<b>(1,749)</b>
<b>Net change in cash</b>	<b>911</b>	<b>(471)</b>	<b>(898)</b>	<b>476</b>	<b>1,738</b>

Source: Company, YES Sec – Research

## Exhibit 7: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	NA	15,249	17,562	13,293	15,692	18,077	NA	(2.8)	(2.8)
Operating Profit	NA	9,209	10,836	8,205	9,547	11,231	NA	(3.5)	(3.5)
Profit After Tax	NA	7,813	9,229	6,834	8,050	9,511	NA	(2.9)	(3.0)

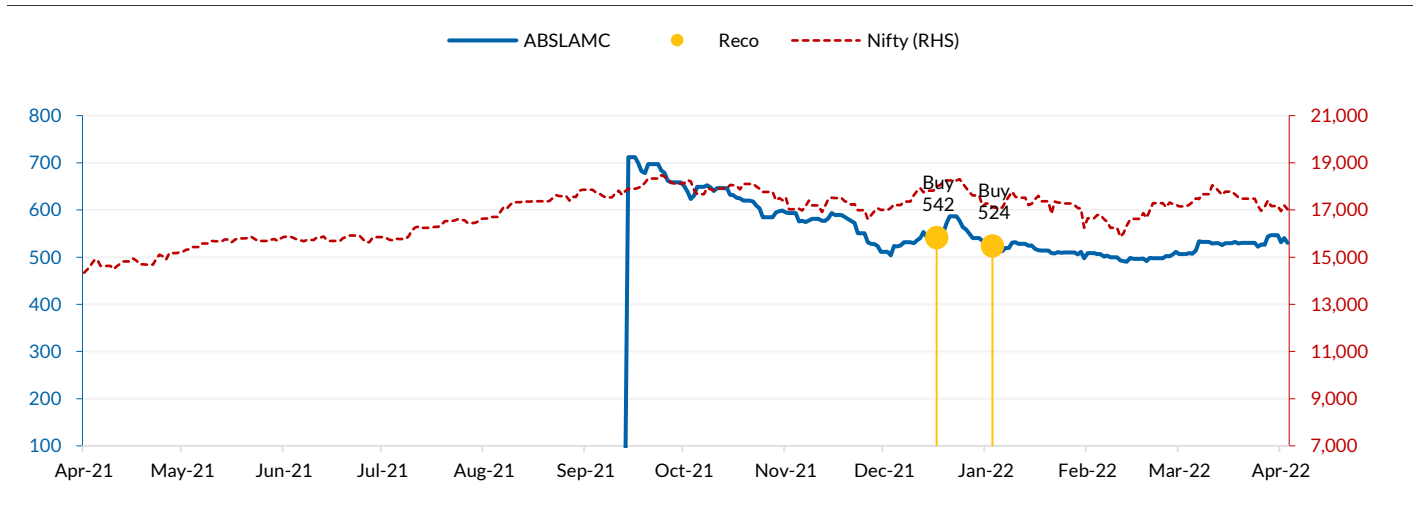
Source: Company, YES Sec – Research

## Exhibit 8: Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
<b>Growth ratios (%)</b>					
AAUM	1.3%	-2.7%	19.7%	14.8%	13.2%
Revenue excl. investment income	-12.6%	-7.9%	21.1%	17.9%	15.2%
Total Expenses	-26.4%	-12.2%	1.4%	27.6%	11.4%
Operating Profit	4.0%	-4.2%	36.4%	12.4%	17.7%
Profit Before Tax	2.3%	5.3%	28.6%	16.4%	18.1%
Net profit	10.7%	6.4%	27.8%	16.1%	18.1%
<b>As a % of Avg AUM</b>					
Revenue excl. investment income	0.46%	0.44%	0.44%	0.45%	0.46%
Operating Expense	0.21%	0.19%	0.16%	0.18%	0.18%
Operating Profit	0.25%	0.25%	0.28%	0.27%	0.28%
PBT	0.26%	0.28%	0.31%	0.31%	0.32%
Net profit	0.20%	0.22%	0.23%	0.23%	0.24%
<b>Operating Ratios</b>					
Operating Profit Margin	54.1%	56.3%	63.4%	60.4%	61.7%
PBT Margin	57.0%	65.2%	69.2%	68.3%	70.1%
PAT Margin	42.6%	49.3%	52.0%	51.2%	52.5%
ROE	39.0%	34.8%	34.5%	32.1%	31.4%
Dividend Payout Ratio	66.7%	40.0%	49.0%	40.0%	40.0%
<b>Per share</b>					
EPS, Rs.	17.2	18.3	23.4	27.1	32.0
Book Value, Rs.	45.7	59.2	76.3	92.5	111.8
<b>Valuation Ratios</b>					
P/E, x	30.9	29.0	22.7	19.5	16.5
P/BV, x	11.6	9.0	7.0	5.7	4.7
Mcap to AUM, %	6.1%	6.2%	5.2%	4.5%	4.0%
Dividend Yield, %	2.2%	1.4%	2.2%	2.0%	2.4%

Source: Company, YES Sec – Research

## Recommendation Tracker





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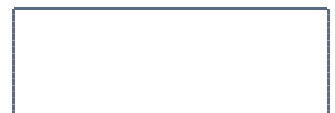
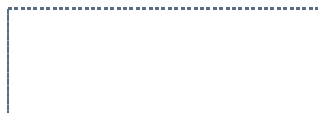
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3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
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6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	Yes
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
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Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.



**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX: INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code - 94338.

**Details of Compliance Officer:** Name: Vaibhav Purohit, Email id: compliance@ysil.in, Contact No: +91-22-6885 0278