

# Aditya Birla Capital

## Undervalued franchise looking for new stars

Aditya Birla Capital (ABCL) journey to drive consolidated return ratios closer to franchise potential over the next three years is on track across businesses. ABCL is steadily repositioning its lending business mix towards retail and granular loans (60% of NBFC AUM is towards Retail + SME + HNI; 35% of HF AUM is skewed towards affordable segment), which is gradually reflecting in a sustained improvement in franchise earnings. The insurance businesses are steadily building their profitability trajectory - the LI business, despite soft growth, witnessed better net VNB margins at 11.2% while the health insurance business remains on track to break even over the next couple of quarters. We maintain BUY on ABCL with a revised SOTP-based TP of INR157 and initiate coverage on ABSLAMC with a target price of INR720 (29x Sep-23 NOPLAT+ cash and investments).

- **Lending businesses on track:** ABFL (NBFC) and ABHFL (HFC) continued to track the FY24 management guidance in terms of NIMs, AUM mix and RoA. ABFL reported NIM of 6.2% on the back of improving retail mix within the portfolio (60%), which alongside lower credit costs (1.4%) helped deliver 2.3% RoA. ABHFL reported NIMs at 4.2%, with a higher share of affordable housing (35%) and delivered 1.8% RoA. Asset quality was broadly steady for both businesses (GS-III + restructured at 7.8% and 9.5% respectively) despite a gradual portfolio re-risking.
- **Promising trends in insurance businesses:** ABSLI's Individual APE growth for Q3FY22 was relatively soft (+12% YoY, 2y CAGR at 8%); however, share of high-margin protection and NPAR savings improved 76/560bps QoQ to 6.5%/54% in the mix, driving higher net VNB margin at 11.2% (+530bps YoY). Price hikes in the protection segment are in the range of 10-25%, while ABSLI also increased its sum assured retention to INR4mn (from INR2mn). Growth in ABHI remained robust (+33% YoY) despite a high base. Loss ratios remain elevated at 61% (+760bps YoY) due to spillover of COVID claims. We see a line of sight to the health insurance business breaking even over the next couple of quarters (exit Q4FY22E/Q1FY23E).
- **AMC business - star in the pack:** With an extremely strong distribution network, Aditya Birla Sun Life AMC (ABSLAMC) emerges as a formidable franchise on our proprietary AMC Franchise Scorecard. ABSLAMC manages the fourth-largest mutual fund and is one of the most profitable AMC franchises (operating profit at 23bps of AAUM). With share of high-yielding equity within the AAUM poised to rise to 42% by FY24E and the resulting operating leverage (OP at >25bps of AAUM), the AMC business earnings trajectory is likely to be stronger (three-year NOPLAT CAGR at 16%). We initiate with a BUY rating and a TP of INR720 (29x Sep-23E NOPLAT + cash and investments).

### ABCL Valuation - Sum of the Parts

	ABCL Share	ABCL stake (INR bn)	Value/sh (INR)	Comments
ABFL	100%	186	76.9	RI-based multiple of 2.0x Sep-23 ABVPS
ABHFL	100%	29	11.8	RI-based multiple of 1.6x Sep-23 ABVPS
ABSLI	51%	69	28.4	1.5x Sep-23E Embedded value
ABHI	51%	6	2.3	35x Sep-23E PAT
ABSLAMC	50%	100	41.4	29x Sep-23E NOPLAT + cash and investments
Others	100%	7	3.0	1x investment (Net worth)
<b>TOTAL</b>		<b>396</b>	<b>163.9</b>	
Hold co. discount			7.2	10% for non-wholly-owned subsidiaries
<b>SOTP</b>			<b>157</b>	

Source: Company, HSIE Research

## BUY

CMP (as on 4 Feb 2022)	INR124
Target Price	INR157
NIFTY	17,516

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR155	INR157
EPS %	FY22E	FY23E
	NA	NA

### KEY STOCK DATA

Bloomberg code	ABCAP IN
No. of Shares (mn)	2,416
MCap (INR bn) / (\$ mn)	299/4,015
6m avg traded value (INR mn)	572
52 Week high / low	INR 140/88

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.3	1.4	37.2
Relative (%)	19.7	(6.7)	21.6

### SHAREHOLDING PATTERN (%)

	Sep-21	Dec-21
Promoters	70.7	71.0
FIs & Local MFs	11.8	11.5
FPIs	2.4	2.4
Public & Others	15.2	15.0
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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# Aditya Birla Sun Life AMC

## Citius, Altius, Fortius

With an extremely strong and diversified distribution network, Aditya Birla Sun Life AMC (ABSLAMC) emerges as a formidable force in our proprietary AMC Franchise Scorecard. ABSLAMC manages India's fourth-largest mutual fund and among the most profitable AMC franchises (OP at 23bps of AAUM in FY21). With its share of higher-yielding equity in the AAUM poised to rise 683bps to 41.8% over FY21-24E and the resulting operating leverage (OP as bps of AAUM to improve from 23.3bps to 25.9bps), ABSLAMC's profitability trajectory is slated to become incrementally stronger (FY21-24E NOPLAT CAGR at 16.4%). We initiate with a BUY and a target price of INR720/share (29x Sep-23E NOPLAT + Sep'22 cash and investments), 11% discount to NAM.

- **Formidable distribution network:** ABSLAMC is firmly entrenched as a well-penetrated retail franchise (B-30 as % of AAUM at 16%) on the back of a formidable IFA channel, with an AAUM market share of ~7.7% and market leadership in the fixed income segment (market share of >10%).
- **Wind beneath the sails - built for speed:** Having emerged largely unscathed and incident-free from the corporate default episodes during FY18-20, ABSLAMC has demonstrated a relatively pristine investment portfolio despite a waning outperformance score over the past year. With employee costs at sub-10bps of average AUMs (amongst the lowest in the industry), ABSLAMC runs an extremely lean, well-diversified, and scalable franchise that is built for speed, reflecting in the acceleration seen in key operating vectors (individual and retail AUM, B-30 AUM, and NOPLAT), which is likely to sustain further. We believe its leadership in B-30 markets and focus on cross-sell to existing customers will help it gain market share.
- **Operating leverage potential to marginally reflate RoEs:** With the share of higher-yielding equity in the AAUM mix likely to rise to 41.8% by FY24E (FY21: 35%), we expect a three-year revenue CAGR of 12%. With strong growth in AAUM (FY21-24E CAGR of ~12.6%), we expect economies of scale to kick in as operating expenses ease marginally (by ~2.5bps as % of AAUM) over FY21-24E. This is expected to result in an operating profit CAGR of 16.8% between FY21E and FY24E.
- **Valuation:** We initiate coverage with BUY rating and a target price of INR720/share (29x Sep-23E NOPLAT + Sep-22 cash and investments).
- **Key risks:** Key industry risks are (1) macro slowdown, (2) sustained equity bear market, (3) disproportionate growth in passives, and (4) increased competition from new players foraying into AMC business (MF distributors, FinTechs, etc.). Company-specific risks include negative AUM performance surprises and higher-than-expected moderation in equity yields.

### Financial Summary

(INR mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenues	11,597	10,679	12,929	14,163	15,138
Operating profit	5,856	5,580	7,599	8,349	8,899
NOPLAT	4,382	4,220	5,684	6,245	6,657
APAT	4,944	5,263	6,508	7,063	7,619
EV/NOPLAT (x)	32.1	33.1	24.3	21.7	20.0
P/E (x)	30.9	29.0	23.5	21.6	20.0
RoE (%)	38.9	37.6	40.4	37.8	28.1

Source: Company, HSIE Research

## BUY

CMP (as on 4 Feb 2022)	INR 530
Target Price	INR 720
NIFTY	17,516

KEY CHANGES	OLD	NEW
Rating	-	BUY
Price Target	NA	INR 720
EPS %	FY22E	FY23E
	Nil	Nil

### KEY STOCK DATA

Bloomberg code	ABSLAMC IN
No. of Shares (mn)	288
MCap (INR bn) / (\$ mn)	152/2,045
6m avg traded value (INR mn)	-
52 Week high / low	INR 723/499

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(18.3)	-	-
Relative (%)	(15.9)	-	-

### SHAREHOLDING PATTERN (%)

	Sep-21	Dec-21
Promoters	NA	86.5
FIs & Local MFs	NA	5.0
FPIs	NA	1.5
Public & Others	NA	7.0
Pledged Shares	Nil	Nil

Source : BSE

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## Benchmarking the asset management business

### Revisiting the AMC Franchise Scorecard (AMC-FS)

We revisit our proprietary Asset Management Company Franchise Scorecard (AMC-FS), which uses a combination of metrics that encompass distribution, granularity, equity performance, growth, and financial performance.

#### Exhibit 1: AMC Franchise Scorecard (AMC-FS)

Recent equity outperformance has waned compared to peers

Retail AUM growth is one of the fastest amongst major players

Healthy share of B-30 AUM in mix demonstrates granularity

Operating margins are better than NAM and UTIAM, showcasing a lean and highly profitable franchise

	ABSLAMC	HDFCAMC	NAMC	UTIAM	SBIAMC	IPRUAMC
<b>PILLAR I: Equity performance</b>						
Outperforming AUM as a % of rated AUM (Dec-21)						
Outperforming AUM as a % of rated AUM (Oct-20)						
Outperforming AUM as a % of rated AUM (Mar-20)						
Equity m. Share*						
Share of equity in AUM*						
<b>PILLAR II: Granularity</b>						
Retail AUM share in mix*						
Individual AUM share in mix*						
Retail AUM M. Share*						
Individual AUM M. Share*						
Individual AUM CAGR FY15-8MFY22						
Retail AUM CAGR FY15-8MFY22						
<b>PILLAR III: Distribution</b>						
B-30 market share*						
B-30 mix within AUM*						
B-30 AUM CAGR FY15-8MFY22						
<b>PILLAR IV: Financial Strength</b>						
OP margin						
RoE						
OP as bps of AAUM						
<b>6Y CAGR FY15-FY21</b>						
Revenue						
NOPLAT						
PAT						

Note: Full circle denotes the best AMC for every parameter; \* represents Nov-21 data; Pillar IV represents data until FY20 for SBIAMC and IPRUAMC

Source: Companies, NAV India, Value Research, HSIE Research

## AMC-FS parameters definition

### Pillar I: Equity performance

- **Outperforming AUM as a % of rated AUM:** Indicates the share of outperforming AUM (4-star and plus) as a % of rated AUM. Rated AUM denotes the share of AUM rated by Value Research within total AUM.
- **Equity market share:** Denotes share of each franchise's equity AUM within the overall industry equity AUM.
- **Share of equity in AUM:** Captures the average share of equity AUM within total AUM for each franchise.

### Pillar II: Granularity

- **Retail AUM share in mix:** Captures the share of retail AUM within total AUM for each franchise. Retail AUM is defined as <INR 0.2mn/transaction.
- **Individual AUM share in mix:** Captures the share of individual (retail + HNI) AUM within total AUM for each franchise.
- **Retail AUM market share:** Denotes the share of each franchise's retail AUM within the overall industry retail AUM.
- **Individual AUM market share:** Denotes the share of each franchise's individual AUM within the overall industry individual AUM.
- **Retail AUM CAGR (FY15-8MFY22):** Captures the compounded annual growth in retail AUM over the past ~six years for each franchise.
- **Individual AUM CAGR (FY15-8MFY22):** Captures the compounded annual growth in individual AUM over the past ~six years for each franchise.

### Pillar III: Distribution

- **B-30 market-share:** Denotes the share of each franchise's B-30 AUM within overall industry B-30 AUM.
- **B-30 mix in AUM:** Indicates the share of B-30 AUM within total AUM for each franchise.
- **B-30 AUM CAGR (FY15-8MFY22):** Captures the compounded annual growth in B-30 AUM over the past ~six years for each franchise.

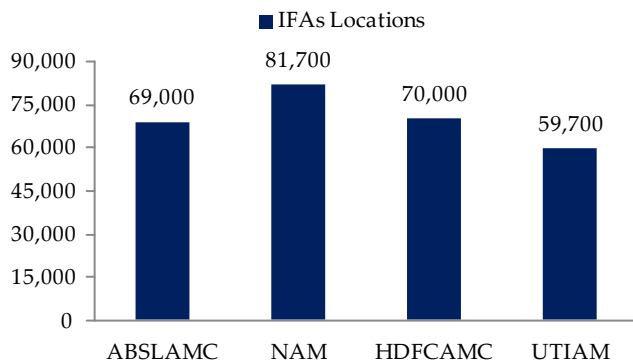
### Pillar IV: Financial strength

- **Operating profit (OP) margin:** Captures profitability in terms of operating profit (PBT-other income) as a % of revenue.
- **Return on equity (RoE):** Captures financial performance by analysing adjusted profit after tax in relation to the shareholder equity.
- **OP as bps of average AUM:** Captures operating profitability by analysing operating profits with average AUM.
- **Revenue CAGR (FY15-FY21):** Captures the compounded annual growth in revenue over the past ~six years for each franchise.
- **NOPLAT CAGR (FY15-FY21):** Captures the compounded annual growth in NOPLAT (PBT less other income adjusted for tax) over the past ~six years for each franchise.
- **PAT CAGR (FY15-FY21):** Captures the compounded annual growth in APAT over the past ~six years for each franchise.

## Formidable distribution network

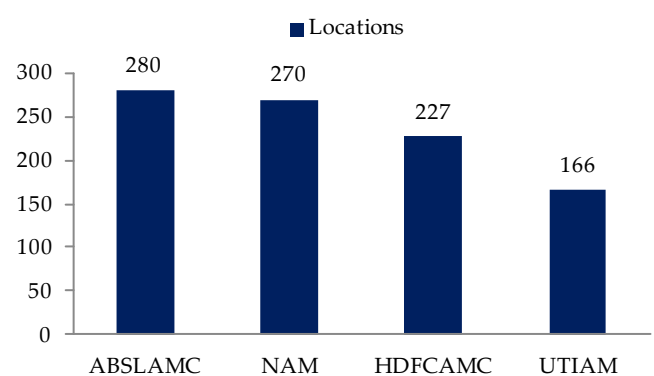
- ABSLAMC is firmly entrenched as a well-penetrated retail franchise (B-30 as % of AAUM at 16%) on the back of a formidable IFA channel, with an AAUM market share of ~7.7% (Nov-21) and market leadership in the fixed income segment (market share of >10%). With a network of ~69k IFAs, ABSLAMC boasts of one of the strongest IFA network amongst its peers.
- Given the fact that ABSLAMC doesn't have an associate banca partner, the company has focused on growth through the highly profitable IFA channel. It strategises on capturing market where it has a lower market share by empanelling IFAs in those regions and opening branches. Given a strong and diversified network as well as the emerging trends in financialisation of savings, ABSLAMC is well-capitalised to capture the underpenetrated market.

**Exhibit 2: Robust IFA network amongst listed peers**



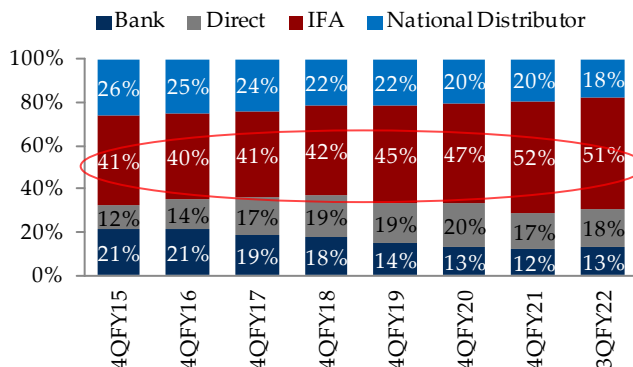
Source: Companies, HSIE Research

**Exhibit 3: Highest branch network vs. listed peers**



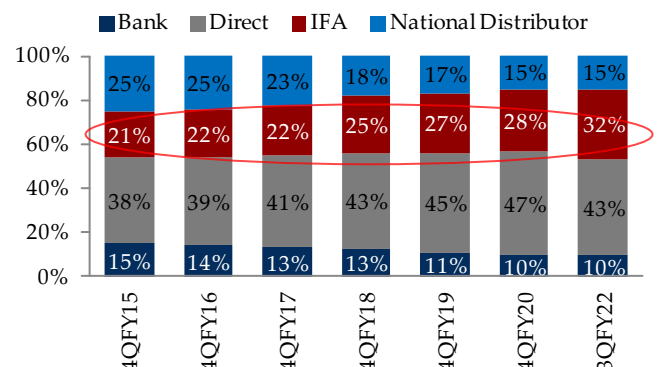
Source: Companies, HSIE Research

**Exhibit 4: Higher share of equity AUM coming from IFAs**



Source: Company, HSIE Research

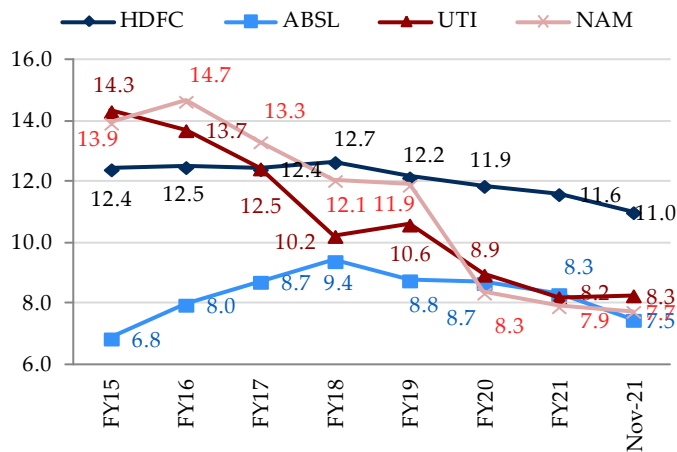
**Exhibit 5: Higher share of total AUM coming from IFAs**



Source: Company, HSIE Research

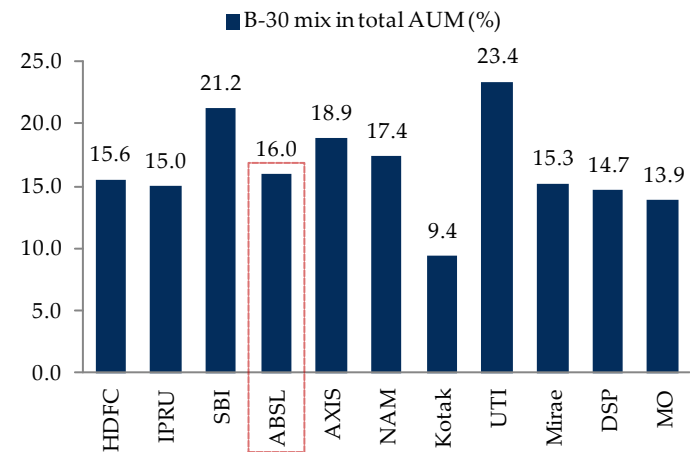


**Exhibit 6: Market-share in B-30 cities vs. listed peers**



Source: Companies, HSIE Research

**Exhibit 7: Higher share of B-30 AUM vs. HDFCMF (Nov-21)**

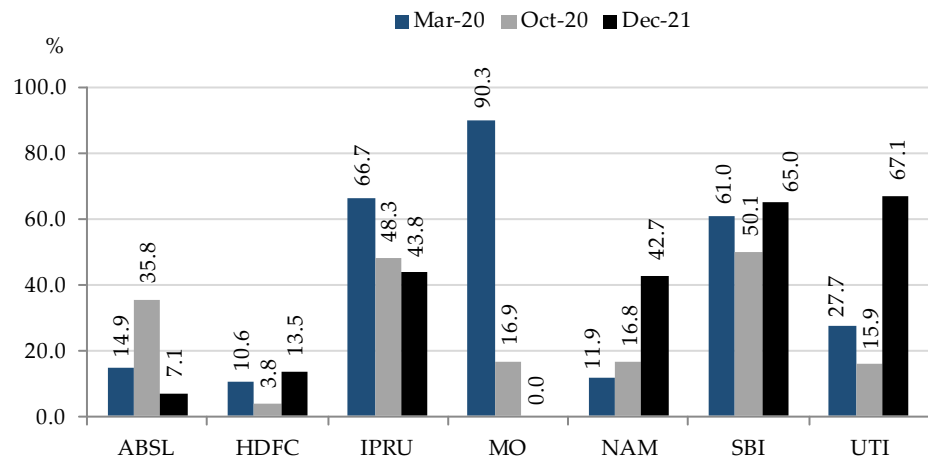


Source: Company, HSIE Research

## Wind beneath the sails - built for speed

- Having emerged largely unscathed and incident-free from the corporate default episodes during FY18-20, ABSLAMC has demonstrated a relatively pristine investment portfolio despite a waning equity AUM outperformance score vs. peers in recent months; refer AMC-FS).
- We believe that ABSLAMC's encouraging equity outperformance, i.e. 36% of the rated equity AUM outperforming (4-star and above) in Oct-20, backed by a strong brand name, is expected to drive inflows and AUMs. Despite the fact that the outperformance has waned in recent months, we believe that the franchise has an extremely competent team to recover lost ground on outperformance.

**Exhibit 8: Outperforming AUM as a % of rated AUM**

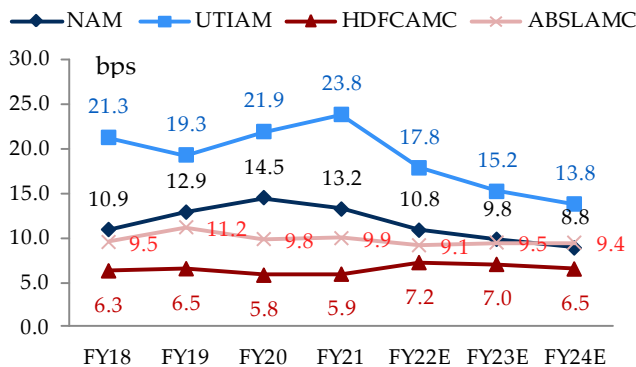


Source: NAV India, Value Research and HSIE Research

- With employee costs at sub-10bps of average AUMs (amongst the lowest in the industry), ABSLAMC runs an extremely lean, well-diversified, and scalable franchise that is built for sustained speed. This is reflected in the acceleration in key operating vectors (retail AUM, B-30 AUM and NOPLAT), which is likely to sustain in the coming years.
- ABSLAMC has relentlessly built a strong retail franchise by increasing stickier and more granular AUM (retail and individual). Thanks to a multi-fold increase in MF folios (18% CAGR over the past six years) and an increasing share of SIP in

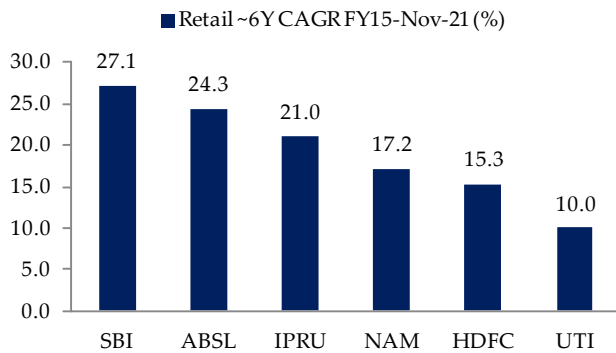
equities AUM, retail AUM has seen super-accelerated growth (second to SBIAMC). This calibrated approach has enabled ABSLAMC to deliver superior NOPLAT (PBT less other income less tax) growth among peers.

**Exhibit 9: Employee cost as bps of AUM vs. listed peers**



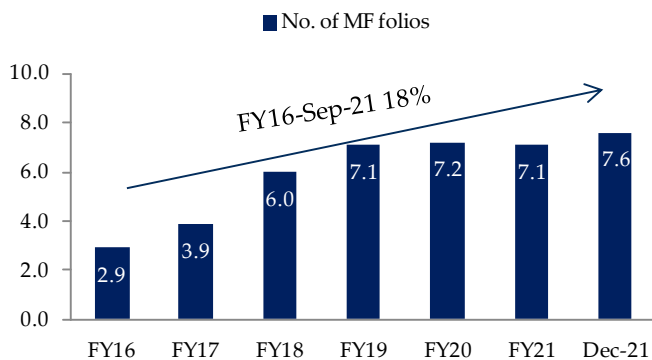
Source: Companies, HSIE Research

**Exhibit 11: ABSLAMC's strong growth in retail AUM**



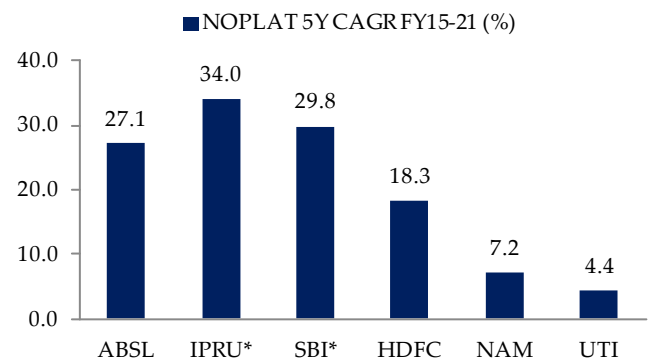
Source: NAV India, HSIE Research

**Exhibit 13: Folios grew at an accelerated pace**



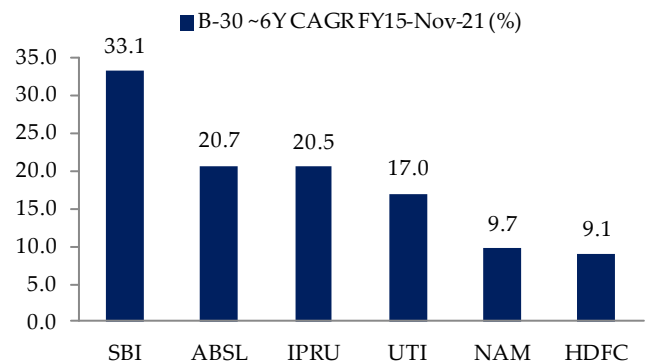
Source: Company, HSIE Research

**Exhibit 10: NOPLAT grew the fastest for ABSLAMC**



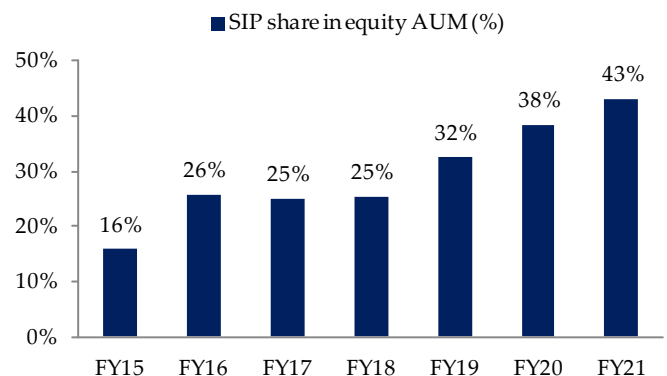
Source: Companies, HSIE Research, \*SBI and IPRU represent FY15-20

**Exhibit 12: ABSLAMC's strong growth in B-30 AUM**



Source: NAV India, HSIE Research

**Exhibit 14: Increasing contribution of SIP to equity AUM**

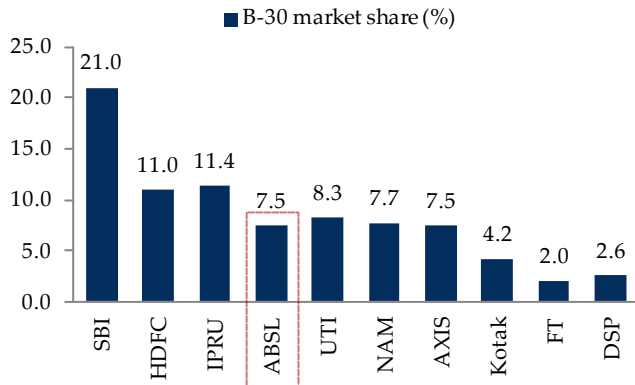


Source: Company, HSIE Research

- We believe the company's leadership in B-30 markets, new fund offerings in new segments, and focus on cross-sell to existing customers provide tailwinds to growth and market share gains.
- ABSLAMC has recently ramped up efforts to close gaps and regain market share, launching seven new NFOs in segments where the company had no prior presence. ABSLAMC is also continuously exploring opportunities in the passives market, where it does not yet have a significant presence (passives market share shy of 0.5%). With an active client base of 31mn and PPC (product per customer) at 1.57 in the AMC business as of 9MFY21, the company has a massive opportunity within the group in terms of cross-sell and up-sell (PPC >2). With

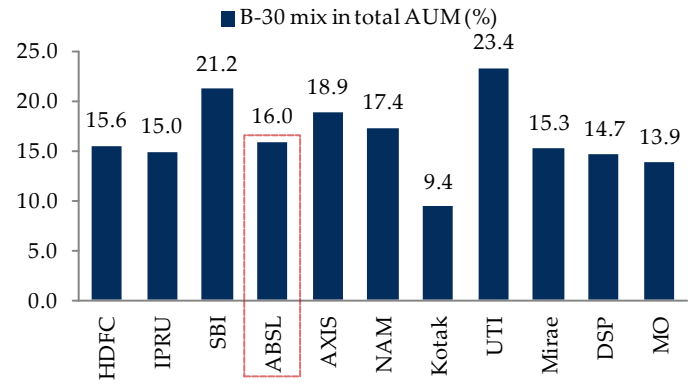
such a large client base, we believe that “cross-selling across businesses” will be a true value creator.

**Exhibit 15: 4<sup>th</sup> largest in B-30 markets despite no associate banca partner**



Source: NAV India and HSIE Research

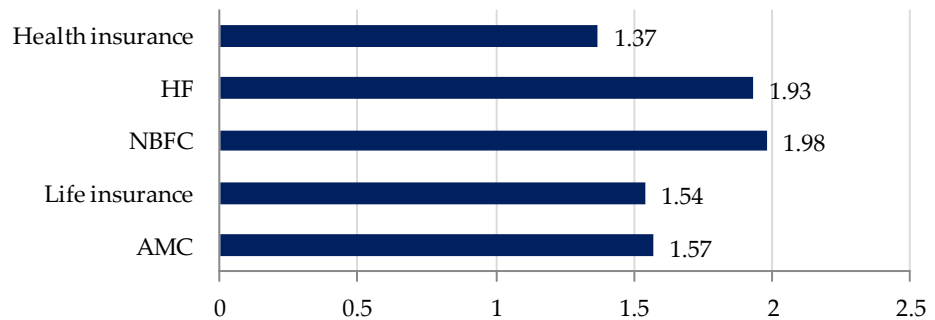
**Exhibit 16: Higher share of B-30 AUM vs. HDFCMF (Nov-21)**



Source: Company, HSIE Research

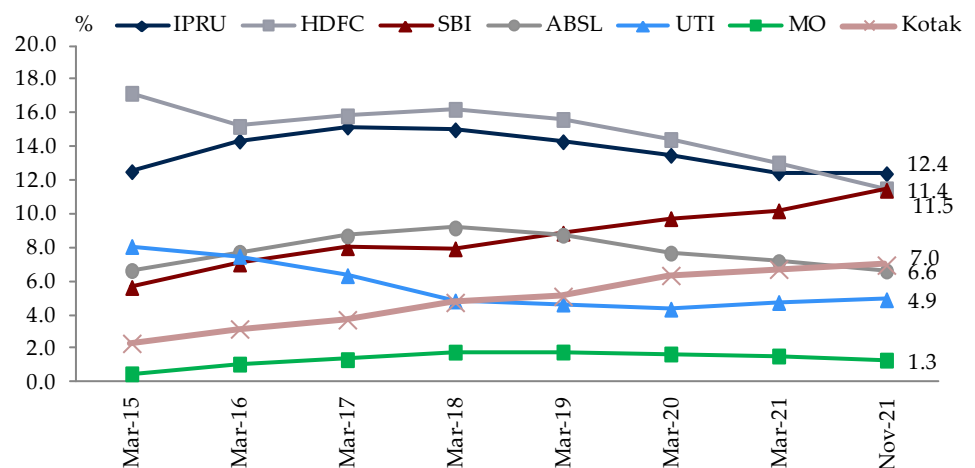
**Exhibit 17: Up-sell opportunity**

## Product per customer



Source: Company, HSIE Research

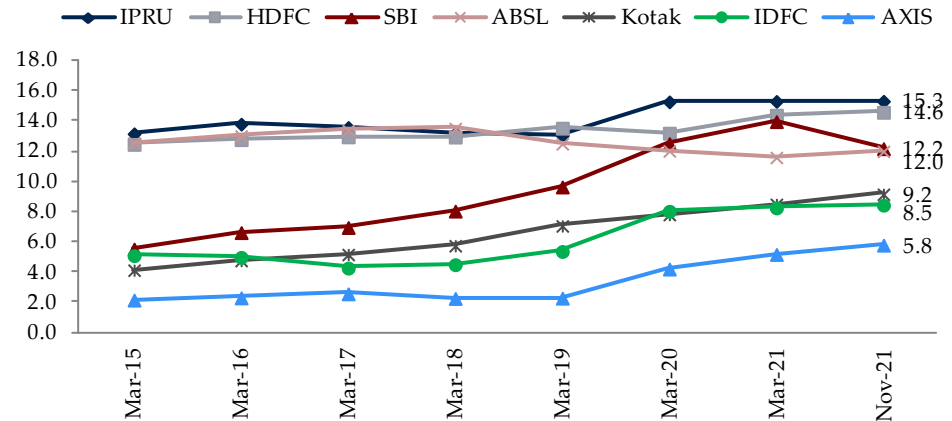
**Exhibit 18: Equity market share across major AMCs**



Source: NAV India, Value Research and HSIE Research



Exhibit 19: Debt market share across major AMCs

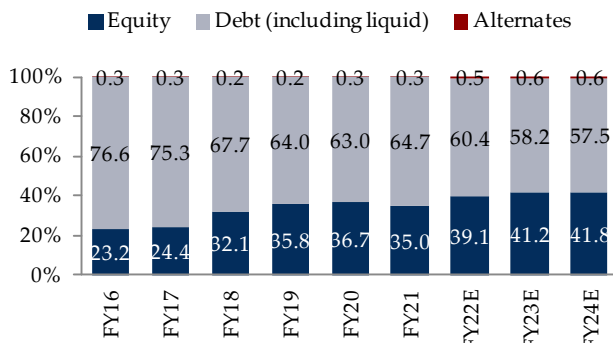


Source: NAV India, Value Research and HSIE Research

## Operating leverage potential to marginally reflate RoEs

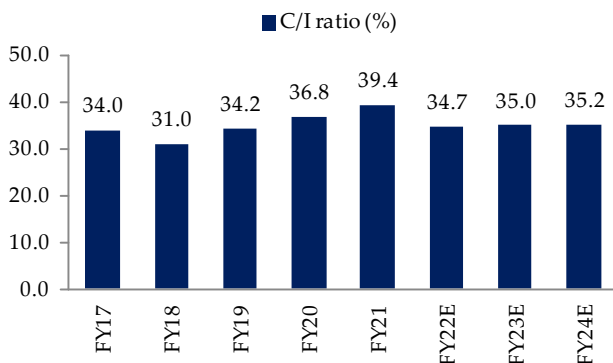
- With the share of higher-yielding equity in the MF AAUM mix likely to rise to 41.8% by FY24E (Nov-21: 40.8%), we expect three-year revenue CAGR of 12%. With strong growth in AAUM (FY21-24E CAGR of 12.6%), we expect economies of scale to kick in as operating expenses ease marginally (by ~2.5bps as % of MF AAUM) over FY21-24E. This is expected to drive operating profits/APAT CAGRs of 17/13% over FY21-24E.
- Since ABSLAMC follows an asset-light business model, it is expected to enjoy operating efficiencies as AUM further scales up. We believe that total operating expenses as bps of AAUM (19.3bps FY21) are still sub-par to HDFCAMC (11.6bps FY21) and there is significant headroom to improve. Driven by both strong growth in AUM and operating efficiencies, ABSLAMC enjoys one of the best RoEs in the industry at ~37.6% (FY21).

Exhibit 20: Share of equity in mix to rise



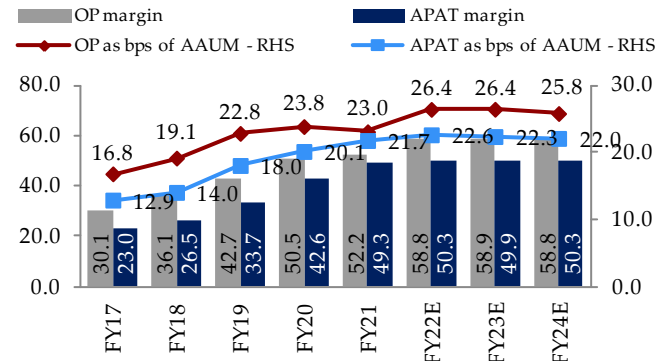
Source: Company, HSIE Research

Exhibit 22: Impressive C/I ratio trajectory



Source: Respective Company, HSIE Research

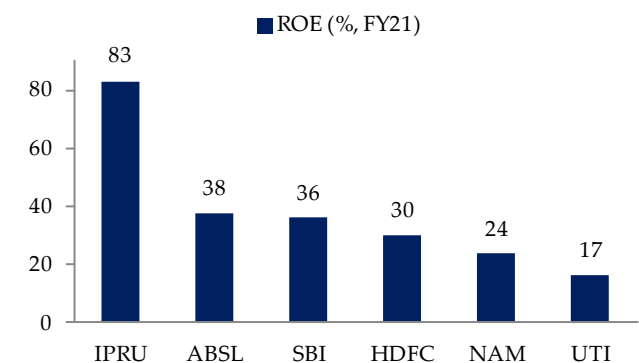
Exhibit 21: Margins set to improve



Note: Operating profits (OP) = PBT-OI.

Source: Company, HSIE Research

Exhibit 23: Generates best-in-class RoEs



Source: Company, HSIE Research, IPRU and SBI represent FY20

## Q3FY22 review

- ABSLAMC had a tepid quarter, with core revenue flat sequentially at INR 3.3bn. Core revenue yields as a percentage of MF AAUM improved only 0.6bps to 44.8bps, despite the share of equity improving 2pps.
- The reversal of performance fees to the tune of INR 323mn (one-off in nature), resulted in lower operating expenses (-29% QoQ), but management has guided an annual staff cost run-rate in the range of INR300-320mn.
- Also, other income softly declined 53%QoQ on the back of higher yields in the FI portfolio and tepid equity markets, pushing APAT to INR1.86bn (+7.6% QoQ).
- The equity market share further dipped 21bps to 6.6% in Nov-21, implying increased competitive intensity (as a result of increased NFOs with low TERs and high distributor payouts).
- ABSLAMC continues to ramp up its IFA network, which has reached 69k (+2k in Q3) and has been a key driver of AUM growth.

## Valuation

- We forecast total MF AAUM to exhibit a 12.6% CAGR over FY21-24E, with the share of active equity improving from 35% to 41.8% (+683bps).
- We expect equity yields to compress by ~9bps over FY21-24E (-4.4% CAGR) as pricing is expected to remain competitive in this segment. Blended MF yields are expected to remain flattish with -0.3% CAGR over FY21-24E.
- We expect operating profit/PAT to record FY21-24E CAGRs of 17/13%. The business delivered RoE/RoIC of 38/1,571% in FY21. We expect it to deliver RoE of 36-40% over FY21-24E.
- We value the company on a DCF basis, under the following key assumptions:
  - Long-term AAUM growth of 13.5% over FY24-31E
  - Long-term NOPLAT (as bps of AAUM): 20.4-21.2bps
  - Cost of equity: ~11.7%
- We value ABSLAMC at INR720/share (implying a multiple of 29x Sep-23E EV/NOPLAT plus cash and investments) and initiate on the stock with a BUY recommendation.

### Exhibit 24: NOPLAT trend and estimates

Companies	NOPLAT CAGR (FY21-24E, %)	NOPLAT (INR bn)	Derived multiple (x)
ABSLAMC	16.4	6.5	29.3
NAM	23.7	7.0	33.1
UTIAM	31.8	4.3	27.9

Source: HSIE Research

# Financials

## Income Statement

(INR mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	9,685	12,161	13,268	11,597	10,679	12,929	14,163	15,138
Growth (%)	26.6%	25.6%	9.1%	-12.6%	-7.9%	21.1%	9.5%	6.9%
Employee benefits expenses	1,977	2,187	2,775	2,420	2,407	2,636	2,991	3,261
Operating expenses	4,719	5,481	4,698	2,901	2,263	2,282	2,389	2,534
EBITDA	2,989	4,493	5,794	6,276	6,010	8,012	8,782	9,344
EBITDA Margin (%)	30.9	36.9	43.7	54.1	56.3	62.0	62.0	61.7
EBITDA Growth (%)	-4.2%	50.3%	29.0%	8.3%	-4.2%	33.3%	9.6%	6.4%
Depreciation	78	98	132	365	374	359	377	386
EBIT	2,911	4,394	5,663	5,911	5,635	7,652	8,405	8,958
Other Income (includes treasury )	460	449	805	751	1,379	1,101	1,094	1,286
Interest & Financial Charges	-	-	-	54	56	54	56	58
PBT	3,371	4,843	6,468	6,607	6,959	8,700	9,443	10,186
Tax	1,139	1,623	1,992	1,663	1,696	2,192	2,380	2,567
RPAT	2,232	3,220	4,475	4,944	5,263	6,508	7,063	7,619
APAT	2,232	3,220	4,475	4,944	5,263	6,508	7,063	7,619
APAT growth (%)	10.1%	44.3%	39.0%	10.5%	6.4%	23.7%	8.5%	7.9%
AEPS	7.8	11.2	15.5	17.2	18.3	22.6	24.5	26.5
EPS Growth (%)	10.1%	44.3%	39.0%	10.5%	6.4%	23.7%	8.5%	7.9%

Source: Company, HSIE Research

## Balance Sheet

(INR mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>SOURCES OF FUNDS</b>								
Share Capital	180	180	180	180	180	180	180	180
Reserves	9,236	10,546	12,054	12,989	14,646	17,249	19,721	22,387
Minority Interest	-	-	-	-	-	-	-	-
<b>Total Shareholders' Funds</b>	<b>9,416</b>	<b>10,726</b>	<b>12,234</b>	<b>13,169</b>	<b>14,826</b>	<b>17,429</b>	<b>19,901</b>	<b>22,567</b>
Long-term Debt	-	-	-	621	646	672	698	726
Short-term Debt	-	-	-	-	-	-	-	-
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>621</b>	<b>646</b>	<b>672</b>	<b>698</b>	<b>726</b>
Other Financial Liabilities & Provisions	515	8	-	-	-	-	-	-
Other Non Current Liabilities	14	20	-	-	-	-	-	-
Net Deferred Tax Liability	(265)	(55)	79	146	-	-	-	-
<b>TOTAL SOURCES OF FUNDS</b>	<b>9,680</b>	<b>10,699</b>	<b>12,313</b>	<b>13,936</b>	<b>15,471</b>	<b>18,100</b>	<b>20,599</b>	<b>23,294</b>
<b>APPLICATION OF FUNDS</b>								
<b>Net Block</b>	<b>185</b>	<b>254</b>	<b>324</b>	<b>872</b>	<b>875</b>	<b>929</b>	<b>977</b>	<b>999</b>
Loans & Deposits	716	1,102	159	4	4	4	4	5
Other Non Financial Assets	2,335	3,383	1,537	936	1,170	1,287	1,416	1,557
<b>Total Non-current Assets</b>	<b>3,236</b>	<b>4,739</b>	<b>2,019</b>	<b>1,812</b>	<b>2,048</b>	<b>2,220</b>	<b>2,397</b>	<b>2,561</b>
Current Investments	6,672	7,304	11,381	12,634	13,789	16,475	18,882	21,447
Debtors	568	398	257	395	293	319	349	373
Cash & Equivalents	259	110	385	469	561	631	684	752
Loans & Advances	909	943	127	127	140	154	169	186
Other Current Assets	90	67	170	274	280	285	291	297
<b>Total Current Assets</b>	<b>8,498</b>	<b>8,822</b>	<b>12,319</b>	<b>13,899</b>	<b>15,062</b>	<b>17,864</b>	<b>20,375</b>	<b>23,055</b>
Creditors	464	1,985	755	464	585	708	776	829
Other Current Liabilities	1,590	876	1,270	1,310	1,053	1,275	1,397	1,493
<b>Total Current Liabilities</b>	<b>2,054</b>	<b>2,861</b>	<b>2,025</b>	<b>1,774</b>	<b>1,638</b>	<b>1,984</b>	<b>2,173</b>	<b>2,323</b>
Net Current Assets	6,444	5,960	10,293	12,125	13,423	15,880	18,202	20,732
<b>TOTAL APPLICATION OF FUNDS</b>	<b>9,680</b>	<b>10,699</b>	<b>12,313</b>	<b>13,936</b>	<b>15,471</b>	<b>18,100</b>	<b>20,599</b>	<b>23,294</b>

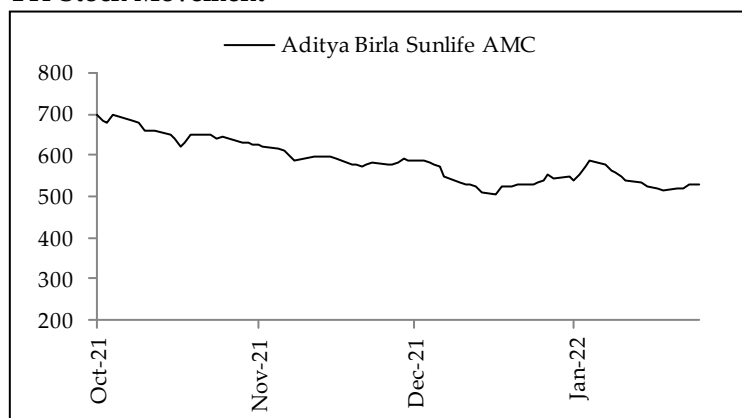
Source: Company, HSIE Research

## Key Ratios

	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Profitability (%)</b>								
EBITDA Margin	30.9	36.9	43.7	54.1	56.3	62.0	62.0	61.7
EBIT Margin	30.1	36.1	42.7	50.5	52.2	58.8	58.9	58.8
APAT Margin	23.0	26.5	33.7	42.6	49.3	50.3	49.9	50.3
RoE	25.9	32.0	39.0	38.9	37.6	40.4	37.8	35.9
Core RoCE	369	7,401	1,972	1,656	1,571	1,432	1,912	1,905
RoCE	25.9	32.0	39.0	38.9	37.6	40.4	37.8	35.9
<b>PER SHARE DATA</b>								
AEPS (INR/sh)	8	11	16	17	18	23	25	26
CEPS (INR/sh)	8	12	16	18	20	24	26	28
DPS (INR/sh)	0	0	167	11	12	14	16	17
BV (INR/sh)	33	37	42	46	51	61	69	78
<b>VALUATION</b>								
P/E	68.4	47.4	34.1	30.9	29.0	23.5	21.6	20.0
P/BV	16.2	14.2	12.5	11.6	10.3	8.8	7.7	6.8
EV/NOPLAT	75.6	49.1	36.2	32.1	33.1	24.3	21.7	20.0
EV/EBIT	50.1	32.6	25.0	24.1	25.0	18.2	16.2	15.0

Source: Company, HSIE Research

## 1Yr Stock Movement



## Rating Criteria

**BUY:** >+15% return potential  
**ADD:** +5% to +15% return potential  
**REDUCE:** -10% to +5% return potential  
**SELL:** >10% Downside return potential

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