

BUY **AB Capital****Strong performance across business segments****BFSI - NBFCs** ▶ Result Update ▶ **May 12, 2023****TARGET PRICE (Rs): 200**

ABCAP reported a strong set of numbers, with consolidated net income for Q4FY23 at Rs6.09bn (+36% YoY; +15% QoQ). The strong result was driven by solid operating and financial performance across business segments. The lending businesses continued their strong disbursement and loan-book growth, with improving NIM and credit costs delivering improving RoA. The life insurance business had an exceptionally strong year amid a favorable backdrop, while the health insurance franchise continued to build scale with progress on profitability. AMC segment performance was affected by the tough external environment. The Board has approved plans to raise capital up to Rs30bn to fund the company's growth strategy. This capital raise is largely in line with our expectations, as the strong growth in lending requires capital infusion. With Q4FY23 performance coming on expected lines, we reiterate our BUY rating on the stock, with an unchanged Mar-24E target price of Rs200/share.

FY ending 31-Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Reported Profit after tax	17,060	47,958	26,667	33,658	40,780
Adjusted Profit after tax	15,100	20,567	26,667	33,658	40,780
Net worth	1,54,921	2,03,108	2,29,774	2,63,433	3,04,213
Return on Equity (%)	10.3%	11.5%	12.3%	13.6%	14.4%
Adjusted EPS (Rs)	6.2	8.5	11.0	13.9	16.9
BVPS (Rs)	64.1	84.1	95.1	109.0	125.9
P/E (x)	26.2	19.3	14.9	11.8	9.7
P/B (x)	2.6	2.0	1.7	1.5	1.3

Source: Company, Emkay Research

NBFC business continues its strong momentum

AB Finance (NBFC) delivered yet another quarter of superior performance, with disbursements of Rs156bn (+57.7% YoY/+19.1% QoQ), driving AUM growth of +46% YoY/+10% QoQ to Rs805.6bn. Share of Retail, SME and HNI loans stood at 67%. PBT came in at Rs6bn (+50.6% YoY; +11.9% QoQ), resulting in RoA of ~2.5% for Q4. GS3 stood at 3.1% (Q3: 3.6%), with credit costs broadly stable sequentially.

Housing Finance business gradually accelerating its growth

The housing finance business continued its acceleration in growth (from a low base), with disbursements recording healthy momentum of +36% YoY/+29.1% QoQ, driving AUM growth of +15% YoY/+7% QoQ to Rs138bn. Margins declined 32bps to 5.03% QoQ, due to rise in CoF. Credit costs were lower by ~50bps QoQ, resulting in RoA of ~2%.

Life Insurance shines in FY23; regulatory/tax changes to weigh on performance

The Life Insurance business delivered a strong 116.8% YoY growth in VNB to Rs8bn in FY23, driven by the combination of 35% YoY increase in APE to Rs36.8bn and 8ppt VNB margin expansion to 23%. The EV of the company grew 18.5% YoY to Rs90.2bn, with operating RoEV coming in exceptionally strong at 22.6%. The FY23 growth performance of ABSLI was materially better than that of the private sector. This performance benefited from a strong demand for high-ticket guaranteed savings products in February and March on account of the proposed taxation changes in Union Budget FY24.

Health Insurance continues to build scale, with improving profitability

Aditya Birla Health Insurance reported FY23 GWP of Rs27.2bn (+57.3% YoY) and combined ratio of 110% (improvement of 17ppt YoY). The performance of Health Insurance is very much in line with Management target of building a profitable company at scale.

AMC business: navigating through tough times

ABSLAMC reported Q4FY23 PBT of Rs1.81bn (-13.4% YoY/-18.8% QoQ). Q4 MF AAUM at Rs2.75Tn was down 7% YoY and 2.3% QoQ. The volatile equity market, rising yields and regulatory changes have weighed on the performance of the AMC business. To navigate through the challenging macro and regulatory landscape, the company has been diversifying its product offering with increased focus on passive funds.

Target Price – 12M	Mar-24
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	22.0
CMP (11-May-23) (Rs)	164.0

Stock Data	Ticker
52-week High (Rs)	175
52-week Low (Rs)	86
Shares outstanding (mn)	2,418.3
Market-cap (Rs bn)	396
Market-cap (USD mn)	4,830
Net-debt (Rs mn)	
ADTV-3M (mn shares)	4
ADTV-3M (Rs mn)	553.4
ADTV-3M (USD mn)	6.7
Free float (%)	28.8
Nifty-50	18,297
INR/USD	82.1
Shareholding, Mar-23	
Promoters (%)	71.0
FPIs/MFs (%)	7.3/8.7

Price Performance

(%)	1M	3M	12M
Absolute	4.0	11.8	60.1
Rel. to Nifty	0.8	9.1	41.5

1-Year share price trend (Rs)**Avinash Singh**
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Exhibit 1: We arrive at Mar-24 TP of Rs200/share, based on SOTP valuation

Entity (Rs mn)	Metrics	Mar-24E	Multiple (x)	Valuation	Ownership	Value	Per share (Rs)
NBFC	Net worth (Rs mn)	1,35,226	2.2	2,97,497	100%	2,97,497	123
HFC	Net worth (Rs mn)	22,738	2.0	45,476	100%	45,476	19
AMC	MCAP	1,03,170	1.0	1,03,170	50%	51,595	21
Life Insurance	EV (Rs mn)	1,06,036	1.5	1,59,053	51%	81,117	34
Health Insurance	Deal value	85,667	1.0	85,667	46%	39,321	16
AB Money	MCAP	3,070	1.0	3,070	74%	2,272	1
Others		10000	1.0	10,000	50%	5,000	2
Total						5,22,279	216
Holding company discount			20%			35,861	15
Fair value						4,86,418	200
No. of shares (mn)						2,416	
Fair value per share (Rs)						200	

Source: Company, Emkay Research

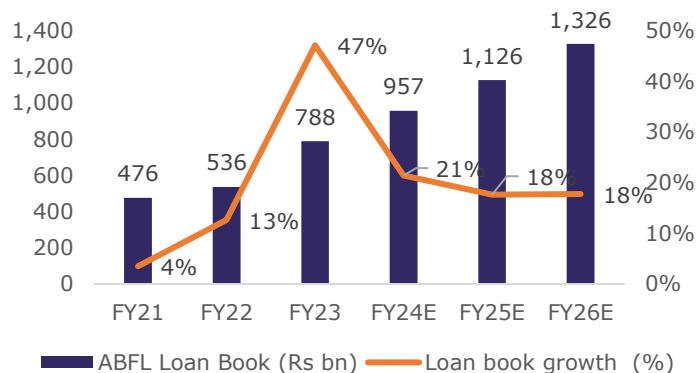
Exhibit 2: Quarterly Financials

(Rs mn)	Q4FY23	Q4FY22	% YoY	Q3FY23	% QoQ
Aditya Birla Capital (Consolidated)					
Consolidated Revenue	92,310	69,620	33%	76,990	20%
Consolidated PAT	6,098	4,500	36%	5,310	15%
Lending Book	9,43,640	6,71,850	40%	8,58,690	10%
Gross Premium	58,150	46,310	26%	43,280	34%
Total AUM	3,600	3,700	-3%	3,600	0%
Aditya Birla Finance					
Lending Book	8,05,560	5,51,800	46%	7,29,940	10%
Net Interest Margin (%)	6.9	6.4	0.5ppt	7.2	-0.3ppt
Net Interest Income	12,710	8,050	58%	12,220	4%
Credit Provisioning (%)	1.49	1.19	0.3ppt	1.74	-0.3ppt
Profit After Tax	4,540	2,980	52%	4,070	12%
Return On Asset (%)	2.49	2.40	0.1ppt	2.43	0.1ppt
Return On Equity (%)	16.6	12.4	4.2ppt	15.1	1.5ppt
Aditya Housing Finance					
Lending Book	1,38,080	1,20,050	15%	1,28,740	7%
Net Interest Margin (%)	5.03	4.60	0.4ppt	5.35	-0.3ppt
Credit Provisioning (%)	0.33	0.42	-0.1ppt	0.81	-0.5ppt
Profit After Tax	650	540	20%	610	7%
Return On Asset (%)	2.0	1.9	0.1ppt	1.9	0.1ppt
Return On Equity (%)	13.8	13.0	0.8ppt	13.0	0.8ppt
Aditya Birla Sun Life AMC					
MFQAAUM	2,752	2,960	-7%	2,817	-2%
Revenue	3,290	3,240	2%	3,630	-9%
Cost-to-Income	45%	43%	6%	39%	17%
PAT	1,360	1,590	-14%	1,660	-18%
Aditya Birla Sun Life Insurance					
Individual APE	11,990	7,580	58%	7,730	55%
New Business Premium	19,850	19,240	3%	18,220	9%
Opex Ratio (Incl. Commission) (%)	20.5	16.3	4.2ppt	19.4	1.1ppt
PAT	430	400	8%	280	54%
Aditya Birla Health Insurance					
Retail Premium	4,490	4,190	7%	3,640	23%
Group Premium	4,100	1,380	197%	2,230	84%
Gross Premium	8,590	5,570	54%	5,870	46%
Profit Before Tax	-30	-280	NA	-680	NA

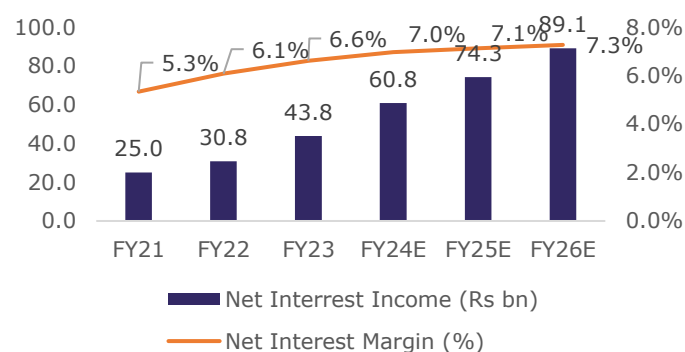
Source: Company, Emkay Research

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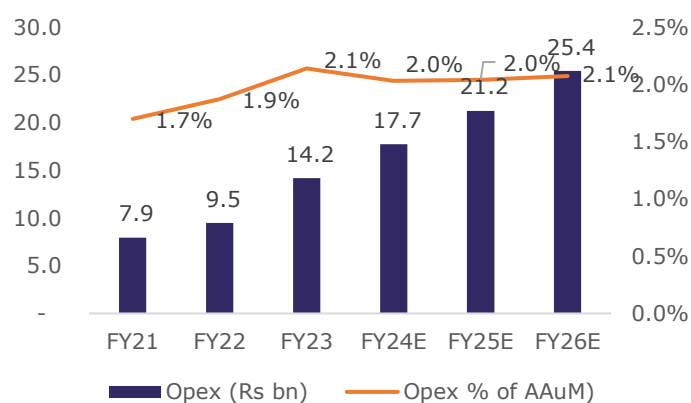
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Exhibit 3: We expect 19% AUM CAGR over FY23-26E for ABFL

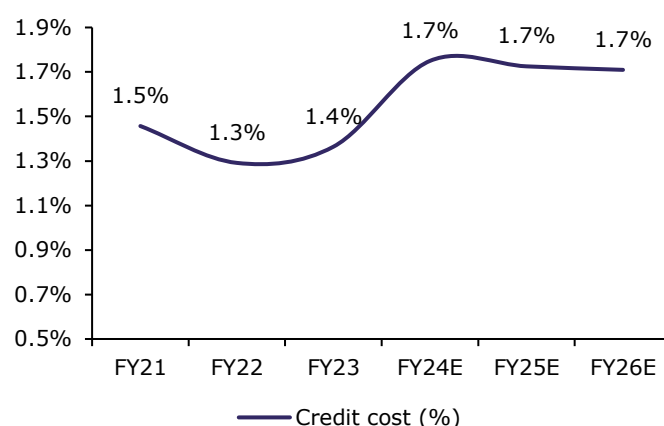
Source: Company, Emkay Research

Exhibit 4: We expect ABFL's NII to grow by 27% over FY23-26E, on the back of margin expansion

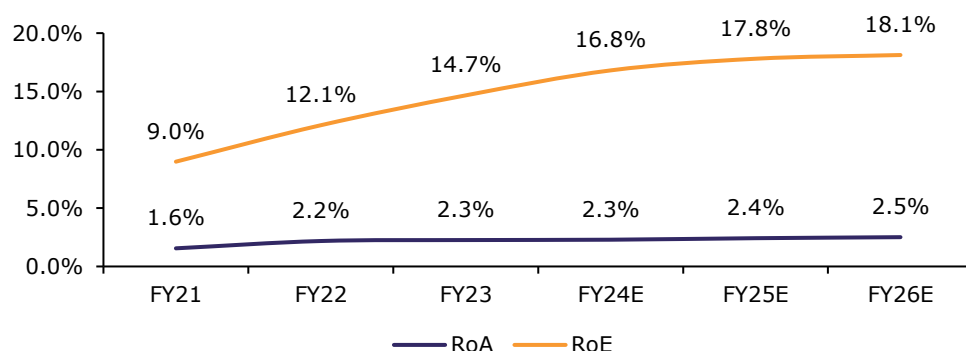
Source: Company, Emkay Research

Exhibit 5: Opex-to-AAuM to remain elevated, as ABFL continues investing towards growth of its retail franchise

Source: Company, Emkay Research

Exhibit 6: We expect stable credit costs over FY24-26E...

Source: Company, Emkay Research

Exhibit 7: ...resulting in FY26E RoA of ~2.5% translating into RoE of ~18.1%

Source: Company, Emkay Research

Concall Highlights

- 75% of the AMC customers have been on-boarded digitally. In Life Insurance, 77% renewals have been done digitally, and in health insurance, 87% of the business is done digitally.
- ABFL will grow the personal and consumer loan books, and will scale 'Udyog +' to grow the MSME book.
- Company aims to increase presence in passive and alternate businesses. In the Life business, it will grow the traditional vertical while focusing on diversifying the distribution mix, incising productivity and persistency across cohorts. In the AMC business, focus will be on increasing equity market share.
- Intends raising ~Rs30bn for supporting growth of the Lending and Insurance businesses, while strengthening the digital offering.
- ABFL – Will continue investing in technology, to digitize processes for sustainable growth.
- In the BL vertical, the company launched the *Udyog Plus* platform for MSME customers, to enable a digital journey for credit as well as value-added services for MSMEs, for seamless transaction. Registered >2,500 users and +1,100 loan applications.
- Aditya Birla Housing (ABHFL) – Additional management overlay being carried is Rs0.56bn. Continued focus on quality of origination, with >96% disbursement at CIBIL >700 and to 'new to credit' customers.
- ABHFL – Accelerate growth in the prime & affordable segments, with average ticket size of Rs2.5-3mn, via focus on the micro-market penetration strategy by leveraging the ABG ecosystem.
- AMC – Received in-principal approval from the IFSCA, for launching 'India ESG Engagement Fund' in GIFT City, in Apr-23. Company is in the process of launching two new global funds in GIFT IFSC. It raised a commitment of >Rs7.34bn for India Equity Services Fund (CAT III AIF), leveraging its multi-channel distribution footprint.
- Life Insurance – Nischit Aayush plan sold 5,000 policies in just 17 days. New products launched in the last 12 months contributed to 27% of the Individual FYP for FY23. Its focus is on growing credit life in the group segment, which grew at >100% over last year.
- New EoM guidelines will have positive impact on the life insurance business in the long term, by bringing in cost efficiency, which will eventually get passed on to the customer.
- SAHI market share at 10.4% vs 8.3% in Mar-22. Industry market share at 2.8% vs 2.1% in Mar-22.
- Company works with digital partners across businesses – agents + bank assurance partners, which the company views as channels to reach the customer. When customer reach has been achieved, its personnel ensure the customer directly experiences the product, with AB Cap retaining the customer data.
- The 'ONE ABC' Omni channel platform is expected to be launched ahead, by leveraging data, digital and technology.
- Unsecured lending entails 40% repeat customers. The personal & consumer segment had ~Rs47bn worth of disbursements, ~19% of which were digital.

AB Capital: Financials

Exhibit 8: AB Cap's Consolidated Financial summary

(Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax							
NBFC	10,529	10,314	14,871	20,902	27,952	35,242	42,955
Housing Finance	1,362	1,764	2,533	3,085	3,916	5,102	6,495
Asset Management	6,607	6,959	8,652	8,599	8,146	8,806	9,663
Life Insurance	1,044	1,179	1,750	1,960	2,254	2,922	3,538
Health Insurance	-2,412	-1,977	-3,114	-2,200	-1,371	264	215
General Insurance Broking	421	707	860	970	0	0	0
AB Money	165	224	357	467	350	350	350
Others and Elimination	-4,920	-3,714	-3,041	23,189	-4,265	-4,594	-5,022
Total PBT	12,797	15,457	22,867	56,352	36,982	48,092	58,194
Tax expense	4,136	4,400	6,267	8,112	9,985	12,985	15,712
Profit after tax	8,661	11,057	16,601	48,241	26,997	35,107	42,482
Minority interest	-537	-209	-459	283	330	1,449	1,702
Group Net income	9,198	11,265	17,060	47,958	26,667	33,658	40,780
Preference dividend	0	0	0	0	0	0	0
One-off adjustments			-1,960	-27,391			
Adjusted Group Net Income	9,198	11,265	15,100	20,567	26,667	33,658	40,780
Total Assets							
NBFC	5,19,995	5,07,552	5,69,692	8,41,228	10,21,261	12,01,066	14,13,906
Housing Finance	1,31,593	1,23,758	1,25,907	1,40,721	1,78,102	2,16,455	2,64,054
Life Insurance	4,20,861	5,32,595	6,16,673	6,90,118	7,91,764	9,12,781	10,58,614
Asset Management	15,720	19,846	24,343	27,766	33,320	39,984	47,980
Health Insurance	10,612	13,813	18,181	27,666	32,666	32,930	33,145
Other Businesses & Elimination	38,909	50,379	56,599	80,040	77,185	92,839	1,12,943
Total	11,37,690	12,47,942	14,11,395	18,07,541	21,34,298	24,96,056	29,30,643
Per share (Rs)							
Adjusted EPS (Basic)	4.07	4.67	6.25	8.51	11.03	13.92	16.87
Reported EPS (Basic)	4.07	4.67	7.06	19.83	11.03	13.92	16.87
BVPS	52.10	56.90	64.11	84.06	95.09	109.02	125.90

Source: Company, Emkay Research

Exhibit 9: AB Finance – Financial Summary

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Income Statement								
Interest income	51,930	57,271	52,899	55,313	78,060	1,08,792	1,30,564	1,54,234
Interest expense	32,875	36,081	30,199	27,091	38,572	53,725	63,175	73,244
Net interest income	23,287	24,683	24,981	30,758	43,797	60,793	74,261	89,107
Other income	60	130	100	120	308	164	189	218
Total income	23,347	24,813	25,081	30,878	44,105	60,957	74,450	89,325
Employee expense	4,551	4,048	4,489	5,207	7,228	9,035	10,843	13,011
Depreciation	291	498	585	684	861	1,097	1,275	1,461
Other expense	3,500	2,667	2,874	3,581	6,079	7,598	9,118	10,942
Opex	8,343	7,213	7,949	9,472	14,168	17,731	21,236	25,414
Profit before provisions	15,004	17,600	17,132	21,406	29,937	43,227	53,214	63,911
Provisions	2,070	7,071	6,818	6,535	9,035	15,275	17,972	20,956
Profit before tax	12,934	10,529	10,314	14,871	20,902	27,952	35,242	42,955
Tax expense	4,593	2,480	2,626	3,788	5,364	6,988	8,811	10,739
Reported profit attributable to shareholders	8,342	7,893	7,597	11,318	15,610	20,964	26,432	32,216
Balance Sheet								
Shareholders' Equity	74,165	80,782	88,379	98,604	1,14,262	1,35,226	1,61,658	1,93,874
Borrowings	4,32,121	4,34,553	4,12,152	4,59,857	7,07,707	8,59,246	10,10,621	11,89,823
Other liabilities	15,494	4,661	7,021	11,230	19,259	26,789	28,788	30,209
Total equity & liabilities	5,21,781	5,19,995	5,07,552	5,69,692	8,41,228	10,21,261	12,01,066	14,13,906
Assets								
Cash & cash equivalents	591	18,204	15,301	6,925	3,876	4,706	5,535	6,517
Investments	15,765	33,424	7,929	16,940	37,027	44,955	52,875	62,251
Loans & advances	5,01,876	4,59,854	4,75,974	5,36,075	7,88,495	9,57,332	11,25,987	13,25,646
Fixed assets	641	1,740	1,922	2,217	3,101	3,670	4,204	4,816
Other assets	2,908	6,773	6,425	7,535	8,729	10,598	12,465	14,675
Total Assets	5,21,781	5,19,995	5,07,552	5,69,692	8,41,228	10,21,261	12,01,066	14,13,906
Gross loans	5,06,986	4,69,104	4,86,182	5,46,821	8,04,520	9,76,437	11,48,284	13,51,937
GNPA	8,134	18,271	14,225	19,560	25,070	29,558	33,926	39,483
NNPA	3,289	12,615	8,325	11,831	13,488	15,962	18,320	21,321
Key ratios (%)								
Asset yield	12.2	12.6	11.8	11.4	12.4	13.1	13.2	13.2
Cost of funds	8.3	8.3	7.1	6.2	6.6	6.9	6.8	6.7
Spread	3.9	4.3	4.7	5.2	5.8	6.3	6.4	6.6
Net interest margin	5.0	5.1	5.3	6.1	6.6	7.0	7.1	7.3
Opex % of AAUM)	1.8	1.5	1.7	1.9	2.1	2.0	2.0	2.1
C/I ratio	35.7	29.1	31.7	30.7	32.1	29.1	28.5	28.5
Credit cost	0.4	1.5	1.46	1.29	1.4	1.7	1.7	1.7
RoA	1.75	1.56	1.55	2.18	2.26	2.29	2.42	2.51
RoE	12.2	10.2	9.0	12.1	14.7	16.8	17.8	18.1
Tier I	14.3	14.7	18.4	18.1	13.9	15.0	15.0	15.1
CRAR	17.5	18.1	22.7	21.8	16.4	17.3	17.0	16.8
D/E (x)	5.8	5.4	4.7	4.7	6.2	6.4	6.3	6.1
Leverage (x)	7.0	6.4	5.7	5.8	7.4	7.6	7.4	7.3
Per share (Rs)								
Reported EPS - Basic	13.37	12.16	11.61	16.74	23.47	31.52	39.74	48.44
Reported EPS - Diluted	13.37	12.16	11.61	16.74	23.47	31.52	39.74	48.44
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	113.0	122.0	133.5	148.9	172.6	204.2	244.2	292.8
RoA Tree (%)								
Interest income	10.8	11.0	10.3	10.3	11.1	11.7	5.9	5.9
Interest expense	6.9	6.9	5.9	5.0	5.5	5.8	5.7	5.6
Net interest income	4.9	4.7	4.9	5.7	6.2	6.5	6.7	6.8
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total income	4.9	4.8	4.9	5.7	6.3	6.5	6.7	6.8
Employee expense	0.9	0.8	0.9	1.0	1.0	1.0	1.0	1.0
Depreciation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other expense	0.7	0.5	0.6	0.7	0.9	0.8	0.8	0.8
Opex	1.7	1.4	1.5	1.8	2.0	1.9	1.9	1.9
Profit before provisions	3.1	3.4	3.3	4.0	4.2	4.6	4.8	4.9
Provisions	0.4	1.4	1.3	1.2	1.3	1.6	1.6	1.6
Profit before tax	2.7	2.0	2.0	2.8	3.0	3.0	3.2	3.3
Tax expense	1.0	0.5	0.5	0.7	0.8	0.8	0.8	0.8
Recurring profit after tax	1.74	1.55	1.50	2.06	2.20	2.25	2.38	2.46

Source: Company, Emkay Research

Exhibit 10: AB Housing Finance – Financial Summary

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Income Statement								
Interest income	9,989	12,434	12,345	11,857	13,640	16,956	21,006	25,607
Interest expense	7,214	9,270	8,492	6,949	7,484	9,305	11,419	13,856
Net interest income	3,039	3,726	4,313	5,202	6,569	8,147	10,179	12,459
Other income	3	16	44	11	22	30	30	30
Total income	3,042	3,742	4,357	5,213	6,591	8,177	10,209	12,489
Employee expense	1,224	1,133	1,124	1,317	1,790	2,148	2,535	2,991
Other expense	499	418	482	516	833	916	1,008	1,109
Opex	1,781	1,667	1,718	1,934	2,782	3,262	3,776	4,372
Profit before provisions	1,260	2,075	2,639	3,280	3,809	4,914	6,433	8,117
Provisions	188	713	875	747	724	998	1,331	1,621
Profit before tax	1,073	1,362	1,764	2,533	3,085	3,916	5,102	6,495
Tax expense	327	335	391	560	676	858	1,118	1,423
Recurring profit after tax	746	1,027	1,372	1,973	2,409	3,058	3,984	5,072
Other Comprehensive Income	-2	-80	-9	45	54	0	0	0
Profit attributable to equity shareholders	744	946	1,363	2,018	2,464	3,058	3,984	5,072
Exceptional	0	0	0	0	0	0	0	0
Reported profit attributable to shareholders	744	946	1,363	2,018	2,464	3,058	3,984	5,072
Balance Sheet								
Shareholders' Equity	11,903	13,829	15,192	17,210	19,680	22,738	26,722	31,795
Borrowings	1,02,221	1,16,669	1,06,876	1,07,152	1,19,372	1,49,248	1,79,899	2,19,501
Other liabilities	868	1,095	1,690	1,545	1,669	6,115	9,834	12,758
Total equity & liabilities	1,14,992	1,31,593	1,23,758	1,25,907	1,40,721	1,78,102	2,16,455	2,64,054
Assets								
Cash & cash equivalents	1	4,002	3,774	5,570	2,047	2,592	3,151	3,844
Loans & advances	1,14,449	1,21,121	1,18,026	1,18,955	1,35,570	1,71,631	2,08,631	2,54,559
Fixed assets	140	373	276	337	721	861	1,005	1,175
Other assets	402	6,097	1,682	1,045	2,384	3,018	3,668	4,476
Total Assets	1,14,992	1,31,593	1,23,758	1,25,907	1,40,721	1,78,102	2,16,455	2,64,054
Key ratios (%)								
Loan yield	10.5	11.0	10.7	10.3	11.0	11.4	11.4	11.4
Cost of funds	8.2	8.5	7.6	6.5	6.6	6.9	6.9	6.9
Spread	2.2	2.6	3.1	3.8	4.4	4.4	4.4	4.4
Net interest margin	3.1	3.2	3.6	4.4	5.2	5.3	5.4	5.4
C/I ratio	58.6	44.6	39.4	37.1	42.2	39.9	37.0	35.0
Credit cost	0.19	0.61	0.73	0.63	0.57	0.65	0.70	0.70
RoA (normalized)	0.76	0.87	1.15	1.67	1.89	1.99	2.10	2.19
RoE (normalized)	7.63	7.98	9.46	12.18	13.06	14.42	16.11	17.34
Asset Quality								
GNPA	0.7	1.3	3.0	3.6	3.2	3.4	3.3	3.3
NNPA	0.4	0.9	2.2	2.7	2.2	2.7	2.7	2.7
Capital adequacy								
Tier 1 Ratio	13.6	14.7	17.1	19.4	19.9	17.9	16.6	16.5
CRAR	16.6	18.1	21.7	23.9	23.8	20.9	19.0	18.4
D/E (x)	8.6	8.4	7.0	6.2	6.1	6.6	6.7	6.9
Leverage (x)	9.7	9.5	8.1	7.3	7.2	7.8	8.1	8.3
RoA Tree (%)								
Interest income	10.1	10.1	9.7	9.5	10.2	10.6	10.6	10.7
Interest expense	7.3	7.5	6.7	5.6	5.6	5.8	5.8	5.8
Net interest income	3.1	3.0	3.4	4.2	4.9	5.1	5.2	5.2
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total income	3.1	3.0	3.4	4.2	4.9	5.1	5.2	5.2
Employee expense	1.2	0.9	0.9	1.1	1.3	1.3	1.3	1.2
Depreciation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other expense	0.5	0.3	0.4	0.4	0.6	0.6	0.5	0.5
Opex	1.8	1.4	1.3	1.5	2.1	2.0	1.9	1.8
Profit before provisions	1.3	1.7	2.1	2.6	2.9	3.1	3.3	3.4
Provisions	0.2	0.6	0.7	0.6	0.5	0.6	0.7	0.7
Profit before tax	1.1	1.1	1.4	2.0	2.3	2.5	2.6	2.7
Tax expense	0.3	0.3	0.3	0.4	0.5	0.5	0.6	0.6
RoA	0.8	0.8	1.1	1.6	1.8	1.9	2.0	2.1

Source: Company, Emkay Research

Exhibit 11: AB AMC – Financial Summary

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Income Statement								
Fund management & advisory fee	13,268	11,597	10,679	12,635	12,266	11,594	12,375	13,415
Investment & other income	805	751	1,379	1,156	1,271	1,336	1,603	1,923
Total income	14,073	12,348	12,058	13,790	13,537	12,929	13,977	15,339
Total expense	7,615	5,740	5,100	5,138	4,938	4,784	5,172	5,675
Profit before tax	6,458	6,607	6,959	8,652	8,599	8,146	8,806	9,663
Tax expense	1,990	1,663	1,696	2,219	1,975	1,871	2,022	2,219
Profit after tax	4,468	4,944	5,263	6,433	6,624	6,275	6,783	7,444
Balance Sheet								
Shareholders' Equity	12,206	13,169	17,046	22,006	25,090	29,103	33,442	38,203
Total Assets	14,985	15,720	19,846	24,343	27,766	33,320	39,984	47,980
MF QAAUM	24,64,800	24,75,220	26,92,780	29,58,050	27,52,040	29,65,688	32,99,322	36,79,359
- o/w Equity AAUM	8,90,620	8,75,590	9,69,340	11,10,313	8,76,040	9,19,842	10,30,223	11,53,850
Total QAAUM	26,28,750	26,27,230	28,10,350	30,74,090	28,61,800	30,83,827	34,29,275	38,22,306
Key ratios (%)								
Profitability								
Fee yield	0.52	0.44	0.39	0.43	0.41	0.39	0.38	0.37
C/I ratio	54.1	46.5	42.3	37.3	36.5	37.0	37.0	37.0
PAT/QAAUM	0.17	0.19	0.19	0.22	0.22	0.21	0.21	0.21
RoA (normalized)	31.2	32.2	29.6	29.1	25.4	20.5	18.5	16.9
RoE (normalized)	39.0	39.0	34.8	32.9	28.1	23.2	21.7	20.8

Source: Company, Emkay Research

Exhibit 12: AB Sun Life – Financial Summary

Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Policyholders' account							
Gross written premium	80,100	97,752	1,21,402	1,50,700	1,70,662	2,03,177	2,41,952
Net earned premium	77,578	94,823	1,16,415	1,46,179	1,65,542	1,97,081	2,34,693
Investment income	3,983	77,502	53,020	36,829	59,297	68,363	79,219
Other income	2,708	2,023	1,291	1,620	1,835	2,185	2,602
Total revenue	84,268	1,74,348	1,70,725	1,84,628	2,26,675	2,67,629	3,16,513
Commission expense	4,824	5,428	5,962	7,487	8,479	10,094	12,020
Operating expenses	12,461	13,212	15,209	20,465	22,348	26,606	31,684
Benefits cost	63,262	1,52,955	1,47,115	1,54,409	1,92,369	2,26,591	2,67,643
Total expense	82,250	1,73,169	1,69,969	1,84,475	2,25,590	2,66,142	3,14,741
Surplus/Deficit	2,018	1,179	756	153	1,084	1,488	1,772
Shareholders' account							
Transfer from policyholders' account	1,983	1,294	756	153	1,084	1,488	1,772
Investment income	1,834	1,861	2,122	2,450	2,785	3,210	3,720
Expenses	2,773	1,975	1,468	1,468	1,615	1,777	1,954
Profit before tax	1,044	1,179	1,750	1,960	2,254	2,922	3,538
Tax expense	0	115	141	157	181	235	284
Profit after tax	1,044	1,065	1,609	1,803	2,073	2,687	3,254
Balance Sheet							
Sources of Funds							
Shareholders' Funds	21,998	23,982	25,486	27,289	29,362	32,049	35,302
Policyholders' Funds: Insurance reserves and provisions	3,98,748	5,08,613	5,91,187	6,62,829	7,62,403	8,80,733	10,23,312
Total	4,20,861	5,32,595	6,16,673	6,90,118	7,91,764	9,12,781	10,58,614
Application of Funds							
Shareholders' Investments	23,054	24,446	29,215	32,755	37,676	43,523	50,569
Policyholders' Investments	1,59,957	2,22,032	2,77,141	3,10,726	3,57,404	4,12,876	4,79,715
Assets Held to Cover Linked Liabilities	2,28,249	2,79,673	3,01,602	3,38,151	3,88,950	4,49,318	5,22,057
Other Asset	9,600	6,444	8,716	8,486	7,734	7,064	6,273
Total	4,20,861	5,32,595	6,16,673	6,90,118	7,91,764	9,12,781	10,58,614
Embedded Value Account							
Embedded Value	51,870	64,410	76,090	90,140	1,06,036	1,24,234	1,45,393
Annualized Premium Equivalent (APE)	18,261	20,660	24,600	34,783	35,412	40,965	47,399
New Business value	1,260	2,190	3,690	8,000	7,082	8,193	9,480
New Business Margin (%)	6.9	10.6	15.0	23.0	20.0	20.0	20.0
EV Operating Profit	6,460	7,120	9,950	17,200	15,896	18,198	21,159
Operating RoEV (%)	13.2	13.7	15.4	22.6	17.6	17.2	17.0
Key Ratio							
Return on Equity (%)	4.8	4.6	6.5	6.8	7.3	8.8	9.7
Commission expense/TWRP (%)	7.6	7.2	6.5	6.8	6.8	6.8	6.8
Operating expenses/TWRP (%)	19.7	17.6	16.5	18.5	17.9	18.0	18.0
Total expense (% of TWRP)	27.3	24.8	23.0	25.2	24.7	24.8	24.9
Total expense (% of Avg AUM)	4.24	3.98	3.73	4.27	4.15	4.34	4.46
Conservation ratio (%)	80.6	84.8	89.1	83.4	82.1	87.5	88.5

Source: Company, Emkay Research

Exhibit 13: AB Health Insurance – Financial Summary

Policyholder Account (Y/E Mar, Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Gross Direct Premium (GDPI)	8,720	13,006	17,267	27,170	38,992	54,148	75,280
Gross Written Premium (GWP)	8,720	13,006	17,267	27,170	38,992	54,148	75,280
Net Written Premium (NWP)	6,946	9,993	13,481	23,910	34,508	48,734	67,752
Net Earned Premium (NEP)	5,854	8,472	11,893	18,695	29,209	41,621	58,243
Net incurred claims	2,873	4,236	8,273	11,871	18,401	26,013	36,402
Net commission expense	515	495	191	837	1,725	2,437	3,388
Operating expense	5,296	6,475	7,461	10,281	13,803	17,544	24,391
Total Expense	0	1,072	3,574	6,231	8,684	11,206	15,925
Underwriting result	0	(937)	(2,054)	(2,749)	(2,830)	(2,734)	(4,032)
Investment income	348	621	707	1,364	2,468	3,632	5,132
Insurance result	-589	-316	-230	427	1,532	2,696	4,195
Operating profit	-2,482	-2,113	-3,325	-2,931	-2,253	-741	-805
Shareholder Account							
(Y/E Mar, Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY25E
Operating profit	-2,482	-2,113	-3,325	-2,931	-2,253	-741	-805
Investment income	173	220	235	525	912	1,035	1,050
Other income							
Expenses and provisions	102	83	25	30	30	30	30
Profit before tax	-2,412	-1,977	-3,114	-2,200	-1,371	264	215
Tax expense	0	0	0	0	0	0	0
Profit after Tax	-2,412	-1,977	-3,114	-2,200	-1,371	264	215
Balance Sheet							
(Y/E Mar, Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY25E
Source of Funds							
Shareholders fund	10,610	13,810	18,180	27,666	32,666	32,930	33,145
Fair value gains	2	3	0	0	0	0	0
Net worth including fair value gains	10,612	13,813	18,180	27,666	32,666	32,930	33,145
Borrowings							
Total	10,612	13,813	18,180	27,666	32,666	32,930	33,145
Application of Funds							
Investments							
Shareholders	2,311	2,941	3,446	11,257	14,523	14,761	14,954
Policyholders	6,049	9,439	11,794	21,050	32,690	46,918	66,017
Other Assets	746	945	1,170	1,228	1,265	1,290	1,316
Cash & Bank Balances	352	515	534	588	646	711	782
Other current assets	946	1,120	1,354	1,558	1,791	2,060	2,369
Net Current Assets	-6,362	-9,356	-11,188	-21,027	-32,341	-46,568	-65,671
Accumulated losses	7,868	9,844	12,959	15,159	16,529	16,529	16,529
Total	10,612	13,813	18,181	27,666	32,666	32,930	33,145
Key ratios							
(Y/E Mar, %)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY25E
Retention ratio	79.7	76.8	78.1	88.0	88.5	90.0	90.0
Incurred claims ratio	49.1	50.0	69.6	63.5	63.0	62.5	62.5
Net commission ratio	7.4	5.0	1.4	3.5	5.0	5.0	5.0
Expense ratio	76.2	64.8	55.3	43.0	40.0	36.0	36.0
Combined ratio	132.7	119.7	126.3	110.0	108.0	103.5	103.5
GWP/Net worth	0.8	0.9	0.9	1.0	1.2	1.6	2.3
NWP/Net worth	0.7	0.7	0.7	0.9	1.1	1.5	2.0
Return on Equity (%)	-27.3	-16.2	-19.5	-9.6	-4.5	0.8	0.7

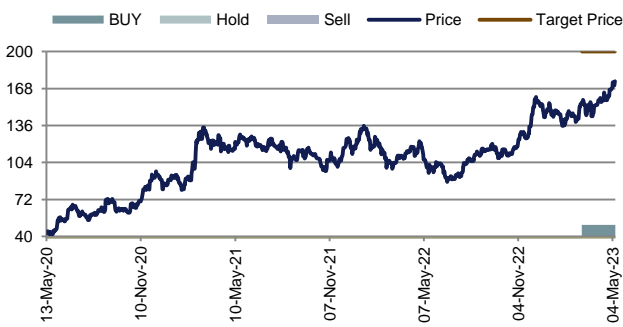
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
06-Mar-23	156	200	Buy	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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