

**BUY** AB Capital

Your success is our success

## Continues to shine

BFSI - NBFCs ▶ Result Update ▶ August 3, 2023

TARGET PRICE (Rs): 225

**ABCAP sustained its strong performance, with the lending businesses delivering superior growth, profitability and asset quality, while the non-lending businesses also continued to scale up well. With a host of initiatives in tech, distribution and Aditya Birla Group synergy starting to fire up, the outlook for ABCAP remains sunny. With its recent Rs30bn capital raise, Company is well prepared to seize growth opportunities, especially in the lending segment where it aspires to double its loan-book over the next three years. We have revised our FY24-26 estimates to reflect the strong Q1 lending segment performance and the capital raise. We reiterate our BUY rating on the stock; sum-of-the-parts valuation-based Jun-24E TP of Rs225/share (12.5% raise in earlier TP estimates).**

**AB Capital: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net profit	17,060	47,958	28,405	36,099	43,721
Adjusted Profit after tax	15,100	20,567	28,405	36,099	43,721
Net worth	1,54,921	2,03,108	2,60,769	2,96,868	3,40,589
Return on Equity (%)	10.3	11.5	12.2	12.9	13.7
Adjusted EPS (Rs)	6.2	8.5	11.1	13.9	16.9
BVPS (Rs)	64.1	84.1	100.5	114.5	131.3
P/E (x)	30.4	22.3	17.0	13.6	11.3
P/BV (x)	3.0	2.3	1.9	1.7	1.4

Source: Company, Emkay Research

**Lending business in high gear; robust performance in non-lending**

ABCAP reported a strong Q1, with consolidated PAT of Rs6.49bn, up 51% YoY, driven by strong performance across the lending, investing and protecting businesses. On the lending front, Company delivered superior performance (disbursements up 65% YoY and Loan Book up 49% YoY), translating into 2.5% RoA and 17.9% RoE for the quarter. Housing finance reported a steady loan book growth of 19% YoY and 5% QoQ, driven by strong disbursements during the quarter. The Life Insurance business reported strong new business growth of ~25% (Individual APE growth at 32% better than the industry, in spite of the FY24 Union Budget impact) coupled with superior margins of 11.8%, driven by product-mix changes. The Health Insurance business continued to grow well on a high base; however, combined ratio stood at 117%, largely on account of the seasonality impact on growth during the last 12 months. The AMC business reported 8% QoQ growth in Mutual Fund QAAUM to Rs2.96trn, while revenue grew at a healthy pace of 18% on QoQ basis.

**A number of initiatives and investments in tech, partnership and group synergy have started firing**

With its strengthening brand and distribution, investments in tech and analytics, Aditya Birla finance is poised to grow its loan book over the next few years. Management aspires for the loan book to double over the next three years, with 25% growth on average, aided by market opportunities. With the change in product mix and above-industry premium growth, the life insurance business is expected to deliver strong VNB growth. With respect to health insurance, we expect the combined ratio to improve further, with the seasonality in business going away.

**We reiterate BUY with revised target price of Rs225/share**

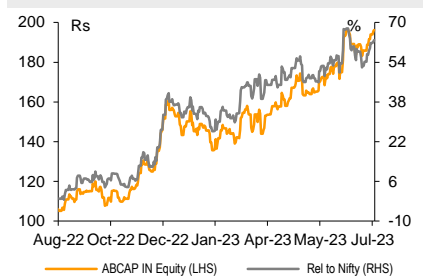
To reflect the strong performance in the lending segment as well as the capital raise (Rs30bn) in Q1FY24, we have revised our estimates for FY24-26. Our lending AUM and consolidated PAT for FY24-26E have gone up by 3-5% and 6-7%, respectively. However, our EPS estimates have largely remained unchanged on account of increased share count. We reiterate our BUY rating on the stock, with our SOTP-based valuation based Jun-24E TP of Rs225/share (12.5% raise in earlier TP projection).

Target Price – 12M	Jun-24
<b>Change in TP (%)</b>	<b>12.5</b>
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	18.4
CMP (02-Aug-23) (Rs)	190.0

Stock Data	Ticker
52-week High (Rs)	199
52-week Low (Rs)	103
Shares outstanding (mn)	2,596.2
Market-cap (Rs bn)	493
Market-cap (USD mn)	5,971
Net-debt, (Rs mn)	
ADTV-3M (mn shares)	5
ADTV-3M (Rs mn)	853.9
ADTV-3M (USD mn)	10.3
Free float (%)	-
Nifty-50	19,527
INR/USD	82.6
<b>Shareholding, Jun-23</b>	
Promoters (%)	71.9
FPIs/MFs (%)	7.2/8.6

**Price Performance**

(%)	1M	3M	12M
Absolute	(3.2)	13.1	76.8
Rel. to Nifty	(4.9)	5.1	57.0

**1-Year share price trend (Rs)****Avinash Singh**

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**Exhibit 1: Quarterly Financials**

	Q1FY24	Q1FY23	YoY chg	Q4FY23	QoQ chg
<b>Aditya Birla Capital (Consolidated)</b>					
Consolidated Revenue (Rs mn)	81,440	58,590	39%	92,310	-12%
Consolidated PAT (Rs mn)	6,488	4,290	51%	6,087	7%
Lending Book (Rs mn)	10,04,000	6,98,870	44%	9,43,640	6%
Gross Premium (Rs mn)	38,770	32,500	19%	58,150	-33%
Total AUM (Rs bn)	3,900	3,600	8%	3,600	8%
<b>Aditya Birla Finance</b>					
Lending Book (Rs mn)	8,58,910	5,78,390	49%	8,05,560	7%
Net Interest Margin (%)	6.98	6.47	0.5ppt	6.88	0.1ppt
Net Interest Income (Rs mn)	14,330	8,890	61%	12,710	13%
Credit Provisioning (%)	1.51	1.13	0.4ppt	1.49	0.0ppt
Profit After Tax (Rs mn)	5,160	3,350	54%	4,540	14%
Return On Asset (%)	2.54	2.50	0.0ppt	2.49	0.0ppt
Return On Equity (%)	17.9	14.3	3.6ppt	16.6	1.3ppt
<b>Aditya Housing Finance</b>					
Lending Book (Rs mn)	1,45,090	1,20,490	20%	1,38,080	5%
Net Interest Margin (%)	5.11	4.59	0.5ppt	5.03	0.1ppt
Credit Provisioning (%)	0.15	0.52	-0.4ppt	0.33	-0.2ppt
Profit After Tax (Rs mn)	650	560	16%	650	0%
Return On Asset (%)	1.90	1.90	0.0ppt	2.02	-0.1ppt
Return On Equity (%)	13.23	13.70	-0.5ppt	13.75	-0.5ppt
<b>Aditya Birla Sun Life AMC</b>					
MFQAAUM (Rs bn)	2,969	2,815	5%	2,752	8%
Revenue (Rs mn)	3,890	3,050	28%	3,290	18%
Cost to Income Ratio	38%	44%	-12%	45%	-15%
PAT (Rs mn)	1,850	1,030	80%	1,360	36%
<b>Aditya Birla Sun Life Insurance</b>					
Individual APE (Rs mn)	5,400	4,090	32%	11,990	-55%
New Business Premium (Rs mn)	16,640	13,350	25%	19,850	-16%
Net VNB (%)	11.8	2.50	9.3ppt	20.0	-8.2ppt
Opex Ratio (incl. commission; %)	20.9	20.9	0.0ppt	20.5	0.4ppt
PAT (Rs mn)	110	210	-48%	430	-74%
<b>Aditya Birla Health Insurance</b>					
Retail Premium (Rs mn)	3,650	3,700	-1%	4,490	-19%
Group Premium (Rs mn)	4,060	2,600	56%	4,100	-1%
Gross Premium (Rs mn)	7,720	6,300	23%	8,590	-10%
Combined Ratio (%)	117	109	8.0ppt	110	7.0ppt
Profit Before Tax (Rs mn)	-620	-710	-13%	-30	NM

Source: Company, Emkay Research

**Exhibit 2: We arrive at Jun-24E TP of Rs225/share, based on SOTP-based valuation**

Entity	Metrics	Mar-25E	Multiple (x)	Valuation (Rs mn)	Ownership	Value	Rs per share
NBFC	Net worth (Rs mn)	1,86,410	2.0	3,72,821	100%	3,72,821	144
HFC	Net worth (Rs mn)	31,639	1.8	56,950	100%	56,950	22
AMC	MCAP	1,17,650	1.0	1,17,650	50%	58,837	23
Life Insurance	EV (Rs mn)	1,24,234	1.5	1,86,351	51%	95,039	37
Health Insurance	Deal value	86,450	1.0	86,450	46%	39,681	15
AB Money	MCAP	3,390	1.0	3,390	74%	2,509	1
Others		10000	1.0	10,000	50%	5,000	2
<b>Total</b>						<b>6,30,836</b>	<b>243</b>
<b>Holding company discount</b>			<b>25%</b>			<b>50,266</b>	<b>19</b>
<b>Fair value</b>						<b>5,80,570</b>	<b>225</b>
No. of shares (m)						2,594	
<b>Fair value per share (Rs)</b>						<b>225</b>	

Source: Company, Emkay Research

**Exhibit 3: Changes in Estimates**

(Rs mn)	FY24E			FY25E			FY26E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
<b>Profit before tax</b>									
NBFC	27,952	30,555	9.3	35,242	38,976	10.6	42,955	46,923	9.2
Housing Finance	3,916	3,916	0.0	5,102	4,995	-2.1	6,495	6,192	-4.7
Asset Management	8,146	8,260	1.4	8,806	9,042	2.7	9,663	9,920	2.7
Life Insurance	2,254	1,908	-15.3	2,922	2,111	-27.8	3,538	2,585	-26.9
Health Insurance	-1,371	-1,919	39.9	264	-115	-143.6	215	2,015	837.4
AB Money	350	350	-	350	350	-	350	350	-
Others and Elimination	-4,265	-4,322	1.3	-4,594	-4,712	2.6	-5,022	-5,150	2.5
<b>Total PBT</b>	<b>36,982</b>	<b>38,749</b>	<b>4.8</b>	<b>48,092</b>	<b>50,647</b>	<b>5.3</b>	<b>58,194</b>	<b>62,835</b>	<b>8.0</b>
Tax expense	9,985	10,462	4.8	12,985	13,675	5.3	15,712	16,965	8.0
<b>Profit after tax</b>	<b>26,997</b>	<b>28,287</b>	<b>4.8</b>	<b>35,107</b>	<b>36,972</b>	<b>5.3</b>	<b>42,482</b>	<b>45,869</b>	<b>8.0</b>
Minority interest	330	-117	-135.6	1,449	874	-39.7	1,702	2,148	26.2
<b>Group Net income</b>	<b>26,667</b>	<b>28,405</b>	<b>6.5</b>	<b>33,658</b>	<b>36,099</b>	<b>7.3</b>	<b>40,780</b>	<b>43,721</b>	<b>7.2</b>
<b>Total Assets</b>									
NBFC	10,21,261	10,53,513	3.2	12,01,066	12,65,491	5.4	14,13,906	14,89,085	5.3
Housing Finance	1,78,102	1,78,102	-0.0	2,16,455	2,16,455	0.0	2,64,054	2,64,054	-0.0
Life Insurance	7,91,764	8,32,834	5.2	9,12,781	9,77,157	7.1	10,58,614	11,49,351	8.6
Asset Management	33,320	33,320	-0.0	39,984	39,984	-0.0	47,980	47,980	0.0
Health Insurance	32,666	32,681	0.0	32,930	32,682	-0.8	33,145	34,697	4.7
Other Businesses & Elimination	77,185	67,278	-12.8	92,839	76,463	-17.6	1,12,943	86,792	-23.2
<b>Total</b>	<b>21,34,298</b>	<b>21,97,728</b>	<b>3.0</b>	<b>24,96,056</b>	<b>26,08,231</b>	<b>4.5</b>	<b>29,30,643</b>	<b>30,71,960</b>	<b>4.8</b>
<b>Per share (Rs)</b>									
Reported EPS (Basic)	11.0	11.1	1.0	13.9	13.9	-0.0	16.9	16.9	-0.1
BVPS	95.1	100.5	5.7	109.0	114.5	5.0	125.9	131.3	4.3

Source: Company, Emkay Research

## Earnings Conference Call Highlights

### ■ Aditya Birla Finance

- Management said that the company will double the loan book in the next 3 years and the same should grow at 25% on an average.
- The company is looking at an expansion in margins to 7.5% over the next few years, with changes in product mix and higher yields coming from the Retail and SME segments.
- Management stated that Personal loans are small-ticket loans and the underwriting is not only done on the basis of credit score, but also based on customer performance with other products within the company's ecosystem; hence, the management has comfort on growth in personal loans disbursement.
- Management explained that at an overall company level around 45% of the business was sourced directly, 23% through DSAs and the balance 32% was sourced digitally. In the sourcing of personal loans, the Digital Partnership channel contributed significantly at 79%, whereas for unsecured loans, 60% of the business was sourced through DSAs and 35% sourced digitally. Management said that with the MSME Udyog Plus Platform gaining more traction, share of the direct channel in the unsecured loan segment could increase drastically, from the current 6%.
- Since the launch of the Udyog Plus platform three months ago, the company has seen over 48,000 registrations.
- Management said that the GS3 at 2% was the 'best in class' and, going forward, GS3 will hover at the same range. The policy for direct as well as partner channels remained unchanged; the company keeps reviewing the channels on frequent basis.
- Personal and Consumer Loans contributed to 20% of the portfolio, and the company is reviewing arrangements with its partners with respect to FLDG.

### ■ Aditya Birla Housing Finance

- The company had introduced its loan-oriented system 'Finvest' and has already deployed Finvest in 33 branches during the quarter, with plans to go live pan-India by August-end.
- Management said that the company will be looking for healthy growth and leverage opportunities in the housing lending space.
- With superior customer experience, customer advocacy, improving customer experience and customer mindset, the company is seeing improving trends in Balance Transfers.
- The company is making investments in technology, analytics and distribution and, and as the book grows, the operating leverage will kick in. Though the company has not increased any branches, it has expanded its coverage across PIN codes.

### ■ Aditya Birla Health Insurance

- The retail business grew 17% YoY. The Rural business came down. Agency and Banca channels continued to grow well. However, based on the last few years, the company is reviewing some channels with respect to unit economics.
- The company has launched a Digital Face Scan based health assessment feature, to augment customers' health data gathering, while working with the health tech partner.

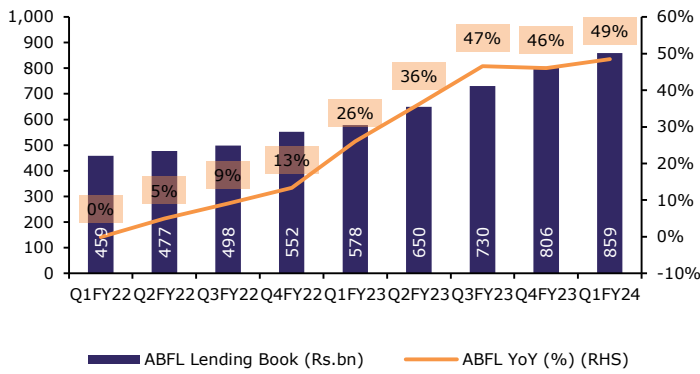
### ■ Aditya Birla Sun Life Insurance

- The company's wallet share in its largest banca partner marginally increased, and it is not seeing any change in approach in the channel.
- Average guarantee rate stood at 5.15-5.20%, and 100% of expected maturity benefits are matched through FRAs.

- Expansion in VNB margin in Q1FY24 was largely driven by a combination of changes in the product mix and productivity-led growth.
- Aditya Birla Capital (Consolidated)
  - The company recently launched a payment lounge — an omni-channel collections platform for merchants, which will be integrated with the e-commerce and digital platforms to create seamless collections for merchants.
  - Majority of the capital raise will help its lending businesses, depending on the market opportunity. Management said that growth capital requirement from the Life Insurance and Health Insurance businesses will be provided.
  - In terms of an outside partner for health insurance, Management said that the company already has two strong JV partners who will support all its growth capital requirements in their partnership-proportion going forward.

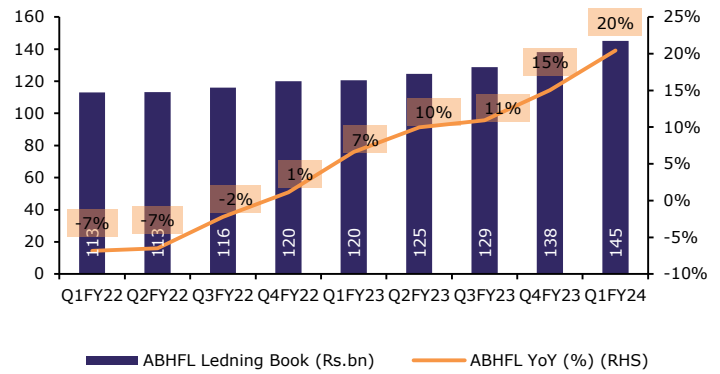
# Story in Charts

**Exhibit 4: ABFL posts a strong Loan Book growth of 49%**



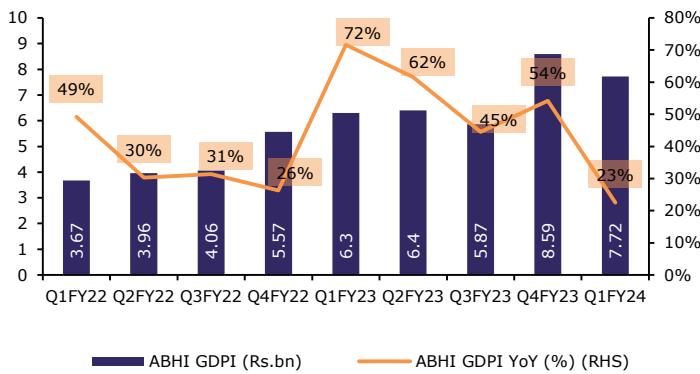
Source: Company, Emkay Research

**Exhibit 5: ABHFL's loan book grows to Rs145bn**



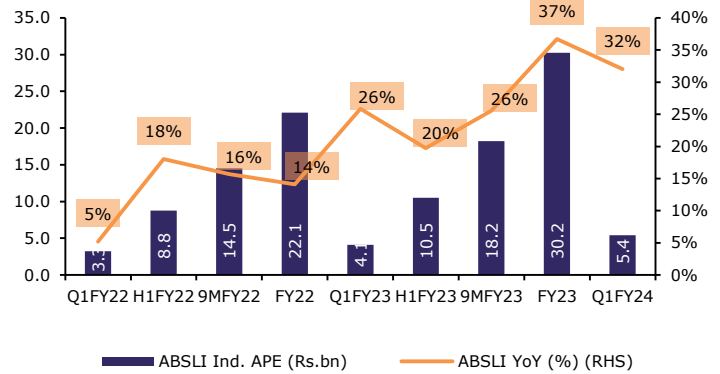
Source: Company, Emkay Research

**Exhibit 6: ABHI's GDPI grows 23% YoY during Q1FY24**



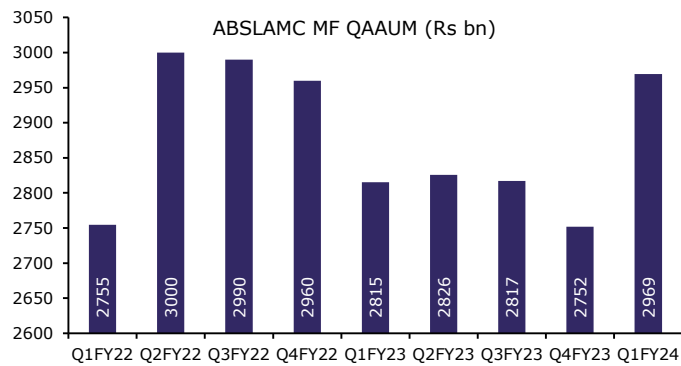
Source: Company, Emkay Research

**Exhibit 7: ABSLI delivers better-than-industry premium growth**



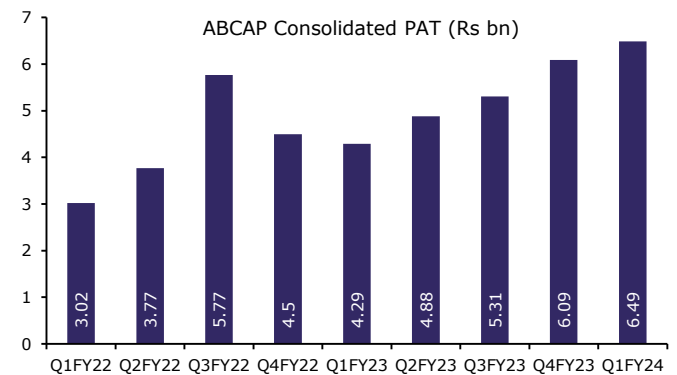
Source: Company, Emkay Research

**Exhibit 8: ABSLAMC's MF QAAUM grows to Rs2.96trn**



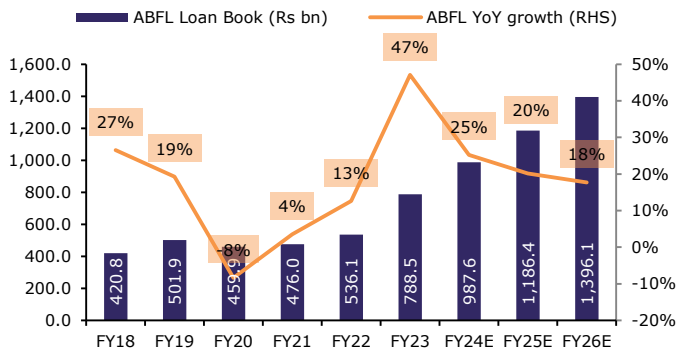
Source: Company, Emkay Research

**Exhibit 9: ABCAP's consolidated PAT increases to Rs6.49bn**



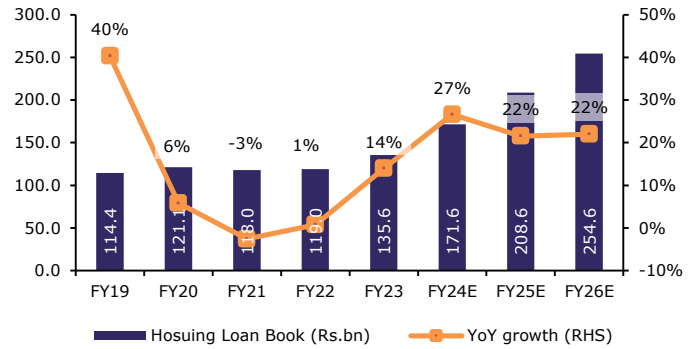
Source: Company, Emkay Research

**Exhibit 10: We expect ABFL's loan book to grow 25% during FY24E**



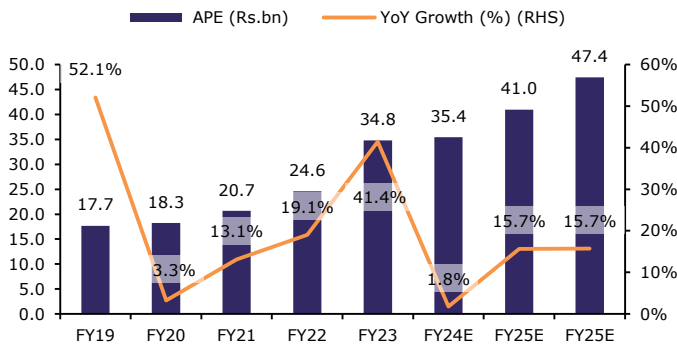
Source: Company, Emkay Research

**Exhibit 11: We expect ABHFL's Loan Book to grow to Rs172bn by FY24E**



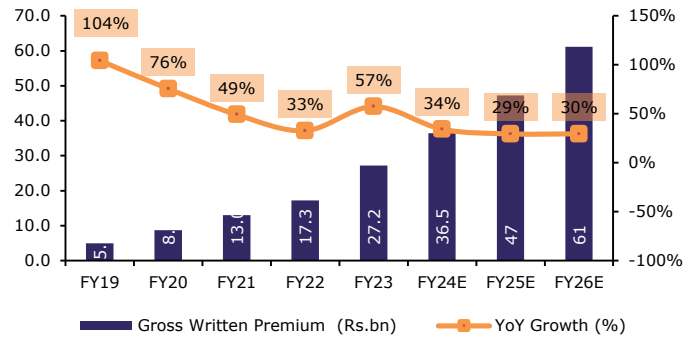
Source: Company, Emkay Research

**Exhibit 12: We expect ABSLI to report APE of Rs47.4bn by FY26E**



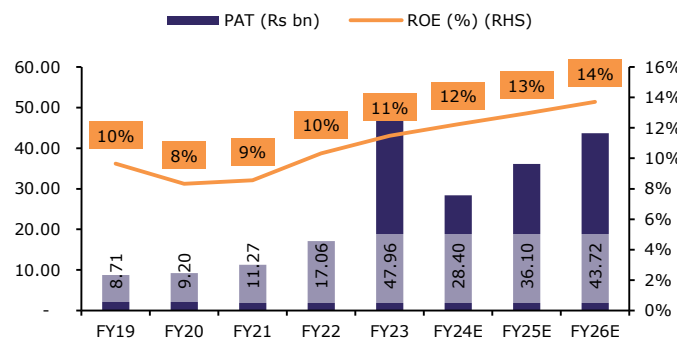
Source: Company, Emkay Research

**Exhibit 13: ABHI is expected to deliver 24% premium growth during FY24E**



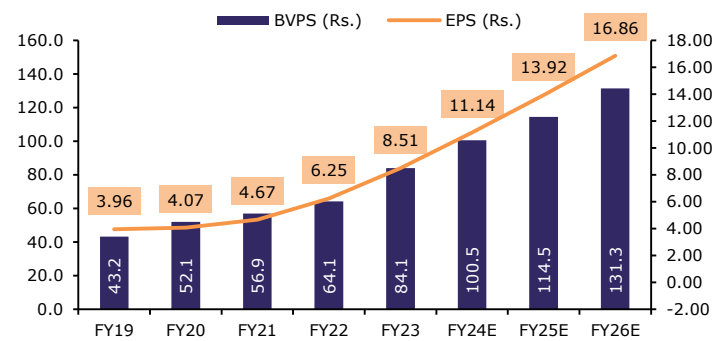
Source: Company, Emkay Research

**Exhibit 14: We expect 12% PAT growth for ABCAP (Consolidated) during FY24E**



Source: Company, Emkay Research

**Exhibit 15: ABCAP's (Consolidated) Book Value/share is expected to increase to Rs100.5 during FY24E**



Source: Company, Emkay Research

## Exhibit 16: ABCAP - Consolidated – Financial Summary

(Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Profit before tax</b>						
NBFC	10,314	14,871	20,902	30,555	38,976	46,923
Housing Finance	1,764	2,533	3,085	3,916	4,995	6,192
Asset Management	6,959	8,652	8,599	8,260	9,042	9,920
Life Insurance	1,179	1,409	1,538	1,908	2,111	2,585
Health Insurance	-1,977	-3,114	-2,188	-1,919	-115	2,015
General Insurance Broking	707	860	970	0	0	0
AB Money	224	357	467	350	350	350
Others and Elimination	-3,714	-2,700	23,189	-4,322	-4,712	-5,150
<b>Total PBT</b>	<b>15,457</b>	<b>22,867</b>	<b>56,352</b>	<b>38,749</b>	<b>50,647</b>	<b>62,835</b>
Tax expense	4,400	6,267	8,112	10,462	13,675	16,965
<b>Profit after tax</b>	<b>11,057</b>	<b>16,601</b>	<b>48,241</b>	<b>28,287</b>	<b>36,972</b>	<b>45,869</b>
Minority interest	-209	-459	283	-117	874	2,148
<b>Group Net income</b>	<b>11,265</b>	<b>17,060</b>	<b>47,958</b>	<b>28,405</b>	<b>36,099</b>	<b>43,721</b>
Preference dividend	0	0	0	0	0	0
One-off adjustments		-1,960	-27,391			
<b>Adjusted Group Net Income</b>	<b>11,265</b>	<b>15,100</b>	<b>20,567</b>	<b>28,405</b>	<b>36,099</b>	<b>43,721</b>
<b>Total Assets</b>						
NBFC	5,07,552	5,69,692	8,41,228	10,53,513	12,65,491	14,89,085
Housing Finance	1,23,758	1,25,907	1,40,721	1,78,102	2,16,455	2,64,054
Life Insurance	5,32,595	6,16,673	7,11,886	8,32,834	9,77,157	11,49,351
Asset Management	19,846	24,343	27,766	33,320	39,984	47,980
Health Insurance	13,813	18,181	27,681	32,681	32,682	34,697
Other Businesses & Elimination	50,379	56,599	58,257	67,278	76,463	86,792
<b>Total</b>	<b>12,47,942</b>	<b>14,11,395</b>	<b>18,07,541</b>	<b>21,97,728</b>	<b>26,08,231</b>	<b>30,71,960</b>
<b>Per share (Rs)</b>						
Adjusted EPS (Basic)	4.67	6.25	8.51	11.14	13.92	16.86
Reported EPS (Basic)	4.67	7.06	19.83	11.14	13.92	16.86
BVPS	56.90	64.11	84.06	100.54	114.46	131.31

Source: Company, Emkay Research



## Exhibit 17: Aditya Birla Finance – Financial Summary

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Income Statement</b>					
<b>Interest income</b>	<b>55,313</b>	<b>78,060</b>	<b>1,11,678</b>	<b>1,36,091</b>	<b>1,61,517</b>
Interest expense	27,091	38,572	53,966	64,740	76,072
Net interest income	30,758	43,797	63,590	78,513	93,945
<b>Other income</b>	<b>120</b>	<b>308</b>	<b>164</b>	<b>189</b>	<b>218</b>
<b>Total income</b>	<b>30,878</b>	<b>44,105</b>	<b>63,754</b>	<b>78,702</b>	<b>94,163</b>
Employee expense	5,207	7,228	9,035	10,843	13,011
Depreciation	684	861	1,115	1,331	1,539
Other expense	3,581	6,079	7,598	9,118	10,942
<b>Opex</b>	<b>9,472</b>	<b>14,168</b>	<b>17,749</b>	<b>21,291</b>	<b>25,492</b>
<b>Profit before provisions</b>	<b>21,406</b>	<b>29,937</b>	<b>46,005</b>	<b>57,411</b>	<b>68,671</b>
Provisions	6,535	9,035	15,449	18,435	21,748
<b>Profit before tax</b>	<b>14,871</b>	<b>20,902</b>	<b>30,555</b>	<b>38,976</b>	<b>46,923</b>
Tax expense	3,788	5,364	7,639	9,744	11,731
<b>Reported profit attributable to shareholders</b>	<b>11,318</b>	<b>15,610</b>	<b>22,916</b>	<b>29,232</b>	<b>35,192</b>
<b>Balance Sheet</b>					
Shareholders' Equity	98,604	1,14,262	1,57,179	1,86,410	2,21,603
Borrowings	4,59,857	7,07,707	8,66,285	10,49,898	12,35,516
Other liabilities	11,230	19,259	30,049	29,182	31,967
<b>Total equity &amp; liabilities</b>	<b>5,69,692</b>	<b>8,41,228</b>	<b>10,53,513</b>	<b>12,65,491</b>	<b>14,89,085</b>
<b>Assets</b>					
Cash & cash equivalents	6,925	3,876	4,855	5,832	6,864
Investments	16,940	37,027	46,375	55,711	65,561
Loans & advances	5,36,075	7,88,495	9,87,565	11,86,384	13,96,133
Fixed assets	2,217	3,101	3,786	4,429	5,073
Other assets	7,535	8,729	10,932	13,133	15,455
<b>Total Assets</b>	<b>5,69,692</b>	<b>8,41,228</b>	<b>10,53,513</b>	<b>12,65,491</b>	<b>14,89,085</b>
<b>Gross loans</b>	<b>5,46,821</b>	<b>8,04,520</b>	<b>10,06,844</b>	<b>12,09,320</b>	<b>14,23,551</b>
GNPA	19,560	25,070	29,558	34,531	40,993
NNPA	11,831	13,488	15,962	18,646	22,136
<b>Key ratios (%)</b>					
Asset yield	11.4	12.4	13.2	13.2	13.2
Cost of funds	6.2	6.6	6.9	6.8	6.7
Spread	5.2	5.8	6.4	6.4	6.5
Net interest margin	6.1	6.6	7.2	7.2	7.3
Opex % of AAUM)	1.9	2.1	2.0	2.0	2.0
C/I ratio	30.7	32.1	27.8	27.1	27.1
Credit cost	1.29	1.4	1.7	1.7	1.7
RoA	2.18	2.26	2.46	2.57	2.60
RoE	12.1	14.7	16.9	17.0	17.3
Tier I	18.1	13.9	16.7	16.3	16.3
CRAR	21.8	16.4	18.9	18.1	17.9
D/E (x)	4.7	6.2	5.5	5.6	5.6
Leverage (x)	5.8	7.4	6.7	6.8	6.7
<b>Per share (Rs)</b>					
Reported EPS - Basic	16.74	23.47	34.46	43.95	52.91
Reported EPS - Diluted	16.74	23.47	34.46	43.95	52.91
BVPS	148.9	172.6	237.4	281.5	334.7
<b>RoA Tree (%)</b>					
Interest income	10.3	11.1	11.8	5.9	5.9
Interest expense	5.0	5.5	5.7	5.6	5.5
<b>Net interest income</b>	<b>5.7</b>	<b>6.2</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>
Other income	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>5.7</b>	<b>6.3</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>
Employee expense	1.0	1.0	1.0	0.9	0.9
Depreciation	0.1	0.1	0.1	0.1	0.1
Other expense	0.7	0.9	0.8	0.8	0.8
<b>Opex</b>	<b>1.8</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>
<b>Profit before provisions</b>	<b>4.0</b>	<b>4.2</b>	<b>4.9</b>	<b>5.0</b>	<b>5.0</b>
Provisions	1.2	1.3	1.6	1.6	1.6
<b>Profit before tax</b>	<b>2.8</b>	<b>3.0</b>	<b>3.2</b>	<b>3.4</b>	<b>3.4</b>
Tax expense	0.7	0.8	0.8	0.8	0.9
<b>Recurring profit after tax</b>	<b>2.06</b>	<b>2.20</b>	<b>2.42</b>	<b>2.52</b>	<b>2.56</b>

Source: Company, Emkay Research

## Exhibit 18: Aditya Birla Housing Finance – Financial Summary

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Income Statement</b>					
Interest income	11,857	13,640	16,956	21,006	25,607
Interest expense	6,949	7,484	9,305	11,526	14,160
<b>Net interest income</b>	<b>5,202</b>	<b>6,569</b>	<b>8,147</b>	<b>10,072</b>	<b>12,155</b>
Other income	11	22	30	30	30
<b>Total income</b>	<b>5,213</b>	<b>6,591</b>	<b>8,177</b>	<b>10,102</b>	<b>12,185</b>
Employee expense	1,317	1,790	2,148	2,535	2,991
Other expense	516	833	916	1,008	1,109
<b>Opex</b>	<b>1,934</b>	<b>2,782</b>	<b>3,262</b>	<b>3,776</b>	<b>4,372</b>
<b>Profit before provisions</b>	<b>3,280</b>	<b>3,809</b>	<b>4,914</b>	<b>6,326</b>	<b>7,813</b>
Provisions	747	724	998	1,331	1,621
<b>Profit before tax</b>	<b>2,533</b>	<b>3,085</b>	<b>3,916</b>	<b>4,995</b>	<b>6,192</b>
Tax expense	560	676	858	1,094	1,357
<b>Recurring profit after tax</b>	<b>1,973</b>	<b>2,409</b>	<b>3,058</b>	<b>3,901</b>	<b>4,835</b>
Other Comprehensive Income	45	54	0	0	0
<b>Profit attributable to equity shareholders</b>	<b>2,018</b>	<b>2,464</b>	<b>3,058</b>	<b>3,901</b>	<b>4,835</b>
Exceptionals	0	0	0	0	0
<b>Reported profit attributable to shareholders</b>	<b>2,018</b>	<b>2,464</b>	<b>3,058</b>	<b>3,901</b>	<b>4,835</b>
<b>Balance Sheet</b>					
Shareholders' Equity	17,210	19,680	27,738	31,639	36,474
Borrowings	1,07,152	1,19,372	1,49,248	1,82,974	2,25,178
Other liabilities	1,545	1,669	1,115	1,842	2,402
<b>Total equity &amp; liabilities</b>	<b>1,25,907</b>	<b>1,40,721</b>	<b>1,78,102</b>	<b>2,16,455</b>	<b>2,64,054</b>
<b>Assets</b>					
Cash & cash equivalents	5,570	2,047	2,592	3,151	3,844
Loans & advances	1,18,955	1,35,570	1,71,631	2,08,631	2,54,559
Fixed assets	337	721	861	1,005	1,175
Other assets	1,045	2,384	3,018	3,668	4,476
<b>Total Assets</b>	<b>1,25,907</b>	<b>1,40,721</b>	<b>1,78,102</b>	<b>2,16,455</b>	<b>2,64,054</b>
<b>Key ratios (%)</b>					
Loan yield	10.3	11.0	11.4	11.4	11.4
Cost of funds	6.5	6.6	6.9	6.9	6.9
Spread	3.8	4.4	4.4	4.4	4.4
Net interest margin	4.4	5.2	5.3	5.3	5.2
C/I ratio	37.1	42.2	39.9	37.4	35.9
Credit cost	0.63	0.57	0.65	0.70	0.70
RoA (normalized)	1.67	1.89	1.99	2.05	2.09
RoE (normalized)	12.18	13.06	12.90	13.14	14.20
<b>Asset Quality</b>					
GNPA	3.6	3.2	3.4	3.3	3.3
NNPA	2.7	2.2	2.7	2.7	2.7
<b>Capital adequacy</b>					
Tier 1 Ratio	19.4	19.9	22.3	20.0	19.1
CRAR	23.9	23.8	25.4	22.3	21.0
D/E (x)	6.2	6.1	5.4	5.8	6.2
Leverage (x)	7.3	7.2	6.4	6.8	7.2
<b>RoA Tree (%)</b>					
Interest income	9.5	10.2	10.6	10.6	10.7
Interest expense	5.6	5.6	5.8	5.8	5.9
<b>Net interest income</b>	<b>4.2</b>	<b>4.9</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>
Other income	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>4.2</b>	<b>4.9</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>
Employee expense	1.1	1.3	1.3	1.3	1.2
Depreciation	0.1	0.1	0.1	0.1	0.1
Other expense	0.4	0.6	0.6	0.5	0.5
<b>Opex</b>	<b>1.5</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>
<b>Profit before provisions</b>	<b>2.6</b>	<b>2.9</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>
Provisions	0.6	0.5	0.6	0.7	0.7
<b>Profit before tax</b>	<b>2.0</b>	<b>2.3</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>
Tax expense	0.4	0.5	0.5	0.6	0.6
<b>RoA</b>	<b>1.6</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>

Source: Company, Emkay Research

**Exhibit 19: Aditya Birla Sun Life AMC – Financial Summary**

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Income Statement</b>					
Fund management & advisory fee	12,635	12,266	11,775	12,749	13,823
Investment & other income	1,156	1,271	1,336	1,603	1,923
<b>Total income</b>	<b>13,790</b>	<b>13,537</b>	<b>13,111</b>	<b>14,352</b>	<b>15,746</b>
<b>Total expense</b>	<b>5,138</b>	<b>4,938</b>	<b>4,851</b>	<b>5,310</b>	<b>5,826</b>
<b>Profit before tax</b>	<b>8,652</b>	<b>8,599</b>	<b>8,260</b>	<b>9,042</b>	<b>9,920</b>
Tax expense	2,219	1,975	1,897	2,077	2,278
<b>Profit after tax</b>	<b>6,433</b>	<b>6,624</b>	<b>6,363</b>	<b>6,965</b>	<b>7,642</b>
<b>Balance Sheet</b>					
Shareholders' Equity	22,006	25,090	29,159	33,614	38,502
<b>Total Assets</b>	<b>24,343</b>	<b>27,766</b>	<b>33,320</b>	<b>39,984</b>	<b>47,980</b>
MF QAAUM	29,58,050	27,52,040	30,58,755	34,03,283	37,95,503
- o/w Equity AAUM	11,10,313	8,76,040	10,07,446	11,28,340	12,63,740
Total QAAUM	30,74,090	28,61,800	31,76,894	35,33,236	39,38,451
<b>Key ratios (%)</b>					
<b>Profitability</b>					
Fee yield	0.43	0.41	0.39	0.38	0.37
C/I ratio	37.3	36.5	37.0	37.0	37.0
PAT/QAAUM	0.22	0.22	0.21	0.21	0.20
RoA (normalized)	29.1	25.4	20.8	19.0	17.4
RoE (normalized)	32.9	28.1	23.5	22.2	21.2

Source: Company, Emkay Research

**Exhibit 20: Aditya Birla Sun Life Insurance – Financial Summary**

Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Policyholders' account</b>					
Gross written premium	1,21,402	1,50,697	1,70,662	2,03,177	2,41,952
Net earned premium	1,16,415	1,45,395	1,65,542	1,97,081	2,34,693
Investment income	53,020	34,576	61,732	72,686	85,760
Other income	1,291	3,409	3,882	4,621	5,503
Total revenue	1,70,725	1,83,380	2,31,156	2,74,389	3,25,956
Commission expense	5,962	8,436	9,605	11,435	13,617
Operating expenses	15,209	20,965	22,348	26,606	31,684
Benefits cost	1,47,115	1,49,317	1,93,771	2,30,078	2,73,190
Total expense	1,69,969	1,80,451	2,27,698	2,70,469	3,21,289
Surplus/Deficit	756	2,929	3,458	3,920	4,668
<b>Shareholders' account</b>					
Transfer from policyholders' account	756	2,929	3,458	3,920	4,668
Investment income	2,122	2,389	2,608	2,765	2,948
Expenses	1,468	3,780	4,158	4,573	5,031
Profit before tax	1,409	1,538	1,908	2,111	2,585
Tax expense	141	154	190	211	258
<b>Profit after tax</b>	<b>1,268</b>	<b>1,385</b>	<b>1,718</b>	<b>1,900</b>	<b>2,327</b>
<b>Balance Sheet</b>					
<b>Sources of Funds</b>					
Shareholders' Funds	25,486	29,261	30,979	32,880	35,206
Policyholders' Funds: Insurance reserves and provisions	5,91,187	6,77,645	7,96,875	9,39,297	11,09,164
<b>Total</b>	<b>6,16,673</b>	<b>7,11,886</b>	<b>8,32,834</b>	<b>9,77,157</b>	<b>11,49,351</b>
<b>Application of Funds</b>					
Shareholders' Investments	29,215	32,981	34,917	37,059	39,682
Policyholders' Investments	2,77,141	3,62,456	4,26,229	5,02,408	5,93,266
Assets Held to Cover Linked Liabilities	3,01,602	3,05,074	3,58,751	4,22,869	4,99,343
Other Asset	8,716	11,375	12,936	14,821	17,060
<b>Total</b>	<b>6,16,673</b>	<b>7,11,886</b>	<b>8,32,834</b>	<b>9,77,157</b>	<b>11,49,351</b>
<b>Embedded Value Account</b>					
Embedded Value	76,090	90,140	1,06,036	1,24,234	1,45,393
Annualised Premium Equivalent (APE)	24,600	34,783	35,412	40,965	47,399
New Business value	3,690	8,000	7,082	8,193	9,480
New Business Margin (%)	15.0	23.0	20.0	20.0	20.0
EV Operating Profit	9,950	17,200	15,896	18,198	21,159
Operating RoEV (%)	15.4	22.6	17.6	17.2	17.0
<b>Key Ratio</b>					
Return on Equity (%)	5.1	5.1	5.7	6.0	6.8
Commission expense/TWRP (%)	6.5	7.6	7.7	7.7	7.7
Operating expenses/TWRP (%)	16.5	18.9	17.9	18.0	18.0
Total expense (% of TWRP)	23.0	26.5	25.6	25.7	25.8
Total expense (% of Avg AUM)	3.73	4.49	4.20	4.27	4.33
Conservation ratio (%)	89.1	83.4	82.1	87.5	88.5

Source: Company, Emkay Research

**Exhibit 21: Aditya Birla Health Insurance – Financial Summary**

<b>Policyholder Account (Y/E Mar, Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Gross Direct Premium (GDPI)	17,267	27,170	36,471	47,217	61,147
Gross Written Premium (GWP)	17,267	27,170	36,471	47,217	61,147
Net Written Premium (NWP)	13,481	21,212	32,277	42,495	55,032
Net Earned Premium (NEP)	11,893	18,378	26,745	37,386	48,764
Net incurred claims	8,273	11,886	18,186	25,049	32,184
Net commission expense	191	1,435	1,614	2,125	2,752
Operating expense	7,461	8,701	11,943	14,448	17,060
Total Expense	3,574	6,231	8,684	11,206	15,925
Underwriting result	(2054)	(2749)	(2830)	(2734)	(4032)
Investment income	707	1,101	2,328	3,161	4,228
Insurance result	-1,347	-1,647	-502	427	196
Operating profit	-3,325	873	-2,670	-1,075	996
<b>Shareholder Account (Y/E Mar, Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Operating profit</b>	<b>-3,325</b>	<b>873</b>	<b>-2,670</b>	<b>-1,075</b>	<b>996</b>
Investment income	235	435	782	990	1,050
Other income					
Expenses and provisions	25	3,497	30	30	30
Profit before tax	-3,114	-2,188	-1,919	-115	2,015
Tax expense	0	0	0	0	0
<b>Profit after Tax</b>	<b>-3,114</b>	<b>-2,188</b>	<b>-1,919</b>	<b>-115</b>	<b>2,015</b>
<b>Balance Sheet (Y/E Mar, Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Source of Funds</b>					
Shareholders fund	18,180	27,677	32,677	32,677	34,692
Fair value gains	0	4	5	5	5
Net worth including fair value gains	18,180	27,681	32,681	32,682	34,697
Borrowings					
<b>Total</b>	<b>18,180</b>	<b>27,681</b>	<b>32,681</b>	<b>32,682</b>	<b>34,697</b>
<b>Application of Funds</b>					
Investments					
Shareholders	3,446	7,995	14,050	13,947	15,761
Policyholders	11,794	21,548	29,073	40,055	52,782
Other Assets	1,170	1,435	1,478	1,508	1,538
Cash & Bank Balances	534	170	186	205	226
Other current assets	1,354	2,621	3,014	3,466	3,985
Net Current Assets	-11,188	-18,444	-28,985	-40,008	-52,563
Accumulated losses	12,959	15,147	17,065	17,180	17,180
<b>Total</b>	<b>18,181</b>	<b>27,681</b>	<b>32,681</b>	<b>32,682</b>	<b>34,697</b>
<b>Key ratios (Y/E Mar, %)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Retention ratio	78.1	78.1	88.5	90.0	90.0
Incurred claims ratio	69.6	64.7	68.0	67.0	66.0
Net commission ratio	1.4	6.8	5.0	5.0	5.0
Expense ratio	55.3	41.0	37.0	34.0	31.0
Combined ratio	126.3	112.5	110.0	106.0	102.0
GWP/Net worth	0.9	1.0	1.1	1.4	1.8
NWP/Net worth	0.7	0.8	1.0	1.3	1.6
Return on Equity	-19.5	-9.5	-6.4	-0.4	6.0

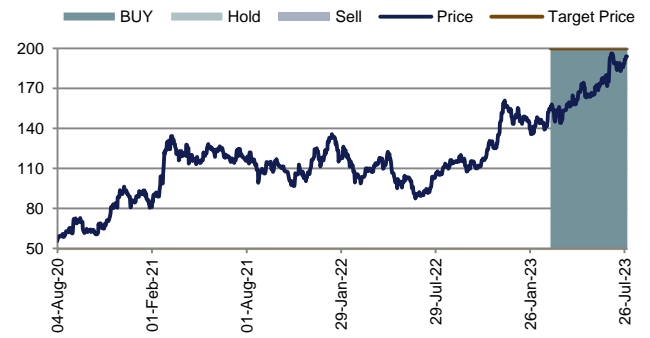
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	CMP (INR)	TP (INR)	Rating	Analyst
12-May-23	163	200	Buy	Avinash Singh
06-Mar-23	156	200	Buy	Avinash Singh

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Bloomberg, Company, Emkay Research

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