

Aditya Birla Sun Life AMC Ltd

Aditya Birla Sun Life AMC Limited ("ABSLAMC") is ranked as the largest non-bank affiliated AMC in India by Quarterly Average Assets Under Management ("QAAUM") since March 31, 2018, and among the four largest AMCs in India. Company managed total AUM of ₹2,93,642 crores under the suite of mutual fund (excluding our domestic FoFs), portfolio management services, offshore and real estate offerings, as of June 30, 2021. It established a geographically diversified Pan-India distribution presence covering 284 locations spread over 27 states and six union territories.

Positives: (a) Largest Non-Bank Affiliated Asset Manager in India (b) Well-Recognized Brand with Experienced Promoters (c) Growing Individual Investor Customer Base Driven by Strong Systematic Flows and B-30 Penetration (d) Diverse Product Portfolio with Fund Performance supported by Research Driven Investment Philosophy.

Investment concerns: (a) The effect of pandemic is uncertain and unpredictable to the business. (b) Any adverse change in AUM may result in a decline in overall revenue and profit. (c) Underperformance of investment products could lead to loss of investors and subsequently loss of AUM & adverse impact on operation. (d) Credit risks related to the debt portfolio of managed funds may expose the funds to losses.

Outlook & Valuation: Aditya Birla AMC has witnessed a steady growth in AUM since 2016 and has also been constantly increasing the share of Individual AUM within the mix. Moreover, the share of high margin Equity AUM has normalized to 36.5% of AUM in Q1FY2022 as compared to 30.5% of AUM at the end of FY2020. At the higher end of the price band the AMC will be trading at Market/AUM of 7.3xQ1FY22 Avg. AUM which is at a discount to Nippon Life AMC and at a similar level to that of UTI AMC. Given the discount to Nippon AMC and strong growth prospects of the AMC due to a buoyant capital market we would recommend to **SUBSCRIBE** to the IPO.

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Net Sales	1,406.1	1,233.8	1,191.0
% chg	-	-12.2	-3.5
Net Profit	446.8	494.4	526.3
% chg	-	10.7	6.4
EBITDA (%)	48.6	56.9	60.8
EPS (Rs)	15.5	17.2	18.3
P/E (x)	45.9	41.5	39.0
P/BV (x)	16.8	15.6	12.0
ROE (%)	36.6	37.5	30.9
ROCE (%)	48.3	46.7	37.9
Market Cap/Avg. AUM (%)	8.0	9.5	7.6

Source: Company, Angel Research.

Note: Valuation ratios at upper price band.

SUBSCRIBE

Issue Open: Sep 29, 2021
Issue Close: Oct 01, 2021

Issue Details

Face Value: ₹5

Present Eq. Paid up Capital: ₹144 cr

Offer for Sale: ₹2768.26 cr

Fresh issue: ₹0 cr

Post Eq. Paid up Capital: ₹144cr

Issue size (amount): ₹2,768.26 cr

Price Band: ₹695-712

Lot Size: 20 shares and in multiple thereafter

Post-issue mkt. cap: * ₹20,016 cr - ** ₹20,506 cr

Promoters holding Pre-Issue: 100%

Promoters holding Post-Issue: 86.5%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	86.5%
Others	13.5%

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Company background

Company incorporated in 1994, Aditya Birla Sun Life AMC is set up as a joint venture between ABCL and Sun Life AMC. Company managed total AUM of ₹2,93,642 crores under the suite of mutual fund (excluding our domestic FoFs), portfolio management services, offshore and real estate offerings, as of June 30, 2021. The company managed 135 schemes comprising 35 equity, 93 debt, 2 liquid schemes, 5 ETFs, and 6 domestic FoFs as of December 31, 2020.

Issue details

The issue comprises of OFS of upto ₹2,768.26 crore and no Fresh issue

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	288,000,000	100.0	249,120,000	86.5
Public	0	0.0	38,880,000	13.5
Total	288,000,000	100.0	288,000,000	100.0

Source: Company, Angel Research & RHP.

Objectives of the Offer

- Carry out the Offer for Sale of up to 38,880,000 Equity Shares by the Selling Shareholders.
- Achieve the benefits of listing the Equity Shares on the Stock Exchanges and General corporate purposes.

Key Management Personnel

Kumar Mangalam Birla is the Non-Executive Chairman of the Company. He is also the chairman of the Aditya Birla group and the chairman on the boards of key group companies in India and globally.

Ajay Srinivasan is a Non-Executive Director of the Company with over three decades of experience in financial services and has been on the Board of the Company since August 2, 2007. He has experience in leadership positions with financial institutions having operations in India and internationally such as Prudential ICICI AMC and Prudential Corporation Asia.

Sandeep Asthana is a Non-Executive Director of the Company and has been on the Board of our Company since April 27, 2011. He holds a bachelor's degree in chemical engineering from Indian Institute of Technology. His experience covers leadership roles in Reinsurance Group of America (RGA Re), Unit Trust of India (UTI) and Zurich Risk Management Services (India) Private Limited.

A Balasubramanian is the Managing Director and Chief Executive Officer of the Company and has been associated as an employee of the Company since 1994. He has completed advanced management programs from Indian Institute of Management, Bangalore and Harvard Business School. He also holds a bachelor's degree in science (mathematics) and a master's degree in business administration from GlobalNxt University.

Exhibit 1: Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021	Q1FY2022
Total Revenue From Operation	1,406.1	1,233.8	1,191.0	333.2
% chg	-	-12.2	-3.5	29.9
Total Expenditure	723.3	532.1	467.0	120.0
Fees and commission expense	143.5	75.0	47.0	6.2
Employee benefit expense	277.5	242.0	240.7	68.9
Other expense	302.3	215.0	179.2	44.9
EBITDA	682.7	701.8	724.1	213.2
% chg	-	2.8	3.2	55.6
(% of Net Sales)	48.6	56.9	60.8	64.0
Depreciation & Amortisation	32.4	36.5	37.4	9.0
EBIT	650.3	665.2	686.6	204.2
% chg	-	2.3	3.2	60.2
(% of Net Sales)	46.3	53.9	57.7	61.3
Finance costs	5.7	5.4	5.6	1.3
Other income	1.2	0.9	14.8	3.0
(% of Sales)	0.1	0.1	1.2	0.9
Recurring PBT	645.8	660.7	695.9	205.9
% chg	-	2.3	5.3	58.2
Exceptional item	-	-	-	-
Tax	199.0	166.3	169.6	50.9
PAT (reported)	446.8	494.4	526.3	154.9
% chg	-	10.7	6.4	59.2
(% of Net Sales)	31.8	40.1	44.2	46.5
Basic & Fully Diluted EPS (Rs)	15.5	17.2	18.3	-

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

Y/E March (₹ cr)	FY2019	FY2020	FY2021	Q1FY2022
SOURCES OF FUNDS				
Equity Share Capital	18.0	18.0	18.0	144.0
Other equity (Retained Earning)	1,202.6	1,298.9	1,686.6	1,658.2
Shareholders' Funds	1,220.6	1,316.9	1,704.6	1,802.2
Total Loans	-	-	-	-
Other liabilities	125.5	109.0	105.9	102.2
Total Liabilities	1,346.0	1,425.9	1,810.5	1,904.3
APPLICATION OF FUNDS				
Property, plant and equipment	20.5	19.1	12.2	10.5
Right of use assets	64.6	54.7	51.6	49.1
Intangible assets under development	1.1	0.8	1.0	0.8
Other intangible assets	9.5	12.4	13.3	12.4
Current Assets	1,246.7	1,391.2	1,850.2	1,949.3
Cash and cash equivalents	38.2	46.6	56.5	52.0
Bank balances other than (a) above	0.3	0.3	0.3	0.3
Trade receivables	25.7	40.5	31.0	25.7
Loans	0.1	0.1	0.0	0.0
Investments	1,138.1	1,263.4	1,726.3	1,852.1
Other financial assets	28.5	12.9	19.2	12.7
Current tax assets (net)	16.0	27.4	16.9	6.4
Current Liability	152.4	146.1	174.0	181.6
Net Current Assets	1,094.3	1,245.1	1,676.1	1,767.7
Other Non-Current Asset	156.0	93.7	56.3	63.8
Total Assets	1,346.0	1,425.9	1,810.5	1,904.3

Source: Company, Angel Research

Exhibit 3: Consolidated Cash flows

Y/E March (₹ cr)	FY2019	FY2020	FY2021	Q1FY2022
Operating profit	600.7	629.9	601.9	196.0
Net changes in working capital	-57.1	37.4	61.4	8.7
Cash generated from operations	543.6	667.4	663.2	204.8
Direct taxes paid (net of refunds)	-228.2	-170.4	-151.0	-38.2
Net cash flow Operating	315.3	497.0	512.3	166.6
Purchase of Investments	-1,885.4	-1,053.6	-2,039.7	-604.7
Sale of Investments	1,967.3	1,002.5	1,702.0	509.0
Others	-19.5	-15.0	-2.1	1.4
Cash Flow from Investing	62.4	-66.1	-339.8	-94.3
Final / Interim Dividend Paid	-360.6	-397.8	-140.0	-70.6
Lease Liability - Interest portion	-5.7	-5.4	-5.6	-1.3
Lease Liability - Principal portion	-17.3	-19.3	-16.9	-4.9
Cash Flow from Financing	-383.6	-422.5	-162.5	-76.8
Inc./ (Dec.) in Cash	-5.8	8.4	9.9	-4.5
Opening Cash balances	44.0	38.2	46.6	56.5
Closing Cash balances	38.2	46.6	56.5	52.0

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	45.9	41.5	39.0
P/CEPS	42.8	38.6	36.4
P/BV	16.8	15.6	12.0
Market Cap/Avg. AUM (%)	8.0	9.5	7.6
Per Share Data (Rs)			
EPS (Basic)	15.5	17.2	18.3
EPS (fully diluted)	15.5	17.2	18.3
Cash EPS	16.6	18.4	19.6
Book Value	42.4	45.7	59.2
Returns (%)			
ROE	36.6	37.5	30.9
ROCE	48.3	46.7	37.9
Other Ratios (x)			
Revenue/Avg. AUM (%)	0.56	0.52	0.49
PAT/Avg. AUM (%)	0.18	0.21	0.22

Source: Company, Angel Research

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