

Aditya Birla Capital

Performance Highlights

Particulars (₹ cr)	4QFY18	3QFY18	% chg (qoq)	4QFY17	% chg (yoy)
PBT	398	409	(2.7)	240	65.8
PAT	208	217	(4.1)	109	90.8

Source: Company, Angel Research

Aditya Birla Capital (ABCL), a financial service provider, continued its robust growth in business operation in 4QFY18 as well. The company's consolidated revenue increased by 25%yoy and PAT jumped by 91%yoy to ₹208cr in said quarter. Consistent growth throughout the year took the company's net profit for the FY18 to ₹824cr, up by 44%. Its business development was supported by an increase in lending business by all the segments of the company. The consolidated AUM rose by 24% to ₹3,05,295cr and simultaneously, loan book expanded by 32% to ₹51,378cr for the FY18.

Coherent strategies for each segment propels overall growth

The company's operations are divided in 8 segments. Of these, major income generation comes NBFC, Asset Management, Life insurance and housing finance.

NBFC: This segment is comprised of retail, SME and UHNI lending, constituting 47% of the loan mix. Loan book increased by 25% to ₹34,703cr in FY18. GNPA and NPA were maintained at 0.9% and 0.6%, respectively. NIM was healthy at 4.4%.

Asset Management: Revenues from this segment increased by 10%yoy in 4QFY18 and 25% in FY18. Share of equity AUM rose by 35% and revenues grew by 73%. This was primarily due to doubling in SIP contribution which increased to ₹956cr from ₹503cr in the previous year.

Insurance : In 4QFY18 ABCL's first year premium (FYP) increased by 20%yoy. It also managed to report positive VNB margin of 4.3% compared to (5.5%) in the year ago. Further, it has also widened its presence through branch channel of HDFC.

Housing finance: Started just 7 quarters back, this segment generated profits before tax for the first time in 4QFY18. EBIT was ₹24cr over a loss of ₹15cr in the year-go, favoured by a sharp decrease in cost/income ratio to 71% from 86% in 4QFY17. The HFC loan book almost doubled to ₹8,137cr in FY18, maintaining the asset quality at GNPA of 0.5% and NPA of 0.4%. The segment's NIM was 3% at the end of FY18.

Outlook & Valuation: We believe broad based and integrated financial offerings would enable ABCL to take benefit of financialisation of savings. We expect ABCL's PAT to grow at CAGR of 47% over FY2018-20E, largely driven by Lending segment and AMC. **We recommend a Buy rating on the stock, with a target price of ₹218.**

Key Financials

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
PBT	869	1,065	1,554	2,309	3,319
% chg		23	46	49	44
PAT	380	529	847	1,266	1,822
% chg		39	60	49	44
EPS	2	2	4	6	8
ROE	9	8	10	13	16
P/B	7.3	4.9	3.8	3.3	2.8
P/E	85	61	38	26	18

Source: Company, Angel Research; Note: CMP as of May18, 2018

Please refer to important disclosures at the end of this report

BUY

CMP	₹148
Target Price	₹218

Investment Period	12 Months
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Stock Info

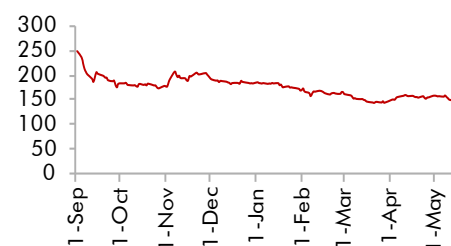
Sector	Finance
Market Cap (₹ cr)	32,598
Beta	0.9
52 Week High / Low	255/144
Avg. Daily Volume	3,44,102
Face Value (₹)	10
BSE Sensex	35,249
Nifty	10,712
Reuters Code	ADTB.NS
Bloomberg Code	ABCAP.IN

Shareholding Pattern (%)

Promoters	72.8
MF / Banks / Indian Fls	7.0
FII / NRIs / OCBs	7.6
Indian Public / Others	10.2

Abs. (%)	3m	1yr	3yr
Sensex	3.0	14.0	26.0
ABCL	(9.0)	-	-

Price chart



Source: Company, Angel Research

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Outlook & Valuation:

We believe broad based and integrated financial offering enable ABCL to take benefit of financialisation of savings. Core lending business (after adjusting value of AMC, Life Insurance, ABML & Other) is available at 1.7x of FY20E BV. We expect ABCL PAT to grow at CAGR of 47% over FY18-FY20E, largely driven by Lending segment and AMC. **We recommend a buy rating on the stock and an SOTP-based target price of ₹218.**

Exhibit 1: SOTP valuation summary

Particulars	Stake	Valuation Methodology	Value/share (₹)
NBFC	100%	3.2x FY20E PBV	127
HFC	100%	3.5x FY20E PBV	15
AMC	51%	7.3% of AUM	45
Life Insurance	51%	3x FY18 EV	30
ABML	74%	CMP	1
Fair value per share			218

Consolidated Profit & Loss

Y/E March (₹ cr)	FY16	FY17	FY18E	FY19E	FY20E
Segment PBT					
NBFC	626	832	1,108	1,481	1,948
Life Insurance	-	-	166	199	239
Asset Management	314	337	493	729	1,012
HFC	(30)	(15)	31	70	217
Other Financial Services	9	(45)	(101)	(86)	(73)
Total PBT	928	1,064	1,554	2,309	3,319
- YoY Growth (%)		15	46	49	44
Consolidated Adj	(50)	(44)	-	-	-
Consolidated PBT	869	1,065	1,554	2,309	3,319
Taxes	345	375	528	785	1,128
Tax Rate (%)	40	35	34	34	34
Consolidated PAT	524	690	1,026	1,524	2,190
Minority Interest	144	161	179	258	369
Consolidated PAT Post MI	380	529	847	1,266	1,822
- YoY Growth (%)		39	60	49	44

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Disclosure of Interest Statement	Aditya Birla Capital Ltd
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors