

## Aditya Birla Capital

### Performance Highlights

Particulars (₹ cr)	Q1FY20	Q4FY19	% chg (qoq)	Q1FY19	% chg (yoy)
PBT	3962	4090	-3.1	3424	16
PAT	270	259	4.2	213	27

Source: Company, Angel Research

Aditya Birla Capital (ABCL), a financial services provider, has reported mixed set of numbers for Q1FY2020. Given the NBFC business witnessing moderation in loan growth, the provision increased, HFC segment performed well, AMC AUM growth subdued and PAT/AUM improved 2bps yoy. In insurance business, persistency ratio improved across tenure. Further, health insurance continued to report loss; however management expects it to breakeven in next 2-3 years.

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

**NBFC:** The segment includes retail, SME and UHNI lending, constituting 50% of the loan mix; loan book increased by 13% yoy to ₹50,171cr in this segment. GNPA and NPA (Ex-IL&FS) were maintained at 1.24% and 0.72% respectively. Shifting book towards higher yielding asset and lower marginal cost of funds led to reporting highest NIM of 5.39%.

**Asset Management:** Domestic AUM for Q1FY2020 increased moderately 2.3% and equity mix in the AUM remained stable at 36%. On profitability front, it reported marginal improvement in PAT/AUM by 2bps yoy to 18bps for Q1FY2020.

**Insurance:** Individual First Year Premium (FYP) grew 30% yoy, significantly higher than industry (excl. LIC) growth at 15%. Consistent improvement in quality across periods with 13th month persistency improved by 591bps yoy to 78.34%. Market share (excl. LIC) increased 18bps yoy to 3.9%

**Health Insurance:** Gross written premium came in at ₹143cr, about 2 times over the previous year with retail business contributing 64%, covering more than 3.7 million lives. Key positive was a significant improvement in combined ratio at 146% vs. 190% in the previous year.

**Housing Finance:** Loan book grew 29% yoy to ₹11,827cr, while Net Interest Margin was maintained at healthy 3.1%. Cost-to-income ratio improved to 47%, as compared to 73% in previous year led by scale and operating efficiencies.

**Outlook & Valuation:** We believe broad based and integrated financial offerings will enable ABCL to benefit from financialisation of savings. We expect ABCL's PAT to register CAGR of 42% over FY2019-21E, largely driven by lending segment and AMC. **We recommend a Buy on the stock with a target price of ₹118.**

#### Key Financials

Y/E March (₹ cr)	FY19	FY20E	FY21E
PBT	1,796	2,368	3,032
% chg	25	32	28
PAT	871	1,281	1,699
% chg	2	47	33
EPS	4	6	8
ROE	9	12	14
P/B	2.1	1.8	1.6
P/E	23	15	12

Source: Company, Angel Research; Note: CMP as of 09/08/2019

Please refer to important disclosures at the end of this report

## BUY

CMP	₹89
Target Price	₹118

Investment Period	12 Months
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#### Stock Info

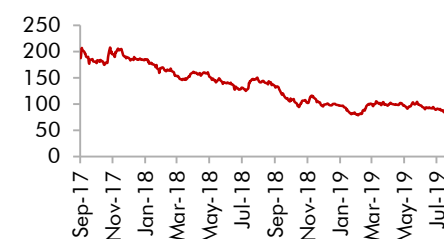
Sector	Finance
Market Cap (₹ cr)	19,383
Beta	0.6
52 Week High / Low	152/78
Avg. Daily Volume	1,20,387
Face Value (₹)	10
BSE Sensex	37,751
Nifty	11,164
Reuters Code	ADTB BO
Bloomberg Code	ABCAP IN

#### Shareholding Pattern (%)

Promoters	72.7
MF / Banks / Indian Fls	8.3
FII / NRIs / OCBs	2.9
Indian Public / Others	16.1

Abs. (%)	3m	1yr	3yr
Sensex	0.6	(1.5)	32.0
ABCL	(5.4)	(41.1)	-

#### Price chart



Source: Company, Angel Research

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**Outlook & Valuation:**

We believe broad based and integrated financial offerings will enable ABCL to benefit from financialisation of savings. Core lending business (after adjusting value of AMC, Life Insurance, ABML & Others) is available at 1x of FY21E BV. We expect ABCL's PAT to register CAGR of 42% over FY2019-21E, largely driven by lending segment and AMC. **We recommend a Buy on the stock and an SOTP based Target Price of ₹118.**

**Exhibit 1: SOTP valuation summary**

Particulars	Stake	Valuation Methodology	Value/share (₹)
NBFC	100%	1.7x FY20E PBV	65
HFC	100%	1.7x FY20E PBV	10
AMC	51%	4% of AUM	24
Life Insurance	51%	1.75x FY18 EV	20
ABML	74%	CMP	1
<b>Fair value per share</b>			<b>118</b>

**Consolidated Profit & Loss**

Y/E March (₹ cr)	FY19	FY20E	FY21E
Segment PBT			
NBFC	1,328	1,602	1,948
Life Insurance	132	144	159
Asset Management	647	673	811
HFC	107	152	213
Health Insurance	-257	-100	-
<b>Total PBT</b>	<b>1,796</b>	<b>2,368</b>	<b>3,032</b>
YoY (%)	25	32	28
Consolidated PBT	1,796	2,368	3,032
Taxes	569	758	1,001
Tax Rate (%)	32	32	33
Consolidated PAT	1,227	1,610	2,032
Minority Interest	356	329	333
<b>Consolidated PAT Post MI</b>	<b>871</b>	<b>1,281</b>	<b>1,699</b>
YoY (%)	2	47	33

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