



Aditya Birla SL AMC IPO - SUBSCRIBE for Long term

Company Overview:

Aditya Birla Sun Life AMC Ltd., is the fourth largest asset management company in India in terms of assets under management (AUM) and the largest non-bank mutual fund. It has an Assets under management (AUM) of Rs.275,454crs as of the end of June qtr. More than 50% of its AUM comes from institutional customers, which is one of the reasons why the AMC is very strong in terms of non-equity AUM. The company currently offers a total of 135 mutual fund schemes consisting of 35 equity schemes, 93 debt schemes, 2 liquid schemes and 5 ETFs. In addition, it also offers 5 domestic fund of funds (FOF). Apart from a strong customer base and aggressive agent network, Aditya Birla Sun Life AMC Ltd also has the advantage of the Birla brand name, which has been in existence in India for over 100 years.

Issue Details	
Opening Date	29-Sep-21
Closing Date	01-Oct-21
Face Value	Rs.5.00
Price Band	Rs.695-Rs.712
Market Lot	20 Shares
Issue Size	3.88 cr Equity shares (Rs.2702-2768crs)

Investment Rationale:

- Largest Non-Bank Affiliated Asset Manager in India** - Aditya Birla Sun Life AMC has been amongst the leaders in the Indian mutual fund industry as demonstrated by its leading position across a number of key indicators. It has maintained its position as the largest non-bank affiliated AMC in India by QAAUM since March 31, 2018 as well as among the four largest AMCs in India by QAAUM since September 30, 2011. Its total QAAUM grew at a CAGR of 14.55% from Rs.1,365.03 billion as of March 31, 2016 to Rs.2,692.78 billion as of March 31, 2021, and further to Rs.2,754.54 billion as of June 30, 2021.
- Highly Under-Penetrated:** Over the last five years, mutual fund industry AUM has seen a CAGR of 20.6% and equity-oriented AUM has grown at a CAGR of 25%. Despite the high growth, India's mutual fund AUM to GDP ratio remains significantly low at 15%, as compared to a global average of 75%. Similarly, equity AUM to market cap stood at 5% as against a global average of 30%. India has more than 50 crore income tax permanent account numbers, but only 2.39 crore mutual fund investors as of 30th June, 2021. The Indian Mutual Fund Industry is Highly Under-penetrated and has the potential to grow exponentially.
- Large distribution network:** The company has a strong distribution network with over 66,000 KYD-compliant mutual fund distributors, over 240 national distributors and over 100 banks/financial intermediaries as on June 30, 2021. Moreover, the hub and spoke model employed by the company enables it to leverage its extensive branch and emerging market-representatives network and keep distribution costs low at the same time. The company's share of monthly average AUM (MAAUM) from B-30 cities in June 2021 was the second-highest among the five largest AMCs in India. Since a large part of the industry's growth is expected to come from B-30 cities, ABSL AMC is well-positioned to attract customers in these locations.

Key Risks:

- Growth of passive funds** - There has been a rapid increase in the quantum of funds invested in 'passive funds' which simply track a particular index. By reducing the role of fund managers, these products are able to offer a cost-effective route to investors. This trend could have a severe impact on the profitability of the investment management industry at large.
- Intense Competition** - There has been a sudden increase in the number of players who have already obtained or are looking to obtain a licence to operate a mutual fund. A large chunk among them is PMS and fintech firms like Zerodha, Groww, Helios Capital Management, Capitalmind, Unifi Capital and Rakesh Jhunjhunwala's Alchemy Capital. Paytm Money is also said to be considering the option. Besides, there are newer forms of competition like technology players such as SmallCase are joining, which has allowed a massive explosion in the effective number of investment options for the public.

Verdict:

Post Issue, the Market Capitalization of the company will be around Rs.20500crs at the upper price band rate of Rs.712. With the same upper price band, the stock is available at 38.9x FY21 EPS. While comparing with peers, ABSL AMC is trading cheaper than HDFC AMC and on a similar level with Nippon Life AMC. On RoE comparison, ABSL AMC has the highest RoE of 30.9% than any other listed peers.

Warm Regards,
Equity Research Desk

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