

IPO Flash

September 28, 2021

Index

Aditya Birla Sun Life AMC Limited

- Issue details •
- About the Company •
- Valuation •
- Key Risks •
- Financials •
- Industry Overview •

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IPO Details:	
Issue opens	Wednesday, September 29, 2021
Issue closes	Friday, October 1, 2021
Issue size	Rs. 2,768 crore
Type of issue	Offer for sale (OFS) of Rs. 2,768 crore
Offer size	OFS of 3.9 crore equity shares
Face Value	Rs. 5 per share
Price band	Rs. 695-712 per share
Bid Lot	20 shares and in multiple thereof
Issue Structure	
QIB Portion	Not more than 48%
Non-Institutional Portion	Not less than 14%
Retail Portion	Not less than 33%
ABCL Shareholders	Up to 5%
BRLMs	Axis Capital, HDFC Bank, ICICI Securities, IIFL Securities, JM Financial, Motilal Oswal Investment Advisors, SBI Capital Markets, YES Securities

Source: Company RHP

About IPO

Aditya Birla Sun Life AMC (Aditya Birla AMC) is coming out with an initial public offering (IPO) of 3.88 crore equity shares, comprising of an offer for sale of up to 0.29 crore of equity shares by Aditya Birla Capital and 3.6 crore of equity shares by Sun Life AMC. The price band of the initial share sale has been fixed at Rs. 695 to 712 per share. The total issue size at the upper band stands at Rs. 2,768 crore.

About the company

Aditya Birla AMC is a joint venture between Aditya Birla Capital Ltd (ABCL) and Sun Life AMC. ABCL is the listed non-operating holding company of the financial services businesses of the Aditya Birla group and had managed total AUM of Rs. 3,433 billion with over 2.5 crore active customers as on June 2021. Sun Life Financial Inc, the holding company of Sun Life AMC, is a financial services company providing insurance, wealth and asset management solutions to individual and corporate clients. Aditya Birla AMC is the largest non-bank affiliated AMC in India in terms of quarterly average assets under management (QAAUM), with managed total AUM of Rs. 3,020 billion, portfolio management services, offshore and real estate offerings as on August 2021. It has diversified pan-India distribution presence covering 280 locations across 27 states and six union territories. Its distribution network includes 66,000 KYD-compliant mutual fund distributors, over 240 national distributors and over 100 banks/financial intermediaries, as of June 2021. It managed 118 schemes comprising 37 equity schemes (including, among others, diversified, tax saving, hybrid and sector schemes), 68 debt schemes (including, among others, ultra short-duration, short-duration and fixed-maturity schemes), two liquid schemes, five ETFs and six domestic Fund of Funds (FoFs). It caters to a wide range of customers from individuals to institutions through its pan-India network with MAAUM of institutional investors and individual investors at Rs. 1,503 billion and Rs. 1,334 billion as of June 2021, respectively.

Shareholding pattern

Shareholder	Pre-issue		Post-issue	
	No of shares	Holding (%)	No of shares	Holding (%)
Promoters (also the Selling Shareholders) (A)				
Aditya Birla Capital	1468,79,680	51.0	1440,28,800	50.0
Sun Life (India) AMC	1411,20,000	49.0	1050,90,880	36.5
Promoter Group(B)	320	0.0	320	0.0
Public	-		388,80,000	13.5
Total	2880,00,000	100	2880,00,000	100

Source: Company RHP

Shareholders selling shares

Seller	No of shares
Promoters Selling Shareholders	
Aditya Birla Capital	28,50,880
Sun Life (India) AMC	360,29,120
Total OFS	388,80,000

Source: Company RHP

Key Features:**Largest Non-bank Affiliated AMC in India:**

The company is the largest non-bank affiliated AMC in India by QAAUM of Rs. 3,020 billion as of August 2021 and also the fourth-largest AMC by QAAUM. As on June 2021, its overall monthly average assets under management (MAAUM) market share stood at 8.3%. Its equity-oriented MAAUM posted a CAGR of ~14% over March 2016 to June 2021 to Rs. 1,073 billion. The share of equity and no-equity AUM stands at 38.1% and 61.9%, respectively. The equity mix of the company increased by ~14% vs. 13.7% for the industry. Individual investor MAAUM grew at a CAGR of ~18% to Rs. 1,270 billion and was at Rs. 1,334 million as on June 2021.

Well-recognised brand with experienced promoters:

Aditya Birla AMC benefits from the strong track record, reputation and experience of its promoters- Aditya Birla Capital and Sun Life AMC, which helps it to build a brand with a strong recall that customers trust. Aditya Birla AMC is a joint venture between Aditya Birla Capital Ltd (ABCL) and Sun Life AMC. ABCL is the listed non-operating holding company of the financial services businesses of the Aditya Birla group and had managed total AUM of Rs.3,433 billion with an active customer base of over 2.5 crore customers as on June 2021. Sun Life Financial Inc., the holding company of Sun Life AMC, is a financial services company providing insurance, wealth and asset management solutions to individual and corporate clients.

Strong systematic flows and B-30 Penetration:

Its individual MAAUM clocked CAGR of 18% to Rs. 1,270 billion through March 2016 to March 2021 and was at Rs. 1,334 billion as on June 2021, contributing to 47% to total AUMs. This was largely attributed to development of digital platforms, particularly in the utilisation of systematic transactions by the customers, building relationships with distributors and wide channel distribution across smaller emerging markets (B-30 cities). The company's MAAUM from B-30 cities stood at Rs. 447 billion as on June 2021, which constituted ~16% of AUMs. Its total investor folios more than doubled from 2.93 million in March 2016 to 7.07 million in Mar 2021 (~7% market share of investor folios). The company's share of individual MAAUM from B-30 cities increased to ~27% in June 2021 versus 19% in March 2016.

Diverse product portfolio with fund performance:

As on June 30, 2021, the company managed 112 mutual fund schemes, several of which have recorded superior performance compared to industry averages, as well as six domestic FoFs. It also provides portfolio management services, offshore funds and alternative investments.

Pan-India, diversified distribution network:

The company has a well-diversified pan-India distribution presence in 284 locations, comprising 194 branches in India (and three outside India), spread over 27 states and six union territories. Aditya Birla AMC has a wide distribution network, which included over 66,000 KYD-compliant MFDs over 240 national distributors and over 100 banks/financial intermediaries, as on June 30, 2021.

Valuation and view

The Indian mutual fund industry is on a high growth path led by financialisation of savings, increased awareness of mutual fund product offerings particularly amongst retail investors and high under penetration. Aditya Birla AMC is well positioned to capture this long-term opportunity in this space. Further, buoyancy in the equity market and robust recovery from the pandemic is likely to augur well for the industry as a whole. Given Aditya Birla AMC's robust AUM growth, increasing customer base and footprint in B-30 cities, it is expected to see continued traction in profitability. Additionally, its dominance in fixed income products (debt ~41% of AUM) through economies of scale also augurs well for the company. Another factor which is likely to help it in increase its revenue yields is its growth in equity AUM. Its equity AUM mix has grown ~14% through March 2016 to June 2021 to ~38% in June 2021.

Peer Comparison

(As on June 2021)	Aditya Birla AMC	HDFC AMC	Nippon AMC	UTI AMC
Total Revenue (Rs cr) (FY21)	1,191	2,202	1,326	968
Revenue as % of AAUM	0.43	0.57	0.65	0.60
PAT (Rs cr.) (FY21)	526	1,326	649	352
AAUM (Rs bn)	2,837	4,269	2,481	1,936
Market Share (%)	8.3	12.5	7.3	5.7
Return on equity (%) (FY21)	33.7	30.1	23.3	12.9
Employee cost as % AAUM	0.09	0.06	0.12	0.21
Market Cap as % of AUM	7.2	15.9	10.8	7.2
AUM Mix (%)				
Equity	39.1	45.2	42.0	37.5
Debt	41.1	33.4	29.2	19.4
Liquid/Money Market	20.4	20.5	11.6	21.4
ETFs	0.3	0.9	17.1	21.7
T-30 (share in AUM)(%)	84.2	85.1	81.0	74.8
B-30 (share in AUM)(%)	15.8	14.9	19.0	25.2
EPS (Rs) (FY21)	18.3	62.3	11.0	39.0
P/E (x) (FY21)	38.9	51.5	39.8	28.2
Market Cap (Rs cr.)	20,506 #	67,997	26,709	13,876

Source: Company RHP; # Market Cap is calculated on the upper price band

Key Risks

- ◆ The extent of COVID-19's effect on its business and operations cannot be predicted.
- ◆ Its revenue and profitability is primarily dependent on the composition of the AUMs and its value and any change in AUMs may impact its profitability.
- ◆ Any underperformance of investment products/schemes may lead to a loss of investors and reduction in AUM.

Board of Directors

- ◆ **Mr. Kumar Mangalam Birla:** He is the non-executive Chairman and chairman of the Aditya Birla Group as well. Mr. Birla is also associated with Novelis Inc Canada, Thai Rayon Public Company, Hindalco Industries, Grasim Industries, Aditya Birla Capital, Century Textiles and Industries, UltraTech Cement and Aditya Birla Fashion and Retail.
- ◆ **Mr. Ajay Srinivasan:** Mr. Srinivasan is non-executive director of the company with over three decades of experience in financial services and has been on the board since 2007. He is the Chairman of the CII National Committee on NBFCs.
- ◆ **Mr. Sandeep Asthana:** He is a non-executive director and has been on the board since 2011. He brings over 27 years of experience across insurance and asset management.
- ◆ **Mr. A Balasubramanian:** He is the Managing Director and Chief Executive Officer and has been associated with the company since 1994. Presently, he is the chairman of the valuation committee at AMFI, a member of the Board of Governors of National Institute of Securities Markets.
- ◆ **Mr. Colm Freyne:** Mr. Freyne is non-executive director since 2016. He is also associated with Sun Life Financial Inc. and Sun Life Assurance Company of Canada.
- ◆ **Mr. Bobby Parikh:** He is independent director since 2012. He is also on the board of Aviva Life Insurance Company, Biocon Biologics, Biocon Ltd, Indostar Capital Finance and Infosys.
- ◆ **Mr. Bharat Patel:** He is an independent director since 2012 and also associated with Sasken Technologies and Sistema Smart Technologies.
- ◆ **Ms. Alka Bharucha:** She is an independent director since 2015 and is also on the board of Birla Estates Private Ltd, Birlasoft, Hindalco Industries and Honda Cars India.
- ◆ **Mr. Harish Engineer:** He is an independent director since 2019 and also associated ARKA Fincap and HDFC Property Ventures.
- ◆ **Mr. Navin Puri:** He is an independent director since 2019. He is on the boards Equitas Small Finance Bank and Ugro Capital.

FINANCIALS
Consolidated Profit & Loss account (Re-stated)
Rs crore

Particulars	FY19	FY20	FY21
Revenue from operations			
Fees and commission income	1,327	1,160	1,068
Net gain on fair value changes	79	74	123
Total revenue from operations	1,406	1,234	1,191
Other income	1	1	15
Total other income	1	1	15
Total income	1,407	1,235	1,206
Expenses			
Fees and commission expense	144	75	47
Employee benefit expense	278	242	241
Other expense	302	215	179
Total operating expenses	723	532	467
Depreciation and amortisation expense	32	37	37
Finance cost	6	5	6
Total expenses	1,445	1,277	1,249
Profit before tax	646	661	696
Tax expense	199	166	170
% Tax	30.8	25.2	24.4
Net Profit	447	494	526
YoY growth (%)		10.7	6.4
Net Profit margin (%)	31.8	40.1	44.2
EPS (Rs)	15.5	17.2	18.3

Source: Company RHP

Consolidated Balance Sheet (Re-stated)

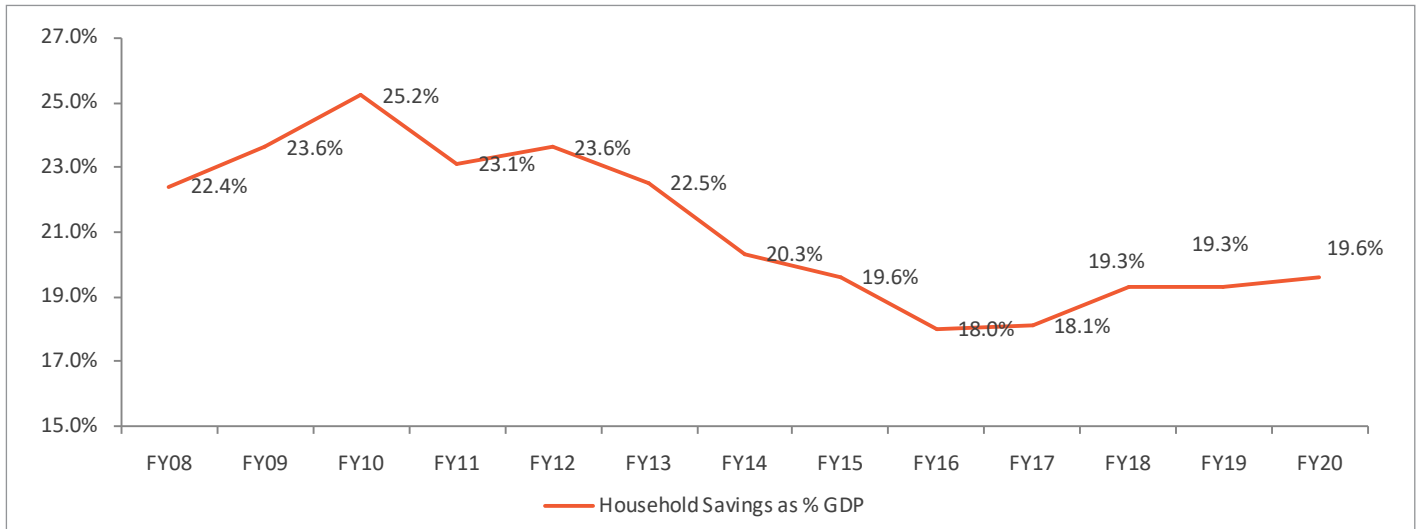
Rs crore

Particulars	FY19	FY20	FY21
Assets			
Financial Assets			
Cash and cash equivalents	38	47	57
Bank balances	0	0	0
Receivables- Trade receivables	26	40	31
Loans	0	0	0
Investments	1,138	1,263	1,726
Other financial assets	28	13	19
Non-Financial Asset			
Current tax assets (net)	16	27	17
Property, plant and equipments	21	19	12
Right of use assets	65	55	52
Capital work-in-progress	1	0	0
Intangible assets under development	1	1	1
Other intangible assets	10	12	13
Other non-financial assets	155	94	56
Total Assets	1,498	1,572	1,985
Equity and liabilities			
Equity			
Equity Share Capital	18	18	18
Other Equity	1,203	1,299	1,687
Total Equity	1,221	1,317	1,705
Liabilities			
Financial Liabilities			
Payables	-	-	0
Trade payables	76	47	37
total outstanding dues of micro enterprises and small enterprises	72	62	59
total outstanding dues of creditors other than micro enterprises and small enterprises	54	47	47
Lease liabilities			
Other financial liabilities			
Non Financial Liabilities			
Current tax liabilities (net)	0	0	9
Provisions	50	71	95
Deferred tax liabilities (net)	7	15	14
Other non-financial liabilities	20	13	19
Total Liabilities and Equity	1,498	1,572	1,985

Source: Company RHP

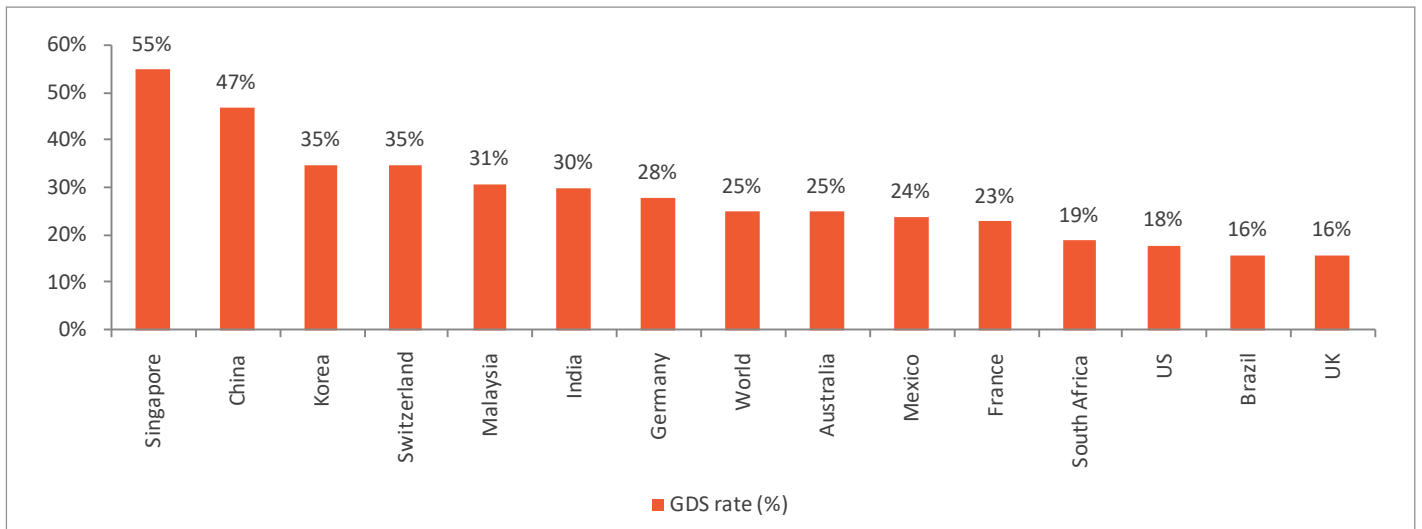
Industry Overview

India's household savings as a percentage of GDP is expected to increase



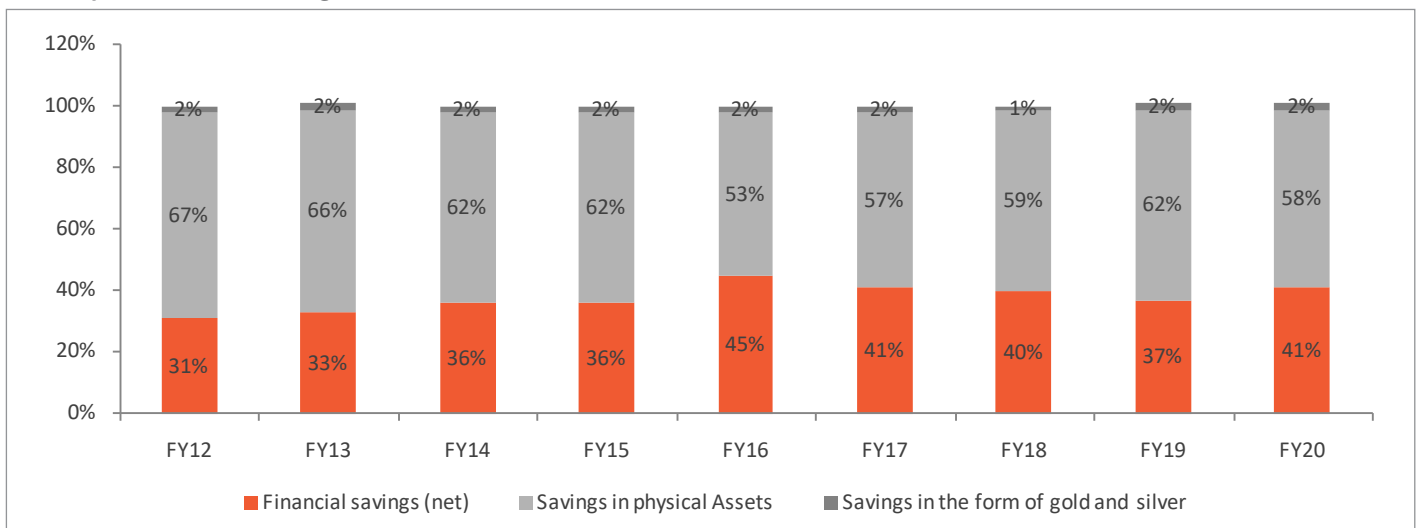
Source: Company RHP

Gross domestic savings (GDS) rate as compared to other countries



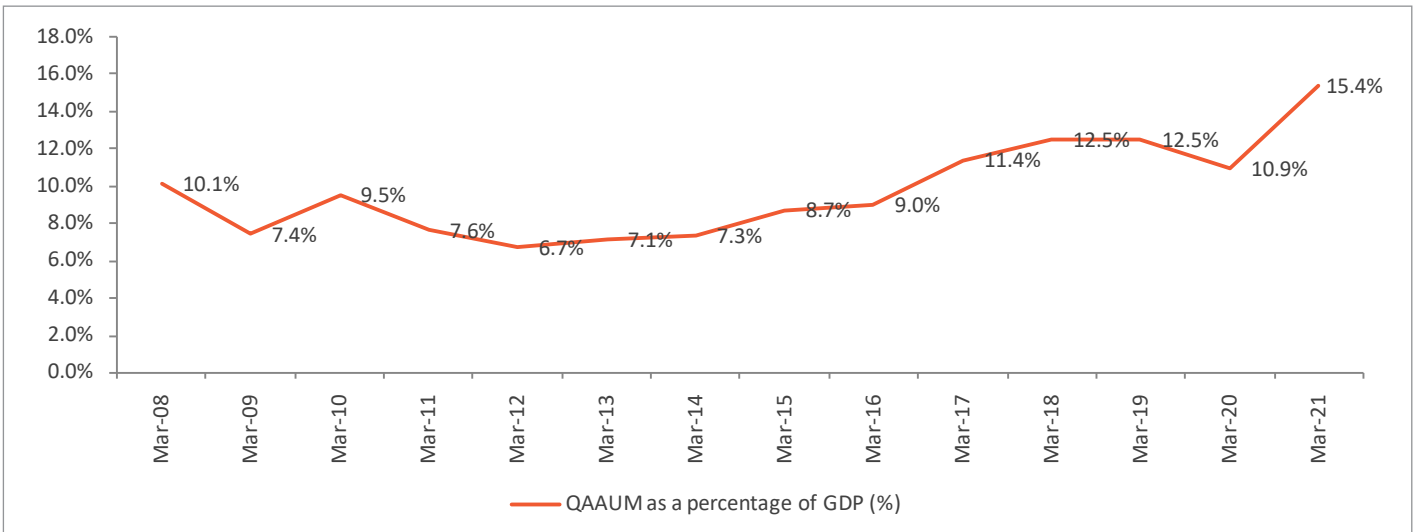
Source: Company RHP; Note: data as on 2019

Break-up of household savings in India



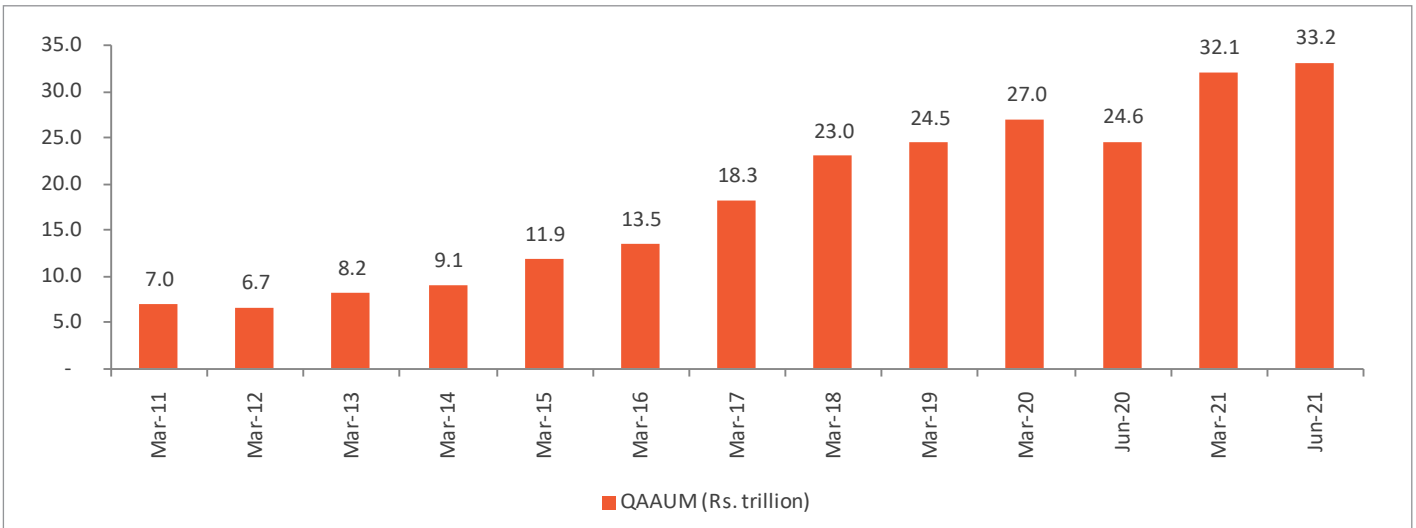
Source: Company RHP

AUM as a percentage of GDP has seen strong growth but the penetration levels still remain well below as compared to other developed and fast-growing peers



Source: Company RHP

QAAUM of the Indian mutual fund industry (Rs. trillion)



Source: Company RHP

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