



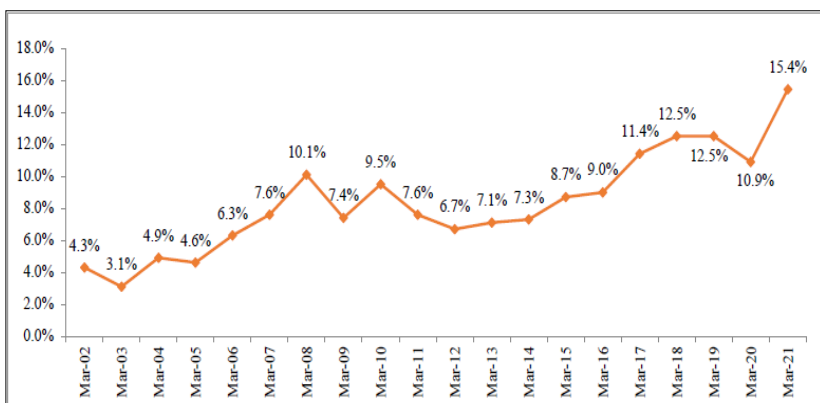
Aditya Birla Sun Life AMC Ltd

Issue Opens	Wednesday, Sept 29, 2021
Issue Closes	Friday, Oct 01, 2021
Price Band (in Rs)	695 - 712
Bid Lot	20 shares and multiples thereafter

Overview: Mutual Fund Industry

Mutual fund assets in India have seen robust growth, especially in recent years, driven by a growing investor base due to increasing penetration across geographies, strong growth of capital markets, technological progress, and regulatory efforts aimed at making mutual fund products more transparent and investor friendly. Although mutual fund AUM as a percentage of GDP has grown from 4.3% in FY02 to approximately 16% in FY21, penetration levels remain well below those in other developed and fast-growing peers.

Exhibit 01: Quarterly Average Assets Under Management (QAAUM) as a % of GDP in India

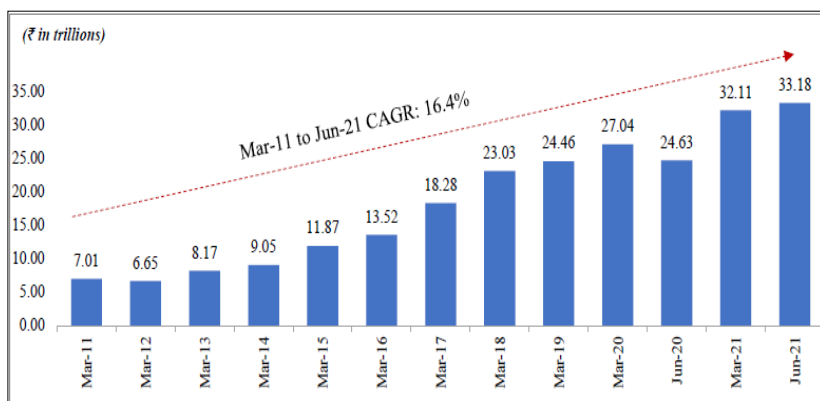


Source: Company RHP

Historical AUM Growth:

The aggregate AUM of the Indian mutual fund industry has grown at a healthy pace over the past 10 years, against the backdrop of an expanding domestic economy, robust inflows and rising investor participation, particularly from individual investors. Average AUM grew at 16.4% CAGR to Rs33.18trn as of June, 2021 from Rs7.01trn as of 2011.

Exhibit 02: QAAUM of the Indian Mutual Fund Industry



Source: Company RHP

Aggregate industry AUM grew 39.2% post-Covid-19 to Rs33.7trn as of June 2021 from Rs22.3trn as of March 2020, driven by recovery post the Covid-19 pandemic, increased B-30 penetration and rising popularity of SIPs as an investment vehicle. The gains came despite a sharp fall of 16.12% between January and March 2020 due to worries over the Covid-19 pandemic and nationwide lockdown. Aggregate AUM of the top five AMCs grew to Rs19.25trn in June 2021 from Rs15.80trn in July 2020 owing to rapid recovery after the Covid-19 pandemic. The share of the top five AMCs out of the total aggregate industry AUM decreased by 1.49% to 56.44% in June 2021 from 57.93% in July 2020.

SNAPSHOT		
Issue Opens	Wednesday, Sept 29, 2021	
Issue Closes	Friday, Oct 01, 2021	
Price Band (Rs)	695/712	
Bid Lot	20 shares and multiples thereafter	
Face Value	Rs5	
Listing	BSE & NSE	
Type of Issue	OFS	
Offer Size (Rs Mn)	Fresh Issue	-
	OFS	27,683
	Total	27,683
*Implied Market Cap (Rs Mn)	2,05,056	
P/E (based on FY21 Earnings)*	38.96	

*Note: Implied Market Cap & P/E are calculated at upper price band of Rs712

Issue Allocation	
Reservations	% of Net Issue
QIB	50
NIB	15
Retail	35
Total	100
Employee Reservation: 1,944,000 equity shares	

Object of the Offer	
<ul style="list-style-type: none"> Achieve the benefits of listing the equity shares on the stock exchanges Carry out the OFS of up to 38,880,000 equity shares by the selling shareholders 	

Exhibit 03: MF Classification

Key Risks and Challenges:

- Stamp duty on mutual funds
- Downturn or volatility in mutual funds and other market-linked products
- Poor financial literacy in India
- Competition from other financial instruments
- High cost of retail expansion
- Political instability or shift away from the pro-growth policy

Types of MFs		
Structure	Management Style	Asset Class
Open-ended schemes	Passive funds	Equity schemes
Close-ended schemes	Active funds	Debt schemes
		Hybrid schemes
		Solution-oriented schemes
		Other schemes

Source: Company RHP, Progressive Research

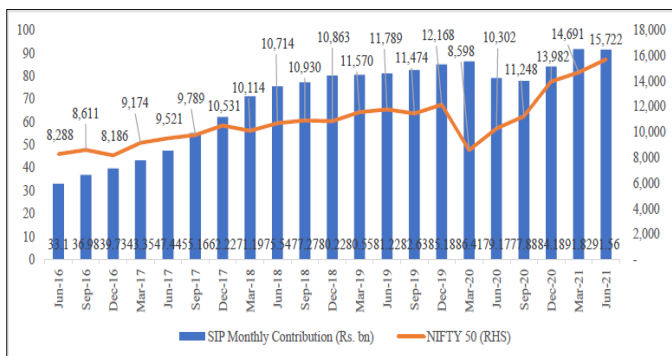
Systematic Investment Plans (SIPs):

SIPs have helped further increase retail investor participation in the mutual fund space. Several benefits accrue from SIPs, such as avoidance of behavioural weakness during uncertain periods, aggregation of a high number of small amounts, and certain tax incentives. These have not only made SIPs an attractive investment option, but have also helped grow and diversify net inflow across the industry. With contribution levels set low enough to make inflows less susceptible to cycles, SIPs have also helped reduce volatility with respect to aggregate inflows. Monthly inflows into mutual funds through the SIP route have steadily increased, from approximately Rs33bn in June 2016 to approximately Rs92bn in June 2021. This surge is the result of low minimum contribution, thereby increasing accessibility of mutual fund investments to lower income households. This is reflected in the increase in number of SIP accounts to 40.2 million as of June 2021 from 21.1 million as of March 2018. Owing to the rise in the number of accounts however, the average ticket size has come down from a peak of Rs3,375 in March 2018 to Rs2,277 in June 2021. The mutual fund industry collected approximately Rs0.96trn through SIPs during FY21 as compared with Rs1.0trn during FY20. It also collected Rs0.27trn during Q1FY22 through SIPs. Popularity of equity funds, rising participation of investors, recent investor education initiatives, and apparent benefits of SIPs to households that traditionally did not invest in mutual funds indicate that growth in inflows from SIPs will accelerate over the foreseeable future. This would make SIPs an increasingly important component in overall AUM growth.

Market Share of Top Five AMCs:

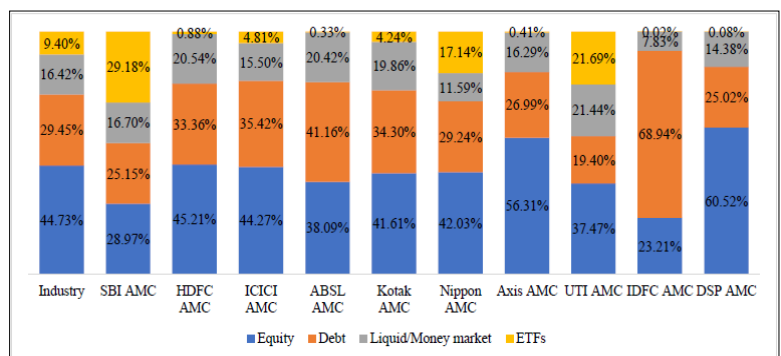
During the past decade, the top five AMCs have held an average of approximately 55% of the industry's AUM. HDFC AMC, ICICI Prudential AMC and Aditya Birla Sun Life AMC (ABSLAMC) have consistently featured in the list of top five AMCs by AUM, supported by their wide distribution channels and parentage of large corporate entities. ABSLAMC was the fourth largest fund house as of June 2021. ABSLAMC's assets recorded a CAGR of approximately 15% between March 2016 and June 2021, slightly lower than the industry growth of approximately 19% CAGR during the same period. ABSLAMC retained its market share (in terms of overall AUM) of approximately 10% between March 2016 and March 2019. However, its market share, in terms of monthly average AUM, declined slightly between March 2016 and June 2021. ABSLAMC ranked as the largest non-bank affiliated AMC in India by QAAUM since March 31, 2018, and among the four largest AMCs in India by QAAUM since September 30, 2011. ABSLAMC's share of equity AUM has increased to 38% in June 2021 from approximately 24% in March 2016. Its share of equity-oriented MAAUM in total MAAUM increased from 23.66% as of March 31, 2016 to 36.34% as of March 31, 2021, and was 38.09% as of June 30, 2021. This 14.43% increase in equity mix was greater than the industry's increase of 13.65% over the same period and was the second highest increase among the five largest AMCs in India by MAAUM. At an industry level, the proportion of equity category was the highest (45%), followed by debt (29%) and liquid/money market (16%) as of June 2021. ABSLAMC recorded a CAGR of 25.83% between March 2016 and June 2021 in its equity AUM, which is the third highest among the top five AMCs and the fifth highest among the top 10 AMCs.

Exhibit 04: SIP Monthly Contribution (Rs bn)



Source: Company RHP

Exhibit 05: MAAUM of the top 10 AMCs in India by asset class as of June 2021



Source: Company RHP

About the Company:

The Aditya Birla group is a multi-national conglomerate and, over the last seven decades, has grown to become one of India's largest and most respected corporate groups. ABSLAMC is from this group going public. **Aditya Birla Sun Life AMC Ltd (ABSLAMC)** is ranked as the largest non-bank affiliated AMC in India by QAAUM since March 31, 2018, and among the four largest AMCs in India by QAAUM since September 30, 2011, according to the CRISIL Report. ABSLAMC managed a total AUM of Rs2,936.42bn under its suite of a mutual fund (excluding domestic FoFs), portfolio management services, offshore and real estate offerings, as of June 30, 2021. The company believes it has achieved this leadership position through a focus on consistent investment performance, extensive distribution network, brand, experienced management team and superior customer service. Since its inception in 1994, it has established a geographically diversified pan-India distribution presence covering 284 locations spread over 27 states and six union territories. The company's distribution network is extensive and multi-channelled with a significant physical as well as digital presence, and included over 66,000 Know Your Distributor (KYD) compliant Mutual Fund Distributors (MFDs), over 240 national distributors and over 100 banks/financial intermediaries, as of June 30, 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 FoFs, as of June 30, 2021. ABSLAMC's **flagship schemes** include Aditya Birla Sun Life Frontline Equity Fund and Aditya Birla Sun Life Corporate Bond Fund, both of which have grown to become leading funds in India under its management. The total QAAUM (excluding domestic FoFs) has grown over the years and was Rs2,754.5bn, Rs2,692.78bn, Rs2,475.22bn and Rs2,464.80bn as of June 30, 2021, and March 31, 2021, 2020 and 2019, respectively. In addition, it provides portfolio management services, offshore and real estate offerings and managed a total AUM of Rs115.15bn as part of such services, as of June 30, 2021.

ABSLAMC caters to a wide range of customers from individuals to institutions through this pan-India network and offering of customer solutions, which positions it well to attract a large segment of the Indian mutual fund market across varying customer requirements and risk profiles and to develop a broad customer franchise with a strong retail customer base. Its Monthly Average Assets Under Management (MAAUM) from institutional investors was Rs1,503.04bn as of June 30, 2021, which was the fourth-largest among peers, according to the CRISIL Report. Similarly, ABSLAMC's MAAUM from individual investors was Rs1,333.53bn as of June 30, 2021. The company's leadership position, product mix, cost base and scale has contributed to its strong financial performance. It has maintained a market-leading position in B-30 penetration over the years, which has further contributed to the growth of the individual investor base as well as improvement in profitability. Its systematic transactions have achieved similar growth, with number of outstanding SIPs more than tripling from 0.86 million as of March 31, 2016, to 2.80 million as of June 30, 2021. ABSLAMC cater to a diverse group of customers through a wide variety of investment solutions with a focus on goals such as regular income, wealth creation, tax saving and saving solutions. As of June 30, 2021, they managed 118 schemes (including six domestic FoFs). They offer a range of mutual funds to help investors achieve their financial needs and goals. They offer a combination of open and closed ended schemes. As of June 30, 2021, they offered 65 open-ended schemes, 52 close-ended schemes and one interval scheme. *Open-ended schemes are perpetual with no maturity date and allow investors to subscribe and redeem investments on any transaction or business day. Closed-ended schemes on the other hand have a specified maturity date in line with the objective of that scheme and investors may only invest in such schemes during offering periods. Once an investor has invested in a closed-ended fund, the units of that fund will be listed and traded on a stock exchange.*

ABSLAMC categorize their schemes broadly under the following four categories: (1) Equity schemes, (2) Debt schemes, (3) Liquid schemes and (4) ETFs

Exhibit 06: Breakdown of QAAUM by scheme category

QAAUM (Rs in bn)	FY19	FY20	FY21	As of 30th June, 2021
Equity schemes	891	876	969	1,027
Debt schemes	978	1,102	1,285	1,296
Liquid schemes	593	493	431	422
ETFs	3	5	7	9
Total	2,465	2,475	2,693	2,754

Source: Company RHP, Progressive Research

Strengths:

1. Largest Non-bank Affiliated Asset Manager in India
2. Well-Recognized Brand with experienced Promoters
3. Growing Individual investor customer base driven by strong systematic flows and B-30 penetration
4. Diverse product portfolio with fund performance supported by research driven investment philosophy
5. Pan-India, diversified distribution network
6. Franchise led by experienced and stable management and investment teams

Strategies:

1. Continue to increase geographic reach and strengthen relationships with the distributors
2. Continue to focus on delivering sustained investment performance and portfolio differentiation
3. Strengthen the employee value proposition to continue to attract and retain good quality talent
4. Leverage digital platforms to increase customer acquisition and enhance customer experience
5. Enhance product portfolio by developing the investment offerings
 - Alternative investments
 - Passive investments

Financials:

On the financial performance front, the company has, on a consolidated basis, posted turnover of Rs14,061mn in FY19, Rs12,338mn in FY20 and Rs11,910mn in FY21. EBITDA margin was 48.6%, 56.9%, and 60.8% for FY19, FY20 and FY21 respectively. Net Profit for FY19, FY20 and FY21 stood at Rs4,468mn, Rs4,944mn and Rs5,263mn respectively for the period. Thus, it has been reporting growth in bottom lines despite declining top line. This surge in profits is attributed to declining fees and commission expenses from time to time. ABSLAMC has been a regular dividend-paying AMC. It has paid a dividend of 1667% (FY19), 1833% (FY20) and 777.80% (FY21) and has also paid a dividend of 49% in Q1FY22. It will continue its dividend policy post listing based on its financial performances and future prospects.

Exhibit 07: Financial Snapshot

Revenues (Rs mn)	FY19	FY20	FY21	As of 30th June, 2021
Sales	14,061	12,338	11,910	3,332
EBITDA	6,827	7,018	7,241	2,132
EBITDA Margin %	48.6	56.9	60.8	64.0
PAT	4,468	4,944	5,263	1,549
PAT Margin %	31.8	40.1	44.2	46.5
EPS	15.5	17.2	18.3	5.4
RoNW (%)	36.6	37.5	30.9	8.6

Source: Company RHP, Progressive Research

Risks and Concerns:

- Revenue and Profit are largely dependent on the value and composition of the AUM of the schemes managed by the company
- Underperformance of investment products in respect of which they provide asset management services could lead to a loss of investors and reduction in AUM
- The growth of the AUM may be affected due to the unavailability of appropriate investment opportunities or if they close or discontinue some of their schemes or services
- Credit risks related to the debt portfolio of the funds may expose their funds to losses
- The historical growth rates may not be indicative of the future growth
- The company depends on third-party distribution channels and other intermediaries
- The company are dependent on the strength of their brand and reputation, as well as the brand and reputation of other Aditya Birla group entities and Sun Life group entities

Outlook and Recommendations: ABSLAMC is the fourth largest AMC in India by QAAUM. ABSLAMC caters to a wide range of customers from individuals to institutions through this pan-India network and offering of customer solutions, which positions it well to attract a large segment of the Indian mutual fund market across varying customer requirements and risk profiles and to develop a broad customer franchise with a strong retail customer base. ABSLAMC stands to benefit from strong industry prospects. It has a well-recognized and experienced promoter group that will support in building customer trust as well as improve SIP inflows. Its total QAAUM (excluding domestic FoFs), has grown to Rs2,75,454cr (as of June 2021), from Rs2,46,480cr in March 2019. The company has seen a consistent improvement in AUM share and overall performance has been healthy. The issue is purely an OFS. Its leadership position, product mix, cost base and scale has contributed to its strong financial performance. The company posted an average EPS of Rs17.44 and an average RoNW of 34.05% for the last three fiscals. The issue is priced at a P/BV of 11.38x based on its NAV of Rs62.57 as of June 30, 2021. The implied market cap of IPO stands at 7.6% of FY21 AUM, which is at a 40-55% discount to peers HDFCAMC and Nippon Asset Management Company. Meanwhile, on a PE basis, it is valued at ~39x of FY21 earnings, which also looks attractive compared to peers. On annualized FY22E earnings on the post issue paid-up equity capital, the asking price is at a P/E of 33.09x, making it a fully priced offer. It has been a regular dividend-paying AMC. This IPO is one of the awaited ones by the investor fraternity.

One can Subscribe in the IPO from a long term perspective while the listing gains are welcome as well based on the market sentiment.

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Registered Office Address:

Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Indl Estate,
New Link Rd, Andheri West,
Mumbai—400053, Maharashtra
www.progressiveshares.com | Contact No.:022-40777500.

Compliance Officer:

Mr. Shyam Agrawal,
Email: compliance@progressiveshares.com,
Contact No.:022-40777500.