

Date of Inception: 19th Sept, 2018

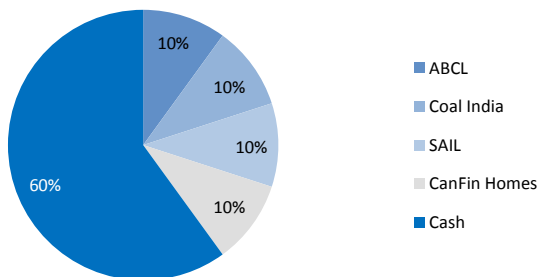
Performance	INR
Initial Investment	1,000,000
Booked Profits	59,922
MTM	-33,330
Cash Returns	6,268
Profits	32,861
Absolute ROI	3.29%
Nifty Return	-3.28%
NSE 500 Return	-4.35%

Investment Norms: INR 10 Lakhs (Model Corpus)

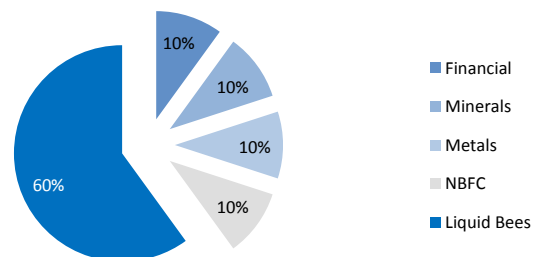
- Maximum Stocks Open: 10
- Target Investment Horizon: 6 Months
- Occasional hedging by buying options or shorting index futures.
- Investment rationale on every idea is provided.
- 10% in a particular Stock and 30% (max) in a Sector.
- Cash holding based on market direction call. Cash to be deployed in case of sharp market fall.
- Cash holding to earn notional interest income of 4% p.a.
- This is just a Model Portfolio (not part of IndiaNivesh PMS).

Current Recommendations

Scrip Name	Sector	Weightage	Initiated At
Aditya Birla Capital	Financial	10%	101.50
Coal India	Minerals	10%	264
SAIL	Steel	10%	65
CanFin Homes	NBFC	10%	310
Cash	Liquid Bees	60%	

Exhibit 1: Stock Weightages (%)


Source: Company, IndiaNivesh Research

Exhibit 2: Sector Weightages (%)


Source: Company, IndiaNivesh Research

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Booked Profits

Scrip Name	Notional Inv.	Buy	Sell	Profits	% Gain
BEL	100,000	83	99	19,277	19.28%
NBCC	100,000	53	68.5	29,245	29.25%
RBL Bank	100,000	500	557	11,400	11.40%

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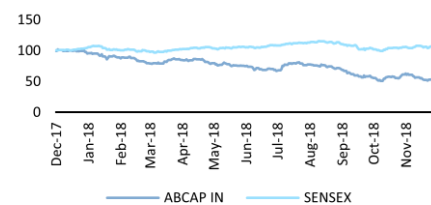
RESEARCH
Stocks Rationale
Aditya Birla Capital Ltd. (ABCL) | CMP 100.5 TGT 140
STOCK INFO

BSE	540691
NSE	ABCAPITAL
Bloomberg	ABCAP IN
Reuters	ADTB.NS
Face Value (Rs)	10
Equity Capital (Rs mn)	22,014
Mkt Cap (Rs mn)	221,350
52wk High/Low	192 / 90
Avg Daily Vol (BSE+NSE)	1,949,246

SHAREHOLDING PATTERN (%)

Promoters	72.74
DII / FII	7.07 / 4.80
Public & others	15.39

(as on Sep, 2018)

PRICE PERFORMANCE

STOCK PERFORMANCE

	3m	6m	12m
ABCAP IN Equity	(22.6)	(27.5)	(45.7)
SENSEX	(2.5)	2.2	8.2

Source: Bloomberg, IndiaNivesh Institutional Research

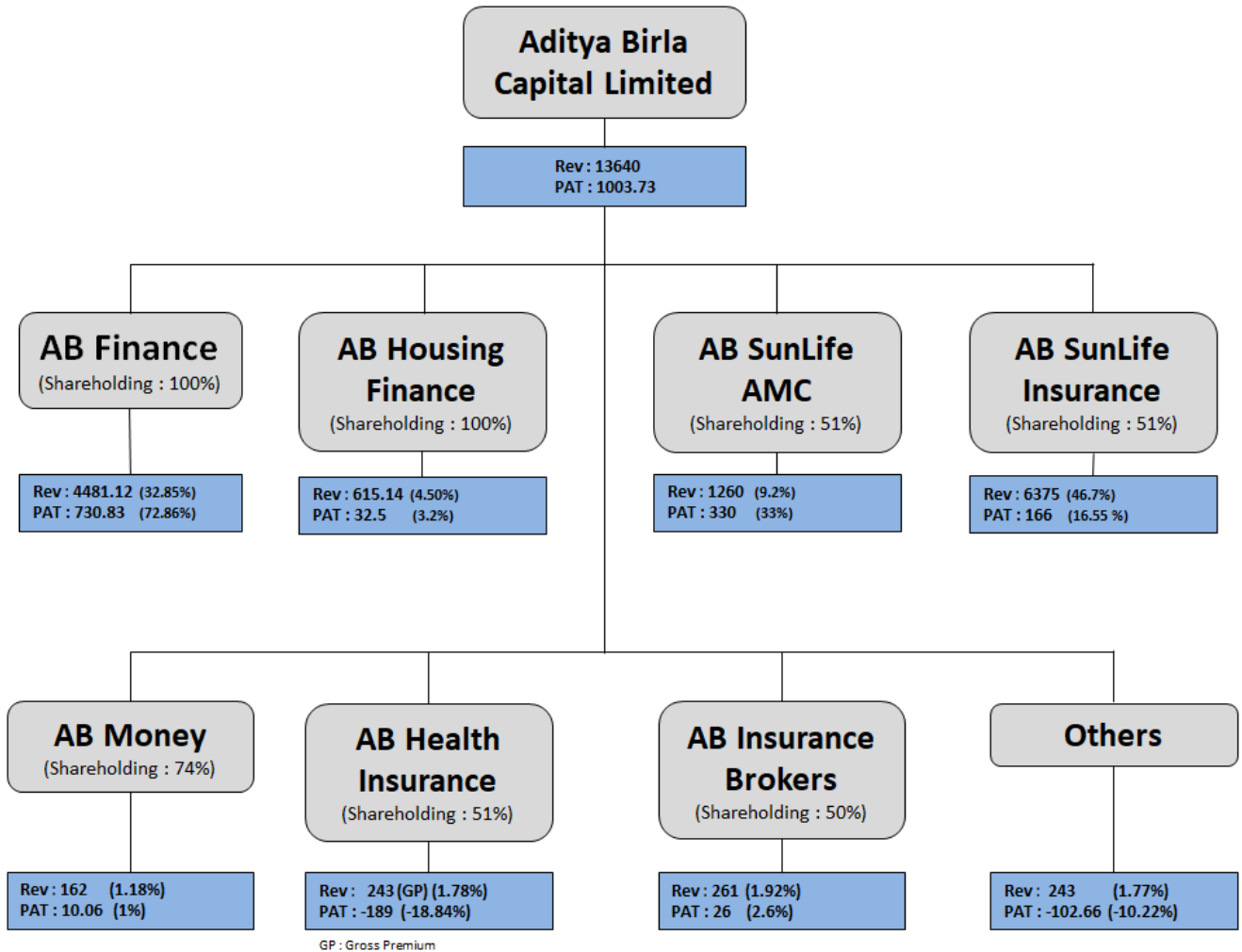
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- **Financial Services:** Aditya Birla Capital Limited (ABCL) has embarked on its journey to become a conglomerate of diversified financial services provider. A part of the Aditya Birla Group, it is the holding company of the financial services businesses of the group.
- **Business Presence :** ABCL has presence across Financial Markets be it; Asset Management , Insurance , Equity Broking , Housing Finance, Personal Finance , SME & Corporate finance. Broadly they have classified them under **Insurance** (Named: Protecting), **Mutual Funds** (Named: Investing) and **Lending** (Named : Financing).
- **Stupendous Segmental Growth : Q2FY19** marked solid growth across business segments. The Total Gross Premium of insurance business (Life and health at Rs. 1657cr) delivered 39% YoY growth, Mutual Fund's asset under management (Rs. 2,71,556 crore) grew 11% YoY and Lending book (Rs. 57,945crore) registered 30% YoY growth.
- **Lending Arm :** It is the **fastest growing business and is chief Revenue (40%) and PBT (83.72%) contributor**. Around 80% of the lending book is from NBFC biz which is well diversified and 20% from Housing Finance biz. In Q2FY19 NBFC's lending book expanded 24% (YoY) & PBT 26% (YoY). Asset quality remained impeccable and stable with GNPA of 0.93% and net NPA of 0.42% despite shift from 180 DPD to 90 DPD. **Area of concern being around Rs.388 crores of lending book is to IL&FS.** Housing Finance loan book grew 170% YoY (for Q2FY19), helped by aggressive foray into affordable housing. The GNPA stood at 0.71% & NNPA at 0.31% for Q2FY19. A stable interest rate scenario and lower inflation trajectory augurs well.
- **Insurance Arm:** ABCL has **been gaining strong traction** in Life insurance. Annualised premium income for H1FY19 was up by 60% YoY vs 10% industry growth. Health insurance is making quick inroads through differentiated product offerings. We expect this Health Insurance division to be PAT accretive by FY21.
- **Asset Under Management Arm:** Mutual Fund business has been **growing steadily**. The equity AUM have crossed Rs. 1 lakh crores with market share of 9.04% (Q2FY19). Key enablers being rising disposal income and financial literacy. **Monthly SIP's registered 3x growth over last couple of years.** The company has added around 2 million folios in last 1 year to reach 6.6 million folios as on 30th September 2018.
- **Financials:** In FY18 ABCL reported total revenue of Rs 13,640 crs (Up 131.75% from FY17) and a PAT of around 1000Crs (Up 45% from FY 17). For Q2FY19 Total revenue was Rs. 3,961 crore (Growth of 33% YoY) and net profit after tax (excluding changes in fair valuation of investments) grew by 23% YoY (at Rs. 255 crores from Rs 207 crores in Q2FY17). Reported PAT after minority interest for Q2FY19 stood at Rs. 195 crores vis-à-vis Rs. 225 crore in Q1FY18 (primarily on account of change in valuation of liability in respect of insurance policies).
- **Outlook:** Strong and seasoned management pedigree, diversified business model, improving economy along with rising disposable income are key pillars to ABCL's growth trajectory. We believe post demerger the company stands more strong and focused; being well positioned to clock 20% plus CAGR on topline for next couple of years. **Lending arm will be key earnings driver** aided by Mutual Fund and Insurance business.
- **Valuation:** ABCL has delivered revenue CAGR of 19% over last 5 years. Going forward we expect 20% CAGR on revenue and 30% CAGR on net profit for next couple of years. **There are multiple business verticals which are potentially high value unlockers, they can re-rate the valuation substantially two years down the line.** Since most of them are in infant stage we thought it prudent not to use SOTP based valuation now. The company is presently trading at 1.9x P/BV on ttm basis and 1.4x P/BV on FY21e. Valuing the company at 2x P/BV based on FY21e, per share price target comes at Rs. 140.

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FAMILY TREE (Businesses of ABCL), respective revenue & earnings contribution (FY'18)

 Rev: Revenue
 Figures in Crores

Source: Company, IndiaNivesh Research

Financial Summary

Rs mn	FY 17	FY18	FY19E	FY20E	FY21E
Total Income	58,230	134,277	161,132	193,359	232,031
PBT	10,657	15,536	24,170	29,004	34,805
PAT	6,912	10,037	13,048	16,963	22,052
EPS (Rs)	3.14	4.56	6	8	10
PBT (%)	18%	12%	15%	15%	15%
ROE (%)	8.09%	9.80%	11.30%	12.81%	14.27%
P/E	NA	31.80	17.0	13.0	10.0
P/BV	NA	3.12	1.9	1.7	1.4

Source: Company, IndiaNivesh Research

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ABCL Subsidiaries

Sr No	Key Subsidiaries	Businesses
1	AB Finance	Providing finance to Personal, SME, Loan Against Securities, Real Estate.
2	AB Housing Finance	Home Finance
3	AB Sun Life AMC	Real Estate Investments ,MF , PMS
4	AB Sun life Insurance	Life Insurance
5	AB PE Advisors	Private equity
6	AB My Universe	Online Personal Finance
7	AB Money	Stocks and Securities
8	AB Health Insurance	Health Insurance
9	AB Wellness	Multiply Smart Wellness
10	AB Insurance Brokers	Motor Insurance, Travel Insurance
11	AB ARC	Asset Restructuring
12	AB Sun Life Pension	Pension Fund

Segmental Revenue and PBT (Rs. Crores)

Mar-18				
Particulars	Revenue	% of Total Revenue	PBT	% of Gross PBT
NBFC	4,480	33.26%	1,114	71.76%
Housing Finance	615	4.57%	24	1.53%
Life Insurance	6,374	47.32%	165	10.63%
Asset Management	1,249	9.27%	492	31.69%
General Insurance Broking	260	1.93%	40	2.58%
Money Broking	162	1.20%	13	0.82%
Health Insurance	245	1.82%	-195	-12.56%
Other Finance	85	0.63%	-100	-6.44%
Total	13,470	100.00%	1,553	100.00%

Source: Company, IndiaNivesh Research

About the Company : Aditya Birla Capital Limited (ABCL) is the holding company of all the financial services businesses of the Aditya Birla Group. With the strong presence across the life insurance, asset management, private equity, corporate lending, structured finance, project finance, general insurance broking, wealth management, equity, currency and commodity broking, online personal finance management, housing finance, pension fund management and health insurance business. ABCL's PAN India reach has more than 2,00,000 agents / channel partners. Promoter's shareholding stands at 72.74% as of 30th September 2018. Significant Promoter holdings include Grasim (55.98%) , Hindalco (1.79%) and Piani Investments (1.52%). Significant Non Promoter Holdings are those of PI Opportunities fund (2.54%) and LIC (2.43%).

RESEARCH

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